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

F.I.L.A. GROUP 2022 ANNUAL REPORT

F.I.L.A. S.p.A. 2022 ANNUAL REPORT

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

Via XXV Aprile 5 Pero (MI)

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I - General information

Corporate Bodies

Board of Directors

Chairperson (*)	Giovanni Gorno Tempini
Honorary Chairperson	Alberto Candela
Chief Executive Officer (**)	Massimo Candela
Executive Director (**)	Luca Pelosin
Non-executive Director	Annalisa Matilde Barbera
Non-executive Director (*)	Giorgina Gallo
Non-executive Director (*)	Carlo Paris
Non-executive Director (*)	Donatella Sciuto

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

(**) Executive Director

Control, Risks and Related Parties Committee

Donatella Sciuto
Annalisa Matilde Barbera
Carlo Paris

Remuneration Committee

Carlo Paris
Annalisa Matilde Barbera
Giorgina Gallo

Board of Statutory Auditors

Chairperson	Gianfranco Consorti
Standing Auditor	Sonia Ferrero
Standing Auditor	Pietro Michele Villa
Alternate Auditor	Stefano Amoroso

Independent Auditors

KPMG S.p.A.

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

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

The F.I.L.A. Group at December 31, 2022 operates through 25 production facilities and 33 subsidiaries across the globe and employs approx. 11,300 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 fine arts. In addition to these transactions, 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).

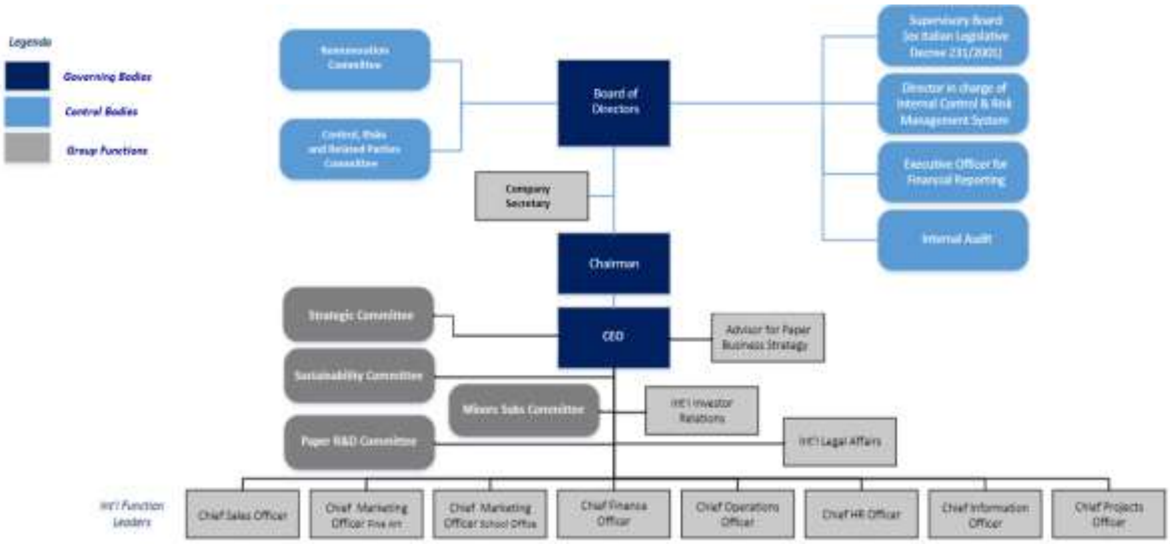
In June 2018, F.I.L.A. S.p.A., through its US subsidiary Dixon Ticonderoga Co. (U.S.A.), consolidated its role as a leading player on the US market with the acquisition of the US Group Pacon, which through brands such as Pacon, Riverside, Strathmore and Princeton, is a leader in the US schools and arts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

On February 8, 2022, the UK subsidiary Daler Rowney Ltd. acquired 100% of the UK company Creative Art Products Limited, located in Manchester (UK), which specialises in the schools segment and produces and distributes a wide range of art materials for children, both under the *Scola* brand and private label brands (xiv).

Organisational structure

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



F.I.L.A. GROUP AND F.I.L.A. S.p.A. 2022 DIRECTORS' REPORT

II - Directors' Report

Macroeconomic overview

The year 2022 was marked by high levels of complexity. Following the COVID-19 ("coronavirus") pandemic and its string of variants, expectations were for an economy on the road to recovery, but the geopolitical crisis and its economic consequences further complicated the international landscape. The consequences and related uncertainties of the war between Russia and Ukraine have impacted the global economy, further exacerbating the still-tangible effects of the pandemic. One of the primary factors characterising the macroeconomic landscape in 2022 were prices rising at the highest rate of recent decades, impacting nearly every nation and involving supply and consumption on an international scale. We have seen a rapid rise in energy prices in response to the ongoing war in Europe and the change in policies for the procurement of energy by European nations. This has led to higher costs for businesses and a reduction in disposable income for households, and this has caused central banks to tighten monetary policy by increasing interest rates. These effects have had further, adverse effects on the financial performance and standing of businesses.
Finally, we have seen a contraction in GDP compared to 2021, even though, in the first half of 2022, consumption, investment and the path to recovery from the pandemic posted significant upward trends.

The F.I.L.A. Group's market featured general sales volume increases on 2021, with a strong recovery in revenue from "Schools" products, particularly in India and Mexico. This volume effect was amplified in the second half of the year following application of a generalised price increase in order to calm the inflationary pressures that have impacted the entire value chain.

Within this climate of instability, management's focus in 2023, in line with the previous year, remained on containing fixed costs and streamlining processes, particularly with regard to the American subsidiary. Furthermore, efficiency gains in investments and improved management of working capital are to be the levers at the heart of our annual target for reducing net debt. Finally, the Indian and Mexican markets will continue to be important drivers of Group performance.

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

		December 31, 2022		December 31, 2021	
	Country	**Inflation**	**GDP**	**Inflation**	**GDP**
Euro zone	Italy	11.75%	2.62%	2.18%	3.85%
	Spain	6.59%	3.80%	3.40%	2.67%
	Portugal	9.89%	4.86%	1.49%	4.31%
	Greece	8.27%	2.82%	1.82%	16.20%
	France	6.07%	1.02%	1.72%	3.30%
	Turkey	77.37%	3.96%	19.26%	21.44%
	Germany	9.66%	1.28%	3.90%	2.57%
	Poland	17.33%	4.48%	5.47%	5.18%
	Sweden	11.56%	2.59%	1.98%	3.70%
North America	U.S.A.	7.10%	1.86%	5.34%	4.90%
	Canada	6.67%	3.93%	4.06%	3.84%
Latin America	Mexico	8.01%	4.32%	5.80%	5.82%
	Chile	12.98%	(0.06%)	4.89%	17.34%
	Argentina	77.63%	7.92%	51.89%	19.58%
BRICs	China	1.84%	3.90%	1.00%	4.90%
	India	6.04%	5.68%	4.82%	20.90%
	Brazil	6.05%	3.63%	9.64%	12.36%
	Russia	11.55%	3.83%	6.86%	8.07%
Others	South Africa	7.67%	4.03%	4.93%	19.37%
	Australia	7.27%	5.87%	3.01%	9.60%

Source: OECD, January 2023

Financial Highlights

The F.I.L.A. Group's 2022 Financial Highlights are reported below:

Euro thousands	December 31, 2022	% revenue	December 31, 2021	% revenue	Change 2022 - 2021		*Adjustments*	
							IFRS 16 effects	Adjustments for Non-Recurring expenses
Revenue	764,580	*100.0%*	653,278	*100.0%*	111,303	*17.0%*	-	-
Gross operating profit [1]	119,231	*15.6%*	119,927	*18.4%*	(696)	*(0.6%)*	*15,744*	*(6,767)*
Operating profit	72,744	*9.5%*	78,547	*12.0%*	(5,803)	*(7.4%)*	*3,864*	*(9,866)*
Net financial expense	(34,122)	*(4.5%)*	(24,091)	*(3.7%)*	(10,031)	*(41.6%)*	*(5,967)*	*(3,489)*
Total taxes	(8,347)	*(1.1%)*	(15,031)	*(2.3%)*	6,685	*44.5%*	*528*	*2,418*
F.I.L.A. Group Profit attributable to the owners of the Parent	25,271	*3.3%*	38,014	*5.8%*	(12,743)	*(33.5%)*	*(1,509)*	*(10,899)*
Earnings per share (€ cents)								
basic	*0.50*		*0.75*					
diluted	*0.49*		*0.73*					

ADJUSTED Net of Non-Recurring expenses and IFRS 16 effects - Euro thousands	December 31, 2022	% revenue	December 31, 2021	% revenue	Change 2022 - 2021		*of which: Creative Art Products Limited*
Revenue	764,580	*100.0%*	653,471	*100.0%*	111,109	*17.0%*	2,231
Gross operating profit [1]	110,253	*14.4%*	109,075	*16.7%*	1,179	*1.1%*	(1)
Operating profit	78,745	*10.3%*	78,858	*12.1%*	(113)	*(0.1%)*	(32)
Net financial expense	(24,665)	*(3.2%)*	(18,570)	*(2.8%)*	(6,096)	*(32.8%)*	(25)
Total taxes	(11,293)	*(1.5%)*	(16,191)	*(2.5%)*	4,899	*30.3%*	-
F.I.L.A. Group Profit attributable to the owners of the Parent	37,679	*4.9%*	42,536	*6.5%*	(4,857)	*(11.4%)*	(57)
Earnings per share (€ cents)							
basic	*0.74*		*0.83*				
diluted	*0.73*		*0.82*				

Euro thousands	December 31, 2022	December 31, 2021	Change 2022 - 2021
Cash flows from operating activities	88,404	119,142	(30,738)
Net investments	(16,747)	(12,000)	(4,748)
% revenue	*2.2%*	*1.8%*	

Euro thousands	December 31, 2022	December 31, 2021	Change 2022 - 2021	*IFRS 16 effects*
Net capital employed	862,812	835,379	27,433	(925)
Net Financial debt [2]	(435,159)	(437,253)	2,093	(1,224)
Equity	(427,653)	(398,127)	(29,526)	2,149

(1) The Gross Operating Profit (EBITDA) corresponds to the operating profit before amortisation and depreciation and impairment losses;
(2) Indicator of the net financial debt, 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 and Consob's warning notice n. 5/21 of April 29, 2021, excludes non-current financial assets;
(3) Amounts referred to the Asset Purchase Agreement between Daler Rowney Ltd and Creative Art Products Limited, occurred on 01.08.2022.

2022 Adjustments:

- The adjustment to 2022 EBITDA concerns non-recurring operating costs of approx. Euro 6.8 million, for Group level consultancy of Euro 3.5 million (principally concerning the undertaking of a new loan in July 2022 and the settlement of the previous loan - hereafter also the "refinancing"), reorganisation and restructuring charges of Euro 3.1 million, charges incurred to tackle the COVID-19 pandemic of Euro 1.1 million, the portion in the year for the medium/long-term "2022-2025 Performance Shares Incentive Plan" of Euro 0.2 million and the portion disbursed on the conclusion of the "2019-2021 Performance Shares Incentive Plan" of Euro 1.1 million;
- The adjustment to Operating Profit was Euro 9.9 million, relating to the above-stated effects on EBITDA and the estimated impairment of doubtful accounts, mainly concerning the Russian subsidiary Fila Stationary O.O.O.
- The adjustment made to Net financial expense of Euro 3.5 million mainly refers to the financial expenses incurred by the parent F.I.L.A. S.p.A. and the U.S. subsidiary Dixon Ticonderoga Company for the refinancing transaction.
- The adjustment to the Group Profit attributable to the owners of the parent in 2022 was Euro 10.9 million, principally due to the above-stated effects on the Operating Profit and on Net Financial Expense, net of the relative tax effect.

2021 Adjustments:

- The adjustment 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;
- The adjustment of the 2021 gross operating profit relates to non-recurring operating costs of approx. Euro 4.1 million regarding reorganisation-restructuring charges and other Group consultancy costs for Euro 2.2 million, the expense incurred to handle the COVID-19 pandemic for Euro 1.1 million and the outlay for the medium/long-term incentive plan for Euro 0.8 million;
- The adjustment of the operating profit was Euro 4.1 million, resulting from the aforementioned effects on the gross operating profit;
- The adjustment to the 2021 profit attributable to the owners of the parent was Euro 3.3 million and principally concerns the above effects on the Gross Operating Profit, 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 under the IFRS. Such alternative performance measures are not to be considered replacements for the IFRS-compliant measures. These measures are also tools used by the Directors to identify operating trends and for decision-making upon investments, the allocation of resources and other operative decisions. Alternative performance measures are not covered by IFRS and are therefore not comparable with similar performance and disclosure measures used in the financial statements of other entities.

The alternative performance measures used are illustrated below:

Gross operating profit or EBITDA: this is calculated as profit for the reporting period, excluding the following components: (i) income taxes for the reporting period, (ii) depreciation, amortisation and impairment losses, and (iii) financial income and expense. 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 2022 profit for the year with the gross operating profit or EBITDA:

Euro thousands	**December 31, 2022**	**December 31, 2021**
Profit attributable to non-controlling interests	5,004	1,411
Profit attributable to the owners of the parent	25,271	38,014
Profit for the year	**30,276**	**39,425**
Income taxes	**8,347**	**15,031**
Current taxes	*15,056*	*14,513*
Deferred taxes	*(6,710)*	*519*
Amortisation, depreciation and impairment losses	**46,487**	**41,379**
Financial items	**34,122**	**24,091**
Financial income	*(14,573)*	*(6,051)*
Financial expense	*49,472*	*30,436*
Share of losses of equity-accounted investees	*(777)*	*(294)*
Gross operating profit	**119,231**	**119,927**

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

The following is a reconciliation between Gross Operating Profit or EBITDA and adjusted gross operating profit or adjusted EBITDA:

Euro thousands	December 31, 2022	December 31, 2021
Gross operating profit	**119,231**	**119,927**
Non-recurring expense	6,767	4,105
IFRS 16 effect	(15,744)	(14,957)
Adjusted gross operating profit	**110,253**	**109,075**

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

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

Euro thousands	December 31, 2022	December 31, 2021
Gross operating profit	**119,231**	**119,927**
Amortisation and depreciation	(42,249)	(40,789)
Impairment losses on trade receivables and other assets	(4,145)	(568)
Other impairment losses	(94)	(22)
Operating profit	**72,744**	**78,547**

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

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

Euro thousands	December 31, 2022	December 31, 2021
Operating profit	**72,744**	**78,547**
Non-recurring expense	9,866	4,105
IFRS 16 effect	(3,864)	(3,794)
Adjusted Operating profit	**78,745**	**78,858**

Group profit for the period: profit for the reporting period, adjusted for the portion attributable to non-controlling interests.

The Group defines the adjusted profit attributable to the owners of the parent as the Group profit for the year, before: (i) non-recurring expense, and (ii) the application of IFRS 16.

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

Euro thousands	December 31, 2022	December 31, 2021
Profit for the period attributable to the owners of the parent	**25,271**	**38,014**
Non-recurring expense	10,899	3,337
IFRS 16 effect	1,509	1,185
Adjusted Profit for the period attributable to the owners of the parent	**37,679**	**42,536**

Net financial position (or net financial debt) – this is a valid measure of the F.I.L.A. Group's financial structure. It is calculated as the aggregate of the current and non-current financial debt, net of cash and cash equivalents and of current financial assets, in accordance with Consob Communication DEM/6064293 of July 28, 2006 and Consob's warning notice No. 5/21 of April 29, 2021, excluding non-current financial assets.

The non-current financial assets of the F.I.L.A. Group at December 31, 2022 and at December 31, 2021 respectively totalled Euro 1,990 thousand and Euro 4,078 thousand.

For greater details, reference should be made to the "Financial overview" section.

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

The F.I.L.A. Group's 2022 financial highlights are reported below.

Adjusted financial performance

The F.I.L.A. Group's 2022 adjusted gross operating profit rose by 1.1% on 2021.

ADJUSTED - Euro thousands	December 31, 2022	% revenue	December 31, 2021	% revenue	Change 2022 - 2021	
Revenue	*764,580*	*100.0%*	*653,471*	*100.0%*	111,109	*17.0%*
Income	8,966		6,823		2,144	*31.4%*
Total revenue	**773,546**		**660,294**		**113,252**	***17.2%***
Total operating costs	(663,293)	*(86.8%)*	(551,219)	*(84.4%)*	(112,074)	*(20.3%)*
Gross operating profit	**110,253**	***14.4%***	**109,075**	***16.7%***	**1,179**	***1.1%***
Amortisation, depreciation and impairment losses	(31,508)	*(4.1%)*	(30,216)	*(4.6%)*	(1,292)	*(4.3%)*
Operating profit	**78,745**	***10.3%***	**78,858**	***12.1%***	**(113)**	***(0.1%)***
Net financial expense	(24,665)	*(3.2%)*	(18,570)	*(2.8%)*	(6,096)	*(32.8%)*
Pre-tax profit	**54,080**	***7.1%***	**60,289**	***9.2%***	**(6,209)**	***(10.3%)***
Total taxes	(11,293)	*(1.5%)*	(16,191)	*(2.5%)*	4,899	*30.3%*
Profit for the year	**42,787**	***5.6%***	**44,097**	***6.7%***	**(1,310)**	***(3.0%)***
Profit for the year attributable to non-controlling interests	5,108	*0.7%*	1,561	*0.2%*	3,547	*227.2%*
F.I.L.A. Group Profit attributable to the owners of the Parent	**37,679**	***4.9%***	**42,536**	***6.5%***	**(4,857)**	***(11.4%)***

The main changes compared to 2021 are illustrated below.

"Revenue" of Euro 764,580 thousand increased on 2021 by Euro 111,109 thousand (+17.0%). Net of exchange gains of Euro 45,281 thousand (mainly concerning the US Dollar, the Indian Rupee and the Mexican Peso, partially offset by the weakening of the Turkish Lira and the Argentinian Peso), organic growth was Euro 65,828 thousand (+10.1%).

At geographical area level, organic growth was reported in Asia of Euro 47,678 thousand (+70.2% on the comparative period) and in Central and South America for Euro 27,311 thousand (+59.6% on the preceding period), partially offset by a decrease in North America for Euro 8.577 thousand (-2.9% on the preceding period), and in Europe for Euro 556 thousand (-0.2% on the preceding period), and the Rest of the World for Euro 29 thousand (-0.7% on the preceding period).

"Income" of Euro 8,966 thousand increased by Euro 2,144 thousand, mainly due to higher exchange gains on commercial transactions.

"Total operating costs" in 2022 of Euro 663,293 thousand increased Euro 112,074 thousand on 2021. This increase is mainly due to inflationary pressures in the year on variable purchasing and sales costs linked to the increase in revenue, higher transportation costs, marketing expenses to developing revenue and the negative exchange rate effect upon revenue.

The "Gross operating profit" of Euro 110,253 thousand increased by Euro 1,179 thousand on 2021 (+1.1%).At like-for-like exchange rates, an organic contraction of 2.3% against the previous year is reported.

Amortisation, depreciation and impairment losses increased Euro 1,292 thousand, mainly due to an increase in impairment losses and in the loss allowance, following the increase in revenue, the negative economic outlook and the increase in amortisation and depreciation linked to the slight recovery of investments previously slowed by the COVID-19 related uncertainty.

Net Financial Expense increased Euro 6,096 thousand, substantially due to the higher amortised cost on the refinancing transaction involving the parent F.I.L.A. S.p.A. and the US subsidiary Dixon Ticonderoga Company, in addition to the increased interest expense, principally due to the raising of interest rates and the greater use of credit lines.

The Group's total adjusted Taxes amounted to Euro 11,293 thousand, decreasing on the previous year due to the release of Deferred Tax Assets, mainly related to the lower deferred taxes concerning the US company Dixon Ticonderoga Company.

Net of the profit attributable to non-controlling interests, the F.I.L.A. Group adjusted profit in 2022 was Euro 37,679 thousand compared to Euro 42,536 thousand in the previous year.

Business seasonality

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

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

The quarterly breakdown of profit or loss shows the concentration of sales in the second and third quarters in conjunction with the "school campaign". Specifically, significant sales are made through the traditional "school suppliers" channel in June and through the "retailers" channel in August.

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

The key figures for 2021 and 2022 are reported below:

	2021				2022			
Euro thousands	First 3 mth. 2021	First 6 mth. 2021	First 9 mth. 2021	FY 2021	First 3 mth. 2022	First 6 mth. 2022	First 9 mth. 2022	FY 2022
Revenue	**141,551**	**324,554**	**496,314**	**653,278**	**166,020**	**390,572**	**595,045**	**764,580**
Full year portion	21.7%	49.7%	76.0%	100.0%	21.7%	51.1%	77.8%	100.0%
Gross operating profit	**21,946**	**63,326**	**98,823**	**119,927**	**26,027**	**71,838**	**102,874**	**119,231**
% revenue from sales and services	15.5%	19.5%	19.9%	18.4%	15.7%	18.4%	17.3%	15.6%
Full year portion	18.3%	52.8%	82.4%	100.0%	21.8%	60.3%	86.3%	100.0%
Adjusted gross operating profit	**20,081**	**58,536**	**91,001**	**109,075**	**22,672**	**64,810**	**95,540**	**110,253**
% revenue from sales and services	14.2%	18.0%	18.3%	16.7%	13.7%	16.6%	16.1%	14.4%
Full year portion	18.4%	53.7%	83.4%	100.0%	20.6%	58.8%	86.7%	100.0%
Net Financial Debt	**(525,019)**	**(523,873)**	**(485,789)**	**(437,253)**	**(473,058)**	**(524,749)**	**(510,949)**	**(435,159)**

Statement of Financial Position

The F.I.L.A. Group's financial highlights at December 31, 2022 are as follows.

Euro thousands	December 31, 2022	December 31, 2021	Change 2022 - 2021
Intangible assets	446,497	445,823	674
Property, plant & equipment	166,185	169,653	(3,468)
Biological assets	1,817	1,936	(119)
Financial assets	4,160	5,585	(1,425)
Net Non-Current Assets	**618,659**	**622,997**	**(4,338)**
Other Non-Current Assets/ Liabilities	**24,032**	**19,119**	**4,913**
Inventories	307,076	271,269	35,807
Trade receivables and other assets	115,376	121,357	(5,981)
Trade payables and other liabilities	(122,375)	(115,430)	(6,945)
Other current assets and liabilities	2,833	(218)	3,051
Net working capital	**302,909**	**276,979**	**25,930**
Provisions	**(82,788)**	**(83,716)**	**928**
Net invested capital	**862,812**	**835,379**	**27,433**
Equity	**(427,653)**	**(398,127)**	**(29,526)**
Net financial debt	**(435,159)**	**(437,253)**	**2,093**
Net funding sources	**(862,812)**	**(835,379)**	**(27,433)**

The F.I.L.A. Group's "Net Invested Capital" of Euro 862,812 thousand at December 31, 2022 was composed of "Net Non-current Assets" of Euro 618,659 thousand (down Euro 4,338 thousand on December 31, 2021), "Net Working Capital" of Euro 302,909 thousand (up Euro 25,930 thousand on December 31, 2021) and "Other Non-current Assets/Liabilities" of Euro 24,032 thousand (increasing Euro 4,913 thousand on December 31, 2021), net of "Provisions" of Euro 82,788 thousand (Euro 83,716 thousand at December 31, 2021).

Intangible Assets increased on December 31, 2021 by Euro 674 thousand, principally due to exchange gains in the year of Euro 9,745 thousand, net investments of Euro 3,137 thousand, mainly by the parent F.I.L.A. S.p.A. (Euro 3,014 thousand for the implementation and roll out of the ERP at a number of group companies and F.I..L.A. S.p.A.) and the net change in the consolidation scope of Euro 2,061 thousand, concerning the Schools brand of the English subsidiary Daler Rowney Ltd, which acquired the net assets of the English investee Creative Art Products Ltd from August 1, 2022. The increase in the year is offset by amortisation of Euro 14,276 thousand.

"Property, plant and equipment" decreased on December 31, 2021 by Euro 3,468 thousand, due to the decrease of Euro 2,015 thousand in “Property, Plant and Machinery” and Euro 1,453 thousand in “Right-of-Use Assets”.

The decrease in Property, Plant and Machinery was mainly due to depreciation in the year of Euro 16,093 thousand. Net investments in the year totalled Euro 13,696 thousand and were undertaken mainly by DOMS Industries Pvt Ltd (India), Canson SAS (France) and Dixon Ticonderoga Company (U.S.A.). We in addition report an increase from the recognition of exchange gains of Euro 67 thousand. The decrease in “Right-of-Use Assets” was mainly due to depreciation in the period of Euro 11,880 thousand. Net investments in “Right-of-Use Assets” in the year amounted to Euro 7,877 thousand, mainly by Daler Rowney Ltd (United Kingdom) for Euro 2,863 thousand and Dixon Ticonderoga Company (U.S.A) for Euro 2,751 thousand, for the renewal of both production site and local logistics contracts. The movement is also due to exchange gains of Euro 2,545 thousand.

“Biological Assets” decreased Euro 119 thousand on December 31, 2021, with Euro 77 thousand concerning impairment losses and Euro 42 thousand exchange losses.

This item only includes the fair value of the plantation of the Chinese subsidiary Xinjiang F.I.L.A. - Dixon Plantation Company Ltd.

“Financial Assets” decreased Euro 1,425 thousand on December 31, 2021, mainly regarding the Chinese subsidiary Fila Dixon Stationary Kunshan, which no longer holds financial-type bank products, which at December 31, 2021 amounted to Euro 3,058 thousand.

The increase in “Net Working Capital” of Euro 25,930 thousand relates to the following:

- “Inventories” – increase of Euro 35,807 thousand, mainly due to the net increase in stock at the F.I.L.A. Group, for approx. Euro 28,009 thousand, in particular at Dixon Ticonderoga Company (U.S.A.) and Grupo Fila- Dixon, S.A. de C.V. (Mexico) and exchange gains of approx. Euro 6,338 thousand;
- “Trade receivables and other assets” - decreasing Euro 5,981 thousand, mainly due to the decrease in “Trade Receivables” for Euro 8,645 thousand, principally in North America, offset by exchange gains for approx. Euro 4,249 thousand;
- “Trade payables and other liabilities”- increasing Euro 6,945 thousand, due mainly to the increase in “Trade Payables” for approx. Euro 7,993 thousand, recognised by the Mexican subsidiary FILA-Dixon, S.A. de C.V. and the parent F.I.L.A. S.p.A.; this increase was sharpened by exchange losses for Euro 1,540 thousand;

- "Other Current Assets and Liabilities" - increasing Euro 3,051 thousand, mainly due to the increase in current tax assets for Euro 4,057 thousand and the increase in current tax liabilities for Euro 1,006 thousand.

The decrease in "Provisions" on December 31, 2021 of Euro 928 thousand principally concerns:

- Decrease in "Deferred Tax Liabilities" of Euro 993 thousand, principally due to utilisations in the year of Euro 2,642 thousand offset by exchange losses of Euro 1,167 thousand;
- Decrease in "Provisions for Risks and Charges" of Euro 218 thousand, mainly for the release by the French subsidiary Canson SAS in relation to the previous reorganisation plans, which have now being completed;
- Increase in "Employee Benefits" for Euro 284 thousand, mainly as a result of actuarial gains recorded by the subsidiary Daler Rowney Ltd (United Kingdom).

The "Equity" of the F.I.L.A. Group, amounting to Euro 427,653 thousand, increased on December 31, 2021 by Euro 29,526 thousand. Net of the profit for the year of Euro 25,271 thousand (of which a profit of Euro 5,004 thousand attributable to non-controlling interests), the residual movement mainly concerned the increase in the translation reserve of Euro 2,325 thousand and the fair value gains on IRSs of Euro 13,511 thousand. These changes were offset by the decrease in the Actuarial reserve of Euro 977 thousand, the repurchase of treasury shares by the parent F.I.L.A. S.p.A. for Euro 2,324 thousand, the release of the Share Premium Reserve and of "Treasury Shares" for Euro 1,085 thousand, in relation to the 2019-2021 medium/long-term incentive plan, by the Euro 199 thousand increase against the new 2022-2024 medium/long-term incentive plan and by dividends paid for Euro 12,845 thousand, of which Euro 11,699 thousand to the shareholders of F.I.L.A. S.p.A. and Euro 1,146 to the non-controlling interests of the subsidiaries.

F.I.L.A. Group "Net Financial Debt" at December 31, 2022 was Euro 435,159 thousand, improving Euro 2,093 thousand on December 31, 2021. For greater details, reference should be made to the "Financial overview" section.

Financial overview

The Group's net financial debt at December 31, 2022 and cash flows for the year 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 the condensed consolidated interim financial statements at June 30, 2021, reference should be made to Consob's warning notice No. 5/21 of April 29, 2021, which cites the new ESMA guidelines in this regard.

The **Net Financial Debt** at December 31, 2022 was Euro 435,159 thousand.

	Euro thousands	December 31, 2022	December 31, 2021	Change 2022 - 2021
A	Cash	130	104	26
B	Cash equivalents	111,078	145,880	(34,802)
C	Other current financial assets	873	3,536	(2,663)
D	**Liquidity (A + B + C)**	**112,082**	**149,520**	**(37,439)**
E	Current bank loans and borrowings	(105,492)	(45,196)	(60,296)
F	Current portion of non-current bank loans and borrowings	(29,351)	(50,515)	21,164
G	**Current financial debt (E + F)**	**(134,843)**	**(95,711)**	**(39,132)**
H	**Net current financial (position) debt (G - D)**	**(22,761)**	**53,810**	**(76,571)**
I	Non-current bank loans and borrowings	(412,398)	(491,062)	78,664
J	Bonds issued	-	-	-
K	Trade payables and other non current liabilities	-	-	-
L	**Non-current financial debt (I + J + K)**	**(412,398)**	**(491,062)**	**78,664**
M	**Net financial debt (H + L)**	**(435,159)**	**(437,253)**	**2,093**
N	**Long term loans issued**	**-**	**-**	**-**
O	**Net financial debt (M + N) - F.I.L.A. Group**	**(435,159)**	**(437,253)**	**2,093**

The reconciliation between the Net Financial Debt - F.I.L.A. Group and the Statement of Financial Position is reported below:

- captions "A - Cash" (Euro 130 thousand) and "B - Cash equivalents" (Euro 111,078 thousand) are included in "Note 10 - Cash and cash equivalents" (Euro 111,209 thousand);
- caption "C - Other current financial assets" refers to "Note 3 - Current financial assets" (Euro 873 thousand);
- caption "G - Current financial debt" relates to "Note 13 - Current Financial Liabilities" (Euro 134,843 thousand) and contains caption "F - Current portion of non-current bank loans and borrowings" (Euro 29,351 thousand) which refers to the current portion of Lease Liabilities (Euro 10,142 thousand) and to the current portion of long-term loans (Euro 19,209 thousand);
- caption "I - Non-current bank loans and borrowings" (Euro 412,398 thousand) refers to "Non-

Current Financial Liabilities" (Euro 415,574 thousand), while also including the financial hedge instrument (positive Euro 3,176 thousand), included in "Non-Current Financial Assets".

Compared to December 31, 2021 (Euro 437,253 thousand), Net Financial Debt improved Euro 2,093 thousand, as outlined below in the Statement of Cash Flows:

Euro thousands	December 31, 2022	December 31, 2021
Operating profit net of IFRS 16 effect	68,880	74,753
Non-monetary adjustments net of IFRS 16 effect	36,741	31,791
Income taxes	(17,645)	(9,109)
Cash Flows from Operating Activities Before Changes in NWC	**87,975**	**97,435**
Change in NWC	**(19,051)**	**3,165**
Change in Inventories	(28,009)	(4,477)
Change in Trade Receivables and Other Assets	6,705	(1,934)
Change in Trade Payables and Other Liabilities	4,619	10,543
Change in Other Current Assets/Liabilities	(2,367)	(967)
Net Cash Flows from Operating Activities	**68,924**	**100,600**
Investments in Property, Plant and Equipment and Intangible assets	(16,747)	(12,000)
Financial income	390	159
Net Cash Flows from (used in) Investing Activities	**(16,357)**	**(11,841)**
Change in Equity	(15,169)	(7,022)
Financial Expense	(25,172)	(18,689)
Net Cash Flows used in Financing Activities	**(40,341)**	**(25,711)**
Exchange differences and other variations	(4,196)	2,258
Total Net Cash Flows	**8,030**	**65,307**
Effect of exchange gains (losses)	(14,359)	(13,089)
Change in amortized cost	(1,916)	(2,510)
Mark to mark hedging adjustment	13,033	8,909
NFD change due to IFRS16 FTA	(1,224)	(2,415)
NFD from M&A Transactions (Change in Consolidation Scope) Creative Art Products Limited	(1,470)	-
Change in Net Financial Debt - F.I.L.A. Group	**2,093**	**56,203**

The net cash flows generated by "Operating activities" of Euro 68,924 thousand (compared to Euro 100,600 thousand in 2021) are due to:

- Inflows of Euro 87,975 thousand (Euro 97,435 thousand in 2021) from operating profit, calculated as the difference of operating costs and revenue plus other operating items, excluding financial items;
- Outflows of Euro 19,051 thousand (generation of Euro 3,165 thousand in 2021) attributable to Working Capital movements and principally the increase in "Inventories", partially offset by the increase in "Trade Payables and Other Liabilities" and the reduction in "Trade Receivables and Other Assets".

"Investing Activities" absorbed liquidity of Euro 16,357 thousand (Euro 11,841 thousand in 2021), mainly due to the use of cash for Euro 16,747 thousand (Euro 12,000 thousand in 2021) for net property, plant and equipment and intangible asset investment, particularly regarding DOMS Industries Pvt Ltd (India), Canson SAS (France), Dixon Ticonderoga Company (U.S.A.), Daler Rowney Ltd (United Kingdom) and F.I.L.A. S.p.A..

"Financing activities" absorbed net cash flows of Euro 40,341 thousand (Euro 25,711 thousand absorbed in 2021) due to interest paid on loans and credit lines granted to Group companies of Euro 25,172 thousand, mainly the parent 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), to the dividends paid totalling Euro 12,845 thousand (to the shareholders of F.I.L.A. S.p.A. for Euro 11,699 thousand and to the minority shareholders of the subsidiaries for Euro 1,146 thousand) and the repurchase of treasury shares for Euro 2,324 thousand.

Net of the exchange losses relating to the translation of net debt in currencies other than the Euro (Euro 14,359 thousand), the Mark to Market Hedging adjustment of Euro 13,033 thousand, the increase in Net Financial Debt due to the application of IFRS 16 amounting to Euro 1,224 thousand, the change in "Amortized cost", amounting to a negative Euro 1,916 thousand, in addition to M&A in the year of Euro 1,470 thousand (cash out relating to the acquisition in the United Kingdom of Creative Art Products Limited, amounting to Euro 927 thousand), the decrease in the F.I.L.A. Group's Net Financial Debt is therefore Euro 2,093 thousand (decrease of Euro 56,203 thousand at December 31, 2021).

Changes in net cash and cash equivalents are detailed below:

Euro thousands	**December 31, 2022**	**December 31, 2021**
Opening Cash and Cash Equivalents	**137,226**	**116,306**
Cash and cash equivalents	145,985	127,105
Current account overdrafts	(8,759)	(10,799)
Closing Cash and Cash Equivalents	**107,546**	**137,226**
Cash and cash equivalents	111,209	145,985
Current account overdrafts	(3,663)	(8,759)

Investments

Total investments made by the Group during the year amounted to Euro 16,833 thousand. These investments, undertaken both to develop production efficiency and efficacy and to support increased sales volumes, comprised “Intangible Assets” for Euro 3,137 thousand and “Property, Plant and Equipment” for Euro 13,696 thousand.
Cash flow from investments net of capital gains realized on the sale of assets, amounting to Euro 86 thousand, totalled Euro 16,747 thousand.

The main intangible investments concerned F.I.L.A. S.p.A. for the ongoing implementation of the new ERP system for Euro 3,014 thousand.

Net investments in “Buildings” amount to Euro 675 thousand, mainly by Daler Rowney Ltd (United Kingdom) for Euro 157 thousand, by Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 136 thousand, by DOMS Industries PVT Ltd (India) for Euro 132 thousand and by Canson SAS (France) for Euro 71 thousand and relate to the expansion plan for the centralised storage and production site, while capitalisations of assets under construction total Euro 80 thousand.

Net investments in “Plant and Machinery” incurred by the F.I.L.A Group were Euro 7,836 thousand, mainly undertaken by DOMS Industries Pvt Ltd (India) for Euro 4,028 thousand, by Dixon Ticonderoga Company (U.S.A.) for Euro 923 thousand, by Daler Rowney Ltd (United Kingdom) for Euro 709 thousand and by Canson SAS (France) for Euro 502 thousand. In addition, capitalisations of assets under construction total Euro 1,548 thousand.

Net investments in “Industrial and Commercial Equipment” amounted to Euro 955 thousand and mainly concerned Dixon Ticonderoga Company (U.S.A.) for Euro 239 thousand, the Parent F.I.L.A. S.p.A. for Euro 180 thousand, Canson SAS (France) for Euro 156 thousand and Fila Canson do Brasil Ltda (Brazil) for Euro 116 thousand.

Net investments in "Other Assets" amounted to Euro 1,101 thousand, mainly undertaken by DOMS Industries Pvt Ltd (India) for Euro 423 thousand, by Fila Stationary O.O.O. (Russia) for Euro 224 thousand and by the Parent F.I.L.A. S.p.A. for Euro 109 thousand.

"Assets under construction" include internal constructions undertaken by the individual companies of the Group which are not yet up and running. The carrying amount at December 31, 2022 amounts to Euro 4,131 thousand, increasing on the previous year by Euro 1,485 thousand, due to investments in the year of Euro 3,129 thousand, mainly by Canson SAS (France) for Euro 1,952 thousand, Dixon Ticonderoga Company (U.S.A.) for Euro 357 thousand, Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 325 thousand, DOMS Industries Pvt Ltd (India) for Euro 227 thousand and F.I.L.A. S.p.A for Euro 150 thousand offset by the decrease from the transfer to other asset categories.

Other information

Management and control

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

Treasury shares

In the period between March 24, 2022 and April 6, 2022, the Parent F.I.L.A. S.p.A. repurchased treasury shares on the regulated Euronext Milan market for 240,000 ordinary shares of F.I.L.A. S.p.A. (representing 0.4701% of the Share Capital) for a total value of Euro 2,324 thousand. These transactions were carried out as part of the share buyback program, approved by the Company's Board of Directors on March 23, 2022, and as per the authorisation of the Shareholders' Meeting of April 27, 2021.

Details, on a daily basis, of ordinary share purchases are provided below:

Date	*Number of ordinary shares repurchased*	*Average Price (Euro)*	*Countervalue (Euro)*
24/03/2022	23,500	9.95	233,938
25/03/2022	24,000	9.99	239,695
28/03/2022	25,600	9.90	253,389
29/03/2022	15,000	9.90	148,457
30/03/2022	20,000	9.83	196,676
31/03/2022	29,000	9.79	284,018
01/04/2022	25,000	9.56	239,051
04/04/2022	20,000	9.37	187,476
05/04/2022	25,000	9.43	235,874
06/04/2022	32,900	9.27	305,009
Total	**240,000**		**2,323,582**

Prior to the launch of the Program, the company held 51,500 ordinary treasury shares, representing 0.1009% of the share capital.

In addition, during the year, the reserve altered due to the free allocation of shares of the parent F.I.L.A. S.p.A. to each beneficiary of the "2019-2021 Performance Shares" Plan on the basis of the achievement of the performance objectives on conclusion of the three-year vesting period. On closure of the "2019-2021 Performance Shares" Plan, 104,609 treasury shares have been allocated for Euro 1,017 thousand. At December 31, 2022, the Group held 186,891 treasury shares, for a total value of Euro 1,794 thousand (equal to the "Negative reserve for treasury shares in portfolio" deducted from consolidated equity).

Research and development and Quality Control

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

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

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

Research and development focuses essentially on the following:

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

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

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

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

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

Euro thousands	R&D			Quality Assurance		
Geographical segment	**Workers**	**Personnel expense**	**Other related Costs**	**Workers**	**Personnel expense**	**Other related Costs**
Europe	26	1,657	174	17	873	551
North America	-	-	-	5	274	166
Central-South America	34	359	119	22	254	98
Asia	33	351	41	92	469	143
Total	**93**	**2,367**	**334**	**136**	**1,870**	**958**

Related party transactions

For the procedures adopted in relation to transactions with related parties, also in accordance with Article 2391-*bis* of the Civil Code, reference should be made to the new policy adopted by the parent on May 14, 2021, as per the Regulation approved by the Stock Exchange Regulator ("Consob") with resolution No. 17221 of March 12, 2010 and subsequent amendments, published on the parent's website www.filagroup.it in the "Governance" section.

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

Significant events in the year

- On January 12, 2022, the liquidation of the Italian subsidiary Canson Italy S.r.l. began;

- On January 14, 2022, the German subsidiaries Lukas-Nerchau GmbH and Nerchauer-Malfarben GmbH were merged into Daler Rowney GmbH;

- On February 8, 2022, the UK subsidiary Daler Rowney Ltd fully acquired the UK company Creative Art Products Limited, specialised in the schools segment, for a total consideration of Euro 927 thousand. From August 1, 2022, the company's business has been fully managed by its UK subsidiary Daler Rowney Ltd, which acquired the net assets of the investee company;

- In the period between March 24, 2022 and April 6, 2022, the Parent F.I.L.A. S.p.A. repurchased treasury shares on the regulated Euronext Milan market for 240,000 ordinary shares of F.I.L.A. S.p.A. (representing 0.4701% of the Share Capital) for a total amount of Euro 2,324 thousand. Details, on a daily basis, of ordinary share purchases are provided below:

Date	*Number of ordinary shares repurchased*	*Average Price (Euro)*	*Countervalue (Euro)*
24/03/2022	23,500	9.95	233,938
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28/03/2022	25,600	9.90	253,389
29/03/2022	15,000	9.90	148,457
30/03/2022	20,000	9.83	196,676
31/03/2022	29,000	9.79	284,018
01/04/2022	25,000	9.56	239,051
04/04/2022	20,000	9.37	187,476
05/04/2022	25,000	9.43	235,874
06/04/2022	32,900	9.27	305,009
Total	**240,000**		**2,323,582**

These transactions were carried out as part of the share buyback program, approved by the Company's Board of Directors on March 23, 2022, and as per the authorisation of the Shareholders' Meeting of April 27, 2021.

Prior to the launch of the Program, the company held 51,500 ordinary treasury shares, representing 0.1009% of the share capital.

In addition, during the year, the reserve altered due to the free allocation of shares of the parent F.I.L.A. S.p.A. to each beneficiary of the “2019-2021 Performance Shares” Plan on the basis of the achievement of the performance objectives on conclusion of the three-year vesting period. On closure of the “2019-2021 Performance Shares” Plan, 104,609 treasury shares have been allocated for Euro 1,017 thousand.

At December 31, 2022, the Group held 186,891 treasury shares, for a total value of Euro 1,794 thousand (equal to the “Negative reserve for treasury shares in portfolio” deducted from consolidated equity).

- On July 28, 2022, the transaction for the undertaking of a new medium to long-term loan totalling Euro 232.5 million and USD 133.1 million, in addition to an RCF line of Euro 75.0 million, was completed. The transaction made it possible to settle the existing medium to long-term debt in advance of its natural maturity, arising from the loan agreed in 2018 with a bank syndicate, subsequently amended in 2019 as part of the acquisition of the French subsidiary Fila Arches, and the loan signed in 2020 with Cassa Depositi e Prestiti during the initial stages of the COVID-19 pandemic and subsequently extended in 2021, and thus to extend the maturity of its financial liabilities. As a whole, the transaction sought to allow both a reduction in the existing medium to long-term debt through the use of excess cash in order to reduce the amount of borrowing costs, and an appropriate rescheduling of payment maturities, ensuring that the Company has the resources to continue on its growth trajectory.

  It should be noted that the loan provided to the parent F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) was granted by the following institutions:

  - BNP Paribas and Intesa Sanpaolo as Global Coordinators, Bookrunners, Mandated Lead Arrangers, and Sustainability Coordinators;
  - Banco BPM as Bookrunner and Mandated Lead Arranger;
  - BPER, Credit Agricole, Mediobanca and UniCredit as Mandated Lead Arrangers;
  - Cassa Depositi e Prestiti and JP Morgan as Lead Arrangers;
  - Banca Nazionale del Lavoro with the role of Agent Bank.

The operation is broken down as follows:

- Term Loan A in Euro - amortising tranche disbursed to the parent F.I.L.A. S.p.A. for Euro 87.5 million, with a 5 year duration and average life of 3.7 years, for the refinancing and to cover the costs of the Transaction;
- Term Loan A in USD - amortising tranche disbursed to Dixon Ticonderoga Company (U.S.A.) of USD 99.1 million, with a 5 year duration and average life of 3.7 years, for the refinancing and to cover the costs of the Transaction;
- Term Loan B in Euro – bullet tranche disbursed to the parent F.I.L.A. S.p.A of Euro 111.6 million and to Dixon Ticonderoga Company (U.S.A.) of Euro 33.4 million, with a 5 year duration, for the refinancing and to cover the costs of the Transaction;
- Term Loan B in USD – bullet tranche disbursed to Dixon Ticonderoga Company (U.S.A.) of USD 34.0 million, with a 5 year duration, for the refinancing and to cover the costs of the Transaction;
- RCF - revolving credit facility multicurrency and multiborrower of Euro 75.0 million, with a 5 year duration, both for the refinancing and the financing of any future requirements generated by the working capital of the F.I.L.A. Group.

- Impacts of events related to the conflict in Ukraine

As widely publicised, on February 24, 2022 Russia launched a military operation in the east of Ukraine, resulting in the current conflict, which is significantly broadening in scope.

The geo-political tensions involving Russia and Ukraine have prompted a major international humanitarian and social crisis, with significant impacts primarily for their populations, but also for internal economic activities and commercial trade in the area. These extraordinary events in terms of their nature and extent, added to those stemming from COVID-19, have had global repercussions on: i) supply chains, particularly with regard to raw material and energy supply and prices; ii) international market demand levels; iii) inflation and the consequent restrictive interest rate policies; iv) the strengthening of the dollar as a haven from risk and rising interest rates.

The operating and financial impacts of the conflict between Russia and Ukraine on the F.I.L.A. Group and on its Russian commercial subsidiary Fila Stationary O.O.O. are not considered significant, also in view of the fact that the revenue of the subsidiary accounts for approx. 0.2% of the Group's total. The F.I.L.A. Group does not have suppliers or production plant in the area.

The Russian subsidiary has a net commercial exposure to third parties at December 31, 2022 of Euro 1,583 thousand, which takes into account the impairment made by the Group on the basis of assessments upon their recoverability. Group management continues to monitor the recoverability of the net exposure to third parties of the Russian subsidiary.

In light of these serious events, the Group is in addition monitoring the short-term situation so as to be ready to offset the impacts of all future decisions upon the presence in Russia.

There are no F.I.L.A. Group companies in Ukraine at December 31, 2022.

At Group level, the effects and the criticalities generated by the general inflation of raw and ancillary materials for production are also being monitored, assessing the possibility of identifying alternative procurement sources where needed or undertaking adequate compensatory measures. Moreover, the vertical integration of the Group should enable these pressures to be mitigated, which are currently considered as stable.

With reference to the valuations made for the purposes of the financial statements (recoverability of intangible assets, recoverability of deferred tax assets, fair value of financial instruments, liabilities for employee defined benefits etc.), the Directors consider that, given the information currently available, these factors of uncertainty are already included in the main sensitivity analyses provided with reference to the main financial statement captions subject to estimates. With particular reference to the uncertainties related to the developing conflict, it may not be excluded however that, should the crisis extend at an international level, the general economic consequences and specific consequences for the Group could be more severe than that envisaged at present, requiring a new estimate to be made, with a negative impact on the financial statements captions subject to estimate and in terms of the scenarios considered for the sensitivity analysis at December 31, 2022.

- On September 23, 2022, a cash management contract was entered into regarding the Italian subsidiary Industria Maimeri S.p.A., and on September 29, 2022, a cash management contract was entered into concerning the subsidiary F.I.L.A. Iberia.

  The cash pooling has enabled groups to optimise the management of liquidity, minimising expenses for banking transactions thanks to the relative economies of scale, increased bargaining power and to have greater control over financial risks.

Subsequent events

No subsequent events to year-end are reported further to those outlined in the ”Key Events in the year” paragraph, with the exception of the activities underway to conclude the 65% sale of the holding of the parent F.I.L.A. S.p.A. in the Russian subsidiary Fila Stationary O.O.O., and of the minority stake held by the parent in the Turkish subsidiary FILA Stationary and Office Equipment Industry Ltd. Co., both to the current managing directors of these companies.

Outlook

As confirmed by the performance in the initial months of the year, 2023 will continue to see a prudent approach among both businesses and consumers, alongside stable inflation and a subsequent gradual recovery in consumption.

The F.I.L.A. Group has consequently adopted for 2023 a global product price increase policy, highlighting - as in the past and thanks to the vertical chain integration - its capacity to manage inflation. “Art” product growth is particularly forecast and specifically in North America. This growth shall be further driven by the upward trajectory for “Schools” products, thanks to expected strong performances in India and Mexico. In this regard we highlight the major investments in India to support the strong growth expected.

The margin is forecast to recover in 2023, alongside satisfying cash generation and a consequent reduction in the debt, in line with the need to maintain appropriate stock levels to handle any consequences from an escalation of the Russia-Ukraine conflict.

Going Concern

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

Risk Management

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

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

The management of funding needs and the relative risks is undertaken by the individual F.I.L.A. Group companies on the basis of the guidelines drawn up centrally by the Parent F.I.L.A. S.p.A. and approved by the Chief Executive Officer.
The principal objective of these guidelines is the ability to ensure a balanced equity structure in order to maintain a solid capital base.
The main funding instruments used by the F.I.L.A. Group are:

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

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

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

Amid unstable markets and quickly changing business and regulatory environments, prudent and effective control of risks and opportunities is a key aspect in supporting knowledgeable decision-making which furthers the strategic and business objectives, guaranteeing an enterprises' sustainability and the creation of value over the long-term. With this in mind, in line with the Corporate Governance Code of Borsa Italiana, the Group has adopted a structured process to identify, assess, manage and systematically monitor the main risks which may impact upon the achievement of the Group's strategic and business objectives, in addition to the definition of adequate flows of information to ensure transparency and the internal circulation of information.

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

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

Physical risks related to climate change

The F.I.L.A. Group operates 25 production sites in a number of geographical areas (Italy, France, Germany, Great Britain, Argentina, Brazil, Canada, Mexico, Dominican Republic, USA, China, and India) and with 33 subsidiaries located in leading countries, with over 11,300 employees and making vertical integration one of its strengths on the market. A peculiarity of a Group is that the intensification of phenomena related to climate change and the related impacts on the main areas of the value chain (e.g. operations, suppliers, customers and markets) represents one of the main challenges that the F.I.L.A. Group will have to face in the short and medium-long term.

The intensification of physical risks related to climate change is a further element capable of affecting the proper performance of the Group's activities. The rapid worsening of the climatic situation in fact affects the frequency of “acute phenomena” (e.g. storms, floods, fires or heat waves, etc.) that can damage company assets and/or interrupt value chains.

This could bring about a risk to business continuity due to severe/extreme weather events, both in relation to offices and production facilities and with regard to the interruption in procurement as a result of the impact on the natural environment (e.g. forest fires, floods, etc.).

Taking these aspects into account, the Group conducted a climate risk assessment in 2022. The results of the analyses show a low overall exposure of the Group's production activities to climate risk. The risk profile assessment will be periodically monitored.

Cyber Security Risks

Awareness and attention to cyber security issues has progressively intensified due to the increasing frequency and complexity with which cyber attacks manifest themselves, also in view of the fact that the number and frequency of attacks increased, worldwide, during the COVID-19 pandemic.

For the F.I.L.A. Group, IT security is a fundamental requirement in order to guarantee the reliability of the information processed, as well as the effectiveness and efficiency of the services provided by the Group. This is essential, as it allows us to protect our "assets" against cyber threats while minimizing the impact in the event of a vulnerability due to overcoming implemented defences.

For the Group, the Information System (IT) (including technological resources - hardware, software, data, electronic documents, telematic networks - and the human resources dedicated to their administration, management and use) represents a tool of great importance for the achievement of strategic objectives, in view of the criticality of the business processes that depend on it. Within the Group the security of the Information System is achieved by implementing a series of security measures, in particular procedures, technical mechanisms or practices that reduce the risks of exposure of the information assets as a whole.

With reference to its activities, the Group has identified email phishing (fraudulent messages created to appear authentic, generally requiring the provision of sensitive personal information), complex infection processes (malware), ransomware (a class of malware that renders computer data inaccessible and often requires payment of a ransom) and Internet of Things (IoT) environmental attacks as the main cybersecurity risks. In order to mitigate these risks, Group-wide policies of conduct have been issued and actions have been implemented to identify, protect, detect, respond to and restore any critical situations that may arise, including specific communication and training activities.

In updating the Group's sustainability policy set during 2022, the Information Systems Policy and the Information Security Policy were issued.

The general principles of behaviour enshrined within the Information Systems Policy are:

- ensure user training and access to functions in accordance with security criteria that comply with the principles of sound and prudent management;
- activate processes to enhance IT resources;
- create a system for communicating the needs or criticalities of the Information System with the aim of activating a process of continuous improvement;
- implement controls to assess the company's ability to comply with internal policies;
- promptly identify deviations (anomalies, malfunctions, differences from what is known/approved/authorized);
- promote corrective action.

The Information Security Policy recalls, among other matters, F.I.L.A. Group's general principles regarding information security:

- Company information systems: the tools and software applications provided (email systems, local/network file systems, as well as data storage locations in the Cloud) are business tools, are considered company data and, therefore, company property; misuse of company systems is not permitted;

- Access to information: each user has limited access to the information they need to perform their tasks, both inside and outside the company; the setting of user profiles and rights is structured to limit the risk of deviation from this rule;
- Personnel and security: training and information activities aimed at personnel on IT security issues and the correct use of company equipment are planned and carried out; personnel (including internal and external consultants) are asked to sign appropriate confidentiality clauses;
- IT incidents and anomalies: employees are required to promptly report any problems relating to the security of the Group and its companies to the dedicated teams and to carefully manage company systems (email, Microsoft Teams, Microsoft Sharepoint, etc.) when carrying out work activities;
- Physical security: access to buildings and premises relevant to asset protection is restricted to authorized individuals;
- IT security: the identification and design of IT security countermeasures must consider the possibility of internal and external unauthorized access attempts and applicable legislation, as well as any other relevant constraints; users must not exploit any vulnerabilities in the IT security system, but are required to alert the system administrator to any malfunctions;
- Controls: Information systems should be checked periodically, as should operating procedures. IT security controls are implemented through the implementation of and compliance with policies in all organizational, procedural and technological areas in a manner consistent with the defined objectives; through the appropriate assignment of tasks and responsibilities within the Group for the implementation of policies; and through verification of the level of effectiveness of the measures implemented, also using periodic vulnerability assessments carried out by independent external parties.

For the F.I.L.A. Group, information security has as its priority the protection of information, personal data, digital storage and the elements through which the data are managed by protecting them from threats, whether organisational or technological, internal or external, accidental or intentional, ensuring their confidentiality, integrity and availability and compliance with applicable current legislation. The measures taken in this regard are:

- Ongoing user training aimed at increasing awareness of the types of threats that exist and the behaviours that are correct/avoided;
- Multi Factor Authentication;
- Minimum Privilege (users should only have access to what is necessary to perform their tasks);
- Constant updating of operating systems and applications (Patching).

For the adequate management of the information system, in recent years work has been carried out on the implementation of the Group's ICT (Information and Communication Technologies) infrastructure, in order to obtain complete traceability of the critical resources in use, also from a cyber risk point of view.

As far as the F.I.L.A. Group is concerned, to date there have been no cases of ransomware or infection by malware worms.

The management of IT security is entrusted to qualified personnel who, thanks to their experience, ability and reliability, provide the guarantee of full compliance with internal and external regulations on the subject. The team includes a Group IT Domain Manager Cybersecurity, two Regional System Administration and several local IT liaisons for outreach efforts.

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

Market risks

Risk may be broken down into two categories:

Currency risk

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

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

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

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

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

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

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

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

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

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

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

In 2022, the nature and the structure of the currency risk exposures and the Group's monitoring policies did not change substantially compared to the previous year.

Liquidity risk

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

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

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

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

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

- maintenance of an adequate level of liquidity;
- diversification of funding instruments and a continual and active presence on the capital markets;
- obtaining of adequate credit lines;
- monitoring of the liquidity position, in relation to business planning.

Financial transactions are carried out with leading highly rated Italian and international institutions.

Management believes that the funds and credit lines currently available, in addition to those that will be generated by operating and financial activities, will permit the Group to satisfy its requirements deriving from investing activities, working capital management and the repayment of debt in accordance with their maturities.

The capacity to generate liquidity through operations enables the Group to reduce liquidity risk to a minimum, which concerns the difficulty in sourcing funding to ensure the on time discharge of financial liabilities.

For the details of the due dates of financial liabilities, reference should be made to "Note 13.A - Financial Liabilities".

Interest rate risk

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

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

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

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

Credit risk

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

The maximum theoretical exposure to the credit risk for the Group at December 31, 2022 is the carrying amount of the trade receivables recorded in the consolidated financial statements, and the nominal amount of the guarantees given on liabilities and commitments to third parties.

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

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

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

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

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

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

Disclosure in accordance with IFRS 7

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

Euro thousands		December 31, 2022	Assets and liabilities measurement at FVOCI	Assets and liabilities measurement at FVTPL	Assets and liabilities measurement at amortised cost	Total
Non-current financial assets						
Non-current financial assets	Note 3	**5,166**	3,176		1,990	**5,166**
Current financial assets						
Current financial assets	Note 3	**873**			873	**873**
Trade receivables and other assets	Note 9	**115,376**			115,376	**115,376**
Cash and cash equivalents	Note 10	**111,209**			111,209	**111,209**
Non current financial liabilities						
Non-current financial liabilities	Note 13	**(415,574)**			(415,574)	**(415,574)**
Financial instruments	Note 17	**-**				**-**
Current financial libilities						
Current financial libilities	Note 13	**(134,843)**			(134,843)	**(134,843)**
Trade payables and other liabilities	Note 19	**(122,375)**			(122,375)	**(122,375)**

Euro thousands		December 31, 2021	Assets and liabilities measurement at FVOCI	Assets and liabilities measurement at FVTPL	Assets and liabilities measurement at amortised cost	Total
Non-current financial assets						
Non-current financial assets	Note 3	**4,078**			4,078	**4,078**
Current financial assets						
Current financial assets	Note 3	**3,536**		3,059	477	**3,536**
Trade receivables and other assets	Note 9	**121,357**			121,357	**121,357**
Cash and cash equivalents	Note 10	**145,985**			145,985	**145,985**
Non current financial liabilities						
Non-current financial liabilities	Note 13	**(481,205)**			(481,205)	**(481,205)**
Financial instruments	Note 17	**(9,858)**	(9,858)			**(9,858)**
Current financial libilities						
Current financial liabilities	Note 13	**(95,711)**			(95,711)	**(95,711)**
Trade payables and other liabilities	Note 19	**(115,430)**			(115,430)	**(115,430)**

Financial liabilities at amortised cost refer mainly to the refinancing on July 28, 2022 by the Parent F.I.L.A. S.p.A. and the US subsidiary Dixon Ticonderoga Company of the loan contracted on June 4, 2018. This transaction was entered into by the two companies with a bank syndicate comprising: BNP Paribas and Intesa Sanpaolo as Global Coordinators, Bookrunners, Mandated Lead Arrangers, and Sustainability Coordinators; Banco BPM as Bookrunner and Mandated Lead Arranger; BPER, Credit Agricole, Mediobanca and Unicredit as Mandated Lead Arrangers; Cassa Depositi e Prestiti and JP Morgan as Lead Arrangers; and Banca Nazionale del Lavoro as Agent Bank.

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

BANK LOANS AND BORROWINGS: DETAIL

Euro thousands	Principal F.I.L.A. S.p.A.	Principal Dixon Ticonderoga Company (U.S.A.)*	Total
Facility A1	85,313	-	85,313
Facility A2	-	90,589	90,589
Facility B1	111,600	-	111,600
Facility B2	-	31,877	31,877
Facility B3	-	33,400	33,400
RCF	-	28,127	28,127
Total	**196,913**	**183,993**	**380,906**

**carrying amounts translated at the rate for the year*

Facility A1 (Euro 85,313 thousand) and Facility A2 (Euro 90,589 thousand) stipulate a residual repayment plan consisting of 9 half-yearly instalments, of which 2 instalments classified as current, as scheduled for June 30, 2023 and for December 31, 2023, Facility B1 (Euro 111,600 thousand) and Facility B2 (Euro 31,877 thousand) and Facility B3 (Euro 33,400 thousand) are Bullet loans, with fixed single repayment respectively on July 23, 2027 and July 25, 2027.

The Revolving Credit Facility stipulates the issue of short-term tranches of 1, 3 or 6 months, for a maximum amount of Euro 75,000 thousand, currently utilised for Euro 28,127 thousand.

F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A) and Canson SAS (France) undertook derivative hedges against fluctuations in the interest rates of the structured loans contracted. The Interest Rate Swaps, structured with fixed rate payments against variable payments, qualified as hedging derivatives and were considered as per the hedge accounting provisions of IAS 39. The fair value at December 31, 2022 of these instruments amounts to Euro 3,176 thousand, with the positive fair value adjustment recognised as an equity reserve.

In accordance with IFRS 7, the effects on the consolidated financial statements in relation to each category of financial instruments of the Group in the years 2022 and 2021 are shown below, which mainly includes the gains and losses deriving from the purchase and sale of financial assets or liabilities, as well as the changes in the value of the financial instruments measured at fair value and the interest expense/income matured on the financial assets/liabilities measured at amortised cost.
Financial gains and losses are recognised in profit or loss:

Euro thousands	December 31, 2022	December 31, 2021
Interest income from bank deposits	424	144
Total financial income	**424**	**144**
Interest expense on financial liabilities measured at amortised cost*	(12,780)	(10,767)
Net exchange gains on financial transactions	3,736	3,585
Total financial expense	**(9,044)**	**(7,182)**
Total net financial expense	**(8,620)**	**(7,038)**

** Interest on the refinanced structured loan contracted during the year by F.I.L.A. S.p.A. and Dixon Ticonderoga (U.S.A.)*

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

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

Euro thousands	December 31, 2022	December 31, 2021
Non-current financial liabilities	**412,398**	**491,063**
Bank loans and borrowings - Principal third parties	338,923	406,684
Bank loans and borrowings - Interest third parties	(1,742)	(3,659)
Banks	**337,181**	**403,025**
Other loans and borrowings - Principal third parties	13	154
Other loans and borrowings - Interest third parties	(1)	(6)
Other loans and borrowings	**12**	**148**
IFRS 16 - Principal third parties	78,381	78,032
IFRS 16	**78,381**	**78,032**
Loans and borrowings - due after one year	**415,574**	**481,205**
Financial Instruments - Principal	(3,176)	9,858
Financial Instruments	**(3,176)**	**9,858**

The caption Other loans and borrowings includes the non-current portion of loans issued by other financial backers.

The total balance of the loans due after one year at December 31, 2022 was Euro 415,574 thousand, of which Euro 337,181 thousand concerning bank loans and borrowings, Euro 12 thousand other loans and borrowings and Euro 3,176 thousand concerning the Interest Rate Swaps undertaken by the parent F.I.L.A. S.p.A., Dixon Ticonderoga (U.S.A.) and Canson SAS (France).

Euro thousands	December 31, 2022	December 31, 2021
Current financial liabilities	**134,843**	**95,711**
Bank loans and borrowings - Principal third parties	116,663	73,002
Bank loans and borrowings - Interest third parties	1,086	745
Banks	**117,749**	**73,747**
Other loans and borrowings - Principal third parties	3,126	3,875
Other loans and borrowings - Interest third parties	18	16
Other loans and borrowings	**3,144**	**3,891**
Current account Overdrafts - Principal third parties	3,663	8,759
Current account Overdrafts - Interest third parties	145	47
Current account overdrafts	**3,808**	**8,806**
IFRS 16 - Principal third parties	10,142	9,267
IFRS 16	**10,142**	**9,267**
Loans and borrowings - due within one year	**134,843**	**95,711**

The total balance of the loans due within one year at December 31, 2022 was Euro 134,843 thousand, of which Euro 117,749 thousand concerning bank loans and borrowings, Euro 3,144 thousand concerning other loans and borrowings and Euro 3,808 thousand of current account overdrafts.

Trade receivables and other assets at December 31, 2022 were as follows:

Euro thousands	December 31, 2022	December 31, 2021	Change
Trade receivables	98,930	107,574	(8,645)
Tax assets	4,159	3,811	348
Other assets	7,646	5,121	2,525
Prepayments and accrued income	4,641	4,851	(210)
Total	**115,376**	**121,357**	**(5,981)**

Trae payables and other liabilities at December 31, 2022 were as follows:

Euro thousands	December 31, 2022	December 31, 2021	Change
Trade payables	90,395	82,402	7,993
Tax liabilities	7,535	8,483	(948)
Other liabilities	23,724	23,963	(239)
Accrued expenses & def.income	721	582	139
Total	**122,375**	**115,430**	**6,945**

In relation to ”Trade Receivables and Other Assets” and ”Trade Payables and Other Liabilities”, reference should be made to “Note 9 - Trade Receivables and Other Assets” and “Note 19 - Trade

Payables and Other Liabilities".

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

Sensitivity Analysis

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

Currency risk

Net exposure for translation risk only for the main currencies:

	December 31, 2022			December 31, 2021		
Euro thousands	USD	MXN	CNY	USD	MXN	CNY
Trade receivables	24,106	482,177	6,098	32,879	580,021	5,315
Financial assets	-	6,978	615	656	7,352	22,727
Financial liabilities	(221,809)	(625,763)	-	(235,933)	(550,015)	-
Trade payables	(29,130)	(186,670)	(10,371)	(29,945)	(88,016)	(15,832)
Total	**(226,834)**	**(323,277)**	**(3,657)**	**(232,343)**	**(50,659)**	**12,210**

Closing exchange rates applied:

	Closing exchange rate	
Currency	December 31, 2022	December 31, 2021
USD /€	1.0666	1.1326
MXN /€	20.8560	23.1438
CNY /€	7.3582	7.1947

Effect of a 10% increase against the Euro exchange rate:

Changes in equity		
Currency	December 31, 2022	December 31, 2021
USD /€	(19,334)	(18,649)
MXN /€	(1,409)	(199)
CNY /€	(45)	154
Total	**(20,788)**	**(18,694)**

The impact on the statement of financial position, following an increase of 10% in the exchange rate of the main foreign currencies against the Euro, would be negative Euro 20,788 thousand (Euro 18,694 thousand at December 31, 2021).

Interest rate risk

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

Financial liabilities at variable rates are reported below:

Euro thousands	December 31, 2022	December 31, 2021
Financial liabilities	547,241	586,774
Financial liabilities at variable rate	**547,241**	**586,774**

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

A change of 100 "basis points" in the interest rates applicable to financial liabilities at variable rates in place at December 31, 2022 would result in the following financial statements impacts on annualised basis:

Euro thousands	Equity	
	+ 100 bps	- 100 bps
December 31, 2022		
Financial assets/liabilities at variable rate	5,472	(5,472)
December 31, 2021		
Financial assets/liabilities at variable rate	5,868	(5,868)

The same variables were maintained to establish the financial statements impact at December 31, 2022. The principal portions of financial assets and liabilities of the F.I.L.A. Group are broken down by contractual maturity for 2022 and 2021, in line with "Note 13.A – Financial Liabilities":

December 31, 2022 *Euro thousands*	Within 12 months	Within 1-2 years	Within 2-3 years	Within 3-4 years	Within 4-5 years	Total
Financial assets						
Cash and cash equivalents	111,209	-	-	-	-	111,209
Loans and financial assets	873	-	-	-	-	873
Financial liabilities						
Bank loans and borrowings (1)	121,557	23,506	27,721	45,780	240,172	458,737
Other loans and borrowings	3,144	12	-	-	-	3,156
Expected cash flows	**(12,619)**	**(23,518)**	**(27,721)**	**(45,780)**	**(240,172)**	**(349,811)**

(1) The principal portion of Financial Liabilities - Banks amounts to Euro 456,995 thousand, with an amortized cost adjustment of the medium/long-term portion of Euro 1,742 thousand. The carrying amount in the table is therefore Euro 458,737 thousand.

December 31, 2021 *Euro thousands*	Within 12 months	Within 1-2 years	Within 2-3 years	Within 3-4 years	Within 4-5 years	Total
Financial assets						
Cash and cash equivalents	145,985	-	-	-	-	145,985
Loans and financial assets	3,536	-	-	-	-	3,536
Financial liabilities						
Bank loans and borrowings (1)	82,553	125,694	130,358	146,738	234	485,578
Other loans and borrowings	3,891	135	13	-	-	4,039
Expected cash flows	**63,078**	**(125,830)**	**(130,371)**	**(146,738)**	**(234)**	**(340,095)**

(1) The principal portion of Financial Liabilities - Banks amounts to Euro 481,919 thousand, with an amortized cost adjustment of the medium/long-term portion of Euro 3,659 thousand. The carrying amount in the table is therefore Euro 485,578 thousand.

Credit Risk

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

At December 31, 2022, "Trade receivables and other assets" totalling Euro 115,376 thousand (Euro 121,357 thousand at December 31, 2021) are reported net of the related loss allowance of Euro 8,747 thousand (Euro 5,327 thousand at December 31, 2021).

The aging of trade receivables at December 31, 2022 (Euro 98,930 thousand), net of the loss allowance, compared with December 31, 2021 is reported below:

GROSS TRADE RECEIVABLES - AGEING

Euro thousands	December 31, 2022	December 31, 2021	Change
Not yet due	74,194	69,874	4,320
Overdue from 0-60 days	11,296	18,282	(6,986)
Overdue from 60-120 days	3,810	6,939	(3,129)
Overdue more than 120 days	9,630	12,480	(2,850)
Total	**98,930**	**107,574**	**(8,645)**

The loss allowance was Euro 8,747 thousand at December 31, 2022 (Euro 5,327 thousand at December 31, 2021), amounting to 8.1% of total receivables (4.7% at December 31, 2021).

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

TRADE RECEIVABLES - DISTRIBUTION CHANNEL

Euro thousands	December 31, 2022	December 31, 2021	Change
Wholesalers	33,117	29,229	3,888
School/Office Suppliers	14,639	16,440	(1,800)
Supermarkets	13,860	18,682	(4,822)
Retailers	28,116	34,673	(6,556)
Distributors	1,761	1,299	462
Promotional & B2B	6,122	5,820	302
Other	1,314	1,433	(118)
Total	**98,930**	**107,574**	**(8,645)**

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

TRADE RECEIVABLES: BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2022	December 31, 2021	Change
Europe	38,249	35,187	3,062
North America	23,043	30,972	(7,929)
Central/South America	29,802	31,976	(2,174)
Asia	5,786	7,157	(1,371)
Rest of the world	2,050	2,283	(233)
Total	**98,930**	**107,574**	**(8,645)**

Environment and Safety

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

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

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

The Parent F.I.L.A. S.p.A. operates an **Occupational health and safety management system** that is certified according to the ISO 45001 (ex OHSAS 18001) Occupational Health and Safety Assessment Series. During the process of managing and improving its own Occupational Health and Safety Management System, and based on the ISO 45001:2018 standards, the Parent identified and defined, under the scope of its Occupational Health and Safety Management System, the following processes which it monitors regularly:

- definition of health and safety policies;
- risk factors and legislative compliance;
- assessment and significance of the risk factors;
- definitions of targets and objectives;

- review of the governance and the Occupational Safety Programme

In addition to the parent, also the following companies had an occupational health and safety system in place certified to ISO 45001: Canson France (Grand Mourier, Moulin du Roy and St. Germain), Lyra Germany and Canson Art & Craft Yixing Co., Ltd.

During the year no significant problems emerged in relation to the environment and safety area. The ongoing environmental reclamation at the lands owned by the US subsidiary relates to previous industrial activity before the acquisition by F.I.L.A. S.p.A.

The parent, in accordance with Article 5, paragraph 3, letter b of Legislative Decree 254/2016 has drawn up the consolidated non-financial statement ("NFS") within its Sustainability Report. The 2022 consolidated non-financial statement, drawn up as per the "GRI Standards" and subject to limited assurance procedures by KPMG S.p.A. is available on the Group website.

F.I.L.A. S.p.A. and the F.I.L.A. Group contribute to education upon environmental protection matters, managing operations in an eco-compatible manner, in compliance with applicable national and EU regulations, both at company facilities and offices and at any other location in which business operations are carried out. The Group is committed to minimising both the direct and indirect environmental impacts of its production activities in order to preserve the natural environment for the benefit of future generations.

For these purposes, operational management refers to, in relation to environmental prevention and protection, the most appropriate environmental protection, waste disposal, water usage and energy efficiency criteria.

Production activities at the sites are bound by environmental protection as well as occupational health and safety legislation in force in each country.

In defending the natural environment through its business practices, the F.I.L.A. Group is not merely complying with the law, but is also applying one of its core values, since its Code of Ethics expressly commands protection of the environment for the Group.

The Management of each group company carries out the necessary coordination and control for the implementation of legal provisions, both national and international, with regards to the environment, construction, urban planning, pollution and waste disposal etc. by all group collaborators.

F.I.L.A. S.pA , the parent, in 2021 updated and integrated its set of group policies on sustainability (available on the Group website). In terms of combating climate change, the Environmental Policy has been updated and the Energy Saving Policy and Sustainable Sourcing Policy have been issued. The F.I.L.A. Group carefully monitors the environmental aspects arising from its activities, despite the fact that the Group's business model has no significant impact on the environment.

All Policies are based on the fundamental principle that the Group's activities must be carried out in compliance with the provisions of the Code of Ethics, with particular reference to environmental protection and compliance with applicable regulations.

The Environmental Policy enshrines the Group's commitment to climate change, its continuous attention to reducing the environmental impact of its activities, with increasing focus also on the supply chain, and of its products.

With the Energy Saving Policy, the Group is committed to strengthening responsible energy management at all locations.

The Sustainable Sourcing Policy makes it clear that the Group expects suppliers and business partners to adhere to specific principles relating to sustainable sourcing in terms of working conditions, health and safety, respect for the environment, and in dealings with the Public Administration and Institutions, consistent with those adopted by the Group.

The consumption of renewable and non-renewable raw materials as manufacturing inputs is an important factor in terms of the impact of the use of resources: consumption of some materials by the F.I.L.A. Group may have substantial environmental impact. Among them are for example wood for pencils and crayons, plastic for felt-tip pens, flour for modelling clay and cellulose fibres.

Over the years, the F.I.L.A. Group has focused its attention on recycling some of the raw materials used in its production processes where technically feasible. The production of timber slats from which pencils are made requires re-using primary manufacturing rejects, such as, for example, joining below-standard size slats, or "finger joints", or low-width timber slats for the production of canvas frames. Plastics are purchased to produce writing and drawing materials in addition to packaging materials. Focus on the recycling of plastic materials is ongoing in several recovery processes across several production phases.

The Group recognised that the main risks associated with its operations were the consumption of energy resources, the uncontrolled use of natural raw materials (e.g. fuels) and an excessive consumption of energy from non-renewable sources. To mitigate such risks, action was taken to determine and monitor the levels of this consumption, also by comparing them to comparable scenarios across the various companies within the Group.

The Group companies have pursued projects aimed at improving their energy efficiency, for example, by reducing lighting electricity consumption, combustion inefficiencies and compressed air losses.

Although there are no significant gas emissions arising from the production processes and there are no internal systems in order to self-generate electricity, in such a global and current context, the Group believes it is important to monitor greenhouse gas emissions and any other emissions, also within climate change containment, to determine positive choices to curb its own carbon footprint. In its activities, the Group has identified as the main risk the use of a fuel mix having a high impact on greenhouse gases and management inefficiencies in the periodic monitoring of purchases and consumption.

The Group identified the excessive use of water in the production process as one of the main risks of water consumption in our operations. To mitigate this risk, actions were taken to improve our estimates of water consumption, monitoring its consumption over time as well as bench-marking comparable scenarios across the different companies within the Group.

The other environmental issues for the Group are waste management, investments in environmental protection and compliance with environmental regulations.

The waste produced by the Group is mainly solid and marginally liquid. Regardless of its type, the waste itself is both non-hazardous and hazardous, and must therefore be managed and treated according to specific regulations.

In terms of categories of solid wastes (hazardous/special and non-hazardous wastes) and in terms of geographic regions, these are homogeneous across the various entities worldwide, with the prevalence of non-hazardous wastes. The Group pursues a number of projects in the area of waste monitoring and reduction, including waste process evaluation.

The protection of the environment as well as compliance with environmental standards require a dedicated management approach and ad hoc investments, sometimes of a significant nature. Specifically, the capex investments in the production plants have not only the objective of improving their economic efficiency but also that of "Environmental Policy", understood as the protection of the environment and energy saving.

For the F.I.L.A. Group, compliance with applicable standards, including environmental standards, is paramount. The Group believes that the internal control system to ensure environmental compliance must be capable of mitigating any risks of non-compliance as well as the lack of and/or incomplete knowledge of the applicable environmental standards and rules across every site where the Group operates.

In order to establish an increasingly well-structured and pervasive system for responsible governance, commercial relationships centred on transparency and good business ethics can contribute to growth in business process efficiency and competitiveness, in addition to complying with sustainability requirements. The Group therefore wishes to establish and maintain relationships with its suppliers and business partners centred on transparency, correctness and good business ethics. In 2019 the Parent's management therefore launched an initiative to engage its main suppliers in confirming their commitment to principles such as fairness, respect for the environment, product quality and the protection of human rights. The **"Code of Conduct for Suppliers and Business Partners**" (hereafter "Supplier Code of Conduct") sets out the general principles for management of the supply chain that the Group expects to be respected at every level, and contains in-depth information on working conditions, health and safety, the environment, relations with the Public Administration and sets out the principles of business, in terms of compliance with the law, prohibition of corruption, transparency of financial information, intellectual property, conflict of interest and management and conduct of operations. The sharing policy, which requires suppliers and business partners to formally accept the Code of Conduct, is applicable to all Group subsidiaries.

Personnel

The F.I.L.A. Group at the end of 2022 had 11,352 employees (9,823 at December 31, 2021), of which over 99% on full-time contracts. The workforce is 51% female and who represent over 68% of part-time contracts.

The increase of 1,529 was mainly in Asia and, particularly at the Indian company DOMS Industries Pvt Ltd which expanded its workforce to deal with the business's full operations recovery.

Two tables breaking down the F.I.L.A. Group workforce at December 31, 2022 and December 31, 2021 respectively by region and category are presented below:

	Europe	North America	Central - South America	Asia	Rest of the World	Total
December 31, 2021	**1,118**	**582**	**1,412**	**6,685**	**26**	**9,823**
December 31, 2022	**1,151**	**552**	**1,770**	**7,854**	**25**	**11,352**
Change	**33**	**(30)**	**358**	**1,169**	**(1)**	**1,529**

Globally, the majority of F.I.L.A. Group personnel are located in Asia (with over 69.2% of Group personnel at the end of 2022), followed by Central and South America (15.6%), Europe (10.1%), North America and the Rest of the World. The majority of the workforce in fact is based in the countries in which the main production facilities are located (India, China and Mexico).

PERSONNEL - FULL TIME EQUIVALENT

	Manager	White-collar	Blue-collar	Total
December 31, 2021	**249**	**2,059**	**7,515**	**9,823**
Increase	11	486	7,417	7,914
Decrease	16	390	5,979	6,385
Career advancement	3	7	(10)	-
Reclassifications	(101)	(209)	310	-
December 31, 2022	**146**	**1,953**	**9,253**	**11,352**
Change	**(103)**	**(106)**	**1,738**	**1,529**

The increase in "Reclassifications" is attributable to three categories of personnel following the creation of the non-financial reporting manual adopted by the Group.
The 2022 average workforce of the F.I.L.A. Group was 10,588, increasing 1,641 on December 31, 2021.

	Europe	North America	Central/South America	Asia	Rest of the World	Total
Managers	122	70	21	32	4	249
White-collar	411	122	477	996	13	2,018
Blue-collar	584	397	960	4,730	11	6,681
Total at December 31, 2021	**1,117**	**588**	**1,459**	**5,758**	**27**	**8,947**
Managers	99	44	20	31	4	198
White-collar	427	143	336	1,089	13	2,006
Blue-collar	609	381	1,236	6,150	9	8,384
Total at December 31, 2022	**1,135**	**567**	**1,592**	**7,270**	**26**	**10,588**
Change	**18**	**(21)**	**134**	**1,512**	**(2)**	**1,641**

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

BENEFITS AND OTHER INCENTIVES FOR MANAGERS

Euro thousands	December 2022	December 2021	Nature
Bonus	2,375	3,777	Perfomance bonus
Total	**2,375**	**3,777**	

In 2022, as in previous years, F.I.L.A. Group personnel undertook training and upskilling courses, particularly in the administrative areas in order to maintain appropriate professional standards, in line with the “Group policy”.

Corporate Governance

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

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

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

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

The following table outlines the total fees recognised to members of the Board of Directors and the Board of Statutory Auditors for offices held at F.I.L.A. S.p.A., in addition to remuneration of any kind, in the case of "performance bonuses and one-off remuneration" received in 2022:

Euro thousands	Fees for office held	Fees for committees participation	Other remuneration (Bonus)
Directors	2,090	59	979
Statutory auditors	104	-	-
Total amount	**2,194**	**59**	**979**

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

The Shareholdersof F.I.L.A. S.p.A. approved on February 20, 2015 the appointment of KPMG S.p.A.

for the years 2015-2023 for the audit duties as per Article 2409-ter of the Italian Civil Code and the audit of the separate financial statements of F.I.L.A. S.p.A. and the consolidated financial statements of the F.I.L.A. Group.

Reconciliation between Parent and Consolidated Equity

Euro thousands	Equity December 31, 2021	Changes in equity	Profit for 2022	Equity December 31, 2022
F.I.L.A. S.p.A. financial statements	**291,308**	**(10,474)**	**15,669**	**296,503**
Consolidation effect of the financial statements of subsidiaries	102,612	8,525	9,602	120,739
Translation reserve	(21,504)	3,631		(17,874)
F.I.L.A. group consolidated financial statements	**372,416**	**1,682**	**25,271**	**399,369**
Equity attributable to non-controlling interests	25,710	(2,431)	5,004	28,284
Consolidated financial statements	**398,127**	**(749)**	**30,275**	**427,653**

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

We submit for your approval the separate financial statements as at and for the year ended December 31, 2022, comprising the statement of financial position, the statement of comprehensive income, the statement of change in equity, the statement of cash flows and the notes thereto, with the relative attachments, and we propose:

1. to allocate the "Profit for the year" of Euro 15,668,544.54 as follows:

- to the distribution of a dividend to shareholders in the amount of Euro 0.12 for each of the 51,058,297 F.I.L.A. S.p.A. shares (ordinary and special) that will be issued and in circulation at the ex-dividend date indicated below (net of treasury shares that will be in the portfolio at the record date indicated below), for a total maximum amount of Euro 6,126,995.64;
- to "Retained earnings" the residual, for a total minimum amount of Euro 9,541,548.90, which may be increased in relation to the dividend not distributed in respect of treasury shares held in portfolio at the record date;

2. to pay, gross of any withholding taxes, a dividend in the amount of Euro 0.12 for each of the F.I.L.A. S.p.A. shares (ordinary and special) issued and in circulation at the ex-dividend date indicated below (net of treasury shares that will be in the portfolio at the record date indicated below), with ex-dividend date, record date and payment date on May 22, 23 and 24, 2023, respectively.

The Board of Directors
THE CHAIRMAN
GIOVANNI GORNO TEMPINI

CONSOLIDATED FINANCIAL STATEMENTS OF THE F.I.L.A. GROUP AND SEPARATE FINANCIAL STATEMENTS OF F.I.L.A. S.p.A. AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2022

III - Consolidated Financial Statements as at and for the year ended December 31, 2022

Consolidated Financial Statements

Statement of Financial Position

Euro thousands		December 31, 2022	December 31, 2021
Assets		**1,193,601**	**1,193,461**
Non-current assets		**646,020**	**642,322**
Intangible assets	Note 1	446,497	445,823
Property, plant and equipment	Note 2	166,185	169,653
Biological assets	Note 11	1,817	1,936
Non-current financial assets	Note 3	5,166	4,078
Equity-accounted investments	Note 4	2,144	1,481
Other equity investments	Note 5	26	26
Deferred tax assets	Note 6	24,185	19,325
Current assets		**547,581**	**551,139**
Current financial assets	Note 3	873	3,536
Current tax assets	Note 7	13,048	8,991
Inventories	Note 8	307,076	271,269
Trade receivables and other assets	Note 9	115,376	121,357
Cash and cash equivalents	Note 10	111,209	145,985
Liabilities and equity		**1,193,601**	**1,193,461**
Equity	Note 12	**427,653**	**398,127**
Share capital		46,986	46,986
Negative reserve for treasury shares in portfolio		(1,794)	(488)
Reserves		123,343	109,135
Retained earnings		205,562	178,769
Profit for the year		25,271	38,014
Equity attributable to the owners of the parent		**399,369**	**372,416**
Equity attributable to non-controlling interests		**28,284**	**25,710**
Non-current liabilities		**497,312**	**573,714**
Non-current financial liabilities	Note 13	415,574	481,205
Financial instruments	Note 17	-	9,858
Employee benefits	Note 14	9,844	9,560
Provisions for risks and charges	Note 15	896	1,047
Deferred tax liabilities	Note 16	70,846	71,839
Other liabilities	Note 19	153	206
Current liabilities		**268,636**	**221,620**
Current financial liabilities	Note 13	134,843	95,711
Current provisions for risks and charges	Note 15	1,203	1,270
Current tax liabilities	Note 18	10,215	9,209
Trade payables and other liabilities	Note 19	122,375	115,430

The notes from pages 108 to 177 are an integral part of these consolidated financial statements

Statement of Comprehensive Income

Euro thousands		December 31, 2022	December 31, 2021
Revenue	Note 20	764,580	653,278
Income	Note 21	10,053	6,823
Total revenue		**774,633**	**660,101**
Raw materials, consumables, supplies and goods	Note 22	(402,407)	(305,048)
Services and use of third party assets	Note 23	(119,823)	(100,820)
Other costs	Note 24	(7,726)	(5,318)
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	26,871	5,176
Personnel expense	Note 25	(152,317)	(134,165)
Amortisation and depreciation	Note 26	(42,249)	(40,789)
Impairment losses on trade receivables and other assets	Note 27	(4,145)	(568)
Other impairment losses	Note 28	(94)	(22)
Total operating costs		**(701,889)**	**(581,554)**
Operating profit		**72,744**	**78,547**
Financial income	Note 29	14,573	6,051
Financial expense	Note 30	(49,472)	(30,436)
Share of profit of equity-accounted investments	Note 32	777	294
Net financial expense		**(34,122)**	**(24,091)**
Pre-tax profit		**38,622**	**54,456**
Income taxes		(15,056)	(14,513)
Deferred taxes		6,710	(519)
Total taxes	Note 33	**(8,347)**	**(15,031)**
Profit from continuing operations		**30,276**	**39,425**
Profit for the year		**30,276**	**39,425**
Attributable to:			
Non-controlling interests		**5,004**	**1,411**
Owners of the parent		**25,271**	**38,014**
Other comprehensive income (expense) which may be reclassified subsequently to Profit or Loss		**15,836**	**29,876**
Net exchange gains		2,325	19,764
Hedging reserve		13,511	10,112
Other comprehensive income (expense) which may not be reclassified subsequently to Profit or Loss		**(977)**	**5,360**
Net actuarial gains (losses)		(1,333)	6,736
Taxes		356	(1,375)
Other comprehensive income, net of tax effect		**14,859**	**35,236**
Comprehensive income		**45,135**	**74,661**
Attributable to:			
Non-controlling interests		**3,719**	**2,858**
Owners of the parent		**41,415**	**71,803**
Earnings per share:			
	basic	*0.50*	*0.75*
	diluted	*0.49*	*0.73*

The notes from pages 108 to 177 are an integral part of these consolidated financial statements

Statement of Changes in Equity

Statement of Changes in Equity

Euro thousands	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
December 31, 2020	**46,968**	**-**	**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									38,014	38,014		1,411	1,411	39,425
Other comprehensive income					5,325	10,112	18,352			33,789	1,447		1,447	35,236
Other changes	18	(488)		173		356		(1,335)		(1,276)	47		47	(1,229)
Profit for the year and gains (losses) recognised directly in equity	**18**	**(488)**	**-**	**173**	**5,325**	**10,468**	**18,352**	**(1,335)**	**38,014**	**70,528**	**1,494**	**1,411**	**2,905**	**73,433**
Allocation of the 2020 profit			406			(406)		8,607	(8,607)	(0)	(485)	485		(0)
Dividends								(6,119)		(6,119)	(463)		(463)	(6,582)
December 31, 2021	**46,986**	**(488)**	**8,737**	**154,646**	**22**	**(32,766)**	**(21,504)**	**178,769**	**38,014**	**372,416**	**24,299**	**1,411**	**25,710**	**398,127**

Euro thousands	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
December 31, 2021	**46,986**	**(488)**	**8,737**	**154,646**	**22**	**(32,766)**	**(21,504)**	**178,769**	**38,014**	**372,416**	**24,299**	**1,411**	**25,710**	**398,127**
Profit for the year									25,271	25,271		5,004	5,004	30,275
Other comprehensive income					(998)	13,511	3,631			16,144	(1,285)		(1,285)	14,859
Other changes		(1,306)		(32)		(1,904)		479		(2,764)				(2,764)
Profit for the year and gains (losses) recognised directly in equity	**-**	**(1,306)**	**-**	**(32)**	**(998)**	**11,607**	**3,631**	**479**	**25,271**	**38,652**	**(1,285)**	**5,004**	**3,719**	**42,371**
Allocation of the 2021 profit			659			(659)		38,014	(38,014)		1,411	(1,411)		-
Dividends								(11,699)		(11,699)	(1,146)		(1,146)	(12,845)
December 31, 2022	**46,986**	**(1,794)**	**9,396**	**154,614**	**(975)**	**(21,818)**	**(17,874)**	**205,562**	**25,271**	**399,369**	**23,280**	**5,004**	**28,284**	**427,653**

Note:

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

The notes from pages 108 to 177 are an integral part of these consolidated financial statements.

Statement of Cash Flows

Euro thousands	December 31, 2022	December 31, 2021
Profit for the year	**30,275**	**39,425**
Non-monetary and other adjustments:	**91,426**	**82,463**
Amortisation and depreciation of intangible assets and property, plant and equipment	30,368	29,626
Amortisation and depreciation of right-of-use assets	11,880	11,163
Net impairment losses on intangible assets and property, plant and equipment	94	22
Impairment gains/losses on trade receivables and write-downs of inventories	5,283	(131)
Accruals for post-employment and other employee benefits	1,081	2,326
Net exchange losses on foreign currency trade receivables and payables	337	387
Net gains on the sale of intangible assets and property, plant and equipment	(86)	(52)
Net financial expense	34,899	24,386
Net gains on equity investments	(777)	(294)
Taxes	8,347	15,031
Addition for:	**(14,246)**	**(5,911)**
Income taxes paid	(17,645)	(9,109)
Net unrealised exchange gains/losses on foreign currency assets and liabilities	(2,982)	3,882
Net realised exchange gains/losses on foreign currency assets and liabilities	6,381	(683)
Cash flows from operating activities before changes in net working capital	**107,456**	**115,977**
Changes in net working capital:	**(19,051)**	**3,165**
Change in inventories	(28,009)	(4,477)
Change in trade receivables and other assets	6,705	(1,934)
Change in trade payables and other liabilities	4,619	10,543
Change in other assets and liabilities	(584)	600
Change in post-employment and other employee benefits	(1,783)	(1,567)
Net cash flows from operating activities	**88,404**	**119,142**
Net increase/decrease in intangible assets	(3,137)	(2,491)
Net increase/decrease in property, plant and equipment	(13,610)	(9,508)
Net increase/decrease in right-of-use assets	(7,882)	(6,225)
Net increase/decrease in equity investments measured at cost	(927)	-
Net increase/decrease in other financial assets	4,723	(2,501)
Interest collected	390	159
Net cash flows used in investing activities	**(20,443)**	**(20,567)**
Change in equity	(15,169)	(7,022)
Financial expense	(25,172)	(18,689)
Interests paid on right-of-use assets	(5,967)	(5,541)
Net increase/decrease in loans and borrowings and lease liabilities	(42,395)	(42,645)
Net increase/decrease in right-of-use lease liabilities	(1,699)	(3,449)
Net cash flows used in financing activities	**(90,401)**	**(77,346)**
Net exchange gains/losses	2,325	19,764
Other non-monetary changes	(9,021)	(20,073)
Net cash flows for the period	**(29,136)**	**20,920**
Opening cash and cash equivalents net of current account overdrafts	137,226	116,306
Opening cash and cash equivalents net of current account overdrafts (change in consolidation scope)	(543)	-
Closing cash and cash equivalents net of current account overdrafts	**107,546**	**137,226**

1) *Cash and cash equivalents at December 31, 2022 totalled Euro 111,209 thousand; current account overdrafts amounted to Euro 3,633 thousand net of relative interest.*

2) *Cash and cash equivalents at December 31, 2021 totalled Euro 145,985 thousand; current account overdrafts amounted to Euro 8,759 thousand net of relative interest.*

3) *The cash flows are presented using the indirect method. In order to provide a more complete and accurate presentation of the individual cash flows, the effects of non-monetary items were eliminated (including the translation of statement of financial position items in currencies other than the Euro), where significant. These effects were aggregated and included in the caption "Other non-monetary changes".*

Euro thousands	December 31, 2022	December 31, 2021
Opening cash and cash equivalents	**137,226**	**116,306**
Cash and cash equivalents	145,985	127,105
Current account overdrafts	(8,759)	(10,799)
Closing cash and cash equivalents	**107,546**	**137,226**
Cash and cash equivalents	111,209	145,985
Current account overdrafts	(3,663)	(8,759)

The notes from pages 108 to 177 are an integral part of these consolidated financial statements

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

Euro thousands		December 31, 2022	*of which:* Related Parties	December 31, 2021	*of which:* Related Parties
Assets		**1,193,601**	**-**	**1,193,461**	**-**
Non-current assets		**646,020**	**-**	**642,322**	**-**
Intangible assets	Note 1	446,497		445,823	
Property, plant and equipment	Note 2	166,185		169,653	
Biological assets	Note 11	1,817		1,936	
Non-current financial assets	Note 3	5,166		4,078	
Equity-accounted investees	Note 4	2,144		1,481	
Other equity investments	Note 5	26		26	
Deferred tax assets	Note 6	24,185		19,325	
Current assets		**547,581**	**-**	**551,139**	**-**
Current financial assets	Note 3	873		3,536	
Current tax assets	Note 7	13,048		8,991	
Inventories	Note 8	307,076		271,269	
Trade receivables and other assets	Note 9	115,376		121,357	
Cash and cash equivalents	Note 10	111,209		145,985	
Liabilities and equity		**1,193,601**	**454**	**1,193,461**	**574**
Equity	Note 12	**427,653**	**-**	**398,127**	**-**
Share capital		46,986		46,986	
Negative reserve for treasury shares in portfolio		(1,794)		(488)	
Reserves		123,343		109,135	
Retained earnings		205,562		178,769	
Profit for the year		25,271		38,014	
Equity attributable to the owners of the parent		**399,369**		**372,416**	
Equity attributable to non-controlling interests		**28,284**		**25,710**	
Non-current liabilities		**497,312**	**-**	**573,714**	**-**
Non-current financial liabilities	Note 13	415,574		481,205	
Financial instruments	Note 17	-		9,858	
Employee benefits	Note 14	9,844		9,560	
Provisions for risks and charges	Note 15	896		1,047	
Deferred tax liabilities	Note 16	70,846		71,839	
Other liabilities	Note 19	153		206	
Current liabilities		**268,636**	**454**	**221,620**	**574**
Current financial liabilities	Note 13	134,843		95,711	
Current provisions for risks and charges	Note 15	1,203		1,270	
Current tax liabilities	Note 18	10,215		9,209	
Trade payables and other liabilities	Note 19	122,375	454	115,430	574

The notes from pages 108 to 177 are an integral part of these consolidated financial statements

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

Euro thousands		December 31, 2022	*of which:* Related Parties	*of which:* Non-recurring expenses	December 31, 2021	*of which:* Related Parties	*of which:* Non-recurring expenses
Revenue	Note 20	764,580			653,278		(192)
Income	Note 21	10,053		1,087	6,823		
Total revenue		**774,633**		**1,087**	**660,101**		**(192)**
Raw materials, consumables, supplies and goods	Note 22	(402,407)	1,306	(2,064)	(305,048)	(1,938)	(636)
Services and use of third party assets	Note 23	(119,823)	220	(5,578)	(100,820)	(362)	(2,164)
Other costs	Note 24	(7,726)		174	(5,318)		(101)
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	26,871			5,176		
Personnel expense	Note 25	(152,317)		(386)	(134,165)		(1,012)
Amortisation and depreciation	Note 26	(42,249)			(40,789)		
Impairment losses on trade receivables and other assets	Note 27	(4,145)		(3,099)	(568)		
Other impairment losses	Note 28	(94)			(22)		
Total operating costs		**(701,889)**	**1,526**	**(10,953)**	**(581,554)**	**(2,300)**	**(3,913)**
Operating profit		**72,744**	**1,526**	**(9,866)**	**78,547**	**(2,300)**	**(4,105)**
Financial income	Note 29	14,573		1,111	6,051		19
Financial expense	Note 30	(49,472)		(4,601)	(30,436)		
Share of profits of equity-accounted investees	Note 32	777			294		
Net financial expense		**(34,122)**	**-**	**(3,489)**	**(24,091)**	**-**	**19**
Pre-tax profit		**38,622**	**1,526**	**(13,355)**	**54,456**	**(2,300)**	**(4,086)**
Income taxes		(15,056)		2,418	(14,513)		700
Deferred taxes		6,710			(519)		
Total taxes	Note 32	**(8,347)**	**-**	**2,418**	**(15,031)**	**-**	**700**
Profit from continuing operations		**30,276**	**1,526**	**(10,938)**	**39,425**	**(2,300)**	**(3,386)**
Profit (loss) from discontinued operations		-			-		
Profit for the year		**30,276**	**1,526**	**(10,938)**	**39,425**	**(2,300)**	**(3,386)**
Attributable to:							
Non-controlling interests		**5,004**		**(38)**	**1,411**		**(49)**
Owners of the parent		**25,271**		**(10,899)**	**38,014**		**(3,337)**
Other comprehensive income (expense) which may be reclassified subsequently to profit or loss		**15,836**			**29,876**		
Net exchange gains		2,325			19,764		
Hedging reserve		13,511			10,112		
Other comprehensive income (expense) which may not be reclassified subsequently to profit or loss		**(977)**			**5,360**		
Net actuarial gains (losses)		(1,333)			6,736		
Taxes		356			(1,375)		
Other comprehensive income, net of tax effect		**14,859**			**35,236**		
Comprehensive income		**45,135**			**74,661**		
Attributable to:							
Non-controlling interests		**3,719**		**(39)**	**2,858**		**(49)**
Owners of the parent		**41,415**		**(10,899)**	**71,803**		**(3,337)**
Earnings per share:							
	basic	*0.50*			*0.75*		
	diluted	*0.49*			*0.73*		

The notes from pages 108 to 177 are an integral part of these consolidated financial statements

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

Introduction

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

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

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

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

It should be noted that due to the rounding of figures used in the tables shown below, the values of the horizontal and/or vertical sums of the captions that make up the tables may not correspond with respect to the subtotals and totals of the tables.

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

F.I.L.A. S.p.A., the parent, is in turn directly controlled by Pencil S.r.l., with registered office in Milan, and indirectly by WOOD S.r.l., which prepares the consolidated financial statements for the larger group of companies comprising the F.I.L.A. Group. These consolidated financial statements are available at the Milan Companies Registration Office.

The publication of the F.I.L.A. Group's consolidated financial statements as at and for the year ended December 31, 2022, carried out in accordance with European Commission Delegated Regulation No. 2019/815, as amended, is authorised by the resolution of the Board of Directors of March 22, 2023, following the relative approval.

The Chairperson of the Board, the Chief Executive Officer and the Executive Director have broad powers to make any formal, non-substantive additions or amendments to the consolidated financial statements, the separate financial statements, the directors' report and other documents related to the draft financial statements, to be submitted to the shareholders' meeting of F.I.L.A. S.p.A. on April 21, 2023.

European Single Electronic Format (ESEF)

Directive 2013/50/EU amended the rules governing the annual financial report of listed issuers by providing that, as from January 1, 2020, the set of documents making up the annual financial report must be prepared in a single electronic communication format.

The European Commission adopted the aforementioned technical standards with Delegated Regulation 1029/815 (published in EU Official Journal No. 143 on May 29, 2019), which imposed the requirement to prepare annual financial reports:

- In XHTML format;
- "marking" certain information in the consolidated financial statements with the Inline XBRL specification.

The scope of first-time adoption (annual periods beginning on January 1, 2020) is limited to the following statements: statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows.

In view of the difficulties that companies have had to face due to the crisis resulting from the pandemic, the entry into force of the regulation has been extended by one year. Extension transposed into Italian law with the law converting Law Decree No. 183/2020 ("Milleproroghe Decree"), published in the Official Gazette and which provided (Article 3, paragraph 11-sexies) that "the provisions of Delegated Regulation No. 2018/815/EU shall apply to the financial reports relating to the financial years started as from January 1, 2021".

Beginning with the 2022 financial year, the information provided in the IFRS-compliant consolidated financial reports must be marked up with the elements specified in Annex II of the ESEF Delegated Regulation.

It should be noted that, in accordance with Delegated Regulation (EC) 2019/815 of the European Commission of December 17, 2018, the Parent now also publishes the consolidated financial report in the European Single Electronic Format (ESEF).

In the August 5, 2022 version of the ESEF Reporting Manual under Guidance 2.2.6 – Technical constructions of a block tag, the ESMA acknowledges that, with current systems for producing XHTML documents, certain narrative blocks extracted from these documents to an XBRL instance may not be formatted in a manner that is exactly the same as the corresponding information that can be seen in the consolidated financial report, and may be difficult to read or illegible. The XBRL community monitors the development of and improvements in issues related to these transformation mechanisms.

In the meantime, and solely for technical issuers, users of the ESEF version of this report should be aware that alignment with the semantic structure may not be maintained when extracting from XHTML format to XBRL for certain information contained in the text blocks of the explanatory notes.

Accounting policies

The consolidated financial statements of F.I.L.A. Group and the separate financial statements of F.I.L.A. S.p.A. as at and for the year ended December 31, 2022, prepared by the Board of Directors of F.I.L.A. S.p.A., were drawn up in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The IFRS were applied consistently for all reporting periods presented in this document. For the consolidated financial statements of the F.I.L.A. Group, the first year of application of IFRS was 2006, while for the separate financial statements of F.I.L.A. S.p.A. the first year of application of IFRS was 2007.

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

As concerns the assumption of going concern, see the paragraph "Going concern" in the Directors' Report.

Standards, amendments and interpretations applicable after January 1, 2022

Amendments to IFRS 3 - Business Combinations

The purpose of the amendments is to update the reference to the revised version of the Conceptual Framework, without changing the provisions of the standard.

Amendments to IAS 16 - Property, Plant and Equipment

The purpose of the amendments is not to allow the amount received from the sale of goods produced during the testing phase of the asset to be deducted from the cost of the asset. These proceeds from sales and related costs will therefore be recognised through profit or loss.
Goods produced pending sale are recognized as inventory in accordance with IAS 2 Inventories; the cost of production does not include the depreciation for the asset with which they were produced, as the latter is not yet subject to depreciation.
The entity must disclose in the notes the amount of revenue and costs related to produced goods, which are not outputs of ordinary activities, and the line items in the financial statements in which these revenue and costs are included (if they are not presented separately in the financial statements).

Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

The amendment clarifies that in estimating the possible onerousness of a contract, all costs directly attributable to the contract must be considered. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the entity cannot avoid because it has entered into the contract (such as, for example, the share of depreciation of machinery used to perform the contract).

Annual Improvements 2018-2020

The amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

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

IFRS 17 - Insurance contracts

New standard for the recognition, measurement, presentation and disclosure of insurance contracts issued by an entity and/or of reinsurance contracts held by an entity. It replaces IFRS 4, which contained a limited set of guidelines for the recognition of insurance contracts and deferred to national generally accepted accounting principles. We highlight the following developments introduced: i) valuation of technical provisions at, essentially, present values, ii) transformation of the estimate of expected profit of insurance contracts into an amount with accounting value (new concept of expected profit of insurance contracts, which must be recognized in profit or loss for the period over the life of the contract), iii) new presentation in the statement of profit or loss for the period which significantly differs from the past and more aligned with a "by margin" approach.

Amendments to IFRS 17 – Insurance Contracts: initial application of IFRS 17 and IFRS 9 – Comparative information

The amendment is a transition option related to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and thus improve the usefulness of comparative information for financial statement readers.

Amendments to IAS 1 – Disclosure of accounting standards

The objective of the project is to establish guidelines for the selection of accounting standards to be described in the explanatory notes.

The amendment clarifies that: i) an entity is only required to describe material accounting standards, not all significant accounting standards; ii) information is material if, when considered together with other information included in the financial report and prepared for general purposes, it could reasonably influence the decisions made by the primary users of the financial report; iii) preference should be given to entity-specific information on the accounting standards, thereby avoiding generic or boilerplate information on the provisions of the IFRSs.

Amendments to IAS 8 - changes to accounting estimates

The purpose of the project is to clarify the distinction between changes in accounting policies (effects generally recognized retroactively) and changes in accounting estimates (effects recognized prospectively).

The amendment introduces: i) a new definition of accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”; ii) relationship between accounting estimates and accounting standards: an accounting estimate is done to achieve the objective of the accounting standard, such as estimates of fair value (IFRS 13), of losses on receivables (IFRS 9), of net realisable value (IAS 2), or of the useful lives of property, plant and equipment (IAS 16); iii) measurement techniques used for accounting estimates: accounting estimates are the result of measurement techniques that, in addition to the inputs, include estimation techniques, such as the measurement of losses on receivables based on IFRS 9, and valuation techniques, such as estimates of the fair value of investment property; iv) changes in accounting estimates: changes to an input or to a measurement technique in response to new information, to greater experience, or to new developments are changes in accounting estimates, except when it is the correction of an error made in a previous period.

Amendments to IAS 12 - "Deferred taxes on assets and liabilities arising from a single transaction"

The purpose of the project is to clarify the accounting treatment of deferred taxes ("DTA/DTL") related to assets and liabilities recognized in the financial statements as a result of a single transaction, the carrying amounts of which differ from the tax base. For example: i) lease agreements (IFRS 16) – recognition of a right-of-use asset and of a financial liability; ii) a legal or implicit obligation to dispose of an asset or restore a site – recognition of a provision and increase in the carrying amount of the asset.

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

Standards, amendments and interpretations not yet endorsed by the EU and applicable after January 1, 2022

Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Amendment to IAS 1 - Presentation of Financial Statements: Non-Current Liabilities with Covenants"

Published by the IASB on January 23, 2020, and October 31, 2022, respectively.

The purpose of the documents is to clarify how to classify payables and other short or long-term liabilities. These amendments shall enter into force on January 1, 2024 and early application is permitted.

Amendment to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

Published by the IASB on September 22, 2022. The document requires the seller-lessee to measure the lease liability arising from a sale & leaseback transaction so as not to recognise income or losses relating to the retained right of use. The amendments will be applicable from January 1, 2024, although early application is permitted.

Basis of consolidation

Subsidiaries

The subsidiaries, reported in "Attachment 1 - List of companies included in the consolidation scope and other equity investments", are companies where the Group, as per IFRS 10, holds control or rather has exposure, or rights, to variable returns from its involvement with the investee, and at the same time, has the ability to use its power over the investee to affect the amount of the investor's return..

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

In the event of loss of control, the Group eliminates the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity relating to the subsidiaries. Any gain or loss resulting from the loss of control is recognized in profit/(loss) for the year. Any investment retained in the former subsidiary is measured at fair value at the date of loss of control.

Equity-accounted investees

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

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

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

Business combinations

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

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

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

Goodwill is recognised as the difference between:

a) the sum of:

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

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

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

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

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

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

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

When the sale relates to a subsidiary, the difference between the sales price and the net assets plus the accumulated translation differences and the residual goodwill is recognised in profit or loss.

On first-time adoption of IFRS, the Group chose not to apply IFRS 3 retrospectively for acquisitions carried out prior to the transition date to IFRS; consequently, the goodwill resulting from the acquisitions prior to this date was maintained at the previous carrying amount determined in accordance with Italian GAAP and is periodically tested for impairment.

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

Infragroup transactions

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

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

Foreign currency transactions

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

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

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments deriving from their acquisition, are translated into Euro 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 December 31, 2022	Closing Exchange Rates December 31, 2022
Argentinean Peso	136.675	188.503
Australian Dollar	1.517	1.569
Brazilian Real	5.443	5.639
Canadian Dollar	1.370	1.444
Swiss Franc	1.005	0.985
Chilean Peso	917.920	913.820
Renminbi Yuan	7.080	7.358
Dominican Peso	57.998	59.944
Euro	1.000	1.000
Pound	0.853	0.887
Indonesian Rupiah	15,633.590	16,519.820
Shekel	3.536	3.755
Indian Rupee	82.715	88.171
Mexican Peso	21.205	20.856
Polish Zloty	4.685	4.681
Russian Ruble	74.125	77.972
Swedish Krona	10.627	11.122
Singapore Dollar	1.452	1.430
Turkish Lira	17.385	19.965
US Dollar	1.054	1.067
South Africa Rand	17.210	18.099

Basis of preparation

Intangible assets

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

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

Intangible Assets with Indefinite Useful Lives

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

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

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

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

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

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

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

In the event of an impairment loss, the carrying amount of goodwill may not be restated.

Reference should be made to Note 1 to the separate and consolidated financial statements of the Company and the Group for further information on the indicators used for the impairment test at December 31, 2022.

Intangible assets with finite useful lives

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

The amortisation policies adopted by the Group provide for:

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

Amortisation methods, useful lives, and residual amounts are reviewed at each year-end and modified as necessary.

Research and development costs

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

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

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

For more information on research and development costs, see the paragraph “Research and development and Quality Control” of the Directors’ Report.

Property, plant and equipment

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

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

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

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

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

Depreciation methods, the useful lives and the residual values are assessed at the reporting date and adjusted where necessary.

Biological assets

Biological assets are measured at initial recognition and at each reporting date at their fair value less costs to sell. If the fair value on initial recognition cannot be reliably estimated, in accordance with IAS 41.30, the Group measures the biological asset at its cost less any accumulated depreciation and any accumulated impairment losses.

Leases

The Group has adopted IFRS 16 using the modified retrospective method.
At the commencement of the contract the Group assesses whether the contract is – or contains – a lease. The contract is, or contains a lease, where in exchange for consideration, it transfers the right to control the use of an identified asset for a period of time. In order to assess whether a contract grants the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This criterion is applicable to contracts for periods beginning on or after January 1, 2019.
The Group adopts a single recognition and measurement model for all leases, except for short-term leases and low value leases. The Group recognises the lease liabilities and the right-of-use asset representing the right to use the asset underlying the contract.

Right-of-use assets

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

Leases liabilities

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

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

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

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

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

Short-term leases and low value asset leases

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

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

Impairment losses on non-financial assets

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

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

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

Loans and financial assets

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

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

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

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

Other non-current equity instruments are measured at cost.

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

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

Cash and cash equivalents

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

For the purposes of the classification of financial instruments according to the criteria set out in IFRS

9, as required by IFRS 7, cash and cash equivalents have been classified as financial assets at amortised cost for credit risk purposes. Current account overdrafts are classified under "Current Financial Liabilities".

Inventories

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

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

Provisions for risks and charges are recognised where the Group has a current obligation, legal or constructive, deriving from a past event and it is probable that fulfilment of the obligation will result in an outflow of resources and the amount of the obligation can be reasonably estimated.
Provisions are recorded at the amount representing the best estimate of the amount that the entity would pay to discharge the obligation or transfer it to a third party. When the time value of money is significant and the payment dates of the obligations can be reliably estimated, the provision is discounted. The rate used in the determination of the present value of the liability reflects the current market values and includes the further effects relating to the specific risk associated with each liability. The increase in the provision due to the passage of time is recognised in profit or loss under "Financial income/(expense)".
The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discount rate; the revisions of estimates are recorded in the same profit or loss caption in which the provision was recorded, or when the liability relates to an asset, against the asset caption to which it refers.
The notes illustrate the contingent liabilities represented by: (i) possible obligations (but not probable)

deriving from past events, whose existence will be confirmed only on the occurrence or otherwise of one or more uncertain future events not fully under the control of the entity; (ii) current obligations deriving from past events whose amount cannot be reliably estimated or whose fulfilment will likely not generate an outflow of resources.

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

Employee benefits

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

Defined contribution plans

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

Defined benefit plans

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

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

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

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

Other long-term employee benefits

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

Short-term employee benefits

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

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

Financial liabilities

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

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

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

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

Financial instruments

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

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

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

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

Financial instruments are only accounted for under the hedge accounting methods adopted by the Group when the relationship between the derivative and the hedged item is formally documented and the hedge is highly effective (effectiveness test).

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

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

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

Trade payables and other liabilities

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

Current, deferred and other taxes

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

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

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

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

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

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

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

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

The valuation of deferred taxes reflects the tax effects arising from the manner in which the Group expects to recover or extinguish the carrying amount of assets and liabilities at year-end.
Deferred tax assets and liabilities are only offset when certain criteria are met.

Treasury shares

Treasury shares are recognised as a deduction from equity. The original cost of the treasury shares and the revenue deriving from any subsequent sale are recognised as equity movements.

Revenue and costs

Revenue recognition

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

Recognition of costs

Costs are recognised when relating to goods and services acquired or consumed in the year or when there is no future utility.
The costs directly attributable to share capital transactions are recorded as a direct reduction of equity.
Commercial costs relating to the acquisition of new customers are expensed when incurred.

Financial income and expense

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

Financial expense includes interest on loans, discounting of provisions, dividends distributed on redeemable preference shares, changes in the fair value of financial assets measured at fair value through profit or loss and impairment losses on financial assets. Finance expense is recorded in profit or loss utilising the effective interest method. Exchange differences are shown on a net basis.

Dividends

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

Earnings per share

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

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

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

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

Share-based payment arrangement

2022-2024 Performance Shares Plan

In accordance with IFRS 2 - Share-based payments, the key data regarding the "2022-2024 Performance Shares Plan" approved by the shareholders of F.I.L.A. S.p.A. in their meeting of April 27, 2022 in replacement of the 2019-2021 Performance Shares Plan closed and based on the free allocation of shares of the parent F.I.L.A. S.p.A to managers and senior executives of the F.I.L.A. Group, is presented below.

The Plan is for the Executive Directors, Senior Executives and Key Management, as identified individually by the Board of Directors of F.I.L.A. S.p.A..

The "2022-2024 Performance Shares Plan" represents a medium/long-term incentive system based on the free assignment of the Parent's 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 "2022-2024 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 "2022-2024 Performance Shares Plan" by reason of the role and position held.

It is a rolling share-based incentive plan, with three successive allocation cycles, each with its own three-year Vesting Period (January 1, 2022 - December 31, 2024 for the first cycle; January 1, 2023 - December 31, 2025 for the second cycle; and January 1, 2024 - December 31, 2026 for the third cycle).

The total maximum number of shares to be allocated to beneficiaries of the "2022-2024 Performance Shares Plan" was established at 183,000. These shares shall derive from the treasury shares from purchases made pursuant to Articles 2357 and 2357-*ter* of the Italian Civil Code. Against a total maximum 183,000 ordinary shares of F.I.L.A. S.p.A. to be allocated 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, 2024) shall establish the effective number of shares to be allocated 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, 2024.

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 allocated.

The F.I.L.A. Group calculated the fair value of the benefit received against options on shares allocated 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 allocation date of the share-based payment, the following parameters are used:

Expected share price at the allocation date: Euro 9.14
Risk free interest rate (based on iBoxx Euro Sovereign): 0.50%;
Expected volatility (expressed as average weighted volatility): 34.6%;
Duration of the option: 3 years;
Expected dividends: 1.10% per year.

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

IAS 29 - Hyperinflationary Economies

The IFRS should be applied to the financial statements of any entity whose functional currency is the currency of a hyperinflationary economy. According to International Monetary Fund (IMF) World Economic Outlook (WEO) inflation data released on April 30, 2022, Turkey and Argentina are among the countries with hyperinflationary economies. For this reason, the Group adopts IAS 29 for its Turkish subsidiary FILA Stationary and Office Equipment Industry Ltd. Co. and its Argentine subsidiary FILA Argentina S.A.

Fair value measurement

For measuring the fair value of an asset or a liability, the Group refers as far as possible 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 asset or liability prices on an active market;
Level 2: inputs other than prices listed at the previous point, which are directly (prices) or indirectly (derived from the prices) observable on the market;
Level 3: inputs which are 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.

Use of estimates

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

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

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

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

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

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

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

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

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

Segment reporting

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

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

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

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

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

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

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

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

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

Business Segments – Statement of financial position

The group's key statement of financial position figures broken down by geographical segment at December 31, 2022 and December 31, 2021, are reported below:

December 31, 2022 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Intangible Assets	135,866	230,933	1,060	17,980	-	60,658	446,497
Property, plant & equipment	62,552	46,473	20,421	36,284	455	-	166,185
Biological Assets	-	-	-	1,817	-	-	1,817
Total non-current assets	**198,418**	**277,406**	**21,481**	**56,081**	**455**	**60,658**	**614,499**
of which Infragroup	*(76)*						
Inventories	110,134	132,846	41,871	31,544	1,994	(11,313)	307,076
Trade receivables and Other assets	75,809	29,360	34,918	15,835	1,271	(41,817)	115,376
Trade payables and Other liabilities	(75,946)	(35,379)	(21,982)	(22,866)	(3,429)	37,227	(122,375)
Other Current Assets and Liabilities	(623)	4,157	92	(770)	(23)	-	2,833
Net Working Capital	**109,374**	**130,984**	**54,899**	**23,743**	**(187)**	**(15,903)**	**302,909**
of which Infragroup	*(17,502)*	*160*	*2,400*	*(4,078)*	*3,117*		
Net Financial (Position) Debt	**(186,330)**	**(211,749)**	**(33,092)**	**395**	**(3,236)**	**(1,147)**	**(435,159)**
of which Infragroup	*5,316*	*(4,677)*	*(5,456)*	*29*	*3,641*		

December 31, 2021 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Intangible Assets	139,998	223,177	994	20,444	-	61,210	445,823
Property, plant & equipment	63,669	47,032	20,699	37,974	279	-	169,653
Biological Assets	-	-	-	1,936	-	-	1,936
Total non-current assets	**203,667**	**270,209**	**21,693**	**60,354**	**279**	**61,210**	**617,412**
of which Infragroup	*(76)*	*-*					
Inventories	100,215	110,488	32,856	30,177	1,889	(4,356)	271,269
Trade Receivables and other assets	74,632	37,885	35,333	15,566	1,241	(43,300)	121,357
Trade payables and other liabilities	(77,457)	(40,093)	(15,536)	(22,269)	(2,922)	42,847	(115,430)
Other Current Assets and Liabilities	(1,704)	1,458	118	(89)	(1)	-	(218)
Net Working Capital	**95,686**	**109,738**	**52,771**	**23,386**	**207**	**(4,808)**	**276,979**
of which Infragroup	*(10,678)*	*1,848*	*3,604*	*(2,175)*	*2,592*		
Net Financial (Position) Debt	**(183,813)**	**(207,080)**	**(37,911)**	**(5,385)**	**(3,213)**	**149**	**(437,253)**
of which Infragroup	*(1,330)*	*(5,127)*	*2,633*	*266*	*3,708*		

Business Segments – Statement of comprehensive income

The group's key statement of comprehensive income figures broken down by geographical segment for the year ended December 31, 2022 and December 31, 2021, are reported below:

December 31, 2022 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Revenue	327,785	338,281	115,859	156,546	4,044	(177,935)	764,580
of which Infragroup	*(92,637)*	*(13,235)*	*(38,140)*	*(33,923)*			
Gross operating profit (loss)	**43,904**	**44,930**	**14,773**	**22,076**	**96**	**(6,548)**	**119,231**
Operating profit (loss)	**27,114**	**30,618**	**11,262**	**13,585**	**(140)**	**(9,695)**	**72,744**
Net financial income (expense)	6,852	(13,388)	(6,401)	1,249	(102)	(22,332)	(34,122)
of which Infragroup	*(21,247)*	*(292)*	*697*	*(1,630)*	*139*		
Profit (loss) for the year	28,258	14,951	5,472	11,613	(264)	(29,754)	30,276
Profit (loss) attributable to Non-controlling interests	466	554	-	3,984	-	-	5,004
Profit (loss) attributable to the owners of the Parent	**27,792**	**14,397**	**5,472**	**7,629**	**(264)**	**(29,754)**	**25,271**

December 31, 2021 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Revenue	325,770	309,259	71,099	95,153	3,965	(151,968)	653,278
of which Infragroup	*(88,734)*	*(10,374)*	*(25,251)*	*(27,243)*	*(5)*		
Gross operating profit (loss)	**50,395**	**53,697**	**6,600**	**9,276**	**(10)**	**(31)**	**119,927**
Operating profit (loss)	**32,638**	**41,172**	**3,150**	**1,831**	**(207)**	**(37)**	**78,547**
Net financial income (expense)	6,232	(9,030)	(5,851)	(998)	(64)	(14,380)	(24,091)
of which Infragroup	*(14,172)*	*(1,116)*	*748*	*67*	*93*		
Profit (loss) for the year	32,314	23,692	(2,517)	730	(273)	(14,521)	39,425
Profit (loss) attributable to Non-controlling interests	1,000	433	-	(22)	-	-	1,411
Profit (loss) attributable to the owners of the Parent	**31,315**	**23,260**	**(2,517)**	**751**	**(273)**	**(14,521)**	**38,014**

Business Segments – Other Information

The "Other information", i.e. the group companies' investments in property, plant and equipment and intangible assets broken down by geographical segment for the year ended December 31, 2022 and December 31, 2021, is reported below:

December 31, 2022 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
Intangible assets	3,089	47	1	-	-	3,137
Property, plant and equipment	5,881	1,687	1,053	4,988	86	13,696
Right-of-use assets	3,845	2,751	54	980	247	7,877
Net investments	**12,815**	**4,485**	**1,108**	**5,968**	**333**	**24,710**

December 31, 2021 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
Intangible assets	2,487	-	-	4	-	2,491
Property, plant and equipment	3,218	1,785	907	3,625	25	9,561
Right-of-use assets	3,966	106	436	1,742	(24)	6,225
Net investments	**9,671**	**1,891**	**1,343**	**5,371**	**1**	**18,277**

Note 1 - Intangible Assets

Intangible assets at December 31, 2022 amount to Euro 446,497 thousand (Euro 445,823 thousand at December 31, 2021) and are comprised for Euro 172,808 thousand of intangible assets with indefinite useful lives – goodwill (“Note 1.B - Goodwill”) and for Euro 273,689 thousand of intangible assets with finite useful lives (“Note 1.C – Intangible Assets with finite useful lives”).

The changes of the year were as follows:

Note 1.A - INTANGIBLE ASSETS

Euro thousands	Goodwill	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
Historical cost at December 31, 2020	**162,903**	**200**	**149,607**	**184,768**	**2,208**	**499,686**
Increases	5,498	**-**	**6,869**	**13,894**	**1,308**	**27,569**
Increases (Investments)	-	-	61	525	1,905	2,491
Transfers from assets under development	-	-	15	582	(597)	-
Net exchange gains	5,498	-	6,793	12,787	-	25,078
Decreases	**-**	**-**	**-**	**(903)**	**-**	**(903)**
Decreases (Disinvestments)	-	-	-	(743)	-	(743)
Reclassifications	-	-	-	(160)	-	(160)
Historical cost at December 31, 2021	**168,401**	**200**	**156,477**	**197,759**	**3,516**	**526,353**
Increases	**4,407**	**-**	**3,766**	**8,900**	**59**	**17,132**
Increases (Investments)	-	-	38	1,148	1,951	3,137
Transfers from assets under development	-	-	-	1,892	(1,892)	-
Revaluations	-	-	-	5	-	5
Change in consolidation scope	-	-	*3,805*	-	-	*3,805*
Net exchange gains (losses)	4,407	-	(77)	5,853	-	10,183
Other increases	-	-	-	2	-	2
Decreases	**-**	**-**	**(1,744)**	**-**	**-**	**(1,744)**
Change in consolidation scope	-	-	(1,744)	-	-	(1,744)
Historical cost at December 31, 2022	**172,808**	**200**	**158,498**	**206,659**	**3,576**	**541,741**

Euro thousands	Goodwill	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
Accumulated amortisation at December 31, 2020	**-**	**(177)**	**(33,179)**	**(30,340)**	**-**	**(63,696)**
Increases	**-**	**(7)**	**(6,491)**	**(11,115)**	**-**	**(17,612)**
Amortisation	-	(7)	(5,071)	(9,331)	-	(14,409)
Net exchange losses	-	-	(1,420)	(1,784)	-	(3,203)
Decreases	**-**	**-**	**-**	**778**	**-**	**778**
Decreases (Disinvestments)	-	-	-	743	-	743
Reclassifications	-	-	-	35	-	35
Accumulated amortisation at December 31, 2021	**-**	**(183)**	**(39,670)**	**(40,677)**	**-**	**(80,530)**
Increases	**-**	**(6)**	**(5,432)**	**(9,277)**	**-**	**(14,715)**
Amortisation	-	(6)	(5,216)	(9,054)	-	(14,276)
Net exchange losses	-	-	(216)	(222)	-	(438)
Other increases	-	-	-	(1)	-	(1)
Accumulated amortisation at December 31, 2022	**-**	**(190)**	**(45,102)**	**(49,952)**	**-**	**(95,244)**
Carrying amount at December 31, 2020	**162,903**	**23**	**116,428**	**154,428**	**2,208**	**435,990**
Carrying amount at December 31, 2021	**168,401**	**16**	**116,807**	**157,083**	**3,516**	**445,823**
Carrying amount at December 31, 2022	**172,808**	**10**	**113,396**	**156,707**	**3,576**	**446,497**
Change	**4,407**	**(6)**	**(3,411)**	**(376)**	**60**	**674**

Intangible Assets with Indefinite Useful Lives

Intangible assets with indefinite useful lives are comprised entirely of goodwill for a total amount of Euro 172,808 thousand (Euro 168,401 thousand at December 31, 2021). The movement compared to December 31, 2021 was entirely due to exchange gains of Euro 4,407 thousand, mainly relating to the strengthening against the Euro of the US Dollar for Euro 4,286 thousand of the main currencies of the Central-South America area for Euro 127 thousand and of the Indian Rupee negative for Euro 6 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) and at least on an annual basis subject to recoverability analysis through an impairment test.

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

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

NOTE 1.B GOODWILL BY CASH GENERATING UNIT

Euro thousands	December 31, 2022	December 31, 2021	Change	Exchange Rate Difference	Impairment Losses
North America (2)	102,835	98,549	4,286	4,286	-
DOMS Industries Pvt Ltd (India)	33,263	33,269	(6)	(6)	-
Canson Group (4)	17,015	17,015	-	-	-
Fila Arches	5,473	5,473	-	-	-
Daler - Rowney Lukas Group (5)	5,922	5,922	-	-	-
Dixon Group - Central / South America (1)	2,051	1,924	127	127	-
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	**172,808**	**168,401**	**4,407**	**4,407**	**-**

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

(2) - Dixon Ticonderoga Company (U.S.A.); Dixon Canadian Holding (Canada); Brideshore srl (Dominican Republic) as CGU North America; Dixon Ticonderoga ART ULC; Princeton Hong Kong (U.S.A).

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

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

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

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

The F.I.L.A. Group identifies the recoverable amount as the value in use of the cash-generating units, identified (as per IAS 36) as the present value of 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 2023 Budget approved on February 13, 2023 and the 2023-2027 Business Plan approved by the Board of Directors on March 16, 2023, whereas the individual business plans were submitted for approval by the Boards of Directors of the individual group companies.
In particular, the cash flows were determined taking the assumptions from the budget and applying the growth rate identified for each CGU in line with the long-term assumptions relating to the growth rate of the sector and the specific risk of the country in which each CGU operates. 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.

The market capitalisation of F.I.L.A. S.p.A. is an indicator of the recoverability of the value in use of the company’s cash-generating units. Should this value be lower than the equity of the F.I.L.A. Group and of F.I.L.A. S.p.A., impairment testing is an adequate means of assessing the underlying risk.

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

considering the tax effects generated by the financial leverage.

The table below outlines the main assumptions for the impairment test. The discount rate is different from December 31, 2021 to reflect the changed market conditions at December 31, 2022, as commented upon below:

IMPAIRMENT TEST GOODWILL - VALUE IN USE CALCULATION ASSUMPTIONS

Euro thousands	Discount Rate (W.A.C.C.)*	Growth Rate (g rate)*	Cash flow horizon	Terminal Value Calculation Method
DOMS Industries Pvt Ltd (India)	13.8%	4.3%	5 years	Perpetuity growth rate
Canson Group (France)	7.3%	1.9%	5 years	Perpetuity growth rate
Daler-Rowney Group (UK)	8.1%	2.0%	5 years	Perpetuity growth rate
North America	8.4%	2.1%	5 years	Perpetuity growth rate
Dixon Group - Central / South America	11.5%	2.5%	5 years	Perpetuity growth rate
Industria Maimeri S.p.A. (Italy)	8.9%	1.7%	5 years	Perpetuity growth rate
St. Cuthberts Holding (UK)	8.1%	2.0%	5 years	Perpetuity growth rate
Lyra Group	6.7%	2.0%	5 years	Perpetuity growth rate
Fila Hellas	13.3%	1.4%	5 years	Perpetuity growth rate
Fila Arches	7.3%	1.9%	5 years	Perpetuity growth rate
FILA SA (South Africa)	15.2%	4.5%	5 years	Perpetuity growth rate

** Source: Bloomberg*

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 13.8% (11.9% at December 31, 2021), with the change on the previous year principally due to a decrease in the risk-free rate and an increase in the cost of debt;
- Dixon Group - Central/South America - the discount rate is 11.5% (11.3% at December 31, 2021). The change is due to an increase in the risk free rate and an increase in the cost of capital (Ke) and an increase in the cost of debt;
- North America - The W.A.C.C. used is 8.4% (8.4% at December 31, 2021). There have been no changes in the W.A.C.C.;
- Canson Group (France) and Fila Arches - The W.A.C.C. is 7.3% (7.1% at December 31, 2021). The change on the previous year is mainly due to an increase in the cost of debt and the cost of capital (Ke);
- Daler-Rowney Lukas Group and St. Cuthberts (United Kingdom) - The discount rate is 8.1% (7.9% at December 31, 2021). The increase is substantially attributable to the increase in the risk free rate and the cost of debt;
- Industria Maimeri S.p.A. (Italy) – the discount rate is 8.9% (7.9% at December 31, 2021). The increase from the previous year is primarily attributable to an increase in the cost of debt and the cost of capital (Ke);

- Lyra Group (Germany) – the discount rate used was 6.7% (6.7% at December 31, 2021). No changes in W.A.C.C.
- FILA SA (South Africa) – the W.A.C.C. is 15.2% (12.4% at December 31, 2021). The variation is due to the increase in the cost of equity (Ke) and the cost of debt; ;
- Fila Hellas - the W.A.C.C. is 13.3% (10.7% at December 31, 2021). The change on the previous year is due to the increase in the cost of debt and in the cost of equity (Ke).

Particular importance was given to the impairment tests on the goodwill allocated to the North America cash-generating unit of Euro 102,835 thousand (Euro 98,549 thousand at December 31, 2021), DOMS Industries Pvt Ltd of Euro 33,263 thousand (Euro 33,269 thousand at December 31, 2021) and Canson Group of Euro 17,015 thousand (Euro 17,015 thousand at December 31, 2021). The goodwill of the above CGUs accounts for 88.6% of the Group's intangible assets with indefinite useful lives of Euro 172,808 thousand. The impairment tests performed indicated headroom of approximately Euro 329 million for the North America CGU (43%), of Euro 68 million for the Doms Industries Pvt Ltd CGU (India) (44%) and of Euro 114 million for the Canson CGU (58%).

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

In completion of the analyses, the following activities were undertaken:

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

SENSITIVITY ANALYSIS - Variable Growth Rate

	Discount Rate (W.A.C.C.)	Growth Rate (g rate)
DOMS Industries Pvt Ltd (India)	13.8%	(2,0%)
Canson Group (France)	7.3%	(9,5%)
Daler-Rowney Group (UK)	8.1%	(4,3%)
North America	8.4%	(7,0%)
Dixon Group - Central / South America	11.5%	(1,2%)
Industria Maimeri S.p.A. (Italy)	8.9%	(3,2%)
St. Cuthberts Holding (UK)	8.1%	(0,5%)
Lyra Group	6.7%	(18,6%)
Fila Hellas	13.3%	(130,8%)
FILA SA (South Africa)	15.2%	(29,5%)
Fila Arches	7.3%	(13,4%)

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

	Discount Rate (W.A.C.C.)	Growth Rate (g rate)
DOMS Industries Pvt Ltd (India)	18.4%	4.3%
Canson Group (France)	14.7%	1.9%
Daler-Rowney Group (UK)	12.6%	2.0%
North America	13.6%	2.1%
Dixon Group - Central / South America	14.1%	2.5%
Industria Maimeri S.p.A. (Italy)	12.3%	1.7%
St. Cuthberts Holding (UK)	9.4%	2.0%
Lyra Group	18.5%	2.0%
Fila Hellas	34.2%	1.4%
FILA SA (South Africa)	29.0%	4.5%
Fila Arches	16.4%	1.9%

- The testing of the recoverability of goodwill against possible increases and decreases of 0.5 percent in the "Growth Rate" and "WACC";
- The comparison between the value in use of the CGU for 2022 and 2021 with the analysis of the variations;
- Verification that the results of impairment testing are reasonable by reconciling the results with market capitalisation;
- Analysis of the impairment result in response to changes in gross operating profit over the explicit time horizon.

We have also taken account of the content of the report of the ESMA published in May 2022 entitled "*Implications of Russia's invasion of Ukraine on half-yearly financial reports*".

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

The cash flows and assumptions used for the Impairment Test were approved by the Board of Directors on March 16, 2023.

Intangible assets with finite useful lives

The changes at December 31, 2022 of "Intangible Assets with Finite Useful Lives" are reported below:

Note 1.C - INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Euro thousands	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
Historical cost at December 31, 2020	**200**	**149,607**	**184,768**	**2,208**	**336,783**
Increases	**-**	**6,869**	**13,894**	**1,308**	**22,071**
Increases (Investments)	-	61	525	1,905	2,491
Transfers from assets under development	-	15	582	(597)	-
Net exchange gains	-	6,793	12,787	-	19,580
Decreases	**-**	**-**	**(903)**	**-**	**(903)**
Decreases (Disinvestments)	-	-	(743)	-	(743)
Reclassifications	-	-	(160)	-	(160)
Historical cost at December 31, 2021	**200**	**156,477**	**197,759**	**3,516**	**357,952**
Increases	**-**	**3,766**	**8,900**	**59**	**12,725**
Increases (Investments)	-	38	1,148	1,951	3,137
Transfers from assets under development	-	-	1,892	(1,892)	-
Revaluations	-	-	5	-	5
Change in consolidation scope	-	*3,805*	-	-	*3,805*
Net exchange gains (losses)	-	(77)	5,853	-	5,776
Other increases	-	-	2	-	2
Decreases	-	**(1,744)**	-	-	**(1,744)**
Change in consolidation scope	-	*(1,744)*	-	-	*(1,744)*
Historical cost at December 31, 2022	**200**	**158,498**	**206,659**	**3,576**	**368,933**

Euro thousands	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
Accumulated amortisation at December 31, 2020	**(177)**	**(33,179)**	**(30,340)**	**-**	**(63,696)**
Increases	**(7)**	**(6,491)**	**(11,115)**	-	**(17,612)**
Amortisation	(7)	(5,071)	(9,331)	-	(14,409)
Net exchange losses	-	(1,420)	(1,784)	-	(3,203)
Decreases	-	-	**778**	-	**778**
Reclassifications	-	-	35	-	35
Decreases (Disinvestments)	-	-	743	-	743
Accumulated amortisation at December 31, 2021	**(183)**	**(39,670)**	**(40,677)**	**-**	**(80,530)**
Increases	**(6)**	**(5,432)**	**(9,277)**	-	**(14,715)**
Amortisation	(6)	(5,216)	(9,054)	-	(14,276)
Net exchange losses	-	(216)	(222)	-	(438)
Other increases	-	-	(1)	-	(1)
Accumulated amortisation at December 31, 2022	**(190)**	**(45,102)**	**(49,952)**	**-**	**(95,244)**
Carrying amount at December 31, 2020	**23**	**116,428**	**154,428**	**2,208**	**273,087**
Carrying amount at December 31, 2021	**16**	**116,807**	**157,083**	**3,516**	**277,422**
Carrying amount at December 31, 2022	**10**	**113,396**	**156,707**	**3,576**	**273,689**
Change	**(6)**	**(3,411)**	**(376)**	**60**	**(3,733)**

"Industrial Patents and Intellectual Property Rights" amount to Euro 10 thousand at December 31, 2022 (Euro 16 thousand at December 31, 2021).

The average residual useful life of the "Industrial Patents and Intellectual Property Rights", recorded in the financial statements at December 31, 2022, is 5 years.

"Concessions, Licenses, Trademarks and Similar Rights" amount to Euro 113,396 thousand at December 31, 2022 (Euro 116,807 thousand at December 31, 2021).

The carrying amount decreased on December 31, 2021 by Euro 3,411 thousand, mainly due to amortisation of Euro 5,216 thousand and exchange losses of Euro 293 thousand offset by increases in investments for Euro 38 thousand and the net change in the consolidation scope of Euro 2,061 thousand, concerning the Scola brand of the English subsidiary Daler Rowney Ltd, which acquired the net assets of the English investee Creative Art Products Ltd from August 1, 2022. 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 historical trademarks subject to amortisation refer principally to "*Lapimex*" held by F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and the "*Lyra*" brands held by Lyra KG (Germany) and *"DOMS"* held by DOMS Industries Pvt Ltd (India).

The average useful life of the "Concessions, Licenses, Trademarks and Similar Rights", recorded in the consolidated financial statements of December 31, 2022, is 30 years. Trademarks are amortised on the basis of their useful lives and tested for impairment when there are signs that they may have become impaired.

"Other" amounts to Euro 156,707 thousand at December 31, 2022 (Euro 157,083 thousand at December 31, 2021). The decrease on the previous year of Euro 376 thousand mainly refers to (i) decrease for amortisation of Euro 9,054 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 the English company 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 (ii) increases for exchange gains of Euro 5,631 thousand, (iii) entry into use of assets under development for a total of Euro 1,892 thousand and net investments in the amount of Euro 1,148 thousand, which mainly involved the implementation and roll-out of the ERP at F.I.L.A. S.p.A. and a number of group companies.

The average useful life of "Other", recorded in the financial assets at December 31, 2022, is 30 years.

"Assets under development" totalled Euro 3,576 thousand (Euro 3,516 thousand at December 31, 2021), entirely concerning F.I.L.A. S.p.A. and relating to investments for the installation of the ERP

(Enterprise Resource Planning) system not activated during the year for the companies Daler Rowney Ltd (United Kingdom), Brideshore (Dominican Republic) and St. Cuthberts Mill (United Kingdom United Kingdom), whose roll out is expected in early 2023.

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

Note 2 - Property, Plant and Equipment

At December 31, 2022, "Property, Plant and Equipment" amounted to Euro 166,185 thousand (Euro 169,653 thousand at December 31, 2021), consisting of Euro 92,926 thousand of Property, Plant and Equipment ("Note 2.A - Property, Plant and Equipment") and Euro 73,259 thousand of Right-of-Use assets ("Note 2.B - Right-of-Use assets").

The changes of the year are shown below:

Note 2.A - PROPERTY, PLANT AND EQUIPMENT

Euro thousands	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Historical cost at December 31, 2020	**12,913**	**65,103**	**135,819**	**21,014**	**9,349**	**1,099**	**245,297**
Increases	**498**	**2,111**	**11,703**	**1,116**	**1,460**	**1,548**	**18,436**
Increases (Investments)	-	703	4,592	1,014	977	2,372	9,658
Transfers from assets under construction	-	21	694	158	-	(873)	-
Reclassifications	-	-	823	(664)	4	-	164
Net exchange gains	498	1,387	5,536	608	439	49	8,517
Other increases	-	-	58	-	40	-	98
Decreases	**-**	**-**	**(442)**	**(142)**	**(37)**	**-**	**(621)**
Decreases (Disinvestments)	-	-	(423)	(139)	(37)	-	(599)
Impairment losses	-	-	(19)	(3)	-	-	(22)
Historical cost at December 31, 2021	**13,411**	**67,215**	**147,081**	**21,988**	**10,772**	**2,646**	**263,113**
Increases	**(384)**	**882**	**12,580**	**1,232**	**1,543**	**1,485**	**17,337**
Increases (Investments)	-	675	7,883	966	1,151	3,129	13,804
Transfers from assets under construction	-	80	1,548	30	44	(1,702)	-
Reclassifications	-	-	-	-	87	-	87
Revaluations	-	-	-	-	9	-	9
Change in consolidation scope	-	-	*2,860*	-	-	-	*2,860*
Net exchange gains (losses)	(384)	127	18	236	40	58	96
Other increases	-	-	271	-	211	-	482
Decreases	**-**	**(38)**	**(3,638)**	**(153)**	**(709)**	**-**	**(4,538)**
Decreases (Disinvestments)	-	(38)	(2,058)	(151)	(91)	-	(2,338)
Impairment losses	-	-	(1)	(2)	(81)	-	(84)
Change in consolidation scope	-	-	*(1,475)*	-	-	-	*(1,475)*
Other decreases	-	-	(104)	-	(537)	-	(641)
Historical cost at December 31, 2022	**13,027**	**68,060**	**156,022**	**23,067**	**11,604**	**4,131**	**275,911**

Euro thousands	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Accumulated depreciation at December 31, 2020	**-**	**(36,389)**	**(89,076)**	**(15,675)**	**(7,535)**	**-**	**(148,675)**
Increases	**-**	**(3,079)**	**(13,946)**	**(1,838)**	**(1,135)**	**-**	**(19,998)**
Depreciation	-	(2,615)	(10,263)	(1,624)	(715)	-	(15,217)
Reclassifications	-	-	(125)	90	(4)	-	(40)
Net exchange losses	-	(464)	(3,490)	(304)	(378)	-	(4,635)
Other increases	-	-	(68)	-	(38)	-	(106)
Decreases	**-**	**-**	**347**	**127**	**28**	**-**	**502**
Decreases (Disinvestments)	-	-	347	127	28	-	502
Accumulated depreciation at December 31, 2021	**-**	**(39,467)**	**(102,674)**	**(17,387)**	**(8,644)**	**-**	**(168,172)**
Increases	**-**	**(2,701)**	**(13,456)**	**(1,782)**	**(1,024)**	**-**	**(18,963)**
Depreciation	-	(2,619)	(10,853)	(1,735)	(886)	-	(16,093)
Impairment losses	-	-	-	-	53	-	53
Change in consolidation scope	-	-	*(2,401)*	-	-	-	*(2,401)*
Net exchange gains (losses)	-	(82)	112	(47)	(13)	-	(29)
Other increases	-	-	(314)	-	(178)	-	(492)
Decreases	**-**	**38**	**3,383**	**140**	**588**	**-**	**4,149**
Decreases (Disinvestments)	-	38	2,011	140	41	-	2,230
Reclassifications	-	-	-	-	13	-	13
Change in consolidation scope	-	-	*1,238*	-	-	-	*1,238*
Other decreases	-	-	134	-	534	-	668
Accumulated depreciation at December 31, 2022	**-**	**(42,130)**	**(112,748)**	**(19,029)**	**(9,079)**	**-**	**(182,986)**
Carrying amount at December 31, 2020	**12,913**	**28,715**	**46,743**	**5,339**	**1,813**	**1,099**	**96,622**
Carrying amount at December 31, 2021	**13,411**	**27,748**	**44,406**	**4,601**	**2,128**	**2,646**	**94,941**
Carrying amount at December 31, 2022	**13,027**	**25,930**	**43,274**	**4,038**	**2,526**	**4,131**	**92,926**
Change	**(384)**	**(1,818)**	**(1,132)**	**(563)**	**398**	**1,485**	**(2,015)**

"Land" at December 31, 2022 amounts to Euro 13,027 thousand (Euro 13,411 thousand at December 31, 2021) and includes the land relating to the buildings and production facilities owned by the company F.I.L.A. S.p.A. (Rufina Scopeti – Italy), by the subsidiary Lyra KG (Germany), the subsidiary DOMS Industries Pvt Ltd (India), the subsidiary Daler Rowney Ltd (UK) and the subsidiary Canson SAS (France). The decrease in the year of Euro 384 thousand is due to exchange losses of Euro 384 thousand.

"Buildings" at December 31, 2022 amount to Euro 25,930 thousand (Euro 27,748 thousand at December 31, 2021) and principally concern the buildings of the Group's production facilities. The decrease on December 31, 2021 was Euro 1,818 thousand. Net investments totalled Euro 675 thousand and mainly concerned the English subsidiary Daler Rowney Ltd (Euro 157 thousand), the Mexican subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Euro 136 thousand), the Indian subsidiary DOMS Industries PVT Ltd (Euro 132 thousand) and the French subsidiary Canson SAS (Euro 71 thousand) and relate to the expansion plan for the storage and production sites, while capitalisations of fixed assets in progress totalled Euro 80 thousand.
Depreciation of Euro 2,619 thousand particularly concerns Canson SAS (France), Dixon Ticonderoga Company (U.S.A), F.I.L.A. S.p.A. and DOMS Industries Pvt Ltd (India), while exchange gains contributed Euro 45 thousand.

"Plant and Machinery" amount to Euro 43,274 thousand (Euro 44,406 thousand at December 31, 2021).

Compared to the previous year, this caption decreased Euro 1,132 thousand. The main changes in this category concern net investments of Euro 7,836 thousand, mainly by DOMS Industries Pvt Ltd (India) for Euro 4,028 thousand, Dixon Ticonderoga Company (U.S.A.) for Euro 923 thousand, by Daler Rowney Ltd (United Kingdom) for Euro 709 thousand and Canson SAS (France) for Euro 502 thousand. In addition, assets under construction were capitalised of Euro 1,548 thousand, an increase due to the net change in the consolidation scope of Euro 222 thousand, concerning the English subsidiary Daler Rowney Ltd, which acquired the net assets of the English investee Creative Art Products Ltd and exchange gains of Euro 130 thousand. These increases were offset by depreciation of Euro 10,853 thousand.

“Industrial and Commercial Equipment” amounted to Euro 4,038 thousand at December 31, 2022 (Euro 4,601 thousand at December 31, 2021). The decrease of Euro 563 thousand is mainly due to depreciation in the year of Euro 1,735 thousand, partially offset by net investments of Euro 955 thousand, mainly by Dixon Ticonderoga Company (U.S.A.) for Euro 239 thousand, F.I.L.A. S.p.A. for Euro 180 thousand, Canson SAS (France) for Euro 156 thousand and Fila Canson do Brasil Ltda (Brazil) for Euro 116 thousand. In addition, assets under construction of Euro 30 thousand were reclassified and exchange gains totalled Euro 190 thousand.

“Other Assets” amount to Euro 2,526 thousand at December 31, 2022 (Euro 2,128 thousand at December 31, 2021) and include furniture and office equipment, EDP and motor vehicles. The increase in the year of Euro 398 thousand is mainly due to net investments of Euro 1,101 thousand, mainly by DOMS Industries Pvt Ltd (India) for Euro 423 thousand, Fila Stationary O.O.O. (Russia) for Euro 224 thousand and F.I.L.A. S.p.A. (Italy) for Euro 109 thousand, in addition to exchange gains of Euro 27 thousand and reclassifications from assets under construction for Euro 44 thousand. These increases were offset by depreciation of Euro 886 thousand.

“Assets under construction” include internal constructions undertaken by the individual companies of the Group which are not yet up and running. The carrying amount at December 31, 2022 amounts to Euro 4,131 thousand, increasing on the previous year by Euro 1,485 thousand, due to investments in the year of Euro 3,129 thousand, mainly by Canson SAS (France) for Euro 1,952 thousand, Dixon Ticonderoga Company (U.S.A.) for Euro 357 thousand, Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 325 thousand, DOMS Industries Pvt Ltd (India) for Euro 227 thousand and F.I.L.A. S.p.A. (Italy) for Euro 150 thousand offset by the decrease from the transfer of assets of Euro 1,702 thousand, mainly by the French subsidiary Canson SAS for Euro 816 thousand, Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 516 thousand, the French subsidiary Fila Arches for Euro 238 thousand and by

F.I.L.A. S.p.A. for Euro 129 thousand. Exchange gains came to Euro 58 thousand.

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

Right-of-Use assets

The changes of the year are shown below:

Nota 2.B RIGHT-OF-USE ASSETS

Euro thousands	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Historical cost at December 31, 2020	-	**89,118**	**348**	**456**	**3,573**	-	**93,495**
Increases	-	**10,651**	**423**	**1,266**	**1,012**	-	**13,353**
Increases (Investments)	-	4,364	407	1,247	982	-	7,000
Net exchange gains	-	6,287	16	19	30	-	6,353
Decreases	-	**(2,275)**	**(73)**	**(193)**	**(430)**	-	**(2,971)**
Decreases (Disinvestments)	-	(2,275)	(73)	(193)	(430)	-	(2,971)
Historical cost at December 31, 2021	-	**97,494**	**698**	**1,530**	**4,155**	-	**103,877**
Increases	-	**11,701**	**31**	**(5)**	**604**	-	**12,331**
Increases (Investments)	-	8,239	50	61	586	-	8,936
Net exchange gains (losses)	-	3,190	(19)	(66)	18	-	3,123
Other increases	-	272	-	-	-	-	272
Decreases	-	**(988)**	**(57)**	**(784)**	**(715)**	-	**(2,544)**
Decreases (Disinvestments)	-	(988)	(57)	(784)	(715)	-	(2,544)
Historical cost at December 31, 2022	-	**108,208**	**672**	**741**	**4,044**	-	**113,665**
Accumulated depreciation at December 31, 2020	-	**(16,761)**	**(136)**	**(183)**	**(1,548)**	-	**(18,628)**
Increases	-	**(11,273)**	**(186)**	**(342)**	**(933)**	-	**(12,733)**
Depreciation	-	(9,737)	(181)	(325)	(920)	-	(11,163)
Net exchange losses	-	(1,536)	(5)	(17)	(13)	-	(1,570)
Decreases	-	**1,500**	**73**	**193**	**430**	-	**2,196**
Decreases (Disinvestments)	-	1,500	73	193	430	-	2,196
Accumulated depreciation at December 31, 2021	-	**(26,535)**	**(248)**	**(333)**	**(2,049)**	-	**(29,165)**
Increases	-	**(11,375)**	**(125)**	**(150)**	**(1,074)**	-	**(12,725)**
Depreciation	-	(10,511)	(137)	(166)	(1,066)	-	(11,880)
Net exchange gains (losses)	-	(597)	12	16	(8)	-	(578)
Other increases	-	(267)	-	-	-	-	(267)
Decreases	-	**841**	**57**	**33**	**553**	-	**1,484**
Decreases (Disinvestments)	-	841	57	33	553	-	1,484
Accumulated depreciation at December 31, 2022	-	**(37,070)**	**(317)**	**(449)**	**(2,570)**	-	**(40,406)**
Carrying amount at December 31, 2020	-	**72,357**	**212**	**273**	**2,025**	-	**74,867**
Carrying amount at December 31, 2021	-	**70,960**	**450**	**1,197**	**2,105**	-	**74,712**
Carrying amount at December 31, 2022	-	**71,139**	**355**	**292**	**1,473**	-	**73,259**
Change	-	**179**	**(95)**	**(905)**	**(632)**	-	**(1,453)**

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

"Buildings" at December 31, 2022 amounted to Euro 71,139 thousand (Euro 70,960 thousand at December 31, 2021), increasing Euro 179 thousand on the previous year. The increase is mainly due to net investments of Euro 8,092 thousand, mainly by the subsidiary Daler Rowney Ltd (United Kingdom) for Euro 3,606 thousand, by the subsidiary Dixon Ticonderoga Company (U.S.A.) for Euro 2,920 thousand and the subsidiary DOMS Industries PVT Ltd (India) for Euro 955 thousand and net exchange gains of Euro 2,593 thousand. The movement was partially offset by depreciation in the year of Euro 10,511 thousand.

“Plant and Machinery” amounted to Euro 355 thousand at December 31, 2022 (Euro 450 thousand at December 31, 2021). The decrease of Euro 95 thousand is mainly due to depreciation in the year of Euro 137 thousand, partially offset by net investments of Euro 50 thousand, mainly by the Swedish subsidiary Fila Nordic (Euro 28 thousand) and net exchange gains of Euro 7 thousand.

“Industrial and Commercial Equipment” amounted to Euro 292 thousand at December 31, 2022 (Euro 1,197 thousand at December 31, 2021). The decrease of Euro 905 thousand is mainly due to divestments of Euro 690 thousand, principally concerning the subsidiary Daler Rowney Ltd (United Kingdom) totalling Euro 751 thousand, in addition to depreciation in the year of Euro 166 thousand and net exchange losses of Euro 50 thousand.

“Other Assets” referred mainly to vehicles at December 31, 2022 and amounted to Euro 1,473 thousand (Euro 2,105 thousand at December 31, 2021). Compared to the previous year, this caption decreased by Euro 632 thousand, due to depreciation for the year of Euro 1,066 thousand, offset by net investments of Euro 425 thousand, mainly by the Swedish subsidiary Fila Nordic (Euro 127 thousand) and by F.I.L.A. S.p.A. for Euro 116 thousand and exchange gains of Euro 10 thousand.

Note 11 - Biological Assets

"Biological Assets" amounted to Euro 1,817 thousand at December 31, 2022 (Euro 1,936 thousand at December 31, 2021) and exclusively include the fair value of the tree plantation of the Chinese company Xinjiang F.I.L.A.-Dixon Plantation Company Ltd. in accordance with "IAS 41 - Biological Assets". The decrease of Euro 119 thousand on the previous year end concerns for Euro 77 thousand impairments and for Euro 42 thousand net exchange losses.

Note 3 – Financial Assets

"Financial assets" amount to Euro 6,039 thousand at December 31, 2022 (Euro 7,614 thousand at December 31, 2021).

Note 3.A - FINANCIAL ASSETS

Euro thousands	Financial Instruments measured through Profit or Loss: Interest	Financial Instruments measured through Profit or Loss: Other	Loans and Financial assets	Other financial assets	Total
December 31, 2021	**1**	**3,058**	**79**	**4,476**	**7,614**
non-current portion	-	-	-	4,078	4,078
current portion	1	3,058	79	398	3,536
December 31, 2022	**-**	**-**	**22**	**6,017**	**6,039**
non-current portion	-	-	-	5,166	5,166
current portion	-	-	22	851	873
Change	**(1)**	**(3,058)**	**(56)**	**1,541**	**(1,573)**
non-current portion	-	-	-	1,088	1,088
current portion	(1)	(3,058)	(56)	453	(2,663)

Loans and financial assets

These amount to Euro 22 thousand and concern financial assets due from third parties and recognised by the Swiss subsidiary FILA Art Products AG.

Other Financial Assets

"Other Financial Assets" totalled Euro 6,017 thousand (Euro 4,476 thousand at December 31, 2021), increasing Euro 1,541 thousand. The amount mainly refers to the fair value of the derivatives on the loan (hedged instrument) issued in favour of F.I.L.A. S.p.A for Euro 2,294 thousand and Dixon Ticonderoga Company (U.S.A.), for Euro 733 thousand. Canson SAS (France) also entered into a derivative to hedge borrowings (hedged instrument) agreed by the subsidiary in support of investments relating to the implementation of the Annonay logistics hub of Euro 148 thousand.

The caption also includes deposits paid for guarantee purposes on goods and service supply contracts of the various group companies, including in particular DOMS Industries Pvt Ltd (Euro 1,294 thousand), the Mexican subsidiary Gruppo F.I.L.A.-Dixon, S.A. de C.V. (Euro 335 thousand) and the Swedish subsidiary Fila Nordic (Euro 111 thousand).

The increase is mainly attributable to the change in derivative instruments, which were recognised as a liability among "Financial instruments" in 2021, whereas in 2022 they have been recognised as "Other financial assets" given their positive performance.

"Loans and financial assets" and "Other financial assets" are stated at amortised cost in accordance with

IFRS 9.

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

Reference should be made to the "Directors' Report - Risk Management" section with regards to the nature and extent of financial instrument risk, in accordance with IFRS 7.

Nota 4 - Equity-accounted investments

Note 4.A EQUITY-ACCOUNTED INVESTMENTS

Euro thousands	**Inv. in associates**
December 31, 2020	**1,102**
Increases	**379**
Increases (Investments)	2
Changes in equity investments	294
Exchange gains	83
December 31, 2021	**1,481**
Increases	**777**
Changes in equity investments	777
Decreases	**(114)**
Exchange losses	(114)
December 31, 2022	**2,144**
Change	**663**

Equity-accounted investees amount to Euro 2,144 thousand (Euro 1,481 thousand at December 31, 2021).

The increase of the year relates for Euro 777 thousand to the four investments in associates held by DOMS Industries Pvt Ltd (India). At December 31, 2022, the carrying amount of the investments was adjusted in line with the share of equity held in the associates. Exchange losses were also recorded of Euro 114 thousand.

Note 5 - Other equity investments

"Other equity investments", amounting to Euro 26 thousand, relate to F.I.L.A. S.p.A.'s Euro 23 thousand investment in Maimeri S.r.l. corresponding to 1% of the share capital, and in the consortiums Conai, Energia Elettrica Zona Mugello and Energia Elettrica Milano held by F.I.L.A. S.p.A. at December 31, 2022.

Note 6 – Deferred Tax Assets

"Deferred tax assets" amount to Euro 24,185 thousand at December 31, 2022 (Euro 19,325 thousand at December 31, 2021).

The changes in "Deferred tax assets" are illustrated in the table below with indication of the opening balance, changes of the year and the closing balance at December 31, 2022:

Note 6.A - CHANGES IN DEFERRED TAX ASSETS

Euro thousands	
December 31, 2020	**20,281**
Increase	4,226
Utilisation	(4,428)
Reclassifications	(420)
Net exchange gains	728
Decrease recognised in equity	(1,062)
December 31, 2021	**19,325**
Increase	7,605
Utilisation	(2,869)
Change in consolidation scope	*145*
Net exchange gains	650
Increase recognised in equity	155
Other decreases	(825)
December 31, 2022	**24,185**
Change	**4,860**

Increases for the year were mainly due to the elimination of inventory margins for an amount of Euro 1,638 thousand, by the Parent F.I.L.A. S.p.A. (Euro 3,026 thousand), by the US subsidiary Dixon Ticonderoga Company (Euro 2,129 thousand) and by the Mexican subsidiary F.I.L.A.-Dixon, SA de C.V. (Euro 1,161 thousand), in addition to provisions for the tax effects of right-of-use assets amounting to Euro 533 thousand.

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

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

NOTE 6.B - BREAKDOWN OF DEFERRED TAX ASSETS

	Statement of Financial Position		Profit or Loss		Equity		Other Changes	
Euro thousands	2022	2021	2022	2021	2022	2021	2022	2021
Deferred tax assets relating to:								
Intangible Assets	-	-	-	(100)	-	-	825	-
Property, Plant and Equipment	391	364	26	(320)	-	-	-	-
Other Provisions	1,373	1,229	144	223	-	-	-	-
Trade Receivables and Other Assets	2,099	1,479	620	304	-	-	-	-
Inventories	5,103	2,999	2,449	(348)	-	-	-	-
Personnel	2,620	3,312	(847)	1,091	155	(1,062)	-	-
Exchange difference recognised in "Translation Reserve"	-	-	(650)	(728)	650	728	-	-
Prior year tax losses	2,619	1,814	805	267	-	-	-	(420)
ACE	2,319	2,713	(394)	(1,193)	-	-	-	-
Deferred deductible costs	7,661	5,415	2,583	602	-	-	-	-
of which: Change in consolidation scope	145	-	-	-	-	-	-	-
Total deferred tax assets	**24,185**	**19,325**	**4,736**	**(202)**	**805**	**(334)**	**825**	**(420)**

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

Note 7 - Current Tax Assets

At December 31, 2022, tax assets relating to corporation tax amounted overall to Euro 13,048 thousand (Euro 8,991 thousand at December 31, 2021) and refer principally to Dixon Ticonderoga Company (U.S.A.) for Euro 6,884 thousand, DOMS Industries Pvt Ltd (India) for Euro 2,671 thousand, Canson SAS (France) for Euro 1,166 thousand, the Parent F.I.L.A. S.p.A. for Euro 908 thousand) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 697 thousand.

Note 8 - Inventories

Inventories at December 31, 2022 amount to Euro 307,076 thousand (Euro 271,269 thousand at December 31, 2021).

Note 8.A - INVENTORIES

Euro thousands	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2021	**64,314**	**27,845**	**179,110**	**271,269**
December 31, 2022	**72,829**	**30,627**	**203,620**	**307,076**
Change	**8,515**	**2,782**	**24,510**	**35,807**

The increase of Euro 35,807 thousand principally concerns the increase in inventories of Euro 28,009 thousand, mainly at the US subsidiary Dixon Ticonderoga Company (U.S.A) for Euro 13,843 thousand, the Mexican subsidiary F.I.L.A.-Dixon, SA de C.V. for Euro 3,648 thousand, the Indian subsidiary DOMS Industries Pvt Ltd for Euro 2,566 thousand and the Parent F.I.L.A. S.p.A for Euro 1,677 thousand, and partially offset by the decrease in inventories by the subsidiary FILA Argentina S.A for Euro 1,212 thousand. In addition, the increase in the caption is due also to net exchange gains of Euro 6,338 thousand.

Inventories are presented net of the allowance for inventory write-downs for raw materials (Euro 2,004 thousand), work-in-progress (Euro 614 thousand) and finished goods (Euro 4,025 thousand).

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

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

Euro thousands	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2020	**1,368**	**401**	**4,383**	**6,152**
Accruals	326	333	68	727
Utilisation	(148)	(157)	(854)	(1,159)
Release	(29)	-	(239)	(268)
Net exchange gains (losses)	7	3	(34)	(24)
December 31, 2021	**1,524**	**580**	**3,324**	**5,428**
Accruals	537	61	800	1,398
Utilisation	(119)	(27)	(115)	(261)
Change in consolidation scope	*52*	-	*42*	*94*
Net exchange gains (losses)	10	-	(26)	(16)
December 31, 2022	**2,004**	**614**	**4,025**	**6,643**
Change	**480**	**34**	**701**	**1,215**

Note 9 – Trade receivables and other assets

Trade receivables and other assets amount to Euro 115,376 thousand at December 31, 2022 (Euro 121,357 thousand at December 31, 2021):

Note 9.A - TRADE RECEIVABLES AND OTHER ASSETS

Euro thousands	December 31, 2022	December 31, 2021	Change
Trade receivables	98,930	107,574	(8,645)
Tax assets	4,159	3,811	348
Other	7,646	5,121	2,525
Prepayments and accrued income	4,641	4,851	(210)
Total	**115,376**	**121,357**	**(5,981)**

Trade receivables decreased on December 31, 2021 by Euro 8,645 thousand, mainly due to Dixon Ticonderoga Company (U.S.A.) for Euro 7,729 thousand and the subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 4,691 thousand, partially offset by the increase in the subsidiary Canson SAS (France) for Euro 2,732 thousand. There were exchange gains in the year of Euro 4,220 thousand. Trade receivables broken down by geographical segment are illustrated below:

TRADE RECEIVABLES BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2022	December 31, 2021	Change
Europe	38,249	35,187	3,062
North America	23,043	30,972	(7,929)
Central - South America	29,802	31,976	(2,174)
Asia	5,786	7,157	(1,371)
Other	2,050	2,283	(233)
Total	**98,930**	**107,574**	**(8,645)**

The changes in the loss allowance are illustrated in the table below:

Note 9.B - CHANGES IN THE LOSS ALLOWANCE

Euro thousands

December 31, 2020	**5,637**
Accruals	502
Utilisation	(844)
Release	(143)
Net exchange gains	175
December 31, 2021	**5,327**
Accruals	4,243
Utilisation	(768)
Release	(157)
Net exchange gains	102
December 31, 2022	**8,747**
Change	**3,420**

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 historical Group experience, to assess the asset - in addition to information indicative of expected developments - is included. Accruals to the allowance amounted to Euro 4,243 thousand, mainly due to the impairment of the exposure to third parties of the Russian subsidiary Fila Stationary O.O.O. for Euro 3,099 thousand, also taking into account the current macroeconomic and geopolitical environment. The allowance was utilised for Euro 768 thousand, mainly due to the US subsidiary Dixon Ticonderoga Company (Euro 307 thousand), the Parent F.I.L.A. S.p.A. (Euro 296 thousand) and the English Daler Rowney Ltd (Euro 157 thousand).

"Tax assets" totalled Euro 4,159 thousand at December 31, 2022 (Euro 3,811 thousand at December 31, 2021) and include VAT assets (Euro 3,379 thousand) and other tax assets for local taxes other than direct income taxes (Euro 780 thousand). The increase on the previous year is mainly due to the Parent F.I.L.A. S.p.A (Euro 1,127 thousand), mainly for the VAT tax asset accrued during the year, offset by a decrease attributable to the Indian subsidiary DOMS Industries PVT Ltd (Euro 680 thousand).

"Other" amounts to Euro 7,646 thousand at December 31, 2022 (Euro 5,121 thousand at December 31, 2021) and mainly concern advances paid to suppliers (Euro 4,816 thousand), principally concerning the Indian and American subsidiaries, amounts due from employees (Euro 205 thousand), and from social security institutions (Euro 19 thousand). The carrying amount of "Other" represents the fair value at the reporting date.

All of the above assets are due within 12 months.

Note 10 – Cash and Cash Equivalents

“Cash and Cash Equivalents” at December 31, 2022 amount to Euro 111,209 thousand (Euro 145,985 thousand at December 31, 2021):

Note 10 - CASH AND CASH EQUIVALENTS			
Euro thousands	**Bank and postal deposits**	**Cash in hand and other cash equivalents**	**Total**
December 31, 2021	**145,881**	**104**	**145,985**
December 31, 2022	**111,079**	**130**	**111,209**
Change	**(34,802)**	**26**	**(34,776)**

"Bank and postal deposits" consist of temporary liquid funds generated within the treasury management and mainly relating to ordinary current accounts of F.I.L.A. S.p.A. for Euro 36,291 thousand and current accounts of the subsidiaries for Euro 74,788 thousand, in particular: Dixon Ticonderoga Company (U.S.A.) for Euro 27,623 thousand, DOMS Industries PVT Ltd (India) for Euro 6,974 thousand, Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 6,780 thousand, Fila Dixon Stationary Kunshan (China) for Euro 4,968 thousand, Daler Rowney Ltd United Kingdom) for Euro 4,183 thousand.

“Cash in hand and other cash equivalents” amount to Euro 130 thousand, of which Euro 6 thousand relates to the Parent F.I.L.A. S.p.A and Euro 124 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.

Net Financial Debt

The F.I.L.A. Group's "Net Financial Debt" at December 31, 2022 was Euro 435,159 thousand, down Euro 2,093 thousand on December 31, 2021. This decrease was partly due to the financial liabilities arising from the application of IFRS 16, included in other current and non-current financial liabilities.

	Euro thousands	December 31, 2022	December 31, 2021	Change
A	Cash	130	104	26
B	Cash equivalents	111,078	145,880	(34,802)
C	Other current financial assets	873	3,536	(2,663)
D	**Liquidity (A + B + C)**	**112,082**	**149,520**	**(37,439)**
E	Current bank loans and borrowings	(105,492)	(45,196)	(60,296)
F	Current portion of non-current bank loans and borrowings	(29,351)	(50,515)	21,164
G	**Current financial debt (E + F)**	**(134,843)**	**(95,711)**	**(39,132)**
H	**Net current financial (position) debt (G - D)**	**(22,761)**	**53,810**	**(76,571)**
I	Non-current bank loans and borrowings	(412,398)	(491,062)	78,664
J	Bonds issued	-	-	-
K	Trade payables and other non current liabilities	-	-	-
L	**Non-current financial debt (I + J + K)**	**(412,398)**	**(491,062)**	**78,664**
M	**Net financial debt (H + L)**	**(435,159)**	**(437,253)**	**2,093**
N	**Long term loans issued**	**-**	**-**	**-**
O	**Net financial debt (M + N) - F.I.L.A. Group**	**(435,159)**	**(437,253)**	**2,093**

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

Note 12 - Share Capital and Equity

Share capital

The subscribed and fully paid-up share capital at December 31, 2022 of the Parent F.I.L.A. S.p.A. 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:

Share capital composition - December 31, 2022	No. of shares	% of share capital	Euro	Listing
Ordinary shares	42,976,441	84.17%	39,548,544	EXM - Euronext STAR
Class B shares (multiple votes)	8,081,856	15.83%	7,437,229	Unquoted Shares

According to the available information, published by Consob and updated at December 31, 2022, the main shareholders of the Parent were:

Shareholders	Ordinary shares	%
Pencil S.r.l.	11,628,214	27.06%
Market investors*	31,348,227	72.94%
Total	**42,976,441**	

Shareholders	Ordinary shares	Class B shares	Total	Voting rights
Pencil S.r.l.	11,628,214	8,081,856	19,710,070	53.37%
Market investors*	31,348,227		31,348,227	46.63%
Total	**42,976,441**	**8,081,856**	**51,058,297**	

**includes 186,891 treasury 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

In the period between March 24, 2022 and April 6, 2022, the Parent F.I.L.A. S.p.A. repurchased treasury shares on the regulated Euronext Milan market for 240,000 ordinary shares of F.I.L.A. S.p.A. (representing 0.4701% of the Share Capital) for a total value of Euro 2,324 thousand.

These transactions were carried out as part of the share buyback program, approved by the Parent's Board of Directors on March 23, 2022, and as per the authorisation of the Shareholders of April 27, 2021.

Prior to the launch of the Program, the parent held 51,500 ordinary treasury shares, representing 0.1009% of the share capital.

In addition, during the year the reserve altered due to the free allocation of shares of the parent F.I.L.A. S.p.A. to each beneficiary of the "2019-2021 Performance Shares" Plan on the basis of the achievement of the performance objectives on conclusion of the three-year vesting period. On closure of the "2019-2021 Performance Shares" Plan, 104,609 treasury shares have been allocated for Euro 1,017 thousand. At December 31, 2022, the Group held 186,891 treasury shares, for a total value of Euro 1,794 thousand (equal to the "Negative reserve for treasury shares in portfolio" deducted from consolidated equity).

Legal reserve

At December 31, 2022 this caption amounted to Euro 9,396 thousand. The increase of Euro 659 thousand as per the Shareholders resolution of April 27, 2022, is reported, which allocated a portion of the profit for the year to the legal reserve in accordance with Article 2430 of the Italian Civil Code.

Share premium reserve

The reserve at December 31, 2022 amounts to Euro 154,614 thousand (Euro 154,646 thousand at December 31, 2021). The decrease of Euro 32 thousand is due to the price difference between the purchase value and the allocation value of the shares allocated free of charge to the beneficiaries of the "2019-2021 Performance Shares" Plan.

Actuarial reserve

Following the application of IAS 19, the actuarial reserve is positive for Euro 975 thousand, increasing by Euro 998 thousand limited to the portion attributable to the owners of the parent.

Other reserves

At December 31, 2022, "Other reserves" are negative for Euro 21,818 thousand, increasing Euro 10,948 thousand on December 31, 2021. The changes concern the following events:

- The hedging reserve comprises the fair value of the hedging financial instruments (IRS) entered into by F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A.) and Canson SAS (France); at December 31, 2022 the reserve was Euro 3,653 thousand, an increase of Euro 13,511 thousand compared to December 31, 2021 (negative for Euro 9,858 thousand) due to the adjustment of the financial instruments. This change in the fair value of financial instruments relates for Euro 8,934 thousand to the fair value adjustment of the derivative of the subsidiary Dixon Ticonderoga Company (U.S.A.), for Euro 4,361 thousand to the fair value adjustment of the derivative of F.I.L.A. S.p.A. and for Euro 216 thousand to the fair value adjustment of the derivative of Canson SAS (France). For further information, reference should be made to "Note 3 - Non-Current Financial Assets".
- "Share Based Premium" reserve totalling Euro 199 thousand and decreasing Euro 1,904 thousand on the previous year (Euro 2,103 thousand at December 31, 2021) due to the release of Euro 2,103 thousand in relation to the medium/long-term incentive plan concluded and an increase of Euro 199 thousand for the new medium/long-term incentive plan in favour of F.I.L.A. Group management from April 27, 2022. The accounting treatment applied is in line

with the reporting standards which establish that for equity-settled share-based payments, the fair value at the grant 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 effect on the consolidated financial statements.

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 2022 are illustrated below (limited to the portion attributable to the owners of the parent):

TRANSLATION RESERVE	
Euro thousands	
December 31, 2021	**(21,504)**
Changes	
Difference between the average rate for the year and the closing rate	4,776
Difference between the historical rate and the closing rate	(1,146)
December 31, 2022	**(17,874)**
Change	**3,631**

Retained earnings

The reserve totalled Euro 205,562 thousand and increased on the previous year by Euro 26,794 thousand, mostly relating to the allocation of the 2021 profit of Euro 38,014 thousand and to the distribution of the dividend allocated by the Shareholders of the Parent F.I.L.A. S.p.A. at their meeting of April 27, 2022.

We highlight in addition the restriction on the distribution of a portion of retained earnings related to the revaluation of the investment held in the company DOMS Industries Pvt Ltd (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.

Retained earnings also include the change resulting from the application of IAS 8 by the English company Daler Rowney Ltd for a negative Euro 397 thousand and by the company FILA Argentina S.A. for a positive Euro 874 thousand. There was also an increase of Euro 2 thousand with regard to FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey) pertaining to the first-time application of "IAS 29 - Financial Reporting in Hyperinflationary Economies" for the Turkish company.

Equity attributable to Non-Controlling Interests

Equity attributable to non-controlling interests increased Euro 2,573 thousand, principally due to:

- Profit for the year attributable to non-controlling interests of Euro 5,004 thousand;
- Distribution of dividends to non-controlling interests of Euro 1,146 thousand;
- Exchange losses of Euro 1,306 thousand;
- actuarial reserve attributable to non-controlling interests of Euro 21 thousand.

The following table presents the equity restated at January 1, 2022 based on the application of IAS 8, recorded at the English subsidiary Daler Rowney Ltd for a negative Euro 397 thousand relating to deferred taxes, at the Argentinian subsidiary FILA Argentina S.A. for Euro 874 thousand relating to hyperinflation, and at the Turkish subsidiary FILA Stationary and Office Equipment Industry Ltd. Co. for Euro 2 thousand due to the first-time application of “IAS 29 – Financial Reporting in Hyperinflationary Economies”:

Euro thousands	Share capital	Reserves	Retained earnings	Profit for the year	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total Equity
Balance at January 1, 2022	46,986	108,647	178,769	38,014	372,416	25,710	398,127
Correction effect			479		479		479
Restated Balance at January 1, 2022	**46,986**	**108,647**	**179,248**	**38,014**	**372,895**	**25,710**	**398,605**

With reference to the "Statement of Changes in Equity", the caption "Reserves" includes the "Legal reserve", the "Share premium reserve", the "Actuarial reserve", "Other reserves" and the "Translation reserve".

Basic and diluted earnings per share

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

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

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

Earnings of the year attributable to holders of ordinary shares (basic)	2022	2021
Earnings of the year, attributable to shareholders (i) - €,000	25,271	38,014
Earnings adjusted of the year, attributable to shareholders (ii) - €,000	37,679	42,536

Average weighted number of ordinary shares (basic)	2022	2021
Average ordinary shares of the year	51,057,876	51,053,797
Treasury shares effect in portfolio	(186,891)	(51,500)
Average weighted number of ordinary shares (basic) at December 31 (iii)	**50,870,985**	**51,002,297**

Earnings of the year per share (basic)	**0.50**	**0.75**
Earnings adjusted of the year per share (basic)	**0.74**	**0.83**

Average weighted number of ordinary shares (diluted)	2022	2021
Average ordinary shares of the year	51,057,876	51,053,797
Treasury shares effect in portfolio	(186,891)	(51,500)
Potential shares	873,000	1,073,763
Average weighted number of ordinary shares (diluted) at December 31 (iii)	**51,743,985**	**52,076,060**

Earnings of the year per share (diluted)	**0.49**	**0.73**
Earnings adjusted of the year per share (diluted)	**0.73**	**0.82**

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

Reconciliation at December 31, 2022 between the Parent's Equity and F.I.L.A. Group Equity

Euro thousands

F.I.L.A. S.p.A. equity	**296,503**
Elimination of infragroup profits and other consolidation entries	(7,328)
Consolidation effect FILA Art and Craft (Israel)	882
Consolidation effect Dixon Ticonderoga Group	96,149
Consolidation effect Lyra Group	5,096
Consolidation effect FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	(2,546)
Consolidation effect FILA Stationary O.O.O. (Russia)	(48)
Consolidation effect FILA Hellas (Greece)	1,435
Consolidation effect Industria Maimeri S.p.A. (Italy)	(1,977)
Consolidation effect FILA S.A. (South Africa)	(1,956)
Consolidation effect Fila Polska Sp. Z.o.o (Poland)	1,394
Consolidation effect DOMS Industries Pvt Ltd (India)	24,062
Consolidation effect Daler-Rowney Group	(15,940)
Consolidation effect St. Cuthberts Holding (England)	515
Consolidation effect FILA Iberia S.L. (Spain)	8,131
Consolidation effect Canson Group	13,861
Consolidation effect FILA Art Product AG (Switzerland)	551
Consolidation effect Pacon Group	7,553
Consolidation effect Fila Arches	1,317
Total equity	**427,653**
Consolidation effects attributable to non-controlling interests	28,284
F.I.L.A. group equity	**399,369**

Reconciliation at December 31, 2022 between Parent's Profit and F.I.L.A. Group Profit

Euro thousands

F.I.L.A. S.p.A.'s profit for the year	**15,669**
Profit for the year of the subsidiaries of the Parent	**44,361**
Elimination of the effects of transactions between consolidated companies:	
Dividends	(27,906)
Net Inventory Margins	(5,301)
Adjustments to Group accounting policies:	
Stock Option Plan recognised by the Parent to the Subsidiaries	426
FTA of IFRS 9	(2,513)
Daler Rowney Lukas Group - Impairment gains on equity investments in German companies	5
Daler Rowney Lukas Group - IFRS 3 effect on Creative Art Products Limited acquisition	1,254
F.I.L.A. S.p.A. - Impairment gains on equity investments in FILA Stationary O.O.O. (Russia)	945
F.I.L.A. S.p.A. - Impairment gains on infragroup receivables	3,337
Total profit for the year	**30,276**
Profit for the year attributable to non-controlling interests	5,004
Profit for the year attributable to the owners of the parent	**25,271**

Note 13 - Financial Liabilities

The balance at December 31, 2022 amounts to Euro 550,417 thousand (Euro 576,916 thousand at December 31, 2021), of which Euro 415,574 thousand non-current and Euro 134,843 thousand current. The caption refers to both non-current and current portions of bank loans and borrowings, other loans and borrowings and current account overdrafts in addition to lease liabilities as per IFRS 16.
The breakdown at December 31, 2022 is illustrated below:

Note 13.A - FINANCIAL LIABILITIES: Third parties

Euro thousands	Bank loans and borrowings			Other loans and borrowings			Current account overdrafts			Lease liabilities			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
December 31, 2021	**479,686**	**(2,914)**	**476,772**	**4,029**	**10**	**4,039**	**8,759**	**47**	**8,806**	**87,299**	**-**	**87,299**	**576,916**
non-current portion	406,684	(3,659)	**403,025**	154	(6)	**148**	-	-	**-**	78,032	-	**78,032**	**481,205**
current portion	73,002	745	**73,747**	3,875	16	**3,891**	8,759	47	**8,806**	9,267	-	**9,267**	**95,711**
December 31, 2022	**455,586**	**(656)**	**454,930**	**3,139**	**17**	**3,156**	**3,663**	**145**	**3,808**	**88,523**	**-**	**88,523**	**550,417**
non-current portion	338,923	(1,742)	**337,181**	13	(1)	**12**	-	-	**-**	78,381	-	**78,381**	**415,574**
current portion	116,663	1,086	**117,749**	3,126	18	**3,144**	3,663	145	**3,808**	10,142	-	**10,142**	**134,843**
Change	**(24,100)**	**2,258**	**(21,842)**	**(890)**	**7**	**(883)**	**(5,096)**	**98**	**(4,998)**	**1,224**	**-**	**1,224**	**(26,499)**
non-current portion	(67,761)	1,917	**(65,844)**	(141)	5	**(136)**	-	-	**-**	349	-	**349**	**(65,631)**
current portion	43,661	341	**44,002**	(479)	2	**(747)**	(5,096)	98	**(4,998)**	875	-	**875**	**39,132**

Financial liabilities - Banks

With reference to "Bank loans and borrowings", the total exposure of the Group amounts to Euro 454,930 thousand, of which Euro 117,749 thousand considered as current (Euro 73,747 thousand at December 31, 2021) and Euro 337,181 thousand as non-current (Euro 403,025 thousand at December 31, 2021).
Bank interest liabilities amounting to a positive Euro 656 thousand (positive Euro 2,914 thousand at December 31, 2021) include a positive Euro 1,742 thousand (positive Euro 3,659 thousand at December 31, 2021) regarding the amortised cost for the non-current financial liabilities in the year of Euro 1,086 thousand, concerning interest expense matured on outstanding loans, mainly regarding the Parent F.I.L.A. S.p.A. and the subsidiary Dixon Ticonderoga Company (U.S.A.).
The decrease in the non-current portion of Euro 65,844 thousand mainly concerns:

- Decreases due to the refinancing on July 28, 2022 of the loan contracted on June 4, 2018 by the Parent F.I.L.A. S.p.A. for Euro 113,750 thousand and the US subsidiary Dixon Ticonderoga Company for Euro 164,390 thousand. As well as upfront fees relating to the Parent F.I.L.A. S.p.A. for Euro 1,733 thousand and the US subsidiary Dixon Ticonderoga Company for Euro 1,336 thousand.

- Decreases due to reclassifications of the current portion of loans of Euro 141,745 thousand, concerning the structured loans recognised by the Parent F.I.L.A. S.p.A. (Euro 102,679 thousand), the US subsidiary Dixon Ticonderoga Company (Euro 37,647 thousand), the French subsidiary Canson SAS (Euro 844 thousand), the Italian subsidiary Industria Maimeri (Euro 293 thousand), in addition to Euro 282 thousand concerning the loans recognised by the Indian subsidiary DOMS Industries Pvt (Ltd);
- Increases totalling Euro 343,426 thousand mainly concerning the refinancing relating to the Parent F.I.L.A. S.p.A. for Euro 192,538 thousand and the US subsidiary Dixon Ticonderoga Company for Euro 149,755 thousand. The increase is also attributable to new financing obtained by the Indian subsidiary DOMS Industries PVT Ltd in the amount of Euro 1,133 thousand;
- Net exchange losses of Euro 8,646 thousand;
- Increases due to the change in amortised cost, net of exchange effects of Euro 5,037 thousand.

Bank borrowings at December 31, 2022, amounting to Euro 455,586 thousand (Euro 479,686 thousand at December 31, 2021) mainly comprise the structured loan taken out by F.I.LA. S.p.A. and Dixon Ticonderoga Company (U.S.A.) for Euro 380,906 thousand, details of which for each facility are provided below:

Note 13.B - BANK LOANS AND BORROWINGS: BREAKDOWN

Euro thousands	Principal F.I.L.A. S.p.A.	Principal Dixon Ticonderoga Company (U.S.A.)*	Total
Facility A1	85,313	-	85,313
Facility A2	-	90,589	90,589
Facility B1	111,600	-	111,600
Facility B2	-	31,877	31,877
Facility B3	-	33,400	33,400
RCF	-	28,127	28,127
Total	**196,913**	**183,993**	**380,906**

**carrying amounts translated at the rate for the year*

Facility A1 (Euro 85,313 thousand) and Facility A2 (Euro 90,589 thousand) stipulate a residual repayment plan consisting of 9 half-yearly instalments, of which 2 instalments classified as current, as scheduled for June 30, 2023 and for December 31, 2023, Facility B1 (Euro 111,600 thousand) and Facility B2 (Euro 31,877 thousand) and Facility B3 (Euro 33,400 thousand) are Bullet loans, with fixed single repayment respectively on July 23, 2027 and July 25, 2027.

The Revolving Credit Facility stipulates the issue of short-term tranches of 1, 3 or 6 months, for a maximum amount of Euro 75,000 thousand, currently utilised for Euro 28,127 thousand.

The repayment plans by Facility are outlined below:

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

Euro thousands	Facility	Principal F.I.L.A. S.p.A.	Principal Dixon Ticonderoga Company (U.S.A.)*	Total
June 30, 2023	Facility A1, A2	4,375	4,646	9,021
December 31, 2023	Facility A1, A2	4,375	4,646	9,021
Current portion		*8,750*	*9,291*	*18,041*
June 30, 2024	Facility A1, A2	4,375	4,646	9,021
December 31, 2024	Facility A1, A2	6,563	6,968	13,531
June 30, 2025	Facility A1, A2	6,563	6,968	13,531
December 31, 2025	Facility A1, A2	6,563	6,968	13,531
June 30, 2026	Facility A1, A2	10,938	11,614	22,552
December 31, 2026	Facility A1, A2	10,938	11,614	22,552
July 23, 2027	Facility A1, A2	30,625	32,519	63,144
Total - Facility A1, A2		**85,313**	**90,589**	**175,902**
Bullet Loan - July 23, 2027	Facility B1	111,600	-	111,600
Total - Facility B1		**111,600**	**-**	**111,600**
Bullet Loan - July 23, 2027	Facility B2	-	31,877	31,877
Total - Facility B2		**-**	**31,877**	**31,877**
Bullet Loan - July 25, 2027	Facility B3	-	33,400	33,400
Total - Facility B3		**-**	**33,400**	**33,400**
Bullet Loan - July 23, 2027	RCF	-	28,127	28,127
Total - RCF		**-**	**28,127**	**28,127**
Grand Total		**196,913**	**183,993**	**380,906**

**carrying amounts translated at the rate for the year*

The loan was initially recognised at fair value, including directly associated transaction costs. The initial carrying amount was subsequently adjusted to account for repayments of principal, any impairment losses and amortisation of the difference between the repayment amount and initial carrying amount. Amortisation is calculated on the basis of the internal effective interest rate represented by the rate equal to, at the moment of initial recognition, the present value of expected cash flows and the initial carrying amount (amortised cost method). The effect on the statement of comprehensive income in 2022 of the amortised cost method on the structured loan is interest expense of Euro 5,070 thousand (of which Euro 2,408 thousand concerning the Parent F.I.L.A. S.p.A. and Euro 2,662 thousand concerning the American subsidiary Dixon Ticonderoga Company). The non-current portion, in addition to the loan, includes the fair value of the negotiation charges related to the derivative financial instruments of Euro 1,313 thousand.

In addition to the loan described above, bank borrowings, including Euro 74,682 thousand broken down into current (Euro 70,496 thousand) and non-current (Euro 4,186 thousand), are described below.

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

- Credit lines granted by Grupo Financiero BBVA Bancomer S.A., Banco Santander S.A., Banco Sabadell S.A. and Scotiabank Inverlat S.A., Banco Nacional de Mexico, S.A. and HSBC México, S.A. to Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for a total of Euro 29,851 thousand. During the year, the total amount increased by Euro 6,135 thousand including Euro 2,602 thousand due to the exchange losses;
- Short-term loans of the subsidiary Dixon Ticonderoga Company (U.S.A.) contracted with Unicredit New York and Intesa San Paolo amounting to Euro 23,439 thousand;
- Short-term "hot money" financing obtained by the Parent F.I.L.A. S.p.A. from three banks (i.e. Credem for Euro 4,000 thousand, BPM for Euro 4,000 thousand, and Credit Agricole for Euro 4,000 thousand) in order to access a source of immediate funding at much lower cost than opening a line of credit in a current account. This financing has due dates of January 2023, June 2023 and March 2023, respectively;
- The current portion of non-current loans of Euro 200 thousand and the credit lines granted to DOMS Industries Pvt Ltd (India) by HDFC Bank for Euro 1,874 thousand and by BNP Paribas for Euro 1 thousand; the exposure decreased by Euro 3,464 thousand compared to December 31, 2021;
- Credit lines issued to Lyra KG (Germany) by Commerzbank for Euro 501 thousand at December 31, 2021. The company's total financial exposure decreased by Euro 999 thousand on December 31, 2021.
- Short-term financing granted to the Brazilian subsidiary Fila Canson do Brasil, issued by Banco BNP for Euro 709 thousand and by Banco Itaù for Euro 252 thousand;
- The current portion of the non-current loan contracted by Canson SAS (France) for Euro 844 thousand;
- Short-term loans granted to Fila Art and Craft Ltd (Israel) by Bank Leumi for Euro 399 thousand;
- Short-term loans granted to Fila Chile Ltda (Chile) by Bank BICE and Bank BCI for Euro 346 thousand. The company's total financial exposure decreased by Euro 250 thousand on December 31, 2021;
- The credit lines of the subsidiary FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey), the English subsidiary Creative Art Products Limited and the subsidiary Fila Polska Sp Z.o.o (Poland), respectively of Euro 41 thousand, Euro 25 thousand and Euro 13 thousand.

Non-current bank debt amounts to Euro 4,186 thousand and principally relates to the non-current portion of the loans granted to:

- Canson SAS (France) from Intesa Sanpaolo for Euro 1,917 thousand;
- DOMS Industries Pvt Ltd (India) from HDFC Bank for Euro 958 thousand;
- The fair value of the negotiation charges related to the derivative financial instruments subscribed in 2022 by the Parent F.I.L.A. S.p.A. of Euro 917 thousand and by the subsidiary Dixon Ticonderoga Company (U.S.A.) of Euro 396 thousand.

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

December 31, 2022 *Euro thousands*	**Within 12 months**	**Within 1-2 years**	**Within 2-3 years**	**Within 3-4 years**	**Within 4-5 years**	**Total**
Financial liabilities						
Bank loans and borrowings(1)	121,557	23,506	27,721	45,780	240,172	458,737
Other loans and borrowings	3,144	12	-	-	-	3,156
Expected cash flows	**124,701**	**23,518**	**27,721**	**45,780**	**240,172**	**461,893**

(1) The principal portion of Financial Liabilities - Banks amounts to Euro 456,995 thousand, with an amortized cost adjustment of the medium/long-term portion of Euro 1,742 thousand. The carrying amount in the table is therefore Euro 458,737 thousand.

December 31, 2021 **Euro thousands**	**Within 12 months**	**Within 1-2 years**	**Within 2-3 years**	**Within 3-4 years**	**Within 4-5 years**	**Total**
Financial liabilities						
Bank loans and borrowings(2)	82,553	125,694	130,358	146,738	234	485,578
Other loans and borrowings	3,891	135	13	-	-	4,039
Expected cash flows	**86,444**	**125,830**	**130,371**	**146,738**	**234**	**489,617**

(2) The principal portion of Financial Liabilities - Banks amounts to Euro 481,919 thousand, with an amortized cost adjustment of the medium/long-term portion of Euro 3,659 thousand. The carrying amount in the table is therefore Euro 485,578 thousand.

Covenants

The F.I.L.A. Group is subject to commitments and covenants in relation to the debt undertaken with leading credit institutions (BNP Paribas, Intesa Sanpaolo, Banco BPM, BPER, Credit Agricole, Mediobanca, Unicredit, Cassa Depositi e Prestiti, JP Morgan, BNL).

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.

The covenants for the loan undertaken by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) are outlined below, applied from December 31, 2022:

Leverage Ratio at December 2022: NFD / EBITDA < 3.90

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

At December 31, 2022, the F.I.L.A. Group had complied with the above covenants.

Financial liabilities - Other loans and borrowings

"Financial liabilities – Other loans and borrowings" at December 31, 2022 totalled Euro 3,156 thousand (Euro 4,039 thousand at December 31, 2021), with the current portion totalling Euro 3,144 thousand (Euro 3,891 thousand at December 31, 2021).

Financial Liabilities - Current Account Overdrafts

"Current account overdrafts" amounted to Euro 3,808 thousand (Euro 8,806 thousand at December 31, 2021) and concern the overdrafts of the French subsidiary Canson SAS (Euro 3,081 thousand), the Russian subsidiary Fila Stationary O.O.O. (Euro 436 thousand), the Italian subsidiary Industria Maimeri S.p.A. (Euro 165 thousand) and the Parent F.I.L.A. S.p.A (Euro 126 thousand).

Financial liabilities - Lease liabilities

"Financial Liabilities" at December 31, 2022 include the effects deriving from the adoption by the Group of the new standard "IFRS 16" which came into force on January 1, 2019 and which led to an increase of Euro 1,224 thousand as at December 31, 2022, of which Euro 349 thousand as the non-current portion and Euro 875 thousand as the current portion.

Liabilities at fair value at December 31, 2022 and December 31, 2021 are broken down as follows by hierarchy level.

Euro thousands	December 31, 2022	Measurement model	Level 1	Level 2	Level 3
Financial Liabilities					
Bank Loans and Borrowings	454,930	*Amortised cost*			
Other Loans and Borrowigs	3,156	*Amortised cost*			
Current account overdrafts	3,808	*Amortised cost*			
Financial Instruments	-	*Fair value*			
Trade Payables and Other Liabilities	122,375	*Amortised cost*			
Total Financial Liabilities	**584,269**		-	-	-

Euro thousands	December 31, 2021	Measurement model	Level 1	Level 2	Level 3
Financial Liabilities					
Bank Loans and Borrowings	476,772	*Amortised cost*			
Other Loans and Borrowigs	4,039	*Amortised cost*			
Current account overdrafts	8,806	*Amortised cost*			
Financial Instruments	9,858	*Fair value*			9,858
Trade Payables and Other Liabilities	115,430	*Amortised cost*			
Total Financial Liabilities	**614,905**		-	-	**9,858**

Fair value is divided into the following hierarchy levels:

- Level 1: listed prices (not adjusted) on active markets for identical assets or liabilities;
- Level 2: input data other than listed prices (included in Level 1) which are observable for assets or liabilities, both directly (as in the case of prices) and indirectly (as derived from prices);
- Level 3: input data concerning assets or liabilities which are not based on observable market data.

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

Euro thousands	Bank Loans Principal	Other Loans and borrowings Principal	Other Financial Expense	Financial expense TFR
	Note 13	*Note 13*	*Note 30*	*Note 14*
December 31, 2021	**(479,686)**	**(4,029)**	**4,357**	**(90)**
Cash Flows	**36,503**	**775**	**7,926**	**(17)**
Other changes:				
Exchange gains (losses)	(13,778)	164	-	-
FV Variation	-	-	-	-
Change in amortized cost	1,533	-	5,070	-
Change in consolidation scope	*(158)*	*(50)*	-	-
December 31, 2022	**(455,586)**	**(3,139)**	**12,996**	**(107)**

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 granted 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), Fila Arches (France) and Dixon Ticonderoga Company (U.S.A.), Industria Maimeri S.p.A. and Grupo F.I.L.A.-Dixon, S.A. de C.V. 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 December 31, 2022 were as follows:

Note 14.A - POST-EMPLOYMENT BENEFITS AND OTHER EMPLOYEE BENEFITS			
Euro thousands	**Post-employment benefits**	**Other employee benefits**	**Total**
December 31 , 2020	**2,908**	**11,057**	**13,965**
Benefits paid	(1,151)	(415)	(1,567)
Interest cost	2	88	90
Service cost	983	555	1,538
Actuarial (gains) losses	(205)	(6,527)	(6,733)
Exchange (gains) losses	-	346	346
Other	-	1,922	1,922
December 31 , 2021	**2,536**	**7,024**	**9,560**
Benefits paid	(1,280)	(501)	(1,781)
Interest cost	58	49	107
Service cost	1,429	571	2,000
Actuarial (gains) losses	(2,004)	3,376	1,372
Exchange (gains) losses	-	40	40
Other	4,548	(6,002)	(1,454)
December 31 , 2022	**5,287**	**4,557**	**9,844**
Change	**2,751**	**(2,467)**	**284**

Actuarial gains in 2022 totalled Euro 1,372 thousand, and were recorded, net of the tax effect, in the statement of comprehensive income and mainly relate to the company Daler Rowney Ltd (United Kingdom) for Euro 3,633 thousand, the US subsidiary Dixon Ticonderoga Company for Euro 24 thousand, partially offset by the negative trend of the French subsidiary Canson SAS for Euro 1,832 thousand, the French subsidiary Fila Arches for Euro 181 thousand and the Mexican subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. for Euro 132 thousand.

The other changes in the year mainly concern the subsidiary Daler Rowney Ltd (United Kingdom) for Euro 1,454 thousand for the negative performance of the assets in service of the Plan against the defined benefit plans performance, both subject to actuarial valuation, which resulted in a reclassification from "Other financial assets" to "Employee benefits".

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

EMPLOYEE BENEFIT PLANS

1. Employee benefit obligations	December 31, 2022	December 31, 2021
Present value of obligations not covered by plan assets	5,287	2,536
	5,287	**2,536**
Present value of obligations covered by plan assets	33,766	56,878
Fair value of plan assets relating to the obligations	(29,209)	(49,854)
	4,557	**7,024**
Total	**9,844**	**9,560**

The financial assets at December 31, 2022 invested by the F.I.L.A. Group to cover financial liabilities arising from "Employee benefits" amount to Euro 29,209 thousand (Euro 49,854 thousand at December 31, 2021) and relate to Daler Rowney Ltd (United Kingdom) for Euro 25,673 thousand, Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 2,089 thousand and Dixon Ticonderoga Company (U.S.A.) for Euro 1,447 thousand. The financial investments have an average return of 3.75% on invested capital.

The table below highlights the net cost of employee benefit components recognised in profit or loss in 2022 and 2021:

2. Cost recognised in Profit and Loss	December 31, 2022	December 31, 2021
Service cost	2,000	1,538
Interest cost	107	90
Cost recognised in Profit and Loss	**2,107**	**1,628**

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)	December 31, 2022	December 31, 2021
Annual technical discount rate	4.4%	1.7%
Increase in cost of living index	3.8%	2.7%
Future salaries increase	2.2%	2.0%
Future pensions increase	2.5%	1.8%

Details of the cash flows of employee benefits at December 31, 2022 are illustrated in the table below.

Nota 14.B - EMPLOYEE BENEFITS: CASH FLOWS SCHEDULE

Nature	Amount	Cash flows schedule				
		2022	2023	2024	2025	After 2025
Italian post-employment benefits (TFR)	5,287	290	133	234	374	4,255
Employee benefits	4,557	160	119	132	115	4,030
Total	**9,844**					

* *Euro thousands*

Note 15 - Provisions for risks and charges

“Provisions for Risks and Charges” at December 31, 2022 amount to Euro 2,099 thousand (Euro 2,317 thousand at December 31, 2021), of which Euro 896 thousand (Euro 1.047 thousand at December 31, 2021) concerning the non-current portion and Euro 1,203 thousand (Euro 1.270 thousand at December 31, 2021) concerning the current portion.

Note 15.A - PROVISIONS FOR RISKS AND CHARGES

Euro thousands	Provisions for legal disputes	Pension and similar provisions	Restructuring provisions	Other provisions	Total
December 31, 2021	**213**	**841**	**538**	**725**	**2,317**
non-current portion	-	826	-	221	1,047
current portion	213	15	538	504	1,270
December 31, 2022	**157**	**711**	**255**	**976**	**2,099**
non-current portion	-	711	-	185	896
current portion	157	-	255	791	1,203
Change	**(56)**	**(130)**	**(283)**	**251**	**(218)**
non-current portion	-	(115)	-	(36)	(151)
current portion	(56)	(15)	(283)	287	(67)

The change in the provisions for risks and charges at December 31, 2022 was as follows:

Note 15.B - PROVISIONS FOR RISKS AND CHARGES: CHANGES

Euro thousands	Provisions for legal disputes	Pension and similar provisions	Restructuring provisions	Other provisions	Total
December 31, 2020	**94**	**802**	**570**	**397**	**1,863**
Utilisation	-	-	(27)	(60)	(87)
Accruals	117	42	177	371	707
Release	-	-	(185)	-	(185)
Discounting	-	(2)	-	-	(2)
Net exchange gains	1	-	3	17	21
Other	-	-	-	-	-
December 31, 2021	**213**	**841**	**538**	**725**	**2,317**
Utilisation	-	(116)	(55)	-	(171)
Accruals	22	44	-	285	351
Release	(90)	-	(512)	(51)	(653)
Discounting	-	(58)	-	-	(58)
Change in consolidation scope	-	-	*282*	-	*282*
Net exchange gains	13	-	3	15	31
Other	-	-	-	-	-
December 31, 2022	**157**	**711**	**255**	**976**	**2,099**
Change	**(56)**	**(130)**	**(283)**	**251**	**(218)**

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, decreased by Euro 56 thousand due to the releases of the German subsidiary Lyra KG for Euro 90 thousand.

Pension and similar provisions

The caption includes the agents' supplementary indemnity at December 31, 2022 of the Parent F.I.L.A. S.p.A. and of the Italian subsidiary Industria Maimeri S.p.A.. The actuarial gains for 2022 totalled Euro 58 thousand. The actuarial changes in the year, net of the tax effect, are recognised directly in equity.

Restructuring provisions

For the integration and reorganisation of the Group structure following the corporate transactions of recent years, a number of companies established provisions for risks and charges concerning personnel mobility plans for a total at December 31, 2022 of Euro 255 thousand and decreased by Euro 283 thousand. The plans involve in particular the reorganisation of the North American strategic segment beginning in 2019, recording utilisations of Euro 22 thousand, mainly by the subsidiary Dixon Ticonderoga Company (U.S.A.). A release was recorded of Euro 512 thousand by the French subsidiary Canson SAS in relation to the old reorganisation plans, now completed.

The restructuring provision also increased as a result of the change in consolidation scope following the acquisition of the English company Creative Art Products by the subsidiary Daler Rowney Ltd.

Other provisions

The provision totalled Euro 976 thousand and increased by Euro 251 thousand. The main change in the year related to the accrual of Euro 285 thousand by Dixon Ticonderoga Company (U.S.A.) In addition, the further movements relate to the release of provisions for Euro 51 thousand by the subsidiary Dixon Ticonderoga Company (U.S.A.).

Note 16 - Deferred Tax Liabilities

"Deferred Tax Liabilities" amount to Euro 70,846 thousand at December 31, 2022 (Euro 71,839 thousand at December 31, 2021).

Note 16.A CHANGES IN DEFERRED TAX LIABILITIES

Euro thousands	
December 31, 2020	**67,423**
Increase	2,350
Utilisation	(2,034)
Net exchange gains	3,786
Increase recognised in equity	313
December 31, 2021	**71,839**
Increase	669
Utilisation	(2,642)
Net exchange gains	1,167
Decrease recognised in equity	(182)
Other decreases	(5)
December 31, 2022	**70,846**
Change	**(993)**

The decrease on the previous year amounts to Euro 993 thousand, principally due to utilisations in the year of Euro 2,642 thousand offset by exchange losses of Euro 1,167 thousand. Against the gradual amortisation of the assets so calculated, the Parent gradually releases the related deferred taxes.

The decrease recognised in Equity (Euro 182 thousand) represents the tax effect of the "Actuarial gains/losses" calculated on the "Post-employment benefits and employee benefits" and recognised, in accordance with IAS 19, as an Equity reserve.

The table below shows the deferred tax liabilities by nature:

NOTE 16.B - BREAKDOWN OF DEFERRED TAX LIABILITIES

	Statement of Financial Position		Profit or loss		Equity		Other Changes	
Euro thousands	2022	2021	2022	2021	2022	2021	2022	2021
Deferred tax liabilities relating to:								
Intangible Assets	55,576	54,758	818	2,531	-	-	-	-
Deferred tax liabilities on inventories	611	717	(106)	(444)	-	-	-	-
Property, Plant and Equipment	11,905	12,944	(1,039)	388	-	-	-	-
Personnel - IAS 19	(31)	(68)	218	(380)	(182)	313	-	-
Translation difference accounted for as "Translation Reserve"	-	-	(1,161)	(3,786)	1,167	3,786	-	-
Other	2,785	3,487	(702)	2,008	-	-	5	-
Total deferred tax liabilities	**70,846**	**71,839**	**(1,973)**	**316**	**985**	**4,099**	**5**	**-**

Note 17 - Financial instruments

"Financial Instruments" at December 31, 2022 amount to Euro 0 thousand (Euro 9,858 thousand at December 31, 2021). In 2021 the caption included the negative fair value of the derivatives on the structured loan (hedged instrument) issued in favour of Dixon Ticonderoga Company (U.S.A.), the Parent F.I.L.A. S.p.A., in addition to the loan granted to Canson SAS (France). The movement in the caption compared to the previous year end is due also to the fact that the fair value of the derivative hedging instruments is positive and recorded in the caption "Other Financial Assets".

Note 18 - Current Tax Liabilities

"Current Tax Liabilities" total Euro 10,215 thousand at December 31, 2022 (Euro 9,209 thousand at December 31, 2021), relating mainly to the Indian subsidiary DOMS Industries PVT Ltd (Euro 3,022 thousand), US subsidiary Dixon Ticonderoga Company (Euro 2,707 thousand), the French subsidiary Canson SAS (Euro 773 thousand), the French subsidiary FILA Arches (Euro 653 thousand), the Parent F.I.L.A. S.p.A. (Euro 616 thousand) and the German subsidiary Lyra KG (Euro 483 thousand).

Note 19 - Trade payables and other liabilities

“Trade Payables and Other Liabilities” at December 31, 2022 amount to Euro 122,375 thousand (Euro 115,430 thousand at December 31, 2021). The breakdown of “Trade payables and other liabilities” of the F.I.L.A. Group is reported below:

Note 19.A - TRADE PAYABLES AND OTHER LIABILITIES

Euro thousands	December, 2022	December, 2021	Change
Trade payables	90,395	82,402	7,993
Tax liabilities	7,535	8,483	(948)
Other	23,724	23,963	(239)
Accrued expenses and deferred income	721	582	139
Total	**122,375**	**115,430**	**6,945**

The increase in “Trade Payables” was Euro 7,993 thousand and principally concerned the Mexican subsidiary Grupo FILA-Dixon, S.A. de C.V. for Euro 4,730 thousand and the Parent F.I.L.A. S.p.A. for Euro 2,368 thousand, in addition to net exchange losses of Euro 1,063 thousand.
The change is mainly due to higher purchases made to support the sales volumes.
The geographical breakdown of trade payables is shown below:

Note 19.B - TRADE PAYABLES BY GEOGRAPHICAL SEGMENT

Euro thousands	December, 2022	December, 2021	Change
Europe	40,364	37,382	2,982
North America	27,147	27,244	(98)
Central - South America	11,558	5,331	6,228
Asia	11,212	12,316	(1,105)
Other	114	128	(14)
Total	**90,395**	**82,402**	**7,993**

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

“Tax Liabilities” to third parties amounts to Euro 7,535 thousand at December 31, 2022 (Euro 8,483 thousand at December 31, 2021), of which Euro 4,129 thousand related to VAT liabilities and Euro 3,406 thousand concerning tax liabilities other than current taxes, primarily recognized by the Parent F.I.L.A. S.p.A. (Euro 726 thousand) and relating to withholding taxes in connection with independent contractors. The residual amount mainly concerns Dixon Ticonderoga Company (Euro 1,158 thousand), Canson SAS (Euro 382 thousand) and the Chinese subsidiaries (Euro 357 thousand)

"Other" amounts to Euro 23,724 thousand at December 31, 2022 and principally include:

- Employee salaries of Euro 14,052 thousand (Euro 14,780 thousand at December 31, 2021);
- Social security contributions to be paid of Euro 6,241 thousand (Euro 5,321 thousand at December 31, 2021);
- Agent commissions of Euro 318 thousand (Euro 381 thousand at December 31, 2021);
- Residual liabilities of Euro 3,112 thousand mainly concerning advances to customers (Euro 3,481 thousand at December 31, 2021).

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

With reference to the other non-current liabilities, the balance at December 31, 2022 amounted to Euro 153 thousand and mainly refers to the Indonesian company Lyra Akrelux for Euro 87 thousand, the Parent F.I.L.A. S.p.A. for Euro 45 thousand and to the French subsidiary Canson SAS for Euro 21 thousand.

Note 20 – Revenue

Revenue in 2022 amounted to Euro 764,580 thousand (Euro 653,278 thousand in 2021):

Note 20.A - REVENUE

Euro thousands	December 31, 2022	December 31, 2021	Change
Revenue	813,576	698,891	114,686
Adjustments to Sales	(48,996)	(45,612)	(3,384)
Returns on Sales	*(12,997)*	*(13,113)*	*116*
Discounts, Allowances and bonuses	*(35,999)*	*(32,499)*	*(3,500)*
Total	**764,580**	**653,278**	**111,303**

"Revenue" of Euro 764,580 thousand increased by Euro 111,303 thousand on the previous year.

Net of exchange gains of Euro 45,475 thousand (mainly concerning the US Dollar, the Indian Rupee and the Mexican Peso, partially offset by the weakening of the Turkish Lira and the Argentinian Peso), organic growth was Euro 65,828 thousand (+10.1%).

At geographical area level, organic growth was reported in Asia of Euro 47,678 thousand (+70.2% on the previous year) and in Central and South America for Euro 27,311 thousand (+59.6% on the previous year), partially offset by a decrease in North America for Euro 8,577 thousand (-2.9% on the previous year), in Europe for Euro 556 thousand (-0.2% on the preceding period) and in the Other for Euro 29 thousand (-0.7% on the previous year).

Note 20.B - REVENUE BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2022	December 31, 2021	Change
Europe	235,149	237,037	(1,888)
North America	325,046	298,524	26,522
Central - South America	77,719	45,848	31,871
Asia	122,623	67,910	54,713
Other	4,043	3,959	84
Total	**764,580**	**653,278**	**111,303**

Note 21 –Income

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

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

“Income” in 2022 amounted to Euro 10,053 thousand (Euro 6,823 thousand in 2021).

Note 21 - INCOME

Euro thousands	December 31, 2022	December 31, 2021	Change
Gains on Sale of Property, Plant and Equipment	86	52	34
Unrealised Exchange Gains on Commercial Transactions	3,567	2,358	1,209
Realised Exchange Gains on Commercial Transactions	3,699	1,699	2,000
Other Revenue and Income	2,701	2,713	(12)
Total	**10,053**	**6,823**	**3,230**

“Other Revenue and Income”, in the amount of Euro 2,701 thousand at December 31, 2022, principally includes income from the sale of production waste by group companies, income on the subleasing and sale of pallets by the American subsidiary Dixon Ticonderoga Company, reimbursements for government grants obtained by Canson SAS (France), and insurance reimbursements obtained by the German subsidiary Lyra KG.

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

The caption "Raw materials, Consumables, Supplies and Goods" includes all purchases of raw materials, semi-finished products, transport for purchases, goods and consumables for operating activities.

"Raw Materials, Consumables, Supplies and Goods" in 2022 totalled Euro 402,407 thousand (Euro 305,048 thousand in 2021).

The relative detail is shown below:

Note 22 - RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS			
Euro thousands	**December 31, 2022**	**December 31, 2021**	**Change**
Raw materials, Consumables, Supplies and Goods	(323,256)	(250,791)	(72,465)
Transport costs	(35,805)	(24,895)	(10,910)
Packaging	(18,369)	(9,472)	(8,897)
Import Charges and Customs Duties	(10,262)	(6,784)	(3,478)
Other purchase costs	(14,085)	(12,952)	(1,133)
Maintenance Materials	(1,338)	(833)	(505)
Adjustments to Purchases	708	679	29
Returns on purchases	*183*	*149*	*34*
Discounts, rebates and rewards on purchases	*525*	*529*	*(4)*
Total	**(402,407)**	**(305,048)**	**(97,359)**

The increase in "Raw Materials, Consumables, Supplies and Goods" in 2022 was Euro 97,359 thousand. The increase is mainly due to the higher revenue and price increases of the raw materials purchased.

The increases in inventories in 2022 totalled Euro 26,871 thousand (Euro 5,176 thousand in 2021) of which:

- Increase in "Raw Materials, Consumables, Supplies and Goods" for Euro 6,834 thousand (increase of Euro 2,172 thousand in 2021);
- Increase in "Contract Work in Progress and Semi-Finished products" of Euro 2,406 thousand (increase of Euro 1,077 thousand in 2021);
- Increase in "Finished Goods" of Euro 17,631 thousand (increase of Euro 1,927 thousand in 2021).

For further details, reference should be made to the "Adjusted financial performance" section of the Directors' Report.

Note 23 - Services and Use of Third-Party Assets

“Services and Use of Third-Party Assets” amounted to Euro 119,823 thousand in 2022 (Euro 100,820 thousand in 2021).

The caption is broken down as follows:

Note 23 - SERVICES AND USE OF THIRD-PARTY ASSETS

Euro thousands	December 31, 2022	December 31, 2021	Change
Sundry services	(9,241)	(7,580)	(1,661)
Transport	(31,991)	(27,407)	(4,584)
Warehousing	(2,397)	(2,045)	(352)
Maintenance	(14,081)	(13,628)	(453)
Utilities	(12,130)	(9,550)	(2,580)
Consulting fees	(12,943)	(8,796)	(4,147)
Directors' and Statutory Auditors' Fees	(3,907)	(4,499)	592
Advertising, Promotions, Shows and Fairs	(5,347)	(4,143)	(1,204)
Cleaning	(1,034)	(855)	(179)
Bank Charges	(1,471)	(1,385)	(86)
Agents	(9,777)	(8,696)	(1,081)
Travel, accommodation and sales representatives	(3,948)	(2,214)	(1,734)
Sales Commissions	(2,180)	(2,285)	105
Insurance	(3,371)	(3,052)	(319)
Other Services	(2,932)	(2,715)	(217)
Rent	(2,293)	(1,122)	(1,171)
Royalties and Patents	(780)	(848)	68
Total	**(119,823)**	**(100,820)**	**(19,003)**

The increase in “Services and Use of Third-Party Assets” on 2021 was Euro 19,003 thousand. Consultancy costs principally increased as a result of the refinancing transaction carried out by the Parent F.I.L.A. S.p.A. The increase in transport costs is mainly due to supply chain issues, in addition to an inflationary effect that has also resulted in increased utility costs.

The increase in the item “Travel, accommodation and sales representatives” is directly attributable to “post-COVID” effects.

Note 24 – Other Costs

”Other Costs” totalled Euro 7,726 thousand in 2022 (Euro 5,318 thousand in 2021).

This caption principally includes realised and unrealised exchange losses on commercial transactions. For further details on exchange differences, reference should be made to “Note 31 - Foreign currency transactions”.

"Other costs" are broken down as follows:

Note 24 - OTHER COSTS			
Euro thousands	**December 31, 2022**	**December 31, 2021**	**Change**
Unrealised Exchange Losses on Commercial Transactions	(3,875)	(1,837)	(2,038)
Realised Exchange Losses on Commercial Transactions	(3,728)	(2,607)	(1,121)
Other Operating Costs	(123)	(874)	751
Total	**(7,726)**	**(5,318)**	**(2,408)**

"Other operating costs" decreased by Euro 751 thousand in 2022. The caption primarily relates to tax charges other than income taxes, such as municipal taxes on property.

Note 25 – Personnel Expense

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

"Personnel Expense" amounted to Euro 152,317 thousand in 2022 (Euro 134,165 thousand in 2021).

These costs are broken down as follows:

Note 25 – PERSONNEL EXPENSE			
Euro thousands	**December 31, 2022**	**December 31, 2021**	**Change**
Wages and Salaries	(116,997)	(101,990)	(15,007)
Social Security Charges	(29,211)	(26,122)	(3,089)
Employee Benefits	(571)	(555)	(16)
Post-Employment Benefits	(1,429)	(983)	(446)
Other	(4,109)	(4,515)	406
Total	**(152,317)**	**(134,165)**	**(18,152)**

"Personnel expense" increased Euro 18,152 thousand compared to 2021 due to the increase in the workforce.

The following table reports the breakdown of the F.I.L.A. Group workforce at December 31, 2022 and December 31, 2021 by geographical segment.

	Europe	North America	Central - South America	Asia	Rest of the World	Total
December 31, 2021	1,118	582	1,412	6,685	26	9,823
December 31, 2022	1,151	552	1,770	7,854	25	11,352
Change	33	(30)	358	1,169	(1)	1,529

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

Note 26 – Amortisation and Depreciation

This caption amounted to Euro 42,249 thousand in 2022 (Euro 40,789 thousand in 2021). Amortisation and depreciation in 2022 and 2021 are reported below:

Note 26 – AMORTISATION AND DEPRECIATION

Euro thousands	December 31, 2022	December 31, 2021	Change
Depreciation of Property, plant and equipment	(16,093)	(15,217)	(876)
Amortisation of Intangible assets	(14,276)	(14,409)	133
Depreciation of Right-of-use assets	(11,880)	(11,163)	(717)
Total	**(42,249)**	**(40,789)**	**(1,460)**

The increase in 2022 is mainly due to a moderate recovery of investments previously slowed down by the uncertain scenario due to the outbreak of 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 Losses on Trade Receivables and Other assets

"Net impairment losses on Trade Receivables and Other assets" amounted to Euro 4,145 thousand in 2022 (Euro 568 thousand in 2021).

Note 27 - IMPAIRMENT GAINS (LOSSES) ON TRADE RECEIVABLES AND OTHER ASSETS

Euro thousands	December 31, 2022	December 31, 2021	Change
Net impairment losses on trade receivables and other assets	(4,145)	(568)	(3,577)
Total	**(4,145)**	**(568)**	**(3,577)**

The increase in "Net impairment losses on Trade Receivables and Other Assets" is mainly due to the impairment of the exposure to third parties of the Russian subsidiary Fila Stationary O.O.O. for Euro 3,099 thousand.

Note 28 – Other Net Impairment Losses

Total "Other net impairment losses" amount to Euro 94 thousand in 2022 (Euro 22 thousand in 2021):

Note 28 – OTHER IMPAIRMENT GAINS (LOSSES)

Euro thousands	December 31, 2022	December 31, 2021	Change
Net impairment losses on Property, Plant and Equipment	(22)	(22)	-
Net reversal of impairment losses on Intangible Assets	5	-	5
Net impairment losses on Biological Assets	(77)	-	(77)
Total	**(94)**	**(22)**	**(72)**

The change for the period is mainly due to the fair value adjustment of the plantation of the Chinese company Xinjiang F.I.L.A.-Dixon Plantation Company Ltd, which resulted in an impairment loss of Euro 77 thousand.

For further details, reference should be made to "Note 2 – Property, Plant and Equipment", "Note 1 – Intangible Assets", and "Note 11 – Biological Assets".

Note 29 – Financial Income

Total "Financial Income" amounted to Euro 14,573 thousand in 2022 (Euro 6,051 thousand in 2021).

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

Note 29 – FINANCIAL INCOME

Euro thousands	December 31, 2022	December 31, 2021	Change
Financial income on investments	1	-	1
Dividends	*1*	-	*1*
Interest income on Bank Deposits	424	144	280
Other Financial Income	1,623	169	1,454
Unrealised Exchange Gains on Financial Transactions	4,036	5,129	(1,093)
Realised Exchange Gains on Financial Transactions	8,488	610	7,878
Total	**14,573**	**6,051**	**8,522**

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

"Income from investments" concerns the dividend distributed by Maimeri S.r.l. to FILA S.p.A. This investment is recognised among "Other Investments".

Note 30 – Financial Expense

“Financial Expense” in 2022 amounted to Euro 49,472 thousand (Euro 30,436 thousand in 2021).

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

Note 30 - FINANCIAL EXPENSE			
Euro thousands	December 31, 2022	December 31, 2021	Change
Interest on current account Overdrafts	(115)	(96)	(19)
Interest on Bank Loans and borrowings	(21,027)	(17,940)	(3,087)
Interest on Other loans and borrowings	(578)	(349)	(229)
Other Financial Expense	(12,996)	(4,357)	(8,639)
Unrealised Exchange Losses on Financial Transactions	(6,711)	(1,768)	(4,943)
Realised Exchange Losses on Financial Transactions	(2,078)	(385)	(1,693)
Lease interest expense - Right-of-use assets	(5,967)	(5,541)	(426)
Total	**(49,472)**	**(30,436)**	**(19,035)**

The increase in “Financial Expense” in 2022 was Euro 19,035 thousand and, net of the considerations regarding exchange differences (resulting in a change of Euro 6,636 thousand), was mainly due to the increase in costs incurred by F.I.L.A. S.p.A. for refinancing. The portion of amortized cost accrued in 2022 amounts to Euro 5,070 thousand and mainly refers to the new loan contracted by F.I.L.A. S.p.A. (Euro 2,408 thousand) and Dixon Ticonderoga Company (U.S.A.) (Euro 2,662 thousand) at December 31, 2022. The increase in “Interest on Bank Loans and borrowings” is related to new financing obtained by Grupo F.I.L.A.-Dixon S.A. de C.V. (Mexico) and by Dixon Ticonderoga Company (USA).

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 2022 are reported below:

Note 31 - FOREIGN CURRENCY TRANSACTIONS

Euro thousands	December 31, 2022	December 31, 2021	Change
Unrealised Exchange Gains on Commercial Transactions	3,567	2,358	1,209
Realised Exchange Gains on Commercial Transactions	3,699	1,699	2,000
Unrealised Exchange Losses on Commercial Transactions	(3,875)	(1,837)	(2,038)
Realised Exchange Losses on Commercial Transactions	(3,728)	(2,607)	(1,121)
Net exchange losses on commercial transactions	**(337)**	**(387)**	**50**
Unrealised Exchange Gains on Financial Transactions	4,037	5,128	(1,091)
Realised Exchange Gains on Financial Transactions	8,488	610	7,878
Unrealised Exchange Losses on Financial Transactions	(6,711)	(1,768)	(4,943)
Realised Exchange Losses on Financial Transactions	(2,078)	(385)	(1,693)
Net exchange gains on financial transactions	**3,736**	**3,585**	**151**
Net exchange gains	**3,399**	**3,198**	**200**

Exchange differences in 2022 mainly arose from exchange rate fluctuations against the euro, in addition to the change in the year of assets and liabilities in foreign currencies, following commercial and financial transactions.

Note 32 – Share of profits of Equity-Accounted Investees

“The “Share of profit of equity-accounted investees” of Euro 777 thousand (Euro 294 thousand in 2021) relates to the adjustment of the investments in associates held by DOMS Industries Pvt Ltd (India), consolidated under the equity method.

Note 33 – Taxes

This overall in 2022 amounted to Euro 8,347 thousand (Euro 15,031 thousand in 2021) and comprised current taxes of Euro 15,056 thousand (Euro 14,513 thousand in 2021) and net deferred tax income of Euro 6,710 thousand (charge of Euro 519 thousand in 2021).

Note 33.A – Current taxes

They are broken down as follows:

Note 33.A - CURRENT TAXES			
Euro thousands	December 31, 2022	December 31, 2021	Change
Current taxes Italy	(747)	(1,398)	651
Current taxes Abroad	(14,309)	(13,115)	(1,194)
Total	**(15,056)**	**(14,513)**	**(543)**

Italian current taxes concern the Parent 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			
Euro thousands	December 31, 2022	December 31, 2021	Change
FILA (Italy)	(299)	(245)	(54)
Dixon Ticonderoga Company (U.S.A.)	(4,098)	(6,360)	2,262
Dixon (China)	-	-	-
Dixon Canadian Holding Inc.	1	1	-
Dixon (Mexico)	(207)	(306)	99
FILA (Chile)	57	(150)	207
FILA (Argentina)	(231)	-	(231)
Lyra KG (Germany)	(418)	(381)	(37)
Lyra Verwaltungs (Germany)	-	-	-
Fila Nordic (Scandinavia)	(156)	(186)	30
Lyra Akrelux (Indonesia)	(78)	(49)	(29)
FILA (Turkey)	(132)	-	(132)
DOMS Industries PVT Ltd (India)	(3,142)	(79)	(3,063)
FILA Hellas (Greece)	(185)	(188)	3
FILA (South Africa)	(24)	(1)	(24)
Fila Dixon (Kunshan)	(452)	(40)	(412)
FILA Benelux	(230)	(293)	63
Daler Rowney Ltd (UK)	(261)	(711)	450
Brideshore srl (Dominican Republic)	(56)	(35)	(21)
FILA (Poland)	(111)	(108)	(3)
FILA (Yixing)	(139)	(236)	97
St.Cuthberts Mill Limited Paper (UK)	(117)	(61)	(56)
FILA Iberia	(1,309)	(1,614)	305
Canson Bresil (Brazil)	(415)	(99)	(316)
Canson SAS (France)	(691)	(1,145)	454
Canson Qingdao (China)	-	-	-
FILA Art Products AG	(25)	(51)	26
Fila Art and Craft Ltd	(66)	(85)	20
Dixon Ticonderoga Art ULC	(772)	(433)	(340)
Princeton Hong Kong	(103)	(28)	(75)
Fila Arches	(653)	(232)	(422)
Total	**(14,309)**	**(13,115)**	**(1,194)**

The foreign income taxes also include the tax charge relating to the Parent F.I.L.A S.p.A. (Euro 299 thousand), concerning the tax representation of the German subsidiary Lyra KG.

Note 33.B – Deferred Taxes

The relative detail is shown below:

Note 33.B - DEFERRED TAXES			
Euro thousands	December 31, 2022	December 31, 2021	Change
Change in deferred tax liabilities	1,974	(317)	2,291
Change in deferred tax assets	4,208	(663)	4,871
Change in deferred tax assets on Right-of-use assets	528	461	67
Total	**6,710**	**(519)**	**7,229**

The table below shows the overall tax for the year.

Note 33.C - TOTAL TAXES OF THE YEAR				
Euro thousands	2022	Effective tax rate	2021	Effective tax rate
Pre-Tax profit for the year of the F.I.L.A. Group	38,622		54,456	
Profit for the year of the F.I.L.A. Group not subject to Current Taxes	2,344		976	
Consolidation Effect of the F.I.L.A. Group - Before Current Taxes	4,596		(566)	
Theoretical Tax Base	45,562		54,866	
Total current income taxes	**(15,056)**	**33.0%**	**(14,513)**	**26.5%**
Deferred Tax Income on Temporary Differences	4,736		(202)	
Deferred Tax Expense on Temporary Differences	1,974		(317)	
Total deferred taxes	**6,710**	**(14.7%)**	**(519)**	**0.9%**
Total taxes	**(8,347)**	**18.3%**	**(15,031)**	**27.4%**

"Current income taxes" of Euro 15,056 thousand represent an average effective tax rate for the F.I.L.A. Group of 33.0%, increasing 6.5% on the previous year.

These taxes decreased as a result of the lower deferred tax assets and liabilities attributable to the American company Dixon Ticonderoga Company, which mainly experienced an increase in deferred tax liabilities in 2021 as compared to the previous year due to an increased tax rate.

Subsequent events

No subsequent events to year-end are reported further to those outlined in the ”Key Events in the year” paragraph, with the exception of the activities underway to conclude the 65% sale of the holding of the parent F.I.L.A. S.p.A. in the Russian subsidiary Fila Stationary O.O.O., and of the minority stake held by the parent in the Turkish subsidiary FILA Stationary and Office Equipment Industry Ltd. Co., both to the current managing directors of these companies.

Commitments and guarantees

Commitments

In 2022, commercial supplier commitments maturing in 2023 totalled Euro 37 thousand and concern F.I.L.A. Iberia S.L. (Spain).

Guarantees

With the signing of a new medium/long-term financing agreement on July 28, 2022, following the closure of the previous structured loan, the number of additional guarantors decreased solely to the subsidiaries:

- Canson SAS (France);
- Daler-Rowney Ltd (United Kingdom);
- Johann Froescheis Lyra-Bleistift-Fabrik GmbH & Co. KG (Germany);
- Grupo F.I.L.A. – Dixon, S.A. de C.V. (Mexico).

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

- Bank sureties in favour of third parties:
  - as guarantee of the Pero offices lease contract for Euro 88 thousand;
  - to the Ministry for Economic Development for promotional activities for Euro 47 thousand.
- Bank sureties issued in favour of Banca Nazionale del Lavoro S.p.A. (BNP Paribas Group) on credit lines granted to:
  - Fila Stationary and Office Equipment Industry Ltd. Co. (Turkey) for TRY 3,000 thousand;
  - Canson Brasil I.P.E. Ltda (Brazil) for BRL 4,400 thousand;

  - Dixon Ticonderoga Co. (USA) for USD 4,000 thousand;
  - DOMS Industries Pvt Ltd (India) for INR 336 million.
- Credit line of F.I.L.A. S.p.A. granted for use by Industria Maimeri S.p.A. (Italy) with credit mandate issued in favour of Banca Nazionale del Lavoro S.p.A. (BNP Paribas group) for Euro 1.2 million;
- Patronage letter issued in favour of Banco BPM on the credit line granted to Industria Maimeri S.p.A. (Italy) for Euro 2,000 thousand;
- Loan mandates issued by Unicredit S.p.A. in favour of:
  - Fila Stationary O.O.O. (Russia) for RUB 150 million;
  - Johann Froescheis Lyra- Bleitstitift-Fabrik GmbH&Co-KG for Euro 8 million;
- Bank sureties issued in favour of Unicredit S.p.A. on credit lines granted to:
  - Dixon Ticonderoga Co. (U.S.A.) for USD 28.6 million;
  - Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for USD 10.4 million;
- Loan mandates granted in favour of Banca Intesa Sanpaolo S.p.A. to the subsidiaries:
  - Fila Dixon Stationery (Kunshan) Co. Ltd. (China) for RMB 32 million;
  - Fila Dixon Stationary (Kunshan) Co., Ltd. (China) for USD 500 thousand;
  - Fila Dixon Stationery (Kunshan) Co. Ltd. (China) for Euro 2,000 thousand;
  - Xinjiang Fila Dixon Plantation Co. Ltd. (China) for Euro 1,600 thousand;
  - Dixon Ticonderoga Co. (U.S.A.) for USD 10,000 thousand;
  - Canson Sas (France) for Euro 6,288 thousand.
- Credit line of F.I.L.A. S.p.A. in favour of Banca Nazionale del Lavoro S.p.A. granted to Industria Maimeri S.p.A. (Italy) for Euro 1.1 million;
- Patronage letter issued by Citi Banamex, on credit line granted to the subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) amounting to USD 10,000 thousand;
- Patronage letter issued by BBVA Bancomer, S.A., on credit line granted to the subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) amounting to MXN 160,000 thousand;
- Patronage letter issued by Banco De Bajio, on credit line granted to the subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) amounting to MXN 250,000 thousand;
- Patronage letter issued by Scotiabank Inverlat SA, on credit line granted to the subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) amounting to MXN 360,000 thousand.

Lyra KG "Johann Froescheis Lyra- Bleitstitift-Fabrik GmbH&Co-KG" (Germany) provided a guarantee in favour of T. Perma Plasindo (a local F.I.L.A. Group partner) which, in turn, pledged property, plant and equipment in guarantee (land and buildings) of the obligations devolving to PT. Lyra Akrelux under the loan contract with PT. Bank Central Asia of February 11, 2010 for a total IDR 2,500,000,000 (approx. Euro 155 thousand).

Transactions with Related Parties

For the procedures adopted in relation to transactions with related parties, also in accordance with Article 2391-*bis* of the Civil Code, reference should be made to the policy adopted by the parent on May 14, 2021, as per the Regulation approved by the Stock Exchange Regulator ("Consob") with resolution No. 17221 of March 12, 2010 and subsequent amendments, published on the parent's website www.filagroup.it in the "Governance" section.

In accordance with Consob Communication No. 6064293 of July 28, 2006, the following table outlines the commercial and financial transactions with related parties for the year ended December 31, 2022:

F.I.L.A. GROUP RELATED PARTIES - 2022

Euro thousands		December 31, 2022 – Statement of Financial Position – ASSETS		LIABILITIES				December 31, 2022 – Statement of comprehensive income – 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	-	-	-	-	-	432	-	-	-	1,306	-	-
Arda S.p.A.	Trade Supplier	-	-	-	-	-	-	-	-	-	-	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	9	-	-	-	-	194	-
HR Trustee	Service Supplier	-	-	-	-	-	12	-	-	-	-	26	-
Total		-	-	-	-	-	**454**	-	-	-	**1,306**	**220**	-

F.I.L.A. GROUP RELATED PARTIES - 2021

Euro thousands		December 31, 2021 – Statement of Financial Position – ASSETS		LIABILITIES				December 31, 2021 – Statement of comprehensive income – 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	-	-	-	-	-	542	-	-	-	1,635	-	-
Arda S.p.A.	Trade Supplier	-	-	-	-	-	-	-	-	-	303	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	32	-	-	-	-	335	-
HR Trustee	Service Supplier	-	-	-	-	-	-	-	-	-	-	27	-
Total		-	-	-	-	-	**574**	-	-	-	**1,938**	**362**	-

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 was related to the management of a F.I.L.A. Group company until April 27, 2021, 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, in which a partner was related to the controlling interest of the parent until June 30, 2022, principally providing legal consultancy.

HR Trustees

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

The related party transactions carried out by the F.I.L.A. Group refer to normal transactions and are regulated at market conditions, i.e. the conditions that would be applied between two independent parties, and are undertaken in the interests of the Group. Typical or normal transactions are those which, by their object or nature, are not outside the normal course of business of the F.I.L.A. Group and those which do not involve particular critical factors due to their characteristics or to the risks related to the nature of the counterparty or the time at which they are concluded; normal market conditions relate to transactions undertaken at standard Group conditions in similar situations.
On this basis, the exchange of goods, services and financial transactions between the various group companies were undertaken at competitive market conditions.
The infragroup transactions of F.I.L.A. S.p.A., relate to operations to develop synergies between Group companies, integrating production and commercial operations.

The nature and the balances of transactions of the Parent F.I.L.A. S.p.A. with the companies of the F.I.L.A. Group at December 31, 2022 and December 31, 2021 are detailed below:

F.I.L.A. S.P.A. INFRAGROUP TRANSACTIONS 2022

Company Euro thousands	Statement of Financial Position - December 31, 2022				Statement of Comprehensive Income - December 31, 2022						
	Asset		Liabilities		Revenues				Costs		
	Trade Receivables	Financial Assets	Trade Payables	Financial liabilities	Revenues from sales	Other Revenues	Dividends	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
F.I.L.A. Iberia (Spain)	60		(13)	(7,280)	(123)	(255)	(4,839)			21	28
Dixon Ticonderoga Company (U.S.A.)	431	5,637	(20)		(843)	(2,640)	(12,807)	(4,361)			
Beijing F.I.L.A.-Dixon Stationery Company Limited (China)									237		
Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico)	411		(283)		(1,112)	(71)		(754)	946	15	
F.I.L.A. Chile Ltda (Chile)	372		(1)		(1,232)	(26)	(2)				
FILA Argentina S.A. (Argentina)	236		(2)		(450)	(8)					
Johann Froescheis Lyra KG (Germany)	76		(252)		(199)	(332)			973	140	
F.I.L.A. Nordic (Sweden)	117		(5)		(796)	(13)					
PT. Lyra Akrelux (Indonesia)	88		(1)		(311)	(5)					
FILA Stationary Ltd. Co. (Turkey)	208	6	(36)		(300)	(4)	(71)	(3)		35	
DOMS Industries Pvt Ltd (India)	28	31	(279)			(50)	(335)	(61)	3,508		
Fila Stationary O.O.O. (Russia)	187	4,354			(129)	(10)		(117)			
FILA Hellas SA (Greece)	262		(3)		(1,278)	(9)	(500)				
Industria Maimeri S.p.A. (Italy)	87	8,603	(38)		(5)	(321)		(65)	56	10	
FILA SA (South Africa)	342	157	(2)		(352)	(4)		(4)			
FILA Dixon Stationery (Kunshan) Co., Ltd. (China)	55		(1,859)		(120)	(73)			9,692		
F.I.L.A. Benelux (Belgium)	20		(3)			(88)					
Daler Rowney Ltd (UK)	360	4,265	(252)		(1,232)	(371)		(123)	47		
Brideshore (Dominican Republic)	21		(29)		(196)	(41)					
FILA Poland (Poland)	45				(205)	(2)	(189)				
Canson Art & Craft Yixing Co., Ltd. (China)	24		(57)		(52)	(94)			1,119		
St. Cuthberts Holdings (UK)							(456)				
St. Cuthberts Mill (UK)	2		(24)		-	(11)					
Canson Brasil (Brazil)	164	1,786	(1)		(168)	(41)		(64)			
Lodi 12 (France)		433						(18)			
Canson SAS (France)	660	17,273	(621)		(6,028)	(1,592)		(802)	3,326		
Canson Australia (Australia)	12	2,323	(5)		(58)	(5)		(93)		8	
Canson Italy Srl (Italy)			(1)			(38)					
Fila Art Products AG (Switzerland)	64				(229)	(3)	(53)	(3)			
Fila Art & Craft (Israel)	127	1	(1)		(699)	(5)		(4)			
Dixon Ticonderoga ART ULC (Canada)	23		(2)		(13)	(38)					
Princeton Hong Kong						(0)					
Fila Arches (France)	99	21,467	(45)			(463)		(902)			
Total	**4,579**	**66,338***	**(3,835)**	**(7,280)**	**(16,131)**	**(6,614)**	**(19,252)**	**(7,375)**	**19,903**	**228**	**28**

*Value inclusive of IFRS 9, equal to Euro 3,495 thousand.

F.I.L.A. S.P.A. INFRAGROUP TRANSACTIONS 2021

Company	Statement of Financial Position - December 31, 2021				Statement of Comprehensive Income - December 31, 2021						
	Asset		Liabilities		Revenues				Costs		
Euro thousands	Trade Receivables	Financial Assets	Trade Payables	Financial Liabilities	Revenues from sales	Other Revenues	Dividends	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
F.I.L.A. Iberia (Spain)	75		9		3	252	3,871				
Dixon Ticonderoga Company (U.S.A.)	1,237		20		1,177	3,161	6,369	300			
Beijing F.I.L.A.-Dixon Stationery Company Limited (China)			8						160		
Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico)	307	6,189	420		705	39		605	840	13	
F.I.L.A. Chile Ltda (Chile)	305		1		884	6					
FILA Argentina S.A. (Argentina)	412		2		331	3					
Johann Froescheis Lyra KG (Germany)	122		263		264	372	1,692		899	156	
F.I.L.A. Nordic (Sweden)	99		4		623	11					
PT. Lyra Akrelux (Indonesia)	81		1		163	3					
FILA Stationary Ltd. Co. (Turkey)	100	4	1		178	3	79	4			
DOMS Industries Pvt Ltd (India)		72	334					58	2,014		
Fila Stationary O.O.O. (Russia)	383	1,518	1		123	4		55			
FILA Hellas SA (Greece)	301		2		1,182	7	400				
Industria Maimeri S.p.A. (Italy)	104	4,066	33		6	301		29	97		
FILA SA (South Africa)	162	172	1		224	22		3			
FILA Dixon Stationery (Kunshan) Co., Ltd. (China)	35		811		177	35			8,068	8	
F.I.L.A. Benelux (Belgium)	26		3			102					
Daler Rowney Ltd (UK)	152	4,258	15		1,387	395		174	9		
Brideshore (Dominican Republic)	84		1		161	42					
FILA Poland (Poland)	30				134		148				
Canson Art & Craft Yixing Co., Ltd. (China)	95		80		187	102			1,945		
St. Cuthberts Holdings (UK)							350				
St. Cuthberts Mill (UK)	1		81			20					
Canson Brasil (Brazil)	132	3,038	1		109	37		49			
Lodi 12 (France)		422						14			
Canson SAS (France)	1,235	18,578	547		7,250	1,405		684	1,757	17	
Canson Australia (Australia)	68	2,345	1		88	5		62			
Canson Italy Srl (Italy)	108		3			332					
Fila Art Products AG (Switzerland)	59	109			209	1		5			
Fila Art & Craft (Israel)	32	202	1		538	4		9			
Dixon Ticonderoga ART ULC (Canada)	13		1		7	51					
Princeton Hong Kong											
Fila Arches (France)	90	21,884	21			399		790			
Total	**5,848**	**62,855**	**2,664**	**-**	**16,111**	**7,116**	**12,909**	**2,839**	**15,788**	**194**	**-**

In particular, in 2022 the nature of transactions between F.I.L.A. S.p.A. and the other group companies concerned:

- Sale of products/goods of F.I.L.A. S.p.A. and other Group companies.

- Recharges for services and consultancy provided by F.I.L.A. S.p.A. mainly in favour of Canson SAS (France - Euro 585 thousand), Dixon Ticonderoga Company (U.S.A. - Euro 247 thousand), Daler Rowney Ltd (United Kingdom – Euro 193 thousand), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico - Euro 55 thousand), Fila Dixon Stationery (Kunshan) Co, Ltd. (China - Euro 71 thousand), Lyra KG (Germany - Euro 113 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 107 thousand) Fila Benelux (Belgium – Euro 35 thousand), Fila Arches (France – Euro 146 thousand) and DOMS Industries (India – Euro 50 thousand).

- Recharges for costs incurred by F.I.L.A. S.p.A. against Group insurance coverage principally related to the companies Canson SAS (France – Euro 249 thousand), Daler Rowney Ltd. (United Kingdom – Euro 21 thousand), Lyra KG (Germany - Euro 46 thousand), F.I.L.A. Hispania S.L. (Spain - Euro 22 thousand), Dixon Ticonderoga Company (U.S.A. – Euro 16 thousand) and Fila Arches (France - Euro 66 thousand);

- Recharges of costs incurred by F.I.L.A. S.p.A. related to the ERP roll out at the F.I.L.A. Group, principally related to Dixon Ticonderoga Company (U.S.A. – Euro 1,290 thousand), Canson Art & Craft Yixing Co. Ltd (China – Euro 87 thousand), Lyra KG (Germany - Euro 173 thousand), Fila Arches SAS (France – Euro 251 thousand), Industria Maimeri S.p.A. (Italy – Euro 231 thousand), F.I.L.A. Iberia S.L. (Spain – Euro 126 thousand), Canson SAS (France – Euro 758 thousand), Daler Rowney Ltd. (United Kingdom – Euro 158 thousand), Fila Benelux (Belgium – Euro 46 thousand) and Brideshore (Dominican Republic - Euro 39 thousand).

- Dividends approved in the year by Dixon Ticonderoga Co. (U.S.A. - Euro 12,807 thousand, of which Euro 5,625 thousand not yet distributed), by F.I.L.A. Iberia S.L. (Spain - Euro 4,839 thousand), by F.I.L.A. Chile (Chile - Euro 2 thousand), by F.I.L.A. Stationary and Office Equipment Industry Ltd. Co. (Turkey - Euro 71 thousand), by Fila Hellas (Greece - Euro 500 thousand), by Fila Polska Sp Z.o.o (Poland - Euro 189 thousand), by St. Cuthberts Holding (United Kingdom - Euro 456 thousand), by DOMS Industries (India – Euro 335 thousand) and by F.I.L.A. Art Product AG (Switzerland – Euro 53 thousand).

- Recharges of financial interest principally to the subsidiary Daler Rowney Ltd. (United Kingdom - Euro 123 thousand), to the subsidiary Dixon Ticonderoga Co. (USA - Euro 12 thousand), to the subsidiary Canson Brasil I.P.E. Ltda (Brazil - Euro 66 thousand), to the subsidiary Dixon, S.A. de C.V. (Mexico - Euro 323 thousand) to the subsidiary Fila Arches (France - Euro 901 thousand), to the subsidiary Industria Maimeri S.p.A. (Italy - Euro 65 thousand), to the subsidiary Fila SA (South Africa - Euro 4 thousand) to the subsidiary Lodi 12 SAS (France - Euro 18 thousand), to the subsidiary Canson SAS (France - Euro 802 thousand), to the subsidiary Canson Australia (Australia - Euro 93 thousand), to the subsidiary FILA Art Products AG (Switzerland - Euro 3 thousand), to the subsidiary Fila Art & Craft Ltd (Israel - Euro 4 thousand) and to the subsidiary FILA Stationery O.O.O. (Russia – Euro 113 thousand), calculated on the loans granted by F.I.L.A. S.p.A.

- Recharging of hedging costs on financial liabilities of the subsidiary Dixon Ticonderoga Co.

(U.S.A. - Euro 4,361 thousand)) and recharging of costs to subsidiaries for sureties granted in favour of Dixon Ticonderoga Co. (U.S.A. – Euro 169 thousand), F.I.L.A. Stationary and Office Equipment Industry Ltd. Co. (Turkey - Euro 4 thousand), Canson Brasil I.P.E. LTDA (Brazil – Euro 6 thousand), DOMS Industries PVT Ltd (India - Euro 61 thousand) by F.I.L.A. S.p.A., in guarantee of credit lines contracted with Banca Nazionale del Lavoro S.p.A.. Loans in foreign currency subject to currency hedges were recharged to Dixon, S.A. de C.V. (Mexico - Euro 388 thousand).

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

Name and Surname	Office held	Term	Fees for office (€)	Fees for committees participation (€)	Bonuses and other incentives (€)
Giovanni Gorno Tempini	Chairperson	2021-2023	120,000		
Massimo Candela	Chief Executive Officer	2021-2023	1,260,000		734,400
Luca Pelosin	COO	2021-2023	440,000		244,800
Alberto Candela	Director & Honorary Chairman	2021-2023	170,000		
Annalisa Barbera	Director	2021-2023	25,000	13,500	
Giorgina Gallo	Director	2021-2023	25,000	6,000	
Donatella Sciuto	Director	2021-2023	25,000	20,000	
Carlo Paris	Director	2021-2023	25,000	19,500	
Total directors in office at December 31, 2022			**2,090,000**	**59,000**	**979,200**

The figures reported above do not include the long-term incentives (LTIs)

Name and Surname	Office held	Term	Fees for office (€)
Gianfranco Consorti	Chair. Board of Statutory Auditors	2021-2023	41,600
Sonia Ferrero	Statutory Auditor	2021-2023	7,800
Pietro Villa	Statutory Auditor	2021-2023	31,200
Total statutory auditors in office as at December 31, 2022			**80,600**
Elena Spagnol	Statutory Auditor	2021-2023	23,400
Total statutory auditors no longer in office at December 31, 2022			**23,400**
Total statutory auditors in office as at December 31, 2022			**104,000**

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

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

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

The following table, prepared pursuant to Article 149-duodecies of the CONSOB Issuers' Regulation, reports the payments made in 2022 for audit and other services carried out by the independent auditor and entities of its network:

Euro thousands	Company providing the service	Recipient	2022 Fees
Audit	KPMG S.p.A.	Parent	414
	KPMG S.p.A.	Italian Subsidiaries	27
	KPMG network **	Non-Italian Subsidiaries	867
Non Audit Servicess *	KPMG ***		171
Total			**1,479**

** Other services mainly include the assurance procedures on the consolidated non-financial report and other audit-related services.*

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

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

Attachments

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

Company	Country	Segment IFRS 8[1]	Year of acquisition	% Held directly (F.I.L.A. S.p.A.)	% Held indirectly	% Held F.I.L.A. Group	Held By	Recognition	Non controlling interests
Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Germany	EU	2008	99.53%	0.47%	100.00%	FILA S.p.A. Lyra Bleistift-Fabrik Verwaltungs GmbH	Line-by-Line	0.00%
Lyra Bleistift-Fabrik Verwaltungs GmbH	Germany	EU	2008	0.00%	100.00%	100.00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-Line	0.00%
F.I.L.A. Nordic AB[2]	Sweden	EU	2008	0.00%	50.00%	50.00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-Line	50.00%
FILA Stationary and Office Equipment Industry Ltd. Co.	Turkey	EU	2011	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-Line	0.00%
Fila Stationary O.O.O.	Russia	EU	2013	90.00%	0.00%	90.00%	FILA S.p.A.	Line-by-Line	10.00%
Industria Maimeri S.p.A.	Italy	EU	2014	51.00%	0.00%	51.00%	FILA S.p.A.	Line-by-Line	49.00%
Fila Hellas Single Member S.A.	Greece	EU	2013	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-Line	0.00%
Fila Polska Sp. Z.o.o	Poland	EU	2015	51.00%	0.00%	51.00%	FILA S.p.A.	Line-by-Line	49.00%
Dixon Ticonderoga Company	U.S.A.	NA	2005	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-Line	0.00%
Dixon Canadian Holding Inc.	Canada	NA	2005	0.00%	100.00%	100.00%	Dixon Ticonderoga Company	Line-by-Line	0.00%
Grupo F.I.L.A.-Dixon, S.A. de C.V.	Mexico	CSA	2005	0.00%	100.00%	100.00%	Dixon Canadian Holding Inc. Dixon Ticonderoga Company	Line-by-Line	0.00%
F.I.L.A. Chile Ltda	Chile	CSA	2000	0.79%	99.21%	100.00%	Dixon Ticonderoga Company FILA S.p.A.	Line-by-Line	0.00%
FILA Argentina S.A.	Argentina	CSA	2000	0.00%	100.00%	100.00%	F.I.L.A. Chile Ltda Dixon Ticonderoga Company	Line-by-Line	0.00%
Beijing F.I.L.A.-Dixon Stationery Company Ltd.	China	AS	2005	0.00%	100.00%	100.00%	Dixon Ticonderoga Company	Line-by-Line	0.00%
Xinjiang F.I.L.A.-Dixon Plantation Company Ltd.	China	AS	2008	0.00%	100.00%	100.00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-Line	0.00%
PT. Lyra Akrelux	Indonesia	AS	2008	0.00%	52.00%	52.00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-Line	48.00%
FILA Dixon Stationery (Kunshan) Co., Ltd.	China	AS	2013	0.00%	100.00%	100.00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-Line	0.00%
FILA SA PTY LTD	South Africa	RM	2014	99.43%	0.00%	99.43%	FILA S.p.A.	Line-by-Line	0.57%
Canson Art & Craft Yixing Co., Ltd.	China	AS	2015	0.00%	100.00%	100.00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-Line	0.00%
DOMS Industries Pvt Ltd	India	AS	2015	51.00%	0.00%	51.00%	FILA S.p.A.	Line-by-Line	49.00%
Renoir Topco Ltd	U.K.	EU	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-Line	0.00%
Renoir Midco Ltd	U.K.	EU	2016	0.00%	100.00%	100.00%	Renoir Topco Ltd	Line-by-Line	0.00%
Renoir Bidco Ltd	U.K.	EU	2016	0.00%	100.00%	100.00%	Renoir Midco Ltd	Line-by-Line	0.00%
FILA Benelux SA	Belgium	EU	2016	0.00%	100.00%	100.00%	Renoir Bidco Ltd	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%
Brideshore srl	Domenican 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%
Fila Canson Do Brasil Productos de Artes e Escolar 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 Paper Productos Co., 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%
Princeton HK Co., Limited	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%
Creative Art Products Limited	U.K.	EU	2022	0.00%	100.00%	100.00%	Daler Rowney Ltd	Line-by-Line	0.00%
Pioneer Stationery Pvt Ltd.	India	AS	2015	0.00%	51.00%	51.00%	DOMS Industries Pvt Ltd	Equity method	49.00%
Uniwrite Pens and Plastics Pvt Ltd	India	AS	2016	0.00%	60.00%	60.00%	DOMS Industries Pvt Ltd	Equity method	40.00%
Fixy Adhesives Private Limited	India	AS	2021	0.00%	78.46%	78.46%	DOMS Industries Pvt Ltd	Equity method	21.54%
Inxon Pens & Stationary Private	India	AS	2021	0.00%	51.00%	51.00%	DOMS Industries Pvt Ltd	Equity method	49.00%

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

Attachment 2 - Business combinations

Creative Art Products Limited

On February 8, 2022, the UK subsidiary Daler Rowney Ltd. acquired 100% of the UK company Creative Art Products Limited, located in Manchester (UK), which specialises in the schools segment and produces and distributes a wide range of art materials for children, both under the *Scola* brand and private label brands.

From the date of acquisition, the company has been consolidated in the financial statements of the F.I.L.A. Group on a line-by-line basis and has contributed to the profit for the year limited to that arising in the period between February 8, 2022 and December 31, 2022.
In this period, the subsidiary generated revenue from third parties of Euro 2,231 thousand and a loss of Euro 62 thousand. Management considers that if the acquisition of the business unit had taken place on January 1, 2022, the consolidated revenue for the year would have been Euro 359 thousand higher (therefore Euro 764,939 thousand). In calculating this amount, management assumed that the fair value adjustments at the acquisition date would have been the same even if the acquisition took place on January 1, 2022.

Daler Rowney Ltd (United Kingdom) incurred costs related to the acquisition of Euro 35 thousand for legal expenses and due diligence costs. These costs have been expensed in the consolidated financial statements in the “Consultancy" item of the statement of comprehensive income.

The transaction is valued at GBP 782 thousand (Euro 927 thousand).
The difference between the net financial outlay and the carrying amount of equity of Creative Art Products Limited resulted in the recognition of Goodwill, amounting to a negative Euro 340 thousand. The acquisition was accounted for by applying the purchase method, based on the definition of a business in IFRS 3. The PPA is in progress and therefore the fair value adjustments are considered provisional.

The calculation of goodwill on the basis of the above figures at the transaction date is set out below:

Daler Rowney Ltd Investment in Creative Art Products Limited	***A***	962
Consultancy charges capitalised in Daler Rowney Ltd separate financial statements and expensed in consolidated financial statements	***B***	35
Purchase price of the equity investment net of consultancy charges (*Fair Value*)	***C = (A - B)***	**927**
Equity *Fair Value* of Creative Art Products Limited	***D***	1,267
Difference between the purchase price of the equity investment and the carrying amount of Creative Art Products Limited (*Goodwill*) at February 8, 2022	***C - D***	**(340)**

The fair value of the assets and liabilities of Creative Art Products Limited at the acquisition date was as follows:

Fair Value at February 8, 2022

Euro thousands	
Assets	**3,403**
Non-Current Assets	**2,176**
Concessions, licenses and trademarks	1,778
Property, plant and equipment	241
Deferred Tax Assets	157
Current Assets	**1,227**
Inventories	511
Trade receivables and other assets	735
Cash and cash equivalents	(19)
Liabilities and Equity	**(3,403)**
Equity	**(1,267)**
Non-Current Liabilities	**-**
Current Liabilities	**(2,136)**
Current financial liabilities	(732)
Current provision for risks and charges	(296)
Trade payables and other liabilities	(1,107)

Atypical and/or Unusual Transactions

In accordance with Consob Communication of July 28, 2006, during 2022 the F.I.L.A. Group did not undertake any atypical and/or unusual transactions as defined by this communication, whereby atypical and/or unusual transactions refers to transactions which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to the year-end) may give rise to doubts in relation to: the correctness/completeness of the information in the financial statements, conflicts of interest, the safeguarding of the Group's assets and the protection of non-controlling interests.

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

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

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

March 22, 2023

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

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

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

of the administrative and accounting procedures for the preparation of the consolidated financial statements as at December 31, 2022.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of the consolidated financial statements at December 31, 2022 is based on a process defined by F.I.L.A. S.p.A. in accordance with the Internal Control - Integrated Framework model issued by the Committee of the Sponsoring Organisations of the Treadway Commission, a benchmark framework generally accepted at international level.

It is also declared that:

1. The Consolidated Financial Statements at December 31, 2022 of F.I.L.A. S.p.A.:
   - have been drawn up in conformity with the applicable IFRS endorsed by the European Union in conformity with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of 19 July 2002;
   - correspond to the underlying accounting documents and records;
   - provide a true and fair view of the financial position and results of operations of the issuer and of the other companies in the consolidation scope.
2. The Directors' Report includes a reliable analysis on the performance and operating result, as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

The Chief Executive Officer

Massimo Candela

Manager in Charge of
Financial Reporting

Cristian Nicoletti

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

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

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(The accompanying translated consolidated financial statements of the F.I.L.A. Group constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the F.I.L.A. Group (the "group"), which comprise the statement of financial position as at 31 December 2022, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the F.I.L.A. Group as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

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

Key audit matters

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

Recoverability of goodwill

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

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2022 comprise goodwill of €172.8 million, including €102.8 million allocated to the "Nord America" cash generating unit ("CGU") , €33.3 million to the "DOMS Industries Pvt Ltd (India)" CGU and €17.0 million to the "Canson Group" CGU. The group tests the carrying amounts of goodwill for impairment at least annually and whenever there are indicators of impairment, by comparing them to the individual CGU's estimated recoverable amount, calculated by discounting the expected cash flows using the discounted cash flow model. The directors have forecast the expected cash flows used to estimate the recoverable amount on the basis of the projections derived from the 2023 budget and the business plan approved by the board of directors on 13 February and 16 March 2023, respectively. Calculating the recoverable amount of goodwill and of the related CGU requires significant estimates. Specifically, this process has the following characteristics: • valuation assumptions affected by the reference market trends (including the US, Indian and French markets), due to the specific economic and political conditions that are difficult to predict and unstable; • assumptions about the synergies expected, as set out by the directors in the business plan; • estimates of the long-term growth rate and the discount rate applied to the projected cash flows, which require a high level of judgement. For the above reasons, we believe that the recoverability of the goodwill allocated to the North America", "DOMS Industries Pvt Ltd (India)"and "Canson Group" CGUs is a key audit matter.	Our audit procedures, which also involved our own specialists, included: • understanding the process adopted to prepare the impairment test approved by the parent's board of directors; • understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived; • analysing the reasonableness of the assumptions used to prepare the forecasts; • checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; • checking the consistency of the expected cash flows used for impairment testing with those used for the forecasts and analysing the reasonableness of any discrepancies; • analysing the expected cash flows and main assumptions used to calculate the CGUs' value in use, especially the key assumptions, which include: the revenue increase in the United States, India and France, expected synergies and the calculation of the discount and long-term growth rates; • analysing the reasonableness of the valuation methods and key assumptions used, and especially: - the application of the discounted cash flow model; - the criteria and parameters used to calculate the discount rate applied to the projected cash flows and the long-term growth rate; - checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing. • comparing the group's market capitalisation to its reported equity;

Key audit matter	Audit procedures addressing the key audit matter
	• assessing the appropriateness of the disclosures provided in the notes about goodwill.

Inventories

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

Key audit matter	Audit procedures addressing the key audit matter
The carrying amount of inventories at 31 December 2022 is €307.1 million, net of the allowance for inventory write-down of €6.6 million. Recognising and measuring inventories are a complex and structured process considering the various underlying activities and estimates, including taking into account the group's market sector and the related geographical stratification. Recognising and measuring inventories are complex and entail a high level of judgement by the directors as they are affected by many factors, including: • the inventory management policy; • requirement planning and integration with sales planning; • the sales' seasonality; • price volatility. For the above reasons, we believe that the recognition and measurement of inventories are a key audit matter.	Our audit procedures included: • understanding the process for the recognition and measurement of inventories and the related IT environment and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; • performing substantive analytical procedures for the most significant discrepancies compared to the previous year figures and discussing the outcome with the relevant internal departments; • analysing inventory turnover and discussing the outcome with the relevant internal departments; • checking, on a sample basis, whether sales and purchases had been correctly recognised on an accruals basis; • for a representative sample of purchase and sale invoices, checking whether inventory item quantities had been correctly recorded; • for a sample of inventory items, performing physical counts of quantities and reconciling them with the related accounting records; • analysing the reasonableness of the assumptions used to measure the allowance for inventory write-down through discussions with the relevant internal departments, checks of the supporting documentation and comparison with historical figures and our knowledge of the group and its operating environment; • assessing the appropriateness of the disclosures provided in the notes about inventories.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements at 31 December 2022 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2022 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

F.I.L.A. Group
Independent auditors' report
31 December 2022

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

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2022 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2022 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2022 and have been prepared in compliance with the applicable law.

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

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

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

Milan, 30 March 2023

KPMG S.p.A.

(signed on the original)

Annalisa Violante
Director of Audit

IV - Separate financial statements of F.I.L.A. S.p.A. at December 31, 2022

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

Statement of Financial Position

in Euro		December 31, 2022	December 31, 2021
Assets		**542,461,963**	**552,807,815**
Non-Current Assets		**391,961,346**	**394,168,725**
Intangible Assets	Note 1	5,995,050	4,768,522
Property, Plant and Equipment	Note 2	7,190,443	8,279,033
Non-Current Financial Assets	Note 3	4,027,301	3,603,910
Equity investments	Note 4	371,064,138	372,434,829
Deferred Tax Assets	Note 5	3,684,414	5,082,430
Current Assets		**150,500,617**	**158,639,090**
Current Financial Assets	Note 3	61,133,436	59,186,033
Current Tax Assets	Note 6	907,581	923,342
Inventories	Note 7	32,645,738	25,696,578
Trade Receivables and Other Assets	Note 8	19,516,485	18,185,763
Cash and Cash Equivalents	Note 9	36,297,378	54,647,374
Liabilities and Equity		**542,461,963**	**552,807,815**
Equity	Note 12	**296,503,044**	**291,308,300**
Share Capital		46,985,773	46,985,773
Negative reserve for treasury shares in portfolio		(1,794,002)	(487,647)
Reserves		140,323,865	137,132,871
Retained Earnings		95,318,863	90,675,034
Profit for the year		15,668,545	17,002,270
Non-Current Liabilities		**191,469,056**	**217,542,316**
Non-Current Financial Liabilities	Note 13	188,840,575	212,435,441
Financial Instruments	Note 17	-	2,066,759
Employee benefits	Note 14	1,190,801	1,436,338
Provisions for Risks and Charges	Note 15	591,817	692,854
Deferred Tax Liabilities	Note 16	800,451	864,588
Other Non-Current Liabilities	Note 34	45,412	46,336
Current Liabilities		**54,489,863**	**43,957,198**
Current Financial Liabilities	Note 13	29,214,834	21,236,630
Current Provisions for Risks and Charges	Note 15	35,855	35,855
Current Tax Liabilities	Note 18	615,861	875,458
Trade Payables and Other Liabilities	Note 19	24,623,313	21,809,255

Statement of Comprehensive Income

in Euro		December 31, 2022	December 31, 2021
Revenue	Note 20	79,288,054	80,953,653
Income	Note 21	7,168,156	7,462,728
Total Revenue		**86,456,210**	**88,416,381**
Raw Materials, Consumables, Supplies and Goods	Note 22	(45,465,643)	(41,634,925)
Services and Use of third party assets	Note 23	(22,759,894)	(20,171,032)
Other Costs	Note 24	(593,105)	(706,628)
Change in Raw Materials, Semi-Finished Products, Work in Progress and Finished Goods	Note 22	6,949,160	1,634,436
Personnel Expense	Note 25	(12,255,975)	(12,626,629)
Amortisation and Depreciation	Note 26	(3,809,676)	(4,715,369)
Impairment losses on trade receivables and other assets	Note 27	(276,173)	(457,587)
Total Operating Costs		**(78,211,307)**	**(78,677,735)**
Operating Profit		**8,244,903**	**9,738,647**
Financial Income	Note 29	28,789,001	16,112,405
Financial Expense	Note 30	(18,073,707)	(6,822,452)
Impairment gains (losses) on Financial Assets	Note 31	-	(63,700)
Impairment gains (losses) on Equity Investments	Note 32	(944,652)	-
Net Financial Income		**9,770,642**	**9,226,254**
Pre-Tax Profit		**18,015,545**	**18,964,900**
Income Taxes		(1,049,378)	(1,495,690)
Deferred Taxes		(1,297,623)	(466,941)
Total Taxes	Note 33	**(2,347,001)**	**(1,962,631)**
Profit for the Year		**15,668,545**	**17,002,270**
Other Comprehensive Income which may be reclassified subsequently to Profit and Loss		**4,360,817**	**2,113,035**
Fair Value Adjustment on Hedging Derivatives		4,360,817	2,113,035
Other Comprehensive Income which may not be reclassified subsequently to Profit and Loss		**107,000**	**12,388**
Actuarial gains (losses) on Employee Benefits recorded directly in Equity		143,000	8,173
Income Taxes and Expenses recorded directly in Equity		(36,000)	4,215
Other Comprehensive Income, net of tax effect		**4,467,817**	**2,125,423**
Comprehensive Income		**20,136,361**	**19,127,692**

Statement of changes in Equity

STATEMENT OF CHANGES IN EQUITY

in Euro	Share capital	Negative reserve for treasury shares in portfolio	Legal Reserve	Share Premium Reserve	Actuarial reserve	Other Reserves	Retained Earnings	Profit for the year	Equity
December 31, 2020	**46,967,524**	**-**	**8,331,885**	**154,473,176**	**(593,922)**	**18,840,047**	**41,854,190**	**8,125,346**	**277,998,246**
Profit for the year	-	-	-	-	-	-	-	17,002,270	17,002,270
Share Capital Increase	18,249	-	-	172,991	-	-	-	-	191,240
Other comprehensive income	-	-	-	-	12,388	2,113,034	-	-	2,125,422
Other Changes	-	(487,647)	-	-	-	597,395	-	-	109,748
Profit for the year recognised directly in equity	**18,249**	**(487,647)**	**-**	**172,991**	**12,388**	**2,710,429**	**-**	**17,002,270**	**19,428,680**
Allocation of the 2020 profit	-	-	406,267	-	-	-	7,719,079	(8,125,346)	-
Dividends	-	-	-	-	-	-	(6,118,626)	-	(6,118,626)
December 31, 2021	**46,985,773**	**(487,647)**	**8,738,152**	**154,646,167**	**(581,534)**	**21,550,476**	**43,454,643**	**17,002,270**	**291,308,300**
Profit for the year	-	-	-	-	-	-	-	15,668,545	15,668,545
Share Capital Increase	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	106,992	4,360,818	-	-	4,467,810
Other changes	-	(1,306,355)	-	(31,809)	-	(1,904,009)	-	-	(3,242,173)
Profit for the year recognised directly in equity	**-**	**(1,306,355)**	**-**	**(31,809)**	**106,992**	**2,456,809**	**-**	**15,668,545**	**16,894,182**
Allocation of the 2021 profit	-	-	659,003	-	-	-	16,343,267	(17,002,270)	-
Dividends	-	-	-	-	-	-	(11,699,438)	-	(11,699,438)
December 31, 2022	**46,985,773**	**(1,794,002)**	**9,397,155**	**154,614,358**	**(474,542)**	**24,007,285**	**48,098,472**	**15,668,545**	**296,503,044**

Cash Flow Statement

in Euro		December 31, 2022	December 31, 2021
Profit for the year		**15,668,545**	**17,002,000**
Non-monetary and other adjustments:		**(2,937,455)**	**(857,802)**
Amortisation and depreciation of intangible assets and property, plant and equipment	Note 1 - 2	3,244,603	4,117,733
Amortisation and depreciation of right-of-use assets	Note 1 - 2	565,073	597,636
Net impairment losses on intangible assets and property, plant and equipment	Note 1 - 2	760	-
Impairment gains/losses on Trade Receivables and write-downs of inventories	Note 9	373,730	589,087
Accruals for post-employment benefits and other employee benefits		167,846	1,075,392
Exchange gains/losses on foreign currency trade receivables and payables	Note 24	152,977	62,671
Net gain on the sale of intangible assets and property, plant and equipment	Note 21 - 24	(18,042)	(37,320)
Net Financial Income/Expense	Note 29 - 30	(10,715,294)	(9,226,000)
Impairment gains (losses) on financial assets	Note 31	944,652	-
Taxes	Note 33	2,347,000	1,963,000
Additions for:		**(508,210)**	**455,436**
Income Taxes Paid	Note 7 - 18	(1,293,214)	313,380
Net unrealised exchange gains/losses on foreign currency assets and liabilities	Note 28 - 29	(34,385)	69,359
Net realised exchange gains/losses on foreign currency assets and liabilities	Note 28 - 29	819,390	72,697
Cash flows from operating activities before changes in net working capital		**12,222,881**	**16,599,635**
Changes in net working capital:		**(6,704,198)**	**853,104**
Change in Inventories	Note 8	(7,047,477)	(1,765,936)
Change in Trade receivables and Other Assets	Note 9	(1,606,135)	574,936
Change in Trade payables and Other Liabilities	Note 19	2,814,059	2,776,204
Change in Other Assets and Liabilities	Note 15-16-6	(67,824)	78,476
Change in Post-Employment Benefits and Other Employee Benefits	Note 14	(796,822)	(810,575)
Net cash flows from operating activities		**5,518,682**	**17,452,740**
Net increase /decrease in Intangible Assets	Note 1	(3,014,127)	(2,392,994)
Net increase/decrease in Property, Plant and Equipment	Note 2	(916,205)	(1,227,315)
Net increase/decrease in Equity Investments	Note 4	(0)	(0)
Net increase/decrease in Other Financial Assets	Note 3	8,643,244	2,195,759
Dividends from Group companies		13,627,734	12,909,215
Interest collected		2,205,392	2,269,110
Net cash flows from investing activities		**20,546,038**	**13,753,775**
Change in Equity	Note 12	(11,699,438)	(6,606,267)
Purchase of Treasury Shares	Note 12	(2,323,582)	-
Interests paid *IFRS 16*	Note 29	(50,656)	(78,355)
Interests paid	Note 29	(9,733,862)	(5,228,809)
Net increase/decrease in Loans and Borrowings and Other Financial Liabilities	Note 13	(21,789,339)	(14,662,581)
Net increase/decrease in lease liabilities *IFRS 16*	Note 13	(382,097)	(136,556)
Net cash flows used in financing activities		**(45,978,974)**	**(26,712,568)**
Other non-monetary changes		1,563,499	537,446
Net cash flows for the year		**(18,350,755)**	**5,031,392**
Opening Cash and Cash Equivalents net of current account overdrafts		54,647,374	49,616,336
Closing Cash and Cash Equivalents net of current account overdrafts		**36,297,378**	**54,647,374**

1. *Cash and cash equivalents at December 31, 2022, came to Euro 36,297,370;*
2. *Cash and cash equivalents at December 31, 2021, came to Euro 54,647,374.*

Euro thousands	December 31, 2022	December 31, 2021
Opening Cash and Cash Equivalents	**54,647**	**49,616**
Cash and cash equivalents	54,647	49,616
Current account overdrafts	-	-
Closing Cash and Cash Equivalents	**36,297**	**54,647**
Cash and cash equivalents	36,297	54,647
Current account overdrafts	-	-

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

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

Euro thousands		December 31, 2022	*of which:* Related Parties	December 31, 2021	*of which:* Related Parties
Assets		**542,462**		**552,808**	
Non-Current Assets		**391,961**		**394,603**	
Intangible Assets	Note 1	5,995		4,769	
Property, Plant and Equipment	Note 2	7,190		8,279	
Non-Current Financial Assets	Note 3	4,027	1,727	3,604	3,640
Equity investments	Note 4	371,064	371,039	372,435	372,409
Deferred Tax Assets	Note 5	3,684		5,082	
Current Assets		**150,501**		**158,639**	
Current Financial Assets	Note 3	61,133	64,610	59,186	59,215
Current Tax Assets	Note 6	908		923	
Inventories	Note 7	32,646	13,352	25,697	9,088
Trade receivables and Other Assets	Note 8	19,516	4,579	18,186	5,848
Cash and Cash Equivalents	Note 9	36,297		54,647	
Liabilities and Equity		**542,462**		**552,808**	
Equity	Note 12	**291,308**		**277,998**	
Share Capital		46,986		46,986	
Negative reserve for treasury shares in portfolio		(1,794)		(488)	
Reserves		140,324		137,133	
Retained Earnings		95,319		90,675	
Profit for the year		15,669		17,002	
Non-Current Liabilities		**191,469**		**217,542**	
Non-Current Financial Liabilities	Note 13	188,841		212,435	
Financial Instruments	Note 17	-		2,067	
Employee benefits	Note 14	1,191		1,436	
Provisions for Risks and Charges	Note 15	592		693	
Deferred Tax Liabilities	Note 16	800		865	
Other Non-Current Liabilities	Note 34	45		46	
Current Liabilities		**54,490**		**43,957**	
Current Financial Liabilities	Note 13	29,215	7,280	21,237	
Current Provisions for Risks and Charges	Note 15	36		36	
Current Tax Liabilities	Note 18	616		875	
Trade payables and Other Liabilities	Note 19	24,623	3,835	21,809	2,664

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

Euro thousands		December 31, 2022	*of which:* Related Parties	*of which:* Non-Recurring Expenses	December 31, 2021	of which: Related Parties	of which: Non-Recurring Expenses
Revenue	Note 20	79,288	16,131		80,954	16,111	
Income	Note 21	7,168	6,614	1,087	7,463	7,116	
TOTAL REVENUE		**86,456**			**88,416**		
Raw Materials, Consumables, Supplies and Goods	Note 22	(45,466)	(19,903)	(604)	(41,635)	(15,810)	
Services and use of third-party assets	Note 23	(22,760)	(228)	(2,321)	(20,171)	(172)	(736)
Other Costs	Note 24	(593)			(707)		
Change in Raw Materials, Semi-Finished Products, Work-in-Progress and Finished Goods	Note 22	6,949			1,634		
Personnel expense	Note 25	(12,256)		67	(12,627)		(111)
Amortisation and Depreciation	Note 26	(3,810)			(4,715)		
Impairment gains (losses) on Trade Receivables and Other assets	Note 27	(276)			(458)		
TOTAL OPERATING COSTS		**(78,211)**			**(78,678)**		
OPERATING PROFIT		**8,245**			**9,739**		
Financial Income	Note 29	28,789	26,626		16,112	15,749	
Financial Expense	Note 30	(18,074)	(28)		(6,822)		
Impairment gains (losses) on Financial Assets	Note 31	-			(64)	(64)	
Impairment gains (losses) on Equity Investments	Note 32	(945)			-		
NET FINANCIAL INCOME		**9,771**			**9,226**		
PRE-TAX PROFIT		**18,016**			**18,965**		
Income Taxes		(1,049)			(1,496)		
Deferred Taxes		(1,298)			(467)		
TOTAL TAXES	Note 33	**(2,347)**			**(1,963)**		
PROFIT FOR THE YEAR		**15,669**			**17,002**		
Other Comprehensive Income which may be reclassified subsequently to Profit and Loss		**4,361**			**2,113**		
Fair Value Adjustment on Hedging Derivatives		4,361			2,113		
Other Comprehensive Income which may not be reclassified subsequently to Profit and Loss		**107**			**12**		
Actuarial gains (losses) on Employee Benefits recorded directly in Equity		143			8		
Income Taxes and Expenses recorded directly in Equity		(36)			4		
Other Comprehensive Income, net of tax effect		**4,468**			**2,125**		
Comprehensive Income		**20,136**		**(1,771)**	**19,128**		**(847)**

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

Introduction

The separate financial statements of the Parent F.I.L.A. S.p.A. (hereafter also "Parent" or "Company") as at and for the year ended December 31, 2022, prepared by the Board of Directors of F.I.L.A. S.p.A., were drawn up in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.
The IFRS were applied consistently for all reporting periods presented in this document.
For the separate financial statements of F.I.L.A. S.p.A. the first year of application of IFRS was 2007.

The separate financial statements of F.I.L.A. S.p.A. are comprised of the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the Notes.
The presentation of these separate financial statements as at and for the year ended December 31, 2022, in line with the consolidated financial statements, is as follows:

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

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

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

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

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

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

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

Basis of preparation

Intangible assets

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

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

Intangible assets with finite useful lives

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

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

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

Amortisation methods, useful lives, and residual amounts are reviewed at each year-end and modified as necessary.

Research and Development Costs

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

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

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

Property, plant and equipment

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

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

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

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

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

- Buildings 25 years
- Plant and machinery 8.7 years

- Equipment 2.5 years
- Other assets:
    - Office equipment: 8.3 years
    - Furniture and EDP: 5 years
    - Transport vehicles: 5 years
    - Motor vehicles: 4 years
    - Other 4 years

Leases

The Company has adopted IFRS 16 using the modified retrospective method.

At the commencement of the contract the Company assesses whether the contract is – or contains – a lease. The contract is, or contains a lease, where in exchange for consideration, it transfers the right to control the use of an identified asset for a period of time. In order to assess whether a contract grants the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. F.I.L.A. S.p.A. adopts a single recognition and measurement model for all leases, except for short-term leases and low value leases. The Company recognises the lease liabilities and the right-of-use asset representing the right to use the asset underlying the contract.

Right-of-use assets

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

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

Leases liabilities

At the lease commencement date, the Company recognises the lease liabilities measuring them at the present value of the payments due. The payments include the fixed payments net of any lease incentives to be received, the variable lease payments which depend on an index or a rate and the amounts expected to be paid as guarantee on the residual amount. The lease payments include also the exercise price of a purchase option where it is reasonably certain that this option will be exercised by the Company and the lease termination penalty payments, where the lease term takes account of the exercise by the

Company of the termination option on the lease.

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

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

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

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

Short-term leases and low value asset leases

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

Impairment losses on non-financial assets

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

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

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

Equity investments

Investments in companies represent investments in the share capital of enterprises.

Investments in companies are carried at acquisition or subscription cost, adjusted for any impairment losses, and measured under the cost method. Where the reasons for the impairment loss no longer exist, the original carrying amount is reinstated.

Loans and financial assets

Trade receivables and debt securities issued are recognised as they arise.

All other financial assets and liabilities are initially recognised on the trading date, i.e. when the Company becomes a contractual party to the financial instrument.

The financial assets are initially recognized at fair value, plus or minus, in the case of financial assets or liabilities not at FVTPL, the transaction costs directly attributable to the acquisition or issue of the financial asset.

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

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

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

The fair value of investments for which no active market exists is determined on the basis of the price in recent transactions between independent parties of essentially similar instruments or the use of other valuation techniques such as methods based on income or an analysis of discounted cash flows. Financial assets designated at fair value through profit or loss upon initial recognition are measured with reference to their market value at the reporting date. The value of non-quoted instruments is determined through generally accepted financial valuation techniques based on market data. Gains or losses deriving from the fair value measurement of assets classified in this category are recognised in profit or loss.

Cash and cash equivalents

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

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

Trade receivables and other Assets

Trade receivables and other assets are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method. Trade receivables and other assets are reduced by an appropriate loss allowance for doubtful accounts to reflect estimated impairment losses taking into account objective evidence of indicators of impairment of trade receivables. The impairment losses are recognised so that the assets are discounted to the present value of the expected future cash flows. If, in subsequent periods, the reasons for the impairment loss no longer exist, the carrying amount of the assets is reinstated up to the amount deriving from the application of the amortised cost where no impairment loss had been applied.

The loss allowance is recorded as a direct reduction of trade receivables and other assets. These provisions are classified in the profit or loss caption "Impairment losses"; the same classification was used for any utilisations and impairment losses on trade receivables.

Inventories

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

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

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

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

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

Distribution costs were excluded from purchase cost and production cost.

Provisions for risks and charges

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

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

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

Employee benefits

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

Defined contribution plans

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

Defined benefit plans

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

The Company records all actuarial gains and losses from a defined benefit plan directly and immediately in equity.

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

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

Other long-term employee benefits

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

Short-term employee benefits

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

F.I.L.A. S.p.A. records a liability for the amount that it expects will be paid in the presence of a present obligation, legal or constructive, as a consequence of past events and for which the obligation can be reliably estimated.

Financial liabilities

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

Subsequent to initial recognition, such liabilities are measured at amortised cost, as defined in IFRS 9.

Financial liabilities measured at amortised cost are measured by taking the interest to profit or loss according to the effective interest rate method or applying a rate that results in a nil balance of the present values of the net cash flows generated by the financial instrument. Nominal value is used as an approximation of amortised cost for instruments maturing within twelve months.

Financial instruments

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

IFRS 9 classifies financial assets into three principal categories: at amortised cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL). According to the standard, classification is usually based on the entity's business model for the financial assets and the contractual cash flow characteristics of each financial asset. Under IFRS 9, derivatives embedded in contracts where the host contract is a financial asset that is within the scope of the standard are never to be separated. Rather, the hybrid instrument is examined as a whole to determine its classification.

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

Derivative financial instruments

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

Financial instruments are only accounted for under the hedge accounting methods adopted by the Company when the relationship between the derivative and the hedged item is formally documented and the hedge is highly effective.

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

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

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

The methods for the calculation of the fair value of these financial instruments, for accounting or disclosure purposes, are summarised below with regards to the main categories of financial instruments:

- Derivative financial instruments: the pricing models are adopted based on the market values of the interest rates;
- Unlisted financial assets and liabilities: for financial instruments with maturity greater than 1 year, the discounted cash flow method was applied, i.e. the discounting of expected cash flows in consideration of current interest rate conditions and credit ratings, for the determination of the fair value on first-time recognition. Subsequent measurements are made based on the amortised cost method;
- Listed financial instruments: the market value at the reporting date is used.

In relation to financial instruments measured at fair value, IFRS 13 requires the classification of these instruments according to the hierarchy levels, which reflect the significance of the inputs used in establishing the fair value. The following levels are used:

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

Trade payables and other liabilities

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

Current, deferred and other taxes

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

Income taxes are recognised in profit or loss, except those relating to items directly credited or debited to equity, in which case the tax effect is recognised directly in equity.

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

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

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

The recovery of the "Deferred Tax Assets" is reviewed at each reporting date and those for which recovery is no longer probable are taken to profit or loss.

Treasury shares

Treasury shares are recognised as a deduction from equity. The original cost of the treasury shares and the revenue deriving from any subsequent sale are recognised as equity movements.

Revenue and costs

Revenue recognition

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

Recognition of costs

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

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

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

Financial income and expense

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

Financial income include interest on loans, discounting of provisions, dividends distributed on redeemable preference shares, changes in the fair value of financial assets measured at fair value through profit or loss and impairment losses on financial assets. Finance expense is recorded in profit or loss utilising the effective interest method. Exchange differences are shown on a net basis.

Dividends

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

Earnings per share

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

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

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

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

Use of estimates

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

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

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

- Measurement of goodwill and intangible assets with indefinite useful lives: in accordance with the accounting policies applied by the Company, goodwill and the intangible with indefinite useful lives are subject to impairment testing at least annually in order to verify whether a reduction in value has taken place. This assessment requires the directors to make judgements based on the information available within the Group and from the market, as well as from historical experience; this depends in addition on factors which may change over time, affecting the judgements and estimates made by directors. In addition, when it is determined that there may be a potential impairment loss, the Company determines this through using the most appropriate technical valuation methods available.
- Risk provisions: the identification of the existence of a present obligation (legal or constructive) in some circumstances may be difficult to determine. The directors evaluate these factors case-by-case, together with the estimate of the amount of the economic resources required to fulfil the obligation. When the directors consider that a liability is only possible, the risks are disclosed in the notes under the section on commitments and risks, without any provision.
- Measurement of closing inventories: inventories of products which are obsolete or slow moving are periodically subject to impairment testing and written down where the recoverable amount is lower than the carrying amount. The write-downs are made based on assumptions and estimates of management deriving from experience and historical results.
- Pension plans and other post-employment benefits: management uses multiple statistical assumptions and valuation techniques with the objective of anticipating future events for the calculation of the charges, liabilities and assets relating to these plans. The assumptions relate to the discount rate, the expected return of the plan assets and the rate of future salary increases. In addition, the actuarial consultants of the Company use subjective factors, for example mortality and employee turnover rates.

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

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

Introduction

The Company F.I.L.A. S.p.A., Fabbrica Italiana Lapis ed Affini (hereafter "the Company") operates in the creativity tools market, producing writing and design objects such as crayons, paints, modelling clay and pencils etc..

F.I.L.A. S.p.A. is a limited liability company with registered office in Pero (Italy), Via XXV Aprile 5. The ordinary shares of the Company were admitted for trading on the EXM - Euronext STAR Milan segment, organised and managed by Borsa Italiana S.p.A. on November 12, 2015.

The separate financial statements of the F.I.L.A. S.p.A. were prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union.

The breakdown of the share capital of F.I.L.A. S.p.A. is illustrated below:

Shareholders	Ordinary shares	%
Pencil S.r.l.	11,628,214	27.06%
Market Investors *	31,348,227	72.94%
Total	**42,976,441**	

Shareholders	Ordinary shares	Class B shares	Total	Voting rights
Pencil S.r.l.	11,628,214	8,081,856	19,710,070	53.73%
Market Investors *	31,348,227		31,348,227	46.63%
Total	**42,976,441**	**8,081,856**	**51,058,297**	

**includes 186,891 treasury shares*

These separate financial statements as at and for the year ended December 31, 2022, are presented in Euro, as the functional currency in which the Company operates and comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the Notes and are accompanied by the Directors' Report.

Note 1 - Intangible Assets

"Intangible Assets" at December 31, 2022 amount to Euro 5,995 thousand (Euro 4,769 thousand at December 31, 2021) and consist only of intangible assets with finite useful lives.

The movements in the year are shown below:

Note 1 - INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Euro thousands	Industrial Patents and Intellectual Property Rights	Concessions, Licenses, Trademarks and Similar Rights	Other	Assets under development	Total
Historical cost at December 31, 2020	**200**	**3,158**	**11,862**	**2,193**	**17,413**
Increases	**-**	**4**	**1,066**	**1,323**	**2,393**
Investments	-	4	484	1,905	2,393
Transfers from assets under development	-	-	582	(582)	-
Decreases	-	-	**(743)**	-	**(743)**
Disinvestments	-	-	(743)	-	(743)
Historical cost at December 31, 2021	**200**	**3,163**	**12,184**	**3,516**	**19,063**
Increases	-	-	**3,002**	**12**	**3,014**
Investments	-	-	1,110	1,904	3,014
Transfers from assets under development	-	-	1,892	(1,892)	-
Historical cost at December 31, 2022	**200**	**3,163**	**15,186**	**3,528**	**22,077**
Accumulated amortisation at December 31, 2020	**(177)**	**(2,920)**	**(9,349)**	**-**	**(12,446)**
Increases	**(7)**	**(62)**	**(2,522)**	-	**(2,591)**
Amortisation	(7)	(62)	(2,522)	-	(2,591)
Decreases	-	-	**743**	-	**743**
Disinvestments	-	-	743	-	743
Accumulated amortisation at December 31, 2021	**(184)**	**(2,982)**	**(11,128)**	**-**	**(14,294)**
Increases	**(6)**	**(54)**	**(1,728)**	-	**(1,788)**
Amortisation	(6)	(54)	(1,728)	-	(1,788)
Accumulated amortisation at December 31, 2022	**(190)**	**(3,036)**	**(12,856)**	**-**	**(16,082)**
Carrying Amount at December 31, 2020	**23**	**238**	**2,512**	**2,193**	**4,966**
Carrying Amount at December 31, 2021	**16**	**181**	**1,055**	**3,516**	**4,769**
Carrying Amount at December 31, 2022	**10**	**127**	**2,329**	**3,528**	**5,995**
Change	**(6)**	**(54)**	**1,274**	**12**	**1,226**

"Industrial Patents and Intellectual Property Rights" amount to Euro 10 thousand at December 31, 2022 (Euro 16 thousand at December 31, 2021).

The average residual useful life of the "Industrial patents and intellectual property rights" recorded in the separate financial statements at December 31, 2022, is 10 years.

"Concessions, Licenses, Trademarks and Similar Rights" amount to Euro 127 thousand at December 31, 2022 (Euro 181 thousand at December 31, 2021) and include the costs incurred for the registration and acquisition of trademarks necessary for the marketing of the Fila brand products.

The average residual useful life of the "Concessions, Licenses, Trademarks and Similar Rights" recorded in the separate financial statements at December 31, 2022 is 10 years.

Other intangible assets amounted to Euro 2,329 thousand at December 31, 2022 (Euro 1,055 thousand at December 31, 2021) and include net investments that primarily regarded the implementation and roll out of the ERP (Enterprise Resource Planning) system both by the Group and by F.I.L.A. S.p.A., of which "Software licenses and development", together with related consultancy fees, represent the main component.
The average residual useful life of Other Intangible Assets recorded in the separate financial statements at December 31, 2022, is 3 years.

"Assets under development" amount to Euro 3,528 thousand at December 31, 2022 (Euro 3,516 thousand at December 31, 2021) and concern the investments to roll out the new ERP (Enterprise Recourse Planning) system, although not entering into use in the year for the companies Daler Rowney, Brideshore and St. Cuthbert, whose roll-out is expected in early 2023.

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

There are no intangible assets whose usage is subject to restrictions (for further details, reference should be made to the "Directors' Report - Commitments and Guarantees").

Note 2 - Property, Plant and Equipment

"Property, Plant and Equipment" at December 31, 2022 amount to Euro 7,190 thousand (Euro 8,279 thousand at December 31, 2021), comprising for Euro 6,180 thousand Property, Plant and Equipment ("Note 2.A - Property, Plant and Equipment") and for Euro 1,010 thousand Right-of-Use Assets ("Note 2.B - Right-of-Use Assets").

The movements in the year are shown below:

Note 2.A - Property, Plant and Equipment

Note 2 - PROPERTY, PLANT AND EQUIPMENT							
Euro thousands	Land	Buildings	Plant and Machinery	Industrial and Commercial Equipment	Other Assets	Assets under construction	Total
Historical cost at December 31, 2020	**1,977**	**9,682**	**19,183**	**9,465**	**1,460**	**83**	**41,850**
Increases	**-**	**51**	**268**	**320**	**180**	**70**	**888**
Investments	-	51	251	256	180	150	888
Transfers from assets under construction	-	-	17	63	-	(80)	-
Decreases	**-**	**-**	**-**	**(14)**	**(34)**	**-**	**(48)**
Disinvestments	-	-	-	(14)	(34)	-	(48)
Historical cost at December 31, 2021	**1,977**	**9,733**	**19,451**	**9,771**	**1,605**	**153**	**42,690**
Increases	**-**	**22**	**481**	**180**	**146**	**21**	**850**
Investments	-	22	357	180	141	150	850
Transfers from assets under construction	-	-	124	-	5	(129)	-
Decreases	**-**	**-**	**(212)**	**(51)**	**(36)**	**-**	**(299)**
Disinvestments	-	-	(212)	(51)	(35)	-	(298)
Impairment Losses					(1)		(1)
Historical cost at December 31, 2022	**1,977**	**9,755**	**19,719**	**9,900**	**1,716**	**175**	**43,242**
Accumulated depreciation at December 31, 2020	**-**	**(7,981)**	**(16,052)**	**(9,197)**	**(1,156)**	**-**	**(34,386)**
Increases	**-**	**(374)**	**(750)**	**(300)**	**(103)**	**-**	**(1,527)**
Depreciation	-	(374)	(750)	(300)	(103)	-	(1,527)
Decreases	**-**	**-**	**-**	14	**28**	**-**	**42**
Disinvestments	-	-	-	14	28	-	42
Accumulated depreciation at December 31, 2021	**-**	**(8,356)**	**(16,802)**	**(9,482)**	**(1,231)**	**-**	**(35,871)**
Increases	**-**	**(379)**	**(755)**	**(204)**	**(119)**	**-**	**(1,457)**
Depreciation	-	(374)	(755)	(204)	(119)	-	(1,457)
Decreases	**-**	**-**	**212**	**51**	**3**	**-**	**266**
Disinvestments	-	-	212	51	3	-	266
Accumulated depreciation at December 31, 2022	**-**	**(8,735)**	**(17,345)**	**(9,635)**	**(1,347)**	**-**	**(37,062)**
Carrying Amount at December 31, 2020	**1,977**	**1,701**	**3,131**	**269**	**303**	**83**	**7,464**
Carrying Amount at December 31, 2021	**1,977**	**1,378**	**2,648**	**288**	**374**	**153**	**6,819**
Carrying Amount at December 31, 2022	**1,977**	**1,020**	**2,374**	**265**	**369**	**175**	**6,180**
Change	**-**	**(358)**	**(274)**	**(23)**	**(5)**	**22**	**(639)**

"Land" at December 31, 2022, amounting to Euro 1,977 thousand (Euro 1,977 thousand at December 31, 2021), includes land adjacent to the building owned at the production site in Rufina Scopeti (Florence, Italy).

"Buildings" at December 31, 2022 totalling Euro 1,020 thousand (Euro 1,378 thousand at December 31, 2021) concern the production facility in Rufina Scopeti (Florence - Italy).

"Plant and Machinery" amount to Euro 2,374 thousand at December 31, 2022 (Euro 2,648 thousand at December 31, 2021) and mainly include the assets required for production at the Rufina Scopeti (Florence - Italy) facility.

Net investments totalled Euro 357 thousand and were made to expand the current production capacity and upgrade production process efficiency and specifically during the year the acquisition of new industrial presses.

"Industrial and Commercial Equipment" amounted to Euro 265 thousand at December 31, 2022 (Euro 288 thousand as at December 31, 2021) and mainly includes investments incurred for the use of production moulds for the production process at the Rufina Scopeti (Florence - Italy) plant, as well as the related technical upgrading necessary for their use.

“Other Assets” amount to Euro 369 thousand at December 31, 2022 (Euro 374 thousand at December 31, 2021) and include furniture and office equipment, EDP and motor vehicles. Investments during the year (Euro 141 thousand) mainly concerned upgrades and expansion of computers assigned to personnel.

“Assets under construction” amounted to Euro 175 thousand at December 31, 2022 (Euro 153 thousand at December 31, 2021) and include mainly investments in new plant and machinery not yet operational at the reporting date, intended to expand current production capacity and increase the efficiency of the production process at the Rufina Scopeti plant (Florence, Italy).

There are no “Property, plant and equipment” whose usage is subject to restrictions (for further details, reference should be made to the “Directors’ Report - Commitments and Guarantees”).

Note 2.B - Right-of-Use Assets

Nota 2.B RIGHT-OF-USE ASSETS				
Euro thousands	**Buildings**	**Plant and machinery**	**Other assets**	**Total**
Historical cost at December 31, 2021	**1,479**	**284**	**913**	**2,676**
Increases	**-**	**-**	**116**	**116**
Investments	-	-	116	116
Decreases	**(164)**	**(14)**	**(209)**	**(387)**
Disinvestments	(164)	(14)	(209)	(387)
Historical cost at December 31, 2022	**1,314**	**270**	**821**	**2,405**
Accumulated depreciation at December 31, 2021	**(832)**	**(65)**	**(319)**	**(1,217)**
Increases	**(265)**	**(45)**	**(256)**	**(565)**
Depreciation	(265)	(53)	(256)	(598)
Decreases	**164**	**14**	**209**	**387**
Disinvestments	164	14	209	285
Accumulated depreciation at December 31, 2022	**(932)**	**(96)**	**(367)**	**(1,395)**
Carrying amount at December 31, 2021	**647**	**219**	**594**	**1,460**
Carrying amount at December 31, 2022	**382**	**174**	**454**	**1,010**
Change	**(265)**	**(45)**	**(140)**	**(450)**

F.I.L.A. S.p.A. adopted IFRS 16 Leases from January 1, 2019, applying the retrospective method and recognising 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 Company applied the recognition and measurement exemptions under IFRS 16.

Right-of-use assets at December 31, 2022 amounted to Euro 1,010 thousand and mainly refer to head office buildings in Pero (Milan - Italy), in addition to company cars.

"Buildings" at December 31, 2022 amounted to Euro 382 thousand (Euro 647 thousand at December 31, 2021), decreasing Euro 265 thousand on the previous year. This decrease is directly attributable to the termination, in March 2022, of the lease agreement related to the second floor of the Pero property.

"Plant and Machinery" amount to Euro 174 thousand at December 31, 2022 (Euro 219 thousand at December 31, 2021) and decreased Euro 45 thousand on the previous year. This change is directly due to the depreciation for the period.

"Other Assets" totalled Euro 454 thousand at December 31, 2022 (Euro 594 thousand at December 31, 2021) and decreased Euro 140 thousand on the previous year. This is mainly due to the closure of car rental and lease agreements for company employees.

There are no right-of-use assets whose usage is subject to restrictions (for further details, reference should be made to the "Directors' Report - Commitments and Guarantees").

Note 3 – Financial Assets

"Financial Assets" amount to Euro 65,160 thousand at December 31, 2022 (Euro 62,790 thousand at December 31, 2021).

The breakdown of "Financial Assets" at December 31, 2022 and at December 31, 2021 is shown below:

Note 3.A - FINANCIAL ASSETS

Euro thousands	Loans and Financial Assets - Subsidiaries	Other Financial Assets - Subsidiaries	Other Financial Assets - Third Parties	Total
December 31, 2021	**62,698**	**-**	**92**	**62,790**
non-current portion	3,590	-	14	3,604
current portion	59,107	-	78	59,185
December 31, 2022	**57,218**	**5,625**	**2,317**	**65,160**
non-current portion	1,710	-	2,317	4,027
current portion	55,508	5,625	-	61,133
Change	**5,480**	**(5,625)**	**(2,225)**	**(2,370)**
non-current portion	(1,880)	-	2,303	423
current portion	(3,599)	5,625	(78)	1,948

"Loans and financial assets - Subsidiaries", both in terms of the current and non-current portions, mainly concern loans granted by F.I.L.A. S.p.A. to its subsidiaries to support commercial, production and investment activities.

The caption "Loans and financial assets - subsidiaries -non-current portion" includes:

- Loan granted to the subsidiary Canson Brasil I.P.E. LTDA (Brazil) for Euro 1,000 thousand relating to the loan granted in April 2021. The loan accrues interest at a fixed rate of 225 basis points;

- Loan granted to the subsidiary Canson Australia (Australia) for Euro 637 thousand in 2021 concerning the trade payables accumulated over the years by the company;
- Loan granted to the subsidiary FILA SA PTY Ltd. (South Africa) for Euro 90 thousand in 2021;
- Recognition of a loss allowance (IFRS 9) on the above long-term loans, calculated on the basis of their average term (three years) and the country risk, in the amount of Euro 17 thousand.

The caption "Loans and financial assets - subsidiaries -current portion" includes:

- the current portion of the loan granted to the subsidiary Industria Maimeri S.p.A. (Italy) in 2021 of Euro 4,018 thousand. This loan accrues interest at a fixed rate of 90 basis points (floor 0). The amount includes Euro 18 thousand of accrued interest. Also in 2022, the Company signed a cash management agreement with the subsidiary Industria Maimeri S.p.A. of Euro 4,585 thousand. The amount includes Euro 19 thousand of accrued interest. For further details on this transaction, reference should be made to Note 9 – Cash and cash equivalents.
- loan granted to the subsidiary Canson Brasil I.P.E. LTDA (Brazil) for Euro 786 thousand in 2021 for Euro 2,000 thousand. The amount includes Euro 86 thousand of accrued interest. The loan accrues interest at a fixed rate of 225 basis points;
- the current portion, for a total of Euro 17,273 thousand, of the loans issued to the subsidiary Canson SAS (France). The amount includes Euro 259 thousand of accrued interest. The loans accrue interest at a variable rate of Euribor at 3 months plus a spread of 375 basis points for Euro 16,369 thousand and the 3-month Euribor plus a spread of 315 basis points for Euro 645 thousand. A repayment of Euro 1,400 thousand was made on the loan issued for the acquisition of the Canson Group;
- the current portion of the loan, amounting to Euro 1,643 thousand, granted to the subsidiary Canson Australia Pty Ltd (Australia). The amount includes Euro 24 thousand of accrued interest. The loan accrues interest at a variable rate equal to the 3-month Euribor, plus a spread of 375 basis points (floor 0); the current portion of the loan, amounting to Euro 43 thousand, granted to the subsidiary Canson Australia Pty Ltd (Australia). The amount includes Euro 8 thousand of accrued interest. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 235 basis points (floor 0);
- the current portion of the loan, amounting to Euro 433 thousand, issued in favour of the subsidiary Lodi 12 Sas (France). The amount includes Euro 15 thousand of accrued interest. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 375 basis points (floor 0);

- the current portion of the loan, amounting to Euro 66 thousand, granted to the subsidiary FILA SA PTY Ltd. (South Africa). The amount includes Euro 6 thousand of accrued interest. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 185 basis points (floor 0);
- loans, amounting to Euro 4,355 thousand, granted to the subsidiary FILA Stationary O.O.O. (Russia). The amount includes Euro 387 thousand of accrued interest.

  The loan accrues interest at a variable rate equal to the 3-month Euribor, plus a spread of 225 basis points and 250 basis points (floor 0). It should be noted that, in 2022, the company disbursed two loans to the subsidiary: a loan disbursed on February 21, 2022, for Euro 1,250 thousand, which accrues interest at a variable rate equal to the 3-month Euribor plus a spread of 250 basis points; and a loan disbursed on May 13, 2022, for RUB 115,000 thousand at a variable rate equal to the 3-month Euribor plus 300 basis points.
- the current portion of the loan, amounting to Euro 21,467 thousand, issued to the subsidiary Fila Arches (France) for the acquisition in March 2020 of the Arches business unit of the Swedish Group Ahlstrom-Munksjo. The amount includes Euro 282 thousand of accrued interest. The loan accrues interest at a variable rate equal to the 3-month Euribor, plus a spread of 345 basis points (floor 0). Partial repayment of Euro 500 thousand was made in the year;
- the current portion of the loan, amounting to Euro 1,217 thousand, granted to the subsidiary Daler Rowney Ltd. (United Kingdom) in 2019. The amount includes Euro 17 thousand of accrued interest. The loan accrues interest at a variable rate equal to the 3-month Euribor, plus a spread of 350 basis points (floor 0);
- the current portion of the loan, amounting to Euro 1,122 thousand, granted to the subsidiary Daler Rowney Ltd. (United Kingdom) in 2019. The loan does not accrue interest;
- the current portion of the loan, amounting to Euro 1,926 thousand, granted to the subsidiary Daler Rowney Ltd. (United Kingdom) in 2019. The amount includes Euro 25 thousand interest accrued. The loan accrues interest at a variable rate equal to the 3-month Euribor, plus a spread of 300 basis points (floor 0);
- The recognition of a loss allowance (IFRS 9) on the above short-term loans, for Euro 3,477 thousand, increasing on 2021 by Euro 3,370 thousand. This increase is directly attributable to the measurement, in application of the aforementioned standard, of the financing issued to the Russian subsidiary. More specifically, with the outbreak of the war between Russia and Ukraine, the ratings agencies increased the country risk for Russia, thereby reducing the rating for Russia to “Ca”. This downgrading contributed to a higher percentage of impairment of the financial assets in place with the subsidiary Fila Stationary O.O.O.

Below, "Note 3.B - Financial assets" shows all the related details of the companies involved and the main financial conditions at December 31, 2022:

Note 3.B - FINANCIAL ASSETS

Description	General information								Amount					Guarantees Received	Guarantees Granted
	Amount		Total	Year	Currency	Country	Interest		Current Financial Assets	Non-Current Financial Assets					
Euro thousands	Principal	Interest					Variable	Spread	2022	2023	2024	2025	After 2025		
Loan FILA Arches (France)	21,185	282	21,467	2020	EUR	France	3-month Euribor	3.45%	21,467	-	-	-	-	None	None
Loan Canson Sas (France)	645	15	660	2019	EUR	France	3-month Euribor	3.15%	660	-	-	-	-	None	None
Loan Canson Sas (France)	16,369	244	16,613	2016	EUR	France	3-month Euribor	3.75%	16,613	-	-	-	-	None	None
Loan Lodi 12 Sas (France)	418	15	433	2016	EUR	France	3-month Euribor	3.75%	433	-	-	-	-	None	None
Loan Canson Australia Pty Ltd. (Australia)	1,619	24	1,643	2016	EUR	Australia	3-month Euribor	3.75%	1,643	-	-	-	-	None	None
Loan Canson Australia Pty Ltd. (Australia)	673	8	681	2021	EUR	Australia	3-month Euribor	2.35%	43	35	35	35	531	None	None
Loan Daler Rowney Ltd. (U.K.)	1,200	17	1,217	2016-2019	EUR	U.K.	3-month Euribor	3.50%	1,217	-	-	-	-	None	None
Loan Daler Rowney Ltd. (U.K.)	1,122	-	1,122	2019	EUR	U.K.		0.00%	1,122	-	-	-	-	None	None
Loan Daler Rowney Ltd. (U.K.)	1,901	25	1,926	2019	EUR	U.K.	3-month Euribor	3.00%	1,926	-	-	-	-	None	None
Loan Industria Maimeri S.p.A. (Italy)	4,566	19	4,585	2022	EUR	Italy	6-month Euribor	2.00%	4,585	-	-	-	-	None	None
Loan Industria Maimeri S.p.A. (Italy)	4,000	18	4,018	2021	EUR	Italy	3-month Euribor	0.90%	4,018	-	-	-	-	None	None
Loan Fila SA (South Africa)	150	6	156	2021	EUR	South Africa	3-month Euribor	1.85%	66	40	50	-	-	None	None
Loan Canson Brasil I.P.E. Ltda (Brazil)	1,700	86	1,786	2012	EUR	Brazil	3-month Euribor	3.50%	786	1,000	-	-	-	None	None
Loan FILA Stationery O.O.O. (Russia)	1,043	357	1,400	2013-2020	EUR	Russia	3-month Euribor	2.25% - 3.75%	1,400	-		-	-	None	None
Loan FILA Stationery O.O.O. (Russia)	200	1	201	2020	RUB	Russia	3-month Euribor	2.25%	201	-	-	-	-	None	None
Loan FILA Stationery O.O.O. (Russia)	1,475	28	1,503	2022	EUR	Russia	3-month Euribor	2.50%	1,503	-	-	-	-	None	None
Loan FILA Stationery O.O.O. (Russia)	1,250	1	1,251	2022	EUR	Russia	3-month Euribor	2.50%	1,251					None	None
Total Loans and Financial Assets - Subsidiaries	**59,516**	**1,146**	**60,663**						**58,936**	**1,075**	**85**	**35**	**531**		
Security Deposits	23	-	23	2004-15-19-20	EUR	Italy		0.00%	-	-	-	-	23	None	None
Total Other Financial Assets - Third Parties	**23**	**-**	**23**						**-**	**-**	**-**	**-**	**23**		
Loss Allowance (IFRS9)	(3,494)		(3,494)						(3,477)	(17)	-	-	-		
Total amount	**56,045**	**1,146**	**57,192**						**55,459**	**1,058**	**85**	**35**	**554**		

"Other Financial Assets - Subsidiaries" of Euro 5,625 thousand at December 31, 2022, directly relate to the dividend not paid by the subsidiary Dixon Ticonderoga U.S.A. when closing the 2022 financial year.

"Other Financial Assets - Third Parties" of Euro 2,317 thousand at December 31, 2022 (Euro 92 thousand at December 31, 2021) mainly include:

- deposits paid to third parties as contractual guarantees for the provision of services and goods (Euro 23 thousand);
- the fair value of the derivatives on the loan (hedged instrument) issued in favour of the Company. The fair value is Euro 2,294 thousand.

The increase on the previous year end is directly attributable to the change in derivative instruments, which were recognised as a liability among "Financial Instruments" at December 31, 2021, whereas at December 31, 2022 they have been recognised as "Other Financial Assets - Third Parties" given their positive performance. The accounting treatment adopted for the hedging instruments centres on hedge accounting and in particular that concerning "cash flow hedges" and involving the recognition of a financial asset or liability and an equity reserve with reference to pure cash flows which establishes the efficacy of the hedge (reference should be made to "Note 12 - Share Capital and Equity"), while the negotiating charges incurred against the contractual amendment to the hedged instrument (elimination of the floor to zero) were subject to amortised cost and bank financial liabilities, with subsequent reversal to profit or loss of the amount pertaining to each year until conclusion of the contract.

In addition, in 2022 the company waived the partial repayment of Euro 79 thousand from Gianni Maimeri.

We break down below by bank the notionals subject to hedging by derivative instruments, the relative fair values, in addition to the relative contractual conditions:

Note 17 - FINANCIAL INSTRUMENTS

F.I.L.A. S.p.A. *Valori in Euro*						Banca Nazionale del Lavoro S.p.A.	Intesa Sanpaolo S.p.A.	Banco BPM S.p.A.	BPER Banca S.p.A.	Mediobanca Banca di Credito Finanziario S.p.A.	Credit Agricole Italia S.p.A.	UniCredit S.p.A.	
IRS	Date Agreed	Loan	% Hedge	Fixed Rate	Variable Rate	Notional	Notional	Notional	Notional	Notional	Notional	Notional	Notional
IRS 1	September 20, 2022	TLA F.I.L.A. S.p.A.	65%	2,610%	3 Month Euribor	3,880,164	3,880,164	20,245,386	3,917,238	3,917,238	3,917,238	17,117,573	56,875,001
IRS 2	September 20, 2022	TLB F.I.L.A. S.p.A.	65%	2,645%	3 Month Euribor	10,987,836	10,987,836	17,156,681	5,483,738	5,483,738	5,483,738	16,956,434	72,540,000
						14,868,000	**14,868,000**	**37,402,067**	**9,400,976**	**9,400,976**	**9,400,976**	**34,074,007**	**129,415,001**

As per IFRS 7, the accounting treatment by class of financial assets at December 31, 2022 was as follows:

Euro thousands		December 31, 2022	Assets measured at FVOCI	Assets at Amortised Cost	Total
Non-Current assets					
Non-Current Financial Assets	Note 3	4,027		4,027	4,027
Current assets					
Cash and Cash Equivalents	Note 9	36,246		36,246	36,246
Current Financial Assets	Note 3	61,134		61,134	61,134
Trade Receivables and Other Assets	Note 8	19,365		19,365	19,365

Euro thousands		December 31, 2021	Assets measured at FVOCI	Assets at Amortised Cost	Total
Non-Current assets					
Non-Current Financial Assets	Note 3	3,604	-	3,604	3,604
Current assets					
Cash and Cash Equivalents	Note 9	54,647	-	54,647	54,647
Current Financial Assets	Note 3	59,186	-	59,186	59,186
Trade Receivables and Other Assets	Note 8	18,186	-	18,186	18,186

Note 4 - Equity Investments

"Equity Investments" at December 31, 2022 amount to Euro 371,063 thousand (Euro 372,434 thousand at December 31, 2021).

The changes of the year are shown below:

Note 4.A - EQUITY INVESTMENTS				
Euro thousands	Investments in Subsidiaries	Investments in Associates	Investments in Other Companies	Total Amount
December 31, 2021	**372,410**	**23**	**2**	**372,435**
Increases	74	-	-	74
Decreases	(1,445)	-	-	(1,445)
December 31, 2022	**371,039**	**23**	**2**	**371,064**
Change	**(1,371)**	**-**	**-**	**(1,371)**

The decrease of the year totalling Euro 1,371 thousand is due to the following effects:

- Definition of the 2019-2021 Performance Shares Plan, which had a negative impact of Euro 500 thousand based on performance over the three-year period. This effect is offset by the positive effect for Euro 74 thousand relating to the new “2022-2024 Performance Shares Plan” concerning investments by F.I.L.A. S.p.A. reserved for the executives and managers of the Group’s international subsidiaries.
- Full write-down of the investment in the subsidiary Fila Stationery O.O.O. in the amount of Euro 945 thousand in response to the outcome of impairment testing.

Investments in subsidiaries at December 31, 2022 and the changes of the year are illustrated in the table below:

Note 4.B - INVESTMENTS IN SUBSIDIARIES				
Euro thousands	December 31, 2021	Increases	Decreases	December 31, 2022
F.I.L.A. Iberia S.L. (Spain)	221	2	(14)	209
Fila Arches (France)	22,574			22,574
Dixon Ticonderoga Co. (U.S.A.)	107,644	47	(429)	107,262
F.I.L.A. Chile Ltda (Chile)	62	3		65
Lyra Bleistift-Fabrik GmbH & Co. KG	12,454	4		12,458
FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	4,069			4,069
FILA Art & Craft (Israel)	-			-
FILA Stationery O.O.O. (Russia)	945	-	(945)	-
Industria Maimeri S.p.A.	1,603			1,603
FILA S.A. (Pty) Ltd. (South Africa)	3,747			3,747
FILA Hellas S.A. (Greece)	2,797			2,797
Fila Polska Sp. Z.o.o (Poland)	44			44
DOMS Industries PTV Ltd (India)	57,278			57,278
Renoir Topco Limited (UK)	97,286	8	(19)	97,275
St. Cuthberts Holdings Limited (UK)	6,727			6,727
Canson SAS (France)	37,778	8	(38)	37,748
Lodi 12 SAS (France)	17,133	2		17,135
Fila Art Products AG (Switzerland)	48			48
Total	**372,410**	**74**	**(1,445)**	**371,038**

For further details, reference should be made to the "Significant events in the year" paragraph.

A comparison between the carrying amounts of the equity investments and the share of equity of the subsidiaries at December 31, 2022 is illustrated in the table below:

IMPAIRMENT TEST INVESTMENTS RESULT

Subsidiaries *Euro thousands*	**Equity at December 31, 2022**	**Total investment percentage**	**Share of Equity**	**Carrying amount**
Fila SA PTY LTD (South Africa)	1,708	99.43%	1,699	3,747
Fila Stationary O.O.O. (Russia)	(48)	90.00%	(43)	945
FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	1,524	100.00%	1,524	4,070
DOMS Industries PVT LTD (India)	48,198	51.00%	24,581	57,278
Industria Maimeri S.p.A. (Italy)	(374)	51.00%	(191)	1,603
Renoir Topco Ltd (UK) (1)	74,341	100.00%	74,341	97,274
St. Cuthberts Holding (UK) (3)	6,031	100.00%	6,031	6,726
Lodi 12 (France) (2)	577	100.00%	577	17,133
Fila Hellas (Greece)	2,301	100.00%	2,301	2,797
FILA Art Products AG (Switzerland)	600	52.00%	312	48
Fila Arches (France)*	23,891	100.00%	23,891	22,574

(1) - Renoir Topco Ltd (UK); Renoir Midco Ltd (UK); Renoir Bidco Ltd (UK); FILA Benelux SA (Belgium); Daler Rowney Ltd (UK); Brideshore srl (Dominican Republic).

(2) - Lodi 12 SAS (France); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China);Canson Italy (Italy).

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

** The carrying amount in F.I.L.A. S.p.A.'s separate financial statements at December 31, 2022 is considered recoverable on the basis of the same assumptions used for the FILA Arches CGU in testing the recoverability of goodwill*

The investments held by F.I.L.A. S.p.A. in subsidiaries were subject to impairment tests where indicators highlighted a possible impairment loss, comparing the carrying amount in the financial statements with the recoverable amount. The "Value in use" was used to establish the recoverable amount of investments. The Value is use as per IAS 36 is calculated as the present value of expected cash flows.

The expected cash flows for the calculation of the "Value in use" of each subsidiary are developed based on the information received from the Boards of Directors of the individual subsidiaries in the 2023 Budget, approved by the Group's Board of Directors on February 13, 2023, and the Business Plan approved by the same Board on March 16, 2023. On March 16, 2023, impairment testing related to 2022 was also approved.

In particular, the cash flows were determined based on the assumptions in the budget and applying the growth rate identified for each subsidiary in line with the long-term assumptions relating to the growth rate of the sector and the specific country risk in which each company operates. The "Terminal Value" was calculated applying the perpetual yield method. These financial estimates were subject to approval by the Boards of Directors of the individual Group companies subject to impairment testing.

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

The table below outlines the main assumptions for the impairment test on the investments held. The discount rate is different from December 31, 2021 to reflect the changed market conditions at December 31, 2022, as commented upon below:

IMPAIRMENT TEST - VALUE IN USE CALCULATION ASSUMPTIONS

Euro thousands	Discount Rate (W.A.C.C.)*	Growth Rate (g rate)*	Cash Flow Horizon	Terminal Value Calculation Method
FILA SA (South Africa)	15.2%	4.5%	5 years	Perpetuity growth rate
Fila Stationary O.O.O. (Russia)	21.8%	4.0%	5 years	Perpetuity growth rate
Fila Stationary and Office Equipment Industry Ltd. Co (Turkey)	23.8%	7.8%	5 years	Perpetuity growth rate
DOMS Industries Pvt Ltd (India)	13.8%	4.3%	5 years	Perpetuity growth rate
Industria Maimeri S.p.A. (Italy)	8.9%	1.7%	5 years	Perpetuity growth rate
Renoir Topco Ltd (UK) (1)	8.1%	1.9%	5 years	Perpetuity growth rate
St. Cuthberts Holding (UK) (3)	8.1%	1.9%	5 years	Perpetuity growth rate
FILA Art Products AG (Svizzera)	6.3%	1.4%	5 years	Perpetuity growth rate
Fila Hellas	13.3%	1.4%	5 years	Perpetuity growth rate
Lodi 12 (France) (2)	7.3%	1.9%	5 years	Perpetuity growth rate
Fila Arches	7.3%	1.9%	5 years	Perpetuity growth rate

(1) - Renoir Topco Ltd (UK); Renoir Midco Ltd (UK); Renoir Bidco Ltd (UK); FILA Benelux SA (Belgium); Daler Rowney Ltd (UK); Brideshore srl (Dominican Republic); Castle Hill Crafts (UK); Creativity International (UK).
(2) - Lodi 12 SAS (France); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China) Fila Yixing (China); Canson Italy (Italy).
(3) - St. Cuthberts Holding (UK); St. Cuthberts Mill (UK).
** Source Bloomberg*

Considering the existence of indicators of impairment, impairment tests were carried out on the following subsidiaries:

- F.I.L.A. SA PTY LTD (South Africa);
- FILA Stationery and Office Equipment Industry Ltd. Co. (Turkey);
- Fila Stationery O.O.O. (Russia);
- Renoir Topco Ltd (United Kingdom);
- DOMS Industries Pvt Ltd (India);
- St. Cuthberts Holding (United Kingdom);
- Lodi 12 (France);
- Fila Hellas SA (Greece);
- Industria Maimeri S.p.A. (Italy);
- Fila Arches SAS (France);
- FILA Art Product AG (Switzerland).

The above analysis confirmed the full recoverability of the equity investments analysed and the reasonableness of the assumptions used with the exception of the company Fila Stationery O.O.O (Russia), which was fully impaired for Euro 945 thousand.

A Sensitivity Analysis was also carried out to verify the recoverability of the equity investment against possible increases and decreases of 0.5 percent in the "Growth Rate" and "WACC".

We have also taken account of the content of the report of the ESMA published in May 2022 entitled "Implications of Russia's invasion of Ukraine on half-yearly financial reports" and Consob notice No. 3/2022 of May 19, 2022.

Note 5 – Deferred Tax Assets

"Deferred tax assets" amount to Euro 3,684 thousand at December 31, 2022 (Euro 5,082 thousand at December 31, 2021).

Note 5.A - CHANGES IN DEFERRED TAX ASSETS

Euro thousands	
December 31, 2021	**5,082**
Increase	1,173
Utilisation	(2,571)
December 31, 2022	**3,684**
Change	**(1,398)**

"Deferred Tax Assets" at December 31, 2022 refer to temporary differences deductible in future years, recognised as there is a reasonable certainty of the existence, in the years in which they will reverse, of taxable profit not lower than the amount of these differences.

The breakdown of deferred tax assets is illustrated below:

NOTE 5.B - BREAKDOWN OF DEFERRED TAX ASSETS

	Statement of Financial Position		Profit or Loss		Reclassifications		Equity	
Euro thousands	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2021**	**2020**
Deferred tax assets relating to:								
ACE	2,318	2,713	(395)	(774)	-	(420)	-	-
Directors' Remuneration	137	452	(315)	176	-	-	-	-
Capital Increase 2018 Expenses	59	447	(388)	(388)	-	-	-	-
Employees' bonuses	-	430	(430)	430	-	-	-	-
Intangible Assets	100	100	0	0	-	-	-	-
Property, Plant and Equipment	149	149	0	(3)	-	-	-	-
Loss allowance, taxed	219	220	(1)	(72)	-	-	-	-
Inventories	160	141	19	40	-	-	-	-
Agent Leaving Indemnities	225	228	(3)	-	-	-	-	-
IFRS 9	234	131	103	12	-	-	-	-
IFRS 16	83	63	20	23	-	-	-	-
Provisions for risks and charges	-	9	(9)	(12)	-	-	-	-
Total deferred tax assets	**3,684**	**5,082**	**(1,398)**	**(567)**	**-**	**(420)**	**-**	**-**

The caption "ACE" includes the recognition of deferred tax assets calculated on the surplus of the ACE amount to be carried forward to subsequent years.

In 2022, a utilisation of Euro 1,155 thousand was recorded to cover the IRES taxable income generated at December 31, 2022, a change offset by an increase of Euro 761 thousand.

The deferred tax asset calculation was made by F.I.L.A. S.p.A., evaluating the projected future recovery of these assets based on updated strategic plans, together with the relative tax plans.

Note 6 - Current Tax Assets

"Current Tax Assets" totalled Euro 907 thousand at December 31, 2022 (Euro 923 thousand at December 31, 2021) and include IRES and IRAP tax assets.

The main change during the year is due to the use of assets accrued in previous years in relation to IRES 2015 of Euro 387 thousand.

Note 7 - Inventories

"Inventories" at December 31, 2022 amount to Euro 32,646 thousand (Euro 25,697 thousand at December 31, 2021).

The breakdown of inventories is as follows:

Note 7.A - INVENTORIES

Euro thousands	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2020	**4,746**	**3,206**	**17,744**	**25,697**
December 31, 2021	**5,947**	**3,735**	**22,964**	**32,646**
Change	**1,201**	**529**	**5,220**	**6,949**

This caption reports an increase of Euro 6,949 thousand, primarily due to procurement carried out in order to meet orders in a timely manner.

Inventories are shown net of the allowance for inventory write-down for raw materials, work in progress and finished goods, amounting respectively at December 31, 2022 to Euro 135 thousand (Euro 101 thousand at December 31, 2021), Euro 96 thousand (Euro 96 thousand at December 31, 2021) and Euro

269 thousand (Euro 205 thousand at December 31, 2021), which refer to obsolete or slow moving materials for which it is not considered possible to recover their value through sales.

No inventory is provided as a guarantee on liabilities.

The changes in the allowance for inventory write-downs in the year were as follows:

Note 7.B - CHANGE IN THE ALLOWANCE FOR INVENTORY WRITE-DOWN

Euro thousands	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2020	**50**	**50**	**170**	**270**
Accruals	75	100	60	235
Utilisation	(24)	(54)	(26)	(104)
December 31, 2021	**101**	**96**	**205**	**402**
Accruals	57	-	125	182
Utilisation	(23)	-	(61)	(84)
December 31, 2021	**135**	**96**	**269**	**500**
Change	**34**	**-**	**64**	**98**

During the year the allowance was used for Euro 84 thousand for disposals and product scrapping. The accruals of the year, amounting to Euro 182 thousand, were made for obsolete materials and slow moving inventories at December 31, 2022.

Note 8 – Trade receivables and Other assets

"Trade Receivables and Other Assets" amount to Euro 19,516 thousand, up by Euro 1,330 thousand on the previous year, when they amounted to Euro 18,186 thousand.

The caption breaks downs as follows:

Note 8.A - TRADE RECEIVABLES AND OTHER ASSETS

Euro thousands	December 31, 2022	December 31, 2021	Change
Trade Receivables	12,131	10,537	1,594
Tax Assets	1,680	553	1,127
Other Assets	214	230	(16)
Prepayments and Accrued Income	913	1,018	(105)
Third parties	**14,938**	**12,338**	**2,600**
Trade Receivables - Subsidiaries	4,579	5,848	(1,269)
Subsidiaries	**4,579**	**5,848**	**(1,269)**
Total	**19,516**	**18,186**	**1,331**

"Trade receivables from third parties" amount to Euro 14,938 thousand at December 31, 2022 (Euro 12,338 thousand at December 31, 2021).
"Trade receivables from third parties" increased on December 31, 2021, by Euro 2,600 thousand due mainly to the increase in average collection period compared to the previous year.

"Trade Receivables from Subsidiaries" amount to Euro 4,579 thousand at December 31, 2022 (Euro 5,848 thousand at December 31, 2021).
"Trade Receivables from Subsidiaries" decreased on December 31, 2021 by Euro 1,269 thousand, mainly due to the lower rebilling of services, particularly for ERP management in the year, in addition to commercial transaction dynamics.

The amounts of the previous table are shown net of the loss allowance.

At December 31, 2022, there were no trade receivables pledged as guarantees.

All of the above assets are due within 12 months.

The breakdown by geographical segment of trade receivables (by customers) is illustrated in the table below:

Note 8.B - TRADE RECEIVABLES FROM THIRD PARTIES BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2022	December 31, 2021	Change
Europe	11,610	10,086	1,524
Asia	508	440	68
Other	13	11	2
Total	**12,131**	**10,537**	**1,594**

The changes in the loss allowance are illustrated in the table below.

Note 8.C - CHANGES IN THE LOSS ALLOWANCE

Euro thousands	
December 31, 2020	**1,808**
Accruals	303
Utilisation	(498)
Release	(13)
December 31, 2021	**1,599**
Accruals	275
Utilisation	(296)
December 31, 2022	**1,578**
Change	**(21)**

The Company measures the loss allowance at an amount reflecting the lifetime expected credit losses of the asset. In order to establish whether the credit risk concerning a financial asset has increased significantly after initial recognition in order to assess expected losses on trade receivables, the company considers reasonable and demonstrable information which is pertinent and available without excessive cost and burden. Quantitative and qualitative information and analysis, based on historical experience, to assess the asset - in addition to information indicative of expected developments - is included.

During the year, the use of the “Loss Allowance” for Euro 296 thousand concerns the cancellation of commercial positions considered by management as no longer recoverable.

“Tax assets” includes VAT and other local taxes other than direct income taxes.

Current tax assets amount to Euro 1,680 thousand at December 31, 2022 (Euro 553 thousand at December 31, 2021) and mainly concern the VAT asset accrued during the year in the amount of Euro 1,533 thousand.

“Other assets” mainly includes amounts due from suppliers for credit notes received and supplier advances. At December 31, 2022 the caption amounts to Euro 214 thousand (Euro 230 thousand at December 31, 2021).

“Prepayments and accrued income” include costs incurred in 2022 but pertaining to the following year. The following components are of particular note: insurance premiums (Euro 378 thousand) and agency fees (Euro 128 thousand). The carrying amount of “Other assets” represents the “fair value” at the reporting date.

All of the above assets are due within 12 months.

Note 9 - Cash and Cash Equivalents

“Cash and Cash Equivalents” at December 31, 2022 amount to Euro 36,297 thousand (Euro 54,647 thousand at December 31, 2021).

The breakdown and comparison with the previous year is illustrated in the table below.

Note 9.A - CASH AND CASH EQUIVALENTS

Euro thousands	Bank and postal deposits	Cash in hand and other cash equivalents	Total
December 31, 2021	**54,640**	**7**	**54,647**
December 31, 2022	**36,291**	**6**	**36,297**
Change	**(18,349)**	**(1)**	**(18,350)**

"Bank and Postal Deposits" consist of temporary liquid funds as part of treasury management and concern the ordinary current accounts of F.I.L.A. S.p.A..
Bank and postal deposits are remunerated at rates near zero. There are no bank and postal deposits subject to restrictions.

Group cash management

In 2022, F.I.L.A. S.p.A., as the parent of the Group, decided to implement cash pooling accounts for the purpose of group cash management.

Given that cash pooling enables corporate groups to minimise expenses for banking transactions thanks to economies of scale, the Company has decided to optimise group cash management by establishing a system of cash pooling.

The primary objectives of centralising the Group's treasury management are: (i) to minimise costs; (ii) to maximise returns and the use of resources; (iii) to optimise financial structure, negotiating power, and financial risks; and (iv) to eliminate holding positive and negative balances at the same time.

Cash pooling is used to optimise only short-term needs of financing and investment. For long-term financing and investment needs, appropriate medium or long-term inter-company and/or bank loans are used.

During the year under review, two cash pooling agreements were signed with subsidiaries. On September 23, 2022, a cash management contract was entered into regarding the subsidiary Industria Maimeri S.p.A., and on September 29, 2022, a cash management contract was entered into concerning the subsidiary F.I.L.A. Iberia.

For comments on cash flows of the year reference should be made to the statement of cash flows.

Net Financial Debt

The "Net Financial Debt" of F.I.L.A. S.p.A. at December 31, 2022 was as follows:

	Euro thousands	December 31, 2022	December 31, 2021	Change 2022 - 2021
A	Cash	6	7	(1)
B	Cash equivalents	36,291	54,641	(18,350)
C	Other current financial assets	61,134	59,186	1,948
D	**Liquidity (A + B + C)**	**97,431**	**113,833**	**(16,402)**
E	Current bank loans and borrowings	(7,988)	(667)	(7,321)
F	Current portion of non-current bank loans and borrowings	(21,226)	(20,570)	(656)
G	**Current financial debt (E + F)**	**(29,214)**	**(21,237)**	**(7,977)**
H	**Net current financial (position) debt (G - D)**	**68,217**	**92,597**	**(24,380)**
I	Non-current bank loans and borrowings	(186,547)	(214,502)	27,955
J	Bonds issued	-	-	-
K	Trade payables and other non current liabilities	-	-	-
L	**Non-current financial debt (I + J + K)**	**(186,547)**	**(214,502)**	**27,955**
M	**Net financial debt (H + L)**	**(118,330)**	**(121,905)**	**3,575**
N	**Long term loans issued**	**1,710**	**3,590**	**(1,880)**
O	**Net financial debt (M + N) - F.I.L.A. S.p.A.**	**(116,620)**	**(118,315)**	**1,695**

The reconciliation between the Net Financial Debt - F.I.L.A. S.p.A. and the Statement of Financial Position is reported below:

- captions "A - Cash" and "B - Cash equivalents" are included in "Note 9 - Cash and cash equivalents";
- caption "C - Other current financial assets" refers to "Note 3 - Current financial assets";
- caption "G - Current financial debt" relates to “Note 13 - Current Financial Liabilities” and contains caption “F - Current portion of non-current bank loans and borrowings” which refers to the current portion of IFRS 16 Financial Liabilities and to the current portion of long-term loans;
- caption "I - Non-current bank loans and borrowings” refers to “Note 13 - Non-current financial liabilities” and “Note 17 - Financial instruments”.
- the caption “N - Long term loans issued” relates to the caption “Loans and financial assets - Subsidiaries”, as per “Note 3 - Non-Current Financial Assets”.

Compared to the Net Financial Debt of December 31, 2021, an improvement of Euro 1,695 thousand was reported.

This movement, as may be seen from the statement of cash flows, is principally related to:

- cash generation totalling Euro 4,123 thousand from operating activities;
- net investments in “Property, Plant and Equipment and Intangible Assets” of Euro 3,930 thousand (Euro 3,620 thousand in 2021);
- cash generation totalling Euro 13,628 thousand from dividends received from subsidiaries;
- payment of financial expense of Euro 9,734 thousand.

Note 12 - Share Capital and Equity

Share capital

The subscribed and paid-up share capital at December 31, 2022 of F.I.L.A. S.p.A. 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:

Share capital composition - December 31, 2022	No. of shares	% of share capital	Euro	Listing
Ordinary shares	42,976,411	84.17%	39,548,544	EXM - Euronext STAR
Class B shares (multiple votes)	8,081,856	15.83%	7,437,229	Unquoted Shares

According to the available information, published by Consob and updated at December 31, 2022, the main shareholders of the Company were:

Shareholders	Ordinary shares	%
Pencil S.r.l.	11,628,214	27.06%
Market investors *	31,348,227	72.94%
Total	**42,976,441**	

Shareholders	Ordinary shares	Class B shares	Total	Voting rights
Pencil S.r.l.	11,628,214	8,081,856	19,710,070	53.37%
Market investors *	31,348,227		31,348,227	46.63%
Total	**42,976,441**	**8,081,856**	**51,058,297**	

**includes 186.891 treasury 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.

The availability and distributability of equity is outlined in the following table:

NOTE 12.A ORIGIN, POSSIBILITY OF USE AND DISTRIBUTION OF EQUITY						
					Summary of the use in the past three years (2019 - 2021)	
Euro thousand	Equity items	December 31, 2022	Possibility of use	Available portion	to cover losses	other reasons
	Share Capital	**46,986**		-	-	-
	Treasury Shares	(1,794)		-	-	-
	Reserves:					
	Legal Reserve	9,397	**B**	9,397	-	-
	Share Premium Reserve	154,614	**A, B, C**	154,614	-	-
	Actuarial Reserve	(475)		-	-	-
	Other Reserves	24,007	**A, B, C**	24,007	-	-
	Profit for the year	48,099	**A, B, C**	33,047	-	21,964
	Total	**280,834**		**221,065**	**-**	**21,964**

Legend:
A - for share capital increase
B - to cover losses
C - for distribution to shareholders

Negative reserve for Treasury Shares in portfolio

In the period between March 24, 2022 and April 6, 2022, F.I.L.A. S.p.A. repurchased treasury shares on the regulated Euronext Milan market for 240,000 ordinary shares of F.I.L.A. S.p.A. (representing 0.4701% of the Share Capital) for a total value of Euro 2,324 thousand.

These transactions were carried out as part of the share buyback program, approved by the Company's Board of Directors on March 23, 2022, and as per the authorisation of the Shareholders of April 27, 2021.

Prior to the launch of the Program, the company held 51,500 ordinary treasury shares, representing 0.1009% of the share capital.

In addition, during the year the reserve altered due to the free allocation of shares of the Company F.I.L.A. S.p.A. to each beneficiary of the “2019-2021 Performance Shares” Plan on the basis of the achievement of the performance objectives on conclusion of the three-year vesting period. On closure of the “2019-2021 Performance Shares” Plan, 104,609 treasury shares have been allocated for Euro 1,017 thousand.

At December 31, 2022, F.I.L.A. S.p.A. held 186,891 treasury shares, for a total value of Euro 1,794 thousand (equal to the “Negative reserve for treasury shares in portfolio” deducted from consolidated equity).

Legal reserve

At December 31, 2022 this caption amounted to Euro 9,397 thousand. An increase of Euro 659 thousand as per the Shareholders’ resolution of April 27, 2022, is reported, which allocated a portion of the profit for the year to the legal reserve in accordance with Article 2430 of the Civil Code.

Share premium reserve

The balance at December 31, 2022 amounted to Euro 154,614 thousand (Euro 154,646 thousand at December 31, 2021). The decrease of Euro 32 thousand is due to the price difference between the purchase value and the allocation value of the shares allocated free of charge to the beneficiaries of the "2019-2021 Performance Shares" Plan.

Actuarial reserve

Following the application of IAS 19, the equity reserve is negative for Euro 474 thousand, increasing in the year by Euro 107 thousand.

Other reserves

At December 31, 2022, the reserve is positive for Euro 24,007 thousand, increasing Euro 2,457 thousand on December 31, 2021.

The changes concern the following events:

- "Share-Based Premium" reserve of Euro 199 thousand, decreasing Euro 1,903 thousand from the previous year (Euro 2,102 thousand at December 31, 2021) due to the full closure of the previous "2019-2021 Performance Shares Plan" and the consequent recognition of the portion for the period of the medium/long-term "2022-2024 Performance Shares 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.
- The Hedging reserve, recognised to account for fair value changes in the hedging instruments (IRSs) entered into by F.I.L.A. S.p.A., amounted to a positive Euro 2,294 thousand at December 31, 2022. The increase for the year amounted to Euro 4,361 thousand, as a result of the closure of the hedging reserve carried at December 31, 2021 (in the amount of Euro 2,067 thousand)

related to the syndicate loans extinguished on July 28, 2022, and the related recognition of the change in the fair value of the IRSs hedging the financing received on that date.

In relation to utilisations, in addition, we report the presence in other reserves of reserves taxable on distribution for Euro 3,885 thousand at December 31, 2022.

Retained Earnings

This caption amounts to Euro 48,099 thousand at December 31, 2022 (Euro 43,455 thousand at December 31, 2021). The increase of Euro 4,644 thousand relates to the application of the shareholders' resolution of April 27, 2022 concerning the allocation of the 2021 profit of Euro 17,002 thousand to "Retained earnings" for Euro 4,644 thousand, net of the allocation to the legal reserve for Euro 659 thousand.

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

Dividends

During the year under review, F.I.L.A. S.p.A. distributed dividends to the Shareholders for a total of Euro 11,699 thousand, corresponding to Euro 0.23 for each outstanding share.

F.I.L.A. S.p.A. expects to receive approx. Euro 25 million from subsidiaries in 2023.

Over the last three years and in its forecasts, the F.I.L.A. Group coordinates its dividend policy in line with the financial needs of its non-recurring transactions.

……………………

The Board of Directors of F.I.L.A. S.p.A. have proposed:

1. to allocate the "Profit for the year" of Euro 15,668,544.54 as follows:

   - to the distribution of a dividend to shareholders in the amount of Euro 0.12 for each of the 51,058,297 F.I.L.A. S.p.A. shares (ordinary and special) that will be issued and in circulation at the ex-dividend date indicated below (net of treasury shares that will be in the portfolio at the record date indicated below), for a total maximum amount of Euro 6,126,995.64;

- to "Retained earnings" the residual, for a total minimum amount of Euro 9,541,548.90, which may be increased in relation to the dividend not distributed in respect of treasury shares held in portfolio at the record date;

2. to pay, gross of any withholding taxes, a dividend in the amount of Euro 0.12 for each of the F.I.L.A. S.p.A. shares (ordinary and special) issued and in circulation at the ex-dividend date indicated below (net of treasury shares that will be in the portfolio at the record date indicated below), with ex-dividend date, record date and payment date on May 22, 23 and 24, 2023, respectively.

Note 13 - Financial Liabilities

The balance at December 31, 2022 amounts to Euro 218,055 thousand (Euro 233,670 thousand at December 31, 2021), of which Euro 188,841 thousand long-term and Euro 29,215 thousand short-term. It includes the current portion of other loans and borrowings, current account overdrafts concerning ordinary operations, financial liabilities resulting from application of IFRS 16, and financial liabilities related to transactions with subsidiaries.

The breakdown at December 31, 2022 is illustrated below:

Note 13.A - FINANCIAL LIABILITIES: Third parties											
	Bank loans and borrowings		Other loans and borrowings		Current account overdrafts		Lease liabilities		From subsidiaries		Total
Euro thousands	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
December 31, 2021	**232,699**	**(953)**	**247**	**-**	**-**	**-**	**1,676**	**-**	**-**	**-**	**233,670**
non-current portion	212,610	(1,370)	-	-	-	-	1,196	-	-	-	212,435
current portion	20,089	417	247	-	-	-	481	-	-	-	21,234
December 31, 2021	**209,829**	**(957)**	**483**	**-**	**-**	**126**	**1,294**	**-**	**7,256**	**24**	**218,055**
non-current portion	189,079	(1,056)	-	-	-	-	818	-	-	-	188,841
current portion	20,750	99	483	-	-	126	476	-	7,256	24	29,215
Change	**(22,870)**	**(4)**	**236**	**-**	**-**	**126**	**(382)**	**-**	**7,256**	**24**	**(15,616)**
non-current portion	(23,531)	314	-	-	-	-	(378)	-	-	-	(23,595)
current portion	661	(318)	236	-	-	126	(5)	-	7,256	24	7,982

Financial liabilities – Bank loans and borrowings

The changes in 2022 are described below.

On July 28, 2022, a new medium to long-term loan totalling Euro 199.1 million, in addition to an RCF line of Euro 75.0 million, was completed.

The transaction made it possible to settle the existing medium to long-term debt in advance of its natural maturity, arising from the loan agreed in 2018 with a bank syndicate, subsequently amended in 2019 as part of the acquisition of Arches, and the loan signed in 2020 with Cassa Depositi e Prestiti during the initial stages of the COVID-19 pandemic and subsequently extended in 2021, and thus to extend the maturity of its financial payables. As a whole, the transaction (hereafter "refinancing") sought to allow both a reduction in the existing medium to long-term debt through the use of excess cash in order to reduce the amount of borrowing costs, and an appropriate rescheduling of payment maturities, ensuring that the Company has the resources to continue on its growth trajectory.

The new financing, issued in Euro in amounts equal to Euro 274 million, was granted by the following banks:

- BNP Paribas and Intesa Sanpaolo as Global Coordinators, Bookrunners, Mandated Lead Arrangers, and Sustainability Coordinators;
- Banco BPM as Bookrunner and Mandated Lead Arranger;
- BPER, Credit Agricole, Mediobanca and Unicredit as Mandated Lead Arrangers; and
- Cassa Depositi as Lead Arrangers;
- Banca Nazionale del Lavoro S.p.A. (BNP Paribas Group with the role of Agent Bank.).

The operation is broken down as follows:

- Term Loan A in Euro - amortising tranche disbursed to F.I.L.A. S.p.A. for Euro 87.5 million, with a 5 year duration and average life of 3.7 years, for the refinancing and to cover the costs of the Transaction;
- Term Loan B in Euro – bullet tranche disbursed to F.I.L.A. S.p.A of Euro 111.6 million, with a 5 year duration, for the refinancing and to cover the costs of the Transaction;
- RCF - revolving credit facility multicurrency and multiborrower of Euro 75.0 million, with a 5 year duration, both for the refinancing and the financing of any future requirements generated by the working capital of the F.I.L.A. Group.

Bank Loans decreased by Euro 15,616 thousand during the year.
The decrease from the previous year is the direct result of the refinancing on July 28, 2022, of the loan obtained on June 4, 2028, by the Company aimed at carrying out the acquisition of Pacon Holding Company, the parent of the Pacon Group. The closing of the transaction entailed a cash outlay of Euro 224,813.

“Financial liabilities – Bank loans and borrowings – Non-current portion” amounted to Euro 189,079 thousand, broken down as follows:

- the non-current portion of Facility A1 for Euro 76,562 thousand (amortising line);
- the non-current portion of Facility B1 for Euro 111,600 thousand (bullet line);
- the fair value of the negotiation charges related to the derivative financial instruments of Euro 917 thousand undertaken in 2022;
- the current portion of Facility A1 for Euro 8,750 thousand (amortising line).

The loan bears interest at the 3-month Euribor, plus a spread of 1.90% on Facility A1, in addition to a spread of 2.20% on Facility B1, with quarterly calculation of interest.

The following is reported with regards to the loan repayment plan:

in Euro	Interest Rate	Maturity	December 31, 2022
Facility A1	3-month Euribor + spread 1.90%	July 2027	76,562,500
Facility B1	3-month Euribor + spread 2.20%	July 2027	111,600,000
Total Non-Current Financial Liabilities			**188,162,500**
Facility A1	3-month Euribor + spread 1.90%	December 2023	8,750,000
Hot Money Credem	Fixed rate 3,45%	January 2023	4,000,000
Hot Money BPM	3-month Euribor + spread 1.10%	June 2023	4,000,000
Hot Money Credit Agricole	3-month Euribor + spread 0.60%	March 2023	4,000,000
Total Current Financial Liabilities			**20,750,000**
Total Financial Liabilities			**208,912,500**

The repayment plan establishes for settlement by July 23, 2027 (“Termination Date”) through half-yearly principal instalments to be repaid from December 30, 2022 relating to the Facility “A1”. The Facility “B1” calls for the repayment of principal by July 23, 2027.

The repayment plan by maturity is outlined below:

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

Euro thousands	Facility	Principal
June 30, 2023	Facility A1	4,375
December 31, 2023	Facility A1	4,375
June 30, 2024	Facility A1	4,375
December 31, 2024	Facility A1	6,563
June 30, 2025	Facility A1	6,563
December 31, 2025	Facility A1	6,563
June 30, 2026	Facility A1	10,938
December 31, 2026	Facility A1	10,938
July 23, 2027	Facility A1	30,625
Total - Facility A1		**85,313**
July 23, 2027	Facility B1	111,600
Total - Facility B1		**111,600**
January 17, 2023	Credem	4,000
June 26, 2023	BPM	4,000
March 24, 2023	Credit Agricole	4,000
Total - RCF		**12,000**
TOTAL		**208,913**

In 2022, the Company obtained short-term "hot money" financing from three banks (Credem, BPM and Credit Agricole) in order to access a source of immediate funding at much lower cost than opening a line of credit in a current account.

F.I.L.A. S.p.A., exposed to future cash flow fluctuations in relation to the interest rate indexing mechanism under the loan agreed (hereafter "hedged instrument"), considered a hedge based on the payment of a fixed rate against the variable rate necessary (base parameter of the loan contract) to stabilise future cash flows.

The derivative instruments, qualifying as hedges and represented by Interest Rate Swaps, present characteristics in line with those of the hedged instrument, such as the same maturity and the same repayment plan broken down into quarterly instalments with interest in arrears, in addition to a variable interest rate indexed to the 3-month Euribor. Derivative financial instruments, in the form of 2 Interest Rate Swaps, were agreed with the same banks issuing the loan, concerning a total of 14 contracts.

Financial Liabilities - Other Loans and Borrowings

"Financial Liabilities - Other loans and borrowings" includes the amounts payable by F.I.L.A. S.p.A. to factoring companies for advances on transfer of trade receivables (Ifitalia S.p.A.) and the financial liabilities arising from the lease contracts due to the application of IFRS 16.

The balance at December 31, 2022 of other loans and borrowings was Euro 1,777 thousand (Euro 1,923 thousand at December 31, 2021).

Details on the timing of cash flows and "Other loans and borrowings" at December 31, 2022 concerning F.I.L.A. S.p.A. are illustrated in the following table:

Note 13.D - OTHER LOANS AND BORROWINGS

Description	General information								Loan Repayment plan		Guarantees Granted
	Amount		Total	Year	Curr.	Country	Interest		Current Financial Liabilities	Beyond 2022	
Euro thousands	Principal	Interest					Variable	Spread	2022		
Ifitalia S.p.A.	483	-	483	2022	EUR	Italy	0.75%	-	483	-	None
Leasing	1,294	-	1,294	2022	EUR	Italy	-	-	476	818	None
Total	**1,777**	**-**	**1,777**						**959**	**818**	

Reference should be made to the "Net Financial Debt" and the "Directors' Report – Financial Highlights of the F.I.L.A. Group – Financial Debt" in relation to the net financial debt at December 31, 2022.

As per IFRS 7, the accounting treatment by class of financial liabilities at December 31, 2022 was as follows:

Euro thousands		December 31, 2022	Liabilities measured at FVOCI	Liabilities at Amortised Cost	Total
Non-Current Liabilities					
Non-Current Financial Liabilities	Note 13	188,841	-	188,841	188,841
Financial Instruments	Note 17		-	-	-
Current Liabilities					
Current Financial Liabilities	Note 13	29,215	-	29,215	29,215
Trade Payables and Other Liabilities	Note 19	24,623	-	24,623	24,623

Euro thousands		December 31, 2021	Liabilities measured at FVOCI	Liabilities at Amortised Cost	Total
Non-Current Liabilities					
Non-Current Financial Liabilities	Note 13	212,435	-	212,435	212,435
Financial Instruments	Note 17	2,067	-	2,067	2,067
Current Liabilities					
Current Financial Liabilities	Note 13	21,237	-	21,237	21,237
Trade Payables and Other Liabilities	Note 19	21,809	-	21,809	21,809

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

Euro thousands	Bank Loans and Borrowings	Other Loans and Borrowings	Current Account Overdrafts	Hedging Derivatives	Total
	Note 13	*Note 13*	*Note 13*	*Note 17*	
December 31, 2021	**(231,746)**	**(247)**	**-**	**(2,067)**	**(234,060)**
Cash Flows	23,119	(236)	(126)	-	22,757
Other Changes	(246)			-	(246)
Exchange gains (losses)	-	-	-	-	-
Fair Value variations	-	-	-	2,067	2,067
IFRS transition reserve	-	-	-	-	-
Translation differences	-	-	-	-	-
Change in consolidation scope	-	-	-	-	-
Retained earnings	-	-	-	-	-
December 31, 2022	**(208,873)**	**(483)**	**(126)**	**-**	**(209,356)**

Financial Liabilities - IFRS 16

"Financial Liabilities" at December 31, 2022 include the effects deriving from the adoption by the Company of IFRS 16 which came into force on January 1, 2019 and which led to a reduction of Euro 383 thousand as at December 31, 2022, of which Euro 378 thousand as the non-current portion and Euro 5 thousand as the current portion.

Financial Liabilities - Subsidiaries

At December 31, 2022, "Financial Liabilities –Subsidiaries" totalled Euro 7,280 thousand and concerned the cash-pooling liability recognised in 2022 with the Spanish subsidiary F.I.L.A. Iberia. The amount includes Euro 24 thousand of accrued interest.

Note 14 - Employee Benefits

The benefits recognised to employees of F.I.L.A. S.p.A. concern salary based Post-Employment Benefits, governed by Italian legislation and in particular Article 2120 of the Italian Civil Code. The amount of these benefits is in line with the contractually-established remuneration agreed between the parties on hiring.

The Post-Employment Benefits, accrued to December 31, 2006 are considered a defined benefit plan as per IAS 19. The benefits guaranteed to employees, under the form of the Post-Employment Benefits, paid on the termination of employment, are recognised in the period the right vests. The relative liability is based on actuarial assumptions and the effective liability accrued and not settled at the reporting date. The discounting process, based on demographic and financial assumptions, is undertaken applying the "Projected Unit Credit Method" by professional actuaries.

The Post-Employment Benefits accrued since January 1, 2007 are considered a defined contribution plan and therefore contributions accrued in the period were fully recognised as a cost and recorded as a liability under "Other Current Liabilities", after the deduction of any contributions already paid.

The amounts at December 31, 2022 were as follows:

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

Euro thousands	Post-employment benefits (Italy)	Other employee benefits	Total
December 31, 2021	**1,436**	**-**	**1,436**
Benefits paid	(802)	-	(802)
Interest cost	6	-	6
Service cost	660	-	660
Actuarial (gains) losses	(109)	-	(109)
December 31, 2022	**1,191**	**-**	**1,191**
Change	**(245)**	**-**	**(245)**

The net actuarial gains recorded in 2022 amounted to Euro 109 thousand. The actuarial changes of the year, net of the tax effect, were taken directly to equity.

There are no financial assets at December 31, 2022 invested by F.I.L.A. S.p.A. to cover financial liabilities relating to Post-Employment Benefits.

The table below highlights the net cost recognised in 2022 and 2021:

2. Cost Recognised in Profit and Loss	December 31, 2022	December 31, 2021
Service cost	(660)	(613)
Cost Recognised in Profit and Loss	**(660)**	**(613)**

The obligations deriving from the above-mentioned plans are calculated based on the following actuarial assumptions.

For comparative purposes we illustrate the actuarial assumptions applied in 2022:

3. Main Actuarial Assumptions at Reporting Date (average amounts)	December 31, 2022	December 31, 2021
Annual Technical Discount Rate	3.6%	0.4%
Increase in Cost of Living Index	5.9%	1.2%
Future Pensions Increase	5.9%	2.4%

Details on the timing of cash flows relating to post-employment benefits at December 31, 2022 are illustrated in the following table:

Note 14.B - EMPLOYEE BENEFITS: CASH FLOWS SCHEDULE

Nature *Euro thousands*	Amount	Cash flows schedule				
		2023	2024	2025	2026	Beyond 2026
Italian post-employment benefits (TFR)	1,191	153	101	138	68	731
Total	**1,191**					

Note 15 - Provisions for risks and charges

The "Provisions for Risks and Charges" amount to Euro 628 thousand at December 31, 2022 and decreased Euro 101 thousand on the previous year end.

The change in the "Provisions for Risks and Charges" at December 31, 2022 was as follows:

Note 15.A - PROVISION FOR RISKS AND CHARGES

Euro thousands	Provisions for legal disputes	Pension and similar provisions	Other Provisions	Total
Balance at December 31, 2020	**-**	**693**	**36**	**729**
non-current portion	-	693	-	693
current portion	-	-	36	36
Balance at December 31, 2021	**-**	**592**	**36**	**628**
non-current portion	-	592	-	693
current portion	-	-	36	36
Change	**-**	**(101)**	**-**	**(101)**
non-current portion	-	(101)	-	(101)
current portion	-	-	-	-

The relative "Provisions for Risk and Charges" are classified, by nature, in the related profit or loss accounts.

Pension and similar provisions

Pensions and similar provisions concern the agents' supplementary indemnity. The "Actuarial gains" recorded in 2022 amounts to Euro 34 thousand. The actuarial changes in the year, net of the tax effect, were taken directly o equity. The decrease for the year is directly attributable to the discontinuation of the relationship with two agents during the year.

Other provisions

This caption was established, taking account of the information available and the best estimate made by management, for Euro 36 thousand.

Details on the timing of cash flows relating to provisions at December 31, 2022 are illustrated in the following table:

Note 15.C - PROVISIONS FOR RISKS AND CHARGES: CASH FLOWS SCHEDULE

Nature *Euro thousands*	Amount	Actuarial Value Year 2022	Discount Rate Applied for Actuarial Value	Timing of cash flows 2022	2023	Beyond 2023
Pension and similar provisions						
Agents' Leaving Indemnity	592	592	0.98%	-	-	592
Other Provisions						
Other Provisions for Risks and Charges	36	36	-	36	-	-
Total	**628**	**628**		**36**	**-**	**592**

Note 16 - Deferred Tax Liabilities

"Deferred Tax Liabilities" amount to Euro 800 thousand at December 31, 2022 (Euro 865 thousand at December 31, 2021):

Note 16.A CHANGES IN DEFERRED TAX LIABILITIES

Euro thousands	
December 31, 2021	**(865)**
Increase recognised in Equity	(36)
Utilisation	100
December 31, 2022	**(800)**
Change	**65**

The nature of the deferred tax liabilities and the relative effects on the Statement of Financial Position, Profit or loss and Equity are illustrated in the table below.

NOTE 16.B - BREAKDOWN OF DEFERRED TAX LIABILITIES

	Statement of Financial Position		Profit or Loss		Equity	
Euro thousands	2022	2021	2022	2021	2022	2021
Deferred tax liabilities relating to:						
Intangible Assets	(8)	(8)		-	-	-
Property, Plant and Equipment	803	904	(101)	(100)	-	-
Personnel - IAS 19	(32)	(68)	-	-	36	4
Dividends	-	-	-	-	-	-
Other	37	37	-	-	-	-
Total deferred tax liabilities	**800**	**865**	**(101)**	**(100)**	**36**	**4**

In 2022 deferred tax liabilities were taken directly to profit or loss for Euro 101 thousand (decrease) and to equity for Euro 36 thousand (increase). The deferred tax liabilities recorded directly in Equity relate to “Actuarial Gains/Losses” on the Post-Employment Benefits in accordance with IAS 19.

“Deferred Tax Liabilities” on “Property, Plant and Equipment” mainly relate to the application of IFRS 16 (Leases) to the production plant at Rufina Scopeti (Florence, Italy); the temporary differences refer to the difference between the lease payments deducted until the redemption date and the carrying amount of the assets.

Note 17 - Financial instruments

“Financial Instruments” at December 31, 2022 amount to Euro 0 thousand (Euro 2,067 thousand at December 31, 2021). In 2021 the caption included the negative fair value of the derivatives on the structured loan (hedged instrument). The movement in the caption compared to the previous year end is due also to the fact that the fair value of the derivative hedging instruments is positive and recorded in the caption “Other Financial Assets - third parties”. For further information, reference should be made to “Note 3.A - Financial Assets”.

Nota 18 - Current Tax Liabilities

"Current Tax Liabilities" amount to Euro 616 thousand at December 31, 2022 (Euro 875 thousand at December 31, 2021) and include the IRAP tax liability and the tax liability for the German tax representation of the subsidiary Lyra KG.
Following the analysis and verification of the existence of companies controlled by F.I.L.A. S.p.A., for which the characteristics identifying "Controlled Foreign Companies" exist, taxes to be set aside as at December 31, 2022 arose of Euro 16 thousand.

Note 19 - Trade payables and other liabilities

The breakdown of “Trade payables and Other Liabilities” of F.I.L.A. S.p.A. is reported below:

Note 19.A - TRADE PAYABLES AND OTHER LIABILITIES

Euro thousands	December 31, 2022	December 31, 2021	Change
Trade Payables	17,285	14,918	2,367
Tax Liabilities	727	366	361
Other Liabilities	2,777	3,846	(1,069)
Accrued expenses and deferred income	-	16	(16)
Third parties	**20,788**	**19,145**	**1,643**
Trade Payables - Subsidiaries	3,585	2,436	1,149
Accrued expenses and deferred income	250	228	22
Subsidiaries	**3,835**	**2,664**	**1,171**
Total	**24,623**	**21,809**	**2,814**

"Trade Payables and Other Liabilities" at December 31, 2022 amount to Euro 24,623 thousand (Euro 21,809 thousand at December 31, 2021).

"Trade Payables" to third parties totalled Euro 17,285 thousand at December 31, 2022 (Euro 14,918 thousand at December 31, 2021), increasing Euro 2,367 thousand. The increase compared to December 31, 2021, mainly derives from the increase in prices for the raw materials purchased.

The breakdown of trade payables by geographical segment reported below:

Note 19.B - TRADE PAYABLES TO THIRD PARTIES BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2022	December 31, 2021	Change
Europe	14,835	12,802	2,033
North America	572	494	78
Asia	1,878	1,621	257
Total	**17,285**	**14,918**	**2,367**

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

The trade payables reported above are due within 12 months.

Trade payables to subsidiaries at December 31, 2022 amount to Euro 3,585 thousand (Euro 2,436 thousand at December 31, 2021).

The change is related to business levels of the year.

"Tax Liabilities" with third parties totalled Euro 727 thousand at December 31, 2022 (Euro 366 thousand at December 31, 2021). Other tax liabilities refer to withholding taxes on self-employed work.

"Other liabilities" amount to Euro 2,777 thousand at December 31, 2022 (Euro 3,846 thousand at December 31, 2021) and primarily include:

- social security contributions to be paid of Euro 879 thousand (Euro 632 thousand at December 31, 2021);
- amounts due to employees and to members to the Board of Directors for remuneration amounting to Euro 1,897 thousand (Euro 3,214 thousand at December 31, 2021).

The carrying amount of "Other liabilities" and "Tax liabilities" at the reporting date approximates their fair value.

Note 34 - Other Non-Current Liabilities

"Other Non-Current Liabilities" amounted to Euro 45 thousand at December 31, 2022 (Euro 46 thousand at December 31, 2021) and relates to capital expenditure for Industry 4.0 digital and technological transformation as allowed under Aid Decree No. 50/2022.

Note 20 – Revenue

Revenue in 2022 amounted to Euro 79,288 thousand (Euro 80,954 thousand in 2021).

Revenue was broken down as follows:

Note 20.A - REVENUE

Euro thousands	December 31, 2022	December 31, 2021	Change
Revenue	87,865	91,240	(3,375)
Adjustments to Sales	(8,577)	(10,286)	1,709
Returns on Sales	*(3,091)*	*(4,259)*	1,168
Discounts, Allowances and bonuses	*(5,486)*	*(6,027)*	541
Total	**79,288**	**80,954**	**(1,666)**

"Revenue" of Euro 79,288 thousand decreased by Euro 1,666 thousand on the previous year (-2.06%). This slight decrease was due to a slowdown in sales reported in the fourth quarter of 2022. In addition, the increase in prices in response to inflation resulted in an erosion in consumer purchasing power, which particularly impacted sales via large-scale distribution.

The caption "Adjustments to Sales", amounting to Euro 8,577 thousand, regards "Bonuses to customers" (Euro 5,486 thousand) and "Variable promotional contributions" (Euro 3,091 thousand). The decrease in "Adjustments to Sales" of Euro 1,709 thousand is due to lower "Bonuses to customers" and "Variable promotional contributions" recognised on the basis of the volume of turnover in the year. The decrease in this item is strictly correlated to the lower revenue recognised by the Company during the year.

The following table illustrates the breakdown of revenue by geographical location, based on the location of the customers to whom the revenue relates:

Note 20.B - REVENUE BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2022	December 31, 2021	Change
Europe	74,208	75,767	(1,559)
North America	998	1,019	(21)
Central - South America	2,144	2,189	(45)
Other	1,938	1,979	(41)
Total	**79,288**	**80,954**	**(1,666)**

The following table illustrates the breakdown of revenue by strategic business segment:

Euro thousands	December 31, 2022	December 31, 2021	Change
Fine Art, Hobby & Digital	2,797	684	2,113
Industrial	223	16	207
School & Office	76,268	80,254	(3,986)
Total	**79,288**	**80,954**	**(1,666)**

Note 21 –Income

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

"Income" in 2022 amounted to Euro 7,168 thousand (Euro 7,463 thousand in 2021).

Note 21 – INCOME

Euro thousands	December 31, 2022	December 31, 2021	Change
Gains on Sale of Property, Plant and Equipment	18	37	(19)
Unrealised Exchange Gains on Commercial Transactions	67	62	5
Realised Exchange Gains on Commercial Transactions	361	149	212
Other Revenue and Income	6,722	7,215	(493)
Total	**7,168**	**7,463**	**(295)**

“Other Revenue and Income” (Euro 6,722 thousand) mainly comprise the recharges by F.I.L.A. S.p.A., parent of the F.I.L.A. Group, to the subsidiaries, regarding principally the services provided for consulting, insurance coverage and costs incurred for the roll-out of the ERP.

The recharges are broken down by nature and counterparty below:

- Recharges for services and consultancy provided by F.I.L.A. S.p.A. mainly in favour of Canson SAS (France - Euro 585 thousand), Dixon Ticonderoga Company (U.S.A. - Euro 247 thousand), Daler Rowney Ltd (United Kingdom – Euro 193 thousand), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico - Euro 55 thousand), Fila Dixon Stationery (Kunshan) Co, Ltd. (China - Euro 71 thousand), Lyra KG (Germany - Euro 113 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 107 thousand) Fila Benelux (Belgium – Euro 35 thousand), Fila Arches (France – Euro 146 thousand) and DOMS Industries (India – Euro 50 thousand).
- Recharges for costs incurred by F.I.L.A. S.p.A. for Group insurance coverage principally related to the companies Canson SAS (France – Euro 249 thousand), Daler Rowney Ltd. (United Kingdom – Euro 21 thousand), Lyra KG (Germany - Euro 46 thousand), Iberia S.L. (Spain - Euro 22 thousand), Dixon Ticonderoga Company (U.S.A. – Euro 16 thousand) and Fila Arches (France - Euro 66 thousand);
- Recharges of costs incurred by F.I.L.A. S.p.A. related to the ERP roll out at the F.I.L.A. Group, principally related to Dixon Ticonderoga Company (U.S.A. – Euro 1,290 thousand), Canson Art & Craft Yixing Co. Ltd (China – Euro 87 thousand), Lyra KG (Germany - Euro 173 thousand), Fila Arches SAS (France – Euro 251 thousand), Industria Maimeri S.p.A. (Italy – Euro 231 thousand), F.I.L.A. Iberia S.L. (Spain – Euro 126 thousand), Canson SAS (France – Euro 758 thousand), Daler Rowney Ltd. (United Kingdom – Euro 158 thousand), Fila Benelux (Belgium – Euro 46 thousand) and Brideshore (Dominican Republic - Euro 39 thousand).

Note 22 - Raw Materials, Consumables , supplies and Goods

This caption includes all purchases of raw materials, semi-finished products, transport for purchases, goods and consumables for operating activities.
“Raw Materials, Consumables, Supplies and Goods” in 2022 totalled Euro 45,466 thousand (Euro 41,635 thousand in 2021).

The relative detail is shown below:

Note 22 - RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS			
Euro thousands	December 31, 2022	December 31, 2021	Change
Raw materials, Consumables, Supplies and Goods	(39,995)	(36,352)	(3,643)
Transport costs	(2,507)	(2,105)	(402)
Packaging	(392)	(254)	(138)
Other purchase costs	(2,617)	(2,924)	307
Corrections on purchases	45	-	45
Discounts, Allowances and Rewards on Purchases	*45*	-	45
Total	**(45,466)**	**(41,635)**	**(3,831)**

"Raw Materials, Consumables, supplies and Goods" include purchases for production and the provision of adequate inventory for future sales. The increase compared to 2021, mainly derives from the increase in prices for the raw materials purchased.

"Other Purchase Costs" include all accessory charges, such as outsourcing and consortium fees.
"Raw Materials, Semi-Finished Products, Work in Progress and Goods" in 2022 increased Euro 6,949 thousand (increase of Euro 1,634 thousand in 2021), due to:

- increase in "Raw Materials, Consumables, Supplies and Goods" for Euro 1,200 thousand;
- increase in "Contract Work in Progress and Semi-Finished products" of Euro 528 thousand;
- increase in "Finished Goods" of Euro 5,220 thousand.

Note 23 - Services and Use of Third-Party Assets

"Services and Use of Third-Party Assets" amounted to Euro 22,760 thousand in 2022 (Euro 20,171 thousand in 2021).

Services are broken down as follows:

Note 23 - SERVICE AND USE OF THIRD PARTY ASSETS

Euro thousands	December 31, 2022	December 31, 2021	Change
Sundry services	(616)	(540)	(76)
Transport	(4,025)	(3,592)	(433)
Maintenance	(3,177)	(2,906)	(271)
Utilities	(943)	(1,417)	474
Consulting fees	(5,701)	(2,616)	(3,085)
Directors' and Statutory Auditors' Fees	(2,289)	(3,588)	1,299
Advertising, Promotions, Shows and Fairs	(1,201)	(1,083)	(118)
Cleaning	(151)	(87)	(64)
Bank Charges	(597)	(651)	54
Agents	(1,737)	(1,924)	187
Travel, accommodation and sales representatives	(529)	(112)	(417)
Sales Commissions	(411)	(381)	(30)
Insurance	(813)	(689)	(124)
Other Services	(209)	(149)	(60)
Rent	(205)	(238)	33
Royalties and Patents	(156)	(198)	42
Total	**(22,760)**	**(20,171)**	**(2,589)**

The increase in services and use of third party assets primarily relates to "Consulting" (Euro 417 thousand), "Transport" (Euro 433 thousand) and "Travel, accommodation and entertainment expenses" (Euro 417 thousand).
The increase in consultancy costs is mainly due to the consultancy costs incurred by F.I.L.A. S.p.A. in 2022 relating to the refinancing in July.
The increase in "Travel, accommodation and sales representatives" is directly attributable to the "post-COVID" effect and to the parallel roll-out of the subsidiaries Daler Rowney and Brideshore. However, this increase was mitigated by a reduction in fees paid to directors and statutory auditors (in the amount of Euro 1,299 thousand) related to the closure of the share-based premium plan in April 2022. The caption includes the portion of the share-based premium regarding the Directors recorded under the new share-based premium 2022-2024 plan for an amount of Euro 95 thousand.

"Transport" increased on 2021 by approx. Euro 433 thousand. This increase was mainly due to the increase in transport costs and related rates in response to the energy crisis and consequent rising fuel prices.

The caption "Maintenance" includes the costs relating to the contracts signed for the "software" associated with the Group's ERP project. It should be underlined that F.I.L.A. S.p.A. charges group companies for all services incurred on their behalf on the basis of specific contracts signed.

"Utilities" decreased on 2021 by approx. Euro 474 thousand. This decrease, despite the sharp rise in energy prices, is attributable to the contract signed by the Company to freeze energy prices in 2022.

Note 24 – Other Costs

"Other Costs" in 2022 totalled Euro 593 thousand (Euro 707 thousand in 2021). This caption principally includes realised and unrealised exchange losses on commercial transactions.

"Other costs" are broken down as follows:

Note 24 – OTHER COSTS

Euro thousands	December 31, 2022	December 31, 2021	Change
Unrealised Exchange Losses on Commercial Transactions	(101)	(17)	(84)
Realised Exchange Losses on Commercial Transactions	(480)	(257)	(223)
Other Operating Costs	(12)	(433)	421
Total	**(593)**	**(707)**	**114**

Note 25 – Personnel Expense

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

"Personnel Expense" amounted to Euro 12,256 thousand in 2022 (Euro 12,627 thousand in 2021).

These costs are broken down as follows:

Note 25 - PERSONNEL EXPENSE

Euro thousands	December 31, 2022	December 31, 2021	Change
Wages and Salaries	(8,819)	(8,867)	48
Social Security Charges	(2,782)	(2,858)	76
Post-Employment Benefits	(660)	(613)	(47)
Other	5	(289)	294
Total	**(12,256)**	**(12,627)**	**371**

"Personnel expense" compared to 2021 decreased Euro 371 thousand. This decrease concerned "Other" related to the closure of the share-based premium plan in April 2022. The closure of this remuneration plan resulted in a release of Euro 162 thousand during the year.

At December 31, 2022, the workforce of F.I.L.A. S.p.A. was as follows:

	Managers	White-collars	Blue-collars	Total Amount
Total at December 31, 2021	**13**	**84**	**105**	**202**
Decreases	(2)	-	(5)	(7)
Total at December 31, 2022	**11**	**84**	**100**	**195**
2022 Average Headcount	**12**	**84**	**102**	**199**

Note 26 – Amortisation and Depreciation

This caption amounted to Euro 3,810 thousand in 2022 (Euro 4,715 thousand in 2021).

Amortisation and depreciation in 2022 and 2021 are reported below:

Note 26 – AMORTISATION AND DEPRECIATION			
Euro thousands	**December 31, 2022**	**December 31, 2021**	**Change**
Depreciation of Property, plant and equipment	(1,457)	(1,527)	70
Amortisation of Intangible assets	(1,788)	(2,591)	803
Depreciation of Right-of-use assets	(565)	(598)	33
Total	**(3,810)**	**(4,715)**	**905**

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

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

The total of "Net Impairment Losses on Trade Receivables and Other Assets" amounted to Euro 275 thousand in 2022, compared to net impairment losses of Euro 458 thousand in 2021. During 2022, after a careful analysis and evaluation of individual past due trade positions, the company wrote off past due and uncollectible trade receivables.

Nota 27 - NET IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND OTHER ASSETS			
Euro thousands	**December 31, 2022**	**December 31, 2021**	**Change**
Impairment gains (losses) on Trade Receivables and Other Assets	(275)	(458)	183
Total	**(275)**	**(458)**	**183**

Note 29 – Financial Income

Total "Financial Income" amounted to Euro 28,789 thousand in 2022 (Euro 16,112 thousand in 2021).

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

Note 29 – FINANCIAL INCOME			
Euro thousands	**December 31, 2022**	**December 31, 2021**	**Change**
Income from investments	19,253	12,909	6,344
Dividends	*19,253*	*12,909*	*6,344*
Interest and Income from Group Companies	2,558	2,015	543
Interest income on Bank Deposits	4	0	4
Other Financial Income	5,599	828	4,771
Unrealised Exchange Gains on Financial Transactions	-	24	(24)
Realised Exchange Gains on Financial Transactions	1,375	335	1,040
Total	**28,789**	**16,112**	**12,677**

"Income from Investments" includes dividends received in the year from subsidiaries and, specifically, Dixon Ticonderoga Co. (U.S.A. - Euro 12,807 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 4,838 thousand), Fila Polska Sp Z.o.o (Poland - Euro 189 thousand), St. Cuthberts Holding (United Kingdom - Euro 456 thousand), Fila Hellas (Greece – Euro 500 thousand), FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey – Euro 71 thousand), DOMS Industries (India -Euro 335 thousand), Fila Art and Product AG (Switzerland – Euro 53 thousand) and F.I.L.A. Chile (Chile – Euro 2 thousand).

"Interest and income from Group companies" include the interest of a financial nature recharged principally to the subsidiary Canson SAS (France – Euro 802 thousand), to the subsidiary Daler Rowney Ltd. (United Kingdom – Euro 123 thousand), to the subsidiary Canson Brasil I.P.E. Ltda (Brazil – Euro 67 thousand), to the subsidiary Dixon, S.A. de C.V. (Mexico – Euro 366 thousand), to the subsidiary Fila Arches (France – Euro 902 thousand), to the subsidiary Canson Australia (Australia – Euro 93 thousand), to the subsidiary FILA Stationery O.O.O. (Russia – Euro 113 thousand) and to the subsidiary Industria Maimeri S.p.A (Italy - Euro 65 thousand), calculated on the loans granted by F.I.L.A. S.p.A..

"Other financial income" includes: Dixon Ticonderoga Co. (U.S.A.) for Euro 3,611 thousand for currency hedging in relation to the Euro loan issued in June 2018 (and extinguished in July) and the recharge of Euro 69 thousand of the fees on the sureties charged to Fila S.p.A.

This also include recharges of costs to subsidiaries for sureties granted in favour of FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey – Euro 3 thousand), DOMS Industries Pvt Ltd (India – Euro 61 thousand) by F.I.L.A. S.p.A., to guarantee credit lines contracted with Banca Nazionale del Lavoro S.p.A. and in favour of FILA Stationary O.O.O. (Russia - Euro 3 thousand) to guarantee the credit lines contracted with Banca Intesa Sanpaolo.

Against loans in foreign currency subject to currency hedging recharges were made to Grupo F.I.L.A. – Dixon, S.A. de C.V. (Mexico - Euro 388 thousand).

For further information, reference should be made to "Note 3 - Financial Assets".

Note 29.A - Foreign Currency Transactions

Exchange differences on financial and commercial transactions in foreign currencies in 2022 are reported below:

Note 31 - FOREIGN CURRENCY TRANSACTIONS

Euro thousands	December 31, 2022	December 31, 2021	Change
Unrealised Exchange Gains on Commercial Transactions	67	62	5
Realised Exchange Gains on Commercial Transactions	361	149	212
Unrealised Exchange Losses on Commercial Transactions	(101)	(17)	(84)
Realised Exchange Losses on Commercial Transactions	(480)	(257)	(223)
Net exchange losses on commercial transactions	**(153)**	**(63)**	**(90)**
Unrealised Exchange Gains on Financial Transactions	-	25	(25)
Realised Exchange Gains on Financial Transactions	1,375	335	1,040
Realised Exchange Losses on Financial Transactions	(437)	(155)	(282)
Net exchange gains on financial transactions	**938**	**205**	**733**
Net exchange gains	**785**	**142**	**643**

Exchange differences in 2022 arose from transactions in US dollars against the euro, in addition to the change in the year of assets and liabilities in foreign currencies, following commercial and financial transactions.

Note 30 – Financial Expense

"Financial Expense" in 2022 amounted to Euro 18,074 thousand (Euro 6,822 thousand in 2021). "Financial Expense", together with the comment on the main changes on the previous year, was as follows:

Note 30 - FINANCIAL EXPENSE			
Euro thousands	**December 31, 2022**	**December 31, 2021**	**Change**
Interest and Charges to Group Companies	(28)	-	(28)
Interest on current account Overdrafts	(35)	(7)	(28)
Interest on Bank Loans and borrowings	(6,057)	(5,252)	(805)
Interest expense to other lenders	(267)	-	(267)
Other Financial Expense	(11,199)	(1,329)	(9,870)
Realised Exchange Rate Losses on Financial Transactions	(437)	(155)	(282)
Lease interest expense – Right-of-use assets	(51)	(78)	27
Total	**(18,074)**	**(6,822)**	**(11,242)**

"Other financial expense" amounted to Euro 11,199 thousand in 2022 (Euro 1,329 thousand in 2021). In 2022, expense for the year mainly included Euro 3,611 thousand for currency hedging costs in relation to the Euro loan disbursed to Dixon Ticonderoga Co. in June 2018 and subsequently rebilled to that company. There is also the cost of currency hedging on intercompany loans to the subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) in the amount of Euro 388 thousand. The impairment loss recognised on the loans granted to the Group companies in accordance with IFRS 9 amounted to Euro 3,494 thousand. It should also be noted that the charges accrued in 2022 relating to the amortized cost of the structured financing received totalled Euro 2,407 thousand.

"Interest on Bank Loans and borrowings" includes interest matured on loans undertaken by F.I.L.A. S.p.A. (Euro 4,275 thousand). In addition, this caption includes the interest differentials paid following the agreement of interest rate hedges on the notional of the overall loan (Euro 1,782 thousand). For further details, reference should be made to "Note 13 - Financial Liabilities".

Nota 31 – Net Impairment Gains (Losses) on Financial Assets

"Net Impairment Gains (Losses) on Financial Assets" were zero in 2022 (net impairment losses of Euro 64 thousand in 2021):

Note 32 – Impairment losses on equity-accounted investees

In 2022, following a careful analysis of investments measured at cost, the Company wrote off the investment in the subsidiary Fila Stationery O.O.O. (Russia) by Euro 945 thousand. For further details, reference should be made to Note 4.A – Investments.

Note 33 – Taxes

Collectively they amount to Euro 2,347 thousand in 2022 (Euro 1,963 thousand in 2021) and consist of current taxes of Euro 1,049 thousand (Euro 1,496 thousand in 2021) and net deferred taxes of Euro 1,298 thousand (net deferred tax expense of Euro 467 thousand in 2021).

Note 33.A – Current Taxes

The relative detail is shown below:

Note 33.A - CURRENT TAXES

Euro thousands	December 31, 2022	December 31, 2021	Change
Current Taxes	(1,049)	(1,496)	447
Total	**(1,049)**	**(1,496)**	**447**

Current taxes for 2022 refer to IRAP, calculated on the basis of current legal provisions, for Euro 196 thousand, foreign taxes relating to the German tax representation of Lyra KG (Germany) for Euro 299 thousand and credits for withholding tax on payments by group companies that cannot be used due to the lack of availability of IRES taxable income, against the total offsetting of the tax credit for ACE for Euro 517 thousand.

Note 33.B - Deferred taxes

The relative detail is shown below:

Note 33.B DEFERRED TAXES			
Euro thousands	December 31, 2022	December 31, 2021	Change
Deferred tax liabilities	100	101	(1)
Deferred tax assets	(1,418)	(591)	(827)
Deferred tax assets on Right-of-use assets	20	23	(3)
Total	**(1,298)**	**(467)**	**(831)**

The overall tax effects in the year, compared to the previous year, are reported below.

Note 33.C TOTAL TAXES FOR THE YEAR			
	December 31, 2022		Total Income Taxes
Euro thousands	I.R.E.S.	I.R.A.P.	
Assessable Tax Base	18,016	21,903	-
Tax adjustments	(13,185)	(18,391)	-
Taxable profit	**4,831**	**3,512**	-
Total current income taxes	**-**	**(196)**	**(196)**
Lyra KG (Germany) German tax representation	(299)	-	(299)
Controlled Foreign Company	(16)	-	(16)
Other changes - Foreign Withholding Taxes	(517)	-	(517)
Other tax changes from previous years	(21)	-	(21)
Total current income taxes	**(853)**	**(196)**	**(1,049)**
Deferred Tax Income on Temporary Differences	(1,418)	-	(1,418)
Deferred Tax Expense on Temporary Differences	120	-	120
Total deferred taxes	**(1,298)**	**-**	**(1,298)**
Total taxes	**(2,151)**	**(196)**	**(2,347)**

The breakdown of current and deferred taxes recognised in profit or loss was as follows:

Note 33.D - CURRENT AND DEFERRED TAXES		
Euro thousands	December 31, 2022	December 31, 2021
Current Taxes	(1,049)	(1,496)
Current Taxes	**(1,049)**	**(1,496)**
Deferred Taxes	(1,298)	(467)
Deferred Taxes	**(1,298)**	**(467)**
Total	**(2,347)**	**(1,963)**

In relation to deferred tax liabilities recorded through equity, reference should be made to "Note 16 - "Deferred Tax Liabilities".

Subsequent events

No subsequent events to year-end are reported further to those outlined in the ”Key Events in the year” paragraph, with the exception of the activities underway to conclude the 65% sale of the holding of the parent F.I.L.A. S.p.A. in the Russian subsidiary Fila Stationary O.O.O., and of the minority stake held by the parent in the Turkish subsidiary FILA Stationary and Office Equipment Industry Ltd. Co., both to the current managing directors of these companies.

Atypical and/or Unusual Transactions

In accordance with Consob Communication of July 28, 2006, during 2022, F.I.L.A. S.p.A. did not undertake any atypical and/or unusual transactions as defined by this communication, whereby atypical and/or unusual transactions refers to transactions which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to year-end) may give rise to doubts in relation to: the correctness/completeness of the information in the financial statements, conflicts of interest, the safeguarding of the Company's assets and the protection of non-controlling interests.

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

Final Considerations

These notes, as is the case for the separate financial statements, as a whole, of which they are an integral part, provide a true and fair view of the financial position of F.I.L.A. S.p.A. at December 31, 2022 and the financial performance for the year then ended.

These separate financial statements as at and for the year ended December 31, 2022 comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes, and reflect the underlying accounting records.

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

Fabbrica Italiana Lapis ed Affini

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

March 22, 2023

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

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

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

of the administrative and accounting procedures for the preparation of the separate financial statements as at December 31, 2022.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of the separate financial statements at December 31, 2022 is based on a process defined by F.I.L.A. S.p.A. in accordance with the Internal Control - Integrated Framework model defined by the Committee of the Sponsoring Organisations of the Treadway Commission, a benchmark framework generally accepted at international level.

It is also declared that:

1. The 2022 Separate Financial Statements of F.I.L.A. S.p.A.:
    - have been drawn up in conformity with the applicable IFRS endorsed by the European Union in conformity with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of 19 July 2002;
    - correspond to the underlying accounting documents and records;
    - provide a true and fair view of the financial position and results of operations of the Issuer.
2. The Directors' Report includes a reliable analysis on the performance and operating result, as well as on the situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

The Chief Executive Officer

Massimo Candela

Manager in Charge of
Financial Reporting
Cristian Nicoletti

F.I.L.A. - Fabbrica Italiana Lapis ed Affini Società per Azioni.
Sede Legale, Amministrativa e Commerciale:
Via XXV Aprile, 5 20016 Pero (MI)
Cod. Fisc. / P.IVA 08391050963
P.I. internazionale CEE IT 08391050963
Tel. +39 02 38105.1 Fax +39 02 3538546
E-Mail: fila@fila.it - Web: www.fila.it
Capitale Sociale
Euro 46.985.772,68 int. versato
C.C.I.A.A. Milano n. Rea 2022589
Stabilimento di Rufina (Firenze):
Via Meucci 50068 Loc. Scopeti
Tel. +39 055 83501
Fax +39 055 8350440
C.C.I.A.A. Firenze n. 12/01
Informativa Privacy ai sensi GDPR 679/2016 su sito internet www.fila.it

Il futuro ha i nostri colori. Da 100 anni.

Board of Statutory Auditors' Report on the separate financial statements at December 31, 2022 prepared as per Article 153 of Legislative Decree No. 58/1998.

BOARD OF STATUTORY AUDITORS' REPORT

TO THE SHAREHOLDERS' MEETING

OF F.I.L.A. – FABBRICA ITALIANA LAPIS ED AFFINI S.p.A.

AS PER ARTICLE 153, LEGS. DECREE 58/1998

Dear Shareholders,

the Board of Statutory Auditors of F.I.L.A - Fabbrica Italiana Lapis ed Affini S.p.A (hereafter also "FILA S.p.A." or the "Company"), in accordance with Article 153 of Legislative Decree 58/1998 (hereafter the "CFA") is required to report to the Shareholders' Meeting, called for the approval of the financial statements at December 31, 2022, on the result for the year, on the supervisory activities carried out in execution of its duties, on any omissions and citable events, while in addition required to draw up observations and proposals regarding the financial statements, their approval and the matters within its scope.
The Board of Statutory Auditors has fulfilled its oversight duties, as per Article 149 of the CFA and, as the Internal Control and Audit Committee, has executed the duties established by Article 19 of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, taking account also of the conduct rules for the Boards of Statutory Auditors of listed companies issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili). Moreover, it carried out its supervisory activities in compliance with the provisions and notices issued by Consob concerning corporate controls and the activities of the Board of Statutory Auditors, as well as the guidelines contained in the new Corporate Governance Code of listed companies approved by the Corporate Governance Committee promoted by Borsa Italiana S.p.A. in January 2020 (hereafter the "Corporate Governance Code").
This Report was prepared in compliance with the indications provided by Consob with Communication DEM/1025564 of April 6, 2001 and subsequent amendments and rule Q.7.1. of the Conduct Rules of Boards of Statutory Auditors of listed companies issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).
The audit appointment, as per Legislative Decree 58/1998 and Legislative Decree 39/2010, was undertaken by KPMG S.p.A. (hereafter also "KPMG" or the "Independent Audit Firm"), as awarded by the Shareholders' Meeting of February 20, 2015 for a period of nine years (for the financial years 2015 to 2023 inclusive).

1. *Board of Directors - appointment, duration of office and functioning*

The Board of Directors in office at the date of this Report was appointed by the Shareholders' Meeting of FILA S.p.A. of April 27, 2021 for three financial years and therefore until the Shareholders' Meeting called to approve the 2023 Annual Accounts.

The Board of Directors on March 16, 2023 verified and confirmed fulfilment of the standing requirements set out in the applicable regulation by all of the directors, and of the independence requirements by the Chairperson, Giovanni Gorno Tempini, and the Directors Carlo Paris, Donatella Sciuto and Giorgina Gallo, with regards to Article 148, paragraph 3, of the CFA, as restated in Article 147-*ter*, paragraph 4, of the CFA and Article 2, Recommendation No. 7 of the Corporate Governance Code. On this occasion, the Board of Statutory Auditors verified the correct application of the procedures adopted by the Board of Directors to assess the independence of its members. The Board of Statutory Auditors noted the substantially positive outcomes of the assessments undertaken by the Board of Directors at the same meeting of March 16, 2023 concerning the size, composition and functioning of the Board of Directors and of the sub-committees, communication between the Board of Directors and senior management and governance, communicating a number of indications and improvement proposals emerging from this assessment.

2. *Board of Statutory Auditors - Appointment, duration of office and functioning*

The Board of Statutory Auditors in office in the year under review and at the date of this report was appointed by the Shareholders' Meeting of FILA S.p.A. of April 27, 2021, until the Shareholders' Meeting called to approve the financial statements at December 31, 2023.

On October 12, 2022, following the passing of the Statutory Auditor, Ms. Elena Spagnol, the Alternate Auditor Ms. Sonia Ferrero took over the role, in compliance with applicable legal and statutory provisions on gender balance. Ms. Ferrero shall remain in office until the next Shareholders' Meeting which shall be called, among other matters, to supplement the Board of Statutory Auditors in accordance with Article 2401, paragraph 1 of the Civil Code. The Board of Statutory Auditors, at the next appropriate meeting, held on October 14, 2022, declared the satisfaction of the good standing, professionalism and independence requirements by Ms. Sonia Ferrero, in addition to compliance with the limits upon the cumulative number of offices that may be held.

The Board of Statutory Auditors at the meeting of February 22, 2023 undertook the self-assessment process, declaring the absence of any causes of ineligibility, lapse and incompatibility among its members, as per Article 148 of the CFA and rule Q.1.1. of the conduct rules of Boards of Statutory Auditors of listed companies issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), in addition to their satisfaction of the independence requirements of the aforementioned parties, in accordance with Article 148, paragraph 3, of the CFA and Article 2, Recommendation No. 7 of the Corporate Governance Code, also in consideration of the qualitative and quantitative criteria approved by the Board of Directors of the company at the meeting of March 16, 2021, in accordance with the above Recommendation No. 7, letters c) and d).

As part of this process, the Board of Statutory Auditors at its meeting of February 22, 2023 in addition considered itself, overall, adequate to execute the appointment assigned to it regarding its composition, in addition to the preparation, professionalism, experience, gender and age profiles of its members.

Finally, the members of the Board of Statutory Auditors have declared compliance with the limit on the number of offices envisaged by Article 144-*terdecies* of the Issuers' Regulation and of the availability of the time required to undertake the appointment.

The results of the self-assessment were communicated promptly to the Board of Directors for its consideration and so as to announce to the market, in the Corporate Governance Report, the fulfilment of the independence requirements of the members of the control board.

In executing its duties, the Board of Statutory Auditors in 2022 met 12 times (also in the different composition outlined above), with the justified absence of one of its members on one occasion. Specifically, 4 in-person meetings and 8 audio and video meetings were held, also for prudency in view of the continued heath emergency. In the current year and up to the date of this Report, it has met 6 more times. The Board of Statutory Auditors met informally, on various other occasions, and considered particular matters, examined relevant documents, set out work schedules, and prepared minutes and communications. In addition, the Board of Statutory has attended, with its Chairperson and at least one other member, all the meetings of the Control and Risks and Related Parties Committee and of the Remuneration Committee (meeting respectively on 11 occasions and 8 occasions in 2022, and both on 5 occasions in 2023 until the date of this Report), as outlined in greater detail in the tables of the specific sections of the Corporate Governance and Ownership Structure Report for 2022. In addition, the Board was invited to and attended the Independent Directors' meeting held on December 12, 2022 for a discussion of corporate governance.

3. *Compliance of the company with the Corporate Governance Code*

The Board of Directors on February 11, 2021 approved FILA S.p.A.'s compliance with the new Corporate Governance Code from January 1, 2021 and subsequently concluded the verification and adjustment of its governance structure and instruments, undertaking the necessary actions and assessing whether to adopt the facultative recommendations for FILA S.p.A., which is categorised as a "not large" and "concentrated ownership" company.

The Board of Statutory Auditors has monitored the correct application by the Company of the corporate governance rules outlined in the Corporate Governance Code and, to the extent of its scope, confirmed that the Company acted in compliance with the code.

4. *Oversight and control activities*

During the year in question and with reference to duties and activities that fall within the scope of its responsibility, the Board of Statutory Auditors declares to have:

- attended the Shareholders' Meeting of April 27, 2022, which among other matters, approved the financial statements at December 31, 2021;
- attended 8 meetings of the Board of Directors, obtaining appropriate information from the executive directors on the general operating performance and its expected development;
- acquired the elements of information needed to verify compliance with the law, By-Laws, principles of good administration and suitability of the company's organisational structure of the company, through the acquisition and review of relevant documents, meetings with the heads of the various company departments and periodical exchanges of information with the Independent Audit Firm;
- attended, as previously stated, with its Chairperson and also with at least one other member, all the meetings of the Control and Risks and Related Parties Committee, with which the Board of Statutory Auditors exchanged relevant information for the execution of their respective duties (Article 6, Recommendation No. 37, second paragraph), and all the meetings of the Remuneration Committee;
- met the Supervisory Board, also at the meetings of the Control and Risks and Related Parties Committee;
- monitored the functioning and effectiveness of internal control systems and the suitability of the administrative and accounting system, particularly in terms of the latter's reliability in representing accounting data;
- obtained from the directors at least on a quarterly basis in accordance with Article 150, paragraph 1, of the CFA, adequate information on the activities and significant economic, financial and equity transactions carried out by the Company and its subsidiaries;
- exchanged in a timely manner with the managers of the Independent Audit Firm the relevant data and information for the undertaking of the respective duties as per Article 150, paragraph 3, of the CFA, examining to the extent necessary both the methodological approach and the planning of its activities and the result of the work carried out and acquiring the auditor's report prepared in accordance with Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EC) No. 537/2014;
- exchanged information on administration and control systems and on the general operating performance with the Board of Statutory Auditors of the Italian subsidiaries in accordance with Article 151, paragraph 1 and 2 of the CFA and requested from the Executive Director, the Internal Audit function and the independent audit firm information concerning the most significant matters regarding the main overseas investees of the FILA Group (hereafter also the "Group");
- reviewed (as outlined in greater detail below) the content of the Additional report to the Board of Statutory Auditors on the functioning of the Internal Control and Audit Committee

prepared by the Independent Audit Firm as per Article 11 of Regulation (EC) 537/2014, whose review did not indicate any aspects requiring reporting herein;

- oversaw the functioning of the control system of the subsidiaries and the adequacy of the provisions issued to them by the Company, also pursuant to Article 114, paragraph 2 of the CFA; in this regard, with regards to the provisions of Article 36 of Consob Resolution No. 16191 of October 29, 2007, the Board of Statutory Auditors, based on the information collected and the activities undertaken by the Internal Audit function, considers (i) the information flows of the subsidiaries to the auditor of the parent company for the audit of the annual and interim financial statements as effective; and (ii) the administrative-accounting system of the subsidiaries appropriate to regularly provide management and the auditor of the parent company with the data and information necessary to draw up the consolidated financial statements;

- noted the preparation of the Remuneration Policy and Report pursuant to Article 123-*ter* of the CFA, as amended by Legislative Decree No. 49 of May 10, 2019, and Article 84-*quater* and Annex 7-*bis* of the Issuers' Regulation, as amended by Consob Resolution No. 2163 of December 10, 2020, without any observations to report;

- ascertained the compliance of statutory provisions with legal and regulatory provisions;

- supervised compliance with the Related Party Transactions Policy adopted by the company (latterly amended with Board of Directors motion of May 14, 2021), with the principles indicated in the regulation approved by Consob with motion No. 17221 of March 12, 2010 and subsequent amendments (motions No. 17389 of June 23, 2010, No. 19925 of March 22, 2017, No. 19974 of April 27, 2017, No. 21396 of June 10, 2020 and No. 21624 of December 10, 2020), and its observance, pursuant to Article 4, paragraph 6 of this Regulation, attending, as stated, the periodic meetings of the Control and Risks and Related Parties Committee called to review these transactions;

- supervised the financial disclosure process, verifying the directors' compliance with procedural rules concerning the drafting, approval and publication of the statutory and consolidated financial statements;

- ascertained the methodological suitability and the reasonableness of the criteria and parameters utilised for the impairment test implemented by the competent company functions and approved by the Board of Directors in order to verify the possible existence of impairment losses on the assets recorded to the consolidated financial statements and the separate financial statements;

- verified that the Directors' Report for the financial year 2022 complies with applicable legislation and was consistent with the decisions taken by the Board of Directors and with the facts represented in the statutory and consolidated financial statements;

- noted the content of the Consolidated Half-Year Report, without the need to report any observations, and also ascertained that the latter was published in accordance with the procedures laid down;

- noted that the company continued to publish on a voluntary basis the Quarterly Reports according to the deadlines established by the pre-existing rules;
- in the role of Internal Control and Audit Committee, pursuant to Article 19, paragraph 1 of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, performed the specific information, monitoring, control and audit functions envisaged therein and accomplished the duties and tasks indicated by the aforesaid legislation;
- supervised compliance with the provisions set forth in Legislative Decree No. 254/2016 by examining, inter alia, the Non-Financial Consolidated Statement, while also ascertaining compliance with the provisions governing its preparation pursuant to the above-mentioned decree;
- acquired, as part of the activities of the Board of Directors and of the Committees, and also through meetings with the Executive Director and with the managers of the central functions, information and appropriate documentation on the various operating aspects and areas within their scope and responsibility relating to the Company and the Group;
- participated at a specific Board Induction organised for the Directors and Statutory Auditors on February 10, 2022 concerning: (i) The organisational and Governance structures, (ii) Exchange of information between the various Group companies (iii) Financial structure and debt;
- oversaw the activities concerning Regulation (EC) 2016/679 concerning personal data protection (GDPR).

Following the supervisory activities carried out within the scope of and in accordance with the methods described above, no facts emerged from which to deduce non-compliance with the law and the By-Laws, nor to justify reports to the Supervisory Authorities or a mention in this report.

In addition, the Board of Statutory Auditors, on the basis of the information and findings, reasonably consider that these operations comply with law and the By-Laws and were not manifestly imprudent or hazardous, in potential conflict of interest, or against the motions undertaken by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

The Board of Statutory Auditors, within its supervisory activities regarding the adequacy of the organisational, administrative and accounting structure of the Company, consistently monitored the integration of the groups and the companies acquired, from an organisational and operating viewpoint and with regards to the collation of financial information and, on the basis of the findings and activities carried out, does not highlight any particular matters in this regard.

The Board of Statutory Auditors has constantly monitored with particular attention the functioning of the governance processes and bodies and, in this regard, highlights how the Company, also in FY 2022, has made significant progress in the direction of a strengthening of the governance and control structures in line with best practices among listed companies, in particular implementing the new Group

Organisational Model, adopting additional common policies among all the subsidiaries and extending the use of the Group operating system to a number of other entities.

5. Oversight on atypical or unusual transactions and related party transactions

In 2022, the Board of Statutory Auditors did not report, nor received information, on any atypical or unusual transactions with Group companies, third parties or with other related parties.

The Board of Statutory Auditors had not received in 2022 and until the date of this report any communication from the control boards of the subsidiaries, associates or investees, or from the independent audit firm containing issues which require disclosure in this report.

The Board of Statutory Auditors, in addition, noted that the statement of financial position and income statement balances of infragroup transactions and those with related parties undertaken by the company and its subsidiaries in 2022, are respectively indicated in the "Statement of financial position with indication of transactions with related parties in accordance with Consob Resolution No. 15519 of July 27, 2006", and in the "Statement of comprehensive income with indication of transactions with related parties in accordance with Consob Resolution No. 15519 of July 27, 2006", and in greater detail in the "Related party transactions" paragraph of the Consolidated Financial Statements of the FILA Group at December 31, 2022, to which reference should be made. In particular, in this paragraph the transactions executed by the FILA Group with related parties in the course of ordinary operations and based on market conditions are outlined and were undertaken in the interests of the Group.

The Board of Statutory Auditors assesses the overall adequacy of the information, provided in the manner indicated above, concerning the above transactions and, also on the basis of the analyses and periodic checks carried out by the Control and Risks and Related Parties Committee, considers that they are adequate and in line with the company's interests. The Related Party Transactions, identified on the basis of the international accounting standards and Consob's provisions, were governed by a specific "Related Party Transactions Policy" adopted by the Board of Directors of the Company (in the last version approved with resolution of May 14, 2021). The Board of Statutory Auditors reviewed the Policy, declaring its compliance with the regulation adopted by Consob with Resolution No. 17221 of March 12, 2010, as latterly amended with Resolution No. 21624 of December 10, 2020, in force since July 1, 2021.

6. Relations with the Independent Audit Firm, in accordance with Legislative Decree 39/2010 and observations on its independence

The Board of Statutory Auditors oversaw the efficacy of the legally-required audit, discussing and examining through various meetings with the Independent Audit Firm aspects concerning:

- the planning of activities, the methodological approach and the supervision and co-ordination of works carried out by the auditors of the overseas subsidiaries;
- the most significant areas in terms of audit risks;

- the efficacy and reliability of the internal control system;
- the periodic checks on the proper keeping of accounting records;
- the results emerging from the work carried out.

The Independent Audit Firm communicated the fees accruing in 2022 for audit services and non-audit services (NAS) provided to FILA S.p.A. and to its subsidiaries by KPMG S.p.A. and this auditor's network. These fees are summarised in the "Information provided as per Article 149-*duodecies* of Consob Issuers' Regulation" of the Consolidated Financial Statements of the F.I.L.A. Group at December 31, 2022, in compliance with Article 149-*duodecies* of the Issuers' Regulation.

In particular, the fees for non-audit services, according to that confirmed by the Independent Audit Firm, for 2022 totalled Euro 171 thousand, at consolidated level, of which Euro 80 thousand concerning the services provided by KPMG S.p.A. and Euro 91 thousand the services provided by parties belonging to the KPMG network in favour of the overseas Group subsidiaries. In this regard, in all of those cases in which, in accordance with Article 5, paragraph 4 of Regulation (EC) 537/2014, the prior review of the Internal Control and Audit Committee was requested, the Board of Statutory Auditors, in that role, reviewed in accordance with Articles 4, 5 and 6 of the above Regulation and considering the relative research and interpretation documents the requests to receive and adopt its decisions after reviewing and assessing: (i) the subject, method of execution of the appointment and fees, (ii) the documents and relevant professional technical principles and iii) the declarations of the independent audit firm concerning the absence of risks regarding its independence.

In carrying out its investigatory activities, the Board of Statutory Auditors took into consideration the overall rationale of the rules stated, and assumed a more prudent approach in order to accept and guarantee the complete independence of the auditor.

With reference to the so-called 70% fee-cap rule provided for by Article 4 of Regulation (EC) 537/14, applicable starting from the financial year ended December 31, 2020, the Board of Statutory Auditors found that the fee for NAS services paid to KPMG S.p.A. in 2022 compared to the average fee for the legal audit in the three-year period 2019-2021 is well below the established percentage limit. Incidentally, it should be noted that the company, on the request of the Board of Statutory Auditors, prepared and approved with Board of Directors' motion of May 15, 2019, both the procedure for the "Conferment to the independent audit firm of non-audit services", latterly amended with Board of Directors motion of August 4, 2022 and by that with regards to the "Selection of the Audit Firm" to which the audit appointment is assigned. With regards also to the independence of the audit firm, the Board of Statutory Auditors, as previously indicated, in its role also as Internal Control and Audit Committee:

a) fulfilled the duties required of Article 19, paragraph 1, letter e) of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, verifying and monitoring i) the independence of the Audit Firm, in accordance with Article 10, 10-*bis*, 10-*ter* and 10-*quater* and 17 of Legislative Decree 39/2010 and Article 6 of Regulation (EC) No. 537/2014; ii) the adequacy of the provision of non-audit services in accordance with Article 5 of the above Regulation;

b) examined the Additional Report for the Internal Control and Audit Committee established by Article 11 of Regulation (EC) 537/2014 and noted that contained in the Transparency Report published by the Independent Audit Firm on its website in compliance with the criteria outlined in the Regulation;

c) received as an annex to the above Additional Report, the "Annual confirmation of independence in accordance with Article 6, paragraph 2, letter a) of Regulation 537/2014 and in accordance with paragraph 17 of international audit principle (ISA Italy) 260" where the independent Audit Firm, among others, declares that, in the period between January 1, 2022 and the issue of the Confirmation, no situations which would compromise its independence with regards to FILA S.p.A. arose in accordance with Articles 10 and 17 of Legislative Decree 39/2010 and Articles 4 and 5 of Regulation (EC) 537/2014;

d) discussed with the Independent Audit Firm, the risks regarding its independence and the measures taken to mitigate them, pursuant to Art. 6, para. 2(b) of EU Regulation No. 537/2014.

On the basis of the information acquired and the activities carried out, no aspects or situations emerged indicating risks to the independence of the Independent Audit Firm, and in this regard the Board of Statutory Auditors does not report any observations for the Shareholders' Meeting.

7. Supervisory activities on the financial disclosure process and internal control system

The Board of Statutory Auditors supervised the adequacy of the administrative and accounting system, in addition to its reliability to correctly represent the operating events, obtaining information from the administrative department managers and exchanging information with the Control and Risks and Related Parties Committee, the Internal Audit department and the Independent Audit Firm.

The Board of Statutory Auditors in addition supervised, also through periodic meetings with the Executive Officer responsible for financial reporting, the organisation and company procedures and the instruments adopted for the collation of the information and the data necessary for the drawing up of the statutory financial statements, the consolidated financial statements and the periodic financial reports, in addition to other financial communications, in order to: i) assess the adequacy and the effective adoption and ii) verify the adequacy and the suitability of the powers and the means assigned by the Board of Directors to the Executive Officer for the undertaking of his/her role.

In this regard, the Board of Statutory Auditors notes that in relation to the statements issued by the Executive Bodies (specifically the Chief Executive Officer) and the Executive officer for financial reporting in accordance with Article 154-bis, paragraph 5 of the CFA, on the statutory financial statements and on the consolidated financial statements of the Group at December 31, 2022, in addition to the Half-Year Financial Report at June 30, 2022 and on the quarterly reports, no citable matters or annotations emerged.

We indicate that on December 2, 2022 the Board of Directors, following the resignation of the Chief Financial Officer (CFO) and Executive Officer for Financial Reporting Mr. Stefano De Rosa, with effect from February 6, 2023, appointed, with the favourable opinion of the Board of Statutory Auditors, Mr. Cristian Nicoletti (at FILA S.p.A. since 2006 and Group Reporting & Business Analysis VP of the Group) as the new CFO from that date. At the meeting of December 20, 2022, the Board of Statutory Auditors held a meeting with Mr. De Rosa and with Mr. Nicoletti to acquire information on the process for the handover and the transfer of duties and responsibilities.

The Board of Statutory Auditors considers the administration and accounting system overall to be substantially adequate and reliable in view of the size and complexity of the company and of the Group. Considering that responsibility for the audit of the accounts is assigned to the Independent Audit Firm, the Board of Statutory Auditors supervised the general lay-out of the statutory financial statements and the consolidated financial statements and their compliance with the rules governing their formation and structure, taking account also of the priorities indicated by ESMA – European Securities and Market Authority. The Board of Statutory Auditors also verified their consistency with the events and information noted during the execution of their duties. In this regard, the Board of Statutory Auditors does not highlight any particular observations.

The Board of Statutory Auditors supervised, within the extent of its remit, the adequacy of the internal control and risk management system: a) obtaining information from the managers of the various company departments, so as to verify the existence, adequacy and proper implementation of the procedures; b) attended the meetings of the Control and Risks and Related Parties Committee; c) met periodically with the Internal Audit manager and acquired information regarding the results of work carried out, actions recommended and subsequent initiatives undertaken to solve specific problems and/or for the improvement of the procedures; ii) exchanged information with the Independent Audit Firm.

In addition, the Board of Statutory Auditors noted the information provided periodically by the Executive Director as the Director in charge of setting up and maintaining an effective internal control system and the periodic reports prepared by the Control and Risks and Related Parties Committee, in compliance with Article 6, Recommendation No. 35 of the Corporate Governance Code on the activities undertaken where, among other matters, a positive assessment was expressed on the adequacy and efficacy of the internal control and risk management system.

The Board of Statutory Auditors, on the basis of that reported above and considering the control activities put in place and the improvement actions taken and being implemented, considers that the internal control system should be considered in overall terms adequate to the size, complexity and operations undertaken by the Company and by the Group.

In this regard and considering the major acquisitions of overseas companies in the recent past, and the consequent expansion of the FILA Group internationally, the Board of Statutory Auditors in various circumstances expressed its opinion on the completion within a short timeframe of the integration process and to further strengthen the control functions and the governance system of the main subsidiaries.

In this regard, the Board of Statutory Auditors reports that during the year (i) the activities to fine-tune and improve the Group's single ERP system continued at the subsidiaries that have already adopted it, (ii) its implementation was completed in the initial days of January 2023 at the subsidiaries Brideshore (Dominican Republic) and Daler Rowney (UK), and (iii) the new Organizational Model became operative, which, as mentioned above, provides for, among other matters, the strengthening of the role and responsibilities of the central functions, the better functioning of the strategic committees with the tasks of controlling, supervising and monitoring the activities and operating performance of the subsidiaries and an operating control manager (Group Controlling VP).

8. *Oversight of the non-financial disclosure process*

As previously indicated, the Board of Statutory Auditors oversaw compliance with Legislative Decree 254/2016 and the enactment regulation adopted by Consob with Motion No. 20267 of 18/01/2018, with regards to the Non-financial statement (hereafter "NFS") and regarding the existence of an adequate organisational, administrative, reporting and control system of the company to permit the correct and complete presentation of non-financial disclosure.

In this regard, the Board of Statutory Auditors met with the Executive Director, in addition to the various company structures and outsourcers which were part of the work group under the latter's responsibility involved in the preparation of the NFS, acquiring information regarding the materiality analysis carried out by the company to establish the relevant non-financial reporting scopes for the FILA Group, the involvement of the subsidiaries and the operating procedures and instruments adopted for the collation of data/information and their subsequent analysis, control and consolidation.

The Board of Statutory Auditors in addition discussed with the independent audit firm the content of the Non-Financial Statement, taking account also of the priorities indicated by ESMA - European Securities and Market Authority, of the procedures undertaken and the operating means for the planning and execution of works.

On the basis of the information and the evidence acquired and according to the terms reported above, the Board of Statutory Auditors considers the procedures, processes, and structures for the production, reporting, measuring and presentation of this information to be adequate and does not highlight any particular matters for the Shareholders' Meeting.

9. *Additional information requested by Consob Communication No. DEM/1025564 of April 6, 2001 and subsequent supplements*

In accordance with that required by Consob, the Board of Statutory Auditors also reports the following:

a) the Board of Statutory Auditors did not receive any petitions as per Article 2408 of the Civil Code, nor notices from third parties;
b) the Company and the Board of Statutory Auditors, during 2022, did not receive any disclosure requests from Consob, neither as per Article 115 of the CFA, nor as per Article 114 of the CFA;
c) The Board of Statutory Auditors issued its opinion as per Article 2389, paragraph 3 of the Civil Code, on the application of the Remuneration Policy 2022 and on the Remuneration Policy 2023, with regards to the senior directors (motion of the Board of Directors of March 22, 2023);
d) the Board of Statutory Auditors issued a favourable opinion as per Article *154-bis*, paragraph 1 of the Consolidated Finance Act with regard to the appointment of the Manager in charge of financial reporting, as approved by the Board of Directors on December 2, 2022;
e) the Board of Statutory Auditors expressed its opinion on the motions within the scope of the Board of Directors, concerning i) the 2023 activity plan prepared by the Internal Audit function (as per Article 6, Recommendation No. 33, letter c) of the Corporate Governance Code) and ii) the correct use of the accounting standards and their uniformity for the purposes of the Report on the separate and consolidated annual and half-year accounts (as per Article 6, Recommendation No. 35, letter a) of the Corporate Governance Code).

10. *Significant events indicated in the Directors' Report, in the separate financial statements and in the consolidated financial statements*

Among the significant events outlined in the Directors' Report, in the separate financial statements and in the consolidated financial statements at December 31, 2022, during the year ending at that date, the Board of Statutory Auditors indicates the following:

- on July 28, 2022, a new medium to long-term loan was signed, divided into five lines of credit totalling Euro 307.5 million (including Euro 75.0 million consisting of "Revolving Credit Facilities") and USD 33.1 million. The transaction made it possible to pay off the existing loan in advance of its natural maturity, to reduce the total amount of medium to long-term debt through the use of available cash, and to reschedule the amount and maturity of outstanding repayments;

- in relation to the Russia-Ukraine conflict, the Directors, after recalling the direct and indirect effects at a global level and the impacts on the Company and the Group, highlight the write-down of trade receivables from third parties of the Russian subsidiary on the basis of assessments regarding their recoverability, underlining however the insignificance of this company's revenues. With reference to the assessments made for financial reporting purposes and the uncertainties related to the development of the current conflict, the Directors state that they cannot rule out that, should the crisis worsen or spread internationally, the consequences for the Company and the Group could be more severe than can be assumed at present.

11. Subsequent events

The Board of Statutory Auditors have noted and highlight that in the "Subsequent events" paragraph of the Directors' Report, the Directors outline the activities underway to complete the disposal of 65% of FILA S.p.A.'s holding in the Russian subsidiary.

12. *Independent Auditors' Report and Board of Statutory Auditors' Report*

The Independent Audit Firm issued on March 30, 2023 the Reports as per Article 14 of Legislative Decree No. 39/2010 and Article 10 of Regulation (EC) 537/2014, on the separate financial statements and on the consolidated financial statements at December 31, 2022 where, in particular, it certified that:

- the separate financial statements and the consolidated financial statements provide a true and fair view of the statement of financial position of the Company and of the Group at December 31, 2022 and of the economic result and cash flow for the year ended at that date in compliance with International Financial Reporting Standards adopted by the European Union and the provisions issued in implementation of Article 9 of Legislative Decree 38/05;
- the opinion on the statutory financial statements and the consolidated financial statements is in line with that indicated in the Additional Report drawn up pursuant to Article 11 of Regulation (EC) 537/2014 and in accordance with Article 19 of Legislative Decree 39/2010;
- the Directors' Report and certain specific information contained in the Corporate Governance and Ownership Structure Report indicated in Article 123-*bis*, paragraph 4 of Legislative Decree 58/1998, are consistent with the company's statutory financial statements and Group consolidated financial statements and are drawn up in accordance with law;
- the separate financial statements and the consolidated financial statements have been prepared in XHTML format (and limited to the consolidated financial statements, have been marked in all significant aspects) in accordance with the provisions of Delegated Regulation (EU) 2019/815

It is recalled for informational purposes alone that in the Reports on the financial statements, the Independent Audit Firm considered it beneficial to identify as "key aspects of the audit", for the statutory financial statements of FILA S.p.A., the process to measure the recoverable value of the investments while, with regards to the consolidated financial statements of the Group, a) the process to measure the recoverable value of goodwill and b) the recognition and valuation of inventory. In the Auditors' Report on the consolidated financial statements, the Independent Audit Firm also stated that it had verified the approval of FILA S.p.A.'s directors of the Consolidated Non-Financial Statement for the year 2022.

In the above Reports of the Independent Audit Firm, no issues or requests for disclosure were raised, nor were declarations issued in accordance with Article 14, paragraph 2, letters d) and e) of Legislative Decree 39/2010.

The Board of Statutory Auditors, during various meetings with the competent corporate functions and with the Independent Audit, examined in-depth the various aspects related to the obligation, established by Delegated Regulation (EU) 2019/815 ("ESEF Regulation"), to prepare the Annual Financial Report in xHTML format (instead of PDF) and the financial statements marked with iXBRL language according to the ESEF taxonomy. It therefore monitored the process put in place by the Company to comply with this obligation and acknowledged the opinion expressed by the Independent Audit Firm on compliance with the provisions of the above-mentioned Regulations on the basis of International Auditing Standard (ISA Italia) 700B.

In addition, also on March 30, 2023, the Independent Audit Firm:

- sent to the Board of Statutory Auditors, as the Internal Control and Audit Committee, the additional report as per Article 11 of Regulation (EC) No. 537/2014, which does not contradict that outlined in the Reports on the financial statements indicated above and reports on other significant aspects, and that the Board of Statutory Auditors will send, without observations, to the Board of Directors;
- issued, in accordance with Article 3, paragraph 10 of Legislative Decree 254/2016 and Article 5 of Consob Regulation 20267/2018, the Consolidated Non-Financial Statement, regarding which the Independent Audit Firm declares that, on the basis of the work carried out, no matters came to its attention to suggest that the FILA Group's Consolidated Non-Financial Statement for the year ended December 31, 2022 was not drawn up, in all significant aspects, in compliance with the requirements of Articles 3 and 4 of the Decree and selected GRI Standards.

The regular meetings held by the Board of Statutory Auditors with the Independent Audit Firm, pursuant to Article 150, paragraph 3 of Legislative Decree 58/1998, did not reveal aspects that should be highlighted in this Report.

Moreover, the Board did not receive any disclosures from the Independent Audit Firm on reprehensible facts detected during the audit activity on the annual and consolidated financial statements.

13. Note on the next Shareholders' Meeting

The Board of Statutory Auditors points out that the extraordinary legal provisions and regulations to enable the remote holding of Shareholders' Meetings, and the exercise of votes at such meetings, remain in force, which FILA S.p.A. has decided to utilise. In this regard, the Board of Statutory Auditors will work in close coordination with the Board of Directors so that the next Shareholders' Meeting, called for April 21, 2023, can be held properly held, and the rights of Shareholders duly exercised, in compliance with the above provisions.

14. Final considerations

Considering all that stated above, the Board of Statutory Auditors does not raise specific critical matters, omissions, reportable events or irregularities, nor observations or proposals to be submitted to the Shareholders' Meeting in accordance with Article 153 of Legislative Decree 58/1998, to the extent of its remit, and therefore does not indicate any reasons to prevent approval of the separate financial statements at December 31, 2022 and the proposals for the allocation of the profit drawn up by the Board of Directors for the Shareholders' Meeting.

Rome, March 30, 2023

Gianfranco Consorti, Chairperson of the Board of Statutory Auditors
(signed on the original)

Sonia Ferrero, Statutory Auditor
(signed on the original)

Pietro Michele Villa, Statutory Auditor
(signed on the original)

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

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(The accompanying translated separate financial statements of F.I.L.A. S.p.A. constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors’ report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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

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

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of F.I.L.A. S.p.A. (the “company”), which comprise the statement of financial position as at 31 December 2022, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of F.I.L.A S.p.A. as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the “*Auditors’ responsibilities for the audit of the separate financial statements*” section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

KPMG

F.I.L.A. S.p.A.
Independent auditors' report
31 December 2022

Measurement of equity investments

Notes to the separate financial statements: section "Basis of preparation " and note 4 "Equity investments"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2022 include equity investments of €371.1 million, mainly relating to the US subsidiary Dixon Ticonderoga Company (€107.3 million), the UK subsidiary Renoir Topco Limited (€97.3 million), the Indian subsidiary DOMS Industries Pvt. Ltd. (€57.3 million), the French subsidiary Canson S.A.S. (€37.8 million) and the French subsidiary FILA Arches SAS (€22.6 million). When they identify indicators of impairment and, in any case, at least annually, the directors test these equity investments for impairment, checking their recoverability by comparing their carrying amounts with their value in use calculated using the discounted cash flow model. The directors have forecast the expected cash flows used to estimate the recoverable amount on the basis of the projections derived from the 2023 budget and the business plan approved by the board of directors on 13 February and 16 March 2023, respectively. Calculating the recoverable amount of these equity investments requires significant estimates. Specifically, in addition to the uncertainty inherent in any forecast, this process has the following characteristics: • valuation assumptions affected by the reference market trends (including the US, UK, Indian and French markets), due to the specific economic and political conditions that are difficult to predict and unstable; • assumptions about the synergies expected, as set out by the directors in the business plan; • estimates of the long-term growth rate and the discount rate applied to the projected cash flows, which require a high level of judgement. For the above reasons, we believe that the measurement of the above equity investments is a key audit matter.	Our audit procedures, which also involved our own specialists, included: • understanding the process adopted to prepare the impairment test approved by the company's board of directors; • understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived; • analysing the reasonableness of the assumptions used to prepare the forecasts; • checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; • checking the consistency of the expected cash flows used for impairment testing with those used for the forecasts and analysing the reasonableness of any discrepancies; • analysing the expected cash flows and main assumptions used to calculate value in use, especially the key assumptions, which include: the revenue increase in the United States, the United Kingdom, India and France, expected synergies and the calculation of the discount and long-term growth rates; • assessing the appropriateness of the disclosures provided in the notes about the measurement of equity investments.

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

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

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

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

Auditors' responsibilities for the audit of the separate financial statements

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

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

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements at 31 December 2022 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements at 31 December 2022 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

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

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2022 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2022 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2022 and have been prepared in compliance with the applicable law.

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

Milan, 30 March 2023

KPMG S.p.A.

(signed on the original)

Annalisa Violante
Director of Audit