

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



EXPLANATORY REPORT OF THE BOARD OF DIRECTORS ON POINT 1 OF THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING OF F.I.L.A. - FABBRICA ITALIANA LAPIS ED AFFINI S.P.A., CALLED FOR JANUARY 22, 2024 IN SINGLE CALL.

(drawn up in accordance with Article 125-*ter* of Legislative Decree No. 58 of February 24, 1998, and Article 84-*ter* of the Regulation adopted with Consob Resolution No. 11971 of May 14, 1999)

Report approved by the Board of Directors of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. at the meeting of December 14, 2023 and available on the website www.filagroup.it

Point 1 on the Agenda of the Ordinary Shareholders' Meeting of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A., called for January 21, 2024 in single call:

1. Proposal to distribute an extraordinary dividend to be taken from available reserves; resolutions thereon.

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Dear Shareholders,

this Report has been prepared pursuant to Article 125-ter, paragraph 1 of Legislative Decree No. 58 of February 24, 1998 and Article 84-ter of the Regulation adopted with Consob Resolution No. 11971 of May 14, 1999.

This report of the Board of Directors of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. (“**Fila**” or the “**Company**”) is made available to the public, in accordance with applicable law and regulations, at the registered office, on the Company’s website (www.filagroup.it) and also by the other means established by the applicable regulation.

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With reference to the first item on the Agenda of the Shareholders' Meeting, the Board of Directors intends to submit for your approval the proposed distribution of an extraordinary dividend, as outlined below.

In this regard, the Board of Directors preliminarily points out that:

- the financial statements for the year ended December 31, 2022 presented Shareholders' Equity of Euro 296,503 thousand and available reserves of Euro 221,065 thousand;
- the Board of Directors approved the Company's statement of financial position at September 30, 2023, which reports at that date that the Company had available reserves of Euro 231,507 thousand;
- this Company’s statement of financial position at September 30, 2023 also presents a net profit of Euro 19,920 thousand;
- the Company is not in the situation referred to in Article 2433(3) of the Civil Code.

On this basis, the following tables present the Company's shareholders' equity as reported, respectively, the financial statements at December 31, 2022 and in Fila's statement of financial position at September 30, 2023; in addition, referring to the provisions of Article 2427, paragraph 7-bis, of the Civil Code, the relative possibility of use and availability is indicated for each item, as well as the total amount of reserves distributable to shareholders.

Status of distributable reserves at December 31, 2022

	Balance at 31.12.2022	Possible uses	Available amount
Share capital	46,986		
Treasury shares	(1,794)		
Capital Reserves:			
Legal reserve	9,397	B	9,397
Share premium reserve	154,614	A, B, C	154,614
IAS 19 reserve	(475)		
IAS transition reserve	0	N	0
Translation Differences Reserve	0	N	0
Other reserves	24,007	A, B, C	8,955
Retained Earnings	48,099	A, B, C	48,099
Total	280,834		221,065

Key

N - totally unavailable

A - for share capital increase

B - to cover losses

C - for distribution to shareholders

Status of distributable reserves at September 30, 2023

Shareholders' Equity items <i>(Euro thousands)</i>	Balance at 30.09.2023	Possible uses	Available amount
Share capital	46,986		
Treasury shares	(2,966)		
Capital Reserves:			
Legal reserve	9,397	B	9,397
Share premium reserve	154,614	A, B, C	154,614
IAS 19 reserve	(475)		
IAS transition reserve	0	N	0
Translation Differences Reserve	0	N	0
Other reserves	24,884	A, B, C	9,832
Retained Earnings	57,664	A, B, C	57,664
Total	290,104		231,507

Key

N - totally unavailable

A - for share capital increase

B - to cover losses

C - for distribution to shareholders

As can be seen from the tables above, the statement of financial position for the year ended December 31, 2022 presented shareholders' equity, including the net profit for the year, amounting to Euro 296,503 thousand and available reserves totalling Euro 221,065 thousand (of which Euro 211,668 thousand were available for distribution to shareholders), while the statement of financial position at September 30, 2023 presented total shareholders' equity of

Euro 310,024 thousand and available reserves totalling Euro 231,507 thousand (of which Euro 222,110 thousand were available for distribution to shareholders).

In addition, as disclosed to the market, the listing process of the Indian investee DOMS Industries Limited ("**DOMS**") was finalised, under which Fila, as the selling shareholder, placed 10.126.582 DOMS shares for an aggregate consideration of approx. Euro 88,0 million.

In the light of the aforementioned extraordinary liquidity event, the Board of Directors, with a view to aligning the interests of Fila's shareholders with the achievement of the company objectives and the sharing of the related benefits, having examined the statement of financial position at September 30, 2023 (in particular with regard to the available reserves) and having obtained the necessary authorisations from the credit institutions, deemed it appropriate to submit to the Shareholders the distribution, from the Retained Earnings reserve, of an extraordinary dividend of Euro 0.58 for each F.I.L.A. S.p.A. (ordinary and special) that will be in circulation on the coupon date (net of treasury shares in portfolio on that date).

Therefore, considering the 51,058,297 F.I.L.A. S.p.A. shares outstanding as of today, less the 330,766 treasury shares held by Fila, the total maximum amount of the proposed dividend would be Euro 29,421,967.98. In light of the statement of financial position outlined above, in addition to the projected receipt of proceeds from the aforementioned sale of DOMS shares in the context of the latter's listing, the Company has liquidity that allows it to make the distribution, where approved by the Shareholders' Meeting and without jeopardising its equity, financial and operating equilibrium; moreover, this outlay does not impact the repayment plan of the outstanding bank loan and is in line with the objectives of reducing the leverage ratio.

The dividend will be paid on January 31, 2024, with date of coupon of January 29 and record date, pursuant to Article *83-terdecies* of the CFA, of January 30, 2024.

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Given that presented and where in agreement with the above proposals, we invite you to adopt the following motions:

"The Ordinary Shareholders' Meeting of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A.

- *noting that the financial statements at December 31, 2022, approved by the Shareholders' Meeting of April 21, 2023, report available and distributable reserves, which allow for the distribution of dividends as proposed;*
- *given the statement of financial position at September 30, 2023, which shows that the value of the above reserves has not changed significantly;*
- *having reviewed the Explanatory Report of the Board of Directors;*

resolves

1. *to distribute to the shareholders, from the Retained Earnings reserve, an extraordinary dividend of Euro 0.58 for each F.I.L.A. S.p.A. share (ordinary and special) in circulation on the coupon date (net of treasury shares in portfolio on the record date indicated in point 2 of this resolution);*
2. *to stipulate that the coupon date, the date of entitlement to the payment of the dividend (record date) and the payment date, shall be January 29, January 30 and January 31, 2024, respectively;*
3. *to grant the Board of Directors and, on its behalf, the Executive Directors, severally, all the broadest powers to concretely and fully implement the above resolutions in compliance with the applicable regulations.*

Pero, December 22, 2023

The Chairperson of the Board of Directors

(Giovanni Gorno Tempini)