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PRESS RELEASE

BoD of F.I.L.A. S.p.A. approves 9M 2021 results

Revenue of Euro 496.5 million
(+8.9% at like-for-like exchange rates on 9M 2020)
strong School&Office growth (+12.2%), while Fine Art, Hobby & Digital segment continues to grow (+2.3%)

Adjusted EBITDA of Euro 91.0 million
(+19.1% at like-for-like exchange rates on 9M 2020)
School&Office growth in higher-profitability geographical areas such as Europe and North America, Fine Art, Hobby & Digital growth, an improved sales price-mix effect and good operating cost management further drive the margin, which rose to 18.3%

Adjusted Group Profit of Euro 39.7 million, considerably up on Euro 21.5 million (+84.8%) for 9M 2020

Net Bank Debt over last 12 months improves Euro 80.9 million, including negative currency effect of Euro 2.7 million

Shareholder and stakeholder communication policy of F.I.L.A. S.p.A. approved

- ***Adjusted revenue in 9M 2021 of Euro 496.5 million, +5.3% on the same period of the previous year (Euro 471.3 million in 9M 2020), +8.9% at like-for-like exchange rates. School&Office growth picks up further (+12.2% on 9M 2020), thanks to the strong performance in Europe and North America and the recovery also in other geographical areas. The Fine Art segment continues its upward trajectory (+2.3% on 9M 2020), although reporting an expected slowdown in all geographical areas and to a greater extent in North America, mainly due to the focus on a better product price-mix;***

- ***Adjusted EBITDA in 9M 2021 (net of IFRS 16 effects) of Euro 91.0 million, +16.6% (+Euro 12.9 million) compared to the same period of the previous year, +19.1% at like-for-like exchange rates, particularly thanks to growth in Europe and North America;***
- ***Adjusted EBITDA margin increases on 9M 2020 (18.3% vs 16.6% in the same period of the previous year), thanks to the significant School&Office growth in the higher-margin geographical areas, and a better sales Price-Mix and improving operating efficiencies;***
- ***Adjusted Group Profit (net of IFRS 16 effects) of Euro 39.7 million, considerably up on Euro 21.5 million in the same period of the previous year, mainly thanks to the improved operating and financial management results;***
- ***Net Bank Debt over the last 12 months decreased Euro 80.9 million (Euro 389.4 million at September 30, 2021, compared to Euro 470.3 million at September 30, 2020). Excluding a negative currency effect of approx. Euro 2.7 million, the Net Bank Debt decreased Euro 83.6 million;***
- ***Free Cash Flow to Equity of Euro +21.4 million (Euro -38.0 million in the first nine months of 2020), thanks to the growth in EBITDA and the significant Working Capital improvement;***
- ***Net Financial Debt at September 30, 2021 of Euro 485.8 million (including IFRS16 effect of Euro 87.5 million and the negative Mark to Market Hedging effect of Euro 13.5 million) compared to Euro 493.5 million at December 31, 2020 (Euro 569.0 million at September 30, 2020).***

* * *

Pero, November 12, 2021 – The Board of Directors of F.I.L.A. – **Fabbrica Italiana Lapis ed Affini S.p.A. ("F.I.L.A."** or the **"Company"),** whose ordinary shares are listed on the EURONEXT MILAN, organised and managed by Borsa Italiana S.p.A., EURONEXT MILAN segment, ISIN code IT0004967292, today approved the consolidated results at September 30, 2021, prepared according to IFRS.

F.I.L.A. – a Company which operates in the creativity tools market - producing design, colouring, writing and modelling objects - reports 9M 2021 revenue of Euro 496.5 million, up 5.3% (+8.9% at like-for-like exchange rates) on the same period of the previous year. Adjusted EBITDA in the first nine months of 2021 of Euro 91.0 million was up 16.6% on the first nine months of 2020 (+19.1% at like-for-like exchange rates). The Adjusted Profit after extraordinary items and minorities is Euro 39.7 million, compared to Euro 21.5 million in 9M 2020.

* * *

"The Q3 numbers importantly confirm the recovery of the cash generation typical of the pre-COVID period - even outperforming the excellent estimates communicated at the beginning of the year" stated Massimo Candela, CEO of F.I.L.A. *"From September, the Indian market re-started normal pre-pandemic operations, while Mexico - despite the opening of the schools - saw physical student attendance at 50%, therefore impacting the business' recovery. EBITDA in the first nine months outperformed expectations, despite the Euro 8 million reduction from India and Mexico against the same period of 2019. The outlook for our two business divisions for the full year is positive, although the issues of inflation, logistics and an uptick in infections need to be carefully managed.*

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<u>Adjusted financial performance net of IFRS 16 effects - F.I.L.A. Group</u>

Revenue of Euro 496.5 million increased by Euro 25.2 million on 9M 2020 (+5.3%). Net of exchange losses of Euro 16.9 million (mainly concerning the US Dollar and to a lesser extent a number of South American currencies and the Indian Rupee), organic growth was Euro 42.0 million (+8.9%).

At geographical area level, organic growth was reported in Europe of Euro 23.0 million (+14.4% on the comparative period), in Central-South America for Euro 10.3 million (+47.4% on the previous year), in Asia for Euro 8.1 million (+21.3% on the previous year), in the Rest of the World for Euro 0.5 million (+23.3% on the previous year), and in North America for Euro 0.1 million (+0.03% on the previous year).

The adjustment of core business revenue principally refers to returns generated following the COVID-19 pandemic.

Income of Euro 4.7 million decreased by Euro 1.5 million compared to the preceding period, mainly due to lower exchange gains on commercial transactions.

Operating expense in 9M 2021 of approx. Euro 410.2 million increased by Euro 10.7 million on the same period of 2020. This increase, offset by the positive exchange rate effect mirroring that of revenue, is mainly due to variable purchase and commercial costs, following the higher revenue, while certain fixed overheads such as travel and entertainment expenses, advertising, marketing promotion and trade fairs were again contained.

The EBITDA was Euro 91.0 million, up Euro 12.9 million on the same period of 2020 (+16.6%). At like-for-like exchange rates, the increase was 19.1% on the same period of the previous year.

The adjustment of the 9M 2021 EBITDA relates to non-recurring operating costs of approx. Euro 3.3 million regarding reorganisation-restructuring charges and other Group consultancy costs for Euro 1.6 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 0.6 million.

The EBIT amounted to Euro 68.5 million, growth of 28.8% compared to Euro 53.2 million in 9M 2020, and includes amortisation, depreciation and impairments of Euro 22.5 million, decreasing Euro 2.4 million on the same period of the previous year, mainly due to the containment of investments in 2020 during the COVID-19 pandemic and lower impairments on receivables, due to the reduced amount of disputes with customers, in addition to the greater certainty on customer collections compared to the same period of the previous year.

The overall adjustment on the Operating Profit was Euro 3.3 million, resulting from the above-mentioned effects on EBITDA.

Net Financial Expense totalled Euro -14.0 million, improving by Euro 9.1 million, mainly due to greater exchange gains on financial transactions and generally reduced net financial charges, both due to better and more streamlined working capital management and the lower overall debt level.

Group **Taxes** overall totalled Euro 13.9 million, increasing on the same period of the previous year due to the improved pre-tax profit.

The Net Profit of the F.I.L.A. Group for 9M 2021, net of minorities, significantly increased to Euro 39.7 million (Euro 21.5 million in the same period of the previous year).

The adjustment to the 9M 2021 Profit attributable to the owners of the parent was Euro 2.7 million and principally concerned the above effects on the EBITDA, net of the related tax effects.

Statement of Financial Position review - F.I.L.A. Group

The F.I.L.A. Group's **Net Invested Capital** of Euro 870.4 million at September 30, 2021 was composed of Net Fixed Assets of Euro 615.4 million (up by Euro 4.2 million on December 31, 2020), Net Working Capital of Euro 318.3 million (up by Euro 41.8 million on December 31, 2020) and Other

Non-current Assets/Liabilities of Euro 18.2 million (decreasing by Euro 2.0 million on December 31, 2020), net of Provisions of Euro 81.5 million (Euro 83.3 million at December 31, 2020).

Intangible Assets increased on December 31, 2020 by Euro 6.1 million, mainly due to net investments of Euro 1.6 million, relating for Euro 1.5 million to the parent F.I.L.A. S.p.A for the introduction of the SAP system, positive currency differences of Euro 15.4 million and amortisation in the period of Euro 10.8 million.

Property, plant and equipment decreased on December 31, 2020 by Euro 2.1 million, mainly due to the decrease of Euro 2.8 million in Plant and Machinery, partially offset by the increase in Right-of-use assets (application of IFRS 16) of Euro 0.7 million.
The reduction of Euro 2.8 million in Plant and Machinery mainly concerns net investments in the period of Euro 5.8 million and were principally undertaken by DOMS Industries Pvt Ltd (India) and Dixon Ticonderoga Company (U.S.A.), for the extension and development of the local production and logistics site. The overall movement is fully offset by depreciation of Euro 11.3 million, despite positive currency differences of Euro 2.6 million.

Financial assets increased by Euro 0.2 million compared to December 31, 2020 and mainly concerned the movement in financial receivables, principally with regard to the Chinese subsidiary FILA Dixon Stationery (Kunshan).

The increase in **Net Working Capital** of Euro 41.8 million relates to the following:

- **Inventories** – increasing by Euro 6.1 million, entirely related to positive currency effects of Euro 8.9 million, despite a net decrease in Group stock of Euro 2.7 million, particularly in North America, due to the streamlining policy currently in place, business seasonality and the post COVID-19 consumer recovery;
- **Trade and Other Receivables** – increasing by Euro 52.6 million, principally due to the seasonality of F.I.L.A. Group business and concerning particularly Dixon Ticonderoga Company (U.S.A.) and the parent F.I.L.A. S.p.A., and benefitting further from positive currency effects of Euro 3.0 million;
- **Trade and Other Payables** – increasing by Euro 9.5 million. The increase, of which Euro 3.0 million regarding negative currency effects, principally concerned the North American subsidiary Dixon Ticonderoga Company and the subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico).

The decrease in **Provisions** on December 31, 2020 of Euro 1.8 million principally concerns the:

- Reduction in **Employee benefits** of Euro 2.6 million, mainly due to the actuarial gains recorded by the company Daler Rowney Ltd (United Kingdom);

- Decrease in **Provisions for Risks and Charges** of Euro 0.2 million, due to utilisations in the period, principally by the North American subsidiary Ticonderoga Company;
- Increase in **Deferred tax liabilities** of Euro 1.0 million, principally due to negative currency effects (Euro 2.6 million) and the release of the tax effect concerning "Intangible Assets" of Euro 1.6 million.

F.I.L.A. Group **Equity** of Euro 384.6 million increased by Euro 53.4 million over December 31, 2020. Net of the profit of Euro 36.8 million (of which Euro 0.9 million attributable to non-controlling interests), the residual movement mainly concerned the increase in the translation reserve of Euro 13.7 million, of the change of the "fair value hedge" of both interest rate and currency derivatives for Euro 6.9 million and of the Actuarial gains/losses reserve of Euro 2.7 million, while partially offset by the distribution of dividends to Group shareholders of Euro 6.6 million.

The **Net Financial Debt** at September 30, 2021 totalled Euro 485.8 million, improving on December 31, 2020 by Euro 7.7 million. This improvement was mainly due the following factors:

- The net cash flow generated in 9M 2021 from Operating Activities of Euro 41.9 million (absorption of operating cash in 9M 2020 of Euro 10.0 million) concerns:
  - generation of Euro 83.9 million (Euro 63.8 million at September 30, 2020) from Operating Profit, based on the difference of the "Value" and the "Costs of Cash Generation" and the remaining ordinary income components, excluding financial management;
  - outflows of Euro 41.9 million (outflows of Euro 73.8 million in September 30, 2020) attributable to Working Capital movements, primarily related to the increase in Trade receivables and other assets due to business seasonality and the revenue performance, partially offset by the contraction in Inventories and the increase in Trade payables and other liabilities.

- Investing Activities absorbed liquidity of Euro 7.2 million (Euro 6.9 million in 9M 2020), mainly due to the use of cash for Euro 7.3 million (Euro 7.5 million in 9M 2020) for property, plant and equipment and intangible asset investment, particularly regarding DOMS Industries Pvt Ltd (India) and Dixon Ticonderoga Company (USA) and F.I.L.A. S.p.A. (Italy).

- Financing Activities absorbed liquidity of Euro 21.5 million (absorption of Euro 16.8 million in 9M 2020), of which:

  - Euro 14.5 million (Euro 16.5 million in 9M 2020) from interest paid on loans and credit lines granted to Group companies, principally F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A) and Grupo F.I.L.A. – Dixon, S.A. de C.V. (Mexico);

- Euro 7.0 million (Euro 0.3 million in 9M 2020), mainly due to the distribution of dividends to the shareholders of the F.I.L.A. Group and the minorities of the Group for Euro 6.6 million and the acquisition of treasury shares by the parent F.I.L.A. S.p.A. for Euro 0.5 million.

Excluding the currency effect from the translation of the Net Financial Debt in currencies other than the Euro (negative Euro 9.4 million), the adjustment to Mark-to-Market hedges of a positive Euro 5.3 million and the change in the Net Financial Debt due to the application of IFRS 16 of a negative Euro 2.6 million, Group Net Financial Debt therefore decreased Euro 7.7 million (although increasing Euro 70.8 million on September 30, 2020).

Significant events in 9M 2021 and subsequently

- On **January 9, 2021**, the Indian associated company Fixy Adhesives Private Limited was incorporated;
- On **January 12, 2021**, the Indian associated company Inxon Pens & Stationary Private Limited was incorporated;
- On **March 16, 2021**, the liquidation of the non-operative subsidiary in the United Kingdom, Castle Hill Crafts Ltd, concluded.
- The Company, in the period **between March 23 and March 25, 2021**, purchased treasury shares as per the Shareholders' Meeting authorisation of April 22, 2020 and the subsequent Board of Directors' motion of March 16, 2021. At September 30, 2021, the Company held 51,500 treasury shares (0.10% of the Share capital), for a total value of Euro 0.5 million (equal to the "Negative reserve for treasury shares in portfolio" deducted from consolidated shareholders' equity).

Subsequent events

As regards the lockdown following the Coronavirus pandemic, at the date of this report, the Group's plant - with the exception of that in Mexico - are fully up and running and at full capacity, in accordance with the regulations for each country.

Outlook

2021 shall continue to be shaped by the Coronavirus-related instability, which is however subsiding due to increasing vaccination rates. Significant difficulties remain in Mexico, giving rise to considerable uncertainty and caution among our customers when purchasing school supplies. In Europe and North America, the increased confidence stemming from higher vaccination rates and the adoption of stricter virus control measures have facilitated a recovery of School & Office product sales.

"Fine Art" product revenue was again up in the period, although the improvement moderated on the initial part of the year. On the basis of these assumptions, a partial and gradual recovery of fixed costs and production and IT investments linked to the upgrade of the Group's IT systems is therefore expected.
Management continues to remain closely focused on earnings and working capital management efficiency.
The F.I.L.A. Group continues to monitor the developing situation in order to minimise its social and workplace health and safety impacts, in addition to the operating, equity and financial situation, by drawing up and rolling out flexible and timely action plans.

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Shareholder and stakeholder communication policy

The Board of Directors of F.I.L.A. also approved the Shareholder and stakeholder communication policy, in line with, *inter alia*, the recommendations of the Corporate Governance Code of Borsa Italiana S.p.A., with which the company complies, domestic and international best practice and the engagement policies adopted by institutional investors and asset managers.

F.I.L.A. considers in fact, in line with its own specific interest, in addition to being a duty to the market, that it (i) ensures an ongoing and open relationship, based on a mutual understanding of roles, with the current institutional investors, the potential investors, asset managers, financial market operators, the Italian and international financial press, rating agencies and proxy advisors, with the trade associations and with the wider base of shareholders, in order to improve the level of understanding of the operations carried out by the company and the Group, its operating-financial performance and the strategies to ensure sustainable success, in line with that recommended by Article 1 of the Corporate Governance Code of Borsa Italiana S.p.A., in addition to (ii) maintaining an appropriate information channel with these parties, based on the principles of correctness and transparency as per applicable law.

The Shareholder and stakeholder communication policy is available on the company website, in the *"Governance - Governance systems and rules"* section at https://www.filagroup.it/governance/.

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The IFRS consolidated financial statements extracted from the approved document are attached.

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The Manager in charge of Financial Reporting, Mr. Stefano De Rosa, declares in accordance with Article 154-bis, paragraph 2, of the CFA that the accounting information contained in the present press release corresponds to the underlying accounting documents, records and accounting entries.

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F.I.L.A. (Fabbrica Italiana Lapis ed Affini), *founded in Florence in 1920 and managed since 1956 by the Candela family, is a highly consolidated, dynamic and innovative Italian industrial enterprise and continues to grow market share. Since November 2015, the ordinary shares of F.I.L.A. have been listed on the EURONEXT MILAN, organised and managed by Borsa Italiana S.p.A., EURONEXT MILAN segment. The F.I.L.A. Group, with revenue of Euro 608.2 million in 2020, has grown significantly over the last twenty years and has achieved a series of strategic acquisitions, including the Italian Adica Pongo, the US Dixon Ticonderoga Company and Pacon Group, the German LYRA, the Mexican Lapiceria Mexicana, the English Daler-Rowney Lukas and the French Canson, founded by the Montgolfier family in 1557. F.I.L.A. is an icon of Italian creativity globally through its colouring, drawing, modelling, writing and painting tools, thanks to brands such as Giotto, Tratto, Das, Didò, Pongo, Lyra, Doms, Maimeri , Daler-Rowney, Canson, Princeton, Strathmore and Arches. Since its foundation, F.I.L.A. has chosen to focus on growth through continuous innovation, both in technological and product terms, in order to enable individuals to express their ideas and talent through tools of exceptional quality. In addition, F.I.L.A. and the other Group companies work together with the Institutions to support educational and cultural projects which promote creativity and expression among individuals and make culture accessible to all.*

The F.I.L.A. Group currently operates through 22 production facilities (of which two in Italy) and 35 subsidiaries across the globe and employs over 8,000.

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For further information:

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Attachment 1 – F.I.L.A. Group Consolidated Income Statement

Euro millions	September 2021	*% core business revenue*	September 2020	*% core business revenue*	Change 2021 - 2020	
Revenue	496,314	*100%*	471,129	*100%*	25,185	*5,3%*
Income	4,698		6,752		(2,054)	*-30,4%*
Total Revenue	**501,012**		**477,881**		**23,131**	***4,8%***
Total operating expense	(402,189)	*-81,0%*	(399,354)	*-84,8%*	(2,835)	*-0,7%*
EBITDA	**98,823**	***19,9%***	**78,527**	***16,7%***	**20,296**	***25,8%***
Amortisation, depreciation and write-downs	(30,821)	*-6,2%*	(32,941)	*-7,0%*	2,120	*6,4%*
EBIT	**68,002**	***13,7%***	**45,586**	***9,7%***	**22,416**	***49,2%***
Net financial expense	(18,114)	*-3,6%*	(27,744)	*-5,9%*	9,630	*34,7%*
Pre-Tax Profit	**49,888**	***10,1%***	**17,842**	***3,8%***	**32,046**	***179,6%***
Total income taxes	(13,047)	*-2,6%*	(5,514)	*-1,2%*	(7,533)	*-136,6%*
Net profit - Continuing Operations	**36,841**	***7,4%***	**12,328**	***2,6%***	**24,513**	***198,8%***
Net Profit for the period	**36,841**	***7,4%***	**12,328**	***2,6%***	**24,513**	***198,8%***
Non-controlling interest profit	0,861	*0,2%*	(0,461)	*-0,1%*	1,322	*286,8%*
F.I.L.A. Group Net Profit	**35,980**	***7,2%***	**12,789**	***2,7%***	**23,191**	***181,3%***

Attachment 2 – F.I.L.A. Group AdjustedConsolidated Income Statement

NORMALIZED - Euro millions	September 2021	*% core business revenue*	September 2020	*% core business revenue*	Change 2021 - 2020	
Revenue	496,504	*100%*	471,347	*100%*	25,157	*5,3%*
Income	4,698		6,198		(1,500)	*-24,2%*
Total Revenue	**501,202**		**477,545**		**23,657**	***5,0%***
Total operating expense	(410,201)	*-82,6%*	(399,483)	*-84,8%*	(10,718)	*-2,7%*
EBITDA	**91,001**	***18,3%***	**78,062**	***16,6%***	**12,939**	***16,6%***
Amortisation, depreciation and write-downs	(22,519)	*-4,5%*	(24,874)	*-5,3%*	2,355	*9,5%*
EBIT	**68,482**	***13,8%***	**53,188**	***11,3%***	**15,294**	***28,8%***
Net financial expense	(13,964)	*-2,8%*	(23,081)	*-4,9%*	9,117	*39,5%*
Pre-Tax Profit	**54,518**	***11,0%***	**30,106**	***6,4%***	**24,412**	***81,1%***
Total income taxes	(13,873)	*-2,8%*	(8,469)	*-1,8%*	(5,404)	*-63,8%*
Net profit - Continuing Operations	**40,644**	***8,2%***	**21,637**	***4,6%***	**19,007**	***87,8%***
Net Profit for the period	**40,644**	***8,2%***	**21,637**	***4,6%***	**19,007**	***87,8%***
Non-controlling interest profit	(0,996)	*-0,2%*	(0,179)	*0,0%*	(0,817)	*-456,4%*
F.I.L.A. Group Net Profit	**39,648**	***8,0%***	**21,458**	***4,6%***	**18,190**	***84,8%***

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Attachment 3 – F.I.L.A. Group Consolidated Statement of Financial Position

Euro millions	September 2021	December 2020	Change 2021 - 2020
Intangible Assets	442,086	435,990	6,096
Property, plant & equipment	169,379	171,489	(2,110)
Financial assets	3,911	3,679	0,232
Net Fixed Assets	**615,376**	**611,158**	**4,218**
Other non Current Asset/Liabilities	**18,212**	**20,242**	**(2,030)**
Inventories	262,382	256,288	6,094
Trade and Other Receivables	168,506	115,929	52,577
Trade and Other Payables	(110,031)	(100,542)	(9,489)
Other Current Assets and Liabilities	(2,519)	4,908	(7,427)
Net Working Capital	**318,338**	**276,583**	**41,755**
Provisions	**(81,493)**	**(83,252)**	**1,759**
Net Invested Capital	**870,432**	**824,731**	**45,701**
Equity	**(384,643)**	**(331,275)**	**(53,368)**
Net Financial Debt	**(485,789)**	**(493,456)**	**7,667**
Net Funding Sources	**(870,432)**	**(824,731)**	**(45,701)**

Attachment 4 – F.I.L.A. Group Consolidated Statement of Cash Flows

Euro millions	September 2021	September 2020	Change 2021 - 2020
EBIT net of IFRS 16 effect	65,186	43,718	21,468
Non-monetary adjustments net of IFRS 16 effect	24,186	25,583	(1,397)
Income taxes	(5,519)	(5,488)	(0,031)
Cash Flow from Operating Activities Before Changes in NWC	**83,852**	**63,813**	**20,039**
Change NWC	**(41,923)**	**(73,839)**	**31,916**
Change in Inventories	2,733	(24,594)	27,327
Change in Trade and Other Receivables	(50,073)	(48,770)	(1,303)
Change in Trade and Other Payables	6,448	1,334	5,114
Change in Other Current Assets/Liabilities	(1,031)	(1,809)	0,778
Cash Flow from Operating Activities	**41,928**	**(10,025)**	**51,953**
Investments in Property, Plant and Equipment and Intangible assets	(7,341)	(7,501)	0,160
Financial Income	0,145	0,564	(0,419)
Cash Flow from Investing Activities	**(7,196)**	**(6,937)**	**(0,259)**
Change in Equity	(7,023)	(0,280)	(6,743)
Financial Expense	(14,471)	(16,546)	2,075
Cash Flow from Financing Activities	**(21,493)**	**(16,826)**	**(4,667)**
Exchange differences and other variations	1,109	(4,476)	5,585
Total Net Cash Flow	**14,348**	**(38,264)**	**52,612**
Effect of exchange gains (losses)	(9,377)	15,550	(24,927)
Mark to Market Hedging adjustment	5,273	(7,207)	12,480
NFD change due to IFRS16 FTA	(2,578)	2,684	(5,262)
NFD from M&A Transactions (Change in Consolidation Scope)	-	(43,600)	43,600
Change in Net Financial Debt	**7,667**	**(70,836)**	**78,503**