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

F.I.L.A. GROUP
2020 ANNUAL REPORT

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

Via XXV Aprile 5 Pero (MI)

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I - General information

Corporate Bodies

Board of Directors

Chairman	Giovanni Gorno Tempini
Honorary Chairman	Alberto Candela
Chief Executive Officer	Massimo Candela
Executive Director	Luca Pelosin
Director (**)	Annalisa Barbera
Director (*)(**)	Filippo Zabban
Director (*)(**)(***)	Gerolamo Caccia Dominioni
Director (*)(**)	Francesca Prandstraller
Director (*)(**)	Paola Bonini
Director (*)(**)	Alessandro Potestà

(*) Independent director in accordance with Article 148 of the Consolidated Finance Act and Article 3 of the Code of Conduct.

(**) Non-Executive Director.

(***) Lead Independent Director.

Control, Risks and Related Parties Committee

Gerolamo Caccia Dominioni
Paola Bonini
Filippo Zabban
Alessandro Potestà

Remuneration Committee

Francesca Prandstraller
Annalisa Barbera
Filippo Zabban
Paola Bonini

Board of Statutory Auditors

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

Independent Auditors

KPMG S.p.A.

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

The F.I.L.A. Group operates in the creativity tools market, producing and marketing colouring, design, modelling, writing and painting objects, such as pencils, crayons, modelling clay, chalk, oil colours, acrylics, watercolours, paints and paper for the fine arts, school and leisure.
The F.I.L.A. Group at the reporting date operates through 21 production facilities and 35 subsidiaries across the globe and employs over 8,000 people, becoming a pinnacle for creative solutions in many countries with brands such as GIOTTO, DAS, LYRA, Canson, Maimeri, Daler-Rowney Lukas, Ticonderoga, Pacon, Strathmore, Princeton and Arches.

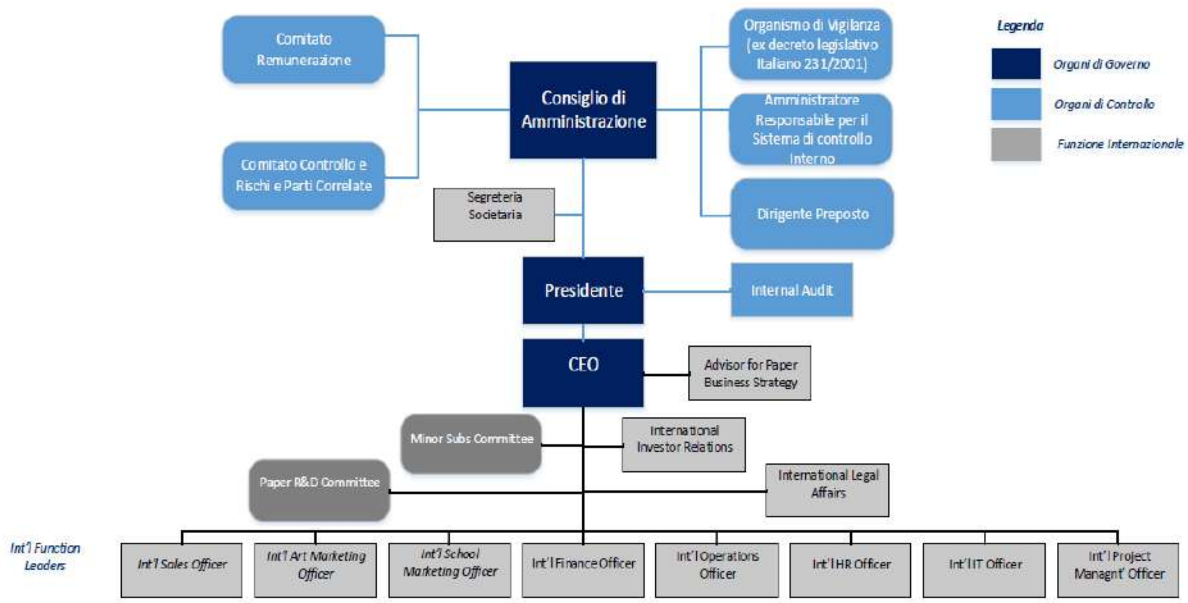
Founded in Florence in 1920 by two noble Tuscan families, the della Gherardesca and Marchesi Antinori Counts, F.I.L.A. S.p.A. (hereafter also the “Parent” or “Issuer”) has achieved strong international growth in the past 20 years, supported by a series of strategic acquisitions. Over the years, the Parent 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 fine arts. 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 on development through strategic Art&Craft sector acquisitions, seeking to become the leading market player. On February 3, 2016, F.I.L.A. S.p.A. acquired control of the Daler-Rowney Lukas Group, an illustrious brand producing and distributing materials and accessories on the arts and crafts market since 1783, with a direct presence in the United Kingdom, the Dominican Republic, Germany and the USA (ix). In September 2016, the F.I.L.A. Group acquired the entire share capital of St. Cuthberts Holding Limited and the operating company St. Cuthberts Mill Limited, a highly-renowned English paper mill, founded in 1907, located in the south-west of England and involved in the production of high quality artist’s papers (x). In October 2016, F.I.L.A. S.p.A. acquired the Canson Group, founded in 1557 by the Montgolfier family, with headquarters in Annonay in France, production facilities in France and conversion and distribution centres in Italy, France, China, Australia and Brazil. Canson products are available in over 120 countries and the brand is the most respected globally involved in the production and distribution of high added value paper for the fine arts, design, leisure and schools, but also for artists' editions and technical and digital drawing materials (xi)

In June 2018, F.I.L.A. S.p.A., through its US subsidiary Dixon Ticonderoga Co., 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 arts business unit of the company specialised in fine arts 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).

Organisational structure

The F.I.L.A. S.p.A. organisational structure is reported below. – DA TRADURRE



DIRECTORS' REPORT

II - Directors' Report

Macroeconomic overview

The year 2020 was characterised by the spread of the COVID-19 pandemic (the "coronavirus") and the restrictive containment measures consequently implemented by the Governments of the countries affected. The health emergency, which is still going on in the early months of 2021, has had very strong social impacts and direct or indirect repercussions on general economic performance and the propensity to consume and invest. This situation is clearly reflected in the decrease in GDP seen in almost all regions in which the Group operates, with the exception of China, which showed an increase in GDP, albeit to a lesser degree than in 2019.

The F.I.L.A. Group's target market was characterized by partial or total school closures from the beginning of the pandemic until the end of the year, with remote learning adopted almost everywhere. This situation penalized sales particularly in regions such as Mexico and India where the market is focused more on school products and the presence of the online sales channel is limited. On the other hand, sales in Europe and North America were substantially in line with the previous year, thanks to a less massive closure of schools, a more developed online sales channel and a greater presence of consumers of Fine Arts products. The European market experienced weak growth, additionally impacted by the launch of the European logistics hub in the first quarter, with revenue slowing at the start of the year due to the necessary set-up operations.

During 2020 the management focused closely on maximum containment of fixed costs and investments, seeking to minimize the adverse impacts of the pandemic on the Group's financial performance and position. Great attention was paid to maintaining robust cash flow, in particular by constantly monitoring customers' accounts.

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

		December 31, 2020		December 31, 2019	
	Country	**Inflation**	**GDP**	**Inflation**	**GDP**
Euro zone	Italy	(0.14%)	(6.58%)	0.61%	0.46%
	Spain	(0.32%)	(9.05%)	0.70%	1.86%
	Portugal	(0.01%)	(6.11%)	0.34%	1.98%
	Greece	(1.25%)	(7.91%)	0.17%	2.29%
	France	0.48%	(4.94%)	1.11%	1.42%
	Turkey	12.28%	5.04%	15.18%	0.47%
	Germany	0.51%	(3.65%)	1.45%	0.64%
	Poland	3.40%	(2.74%)	2.31%	4.06%
	Sweden	0.50%	(2.14%)	1.78%	1.72%
North America	U.S.A.	1.23%	(2.44%)	1.81%	2.07%
	Canada	0.72%	(3.23%)	1.95%	1.65%
Latin America	Mexico	3.40%	(4.48%)	3.64%	(0.22%)
	Chile	3.05%	(10.25%)	2.56%	2.82%
	Argentina	42.02%	(10.09%)	53.55%	(1.10%)
BRICs	China	n.a.	6.50%	2.9%	6.00%
	India	5.56%	0.07%	7.66%	4.66%
	Brazil	3.21%	(1.24%)	3.73%	1.17%
	Russia	3.38%	(3.33%)	4.47%	1.63%
Others	South Africa	3.22%	(4.16%)	4.12%	0.21%
	Australia	0.85%	(1.12%)	1.61%	1.74%

Source: OECD, March 2021

Financial Highlights

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

Euro thousands	2020	% revenue	2019	% revenue	Change 2020 - 2019		*Normalizations* of which: IFRS 16 FTA effects [3]	of which: Non-Recurring expenses
Revenue from sales and services	607,382	*100,0%*	682,686	*100,0%*	(75,304)	*-11.00%*		*(784)*
Gross operating profit [1]	95,051	*15.6%*	105,923	*15.5%*	(10,873)	*-10.3%*	*13,884*	*(14,184)*
Operating profit	49,518	*8.2%*	60,048	*8.8%*	(10,530)	*-17.5%*	*2,041*	*(14,184)*
Net financial expense	(35,231)	*-5.8%*	(30,279)	*-4.4%*	(4,952)	*-16.4%*	*(5,758)*	*(200)*
Total taxes	(6,165)	*-1.0%*	(3,663)	*-0.5%*	(2,502)	*-68.3%*	*800*	*(2,126)*
F.I.L.A. Group Profit attributable to the owners of the Parent	8,607	*1.4%*	24,000	*3.5%*	(15,393)	*-64.1%*	*(2,784)*	*(11,684)*

Earnings per share (€ cents)		2020	2019
	basic	*0.17*	*0.47*
	diluted	*0.17*	*0.46*

NORMALISED - Euro thousands	2020	% revenue	2019	% revenue	Change 2020 - 2019		*of which: Fila Arches*
Revenue	608,167	*100,0%*	687,360	*100,0%*	(79,193)	*-11.5%*	*4,856*
Gross operating profit [1]	95,351	*15.7%*	110,834	*16.1%*	(15,483)	*-14.0%*	*2,728*
Operating profit	61,661	*10.1%*	78,417	*11.4%*	(16,756)	*-21.4%*	*1,810*
Net financial expense	(29,273)	*-4.8%*	(24,728)	*-3.6%*	(4,545)	*-18.4%*	*(772)*
Total taxes	(9,091)	*-1.5%*	(8,305)	*-1.2%*	(786)	*-9.5%*	*(618)*
F.I.L.A. Group Net Profits attributable to the owners of the Parent	23,075	*3.8%*	43,133	*6.3%*	(20,058)	*-46.5%*	*1,655*

Earnings per share (€ cents)		2020	2019
	basic	*0.45*	*0.85*
	diluted	*0.44*	*0.84*

Euro thousands	2020	2019	Change 2020 - 2019
Cash flows from operating activities	74,387	113,305	(38,918)
Investments	(10,175)	(19,010)	8,835
% revenue	*1.7%*	*2.8%*	

Euro thousands	2020	2019	Change 2020 - 2019	*of which: IFRS16 FTA effects*	*of which: Fila Arches*
Net capital employed	824,731	855,501	(30,770)	78,391	41,999
Net Financial debt [2]	(493,456)	(498,150)	4,694	(84,885)	1,133
Equity	(331,275)	(357,351)	26,076	6,494	2,060

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

[2] Indicator of the net financial position, calculated as the aggregate of the current and non-current financial debt, net of cash and cash equivalents and current financial assets and loans provided to third parties classified as non-current assets. The net financial position as per CONSOB Communication DEM/6064293 of July 28, 2006 excludes non-current financial assets. The non-current financial assets of the F.I.L.A. Group at December 31, 2020 amount to Euro 2,614 thousand, of which Euro 68 thousand included in the calculation of the net financial position; therefore the F.I.L.A. Group financial indicator does not equate, for this amount, with the net financial position as defined in the above-mentioned Consob communication. For further details, see paragraph 'Financial Overview" of the Report below.

2020 Adjustments:

- The adjustment to the “Revenues from sales and services” mainly concerns returns as a result of disputes with customers, related to the economic and social effects of the COVID-19 pandemic;
- The adjustment to the 2020 gross operating profit relates to non-recurring operating expense of approx. Euro 14.2 million, mainly for the expense concerning the corporate transaction for the acquisition of the ARCHES business unit for Euro 6.3 million, the costs incurred to deal with the pandemic and the inefficiencies on both the production and supply chain caused by the impact of COVID-19 for Euro 6.3 million and, residually, reorganisation costs of the F.I.L.A. Group for Euro 1.4 million;
- The adjustment to the operating profit was Euro 14.2 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 new loan to support the M&A transaction;
- The adjustment to the 2020 profit attributable to the owners of the parent concerns the above adjustments, net of the tax effect.

2019 Normalisations:

- The adjustment to the 2019 gross operating profit relates to non-recurring operating expense of approx. Euro 17.9 million, principally for Group reorganisation plans and particularly in North America and Europe;
- The adjustment to the operating profit (Euro 2.9 million) relates to the impairment losses on goodwill pertaining to the sale of the “Superior” business;
- The adjustment to the 2019 profit attributable to the owners of the parent concerns the above adjustments, net of the tax effect.

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

The alternative performance measures used are illustrated below:

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

The table below presents a reconciliation of the 2020 profit for the year with the gross operating profit:

Euro thousands	2020	2019
Profit/(loss) attributable to non-controlling interests	(485)	2,105
Profit/(loss) attributable to the owners of the parent	8,607	24,000
Profit for the year	**8,122**	**26,105**
Income taxes	**6,165**	**3,663**
Current taxes	*7,353*	*10,827*
Deferred taxes	*(1,188)*	*(7,164)*
Amortisation, depreciation and impairment losses	**45,553**	**45,876**
Financial items	**35,231**	**30,279**
Financial income	*(2,348)*	*(3,971)*
Financial expense	*37,850*	*34,437*
Share of losses of equity-accounted investees	*(271)*	*(187)*
Gross operating profit	**95,051**	**105,923**

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

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

Euro thousands	2020	2019
Gross operating profit	**95,051**	**105,923**
Non-recurring expense	14,184	17,864
IFRS 16 effect	(13,884)	(12,954)
Adjusted gross operating profit	**95,351**	**110,834**

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

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

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

Euro thousands	2020	2019
Operating profit	**49,518**	**60,048**
Non-recurring expense	14,184	17,864
Impairment losses on Intangible assets	-	2,936
IFRS 16 effect	(2,041)	(2,431)
Adjusted Operating profit	**61,661**	**78,417**

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

The Group defines the adjusted profit attributable to the owners of the parent and net of IFRS 16 effects as the Group profit for the year, gross of: (i) non-recurring expense, (ii) and net of IFRS 16 effects.
The following is the reconciliation of the Profit of the Group with the adjusted Group profit net of IFRS 16 effects:

Euro thousands	2020	2019
Group Profit of the year	**8,607**	**24,000**
Non-recurring expense	11,684	16,710
IFRS 16 effect	2,784	2,423
Adjusted Group Profit of the year	**23,075**	**43,133**

Net financial position (or net financial debt): this is a valid measure of the F.I.L.A. Group's financial structure. It is calculated as the aggregate of the current and non-current financial debt net of cash and cash equivalents and of current and non-current financial assets relating to derivative instruments. The net financial position as per CONSOB Communication DEM/6064293 of July 28, 2006 excludes non-current financial assets. Non-current financial assets amount to Euro 68 thousand at December 31, 2020 and to Euro 1,070 thousand at December 31, 2019. Accordingly, the F.I.L.A. Group financial indicator at December 31, 2020 and December 31, 2019 differs by those amounts from the net financial position as defined in the above-mentioned Consob communication.

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

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

Normalised financial performance net of IFRS 16 effects

The 2020 normalised gross operating profit, net of IFRS 16 effects, decreased by -14.0% compared to the previous year, 2019.

NORMALISED NET OF IFRS 16 EFFECTS - Euro thousands	2020	*% revenue from sales and services*	2019	*% revenue from sales and services*	Change 2020 - 2019	
Revenue from sales and services	*608,167*	*100%*	687,360	*100%*	(79)	*-11,5%*
Other revenue and income	7,155		6,544		1	*9,3%*
Total revenue	**615,322**		**693,904**		**(79)**	***-11,3%***
Total operating expense	(519,971)	*-85,5%*	(583,070)	*-84,8%*	63	*10,8%*
Gross operating profit	**95,351**	***15,7%***	**110,834**	***16,1%***	**(15)**	***-14,0%***
Amortisation, depreciation and impairment losses	(33,690)	*-5,5%*	(32,417)	*-4,7%*	(1)	*-3,9%*
Operating profit	**61,661**	***10,1%***	**78,417**	***11,4%***	**(17)**	***-21,4%***
Net financial expense	(29,273)	*-4,8%*	(24,728)	*-3,6%*	(5)	*-18,4%*
Pre-tax profit	**32,388**	***5,3%***	**53,689**	***7,8%***	**(21)**	***-39,7%***
Total taxes	(9,091)	*-1,5%*	(8,305)	*-1,2%*	(1)	*-9,5%*
Profit for the year	**23,297**	***3,8%***	**45,384**	***6,6%***	**(22)**	***-48,7%***
Non-controlling interest	222	*0,0%*	2,250	*0,3%*	(2)	*-90,1%*
F.I.L.A. Group Profit attributable to the owners of the Parent	**23,075**	***3,8%***	**43,133**	***6,3%***	**(20)**	***-46,5%***

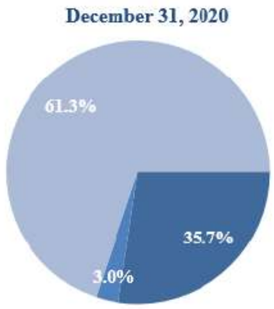
The main changes compared to 2019 are illustrated below:

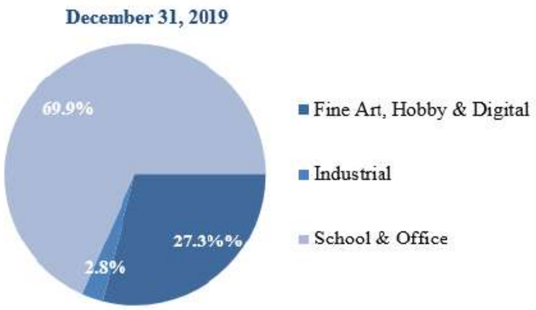
"Revenue from sales and services" of Euro 608,167 thousand decreased on 2019 by Euro 79,193 thousand (-11.5%). Net of the negative currency effect of Euro 16,947 thousand (related to all the main Group currencies and in particular the deterioration of the US Dollar, the Indian Rupee and the main Central-South American currencies against the Euro), the organic contraction was Euro 62,246 thousand (-9.1%). This decrease, improving on the first nine months of 2020 thanks to the partial reopening of schools in Europe and North America and the excellent Fine arts business performance in the fourth quarter, relates to the global contraction in consumption as a result of the impacts of the COVID-19 pandemic across the world and particularly the closure of schools, which extended far beyond initial expectations in India and Mexico, regions in which the schools-related business and the significant lack of online alternative to the classic sales channels are important factors.

Looking to the geographical segments, this result related to Asia for Euro 33,981 thousand (-38.3%), Central-South America for Euro 30,960 thousand (-45.8%), partially offset by North America for Euro 1,311 thousand (0.4%), Europe for Euro 915 thousand (0.4%) and Euro 469 thousand (15.7%) by the increase in the rest of the world.

2020 Revenue from sales and services also includes Fila Arches from March 2020 for Euro 4,856 thousand, while 2019 Revenue from sales and services included revenue from the "Superior" brand for Euro 5,392 thousand, which was sold in October 2019.

In order to better illustrate F.I.L.A. Group revenue, the table below highlights revenue by strategic segment compared with the previous year (the School & Office strategic business segment, the Fine Arts, Hobby & Digital strategic business segment and, to a residual extent, industrial products):





This analysis highlights the impacts of the Covid-19 pandemic and the resulting 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 7,155 thousand increased by Euro 611 thousand on the previous year, mainly due to lower exchange gains on commercial transactions.
Operating expense in 2020 of Euro 519,971 thousand decreased by Euro 63,099 thousand on 2019, due to - in addition to the currency effect almost mirroring that of revenue from sales and services- the decrease in revenue from sales and service and the actions taken by management to contain commercial, marketing, administrative and personnel overheads. The reduction of personnel overheads was achieved through the use of accrued holidays, mechanisms similar to furlough and through reducing the workforce (mainly of temporary workers) where feasible.

Gross Operating Profit was Euro 95,351 thousand, a decrease of Euro 15,483 thousand on 2019 (-14.0%).

"Amortisation, depreciation and impairment losses" rose by Euro 1,273 thousand, mainly due to higher amortisation and depreciation resulting from investments.

"Net financial expense" increased by Euro 4,545 thousand, due solely to greater exchange losses on financial transactions for approximately Euro 7,756 thousand.

Adjusted "Total taxes" were Euro 9,091 thousand, increasing exclusively due to deferred tax liabilities, attributable to a release of deferred tax liabilities in 2019 by the US subsidiary following a reduction in the federal tax rate as a result of the mergers in 2019 between the US companies.

Net of the profit attributable to non-controlling interests, the F.I.L.A. Group normalised profit in 2020 was Euro 23,075 thousand compared to Euro 43,133 thousand in the previous year.

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

The quarterly breakdown of profit or loss shows the concentration of sales in the second and third quarters in conjunction with the "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 2020 and 2019 are reported below:

	2019				2020			
Euro thousands	First 3 mth. 2019	First 6 mth. 2019	First 9 mth. 2019	FY 2019	First 3 mth. 2020	First 6 mth. 2020	First 9 mth. 2020	FY 2020
Reve nue from sales and services	**143,811**	**350,703**	**535,858**	**682,686**	**145,769**	**307,518**	**471,129**	**607,382**
Full year portion	21,07%	51,37%	78,49%	100,00%	24,00%	50,63%	77,57%	100,00%
Gross operating profit	**18,490**	**59,938**	**90,244**	**105,923**	**14,873**	**45,166**	**78,527**	**95,051**
% revenue from sales and services	12,86%	17,09%	16,84%	15,50%	10,20%	14,69%	16,67%	15,63%
Full year portion	17,47%	56,64%	85,28%	100,00%	15,65%	47,52%	82,62%	100,00%
Adjusted gross operating profit	**18,418**	**58,226**	**88,157**	**110,834**	**16,799**	**46,162**	**78,062**	**95,351**
% revenue from sales and services	12,81%	16,60%	16,45%	16,10%	11,52%	15,01%	16,57%	15,70%
Full year portion	16,65%	52,63%	79,68%	100,00%	17,62%	48,41%	81,87%	100,00%
Net Financial Debt	**(578,278)**	**(602,365)**	**(583,771)**	**(498,150)**	**(584,592)**	**(611,266)**	**(568,987)**	**(493,456)**

Statement of Financial Position

The F.I.L.A. Group's financial highlights at December 31, 2020 are as follows.

Euro thousands	December 31, 2020	December 31, 2019	Change 2020 - 2019
Intangible assets	435,990	430,609	5,381
Property, plant & equipment	171,489	186,013	(14,524)
Financial assets	3,680	3,690	(10)
Net non-current assets	**611,158**	**620,313**	**(9,155)**
Other Non-Current Assets/ Liabilities	**20,242**	**18,347**	**1,895**
Inventories	256,288	258,409	(2,121)
Trade receivables and other assets	115,929	141,339	(25,410)
Trade payables and other liabilities	(100,542)	(108,670)	8,128
Other current assets and liabilities	4,908	3,800	1,108
Net working capital	**276,582**	**294,880**	**(18,298)**
Provisions	**(83,252)**	**(78,039)**	**(5,213)**
Net invested capital	**824,731**	**855,501**	**(30,770)**
Equity	**(331,275)**	**(357,351)**	**26,076**
Net financial debt	**(493,456)**	**(498,150)**	**4,694**
Net funding sources	**(824,731)**	**(855,501)**	**30,770**

The F.I.L.A. Group's net invested capital of Euro 824,731 thousand at December 31, 2020 was composed of net non-current assets of Euro 611,158 thousand (down by Euro 9,155 thousand on December 31, 2019), net working capital of Euro 276,582 thousand (down by Euro 18,298 thousand on December 31, 2019) and other non-current assets/liabilities of Euro 20,242 thousand (up by Euro 1,895 thousand on December 31, 2019), net of provisions of Euro 83,252 thousand (Euro 78,039 thousand at December 31, 2019).

"Intangible assets" increased on December 31, 2019 by Euro 5,381 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 the Purchase Price Allocation method, carried out as per the applicable reporting standards. In addition, net investments of Euro 1,817 thousand mainly carried out by the parent F.I.L.A. S.p.A., of Euro 1,644 thousand for the roll-out of the SAP system were recognised along with amortisation for the year of Euro 15,311 thousand and net exchange losses for the year of Euro 25,102 thousand.

"Property, plant and equipment" decreased on December 31, 2019 by Euro 14.524 thousand due to the decrease of Euro 9,018 thousand in Property, Plant and Equipment and the decrease in rights-of-use assets of Euro 5,506 thousand.

Net investments in "Property, Plant and Equipment" for the year amounted to Euro 8,932 thousand and were principally undertaken by DOMS Industries Pvt Ltd (India) and Dixon Ticonderoga Company (U.S.A.), for the extension and development of their local production and logistics plants. There was also an increase due to the acquisition of the Arches business line for Euro 4,283 thousand. This change is mainly offset by depreciation of Euro 16,361 thousand and net exchange losses of Euro 5,703 thousand.

"Financial assets" did not change significantly on December 31, 2019 (a decrease of Euro 10 thousand).

The decrease in "Net working capital" of Euro 18,214 thousand relates to the following:

- "Inventories" – decline of Euro 2,121 thousand, due mainly to exchange losses of approximately Euro 17,806 thousand. This decrease was partially offset by the net increase in stock at the F.I.L.A. Group for approx. Euro 12,835 thousand, particularly in North America and Mexico, mainly due to the COVID-19 pandemic which resulted in slowdowns in processing orders, in addition to the impact of the change in the consolidation scope for a total of Euro 2,702 thousand in the year;
- "Trade receivables and other assets" – decreasing by Euro 25,410 thousand, mainly due to improved collections, principally in North America and also due to the contraction of South American and Indian turnover as a result of the COVID-19 pandemic. Negative currency effects of Euro 11,358 thousand were also recognised;
- Trade payables and other liabilities – decreasing Euro 8,128 thousand, mainly at Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and Canson SAS (France), mainly due to lower purchases. The decrease was amplified by exchange gains of Euro 4,281 thousand, mainly relating to the trade payables account.

The increase in "Provisions" on December 31, 2019 of Euro 5,213 thousand mainly concerns the:

- Increase in "Deferred tax liabilities" of Euro 4,261 thousand, mainly 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. This was offset by positive currency effects of Euro 4,386 thousand;
- Decrease in "Provisions for Risks and Charges" of Euro 1,213 thousand, due to utilisations in the year, mainly by the North American subsidiary;
- The increase in "Employee Benefits" of Euro 2,165 thousand, mainly due to the actuarial losses recognised by Group companies.

"Equity" attributable to owners of the Parent, amounting to Euro 331,275 thousand, decreased on December 31, 2019 by Euro 26,076 thousand. Further to the net profit of Euro 8,122 thousand (of which a negative Euro 485 thousand concerning non-controlling interests), the residual movement mainly concerned the decrease in the currency reserve of Euro 26,349 thousand and the "Actuarial Gains/Losses" reserve of Euro 1,086 thousand and the negative movement in the IRS fair value hedge for Euro 6,009 thousand.

F.I.L.A. Group's net financial debt at December 31, 2020 was Euro 493,456 thousand, improving Euro 4,694 thousand on December 31, 2019. For greater details, reference should be made to the "Financial overview" section.

Financial overview

The Group's net financial debt at December 31, 2020 and cash flows for the year then ended are summarised in the following to complete the discussion about its financial position and financial performance.

The **Net Financial Debt** at December 31, 2020 was Euro 493,456 thousand:

	Euro thousands	December 31, 2019	December 31, 2018	Change 2019 - 2018
A	Cash	114	135	(21)
B	Other cash equivalents	126,991	100,057	26,934
C	Securities held for trading	-	-	-
D	**Cash and cash equivalents (A + B + C)**	**127,105**	**100,192**	**26,913**
E	**Current loan assets**	**622**	**169**	**453**
F	Current bank loans and borrowings	(83,757)	(79,511)	(4,246)
G	Current portion of non-current debt	(29,658)	(15,008)	(14,650)
H	Other current loans and borrowings	(12,636)	(8.187)	(4,449)
I	**Current financial debt (F + G + H)**	**(126,052)**	**(102,706)**	**(23,346)**
J	**Net current financial debt (I + E+ D)**	**1,676**	**(2,355)**	**4,021**
K	Non-current bank loans and borrowings	(399,506)	(402,546)	3,040
L	Bonds issued	-	-	-
M	Other non-current loans and borrowings	(95,692)	(94,328)	(1,364)
N	**Non-current financial debt (K + L + M)**	**(495,198)**	**(496,874)**	**1,675**
O	**Net financial debt (J+N)**	**(493,522)**	**(499,219)**	**5.697**
P	**Loans issued to third parties**	**68**	**1.070**	**(1.002)**
Q	**Net financial debt (O + P) - F.I.L.A. Group**	**(493,456)**	**(498,150)**	**4,694**

Compared to December 31, 2019 (debt of Euro 498,150 thousand), net financial debt decreased by Euro 4,694 thousand, as outlined below in the Statement of Cash Flows:

Euro thousands	**December 2020**	**December 2019**
Operating profit net of IFRS 16 effect	47,478	57,617
Adjustments for non-cash items net of IFRS 16 effect	34,476	38,222
Income taxes	(8,393)	(12,659)
Cash Flows from Operating Activities Before Changes in NWC	**73,560**	**83,180**
Change in NWC	**(7,166)**	**15,306**
Change in Inventories	(12,835)	6,021
Change in Trade receivables and Other Assets	10,404	11,609
Change in Trade payables and Other Liabilities	(1,962)	1,349
Change in Other Current Assets/Liabilities	(2,773)	(3,672)
Net cash Flows from Operating Activities	**66,395**	**98,486**
Investments in Property, Plant and Equipment and Intangible assets	(10,175)	(19,010)
Interest income	560	-
Net cash Flows used in Investing Activities	**(9,615)**	**(19,010)**
Change in Equity	(222)	(4,261)
Interest Expense	(21,485)	(23,821)
Net cash Flows from (used in) Financing Activities	**(21,706)**	**(28,082)**
Other changes	(5,521)	2,245
Total Net Cash Flows	**29,552**	**53,640**
Effect of exchange losses	21,053	(6,030)
Mark to mark hedging adj	(5,196)	(8,470)
NFD change due to IFRS16 FTA	2,885	(87,770)
NFD from M&A Transactions (Change in Consolidation Scope)	(43,600)	3,242
Change in Net Financial Debt	**4,694**	**(45,390)**

The net cash flows generated by operating activities of Euro 66,395 thousand (compared to Euro 98,486 thousand in 2019) are due to:

- Inflows of Euro 73,560 thousand (Euro 83,180 thousand in 2019) from operating profit, calculated as the difference of operating costs and revenue from sales and services plus other operating items, excluding financial items;
- Outflows of Euro 7,166 thousand (positive Euro 15,306 thousand in 2019) attributable to working capital movements, primarily related to the increase in inventories and the decrease in trade payables and other liabilities, partially offset by the decrease in trade receivables and other assets.

Investing activities used net cash flows of Euro 9,615 thousand (Euro 19,010 thousand in 2019), mainly due to the use of cash for Euro 10,175 thousand (Euro 19,010 thousand in 2019) for property, plant and equipment and intangible asset investment, particularly regarding DOMS Industries Pvt Ltd (India), Dixon Ticonderoga Company (U.S.A.) and F.I.L.A. S.p.A.

Financing activities used net cash flows of Euro 21,706 thousand (Euro 28,082 thousand used in 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 exchange gains from the translation of the net financial positions in currencies other than the Euro (Euro 21,053 thousand), the Mark-to-Market hedging adjustments of Euro 5,196 thousand and the negative impact of the application of IFRS 16, ofEuro 2,885 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 Euro 4,694 thousand (a Euro 45,390 thousand increase in debt in 2019).

Changes in cash and cash equivalents are detailed below:

Euro thousands	**December 2020**	**December 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	**116,306**	**85,579**
Cash and cash equivalents	127,105	100,191
Current account overdrafts	(10,799)	(14,612)

Segment reporting

In terms of segment reporting, the F.I.L.A. Group has adopted IFRS 8.

IFRS 8 requires an entity to base segment reporting on internal reporting, which is regularly reviewed by the entity's chief operating decision maker to allocate resources to the various segments and assess performance.

Geographical segments are the primary basis of analysis and of decision-making by the F.I.L.A. Group's management, therefore fully in line with the internal reporting prepared for these purposes.

In particular, the Group's business is divided into five business segments, each of which is composed of various geographical 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 on the association between the geographical segments and F.I.L.A. group companies, reference should be made to the attachments to this report in the "List of companies included in the consolidation scope and other equity investments" section.

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

Business Segments – Statement of financial position

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

December 31, 2020 *Euro thousands*	Europe	North America	Central & South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Intangible Assets	140,829	211,481	1,032	20,751	-	61,897	435,990
Property, plant & equipment	65,009	48,403	21,558	36,030	489	-	171,489
Total non-current assets	**205,838**	**259,884**	**22,590**	**56,781**	**489**	**61,897**	**607,479**
of which Intercompany	*(76)*						-
Inventories	84,282	110,946	36,790	27,194	1,965	(4,889)	256,288
Trade receivables and Other assets	79,310	30,280	36,411	13,845	1,331	(45,248)	115,929
Trade payables and other liabilities	(73,702)	(36,657)	(14,494)	(16,751)	(3,685)	44,747	(100,542)
Other Current Assets and Liabilities	2,151	2,299	382	76	-	-	4,908
Net Working Capital	**92,041**	**106,868**	**59,089**	**24,364**	**(389)**	**(5,390)**	**276,583**
of which Intercompany	*(11,661)*	*1,915*	*2,676*	*(1,425)*	*3,104*		
Net Financial Debt	**(208,813)**	**(231,068)**	**(41,077)**	**(8,777)**	**(2,481)**	**(1,240)**	**(493,456)**
of which Intercompany	*140*						

December 31, 2019 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Intangible Assets	106,092	236,959	1,517	24,904	0	61,137	430,609
Property, plant & equipment	67,576	49,328	26,028	42,839	242	-	186,013
Total non-current assets	**173,668**	**286,287**	**27,545**	**67,743**	**242**	**61,137**	**616,622**
of which Intercompany	*(76)*						-
Inventories	88,746	104,253	36,068	29,814	2,548	(3,020)	258,409
Trade Receivables and other assets	74,994	40,992	55,098	15,420	1,463	(46,628)	141,339
Trade payables and other liabilities	(71,699)	(34,421)	(22,923)	(21,434)	(3,179)	44,986	(108,670)
Other Current Assets and Liabilities	1,465	2,700	153	(518)	-	-	3,800
Net Working Capital	**93,506**	**113,524**	**68,396**	**23,282**	**832**	**(4,662)**	**294,878**
of which Intercompany	*(10,153)*	*1,906*	*3,169*	*(2,340)*	*2,756*		
Net Financial Debt	**(189,531)**	**(256,843)**	**(42,913)**	**(7,599)**	**(2,185)**	**921**	**(498,150)**
of which Intercompany	*921*						

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Business Segments – Statement of comprehensive income

The group's key statement of comprehensive income figures broken down by geographical segment for the years ended December 31, 2020 and December 31, 2019, are reported below:

2020 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Core Business Revenue	297,426	322,177	61,105	85,927	3,369	(162,622)	607,382
of which Intercompany	*(84,940)*	*(12,546)*	*(30,762)*	*(34,217)*	*(158)*		
Gross operating profit (loss)	36,426	45,704	4,423	10,445	(368)	(1.579)	95,051
Operating profit (loss)	18,525	29,632	946	2,721	(1,076)	(1,230)	49,518
Net financial income (expense)	(11,077)	(13,188)	(7,127)	1.673	(116)	(5,628)	(35,231)
of which Intercompany	*1,611*	*(5,372)*	*156*	*(2.464)*	*99*		
Profit (loss) for the year	7,757	9,838	(5.898)	3,941	(1,035)	(6,481)	8,122
Non-controlling interests	314	248	-	(1,044)	(3)	-	(485)
Profit attributable to the owners of the Parent	7,445	9,590	(5.898)	4,985	(1,032)	(6,481)	8,607

2019 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Core Business Revenue	288,622	323,217	96,868	124,616	3,166	(153,803)	682,686
of which Intercompany	*(76)*	*(13)*	*(29)*	*(36)*	*(172)*		
Gross operating profit (loss)	33,586	40,246	12,526	19,658	(947)	,854	105,923
Operating profit (loss)	17,051	25,951	7,779	12,160	(1.096)	(1,797)	60,048
Net financial income (expense)	8,951	(10,274)	(8,486)	(845)	(92)	(19,533)	(30,279)
of which Intercompany	*(17)*	*(3)*					
Profit (loss) for the year	21,134	20,048	(990)	8,807	(1,165)	(21,729)	26,105
Non-controlling interests	81	-	-	2.025	(1)	-	2,105
Profit attributable to the owners of the Parent	21,053	20,048	(990)	6,782	(1,164)	(21,729)	24,000

Core business revenue→ Revenue

Business Segments – Other Information

The "Other information", i.e. the group companies' property, plant and equipment and intangible assets broken down by geographical segment for the year ended December 31, 2020 and December 31, 2019, is reported below:

December 31, 2020 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
Intangible assets	1,766	17	-	34	-	1,817
Property, plant and equipment	2,162	2,395	822	3,380	174	8,932
Right-of-use assets	2,226	8,950	1,332	(627)	326	12,207
Net investments	**6,154**	**11,362**	**2,154**	**2,787**	**500**	**22,956**

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

**Includes initial recognition of Euro 75,164 thousand*

Income from the sale of property, plant and equipment during the year amounted to Euro 574 thousand.

Investments

Group investments for the year totalled Euro 10,749 thousand, broken down between "Intangible Assets" for Euro 1,817 thousand and "Property, Plant and Equipment" for Euro 8,932 thousand, undertaken both to achieve leaner production and to support sales volume growth.

The main investments in intangible assets concerned F.I.L.A. S.p.A. for the ongoing implementation of the new ERP system for Euro 1,644 thousand and residually "Concessions, Licenses, Trademarks and Similar Rights".

Investments in Land for Euro 112 thousand refer to the Indian subsidiary DOMS Industries Pvt Ltd which over recent years has acquired lands close to the main production plant in order to extend the centralised storage and production site.

Investments in "Buildings" amount to Euro 2,125 thousand, mainly incurred by DOMS Industries PVT Ltd (Euro 1,617 thousand) and are due to the centralised storage and production site extension plan, whereas capitalisations of work in progress amount to Euro 525 thousand.

Investments in "plant and machinery" of F.I.L.A Group were Euro 4,283 thousand, mainly incurred by DOMS Industries Pvt Ltd (India) for Euro 2,603 thousand, and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 602 thousand. In addition, capitalisations of assets under construction were made for Euro 3,507 thousand.

"Assets under construction" include internal constructions undertaken by the individual companies of the Group which are not yet operational. The carrying amount at December 31, 2020 was Euro 1,099 thousand, decreasing on the previous year end by Euro 3,342 thousand, mainly due to the transfer to assets, principally by the US subsidiary Dixon Ticonderoga Company (Euro 1,850 thousand) and by the French subsidiary Fila Arches (Euro 1,503 thousand).

Other Information

Management and control

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

Treasury shares

At December 31, 2020, the Company did not hold any treasury shares.

Research and development and quality control

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

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

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

Research and development focuses essentially on the following:

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

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

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

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

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

Euro thousands	R&D			Quality Assurance		
Geographical segment	**Workers**	**Personnel expense**	**Other related Costs**	**Workers**	**Personnel expense**	**Other related Costs**
Europe	24	1,037	13	16	724	465
North America	-	-	-	3	249	52
Central-South America	21	247	71	25	173	60
Asia	24	280	45	89	331	71
Total	**69**	**1,563**	**129**	**133**	**1,476**	**647**

Quality Assurance → Quality Control

Related party transactions

For the procedures adopted in relation to transactions with related parties, also in accordance with Article 2391-bis of the Italian Civil Code, reference should be made to the procedure adopted by the Parent pursuant to the Regulation approved by Consob with 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 section of the Notes to the Consolidated Financial Statements of the F.I.L.A. Group

Significant events in the year

- 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 arts business unit specialised in fine arts 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 arts paper. The company creates its products using a particular "cylinder mould" technique which ensures the delivery of a highly crafted product and an inimitable natural appearance. Each production cycle is subject to numerous technical controls, which have always guaranteed the undisputed quality of the paper and its excellent brand reputation.

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

- 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 general uncertainty. The F.I.L.A. Group monitored the development of the situation in order to mitigate its social impacts and repercussions on workplace health and safety, and in the group's financial position and results of operations, by drawing up and rolling out flexible and timely action plans. In particular, from the beginning of the pandemic 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, activating 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. As a consequence of the Coronavirus related lockdown the following facilities were temporarily closed: the Yixing facility from February 4 until February

21, the Kunshan facility from February 4 until February 28, the Indian facilities from March 22 until May 3, the Italian F.I.L.A. S.p.A. facilities from March 23 to April 10, 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 up and running again, in accordance with the regulations in each country, although not all of them at full capacity in view of local market demand. With the exception of India, where production and commercial activity was totally blocked for the entire month of April, and, to a more limited extent, for the Chinese branches and Industria Maimeri, shipments to customers 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 mitigate 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 non-strategic activities in 2020 and a deferment to 2021 of all non-strategic investments for the current year. Public aid has principally taken the form of social security schemes to contain personnel expense (mainly in Italy, under the COVID furlough, France, Germany, USA and UK), while there are no significant outright grants. The impact on the business were mainly due to a decrease in sales on the Chinese market in February and part of March and progressively from the second half of March in the rest of the world (for example, the total shutdown of the Indian market in April), with the exception of online sales and Large Scale Retail sector and Organised distribution, where this impact was minimal as these sales channels have stayed operational during the lockdown.

The partial reopening of schools in Europe and North America from the third quarter onwards, although not always attended physically and with a certain slowdown in the fourth quarter due to the worsening of the pandemic, enabled a partial recovery in revenue from products used by school-age children , which did not happen in India and Mexico with schools remaining closed. Conversely, the Fine Arts business unit revenue has continued to consistently and significantly grow over the previous year.

With regard to potential financial stress scenarios, management has monitored and continues to monitor both the group's current and forecast liquidity. In April 2020, the first significant impacts on collection directly related to the worldwide spread of the Coronavirus became apparent. The group has since introduced a strict customer selection and receivables collection policy which allowed to limit financial difficulties to a minimum. In terms of suppliers, focus has been placed on identifying alternative sources of procurement in the case of any critical logistical or financial situations. No significant criticalities have emerged to date, despite generally rising prices combined, in some cases, with supply shortages. No significant renegotiation of existing contracts with customers and suppliers is reported. This has allowed the F.I.L.A. Group to strongly generate cash in such a difficult year. Available cash and cash equivalents are adequate to cover current and future operating needs. In particular, against financial liabilities due in 2021 of Euro 27.4 million, the F.I.L.A. Group, in addition to operating cash generation, has available cash of over Euro 100 million and undrawn credit lines of approx. Euro 140 million. The medium/long-term debt of nominal Euro 436 million is mainly based on a bullet repayment plan (Euro 113.8 million in 2023 and Euro 253.8 million in 2024), with that subject to interest settled through increasing instalments until its maturity in 2023. In addition, following the negotiation with the lending banks of the structured debt, no default will 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 determine the interest will continue to be calculated based on the leverage from the financial statements as at and for the year ended December 31, 2019 (if dividends had not been distributed to shareholders of FI.L.A. S.p.A. during the second half of 2020). At December 31, 2020, the financial covenant was 3.92, compared to a contractual value of 3.90.

To date, COVID-19 has only slowed down the Group's development plans and strategy, without halting or structurally changing them .

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 in each country, though not at full capacity in order to protect workers' safety, in particular in India and Mexico.

On March 16, 2021, the liquidation of the non-operative subsidiary in the United Kingdom, CastleHill Crafts Ltd, was concluded.

Outlook

The first half of 2021 will still be affected by the instability resulting from the outbreak of the Coronavirus, which was disclosed in the "Significant events in the year" section. A complete reopening of schools is expected only from the middle of the second quarter of 2021, with the resulting forecast recovery of "Schools" products, particularly due to the partial recovery of sales in India and Mexico, and the continued growth of "Fine Arts" products, although to a reduced extent than forecast due to the exceptional conditions in 2020. On the basis of these assumptions, a partial and gradual recovery of fixed costs and production and operating and IT investments linked to the upgrade of the Group's IT systems is expected. The group's margins are therefore forecast to significantly recover in 2021, both in absolute and percentage terms, and cash generation is also expected to improve considerably, returning to normal levels thanks to stronger earnings and Management's close focus on working capital management.

The F.I.L.A. Group continues to monitor the development of the situation in order to mitigate its social impacts and repercussions on the workplace health and safety, and in the group's financial position and results of operations, by drawing up and rolling out flexible and timely action plans.

Going Concern

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

Risk Management

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

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

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

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

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

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

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

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

Loans obtained by the Parent provide for financial “covenants”. In relation to the latter reference should be made to: “Note 13 - Financial Liabilities” of the Notes to the Consolidated Financial Statements.

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

Market risks

Risk may be broken down into two categories:

Currency risk

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

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

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

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

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

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

The F.I.LA. Group incurs part of its costs and realises part of its revenues in currencies other than the Euro and, in particular, in US Dollars, Mexican Pesos and British Sterling.

The F.I.LA. Group generally uses natural hedging to protect against this risk through the offsetting of costs and revenue in the same currency, in addition to acquiring funding in the local currency.

The policy adopted by the Group is considered adequate to contain currency risk. However, it must be considered that in the future currently unpredictable movements in the Euro may impact the economic, financial and equity position of the Group companies, in addition to the comparability between reporting years.
Also in relation to the commercial activities, the companies of the Group may hold trade receivables or payables in currencies other than the functional currency of the entity. This is appropriately monitored by the F.I.L.A. Group, both in relation to the potential economic impact and in terms of financial and liquidity risk.
A number of F.I.L.A. Group subsidiaries are based in countries not within the Eurozone, in particular the United States, Canada, Australia, Mexico, the United Kingdom, Scandinavia, China, Argentina (hyper-inflationary economy), Chile, Brazil, Indonesia, South Africa, Russia and India. As the Group's functional currency is the Euro, the statements of comprehensive income of these companies are converted into Euro at the average exchange rate for the year and, at unchanged revenue and margins in the local currency, changes in the exchange rate may result in effects on the value in Euro of revenue, expense and results recognised in the consolidation phase directly in equity under "Translation Differences" (See Note 12).

In 2020, the nature and the structure of the currency risk exposures and the Group's monitoring policies did not change substantially compared to the previous year.

Liquidity risk

The liquidity risk to which the F.I.L.A. Group is exposed may arise from an incapacity or difficulty to source, at beneficial conditions, the financing necessary to support operations in an appropriate timeframe.
The cash flows, financing requirements and the liquidity of the Group companies are constantly monitored centrally in order to ensure the efficient management of financial resources.

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

The Group continually monitors financial risks in order to offset any impacts and undertake appropriate corrective actions.
It has adopted at the same time the following policies and processes aimed at optimising the management of financial resources, reducing the liquidity risk:

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

Financial transactions are carried out with leading highly rated Italian and international institutions.
Management believes that the funds and credit lines currently available, in addition to those that will be generated by operating and financial activities, will permit the Group to satisfy its requirements deriving from investing activities, working capital management and the repayment of debt in accordance with their maturities.
The capacity to generate liquidity through operations enables the Group to reduce liquidity risk to a minimum, which concerns the difficulty in sourcing funding to ensure the on time discharge of financial liabilities.
For details n of financial liabilities due dates, reference should be made to Note 13 "Financial Liabilities".

Interest rate risk

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

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

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

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

Credit Risk

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

The maximum theoretical exposure to the credit risk for the Group at December 31, 2020 is the carrying amount of the trade receivables recognised in the financial statements, and the nominal amount of the guarantees given on liabilities and commitments to third parties.

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

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

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

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

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

Disclosure in accordance with IFRS 7

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

Euro thousands		December 31, 2020	Assets and liabilities measurement at FVOCI	Amortised cost	Total
Non-current financial assets					
Non-current financial assets	Note 3	**2,614**		2,614	**2,614**
Current financial assets					
Current financial assets	Note 3	**622**		622	**622**
Trade and Other Assets	Note 9	**115,929**		115,929	**115,929**
Cash and Cash Equivalents	Note 10	**127,105**		127,105	**127,105**
Non current financial liabilities					
Non current financial liabilities	Note 13	**(476,432)**		(476,432)	**(476,432)**
Financial Instruments	Note 17	**(18,767)**	(18,767)		**(18,767)**
Current financial libilities					
Current financial libilities	Note 13	**(126,052)**		(126,052)	**(126,052)**
Trade payables and Other Liabilities	Note 19	**(100,542)**		(100,542)	**(100,542)**

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

Financial liabilities at amortized cost refer mainly to the loan contracted by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) on June 4, 2018 for the acquisition of Pacon Holding and the loan taken out by the parent F.I.L.A. S.p.A. for the acquisition of the Arches brand products business line. These loans were agreed by the two companies with a banking syndicate consisting of UniCredit S.p.A. as global coordinator, Banca IMI S.p.A., Mediobanca Banca di Credito Finanziario S.p.A., Banca Nazionale del Lavoro and Banco BPM S.p.A. as mandated lead arrangers and UniCredit Bank AG as security agent.

The amounts of each facility and the revolving credit facility at the date of disbursement of the loan are detailed below:

Note 13.C - BANK LOANS AND BORROWINGS: BREAKDOWN			
Euro thousands	**Principal F.I.L.A. S.p.A.**	**Principal Dixon Ticonderoga Company (U.S.A.)**	**Total**
Facility A	61,875	59,161	121,036
Facility A2	4,687	-	4,687
Facility B	90,000	150,069	240,069
Facility B2	8,750	-	8,750
Facility C	25,000	-	25,000
Facility C2	893	-	893
RCF	25,000	-	25,000
Total	**216,205**	**209,230**	**425,435**

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Facility A (Euro 121,036 thousand) and Facility A2 (Euro 4,687 thousand) lines stipulate a residual repayment plan consisting of 10 half-yearly instalments, of which 4 instalments classified as short-term, as they are due on June 4, 2021 and December 6, 2021, Facility B (Euro 240,069 thousand) and Facility B2 (Euro 8,750 thousand) and Facility C (Euro 25,000 thousand) and Facility C2 (Euro 893 thousand) lines are Bullet loans, with single repayment due 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 used for Euro 25,000 thousand.

F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A) and Canson SAS (France) entered into derivative hedges against changes in the interest rates of the structured loans contracted. The Interest Rate Swaps, with fixed rate payments against variable payments, qualified as hedging derivatives and were considered as per the hedge accounting provisions of IAS 39. Their fair value at December 31, 2020 amounts to Euro 18,767 thousand, with the negative fair value adjustment recognised as an equity reserve.

In accordance with IFRS 7, the effects on the consolidated financial statements in relation to each category of financial instruments of the Group in the years 2020 and 2019 are shown below, which mainly includes the gains and losses deriving from the purchase and sale of financial assets or liabilities, as well as the changes in the value of the financial instruments measured at fair value and the interest expense/income matured on the financial assets/liabilities measured at amortised cost.

Financial gains and losses are recognised in profit or loss:

Euro thousands	2020	2019
Interest income from bank deposits	114	182
Total financial income	**114**	**182**
Financial assets and liabilities at amortised cost*	(8,631)	(10,950)
Net exchange gains/(losses) on financial transactions	(5,890)	1,865
Total financial expense	**(14,522)**	**(9,085)**
Total net financial expense	**(14,408)**	**(8,903)**

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

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

For greater detail on the breakdown of financial liabilities, reference should be made to Note 13.A – “Financial Liabilities” of the notes to the consolidated financial statements.

Euro thousands	December 31, 2020	December 31, 2019
Non-current financial liabilities	**495,199**	**496,874**
Bank loans and borrowings - Principal third parties	405,674	408,140
Bank loans and borrowings - Interest third parties	(6,168)	(5,594)
Banks	**399,506**	**402,546**
Bank loans and borrowings - Principal third parties	298	420
Bank loans and borrowings - Interest third parties	(2)	(23)
Other loans and borrowings	**296**	**397**
IFRS 16 - Principal third parties	76,630	80.360
IFRS 16	**76,630**	**80.360**
Loans and borrowings - due after one year	**476,432**	**483,303**
Financial Instruments - Principal	18,767	13,571
Financial Instruments	**18,767**	**13,571**

Other loans and borrowings include the non-current portion of loans issued by other financial backers. The total balance at December 31, 2020 was Euro 476,432 thousand, of which Euro 399,506 thousand concerning bank loans and borrowings, Euro 296 thousand other loans and borrowings and Euro 18,767

thousand concerning the Interest Rate Swaps undertaken by F.I.LA. S.p.A., Dixon Ticonderoga

(U.S.A.) and Canson SAS (France).

Euro thousands	December 31, 2020	December 31, 2019
Current financial liabilities	**126,052**	**102,706**
Bank loans and borrowings - Principal third parties	101,609	78,419
Bank loans and borrowings - Interest third parties	920	1,344
Banks	**102,529**	**79,763**
Bank loans and borrowings - Principal third parties	4,320	785
Bank loans and borrowings - Interest third parties	61	(8)
Other loans and borrowings	**4,381**	**777**
Current account Overdrafts - Principal third parties	10,799	14,612
Current account Overdrafts - Interest third parties	88	144
Current account overdrafts	**10,887**	**14,756**
IFRS 16 - Principal third parties	8,255	7,410
IFRS 16	**8,255**	**7,410**
Loans and borrowings - due within one year	**126,052**	**102,706**

The balance at December 31, 2020 was Euro 126,052 thousand, of which Euro 102,529 thousand concerning bank loans and borrowings, Euro 4.381 thousand concerning other loans and borrowings and Euro 10,887 thousand of current account overdrafts.

Trade receivables and other assets at December 31, 2020 were as follows:

Euro thousands	December 31, 2020	December 31, 2019	Change
Trade receivables	102,155	126,094	(23,939)
Tax assets	2,420	3,005	(,585)
Other assets	7,470	7,317	,153
Prepayments and accrued income	3,884	4,923	(1,039)
Total	**115,929**	**141,339**	**(25,410)**

Trade payables and other liabilities at December 31, 2020 were as follows:

Euro thousands	December 31, 2020	December 31, 2019	Change
Trade payables	68,418	76,197	(7,779)
Tax liabilities	8,631	9,735	(1,104)
Other liabilities	22,726	21,670	1,056
Accrued expenses & def.income	767	1,068	(301)
Total	**100,542**	**108,670**	**(8,128)**

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

In relation to the financial instruments recognised in the Statement of Financial Position at fair value, IFRS 7 requires that these values are classified based on the hierarchy levels which reflects the significance of the input used in the determination of fair value.
See the specific notes to the consolidated financial statements for the classification of financial instruments according to the levels of the fair value hierarchy.

Sensitivity Analysis

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

Currency risk

Net exposure for the main currencies for translation risk only:

	December 31, 2020			December 31, 2019		
(in Euro thousands)	**USD**	**MXN**	**CNY**	**USD**	**MXN**	**CNY**
Trade receivables	19,596	677,433	3,713	29,970	867,734	5,052
Financial assets	741	7,149	3,826	1.755	6.795	1.961
Financial liabilities	(253,710)	(830,704)	-	(270,878)	(775,342)	(2,987)
Trade payables	(22,982)	(72,218)	(16,435)	(22,813)	(153,218)	(27,883)
Total	**(256,356)**	**(218,340)**	**(8,896)**	**(261,966)**	**(54,030)**	**(23,857)**

Closing exchange rates applied:

Closing exchange rate		
Currency	**December 31, 2020**	**December 31, 2019**
USD /€	1.227	1.123
MXN /€	24.416	21.220
CNY /€	8.023	7.821

Effect of a 10% increase against the Euro:

Changes in equity		
Currency	**December 31, 2020**	**December 31, 2019**
USD /€	(18,992)	(21,199)
MXN /€	(813)	(231)
CNY /€	(101)	(277)
Total	**(19,906)**	**(21,708)**

The impact on the statement of financial position, following an increase of 10% in the exchange rate of the main foreign currencies against the Euro, would be negative for Euro 19,906 thousand (Euro 21,708 thousand at December 31, 2019).

Interest rate risk

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

Financial liabilities at variable rates are reported below:

Euro thousands	**December 31, 2020**	**December 31, 2019**
Financial liabilities	621,250	599,580
Financial assets/liabilities at variable rate	**621,250**	**599,580**

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

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A change of 100 basis points in the interest rates applicable to financial liabilities at variable rates in place at December 31, 2020 would result in the following financial statements impacts on annualised basis:

Euro thousands	Equity	
	+ 100 bps	- 100 bps
December 31, 2020		
Financial assets/liabilities at variable rate	6,213	(6,213)
December 31, 2019		
Financial assets/liabilities at variable rate	5,996	(5,996)

The same variables were maintained to establish the financial statements impact at December 31, 2020. The capital portions of financial assets and liabilities of the F.I.L.A. Group are broken down by contractual maturity for 2020 and 2019, in line with "Note 13.A – Financial Liabilities":

December 31, 2020 *Euro thousands*	Within 12 months	Within 1-2 years	Within 2-3 years	Within 3-4 years	Within 4-5 years	Total
Financial assets						
Cash and cash equivalents	127,105	-	-	-	-	127,105
Loans and receivables	622	-	-	-	68	622
Financial liabilities						
Bank loans and borrowings[(1)]	113,416	39,813	112,492	246,128	1,072	512,922
Other loans and borrowings	4,381	255	41	-	-	4,677
Expected cash flows	**9,930**	**(40,068)**	**(112,534)**	**(246,128)**	**(1,004)**	**(389,804)**

(1) TThe principal portion of the bank loans amounts to Euro 506,754 thousand euro, the medium-long term part has been adjusted considering an amortised cost of Euro 6,168 thousand. The carrying amount is Euro 512,922 thousand.

December 31, 2019 *Euro thousands*	Within 12 months	Within 1-2 years	Within 2-3 years	Within 3-4 years	Within 4-5 years	Total
Financial assets						
Cash and cash equivalents	100,191	-	-	-	-	100,191
Loans and receivables	169	-	-	-	1.070	1.239
Financial liabilities						
Bank loans and borrowings	94,519	54,075	59,497	94,734	194,240	497,065
Other loans and borrowings	776	305	51	29	12	1,173
Expected cash flows	**5,065**	**(54,380)**	**(59,549)**	**(94,763)**	**(193,182)**	**(396,808)**

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

Credit Risk

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

At December 31, 2020, Trade receivables and other assets totalling Euro 115,929 thousand (Euro 141,339 thousand at December 31, 2019) are reported net of the related loss allowance of Euro 5,637 thousand (Euro 5,945 thousand at December 31, 2019).

The aging of trade receivables at December 31, 2020 (Euro 102,155 thousand), net of the loss allowance, compared with December 31, 2019 is reported below: attenzione, qui si parla di netto, nella tabella invece lordo

GROSS TRADE RECEIVABLES - AGEING

Euro thousands	December 31, 2020	December 31, 2019	Change
Not yet due	55,671	95,452	(39,781)
Overdue from 0-60 days	22,067	18,959	3,108
Overdue from 60-120 days	16,621	8,582	8.039
Overdue more than 120 days	7,796	7,532	,264
Total	**102,155**	**126,095**	**(28,370)**

The loss allowance was Euro 5,637 thousand at December 31, 2020 (Euro 5,945 thousand at December 31, 2019), amounting to 5.2% of total receivables (4.3% at December 31, 2019).

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

TRADE RECEIVABLES - DISTRIBUTION CHANNEL

Euro thousands	December 31, 2020	December 31, 2019	Change
Wholesalers	36,886	45,531	(8,645)
School/Office Suppliers	10,105	12,473	(2.368)
Supermarkets	26,942	33,256	(6,314)
Retailers	20,731	25,589	(4,858)
Distributors	5,029	6,208	(1.179)
Promotional & B2B	1,154	1,425	(271)
Other	1,308	1,614	(306)
Total	**102,155**	**126,095**	**(23,939)**

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

TRADE RECEIVABLES: BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2020	December 31, 2019	Change
Europe	38,024	34,505	3.519
North America	22,095	30,973	(8,878)
Central/South America	33,526	50,043	(16,517)
Asia	6,727	8,028	(1,301)
Rest of the world	1,783	2,546	(763)
Total	**102,155**	**126,095**	**(23,939)**

Environment and Safety

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

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

“Environment and Safety” for F.I.L.A. S.p.A. has been managed with the support of a specialised consultancy firm for a number of years. The actions implemented by the Parent F.I.L.A. S.p.A. are in line with the environmental and workplace safety regulation (Legislative Decree Nos. 626 and No. 81 of April 9, 2008). Waste is appropriately disposed of and its movement is properly recognised in approved registers.

The Parent, F.I.L.A. S.p.A., is certified according to ISO 14001:2015 on environmental management and British Standard ISO 45001:2018 “Occupational Health and Safety Assessment Series” for its Occupational Health and Safety Management System. During the process of managing and improving its own Occupational Health and Safety Management System, and based on the ISO 45001:2018 standards, the Parent identified and defined, under the scope of its Occupational Health and Safety Management System, the following processes which it monitors regularly:

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

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

During the year no significant problems emerged in relation to the environment and safety area. The ongoing environmental reclamation at the lands owned by the US subsidiary relates to previous

industrial activity before the acquisition by F.I.L.A. S.p.A.
The company, in accordance with Article 5, paragraph 3, letter b of Legislative Decree 254/2016 has drawn up the consolidated non-financial statement as a separate report. The 2020 consolidated non-financial statement, drawn up as per the "GRI Standards" and subject to limited audit by KPMG S.p.A. is available on the Group website.

Personnel

The FILA Group at the end of 2020 had 8,070 employees (10,067 at December 31, 2019), of which over 99% on full-time contracts. The workforce is 46% female and who represent 67% of part-time contracts.

The decrease of 1,997 was mainly in Asia and, concerns the Indian company DOMS Industries Pvt Ltd in particular, which launched major plant expansion projects during the year, leading to a reduction in the seasonal workforce, where feasible, as a consequence of the COVID-19 pandemic.

Two tables breaking down the F.I.L.A. Group workforce at December 31, 2020 and December 31, 2019 respectively by region and category are presented below:

	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**
December 31, 2020	**1,115**	**594**	**1,503**	**4,830**	**28**	**8,070**
Change	**34**	**(123)**	**(412)**	**(1.500)**	**5**	**(1.997)**

Globally, the majority of F.I.L.A. Group personnel are located in Asia (with over 59.9% of group personnel at the end of 2020), followed by Central and South America (18.6%), Europe (13.8%), North America and the Rest of the world. The majority of the workforce in fact is based in the countries in which the main production facilities are located (India, China and Mexico).

The 2020 average workforce of the F.I.L.A. Group was 9,071, decreasing by 743 units on December 31, 2019:

PERSONNEL - FULL TIME EQUIVALENT				
	Manager	White-collar	Blue-collar	Total
December 31, 2019	**235**	**2,153**	**7,679**	**10,067**
Increase	24	387	3,923	4,334
Decrease	20	559	5,752	6,331
Career advancement	9	(5)	(4)	0
December 31, 2019	**248**	**1,976**	**5,846**	**8,070**
Change	**13**	**(177)**	**(1.833)**	**(1.997)**

	Europe	North America	Central/South America	Asia	Rest of the World	Total
Executives	110	81	13	30	5	240
Managers/White-collar	420	157	480	979	15	2,050
Blue-collar	551	473	1,394	5,099	8	7,525
Total at December 31, 2019	**1,080**	**711**	**1,888**	**6,107**	**28**	**9,814**
Executives	114	74	18	32	4	242
Managers/White-collar	417	141	499	995	13	2,066
Blue-collar	568	441	1,192	4,554	9	6,764
Total at December 31, 2020	**1,098**	**656**	**1,710**	**5,581**	**26**	**9,071**
Change	**19**	**(56)**	**(178)**	**(527)**	**(2)**	**(743)**

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

BENEFITS AND OTHER INCENTIVES FOR MANAGERS			
Euro thousands	December 2020	December 2019	Nature
Bonus	2,230	1,437	Perfomance bonus
Total	**2,230**	**1,437**	

In 2020, as in previous years, F.I.L.A. Group personnel undertook training and upskilling courses, particularly in the administrative areas in order to maintain appropriate professional standards, in line with the Group policy.

Corporate Governance

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

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

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

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

The following table outlines the total fees recognised to members of the Board of Directors and the Board of Statutory Auditors for offices held at F.I.L.A. S.p.A., in addition to remuneration of any kind, in the case of "performance bonuses and one-off remuneration" received in 2020:

Euro thousands	**Fees for office held**	**Other remuneration (Bonus)**
Directors	1,971	586
Statutory auditors	105	-
Total amount	**2,076**	**586**

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

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

Reconciliation between Parent's and Group's Equity

Euro thousands	Equity December 31, 2019	Changes in equity	Profit for 2020	Equity December 31, 2020
F.I.L.A. S.p.A. financial statements	**271,080**	**(1,207)**	**8,125**	**277,998**
Consolidation effect of the financial statements of subsidiaries	76,147	(6,762)	480	69,865
Translation reserve	(16,057)	(23,799)		(39,856)
F.I.L.A. group consolidated financial statements	**331,171**	**(31,769)**	**8,607**	**308,007**
Equity attributable to non-controlling interests	26,180	(2,427)	(485)	23,268
Consolidated financial statements	**357,351**	**(34,195)**	**8,122**	**331,275**

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

We submit for your approval the financial statements as at and for the year ended December 31, 2020, comprising the statement of financial position, the statement of comprehensive income, the statement of change in equity, the statement of cash flows and the notes thereto, with the relative attachments, which report a profit for the year of Euro 8,125,346.78 and we propose:

- to allocate Euro 406,267.34 to the legal reserve, as established in Article 2430 of the Civil Code, and to allocate Euro 1,594,273.68 to retained earnings;
- to distribute the residual "Profit for the year" of Euro 6,124,805.76 as dividends and, therefore, to distribute a dividend of Euro 0.12 for each of the 51,040,048 ordinary shares currently outstanding, provided that, should the total number of shares of the Company currently in circulation increase, the total amount of dividend will remain unchanged and the unit amount will be automatically adjusted to the new number of shares; the dividend will be issued with coupon, record and payment dates of May 24, 25 and 26, 2021 respectively.

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

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020

F.I.L.A. GROUP

SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020

F.I.L.A. S.p.A.

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

Consolidated Financial Statements

Statement of Financial Position

Euro thousands		December 31, 2020	December 31, 2019
Assets		**1,141,333**	**1,150,978**
Non-current assets		**631,507**	**639,773**
Intangible assets	Note 1	435,990	430,609
Property, plant and equipment	Note 2	171,489	186,013
Non-current financial assets	Note 3	2,614	3,783
Equity-accounted investments	Note 4	1.102	947
Other equity investments	Note 5	31	31
Deferred tax assets	Note 6	20,281	18,391
Current assets		**509,826**	**511,206**
Current financial assets	Note 3	622	169
Current tax assets	Note 7	9,882	11,097
Inventories	Note 8	256,288	258,409
Trade receivables and other assets	Note 9	115,929	141,339
Cash and cash equivalents	Note 10	127,105	100,191
Liabilities and equity		**1,141,333**	**1,150,978**
Equity	Note 12	**331,275**	**357,351**
Share capital		46,967	46,876
Reserves		74,817	106,679
Retained earnings		177,616	153,616
Profit for the period		8,607	24,000
Equity attributable to the owners of the parent		**308,007**	**331,171**
Equity attributable to non-controlling interests		**23,268**	**26,180**
Non-current liabilities		**577,561**	**572,817**
Non-current financial liabilities	Note 13	476,432	483,303
Financial instruments	Note 17	18,767	13,571
Employee benefits	Note 14	13,965	11,800
Provisions for risks and charges	Note 15	935	937
Deferred tax liabilities	Note 16	67,423	63,162
Other liabilities	Note 19	38	44
Current liabilities		**232,497**	**220,813**
Current financial liabilities	Note 13	126,052	102,706
Current provisions for risks and charges	Note 15	928	2,139
Current tax liabilities	Note 18	4,974	7,296
Trade payables and other liabilities	Note 19	100,542	108,670

The notes from pages 93 to 153 are an integral part of these consolidated financial statements.

Statement of Comprehensive Income

Euro thousands		December 31, 2020	December 31, 2019
Revenue from sales and services	Note 20	607,382	682,686
Other revenue and income	Note 21	8,967	6,746
Total revenue		**616,349**	**689,432**
Raw materials, consumables, supplies and goods	Note 22	(293,027)	(312,020)
Services and use of third party assets	Note 23	(103,557)	(116,056)
Other costs	Note 24	(7,154)	(7,073)
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	12,789	(5,921)
Personnel expense	Note 25	(130,350)	(142,439)
Amortisationand depreciation	Note 26	(42,646)	(41,047)
Net impairment losses on trade receivables and other assets	Note 27	(1,833)	(1.707)
Other net impairment losses	Note 28	(1,053)	(3.122)
Total operating costs		**(566,830)**	**(629,384)**
Operating profit		**49,518**	**60,048**
Financial income	Note 29	2,348	3,971
Financial expense	Note 30	(37,850)	(34,438)
Share of profit of equity-accounted investments	Note 32	271	187
Net financial expense		**(35,231)**	**(30,279)**
Pre-tax profit		**14,287**	**29,769**
Income taxes		(7,353)	(10,827)
Deferred taxes		1,188	7,163
Total taxes	Note 33	**(6,165)**	**(3,663)**
Profit from continuing operations		**8,122**	**26,105**
Profit for the year		**8,122**	**26,105**
Attributable to:			
Non-controlling interests		**(485)**	**2,105**
Owners of the parent		**8,607**	**24,0**
Other comprehensive income (expense) which may be reclassified subsequently to profit or loss		**(32,358)**	**(2,064)**
Exchange gains		(26,349)	6,338
Hedging reserves		(6,009)	(8,402)
Other comprehensive income which may not be reclassified subsequently to profit or loss		**(1,086)**	**(1,073)**
Actuarial losses		(1,415)	(1,039)
Taxes		329	(34)
Other comprehensive income (expense), net of tax effect		**(33,444)**	**(3,137)**
Comprehensive expense		**(25,321)**	**(22,968)**
Attributable to:			
Non-controlling interests		**(3,032)**	**1.864**
Owners of the parent		**(22,289)**	**21,104**
Earnings per share:			
	basic	*0,17*	*0.47*
	diluted	*0,17*	*0.46*

The notes from pages 93 to 153 are an integral part of these consolidated financial statements.

Statement of changes in Equity

Euro thousands	Share capital	Legal reserve	Share premium reserve	Actuarial reserve	Other reserves	Translation reserve	Retained earnings	Profit attributable to the owners of the parent	Equity attributable to the owners of the parent	Capital and reserves att. to non-controlling interests	Profit attributable to non-controlling interests	Equity attributable to non-controlling interests	Total equity
									-			-	-
December 31, 2018	**46,799**	**7,434**	**151,769**	**(3,253)**	**(24,192)**	**(22,524)**	**148,939**	**8,747**	**313,719**	**23,376**	**1,7140**	**25,090**	**338,809**
Profit for the year								24,000	24,000		2,105	2,105	26,105
Other comprehensive income (expense)			-	(961)	(8.402)	6.467		,	(2.896)	(241)		(241)	(3.137)
Other changes	77		1,839	-	(1,498)	-			418	(538)		(583)	(165)
Profit for the year recognised directly in equity	**77**	**-**	**1,839**	**(961)**	**(9,90)**	**6,467**	**-**	**24,000**	**21,522**	**(824)**	**2,105**	**1,281**	**22,803**
Allocation of the 2018 profit		331			(331)		8,747	(8,747)	-	1,714	(1,714)	-	-
Dividends							(4,070)		(4,070)	(191)		(191)	(4,261)
December 31, 2019	**46,876**	**7,765**	**153,608**	**(4,214)**	**(34,423)**	**(16,057)**	**153,616**	**24,000**	**331,717**	**(24,075)**	**2,105**	**26,180**	**357,351**
Profit for the year								8,607	8,607		(485)	(485)	8,122
Other comprehensive income (expense)			-	(1,089)	(6,009)	(23799)			(30,897)	(2,547)		(2,547)	(33,444)
Other changes	91		865	-	(1,830)	-			(874)	389		389	(485)
Profit for the year recognised directly in equity	**91**	**-**	**865**	**(1,089)**	**(7,839)**	**(23799)**	**-**	**8,607**	**(23,164)**	**(2,158)**	**(485)**	**(2,643)**	**(25,807)**
Allocation of the 2019 profit		566			(566)		24,000	(24,000)	-	2,105	(2,105)	-	-
Dividends										(269)		(269)	(269)
December 31, 2019	**46,967**	**8,351**	**154,473**	**(5,303)**	**(42,828)**	**(39,856)**	**177,616**	**8,607**	**308,007**	**(23,753)**	**(485)**	**23,268**	**331,275**

Note:

1) The figures at December 31, 2020 correspond to the consolidated financial statements of F.I.L.A. S.p.A. as at and for the year ended December 31, 2020, as approved by the shareholders' of F.I.L.A. S.p.A. in their meeting of April 27, 2021.

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

The notes from pages 93 to 153 are an integral part of these consolidated financial statements.

Statement of Cash Flows

Euro thousands	December 31, 2020	December 31, 2019
Operating profit	**8,122**	**26,105**
Non-monetary and other adjustments:	**88,675**	**83,498**
Amortisation and depreciation	31,672	30,524
Depreciation of right-of-use assets	10,974	10.523
Net impairment losses on intangible assets and property, plant and equipment	1,054	3.122
Impairment gains/losses on trade receivables and write-downs of inventories	2,067	2
Accruals for post-employment and other employees benefits	1,128	3,018
Exchange losses on foreign currency trade receivables and payables	961	811,000
Net gains on the sale of intangible assets and property, plant and equipment	(577)	(48)
Net financial expense	35,502	30,466
Net gains on equity investments	(271)	(187)
Taxes	6,165	3,663
Addition for:	**(15,244)**	**(11,604)**
Income taxes paid	(8,393)	(12,659)
Net unrealised exchange gains/losses on foreign currency assets and liabilities	(5,886)	1,281
Net realised exchange gains/losses on foreign currency assets and liabilities	(965)	(227)
Cash flows from operating activities before changes in net working capital	**81,553**	**97,998**
Changes in net working capital:	**(7,166)**	**15,306**
Change in inventories	(12,835)	6,021
Change in trade receivables and other assets	10,404	11,609
Change in trade payables and other liabilities	(1,962)	1,349
Change in other liabilities, net	(1,343)	(1,369)
Change in post-employment and other employee benefits	(1,430)	(2,303)
Net cash flows used in operating activities	**74,387**	**113,305**
Net increase in intangible assets	(1,817)	(4,041)
Net increase in property, plant and equipment	(8,358)	(14,968)
Net increase in equity investments measured at cost	(12,207)	(2,784)
Net increase/decrease in other financial assets	134	(385)
Interest collected	560	-
Net cash flows used in investing activities	**(65,288)**	**(22,178)**
Change in equity	(222)	(4,261)
Financial expense	(21,485)	(23,821)
Lease expense	(5,991)	(5.933)
Net increase/decrease in loans and borrowings and other financial liabilities	42,866	(121,075)
Net increase/decrease in lease liabilities	4,277	**(7.288)**
Net cash flows from (used in) financing activities	**19,466**	**(162,378)**
Exchange gains	(26,349)	6,349
Other non-monetary changes	28,529	3,651
Net cash flows for the year	**30,727**	**(61,251)**
Opening cash and cash equivalents net of current account overdrafts	85,579	146,831
Closing cash and cash equivalents net of current account overdrafts	**116,306**	**85,579**

1) *Cash and cash equivalents at December 31, 2020 totalled Euro 127,105 thousand; current account overdrafts amounted to Euro 10,799 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".*

Euro thousands	December 31, 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	**116,306**	**85,579**
Cash and cash equivalents	127,105	100,191
Current account overdrafts	(10,799)	(14,612)

The notes from pages 93 to 153 are an integral part of these consolidated financial statements.

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

Euro thousands		December 31, 2020	*of which:* Related Parties	December 31, 2019	*of which:* Related Parties
Assets		**1,141,333**	**-**	**1,150,978**	**-**
Non-current assets		**631,507**	**-**	**639,773**	**-**
Intangible assets	Note 1	435,990		430,609	
Property, plant and equipment	Note 2	171,489		186,013	
Non-current financial assets	Note 3	2,614		3,783	
Equity-accounted investees	Note 4	1.102		947	
Other equity investments	Note 5	31		31	
Deferred tax assets	Note 6	20,281		18,391	
Current assets		**509,826**	**-**	**511,206**	**-**
Current financial assets	Note 3	622		169	
Current tax assets	Note 7	9,882		11,097	
Inventories	Note 8	256,288		258,409	
Trade receivables and other assets	Note 9	115,929		141,339	
Cash and cash equivalents	Note 10	127,105		100,191	
Liabilities and equity		**1,141,333**	**484**	**1,150,978**	**572**
Equity	Note 12	**331,275**	**-**	**357,351**	**-**
Share capital		46,967		46,876	
Reserves		74,817		106,679	
Retained earnings		177,616		153,616	
Profit for the year		8,607		24,000	
Equity attributable to the owners of the parent		**308,007**		**331,171**	
Equity attributable to non-controlling interests		**23,268**		**26,180**	
Non-current liabilities		**577,561**	**-**	**572,817**	**-**
Non-current financial liabilities	Note 13	476,432		483,303	
Financial instruments	Note 17	18,767		13,571	
Employee benefits	Note 14	13,965		11,800	
Provisions for risks and charges	Note 15	935		,937	
Deferred tax liabilities	Note 16	67,423		63,162	
Other liabilities	Note 19	38		44	
Current liabilities		**232,497**	**484**	**220,813**	**572**
Current financial liabilities	Note 13	126,052		102,706	
Current provisions for risks and charges	Note 15	928		2,139	
Current tax liabilities	Note 18	4,974		7,296	
Trade payables and other liabilities	Note 19	100,542	484	108,670	572

The notes from pages 93 to 153 are an integral part of these consolidated financial statements.

Statement of Comprehensive Income with indication of related party transactions pursuant to CONSOB resolution No. 15519 of July 27, 2006

Euro thousands		December 31, 2020	*of which:* Related Parties	*of which:* Non-recurring expenses	December 31, 2019	*of which:* Related Parties	*of which:* Non-recurring expenses
Revenue from sales and services	Note 20	607,382		(784)	682,686		(4.674)
Other revenue and income	Note 21	8,967		1,812	6,746		202
Total revenue		**616,349**			**689,432**		
Raw materials, consumables, supplies and goods	Note 22	(293,027)	(1,814)	(4,288)	(312,020)	(1,853)	(1.141)
Services and use of third party assets	Note 23	(103,557)	(366)	(8,928)	(116,056)	(356)	(7,664)
Other costs	Note 24	(7,154)		98	(7,073)		
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	12,789			(5,921)		
Personnel expense	Note 25	(130,350)		(2,212)	(142,439)		(4,587)
Amortisation and depreciation	Note 26	(42,646)			(41,047)		
Impairment losses on trade receivables and other assets	Note 27	(1,833)			(1,707)		
Other impairment losses	Note 28	(1,053)			(3.122)		(2.936)
Total operating costs		**(566,830)**			**(629,384)**		
Operating profit		**49,518**			**60,048**		
Financial income	Note 28	2,348		(200)	3,971		,332
Financial expense	Note 29	(37,850)			(34,438)		
Share of profit of equity-accounted investees	Note 31	271			187		
Net financial expense		**(35,231)**			**(30,279)**		
Pre-tax profit		**14,287**			**29,769**		
Income taxes		(7,353)		2,126	(10,827)		3,758
Deferred taxes		1,188			7,163		
Total taxes	Note 32	**(6,165)**			**(3,663)**		
Profit from continuing operations		**8,122**			**26,105**		
Profit (loss) from discontinued operations		-			-		
Profit for the year		**8,122**		**(12,376)**	**26,105**		**(18,794)**
Attributable to:							
Non-controlling interests		**(485)**		**(574)**	**2,105**		**(142)**
Owners of the parent		**8,607**		**(11,802)**	**24,0**		**(18,832)**
Other comprehensive income (expense) which may be reclassified subsequently to profit or loss		**(32,358)**			**(2,064)**		
Exchange gains		(26,349)			6,338		
Hedging reserve		(6,009)			(8,402)		
Other comprehensive income (expense) which may not be reclassified subsequently to profit or loss		**(1,086)**			**(1,073)**		
Actuarial gains (losses)		(1,415)			(1,039)		
Taxes		329			(34)		
Other comprehensive expense, net of tax effect		**(3,137)**			**(3,137)**		
Comprehensive expense		**(25,321)**			**(22,968)**		
Attributable to:							
Non-controlling interests		**(3,032)**			**1.864**		
Owners of the parent		**(22,289)**			**21,104**		
Earnings per share:							
basic		*0,17*			*0.47*		
diluted		*0,17*			*0.46*		

The notes from pages 93 to 153 are an integral part of these consolidated financial statements.

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

Introduction

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

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

These consolidated financial statements are presented in Euro, as the functional currency in which the Group operates and comprise the Statement of Financial Position, in which assets and liabilities are classified as current and non-current, the Statement of Comprehensive Income, the Statement of Cash Flows, prepared using the indirect method, the Statement of Changes in Equity, the Notes thereto and are accompanied by the Directors' Report. All amounts reported in the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and in the Notes are expressed in thousands of Euro, except where otherwise stated.

With reference to Consob Resolution No. 15519 of July 27, 2006 in relation to the format of the Financial Statements, significant related party transactions and the income components from non-recurring items or transactions are indicated separately.

The publication of these consolidated financial statements was authorised by the Board of Directors on March 22, 2021.

Basis of preparation and accounting standards

The consolidated financial statements of F.I.L.A. Group and the separate financial statements of F.I.L.A. S.p.A. as at and for the year ended December 31, 2020, prepared by the Board of Directors of F.I.L.A. S.p.A., were drawn up in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The IFRS were applied consistently for all reporting periods presented in this document. For the consolidated financial statements of the F.I.L.A. Group, the first year of application of IFRS was 2006, while for the separate financial statements of F.I.L.A. S.p.A. the first year of application of IFRS was 2007.

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

Standards, amendments and interpretations applicable 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 Interest Rate Benchmark Reform , whose implementation is still in progress 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 exceptions 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 of a business or of a group of assets that does not meet the definition of a business provided in IFRS 3.

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. Earlier application is permitted.

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 endorsed by the EU, not yet mandatory and not adopted in advance by the group.

Extension of the temporary exemption from applying IFRS 9 (Amendments to IFRS 4)

In June 2020, the IASB Board amended IFRS 17, deferring its effective date by two years. Accordingly, an amendment to IFRS 4 was necessary to extend the temporary exemption from applying IFRS 9 from January 1, 2021 (previous effective date of IFRS 17) to January 1, 2023. The amendment to IFRS 4 does not have a specific effective date as it only refers to the extension of a temporary exemption already provided for in IFRS 4. The EU endorsing regulation states that the amendments to IFRS 4 are to be applied from financial statements for annual periods beginning on or after January 1, 2021.

Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

In Phase 2 of the project, the IASB Board's goal was to include some practical expedients and some facilitations in order to limit the accounting impacts of the reform of the IBORs used as interest rate benchmarks.

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 and applicable after January 1, 2020

IFRS 17 Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts which replaces IFRS 4, issued in 2004. 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 recognised 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 of proceeds from selling items before they are available for use. The amendments will be applicable from annual 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 by an entity as the cost of fulfilling a contract when assessing whether a contract is onerous. . The amendments will be applicable from annual periods beginning January 1, 2022.

Annual Improvements to IFRS Standards 2018–2020

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

The main changes relate to:

- *IFRS 1 First-time Adoption of IFRSs - Subsidiary as First-time Adopter* - A subsidiary that applies IFRS standards for the first time after its parent may apply paragraph D16(a) of IFRS 1 and measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements that have been determined based on the parent's date of transition to IFRSs. The above exemption can also be applied by associates and joint ventures that apply IFRSs for the first time after their investor.

- *IFRS 9 Financial Instruments - Fees and cost included in the "10 per cent test" for derecognition of financial liabilities* - The amendment to IFRS 9 clarifies that the fees to be considered in the above 10% test are only the fees paid or received between the entity and the lender and the fees paid or received by either the entity or the lender on the other's behalf.
- *Illustrative Examples of IFRS 16 Leases - Lease Incentives* - The accounting treatment in the lessee's financial statements of a sum received from the lessor for leasehold improvement costs was removed from Illustrative Example 13 accompanying IFRS 16 as the conclusion of the example was not supported by an adequate explanation.
- *IAS 41 Agriculture - Taxation in Fair Value Measurements* - The IASB Board clarifies that cash flows from taxation need not be excluded in the fair value measurement of biological assets.

Amendments to IFRS 3 - Reference to the Conceptual Framework

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

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

The document was published in September 2014 in order to resolve the current conflict between IAS 28 and IFRS 10 relating to the measurement of the gain or loss from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for an equity stake in the entity. Currently, the IASB has deferred indefinitely the application of this amendment.

Tax effect of the United Kingdom's withdrawal 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 withdrawal and their future relations: this deadline can be extended. The process, in addition to the relative timing and outcome of the negotiations and future agreements between the United Kingdom and the EU, are subject to significant degrees of uncertainty.

Group management has assessed the consequences of these uncertainties on the carrying amounts of the assets and liabilities recognised in these consolidated financial statements. Following this assessment, the group found no indicators of impairment regarding its UK subsidiary at the reporting date.

Basis of consolidation

Subsidiaries

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

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

Equity-accounted investees

Associates are entities in which the Group exercises a significant influence on the financial and operating policies, although not having direct or joint control. Significant influence is the power to participate in the financial and operating policy decisions of an investee, however not exercising control or joint control.

Joint Ventures are entities in which the Group exercises, with one or more parties, joint control of their economic activities based on a contractual agreement. Joint control assumes that the strategic, financial and operating decisions are taken unanimously by the parties that exercise control.

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

Business combinations

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

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

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

Goodwill is recognised as the difference between:

a) the sum of:

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

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

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

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

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

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

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

When the goodwill constitutes part of a cash generating unit and part of the internal activities of this

unit are sold, the goodwill associated with the activity sold is included in the carrying amount of the activity to determine the gain or loss deriving from the sale. The goodwill sold in these circumstances is measured on the basis of the relative values of the activities sold and of the portion of the unit maintained.
When the sale relates to a subsidiary, the difference between the sales price and the net assets plus the accumulated translation differences and the residual goodwill is recognised in profit or loss.
On first-time adoption of IFRS, the Group chose not to apply IFRS 3 retrospectively for acquisitions carried out prior to the transition date to IFRS; consequently, the goodwill resulting from the acquisitions prior to this date was maintained at the previous value determined in accordance with Italian GAAP and is periodically tested for impairment.
In the event of purchase and sale of non-controlling interests, the difference between the acquisition cost, as determined above and the share of equity acquired from third parties or sold is directly recognised as a decrease/increase in consolidated equity.

Infragroup transactions

In preparing the consolidated financial statements, inter-company transactions, in addition to unrealised inter-company revenues and costs, are eliminated.
Unrealised gains arising from transactions with equity-accounted investees are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, to the extent that there is no evidence of impairment.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each Group entity at the exchange rate at the date of the transaction. The monetary items in foreign currencies at the reporting date are translated into the functional currency using the exchange rate at the same date. The non-monetary items measured at fair value in foreign currencies are translated using the exchange rate when the fair value was determined. The exchange differences are generally recognised in profit or loss. The non-monetary items measured at historical cost in foreign currencies are translated using the exchange rate at the transaction date.
Exchange differences arising from the translation of financial liabilities designated as hedges of the net investment in a foreign operation, to the extent that the hedge is effective and cash flow hedges to the extent that the hedge is effective, are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments deriving from their acquisition, are translated into Euro using the exchange rate at the reporting date. The revenue

and costs of foreign operations are translated into Euro using the average exchange rate for the year. The exchange differences are recognised under other comprehensive income and included in the translation reserve, except for exchange differences attributable to non-controlling interests.
The exchange rates adopted for the translation of local currencies into Euro are as follows:

EXCHANGE RATES

	Average Exchange Rates December 31, 2020	Fixed Exchange Rates December 31, 2020
Argentinean Peso	103.2494	80.7561
Australian Dollar	1.5896	1.6554
Brazilian Real	6.3735	5.8900
Canadian Dollar	1.5633	1.5294
Swiss Franc	1.0802	1.0703
Chilean Peso	872.5200	903.1100
Renminbi Yuan	8.0225	7.8708
Singapore Dollar	1.6218	1.5736
Euro	1	1
Pound	0.8990	0.8892
Indonesian Rupiah	17,240.76	16,619.7800
Shekel	3.9447	3.9239
Indian Rupee	89.6605	84.5795
Mexican Peso	24.4160	24.5118
Polish Zloty	4.5597	4.4432
Russian Ruble	91.4671	82.6454
Swedish Krona	10.0343	10.4881
Dominican Peso	71.4411	64.5047
Turkish Lira	9.1131	8.0436
US Dollar	1.2271	1.1413
South Africa Rand	18.0219	18.7685

Source: Banca d'Italia

Basis of preparation

Intangible assets

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

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

Intangible Assets with Indefinite Useful Life

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

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

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

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

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

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

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

In the event of an impairment loss, the carrying amount of goodwill may not be restated.
Reference should be made to Note 1 to the separate and consolidated financial statements of the parent and the group for further information on the indicators used for the impairment test at the reporting date.

Intangible Assets with Finite Useful Lives

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

The amortisation policies adopted by the Group provide for:

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

Research and development costs

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Leases

At the contract's commencement date the group assesses whether the contract is – or contains – a lease. The contract is, or contains a lease, where in exchange for consideration, it transfers the right to control the use of an identified asset for a period of time. In order to assess whether a contract grants the right to control the use of an identified asset, the group uses the definition of a lease in IFRS 16.

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

Right-of-use assets

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

Lease liabilities

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

In calculating the present value of the future payments, the Group uses the incremental borrowing rate at the commencement date where the implicit interest rate cannot be readily determined. The Group's incremental borrowing rate is calculated on the basis of the interest rates obtained from various external funding sources by making certain adjustments reflecting the terms of the lease and the type of asset leased.
After the commencement date, the amount of the lease liability increases to take account of the interest on the lease liabilities and reduces to consider the payments made. In addition, the carrying amount of the lease liabilities are restated in the case of any changes to the lease or a review of the contractual terms with regards to the change in the payments; it is also restated in the event of changes in the valuation of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine those payments.

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

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

Short-term leases and low value asset leases

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

Impairment losses on non-financial assets

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

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

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

Financial assets and loans and receivables

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

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

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

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

Other non-current equity instruments are measured at cost.

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

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

Cash and cash equivalents

Cash and cash equivalents principally include cash, bank deposits on demand and other highly liquid short-term investments (convertible into liquidity within ninety days). These are recognised at their nominal value.

For the purposes of the classification of financial instruments according to the criteria set out in IFRS 9, as required by IFRS 7, cash and cash equivalents have been classified as financial assets at amortised cost for credit risk purposes. Current account overdrafts are classified under “Current Financial Liabilities”.

Inventories

Inventories of raw materials, semi-finished products and finished goods are measured at the lower of purchase or production price, including related charges, determined in accordance with the weighted average cost method, and the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs to sell.

Obsolete and slow-moving inventories are written down in relation to their possible use or realisable value.

The purchase cost is used for direct and indirect materials, purchased and used in the production cycle. The production cost is however used for finished goods or in work in progress.

For the determination of the purchase price, consideration is taken of the actual costs incurred net of commercial discounts.

Production cost includes, in addition to the costs of the materials used, as defined above, the direct and indirect production costs allocated. The indirect costs were allocated based on the normal production capacity of the plant.

Distribution costs were excluded from purchase cost and production cost.

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

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

Provisions are recognised at the value representing the best estimate of the amount that the entity would pay to discharge the obligation or transfer it to a third party. When the time value of money is significant and the payment dates of the obligations can be reliably estimated, the provision is discounted. The rate used in the determination of the present value of the liability reflects the current market values and includes the further effects relating to the specific risk associated with each liability. The increase in the provision due to the passage of time is recognised in profit or loss under “Financial income/(expense)”. The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discount rate; the revisions of estimates are recognised in the same profit or loss caption in which the provision was recognised, or when the liability relates to an asset, against the asset caption to which it refers.

The notes illustrate the contingent liabilities represented by: (i) possible obligations (but not probable) deriving from past events, whose existence will be confirmed only on the occurrence or otherwise of one or more uncertain future events not fully under the control of the entity; (ii) current obligations deriving from past events whose amount cannot be reliably estimated or whose fulfilment will likely not generate an outflow of resources.

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

Employee benefits

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

Defined contribution plans

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

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The net obligation of the Group deriving from defined benefit plans is calculated separately for each plan estimating the amount of the future benefit which the employees matured in exchange for the services provided in the current and previous years; this benefit is discounted to calculate the present value, while any costs relating to past services not recognised in the financial statements and the fair value of any plan assets is deducted from liabilities. The discount rate is the return, at the reporting date, of the primary obligations whose maturity date approximates the terms of the obligations of the Group and which are expressed in the same currency in which it is expected the benefits will be paid. The calculation is made by an independent actuary using the projected credit unit method. Where the calculation generates a benefit for the Group, the asset recognised is limited to the total, net of all costs relating to past service not recognised and the present value of all economic benefits available in the form of refunds from the plan or curtailments in future contributions to the plan. Where improvements are made to the plan benefits, the portion of increased benefits relating to past service is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the cost is recognised immediately in the statement of comprehensive income.

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

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

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

Other long-term employee benefits

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

Short-term employee benefits

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

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

Financial liabilities

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

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

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

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

Financial instruments

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

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

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

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

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

The effectiveness of hedges is documented both at the inception of the transaction and periodically (at least at the annual or interim reporting dates).

When the hedging derivatives cover the risk of change in the fair value of the instruments subject to the hedge (fair value hedge), the derivatives are recognised at fair value with the effects recognised through profit or loss.

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

Trade payables and other liabilities

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

Current, deferred and other taxes

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

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

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

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

Current taxes include the estimated amount of income taxes due or receivable, calculated on the taxable income or tax loss for the year, as well as any adjustments to previous years' taxes. The amount of taxes due or receivable, determined on the basis of the tax rates in force or substantially in force at the reporting date, also includes the best estimate of the amount to be paid or received, if any, which is subject to factors of uncertainty. Current taxes also include any taxes relating to dividends.
Deferred tax assets and liabilities are classified respectively to non-current assets and liabilities.
manca frase → “Le attività e le passività per imposte correnti sono compensate solo quando vengo soddisfatti determinati criteri” “Current tax assets and liabilities are only offset when certain criteria are met”

Deferred tax assets and liabilities are determined in accordance with the global assets/liability method and are calculated on the basis of the temporary differences arising between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes, taking into account the tax rate under current tax legislation for the years in which the differences will reverse, with the exception of goodwill at the initial recognition date and those differences deriving from investments in subsidiaries which are not expected to be reversed in the foreseeable future, and on the tax losses to be carried forward.
Deferred Tax Assets are classified under non-current assets and are recognised only when there is a high probability of future taxable profit to recover these assets.
The valuation of deferred taxes reflects the tax effects arising from the manner in which the Group expects to recover or extinguish the carrying amount of assets and liabilities at year-end.
Deferred tax assets and liabilities are only offset when certain criteria are met.

Revenues and costs

Revenue recognition

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

Recognition of costs

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

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

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

Financial income and expense

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

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

Dividends

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

Earnings per share

The basic earnings/(loss) per share are calculated by dividing the group's profit or loss by the weighted average shares outstanding during the year.

In order to calculate the diluted earnings/(loss) per share, the average weighted number of shares outstanding is adjusted assuming the conversion of all shares with potential dilutive effect.

The profit or loss for the year is also adjusted to account for the effects of the conversion, net of taxes.

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

Share-based payment arrangements

2019-2021 Performance Shares Plan

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

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

The total maximum number of shares to be assigned to beneficiaries of the “2019-2021 Performance Shares Plan” was established at 789,320. It is stipulated that these shares derive from (i) a share capital increase to be executed through the use, in accordance with Article 2349 of the Italian Civil Code, of profits or retained earnings and/or (ii) treasury shares from repurchases made in accordance with Article 2357 and 2357-ter of the Italian Civil Code. Against a total maximum 789,320 ordinary shares of F.I.L.A. S.p.A. to be granted to beneficiaries where achieving the maximum performance objectives set out under the Plan, the Board of Directors, on conclusion of the three-year vesting period (i.e. December 31, 2021) shall establish the effective number of shares to be assigned to the beneficiaries of the Plan, which shall be made available to each, according to the terms and 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 using the binomial options pricing model.

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

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

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

Fair value measurement

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

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

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

Tax effect of the United Kingdom's withdrawal 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 withdrawal and their future relations: this deadline can be extended. The process, in addition to the relative timing and outcome of the negotiations and future agreements between the United Kingdom and the EU, are subject to significant degrees of uncertainty.

Group management has assessed the consequences of these uncertainties on the carrying amounts of the assets and liabilities recognised in these consolidated financial statements. As a result of this assessment, the group has found no impairment loss indicators with reference to the assets of the UK subsidiaries recognised in the financial statements at the reporting date.

Use of estimates

The preparation of the consolidated financial statements requires the directors to apply accounting principles and methods that, in some circumstances, are based on judgements and estimates based on experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact the carrying amount of the assets and liabilities and of the costs and revenue and the disclosure on contingent assets and liabilities at the reporting date. Actual results may differ from these estimates.

The captions which require greater judgement by the Directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the combined financial figures are briefly described below.

Measurement of receivables: trade receivables are adjusted by the loss allowance, taking into account the effective recoverable amount. The calculation of the impairment losses requires the directors to make judgements based on the documentation and the information available relating to the solvency of the customers, and from market and historical experience.

Measurement of goodwill and intangible assets with indefinite useful life: in accordance with the accounting principles applied by the Company, goodwill and the indefinite intangible assets are subject to impairment testing at least annually in order to verify whether a reduction in value has taken place. This assessment requires the directors to make judgements based on the information available within the Group and from the market, as well as from historical experience; this depends in addition on factors which may change over time, affecting the judgements and estimates made by directors. In addition, when it is determined that there may be a potential impairment loss, the Group determines this through using the most appropriate technical valuation methods available.

Risk provisions: the identification of the existence of a present obligation (legal or constructive) in some circumstances may be difficult to determine. The directors evaluate these factors case-by-case, together with the estimate of the amount of the economic resources required to fulfil the obligation. When the directors consider that a liability is only possible, the risks are disclosed in the notes under the section on commitments and risks, without any provision.

Measurement of closing inventories: inventories of products which are obsolete or slow moving are periodically subject to impairment testing and written down where the recoverable amount is lower than the carrying amount. The write-downs are made based on assumptions and estimates of management deriving from experience and historic results.

Pension plans and other post-employment benefits: the companies of the Group participate in pension plans and other post-employment benefits in various countries; in particular in Italy, Germany, the United States, France, Canada and Mexico. Management uses multiple statistical assumptions and valuation techniques with the objective of anticipating future events for the calculation of the charges, liabilities and assets relating to these plans. The assumptions relate to the discount rate, the expected return of the plan assets and the rate of future salary increases. In addition, the actuarial consultants of the Group use subjective factors, for example mortality and employee turnover rates.

The transition to IFRS 16 introduces some elements of professional judgment that entail the use of assumptions and estimates with regard to the lease term and the definition of the incremental borrowing rate.

The calculation of deferred tax assets is supported by a recoverability plan prepared on the basis of assumptions which the directors consider reasonable.

Note 1 - Intangible Assets

"Intangible Assets" at December 31, 2020 amount to Euro 435,990 thousand (Euro 430,609 thousand at December 31, 2019) and are comprised for Euro 162,903 thousand of intangible assets with indefinite useful life – goodwill ("Note 1.B - Goodwill") and for Euro 273,087 thousand of intangible assets with finite useful lives ("Note 1.D – Intangible Assets with finite useful lives").

The changes of the year were as follows:

Note 1.A - INTANGIBLE ASSETS

Euro thousands	Goodwill	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
Historical cost						
December 31, 2018	**147,334**	**200**	**143,464**	**186,811**	**3,360**	**481,169**
Increases	**3,407**	**-**	**2,947**	**9,263**	**(1,433)**	**14,121**
Increase (Investments)	1,932	-	126	2,071	1,839	6,022
Transfers from assets under development	-	-	-	3,326	(3,326)	-
Exchange gains	1,412	-	2,821	3,866	-	8,099
Decreases	**(2,926)**	**-**	**(588)**	**(8,457)**	**-**	**(11,971)**
Decreases (Disinvestments)	-	-	(26)	(12)	-	(38)
Reclassifications	-	-	500	(2,394)	-	(1,894)
Impairment losses	-	-	-	(6)	-	(6)
Change in consolidation scope	-	-	(1,062)	(6,023)	-	(7,085)
Other	(2,926)	-	-	(22)	-	(2,984)
December 31, 2019	**147,761**	**200**	**145,823**	**187,618**	**1,927**	**483,329**
Increases	21,232	-	**12,624**	**11,657**	**281**	**45,794**
Increase (Investments)	-	-	72	821	924	1,817
Transfers from assets under development	-	-	176	467	(643)	-
Change in consolidation scope	21,232	-	12,376	10,369	-	43,977
Decreases	**(6,090)**	**-**	**(8,840)**	**(14,507)**	**-**	**(29,437)**
Decreases (Disinvestments)	-	-	(489)	(331)	-	(820)
Exchange losses	(6,090)	-	(8,351)	(14,176)	-	(28,617)
December 31, 2020	**162,903**	**200**	**149,607**	**184,768**	**2,208**	**499,686**
Accumulated amortisation						
December 31, 2018	**-**	**(158)**	**(24,565)**	**(13,856)**	**-**	**(38,580)**
Increases	**-**	**(10)**	**(5,452)**	**(10,323)**		**(15,757)**
Depreciation	-	(10)	(4,925)	(10,160)		(15,095)
Exchange gains	-	-	(500)	(163)		(662)
Decreases	**-**	**-**	**(438)**	**2,056**		**1,618**
Disinvestments	-	-	(16)	4		(12)
Reclassification	-	-	(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	**-**	**(8)**	**(5,081)**	**(10,222)**		**(15,311)**
Depreciation	-	(8)	(5,081)	(10,222)		(15,311)
Decreases	**-**	**-**	**2,330**	**2,003**		**4,334**
Disinvestments	-	-	489	331		820
Exchange losses	-	-	1,841	1,672		3.514
December 31, 2020	**-**	**(177)**	**(33,179)**	**(30,340)**		**(63,696)**
Carrying amount at December 31, 2017	**150,670**	**42**	**118,898**	**(172,954)**	**2,008**	**445,924**
Carrying amount at December 31, 2018	**147,761**	**31**	**115,394**	**165,496**	**3,360**	**430,609**
Carrying amount at December 31, 2019	**162,903**	**23**	**116,428**	**154,428**	**1,927**	**435,990**
Change	**15,142**	**(8)**	**1,034**	**(11,068)**	**(1,433)**	**5,381**

Intangible Assets with Indefinite Useful Life

"Intangible Assets with Indefinite Useful Lives" are comprised entirely of goodwill for a total amount of Euro 162,903 thousand (Euro 147,761 thousand at December 31, 2019). The change on the previous year end was due mainly to the M&A of the French company F.I.L.A.- Arches S.A.S., wholly-owned by F.I.L.A S.p.A., which in March 2020 acquired of the business unit specialised in fine arts operating through the ARCHES® brand. This transaction generated goodwill of Euro 21,232 thousand, measured through the Purchase Price Allocation, carried out as per the applicable reporting standards.

During the year, exchange losses were recognised of Euro 6,090 thousand, primarily due to the devaluation against the Euro of the US dollar (Euro 5,901 thousand), the main Central and South American currencies (Euro 175 thousand) and the Indian rupee (Euro 14 thousand).

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

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

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

NOTE 1.B GOODWILL BY CASH GENERATING UNIT

Euro thousands	December 31, 2020	December 31, 2019	Change	Goodwill Reallocation (A)	Exchange Rate Difference	Impairment Losses	Consolidation Area Change
DOMS Industries Pvt Ltd (India)	33,261	33,275	(14)	-	(14)	-	-
Canson Group (4)	17,015	12,486	4,529	4,529	-	-	-
Fila Arches	5,473	-	5,473	(15,759)	-	-	21.232
Daler - Rowney Lukas Group(5)	5,922	5,922	-	-	-	-	-
North America(2)	93,215	87,886	5,329	11,230	(5,901)	-	-
Dixon Group - Central / South America(1)	1,768	1,942	(174)	-	(174)	-	-
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	**162,903**	**147,761**	**15,141**	**-**	**(6,090)**	**-**	**21,232**

(1) - Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico); F.I.L.A. Chile Ltda (Chile); FILA Argentina S.A. (Argentina).
(2) - Dixon Ticonderoga Company (U.S.A.); Dixon Canadian Holding (Canada);Brideshore srl (Dominican Republic) as CGU North America; Dixon Ticonderoga ART ULC; Castle Hill Crafts (Regno Unito); Princeton Hong Kong (U.S.A); Fila
(3) - Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG (Germany); FILA Nordic AB (Sweden); PT. Lyra Akrelux (Indonesia); Daler Rowney GmbH (Germany); Lukas-Nerchau GmbH (Germany); Nerchauer Malfarben GmbH (Germany).
(4) - Canson SAS (France); Lodi 12 SAS (France); Canson Brasil I.P.E. LTDA (Brazil); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China); Fila Iberia S.L. (Spain); Fila Yixing (China) Canson Italy (Italy); Fila Arches
(5) - Renoir Topco Ltd (UK); Renoir Midco Ltd (UK); Renoir Bidco Ltd (UK); FILA Benelux SA (Belgium); Daler Rowney Ltd (UK); Brideshore s.r.l. (Dominican Republic) in CGU Daler e Creativity International (UK).
(6) - St. Cuthberts Holding (UK); St. Cuthberts Mill (UK)
(B) The change in the scope of consolidation is generated by the acquisition of the business unit operating through the "Arches" brand which took place during the year.

The allocation of goodwill was made considering individual CGUs or Groups of CGUs based on potential synergies and similar operating strategies on the various markets. The goodwill relating to the acquisition of Arches was allocated to the CGU of the Canson Group and North America.

The annual impairment test undertaken by the Group has the objective to compare the carrying amount of the cash-generating units to which the goodwill was allocated with the relative recoverable amount. This latter is determined as the higher 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 expected cash flows, discounted at a separate rate for each geographical segment and reflecting the specific risks of the individual CGUs at the measurement date.

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

The expected cash flows used to determine the value in use were developed on the basis of the Group's 2021 Budget approved on February 11, 2021 and the 2021-2025 Business Plan approved by the Board of Directors on March 16, 2021, whereas the individual business plans were submitted for approval by the Boards of Directors of the individual Group companies.
In particular, the cash flows were determined taking the assumptions from the budget and applying the growth rate identified for each CGU in line with the long-term assumptions relating to the growth rate of the sector and the specific risk of the country in which each CGU operates. Value in use is determined by valuation assumptions influenced by the performance of the related markets for the specific socio-economic and political conditions that are difficult to forecast and often unstable as well as by the assumptions underlying the realization of the expected synergies, so as reflected in the business plan. The terminal value was calculated applying the perpetual yield method.
As of 2019, the effects of the application 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 leases.
The discount rate (W.A.C.C.) is the weighted average cost of risk capital and borrowing cost, considering the tax effects generated by the financial leverage.

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

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

IMPAIRMENT TEST GOODWILL - VALUE IN USE CALCULATION ASSUMPTIONS

Euro thousands	Discount Rate (W.A.C.C.)	Growth Rate (g rate)	Cash flow horizon	Terminal Value Calculation Method
DOMS Industries Pvt Ltd (India)	11.3%	4.0%	5 years	Perpetuity growth rate
Canson Group (France) (4)	6.7%	1.8%	5 years	Perpetuity growth rate
Daler-Rowney Lukas Group (UK) (5)	7.3%	1.9%	5 years	Perpetuity growth rate
North America(2)	7.7%	2.1%	5 years	Perpetuity growth rate
Dixon Group - Central / South America(1)	10.4%	3.6%	5 years	Perpetuity growth rate
Industria Maimeri S.p.A. (Italy)	8.0%	1.3%	5 years	Perpetuity growth rate
St. Cuthberts Holding (UK)(6)	7.3%	1.9%	5 years	Perpetuity growth rate
Lyra Group (3)	6.4%	1.9%	5 years	Perpetuity growth rate
Fila Hellas	10.4%	1.5%	5 years	Perpetuity growth rate
Fila Arches	6.7%	1.8%	5 years	Perpetuity growth rate
FILA SA (South Africa)	12.8%	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 (Canada); Princeton Hong Kong (U.S.A); Fila Arches (Francia) as CGU North America..

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

(4) - Canson SAS (France); Lodi 12 SAS (France); Canson Brasil I.P.E. LTDA (Brazil); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China); Fila Iberia (Spain); Fila Yixing (China) Canson Italy (Italy); Fila Arches (Francia) as CGU Canson Group.

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

(6) - St. Cuthberts Holding (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 (source of tax rate: KPMG tax advisory)*

- DOMS Industries Pvt Ltd (India) – The W.A.C.C. is 11.3% (11.9% at December 31, 2019), with the change on the previous year principally due to a decrease in the risk-free rate, an increase in the beta levered component and a reduction in the cost of debt;
- Dixon Group - Central/South America - The discount rate is 10.4% (10.4% at December 31, 2019) and is in line with the previous year. The increase in the cost of capital (Ke) was offset by a decrease in the cost of debt;
- North America - The W.A.C.C. used is 7.7% (7.8% at December 31, 2019). The discount factor decreased on the previous year and the change is mainly due to the increase in the levered beta component;
- Canson Group (France) - The W.A.C.C. amounted to 6.7% (5.9% at December 31, 2019). The change on the previous year is mainly due to an increase in the levered beta component and the cost of equity (Ke);
- Daler-Rowney Lukas Group and St. Cuthberts (United Kingdom) - The discount rate is 7.3% (6.8% at December 31, 2019). The increase is essentially due to the rise in the levered beta component;

- Industria Maimeri S.p.A. (Italy) – the discount rate was 8.0% (7.6% at December 31, 2019). The increase on the previous year is mainly due to the increase in the levered beta component;
- Lyra Group (Germany) – the discount rate used was 6.4% (5.6% at December 31, 2019). The change on the previous year is due to an increase in the levered beta component and the cost of equity capital (Ke);
- FILA SA (South Africa) – W.A.C.C. equal to 12.8% (12.7% at December 31, 2019). The change on 2019 is due to an increase in the cost of equity capital (Ke) and levered beta component;
- Fila Hellas - The W.A.C.C. is 10.4% (12.1% at December 31, 2019). The change on the previous year is due to an increase in the levered beta component and a decrease in the cost of debt.

Particular importance was given to the impairment tests on the goodwill allocated to the North American cash generating unit of Euro 93,215 thousand (Euro 87,886 thousand at December 31, 2019), DOMS Industries Pvt Ltd of Euro 33,261 thousand (Euro 33,275 thousand at December 31, 2019) and Canson Group of Euro 17,015 thousand (Euro 12,486 thousand at December 31, 2019). The goodwill of the above CGUs accounts for 88.1% of the Group's intangible assets with indefinite useful lives of Euro 162,903 thousand. The impairment tests performed showed headroom of approximately Euro 343 million for the North American CGU (40%), of Euro 43 million for the Doms Industries Pvt Ltd CGU (India) (33%) and of Euro 151 million for the Canson CGU (67%).

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

Further complementary activities were also undertaken such as:

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

SENSITIVITY ANALYSIS - Variable Growth Rate	Discount Rate (W.A.C.C.)	Growth Rate (g rate)
DOMS Industries Pvt Ltd (India)	11.3%	-0.3%
Canson Group (France)	6.7%	-12.8%
Daler-Rowney Lukas Group (UK)	7.3%	-5.8%
North America	7.7%	-4.9%
Dixon Group - Central / South America	10.4%	-1.7%
Industria Maimeri S.p.A. (Italy)	8.0%	-1.4%
St. Cuthberts Holding (UK)	7.3%	0.2%
Lyra Group	6.4%	-83.6%
Fila Hellas	10.4%	-126.4%
FILA SA (South Africa)	12.8%	-27.6%
Fila Arches	6.7%	-0.2%

SENSITIVITY ANALYSIS - Variable W.A.C.C.	Discount Rate (W.A.C.C.)	Growth Rate (g rate)
DOMS Industries Pvt Ltd (India)	14.5%	4.0%
Canson Group (France)	15.8%	1.8%
Daler-Rowney Lukas Group (UK)	12.8%	1.9%
North America	12.6%	2.1%
Dixon Group - Central / South America	14.1%	3.6%
Industria Maimeri S.p.A. (Italy)	10.1%	1.3%
St. Cuthberts Holding (UK)	8.7%	1.9%
Lyra Group	29.1%	1.9%
Fila Hellas	30.8%	1.5%
FILA SA (South Africa)	25.3%	4.8%
Fila Arches	8.3%	1.8%

- The comparison between the value in use of the CGU for 2020 and 2019 with the analysis of the variations;
- Reasonableness test between the overall value in use at Group level and the stock market capitalisation.
- Analysis of the impairment result in response to changes in EBITDA over the explicit time horizon.

In addition, account was taken of what was highlighted by ESMA, which on October 28, 2020 published the Public Statement "*European common enforcement priorities for 2020 financial statements*", on the sensitivity analysis for significant changes in key operational and financial assumptions due to Covid-19. Specifically, the basic cash flow assumptions include that the effects of the COVID-19 pandemic projected for 2021 will extend into 2022, deferring the start of a full economic recovery until 2023.

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

The cash flows and assumptions used for the impairment test were approved by the Board of Directors on March 16, 2021.

Intangible Assets with Finite Useful Lives

The changes at the reporting date of "Intangible Assets with Finite Useful Lives" are reported below:

Note 1.D - INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Euro thousands	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
Historical cost					
December 31, 2018	**200**	**143,464**	**(186,811)**	**3,360**	**333,875**
Increases	**-**	**3,447**	**8,764**	**1,433**	**10,778**
Investments	-	126	2,072	1,893	4,091
Transfers from assets under development	-	-	3,326	(3,326)	-
Reclassifications	-	500	(500)	-	-
Exchange gains	-	2,821	3,866	-	6,687
Decreases	**-**	**(1,088)**	**(7,957)**	**-**	**(9,045)**
Disinvestments	-	(26)	(12)	-	(38)
Reclassifications	-	-	(1,894)	-	(1,894)
Impairment losses	-	-	(6)	-	(6)
Change in consolidation scope	-	(1,026)	(6,023)	-	(7,085)
Other	-	-	(22)	-	(22)
December 31, 2019	**200**	**145,823**	**187,618**	**1,927**	**335,568**
Increases	**-**	**12,624**	**11,657**	**281**	**24,562**
Investments	-	72	821	924	1,817
Transfers from assets under development	-	176	467	(643)	-
Change in consolidation scope	-	12,376	10,369	-	22,745
Decreases	**-**	**(8,840)**	**(14,507)**	**-**	**(23,347)**
Disinvestments	-	(489)	(331)	-	(820)
Exchange losses	-	(8,351)	(14,176)	-	(22,527)
December 31, 2020	**200**	**149,607**	**184,768**	**2,208**	**336,783**
Accumulated amortisation					
December 31, 2018	**(158)**	**(24,566)**	**(13,856)**		**(38,580)**
Increases	**(10)**	**(5,894)**	**(9,854)**	**-**	**(15,757)**
Investments	(10)	(4,925)	(10,160)	-	(15,095)
Reclassifications	-	(469)	469	-	-
Exchange gains	-	(500)	(163)	-	(662)
Other	-	-	-	-	-
Decreases	**-**	**31**	**1,587**	**-**	**(1,618)**
Disinvestments	-	(16)	4	-	(12)
Reclassifications	-	-	(1,272)	-	(1,272)
Change in consolidation scope	-	47	309	-	356
Other	-	-	2	-	2
December 31, 2019	**(168)**	**(30,428)**	**(22,123)**	**-**	**(52,719)**
Increases	**(8)**	**(5,081)**	**(10,222)**	**-**	**(15,311)**
Investments	(8)	(5,081)	(10,222)	-	(15,311)
Decreases	**-**	**2,330**	**2,003**	**-**	**4,334**
Disinvestments	-	489	331	-	820
Exchange losses	-	1,841	1,672	-	(3,514)
December 31, 2020	**(177)**	**(33,179)**	**(22,123)**	**-**	**(63,696)**
Carrying amount at December 31, 2018	**42**	**118,898**	**40,794**	**2,008**	**(295,255)**
Carrying amount at December 31, 2019	**31**	**115,394**	**172,955**	**3,360**	**282,848**
Carrying amount at December 31, 2020	**23**	**116,428**	**165,496**	**1,927**	**273,087**
Change	**(8)**	**1,034**	**(7,459)**	**(1,433)**	**(9,761)**

"Industrial Patents and Intellectual Property Rights" amount to Euro 23 thousand at December 31, 2020 (Euro 31 thousand at December 31, 2019).
The average residual useful life of the "Industrial Patents and Intellectual Property Rights", recognised in the financial statements at December 31, 2020, is 5 years.

"Concessions, Licences, Trademarks and Similar Rights" amount to Euro 116,428 thousand at December 31, 2020 (Euro 115,394 thousand at December 31, 2019).
The carrying amount increased compared to December 31, 2019 by Euro 1,034 thousand, mainly due to the M&A transaction of the French company F.I.L.A. - Arches S.A.S., wholly-owned by F.I.L.A. S.p.A., which acquired the business unit specialised in fine arts operating through the ARCHES® brand, resulting in an increase in "Concessions, licenses, trademarks and similar rights" of Euro 12,376 thousand, partially offset by amortisation for the year of Euro 5,081 thousand and exchange losses of Euro 6,510 thousand. In addition, a significant amount of the amortisation relates to Business combinations undertaken in 2018 and concerning the brands of the Pacon Group (Euro 31,903 thousand) and in 2016 relating to the brands of the UK Group Daler Rowney (Euro 40,223 thousand) and the Canson Group (Euro 32,400 thousand).
The other historic trademarks subject to amortisation refer principally to "*Lapimex*" held by F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and the "*Lyra*" brands held by Lyra KG (Germany) and *"DOMS" held* by DOMS Industries Pvt Ltd (India).
The average useful life of the "Concessions, Licenses, Trademarks and Similar Rights", recognised in the financial statements of December 31, 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" amounts to Euro 154,428 thousand at the reporting date (Euro 165,496 thousand at December 31, 2019). The decrease on the previous year of Euro 11,068 thousand was due to (i) increases of Euro 10,369 thousand following the M&A transaction of the French company F.I.L.A.-Arches S.A.S., wholly- owned by F.I.L.A. S.p.A., which acquired the business line specialised in fine arts operating under the ARCHES® brand, (ii) net investments of Euro 821 thousand undertaken during the year, primarily involving the implementation and roll-out of ERP (Enterprise Resource Planning) to certain Group companies, (iii) decreases due to amortisation of Euro 10,222 thousand referring in particular to "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 (Euro 2,462 thousand), identified as strategic assets through the "Purchase Price Allocation" within the business combinations undertaken in 2016 and "Customer Relationship" determined by the "Purchase Price Allocation" as part

of the business combination resulting in the acquisition of the Pacon Group and (iv) decreases due to exchange losses of Euro 12,504 thousand.
The average useful life of "Other", recognised in the financial assets at December 31, 2020, is 30 years.

Assets under development totalled Euro 2,208 thousand, entirely attributable to F.I.L.A. S.p.A. and relating to investments for the installation of the ERP system not yet activated during the year.

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

Note 2 - Property, Plant and Equipment

At December 31, 2020, property, plant and equipment amounted to Euro 171,489 thousand (Euro 186,013 thousand at December 31, 2019), consisting of Euro 96,622 thousand of property, plant and equipment ("Note 2.A - Property, Plant and Equipment") and Euro 74,867 thousand of right-of-use assets ("Note 2.B - Right-of-Use assets").

The changes of the year are shown below:

Note 2.A - PROPERTY, PLANT AND EQUIPMENT

Euro thousands	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Historical cost							
December 31, 2018	**13,305**	**59,602**	**126,209**	**18,446**	**13,303**	**5,213**	**236,078**
Increases	**137**	**4,015**	**12,012**	**5,420**	**(305)**	**775**	**22,054**
Investments	77	3,379	8,024	1,129	1,305	3,298	17,212
Transfers from assets under construction	-	97	1,151	338	-	(1,586)	-
Reclassifications	(104)	104	972	3,741	(1,841)	(978)	1,894
Exchange gains	164	435	1,766	212	146	41	2,764
Other	-	-	99	-	85	-	184
Decreases	**-**	**(258)**	**(2,647)**	**(3.663)**	**(3,137)**	**(1,546)**	**(11,251)**
Disinvestments	-	(96)	(2,097)	(3,837)	(2,645)	(1,546)	(10,221)
Impairment losses	-	(162)	(5)	(1)	(12)	-	(180)
Change in consolidation scope	-	-	(84)	(2)	(9)	-	(95)
Other	-	-	(461)	177	(471)	-	(755)
December 31, 2019	**13,442**	**63,359**	**135,575**	**20,202**	**9,862**	**4,441**	**246,881**
Increases	**112**	**3,815**	**8,909**	**2,959**	**698**	**(2.949)**	**13,544**
Investments	112	2,154	4,425	,665	,675	1,155	9,186
Transfers from assets under construction	-	525	3,507	1.575	-	(5,607)	-
Reclassifications	-	-	(719)	,719	-	-	-
Change in consolidation scope	-	1.136	1,634	-	10	1.503	4,283
Other	-	-	62	-	13	-	75
Decreases	**641**	**(2.070)**	**(8,665)**	**(2.148)**	**(1,211)**	**(,392)**	**15,128**
Disinvestments	-	(84)	(1,893)	(1,532)	(,428)	-	(3,937)
Impairment losses	-	(8)	(159)	(14)	(10)	-	191
Exchange losses	(641)	(1.978)	(6.613)	(602)	(773)	(392)	(11.000)
December 31, 2020	**12,913**	**65,103**	**135,819**	**21,014**	**9,349**	**1,099**	**245,297**
Accumulated depreciation							
December 31, 2018		**(31,866)**	**(73,140)**	**(16,477)**	**(10,123)**		**(131,606)**
Increases		**(2,629)**	**(12,155)**	**(3.177)**	**(261)**		**(18,221)**
Depreciation		(2,498)	(11,134)	(1,190)	(616)		(15,429)
Reclassifications		-	6	(1,805)	528		(1,271)
Change in consolidation scope		-	(4)	4	-		-
Exchange gains		(140)	(984)	(186)	(99)		(1,409)
Other		-	(39)	-	(74)		(113)
Decreases		**(139)**	**2,246**	**3,800**	**2,680**		**8,587**
Disinvestments		(139)	1,952	3,813	2,400		8,026
Change in consolidation scope		-	13	-	3		16
Other		-	281	(13)	277		545
December 31, 2019		**(34,633)**	**(83,050)**	**(15,855)**	**(7,703)**		**(141,241)**
Increases		**(2,421)**	**(11,502)**	**(1.727)**	**(764)**		**(16,414)**
Depreciation		(2,421)	(11,452)	(1,724)	(761)		16,361
Reclassifications		3	-	(3)	-		-
Impairment losses		-	-	-	6		6
Other		-	(50)	-	(9)		(59)
Decreases		**666**	**5,475**	**1,906**	**933**		**8,980**
Disinvestments		56	1,715	1,540	336		3,683
Exchange losses		610	3,724	366	597		5,297
December 31, 2020		**(36,389)**	**(89,076)**	**(15,675)**	**(7,535)**		**(148,675)**
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 December 31, 2020	**12,913**	**28,715**	**46,743**	**5,339**	**1,813**	**1,099**	**96,622**
Change	**(529)**	**(11)**	**(5,781)**	**991**	**(436)**	**(3,342)**	**(9,018)**

"Land" at December 31, 2020 amounts to Euro 12,913 thousand (Euro 13,442 thousand at December 31, 2019) and includes the land relating to the buildings and production facilities owned by the company F.I.L.A. S.p.A. (Rufina Scopeti – Italy), by subsidiaries Lyra KG (Germany), DOMS Industries Pvt Ltd (India), Daler Rowney Ltd (UK) and Canson SAS (France). The decrease of Euro 529 thousand was primarily due to exchange losses of Euro 641 thousand, to investments of Euro 112 thousand by the Indian subsidiary DOMS Industries Pvt Ltd which over recent years has acquired the lands close to the main production plant in order to extend the centralised storage and production site.

"Buildings" at December 31, 2020 amount to Euro 28,715 thousand (Euro 28,726 thousand at December 31, 2019) and mainly concern the buildings of the Group's production facilities. The decrease on December 31, 2019 was Euro 11 thousand. Net investments amount to Euro 2,126 thousand and refer mainly to the Indian company DOMS Industries PVT Ltd (Euro 1,617 thousand), relating to the centralised storage and production site extension plan, whereas assets under construction were capitalised for Euro 525 thousand.

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

Depreciation of Euro 2,424 thousand particularly concerns Canson SAS (France), F.I.L.A. S.p.A., DOMS Industries Pvt Ltd (India) and Dixon Ticonderoga Company (U.S.A.).

"Plant and Machinery" amount to Euro 46,743 thousand (Euro 52,524 thousand at December 31, 2019). Compared to the first half of the previous year, this caption decreased by Euro 5,781 thousand. The main changes in this category concern net investments of Euro 4,283 thousand, mainly by DOMS Industries Pvt Ltd (India) for Euro 2,603 thousand, and by Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 602 thousand. In addition, assets under construction were capitalised for Euro 3,507 thousand. These increases were offset by depreciation of Euro 11,452 thousand and exchange losses of Euro 2,889 thousand.

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

"Industrial and Commercial Equipment" amounted to Euro 5,339 thousand at December 31, 2020 (Euro 4,348 thousand at December 31, 2019). The increase of Euro 991 thousand was mainly due to net investments of Euro 673 thousand, primarily undertaken by Dixon Ticonderoga Company (U.S.A) for Euro 328 thousand, Daler Rowney Ltd (UK) for Euro 98 thousand and Lyra KG (Germany) for Euro 89 thousand.

"Other Assets" amount to Euro 1,813 thousand at December 31, 2020 (Euro 2,159 thousand at

December 31, 2019) and include furniture and office equipment, electronic office equipment and motor vehicles. The decrease of Euro 346 thousand is mainly due to investments of Euro 583 thousand, mainly by DOMS Industries Pvt Ltd (India) for Euro 193 thousand, F.I.L.A. S.p.A. (Italy) for Euro 180 thousand and FILA SA (South Africa) for Euro 91 thousand, offset by depreciation for the year of Euro 761 thousand and exchange losses of Euro 176 thousand.

"Assets under construction" include internal constructions undertaken by the individual companies of the Group which are not yet operational. The carrying amount at December 31, 2020 was Euro 1,099 thousand, decreasing on the previous year by Euro 3,342 thousand, mainly due to the transfer to assets, principally by the American subsidiary Dixon Ticonderoga Company (Euro 1,850 thousand) and by the French subsidiary Fila Arches (Euro 1,503 thousand).

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

Right-of-Use assets

Nota 2.B RIGHT-OF-USE ASSETS					
Euro thousands	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Historic cost					
December 31, 2018	-	-	-	-	-
Initial recognition	**72,613**	**756**	**197**	**2,458**	**76,024**
Investments	13,393	196	220	1,048	**14,857**
December 31, 2019	**86,006**	**952**	**417**	**3,506**	**90,881**
Increases	**12,189**	**184**	**84**	**758**	**13,215**
Investments	12,189	184	84	758	13,215
Decreases	**(9,078)**	**(780)**	**(44)**	**(690)**	**(10,601)**
Disinvestments	(1,159)	(611)	(34)	(485)	(2,289)
Impairment losses	(869)	-	-	-	(869)
Exchange losses	(7,050)	(177)	(10)	(205)	(7,443)
December 31, 2020	**89,118**	**348**	**456**	**3,573**	**(93,495)**
Accumulated depreciation					
December 31, 2018	-	-	-	-	-
Initial recognition	**(721)**	**(41)**	**(6)**	**(92)**	**(860)**
Depreciation	(8,054)	(455)	(66)	(1,087)	**(9.662)**
Exchange gains (losses)	-	9	(1)	7	**15**
December 31, 2019	**(8,775)**	**(487)**	**(73)**	**(1,172)**	**(10,508)**
Increases	**(8,638)**	**22**	**(134)**	**(871)**	**(9,621)**
Depreciation	(9,735)	(102)	(137)	(1,000)	(10,974)
Exchange gains	1,097	124	3	129	1,353
Decreases	**652**	**329**	**24**	**496**	**1.501**
Disinvestments	432	329	24	496	1,281
Other	220	-	-	-	220
December 31, 2019	**(16,761)**	**(136)**	**(183)**	**(1.548)**	**(18,628)**
Carrying amount at December 31, 2019	**77,231**	**465**	**344**	**(2,333)**	**(80,373)**
Carrying amount at December 31, 2020	**72,357**	**212**	**273**	**2,025**	**74,867**
Change	**(4,874)**	**(253)**	**(71)**	**(308)**	**(5,506)**

The Group has adopted IFRS 16 “Leases” from January 1, 2019 and recognised in the statement of financial position right-of-use assets and 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.

“Buildings” at December 31, 2020 amounted to Euro 72,357 thousand (Euro 77,231 thousand at December 31, 2019), decreasing Euro 4,874 thousand on the previous year. This decrease is mainly due to net investments of Euro 11,462 thousand by the US subsidiary Dixon USA Ticonderoga (Euro 8,960 thousand) and the UK subsidiary Daler Rowney Ltd (Euro 1,470 thousand), partially offset by exchange losses of Euro 1,953 thousand and depreciation for the year of Euro 9,735 thousand.

“Plant and machinery” amounted to Euro 212 thousand at December 31, 2020 (Euro 465 thousand at December 31, 2019). Compared to the previous year, this item decreased by Euro 253 thousand.

Changes concern net divestments of Euro 98 thousand, mainly by the Brazilian subsidiary Canson Brazil, exchange losses of Euro 53 thousand and depreciation for the year of Euro 102 thousand.

"Industrial and Commercial Equipment" amounted to Euro 273 thousand at December 31, 2020 (Euro 344 thousand at December 31, 2019). The decrease of Euro 71 thousand was mainly due to net investments of Euro 74 thousand, mainly attributable to the Chinese subsidiary Fila Dixon Stationery Kunshan (Euro 35 thousand) and the Italian subsidiary Industria Maimeri S.p.A. (Euro 25 thousand), offset by depreciation for the year of Euro 137 thousand.

"Other Assets" referred mainly to vehicles at December 31, 2020 and amounted to Euro 2,025 thousand (Euro 2,333 thousand at December 31, 2019). Compared to the previous year, this item decreased by Euro 308 thousand, due to net investments of Euro 769 thousand, mainly made by Canson S.A.S. for Euro 305 thousand, the Parent F.I.L.A. S.p.A. for Euro 185 thousand, and the subsidiary Lyra KG (Germany) for Euro 120 thousand, offset by depreciation for the year of Euro 1,000 thousand and exchange losses of Euro 76 thousand.

Note 3 – Financial assets

“Financial assets” amount to Euro 3,236 thousand at December 31, 2020 (Euro 3,952 thousand at December 31, 2019).

Note 3.A - FINANCIAL ASSETS				
Euro thousands	Financial Investments Held to Maturity: Interest	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
December 31, 2020	**375**	**145**	**2,716**	**316**
non-current portion	-	68	2,546	2,614
current portion	375	77	170	622
Change	**375**	**(1,006)**	**(85)**	**(716)**
non-current portion	-	(1,002)	(167)	(1,169)
current portion	375	(4)	82	453

Financial investments held to maturity

This item amounts to Euro 375 thousand and relates to banking products of a financial nature held by the Chinese subsidiary Fila Dixon Stationery Kunshan.

Loans and Receivables

These amount to Euro 145 thousand and concern receivables of a financial nature claimed from third parties and recognised by F.I.L.A. S.p.A.

Other financial assets

“Other financial assets” totalled Euro 2,716 thousand (Euro 2,801 thousand at December 31, 2019), decreasing Euro 85 thousand. They mainly concern the guarantee deposits on goods and service supply contracts of the various Group companies, including in particular DOMS Industries Pvt Ltd (India) (Euro 1,327 thousand) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) (Euro 292 thousand). The Euro 604 thousand recognised by Dixon Ticonderoga Company (U.S.A.) 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

Note 4.A EQUITY-ACCOUNTED INVESTEES	
Euro thousands	**Inv. in associates**
December 31, 2018	**767**
Increases	**187**
Investments	187
Decreases	**(7)**
Exchange losses	(7)
December 31, 2019	**947**
Increases	**271**
Investments	271
Decreases	**(116)**
Exchange losses	(116)
December 31, 2020	**1.102**
Change	**155**

"Equity-accounted investees" amount to Euro 1.102 thousand (Euro 947 thousand at December 31, 2019).

The increase of the year relates to the two investments in associates held by DOMS Industries Pvt Ltd (India). At December 31, 2020, the carrying amount of the investments was adjusted in line with the share of equity held in the associates.

The investment in Pioneer Stationary Pvt Ltd (India) increased by Euro 443 thousand, partially offset by the reduction in the investment in Uniwrite Pens Plastics Pvt Ltd for an amount of Euro 172 thousand. Exchange losses of Euro 116 thousand were recognised.

Note 5 - Other investments

"Other investments", amounting to Euro 31 thousand, relate to F.I.L.A. S.p.A.'s Euro 28 thousand investment in Maimeri S.p.A. corresponding to 1% of irs share capital, and in the consortiums Conai, Energia Elettrica Zona Mugello and Energia Elettrica Milano by F.I.L.A. S.p.A. at December 31, 2020.

Note 6 – Deferred tax assets

"Deferred tax assets" amount to Euro 20,281 thousand at December 31, 2020 (Euro 18,391 thousand at December 31, 2019).

The changes in "Deferred tax assets" are detailed in the table below with indication of the opening balance, changes of the year and the closing balance at the reporting date:

Note 6.A - CHANGES IN DEFERRED TAX ASSETS	
Euro thousands	
December 31, 2018	**20,554**
Increase	2,917
Utilisation	(5,568)
Exchange gains	284
Increase recognised in equity	204
December 31, 2019	**18,391**
Increase	4,350
Utilisation	(1,976)
Change in consolidation scope	164
Exchange loss	(902)
Increase recognised in equity	254
December 31, 2020	**20,281**
Change	**1,890**

Provisions for the year were mainly attributable to the elimination of inventory margins for Euro 1,320 thousand by the Parent, F.I.L.A. S.p.A., for an amount of Euro 1,194 thousand, mainly due to the increase in deferred tax assets calculated on the ACE tax deduction, by the Mexican subsidiary, Grupo F.I.L.A.-Dixon, SA de C.V., for Euro 378 thousand, and by the Indian subsidiary, DOMS Industries Pvt Ltd, for Euro 246 thousand, in addition to provisions for the tax effects of right-of-use assets amounting to Euro 800 thousand.

Deferred tax assets recognised in an equity reserve relate to the change in the IAS 19 reserve.

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

NOTE 6.B - BREAKDOWN OF DEFERRED TAX ASSETS

	Statement of Financial Position			Profit or loss		Equity	
Euro thousands	2020	Variation in Consolidation Scope	2019	2020	2019	2020	2019
Deferred tax assets relating to:							
Intangible Assets	-	-	97	97	97	-	-
Property, Plant and Equipment	943	-	377	566	(2,793)	-	-
Other Provision	1,006	-	1,037	(31)	938	-	-
Trade Receivables and Other Assets	1,175	-	1,288	(113)	(465)	-	-
Inventories	3,347	-	1,312	2,035	(1,065)	-	-
Personnel	2,938	164	1,899	785	334	254	(76)
Exchange gains (losses)	-	-	-	-	-	-	-
Exchange difference recognised in "Translation Reserve"	-	-	283	619	(230)	(902)	283
Other	3,906	-	3,602	140	1.276	-	280
Prior year tax losses	1,969	-	1,121	848	(1,543)	-	-
Deferred deductible costs	4,999	-	4,160	839	1.035	-	-
ACE	-	-	3,215	(3.215)	(232)	-	-
Total deferred tax assets	**20,281**	**164**	**18,390**	**2,374**	**(2,648)**	**(648)**	**487**

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

Note 7 - Current tax assets

At December 31, 2020, tax assets relating to income tax amounted overall to Euro 9,882 thousand (Euro 11,097 thousand at December 31, 2019) and refer principally to Dixon Ticonderoga Co. (USA) for Euro 3,990 thousand, the Company F.I.L.A. S.p.A. for Euro 2,180 thousand and DOMS Industries Pvt Ltd (India) for Euro 1,489 thousand.

Note 8 - Inventories

Inventories at December 31, 2020 amount to Euro 256,288 thousand (Euro 258,409 thousand at December 31, 2019):

Note 8.A - INVENTORIES				
Euro thousands	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**
December 31, 2020	**58,304**	**27,281**	**170,703**	**256,288**
Change	**(1,785)**	**(1,065)**	**729**	**(2,121)**

This caption decreased Euro 2,121 thousand. The changes of this account during the year were mainly due to the net increase in inventories of Euro 13,045 thousand, attributable in particular to the US subsidiary Dixon Ticonderiga USA (Euro 16,053 thousand) and the Mexican subsidiary Gruppo F.I.L.A.-Dixon, S.A. de C.V. (Euro 3,712 thousand), offset by the Parent F.I.L.A. S.p.A. (Euro 2,520 thousand), the German subsidiary Lyra KG (Euro 2,005 thousand) and the French subsidiary Canson S.A.S. (Euro 1,374 thousand). In addition, there was a change in the consolidation scope of Euro 2,702 thousand and, lastly, all this was offset by exchange losses of Euro 17,806 thousand.
Inventories are presented net of the allowance for inventory write-down for raw materials (Euro 1,368 thousand), work-in-progress (Euro 401 thousand) and finished goods (Euro 4,383 thousand).

The provisions refer to obsolete or slow-moving materials for which it is not considered possible to recover their value through sale.

Note 8.B- CHANGE IN THE ALLOWANCE FOR INVENTORY WRITE-DOWN				
Euro thousands	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2018	**1,450**	**357**	**4,712**	**6,519**
Accruals	498	249	(275)	472
Utilisation	(278)	(34)	(106)	(418)
Release	(50)	(135)	31	(154)
Exchange gains (losses)	1	-	5	6
December 31, 2019	**1,621**	**437**	**4,367**	**6,425**
Accruals	373	269	668	1,310
Utilisation	(585)	(252)	(238)	(1,075)
Release	(41)	(53)	(163)	(256)
Exchange gains (losses)	-	-	(251)	(251)
December 31, 2020	**1,368**	**401**	**4,383**	**6,152**
Change	**(253)**	**(36)**	**16**	**(272)**

Note 9 – Trade receivables and other assets

Trade receivables and other assets amount to Euro 115,929 thousand at December 31, 2020 (Euro 141,339 thousand at December 31, 2019):

Note 9.A - TRADE RECEIVABLES AND OTHER ASSETS			
Euro thousands	December 31, 2020	December 31, 2019	Change
Trade receivables	102,155	126,094	(23.939)
Tax assets	2,420	3,005	(585)
Other	7,470	7,317	153
Prepayments and accrued income	3,884	4,923	(1.039)
Total	**115,929**	**141,339**	**(25,410)**

Trade receivables decreased on December 31, 2019 by Euro 23,939 thousand, mainly due to Dixon Ticonderoga Company (U.S.A.), Grupo F.I.L.A.-Dixon,-S.A. de C.V. (Mexico) and Fila Chile (Chile), in addition to a exchange losses of Euro 11,358 thousand.

Trade receivables broken down by country are illustrated below:

TRADE RECEIVABLES BY GEOGRAPHICAL SEGMENT			
Euro thousands	December 31, 2020	December 31, 2019	Change
Europe	38,024	34,505	3.519
North America	22,095	30,973	(8,878)
Central-South America	33,526	50,043	(16,517)
Asia	6,727	8,028	(1,301)
Other	1,783	2,545	(763)
Total	**102,155**	**126,095**	**(23,940)**

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

Note 9.B - CHANGES IN THE LOSS ALLOWANCE	
Euro thousands	
December 31, 2018	**7,361**
Provisions	1,892
Utilisation	(3,275)
Release	(68)
Exchange gains	60
Other changes	(26)
December 31, 2019	**5,945**
Provisions	2.084
Utilisation	(966)
Release	(383)
Exchange loss	(550)
Other changes	(493)
December 31, 2020	**5,637**
Change	**(308)**

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 on assets, the Group considers reasonable and demonstrable information which is pertinent and available without excessive cost or burden. Quantitative and qualitative information and analysis, based on historic Group experience, to assess the asset - in addition to information indicative of expected developments - is included. The allowance was used for Euro 966 thousand, mainly due to the US subsidiary Dixon Ticonderoga Company (Euro 443 thousand), the Brazilian subsidiary Canson Brasil (Euro 230 thousand) and the Parent F.I.L.A. S.p.A. (Euro 200 thousand).

"Tax assets" totalled Euro 2,420 thousand at December 31, 2020 (Euro 3,005 thousand at December 31, 2019) and include VAT assets (Euro 1,777 thousand) and other tax assets for local taxes other than direct income taxes (Euro 643 thousand). The decrease compared to the previous year principally concerns the Chinese subsidiary Dixon China for Euro 242 thousand and the French subsidiary Canson SAS for Euro 217 thousand.

"Other Assets" amount to Euro 7,470 thousand at December 31, 2020 (Euro 7,317 thousand at December 31, 2019) and mainly concern receivables from employees (Euro 550 thousand), from social security institutions (Euro 31 thousand) and advances paid to suppliers (Euro 2,324 thousand), principally concerning the Indian and Chinese subsidiaries. The carrying amount of "Other assets" represents the fair value at the reporting date.
All of the above assets are due within 12 months.

Note 10 - Cash and cash equivalents

"Cash and cash equivalents" at December 31, 2020 amount to Euro 127,105 thousand (Euro 100,191 thousand at December 31, 2019):

Note 10 - CASH AND CASH EQUIVALENTS			
Euro thousands	Bank and postal deposits	Cash in hand and other cash equivalents	Total
December 31, 2019	**100,056**	**135**	**100,191**
December 31, 2020	**126,991**	**114**	**127,105**
Change	**26,935**	**(21)**	**26,914**

"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 49,610 thousand and current accounts of the subsidiaries for Euro 77,494 thousand, in particular: Dixon Ticonderoga Company (Euro 25,181 thousand), Daler Rowney Ltd (Euro 9,865 thousand), Canson SAS (Euro 3,559 thousand), F.I.L.A. Iberia S.L. (Euro 7,927 thousand), the Dixon Group's Chinese subsidiaries (Euro 7,035 thousand) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Euro 2,601 thousand).

"Cash in hand and other cash equivalents" amount to Euro 114 thousand, of which Euro 6 thousand relates to the Parent F.I.L.A. S.p.A and Euro 108 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 debt of the F.I.L.A. Group.

Note 11 - Net financial debt

The F.I.L.A. Group "Net financial debt" at December 31, 2020 was Euro 493,456 thousand, with a decrease of Euro 4,694 thousand on December 31, 2019. This decrease was partly due to the financial liabilities arising from the application of IFRS 16, included in other current and non-current financial liabilities.

	Euro thousands	December 31, 2020	December 31, 2019	Change
A	Cash	114	135	(21)
B	Other cash equivalents	126,991	100,057	26,934
C	Securities held-for-trading	-	-	-
D	**Cash and cash equivalents (A + B + C)**	**127,105**	**100,192**	**26,913**
				-
E	**Current financial loan assets**	**622**	**169**	**453**
F	Current bank loans and borrowing	(83,757)	(79,511)	(4,246)
G	Current portion of non-current debt	(29,658)	(15,008)	(14,650)
H	Other current loans and borrowing	(12,636)	(8,187)	(4,449)
I	**Current financial debt (F + G + H)**	**(126,052)**	**(102,706)**	**(23,345)**
				-
J	**Net curre nt financial position (debt) (I + E+ D)**	**1,676**	**(2,355)**	**4,031**
K	Non-current bank loans and borrowing	(399,506)	(402,546)	3,040
L	Bonds issued	-	-	-
M	Other non-current loans and borrowing	(95,692)	(94,328)	(1,364)
N	**Non-current financial debt (K + L + M)**	**(495,198)**	**(496,874)**	**1,675**
O	**Net financial debt (J+N)**	**(493,522)**	**(499,219)**	**5,696**
P	**Loans issued to third parties**	**68**	**1,070**	**(1,002)**
				-
Q	**Net financial debt (O + P) - F.I.L.A. Group**	**(493,456)**	**(498,150)**	**4,694**

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 and fully paid-up share capital at December 31, 2020 of the Parent F.I.L.A. S.p.A. 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%	7,436,999	Unquoted Shares

According to the available information, published by Consob and updated at December 31, 2020, the main shareholders of the Parent were:

	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%	7,436,999	Unquoted Shares

Shareholder	Ordinary shares	%
Pencil S.p.A.	13,694,564	31.88%
Venice European Investment Capital S.p.A.	2,535,000	7.71%
Sponsor	361,291	0.84%
Market investors	26,367,337	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.	2,535,000		3,310,866	4.93%
Space Holding Srl	361,291		361,291	0.54%
Market investors	26,367,337		-	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 December 31, 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 Italian Civil Code.

Share Premium Reserve

The reserve at December 31, 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 and subscribed in application of the medium/long-term incentive plan in favour of F.I.L.A. Group management.

IAS 19 reserve

Following the application of IAS 19, the equity reserve is negative for Euro 5,303 thousand, decreasing in the year by Euro 1,089 thousand limited to the share of the F.I.L.A. Group.

Other reserves

At December 31, 2020, the reserve is negative for Euro 42,828 thousand, decreasing Euro 8,405 thousand on December 31, 2019. The changes concern the following events:

- The fair value reserve for hedging financial instruments (IRS) entered into by F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A.) and Canson SAS (France); at December 31, 2020 the reserve was negative for Euro 18,767 thousand, with a decrease of Euro 6,009 thousand compared to December 31, 2019 (negative for Euro 13,571 thousand) due to the adjustment of the financial statements, offset by an increase due to foreign exchange gains of Euro 816 thousand. This change relates to the adjustment of the value of financial instruments for Euro 8 thousand to the fair value adjustment of the derivative of Canson SAS, for Euro 383 thousand to the fair value adjustment of the derivative of F.I.L.A. S.p.A. and for Euro 5,618 thousand to the fair value adjustment of the derivative of the US subsidiary Dixon Ticonderoga Company (U.S.A.). For further information, reference should be made to Note 17 – Financial Instruments;
- "Share Based Premium" reserve, totalling Euro 1,314 thousand and decreasing by Euro 733 thousand compared to the previous year end (Euro 2,047 thousand at December 31, 2019), 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 recognised under personnel expense, with a corresponding increase in equity under "Other reserves and retained earnings", over the period in which the employees will obtain the unconditional right to the incentives. The amount recognised as cost is adjusted to reflect the effective number of incentives (options) for which the conditions have vested and the achievement of "non-market" conditions, in order that the final cost recognised is based on the number of incentives which will vest. Similarly, in the initial estimate of the fair value of the options assigned, consideration is taken of the non-vesting conditions. The changes to market value subsequent to the grant date will not produce any financial statement effect.

Translation reserve

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

The changes in the "Translation Reserve" in 2020 are illustrated below (limited to the equity attributable to the owners of the parent):

TRANSLATION RESERVE	
Euro thousands	
December 31, 2018	**(16,057)**
Changes	
Difference between the average rate for the year and the closing rate	(23,214)
Difference between the historical rate and the closing rate	(585)
December 31, 2019	**(39,856)**
Change	**(23,799)**

Retained earnings

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

We highlight in addition the restriction on the distribution of a portion of retained earnings related to the revaluation of the investment held in the company DOMS Industries Pvt Ltd (Euro 15,052 thousand), in accordance with Article 6, paragraph 1, letter a) of Legislative Decree No. 38 of February 28, 2005, following the purchase of the controlling interest.

Equity attributable to non-controlling interests

Non-controlling interest equity decreased Euro 2,912 thousand, mainly due to:

- Loss for the year attributable to non-controlling interests of Euro 485 thousand, primarily relating to the Indian subsidiary DOMS Industries PVT Ltd;
- Distribution of dividends to non-controlling interests of Euro 269 thousand;
- Exchange differences for Euro 2,550 thousand;
- IAS 19 reserve attributable to non-controlling interests of Euro 3 thousand;
- Share capital increase of Euro 47 thousand by non-controlling interests in the Russian subsidiary Fila Stationary O.O.O.;
- 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 are calculated by dividing the Group's profit for the year by the weighted average number of ordinary shares outstanding during the period, excluding any treasury shares.

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

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

The table below illustrates the reconciliation between the equity of the Parent F.I.L.A. S.p.A. and the consolidated equity and the reconciliation between the profit for the year of the Parent F.I.L.A. S.p.A. and the profit for the year shown in the consolidated financial statements:

Reconciliation at December 31, 2020 between Parent's Equity and F.I.L.A. Group Equity

Euro thousands

F.I.L.A. S.p.As equity	**278,116**
Elimination of infragroup margins and other consolidation entries	(2,818)
Consolidation effect FILA Art and Craft (Israel)	366
Consolidation effect Dixon Ticonderoga group	43,022
Consolidation effect Lyra group	1.948
Consolidation effect FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	(2,168)
Consolidation effect FILA Stationary O.O.O. (Russia)	(970)
Consolidation effect FILA Hellas (Greece)	1,028
Consolidation effect Industria Maimeri S.p.A. (Italy)	(1,705)
Consolidation effect FILA S.A. (South Africa)	(2,010)
Consolidation effect Fila Polska Sp. Z.o.o (Poland)	1,104
Consolidation effect DOMS Industries Pvt Ltd (India)	17,326
Consolidation effect Daler & Rowney Lukas Group	(20,246)
Consolidation effect St. Cuthberts Holding (England)	495
Consolidation effect FILA Iberia S.L. (Spain)	8,232
Consolidation effect Canson Group	7,574
Consolidation effect FILA Art Product AG (Switzerland)	182
Consolidation effect Pacon Group	3,975
Consolidation effect Fila Arches	(2,060)
Total equity	**331,275**
Consolidation effects attributable to non-controlling interests	23,268
F.I.L.A. group equity	**308,007**

Reconciliation at December 31, 2020 between Parent's Result and F.I.L.A. Group Result

Euro thousands

F.I.L.A. S.p.A.'s profit for the year	**8,125**
Profit for the year of the subsidiarie s of the Parent	**6.479**
Elimination of the effects of transactions between consolidated companies:	
Dividends	(18,440)
Net Inventory Margins	(1,501)
Adjustments to Group accounting policies	
Stock Option Plan recognised by the Parent to the Subsidiaries	401
FTA of IFRS 9	245
Daler Rowney Lukas Group - reversal of impairment losses on equity investments in wound-up *"Dormant Entities"*	7,505
Gruppo Canson - reversal of impairment losses on equity investments in wound-up	4,956
Reversal of the goodwill for the Superior business transfer	342
Total profit for the year	**8,122**
Profit for the year attributable to owners of the parent	(485)
Profit for the year attributable to the owners of the Parent	**8,607**

Note 13 - Financial Liabilities

The balance at December 31, 2020 amounts to Euro 602,484 thousand (Euro 586,009 thousand at December 31, 2019), of which Euro 476,432 thousand non-current and Euro 126,052 thousand current. The caption refers to both non-current and current portions of bank loans and borrowings, other loans and borrowings and current account overdrafts in addition to lease liabilities as per IFRS 16.

The breakdown at December 31, 2020 is illustrated below:

Note 13.A - FINANCIAL LIABILITIES: Third parties

	Bank loans and borrowings			Other loans and borrowings			Current account overdrafts			Lease liabilities			Total
Euro thousands	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
December 31, 2019	**486,559**	**(4,250)**	**482,309**	**1,205**	**(31)**	**1,174**	**14,612**	**144**	**14,756**	**87,770**	**-**	**87.770**	**586,009**
non-current portion	408,140	(5,594)	**402,546**	420	(23)	397	-	-	-	80,360	-	80,360	**483,303**
current portion	78,419	1,344	**79,763**	785	(8)	777	14,612	144	14,756	7,410	-	7,410	**102,706**
December 31, 2020	**507,283**	**(5,248)**	**502,035**	**4,618**	**59**	**4,677**	**10,799**	**88**	**10,887**	**84,885**	**-**	**84,885**	**602,484**
non-current portion	405,674	(6,168)	**399,506**	298	(2)	296	-	-	-	76,630	-	76,630	**476,432**
current portion	101,609	920	**102,529**	4,320	61	4,381	10,799	88	10,887	8,255	-	8,255	**126,052**
Change	**20,724**	**(998)**	**19,726**	**(3,413)**	**90**	**3,503**	**(3,813)**	**(56)**	**(3,869)**	**(2,885)**	**-**	**(2,885)**	**16,475**
non-current portion	(2,466)	(574)	**(3,040)**	(122)	21	(101)	-	-	-	(3,730)	-	(3,730)	**(6,871)**
current portion	23,190	(424)	**22,766**	3,535	69	3,604	(3,813)	(56)	(3,869)	845	-	845	**(23,346)**

Bank loans and borrowings With reference to “Bank loans and borrowings”, the total exposure of the Group amounts to Euro 502,035 thousand, of which Euro 102,529 thousand considered as current (Euro 79,763 thousand at December 31, 2019) and Euro 399,506 thousand as non-current (Euro 402,546 thousand at December 31, 2019).

Bank interest liabilities, amounting to a positive Euro 5,248 thousand, include a positive Euro 6,168 thousand relating to amortised cost and a negative Euro 920 thousand relating to interest accrued on outstanding loans, mainly relating to the Parent, FILA S.p.A., the subsidiary Dixon Ticonderoga Company (U.S.A.) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico).

The decrease in the non-current portion of Euro 3,040 thousand is primarily due to the net effect of the following movements:

- Increases of Euro 69,791 thousand regarding the Parent F.I.L.A. S.p.A. for Euro 69,330 thousand 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, of which Euro 670 thousand already recognised as short-term as paid during the year 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 in addition to the Euro 461 thousand recognised by the Italian subsidiary Industria Maimeri S.p.A.;
- Decreases in the short-term portion of loans totalling Euro 57,600 thousand, of which Euro

30,000 thousand, relating to the new loan taken out with Cassa Depositi e Prestiti to be repaid in November 2021, Euro 27,456 thousand relating to structured loans granted to the Parent F.I.L.A. S.p.A. (Euro 14,063 thousand), the US subsidiary, Dixon Ticonderoga Company (Euro 12,549 thousand) and the French subsidiary, Canson SAS (Euro 844 thousand), in addition to Euro 144 thousand relating to loans taken out by the Indian subsidiary, DOMS Industries Pvt (Ltd);

- Exchange gains of Euro 15,172 thousand;
- Decreases for new interest measured at amortised cost of Euro 59 thousand.

Capital bank loans and borrowings at December 31, 2020, amounting to Euro 507,283 thousand (Euro 486,559 thousand at December 31, 2019) mainly comprise the structured loan taken out by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) for Euro 425,435 thousand, details of which for each facility are provided below:

Note 13.C - BANK LOANS AND BORROWINGS: BREAKDOWN

Euro thousands	**Principal F.I.L.A. S.p.A.**	**Principal Dixon Ticonderoga Company (U.S.A.)**	**Total**
Facility A	61,875	59,161	121,036
Facility A2	4,687	-	4,687
Facility B	90,000	150,069	240,069
Facility B2	8,750	-	8,750
Facility C	25,000	-	25,000
Facility C2	893	-	893
RCF	25,000	-	25,000
Total	**216,205**	**209,230**	**425,435**

Facility A (Euro 121,036 thousand) and Facility A2 (Euro 4,687 thousand) stipulate a residual repayment plan consisting of 10 half-yearly instalments, of which 4 instalments classified as current, as their maturity date is before December 2021, while Facility B (Euro 240,069 thousand),Facility B2 (Euro 8,750 thousand) 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 used for Euro 25,000 thousand.

The new structured loan was increased by Euro 40,000 thousand by the Parent F.I.L.A. S.p.A. with the same banking syndicate as for the original 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 repayment plans by facility are outlined below:

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

Euro thousands	Facility	Principal F.I.L.A. S.p.A.	Principal Dixon Ticonderoga Company (U.S.A.)	Total
June 4, 2021	Facility A	5,625	5,379	11,004
December 6, 2021	Facility A	7,500	7,171	14,671
June 6, 2022	Facility A	7,500	7,171	14,671
December 5, 2022	Facility A	11,250	10,756	22,006
June 2, 2023	Facility A	30,000	28,684	58,684
Total - Facility A		**61,875**	**59,161**	**121,036**
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	803	-	803
June 2, 2023	Facility A2	2,410	-	2,410
Total - Facility A2		**4,687**	**-**	**4,687**
Bullet Loan - June 4, 2024	Facility B	90,000	155,000	245,000
Total - Facility B		**90,000**	**155,000**	**245,000**
Bullet Loan - June 4, 2024	Facility B2	8,750		8,750
Total - Facility B2		**8,75000**	**-**	**8,75000**
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**
Total		**(216,205)**	**(209,230)**	**(425,435)**

The loan was initially recognised at fair value, including directly associated transaction costs. The initial carrying amount was subsequently adjusted to account for repayments of principal, any impairment losses and amortisation of the difference between the repayment amount and initial carrying amount. Amortisation is calculated on the basis of the internal effective interest rate represented by the rate equal to, at the moment of initial recognition, the present value of expected cash flows and the initial carrying amount (amortised cost method). The effect in 2020 of the amortised cost method is Euro 379 thousand of interest (of which Euro 429 thousand concerning F.I.L.A. S.p.A. and Euro 50 thousand concerning Dixon Ticonderoga U.S.A.). The non-current portion, in addition to the loan, includes the fair value of the negotiation charges related to derivatives of Euro 6,168 thousand.

In addition to the loan described above, capital bank loans and borrowings, including Euro 81,848 thousand broken down into current (Euro 76,961 thousand) and non-current (Euro 4,887 thousand), are described below.

The main bank current account exposures of the Group companies to banks concern:

- Credit lines granted by Grupo Financiero BBVA Bancomer S.A., Banco Santander S.A., Banco Sabadell S.A. and Scotiabank Inverlat S.A., Banco Nacional de Mexico, S.A. and HSBC México, S.A. to Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for a total of Euro 33,976 thousand;
- A short-term loan of Euro 30,000 thousand recognised by the parent F.I.L.A. S.p.A. and taken out with Cassa Depositi e Prestiti, due by November 2021;
- The current portion of non-current debt of Euro 144 thousand and the credit lines granted to DOMS Industries Pvt Ltd (India) by HDFC Bank for Euro 1,882 thousand and BNP Paribas for Euro 2,873 thousand;
- Credit lines issued to Lyra KG (Germany) by Commerzbank for Euro 1,500 thousand at December 31, 2020. The current debt of the German company also comprises the loans issued by Hypo Real Estate for Euro 1,000 thousand entirely classified as short-term.
- The current portion of the loan contracted by Canson SAS (France) for Euro 844 thousand;
- Short-term loans granted to Fila Chile Ltda (Chile) by Bank BICE and Bank BCI for Euro 1,139 thousand;
- The current portion of the loans of Euro 1,235 thousand granted to Industria Maimeri by Banca Popolare di Milano, Intesa and Unicredit;
- The current portion of the loans granted mainly to the subsidiary FILA Stationary and Office Equipment Industry Ltd. Co (Turkey) and the associate Fila Polska Sp Z.o.o (Poland) amounted to Euro 2,512 thousand.

Non-current bank debt amounts to Euro 4,887 thousand and mainly relates to the non-current portions of the loans granted to:

- Industria Maimeri S.p.A. (Italy) for Euro 1,061 thousand;
- DOMS Industries Pvt Ltd (India) from HDFC Bank for Euro 221 thousand;
- Canson SAS (France) from Intesa Sanpaolo for Euro 3,605 thousand.

The breakdown of current financial liabilities by due date is shown below:

December 31, 2020 *Euro thousands*	**Within 12 months**	**Within 1-2 years**	**Within 2-3 years**	**Within 3-4 years**	**Within 4-5 years**	**Total**
Financial liabilities						
Bank loans and borrowings[1]	113,416	39,813	112,492	246,128	1,072	512,922
Other loans and borrowings	4,381	255	41	-	-	4,677
Expected cash flows	**9,930**	**(40,068)**	**(112,534)**	**(246,128)**	**(1,004)**	**(389,804)**

(1) TThe principal portion of the bank loans amounts to Euro 506,754 thousand euro, the medium-long term part has been adjusted considering an amortised cost of Euro 6,168 thousand. The carrying amount is Euro 512,922 thousand.

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

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

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) (EBITDA) and Net Financial Expense (NFE), 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 undertaken by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) are outlined below, applied from December 31, 2020:

Leverage Ratio at December 2020: NFD / Gross operating profit (loss) < 3.90

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 December 31, 2020, the F.I.L.A. Group had complied with the above covenants.

The structured debt was in any case negotiated with the lending banks in advance and no default would be linked to any failure to comply with the financial covenants relating to the 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 (if dividends are not distributed to shareholders of FI.L.A. S.p.A. during the second half of 2020).

Financial liabilities - Other loans and borrowings

"Financial liabilities – Other loans and borrowings" at December 31, 2020 totalled Euro 4,677 thousand (Euro 1,174 thousand at December 31, 2019), with the current portion totalling Euro 4,381 thousand (Euro 777 thousand at December 31, 2019).

Financial Liabilities - Current Account Overdrafts

"Current account overdrafts" amounted to Euro 10,887 thousand (Euro 14,756 thousand at December 31, 2019) and mainly concern the overdrafts of Industria Maimeri S.p.A. (Euro 5,386 thousand), Fila Stationary O.O.O. (Euro 1,188 thousand) and Cansos SAS (Euro 3,766 thousand).

Financial liabilities - IFRS 16

Financial liabilities at December 31, 2020 include the effects deriving from the adoption by the Group of the new international accounting standard IFRS 16 which came into force on January 1, 2019 and which led to a reduction of Euro 2,885 thousand as at December 31, 2020, of which Euro 3,730 thousand as the non-current portion and an increase of Euro 845 thousand as the current portion.

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

Euro thousands	December 31, 2020	Measurement model	Level 1	Level 2	Level 3
Financial Liabilities					
Bank Loans and Borrowings	502,035	*Amortised cost*			
Other Loans and Borrowigs	4,677	*Amortised cost*			
Current account overdrafts	10,887	*Amortised cost*			
Financial Instruments	18,767	*Fair value*			18,767
Trade Payables and Other Liabilities	100,542	*Amortised cost*			
Total Financial Liabilities	**636,909**		**-**	**-**	**13,571**

Euro thousands	December 31, 2019	Measurement model	Level 1	Level 2	Level 3
Financial Liabilities					
Bank Loans and Borrowings	482,309	*Amortised cost*			
Other Loans and Borrowigs	1,174	*Amortised cost*			
Current account overdrafts	14,756	*Amortised cost*			
Financial Instruments	13,571	*Fair value*			13,571
Trade Payables and Other Liabilities	108,670	*Amortised cost*			
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.

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

Euro thousands	Banks Principal	Other Loans and borrowings Principal	Other Financial Expenses	Financial expenses TFR
	Note 13	*Note 13*	*Note 13*	*Note 17*
December 31, 2019	**(486,599)**	**(1,205)**	**1,878**	**(146)**
Cash Flows	**(41,907)**	**(3,441)**	**2,660**	**(178)**
Other changes:				
Exchange losses	21,958	27		
FV Variation				
Change in amortised cost	(776)		385	
December 31, 2020	**(507,284)**	**(4,618)**	**3,045**	**(178)**

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 recognised under personnel expense.

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

Finally, the Group recognises employees other long-term benefits, generally issued on the reaching of a fixed number of years of service or in the case of invalidity. In this instance, the 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 December 31, 2020 were as follows:

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

Euro thousands	Post-employment benefits (Italy)	Other employee benefits	Total
December 31, 2018	**2,220**	**8,711**	**10,931**
Benefits paid	(1.095)	(1.210)	(2,305)
Interest cost	24	122	146
Service cost	947	876	1,823
Actuarial losses	108	931	1,039
Exchange losses	-	166	166
December31 , 2019	**2,204**	**9,596**	**11,800**
Benefits paid	(1.019)	(410)	(1,429)
Interest cost	37	141	178
Service cost	954	907	1,861
Actuarial gains/losses	165	1.171	1,336
Exchange losses	568	-	568
	(1)	(348)	(349)
December31 , 2020	**2,908**	**11,057**	**13,6950**
Change	**704**	**1,461**	**2,165**

Actuarial losses accrued during 2020 totalled Euro 1,336 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 1,053 thousand and to the French subsidiary Canson SAS for Euro 152 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	**December 31, 2020**	**December 31, 2019**
Present value of obligations covered by unfunded plan assets	2,908	2,204
	2,908	**2,204**
Present value of obligations covered by plan assets	12,537	13,165
Fair value of plan assets relating to the obligations	(1,480)	(3,569)
	11,057	**9,596**
Total	**13,965**	**11,800**

The financial assets at December 31, 2020 invested by the F.I.L.A. Group to cover financial liabilities arising from "Employee benefits" amount to Euro 1,480 thousand (Euro 3,569 thousand at December 31, 2019) relate to Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico). The financial investments have an average return of 5% on invested capital (equally broken down between investments in the "Ticket PFG" fund and investments in guaranteed investment contracts). The "structure" of financial investments at December 31, 2020 did not change on the previous year.

The table below highlights the net cost of employee benefit components recognised in profit or loss in 2020 and 2019:

2. Cost recognised in profit or loss	**December 31, 2020**	**December 31, 2019**
Service cost	1,861	1,823
Interest cost	178	146
Cost recognised in profit or loss	**2,039**	**1,969**

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

3. Main actuarial assumptions at reporting date (average values)	**December 31, 2019**	**December 31, 2019**
Annual technical discount rate	1.8%	3.1%
Increase in cost of living index	1.6%	4.0%
Future salary increase	2.1%	3.2%
Future pension increase	1.6%	2.8%

Details of the cash flows of employee benefits at December 31, 2020 are illustrated in the table below.

Nota 14.B - EMPLOYEE BENEFIT: CASH FLOWS SCHEDULE

Nature	Amount	Cash flows schedule				
		2021	2022	2023	2024	After 2024
Italian post-employment benefits (TFR)	2,908	199	219	198	139	2,154
Employee benefits	11,057	330	230	251	316	9,931
Total	**13,965**					

** Euro thousands*

Note 15 - Provisions for risks and charges

"Provisions for risks and charges" at December 31, 2020 amount to Euro 1,863 thousand (Euro 3,076 thousand at December 31, 2019), of which Euro 935 thousand (Euro 937 thousand at December 31, 2019) concerning the non-current portion and Euro 928 thousand (Euro 2,139 thousand at December 31, 2019) concerning the current portion.

Note 15.A - PROVISIONS FOR RISKS AND CHARGES

Euro thousands	Provisions for tax disputes	Provisions for legal disputes	Pension and similar provisions	Restructuring provisions	Other provisions	Total
December 31, 2019	**-**	**485**	**796**	**952**	**843**	**3,076**
non-current portion	-	-	787	-	150	937
current portion	-	485	9	952	693	2,139
December 31, 2020	**-**	**485**	**796**	**952**	**843**	**3,076**
non-current portion	-	-	791	-	144	935
current portion	-	94	11	952	254	1,013
Change	**-**	**(391)**	**6**	**(382)**	**(445)**	**(1,213)**
non-current portion	-	-	4	-	(6)	(2)
current portion	-	(391)	2	(382)	(439)	(1,211)

The change in provisions for risks and charges at December 31, 2020 was as follows:

Note 15.B PROVISIONS FOR RISKS AND CHARGES: CHANGES

Euro thousands	Provisions for tax disputes	Provisions for legal disputes	Pension and similar provisions	Restructuring provisions	Other provisions	Total
December 31, 2018	**9**	**289**	**710**	**2,222**	**4,007**	**7,237**
Utilisation	(9)	-	-	(2,319)	(611)	(2,939)
Accruals	-	196	13	1,023	427	1,659
Release	-	-	-	10	-	10
Discounting	-	-	73	-	-	73
Exchange gains (losses)	-	(1)	-	17	62	78
Other	-	-	-	0	(3,042)	(3,042)
December 31, 2019	**-**	**485**	**796**	**952**	**843**	**3,076**
Utilisation	-	(280)	(117)	(277)	(848)	(1,522)
Accruals	-	25	44	409	293	771
Release	-	(100)	-	(483)	(84)	(667)
Discounting	-	-	79	-	-	79
Exchange gains (losses)	-	(35)	-	(33)	(28)	(96)
Other	-	-	-	-	(220)	304
December 31, 2019	**-**	**94**	**802**	**570**	**398**	**1,863**
Change	**-**	**(390)**	**6**	**(382)**	**(446)**	**(1,213)**

Provisions for tax disputes

This provision represents the best estimate by management of the liabilities relating to tax assessments of F.I.L.A. S.p.A. In 2020, there were no changes.

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 provision decreased by Euro 390 thousand due to the utilisation of the provision recognised by the US subsidiary Dixon Ticonderoga Company (U.S.A.), amounting to Euro 280 thousand, and a release by the German subsidiary Johann Froescheis Lyra Bleistift KG amounting to Euro 100 thousand. New provisions were also recognised by the Brazilian subsidiary, Canson Brasil I.P.E. LTDA, amounting to Euro 25 thousand, and in addition to foreign exchange losses of Euro 35 thousand.

Pension and similar provisions

This provision includes the agents' leaving indemnity provision at December 31, 2020 of the Parent F.I.L.A. S.p.A. and of the subsidiary Industria Maimeri S.p.A. The actuarial loss for 2020 was Euro 79 thousand. The actuarial changes in the year, net of the tax effect, are recognised directly in equity.

Restructuring provisions

For the integration and reorganisation of the Group structure following the corporate transactions of recent years, a number of companies established provisions for risks and charges concerning personnel mobility plans for a total at December 31, 2020 of Euro 570 thousand and decreased by Euro 382 thousand. The plans involve in particular the reorganisation of the North American strategic segment which began in 2019, recognising utilisations of Euro 277 thousand, mainly by the US subsidiary Dixon Ticonderoga Company (U.S.A.) for Euro 190 thousand. In addition, a new provision of Euro 409 thousand was recognised by the French subsidiary, Canson SAS, and a release of Euro 483 thousand was used by the same French subsidiary in relation to the old reorganisation plans, now completed.

Other provisions

These total Euro 398 thousand and decreased by Euro 446 thousand, mainly due to the utilisation of provisions by the US subsidiary Dixon Ticonderoga Company (U.S.A.).

Note 16 - Deferred Tax Liabilities

“Deferred Tax Liabilities” amount to Euro 67,423 thousand December 31, 2020 (Euro 63,162 thousand at December 31, 2019).

Note 16.A CHANGES IN DEFERRED TAX LIABILITIES

Euro thousands	
December 31, 2018	**72,015**
Increase	(462)
Utilisation	(10,275)
Exchange gains	1,073
Decrease recognised in equity	(112)
December 31, 2019	**63,162**
Decrease	3,257
Utilisation	(2,071)
Change in consolidation scope	7,513
Exchange gains	(4,386)
Decrease recognised in equity	(53)
December 31, 2020	**67,423**
Change	**4,261**

The change on the previous year end amounting to Euro 4,261 thousand is mainly due to the deferred taxes accrued on the higher amount of intangible assets and property, plant and equipment recognised through the “Purchase Price Allocation”, on the new business unit acquired for Euro 7,513 thousand, in addition to those previously recognised 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), partially offset by translation gains of Euro 4,386 thousand. Against the gradual amortisation and depreciation of the assets so calculated, the Parent gradually releases the related deferred taxes.

The decrease recognised in equity (Euro 53 thousand) represents the tax effect of the “Actuarial gains/losses” calculated on the “Post-employment benefits and employee benefits” and recognised, in accordance with IAS 19, as an equity reserve.

The table below shows the deferred tax liabilities by nature:

NOTE 16.B - BREAKDOWN OF DEFERRED TAX LIABILITIES							
	Statement of Financial Position			Profit or Loss		Equity	
Euro thousands	2019	Variation in Consolidation Scope	2019	2019	2019	2019	2019
Deferred tax liabilities relating to:							
Intangible Assets	52,227	7,513	45,161	(446)	1,153	-	-
Inventories	1,161	-	661	500	0	-	-
Property, Plant and Equipment	12,556	-	15,028	(2,472)	(2,687)	-	-
Personnel - IAS 19	-	-	114	(61)	(28)	(53)	(112)
Dividends	-	-	289	(289)	1	-	-
Conversion difference accounted for as "Translation Reserve"	-	-	1,073	3.313	1.655	(4,386)	1,073
Other	1,479	-	837	642	(420)	-	-
Total deferred tax liabilities	**67,423**	**7,513**	**63,162**	**1,186**	**(328)**	**(4.439)**	**961**

Note 17 - Financial instruments

“Financial instruments” at December 31, 2020 amount to Euro 18,767 thousand (Euro 13,571 thousand at December 31, 2019) and refer to the fair value of loan hedging derivatives (hedged instrument), issued in favour of F.I.L.A. S.p.A. (Euro 4,183 thousand) and Dixon Ticonderoga Company (U.S.A.) (Euro 14,458 thousand), both for the acquisition of the Pacon Group and the refinancing of the debt agreed by F.I.L.A. S.p.A. in 2016 (in support of the M&A transactions relating to the acquisition of the Daler-Rowney Lukas Group, the Canson Group and St. Cuthberts Holding).

Canson SAS (France) also entered into a derivative to hedge borrowings (hedged instrument) agreed by the company in support of investments relating to the implementation of the Annonay logistics hub of Euro 126 thousand.

The accounting treatment adopted for the hedging instruments, based on IFRS 9, is based on hedge accounting and in particular that concerning “cash flow hedges” and involving the recognition of a financial asset or liability and an equity reserve.

Note 18 - Current Tax Liabilities

"Current Tax Liabilities" total Euro 4,974 thousand at December 31, 2020 (Euro 7,296 thousand at December 31, 2019), mainly attributable to the parent F.I.L.A. S.p.A. (Euro 323 thousand), Dixon Ticonderoga Company (Euro 1,567 thousand), DOMS Industries Pvt Ltd (Euro 1,383 thousand) and Canson SAS (Euro 213 thousand).

Note 19 - Trade payables and other liabilities

"Trade payables and other liabilities" at December 31, 2020 amount to Euro 100,542 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

Euro thousands	December, 2020	December, 2019	Change
Trade payables	68,418	76,197	(7,779)
Tax liabilities	8,631	9,735	(1,104)
Other	22,726	21,670	1,056
Accrued expenses and deferred income	767	1,068	(301)
Total	**100,542**	**108,670**	**(8,128)**

The decrease in "Trade Payables" was Euro 7,779 thousand and mainly concerned the subsidiary Grupo F.I.L.A. – Dixon, S.A. de C.V. (Mexico) for Euro 3,314 thousand, the Indian subsidiary DOMS Industries Pvt Ltd for Euro 1,481 thousand and the Parent F.I.L.A. S.p.A. for Euro 1,393 thousand.
The change is mainly due to lower purchases linked to the containment of variable production costs.

The geographical breakdown of trade payables is shown below:

TRADE PAYABLES BY GEOGRAPFICAL SEGMENT

Euro thousands	December 31, 2020	December 31, 2019	Change
Europe	33,061	34,016	(954)
North America	21,505	21,163	342
Central-South America	5,353	8,883	(3,530)
Asia	8,319	11,951	(3,632)
Other	180	183	(3)
Total	**68,418**	**76,197**	**(7,777)**

The carrying amount of trade payables at the reporting date approximates their "fair value".
The trade payables reported above are due within 12 months.

Tax liabilities to third parties amount to Euro 8,631 thousand at December 31, 2020 (Euro 9,735 thousand at December 31, 2019), of which Euro 5,558 thousand VAT liabilities and Euro 3,073 thousand concerning tax liabilities other than current taxes, mainly recognized by F.I.L.A. S.p.A. (Euro 631 thousand) and relating to liabilities in connection with independent contractors. The residual amount mainly refers to Canson SAS (Euro 376 thousand), Dixon Ticonderoga Company U.S.A (Euro 963 thousand) and the Chinese subsidiaries (Euro 309 thousand).

"Other" amounts to Euro 22,726 thousand at December 31, 2020 and mainly include:

- Employee salaries of Euro 13,103 thousand (Euro 12,476 thousand at December 31, 2019);
- Social security contributions to be paid of Euro 5,854 thousand (Euro 5,027 thousand at December 31, 2019);
- Payables for agent commissions of Euro 493 thousand (Euro 208 thousand at December 31, 2019);
- Residual liabilities of Euro 3,276 thousand mainly concerning advances to clients (Euro 3,950 thousand at December 31, 2019).

The carrying amount of "Tax Liabilities", "Other" and "Accrued expense and deferred income" at the reporting date approximate their fair value.
With reference to the other non-current liabilities, the balance at December 31, 2020 amounted to Euro 38 thousand and refers to deposits paid by customers to guarantee long-term supply contracts of the Indian company DOMS Industries Pvt Ltd (India).

Note 20 – Revenue from sales and services

Revenue from sales and services in 2020 amounted to Euro 607,382 thousand (Euro 682,686 thousand in 2019):

Note 20.A - REVENUE FROM SALES AND SERVICES

Euro thousands	December 31, 2020	December 31, 2019	Change
Revenue from Sales and Services	655,295	732,138	(76,843)
Adjustments to Sales	(47,913)	(49,452)	1,539
Returns on Sales	*(13,494)*	*(13,139)*	*(355)*
Discounts, Allowances and bonuses	*(34,419)*	*(36,313)*	*1,894*
Total	**607,382**	**682,686**	**(75,304)**

"Revenue from sales and services" of Euro 607,382 thousand,decreasing by Euro 75,304 thousand on the same period of the previous year.
This decrease, improving on the first nine months of 2020 thanks to the partial reopening of schools in Europe and North America and the excellent Fine arts business performance in the fourth quarter, is attributable to the global contraction in consumption as a result of the impacts of the COVID-19 pandemic across the world and particularly the closure of schools, which lasted far longer than the initial expectations in India and Mexico, regions in which the schools-related business and the significant lack of alternative online channel are important factors.

Revenue from sales and services compared with the previous year by *eegments*, broken down by *geographical location"* according to IFRS 15, is presented below:

2020 *Euro Thousand*	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
Fine Art, Hobby & Digital	85,877	114,975	5,096	8,453	2,085	216,486
Industrial	10,854	6,527	642	655	-	18,678
School & Office	115,755	188,13	24,605	42,602	1,126	372,218
Revenue from Sales and Services	**212,486**	**309,632**	**30,343**	**51,710**	**3,211**	**607,382**

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

Note 20.B - REVENUE FROM SALES AND SERVICES BY GEORGRAPHICAL SEGMENT			
Euro thousands	**December 31, 2020**	**December 31, 2019**	**Change**
Europe	212,486	212,881	(395)
North America	309,632	310,522	(890)
Central - South America	30,344	67,603	(37,259)
Asia	51,710	88,686	(36,976)
Rest of world	3,210	2,994	216
Total	**607,382**	**682,686**	**93,939**

Note 21 – Other revenue and income

This caption relates to ordinary operations and does not include the sale of goods and provision of services, in addition to realised and unrealised exchange gains on commercial transactions.

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

“Other revenue and income” in 2020 amounted to Euro 8,967 thousand (Euro 6,746 thousand in 2019).

Note 21 – OTHER REVENUE AND INCOME			
Euro thousands	**December 31, 2020**	**December 31, 2019**	**Change**
Gains on Sale of Immaterial Tangible	3	-	3
Gains on Sale of Property, Plant and Equipment	574	48	526
Unrealised Exchange Gains on Commercial Transactions	2,314	2,268	46
Realised Exchange Gains on Commercial Transactions	3,759	2,513	1,246
Other Revenue and Income	2,317	1,917	400
Total	**8,967**	**6,746**	**2,221**

“Other revenue and income” in 2020 of Euro 2,317 thousand principally includes income from the sale of production waste by Group companies.

Note 22 - Costs for Raw Materials, Consumables, supplies and goods and Change in Raw Materials, Semi-Finished Products, Work in progress and Finished Goods → minuscule dove non serve

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

"Costs for Raw Materials, Consumables, supplies and Goods" in 2020 totalled Euro 293,027 thousand (Euro 312,020 thousand in 2019).

The relative detail is shown below:

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

Euro thousands	December 31, 2020	December 31, 2019	Change
Raw materials, Consumables, supplies and Goods	(244,493)	(269,613)	25,120
Transport costs	(17,926)	(12,650)	(5,275)
Packaging	(6,319)	(10,861)	4,543
Import Charges and Customs Duties	(11,376)	(5,620)	(5,756)
Other purchase costs	(13,394)	(13,623)	229
Materials for Maintenance	(689)	(1,058)	369
Adjustments to Purchases	1,170	1,405	(235)
Returns on purchases	*303*	*1,209*	*(906)*
Discounts, rebates and rewards on purchases	*867*	*196*	*(629)*
Total	**(293,027)**	**(312,020)**	**18,993**

The increase in "Costs for Raw Materials, Consumables, supplies and Goods" in 2020 was Euro 18,993 thousand. The decrease is attributable to the decline in revenues, mitigated in part by the actions taken by management to contain costs.

The increases in inventories at December 31, 2020 totalled Euro 12,789 thousand, of which:

- Increase of "raw materials, consumables, supplies and goods" for Euro 2,085 thousand (decrease of Euro 5,991 thousand in 2019);
- Decrease in "Work-in-Progress and Semi-Finished products" of Euro 688 thousand (decrease of Euro 436 thousand in 2019);
- Increase in "Finished Goods" of Euro 11,192 thousand (increase of Euro 506 thousand in 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 103,557 thousand in 2020 (Euro 116,056 thousand in 2019).

Services are broken down as follows:

Note 23 - SERVICES COSTS AND USE OF THIRD-PARTY ASSETS			
Euro thousands	**December 31, 2020**	**December 31, 2019**	**Change**
Sundry services	(11,088)	(9,097)	(1,991)
Transport	(26,654)	(29,938)	3,284
Warehousing	(1,878)	(1,755)	(123)
Maintenance	(12,061)	(12,044)	(17)
Utilities	(8,714)	(10,183)	1,469
Consulting fees	(12,329)	(11,762)	(567)
Directors' and Statutory Auditors' Fees	(3,998)	(3,978)	32
Advertising, Promotions, Shows and Fairs	(4,793)	(6,874)	2,081
Cleaning	(1,026)	(1,273)	247
Bank Charges	(1,215)	(1,066)	(149)
Agents	(7,042)	(7,748)	706
Sales representatives	(2,529)	(5,931)	3,402
Sales Commissions	(2,025)	(2,598)	573
Insurance	(2,722)	(2,654)	(68)
Other Service Costs	(2,619)	(4,237)	1,618
Rent	(1,607)	(3,888)	2,281
Royalties and Patents	(1,256)	(1,030)	(226)
Total	**(103,557)**	**(116,056)**	**12,499**

The decrease in “Services and Use of Third-Party Assets” on 2019 was Euro 12,499 thousand. This change is mainly due to lower variable production costs, such as transport costs, travel, accommodation and entertainment expenses, 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 mainly increased as a result of the M&A carried out by the parent F.I.L.A. S.p.A.

Note 24 – Other Costs

”Other Costs” totalled Euro 7,154 thousand in 2020 (Euro 7,073 thousand in 2019).

This 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			
Euro thousands	December 31, 2020	December 31, 2019	Change
Unrealised Exchange Rate Losses on Commercial Transacti	(2,476)	(2,549)	73
Realised Exchange Rate Losses on Commercial Transaction	(4,557)	(3,043)	(1,514)
Other Operating Charges	(121)	(1,481)	1,360
Total	**(7,154)**	**(7,073)**	**(81)**

The decrease in "Other " of Euro 1,360 thousand in 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.

"Personnel Expense" amounted to Euro 130,350 thousand in 2020 (Euro 142,439 thousand in 2019).

These costs are broken down as follows:

Note 25 – PERSONNEL EXPENSES			
Euro thousands	December 31, 2020	December 31, 2019	Change
Wages and Salaries	(99,784)	(107,584)	7,800
Social Security Charges	(25,364)	(26,732)	1,368
Employee Benefits	(907)	(876)	(31)
Post-Employment Benefits	(954)	(947)	(7)
Other	(3,341)	(6,300)	2,959
Total	**(130,350)**	**(142,439)**	**12,089**

"Personnel expense" decreased by Euro 12,089 thousand on 2019.

The following table reports the breakdown of the F.I.L.A. Group workforce at December 31, 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**
December 31, 2020	**1,115**	**594**	**1,503**	**4,830**	**28**	**8,070**
Change	**34**	**(123)**	**(412)**	**(1.501)**	**5**	**(1.997)**

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

Note 26 – Amortisation and Depreciation

This caption amounted to Euro 42,646 thousand in 2020 (Euro 41,047 thousand in 2019). Amortisation and depreciation in 2020 and 2019 are reported below:

Note 26 – AMORTISATION AND DEPRECIATION

Euro thousands	December 31, 2020	December 31, 2019	Change
Depreciation	(16,361)	(15,429)	(932)
Amortisation	(15,311)	(15,095)	(216)
Depreciaition of right-of-use assets	(10,974)	(10,523)	(451)
Total	**(42,646)**	**(41,047)**	**(1,599)**

The change in Amortisation and depreciation in 2020 concerns the greater amortisation and depreciation recognised in the year for investments.

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 1,833 thousand in 2020 (Euro 1,707 thousand in 2019):

Note 27 - NET IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND OTHER ASSETS			
Euro thousands	December 31, 2020	December 31, 2019	Change
Net impairment losses on trade receivables and other assets	(1,833)	(1,707)	(126)
Total	**(1,833)**	**(1,707)**	**(126)**

The increase in "Net impairment losses on Trade Receivables and Other assets" is mainly due to greater provisions. There are also direct credit losses amounting to Euro 241 thousand.

Nota 28 – Other net impairment losses

Total "Other net impairment losses" amount to Euro 1,053 thousand in 2020 (Euro 3,122 thousand in 2019):

Note 28 – OTHER NET IMPAIRMENT LOSSES			
Euro thousands	December 31, 2020	December 31, 2019	Change
Net impairment losses on Property, Plant and Equipment	(1.053)	(180)	(873)
Net impairment losses on intangible Assets	-	(2,942)	2,942
Total	**(1,053)**	**(3,122)**	**2,069**

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

Note 29 – Financial Income

Total" Financial Income" amounted to Euro 2,348 thousand in 2020 (Euro 3,971 thousand in 2019). Financial income, together with the comment on the main changes on the previous year, was as follows:

Note 29 – FINANCIAL INCOME			
Euro thousands	December 31, 2019	December 31, 2019	Change
Interest on Bank Deposits	114	182	(68)
Other Financial Income	248	496	(248)
Unrealised Exchange Gains on Financial Transactions	1,516	2,807	(1,291)
Realised Exchange Gains on Financial Transactions	470	486	(16)
Total	**2,348**	**3,971**	**(1,623)**

The change concerns the "Unrealised Exchange Gains on Financial Transactions" and "Realised Exchange Gains on Financial Transactions" items. → minuscolo dove non serve

Note 30 – Financial Expense

In 2020 "Financial Expense" amounted to Euro 37,850 thousand (Euro 34,438 thousand in 2019). Financial expense, together with the main changes on the same period of the previous year, was as follows:

Note 30 - FINANCIAL EXPENSE			
Euro thousands	December 31, 2020	December 31, 2019	Change
Interest on current account Overdrafts	(145)	(210)	(65)
Interest on Bank Loans and borrowings	(20,883)	(24,976)	4,093
Interest on other loans and borrowings	(152)	(62)	(90)
Other Financial Expenses	(3,035)	(1,878)	(1,157)
Unrealised Exchange Losses on Financial Transactions	(7,241)	(1,246)	(5,995)
Realised Exchange Losses on Financial Transactions	(636)	(183)	(453)
Lease interest expense	(5,758)	(5,883)	125
Total	**(37,850)**	**(34,438)**	**(3,412)**

"Financial expense" increased by Euro 3,412 thousand in 2020, net of exchange differences. In detail. interest on bank loans and borrowings decreased due to loans 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 December 31, 2020 amounted to Euro 375 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 2020 are reported below:

Note 31 - FOREIGN CURRENCY TRANSACTIONS			
Euro thousands	**December 31, 2020**	**December 31, 2019**	**Change**
Unrealised Exchange Gains on Commercial Transactions	2,314	2,268	46
Realised Exchange Gains on Commercial Transactions	3,758	2,513	1,245
Unrealised Exchange Losses on Commercial Transactions	(2,476)	(2,549)	73
Realised Exchange Losses on Commercial Transactions	(4,557)	(3,043)	(1,514)
Net exchange losses on commercial transactions	**(961)**	**(811)**	**(150)**
Unrealised Exchange Gains on Financial Transactions	1,517	2,808	(1,291)
Realised Exchange Gains on Financial Transactions	470	486	(16)
Unrealised Exchange Losses on Financial Transactions	(7,241)	(1,246)	(5,995)
Realised Exchange Losses on Financial Transactions	(636)	(183)	(453)
Net exchange gains (losses) on financial transactions	**(5,890)**	**1,865**	**(7,755)**
Net exchange gains (losses)	**(6,851)**	**1,054**	**(7,905)**

Exchange differences in 2020 mainly arose from exchange movements against the euro, in addition to the change in the year of assets and liabilities in foreign currencies, following commercial and financial transactions.

Note 32 – Share of profits (losses) of Equity-Accounted Investees → elimiinare maiuscole dove non serve

"The "Share of profit of equity-accounted investees" of Euro 271 thousand (Euro 187 thousand in 2019) relates to the adjustment of the investments in associates held by DOMS Industries Pvt Ltd (India), consolidated under the equity method.

Note 33 – Income Taxes

These amounted to Euro 6,165 thousand in 2020 (Euro 3,663 thousand in 2019) and concern current taxes for Euro 7,353 thousand (Euro 10,827 thousand in 2019) and net deferred tax income of Euro

1,188 thousand (income of Euro 7,163 thousand in 2019).

Note 33.A – Current Taxes

The breakdown is shown below:

Note 33.A - CURRENT TAXES			
Euro thousands	December 31, 2020	December 31, 2019	Change
Italy	33	(580)	538
Abroad	(7,386)	(10,247)	2,860
Total	**(7,353)**	**(10,827)**	**3,474**

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

The breakdown of foreign current taxes is illustrated below:

Note 33.A.1 - FOREIGN INCOME TAXES			
Euro thousands	December 31, 2020	December 31, 2019	Change
FILA (Italy)	(122)	(11)	(111)
Dixon Ticonderoga Company (U.S.A.)	(3,131)	(1,849)	(1.282)
Dixon (China)	(177)	(187)	11
Dixon Canadian Holding Inc.	13	(79)	91
Dixon (Mexico)	(154)	(436)	282
FILA (Chile)	(65)	(220)	155
Lyra KG (Germany)	(210)	(17)	(192)
Lyra Verwaltungs (Germany)	(1)	(5)	4
Fila Nordic (Scandinavia)	(131)	(90)	(42)
Lyra Akrelux (Indonesia)	(45)	(74)	29
DOMS Industries PVT Ltd (India)	27	(1,838)	1,865
FILA (Russia)	-	(102)	102
FILA Hellas (Greece)	(136)	(195)	58
Fila Dixon (Kunshan)	(814)	(1,091)	276
FILA Benelux	(247)	(211)	(36)
Daler Rowney Ltd (UK)	(513)	(61)	(452)
Brideshore srl (Dominican Republic)	(38)	(70)	32
FILA (Polond)	(101)	(98)	(3)
FILA (Yixing)	(218)	(195)	(23)
St.Cuthberts Mill Limited Paper (UK)	(117)	(54)	(63)
FILA Hiberia	(1,354)	(1,015)	(339)
Canson SAS (France)	905	(1,858)	2,763
Canson Qingdao (China)	(5)	-	(5)
FILA Art Products AG	(26)	(1)	(25)
Fila Art and Craft Ltd	(66)	(42)	(24)
Dixon Ticonderoga Art ULC	(562)	(355)	(207)
Princeton Hong Kong	(98)	(23)	(75)
Creativity International	-	(72)	72
Total	**(7,386)**	**(10,247)**	**2,861**

The foreign income taxes also include the tax charge relating to F.I.L.A S.p.A. (Euro 114 thousand) concerning the tax representation of the subsidiary Lyra KG and the tax under Article 167 of Presidential Decree No. 917/1986 concerning "Controlled Foreign Company" (Euro 8 thousand).

Nota 33.B – Deferred Tax Income and Expense

The relative detail is shown below:

Note 33.B DEFERRED TAX INCOME AND EXPENSE			
Euro thousands	**December 31, 2020**	**December 31, 2019**	**Change**
Change in deferred tax assets	(1,186)	9,814	(11,000)
Change in deferred tax liabilities	1,574	(3,535)	5,109
Change in deferred tax assets on right-of-use assets	800	884	(84)
Total	**1,188**	**7,163**	**(5,975)**

The table below shows the overall tax for the year.

Note 33.C TOTAL TAXES FOR THE YEAR				
Euro thousands	**2020**	**Effective tax rate**	**2019**	**Effective tax rate**
Pre-Tax profit for the year of the F.I.L.A. Group	14,287		29,769	
Profit for the year of the F.I.L.A. Group not subject to Current Taxes	1,195		3,847	
Consolidation Effect of the F.I.L.A. Group - Before Current Taxes	6,857		,029	
Theoretical Tax Base	22,340		33,644	
Total current income taxes	(7,353)	32.2%	(10,827)	32.2%
Deferred Tax Income on Temporary Differences	(1,186)		(2.651)	
Deferred Tax Expense on Temporary Differences	2,374		9,814	
Total deferred tax income & charges	1,188	-5,3%	7,163	-21.3%
Net tax expense	**(6,125)**	**27,6%**	**(3,664)**	**10.9%**

Current income taxes of Euro 7,353 thousand represent an average effective tax rate for the F.I.L.A. Group of 32.9%, up 0.7% on the previous year.

There was an increase in total current taxes for the year due to the lower release of deferred taxes on the U.S. subsidiary as a result of the reduction in the federal tax rate following the 2019 mergers between the various U.S. companies.

Commitments and guarantees

Commitments

In 2020, commercial supplier commitments maturing in 2021 totalled Euro 81 thousand and concern F.I.L.A. Iberia S.L. (Spain - Euro 49 thousand) and Fila Nordic AB (Sweden - Euro 32 thousand).

Guarantees

In 2020 new lines were drawn for Euro 15,000 thousand, as the overall amount subscribed increased. Against this exposure, there are "share security" guarantees put in place on June 4, 2018 the following companies:

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

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

- Bank surety issued in favour of Banco BPM S.p.A. on medium-term loan granted to Industria Maimeri S.p.A. (Italy) for Euro 1,000 thousand;
- Bank surety issued in favour of Unicredit S.p.A. granted to Dixon Ticonderoga Co. (USA) for USD 22 million.
- Bank sureties in favour of third parties:
  - as guarantee of the Pero offices lease contract for Euro 88 thousand;
  - to the Ministry for Economic Development for promotional activities for Euro 285 thousand.
- Bank sureties issued in favour of Banca Nazionale del Lavoro S.p.A. on credit lines granted to:

  - FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey) for Euro 550 thousand;
  - Canson Brasil I.P.E. Ltda (Brazil) for BRK 2,200 thousand;
  - Dixon Ticonderoga Co. (USA) for USD 20 million;
  - DOMS Industries Pvt Ltd (India) for INR 400 million.
- Patronage letters provided on opening of credit granted to Industria Maimeri S.p.A. (Italy) in favour of the following credit institutions:
  - Credito Emiliano S.p.A. for Euro 1,000 thousand;
  - Banco BPM for Euro 2,000 thousand;
  - Banca Popolare dell'Emilia Romagna for Euro 1,025 thousand;
  - Credito Valtellinese for Euro 500 thousand.
- Loan mandates granted to Unicredit S.p.A. in favour of:
  - Fila Dixon Stationery Company (Kunshan) Co. Ltd. (China) for Euro 2,100 thousand;
  - Industria Maimeri S.p.A. (Italy) for Euro 1,950 thousand;
  - Fila Stationary O.O.O. (Russia) for RUB 150 million;
  - Johann Froescheis Lyra- Bleitstitift-Fabrik GmbH&Co-KG for Euro 8 million;
  - Daler Rowney Ltd (United Kingdom) for GBP 2 million.
- Loan mandates granted in favour of Banca Intesa Sanpaolo S.p.A. to the subsidiaries:
  - Fila Dixon Stationery (Kunshan) Co. Ltd. (China) for RMB 32 million;
  - Fila Dixon Stationary (Kunshan) Co., Ltd. (China) for USD 500 thousand;
  - Fila Dixon Stationery (Kunshan) Co. Ltd. (China) for Euro 2,000 thousand;
  - Xinjiang Fila Dixon Plantation Co. Ltd. (China) for Euro 1,600 thousand;
  - Industria Maimeri S.p.A. (Italy) for Euro 2,000 thousand;
  - Fila Stationary O.O.O. (Russia) for Euro 1,250 thousand.
  - Dixon Ticonderoga Co. (U.S.A.) for USD 10,000 thousand;
  - Canson Sas (France) for Euro 500 thousand.
- Credit line in favour of Banca Nazionale del Lavoro S.p.A. granted to Industria Maimeri S.p.A. (Italy) for Euro 1.3 million.

Lyra KG "Johann Froescheis Lyra- Bleitstitift-Fabrik GmbH&Co-KG" (Germany) provided a guarantee in favour of PT. Perma Plasindo (a local F.I.L.A. Group partner) which, in turn, pledged property, plant and equipment in guarantee (land and buildings) of the obligations devolving to PT.

Lyra Akrelux under the loan contract with PT. Bank Central Asia of February 11, 2010 for a total IDR 2,500,000,000 (approx. Euro 145,005).

Transactions with Related Parties

For the procedures adopted in relation to transactions with related parties, also in accordance with Article 2391-bis of the Italian Civil Code, reference should be made to the procedure adopted by the Parent pursuant to the Regulation approved by Consob with resolution No. 17221 of March 12, 2010 and subsequent amendments, published on the 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 year ended December 31, 2020:

F.I.L.A. GROUP RELATED PARTIES - 2020

Euro thousands		December 31, 2020 Statement of Financial Position						December 31, 2020 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	-	-	-	-	-	334	-	-	-	1,156	-	-
Arda S.p.A.	Trade Supplier	-	-	-	-	-	82	-	-	-	543	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	68	-	-	-	-	328	-
Pynturas y Texturizados S.A. de C.V.	Trade Supplier	-	-	-	-	-	-	-	-	-	115	9	-
HR Trustee	Service Supplier	-	-	-	-	-	-	-	-	-	-	29	-
Total		-	-	-	-	-	**484**	-	-	-	**1,814**	**366**	-

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

Euro thousands		December 31, 2019 Statement of Financial Position						December 31, 2019 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	-	-	-	1,195	-	-
Arda S.p.A.	Trade Supplier	-	-	-	-	-	170	-	-	-	479	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	59	-	-	-	-	314	-
Pynturas y Texturizados S.A. de C.V.	Trade Supplier	-	-	-	-	-	-	-	-	-	179	15	-
HR Trustee	Service Supplier	-	-	-	-	-	-	-	-	-	-	27	-
Total		-	-	-	-	-	**572**	-	-	-	**1,853**	**356**	-

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 controlling interest 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 until October 29, 2020, 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. Typical or normal transactions are those which, by their object or nature, are not outside the normal course of business of the F.I.L.A. Group and those which do not involve particular critical factors due to their characteristics or to the risks related to the nature of the counterparty or the time at which they are concluded; normal market conditions relate to transactions undertaken at standard Group conditions in similar situations.
On this basis, the exchange of goods, services and financial transactions between the various group companies were undertaken at competitive market conditions.
The infragroup transactions of F.I.L.A. S.p.A., relate to operations to develop synergies between Group companies, integrating production and commercial operations.

The nature and the balances of transactions of the Parent F.I.L.A. S.p.A. with the companies of the F.I.L.A. Group at December 31, 2020 and December 31, 2019 are detailed below:

F.I.L.A. S.P.A. INFRAGROUP TRANSACTIONS 2020

	Statement of Financial Position - December 31, 2020				Statement of comprehensive income - December 31, 2020						
	Asset		Liabilities		Revenues				Costs		
Company Euro thousands	Trade Receivables	Financial Assets	Trade Payables	Financnail liabilities	Revenue from sales	Other Revenue	Dividends	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
F.I.L.A. Iberia (Spagna)	36		13		9	209	3,871			4	
Dixon Ticonderoga Company (U.S.A.)	877	6,291	38		480	3,049	1,432	579			
Beijing F.I.L.A.-Dixon Stationery Company Limited (Cina)									4		
Grupo F.I.L.A.-Dixon, S.A. de C.V. (Messico)	260		194		906	65		139	525	39	
F.I.L.A. Chile Ltda (Cile)	218		1		773	5					
FILA Argentina S.A. (Argentina)	248		1		320	2					
Johann Froescheis Lyra KG (Germania)	118		146		98	545			1,277	243	
F.I.L.A. Nordic (Svezia)	112		3		493	10					
PT. Lyra Akrelux (Indonesia)	45		1		125	3					
FILA Stationary Ltd. Co. (Turchia)	11		1		220	3		5			
DOMS Industries Pvt Ltd (India)	14		354			23		29	1,841		
Fila Stationary O.O.O. (Russia)	296	2,793	1		316	5		110			
FILA Hellas SA (Grecia)	171		2		936	8					
Industria Maimeri S.p.A. (Italia)	266	482	22		9	417		14	2		
FILA SA (Sudafrica)	176	11	1		211	4					
FILA Dixon Stationery (Kunshan) Co., Ltd. (Cina)	185		935		243	47			8,51	9	
F.I.L.A. Benelux (Belgio)	37		2			97					
Daler Rowney Ltd (Regno Unito)	309	6,77	43		1.541	356		216			
Brideshore (Rep. Dominicana)	20		1		17	37					
FILA Poland (Polonia)	55				131		153				
Canson Art & Craft Yixing Co., Ltd. (Cina)	49		103		111	133			1,518	6	
St. Cuthberts Holdings (Regno Unito)							276				
St. Cuthberts Mill (Regno Unito)	2		15			37					
Canson Brasil (Brasile)	83	1.415	1		44	35		34			
Lodi 12 (Francia)		422						17			
Canson SAS (Francia)	825	21,389	413		5,735	1,893		732	1,543	24	
Canson Australia (Australia)	610	1,716	1		68	57		55			
Canson Italy Srl (Italia)	62		3			233					
Fila Art Products AG (Svizzera)	95	203			278			6			
Fila Art & Craft (Israele)	49	353	1		565	4		15			
Dixon Ticonderoga ART ULC (Canada)	15		2		14	64					
Fila Arches (Francia)	1,298	22,775	21			1,368		746			
Totale	**6,542**	**64,620**	**2,319**	**-**	**13,643**	**8,709**	**5,732**	**2,697**	**15,220**	**325**	**-**

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

	Statement of Financial Position - December 31, 2019				Statement of comprehensive income - December 31, 2019						
	Asset		Liabilities		Revenues				Costs		
Company Euro thousands	Trade Receivables	Financial Assets	Trade Payables	Financial Liabilities	Revenue from sales	Other Revenue	Dividends	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
F.I.L.A. Iberia (Spain)	32		6			142	1,258		,209		-
Dixon Ticonderoga Company (U.S.A.)	1.166	5.417	70		,278	2.614	5,927	867	2	14	-
Beijing F.I.L.A.-Dixon Stationery Company Limited (China)									9		-
Dixon Canadian Holding Inc. (Canada)					5	5					-
Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico)	241		5	1.757	869	56			652	6	-
F.I.L.A. Chile Ltda (Chile)	506		1		977	6					-
FILA Argentina S.A. (Argentina)	189		1		234	3					-
Johann Froescheis Lyra KG (Germany)	89		136		190	473	1.241		900	162	-
F.I.L.A. Nordic (Sweden)	134		3		482	13					-
PT. Lyra Akrelux (Indonesia)	25		1		129	6					-
FILA Stationary Ltd. Co. (Turkey)	8		1		181	5		20			-
DOMS Industries Pvt Ltd (India)	31		277		4	51			1.400	1	-
Fila Stationary O.O.O. (Russia)	158	1.549	3		377	11		55			-
FILA Hellas SA (Greece)	298		3		1.144	10	800				-
Industria Maimeri S.p.A. (Italy)	319	1.179	29		,013	344		19	176	4	-
FILA SA (South Africa)	107	,011	1		122	6		11			-
FILA Dixon Stationery (Kunshan) Co., Ltd. (China)	72		811		315	95			8.529	65	-
F.I.L.A. Benelux (Belgio)	19		3			58					-
Daler Rowney Ltd (UK)	652	8.112	36		1.193	320		173		1	-
Brideshore (Dominican Republic)	7		1		22	21					-
Lukas-Nerchau GmbH (Germany)						6					-
FILA Poland (Polond)	,036				133		155				-
Canson Art & Craft Yixing Co., Ltd. (China)	71		61		121	124			950		-
St. Cuthberts Mill (UK)	3		14			30	233				-
Canson Brasil (Brazil)	189	1.373	1		41	26		111			
Lodi 12 (France)		422						14			-
Canson SAS (France)	610	22.401	484		5.569	1.514	2.089	651	1.275	13	-
Creativity International (UK)			9			9					-
Canson Australia (Australia)	498	1.661	1		44	70		56			-
Canson Qingdao (China)	3					,006					-
Canson Italy Srl (Italy)	71		3			260					-
Fila Art Products AG (Switzerland)	57	221			180			6			-
Fila Art & Craft (Israel)		604	1		346	2		17			-
Dixon Ticonderoga ART ULC (Canada)	60		2			57					-
Total	**5,651**	**42,950**	**1,964**	**1.757**	**12,969**	**6,343**	**11,703**	**2,0**	**14,102**	**266**	**-**

In particular, in 2020 the nature of transactions between F.I.L.A. S.p.A. and the other Group companies concerned:

- Sale of products/goods of F.I.L.A. S.p.A. and other Group companies;
  - Recharges for services and consultancy provided by F.I.L.A. S.p.A., mainly in favour of Canson SAS (France - Euro 503 thousand), Canson Italy S.r.l. (Italy - Euro 200 thousand), Dixon Ticonderoga Company (U.S.A. - Euro 269 thousand), Canson Art & Craft Yixing Co., Ltd (China - Euro 9 thousand), Daler Rowney Ltd. (United Kingdom - Euro 123 thousand), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico - Euro 59 thousand), Industria Maimeri S.p.A. (Italy - Euro 125 thousand), Fila Dixon Stationery (Kunshan) Co, Ltd. (China - Euro 44 thousand), Lyra KG (Germany - Euro 94 thousand), DOMS Industries Pvt Ltd (India - Euro 23 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 44 thousand), Fila Benelux (Belgium - Euro 29 thousand), Fila Nordic AB (Scandinavia - Euro 3 thousand), PT Lyra Arkelux (Indonesia - Euro 1 thousand), Fila Hellas (Greece - Euro 3 thousand), Fila SA (South Africa - Euro 3 thousand), Saint Cuthberts Mill (United Kingdom - Euro 7 thousand), Canson Brasil (Brazil - Euro 3 thousand), Fila Arches (France – Euro 37 thousand), Canson Australia (Australia – Euro 2 thousand), Fila Chile LTDA (Chile – Euro 2 thousand), Fila Art & Craft Ltd (Israel – Euro 2 thousand) and Dixon Ticonderoga Art ULC (Canada – Euro 7 thousand);

  - Recharges for costs incurred by F.I.L.A. S.p.A. against Group insurance coverage principally related to the companies Canson SAS (France - Euro 234 thousand), Daler Rowney Ltd. (United Kingdom - Euro 86 thousand), Lyra KG (Germany - Euro 40 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 18 thousand) , Dixon Ticonderoga Company (U.S.A. - Euro 17 thousand) and Saint Cuthberts Mill (United Kingdom - Euro 29 thousand), Industria Maimeri S.p.A. (Italy - Euro 15 thousand) and Fila Arches (France - Euro 21 thousand);

  - Recharges of costs incurred by F.I.L.A. S.p.A. related to the ERP and network management roll out at the F.I.L.A. Group, principally related to Dixon Ticonderoga Company (U.S.A. – Euro 2,762 thousand), Canson Art & Craft Yixing Co., Ltd (China - Euro 123 thousand), Lyra KG (Germany - Euro 411 thousand), Canson Australia PTY Ltd. (Australia - Euro 53 thousand), Industria Maimeri S.p.A. (Italy - Euro 277 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 148 thousand), Canson SAS (France - Euro 1,148 thousand), Daler Rowney Ltd. (United Kingdom - Euro 147 thousand) and Fila Benelux (France - Euro 63 thousand).

- Recharging of M&A and financing costs to Fila Arches (France - Euro 1,298 thousand) relating to the acquisition of the Arches business unit from the Swedish group Ahlstrom-Munksjo.

- Dividends approved but not yet distributed by the subsidiary Dixon Ticonderoga Co. (U.S.A. - Euro 1,432 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 3,871 thousand), Fila Polska Sp Z.o.o. (Poland - Euro 153 thousand), and St. Cuthberts Holding (United Kingdom - Euro 276 thousand).

- Recharging of financial income recharged principally to the subsidiaries of the Canson Group (Euro 804 thousand), to the subsidiary Daler Rowney Ltd. (United Kingdom – Euro 216 thousand), to the subsidiary Dixon Ticonderoga (USA – Euro 220 thousand), to the subsidiary Canson Brasil I.P.E. Ltda (Brazil – Euro 28 thousand), the subsidiary Dixon S.A. de C.V. (Mexico - Euro 54 thousand), the subsidiary Fila Arches (France - Euro 656 thousand) and to the subsidiary FILA Stationery O.O.O. (Russia – Euro 71 thousand), calculated on the loans granted by F.I.L.A. S.p.A.

- Recharging of fees relating to the unused portion of the RCF line of the new loan disbursed in June 2018 attributable to the subsidiary Dixon Ticonderoga Co. (U.S.A.) and recharging of costs to subsidiaries for sureties granted in favour of F.I.L.A. Stationary and Office Equipment Industry Ltd. Co. (Turkey - Euro 5 thousand), Canson Brasil I.P.E. LTDA (Brazil – Euro 6 thousand) and DOMS Industries PVT Ltd (India - Euro 29 thousand) by F.I.L.A. S.p.A., in guarantee of credit lines agreed with Banca Nazionale del Lavoro S.p.A. and in favour of FILA Stationary O.O.O. (Russia - Euro 12 thousand) in guarantee of the credit lines agreed with Banca Intesa Sanpaolo. Loans in foreign currency subject to currency hedges were recharged to Dixon, S.A. de C.V. (Mexico - Euro 85 thousand) and Stationary O.O.O. (Russia - Euro 27 thousand).

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

Name and Surname	Office held	Duration	Fees for office (€)	Bonuses and other incentives (€)
Giovanni Gorno Tempini	Chairman (from August 2019)	2019-2020	110.000	-
Massimo Candela	Chief Executive Officer	2018-2020	1,200.000	375.000
Luca Pelosin	CEO	2018-2020	400.000	125.000
Alberto Candela	Director & Honorary Chairman	2018-2020	170.000	-
Annalisa Barbera	Director	2018-2020	15.000	6.000
Gerolamo Caccia Dominioni	Director	2018-2020	15.000	37.000
Francesca Prandstraller	Director	2018-2020	15.000	12.000
Filippo Zabban	Director	2018-2020	15.000	12.480
Paola Bonini	Director	2018-2020	15.000	12.000
Alessandro Potestà	Director	2018-2020	15.000	6.240
Total - directors in office at December 31, 2020			**1,970.000**	**585.720**

The fees reported above do not include Long Term Incentive.

Name and Surname	Office held	Duration	Fees for office (€)
Gianfranco Consorti	Chair. Board of Statutory Auditors	2018-2020	40.000
Elena Spagnol	Statutory Auditor	2018-2020	30.000
Pietro Villa	Statutory Auditor	2018-2020	30.000
Total statutory auditors in office as at December 31, 2020			**100.000**

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

Name and Surname	Office held	Fees for Office €	Company
Stefano Amoroso	Statutory Auditor	6.760	Industria Maimeri S.p.A.

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

The following table, prepared pursuant to Article 149-duodecies of the CONSOB Issuers' Regulation, reports the payments made in 2020 for audit and other services carried out by the independent auditor and entities of its network:

Euro thousands	Company providing the service	Recipient	2020 Fees
Audit	KPMG S.p.A.	Parent	342
	KPMG S.p.A.	Italian Subsidiaries	25
	KPMG **	Non-Italian Subsidiaries	807
Non Audit Servicess *	KPMG **		181
Total			**1,355**

** Other services for Euro 181 thousand concern mainly the limited consolidated not financial information reviewing and other services audit related.*

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

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

Attachments

Attachment 1 - List of companies included in the consolidation scope and other equity 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 Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Germany	EU	2008	99,53%	0,47%	100,00%	FILA S.p.A. Lyra Bleistift-Fabrik Verwaltungs GmbH	Line-by-Line	0,00%
Lyra Bleistift-Fabrik Verwaltungs GmbH	Germany	EU	2008	0,00%	100,00%	100,00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-Line	0,00%
F.I.L.A. Nordic AB[2]	Sweden	EU	2008	0,00%	50,00%	50,00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-Line	50,00%
FILA Stationary and Office Equipment Industry Ltd. Co.	Turkey	EU	2011	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
Fila Stationary O.O.O.	Russia	EU	2013	90,00%	0,00%	90,00%	FILA S.p.A.	Line-by-Line	10,00%
Industria Maimeri S.p.A.	Italy	EU	2014	51,00%	0,00%	51,00%	FILA S.p.A.	Line-by-Line	49,00%
Fila Hellas Single Member S.A.	Greece	EU	2013	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
Fila Polska Sp. Z.o.o	Poland	EU	2015	51,00%	0,00%	51,00%	FILA S.p.A.	Line-by-Line	49,00%
Dixon Ticonderoga Company	U.S.A.	NA	2005	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
Dixon Canadian Holding Inc.	Canada	NA	2005	0,00%	100,00%	100,00%	Dixon Ticonderoga Company	Line-by-Line	0,00%
Grupo F.I.L.A.-Dixon, S.A. de C.V.	Mexico	CSA	2005	0,00%	100,00%	100,00%	Dixon Canadian Holding Inc. Dixon Ticonderoga Company	Line-by-Line	0,00%
F.I.L.A. Chile Ltda	Chile	CSA	2000	0,79%	99,21%	100,00%	Dixon Ticonderoga Company FILA S.p.A.	Line-by-Line	0,00%
FILA Argentina S.A.	Argentina	CSA	2000	0,00%	100,00%	100,00%	F.I.L.A. Chile Ltda Dixon Ticonderoga Company	Line-by-Line	0,00%
Beijing F.I.L.A.-Dixon Stationery Company Ltd.	China	AS	2005	0,00%	100,00%	100,00%	Dixon Ticonderoga Company	Line-by-Line	0,00%
Xinjiang F.I.L.A.-Dixon Plantation Company Ltd.	China	AS	2008	0,00%	100,00%	100,00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-Line	0,00%
PT. Lyra Akrelux	Indonesia	AS	2008	0,00%	52,00%	52,00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-Line	48,00%
FILA Dixon Stationery (Kunshan) Co., Ltd.	China	AS	2013	0,00%	100,00%	100,00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-Line	0,00%
FILA SA PTY LTD	South Africa	RM	2014	99,43%	0,00%	99,43%	FILA S.p.A.	Line-by-Line	0,57%
Canson Art & Craft Yixing Co., Ltd.	China	AS	2015	0,00%	100,00%	100,00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-Line	0,00%
DOMS Industries Pvt Ltd	India	AS	2015	51,00%	0,00%	51,00%	FILA S.p.A.	Line-by-Line	49,00%
Renoir Topco Ltd	U.K.	EU	2016	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
Renoir Midco Ltd	U.K.	EU	2016	0,00%	100,00%	100,00%	Renoir Topco Ltd	Line-by-Line	0,00%
Renoir Bidco Ltd	U.K.	EU	2016	0,00%	100,00%	100,00%	Renoir Midco Ltd	Line-by-Line	0,00%
FILA Benelux SA	Belgium	EU	2016	0,00%	100,00%	100,00%	Renoir Bidco Ltd Daler Rowney Ltd Daler Board Company Ltd	Line-by-Line	0,00%
Daler Rowney Ltd	U.K.	EU	2016	0,00%	100,00%	100,00%	Renoir Bidco Ltd	Line-by-Line	0,00%
Daler Rowney GmbH	Germany	EU	2016	0,00%	100,00%	100,00%	Daler Rowney Ltd	Line-by-Line	0,00%
Lukas-Nerchau GmbH	Germany	EU	2016	0,00%	100,00%	100,00%	Daler Rowney GmbH	Line-by-Line	0,00%
Nerchauer Malfarben GmbH	Germany	EU	2016	0,00%	100,00%	100,00%	Daler Rowney GmbH	Line-by-Line	0,00%
Brideshore srl	Domenica Republic	CSA	2016	0,00%	100,00%	100,00%	Daler Rowney Ltd	Line-by-Line	0,00%
St. Cuthberts Holding Limited	U.K.	EU	2016	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
St. Cuthberts Mill Limited	U.K.	EU	2016	0,00%	100,00%	100,00%	St. Cuthberts Holding Limited	Line-by-Line	0,00%
Fila Iberia S. L.	Spain	EU	2016	96,77%	0,00%	96,77%	F.I.L.A. Hispania S.L.	Line-by-Line	3,23%
Canson SAS	France	EU	2016	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
Canson Brasil I.P.E. LTDA	Brazil	CSA	2016	0,04%	99,96%	100,00%	Canson SAS FILA S.p.A.	Line-by-Line	0,00%
Lodi 12 SAS	France	EU	2016	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
Canson Australia PTY LTD	Australia	RM	2016	0,00%	100,00%	100,00%	Lodi 12 SAS	Line-by-Line	0,00%
Canson Qingdao Ltd.	China	AS	2016	0,00%	100,00%	100,00%	Lodi 12 SAS	Line-by-Line	0,00%
Canson Italy S.r.l.	Italy	EU	2016	0,00%	100,00%	100,00%	Lodi 12 SAS	Line-by-Line	0,00%
FILA Art Products AG	Switzerland	EU	2017	52,00%	0,00%	52,00%	FILA S.p.A.	Line-by-Line	48,00%
FILA Art and Craft Ltd	Israel	AS	2018	51,00%	0,00%	51,00%	FILA S.p.A.	Line-by-Line	49,00%
Dixon Ticonderoga ART ULC	Canada	NA	2018	0,00%	100,00%	100,00%	Dixon Canadian Holding Inc. Dixon Ticonderoga Company	Line-by-Line	0,00%
Castle Hill Crafts	U.K.	EU	2018	0,00%	100,00%	100,00%	Daler Rowney Ltd	Line-by-Line	0,00%
Creativity International	U.K.	EU	2018	0,00%	100,00%	100,00%	Daler Rowney Ltd	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%
Uniwrite Pens and Plastics Pvt Ltd	Inida	AS	2016	0,00%	60,00%	60,00%	DOMS Industries Pvt Ltd	Equity method	40,00%

*1 - **EU** - Europe; **NA** - North America; **CSA** - Central South America; **AS** - Asia; **RM** - Rest of the world*
2 - Although not holding more than 50% of the share capital, considered a subsidiary under IFRS10

Attachment 2 - 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., purchased of the fine arts business unit specialised in fine arts 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 2020, the acquisition only contributed to the profit for the period between March 2, 2020 and December 31, 2020.

In such period, the subsidiary generated revenue from third parties of Euro 4,856 thousand, in addition to Euro 5,427 thousand of revenue from other Group companies, and reported a loss of Euro 1.655 thousand. Management consider that if the acquisition of the business had taken place on January 1, 2020, the consolidated revenue would have been Euro 2,626 thousand higher (therefore Euro 610,008 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 provided for 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 net 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 arts sector.

This goodwill has been allocated to the individual CGUs or groups of CGUs already identified on the basis of potential synergies and similar operating strategies on the various markets. A portion of the goodwill was allocated to the CGU of the Canson Group and North America.

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, during 2020 the F.I.L.A. Group did not undertake any atypical and/or unusual transactions as defined by this communication, whereby atypical and/or unusual transactions refers to transactions which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to the year-end) may give rise to doubts in relation to: the correctness/completeness of the information in the financial statements, conflicts of interest, the safeguarding of the Group's assets and the protection of non-controlling interests.

The Board of Directors
THE CHAIRMAN
Mr. Giovanni Gorno Tempini

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

Fabbrica Italiana Lapis ed Affini

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

March 22, 2021

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

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

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

of the administrative and accounting procedures for the preparation of the consolidated financial statements as at and ended December 31, 2020.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of the consolidated financial statements at December 31, 2020 is based on a process defined by F.I.L.A. S.p.A. in accordance with the Internal Control - Integrated Framework model issued by the Committee of the Sponsoring Organisations of the Treadway Commission, a benchmark framework generally accepted at international level.

It is also declared that:

1. The Consolidated Financial Statements at December 31, 2020 of F.I.L.A. S.p.A.:
   - have been drawn up in conformity with the applicable IFRS endorsed by the European Union in conformity with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of 19 July 2002;
   - correspond to the underlying accounting documents and records;
   - provide a true and fair view of the financial position and results of operations of the issuer and of the other companies in the consolidation scope.
2. The Directors' Report includes a reliable analysis on the performance and operating result, as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

The Chief Executive Officer

Massimo Candela
(signed in original)

Manager in Charge of Financial Reporting

Stefano De Rosa
(signed in original)

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

Il futuro ha i nostri colori. Da 100 anni.

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

KPMG S.p.A.
Revisione e organizzazione contabile
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20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
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(Translation from the Italian original which remains the definitive version)

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

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the F.I.L.A. Group (the "group"), which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the F.I.L.A. Group as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

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

Key audit matters

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

Recoverability of goodwill

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

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2020 comprise goodwill of €162.9 million, including €93.2 million allocated to the "Nord America" cash generating unit ("CGU") , €33.3 million to the "DOMS Industries Pvt Ltd" CGU and €17.0 million to the "Canson Group" CGU. The group tests the carrying amounts of goodwill for impairment at least annually and whenever there are indicators of impairment, by comparing them to the individual CGU's estimated recoverable amount, calculated by discounting the expected cash flows using the discounted cash flow model. The directors have forecast the expected cash flows used to estimate the recoverable amount of goodwill and of the related CGU on the basis of the projections derived from the business plan approved by the board of directors on 16 March 2021. Calculating the recoverable amount of goodwill and of the related CGU requires significant estimates. Specifically, this process has the following characteristics: — valuation assumptions affected by the reference market trends (including the US, Indian and French markets), due to the specific economic and political conditions that are difficult to predict and unstable; — assumptions about the synergies expected, as set out by the directors in the business plan; — estimates of the long-term growth rate and the discount rate applied to the projected cash flows, which require a high level of judgement. For the above reasons, we believe that the recoverability of the goodwill allocated to the	Our audit procedures, which also involved our own specialists, included: — understanding the process adopted to prepare the impairment test approved by the parent's board of directors; — understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used to prepare the forecasts; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — checking the consistency of the expected cash flows used for impairment testing with those used for the forecasts and analysing the reasonableness of any discrepancies; — analysing the expected cash flows and main assumptions used to calculate the CGUs' value in use, especially the key assumptions, which include: the revenue increase in the United States, India and France, expected synergies and the calculation of the discount and long-term growth rates, also in the light of the potential impact of the Covid-19 outbreak; — analysing the reasonableness of the valuation methods and key assumptions used, and especially: - the application of the discounted cash flow model; - the criteria and parameters used to calculate the discount rate applied to

Key audit matter	Audit procedures addressing the key audit matter
North America", "DOMS Industries Pvt Ltd"and "Canson Group" CGUs is a key audit matter.	the projected cash flows and the long-term growth rate; - checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing. — comparing the group's market capitalisation to its reported equity; — assessing the appropriateness of the disclosures provided in the notes about goodwill and related impairment tests.

Inventories

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

Key audit matter	Audit procedures addressing the key audit matter
The carrying amount of inventories at 31 December 2020 is €256.3 million, net of the allowance for inventory write-down of €6.2 million. Recognising and measuring inventories are a complex and structured process considering the various underlying activities and estimates, including taking into account the group's market sector and the related geographical stratification. Recognising and measuring inventories are complex and entail a high level of judgement by the directors as they are affected by many factors, including: — the inventory management policy; — requirement planning and integration with sales planning; — the sales' seasonality; — price volatility. For the above reasons, we believe that the recognition and measurement of inventories are a key audit matter.	Our audit procedures included: — understanding the process for the recognition and measurement of inventories and the related IT environment and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — performing substantive analytical procedures for the most significant discrepancies compared to the previous year figures and discussing the outcome with the relevant internal departments; — analysing inventory turnover and discussing the outcome with the relevant internal departments; — checking, on a sample basis, whether sales and purchases had been correctly recognised on an accruals basis; — for a representative sample of purchase and sale invoices, checking whether inventory item quantities had been correctly recorded; — for a sample of inventory items, performing physical counts of quantities and reconciling them with the related accounting records; — analysing the reasonableness of the assumptions used to measure the

Key audit matter	Audit procedures addressing the key audit matter
	allowance for inventory write-down through discussions with the relevant internal departments, checks of the supporting documentation and comparison with historical figures and our knowledge of the group and its operating environment; — assessing the appropriateness of the disclosures provided in the notes.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

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

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

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

Milan, 30 March 2021

KPMG S.p.A.

(signed on the original)

Angelo Pascali
Director of Audit

IV - Separate financial statements of F.I.L.A. S.p.A. at December 31, 2020

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

Statement of Financial Position

in Euro		December 31, 2020	December 31, 2019
Assets		**552,496,305**	**491,282,976**
Non-Current Assets		**394,603,084**	**383,016,038**
Intangible Assets	Note 1	4,966,340	6,599,172
Property, Plant and Equipment	Note 2	9,138,955	10,498,578
Non-Current Financial Assets	Note 3	2,739,431	11,454,168
Investments	Note 4	371,688,593	348,744,147
Deferred Tax Assets	Note 5	6,069,765	5,719,973
Current Assets		**157,893,222**	**108,266,938**
Current Financial Assets	Note 3	61,944,867	31,634,274
Current Tax Assets	Note 6	2,180,247	2,978,285
Inventories	Note 7	24,062,143	25,152,052
Trade Receivables and Other Assets	Note 8	20,089,574	16,923,328
Cash and Cash Equivalents	Note 9	49,616,392	31,578,999
Liabilities and Equity		**552,496,305**	**491,282,976**
Equity	Note 12	**277,998,246**	**271,080,143**
Share Capital		46,967,524	46,876,272
Reserves		133,830,795	134,563,201
Retained Earnings		89,074,581	78,318,869
Profit for the year		8,125,346	11,321,802
Non-Current Liabilities		**209,599,271**	**184,703,932**
Non-Current Financial Liabilities	Note 13	202,144,640	177,218,053
Financial Instruments	Note 17	4,182,633	3,796,903
Post-Employment Benefits	Note 14	1,643,353	1,700,084
Provisions for Risks and Charges	Note 15	667,878	652,742
Deferred Tax Liabilities	Note 16	960,766	1,336,150
Current Liabilities		**64,898,788**	**35,498,901**
Current Financial Liabilities	Note 13	45,506,587	14,969,443
Provisions for Risks and Charges	Note 15	35,855	35,855
Current Tax Liabilities	Note 18	323,294	725,297
Trade Payables and Other Liabilities	Note 19	19,033,051	19,768,306

Statement of Comprehensive Income

in Euro		December 31, 2020	December 31, 2019
Revenue from Sales and Service	Note 20	70,775,966	74,883,614
Other Revenue and Income	Note 21	9,226,259	6,769,487
Total Revenue		**80,002,225**	**81,653,101**
Raw Materials, Consumables, Supplies and Goods	Note 22	(34,534,436)	(34,600,156)
Services and Use of third party assets	Note 23	(20,816,750)	(19,534,410)
Other Costs	Note 24	(554,150)	(437,604)
Change in Raw Materials, Semi-Finished, Work-in-progress & Finished Prod.	Note 22	(1,089,910)	(3919,813)
Personnel expenses	Note 25	(11,287,428)	(11,714,893)
Amortisation and Depreciation	Note 26	(5,325,538)	(4,924,811)
Impairment gains (losses) on trade receivables and other assets	Note 27	(193,075)	(593,096)
Total Operating Costs		**(73,801,287)**	**(75,724,783)**
Operating Profit		**6,200,938**	**5,928,318**
Financial Income	Note 29	8,477,205	13,917,883
Financial Expense	Note 30	(6,818,992)	(6,822,883)
Impairment gains (losses) on financial assets	Note 31	(8,800)	111,080
Impairment losses on Investments	Note 32	(342,262)	-
Net Financial Income (Expense)		**1,307,152**	**7,206,081**
Pre-Tax Profit		**7,508,089**	**13,134,398**
Income Taxes		(75,742)	(591,676)
Deferred Taxes		692.998	(1220,922)
Income Taxes	Note 33	**617,256**	**(1,812,598)**
Profit for the Year		**8,125,346**	**11,321,801**
Other Comprehensive Income (Expense) which may be reclassified subsequently to Profit or Loss		**(385,730)**	**(2,228,051)**
Adjustment of Fair value of Hedges		(385,730)	(2,228,051)
Other Comprehensive Income (Expense) which may not be reclassified subsequently to Profit or Loss		**(91,193)**	**(67,791)**
Actuarial Losses on Employee Benefits recorded directly in Equity		(123,370)	(103,043)
Income Taxes on income and expenses recorded directly in Equity		32.177	35,252
Other Comprehensive Expense (net of tax effect)		**(476.923)**	**(2,295,824)**
Comprehensive Income		**7,648,423**	**9,025,959**

Statement of changes in Equity

STATEMENT OF CHANGES IN EQUITY								
Euro thousands	Share capital	Legal Reserve	Share Premium Reserve	IAS 19 Reserve	Other Reserves	Retained Earnings	Profit for the year	Equity
December 31, 2018	**46,799**	**7,434**	**151,768**	**(399)**	**24,587**	**28,868**	**6,633**	**265,690**
Profit for the year	-	-	-	-	-	-	11,322	11,322
Share Capital Increase	77	-	1,839	-	-	-	-	1,916
Other comprehensive income	-	-	-	(103)	(2,193)	-	-	(2,296)
Other Changes in the year	-	-	-	-	(1,480)	-	-	(1,480)
Profit for the year recorded directly in equity	**77**	**-**	**1,839**	**(103)**	**(3,673)**	**-**	**11,322**	**9,462**
Allocation of 2018 profit	-	332	-	-	-	6,301	(6,633)	-
Dividends	-	-	-	-	-	(4,070)	-	(4,070)
December 31, 2019	**46,876**	**7,766**	**153,606**	**(502)**	**20,914**	**31,099**	**11,322**	**271,081**
Profit for the year	-	-	-	-	-	-	8,125	8,125
Share Capital Increase	92	-	868	-	-	-	-	960
Other comprehensive income	-	-	-	(91)	(386)	-	-	(477)
Other changes of the year	-	-	-	-	(1,689)	-	-	(1,689)
Gains/(losses) recorded directly in equity	**92**	**-**	**868**	**(91)**	**(2,075)**	**-**	**8,125**	**6,918**
Allocation of 2019 profit	-	566	-	-	-	10,756	(11,322)	-
December 31, 2020	**46,967**	**8,332**	**154,473**	**(593)**	**18,839**	**41,855**	**8,125**	**277,998**

Statement of Cash Flows

Euro thousands		December 31, 2020	December 31, 2019
Profit for the Year		**8,125**	**11,322**
Non-monetary and other adjustments:		**3,639**	**1,289**
Amortisation and Depreciation	Note 1 - 2	4,791	4,451
Depreciation of right-of-use assets	Note 1 - 2	534	474
Net impairment losses on intangible assets and property, plant and equipment	Note 1 - 2	-	5
Impairment gains/losses on Trade Receivables and write-downs of Inventory	Note 9	133	573
Accruals for Post-Employment and Employee Benefits		149	1.181
Exchange losses on foreign currency trade receivables and payables	Note 24	(44)	3
Net gain on the sale of intangible assets and property, plant and equipment	Note 21 - 24	(1)	(5)
Net Financial Income/Expense	Note 29 - 30	(1,649)	(7,206)
Impairment gains (losses) on financial assets	Note 31	342	0
Income Taxes	Note 33	(617)	1.813
Additions for:		**278**	**(601)**
Income Taxes Paid	Note 7 - 18	320	(730)
Unrealised Exchange gains (losses) on foreign currency Assets and Liabilities	Note 28 - 29	(82)	(2)
Realised Exchange gains on foreign currency Assets and Liabilities	Note 28 - 29	40	131
Cash Flows from Operating Activities Before Changes in NWC		**12,043**	**12,009**
Changes in net working capital:		**(3,708)**	**240,000**
Change in Inventories	Note 8	1,150	3,935
Change in Trade receivables and Other Assets	Note 9	(3,359)	8,300
Change in Trade payables and Other Liabilities	Note 19	(735)	(10,805)
Change in Other Assets/Liabilities	Note 15-16-6	(66)	(451)
Change in Post-Employment and other Employee Benefits	Note 14	(697)	(740)
Cash Flow from Operating Activities		**8,335**	**12,249**
Net increase in Intangible Assets	Note 1	(1,644)	(3,576)
Net increase in Property, Plant and Equipment	Note 2	(688)	(884)
Net increase in equity investments	Note 4	(22,446)	(8,346)
Net increase/decrease in Other Financial Assets	Note 3	(21,973)	9,243
Dividends from Group companies		5,732	11,703
Interest Received		1,884	2,352
Cash Flows from (used in) Investing Activities		**(39,135)**	**10,492**
Total Change in Equity	Note 12	-	(4,070)
Lease expense	Note 29	(86)	(102)
Interest Paid	Note 29	(5,954)	(5,640)
Net Increase/Decrease in Loans and borrowing and Other Financial Liabilities	Note 13	57,622	(102,697)
Cash Flows from (used in) Financing Activities		**51,582**	**(112,509)**
Other non-monetary changes		256	101
NET CASH FLOWS FOR THE YEAR		**21,037**	**(89,668)**
Opening Cash and Cash Equivalents net of current account Overdrafts		28,579	118,247
Closing Cash and Cash Equivalents net of current account Overdrafts		**49,616**	**28,579**

1. *Cash and cash equivalents at December 31, 2020 totalled Euro 49,616 thousand*
2. *Cash and cash equivalents at December 31, 2019 totalled Euro 28,579 thousand; current account overdrafts amounted to Euro 3,000 thousand net of relative interest.*

Euro thousands	December 31, 2020	December 31, 2019
Opening Cash and Cash Equivalents	**28,579**	**118,247**
Cash and cash equivalents	31,579	121,247
Current account overdrafts	(3,000)	(3,000)
Closing Cash and Cash Equivalents	**49,616**	**28,579**
Cash and cash equivalents	49,616	31,579
Current account overdrafts	-	(3,000)

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

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

Euro thousands		December 31, 2020	*of which:* Related Parties	December 31, 2019	*of which:* Related Parties
Assets		**552,496**		**491,283**	
Non-Current Assets		**394,603**		**383,016**	
Intangible Assets	Note 1	4,966		6,599	
Property, Plant and Equipment	Note 2	9,139		10,499	
Non-Current Financial Assets	Note 3	2,736	2,664	11,454	11,444
Equity investments	Note 4	371,689	371,686	348,744	348,741
Deferred Tax Assets	Note 5	6,070		5,720	
Current Assets		**157,893**		**108,267**	
Current Financial Asset	Note 3	61,945	61,867	31,634	31,559
Current Tax Assets	Note 6	2,180		2,978	
Inventories	Note 7	24,062	8,047	25,152	7,573
Trade receivables and Other Assets	Note 8	20,090	6,540	16,923	5,651
Cash and Cash Equivalents	Note 9	49,616		31,579	
Liabilities and Equity		**552,496**		**491,283**	
Equity	Note 12	**277,998**		**271,080**	
Share Capital		46,968		46,876	
Reserves		133,831		134,563	
Retained Earnings		89,075		78,319	
Profit for the year		8,125		11,322	
Non-Current Liabilities		**209,599**		**184,704**	
Non-Current Financial Liabilities	Note 13	202,145		177,218	
Financial Instruments	Note 17	4,183		3,797	
Post-Employment Benefits	Note 14	1,643		1,700	
Provisions for Risks and Charges	Note 15	668		653	
Deferred Tax Liabilities	Note 16	961		1,336	
Current Liabilities		**64,899**		**35,499**	
Current Financial Liabilities	Note 13	45,507		14,969	
Provisions for Risks and Charges	Note 15	36		36	
Current Tax Liabilities	Note 18	323		725	
Trade payables and Other Liabilities	Note 19	19,033	2,319	19,768	2,290

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

Euro thousands		December 31, 2020	*of which:* Related Parties	*of which:* Non-Recurring Charges	December 31, 2019	of which: Related Parties	of which: Non-Recurring Charges
Revenue from Sales and Service	Note 20	70,776	13,641		74,884	12,721	
Other Revenue and Income	Note 21	9,226	8,712	1,298	6,769	(6,342)	
TOTAL REVENUE		**80,002**			**81,563**		
Raw Materials, Consumables, supplies and Goods	Note 22	(34,534)	(15,341)		(34,600)	(15,580)	
Services and use of third-party assets	Note 23	(20,817)	(206)	(3,326)	(19,534)	(454)	(1,411)
Other Costs	Note 24	(554)			(438)		
Change in Raw Materials, Semi-Finished products, Work-in-progress and goods	Note 22	(1,090)			(3,920)		
Personnel expense	Note 25	(11,287)		64	(11,715)		102
Amortisation and Depreciation	Note 26	(5,326)			(4,925)		
Impairment gains (losses) on Trade Receivables and Other assets	Note 27	(193)			(,593)		
TOTAL OPERATING COSTS		**(73,801)**			**(75,725)**		
OPERATING PROFIT		**6,201**			**5,928**		
Financial Income	Note 29	8,477	8,429		13,918	13,317	
Financial Expense	Note 30	(6,819)			(6,823)		
Impairment gains (Impairment losses) on Financial Assets	Note 31	(9)			111		
Impairment losses on equity investments	Note 32	(342)	(342)		-		
NET FINANCIAL INCOME (EXPENSE)		**1,307**			**7,206**		
PRE-TAX PROFIT/(LOSS)		**7,508**			**13,134**		
Income Taxes		(76)			(592)		365
Deferred Taxes		693			(1,221)		
TOTAL INCOME TAXES	Note 33	**617**			**(1,813)**		
PROFIT (LOSS) FOR THE YEAR		**8,125**			**11,322**		
Other Compre he nsive expense which may be reclassified subsequently toProfit or Loss		**(386)**			**(2,228)**		
Fair value losses on hedging derivatives		(386)			(2,228)		
Other Comprehensive expense which may not be reclassified subsequently to Profit or Loss		**(91)**			**(68)**		
Actuarial Losses on Employee Benefits recorded directly in Equity		(123)			(103)		
Income Taxes and expenses recorded directly in Equity		32			35		
Other Comprehensive expense (net of tax effect)		**(477)**			**(2,296)**		
Total Comprehensive Income/(expenses)		**7,648**		**(1.964)**	**9,026**		**(944)**

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

Introduction

The separate financial statements of F.I.L.A. S.p.A. (hereafter also " "Company") as at and for the year ended December 31, 2020, prepared by the Board of Directors of F.I.L.A. S.p.A., were drawn up in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.
The IFRS were applied consistently for all reporting periods presented in this document.
For the separate financial statements of F.I.L.A. S.p.A. the first year of application of IFRS was 2007.

The separate financial statements of F.I.L.A. S.p.A. are comprised of the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the Notes.
The presentation of these separate financial statements as at and for the year ended December 31, 2020, in line with the consolidated financial statements, is as follows:

- Statement of Financial Position: in accordance with IAS 1, the assets and liabilities must be classified as current and non-current or, alternatively, according to the liquidity order. The Company chose the classification between current and non-current;
- Statement of Comprehensive Income: IAS requires alternatively classification based on the nature or destination of the items. The Company chose the classification by nature of income and expense;
- Statement of Changes in Equity: IAS 1 requires that the statement of changes in equity illustrates the changes in the year of each individual equity caption or that it illustrates the nature of income and expense recognised in the financial statements. The Company chose to use the latter in the statement of changes in equity, reconciling the opening and closing amounts of each caption in a statement in the notes;
- Statement of Cash Flows: IAS 7 requires that the statement of cash flow includes the cash flows for the year for operating, investing and financing activities. The cash flows from operating activities may be represented using the direct method or the indirect method. The Company decided to use the indirect method.

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

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

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

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

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

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

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

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

Basis of preparation

Intangible assets

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

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

Intangible assets with finite useful lives

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

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

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

Research and development costs

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Leases

The Company has adopted IFRS 16 using the modified retrospective method.

At the contract's commencement date the Company assesses whether the contract is – or contains – a lease. The contract is, or contains a lease, where in exchange for consideration, it transfers the right to control the use of an identified asset for a period of time. In order to assess whether a contract grants the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. F.I.L.A. S.p.A. adopts a single recognition and measurement model for all leases, except for short-term leases and low value leases. The Company recognises the lease liabilities and the right-of-use asset representing the right to use the asset underlying the contract.

Right-of-use assets

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

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

Lease liabilities

At the lease commencement date, the Company recognises the lease liabilities measuring them at the present value of the payments due. The payments include the fixed payments net of any lease incentives to be received, the variable lease payments which depend on an index or a rate and the amounts expected to be paid as guarantee on the residual amount. The lease payments include also the exercise price of a purchase option where it is reasonably certain that this option will be exercised by the Company and the lease termination penalty payments, where the lease duration takes account of the exercise by the Company of the termination option on the lease.

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

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

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

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

Short-term leases and low value asset leases

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

Impairment losses on non-financial assets

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

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

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

Equity investments

Investments in companies represent investments in the share capital of enterprises.

Investments in companies are carried at acquisition or subscription cost, adjusted for any impairment losses, and measured under the cost method. Where the reasons for the impairment loss no longer exist, the original carrying amount is reinstated.

Financial assets and loans and receivables

Trade receivables and debt securities issued are recognised as they arise.

All other financial assets and liabilities are initially recognised on the trading date, i.e. when the Company becomes a contractual party to the financial instrument.

The financial assets are initially recognized at fair value, plus or minus, in the case of financial assets or liabilities not at FVTPL, the transaction costs directly attributable to the acquisition or issue of the financial asset.

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

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

Other non-current equity instruments classified to FVOC are initially measured at fair value plus any directly attributable transaction costs. Changes in fair value and any gains or losses on disposal of an equity investment are taken to other comprehensive income and never pass through profit or loss. Since this election is irrevocable and may be made on an investment-by-investment basis, any exceptions upon initial recognition will be disclosed in the notes to the caption. All equity instruments must be measured at fair value. The fair value of securities traded in active markets is determined by reference to the exchange prices recognised at the end of trading at the reporting date.

The fair value of investments for which no active market exists is determined on the basis of the price in recent transactions between independent parties of essentially similar instruments or the use of other valuation techniques such as methods based on income or an analysis of discounted cash flows. Financial assets designated at fair value through profit or loss upon initial recognition are measured with reference to their market value at the reporting date. The value of non-quoted instruments is determined through generally accepted financial valuation techniques based on market data. Gains or losses deriving from the fair value measurement of assets classified in this category are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents principally include cash, bank deposits on demand and other highly liquid short-term investments (convertible into liquidity within ninety days). They are recognised at nominal value, which represents fair value.

For the purposes of the classification of financial instruments according to the criteria set out in IFRS 9, as required by IFRS 7, cash and cash equivalents have been classified as financial assets at amortised cost for credit risk purposes. Current account overdrafts are classified under “Current Financial Liabilities”.

Trade receivables and other Assets

Trade receivables and other assets are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method. Trade and other receivables are reduced by an appropriate loss allowance for doubtful accounts to reflect estimated impairment losses taking into account objective evidence of indicators of impairment of trade receivables. The impairment losses are recognised so that the assets are discounted to the present value of the expected future cash flows. If, in subsequent periods, the reasons for the impairment loss no longer exist, the carrying amount of the assets is reinstated up to the amount deriving from the application of the amortised cost where no impairment loss had been applied.

The loss allowance is recognised as a direct reduction of trade receivables and other assets. These provisions are classified in profit or loss caption “Impairment losses”; the same classification was used for any utilisations and impairment losses on trade receivables.

Inventories

Inventories of raw materials, semi-finished products and finished goods are measured at the lower of purchase or production price, including related charges, determined in accordance with the weighted average cost method, and the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs to sell.

Obsolete and slow-moving inventories are written down in relation to their possible use or realisable value.

The purchase cost is used for direct and indirect materials, purchased and used in the production cycle. The production cost is however used for finished goods or in work-in-progress.

For the determination of the purchase price, consideration is taken of the actual costs incurred net of commercial discounts.

Production cost includes, in addition to the costs of the materials used, as defined above, the direct and indirect production costs allocated. The indirect costs were allocated based on the normal production capacity of the plant.

Distribution costs were excluded from purchase cost and production cost.

Provisions for risks and charges

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

Provisions are recognised at the value representing the best estimate of the amount that the entity would pay to discharge the obligation or transfer it to a third party. When the time value of money is significant and the payment dates of the obligations can be reliably estimated, the provision is discounted. The rate used in the determination of the present value of the liability reflects the current market values and includes the further effects relating to the specific risk associated with each liability. The increase in the provision due to the passage of time is recognised in profit or loss under "Financial income/(expense)". The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discount rate; the revisions of estimates are recognised in the same profit or loss caption in which the provision was recognised, or when the liability relates to an asset, against the asset caption to which it refers.

The notes illustrate the contingent liabilities represented by: (i) possible obligations (but not probable) deriving from past events, whose existence will be confirmed only on the occurrence or otherwise of one or more uncertain future events not fully under the control of the entity; (ii) current obligations deriving from past events whose amount cannot be reliably estimated or whose fulfilment will likely not generate an outflow of resources.

Restructuring provisions

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

Employee benefits

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

Defined contribution plans

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

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The net obligation of the Company deriving from defined benefit plans is calculated separately for each plan estimating the amount of the future benefit which the employees matured in exchange for the services provided in the current and previous years; this benefit is discounted to calculate the present value, while any costs relating to past services not recognised in the financial statements and the fair value of any plan assets is deducted from liabilities. The discount rate is the return, at the reporting date, of the primary obligations whose maturity date approximates the terms of the obligations of the Company and which are expressed in the same currency in which it is expected the benefits will be paid. The calculation is made by an independent actuary using the projected credit unit method. Where the calculation generates a benefit for the Company, the asset recognised is limited to the total, net of all costs relating to past services not recognised and the present value of all economic benefits available in the form of refunds from the plan or curtailments in future contributions to the plan. Where improvements are made to the plan benefits, the portion of increased benefits relating to past service is recognised as an expense on a straight-line basis over the average period until the benefits vested. If the benefits vest immediately, the cost is recognised immediately in profit or loss.

The Company recognises all actuarial gains and losses from a defined benefit plan directly and immediately in equity.

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

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

Other long-term employee benefits

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

Short-term employee benefits

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

F.I.L.A. S.p.A. records a liability for the amount that it expects will be paid in the presence of a present obligation, legal or constructive, as a consequence of past events and for which the obligation can be reliably estimated.

Financial liabilities

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

Subsequent to initial recognition, such liabilities are measured at amortised cost, as defined in IFRS 9. Financial liabilities measured at amortised cost are measured at amortized cost, taking the interest to profit or loss according to the effective interest rate method or applying a rate that results in a nil balance of the present values of the net cash flows generated by the financial instrument. Nominal value is used as an approximation of amortised cost for instruments maturing within twelve months.

Financial instruments

Financial instruments are initially recognised at fair value and, subsequent to initial recognition, are measured on the basis of their classification, as per IFRS 9.
IFRS 9 classifies financial assets into three principal categories: at amortised cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL). According to the standard, classification is usually based on the entity's business model for the financial assets and the contractual cash flow characteristics of each financial asset. Under IFRS 9, derivatives embedded in contracts where the host contract is a financial asset falls within the scope of the standard are never to be separated. Rather, the hybrid instrument is examined as a whole to determine its classification.
IFRS 9 essentially maintains the provisions of IAS 39 for the classification and measurement of financial liabilities.

Derivatives

Derivatives are classified in the category "Hedging derivatives" if they satisfy the requisites for the application of so-called hedge accounting, otherwise, although in place in order to manage exposure to risk, they are recognised as "Non-hedging derivatives".
Financial instruments are only accounted for under the hedge accounting methods adopted by the Company when the relationship between the derivative and the hedged item is formally documented and the hedge is highly effective (effectiveness test).
The effectiveness of hedges is documented both at the inception of the transaction and periodically (at least at the annual or interim reporting dates).
When the hedging derivatives cover the risk of change in the fair value of the instruments subject to the hedge (fair value hedge), the derivatives are recognised at fair value with the effects in profit or loss.
When the derivatives hedge the risk of changes in the cash flows of the hedged instrument (cash flow hedge), the effective part of the changes in the fair value of the derivatives is recognised in the statement of comprehensive income and presented in the cash flow hedge reserve. The ineffective part of the changes in the fair value of the derivative instrument is immediately recognised in profit or loss.

The methods for the calculation of the fair value of these financial instruments, for accounting or disclosure purposes, are summarised below with regards to the main categories of financial instruments:

- Derivative financial instruments: the pricing models are adopted based on the market values of the interest rates;
- Unlisted financial assets and liabilities: for financial instruments with maturity greater than 1 year the discounted cash flow method was applied, i.e. the discounting of expected cash flows in consideration of current interest rate conditions and credit ratings, for the determination of the fair value on first-time recognition. Subsequent measurements are made based on the amortised cost method;
- Listed financial instruments: the market value at the reporting date is used.

In relation to financial instruments measured at fair value, IFRS 13 requires the classification of these instruments according to the hierarchy levels, which reflect the significance of the inputs used in establishing the fair value. The following levels are used:

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

Trade payables and other liabilities

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

Current, deferred and other taxes

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

Income taxes are recognised in profit or loss, except those relating to items directly credited or debited to equity, in which case the tax effect is recognised directly in equity.

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

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

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

The recovery of the "Deferred Tax Assets" is reviewed at each reporting date and those for which recovery is no longer probable are taken to profit or loss.

Revenues and costs

Revenue recognition

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

Recognition of costs

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

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

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

Financial income and expense

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

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

Dividends

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

Earnings per share

The basic earnings/(loss) per share are calculated by dividing the Company's profit or loss by the weighted average shares outstanding during the year.

In order to calculate the diluted earnings/(loss) per share, the average weighted number of shares outstanding is adjusted assuming the conversion of all shares with potential dilutive effect.

The profit or loss for the year is also adjusted to account for the effects of the conversion, net of taxes.

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

Use of estimates

The preparation of the separate financial statements requires the directors to apply accounting principles and methods that, in some circumstances, are based on judgements and estimates based on experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact the carrying amount of the assets and liabilities and of the costs and revenue and the disclosure on contingent assets and liabilities at the reporting date. Actual results may differ from these estimates.

The captions which require greater judgement by the Directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the combined financial figures are briefly described below.

- Measurement of receivables: trade receivables are adjusted by the loss allowance, taking into account the effective recoverable amount. The calculation of the impairment losses requires the directors to make judgements based on the documentation and the information available relating to the solvency of the customers, and from market and historical experience.
- Measurement of goodwill and intangible assets with indefinite useful life: in accordance with the accounting principles applied by the Company, goodwill and the indefinite intangible assets are subject to impairment testing at least annually in order to verify whether a reduction in value has taken place. This assessment requires the directors to make judgements based on the information available within the Group and from the market, as well as from historical

experience; this depends in addition on factors which may change over time, affecting the judgements and estimates made by directors. In addition, when it is determined that there may be a potential impairment loss, the Company determines this through using the most appropriate technical valuation methods available.

- Risk provisions: the identification of the existence of a present obligation (legal or constructive) in some circumstances may be difficult to determine. The directors evaluate these factors case-by-case, together with the estimate of the amount of the economic resources required to fulfil the obligation. When the directors consider that a liability is only possible, the risks are disclosed in the notes under the section on commitments and risks, without any provision.
- Measurement of closing inventories: inventories of products which are obsolete or slow moving are periodically subject to impairment testing and written down where the recoverable amount is lower than the carrying amount. The write-downs are made based on assumptions and estimates of management deriving from experience and historic results.
- Pension plans and other post-employment benefits: management uses multiple statistical assumptions and valuation techniques with the objective of anticipating future events for the calculation of the charges, liabilities and assets relating to these plans. The assumptions relate to the discount rate, the expected return of the plan assets and the rate of future salary increases. In addition, the actuarial consultants of the Company use subjective factors, for example mortality and employee turnover rates.

The calculation of deferred tax assets is supported by a recoverability plan prepared on the basis of assumptions which the directors consider reasonable.

The transition to IFRS 16 introduces some elements of professional judgment that entail the use of assumptions and estimates with regard to the lease term and the definition of the incremental borrowing rate.

Introduction

F.I.L.A. S.p.A. operates in the creativity tools market, producing writing and design objects such as crayons, paints, modelling clay and pencils etc..

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

The separate financial statements of the F.I.L.A. S.p.A. were prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union.

For further details regarding the share capital increase, see Note 12 – Share capital and equity to F.I.L.A. S.p.A.'s financial statements as at and for the year ended December 31, 2020.
The breakdown of the share capital of F.I.L.A. S.p.A. is illustrated below:

Shareholder	Ordinary shares	%
Pencil S.p.A.	13,694,564	31.88%
Venice European Investment Capital S.p.A.	2,535,000	5.9%
Sponsor	361,291	0.84%
Market Investors	26.367.337	61.38%
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.	2,535,000		2,535,000	3.77%
Space Holding Srl	361,291		361,291	0.54%
Market Investors	26,367,33700		26,367,33700	39.23%
Total	**42,958,192**	**8,081,856**	**51,040,048**	

These financial statements as at and for the year ended December 31, 2020, are presented in Euro, as the functional currency in which the Company operates and comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the Notes and are accompanied by the Directors' Report.

Note 1 - Intangible Assets

“Intangible Assets” at December 31, 2020 amount to Euro 4,966 thousand (Euro 6,599 thousand at December 31, 2019) and consist only of intangible assets with finite useful lives.

The table below shows the changes in the year.

Note 1 - INTANGIBLE ASSETS WITH FINITE LIFE					
Euro thousands	Industrial Patents & Intellectual Property Rights	Concessions, Licenses, Trademarks & Similar Rights	Other Intangible Assets	Assets under development	Total
Change in Historical Cost					
December 31, 2018	**200**	**3,099**	**5,533**	**3,360**	**12,192**
Increases	**-**	**51**	**5,095**	**(1,570)**	**3,576**
Investments	-	51	1,769	1,756	3,576
Transfers from assets under development	-	-	3,326	(3,326)	-
December 31, 2019	**200**	**3,151**	**10,627**	**1,790**	**15,768**
Increases	**-**	**8**	**1,234**	**,402**	**1,644**
Investments	-	8	766	870	1,644
Transfers from assets under development	-	-	468	(468)	-
December 31, 2020	**200**	**3,158**	**11,862**	**2,193**	**17,413**
Accumulated amortisation					
December 31, 2018	**(158)**	**(2,780)**	**(3,284)**	**-**	**(6,222)**
Increases	**(10)**	**(73)**	**(2.864)**	**-**	**(2.947)**
Amortisation of the year	(10)	(73)	(2,864)	-	(2,947)
December 31, 2019	**(168)**	**(2,853)**	**(6,148)**	**-**	**(9,169)**
Increases	**(8)**	**(67)**	**(3,202)**	**-**	**(3,277)**
Amortisation of the year	(8)	(67)	(3,202)	-	(3,277)
December 31, 2020	**(177)**	**(2,920)**	**(9,349)**	**-**	**(12,446)**
Carrying Amount at December 31, 201	**42**	**320**	**2.248**	**3,360**	**5,970**
Carrying Amount at December 31, 201	**31**	**298**	**4.480**	**1,790**	**6,599**
Carrying Amount at December 31, 202	**23**	**238**	**2.512**	**2,193**	**4,966**
Change 2020 - 2019	**(8)**	**(60)**	**(1.968)**	**403**	**(1.633)**

Industrial Patents and Intellectual Property Rights amount to Euro 23 thousand at December 31, 2020 (Euro 31 thousand at December 31, 2019).

The average residual useful life of the industrial patents and intellectual property rights recognised in the financial statements at December 31, 2020, is 5 years. coerenza tra masiuscolo e minuscolo

Concessions, Licenses, Trademarks and Similar Rights amount to Euro 238 thousand at December 31, 2020 (Euro 298 thousand at December 31, 2019) and include the costs incurred for the registration and acquisition of trademarks necessary for the marketing of F.I.L.A. products.

Their average residual useful life recognised in the financial statements at December 31, 2020 is 10 years.

Assets under development totalled Euro 2,193 thousand at December 31, 2020 (Euro 1,790 thousand at December 31, 2019) and include costs relating to the capitalisation of software licenses owned for the SAP system, although not activated in 2020, in addition to consultancy costs incurred.

Other amounts to Euro 2,512 thousand at December 31, 2020 (Euro 4,480 thousand at December 31, 2019) and include costs relating to the capitalisation of the software licenses related to the SAP system activated for the full year 2019 and the consultancy and personnel expense incurred to implement and develop the Company's ERP system.
The average residual useful life of other intangible assets recognised in the financial statements at December 31, 2020, is 3 years.

There are no intangible assets whose usage is subject to restrictions (for further details, reference should be made to the "Directors' Report - Commitments and Guarantees").

Note 2 - Property, Plant and Equipment

"Property, Plant and Equipment" at December 31, 2020 amounts to Euro 9,140 thousand (Euro 10,498 thousand at December 31, 2019), comprising for Euro 7,464 thousand Property, Plant and Equipment ("Note 2.A - Property, Plant and Equipment") and for Euro 1,676 thousand Right-of-Use Assets ("Note 2.B - Right-of-Use Assets").

The table below shows the changes in the year:

Note 2.A - Property, Plant and Equipment

Note 2.A - PROPERTY, PLANT AND EQUIPMENT							
Euro thousands	Land	Buildings	Plant and Machinery	Industrial & Commercial Equipment	Other Assets	Assets under construction	Total
Change in Historical Cost							
December 31, 2018	1,977	9,573	17,925	8,963	1,245	1.036	40,719
Increases	-	103	1.039	383	52	(920)	657
Investments	-	6	94	80	52	425	657
Transfers from assets under construction	-	97	945	303	-	(1,345)	-
Decreases	-	-	(11)	-	(12)	-	(23)
Divestments	-	-	(11)	-	(7)	-	(18)
Write-downs					(5)		(5)
December 31, 2019	1,977	9,676	18,954	9,346	1,284	115	41,352
Increases	-	6	230	120	180	(32)	504
Investments	-	6	78	39	180	201	504
Transfers from assets under construction	-	-	152	81	-	(233)	-
Decreases	-	-	-	-	(6)	-	(6)
Divestments	-	-	-	-	(6)	-	(6)
December 31, 2020	1,977	9,682	19,183	9,465	1,460	83	41,850
Change in Accumulated Depreciation							
December 31, 2018	-	(7,237)	(14,544)	(8,601)	(1.009)	-	(31,391)
Increases	-	(372)	(745)	(314)	(73)	-	(1,504)
Depreciation of the year	-	(372)	(745)	(314)	(73)	-	(1,504)
Decreases	-	1	11	-	6	-	18
Divestments	-	1	11	-	6	-	18
December 31, 2019	-	(7,608)	(15,278)	(8,914)	(1,078)	-	(32,878)
Increases	-	(373)	(774)	(282)	(85)	-	(1,514)
Depreciation of the year	-	(373)	(774)	(282)	(85)	-	(1,514)
Decreases	-	-	-	-	6	-	6
Divestments	-	-	-	-	6	-	6
December 31, 2020	-	(7,981)	(16,052)	(9,197)	(1,156)	-	(34,386)
Carrying Amount at December 31, 2018	1,977	2,336	3,381	362	236	1.036	9,328
Carrying Amount at December 31, 2019	1,977	2,068	3,676	432	206	115	8,474
Carrying Amount at December 31, 2020	1,977	1,701	3,131	269	303	83	7,464
Change 2020 - 2019	-	(367)	(545)	(163)	97	(32)	(1.010)

Land at December 31, 2020, amounting to Euro 1,977 thousand (Euro 1,977 thousand at December 31, 2019), includes land adjacent to the building owned at the production site in Rufina Scopeti (Florence, Italy).

“Buildings” at December 31, 2020 totalling Euro 1,701 thousand (Euro 2,068 thousand at December 31, 2019) solely refer the company’s buildings located in Rufina Scopeti (Florence, Italy).

“Plant and Machinery” amounts to Euro 3,131 thousand at December 31, 2020 (Euro 3,676 thousand at December 31, 2019) and mainly includes investments in machinery for the production plant at Rufina

Scopeti (Florence, Italy).

During the year, the account increased due to investment in new plant and machinery to expand the current production capacity and to streamline production (Euro 230 thousand).

"Industrial and Commercial Equipment" amount to Euro 269 thousand at December 31, 2020 (Euro 432 thousand at December 31, 2019) and mainly relates to investments in production moulds and the updating of the production plant at Rufina Scopeti (Florence, Italy).

"Other" amount to Euro 303 thousand at December 31, 2020 (Euro 206 thousand at December 31, 2019) and include furniture and office equipment, electronic office equipment and cars. In 2020, there was an increase mainly due to the renewal and implementation of the PC fleet necessary for the adoption of remote working to cope with the ongoing COVID-19 pandemic (Euro 180 thousand).

"Assets under construction" amount to Euro 83 thousand at December 31, 2020 and mainly include the costs incurred for investments in new plant and machinery not yet operational at the reporting date, intended to expand current production capacity and increase the efficiency of the production process at the Rufina plant (Florence, Italy).

Note 2.B - Right-of-Use Assets

Right-of-use assets at December 31, 2020 amounted to Euro 1,676 thousand and mainly refer to head office buildings in Pero and to company car leases.

During 2020, rental/leasing contracts were terminated for Euro 147 thousand and new contracts were entered into for Euro 228 thousand. → questa parte va dopo la tabella

Nota 2.B RIGHT-OF-USE ASSETS

Euro thousands	Buildings	Plant and machinery	Other assets	Total
Historical cost				
December 31, 2019	**1,778**	**53**	**667**	**2,498**
Increases	**-**	**-**	**228**	**228**
Investments	-	-	228	228
Decreases	-	-	**(147)**	**(147)**
Divestments	-	-	(147)	(147)
December 31, 2020	**1,778**	**53**	**748**	**2579**
Accumulated depreciation				
December 31, 2019	**(271)**	**(15)**	**(187)**	**(473)**
Initial recognition	**(273)**	**(14)**	**(246)**	**(534)**
Depreciation	(273)	(14)	(246)	(534)
Decreases	-	-	**104**	**104**
Divestments	-	-	104	104
December 31, 2020	**(545)**	**(29)**	**(329)**	**(903)**
Carrying amount at December 31, 2019	**1,507**	**38**	**479**	**2,024**
Carrying amount at December 31, 2020	**1,233**	**24**	**419**	**1,676**
Change 2020 - 2019	**(274)**	**(14)**	**(60)**	**(348)**

Note 3 – Financial assets

"Financial Assets" amount to Euro 64,684 thousand at December 31, 2020 (Euro 43,088 thousand at December 31, 2019).

The breakdown of the "Financial Assets" at December 31, 2020 and at December 31, 2019 is shown below:

Note 3.A - FINANCIAL ASSETS					
Euro thousands		Loans and Receivables - Subsidiaries	Derivative Financial Instruments	Other Financial Assets - Third Parties	Total
December 31, 2019		**42,867**	**-**	**221**	**43,088**
	non-current portion	11,310	-	145	11,455
	current portion	31,557	-	76	31,633
December 31, 2020		**64.527**	**-**	**157**	**64,684**
	non-current portion	2,659	-	80	2,739
	current portion	61,868	-	77	61,945
Change		**21,660**	**-**	**(63)**	**20,217**
	non-current portion	(8,651)	-	(65)	(8,716)
	current portion	30,311	-	1	30,312

The account "Loans and Receivables - subsidiaries -non-current portion" includes loans to:

- Fila Stationery O.O.O. (Russia) for Euro 563 thousand. The loan accrues interest equal to Euribor at 3 months, plus a spread of 375 basis points (floor 0);
- Industria Maimeri (Italy) for Euro 56 thousand. The loan accrues interest at a variable rate equal to Euribor at 6 months, plus a spread of 200 basis points;
- Canson SAS (France) for Euro 2,045 thousand. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 315 basis points (floor 0).

In addition, the loss allowance on these medium/long-term loans calculated on the basis of the average term (3 years) and country risk totalled Euro 4 thousand, a write-down down sharply compared to Euro 13 thousand in 2019.

"Loans and Receivables - subsidiaries -current portion" includes the current portion:

- of the loan, granted to Industria Maimeri S.p.A. (Italy) in 2014 of Euro 20 thousand, down by Euro 150 thousand on the previous year, following the waiver by F.I.L.A. S.p.A. and related recapitalisation of the company. The loan accrues interest equal to Euribor at 6 months, plus a spread of 200 basis points;
- the loan, granted to Industria Maimeri S.p.A. (Italy), in 2018, of Euro 406 thousand. The loan

accrues interest equal to Euribor at 3 months, plus a spread of 300 basis points (floor 0). The amount includes Euro 6 thousand of accrued interest;

- loans granted in favour of Canson Sas (France – Euro 18,114 thousand), Canson Australia Pty Ltd. (Australia – Euro 1,716 thousand) and Lodi 12 Sas (France - Euro 422 thousand) and Dixon Ticonderoga (USA - Euro 1,777 thousand). The amount includes Euro 245 thousand of accrued interest. The loans bear interest at a variable rate equal to the three-month Euribor, plus a spread of 375 basis points;
- the loan, amounting to Euro 1.415 thousand, granted to the subsidiary Canson Brasil I.P.E. LTDA (Brazil - formerly Licyn Mercantil Industrial Ltda). The amount includes Euro 419 thousand of accrued interest. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 350 basis points (floor 0);
- the loan, amounting to Euro 1,230 thousand, granted to the subsidiary Canson SAS (France). The amount includes Euro 30 thousand of accrued interest. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 315 basis points (floor 0);
- the loan, amounting to Euro 11 thousand, granted to FILA SA PTY Ltd. (South Africa) regarding only the payable for interest on the old loan repaid in 2019;
- the loan, amounting to Euro 1,124 thousand, granted to FILA Stationary O.O.O. (Russia). The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 225 basis points and 375 basis points (floor 0);
- the loan, amounting to Euro 1,105 thousand, granted to FILA Stationary O.O.O. (Russia). The loan was disbursed in Russian roubles (RUB 100,000 thousand) with a currency swap contract to hedge future currency fluctuations. The loan accrues interest at a variable rate equal to a fixed rate of 225 basis points;
- the non interest-bearing loan, granted to Industria Maimeri S.p.A. (Italia) in 2018 of Euro 400 thousand. This loan did not accrue interest as it is non-interest bearing loan;
- the loan, amounting to Euro 22,775 thousand, granted to FILA Arches (France), for the purchase on March 2, 2020 of the business unit for the manufacture and marketing of Arches brand products from the Swedish Ahlstrom-Munksjo group. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 345 basis points (floor 0);
- the loans, amounting to Euro 3,733 thousand, granted to Daler Rowney Ltd. (United Kingdom) in 2019. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 350 basis points (floor 0);

- the loan, amounting to Euro 1,122 thousand, granted to Daler Rowney Ltd. (United Kingdom) in 2019. The loan does not accrue interest;
- the loan, amounting to Euro 1,916 thousand, granted to Daler Rowney Ltd. (United Kingdom)

in 2019. The amount includes Euro 15 thousand of accrued interest. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 300 basis points (floor 0);

- the loan, amounting to Euro 203 thousand, granted to FILA Art Product AG (Switzerland) in 2017. The loan accrues interest at a variable rate equal to Euribor at 6 months, plus a spread of 300 basis points (floor 0);
- the loan, amounting to Euro 3,136 thousand, granted to Dixon Ticonderoga (USA). The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 300 basis points (floor 0);
- the loan, amounting to Euro 353 thousand, granted to Fila Art & Craft (Israel) in 2018. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 270 basis points (floor 0);
- a financial receivable of Euro 1,379 thousand at 31 December 2020 relating to dividends approved by Dixon Ticonderoga Company and not paid in the current year.

"Other Financial Assets - Third Parties" of Euro 157 thousand at December 31, 2020 (Euro 221 thousand at December 31, 2019) include:

- deposits paid to third parties as contractual guarantees for the provision of services and goods (Euro 12 thousand);
- the loan granted in 2017 to Gianni Maimeri, who has a non-controlling interest in Industria Maimeri S.p.A., in the amount of Euro 145 thousand. In 2020, the company waived the partial repayment of Euro 67 thousand. The amount includes Euro 9 thousand of accrued interest. The loan accrues interest at a fixed rate of 200 basis points.

Details on the timing of cash flows and financial assets at December 31, 2020 are illustrated in the following table:

Note 3.B - FINANCIAL ASSETS

Description	General information								Amount					Guarantees Received	Guarantees Granted
	Amount		Total	Year	Currency	Country	Interest		Current Financial Assets	Non-Current Financial Assets					
Euro thousands	Principal	Interest					Variable	Spread	2021	2022	2023	2024	After 2024		
Security Deposits	13	-	13	2004-15-19-20	EUR	Italy	0%	0.00%	-	-	-	-	13	None	None
Loan to third parties	135	10	145	2015	EUR	Italy	0%	2.00%	77	68	-	-	-	None	None
Dividends to Dixon Ticonderoga (U.S.A.)	1,379	-	1,379	2020	USD	U.S.A.	Euribor 3 Months	0.00%	1,379	-	-	-	-	None	None
Loan Canson Sas (France)	3,245	30	3,275	2019	EUR	France	Euribor 3 Months	3.15%	1,230	1,400	645	-	-	None	None
Loan Canson Sas (France)	17,969	145	18,114	2016	EUR	France	Euribor 3 Months	3.75%	18,114	-	-	-	-	None	None
Loan Lodi 12 Sas (France)	418	4	422	2016	EUR	France	Euribor 3 Months	3.75%	422	-	-	-	-	None	None
Loan Canson Australia (Australia)	1,619	96	1,715	2016	EUR	Australia	Euribor 3 Months	3.75%	1,716	-	-	-	-	None	None
Loan Daler Rowney Ltd. (UK)	3,700	33	3,733	2016-2019	EUR	UK	Euribor 3 Months	3.50%	3.733	-	-	-	-	None	None
Loan Daler Rowney Ltd. (UK)	1,122	-	1,122	2019	EUR	UK		0.00%	1,122	-	-	-	-	None	None
Loan Daler Rowney Ltd. (UK)	1,901	15	1,916	2019	EUR	UK	Euribor 3 Months	3.00%	1,916	-	-	-	-	None	None
Loan Industria Maimeri S.p.A. (Italy)	75	1	76	2014-2015	EUR	Italy		0.00%	20	56	-	-	-	None	None
Loan Industria Maimeri S.p.A. (Italy)	400	6	406	2018	EUR	Italy	Euribor 3 Months	3.00%	406	-	-	-	-	None	None
Loan Dixon Ticonderoga (U.S.A.)	1,777	-	1,777	2016	EUR	U.S.A.	Euribor 3 Months	3.75%	1,777	-	-	-	-	None	None
Loan Dixon Ticonderoga (U.S.A.)	3,136	-	3,136	2018	EUR	U.S.A.	Euribor 3 Months	3.00%	3,136	-	-	-	-	None	None
Fila Sud Africa	-	11	11	2018	USD	South Africa		0.00%	11	-	-	-	-	None	None
Loan Canson Brasil I.P.E. Ltda (Brazil)	996	419	1,415	2012	EUR	Brazil	Euribor 3 Months	3.50%	1,415	-	-	-	-	None	None
Loan FILA Stationery O.O.O. (Russia)	1,468	219	1,687	2013-2020	EUR	Russia	Euribor 3 Months	2.80% - 3.75%	1.124	70	493	-	-	None	None
Loan FILA Stationery O.O.O. (Russia)	1,093	12	1,105	2020	RUB	Russia	Euribor 3 Months	2.25%	1.105	-	-	-	-	None	None
Loan F.I.L.A. Art & Craft (Israel)	350	3	353	2018	EUR	Israel	Euribor 3 Months	2.70%	353	-	-	-	-	None	None
Loan FILA Art & Product AG (Switzerland)	203	-	203	2017	EUR	Switzerland	Euribor 6 Months	3.00%	203	-	-	-	-	None	None
Loan FILA Arches (France)	22.685	90	22.775	2020	EUR	France	Euribor 6 Months	3.35%	22.775	-	-	-	-	None	None
Allowance for impairment (IFRS9)	- 93	-	- 93						- 88	- 4	-	-	-		
Total amount	**63,592**	**1.092**	**64,684**						**61,945**	**1,589**	**1,138**	**-**	**13**		

As per IFRS 7, the accounting treatment by class of financial assets at December 31, 2020 was as follows:

Euro thousands		December 31, 2020	Asset and liabilities measurement at FVOCI	Assets and Liabilities at Amortised Cost	Total
Non-Current assets					
Non-Current financial assets	Note 3	**2,739**		2,739	**2,739**
Current assets					
Current financial assets	Note 3	**61,945**		61,945	**61,945**
Trade Receivables and Other Assets	Note 8	**20,090**		20,090	**20,090**
Cash and Cash Equivalents	Note 9	**49,616**		49,616	**49,616**

Euro thousands		December 31, 2019	Asset and liabilities measurement at FVOCI	Assets and Liabilities at Amortised Cost	Total
Non-Current assets					
Non-Current financial assets	Note 3	**11,454**		11,454	**11,454**
Current assets					
Current financial assets	Note 3	**31,634**		31,634	**31,634**
Trade Receivables and Other Assets	Note 8	**16,923**		16,923	**16,923**
Cash and Cash Equivalents	Note 9	**31,579**		31,579	**31,579**

Note 4 - Equity Investments

"Equity Investments" at December 31, 2020 amount to Euro 371,689 thousand (Euro 348,744 thousand at December 31, 2019). The changes of the year are shown below:

Note 4.A - EQUITY INVESTMENTS				
Euro thousands	Investments in Subsidiaries	Investments in Associates	Investments in Other Companies	Total Amount
December 31, 2019	**348,714**	**28**	**2**	**348,744**
Increases in the year	23,689	-	-	23,689
Decreases in the year	(744)	-	-	(745)
December 31, 2020	**371,659**	**28**	**2**	**371,689**
Change 2020 - 2019	**22,945**	**-**	**-**	**22,945**

The increase of the year totalling Euro 22,945 thousand is due to:

- the capital injection by Fila-Arches for the purpose of acquiring the business unit for the production and marketing of Arches brand products from the Swedish group Ahlstrom-Munksjo for a total of Euro 22,564 thousand;
- increase for recapitalisation of Industria Maimeri S.p.A. through the waiver of the short-term portion of the loan for an amount of Euro 700 thousand and subsequent write-down for Euro 342 thousand on the basis of the results of the impairment test.
- increase for recapitalisation of FILA Stationary O.O.O. (Russia) for Euro 425 thousand by waiving the short-term portion of the loan;
- decrease due to the annual portion of the "2019-2021 Performance Shares Plan" concerning investments by F.I.L.A. S.p.A. reserved for the executives and managers of the Group's international subsidiaries, down by Euro 402 thousand.

Investments in subsidiaries at December 31, 2020 and the changes of the year are illustrated in the table below:

4.B Current Financial Assets				
Euro thousands	**December 31, 2019**	**Increases**	**Decreases**	**December 31, 2020**
F.I.L.A. Iberia S.L. (Spain)	218	-	(8)	210
Fila Arches (France)	10	22,564		22.574
Dixon Ticonderoga Co.(U.S.A.)	107,718		(345)	107,373
F.I.L.A. Chile Ltda (Chile)	62			62
Lyra Bleistift-Fabrik GmbH & Co. KG	12,454			12,454
FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	4.069			4,069
FILA Art & Craft (Israel)	-			-
FILA Stationery O.O.O. (Russia)	95	425		520
Industria Maimeri S.p.A.	1.246	700	(342)	1,603
FILA S.A. (Pty) Ltd. (South Africa)	3.747			3,747
FILA Hellas S.A. (Greece)	2.797			2,797
Fila Polska Sp. Z.o.o (Poland)	44			44
DOMS Industries PTV Ltd (India)	57,278			57,278
Renoir Topco Limited (UK)	97,281		(11)	97,271
St. Cuthberts Holdings Limited (UK)	6,727			6,727
Canson SAS (France)	37,787		(38)	37,749
Lodi 12 SAS (France)	17,133			17,133
Fila Art Products AG (Switzerland)	48			48
Total	**348,714**	**23,689**	**(744)**	**371,659**

For further details, reference should be made to the “Significant events in the year” paragraph.

A comparison between equity investments and the share of equity of the subsidiaries at December 31, 2020 is illustrated in the table below:

IMPAIRMENT TEST RESULT INVESTMENTS				
Subsidiaries *Euro thousands*	**Equity at December 31, 2020**	**Total percentage of investment**	**Equity Share**	**Net carrying amount**
Fila SA PTY LTD (South Africa)	1,655	99.43%	1,645	3,747
Fila Stationary O.O.O. (Russia)	(450)	90.00%	(405)	520
FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	1,902	100.00%	1,902	4,070
DOMS Industries PVT LTD	41,462	51.00%	21,145	57,278
Industria Maimeri S.p.A. (Italy)	(102)	51.00%	(52)	1,603
Renoir Topco Ltd (UK) (1)	73,503	100.00%	73,503	97,270
St. Cuthberts Holding (UK) (3)	6,009	100.00%	6,009	6,726
Lodi 12 (France) (2)	593	100.00%	593	17,133
Fila Hellas (Greece)	1,893	100.00%	1,893	2,797
Fila Arches (France)*	20,356	100.00%	20,356	22,574

(1) - Renoir Topco Ltd (UK); Renoir Midco Ltd (UK); Renoir Bidco Ltd (UK); FILA Benelux SA (Belgium); Daler Rowney Ltd (UK); Brideshore srl (Dominican Republic).

(2) - Lodi 12 SAS (France); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China);Canson Italy (Italy).

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

** - The net load value of F.I.L.A. S.p.A.'s balance sheet as at 31.12.20 is considered recoverable on the basis of the same assumptions adopted for the definition of the CGU FILA Arches useful in testing goodwill recoverability*

The investments held by F.I.L.A. S.p.A. in subsidiaries were subject to impairment tests where indicators highlighted a possible impairment loss, comparing the carrying amount in the financial statements with the recoverable amount. The "Value in use" was used to establish the recoverable amount of investments. The Value is use as per IAS 36 is calculated as the present value of expected cash flows.

The expected cash flows for the calculation of the "Value in use" of each subsidiary are developed based on the information received from the Boards of Directors of the individual subsidiaries in the 2021 Budget, approved by the Group on February 11, 2021, and the Business Plan approved by the Group's Board of Directors on March 16, 2021.

In particular, the cash flows were determined based on the assumptions in the plan and applying the growth rate identified for each subsidiary in line with the long-term assumptions relating to the growth rate of the sector and the specific country risk in which each company operates. The "Terminal Value" was calculated applying the perpetual yield method. These financial estimates were subject to approval by the Boards of Directors of the individual Group companies subject to impairments testing.

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

The table below outlines the main assumptions for the impairment test on the investments held. The discount rate is different from December 31, 2019 to reflect the changed market conditions at December 31, 2020, as commented upon below:

IMPAIRMENT TEST - VALUE IN USE CALCULATION ASSUMPTIONS

Euro thousands	**Discount Rate (W.A.C.C.)***	**Growth Rate (g rate)**	**Cash flow horizon**	**Terminal Value Calculation Method**
FILA SA (South Africa)	12.8%	4.8%	5 years	Perpetuity growth rate
Fila Stationary O.O.O. (Russia)	11.7%	4.1%	5 years	Perpetuity growth rate
Fila Stationary and Office Equipment Industry Ltd. Co (Turkey)	19.6%	9.4%	5 years	Perpetuity growth rate
DOMS Industries Pvt Ltd (India)	11.3%	4.0%	5 years	Perpetuity growth rate
Industria Maimeri S.p.A. (Italy)	8.0%	1.3%	5 years	Perpetuity growth rate
Renoir Topco Ltd (UK) (1)	7.3%	1.9%	5 years	Perpetuity growth rate
St. Cuthberts Holding (UK) (3)	7.3%	1.9%	5 years	Perpetuity growth rate
Fila Hellas	10.4%	1.5%	5 years	Perpetuity growth rate
Lodi 12 (France) (2)	6.7%	1.8%	5 years	Perpetuity growth rate
Fila Arches	6.7%	1.8%	5 years	Perpetuity growth rate

(1) - Renoir Topco Ltd (UK); Renoir Midco Ltd (UK); Renoir Bidco Ltd (UK); FILA Benelux SA (Belgium); Daler Rowney Ltd (UK); Brideshore srl (Dominican Republic); Castle Hill Crafts (UK); Creativity (UK).
(2) - Lodi 12 SAS (France); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China) Fila Yixing (China); Canson Italy (Italy).
(3) - St. Cuthberts Holding (UK); St. Cuthberts Mill (UK)
** Source Bloomberg*

With regard to the main considerations on the changes of the year of the discount rates used, reference should be made to "Note 1 - Intangible assets" of the Notes to the consolidated financial statements at December 31, 2020.

Taking into account the existence of indicators of impairment, impairment tests were carried out on the following subsidiaries:

- F.I.L.A. SA PTY LTD (South Africa);
- FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey);
- FILA Stationary O.O.O. (Russia);
- Renoir Topco Ltd (United Kingdom);
- DOMS Industries Pvt Ltd (India);
- St. Cuthberts Holding (United Kingdom);
- Lodi 12 (France);
- Fila Hellas SA (Greece);
- Industria Maimeri S.p.A. (Italy);
- Fila Arches SAS (France).

No impairments losses emerged on the companies subject to testing and no impairment losses were recognised, except for Industria Maimeri S.p.A. (Italy), which was written down by Euro 342 thousand.

Note 5 – Deferred Tax Assets

"Deferred tax assets" amount to Euro 6,070 thousand at December 31, 2020 (Euro 5,720 thousand at December 31, 2019).

Note 5.A - CHANGES IN DEFERRED TAX ASSETS

Euro thousands	
December 31, 2019	**5,720**
Provisions	1,194
Utilisations	(844)
December 31, 2020	**6,070**
Change 2020 - 2019	**350**

"Deferred Tax Assets" at December 31, 2020 include temporary differences deductible in future years, recognised as there is a reasonable certainty of the existence, in the years in which they will reverse, of taxable profit not lower than the amount of these differences.

The breakdown of deferred tax assets is illustrated below:

NOTE 5.B - BREAKDOWN OF DEFERRED TAX ASSETS

	Statement of Financial Position		Profit or loss		Equity	
Euro thousands	2020	2019	2020	2019	2019	2018
Deferred tax assets relating to:						
Intangible Assets	100	97	3	-	-	-
Property, Plant and Equipment	152	120	32	(77)	-	-
Directors Remuneration	276	264	12	(68)	-	-
Loss allowance, taxed	292	293	(1)	(286)	-	-
Inventory	102	115	(13)	18	-	-
Agent Leaving indemnities	228	220	8	-	-	-
Exchange gains (losses)	-	-	-	-	-	-
Provisions for risks and charges	20	-	20	(107)	-	-
Other	-	-	-	-	-	-
Deferred deductible costs	-	-	0	(51)	-	-
IFRS9	118	143	(25)	29	-	-
IFRS16	40	18	22	-	-	-
Capital Increase Expenses	835	1,154	(319)	(675)	-	-
ACE	3.906	3,295	611	(152)	-	-
Total deferred tax assets	**6,070**	**5,720**	**350**	**(1,369)**	**-**	**-**

Deferred tax assets relating to the "ACE" include the recognition of taxes calculated on the excess of the ACE amount which may be carried forward to future years, an increase of Euro 1,016 thousand in 2020, as well as utilisation to cover the IRES assessable income generated in 2020 (Euro 407 thousand).
Deferred tax assets for the 2018 capital increase include the portion of recognition of the use of own costs during the year of Euro 319 thousand.
The deferred tax asset calculation was made by F.I.L.A. S.p.A., evaluating the expected future recovery of these assets based on updated strategic plans, together with the relative tax plans.
In 2020 there was an increase in the percentage of IRAP (Italian company tax) assessable income due to application of the regulations relating to Article 162-bis of the Income Tax Code, which saw F.I.L.A. classified as an "Industrial Holding Company", rising from 3.9% to 5.57%. The new rate was therefore applied to the identifiable accounts.

Note 6 - Current Tax Assets

“Current tax assets” amount to Euro 2,264 thousand at December 31, 2020 (Euro 2,978 thousand at December 31, 2019) and include receivables for IRES, IRAP and CFC taxes. The main change in the year is attributable to the refund of Euro 420 thousand obtained from the German government during the year 2020.

Note 7 - Inventories

Inventories at December 31, 2020 amount to Euro 24,062 thousand (Euro 25,152 thousand at December 31, 2019).

The breakdown of inventories is as follows:

Note 7.A - INVENTORIES				
Euro thousands	Raw Materials, supplies and Consumables	Work-in-progress and Semi-finished Products	Finished Products and Goods	Total
December 31, 2019	**4,173**	**2,803**	**18,176**	**25,152**
December 31, 2020	**4,000**	**2,895**	**17,167**	**24,062**
Change	**(173)**	**92**	**(1,009)**	**(1,090)**

A decrease was recognised, mainly in finished products and goods, due to careful management of inventories.

Inventories are shown net of the allowance for inventory write-down for raw materials, work in progress and finished goods, amounting respectively at December 31, 2020 to Euro 50 thousand (Euro 50 thousand at December 31, 2019), Euro 50 thousand (Euro 50 thousand at December 31, 2019) and Euro 170 thousand (Euro 230 thousand at December 31, 2019), which refer to obsolete or slow moving materials for which it is not considered possible to recover their value through sales.

No inventory is provided as a guarantee on liabilities.

The changes in the allowance for inventory write-downs in the year were as follows:

Note 7.B - CHANGE IN THE ALLOWANCE FOR INVENTORY WRITE-DOWNS				
Euro thousands	Raw Materials, supplies and Consumables	Work-in-progress and Semi-finished Products	Finished Products and Goods	Total
December 31, 2018	**45**	**34**	**266**	**345**
Provisions	50	50	70	170
Utilisations	(45)	(34)	(106)	(185)
December 31, 2019	**50**	**50**	**230**	**330**
Provisions	50	50	62	162
Utilisations	(50)	(50)	(122)	(222)
December 31, 2020	**50**	**50**	**170**	**270**
Change 2020 - 2019	**0**	**0**	**(60)**	**(60)**

During the year the provision was used for disposals and product scrapping. The allocation in the year was made against obsolete materials and slow moving inventories at December 31, 2020.

Note 8 – Trade receivables and Other assets

Trade receivables and other assets amount to Euro 20,090 thousand, up by Euro 3,167 thousand on the previous year, when they amounted to Euro 16,923 thousand.
The breakdown is illustrated below.

Note 8.A - TRADE RECEIVABLES AND OTHER ASSETS			
Euro thousands	December 31, 2020	December 31, 2019	Change
Trade Receivables	12,203	10,149	2,054
Tax Assets	137	115	22
Other Assets	252	137	115
Prepayments and Accrued Income	959	872	87
Third parties	**13,550**	**11,272**	**2,278**
Trade Receivables - Subsidiaries	6,540	5,651	889
Subsidiaries	**6,540**	**5,651**	**889**
Total	**20,090**	**16,923**	**3,167**

Trade receivables from third parties amount to Euro 13,550 thousand at December 31, 2020 (Euro 11,272 thousand at December 31, 2019). The increase of Euro 2,278 thousand is mainly due to the extension of payment terms and the difficulty in collecting payments during the year, due to the economic effects of the COVID-19 pandemic.

Trade receivables from subsidiaries amount to Euro 6,540 thousand at December 31, 2020 (Euro 5,651 thousand at December 31, 2019). The increase of Euro 889 thousand is primarily due to the postponement of sales to Group companies in the fourth quarter. Reference should be made to the "Consolidated Financial Statements of the F.I.L.A. Group - Related Party Transactions" for further details of the breakdown of Trade receivables from subsidiaries.

The change was due to business dynamics and, in particular, to the reinvoicing of Group companies for all expenses and management costs handled centrally by the Group's SAP management system.
The amounts of the previous table are shown net of the loss allowance.
At December 31, 2020, there were no trade receivables pledged as guarantees.
All of the above assets are due within 12 months.

The breakdown by geographical segment of trade receivables (by customers) is illustrated in the table below:

Note 8.B - TRADE RECEIVABLES FROM THIRD PARTIES BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2020	December 31, 2019	Change
Europe	11,921	9,588	2,333
Asia	281	556	(275)
Rest of the World	-	5	(5)
Third parties	**12,203**	**10,149**	**2,054**

In addition, the changes in the loss allowance to cover doubtful positions are illustrated in the table below: During the year, positions considered irrecoverable were closed for an amount of Euro 200 thousand.

Note 8.C - CHANGES IN THE LOSS ALLOWANCE	
Euro thousands	**Allowance for impairment**
December 31, 2018	**2,655**
Provisions	588
Utilisations	(1.428)
December 31, 2019	**1,815**
Provisions	193
Utilisations	(200)
December 31, 2020	**1,808**
Change 2020 - 2019	**(7)**

"Tax assets" includes V.A.T. and other local taxes other than direct income taxes.

Current tax assets amounted to Euro 137 thousand at December 31, 2020 (Euro 115 thousand at December 31, 2019) and mainly relate to a tax credit arising from a claim for a refund for current taxes and related to prior years.

"Other receivables" amounted to Euro 252 thousand at December 31, 2020 (Euro 137 thousand at December 31, 2019) and mainly include receivables from suppliers for credit notes to be received for Euro 120 thousand and advances to suppliers.

"Prepayments and accrued income" mainly relate to:

- rent for the Pero offices lease (Italy - Euro 70 thousand);
- lease payments for company cars (Euro 64 thousand);
- insurance premiums (Euro 323 thousand);
- costs of maintenance activities relating to EDP expenses (Euro 160 thousand).

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

All of the above assets are due within 12 months.

Note 9 - Cash and cash equivalents

"Cash and Cash Equivalents" at December 31, 2020 amount to Euro 49,616 thousand (Euro 31,579 thousand at December 31, 2019).

The breakdown and the change on the previous year are illustrated in the table below.

Note 9.A - CASH AND CASH EQUIVALENTS

Euro thousands	Bank and Postal Deposits	Cash in hand and other cash equivalents	Total
December 31, 2019	**31,571**	**8**	**31,579**
December 31, 2020	**49,610**	**6**	**49,616**
Change 2020 - 2019	**18,039**	**(2)**	**18,037**

"Bank and Postal Deposits" consist of temporary liquid funds as part of treasury management and concern the ordinary current accounts of F.I.L.A. S.p.A..

Bank and postal deposits are remunerated at rates near zero.

There are no bank and postal deposits subject to restrictions.

For comments on cash flows of the year reference should be made to the statement of cash flows.

Note 10 - Net financial debt

The "Net Financial Debt" at December 31, 2020 was as follows:

Euro thousands		December 31, 2020	December 31, 2019	Change
A	Cash	6	8	(2)
B	Other cash equivalents	49,611	31,571	18,040
C	Securities held for trading	-	-	-
D	**Cash and Cash Equivalents (A + B + C)**	**49,617**	**31,579**	**18,038**
E	**Current loan assets**	**61,945**	**31,634**	**30,311**
F	Current bank loans and borrowings	(30,485)	(3,408)	(27,077)
G	Current portion of non-current debt	(14,063)	(9,375)	(4,688)
H	Other current loans and borrowings	(959)	(2.186)	1,227
I	**Current financial debt (F + G + H)**	**(45,507)**	**(14,968)**	**(30,539)**
J	**Net curre nt financial position (I + E+ D)**	**66,055**	**48,245**	**17,810**
K	Non-current bank loans and borrowings	(200,788)	(175,532)	(25,256)
L	Bonds issued	-	-	-
M	Other non-current loans and borrowings	(5,539)	(5,474)	(65)
N	**Non-current financial debt (K + L + M)**	**(206,327)**	**(181,006)**	**(25,321)**
O	**Net financial debt (J+N)**	**(140,272)**	**(132,761)**	**(7,511)**
P	**Loans issued to third parties**	**2,727**	**11,434**	**(8,707)**
Q	**Net financial debt (O + P) - F.I.L.A. S.p.A.**	**(137,545)**	**(121,327)**	**(16,218)**

The net financial debt increased by Euro 16,218 thousand compared to December 31, 2019, mainly due to:

- the cash generation totalling Euro 8,453 thousand from operating activity;
- net investments in property, plant and equipment and intangible assets of Euro 2,332 thousand (Euro 4,460 thousand in 2019);
- use of cash for "Investing Activities" of Euro 22,564 thousand, relating to the increase in the equity investment in the subsidiary FILA Arches SAS following the acquisition of the "Arches" brand business unit;
- the generation of cash totalling Euro 5,732 thousand from dividends received from subsidiaries;
- the payment of financial expense of Euro 5,954 thousand.

Note 12 - Share Capital and Equity

Share capital

In April and June 2020, 91,252 ordinary F.I.L.A. S.p.A. shares were assigned following the subscription of a number of "Pacon warrants" by the managers of the US subsidiary Dixon Ticonderoga Company (U.S.A.).

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

Current Share Capital - December 31, 2020	No. of Shares	% of Share Capital	Euro	Listing
Ordinary shares	42,958,192	*84.17%*	39,530,525	MTA - STAR Segment
Class B Shares (multiple votes)	8,081,856	*15.83%*	7,436,999	Unlisted

Previous Share Capital	No. of Shares	% of Share Capital	Euro	Listing
Ordinary shares	42,866,940	*84.13%*	39,440,428	MTA - STAR Segment
Class B Shares (multiple votes)	8,081,856	*15.87%*	7,435,844	Unlisted

According to the available information, published by Consob and updated at December 31, 2020, the main shareholders of the company were:

Shareholder	Ordinary shares	%
Pencil S.p.A.	13,694,564	31.88%
Venice European Investment Capital S.p.A.	2,535,000	5.9%
Sponsor	361,291	0.84%
Market Investors	26.367.337	61.38%
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.	2,535,000		2,535,000	3.77%
Space Holding Srl	361,291		361,291	0.54%
Market Investors	26,367,33700		26,367,33700	39.23%
Total	**42,958,192**	**8,081,856**	**51,040,048**	

The availability and distributability of equity is outlined in the following table:

NOTE 12.A ORIGIN, POSSIBILITY OF USE AND DISTRIBUTION OF THE EQUITY						
					Summary of the use in the past three years (2018 - 2020)	
Euro thousand	**Equity items**	**December 31, 2020**	**Possibility of use**	**Available portion**	**to cover losses**	**other reasons**
	Share Capital	**46,967**				
	Reserves					
	Legal Reserve	8,332	**B**	8,332		
	Share Premium Reserve	154,473	**A, B, C**	154,473		
	IAS 19 Reserve	(594)		-		
	Other Reserves	18,839	**A, B, C**	18,839		
	Profit for the year	41,855	**A, B, C**	26,803		11,577
		269,991		**208,566**	**-**	**11,577**

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Legal reserve

At December 31, 2020 this caption amounted to Euro 8,332 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 Italian Civil Code.

Share Premium Reserve

The balance at December 31, 2020 amounted to Euro 154,473 thousand (Euro 153,608 thousand at December 31, 2019). The change is due to the subscription of "Pacon Warrants" by American managers for Euro 865 thousand.

IAS 19 Reserve

Following the application of IAS 19, the equity reserve is negative for Euro 594 thousand, decreasing in the year by Euro 91 thousand.

Other reserves

At December 31, 2020, the reserve is positive for Euro 18,839 thousand, decreasing Euro 1,954 thousand on December 31, 2019.

The changes concern the following events:

- The share based premium reserve, which relates to the accounting treatment of the "2019-2021 Performance Shares Plan" concerning ordinary F.I.L.A. S.p.A. shares reserved for Group executives and managers down by a total of Euro 733 thousand;
- The reserve for future capital increases to service the Warrants assigned free of charge to certain managers employed by the subsidiary Dixon Ticonderoga Company (formerly Pacon Holding Company), as approved on October 11, 2018 by F.I.L.A. S.p.A.'s shareholders in an

extraordinary meeting, decreased of Euro 956 thousand against the subscription of a portion of the Warrants; the present amount is therefore Euro 191 thousand;

- The "Hedging" reserve, recognised to account for fair value changes in the hedging instruments (IRSs) entered into by F.I.L.A. S.p.A., amounted to a negative Euro 4,180 thousand at December 31, 2020. The decrease for the year amounted to Euro 383 thousand against the recognition of the change in the fair value of the IRSs hedging the loan agreement entered into to finance the Pacon Holding Company deal.

In relation to utilisations, in addition, we report the presence in other reserves of reserves taxable on distribution for Euro 3,885 thousand at December 31, 2020.

Retained Earnings

They amount to Euro 41,855 thousand at December 31, 2020 (Euro 31,099 thousand at December 31, 2019). The increase of Euro 10,756 thousand relates to the application of the shareholders' resolution of April 22, 2020 concerning the allocation of the 2019 net profit of Euro 11,322 thousand to "Retained earnings" for Euro 10,756 thousand, net of the allocation to the legal reserve for Euro 566 thousand.
We highlight in addition the restriction on the distribution of a portion related to the revaluation of the investment held in the company DOMS Industries Pvt Ltd (Euro 15,052 thousand), in accordance with Article 6, paragraph 1, letter a) of Legislative Decree No. 38 of February 28, 2005, following the purchase of the controlling interest.

Dividends

During the reporting year, F.I.L.A. S.p.A. did not carry out the usual distribution of dividends to the Shareholders.

F.I.L.A. S.p.A. expects to receive approx. Euro 16 million from subsidiaries in 2021.
Over the last three years and in its forecasts, the F.I.L.A. Group coordinates its dividend policy in line with the financial needs of its non-recurring transactions.

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The Board of Directors of F.I.L.A. S.p.A. have proposed:

1. to allocate Euro 406,267.34 to the legal reserve, as established in Article 2430 of the Italian Civil Code, and to allocate the remainder of Euro 1,594,273.68 to retained earnings;

2. to distribute the residual “Profit for the year” of Euro 6,124,805.76 as dividend and, therefore, to distribute a dividend of Euro 0.12 for each of the 51,040,048 ordinary shares currently outstanding, while it should be noted that in the case where the total number of shares of the Company currently in circulation should increase, the total amount of dividend will remain unchanged and the unit amount will be automatically adjusted to the new number of shares; the dividend will be issued with coupon, record and payment dates of May 24, 25 and 26, 2021 respectively.

Note 13 - Financial Liabilities

The balance at December 31, 2020 was Euro 247,651 thousand (Euro 192,187 thousand at December 31, 2019).

The breakdown at December 31, 2020 is illustrated below:

Note 13.A - FINANCIAL LIABILITIES

Euro thousands	Banks loans		Other loans and borrowings Third Parties		Current account Overdrafts		IFRS 16		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
December 31, 2019	**187,438**	**(2,142)**	**1.782**	**-**	**3,000**	**20**	**2,090**	**-**	**192,187**
non-current portion	178,063	(2,531)	-	-	-	-	1,685	-	177,218
current portion	9,375	388	1,782	-	3,000	-	404	-	14,969
December 31, 2020	**247,068**	**(1,733)**	**502**	**-**	**-**	**1**	**1.813**	**-**	**247,651**
non-current portion	203,006	(2,217)	-	-	-	-	1,356	-	202,145
current portion	44,062	484	502	-	-	1	457	-	45,507
Change 2020-2019	**59,630**	**409**	**(1,279)**	**-**	**(3.000)**	**(19)**	**(277)**	**-**	**55,464**
non-current portion	24,942	313	-	-	-	-	(329)	-	24,927
current portion	34,687	96	(1,279)	-	(3.000)	(19)	52	-	30,537

Bank loans and borrowings

With reference to "Bank loans and borrowings", the total exposure of the Group amounts to Euro 245,335 thousand, of which Euro 44,546 thousand considered as current (Euro 9,763 thousand at December 31, 2019) and Euro 200,789 thousand as non-current (Euro 175,532 thousand at December 31, 2019).

The increase in the non-current portion of Euro 25,255 thousand mainly concerns:

- Increases of Euro 69,330 thousand 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, of which Euro 670 thousand already recognised as short-term as paid during the year 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 in the short-term portion of loans totalling Euro 44,062 thousand, of which Euro 30,000 thousand, relating to the new loan taken out with Cassa Depositi e Prestiti to be repaid in full in November 2021 and Euro 14,062 thousand relating to structured loans;
- Decreases for new interest measured at amortised cost of Euro 12 thousand due to the effect of an increase of Euro 438 thousand stemming from the new loan undertaken for the acquisition of the Arches brand products business and a decrease of Euro 426 thousand due to release.

"– Bank loans and borrowings – Non-current portion" of Euro 203,006 thousand include:

- the non-current portion of Facility A and A2 for Euro 52,500 thousand (amortising line);
- the non-current portion of Facility B and B2 for Euro 98,750 thousand (bullet line);
- the non-current portion of Facility C for Euro 25,893 thousand (bullet line);
- the non-current portion of the RCF Facility for Euro 25,000 thousand (bullet line);
- the fair value of the negotiation charges related to the derivative financial instruments of Euro 863 thousand undertaken in 2018.

" Bank loans and borrowings – Current portion" amounted to Euro 44,062 thousand, broken down as follows:

- the current portion of Facility A1 and A2 for Euro 14,062 thousand (amortising line);
- the loan granted by Cassa Depositi e Prestiti, which provides for bullet repayment in November 2021, amounting to Euro 30,000 thousand.

The portion of the Facility A and A2 credit lines amounting to Euro 10,044 thousand was repaid in June and December 2020 per the repayment plan.

The loan stipulates a Euribor at 3 months interest rate, plus a spread of 1.85% on Facility A and A2, in addition to a spread of 2.15% on Facility B and C, with quarterly calculation of interest. The spread applied, which by contract was to be subject to changes based on compliance with the covenants established for the loan, was not revised during the year, since the parties negotiated that the benchmarks would remain unchanged from the December 2019 versions.

The following is reported with regards to the loan repayment plan:

Note 13.B - BANK LOANS AND BORROWINGS INTEREST RATE AND MATURITY			
Euro thousands	Interest Rate	Maturity	December 31, 2020
Facility A-A2	Euribor 3 months + spread 1.85%	June 2023	52,500
Facility B-B2	Euribor 3 months + spread 2.15%	June 2024	98,750
Facility C-C2	Euribor 3 months + spread 2.15%	June 2023	25,893
RCF	Fixed rate 1.85%	June 2023	25,000
Total non-current Financial liabilities			**202,143**
Facility A	Euribor 3 months + spread 1.85%	2021	14,062
Total current Financial liabilities			**14,062**
Total Financial liabilities			**216,205**

The repayment plan establishes for settlement by June 4, 2024 (“Termination Date”) through half-yearly capital instalments to be repaid from December 4, 2019.

The repayment plan by maturity is outlined below:

Note 13.C - BANK LOANS AND BORROWINGS: LOAN REPAYMENT PLAN

Euro thousands	Facility	Principal
June 4, 2021	Facility A	5,625
December 6, 2021	Facility A	7,500
June 6, 2022	Facility A	7,500
December 5, 2022	Facility A	11,250
June 2, 2023	Facility A	30,000
Total - Facility A		**61,875**
June 4, 2021	Facility A2	402
December 6, 2021	Facility A2	536
June 6, 2022	Facility A2	536
December 5, 2022	Facility A2	803
June 2, 2023	Facility A2	2,410
Total - Facility A2		**4,687**
Bullet Loan - June 4, 2024	Facility B	90,000
Total - Facility B		**90,000**
Bullet Loan - June 4, 2024	Facility B2	8,750
Total - Facility B2		**8,750**
Bullet Loan - June 4, 2023	Facility C	25,000
Total - Facility C		**25,000**
Bullet Loan - June 4, 2023	Facility C2	893
Total - Facility C2		**893**
Bullet Loan - June 4, 2023	RCF	25,000
Total - RCF		**25,000**
TOTAL		**216,205**

F.I.L.A. S.p.A., exposed to future cash flow fluctuations in relation to the interest rate indexing mechanism under the loan agreed (hereafter "hedged instrument"), considered a hedge based on the payment of a fixed rate against the variable rate necessary (base parameter of the loan contract) to stabilise future cash flows.

The derivative instruments, qualifying as hedges and represented by Interest Rate Swaps, present characteristics in line with those of the hedged instrument, such as the same maturity and the same repayment plan broken down into quarterly instalments with interest in arrears, in addition to a variable interest rate indexed to the Euribor at 3 months. Derivative financial instruments, in the form of 3

Interest Rate Swaps, were agreed with the same banks issuing the loan, concerning a total of 10 contracts.

"Financial Liabilities - Other Loans and borrowingd" include the payables of F.I.L.A. S.p.A. to factoring companies for advances on transfer of receivables (Ifitalia S.p.A.) and the amount of the financial payables that arose from the lease contracts due to the application of IFRS 16.

The balance at December 31, 2020 of other loans and borrowings was Euro 2,315 thousand (Euro 3,871 thousand at December 31, 2019). uniformare maiuscole e minuscole

Details on the timing of cash flows and other loans and borrowings at December 31, 2020 concerning F.I.L.A. S.p.A. are illustrated in the following table:

Note 13.D - OTHER LOANS AND BORROWINGS

Description	General information								Loan Repayment plan		Guarantees Granted
	Amount		Total	Year	Curr.	Country	Interest		Current Financial Liabilities	Beyond 2021	
Euro thousands	Principal	Interest					Variable	Spread	2021		
Ifitalia S.p.A.	502	-	502	2020	EUR	Italy	0.75%	-	502	-	None
Leasing	1,813	-	1,813	2020	EUR	Italy	-	-	457	1,356	None
Total	**2,315**	**-**	**2,315**						**959**	**1,356**	

"Current account Overdrafts" at December 31, 2020 amounted to Euro 1 thousand, inclusive of unpaid interest accrued.

Reference should be made to "Note 10 - Net Financial Debt" and the "Directors' Report – Financial Highlights of the F.I.L.A. Group – Financial Debt" in relation to the net financial debt at December 31, 2020.

As per IFRS 7, the accounting treatment by class of financial liabilities at December 31, 2020 was as follows:

		December 31, 2020	Assets and liabilities at FVOCI	Amortised Cost	Total
Non-Current liabilities					
Non-Current financial liabilities	Note 13	202,144	-	202,144	**202,144**
Financial Instruments	Note 17	4,183		4,183	**4,183**
Current liabilities					
Current financial liabilities	Note 13	45,507	-	45,507	**45,507**
Other financial liabilities	Note 19	19,033	-	19,033	**19,033**

		December 31, 2019	Assets and liabilities at FVOCI	Amortised Cost	Total
Non-Current liabilities					
Non-Current financial liabilities	Note 13	175,532	-	175,532	**175,532**
Financial Instruments	Note 17	3,797		3,797	**3,797**
Current liabilities					
Current financial liabilities	Note 13	16,654	-	16,654	**16,654**
Other financial liabilities	Note 19	19,768	-	19,768	**19,768**

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

Euro thousands	Bank Loans and borrowing	Other Loans and borrowing	Current account Overdrafts	Hedging Derivatives	Total
	Note 13	*Note 13*	*Note 13*	*Note 13*	
December 31, 2019	**(185,296)**	**(1.782)**	**(3,020)**	**(3,797)**	**(190,875)**
Cash Flows	(59,614)	1,280	3,019	-	(55,315)
Other changes:	(425)	-	-	-	(425)
Exchange gains (losses)	-	-	-	-	-
Fair Value variations	-	-	-	(386)	-
Consolidation scope changes	-	-	-	-	-
December 31, 2020	**(245,335)**	**(502)**	**(1)**	**(4,183)**	**(250,020)**

Note 14 - Employee Benefits

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

The Post-Employment Benefits, accrued to December 31, 2006 are considered a defined benefit plan as per IAS 19. The benefits guaranteed to employees, under the form of the Post-Employment Benefits, paid on the termination of employment, are recognised in the period the right vests. The relative liability is based on actuarial assumptions and the effective liability accrued and not settled at the reporting date. The discounting process, based on demographic and financial assumptions, is undertaken applying the "Projected Unit Credit Method" by professional actuaries.

The Post-Employment Benefits accrued since January 1, 2007 are considered a defined contribution plan and therefore contributions accrued in the period were fully recognised as a cost and recognised as a liability under "Other Current Liabilities", after the deduction of any contributions already paid.

The amounts at December 31, 2020 were as follows:

Note 14.A - POST-EMPLOYMENT BENEFITS

Euro thousands	
December 31, 2019	**1,700**
Disbursements	(709)
Financial Expense	6
Pension Cost for Service	598
IAS 19 Reserve	48
December 31, 2020	**1,643**
Change 2020 - 2019	**(57)**

The actuarial revaluation recognised in 2020 amounts to Euro 42 thousand. The actuarial changes of the year, net of the tax effect, were taken directly to equity.

There are no financial assets at December 31, 2020 invested by F.I.L.A. S.p.A. to cover financial liabilities relating to Post-Employment Benefits.

The table below highlights the net cost recognised in 2020 and 2019:

2. Cost Recognised in Profit or Loss	December 31, 2020	December 31, 2019
Pension Cost for Service	(598)	(608)
Financial Expense	(6)	(17)
Cost Recognised in Profit or Loss	**(604)**	**(625)**

The obligations deriving from the above-mentioned plans are calculated based on the following actuarial assumptions.

For comparative purposes we illustrate the actuarial assumptions applied in 2020.

3. Main Actuarial Assumptions at Reporting Date (average values)	December 31, 2020	December 31, 2019
Annual Technical Discounting Rate	0.0%	0.4%
Increase in Cost of Living index	1.0%	1.0%
Future Increase in Pensions	2.3%	2.3%

Details on the timing of financial cash flows relating to post-employment benefits at December 31, 2020 are illustrated in the following table:

Note 14.B - POST-EMPLOYMENT BENEFITS: TIMING OF CASH FLOWS

Nature *Euro thousands*	Amount	Timing of cash flows				
		2021	2022	2023	2024	Beyond 2024
Post-Employment Benefits	1,643	125	138	140	97	1,143
Total	**1,643**					

Note 15 - Provisions for risks and charges

"Provisions for Risks and Charges" amount to Euro 704 thousand in 2020 and increased by Euro 15 thousand on the previous year.

The change in provisions for risks and charges at December 31, 2020 was as follows: uniformare maiuscole e minuscole

Note 15.A - PROVISION FOR RISKS AND CHARGES				
Euro thousands	Risks Provisions for Legal Disputes	Provisions for Pensions and Similar Obligations	Other Provisions	Total
Balance at December 31, 2019	**-**	**653**	**36**	**689**
non-current portion	-	653	-	653
current portion	-	-	36	36
Balance at December 31, 2020	**-**	**668**	**36**	**704**
non-current portion	-	668	-	668
Current Financial Asset	-	-	36	36
Change 2020 - 2019	**-**	**15**	**-**	**15**
non-current portion	-	15	-	15
current portion	-	-	-	-

The relative "Provisions for Risk and Charges" are classified, by nature, in the related profit or loss accounts.

Provisions for pensions and similar obligations

The provisions for pensions and similar obligations concern the agents' leaving indemnity. The use of the provisions relates to the termination of contracts with two agents in 2020. The actuarial revaluation recignised in 2020 amounts to Euro 69 thousand. The actuarial changes in the period, net of the tax effect, were taken directly in equity.

Other provisions

This provision was established, taking account of the information available and the best estimate made by management, for Euro 36 thousand, mainly against liabilities for legal expenses relating to various verifications still ongoing with various chambers of commerce.

Details on the timing of cash flows relating to provisions at December 31, 2020 are illustrated in the following table:

Note 15.C - PROVISIONS FOR RISKS AND CHARGES: TIMING OF CASH FLOWS						
Nature *Euro thousands*	Amount	Actuarial Value Year 2020	Discount Rate Applied for Actuarial Value	Timing of cash flows 2021	2022	Beyond 2022
Provisions for Tax Disputes						
Assessment Year 2004	84	-	-	-	-	84
Provisions for Pensions and similar obligations						
Agents' Leaving Indemnity	668	668	0.34%	-	-	668
Other Provisions						
Other Provisions for Risks and Charges	36	36	-	-	-	36
Total	**788**	**704**		**-**	**-**	**788**

Note 16 - Deferred Tax Liabilities

"Deferred Tax Liabilities" amount to Euro 961 thousand December 31, 2020 (Euro 1,336 thousand at December 31, 2019).

Note 16.A CHANGES IN DEFERRED TAX LIABILITIES	
Euro thousands	
December 31, 2019	**(1,336)**
Utilisations	(47)
Decrease recognised in Equity	390
December 31, 2020	**(961)**
Change	**375**

The nature of the deferred tax liabilities and the relative effects on the Statement of Financial Position, Profit or loss and Equity are illustrated in the table below.

NOTE 16.B - BREAKDOWN OF DEFERRED TAX LIABILITIES	Statement of Financial Position		Profit or loss		Equity	
Euro thousands	2020	2019	2020	2019	2020	2019
Deferred tax liabilities relating to:						
Intangible Assets	(8)	(8)	-	-	-	-
Property, Plant and Equipment	1,004	1.055	(51)	(95)	-	-
Personnel - IAS 19	(72)	(37)	-	-	(35)	(35)
Dividends	-	289	(289)	-	-	-
Other	37	37	-	-	-	-
Total deferred tax liabilities	**961**	**1,336**	**(339)**	**(95)**	**(35)**	**(35)**

In 2020 deferred tax liabilities were taken directly to profit or loss for Euro 339 thousand (decrease) and to equity for Euro 35 thousand (decrease). The deferred tax liabilities recognised directly in Equity relate to “Actuarial Gains/Losses” on the Post-Employment Benefit Provision.

“Deferred Tax Liabilities” on “Property, Plant and Equipment” mainly relate to the application of international accounting standard IFRS 16 (Leases) to the production plant at Rufina Scopeti (Florence, Italy); the temporary differences refer to the difference between the lease payments deducted until the redemption date and the net carrying amount of the assets.

In 2020 there was an increase in the percentage of IRAP taxable income due to application of the regulations relating to Article 162-bis, whereby F.I.LA.was classified as an "Industrial Holding Company", rising from 3.9% to 5.57%. The new rate was therefore applied to the identifiable accounts.

Note 17 - Financial instruments

“Financial Instruments” amounted to Euro 4,183 thousand, including the fair value of trading costs, expressed in terms of the discounted future cash flows at December 31, 2020, applied on inception by the banks, related to the elimination of the zero floor on the hedged instrument. The accounting treatment adopted for the hedging instruments centres on hedge accounting and in particular that concerning “cash flow hedges” and involving the recognition of a financial asset or liability and an equity reserve with reference to pure cash flows which establishes the efficacy of the hedge (reference should be made to “Note 12 - Share Capital and Equity”), while the negotiating charges incurred against the contractual amendment to the hedged instrument (elimination of the floor to zero) were subject to amortised cost and bank financial liabilities, with subsequent reversal to profit or loss of the amount pertaining to each year until conclusion of the contract.

In addition, Euro 17 thousand was recognised in relation to an interest rate hedging transaction on an intercompany loan in Russian roubles. The value refers to the MTM at December 31, 2020.

We break down below by bank the notionals subject to hedging under derivative instruments, the relative fair values, in addition to the relative contractual conditions:

Note 17 - FINANCIAL INSTRUMENTS

						Intesa Sanpaolo S.p.A.	Banco BPM	Mediobanca Banca di Credito Finanziario	Unicredit S.p.A.	
Euro thousands										
IRS	**Date agreed**	**Loan**	**%Hedge**	**Fixed Rate**	**Variable rate**	**Notional**	**Notional**	**Notional**	**Notional**	**Total**
IRS 1	2018/29/06	TLA F.I.L.A. S.p.A.	100.00%	0.30%	-0.316%	8,250,000	27,750,000	19,500,000	19,500,000	75,000,000
IRS 2	2018/29/06	TLB F.I.L.A. S.p.A.	100.00%	0.54%	-0.316%	-	43,200,000	23,400,000	23,400,000	90,000,000
IRS 3	2018/29/06	TLC F.I.L.A. S.p.A.	20.00%	0.40%	-0.316%	-	12,000,000	6,500,000	6,500,00	25,000,000
						8,250,000	**82,950,000**	**49,400,000**	**49,400,000**	**190,000,000**

Financial liabilities are initially recognised at fair value, including directly attributable transaction costs. The initial carrying amount is subsequently adjusted to account for payments of principal and interest calculated under the effective interest rate method represented by the rate that at the moment of initial recognition renders the present value of expected cash flows equal to the initial carrying amount (amortised cost method) and the interest paid.

Nota 18 - Current Tax Liabilities

"Current tax payables" amount to Euro 323 thousand at December 31, 2020 (Euro 725 thousand at December 31, 2019) and includes the tax charge of Article 167 of Presidential Decree 917/1986 concerning "Controlled Foreign Companies".

An analysis was conducted on the foreign subsidiaries in order to establish whether concerning parties qualify as "Controlled Foreign Companies". For these companies, the national tax charge borne by F.I.L.A. S.p.A. was calculated in relation to the income earned by them abroad (Euro 122 thousand).

Note 19 - Trade payables and other liabilities

The breakdown of "Trade payables and other liabilities" of F.I.L.A. S.p.A. is reported below:

Note 19.A - TRADE PAYABLES AND OTHER LIABILITIES

Euro thousands	December 31, 2020	December 31, 2019	Change
Trade payables	12,807	14,200	(1,393)
Tax Liabilities	1,161	1,172	(11)
Other Liabilities	2,743	2,430	313
Accrued expenses and deferred income	2	4	(2)
Third parties	**16,713**	**17,806**	**(1,093)**
Trade payables - Subsidiaries	2,035	1,724	311
Accrued expenses and deferred income	285	239	46
Subsidiaries	**2,320**	**1,963**	**357**
Total	**19,033**	**19,768**	**(736)**

"Trade payables and other liabilities" at December 31, 2020 amount to Euro 19,033 thousand (Euro 19,768 thousand at December 31, 2019).

Trade receivables third parties amount to Euro 12,807 thousand at December 31, 2020 (Euro 14,200 thousand at December 31, 2019) and were down, largely due to the decline in purchases.

The breakdown of trade payables by geographical segment is reported below:

Note 19.B - TRADE PAYABLES THIRD PARTIES BREAKDOWN BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2020	December 31, 2019	Change
Europe	12,646	13,959	(1,313)
North America	35	11	24
Central/South America	-	-	-
Asia	126	230	(104)
Rest of the World	-	-	-
Total	**12,807**	**14,200**	**(1,393)**

The carrying amount of trade payables at the reporting date approximates their "fair value".
The trade payables reported above are due within 12 months.
Trade payables to subsidiaries at December 31, 2020 amount to Euro 2,035 thousand (Euro 1,724 thousand at December 31, 2019). For further details on the breakdown, reference should be made to the "Consolidated Financial Statements of the F.I.L.A. Group - Related Party Transactions"
The change is related to business levels of the year.

"Tax liabilities" with third parties amount to Euro 1,161 thousand at December 31, 2020 (Euro 1,172 thousand at December 31, 2019) and include the VAT liability accrued in December. Other tax liabilities refer to withholding taxes on self-employed work.

"Other" amounts to Euro 2,743 thousand at December 31, 2020 (Euro 2,430 thousand at December 31, 2019) and primarily include:

- social security contributions to be paid of Euro 715 thousand (Euro 814 thousand at December 31, 2019);
- employee payables for remuneration amounts to Euro 1,357 thousand (Euro 1,294 thousand at December 31, 2019).

The carrying amount of "Other" and "Tax liabilities" at the reporting date approximate their fair value.

Note 20 – Revenue from Sales and Services

Revenue from sales and services in 2020 amounted to Euro 70,776 thousand (Euro 74,884 thousand in 2019).

Revenue from Sales and Services was broken down as follows:

Note 20.A - REVENUE FROM SALES AND SERVICES

Euro thousands	December 31, 2020	December 31, 2019	Change
Revenue from Sales and Services	80,091	84,442	(4,351)
Adjustments to Sales	(9,315)	(9,558)	243
Returns on Sales	*(4,470)*	*(4,145)*	*(325)*
Discounts, Allowances and bonuses	*(4,845)*	*(5,413)*	*568*
Total	**70,776**	**74,884**	**(4,108)**

"Revenue from Sales and Services" of Euro 70,776 thousand decreased by Euro 4,108 thousand on the previous year, mainly due to the decline in consumption, owing in particular to the school closure due to the COVID-19 pandemic.

"Adjustments to Sales" (Euro 9,315 thousand) mainly includes:

- Bonuses to customers of Euro 4,885 thousand, down on the previous year (Euro 5,413 thousand);
- Variable promotional contributions of Euro 3,516 thousand, up on the previous year (Euro 3,373 thousand);
- Corrections and returns of sales of Euro 914 thousand, up on the previous year (Euro 771 thousand).

The following table illustrates the breakdown of revenue by geographical location, based on the location of the customers to whom the revenues relate:

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

Euro thousands	December 31, 2020	December 31, 2019	Change
Europe	70,012	74,244	(4.232)
North America	-	142	(142)
Central/South America	679	-	679
Rest of the World	85	498	(413)
Total	**70,776**	**74,884**	**(4,108)**

The following table illustrates the breakdown of revenue by strategic business area:

Euro thousands	December 31, 2020	December 31, 2019	Change
Fine Art, Hobby & Digital	443	599	(156)
Industrial	19	18	1
School & Office	70,314	74,267	(3,953)
Total	**70,776**	**74,884**	**(4,108)**

Note 21 – Other revenue and income

This caption includes other income relates to ordinary operations and does not include the sale of goods and provision of services.

"Income" in 2020 amounted to Euro 9,226 thousand (Euro 6,769 thousand in 2019).

Note 21 – OTHER REVENUE AND INCOME

Euro thousands	December 31, 2020	December 31, 2019	Change
Gains on Sale of Property, Plant and Equipment	1	5	(4)
Unrealised Exchange Gains on Commercial Transactions	23	14	9
Realised Exchange Gains on Commercial Transactions	278	110	168
Other	8,924	6,641	2,283
Total	**9,226**	**6,769**	**2,457**

"Other revenue and income" (Euro 8,924 thousand) mainly includes:

- recharges for services and consultancy provided by F.I.L.A. S.p.A., mainly in favour of Canson SAS (France - Euro 503 thousand), Canson Italy S.r.l. (Italy - Euro 200 thousand), Dixon Ticonderoga Company (U.S.A. - Euro 269 thousand), Canson Art & Craft Yixing Co., Ltd (China - Euro 9 thousand), Daler Rowney Ltd. (United Kingdom - Euro 123 thousand), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico - Euro 59 thousand), Industria Maimeri S.p.A. (Italy - Euro 125 thousand), Fila Dixon Stationery (Kunshan) Co, Ltd. (China - Euro 44 thousand), Lyra KG (Germany - Euro 94 thousand), DOMS Industries Pvt Ltd (India - Euro 23 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 44 thousand), Fila Benelux (Belgium - Euro 29 thousand), Fila Nordic AB (Scandinavia - Euro 3 thousand), PT Lyra Arkelux (Indonesia - Euro 1 thousand), Fila Hellas (Greece - Euro 3 thousand), Fila SA (South Africa - Euro 3 thousand), St. Cuthberts Mill (United Kingdom - Euro 7 thousand), Canson Brasil I.P.E. LTDA (Brazil - Euro 3 thousand), Fila Arches (France – Euro 37 thousand), Canson Australia (Australia – Euro

2 thousand), Fila Chile LTDA (Chile – Euro 2 thousand), Fila Art & Craft Ltd (Israel – Euro 2 thousand) and Dixon Ticonderoga Art ULC (Canada – Euro 7 thousand);

- recharges for costs incurred by F.I.L.A. S.p.A. against Group insurance coverage principally related to the companies Canson SAS (France - Euro 234 thousand), Daler Rowney Ltd. (United Kingdom - Euro 86 thousand), Lyra KG (Germany - Euro 40 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 18 thousand) , Dixon Ticonderoga Company (U.S.A. - Euro 17 thousand) and St. Cuthberts (United Kingdom - Euro 29 thousand), Industria Maimeri S.p.A. (Italy - Euro 15 thousand) and Fila Arches (France - Euro 21 thousand);
- recharges of costs incurred by F.I.L.A. S.p.A. related to the ERP roll out at the F.I.L.A. Group, principally related to Dixon Ticonderoga Company (U.S.A. – Euro 2,762 thousand), Canson Qingdao Ltd (China - Euro 123 thousand), Lyra KG (Germany - Euro 411 thousand), Canson Australia PTY Ltd. (Australia - Euro 53 thousand), Industria Maimeri S.p.A. (Italy - Euro 277 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 148 thousand), Canson SAS (France - Euro 1,148 thousand), Daler Rowney Ltd. (United Kingdom - Euro 147 thousand), and Fila Benelux (France - Euro 63 thousand);
- recharging of M&A and financing costs to Fila Arches SAS (France - Euro 1,298 thousand) relating to the acquisition of the Arches business unit from the Swedish group Ahlstrom-Munksjo.

Note 22 - Costs for Raw Materials, Consumables, supplies and Goods

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

The relative detail is shown below:

Note 22 - COSTS FOR RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS			
Euro thousands	December 31, 2020	December 31, 2019	Change
Raw materials, Consumables, Supplies and Goods	(30,773)	(30,292)	(481)
Transport costs	(1,282)	(1,223)	(59)
Packaging	(180)	(294)	114
Other purchase costs	(2,301)	(2,793)	492
Total	**(34,534)**	**(34,600)**	**66**

"Costs for Raw Materials, Consumables, supplies and Goods" includes purchases for production and the provision of adequate inventory for future sales.

"Other Purchase Costs" include all accessory charges, such as outsourcing and consortium fees.

"Raw Materials, Semi-Finished, Work in Progress and Goods" at 2020 decreased by Euro 1,089 thousand (increase of Euro 3,935 thousand in 2019), due to:

- decrease in "Raw Materials, Consumables, supplies and Goods" for Euro 172 thousand;
- increase in "Contract Work in Progress and Semi-Finished products" of Euro 92 thousand;
- decrease in "Finished Goods" of Euro 1,009 thousand.

Note 23 - Services and Use of Third-Party Assets

“Services and Use of Third-Party Assets” amounted to Euro 20,817 thousand in 2020 (Euro 19,534 thousand in 2019).

Services are broken down below:

Note 23 - SERVICE COSTS AND USE OF THIRD PARTY ASSETS			
Euro thousands	**December 31, 2020**	**December 31, 2019**	**Change**
Sundry services	(537)	(596)	59
Transport	(3,172)	(3,678)	506
Maintenance	(2,463)	(1,990)	(473)
Utilities	(1,058)	(1,136)	78
Consulting fees	(5,057)	(2,698)	(2,359)
Directors' and Statutory Auditors Fees	(2,972)	(2,936)	(36)
Advertising, Promotions, Shows and Fairs	(1,509)	(1,393)	(116)
Cleaning costs	(107)	(53)	(54)
Bank Charges	(468)	(399)	(69)
Agents	(1,658)	(1,832)	174
Sales Representatives	(108)	(697)	589
Sales Commissions	(391)	(691)	300
Insurance	(697)	(605)	(92)
Other Service Costs	(179)	(202)	23
Rent	(241)	(325)	84
Royalties and Patents	(200)	(303)	103
Total	**(20,817)**	**(19,534)**	**(1,283)**

The increase in services and use of third party assets primarily relates to consulting (Euro 2,359 thousand). In 2020 non-recurring costs were recognised on the acquisition of the Arches brand products business from the Swedish Ahlstrom-Munksjo Group. These costs refer to the services rendered by consultants in connection with the acquisition. Part of this amount was recharged to Fila Arches SAS (France), as reported in Note 21 - Other Revenue and Income.

“Maintenance” mainly refers to software maintenance relating to the SAP project of Euro 1,837 thousand.

These maintenance costs are partly charged to Group companies on the basis of specific KPIs and contracts.

"Directors' and Statutory Auditors' fees" include the portion of the Shared-Bases Premium relating to directors recognized in view of the new 2019-2021 Shared-Bases Premium and includes the payment of an extraordinary bonus paid in 2020 in relation to the acquisition of Fila Arches for Euro 500 thousand.

“Agents” decreased due to the reduction in sales and the related decrease in related fees for Euro 174 thousand.

“Advertising, Promotions, Shows and Fairs” increased by Euro 116 thousand on December 31, 2019, relating to activities to commemorate the “1920-2020” F.I.L.A. centennial.

“Sales representatives” decreased by Euro 589 thousand, mainly due to the COVID-19 pandemic.

“Sales Commissions” decreased by Euro 300 thousand due to the failure to carry out the COVID-19 bonus trip linked to customer sales results.

“Royalties and patents" decreased by Euro 103 thousand due to the termination of the contract with Disney. This contract governed the exploitation of the image of the American Group's characters in the context of sales of F.I.L.A. S.p.A. products.

Note 24 – Other Costs

“Other Costs” in 2020 totalled Euro 554 thousand (Euro 438 thousand in 2019).

Note 24 – OTHER COSTS

Euro thousands	December 31, 2020	December 31, 2019	Change
Unrealised Exchange Losses on Commercial Transactions	(52)	(15)	(37)
Realised Exchange Losses on Commercial Transactions	(205)	(111)	(94)
Other	(297)	(312)	15
Total	**(554)**	**(438)**	**(116)**

“Other Operating Charges” include residual costs such as municipal property tax (IMU - Euro 76 thousand).

Note 25 – Personnel Expense

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

These costs are broken down as follows:

Note 25.A - PERSONNEL EXPENSES			
Euro thousands	**December 31, 2020**	**December 31, 2019**	**Change**
Wages and Salaries	(8,102)	(8,320)	218
Social Security Charges	(2,640)	(2,750)	110
Post-employment benefits	(598)	(608)	10
Other	53	(37)	90
Total	**(11,287)**	**(11,715)**	**428**

The change was mainly due to the specific measures taken by management to contain personnel expense, through the use of accrued vacation and the downsizing of the workforce, mainly of temporary workers, where possible.

From March 23, 2020 and for 9 weeks, the Company used a form of the COVID-19 Extraordinary Temporary Furlough that involved 203 workers, 64 of whom at the production site in Pero and 139 of whom at the production site in Rufina. This agreement was renewed from October 26, 2020 with conclusion on December 26, 2020 and involved 188 workers, of whom 64 at the Pero site and 124 at the Rufina site. Other personnel expenses also include the costs related to the "2019-2021 Performance Shares Plan" concerning ordinary F.I.L.A. S.p.A. shares reserved for Group executives and managers. During the year the targets set were revised and the portion for the year was recognised, resulting in a lower cost of Euro 204 thousand.

At December 31, 2020, the workforce of F.I.L.A. S.p.A. was as follows:

Note 25.B - PERSONNEL				
	Managers	White-collars	Blue-collars	Total Amount
Total at December 31, 2019	**11**	**88**	**109**	**208**
Increases	2	2	17	21
Decreases	-	(3)	(25)	(28)
Total at December 31, 2020	**13**	**87**	**101**	**201**
2020 Average headcount	**12**	**88**	**103**	**203**

The 2020 turnover is related to the current production decline due to the current COVID-19 health emergency.

Note 26 – Amortisation and Depreciation

Amortisation and depreciation in 2020 and 2019 are reported below:

Note 26 – AMORTISATION AND DEPRECIATION			
Euro thousands	December 31, 2020	December 31, 2019	Change
Depreciation	(1,515)	(1,504)	(11)
Amortisation	(3,277)	(2,947)	(330)
Depreciation of Right-of-Use Assets	(534)	(474)	(60)
Total	**(5,326)**	**(4,925)**	**(401)**

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

No impairment losses were recognised in the year.

Note 27 – Net Impairment Gains (Losses) on Trade Receivables and Other assets

"Net Impairment Gains (Losses) on Trade Receivables and Other Assets" amounted to net impairment losses of Euro 193 thousand in 2020, compared to net impairment losses of Euro 593 thousand in 2019.

Nota 27 - NET IMPAIRMENT GAINS (LOSSES) ON TRADE RECEIVABLES AND OTHER ASSERTS			
Euro thousands	**December 31, 2020**	**December 31, 2019**	**Change**
Net impairment gains (losses) on Trade Receivables and Other Assets	(193)	(593)	400
Total	**(193)**	**(593)**	**400**

Note 29 – Financial Income no nota 28 anche da originale

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

Note 29 – FINANCIAL INCOME			
Euro thousands	**December 31, 2020**	**December 31, 2019**	**Change**
Investment Income	5,732	11,703	(5.971)
Dividends	*5,732*	*11,703*	*(5.971)*
Interest and Income from Group Companies	2,085	1,614	471
Bank Interest Income	1	31	(30)
Other Financial Incomes	621	337	284
Unrealised Exchange Gains on Financial Transactions	0	0	0
Realised Exchange Gains on Financial Transactions	38	233	(195)
Total	**8,477**	**13,918**	**(5,441)**

"Investment income" includes the dividends approved by the subsidiary Dixon Ticonderoga Co. (U.S.A. - Euro 1,432 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 3,871 thousand), Fila Polska Sp Z.o.o. (Poland - Euro 153 thousand), and St. Cuthberts Holding (United Kingdom - Euro 276 thousand).

"Interest and income from Group companies" include the interest of a financial nature recharged principally to the subsidiaries of the Canson Group (Euro 804 thousand), to the subsidiary Daler Rowney Ltd. (United Kingdom – Euro 216 thousand), to the subsidiary Dixon Ticonderoga (USA –

Euro 220 thousand), to the subsidiary Canson Brasil I.P.E. Ltda (Brazil – Euro 28 thousand), the subsidiary Dixon S.A. de C.V. (Mexico - Euro 54 thousand), the subsidiary Fila Arches (France - Euro

656 thousand) and to the subsidiary FILA Stationery O.O.O. (Russia – Euro 72 thousand), calculated on the loans granted by F.I.L.A. S.p.A.
For further information, reference should be made to “Note 3 - Financial Assets”.

“Other financial income” includes the recharge of fees for the non-use of the RCF line of the new loan issued in June 2018 of the subsidiary Dixon Ticonderoga (U.S.A.) for Euro 359 thousand and to the costs to subsidiaries for sureties granted in favour of FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey – Euro 5 thousand), Canson Brasil I.P.E. LTDA (Brazil – Euro 6 thousand), DOMS Industries Pvt Ltd (India – Euro 29 thousand) by F.I.L.A. S.p.A., in guarantee of credit lines agreed with Banca Nazionale del Lavoro S.p.A. and in favour of FILA Stationary O.O.O. (Russia - Euro 12 thousand) in guarantee of the credit lines agreed with Banca Intesa Sanpaolo. Loans in foreign currency subject to currency hedges were recharged to Grupo F.I.L.A. - Dixon, S.A. de C.V. (Mexico - 85 thousand) and company FILA Stationary O.O.O. (Russia - Euro 27 thousand).
For further information, reference should be made to “Note 3 - Financial Assets”.

Note 29.A - Foreign Currency Transactions

Exchange differences on financial and commercial transactions in foreign currencies in 2020 are reported below:

Note 29.A - FOREIGN CURRENCY TRANSACTIONS			
Euro thousands	**December 31, 2020**	**December 31, 2019**	**Change**
Unrealised Exchange Gains on Commercial Transactions	23	14	9
Realised Exchange Gains on Commercial Transactions	278	109	169
Unrealised Exchange Losses on Commercial Transactions	(52)	(15)	(37)
Realised Exchange Losses on Commercial Transactions	(205)	(111)	(94)
Net exchange losses on commercial transactions	**44**	**(3)**	**47**
Realised Exchange Gains on Financial Transactions	38	233	(195)
Unrealised Exchange Losses on Financial Transactions	(53)	-	(53)
Realised Exchange Losses on Financial Transactions	(71)	(100)	29
Net exchange gains on financial transactions	**(86)**	**133**	**(219)**
Net exchange gains	**(42)**	**130**	**(172)**

Exchange differences in 2020 arose from transactions in US dollars against the euro, in addition to the change in the year of assets and liabilities in foreign currencies, following commercial and financial transactions.

Note 30 – Financial Expense

“Financial Expense”, together with the comment on the main changes on the previous year, was as follows:

Note 30 - FINANCIAL EXPENSE			
Euro thousands	**December 31, 2020**	**December 31, 2019**	**Change**
Interest on current account Overdrafts	(7)	(50)	43
Interest on Bank Loans and borrowings	(5,391)	(5,360)	(31)
Other Financial Expense	(1,210)	(1,211)	1
Unrealised Exchange Rate Losses on Financial Transactions	(53)	-	(53)
Realised Exchange Rate Losses on Financial Transactions	(71)	(100)	29
Interest on right-of-use assets	(86)	(102)	16
Total	**(6,819)**	**(6,823)**	**5**

“Interest on Bank Loans and borrowings” includes interest accrued on loans agreed by F.I.L.A. S.p.A. (Euro 3,810 thousand) against the acquisitions concluded. In addition, this caption includes the interest differentials paid following the agreement of interest rate hedges on the notional of the overall loan (Euro 1,581 thousand). For further details, reference should be made to “Note 13 - Financial Liabilities”.

Other financial expense amounted to Euro 1,210 thousand in 2020 (Euro 12,101 thousand in 2019). The charges accruing in 2020 relating to the amortised cost of the new loan agreed by F.I.L.A. S.p.A. amount to Euro 424 thousand and the recharges of commissions on the unused RCF line to Euro 187 thousand.

“Unrealised exchange losses on financial transactions" are due for approximately Euro 53 thousand to the negative revaluation of the dividends of the subsidiary Dixon Ticonderoga U.S.A.

Nota 31 – Net Impairment Gains (Losses) on Financial Assets

"Net Impairment Gains (Losses) on Financial Assets" amount to Euro 9 thousand in 2020 (Euro 111 thousand in 2019).

Nota 31 - NET IMPAIRMENT GAINS (LOSSES) ON FINANCIAL ASSETS			
Euro thousands	**December 31, 2020**	**December 31, 2019**	**Change**
Net impairment gains (losses) on Financial Assets	(9)	111	(120)
Total	**(9)**	**111**	**(120)**

Note 32 – Impairment losses on equity-accounted investees

"Impairment losses on equity-accounted investees" include the write-down of the investment held by F.I.L.A. S.p.A. in the subsidiary Industria Maimeri (Italy) for Euro 342 thousand.

Note 33 – Income Taxes

Collectively they amount to net deferred tax liabilities of Euro 617 thousand in 2020 (Euro 1,813 thousand in 2019) and consist of current taxes of Euro 76 thousand (Euro 592 thousand in 2019) and net deferred tax liabilities of Euro 693 thousand (net deferred tax assets of Euro 1,221 thousand in 2019).

Note 33.A – Current Taxes

The breakdown is shown below:

Note 33.A - CURRENT INCOME TAXES			
Euro thousands	**December 31, 2020**	**December 31, 2019**	**Change**
Current taxes	(76)	(592)	516
Total	**(76)**	**(592)**	**516**

Current taxes in 2020 refer to IRAP calculated on assessable income in accordance with current legislation (Euro 201 thousand).

In addition, the impact of 2018 IRAP was recognised due to the application of the regulations relating to Article 162 bis, whereby F.I.L.A. was classified as an "Industrial Holding Company" for a credit of approximately Euro 420 thousand.

Foreign taxes owed by F.I.L.A. relating to the investment in Lyra Kg (Germany) amounted to Euro 114 thousand.

IRES was fully offset by the tax asset under the economic growth aid (ACE) program.

In addition, “Current Taxes” include tax assets for consolidated income produced overseas (principally dividends and interest) for Euro 72 thousand under Article 165 of the Income Tax Act following the absence of an IRES tax charge. Euro 8 thousand was in addition recognised for the CFC calculation.

Note 33.B - Deferred tax income and expense

The relative detail is shown below:

Note 33.B DEFERRED TAX INCOME AND EXPENSE			
Euro thousands	December 31, 2020	December 31, 2019	Change
Change in deferred tax assets	343	95	248
Change in deferred tax liabilities	329	(1,334)	1,663
Change in deferred Tax assets on Right-of-Use Assets	21	18	3
Total	**693**	**(1,221)**	**1,914**

The overall tax effects in the year, compared to the previous year, are reported below.

Note 33.C TOTAL TAXES FOR THE YEAR			
	December 31, 2020		Total Income Taxes
Euro thousands	I.R.E.S.	I.R.A.P.	
Assessable Tax Base	7,533	16,097	-
Tax adjustments	(5,197)	(12,490)	-
Taxable profit	**2,336**	**3,607**	**-**
Total current income taxes	**-**	**(201)**	**(201)**
Lyra KG (Germany) German tax representation	(114)		(114)
Controlled Foreign Company	(8)		(8)
Other changes - Foreign Withholding Taxes	(72)		
Other tax changes from previous years	(176)	423	247
Total current income taxes	**(370)**	**222**	**(76)**
Deferred Tax Income of the Year on Temporar	353	0	353
Deferred Tax Expense of the Year on Tempora	340	0	340
Total deferred taxes	**693**	**0**	**693**
Total taxes	**323**	**222**	**617**

The breakdown of current and deferred taxes recognised in profit or loss was as follows:

Note 33.D - DEFERRED AND CURRENT TAXES

Euro thousands	December 31, 2020	December 31, 2019
Current taxes	(76)	(592)
Current taxes	**(76)**	**(592)**
Deferred Taxes	693	(1,221)
Deferred taxes	**693**	**(1,221)**
Total	**617**	**(1,813)**

In relation to deferred tax liabilities recognised through equity, reference should be made to “Note 16 - “Deferred Tax Liabilities”.

Subsequent events

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

Transactions relating to Atypical and/or Unusual Operations

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

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

Final Considerations

These notes, as is the case for the financial statements, as a whole, of which they are an integral part, provide a true and fair view of the financial position of F.I.L.A. S.p.A. at December 31, 2020 and the result of operations for the year ended.

These separate financial statements as at and for the year ended December 31, 2020 comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes, and reflect the underlying accounting records.

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

Fabbrica Italiana Lapis ed Affini

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

March 22, 2021

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

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

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

of the administrative and accounting procedures for the preparation of the financial statements as at and for the yeat ended December 31, 2020.

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

It is also declared that:

1. The 2020 Separate Financial Statements of F.I.L.A. S.p.A.:
   - have been drawn up in conformity with the applicable IFRS endorsed by the European Union in conformity with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of 19 July 2002;
   - correspond to the underlying accounting documents and records;
   - provide a true and fair view of the financial position and results operations of the Issuer.
2. The Directors' Report includes a reliable analysis on the performance and operating result, as well as on the situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

The Chief Executive Officer

Massimo Candela
(signed in original)

Manager in Charge of
Financial Reporting
Stefano De Rosa
(signed in original)

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

BOARD OF STATUTORY AUDITORS' REPORT
TO THE SHAREHOLDERS' MEETING
OF F.I.L.A. – FABBRICA ITALIANA LAPIS ED AFFINI S.p.A.
IN ACCORDANCE WITH ARTICLE 53 OF LEGS. DEGREE 58/1998

Dear Shareholders,

The Board of Statutory Auditors of F.I.L.A - Fabbrica Italiana Lapis ed Affini S.p.A (hereafter also "FILA S.p.A." or "the Company"), in accordance with Article 153 of Legislative Decree 58/1998 (hereafter the "CFA") is required to report to the Shareholders' Meeting, called for the approval of the financial statements at December 31, 2020, on the result for the year, on the supervisory activities carried out in execution of its duties, on any omissions and citable events, while in addition required to draw up observations and proposals regarding the financial statements, their approval and the matters within its scope.

The Board of Statutory Auditors has fulfilled its oversight duties, as per Article 149 of the CFA and, as the Internal Control and Audit Committee, has executed the duties established by Article 19 of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, taking account also of the conduct rules for the Boards of Statutory Auditors of listed companies issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili). Moreover, it carried out its supervisory activities in compliance with the provisions and notices issued by Consob concerning corporate controls and the activities of the Board of Statutory Auditors, as well as the guidelines contained in the Code of Conduct[1] of listed companies

[1] In this Report, means the Corporate Governance Code for Listed Companies approved in December 2015, as updated in July 2018, by the Corporate Governance Committee.

(hereinafter the "Code of Conduct").

This Report was prepared in compliance with the indications provided by Consob with Communication DEM/1025564 of April 6, 2001 and subsequent amendments and rule Q.7.1. of the Conduct Rules of Boards of Statutory Auditors of listed companies issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

The audit appointment, as per Legislative Decree 58/1998 and Legislative Decree 39/2010, was undertaken by KPMG S.p.A. (hereafter also “KPMG” or “the Independent Audit Firm”), as awarded by the Shareholders’ Meeting of February 20, 2015 for a period of nine years (for the financial years 2015 to 2023 inclusive).

1. *Board of Directors - appointment, duration of office and functioning*

The Board of Directors in office at the date of this Report was appointed by the Shareholders’ Meeting of FILA S.p.A. of April 27, 2018 (with the exception of Mr. Alessandro Potestà and Mr. Giovanni Gorno Tempini, co-opted respectively on November 13, 2018 and August 6, 2019, in accordance with Article 2386 of the Civil Code and thereafter respectively appointed by the Shareholders’ Meeting of April 18, 2019 and by the Shareholders’ Meeting of April 22, 2020) for three financial years and specifically until the Shareholders’ Meeting called to approve the financial statements at December 31, 2020.

The Board of Directors on March 16, 2021 verified and confirmed fulfilment of the standing requirements set out by the applicable regulation by all the directors and of the independence requirements by directors Francesca Prandstraller, Paola Bonini, Gerolamo Caccia Dominioni, Alessandro Potestà and Filippo Zabban, with regards to Article 148, paragraph 3, of the CFA, as restated in Article 47-*ter*, paragraph 4, of the CFA and Article 3 of the Self-Governance Code. On this occasion, the Board of Statutory Auditors verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members, in accordance with application criterion 3.C.5 of the Self-Governance Code.

The Board of Statutory Auditors noted the substantially positive outcomes of the assessments undertaken by the Board of Directors at the same meeting of March 16, 2021 concerning the size, composition and functioning of the Board of Directors and of the sub-committees, communicating a number of indications and improvement proposals emerging from this assessment. These include, in particular, the indication to: i) strengthen the induction activity by scheduling specific meetings on sustainability and, as soon as possible, visits to the main subsidiaries; ii) increase the number of board meetings by discussing aspects concerning the organization and the tasks entrusted to the various functions at central level and at the subsidiaries; iii) improve the information flow to all the directors and further anticipate the sending of documentation supporting the items on the agenda; iv) create an appointments committee and a sustainability committee or, at least, formally assign their specific competences to the existing committees.

2. *Board of Statutory Auditors - Appointment, duration of office and functioning.*

The Board of Statutory Auditors in office at the date of this report was appointed by the Shareholders' Meeting of FILA S.p.A. of April 27, 2018 for three financial years and therefore until the Shareholders' Meeting called to approve the financial statements at December 31, 2020.

The Board, on February 24, 2021, completed its annual self-assessment process, declaring the absence of any causes of ineligibility, lapse and incompatibility among its members, as per Article 148 of the CFA and rule Q.1.1. of the conduct rules of Boards of Statutory Auditors of listed companies issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), in addition to their satisfaction of the independence requirements as per application criterion 8.C.1. of the Self-Governance Code.

As part of this process, the Board of Statutory Auditors in addition considered itself, overall, adequate to execute the appointment assigned to it regarding its composition, in addition to the preparation, professionalism, experience, gender and age profiles of its members.

Finally, the members of the Board of Statutory Auditors have declared compliance with the limit on the number of offices envisaged by Article 144-*terdecies* of the Issuers’ Regulation and of the availability of the time and resources necessary to undertake the appointment.

The results of the self-assessment were communicated to the Board of Directors for its consideration and so as to announce to the market, in the Corporate Governance Report, the fulfilment of the independence requirements of the members of the control board.

In executing its duties, the Board of Statutory Auditors met 12 times in 2020, with the justified absence of one of its members on one occasion, utilising audio and video communication after the restrictions imposed to deal with the health emergency. The Board of Statutory Auditors in addition met informally, on various other occasions, and considered particular matters, examined relevant documents, set out work schedules, and prepared minutes and communications. In addition, the Board of Statutory has attended, with its Chairperson and with at least one other member, all the meetings of the Control and Risks and Related Parties Committee and of the Remuneration Committee (meeting respectively on 10 and 8 occasions in 2020), as outlined in greater detail in the table presented in the specific section of the Corporate Governance and Ownership Structure Report 2020, and at the meeting of the Independent Directors (held on March 23, 2020), during which the initiatives undertaken to handle the COVID-19 health emergency were discussed, its possible effects and the proposal to allocate the 2019 result.

3. *Compliance of the company with the Self-Governance Code*

The company adopted the Self-Governance Code of listed companies with motion of the Board of Directors of March 15, 2016.

The Board of Statutory Auditors has monitored the correct application by the Company of the corporate governance rules outlined in the Self-Governance Code and, to the extent of its scope, acted in compliance with the code.

The Board of Directors on February 11, 2021 approved the adoption of the new Corporate Governance Code approved in January 2020 by the Corporate

Governance Committee and entering into force, for the company, from January 1, 2021. The process to adjust and implement the recommendations contained therein has begun for those matters considered necessary and shall be completed in 2021, taking account of the fact that the Shareholders' Meeting called to approve the financial statements at December 31, 2020 shall be called to appoint the new corporate boards.

4. Oversight and control activities

As part of its duties and with reference to the activities that fall within the scope of its responsibility, the Board of Statutory Auditors declares to have:

- attended the Shareholders' Meeting of April 22, 2020, which among other matters, approved the financial statements at December 31, 2019;
- attended 7 meetings of the Board of Directors, obtaining appropriate information from the executive directors on the general operating performance and its expected development, in addition to the initiatives undertaken to handle the health emergency and its possible implications;
- acquired the elements of information needed to verify compliance with the law, By-Laws and principles of good administration and supervised the adequacy of the organisational structure of the company, through the acquisition and review of relevant documents, meetings with the heads of the various company departments and periodical exchanges of information with the Independent Audit Firm;
- attended, as previously stated, with its Chairperson and also with at least one other member, all the meetings of the Control and Risks and Related Parties Committee and of the Remuneration Committee;
- met the members of the Supervisory Board, also at the meetings of the Control and Risks and Related Parties Committee;
- monitored the functioning and effectiveness of internal control systems and the suitability of the administrative and accounting system, particularly in terms of the latter's reliability in representing accounting data;
- obtained from the directors at least on a quarterly basis in accordance

with Article 150, paragraph 1, of the CFA, adequate information on the activities and significant economic, financial and equity transactions carried out by the Company and its subsidiaries;

- exchanged in a timely manner with the managers of the Independent Audit Firm the relevant data and information for the undertaking of the respective duties as per Article 150, paragraph 3, of the CFA, examining to the extent necessary both the methodological approach and the planning of its activities and the result of the work carried out and acquiring the auditor's report prepared in accordance with Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EC) No. 537/2014;
- exchanged information on administration and control systems and on the general operating performance with the Board of Statutory Auditors of the Italian subsidiaries in accordance with Article 151, paragraph 1 and 2 of the CFA and requested from the Executive Director, the Internal Audit function and the independent audit firm information concerning the most significant matters regarding the main overseas investees of the FILA Group (hereafter also the "Group");
- reviewed (as outlined in greater detail below) the content of the Additional report to the Board of Statutory Auditors on the functioning of the Internal Control and Audit Committee prepared by the Independent Audit Firm as per Article 11 of Regulation (EC) 537/2014, whose review did not indicate any aspects requiring reporting herein;
- monitored the functionality of the control system on Group companies and the suitability of the instructions imparted to them, also pursuant to Article 114, paragraph 2 of the CFA;
- noted the preparation of the Remuneration Report pursuant to Article 123-*ter* of the CFA, as amended by Legislative Decree No. 49 of May 10, 2019, and Article 84-*quater* and Annex 7-*bis* of the Issuers' Regulation, as amended by Consob motion No. 2163 of December 10, 2020 without any particular observations to report;
- ascertained the compliance of statutory provisions with legal and regulatory provisions;

- supervised the compliance of the internal procedure concerning Related Parties Transactions according to the principles indicated in the Regulation approved by Consob with Resolution No. 17221 of March 12, 2010 and subsequent amendments, and its observance, pursuant to Article 4, paragraph 6 of this Regulation, attending, as stated, the periodic meetings of the Control and Risks and Related Parties Committee called to review these transactions;
- supervised the corporate information process, verifying the directors' compliance with procedural rules concerning the drafting, approval and publication of the statutory and consolidated financial statements;
- ascertained the methodological suitability and the reasonableness of the criteria and parameters utilised for the impairment test implemented by the competent company functions and approved by the Board of Directors in order to verify the possible existence of impairment losses on the assets recorded to the consolidated financial statements and the separate financial statements;
- verified that the Directors' Report for the financial year 2020 complies with applicable legislation and was consistent with the decisions taken by the Board of Directors and with the facts represented in the statutory and consolidated financial statements;
- noted the content of the Consolidated Half-Year Report, without the need to report any observations, and also ascertained that the latter was published in accordance with the procedures laid down;
- noted that the company continued to publish on a voluntary basis the Quarterly Reports according to the deadlines established by the pre-existing rules;
- in the role of Internal Control and Audit Committee, pursuant to Art. 19, paragraph 1 of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, performed the specific information, monitoring, control and audit functions envisaged therein and accomplished the duties and tasks indicated by the aforesaid legislation;
- supervised compliance with the provisions set forth in Legislative Decree No. 254/2016 by examining, inter alia, the Consolidated Non-Financial Statement, while also ascertaining compliance with the provisions governing

its preparation pursuant to the above-mentioned decree;

- attended, as part of the Board's activities, information sessions for Directors and Statutory Auditors, broadening therefore their knowledge on the sectors in which the company and the Group operates, of the main operating aspects and regarding the regulatory framework (with particular regard to the new Corporate Governance Code) and acquiring updates on the state of advancement of the main initiatives;
- held, on its own initiative, meetings with the Chief Executive Officer, for a close examination (organisational structure, key roles, and operating aspects concerning activities, products, commercial organisation and relations with other Group companies) of the main overseas subsidiaries;
- oversaw the activities concerning Regulation (EC) 2016/679 concerning personal data protection (GDPR).

Following the supervisory activities carried out within the scope of and in accordance with the methods described above, no facts emerged from which to deduce non-compliance with the law and the By-Laws, nor to justify reports to the Supervisory Authorities or a mention in this report.

In addition, the Board of Statutory Auditors, on the basis of the information and findings, reasonably consider that these operations comply with law and the By-Laws and were not manifestly imprudent, hazardous or against the motions undertaken by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

In this regard, it is highlighted that the Board of Statutory Auditors, in accordance with its role, dedicated particular attention to a number of aspects concerning the acquisition (completed on March 2, 2020) of the business unit of Ahlstrom-Munksjö Arches S.A.S., which is engaged in the production and distribution of ARCHES® products, acquiring from the management of FILA S.p.A. and its consultants extensive information and adequate documentation on the strategic reasoning, price and funding of the transaction, and its sustainability from an economic-financial and management viewpoint.

With regards to the other transactions undertaken in the recent past (Arches business unit on March 2, 2020, Pacon Group on June 7, 2018, Daler-Rowney-Lukas on February 3, 2016, Canson Group - France on October 5, 2016 and St. Cuthberts Holding Limited on September 14, 2016), the Board of Statutory Auditors, within its supervisory activities regarding the adequacy of the organisational, administrative and accounting structure of the company, consistently monitored the integration of the groups and the companies acquired, from an organisational and operating viewpoint and with regards to the collation of financial information and, on the basis of the findings and activities carried out, does not highlight any particular matters in this regard.

The Board of Statutory Auditors has constantly monitored with particular attention the functioning of the governance processes and bodies and, in this regard, highlights how the Company, also in FY 2020, has made significant progress in the direction of a strengthening of the governance and control structures in line with best practices among listed companies, in particular with the adoption of a new Group Organisational Model, approved by the Board of Directors on 15 May 2020, which is still being fully implemented.

5. *Oversight on atypical or unusual transactions and related party transactions*

In 2020, the Board of Statutory Auditors did not note, or receive reports of, any atypical or unusual transactions with Group companies, third parties or with other related parties.

The Board of Statutory Auditors had not received in 2020 and until the date of the present report any communication from the control boards of the subsidiaries, associates or investees, or from the independent audit firm containing issues which require disclosure in this report.

The Board of Statutory Auditors, in addition, noted that the statement of financial position and income statement balances of inter-company transactions and those with related parties undertaken by the company and its subsidiaries in 2020, are respectively indicated in the “Statement of financial position with indication of transactions with related parties in accordance with Consob Motion No. 15519 of July 27, 2006”, and in the “Statement of comprehensive income with indication of transactions with related parties in accordance with Consob Motion No. 15519 of July 27, 2006”, and in greater detail in the “Related party transactions” paragraph of the

Consolidated Financial Statements of the FILA Group at December 31, 2020, to which reference should be made. In particular, in this paragraph the transactions executed by the FILA Group with related parties in the course of ordinary operations and based on market conditions are outlined.

The Board of Statutory Auditors assesses the overall adequacy of the information, provided in the manner indicated above, concerning the above transactions and, also on the basis of the analyses and periodic checks carried out by the Control and Risks and Related Parties Committee, considers that they are adequate and in line with the company's interests. The Related Party Transactions, identified on the basis of international accounting standards and Consob's provisions, were governed by an internal policy (the "Policy"), adopted by the Board of Directors of Space S.p.A. (now F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A.) on October 15, 2013 and amended, latterly, with Board motion of May 15, 2018. The Board de1 Statutory Auditors examined the Procedure, ascertaining compliance with Consob Regulation No. 17221 of March 12, 2010, as amended by Resolution No. 17389 of June 23, 2010 and interpreted with Resolution No. 78683 of September 24, 2010.

The Board also monitored the regulatory changes introduced by Directive (EU) 2017/828 and transposed by Legislative Decree 49 /2019 and began discussions with the Company and its advisors on the amendments to the Related Party Transactions Regulation introduced by Consob Resolution No. 21624 of December 10, 2020, which will come into force on July 1, 2021.

6. *Relations with the Independent Audit Firm, in accordance with Legislative Decree 39/2010 and observations on its independence*

The Board of Statutory Auditors oversaw the efficacy of the legal audit, discussing and examining through specific meetings with the Independent Audit Firm aspects concerning:

- the planning of activities, the methodological approach and the supervision and co-ordination of works carried out by the auditors of the overseas subsidiaries;
- the particularly significant areas in terms of audit risks;
- the efficacy and reliability of the internal control system;
- the periodic checks on the proper keeping of accounting records;

- the results emerging from the work carried out.

The Independent Audit Firm communicated the fees accruing in 2020 for audit services and non-audit services (NAS) provided to FILA S.p.A. and to its subsidiaries by KPMG S.p.A. and its network. These fees are summarised in the "Information provided as per Article 149-duodecies of Consob Issuers' Regulation" of the Consolidated Financial Statements of the F.I.L.A. Group at December 31, 2020, in compliance with Article 149-duodecies of the Issuers' Regulation.

In particular, the fees for non-audit services, according to that confirmed by the Independent Audit Firm, for 2020 totalled Euro 181 thousand, at consolidated level, of which Euro 69 thousand concerning the services provided by KPMG S.p.A. and Euro 92 thousand the services provided by parties belonging to the KPMG network in favour of the overseas Group subsidiaries. In this regard, in all of those cases in which, in accordance with Article 8, paragraph 4 of Regulation (EC) 537/2014, the prior review of the Internal Control and Audit Committee was requested, the Board of Statutory Auditors, in that role, reviewed in accordance with Articles 4, 5 and 6 of the above Regulation and considering the relative research and interpretation documents the requests to receive and adopt its decisions after assessing: i) the subject, method of execution of the appointment and fees; ii) the documents and relevant professional technical principles and iii) the declarations of the independent audit firm concerning the absence of risks regarding its independence.

In carrying out its investigatory activities, the Board of Statutory Auditors took into consideration the overall rationale of the rules stated, and assumed a more prudent approach in order to guarantee the complete independence of the auditor.

With reference to the so-called 70% fee-cap rule provided for by Article 4 of Regulation (EC) 537/14, applicable starting from the financial year ended 31.12.2020, the Board of Statutory Auditors found that the fee for NAS services paid to KPMG S.p.A. in 2020 compared to the average fee for the legal audit in the three-year period 2017-2019 is well below the established percentage limit. Incidentally, it should be noted that the company, on the request of the Board of Statutory Auditors, prepared and approved with Board of Directors' motion of May 15, 2019, both the new procedure for the

"Conferment to the independent audit firm of non-audit services" and with regards to the "Selection of the Audit Firm" to which the audit appointment is assigned. With regards also to the independence of the audit firm, the Board of Statutory Auditors, as previously indicated, in its role also as Internal Control and Audit Committee:

a) fulfilled the duties required of Article 19, paragraph 1, letter e) of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, verifying and monitoring i) the independence of the Audit Firm, in accordance with Article 10, 10-*bis*, 10-*ter* and 10-*quater* and 17 of Legislative Decree 39/2010 and Article 6 of Regulation (EC) No. 537/2014; ii) the adequacy of the provision of non-audit services in accordance with Article 5 of the above Regulation;

b) examined the Additional Report for the Internal Control and Audit Committee established by Article 11 of Regulation (EC) 537/2014 and noted that contained in the Transparency Report published by the Independent Audit Firm on its website in compliance with the criteria outlined in the Regulation;

c) received as an annex to the above Additional Report, the "Annual confirmation of independence in accordance with Article 6, paragraph 2, letter a) of Regulation 537/2014 and in accordance with paragraph 17 of international audit principle (ISA Italy) 260" where the independent Audit Firm, among others, declares that, in the period between January 1, 2020 and the issue of the Confirmation, no situations which would compromise its independence with regards to FILA S.p.A. arose in accordance with Articles 10 and 17 of Legislative Decree 39/2010 and Articles 4 and 5 of Regulation (EC) 537/2014;

d) discussed with the Independent Audit Firm, the risks regarding its independence and the measures taken to mitigate them, pursuant to Art. 6, para. 2(b) of EU Reg. No. 537/2014.

On the basis of the information acquired and the activities carried out, no aspects or situations emerged indicating risks to the independence of the Independent Audit Firm, and in this regard the Board of Statutory Auditors does not report any observations for the Shareholders' Meeting.

7. *Supervisory activities on the financial disclosure process and internal control system*

The Board of Statutory Auditors supervised the adequacy of the administrative and accounting system, in addition to its reliability to correctly represent the operating events, obtaining information from the administrative department managers and exchanging information with the Control and Risks and Related Parties Committee, the Internal Audit department and the Independent Audit Firm.

The Board of Statutory Auditors in addition supervised, also through periodic meetings with the Executive Officer responsible for financial reporting, the organisation and company procedures and the instruments adopted for the collation of the information and the data necessary for the drawing up of the statutory financial statements, the consolidated financial statements and the periodic financial reports, in addition to other financial communications, in order to: i) assess the adequacy and the effective adoption and ii) verify the adequacy and the suitability of the powers and the means assigned by the Board of Directors to the Executive Officer for the undertaking of his/her role.

In this regard, the Board of Statutory Auditors notes that in relation to the statements issued by the Executive Bodies (specifically the Chief Executive Officer) and the Executive officer for financial reporting in accordance with Article 154-*bis*, paragraph 5 of the CFA, on the statutory financial statements and on the consolidated financial statements of the Group at December 31, 2020, in addition to the Half-Year Financial Report at June 30, 2020 and on the quarterly reports, no citable matters or annotations emerged.

The Board of Statutory Auditors considers the administration and accounting system overall to be substantially adequate and reliable in view of the size and complexity of the company and of the Group.

Considering that responsibility for the audit of the accounts is assigned to the Independent Audit Firm, the Board of Statutory Auditors supervised the general lay-out of the statutory financial statements and the consolidated financial statements and their compliance with the rules governing their formation and structure. The Board of Statutory Auditors also verified their consistency with the events and information noted during the execution of their duties. In this regard, the Board of Statutory Auditors does not highlight any particular observations.

The Board of Statutory Auditors supervised, within the extent of its remit, the adequacy of the internal control and risk management system: a) obtaining information from the managers of the various company departments, so as to verify the existence, adequacy and proper implementation of the procedures; b) attended the meetings of the Control and Risks and Related Parties Committee; c) met periodically with the internal audit manager and acquired information regarding the results of work carried out, actions recommended and subsequent initiatives undertaken to solve specific problems and/or for the improvement of the procedures; ii) exchanged information with the Independent Audit Firm.

In this regard, the Board of Statutory Auditors noted the information provided periodically by the Executive Director as the Director in charge of setting up and maintaining an effective internal control system and the periodic reports prepared by the Control and Risks and Related Parties Committee in accordance with Application Criterion 7.C.2, letter f) of the Self-Governance Code on the activities undertaken, whereby, among others, a favourable opinion was expressed with regards to the adequacy of the internal control and risk management system.

The Board of Statutory Auditors, on the basis of that reported above and considering the control activities put in place and the improvement actions taken and being implemented, considers that the internal control system should be considered in overall terms adequate to the size, complexity and operations undertaken by the Company and by the Group.

In this regard and considering the major acquisitions of overseas companies in the recent past, and the consequent expansion of the FILA Group internationally, the Board of Statutory Auditors in various circumstances expressed its opinion on the completion within a short timeframe of the integration process and to further strengthen the control functions and the governance system of the main subsidiaries.

In this regard, the Board of Statutory Auditors reports that during the year i) the activities to fine-tune and improve the Group's single ERP system continued at the subsidiaries that have already adopted it, ii) its implementation was completed at Fila Arches, which will use it as of January 1, 2021, and iii) the new Organizational Model was adopted, which, as mentioned above, provides for, among other matters, the strengthening of the role and responsibilities of the central functions, the better functioning of the strategic committees with the tasks of controlling, supervising and monitoring the activities and operating performance of the subsidiaries and an operating control manager (Group Controlling VP), appointed on December 1, 2020.

8. Oversight of the non-financial disclosure process

As previously indicated, the Board of Statutory Auditors oversaw compliance with Legislative Decree 254/2016 and the enactment regulation adopted by Consob with Motion No. 20267 of 18/01/2018, with regards to the Non-financial statement (hereafter "NFS") and regarding the existence of an adequate administrative, reporting and control system of the company to permit the correct and complete presentation of non-financial disclosure.

In this regard, the Board of Statutory Auditors met with the Executive Director, in addition to the various company structures and outsourcers which were part of the work group under its responsibility involved in the preparation of the NFS, acquiring information regarding the materiality analysis carried out by the company to establish the relevant non-financial reporting scopes for the FILA Group, the involvement of the subsidiaries and the operating procedures and instruments adopted for the collation of data/information and their subsequent analysis, control and consolidation.

The Board of Statutory Auditors in addition discussed with the independent audit firm the content of the Non-Financial Statement, taking account of the call to attention of Consob No. 1/21 of February 16, 2021, in addition to the procedures undertaken and the operating means for the planning and execution of works.

On the basis of the information and the evidence acquired and according to the terms reported above, the Board of Statutory Auditors considers the procedures, processes, and structures for the production, reporting, measuring and presentation of this information to be adequate and does not highlight any particular matters for the Shareholders' Meeting.

9. *Additional information requested by Consob Communication No. DEM/1025564 of April 6, 2001 and subsequent supplements*

In accordance with that required by Consob, the Board of Statutory Auditors also reports the following:

a) the Board of Statutory Auditors did not receive any petitions as per Article 2408 of the Civil Code, nor notices from third parties;
b) the Board of Statutory Auditors, during 2020, did not receive any disclosure requests from Consob, neither as per Article 115 of the CFA, nor as per Article 114 of the CFA;

   c) during the year 2020, the Board of Statutory Auditors issued the opinion provided for by Article 2389, paragraph 3, of the Civil Code, in relation to: i) the allocation to the Executive Directors of an extraordinary bonus linked to the completion of the acquisition of the Arches business unit (Board of Directors' motion of March 16, 2020), ii) the proposal for a temporary exception pursuant to Article 123-*ter*, paragraph 3-*bis*, of the Consolidated Finance Act of the Remuneration Policy 2020 (Board of Directors' motion of August 5, 2020) and iii) the application of the Remuneration Policy 2020 and Remuneration Policy 2021 (Board of Directors' motion of March 22, 2021);
d) expressed its opinion in view of the motions considered by the Board of Directors, as required by the Self-Governance Code (Article 7, criterion 7.C.1. and 7.C.2.), in relation to i) the 2021 work plan prepared by the Internal Audit function; ii) the correct use of the accounting standards and their appropriateness for the Separate and consolidated annual and half-year financial statements.

10. *Significant events indicated in the Directors' Report, in the separate financial statements and in the consolidated financial statements*

The Board of Statutory Auditors reports the following significant operating, financial and equity events in the Directors' Report, the financial statements and the consolidated financial statements at December 3l, 2020, which took place during the 2020 financial year.

- On March 2, 2020, F.I.L.A.- Arches S.A.S., a French company wholly-owned by FILA S.p.A., completed the purchase of the business unit involved in the production of premium paper used in the fine art sector with the ARCHES® brand, finalizing the non-binding memorandum of understanding signed on October 30, 2019 between FILA S.p.A. and Ahlstrom-Munksjö Oyj and its French subsidiary, Ahlstrom-Munksjö Arches. The total price, on a debt-free cash-free basis, paid by F.I.L.A. - Arches S.A.S. for the business unit was Euro 43.6 million. The acquisition was funded through amending the existing medium/long-term loan contract, through the granting of new lines for Euro 15 million and the partial use of the Revolving Credit Facility line for Euro 25 million, through its conversion into a medium/long-term line.
- In relation to the emergency caused by the COVID-19 outbreak, the Directors have outlined the measures adopted and the initiatives taken at all levels of the organisation to deal with the serious crisis situation that has arisen, to mitigate its effects and to guarantee the health and safety of workers as much as possible. In addition, they report on developments regarding the situation in the various countries, on the economic and financial effects caused by the pandemic at group level and on the main subsidiaries, highlighting in particular that the liquidity available is adequate to cover normal operating needs and the repayment of the instalments due on the structured debt.

In relation to the acquisition of the Arches business unit, the Board of Statutory Auditors, on the basis of information provided by the company and data acquired, ascertained its compliance with law, the By-Laws and the principles of correct administration, ensuring that these were not manifestly imprudent or risky, in possible conflict of interest, inconsistent with the resolutions taken by the Shareholders' Meeting or such as to compromise the integrity of corporate assets.

11. Subsequent events

The Board of Statutory Auditors notes that in the "Subsequent events" paragraph of the 2020 Directors' Report, the Company indicates that all the Group's plant are operational, with some limitations on the maximum potential to ensure the safety of workers - in particular in Mexico and India.

12. Independent Auditors' Report and Board of Statutory Auditors' Report

The Independent Audit Firm issued on March 30, 2021 the Reports as per Article 14 of Legislative Decree No. 39/2010 and Article 10 of Regulation (EC) 537/2014, on the separate financial statements and on the consolidated financial statements at December 31, 2020 where, in particular, it certified that:

- the separate financial statements and the consolidated financial statements provide a true and fair view of the statement of financial position of the Company and of the Group at December 31, 2020 and of the economic result and cash flow for the year ended at that date in compliance with International Financial Reporting Standards adopted by the European Union and the provisions issued in implementation of Article 9 of Legislative Decree 38/05;
- the Directors' Report and certain specific information contained in the Corporate Governance and Ownership Structure Report indicated in Article 123-*bis*, paragraph 4 of Legislative Decree 58/1998, are consistent with the company's statutory financial statements and Group consolidated financial statements and are drawn up in accordance with law;
- the opinion on the statutory financial statements and the consolidated financial statements is in line with that indicated in the Additional Report drawn up pursuant to Article 11 of Regulation (EC) 537/2014 and in accordance with Article 19 of Legislative Decree 39/2010.

It is recalled for informational purposes alone that in the above-stated Reports the Independent Audit Firm considered it beneficial to identify as key aspects of the audit, for the statutory financial statements of FILA S.p.A., the process to measure the recoverable value of the investments while, with regards to the consolidated financial statements of the Group, a) the process to measure the recoverable value of goodwill and b) the recognition and valuation of inventory. In the Auditors' Report on the consolidated financial statements, the Independent Audit Firm also stated that it had verified the approval of FILA S.p.A.'s directors of the Consolidated Non-Financial Statement for the year 2020 for the FILA Group.

In the above Reports of the Independent Audit Firm, no issues or requests for disclosure were raised, nor were declarations issued in accordance with Article 14, paragraph 2, letters d) and e) of Legislative Decree 39/2010.

In addition, also on March 30, 2021, the Independent Audit Firm:

- sent to the Board of Statutory Auditors, as the Internal Control and Audit Committee, the additional report as per Article 11 of Regulation (EC) No. 537/2014, which does not contradict that outlined in the Reports on the financial statements indicated above and reports on other significant aspects, and that the Board of Statutory Auditors sends to the Board of Directors;
- issued, in accordance with Article 3, paragraph 10 of Legislative Decree 254/2016 and Article 5 of Consob Regulation 20267/2018, the Consolidated non-financial statement, regarding which the Independent Audit Firm declares that, on the basis of the work carried out, no matters came to its attention to suggest that the FILA Group's Non-Financial Statement for the year ended December 31, 2020 was not drawn up, in all significant aspects, in compliance with the requirements of Articles 3 and 4 of the Decree and selected GRI Standards.

The regular meetings held by the Board of Statutory Auditors with the Independent Audit Firm, pursuant to Article 150, paragraph 3 of Legislative Decree 58/1998, did not reveal aspects that should be highlighted in this Report.

Moreover, the Board did not receive any disclosures from the Independent Audit Firm on reprehensible facts detected during the audit activity on the annual and consolidated financial statements.

13. Considerations on the current health emergency

The Board of Statutory Auditors cannot fail to point out that, at the date of this Report, the COVID-19 outbreak health emergency continues, with respect to which regulations have been issued imposing restrictions on the movement of persons and the exercise of business activities, which differ from country to country, in addition to stringent health protocols for the protection of persons, especially in the workplace. However, the availability of vaccines and the actions and plans developed for their administration allow us to reasonably expect a positive development of the situation and a slow and progressive return to normality.

In addition, the Board of Statutory Auditors points out that, as of the date of issue of this Report, the extraordinary legal provisions and regulations to enable the holding of shareholders' meetings, and the exercise of votes at such meetings, remotely remain in force. In this regard, the Board of Statutory Auditors will work in close coordination with the Board of Directors so that the next Shareholders' Meeting, called for April 27, 2021, can be held properly held, and the rights of Shareholders duly exercised, in compliance with the above provisions.

The Board of Statutory Auditors, in close coordination with the Board of Directors, ensures maximum attention to monitoring the development of the health situation in the various countries and the economic and, in particular, financial impact on the Company and the Group.

14. Final considerations

Considering all that stated above, the Board of Statutory Auditors does not raise specific critical matters, omissions, reportable events or irregularities, nor observations or proposals to be submitted to the Shareholders' Meeting in accordance with Article 153 of Legislative Decree 58/1998, to the extent of its remit, and therefore does not indicate any reasons to prevent approval of the statutory financial statements at December 31, 2020 and the proposals for the allocation of the profit drawn up by the Board of Directors for the Shareholders' Meeting.

Rome, March 30, 2021

Gianfranco Consorti, Chairman of the Board of Statutory Auditors

Elena Spagnol, Statutory Auditor

Pietro Michele Villa, Statutory Auditor

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

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

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

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

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of F.I.L.A. S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of F.I.L.A. S.p.A. as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

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

Key audit matters

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

Measurement of equity investments

Notes to the separate financial statements: section "Basis of preparation " and note 4 "Equity investments"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2020 include equity investments of €371.7 million, mainly relating to the US subsidiary Dixon Ticonderoga Company (€107.4 million), the UK subsidiary Renoir Topco Limited (€97.3 million), the Indian subsidiary DOMS Industries Pvt. Ltd. (€57.3 million) and the French subsidiary Canson S.A.S. (€37.7 million). During 2020, through its subsidiary FILA Arches S.A.S., the company acquired the "Fine Art" business of the French brand Arches. As a result of this acquisition, the carrying amount of the company's investment in FILA Arches S.A.S. amounts to €22.6 million. When they identify indicators of impairment and, in any case, at least annually, the directors test these equity investments for impairment, checking their recoverability by comparing their carrying amounts with their value in use calculated using the discounted cash flow model. The directors have forecast the expected cash flows used to estimate the equity investments' recoverable amount on the basis of the projections derived from the business plan approved by the board of directors on 16 March 2021. Calculating the recoverable amount of these equity investments requires significant estimates. Specifically, in addition to the uncertainty inherent in any forecast, this process has the following characteristics: — valuation assumptions affected by the reference market trends (including the US, UK, Indian and French markets), due to the specific economic and	Our audit procedures, which also involved our own specialists, included: — understanding the process adopted to prepare the impairment test approved by the company's board of directors; — understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used to prepare the forecasts; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — checking the consistency of the expected cash flows used for impairment testing with those used for the forecasts and analysing the reasonableness of any discrepancies; — analysing the expected cash flows and main assumptions used to calculate value in use, especially the key assumptions, which include: the revenue increase in the United States, the United Kingdom, France and India, expected synergies and the calculation of the discount and long-term growth rates, also in the light of the potential impact of the Covid-19 outbreak; — assessing the appropriateness of the disclosures provided in the notes about the measurement of equity investments and the related impairment tests.

Key audit matter	Audit procedures addressing the key audit matter
political conditions that are difficult to predict and unstable; — assumptions about the synergies expected, as set out by the directors in the business plan; — estimates of the long-term growth rate and the discount rate applied to the projected cash flows, which require a high level of judgement. For the above reasons, we believe that the measurement of the above equity investments is a key audit matter.	

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

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

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

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

Auditors' responsibilities for the audit of the separate financial statements

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

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

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

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

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

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

— evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

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

Milan, 30 March 2021

KPMG S.p.A.

(signed on the original)

Angelo Pascali
Director of Audit