

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



Il futuro ha i nostri colori. Da 100 anni.

F.I.L.A. GROUP
HALF-YEAR REPORT
AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

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DIRECTORS' REPORT

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 (*)	Giorgina Gallo
Director (*)	Carlo Paris
Director (*)	Donatella Sciuto

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

(**) Non-Executive Director.

Control, Risks and Related Parties Committee

Donatella Sciuto
Annalisa Barbera
Carlo Paris

Remuneration Committee

Carlo Paris
Annalisa Barbera
Giorgina Gallo

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.

At the reporting date, the F.I.L.A. Group operates through 22 production facilities and 35 subsidiaries across the globe and employs approx. 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, della Gherardesca and Marchesi Antinori, F.I.L.A. S.p.A. (hereafter also the “Parent”) has achieved strong international growth in the past 20 years, supported by a series of strategic acquisitions. Over the years, the Parent has acquired: (i) the Italian firm Adica Pongo in 1994, a leading producer of modelling clay for children; (ii) the Spanish firm Spanish Fila Hispania S.L. (formerly Papeleria Mediterranea S.L.) in 1997, the Group’s former exclusive distributor in Spain; (iii) the French firm Omyacolor S.A. in 2000, a leading manufacturer of modelling putties and clays; (iv) the U.S. Dixon Ticonderoga Group in 2005, a leading producer and distributor of pencils in North America, with subsidiaries operating on the Canadian, Mexican, Chinese and European markets; (v) the German LYRA Group in 2008, which allowed the Group to enter the German, Scandinavian and Eastern Asian markets; (vi) the business unit operated by Lapiceria Mexicana in 2010, one of the main local competitors in the budget coloured and graphite pencils market; and (vii) the business unit operated by Maimeri S.p.A. in 2014, a manufacturer and distributor of paints and accessories for arts and crafts. In addition to these operations, on the conclusion of an initiative which began with the acquisition of a significant influence in 2011, control of the Indian company DOMS Industries Pvt Ltd. was acquired in 2015 (viii). In 2016, the F.I.L.A. Group focused upon development through strategic Art&Craft sector acquisitions, seeking to become the leading market player. On February 3, 2016, F.I.L.A. S.p.A. acquired control of the Daler-Rowney Lukas Group, an illustrious brand producing and distributing materials and accessories on the arts and crafts market since 1783, with a direct presence in the United Kingdom, the Dominican Republic, Germany and the USA (ix). In September 2016, the F.I.L.A. Group acquired the entire share capital of St. Cuthberts Holding Limited and the operating company St. Cuthberts Mill Limited, a highly-renowned English paper mill, founded in 1907, located in the south-west of England and involved in the production of high quality artist’s papers (x). In October 2016, F.I.L.A. S.p.A. acquired the Canson Group, founded in 1557 by the Montgolfier family, with headquarters in Annonay in France, production facilities in France and conversion and distribution centres in Italy, France, China, Australia and Brazil. Canson products are available in over 120 countries and the brand is the most respected globally involved in the production and distribution of high added value paper for the fine

arts, design, leisure and schools, but also for artists' editions and technical and digital drawing materials (xi).

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

On March 2, 2020, F.I.L.A.- Arches S.A.S., a French company wholly-owned by F.I.L.A. S.p.A., completed the purchase from the Ahlstrom-Munksjö Group of the fine art business unit specialised in fine art operating through the ARCHES® brand (xiii).

Directors' Report

Key Financial Highlights

The F.I.L.A. Group's H1 2021 financial highlights are reported below.

<i>Euro thousands</i>	June 30, 2021	% revenue	June 30, 2020	% revenue	Change 2021 - 2020	IFRS 16 effects	Normalizations for Non-Recurring expenses
Revenue	324,554	100.0%	307,518	100.0%	17,036	5.5%	(189)
Gross operating profit ⁽¹⁾	63,326	19.5%	45,166	14.7%	18,160	40.2%	7,389
Operating profit	43,412	13.4%	22,317	7.3%	21,095	94.5%	1,777
Net financial expense	(12,056)	-3.7%	(17,298)	-5.6%	5,242	30.3%	(2,791)
Total taxes	(7,522)	-2.3%	(2,869)	-0.9%	(4,653)	-162.2%	253
F.I.L.A. Group Profit attributable to the owners of the Parent	23,791	7.3%	2,780	0.9%	21,011	755.8%	(684)
<i>Earnings per share (€ cents)</i>							
	<i>basic</i>	0.47	0.05				
	<i>diluted</i>	0.46	0.05				

<i>NORMALISED Net of Non-Recurring expenses and IFRS 16 effects - Euro thousands</i>	June 30, 2021	% revenue	June 30, 2020	% revenue	Change 2021 - 2020
Revenue	324,743	100.0%	307,639	100.0%	17,104
Gross operating profit ⁽¹⁾	58,536	18.0%	46,162	15.0%	12,374
Operating profit	44,234	13.6%	28,909	9.4%	15,325
Net financial expense	(9,284)	-2.9%	(14,007)	-4.6%	4,723
Total taxes	(8,185)	-2.5%	(5,344)	-1.7%	(2,841)
F.I.L.A. Group Profit attributable to the owners of the Parent	26,600	8.2%	9,545	3.1%	17,055
<i>Earnings per share (€ cents)</i>					
	<i>basic</i>	0.52	0.19		
	<i>diluted</i>	0.51	0.18		

<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change 2021 - 2020
Cash flows from operating activities	5,598	(39,737)	45,335
Investments	(4,813)	(6,073)	1,260
% revenue	1.5%	2.0%	

<i>Euro thousands</i>	June 30, 2021	December 31, 2020	Change 2021 - 2020	IFRS 16 effects
Net invested capital	888,869	824,731	64,138	2,380
Net Financial debt ⁽²⁾	(523,873)	(493,456)	(30,417)	(3,546)
Equity	(364,996)	(331,275)	(33,721)	1,166

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

⁽²⁾ Indicator of the net financial liabilities, 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 debt as per CONSOB Communication DEM/6064293 of July 28, 2006 excludes non-current financial assets. The non-current financial assets of the F.I.L.A. Group at June 30, 2021 amount to Euro 2,375 thousand, and they are not considered in the Net Financial Debt.

2021 Normalisations:

- ▶ The normalisation of revenue principally refers to returns generated following the COVID-19 pandemic;
- ▶ The normalisation of the H1 2021 Gross Operating Profit relates to non-recurring operating costs of approx. Euro 2.6 million regarding reorganisation-restructuring charges and other Group consultancy costs for Euro 1.2 million, the expense incurred to handle the COVID-19 pandemic for Euro 1.0 million and the outlay for the medium/long-term incentive plan for Euro 0.4 million;
- ▶ The overall the Operating profit was Euro 2.6 million, resulting from the aforementioned effects on the Gross operating profit;
- ▶ The normalisation to the H1 2021 Profit attributable to the owners of the parent concerns the aforementioned adjustments, net of the tax effect.

2020 Normalisations:

- ▶ The normalisation to revenue mainly concerns the return of goods as a result of disputes with customers, related to the economic and social effects of the COVID-19 pandemic and the North American reorganisation involving the introduction of the new SAP system, which impacted revenue by Euro 121 thousand;
- ▶ The normalisation to the H1 2020 Gross operating profit relates to non-recurring operating expense of approx. Euro 7.7 million, mainly for the expense concerning the corporate transaction for the acquisition of the ARCHES® business unit, for Euro 4.5 million, the costs incurred to deal with the COVID-19 pandemic for Euro 2 million and, residually, reorganisation costs of the F.I.L.A. Group, particularly in North America for Euro 1.2 million;
- ▶ The overall normalisation to the operating profit was Euro 7.7 million, resulting from the aforementioned effects on the gross operating profit;
- ▶ The normalisation of Net Financial Expense refers to the financial expense incurred by the Parent F.I.L.A. S.p.A. for the signing of a new loan to support the M&A transaction;
- ▶ The normalisation to the H1 2020 Profit attributable to the owners of the parent concerns the aforementioned 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 period, (ii) depreciation, amortisation and impairment losses, (iii) financial income and expense and (iv) profit or loss from discontinued operations. The F.I.L.A. Group uses this measure as an internal management target and in external presentations (for analysts and investors), as it is useful in measuring the overall operating performance of the F.I.L.A. Group and of F.I.L.A. S.p.A.

The table below presents a reconciliation of the profit for H1 2021 and H1 2020 with the gross operating profit:

<i>Euro thousands</i>	June 30, 2021	June 30, 2020
Profit/(loss) attributable to non-controlling interests	43	(630)
Profit attributable to the owners of the parent	23,791	2,780
Profit for the year	23,834	2,150
Income taxes	7,522	2,869
<i>Current taxes</i>	8,234	4,252
<i>Deferred taxes</i>	(712)	(1,383)
Amortisation, depreciation and impairment losses	19,914	22,848
Financial items	12,056	17,298
<i>Financial income</i>	(5,027)	(2,365)
<i>Financial expense</i>	17,180	19,597
<i>Share of profits (losses) of equity-accounted investees</i>	(97)	66
Gross operating profit	63,326	45,166

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

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

<i>Euro thousands</i>	June 30, 2021	June 30, 2020
Gross operating profit	63,326	45,166
Non-recurring expense	2,599	7,673
IFRS 16 effect	(7,389)	(6,677)
Adjusted gross operating profit	58,536	46,162

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

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

The following is a reconciliation between operating profit or EBIT and adjusted operating profit or adjusted EBIT:

<i>Euro thousands</i>	June 30, 2021	June 30, 2020
Operating profit	43,412	22,317
Non-recurring expense	2,599	7,673
IFRS 16 effect	(1,777)	(1,081)
Adjusted Operating Result	44,234	28,909

Group profit for the period: profit for the period, adjusted for non-controlling interest items.

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

The following is the reconciliation of the Group profit with the adjusted Group profit:

<i>Euro thousands</i>	June 30, 2021	June 30, 2020
Profit for the period attributable to the owners of the parent	23,791	2,780
Non-recurring expense	2,125	5,345
IFRS 16 effect	684	1,420
Adjusted Profit for the period attributable to the owners of the parent	26,600	9,545

Net financial debt – this is a valid measure of the F.I.L.A. Group’s financial structure. This is calculated as the aggregate of the current and non-current financial liabilities, net of cash and cash equivalents, in addition to current financial assets, in accordance with Consob communication DEM/6064293 of July 28, 2006 and Consob’s call to attention No. 5/21 of April 29, 2021, excluding non-current financial assets.

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

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

Normalised financial performance

The H1 2021 normalised gross operating profit, net of IFRS 16 effects, increased by 26.8% on the same period of 2020.

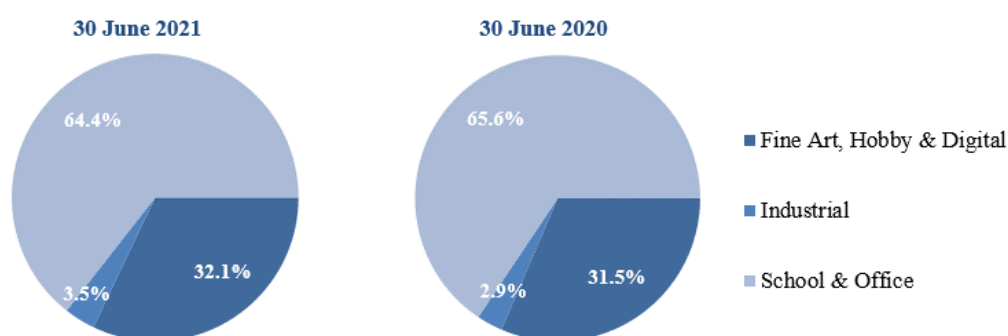
<i>NORMALISED - Euro thousands</i>	June 30, 2021	% revenue	June 30, 2020	% revenue	Change 2021- 2020	
Revenue	324,743	100.0%	307,639	100.0%	17,104	5.6%
Income	3,519		5,951		(2,432)	-40.9%
Total revenue	328,262		313,590		14,672	4.7%
Total operating expense	(269,726)	-83.1%	(267,428)	-86.9%	(2,298)	-0.9%
Gross operating profit	58,536	18.0%	46,162	15.0%	12,374	26.8%
Amortisation, depreciation and impairment losses	(14,302)	-4.4%	(17,253)	-5.6%	2,951	17.1%
Operating profit	44,234	13.6%	28,909	9.4%	15,325	53.0%
Net financial expense	(9,284)	-2.9%	(14,007)	-4.6%	4,723	33.7%
Pre-tax profit	34,950	10.8%	14,902	4.8%	20,048	134.5%
Total Taxes	(8,185)	-2.5%	(5,344)	-1.7%	(2,841)	-53.2%
Profit for the period	26,765	8.2%	9,558	3.1%	17,207	180.0%
Profit for the period attributable to non-controlling interests	165	0.1%	13	0.0%	152	1171.7%
Profit for the period attributable to the owners of the Parent	26,600	8.2%	9,545	3.1%	17,055	178.7%

The principal changes compared to H1 2020 are illustrated below.

Revenue of Euro 324,743 thousand increased by Euro 17,104 thousand on H1 2020 (+5.6%). Net of exchange losses of Euro 17,111 thousand (mainly concerning the US Dollar, the Mexican Peso, the Argentinean Peso and the Brazilian Real, and to a lesser extent the Indian Rupee), organic growth was Euro 34,215 thousand (+11.1%).

At geographical segment level, organic growth was reported in Europe for Euro 22,086 thousand (+22.1% on the comparative period), Central and South America for Euro 6,759 thousand (+39.8% on the previous period), North America for Euro 4,121 thousand (+2.5% on the previous period), Asia for Euro 912 thousand (+3.4% on the previous period) and the Rest of the World for Euro 337 thousand (+23.7% on the previous period).

In order to better illustrate F.I.L.A. Group revenue, the table below highlights revenue by strategic segment compared with the same period of 2020 (the school and office strategic business segment, the arts and crafts strategic business segment and, to a residual extent, industrial products):



Income of Euro 3,519 thousand decreased by Euro 2,432 thousand compared to the same period of 2020, mainly due to lower exchange gains on commercial transactions.

Operating expense in H1 2021 of Euro 269,726 thousand increased Euro 2,298 thousand on the same period of 2020. This increase, although offset by the positive exchange rate effect mirroring that of revenue, is mainly due to variable purchase and commercial costs, following the increase in revenue, while certain fixed overheads such as travel and entertainment expenses, advertising, marketing promotion and trade fairs were again contained.

The Gross Operating Profit was Euro 58,536 thousand, increasing by Euro 12,374 thousand on the same period of 2020 (+26.8%), due to the improved operating margin stemming from “Fine Art” strategic business segment growth and a major recovery in “School and Office” strategic business segment sales in Europe and North America, in addition to an improved sales mix.

Amortisation, depreciation and impairment losses decreased Euro 2,951 thousand, mainly due to lower amortisation and depreciation on the containment of investments in 2020 during the COVID-19 pandemic and lower impairments on receivables as a result of the reduced amount of disputes with customers, in addition to the greater certainty on customer collections compared with the same period of the previous year.

Net Financial Expense improved by Euro 4,723 thousand, mainly due to greater exchange gains on financial transactions.

Normalised Group Taxes amounted to Euro 8,185 thousand, increasing on the same period of the previous year due to the improved pre-tax profit.

Net of the profit attributable to non-controlling interests, the F.I.L.A. Group normalised profit in H1 2021 was Euro 26,600 thousand, compared to Euro 9,545 thousand in the same period of 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 from November.

The key figures for H1 2021 and 2020 are reported below.

	2020				2021	
	First 3 mth. 2020	First 6 mth. 2020	First 9 mth. 2020	FY 2020	First 3 mth. 2021	First 6 mth. 2021
<i>Euro thousands</i>						
Revenue	145,769	307,518	471,129	607,382	141,551	324,554
<i>% of entire year</i>	24.00%	50.63%	77.57%	100.00%	43.61%	100.00%
Gross operating profit	14,873	45,166	78,527	95,051	21,946	63,326
<i>% revenue from sales and services</i>	10.20%	14.69%	16.67%	15.63%	15.50%	19.51%
<i>% of entire year</i>	15.65%	47.52%	82.62%	100.00%	34.66%	100.00%
Adjusted gross operating profit	16,799	46,162	78,062	95,351	20,081	58,536
<i>% revenue from sales and services</i>	11.52%	15.01%	16.57%	15.70%	14.17%	18.04%
<i>% of entire year</i>	17.62%	48.41%	81.87%	100.00%	34.31%	100.00%
Net Financial Debt	(584,592)	(611,266)	(568,987)	(493,456)	(525,019)	(523,873)

Statement of Financial Position

The F.I.L.A. Group's financial highlights at June 30, 2021 are reported below:

<i>Euro thousands</i>	June 30, 2021	December 31, 2020	Change 2021 - 2020
Intangible assets	439,640	435,990	3,650
Property, plant & equipment	171,619	171,489	130
Financial assets	3,623	3,679	(56)
Net non-current assets	614,882	611,158	3,724
Other Non-Current Assets/Liabilities	19,451	20,242	(791)
Inventories	261,862	256,288	5,574
Trade receivables and other assets	187,010	115,929	71,081
Trade payables and other liabilities	(112,304)	(100,542)	(11,762)
Other current assets and liabilities	(630)	4,908	(5,538)
Net working capital	335,937	276,583	59,354
Provisions	(81,402)	(83,252)	1,850
Net invested capital	888,869	824,731	64,138
Equity	(364,996)	(331,275)	(33,721)
Net financial debt	(523,873)	(493,456)	(30,417)
Net sources of funds	(888,869)	(824,731)	(64,138)

The F.I.L.A. Group's Net Invested Capital of Euro 888,869 thousand at June 30, 2021 was composed of Net Non-current Assets of Euro 614,882 thousand (up by Euro 3,724 thousand on December 31, 2020), Net Working Capital of Euro 335,937 thousand (up by Euro 59,354 thousand on December 31, 2020) and Other Non-current Assets/Liabilities of Euro 19,451 thousand (decreased by Euro 791 thousand on December 31, 2020), net of Provisions of Euro 81,402 thousand (Euro 83,252 thousand at December 31, 2020).

Intangible Assets increased on December 31, 2020 by Euro 3,650 thousand, mainly due to net investments of Euro 1,231 thousand, principally by the Parent F.I.L.A. S.p.A. for Euro 1,194 thousand to introduce the SAP project, positive currency difference in the period of Euro 9,639 thousand and amortisation of Euro 7,110 thousand.

Property, plant and equipment increased on December 31, 2020 by Euro 130 thousand, mainly due to the increase of Euro 2,127 thousand in right-of-use assets, partially offset by the decrease of Euro 1,997 thousand in Property, plant and equipment.

Net investments in Property, Plant and Equipment in the period amounted to Euro 3,582 thousand and were principally undertaken by DOMS Industries Pvt Ltd (India) and Dixon Ticonderoga Company (U.S.A.), for the extension and development of the local production and logistics sites. The overall increase is fully offset by depreciation of Euro 7,445 thousand, despite the positive currency difference of Euro 1,762 thousand.

Financial Assets decreased by Euro 56 thousand compared to December 31, 2020 and mainly concerned loans.

The increase in Net Working Capital of Euro 59,354 thousand relates to the following:

- ▶ Inventories - increasing by Euro 5,574 thousand. The increase is mainly due to positive currency differences of Euro 6,352 thousand. However, a net decrease in F.I.L.A. Group stock of Euro 633 thousand is recognised, particularly in North America due to the streamlining policy currently in place, business seasonality and the post COVID-19 recovery effect;
- ▶ Trade receivables and other assets – they increased by Euro 71,081 thousand, due to the seasonality of F.I.L.A. Group business, with receivables at their highest during the middle months of the year when revenue is principally generated. This change mainly concerned Dixon Ticonderoga Company (U.S.A.), F.I.L.A. S.p.A. and Canson SAS (France) and was increased by positive currency effect of Euro 2,712 thousand;
- ▶ Trade Payables and Other liabilities - increased by Euro 11,762 thousand, principally due to the business seasonality of the F.I.L.A. Group, with procurement concentrated in the initial months of the year in support of production and supplies for the forecast peak in sales. The increase principally concerned the North American subsidiary Dixon Ticonderoga Company, the subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and the parent F.I.L.A. S.p.A. and was partially offset by the reduction at the Indian subsidiary DOMS Industries Pvt Ltd. Net exchange losses of Euro 2,147 thousand are also recognised;

The decrease in Provisions on December 31, 2020 of Euro 1,850 thousand principally concerns the:

- ▶ Decrease in Employee benefits of Euro 2,052 thousand, mainly due to the actuarial gains recorded by the company Daler Rowney Ltd (United Kingdom);
- ▶ Decrease in Provisions for Risks and Charges of Euro 216 thousand, due to utilisations in the period, principally by the North American subsidiary Dixon Ticonderoga Company;
- ▶ Increase in Deferred tax liabilities of Euro 420 thousand, principally due to negative currency effect of Euro 1,603 thousand, partially offset by the release of the tax effect concerning “Intangible Assets” of Euro 1,231 thousand.

The Equity attributable to owners of the Parent, amounting to Euro 364,996 thousand, increased on December 31, 2020 by Euro 33,721 thousand. Net of the profit for the period of Euro 23,834 thousand (of which a profit of Euro 43 thousand attributable to non-controlling interests), the residual movement mainly concerned the increase in the currency reserve of Euro 9,584 thousand and the fair value gains on IRSs of Euro 4,913 thousand and of the Actuarial Reserve of Euro 2,271 thousand.

The F.I.L.A. Group’s Net Financial Debt at June 30, 2021 was Euro 523,873 thousand, an increase of Euro 30,417 thousand on December 31, 2020. For greater details, reference should be made to the Net financial debt and cash flows section.

Financial overview

The Group's Net Financial Debt at June 30, 2021 and cash flows for the period then ended are summarised in the following table to complete the discussion about its financial position and financial performance.

For the definition of the Net Financial Debt from these condensed consolidated interim financial statements, reference should be made to Consob's call to attention No. 5/21 of April 29, 2021, which refers to the new ESMA guidelines in this regard.

For better presentation and comparability, the figures at December 31, 2020 were reclassified in line with the new criteria.

The **Net Financial Debt** at June 30, 2021 was negative for Euro 523,873 thousand.

<i>Euro thousands</i>	June 30, 2021	December 31, 2020	Change 2021 - 2020
A Cash	108	114	(6)
B Other cash equivalents	84,699	126,991	(42,292)
C Other current financial assets	1,770	690	1,080
D Liquidity (A + B + C)	86,577	127,795	(41,218)
E Current bank loans and borrowings	(84,443)	(88,138)	3,695
F Current portion of non-current loans and borrowings	(41,914)	(37,913)	(4,001)
G Current financial debt (E + F)	(126,357)	(126,052)	(305)
H Net current financial debt (G - D)	(39,780)	1,743	(41,523)
I Non-current bank loans and borrowings	(484,093)	(495,199)	11,106
J Bonds issued	-	-	-
K Trade payables and other current liabilities	-	-	-
L Non-current financial debt (I + J + K)	(484,093)	(495,199)	11,106
M Net financial debt (H + L)	(523,873)	(493,456)	(30,417)

Compared to December 31, 2020 (Euro 493,456 thousand), Net Financial Debt increased by Euro 30,417 thousand, as outlined below in the Statement of Cash Flows:

<i>Euro thousands</i>	June 30, 2021	June 30, 2020
Operating profit net of IFRS 16 effect	41,635	21,236
Non-monetary adjustments net of IFRS 16 effect	15,616	17,485
Income taxes	(2,701)	(1,419)
Cash Flows used in Operating Activities Before Changes in NWC	54,550	37,302
Change in NWC	(58,476)	(81,580)
Change in Inventories	633	(24,523)
Change in Trade receivables and Other Assets	(67,954)	(70,856)
Change in Trade payables and Other Liabilities	9,615	15,449
Change in Other Current Assets/Liabilities	(770)	(1,651)
Net cash Flows used in Operating Activities	(3,926)	(44,278)
Investments in Property, Plant and Equipment and Intangible assets	(4,813)	(6,073)
Financial income	109	520
Net cash Flows used in Investing Activities	(4,703)	(5,553)
Change in Equity	(7,027)	(274)
Financial Expense	(9,636)	(11,408)
Net cash Flows used in Financing Activities	(16,663)	(11,683)
Exchange differences and other variations	845	(1,656)
Total Net Cash Flows	(24,447)	(63,170)
Effect of exchange gains (losses)	(6,211)	7,465
Mark to mark hedging adjustment	3,786	(10,235)
NFD change due to IFRS16 FTA	(3,546)	(3,576)
NFD from M&A Transactions (Change in Consolidation Scope)	-	(43,600)
Change in Net Financial Debt	(30,417)	(113,116)

The net cash flows used in operating activities of Euro 3,926 thousand in the first half of 2021 (Euro 44,278 thousand in H1 2020) are due to:

- ▶ Inflows of Euro 54,550 thousand (Euro 37,302 thousand in H1 2020) from operating profit, calculated as the difference of operating costs and revenue plus other operating items, excluding financial items;

- Outflows of Euro 58,476 thousand (Euro 81,580 thousand in H1 2020) attributable to Working capital movements, primarily related to the joint effect of an increase in Trade Receivables and Other Assets and Trade Payables and Other Liabilities and the decrease in Inventories.

Investing activities used net cash flows of Euro 4,703 thousand (Euro 5,553 thousand in H1 2020), mainly due to the use of Euro 4,813 thousand (Euro 6,073 thousand in H1 2020) for investments in property, plant and equipment and intangible asset, particularly regarding DOMS Industries Pvt Ltd (India), Dixon Ticonderoga Company (U.S.A.) and F.I.L.A. S.p.A.

Financing Activities absorbed liquidity of Euro 16,663 thousand (Euro 11,683 thousand in H1 2020), of which:

- Euro 9,636 thousand (Euro 11,408 thousand in H1 2020) from interest paid on loans and credit lines granted to Group companies, principally 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);
- Euro 7,027 thousand (Euro 274 thousand at June 30, 2020) due to the distribution of dividends to F.I.L.A. Group shareholders and to the Group minorities for a total of Euro 6,587 thousand and the acquisition of treasury shares by the Parent F.I.L.A. S.p.A. of Euro 488 thousand.

Excluding the net exchange losses from the translation of the net financial debt in currencies other than the Euro (negative Euro 6,211 thousand), the Mark-to-Market hedging adjustments of Euro 3,786 thousand and the change in the Net Financial Debt due to the application of IFRS 16 of Euro 3,546 thousand, the Group's Net Financial Debt is Euro 30,417 thousand (Euro 113,116 thousand at June 30, 2020).

Changes in net cash and cash equivalents are detailed below:

<i>Euro thousands</i>	June 30, 2021	December 31, 2020
Opening Cash and Cash Equivalents	116,306	85,579
Cash and cash equivalents	127,105	100,191
Current account overdrafts	(10,799)	(14,612)
Closing Cash and Cash Equivalents	74,651	116,306
Cash and cash equivalents	84,807	127,105
Current account overdrafts	(10,156)	(10,799)

Key events of the reporting period

- ▶ On January 9, 2021, the Indian associated company Fixy Adhesives Private Limited was incorporated;
- ▶ On January 12, 2021, the Indian associated company Inxon Pens & Stationary Private Limited was incorporated;
- ▶ On March 16, 2021, the liquidation of the non-operative subsidiary in the United Kingdom, CastleHill Crafts Ltd, concluded.
- ▶ The parent company, in the period between March 23 and March 25, 2021, purchased treasury shares as per the Shareholders' Meeting authorisation of April 22, 2020 and the subsequent Board of Directors' motion of March 16, 2021. On June 30, 2021, the Group held 51,500 treasury shares (0.10% of the Share capital), for a total value of Euro 488 thousand (equal to the "Negative reserve for treasury shares in portfolio" deducted from consolidated shareholders' equity).

Subsequent events

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

Outlook

2021 shall continue to be shaped by the Coronavirus-related instability, which is however subsiding due to increasing vaccination rates. Significant difficulties remain in certain geographical areas such as India and Mexico, giving rise to considerable uncertainty and caution among our customers when purchasing school supplies. In Europe and North America, the increased confidence stemming from higher vaccination rates and the adoption of stricter virus control measures have facilitated a recovery of School & Office product sales. "Fine Art" product revenue growth was again reported in H1 2021. On the basis of these assumptions, a partial and gradual recovery of fixed costs and production and IT investments linked to the upgrade of the Group's IT systems is therefore expected.

Management continues to remain closely focused on earnings and working capital management efficiency.

The F.I.L.A. Group continues to monitor the developing situation in order to minimise its social and workplace health and safety impacts, in addition to the operating, equity and financial situation, by drawing up and rolling out flexible and timely action plans.

Treasury shares

The parent company, in the period between March 23 and March 25, 2021, purchased treasury shares as per the Shareholders' Meeting authorisation of April 22, 2020 and the subsequent Board of Directors' motion of March 16, 2021. On June 30, 2021, the Group held 51,500 treasury shares (0.10% of the Share capital), for a total value of Euro 488 thousand (equal to the "Negative reserve for treasury shares in portfolio" deducted from consolidated shareholders' equity).

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

Reconciliation between Parent and Group Equity

<i>Euro thousands</i>	Equity December 31, 2020	Changes in equity	Profit for June 2021	Equity June 30, 2021
F.I.L.A. S.p.A. financial statements	277,998	(4,881)	8,616	281,733
Consolidation effect of the financial statements of subsidiaries	69,865	5,602	15,174	90,642
Translation reserve	(39,856)	9,269	-	(30,587)
F.I.L.A. group consolidated financial statements	308,007	9,990	23,791	341,788
Equity attributable to non-controlling interests	23,628	(462)	43	23,208
Consolidated financial statements	331,275	9,528	23,834	364,996



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**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2021

Interim Consolidated Financial Statements as at and for the six months ended June 30, 2021

Consolidated Financial Statements

Statement of Financial Position

<i>Euro thousands</i>		June 30, 2021	December 31, 2020
Assets		1,176,557	1,141,333
Non-current assets		634,486	631,507
Intangible assets	Note 1	439,640	435,990
Property, plant and equipment	Note 2	171,619	171,489
Non-current financial assets	Note 3	2,375	2,614
Equity-accounted investees	Note 4	1,218	1,102
Other equity investments	Note 5	31	31
Deferred tax assets	Note 6	19,604	20,281
Current assets		542,071	509,826
Current financial assets	Note 3	1,770	622
Current tax assets	Note 7	6,622	9,882
Inventories	Note 8	261,862	256,288
Trade receivables and other assets	Note 9	187,010	115,929
Cash and cash equivalents	Note 10	84,807	127,105
Liabilities and equity		1,176,557	1,141,333
Equity	Note 12	364,996	331,275
Share capital		46,985	46,967
Negative reserve for treasury shares in portfolio		(488)	-
Reserves		91,394	74,817
Retained earnings		180,105	177,616
Profit for the period		23,791	8,607
Equity attributable to the owners of the parent		341,788	308,007
Equity attributable to non-controlling interests		23,208	23,268
Non-current liabilities		564,890	577,561
Non-current financial liabilities	Note 13	469,112	476,432
Financial instruments	Note 17	14,980	18,767
Employee benefits	Note 14	11,912	13,965
Provisions for risks and charges	Note 15	890	935
Deferred tax liabilities	Note 16	67,843	67,423
Other liabilities	Note 19	152	38
Current liabilities		246,671	232,497
Current financial liabilities	Note 13	126,357	126,052
Current provisions for risks and charges	Note 15	757	928
Current tax liabilities	Note 18	7,253	4,974
Trade payables and other liabilities	Note 19	112,304	100,542

The notes from pages 42 to 97 are an integral part of these condensed interim consolidated financial statements.

Statement of Comprehensive Income

<i>Euro thousands</i>		June 30, 2021	June 30, 2020
Revenue	Note 20	324,554	307,518
Income	Note 21	3,519	5,984
Total revenue		328,073	313,502
Raw materials, consumables, supplies and goods	Note 22	(145,079)	(167,673)
Services and use of third party assets	Note 23	(49,067)	(53,043)
Other costs	Note 24	(2,788)	(5,507)
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	(533)	24,794
Personnel expense	Note 25	(67,279)	(66,908)
Amortisation and depreciation	Note 26	(20,167)	(21,586)
Impairment losses on trade receivables and other assets	Note 27	256	(1,153)
Other impairment losses	Note 28	(3)	(109)
Total operating costs		(284,661)	(291,185)
Operating profit		43,412	22,317
Financial income	Note 29	5,027	2,365
Financial expense	Note 30	(17,180)	(19,597)
Share of profit of equity-accounted investees	Note 32	97	(66)
Net financial expense		(12,056)	(17,298)
Pre-tax profit		31,356	5,020
Income taxes		(8,234)	(4,252)
Deferred taxes		712	1,383
Total taxes	Note 33	(7,522)	(2,869)
Profit from continuing operations		23,834	2,150
Profit for period		23,834	2,150
<i>Attributable to:</i>			
Non-controlling interests		43	(630)
Owners of the parent		23,791	2,780
Other comprehensive income (expense) which may be reclassified subsequently to profit or loss		14,497	(24,462)
Exchange gains (losses)		9,584	(14,258)
Hedging reserves		4,913	(10,204)
Other comprehensive income (expense) which may not be reclassified subsequently to profit or loss		2,271	1,041
Actuarial gains (losses)		2,824	1,333
Taxes		(553)	(292)
Other comprehensive income (expense), net of tax effect		16,768	(23,421)
Comprehensive income (expense)		40,602	(21,270)
<i>Attributable to:</i>			
Non-controlling interests		361	(1,909)
Owners of the parent		40,240	(19,362)
Earnings per share:			
	<i>basic</i>	0.47	0.05
	<i>diluted</i>	0.46	0.05

The notes from pages 42 to 97 are an integral part of these condensed interim consolidated financial statements.

Statement of changes in Equity

	Share capital	Negative reserve for treasury shares in portfolio	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
<i>Euro thousands</i>														
December 31, 2019	46,876	-	7,765	153,608	(4,214)	(34,423)	(16,057)	153,616	24,000	331,171	24,075	2,105	26,180	357,351
Profit for the year								8,607	8,607			(485)	(485)	8,122
Other comprehensive income (expense)					(1,089)	(6,009)	(23,799)		(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)	(23,799)		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, 2020	46,967	-	8,331	154,473	(5,303)	(42,828)	(39,856)	177,616	8,607	308,007	23,753	(485)	23,268	331,275
Profit for the year					2,268	4,913	9,269		23,791	23,791		43	43	23,834
Other comprehensive income (expense)						4,913	9,269		16,449		318		318	16,768
Other changes	18	(488)		173		(45)				(341)	47		47	(294)
Profit for the year recognised directly in equity	18	(488)		173	2,268	4,868	9,269		23,791	39,899	365	43	408	40,308
Allocation of the 2020 profit			406			(406)		8,608	(8,608)		(485)	485		
Dividends								(6,119)		(6,119)	(468)		(468)	(6,587)
June 30, 2021	46,985	(488)	8,737	154,646	(3,035)	(38,366)	(30,587)	180,105	23,790	341,788	23,165	43	23,208	364,996

Note:

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

The notes from pages 42 to 97 are an integral part of these condensed interim consolidated financial statements.

Consolidated Statement of Cash Flows

<i>Euro thousands</i>	June 30, 2021	June 30, 2020
Operating profit	23,834	2,150
Non-monetary and other adjustments:	41,182	43,295
Amortisation and depreciation on intangible assets and property, plant and equipment	14,555	15,990
Amortisation and depreciation on intangible assets and property, plant and equipment <i>IFRS 16</i>	5,613	5,596
Net impairment losses on intangible assets and property, plant and equipment	2	109
Impairment gains/losses on trade receivables and write-downs of inventories	(356)	1,129
Accruals for post-employment and other employees benefits	1,416	275
Exchange losses on foreign currency trade receivables and payables	376	47
Net gains on the sale of intangible assets and property, plant and equipment	(2)	(19)
Net financial expense	12,153	17,232
Net gains/losses on equity investments	(97)	66
Taxes	7,522	2,869
Addition for:	(942)	(3,601)
Income taxes paid	(2,701)	(1,419)
Net unrealised exchange gains/losses on foreign currency assets and liabilities	2,108	(1,548)
Net realised exchange gains/losses on foreign currency assets and liabilities	(349)	(635)
Cash flows from operating activities before changes in net working capital	64,074	41,844
Changes in net working capital:	(58,476)	(81,580)
Change in inventories	633	(24,523)
Change in trade receivables and other assets	(67,954)	(70,856)
Change in trade payables and other liabilities	9,615	15,449
Change in other assets and liabilities	(121)	(1,024)
Change in post-employment and other employee benefits	(649)	(627)
Net cash flows used in operating activities	5,598	(39,737)
Net increase in intangible assets	(1,231)	(1,165)
Net increase in property, plant and equipment	(3,581)	(4,908)
Net increase in property, plant and equipment <i>IFRS 16</i>	(5,370)	(12,552)
Net increase in equity investments measured at cost	-	(43,600)
Net increase/decrease in other financial assets	(576)	239
Interest collected	109	520
Net cash flows used in investing activities	(10,649)	(61,466)
Change in equity	(7,027)	(274)
Financial expense	(9,636)	(11,408)
Financial expense paid <i>IFRS 16</i>	(2,791)	(3,350)
Net increase/decrease in loans and borrowings and other financial liabilities	(17,254)	86,021
Net increase/decrease in lease liabilities <i>IFRS 16</i>	773	8,746
Net cash flows from (used in) financing activities	(35,936)	79,734
Exchange gains/losses and Other non-monetary changes	(668)	3,097
Net cash flows for the period	(41,654)	(18,372)
Opening cash and cash equivalents net of current account overdrafts	116,306	85,580
Closing cash and cash equivalents net of current account overdrafts	74,651	67,208

The notes from pages 42 to 97 are an integral part of these condensed interim consolidated financial statements.

- 1) Cash and cash equivalents at June 30, 2021 totalled Euro 84,807 thousand; current account overdrafts amounted to Euro 10,156 thousand net of relative interest.
- 2) 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.
- 3) The cash flows are presented using the indirect method. In order to provide a more complete and accurate presentation of the individual cash flows, the effects of non-monetary items were eliminated (including the translation of statement of financial position items in currencies other than the Euro), where significant. These effects were aggregated and included in the caption "Other non-monetary changes".

<i>Euro thousands</i>	June 30, 2021	December 31, 2020
Opening Cash and Cash Equivalents	116,306	85,579
Cash and cash equivalents	127,105	100,191
Current account overdrafts	(10,799)	(14,612)
Closing Cash and Cash Equivalents	74,651	116,306
Cash and cash equivalents	84,807	127,105
Current account overdrafts	(10,156)	(10,799)

The notes from pages 42 to 97 are an integral part of these condensed interim consolidated financial statements.

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

<i>Euro thousands</i>		June 30, 2021	<i>of which: Related Parties</i>	December 31, 2020	<i>of which: Related Parties</i>
Assets		1,176,557	-	1,141,333	-
Non-current assets		634,486	-	631,507	-
Intangible assets	Note 1	439,640		435,990	
Property, plant and equipment	Note 2	171,619		171,489	
Non-current financial assets	Note 3	2,375		2,614	
Equity-accounted investees	Note 4	1,218		1,102	
Other equity investments	Note 5	31		31	
Deferred tax assets	Note 6	19,604		20,281	
Current assets		542,071	-	509,826	-
Current financial assets	Note 3	1,770		622	
Current tax assets	Note 7	6,622		9,882	
Inventories	Note 8	261,862		256,288	
Trade receivables and other assets	Note 9	187,010		115,929	
Cash and cash equivalents	Note 10	84,807		127,105	
Liabilities and equity		1,176,557	1,189	1,141,333	484
Equity	Note 12	364,996	-	331,275	-
Share capital		46,985		46,967	
Negative reserve for treasury shares in portfolio		(488)		-	
Reserves		91,394		74,817	
Retained earnings		180,105		177,616	
Profit for the period		23,791		8,607	
Equity attributable to the owners of the parent		341,788		308,007	
Equity attributable to non-controlling interests		23,208		23,268	
Non-current liabilities		564,890	-	577,561	-
Non-current financial liabilities	Note 13	469,112		476,432	
Financial instruments	Note 17	14,980		18,767	
Employee benefits	Note 14	11,912		13,965	
Provisions for risks and charges	Note 15	890		935	
Deferred tax liabilities	Note 16	67,843		67,423	
Other liabilities	Note 19	152		38	
Current liabilities		246,671	1,189	232,497	484
Current financial liabilities	Note 13	126,357		126,052	
Current provisions for risks and charges	Note 15	757		928	
Current tax liabilities	Note 18	7,253		4,974	
Trade payables and other liabilities	Note 19	112,304	1,189	100,542	484

The notes from pages 42 to 97 are an integral part of these condensed interim consolidated financial statements.

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

		June 30, 2021	of which: Related Parties	of which: Non- recurring expenses	June 30, 2020	of which: Related Parties	of which: Non- recurring expenses
<i>Euro thousands</i>							
Revenue	Note 20	324,554		(189)	307,518		(120)
Income	Note 21	3,519			5,984		32
Total revenue		328,073			313,502		
Raw materials, consumables, supplies and goods	Note 22	(145,079)	(1,353)	(624)	(167,673)	(1,215)	(749)
Services and use of third party assets	Note 23	(49,067)	(177)	(1,268)	(53,043)	(185)	(5,523)
Other costs	Note 24	(2,788)		42	(5,507)		
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	(533)			24,794		
Personnel expense	Note 25	(67,279)		(560)	(66,908)		(1,313)
Amortisation and depreciation	Note 26	(20,167)			(21,586)		
Impairment losses on trade receivables and other assets	Note 27	256			(1,153)		
Other impairment losses	Note 28	(3)			(109)		
Total operating costs		(284,661)			(291,185)		
Operating profit		43,412			22,317		
Financial income	Note 29	5,027		19	2,365		(200)
Financial expense	Note 30	(17,180)			(19,597)		
Share of profit of equity-accounted investees	Note 32	97			(66)		
Net financial expense		(12,056)			(17,298)		
Pre-tax profit		31,356			5,020		
Income taxes		(8,234)		410	(4,252)		1,399
Deferred taxes		712			1,383		580
Total taxes	Note 33	(7,522)			(2,869)		
Profit from continuing operations		23,834			2,150		
Profit for period		23,834		(2,170)	2,150		(5,894)
<i>Attributable to:</i>							
Non-controlling interests		43		(45)	(630)		(549)
Owners of the parent		23,791		(2,125)	2,780		(5,345)
Other comprehensive income (expense) which may be reclassified subsequently to profit or loss		14,497			(24,462)		
Exchange gains (losses)		9,584			(14,258)		
Hedging reserves		4,913			(10,204)		
Other comprehensive income (expense) which may not be reclassified subsequently to profit or loss		2,271			1,041		
Actuarial gains (losses)		2,824			1,333		
Taxes		(553)			(292)		
Other comprehensive income (expense), net of tax effect		16,768			(23,421)		
Comprehensive income (expense)		40,602			(21,270)		
<i>Attributable to:</i>							
Non-controlling interests		361			(1,909)		
Owners of the parent		40,240			(19,362)		
Earnings per share:							
	<i>basic</i>	0.47			0.05		
	<i>diluted</i>	0.46			0.05		

The notes from pages 42 to 97 are an integral part of these condensed interim consolidated financial statements.

Notes to the condensed interim consolidated financial statements

Introduction

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

The Condensed Interim Consolidated Financial Statements of the F.I.L.A. Group as at and for the six months ended June 30, 2021 were prepared in accordance with IAS 34 Interim Financial Reporting, as established also by Article 154-ter of the Consolidated Finance Act (Legislative Decree No. 58/1998) and should be read together with the Consolidated Financial Statements of the F.I.L.A. Group at December 31, 2020 (the “latest financial statements”). Although not presenting all the information required for complete financial statement disclosure, specific notes are included outlining the events and transactions central to understanding the changes to the F.I.L.A. Group’s financial position and performance since the latest financial statements.

These condensed interim consolidated financial statements are presented in Euro, as the functional currency in which the Group operates and comprise the 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 these Notes are expressed in thousands of Euro, except where otherwise stated.

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

These condensed interim consolidated financial statements were authorised for publication by the Parent's Board of Directors on August 5, 2021.

Basis of preparation

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

The changes to the accounting standards will also impact the Group's consolidated financial statements as at and for the year ending December 31, 2021.

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

Accounting standards, amendments and interpretations applicable from periods beginning January 1, 2021

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

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

Reform of Interest Rate Benchmarks - 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.

With reference to the standards and interpretations applicable from the year beginning January 1, 2021, there is no material impact on the measurement of the Group's assets, liabilities, costs and revenue.

Accounting standards, amendments and interpretations not yet endorsed by the EU and applicable in advance from periods beginning January 1, 2021.

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 recorded on a uniform basis, overcoming the problems created within IFRS 4.

The standard is applicable from January 1, 2023, however early application is permitted.

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

The IASB has clarified how to classify payables and other liabilities among current and non-current liabilities. These amendments will be applied retrospectively from January 1, 2023. Early application is permitted.

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

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

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

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

Annual Improvements to IFRS® Standards 2018–2020

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

The principal 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 on the basis of 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 included in the "10% test" for the purposes of 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 to or by the borrower and the lender and the fees paid or received by the borrower or the lender on the other party'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 - Taxes in Fair Value Measurement* - The IASB Board clarifies that tax-related cash flows 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 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 transfer of a non-monetary asset to a joint venture or associate in exchange for a share of the capital of this latter. Currently, the IASB has suspended the application of this amendment.

Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting standards

Accounting policies

Share-based payment arrangement

2019-2021 Performance Shares Plan

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

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

The total maximum number of shares to be assigned to beneficiaries of the “2019-2021 Performance Shares Plan” was established at 789,320. It is stipulated that these shares derive from (i) a share capital increase to be executed through the use, in accordance with Article 2349 of the Italian Civil Code, of profits or retained earnings and/or (ii) treasury shares from purchases made in accordance with Article 2357 and 2357-ter of the 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 average weighted volatility): 26.4%;
- ▶ Duration of the option: 3 years;
- ▶ Expected dividends: 0.50% per year.

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

Fair value measurement

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

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

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

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

Exchange rates adopted for translation

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

rate for the year. The exchange differences are recorded under other comprehensive income and included in the translation reserve, except for exchange differences attributable to non-controlling interests.

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

EXCHANGE RATES		
	Average Exchange Rates June 30, 2021	Closing Exchange Rates June 30, 2021
Argentinean Peso	109,973	113,644
Australian Dollar	1,563	1,585
Brazilian Real	6,492	5,905
Canadian Dollar	1,504	1,472
Swiss Franc	1,094	1,098
Chilean Peso	867,990	866,750
Renminbi Yuan	7,798	7,674
Euro	1,000	1,000
Pound	0,868	0,858
Indonesian Rupiah	17,225.530	17,280.300
Shekel	3,937	3,876
Indian Rupee	88,449	88,324
Mexican Peso	24,321	23,578
Polish Zloty	4,537	4,520
Russian Ruble	89,605	86,773
Swedish Krona	10,130	10,111
Dominican Peso	1,606	1,598
Turkish Lira	9,513	10,321
US Dollar	1,206	1,188
South Africa Rand	17,533	17,011

Source: Banca d'Italia

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 by geographical segment, at June 30, 2021 and December 31, 2020, are reported below:

June 30, 2021	Europe	North America	Central & South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
<i>Euro thousands</i>							
Intangible Assets	141,162	215,480	1,087	20,282	-	61,629	439,640
Property, plant & equipment	65,865	47,157	21,067	37,158	372	-	171,619
Total non-current assets	207,027	262,637	22,154	57,440	372	61,629	611,259
<i>of which Intercompany</i>	<i>(76)</i>						
Inventories	93,038	102,120	38,954	29,942	1,932	(4,124)	261,862
Trade receivables and Other assets	113,522	66,408	43,691	16,476	1,035	(54,122)	187,010
Trade payables and Other liabilities	(83,051)	(42,413)	(18,950)	(17,320)	(2,530)	51,960	(112,304)
Other Current Assets and Liabilities	(1,033)	(102)	435	84	(14)	-	(630)
Net Working Capital	122,476	126,013	64,130	29,182	423	(6,286)	335,938
<i>of which Intercompany</i>	<i>(9,159)</i>	<i>(2,880)</i>	<i>4,678</i>	<i>(1,170)</i>	<i>2,245</i>		
Net Financial Debt	(229,487)	(233,083)	(46,267)	(13,803)	(3,268)	2,035	(523,873)
<i>of which Intercompany</i>	<i>2,035</i>						

December 31, 2020	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
<i>Euro thousands</i>							
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
<i>of which Intercompany</i>	<i>(76)</i>						
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
<i>of which Intercompany</i>	<i>(11,661)</i>	<i>1,915</i>	<i>2,676</i>	<i>(1,425)</i>	<i>3,104</i>		
Net Financial Debt	(208,813)	(231,068)	(41,077)	(8,777)	(2,481)	(1,240)	(493,456)
<i>of which Intercompany</i>	<i>140</i>						

Business Segments – Income Statement

The Group's key income statement figures broken down by geographical segment for the six months ended June 30, 2021 and June 30, 2020, are reported below:

June 30, 2021							
<i>Euro thousands</i>	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Revenue	169,646	157,829	34,023	38,896	1,872	(77,712)	324,554
<i>of which Intercompany</i>	<i>(47,446)</i>	<i>(5,113)</i>	<i>(8,453)</i>	<i>(16,695)</i>	<i>(5)</i>	-	
Gross operating profit	28,289	28,596	2,857	2,929	17	638	63,326
Operating profit	19,618	22,555	1,155	(628)	(95)	807	43,412
Net financial income (expense)	2,330	(5,244)	(2,651)	(587)	(56)	(5,848)	(12,056)
<i>of which Intercompany</i>	<i>(6,252)</i>	<i>(58)</i>	<i>390</i>	<i>33</i>	<i>39</i>	-	
Profit (loss) for the period	18,247	13,151	(1,256)	(892)	(165)	(5,251)	23,834
Profit (loss) attributable to Non-controlling interests	546	214	-	(717)	-	-	43
Profit (loss) attributable to the owners of the Parent	17,701	12,937	(1,256)	(175)	(165)	(5,251)	23,791

June 30, 2020							
<i>Euro thousands</i>	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Revenue	142,336	168,241	34,725	47,755	1,419	(86,958)	307,518
<i>of which Intercompany</i>	<i>(41,998)</i>	<i>(6,165)</i>	<i>(17,753)</i>	<i>(21,042)</i>	-		
Gross operating profit	16,024	23,718	2,632	6,113	(289)	(3,033)	45,166
Operating profit	7,113	15,817	803	2,116	(677)	(2,855)	22,317
Net financial income (expense)	(785)	(5,775)	(4,470)	(582)	(55)	(5,631)	(17,298)
<i>of which Intercompany</i>	<i>(4,823)</i>	<i>(847)</i>	<i>(20)</i>	<i>8</i>	<i>51</i>		
Profit (loss) for the period	6,133	6,692	(3,556)	866	(791)	(7,194)	2,150
Profit (loss) attributable to Non-controlling interests	124	76	-	(827)	(3)	-	(630)
Profit (loss) attributable to the owners of the Parent	6,011	6,616	(3,556)	1,692	(788)	(7,194)	2,780

Business Segments – Other Information

The “other information” on the Group companies’ property, plant and equipment and intangible assets broken down by geographical segment for the periods ended June 30, 2021 and June 30, 2020, are reported below:

June 30, 2021						
<i>Euro thousands</i>	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
Intangible assets	1,230	-	-	1	-	1,231
Property, plant and equipment	1,062	534	394	1,583	9	3,583
Property, plant and equipment <i>Right of Use</i>	3,798	-	28	1,567	(24)	5,370
Net investments	6,090	534	422	3,151	(15)	10,184

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

Note 1 - Intangible Assets

Intangible Assets at June 30, 2021 amount to Euro 439,640 thousand (Euro 435,990 thousand at December 31, 2020) and comprise for Euro 165,048 thousand intangible assets with indefinite useful lives – goodwill (“Note 1.B - Goodwill”) and for Euro 274,592 thousand intangible assets with finite useful lives (“Note 1.D – Intangible Assets with definite useful lives”).

The changes of the year were as follows:

Note 1.A - INTANGIBLE ASSETS						
	Goodwill	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
<i>Euro thousands</i>						
Historical cost						
December 31, 2019	147,761	200	145,823	187,618	1,927	483,329
Increases	21,232	-	12,624	11,657	281	45,794
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 gains (losses)	(6,090)	-	(8,351)	(14,176)	-	(28,617)
December 31, 2020	162,903	200	149,607	184,768	2,208	499,686
Increases	2,145	-	3,470	6,467	167	12,249
Investments	-	-	32	504	695	1,231
Transfers from assets under development	-	-	-	528	(528)	-
Exchange gains (losses)	2,145	-	3,438	5,435	-	11,018
Decreases	-	-	-	(144)	-	(144)
Reclassifications	-	-	-	(144)	-	(144)
June 30, 2021	165,048	200	153,077	191,092	2,375	511,792

	Goodwill	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
<i>Euro thousands</i>						
Accumulated amortisation						
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 gains (losses)	-	-	1,841	1,672	-	3,514
December 31, 2020	-	(177)	(33,179)	(30,340)	-	(63,696)
Increases	-	(3)	(3,210)	(5,277)	-	(8,489)
Depreciation	-	(3)	(2,505)	(4,602)	-	(7,110)
Exchange gains (losses)	-	-	(705)	(675)	-	(1,379)
Decreases	-	-	-	33	-	33
Reclassifications	-	-	-	33	-	33
June 30, 2021	-	(180)	(36,389)	(35,583)	-	(72,152)
Carrying amount at December 31, 2019	147,761	31	115,394	165,496	1,927	430,609
Carrying amount at December 31, 2020	162,903	23	116,428	154,428	2,208	435,990
Carrying amount at June 30, 2021	165,048	20	116,688	155,509	2,375	439,640
Change	2,145	(3)	260	1,081	167	3,650

Intangible Assets with Indefinite Useful Lives

Intangible Assets with Indefinite Useful Lives are comprised entirely of goodwill for a total amount of Euro 165,048 thousand (Euro 162,903 thousand at December 31, 2020). The increase on December 31, 2020 is entirely due to positive currency differences of Euro 2,145 thousand.

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

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

The cash generating units relate to the operating segments, on a geographical basis, in line with the minimum level at which goodwill is monitored for internal management purposes. The breakdown of the Group assets by CGU and the identification criteria has not changed compared to December 31, 2020.

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

NOTE 1.B GOODWILL BY CASH GENERATING UNIT

	June 30, 2021	December 31, 2020	Change	Goodwill Reallocation	Exchange Rate Difference	Impairment Losses	Change in Consolidation Scope
<i>Euro thousands</i>							
DOMS Industries Pvt Ltd (India)	33,263	33,261	2	-	2	-	-
Canson Group (4)	17,015	17,015	-	-	-	-	-
Fila Arches	5,473	5,473	-	-	-	-	-
Daler Group - Rowney Lukas (5)	5,922	5,922	0	-	0	-	-
North America(2)	95,297	93,215	2,082	-	2,082	-	-
Dixon Group - Center/South America(1)	1,829	1,768	61	-	61	-	-
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	165,049	162,904	2,145	-	2,145	-	-

(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); Bridesshore srl (Dominican Republic) on CGU North America; Dixon Ticonderoga ART ULC; Castle Hill Crafts (UK); Princeton Hong Kong (U.S.A).

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

(4) - Canson SAS (France); Lodi 12 SAS (France); Canson Brasil I.P.E. LTDA (Brasil); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China); Fila Iberia S.L. (Spain); Fila Yejing (China) Canson Italy (Italy).

(5) - Renoir Topco Ltd (UK); Renoir Midco Ltd (UK); Renoir Bidco Ltd (UK); FILA Benelux SA (Belgium); Daler Rowney Ltd (UK); Bridesshore srl (Dominican Republic) on CGU Daler e Creativity International (UK).

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

The allocation of goodwill was made considering individual CGU's or Groups of CGU's based on potential synergies and similar operating strategies on the various markets.

The objective of the impairment test carried out by the Group is to compare the carrying amount of the cash generating units to which the goodwill was allocated with the relative recoverable amount. This latter is determined as the higher of the fair value less costs to sell and the value in use estimated by discounting cash flows.

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

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

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 the Business Plan and applying the growth rate identified for each CGU in line with the long-term assumptions relating to the growth rate of the sector and the specific risk of the country in which each CGU operates. The process to calculate the "Value in use" centres on measurement assumptions influenced by market performances, which in view of the specific social-economic conditions are difficult to predict and tend towards instability, in addition to the assumptions underlying the expected synergies, as reflected in the business plan. The "Terminal Value" was calculated applying the perpetual yield method.

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

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

The Directors of F.I.L.A. S.p.A., considering the effects of the current COVID-19 pandemic to constitute a potential indicator of impairment, have identified as a trigger event the recoverability of the net assets of the *DOMS Industries Pvt Ltd (India)* and *Gruppo Dixon – Central/South America* CGU’s. The impairment test carried out on the CGU’s did not indicate any impairment losses.

The table below outlines the main assumptions for the impairment test. The discount rate was altered from December 31, 2020 to reflect the changed market conditions at June 30, 2021, as commented upon below:

IMPAIRMENT TEST GOODWILL - VALUE IN USE CALCULATION ASSUMPTIONS				
<i>Euro thousands</i>	Discount Rate (W.A.C.C.)	Growth Rate (g rate)	Cash flow horizon	Terminal Value Calculation Method
DOMS Industries Pvt Ltd (India)	11.80%	4.1%	5 years	Perpetuity growth rate
Dixon Group - Central / South America ⁽¹⁾	10.80%	3.7%	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).*

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

- ▶ DOMS Industries Pvt Ltd (India) – The W.A.C.C. is 11.8% (11.3% at December 31, 2020), with the change on the previous year principally due to a decrease in the risk-free rate;
- ▶ Gruppo Dixon - Central/South America - the discount rate was 10.8% (10.4% at December 31, 2020), with the movement in the previous year mainly due to the increase in the risk free rate.

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

Further complementary analysis was also undertaken such as:

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

SENSITIVITY ANALYSIS - Variable Growth Rate		
	Discount Rate (W.A.C.C.)	Growth Rate (g rate)
DOMS Industries Pvt Ltd (India)	11.8%	(0.4%)
Dixon Group - Central / South America ⁽¹⁾	10.8%	(0.4%)

SENSITIVITY ANALYSIS - Variable W.A.C.C.		
	Discount Rate (W.A.C.C.)	Growth Rate (g rate)
DOMS Industries Pvt Ltd (India)	15.2%	4.1%
Dixon Group - Central / South America ⁽¹⁾	13.7%	3.7%

- ▶ The comparison between the value in use of the CGU for 2021 and 2020 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 FY 2021 will extend into FY 2022, deferring the start of a full

economic recovery until 2023.

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

Intangible Assets with Finite Useful Lives

The changes at June 30, 2021 of “Intangible Assets with Finite Useful Lives” are reported below:

Note 1.D - INTANGIBLE ASSETS WITH FINITE USEFUL LIVES					
<i>Euro thousands</i>	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
Historical cost					
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)
Net exchange losses	-	(8,351)	(14,176)	-	(22,527)
December 31, 2020	200	149,607	184,768	2,208	336,783
Increases	-	3,470	6,475	167	10,112
Investments	-	32	504	695	1,231
Transfers from assets under development	-	-	528	(528)	-
Reclassifications	-	-	8	-	8
Net exchange gains	-	3,438	5,435	-	8,873
Decreases	-	-	(152)	-	(152)
Reclassifications	-	-	(152)	-	(152)
June 30, 2021	200	153,077	191,092	2,375	346,744

<i>Euro thousands</i>	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
Accumulated amortisation					
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
Net exchange gains	-	1,841	1,672	-	3,514
December 31, 2020	(177)	(33,179)	(30,340)	-	(63,696)
Increases	(3)	(3,210)	(5,244)	-	(8,456)
Depreciation	(3)	(2,505)	(4,602)	-	(7,110)
Reclassifications	-	-	33	-	33
Net exchange losses	-	(705)	(675)	-	(1,379)
June 30, 2021	(180)	(36,389)	(35,583)	-	(72,152)
Carrying amount at December 31, 2019	31	115,394	165,496	1,927	282,848
Carrying amount at December 31, 2020	23	116,428	154,428	2,208	273,087
Carrying amount at June 30, 2021	20	116,688	155,509	2,375	274,592
Change	(3)	260	1,081	167	1,505

“Industrial Patents and Intellectual Property Rights” amount to Euro 20 thousand at June 30, 2021 (Euro 23 thousand at December 31, 2020).

The average residual useful life of the “Industrial Patents and Intellectual Property Rights”, recognised at June 30, 2021, is 5 years.

“Concessions, Licences, Trademarks and Similar Rights” amount to Euro 116,688 thousand at June 30, 2021 (Euro 116,428 thousand at December 31, 2020).

The carrying amount increased by Euro 260 thousand on December 31, 2020, mainly due to positive currency differences for Euro 2,733 thousand, increases in investments for Euro 32 thousand, partially offset by amortisation of the period of Euro 2,505 thousand. In addition, a significant amount of the amortisation relates to the “Business combinations” undertaken in 2018 and concerning the brands held by the Pacon Group (Euro 31,903 thousand) and with regards to that undertaken in 2016 and relating to the brands held by the English Group Daler Rowney (Euro 40,223 thousand) and by the Canson Group (Euro 32,400 thousand).

The other historic trademarks subject to amortisation refer principally to “Lapimex” held by Grupo 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 at June 30, 2021, 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. “Concessions, Licenses, Trademarks and Similar Rights” are considered in the impairment test carried out on the net assets attributable to the *DOMS Industries Pvt Ltd (India)* and *Grupo Dixon – Central/South America* CGU’s. The impairment test carried out on the CGU’s did not indicate any losses in value.

“Other Intangible Assets” amount to Euro 155,509 thousand at June 30, 2021 (Euro 154,428 thousand at December 31, 2020) and mainly include “Customer Relationships” and “Development Technologies”, emerging from the “Purchase Price Allocation”. The increase on the previous year was Euro 1,081 thousand and mainly concerned positive currency differences of Euro 4,760 thousand, net investments of Euro 504 thousand and the entry into use of assets under development for a total of Euro 528 thousand, all partially offset by amortisation of the period of Euro 4,602 thousand.

Amortisation was Euro 4,602 thousand and concerns in particular the “Development Technology” recognised by the companies of the Daler-Rowney Lukas Group (Euro 30,532 thousand), the Canson Group (Euro 1,500 thousand) and St. Cuthberts (UK) (Euro 2,462 thousand), identified as strategic assets through the “Purchase Price Allocation” within the business combinations undertaken in 2016 and the amount of the “Customer Relationship” determined by the “Purchase Price Allocation” as part of the business combination resulting in the acquisition of the Pacon Group (Euro 131,420 thousand).

The average useful life of “Other Intangible Assets”, recognised at June 30, 2021, is 30 years.

“Assets under development” totalled Euro 2,375 thousand (Euro 2,208 thousand at December 31, 2020), entirely concerning F.I.L.A. S.p.A. and relating to investments for the installation of the new ERP system (Enterprise Resource Planning) which were not 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 June 30, 2021, “Property, Plant and Equipment” amounted to Euro 171,619 thousand (Euro 171,489 thousand at December 31, 2020), consisting for Euro 94,625 thousand of Property, Plant and Equipment (“Note 2.A - Property, Plant and Equipment”) and Euro 76,994 thousand of Right-of-Use assets (“Note 2.B - Right-of-Use assets”).

The changes in the year are shown below:

Note 2.A - PROPERTY, PLANT AND EQUIPMENT							
	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
<i>Euro thousands</i>							
Historical cost							
December 31, 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)	(11)	-	(191)
Net 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
Increases	230	793	5,558	8	384	678	7,650
Investments	-	182	1,798	266	153	1,198	3,596
Transfers from assets under construction	-	11	459	60	1	(531)	-
Reclassifications	-	-	785	(632)	-	(8)	144
Net exchange gains	230	600	2,457	314	187	19	3,807
Other	-	-	59	-	44	-	103
Decreases	-	-	(294)	(116)	(3)	-	(413)
Disinvestments	-	-	(293)	(104)	(3)	-	(400)
Impairment losses	-	-	(1)	(12)	-	-	(13)
June 30, 2021	13,143	65,895	141,083	20,906	9,729	1,778	252,534

<i>Euro thousands</i>	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Accumulated depreciation							
December 31, 2019	-	(34,633)	(83,050)	(15,855)	(7,703)	-	(141,241)
Increases	-	(2,421)	(11,502)	(1,727)	(764)	-	(16,414)
Depreciation	-	(2,424)	(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	1,751	1,540	336	-	3,683
Net exchange gains	-	610	3,724	366	597	-	5,297
December 31, 2020	-	(36,389)	(89,076)	(15,675)	(7,535)	-	(148,675)
Increases	-	(1,461)	(6,767)	(853)	(540)	-	(9,621)
Depreciation	-	(1,261)	(5,163)	(673)	(348)	-	(7,445)
Reclassifications	-	-	-	(33)	-	-	(33)
Write-down	-	-	-	10	1	-	11
Net exchange losses	-	(200)	(1,535)	(157)	(153)	-	(2,045)
Other	-	-	(69)	-	(40)	-	(109)
Decreases	-	-	289	98	-	-	387
Disinvestments	-	-	289	98	-	-	387
June 30, 2021	-	(37,849)	(95,554)	(16,431)	(8,076)	-	(157,910)
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
Carrying amount at June 30, 2021	13,143	28,046	45,529	4,475	1,654	1,778	94,625
Change	230	(669)	(1,214)	(864)	(159)	679	(1,997)

“Land” at June 30, 2021 amounts to Euro 13,143 thousand (Euro 12,913 thousand at December 31, 2020) and includes the land relating to the buildings and production facilities owned by the Parent F.I.L.A. S.p.A. (Rufina Scopeti – Italy), by the subsidiary Lyra KG (Germany), by DOMS Industries Pvt Ltd (India), Daler Rowney Ltd (UK) and by Canson SAS (France). The increase in the period of Euro 230 thousand is due to positive currency differences of Euro 230 thousand.

“Buildings” at June 30, 2021 amount to Euro 28,046 thousand (Euro 28,715 thousand at December 31, 2020) and principally concern the buildings of the Group production facilities. The decrease on December 31, 2020 was Euro 669 thousand. Net investments amounted to Euro 182 thousand, in addition to capitalised work in progress of Euro 11 thousand. Net investments were principally made by DOMS Industries PVT Ltd (India) (Euro 116 thousand), St. Cuthberts Mill Limited Paper (United Kingdom) (Euro 28 thousand), F.I.L.A. S.p.A. (Euro 24 thousand) and relate to the storage and production site extension plan.

Depreciation of Euro 1,261 thousand particularly concerns Canson SAS (France), F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A) and DOMS Industries Pvt Ltd (India), while net exchange gains contributed Euro 400 thousand.

“Plant and Machinery” amount to Euro 45,529 thousand (Euro 46,743 thousand at December 31, 2020). Compared to the first half of the previous year, this caption decreased Euro 1,214 thousand. The main movements in this category concern net investments of Euro 1,798 thousand, mainly by DOMS Industries Pvt Ltd (India) for Euro 1,326 thousand, and by F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 164 thousand. In addition, assets under construction of Euro 459 thousand and positive currency differences of Euro 922 thousand were reclassified. These increases were offset by depreciation of Euro 5,163 thousand.

“Industrial and Commercial Equipment” amounted to Euro 4,475 thousand at June 30, 2021 (Euro 5,339 thousand at December 31, 2020). The decrease of Euro 864 thousand is mainly due to depreciation in the period of Euro 673 thousand, partially offset by acquisitions of Euro 265 thousand, mainly concerning F.I.L.A. S.p.A. for Euro 102 thousand and Fila Nordic (Scandinavia) for Euro 74 thousand. In addition, assets under construction of Euro 60 thousand and net exchange gains of Euro 157 thousand were reclassified.

“Other Assets” amount to Euro 1,654 thousand at June 30, 2021 (Euro 1,813 thousand at December 31, 2020) and include furniture and office equipment, EDP and motor vehicles. The item decreased in the period by Euro 159 thousand. The movements in this category concern net investments of Euro 153 thousand, mainly by DOMS Industries Pvt Ltd (India) for Euro 76 thousand, and positive currency differences of Euro 34 thousand. These increases were offset by depreciation of Euro 348 thousand.

“Assets under construction” include internal constructions undertaken by the individual companies of the Group which are not yet operational. The carrying amount at June 30, 2021 was Euro 1,778 thousand, increasing on the previous period by Euro 679 thousand, due to investments in the period of Euro 1,198 thousand by Dixon Ticonderoga Company (U.S.A.) for Euro 514 thousand and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 213 thousand, offset by the decrease due to the transfer of assets, mainly by the French subsidiary Canson SAS (Euro 297 thousand), by F.I.L.A. S.p.A. (Euro 100 thousand) and by the subsidiary Fila Dixon Stationery (Kunshan) Co. Ltd (Euro 96 thousand).

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

Right-of-Use assets

The changes of the year are shown below:

Note 2.B - RIGHT-OF-USE ASSETS					
	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Total
<i>Euro thousands</i>					
Historic cost					
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)	(788)	(44)	(690)	(10,601)
Decrease (Disposal)	(1,159)	(611)	(34)	(485)	(2,289)
Impairment losses	(869)	-	-	-	(869)
Net exchange losses	(7,050)	(177)	(10)	(205)	(7,443)
December 31, 2020	89,118	348	456	3,573	93,495
Increases	6,845	468	1,166	692	9,170
Investments	3,870	456	1,156	676	6,158
Net exchange gains	2,975	12	10	16	3,012
Decreases	(1,182)	(120)	(83)	(179)	(1,564)
Decrease (Disposal)	(1,182)	(120)	(83)	(179)	(1,564)
June 30, 2021	94,781	696	1,539	4,086	101,102
Accumulated depreciation					
December 31, 2019	(8,775)	(487)	(73)	(1,173)	(10,508)
Increases	(9,735)	(102)	(137)	(1,000)	(10,974)
Depreciation	(9,735)	(102)	(137)	(1,000)	(10,974)
Decreases	1,749	453	27	625	2,854
Decrease (Disposal)	432	329	24	496	1,281
Net exchange gains	1,097	124	3	129	1,353
Other	220	-	-	-	220
December 31, 2020	(16,761)	(136)	(183)	(1,548)	(18,628)
Increases	(5,448)	(107)	(150)	(549)	(6,255)
Depreciation	(4,823)	(104)	(144)	(542)	(5,613)
Net exchange losses	(625)	(3)	(6)	(7)	(642)
Decreases	484	29	83	179	775
Decreases (Disposal)	484	29	83	179	775
June 30, 2021	(21,725)	(214)	(250)	(1,918)	(24,107)
Carrying amount at December 31, 2019	77,231	465	343	2,334	80,373
Carrying amount at December 31, 2020	72,357	212	273	2,025	74,867
Carrying amount at June 30, 2021	73,057	481	1,289	2,167	76,994
Change	700	269	1,016	142	2,127

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

“Buildings” at June 30, 2021 amount to Euro 73,057 thousand, increasing on the previous year by Euro 700 thousand. The increase is mainly due to net investments of Euro 2,154 thousand, by the subsidiary Fila Nordic (Scandinavia) and by DOMS Industries PVT Ltd (India) of Euro 1,543 thousand and positive currency effects of Euro 2,350 thousand, partially offset by depreciation in the period of Euro 4,823 thousand and net divestments by the subsidiary Fila Russia of Euro 461 thousand.

“Plant and Machinery” at June 30, 2021 amounted to Euro 481 thousand. The increase of Euro 269 thousand is mainly due to net investments of Euro 365 thousand, mainly by F.I.L.A. S.p.A. (Euro 248 thousand) and the subsidiary Fila Nordic (Scandinavia) for Euro 163 thousand, partially offset by depreciation in the period of Euro 104 thousand.

“Industrial and Commercial Equipment” at June 30, 2021 totalled Euro 1,289 thousand. The increase of Euro 1,016 thousand is mainly due to net investments of Euro 1,156 thousand, principally concerning the subsidiary Daler Rowney Ltd (United Kingdom) for Euro 1,125 thousand, offset by depreciation in the period of Euro 144 thousand.

“Other Assets” at June 30, 2021 totalled Euro 2,167 thousand and principally concerned vehicles. Compared to the previous year, this item increased by Euro 142 thousand, composed of net investments of Euro 676 thousand, mainly by Canson S.A.S. (France) for Euro 266 thousand, and F.I.L.A. S.p.A. for Euro 206 thousand, offset by depreciation for the year of Euro 542 thousand.

Note 3 – Financial assets

“Financial assets” amount to Euro 4,145 thousand at June 30, 2021 (Euro 3,236 thousand at December 31, 2020):

Note 3.A - FINANCIAL ASSETS						
<i>Euro thousands</i>	Financial Instruments measured through profit or loss: Interests	Financial instruments measured through profit or loss	Financial Investments Held to Maturity: Interest	Loans and Receivables	Other financial assets	Total
December 31, 2020	-	-	375	145	2,716	3,236
non-current portion	-	-	-	68	2,546	2,614
current portion	-	-	375	77	170	622
June 30, 2021	1	1,042	521	79	2,502	4,145
non-current portion	-	-	-	-	2,375	2,375
current portion	1	1,042	521	79	127	1,770
Change	1	1,042	146	(66)	(214)	909
non-current portion	-	-	-	(68)	(171)	(239)
current portion	1	1,042	146	2	(43)	1,148

Financial Instruments measured through P&L

This account amounts to Euro 1,042 thousand and relates to banking products of a financial nature held by the Chinese subsidiary Fila Dixon Stationery Kunshan.

Financial investments held to maturity

This account amounts to Euro 521 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 79 thousand and concern financial assets claimed from third parties and recognised by F.I.L.A. S.p.A.

Other financial assets

“Other financial assets” totalled Euro 2,502 thousand (Euro 2,716 thousand at December 31, 2020), decreasing Euro 214 thousand. They principally concern the deposits paid for guarantee purposes on goods and service supply contracts of the various Group companies, including in particular DOMS Industries Pvt Ltd (India) (Euro 1,306 thousand) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) (Euro 301 thousand). In relation to the amount of Euro 548 thousand recognised by Dixon

Ticonderoga Company (U.S.A.), the account concerns assets underlying employee indemnity plans.

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


Note 4 - Equity-accounted investees

Note 4.A - EQUITY-ACCOUNTED INVESTEEES	
<i>Euro thousands</i>	Inv. in associates
December 31, 2019	947
Increases	271
Changes in equity investments	271
Decreases	(116)
Net exchange losses	(116)
December 31, 2020	1,102
Increases	99
Investments	2
Changes in equity investments	97
Net exchange gains	17
Decreases	0
June 30, 2021	1,218
Change	116

“Equity-accounted investees” amount to Euro 1,218 thousand (Euro 1,102 thousand at December 31, 2020).

The change in the period relates to the two investments in associates held by DOMS Industries Pvt Ltd (India). At June 30, 2021, the carrying amount of the investments was adjusted in line with the share of Equity held in the associates.

The increase in equity investments concerns the incorporation of two new Indian companies:

-  Inxon Pens & Stationary Private Limited;
-  Fixy Adhesives Private Limited.

Note 5 - Other investments

“Other Investments”, amounting to Euro 31 thousand, relate to the Parent’s investment of Euro 28 thousand in Maimeri S.p.A., corresponding to 1% of the share capital, and in the consortiums Conai, Energia Elettrica Zona Mugello and Energia Elettrica Milano at June 30, 2021.

Note 6 – Deferred tax assets

“Deferred Tax Assets” amount to Euro 19,604 thousand at June 30, 2021 (Euro 20,281 thousand at December 31, 2020).

The changes in “Deferred Tax Assets” are illustrated in the table below with indication of the opening balance, changes during the year and the closing balance at June 30, 2021.

Note 6.A - CHANGES IN DEFERRED TAX ASSETS	
<i>Euro thousands</i>	
December 31, 2019	18,391
Increase	4,350
Utilisation	(1,976)
<i>Change in consolidation scope</i>	<i>164</i>
Net exchange losses	(902)
Increase recognised in equity	254
December 31, 2020	20,281
Increase	1,858
Utilisation	(2,341)
Net exchange gains	349
Increase recognised in equity	(543)
June 30, 2021	19,604
Change	(677)

Increases in the period mainly concern the elimination of inventory margins for Euro 1,142 thousand. Deferred tax assets accounted for through an equity reserve relate to the change in the IAS 19 reserve.

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

Note 7 - Current tax assets

At June 30, 2021, tax assets relating to corporation tax amounted overall to Euro 6,622 thousand (Euro 9,882 thousand at December 31, 2020) and refer principally to the subsidiaries Dixon Ticonderoga Co. (U.S.A.) for Euro 3,313 thousand, DOMS Industries Pvt Ltd (India) for Euro 1,505 thousand, Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 650 thousand and the Parent F.I.L.A. S.p.A. for Euro 403 thousand.

Note 8 - Inventories

Inventories at June 30, 2021 amount to Euro 261,862 thousand (Euro 256,288 thousand at December 31, 2020):

Note 8.A - INVENTORIES				
<i>Euro thousands</i>	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2020	58,304	27,281	170,703	256,288
June 30, 2021	59,380	28,468	174,014	261,862
Change	1,076	1,187	3,311	5,574

They increased by Euro 5,574 thousand, mainly due to positive currency differences of Euro 6,352 thousand. Stock decreased by Euro 633 thousand, mainly due to the subsidiary Dixon Ticonderoga Company (U.S.A.) for Euro 13,151 thousand, offset partially by the increase in stock at the subsidiaries Canson S.A.S. (France) for Euro 4,765 thousand, Daler Rowney Ltd (United Kingdom) for Euro 3,160 thousand and DOMS Industries Pvt Ltd (India) for Euro 1,465 thousand.

Inventories are presented net of the allowance for inventory write-down for raw materials (Euro 1,484 thousand), work-in-progress (Euro 457 thousand) and finished goods (Euro 4,114 thousand). The allowance refers to obsolete or slow moving items for which it is not considered possible to recover their value through sale.

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

<i>Euro thousands</i>	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2019	1,621	437	4,367	6,425
Accruals	373	269	668	1,310
Utilisation	(585)	(252)	(238)	(1,075)
Net exchange losses	(41)	(53)	(163)	(256)
Other	-	-	(251)	(251)
December 31, 2020	1,368	401	4,383	6,152
Accruals	136	86	2	224
Utilisation	(23)	(30)	(271)	(324)
Net exchange gains	3	-	-	3
June 30, 2021	1,484	457	4,114	6,055
Change	116	56	(269)	(97)

Note 9 – Trade receivables and other assets

Trade receivables and other assets amount to Euro 187,010 thousand at June 30, 2021 (Euro 115,929 thousand at December 31, 2020):

Note 9.A - TRADE RECEIVABLES AND OTHER ASSETS

<i>Euro thousands</i>	June 30, 2021	December 31, 2020	Change
Trade receivables	174,967	102,155	72,812
Tax assets	2,807	2,420	387
Other	5,536	7,470	(1,934)
Prepayments and accrued income	3,700	3,884	(184)
Total	187,010	115,929	71,081

Trade receivables increased on December 31, 2020 by Euro 72,812 thousand, which net of the positive currency differences of Euro 2,452 thousand, is mainly due to Dixon Ticonderoga Company (U.S.A.) for Euro 33,283 thousand, F.I.L.A. S.p.A. for Euro 15,310 thousand and Canson SAS (France) for Euro 8,218 thousand.

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

Note 9.B - CHANGES IN THE LOSS ALLOWANCE	
<i>Euro thousands</i>	
December 31, 2019	5,945
Accruals	2,084
Utilisation	(966)
Release	(383)
Net exchange losses	(550)
Other changes	(493)
December 31, 2020	5,637
Accruals	227
Utilisation	(270)
Release	(174)
Net exchange gains	94
June 30, 2021	5,514
Change	(123)

The Group measures the loss allowance at an amount reflecting the lifetime expected credit losses of the asset. In order to establish whether the credit risk concerning a financial asset has increased significantly after initial recognition in order to assess expected credit losses, the Group considers reasonable and demonstrable information which is pertinent and available without excessive cost or burden. Quantitative and qualitative information and analysis, based on historic Group experience, to assess the asset - in addition to information indicative of expected developments - is included. The allowance was utilised for Euro 270 thousand, mainly due to the subsidiary Dixon Ticonderoga Company (U.S.A.) (Euro 153 thousand).

The change in the loss allowance is mainly due to lower impairments on assets, as a result of the reduced amount of disputes with customers, in addition to the greater certainty on customer collections compared to the same period of the previous year.

At June 30, 2021, "Tax Assets" totalled Euro 2,807 thousand (Euro 2,420 thousand at December 31, 2020) and include VAT assets (Euro 1,616 thousand) and other tax assets for local taxes other than direct income taxes (Euro 1,191 thousand). The increase compared to December 31, 2020 is principally due to the net effect of increases related to DOMS Industries Pvt Ltd (India) (Euro 312 thousand), Fila Stationary O.O.O. (Russia) (Euro 207 thousand) and F.I.L.A. S.p.A. (Euro 156 thousand).

“Other Assets” amount to Euro 5,536 thousand at June 30, 2021 (Euro 7,470 thousand at December 31, 2020) and mainly concern advances paid to suppliers (Euro 2,661 thousand), principally concerning the Indian and Chinese subsidiaries, assets from employees (Euro 557 thousand), and from social security institutions (Euro 29 thousand). The carrying amount of “Other assets” represents the fair value at the reporting date.

All of the above assets are due within 12 months.

Note 10 - Cash and cash equivalents

“Cash and Cash Equivalents” at June 30, 2021 amount to Euro 84,807 thousand (Euro 127,105 thousand at December 31, 2020):

Note 10 - CASH AND CASH EQUIVALENTS			
<i>Euro thousands</i>	Bank and postal deposits	Cash in hand and other cash equivalents	Total
December 31, 2020	126,991	114	127,105
June 30, 2021	84,699	108	84,807
Change	(42,292)	(6)	(42,298)

"Bank and postal deposits" consist of temporary liquid funds generated within the treasury management and relate to ordinary current accounts of F.I.L.A. S.p.A. for Euro 17,767 thousand and current accounts of the subsidiaries for Euro 66,932 thousand, in particular: Dixon Ticonderoga Company (U.S.A.) (Euro 19,310 thousand), Daler Rowney Ltd (UK) (Euro 7,923 thousand), F.I.L.A. Iberia S.L. (Spain) (Euro 7,071 thousand), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) (Euro 5,081 thousand) and the Canadian subsidiary Dixon Ticonderoga Art ULC (Euro 3,711 thousand).

“Cash in hand and other cash equivalents” amount to Euro 108 thousand, of which Euro 7 thousand relates to the Parent F.I.L.A. S.p.A and Euro 101 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 June 30, 2021 was Euro 523,873 thousand, up Euro 30,417 thousand on December 31, 2020. This increase is due also to financial liabilities from the new loans drawn down by the Group companies:

<i>Euro thousands</i>	June 30, 2021	December 31, 2020	Change 2021 - 2020
A Cash	108	114	(6)
B Other cash equivalents	84,699	126,991	(42,292)
C Other current financial assets	1,770	690	1,080
D Liquidity (A + B + C)	86,577	127,795	(41,218)
E Current loans and borrowings	(84,443)	(88,138)	3,695
F Current portion of non-current loans and borrowings	(41,914)	(37,913)	(4,001)
G Current financial debt (E + F)	(126,357)	(126,052)	(305)
H Net current financial debt (G - D)	(39,780)	1,743	(41,523)
I Non-current loans and borrowings	(484,093)	(495,199)	11,106
J Bonds issued	-	-	-
K Trade payables and other current liabilities	-	-	-
L Non-current financial debt (I + J + K)	(484,093)	(495,199)	11,106
M Net financial debt (H + L) - F.I.L.A. Group	(523,873)	(493,456)	(30,417)

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

Note 12 - Share Capital and Equity

Share capital

The subscribed share capital at June 30, 2021 of the Parent F.I.L.A. S.p.A., fully paid-in, comprises 51,058,297 shares, as follows:

- 42,976,441 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	41,976,441	84.17%	39,548,544	MTA - STAR Segment
Class B shares (multiple votes)	8,081,856	15.83%	7.437.229	Unlisted Shares

According to the available information, published by Consob and updated at June 30, 2021, the main shareholders of the Parent were:

Shareholder	Ordinary shares	%
Pencil S.p.A.	13,694,563	31.87%
Other investors*	29,281,878	68.13%
Total	42,976,441	

Shareholder	Ordinary shares	Class B shares	Total	Voting rights
Pencil S.p.A.	13,694,563	8,081,856	21,776,419	56.44%
Other investors*	29,281,878		29,281,878	43.56%
Total	42,976,441	8,081,856	51,058,297	

* includes 51,500 own shares

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.

Negative reserve for Treasury Shares in portfolio

The parent company, in the period between March 23 and March 25, 2021, purchased treasury shares as per the Shareholders' Meeting authorisation of April 22, 2020 and the subsequent Board of Directors' motion of March 16, 2021. On June 30, 2021, the Group held 51,500 treasury shares (0.10% of the Share capital), for a total amount of Euro 488 thousand.

Legal reserve

At June 30, 2021, this caption amounted to Euro 8,737 thousand. The increase of Euro 406 thousand

as per the Shareholders' Meeting resolution of April 27, 2021, 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 June 30, 2021 amounts to Euro 154,646 thousand (Euro 154,473 thousand at December 31, 2020). The increase of Euro 173 thousand relates to the price difference between the nominal value and the assignment price of the "Warrant" shares assigned to the management of the US subsidiary Dixon Ticonderoga Company U.S.A.

Actuarial Reserve

Following the application of IAS 19, the actuarial reserve is negative for Euro 3,035 thousand, increasing by Euro 2,268 thousand limited to the share of the F.I.L.A. Group.

Other reserves

At June 30, 2021, the reserve is negative for Euro 38,366 thousand, decreasing by Euro 4,462 thousand on December 31, 2020. 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 June 30, 2021 the reserve was negative for Euro 14,981 thousand, recording an increase of Euro 4,913 thousand compared to December 31, 2020 (negative for Euro 18,767 thousand). This change relates for Euro 33 thousand to the fair value adjustment of the derivative of Canson SAS (France), for Euro 1.305 thousand to the fair value adjustment of the derivative of F.I.L.A. S.p.A. and for Euro 3,575 thousand to the fair value adjustment of the derivative of the US subsidiary Dixon Ticonderoga Company (U.S.A.);
- ▶ "Share-Based Premium" reserve of Euro 1,708 thousand, increasing Euro 394 thousand (Euro 1,314 thousand at December 31, 2020) due to the portion for the period of the medium-/long-term incentive plan set up for F.I.L.A. Group management. The accounting treatment applied is in line with the accounting standards which establish that for equity-settled share-based payments, the fair value at the vesting date of the share options granted to employees is recorded under personnel expense, with a corresponding increase in equity under "Other reserves and retained earnings", over the period in which the employees will obtain the unconditional right to the incentives. The amount recorded as cost is adjusted to reflect the effective number of incentives (options) for which the conditions have vested and the achievement of "non-market" conditions, in order that the final cost recorded is based on the number of incentives which will vest. Similarly, in the initial estimate of the fair value of the options assigned, consideration is taken of the non-vesting conditions. The changes to market value subsequent to the grant date will not produce any financial statement effect.

Translation reserve

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

The changes in the “Translation Reserve” in H1 2021 are illustrated below (limited to the share regarding Group Equity):

TRANSLATION RESERVE	
<i>Euro thousands</i>	
December 31, 2020	(39,856)
Changes	
Difference between the average rate for the year and the closing rate	8,971
Difference between the historical rate and the closing rate	298
June 30, 2021	(30,587)
Change	9,269

Retained earnings

The reserve totalled Euro 180,105 thousand and increased on the previous year-end by Euro 2,489 thousand, relating to the allocation of the 2020 profit of Euro 8,608 thousand and to the distribution of the dividend allocated by the Shareholders’ Meeting of the Parent F.I.L.A. S.p.A. of April 27, 2021.

In addition, we highlight 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 (India) (Euro 15,052 thousand), in accordance with Article 6, paragraph 1, letter a) of Legislative Decree No. 38 of February 28, 2015, following the purchase of the controlling interest.

Equity attributable to Non-Controlling Interests

Equity attributable to non-controlling interests decreased by Euro 60 thousand, principally due to:

- ▶ Share capital increase of the Russian subsidiary FILA Stationary O.O.O. for Euro 47 thousand;
- ▶ Profit for the year attributable to non-controlling interests of Euro 43 thousand;
- ▶ Distribution of dividends to non-controlling interests of Euro 468 thousand;
- ▶ Net exchange losses of Euro 315 thousand;
- ▶ Other increases for Euro 3 thousand concerning the Italian subsidiary Industria Maimeri S.p.A.

Basic and diluted earnings per share

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

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

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

Reconciliation between the Equity of the Parent and Consolidated Equity

The table below illustrates the reconciliation between the equity of the Parent F.I.L.A. S.p.A. and that of the Group and the reconciliation between the profit for the period of the Parent F.I.L.A. S.p.A. and that of the Group:

Reconciliation at June 30, 2021 between the Equity of the Parent and F.I.L.A. Group

Euro thousands

F.I.L.A. S.p.A equity	281,733
Elimination of infragroup margins and other consolidation entries	(2,188)
Consolidation effect FILA Art and Craft (Israel)	514
Consolidation effect Dixon Ticonderoga Group	62,443
Consolidation effect Lyra Group	2,461
Consolidation effect FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	(1,946)
Consolidation effect FILA Stationary O.O.O. (Russia)	(1,080)
Consolidation effect FILA Hellas (Greece)	1,001
Consolidation effect Industria Maimeri S.p.A. (Italy)	(1,475)
Consolidation effect FILA S.A. (South Africa)	(1,874)
Consolidation effect Fila Polska Sp. Z.o.o (Poland)	1,100
Consolidation effect DOMS Industries Pvt Ltd (India)	16,260
Consolidation effect Daler & Rowney Lukas Group	(13,973)
Consolidation effect St. Cuthberts Holding (England)	676
Consolidation effect FILA Iberia S.L. (Spain)	7,058
Consolidation effect Canson Group	9,172
Consolidation effect FILA Art Product AG (Switzerland)	334
Consolidation effect Pacon Group	5,916
Consolidation effect Fila Arches	(1,136)
Total Equity	364,996
Consolidation effects attributable to non-controlling interests	23,208
F.I.L.A. Group Equity	341,788

Reconciliation at June 30, 2021 between the Result of the Parent and F.I.L.A. Group

Euro thousands

F.I.L.A. S.p.A.'s Profit for the period	8,616
Profit for the period of the subsidiaries of the Parent	20,469
Elimination of the effects of transactions between consolidated companies:	
Dividends	(5,912)
Net Inventory Margins	641
Adjustments to Group accounting policies	
Stock Option Plan recognised by the Parent to the Subsidiaries	(163)
FTA of IFRS 9	119
F.I.L.A. S.p.A. - reversal of credit gains on intragroup receivables	64
Total Profit for the period	23,834
Profit for the period attributable to owners of the parent	43
Profit for the period attributable to the owners of the Parent	23,791

Note 13 - Financial Liabilities

The balance at June 30, 2021 amounts to Euro 595,469 thousand (Euro 602,484 thousand at December 31, 2020), of which Euro 469,112 thousand non-current and Euro 126,357 thousand current. The account refers to both non-current and current portions of the loans granted by banks, other lenders and bank overdrafts in addition to financial liabilities arising from the application of IFRS 16.

The breakdown at June 30, 2021 is illustrated below:

Note 13.A - FINANCIAL LIABILITIES: Third parties													
Euro thousands	Bank loans and borrowings			Other loans and borrowings			Current account overdrafts			IFRS 16			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
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
June 30, 2021	496,251	(4,027)	492,224	4,536	72	4,608	10,156	50	10,206	88,431	-	88,431	595,469
non-current portion	394,002	(4,964)	389,038	322	(9)	313	-	-	-	79,761	-	79,761	469,112
current portion	102,249	937	103,186	4,214	81	4,295	10,156	50	10,206	8,670	-	8,670	126,357
Change	(11,032)	1,221	(9,811)	(82)	13	(69)	(643)	(38)	(681)	3,546	-	3,546	(7,015)
non-current portion	(11,672)	1,204	(10,468)	24	(7)	17	-	-	-	3,131	-	3,131	(7,320)
current portion	640	17	657	(106)	20	(86)	(643)	(38)	(681)	415	-	415	305

Bank Loans and Borrowings

With reference to “Bank loans and borrowings”, the total exposure of the Group amounts to Euro 492,224 thousand, of which Euro 103,186 thousand considered as current (Euro 102,529 thousand at December 31, 2020) and Euro 389,038 thousand as non-current (Euro 399,506 thousand at December 31, 2020).

Bank loans and borrowings - interest amounting to a positive Euro 4,027 thousand (positive Euro 5,248 thousand at December 31, 2020) include a positive Euro 4,964 thousand (positive Euro 6,168 thousand at December 31, 2020) regarding the amortised cost for the non-current financial liabilities in the period of Euro 937 thousand, concerning interest expense matured on outstanding loans, mainly regarding the Parent F.I.L.A. S.p.A. and the US subsidiary Dixon Ticonderoga Company (U.S.A.).

The decrease in the non-current portion of Euro 10,468 thousand mainly concerns:

- ▶ Decreases for the current portion of structured loans of Euro 16,380 thousand;
- ▶ Net exchange losses of Euro 4,928 thousand;
- ▶ Increases due to the change in amortised cost, net of currency effects of Euro 984 thousand.

Bank loans and borrowings - capital at June 30, 2021, amounting to Euro 496,251 thousand (Euro 507,283 thousand at December 31, 2020) mainly comprise the structured loan taken out by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) of Euro 419,287 thousand, broken down between current amounts of Euro 30,882 thousand and the non-current portion of Euro 388,405 thousand, as

described below.

The breakdown by Facility is presented below:

Note 13.C - BANK LOANS AND BORROWINGS: BREAKDOWN			
<i>Euro thousands</i>	Principal F.I.L.A. S.p.A.	Principal Dixon Ticonderoga Company (U.S.A.)	Total
Facility A	56,250	55,536	111,786
Facility A2	4,287	-	4,287
Facility B	90,000	153,571	243,571
Facility B2	8,750	-	8,750
Facility C	25,000	-	25,000
Facility C2	893	-	893
RCF	25,000	-	25,000
Total	210,180	209,107	419,287

Facility A (Euro 111,786 thousand) and Facility A2 (Euro 4,287 thousand) stipulate a residual repayment plan consisting of 8 half-yearly instalments, of which 4 instalments classified as current, as scheduled for December 6, 2021 and for June 6, 2022, Facility B (Euro 243,571 thousand) and Facility B2 (Euro 8,750 thousand) and Facility C (Euro 25,000 thousand) and Facility C2 (Euro 893 thousand) are Bullet loans, with fixed single repayment respectively on June 4, 2024 and June 4, 2023.

The Revolving Credit Facility stipulates the issue of short-term tranches of 1, 3 or 6 months, for a maximum amount of Euro 50,000 thousand, currently utilised for Euro 25,000 thousand.

The repayment plans by Facility are outlined below:

Note 13.D - BANK LOANS AND BORROWINGS: REPAYMENT PLAN				
<i>Euro thousands</i>	Facility	Principal F.I.L.A. S.p.A.	Principal Dixon Ticonderoga Company (U.S.A.)	Total
December 6, 2021	Facility A	7,500	7,405	14,905
June 6, 2022	Facility A	7,500	7,405	14,905
Current portion		15,000	14,810	29,810
December 5, 2022	Facility A	11,250	11,107	22,357
June 2, 2023	Facility A	30,000	29,619	59,619
Total - Facility A		56,250	55,536	111,786
December 6, 2021	Facility A2	536		536
June 6, 2022	Facility A2	536		536
Current portion		1,072		1,072
December 5, 2022	Facility A2	804		804
June 2, 2023	Facility A2	2,411		2,411
Total - Facility A2		4,287		4,287
Bullet Loan - June 4, 2024	Facility B	90,000	153,571	243,571
Total - Facility B		90,000	153,571	243,571
Bullet Loan - June 4, 2024	Facility B2	8,750		8,750
Total - Facility B2		8,750	-	8,750
Bullet Loan - June 4, 2023	Facility C	25,000		25,000
Total - Facility C		25,000	-	25,000
Bullet Loan - June 4, 2023	Facility C2	893		893
Total - Facility C2		893	-	893
Bullet Loan - June 4, 2023	RCF	25,000		25,000
Total - RCF		25,000	-	25,000
Grand Total		210,180	209,107	419,287

The loans were initially recognised at fair value, including directly associated transaction costs. The initial carrying amount was subsequently adjusted to account for repayments of principal, any impairment losses and amortisation of the difference between the repayment amount and initial carrying amount. Amortisation is carried out on the basis of the internal effective interest rate represented by the rate equal to, at the moment of initial recognition, the present value of expected cash flows and the initial carrying amount (amortised cost method). The effect on the statement of comprehensive income in H1 2021 of the amortised cost method on the structured loan is interest expense of Euro 973 thousand (of which interest expense of Euro 288 thousand concerning F.I.L.A. S.p.A. and interest expense of Euro 685 thousand concerning Dixon Ticonderoga (U.S.A.)). The non-current portion, in addition to the loan, includes also the fair value of the negotiation charges related to the derivative financial instruments.

In addition to the loans outlined above, at June 30, 2021, capital bank loans and borrowings include an additional Euro 75,318 thousand, comprising a current portion of Euro 71,368 thousand (Euro 76,961 thousand at December 31, 2020) and a non-current portion of Euro 3,950 thousand (Euro 4,887 thousand at December 31, 2020), as described below.

The main exposure of the Group companies to banks concern:

- ▶ 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 loans of Euro 150 thousand and the credit lines granted to DOMS Industries Pvt Ltd (India) by HDFC Bank for Euro 5,301 thousand and by BNP Paribas for Euro 1,140 thousand; the exposure increased by Euro 1,692 thousand compared to December 31, 2020;
- ▶ The current portion of the loans granted to Industria Maimeri (Italy) by Intesa San Paolo and Unicredit for Euro 524 thousand and Credit Lines granted by Banca Popolare di Milano of Euro 560 thousand;
- ▶ The current portion of the non-current loan contracted by Canson SAS (France) for Euro 844 thousand;
- ▶ Credit Line issued by Unicredit New York LOC, with a total exposure at June 30, 2021 of Euro 4,207 thousand of the US subsidiary Dixon Ticonderoga Company (U.S.A.);
- ▶ Credit Lines granted by Banamex S.A., Grupo Financiero BBVA Bancomer S.A., Banco Santander S.A./Banco Sabadell S.A., Scotiabank Inverlat S.A. and HSBC Mexico S.A. to Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for a total of Euro 25,582 thousand. During the period, the total amount decreased by Euro 8,395 thousand including Euro 1,207 thousand due to the negative exchange rate effect;
- ▶ Credit Lines issued to Lyra KG (Germany) by Commerzbank and Hypo Real Estate for Euro 2,000 thousand at June 30, 2021. The company's total financial exposure decreased by Euro 500 thousand on December 31, 2020.
- ▶ Short-term loans granted to Fila Chile Ltda (Chile) by Bank BICE and Bank BCI for Euro 905 thousand;

Non-current financial liabilities amount to Euro 3,950 thousand and principally relate to the non-current portion of the loans granted to:

- ▶ Industria Maimeri S.p.A. (Italy) for Euro 618 thousand;
- ▶ DOMS Industries Pvt Ltd (India) from HDFC Bank for Euro 150 thousand;
- ▶ Canson SAS (France) from Intesa Sanpaolo for Euro 3,183 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. Specifically, the covenants are calculated taking into account the following indicators: Net Financial Debt (NFD), Gross operating profit (loss) and Net Financial expense, calculated on the basis of the F.I.L.A. Group's half-year and annual consolidated financial statements prepared in accordance with the IFRS.

The criteria for the calculation of the NFD and Gross operating profit (loss) are established by the related loan contract.

Due to the ongoing COVID-19 pandemic, the adoption also for 2021 of the same covenants in place for 2020 was prudently negotiated with the lending banks.

The covenants for the loan signed by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) are outlined below, applied from June 30, 2021:

June 2021 Leverage Ratio: $NFD / \text{Gross operating profit (loss)} < 5.45$

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

At June 30, 2021, the F.I.L.A. Group verified compliance with the above covenants (also with regards to the contractual Leverage Ratio at June 2021 < 4.75 , established before the negotiations with the banks).

Financial liabilities - Other loans and borrowings

“Financial Liabilities – Other Loans and Borrowings” at June 30, 2021 totalled Euro 4,608 thousand (Euro 4,677 thousand at December 31, 2020), mainly granted by third parties, with the current portion totalling Euro 4,295 thousand (Euro 4,381 thousand at December 31, 2020).

Financial Liabilities - Current Account Overdrafts

“Current Account Overdrafts” amounted to Euro 10,206 thousand (Euro 10,887 thousand at December 31, 2020) and mainly concern the overdrafts of Industria Maimeri S.p.A. (Italy) (Euro 2,444 thousand), Fila Stationary O.O.O. (Russia) (Euro 2,663 thousand) and Canson SAS (France) (Euro 4,662 thousand).

IFRS 16

Financial liabilities at June 30, 2021 include the effects deriving from the adoption by the Group of IFRS 16 which came into force on January 1, 2019 and which led to an increase of Euro 3,546 thousand as at June 30, 2021, of which Euro 3,131 thousand as the non-current portion and Euro 415 thousand as the current portion.

Liabilities at fair value at June 30, 2021 and December 31, 2020 are broken down as follows by hierarchy level:

<i>Euro thousands</i>	June 30, 2021	Measurement model	Level 1	Level 2	Level 3
Bank Loans and Borrowings	492,224	<i>Amortised cost</i>			
Other Loans and Borrowings	4,608	<i>Amortised cost</i>			
Current account overdrafts	10,206	<i>Amortised cost</i>			
Financial Instruments	14,980	<i>Fair value</i>			14,980
Trade Payables and Other Liabilities	112,304	<i>Amortised cost</i>			
Total Financial Liabilities	634,322		-	-	14,980

<i>Euro thousands</i>	December 31, 2020	Measurement model	Level 1	Level 2	Level 3
Bank Loans and Borrowings	502,035	<i>Amortised cost</i>			
Other Loans and Borrowings	4,677	<i>Amortised cost</i>			
Current account overdrafts	10,887	<i>Amortised cost</i>			
Financial Instruments	18,767	<i>Fair value</i>			18,767
Trade Payables and Other Liabilities	100,542	<i>Amortised cost</i>			
Total Financial Liabilities	636,908		-	-	18,767

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), Fila Hellas (Greece) and Fila Arches (France) guarantee post-employment benefits, both through defined contribution plans and defined benefit plans.

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

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

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

The amounts at June 30, 2021 were as follows:

Note 14.A - ITALIAN POST-EMPLOYMENT BENEFITS AND OTHER EMPLOYEE BENEFITS			
<i>Euro thousands</i>	Post-employment benefits (Italy)	Other employee benefits	Total
December 31, 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 losses	165	1,171	1,336
<i>Variation due to change in consolidation scope</i>	568	-	568
Exchange gains/losses	(1)	(348)	(349)
December 31, 2020	2,908	11,057	13,965
Benefits paid	(580)	(67)	(647)
Interest cost	-	48	48
Service cost	713	308	1,021
Actuarial gains/losses	(11)	(2,778)	(2,789)
Exchange gains/losses	-	218	218
Others	-	97	97
June 30, 2021	3,030	8,883	11,912
Change	122	(2,174)	(2,052)

Actuarial gains totalled Euro 2,789 thousand. These were recognised, net of the tax effect, in the statement of comprehensive income and are mainly attributable to Daler Rowney Ltd (UK) for Euro 2,528 thousand and to the subsidiary Canson SAS (France) for Euro 396 thousand.

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

EMPLOYEE BENEFIT PLANS		
1. Employee benefit obligations	June 30, 2021	December 31, 2020
Present value of obligations covered by unfunded plan assets	3,030	2,908
	3,030	2,908
Present value of obligations covered by plan assets	10,174	12,537
Fair value of plan assets relating to the obligations	(1,292)	(1,480)
	8,882	11,057
Total	11,912	13,965

The financial assets at June 30, 2021 invested by the F.I.L.A. Group to cover financial liabilities arising from “Employee Benefits” amount to Euro 1,292 thousand (Euro 1,480 thousand at December 31, 2020) and relate to 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 June 30, 2021 did not change on the previous year.

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

2. Cost recognised in profit or loss	June 30, 2021	December 31, 2020
Service cost	1,021	1,861
Interest cost	48	178
Cost recognised in profit or loss	1,069	2,039

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

3. Main actuarial assumptions at reporting date (average amounts)	June 30, 2021	December 31, 2020
Annual technical discount rate	2.0%	1.8%
Increase in cost of living index	2.1%	1.6%
Future salary increase	1.9%	2.1%
Future pension increase	1.7%	1.6%

Note 15 - Provisions for Risks and Charges

“Provisions for Risks and Charges” at June 30, 2021 amount to Euro 1,647 thousand (Euro 1,863 thousand at December 31, 2020), of which Euro 890 thousand (Euro 935 thousand at December 31, 2020) concerning the non-current portion and Euro 757 thousand (Euro 928 thousand at December 31, 2020) concerning the current portion:

Note 15.A - PROVISIONS FOR RISKS AND CHARGES					
	Provisions for legal disputes	Pension and similar provisions	Restructuring provisions	Other provisions	Total
<i>Euro thousands</i>					
December 31, 2020	94	802	570	397	1,863
non-current portion	-	791	-	144	935
current portion	94	11	570	253	928
June 30, 2021	112	791	418	326	1,647
non-current portion	-	778	-	112	890
current portion	112	13	418	214	757
Change	18	(11)	(152)	(71)	(216)
non-current portion	-	(13)	-	(32)	(45)
current portion	18	2	(152)	(39)	(171)

The changes in “Provisions for Risks and Charges” at June 30, 2021 are as follows:

Note 15.B PROVISIONS FOR RISKS AND CHARGES: CHANGES					
	Provisions for legal disputes	Pension and similar provisions	Restructuring provisions	Other provisions	Total
<i>Euro thousands</i>					
December 31, 2019	485	796	952	843	3,076
Utilisation	(280)	(117)	(277)	(415)	(1,089)
Accruals	25	44	409	(139)	339
Release	(100)	-	(483)	(84)	(667)
Discounting	-	79	-	-	79
Exchange gains (losses)	(35)	-	(33)	(28)	(96)
Other	-	-	-	220	220
December 31, 2020	94	802	570	397	1,863
Utilisation	-	-	(38)	(43)	(81)
Accruals	9	25	15	-	49
Release	-	-	(130)	(37)	(167)
Discounting	-	(37)	-	-	(37)
Exchange gains (losses)	8	-	1	9	18
June 30, 2021	112	791	418	326	1,647
Change	18	(11)	(152)	(71)	(216)

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, former employees and agents.

The provisions, compared to the previous year end, increased by Euro 18 thousand due to the provisions accrued by the subsidiary Fila Canson do Brasil Ltda (Brazil) for Euro 9 thousand. In addition, net exchange losses of Euro 8 thousand were recognised.

Pension and similar provisions

The caption includes the agents' supplementary indemnity provision at June 30, 2021 of the Parent F.I.L.A. S.p.A. and of the Italian subsidiaries Industria Maimeri S.p.A. and Canson Italy S.r.l.. The actuarial gains in H1 2021 amount to Euro 37 thousand. The actuarial changes in the period, net of the tax effect, are recognised directly in equity.

Restructuring provisions

For the integration and reorganisation of the Group structure following the corporate transactions of recent years, a number of companies accrued provisions for risks and charges concerning personnel mobility plans for a total of Euro 418 thousand at June 30, 2021. The plans involve in particular the reorganisation of the North American strategic segment beginning in 2019, which led to total utilisations of Euro 38 thousand by the US subsidiary Dixon Ticonderoga Company (U.S.A.). In addition, a new provision was established by the French subsidiary, Canson SAS, for Euro 15 thousand, and a release of Euro 130 thousand was recognised by the same subsidiary in relation to the previous reorganisation plans, which have now been completed.

Other provisions

The provision totalled Euro 326 thousand and decreased by Euro 71 thousand compared to December 31, 2020, with regards to the utilisation of provisions for Euro 43 thousand and their release for Euro 37 thousand relating to the US subsidiary Dixon Ticonderoga Company (U.S.A.).

Note 16 - Deferred Tax Liabilities

“Deferred Tax Liabilities” amount to Euro 67,843 thousand at June 30, 2021 (Euro 67,423 thousand at December 31, 2020):

Note 16.A CHANGES IN DEFERRED TAX LIABILITIES	
<i>Euro thousands</i>	
December 31, 2019	63,162
Increase	3,257
Utilisation	(2,071)
<i>Increase due to change in consolidation scope</i>	<i>7,513</i>
Exchange gains/losses	(4,386)
Decrease recognised in equity	(53)
December 31, 2020	67,423
Increase	36
Utilisation	(1,231)
Exchange gains/losses	1,603
Increase recognised in equity	12
June 30, 2021	67,843
Change	420

The increase on the previous year of Euro 420 thousand is principally due to the utilisation of deferred taxes accrued on the higher value of property, plant and equipment and intangible assets recorded through the “Purchase Price Allocation” on the companies acquired during the preceding years (in particular the Canson Group, the Daler-Rowney Lukas Group, Pacon Corporation and DOMS Industries PVT Ltd and Fila Arches). Against the gradual amortisation and depreciation of the assets so calculated, the Parent gradually releases the related deferred taxes.

The increase recognised in equity (Euro 12 thousand) represents the tax effect of the “Actuarial gains/losses” calculated on the “Post-employment benefits and employee benefits” and recognised, in accordance with IAS 19, as an equity reserve.

Note 17 - Financial instruments

“Financial Instruments” at June 30, 2021 amount to Euro 14,980 thousand (Euro 18,767 thousand at December 31, 2020) and refer mainly to the fair value of derivatives on loans (hedged instrument), issued in favour of F.I.L.A. S.p.A. (Euro 3,534 thousand) and Dixon Ticonderoga Company (U.S.A.) (Euro 11,353 thousand), both for the acquisition of the Pacon Group and the refinancing of the debt contracted by F.I.L.A. S.p.A. in 2016 (in support of the M&A transactions relating to the acquisition of the Daler-Rowney-Lukas Group, the Canson Group and St. Cuthberts Holding).

Canson SAS (France) also entered into hedging derivative instruments correlated with the borrowings (hedged instrument) contracted by the company in support of investments relating to the establishment of the Annonay logistics hub. The fair value of this instrument amounts to Euro 94 thousand at June 30, 2021.

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

Note 18 - Current Tax Liabilities

“Tax liabilities” total Euro 7,253 thousand at June 30, 2021 (Euro 4,974 thousand at December 31, 2020), relating mainly to Dixon Ticonderoga Company (U.S.A.) (Euro 3,219 thousand) and DOMS Industries Pvt Ltd (India) (Euro 1,404 thousand).

Note 19 - Trade payables and other liabilities

“Trade payables and Other Liabilities” at June 30, 2021 amount to Euro 112,304 thousand (Euro 100,542 thousand at December 31, 2020). The breakdown of “Trade payables and other liabilities” of the F.I.L.A. Group is reported below:

Note 19.A TRADE PAYABLES AND OTHER LIABILITIES			
<i>Euro thousands</i>	June 30, 2021	December 31, 2020	Change
Trade payables	79,417	68,418	10,999
Tax liabilities	8,221	8,631	(410)
Other	23,761	22,726	1,035
Accrued expenses and deferred income	905	767	138
Total	112,304	100,542	11,762

The increase in “Trade Payables” was Euro 10,999 thousand and principally concerned the US subsidiary Dixon Ticonderoga Company (U.S.A.) for Euro 5,597 thousand, the Mexican subsidiary Grupo FILA-Dixon, S.A. de C.V. for Euro 3,061 thousand and the Parent F.I.L.A. S.p.A. for Euro 1,920 thousand, in addition to net currency differences of Euro 1,536 thousand.

The change is principally due to the seasonality of the F.I.L.A. Group’s business, with procurement concentrated in the initial months of the year in order to meet sales forecasts.

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

The trade payables reported above are due within 12 months.

The caption “Tax liabilities” to third parties amounts to Euro 8,221 thousand at June 30, 2021 (Euro 8,631 thousand at December 31, 2020), of which Euro 5,364 thousand related to VAT liabilities and Euro 2,857 thousand concerning tax liabilities other than current taxes. Principally relating to F.I.L.A. S.p.A. (Euro 298 thousand) for consultants withholding taxes. The residual amount mainly refers to Canson SAS (France) (Euro 612 thousand), Dixon Ticonderoga Company (USA) (Euro 999 thousand) and the Dixon Group’s Chinese subsidiaries (Euro 296 thousand).

“Other” amounts to Euro 23,761 thousand at June 30, 2021 (Euro 22,726 thousand at December 31, 2020) and primarily includes:

- ▶ Employee wages and salaries of Euro 14,995 thousand (Euro 13,103 thousand at December 31, 2020);
- ▶ Social security contributions to be paid of Euro 5,728 thousand (Euro 5,854 thousand at December 31, 2020);
- ▶ Payables for agent commissions of Euro 706 thousand (Euro 493 thousand at December 31, 2020);
- ▶ Residual liabilities of Euro 2,332 thousand mainly concerning advances to customers (Euro 3,276 thousand at December 31, 2020).

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

With reference to the other non-current liabilities, the balance at June 30, 2021 amounted to Euro 152 thousand and refers to deposits paid by customers to guarantee long-term supply contracts of the Indian company DOMS Industries Pvt Ltd.

Note 20 – Revenue

Revenue in the first half of 2021 amounted to Euro 324,554 thousand (Euro 307,518 thousand in H1 2020):

Note 20.A - REVENUE			
<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Revenue	348,960	333,911	15,049
Adjustments to Sales	(24,406)	(26,393)	1,987
<i>Returns on Sales</i>	(7,125)	(7,072)	(53)
<i>Discounts, Allowances and bonuses</i>	(17,281)	(19,321)	2,040
Total	324,554	307,518	17,036

The total of Euro 324,554 thousand increased by Euro 17,036 thousand on the same period of the previous year.

Net of exchange losses of Euro 17,111 thousand (mainly concerning the US Dollar, the Mexican Peso, the Argentinean Peso and the Brazilian Real, and to a lesser extent the Indian Rupee), growth was Euro 34,147 thousand (+11.1%).

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

June 30, 2021						F.I.L.A. Group
<i>Euro Thousand</i>	Europe	North America	Central - South America	Asia	Rest of the World	
Fine Art, Hobby & Digital	45,806	49,200	3,223	4,621	1,294	104,144
Industrial	7,140	3,223	610	373	-	11,347
School & Office	69,254	100,292	18,114	20,829	573	209,063
Revenue	122,200	152,716	21,948	25,824	1,867	324,554

June 30, 2020						F.I.L.A. Group
<i>Euro Thousand</i>	Europe	North America	Central - South America	Asia	Rest of the World	
Fine Art, Hobby & Digital	38,411	52,023	1,824	3,499	1,017	96,774
Industrial	4,935	3,363	382	356	14	9,050
School & Office	56,993	106,690	14,766	22,857	389	201,695
Revenue	100,339	162,076	16,972	26,712	1,419	307,518

Note 20.B - REVENUE BY GEOGRAPHICAL AREA

<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Europe	122,200	100,339	21,861
North America	152,716	162,076	(9,360)
Central - South America	21,948	16,972	4,976
Asia	25,824	26,712	(888)
Rest of world	1,866	1,419	447
Total	324,554	307,518	17,036

Note 21 – Income

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

For further details on exchange differences, reference should be made to “Note 31 - Foreign currency transactions”. “Other Revenue and Income” in H1 2021 amounted to Euro 3,519 thousand (Euro 5,984 thousand in H1 2020):

Note 21 – INCOME

<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Gains on Sale of Intangible Asset	-	2	(2)
Gains on Sale of Property, Plant and Equipment	2	17	(15)
Unrealised Exchange Gains on Commercial Transactions	1,337	2,730	(1,393)
Realised Exchange Gains on Commercial Transactions	923	2,302	(1,379)
Other Revenue and Income	1,258	933	325
Total	3,519	5,984	(2,465)

“Other Revenue and Income” in H1 2021 of Euro 1,258 thousand principally includes income from the sale of production waste by Group companies.

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

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

The caption totalled Euro 145,079 thousand in H1 2021 (Euro 167,673 thousand in H1 2020).

The relative detail is shown below:

Note 22 - RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS			
<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Raw materials, Consumables, supplies and Goods	(122,372)	(141,849)	19,477
Transport costs	(9,315)	(8,829)	(486)
Packaging	(3,395)	(3,386)	(9)
Import Charges and Customs Duties	(3,302)	(7,091)	3,789
Other purchase costs	(6,625)	(6,774)	147
Maintenance Materials	(377)	(402)	25
Adjustments to Purchases	305	658	(353)
Returns on purchases	13	221	(208)
Discounts, rebates and rewards on purchases	292	438	(146)
Total	(145,079)	(167,673)	22,594

The increase in “Raw Materials, Consumables, Supplies and Goods” in H1 2021 was Euro 22,594 thousand. The decrease is mainly due to lower procurement costs, although this effect was offset by improved stock management on the comparative period.

The decreases in inventories in H1 2021 totalled Euro 533 thousand, of which:

- ▶ Decrease of “Raw Materials, Consumables, Supplies and Goods” for Euro 662 thousand (increase of Euro 5,328 thousand in H1 2020);
- ▶ Increase in “Contract Work in Progress and Semi-Finished products” of Euro 618 thousand (increase of Euro 941 thousand in H1 2020);
- ▶ Decrease in “Finished Goods” of Euro 489 thousand (increase of Euro 18,525 thousand in H1 2020).

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 in H1 2021 to Euro 49,067 thousand (Euro 53,043 thousand in H1 2020).

Services are broken down as follows:

Note 23 - SERVICES AND USE OF THIRD-PARTY ASSETS

<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Sundry services	(4,614)	(5,921)	1,307
Transport	(13,003)	(13,406)	403
Warehousing	(1,044)	(921)	(123)
Maintenance	(6,634)	(5,559)	(1,075)
Utilities	(4,579)	(4,558)	(21)
Consultancy fees	(4,375)	(6,498)	2,123
Directors' and Statutory Auditors' Fees	(2,230)	(2,223)	(7)
Advertising, Promotions, Shows and Fairs	(1,781)	(2,896)	1,115
Cleaning	(422)	(511)	89
Bank Charges	(653)	(497)	(156)
Agents	(4,195)	(3,388)	(807)
Sales representatives	(896)	(1,410)	514
Sales Commissions	(971)	(1,108)	137
Insurance	(1,273)	(1,336)	63
Other Services	(1,285)	(1,090)	(195)
Rent	(578)	(955)	377
Royalties and Patents	(534)	(766)	232
Total	(49,067)	(53,043)	3,976

The decrease in “Services and Use of Third-Party Assets” compared to H1 2020 was Euro 3,976 thousand. Consultancy fees principally decreased as a result of the M&A carried out by the Parent F.I.L.A. S.p.A. in the previous year. In addition, the change is due to lower costs, such as for Advertising, Promotions, Shows and Fairs and Transport.

Note 24 – Other Costs

These totalled Euro 2,788 thousand in H1 2021 (Euro 5,507 thousand in H1 2020).

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			
<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Unrealised Exchange Rate Losses on Commercial Transactions	(1,273)	(2,276)	1,003
Realised Exchange Rate Losses on Commercial Transactions	(1,362)	(2,803)	1,441
Other Operating Charges	(153)	(428)	275
Total	(2,788)	(5,507)	2,719

The decrease in “Other operating charges” of Euro 275 thousand in H1 2021 primarily relates to tax charges other than income taxes, such as municipal taxes on property.

Note 25 – Personnel Expense

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

They amounted to Euro 67,279 thousand in H1 2021 (Euro 66,908 thousand in H1 2020).

These costs are broken down as follows:

Note 25 – PERSONNEL EXPENSES			
<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Wages and Salaries	(50,688)	(52,014)	1,326
Social Security Charges	(13,299)	(12,703)	(596)
Employee Benefits	(308)	(425)	117
Post-Employment Benefits	(713)	(515)	(198)
Other	(2,271)	(1,251)	(1,020)
Total	(67,279)	(66,908)	(371)

“Personnel expense” increased by Euro 371 thousand on H1 2020.

The following table reports the breakdown of the F.I.L.A. Group workforce at June 30, 2021 and December 31, 2020 by geographical segment:

	Europe	North America	Central - South America	Asia	Rest of the World	Total
December 31, 2020	1,115	594	1,503	4,830	28	8,070
June 30, 2021	1,155	611	1,570	5,104	25	8,465
Change	40	17	67	274	(3)	395

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

Note 26 – Amortisation and Depreciation

“Amortisation and Depreciation” in H1 2021 amounted to Euro 20,167 thousand (Euro 21,586 thousand in H1 2020). Amortisation and depreciation in 2021 and 2020 are reported below:

Note 26 – AMORTISATION AND DEPRECIATION			
<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Depreciation and Amortization Intangible assets	(7,444)	(8,335)	891
Depreciation and Amortization Property, plant and equipment	(7,110)	(7,655)	545
Depreciation and Amortization Property, plant and equipment <i>Right of Use</i>	(5,613)	(5,596)	(17)
Total	(20,167)	(21,586)	1,419

The change in Amortisation and depreciation is mainly due to the containment of investments in 2020 during the COVID-19 pandemic.

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

Note 27 – Net Impairment Gains (Losses) on Trade Receivables and Other assets

“Net Impairment Gains on Trade Receivables and Other Assets” amounted to Euro 256 thousand in H1 2021 (net impairment losses of Euro 1,153 thousand in H1 2020).

Note 27 - NET IMPAIRMENT GAINS (LOSSES) ON TRADE RECEIVABLES AND OTHER ASSETS			
<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Net impairment gains (losses) on trade receivables and other assets	256	(1,153)	1,409
Total	256	(1,153)	1,409

The reduction in the caption is mainly due to lower impairments on receivables, due to the reduced amount of disputes with customers, in addition to the greater certainty on customer collections compared to the same period of the previous year.

Note 28 – Other net impairment losses

Total “Other Net Impairment Losses” amount to Euro 3 thousand in H1 2021 (Euro 109 thousand in H1 2020):

Note 28 – OTHER NET IMPAIRMENT LOSSES			
<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Net impairment losses on Property, Plant and Equipment	(3)	(109)	106
Total	(3)	(109)	106

For further details, reference should be made to “Note 2 – Property, Plant and Equipment”.

Note 29 – Financial Income

The caption amounted to Euro 5,027 thousand in H1 2021 (Euro 2,365 thousand in H1 2020).

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

Note 29 – FINANCIAL INCOME			
<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Interest income on Bank Deposits	76	125	(49)
Other Financial Income	374	60	314
Unrealised Exchange Gains on Financial Transactions	4,291	2,086	2,205
Realised Exchange Gains on Financial Transactions	286	94	192
Total	5,027	2,365	2,662

The change concerns the “Unrealised Exchange Gains on Financial Transactions” and “Realised Exchange Gains on Financial Transactions” items.

Note 30 – Financial Expense

The caption amounted to Euro 17,180 thousand in H1 2021 (Euro 19,597 thousand in H1 2020).

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

Note 30 - FINANCIAL EXPENSE			
<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Interest expense on current account Overdrafts	(61)	(87)	26
Interest expense on Bank Loans and borrowings	(9,382)	(10,903)	1,521
Interest expense on other loans and borrowings	(170)	(113)	(57)
Other Financial Expense	(2,333)	(1,088)	(1,245)
Unrealised Exchange Losses on Financial Transactions	(2,248)	(4,088)	1,840
Realised Exchange Losses on Financial Transactions	(195)	(227)	32
Lease interest expense - <i>Right of Use</i>	(2,791)	(3,091)	300
Total	(17,180)	(19,597)	2,417

The decrease in “Financial Expense” in H1 2021 of Euro 2,417 thousand, net of currency differences, mainly relates to both the decreased “Interest expense on Bank Loans and Borrowings” incurred by the Parent F.I.L.A. S.p.A. and by the US subsidiary Dixon Ticonderoga Co. (U.S.A.).

The portion of amortised cost accrued in 2021 on the new loan contracted by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) at June 30, 2021 amounted to Euro 1,268 thousand.

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

Note 31 – Foreign Currency Transactions

Exchange differences on financial and commercial transactions in foreign currencies in H1 2021 are reported below:

Note 31 - FOREIGN CURRENCY TRANSACTIONS			
<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Unrealised Exchange Gains on Commercial Transactions	1,337	2,730	(1,393)
Realised Exchange Gains on Commercial Transactions	922	2,302	(1,380)
Unrealised Exchange Losses on Commercial Transactions	(1,273)	(2,276)	1,003
Realised Exchange Losses on Commercial Transactions	(1,362)	(2,803)	1,441
Net exchange losses on commercial transactions	(376)	(47)	(329)
Unrealised Exchange Gains on Financial Transactions	4,291	2,086	2,205
Realised Exchange Gains on Financial Transactions	286	94	192
Unrealised Exchange Losses on Financial Transactions	(2,248)	(4,088)	1,840
Realised Exchange Losses on Financial Transactions	(195)	(227)	32
Net exchange Gains (Losses) on financial transactions	2,134	(2,135)	4,269
Net exchange Gains (Losses)	1,759	(2,182)	3,941

Exchange rate differences in H1 2021 arose from transactions against the Euro, in addition to the movement in the year of assets and liabilities in foreign currencies, following commercial and financial transactions.

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

“Share of profits (losses) of Equity-Accounted Investees” reports a profit of Euro 97 thousand (loss of Euro 66 thousand in H1 2020), due to the adjustment of the investments in associated companies held by DOMS Industries Pvt Ltd (India), consolidated using the Equity method.

Note 33 – Total Taxes

“Income taxes” overall in the first half of 2021 amounted to Euro 7,522 thousand (Euro 2,869 thousand in H1 2020) and comprised current taxes of Euro 8,234 thousand (Euro 4,252 thousand in H1 2020) and deferred tax income of Euro 712 thousand (Euro 1,383 thousand in H1 2020).

Note 33.A – Current Taxes

The relative detail is shown below:

Note 33.A - CURRENT TAXES			
<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Current taxes Italy	(696)	(179)	(517)
Current taxes Abroad	(7,538)	(4,073)	(3,465)
Total	(8,234)	(4,252)	(3,982)

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

The breakdown of foreign current taxes is illustrated below:

Note 33.A.1 - FOREIGN INCOME TAXES			
<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Dixon Ticonderoga Company (U.S.A.)	(3,961)	(2,455)	(1,506)
Dixon (China)	-	(215)	215
FILA (Chile)	(34)	-	(34)
Lyra KG (Germany)	(158)	(71)	(87)
Fila Nordic (Scandinavia)	(96)	(41)	(55)
Lyra Akrelux (Indonesia)	(24)	(28)	4
DOMS Industries PVT Ltd (India)	(4)	14	(18)
FILA Hellas (Greece)	(105)	(62)	(44)
FILA (Sud Africa)	(13)	-	(13)
Fila Dixon (Kunshan)	(9)	(591)	582
FILA Benelux	(145)	(79)	(66)
Daler Rowney Ltd (UK)	(466)	-	(466)
Brideshore srl (Dominican Republic)	(17)	(21)	3
FILA (Polond)	(59)	(54)	(5)
FILA (Yixing)	(55)	(97)	41
St.Cuthberts Mill Limited Paper (UK)	(82)	(80)	(3)
FILA Hiberia	(914)	(674)	(240)
Canson SAS (France)	(769)	754	(1,523)
Canson Qingdao (China)	-	(5)	(5)
Fila Art Products AG	(22)	-	(22)
Fila Art and Craft Ltd	(42)	(30)	(12)
Dixon Ticonderoga Art ULC	(415)	(239)	(177)
Princeton Hong Kong	(28)	(101)	74
Total	(7,538)	(4,073)	(3,465)

Nota 33.B – Deferred Taxes

The relative detail is shown below:

Note 33.B - DEFERRED TAXES			
<i>Euro thousands</i>	June 30, 2021	June 30, 2020	Change
Deferred tax assets	1,195	95	1,100
Deferred tax liabilities	(736)	792	(1,528)
Deferred tax assets on <i>Right of Use</i>	253	496	(243)
Total	712	1,383	(671)

Attachments

Attachment 1 - Related party transactions

For the procedures adopted in relation to transactions with related parties, also in accordance with Article 2391-bis of the 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.

In accordance with Consob Communication No. 6064293 of July 28, 2006, the following table outlines the commercial and financial transactions with related parties for the first half of 2021:

F.I.L.A. GROUP RELATED PARTIES - 2021													
		June 30, 2021						June 30, 2021					
		Statement of Financial Position						Statement of comprehensive income					
Euro thousands		ASSETS			LIABILITIES			REVENUES			COSTS		
Company	Nature	PP&E and intangible assets	Trade Receivables	Cash and Cash Equivalents	Financial Liabilities (Banks)	Financial Liabilities (Other)	Trade Payables	Revenue from sales	Other Revenue (Services)	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
Nuova Alpa Collanti S.r.l.	Trade Supplier	-	-	-	-	-	850	-	-	-	1,050	-	-
Arda S.p.A.	Trade Supplier	-	-	-	-	-	272	-	-	-	303	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	67	-	-	-	-	162	-
Pysturas y Texturizados S.A. de C.V.	Trade Supplier	-	-	-	-	-	-	-	-	-	-	-	-
HR Trustee	Service Supplier	-	-	-	-	-	-	-	-	-	-	15	-
Total		-	-	-	-	-	1,189	-	-	-	1,353	177	-

F.I.L.A. GROUP RELATED PARTIES - 2020													
		December 31, 2020						June 30, 2020					
		Statement of Financial Position						Statement of comprehensive income					
Euro thousands		ASSETS			LIABILITIES			REVENUES			COSTS		
Company	Nature	PP&E and intangible assets	Trade Receivables	Cash and Cash Equivalents	Financial Liabilities (Banks)	Financial Liabilities (Other)	Trade Payables	Revenue from sales	Other Revenue (Services)	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
Nuova Alpa Collanti S.r.l.	Trade Supplier	-	-	-	-	-	334	-	-	-	737	-	-
Arda S.p.A.	Trade Supplier	-	-	-	-	-	82	-	-	-	400	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	68	-	-	-	-	164	-
Pysturas y Texturizados S.A. de C.V.	Trade Supplier	-	-	-	-	-	-	-	-	-	78	5	-
HR Trustee	Service Supplier	-	-	-	-	-	-	-	-	-	-	16	-
Total		-	-	-	-	-	484	-	-	-	1,215	185	-

Nuova Alpa Collanti S.r.l.

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

Arda S.p.A.

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

Studio Legale Salonia e Associati

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

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

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

HR Trustee

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

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

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

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

Company	Country	Segment IFRS 8 ¹	Year of acquisition	% Held directly (F.I.L.A. S.p.A.)	% Held indirectly	% Held F.I.L.A. Group	Held By	Recognition	Non controlling interests
Johann 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	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%
Nerchau 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%	FILA S.p.A.	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%
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%
Univrite Pens and Plastics Pvt Ltd	India	AS	2016	0.00%	60.00%	60.00%	DOMS Industries Pvt Ltd	Equity method	40.00%
Foxy Adhesives Private Limited	India	AS	2021	0.00%	78.46%	78.46%	DOMS Industries Pvt Ltd	Equity method	21.54%
Inxon Pens & Stationery Private	India	AS	2021	0.00%	51.00%	51.00%	DOMS Industries Pvt Ltd	Equity method	49.00%

Atypical and/or Unusual Transactions

In accordance with Consob Communication of July 28, 2006, it is noted that during H1 2021 the F.I.L.A. Group did not carry out any atypical and/or unusual transactions as defined by this communication, whereby atypical and/or unusual transactions refer to transactions which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to the period end) may give rise to doubts in relation to: the correctness/completeness of the information in the financial statements, conflicts of interest, the safeguarding of the group's assets and the protection of non-controlling shareholders.

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

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



Fabbrica Italiana Lapis ed Affini

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

August 5, 2021

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

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

- 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 Half-Year Report.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of Half-Year Report at June 30, 2021 is based on a process defined by F.I.L.A. S.p.A. in accordance with the Internal Control - Integrated Framework model defined by the Committee of the Sponsoring Organisations of the Treadway Commission, a benchmark framework generally accepted at international level.

It is also declared that:

1. Consolidated Half-Year Report at June 30, 2021:
 - is drawn up in conformity with the applicable International Financial Reporting Standards recognised by the European Union in conformity with Regulation (EC) No. 1606/2002 of the European Parliament and the Commission of July 19, 2002;
 - matches the underlying accounting records and books;
 - give a true and fair view of the financial position and performance of the issuer and of the other companies in the consolidation scope.
2. The Directors Report at June 30, 2021 includes a reliable analysis of the significant events in the first six months of the year and their impact on the condensed Interim consolidated financial statements, with a description of the principal risks and uncertainties for the remaining six months. The Report also includes a reliable analysis of the information on significant related party transactions.

The Chief Executive Officer

Massimo Candela

Manager in Charge
of Financial Reporting
Stefano De Rosa

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

Sede Legale, Amministrativa e Commerciale:

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



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



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

Report on review of condensed interim consolidated financial statements

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the F.I.L.A. Group, comprising the statement of financial position as at 30 June 2021, the statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

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

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

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

Società per azioni
Capitale sociale
Euro 10.415.500,00 i.v.
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Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA



F.I.L.A. Group
Report on review of condensed interim financial statements
30 June 2021

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the F.I.L.A Group as at and for the six months ended 30 June 2021 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milano, 6 August 2021

KPMG S.p.A.

(signed on the original)

Angelo Pascali
Director of Audit