PRESS RELEASE

BOD OF F.I.L.A. S.P.A. APPROVES H1 2020 RESULTS

H1 REVENUE OF EURO 307.6 MILLION (-12.3%) AND EBITDA OF EURO 46.2 MILLION (-20.7%), DUE TO COVID-19 AND THE LOCKDOWN

GROWTH IN THE *FINE ART, HOBBY & DIGITAL* SEGMENT OF 4.2%, DROP IN THE *SCHOOL & OFFICE* SEGMENT (-18%) FOLLOWING THE POSTPONEMENT OF THE SCHOOL'S CAMPAIGN, PARTICULARLY IN INDIA, MEXICO AND ITALY.

MAJOR CONTAINMENT OF INVESTMENTS AND OVERHEADS FROM Q2 2020 TO SUPPORT THE MARGIN

DESPITE EFFECTS OF COVID-19 AND THE LOCKDOWN IMPROVED NET BANK DEBT OVER LAST 12 MONTHS OF EURO 61.9 MILLION, EXCLUDING OUTLAY FOR ACQUISITION OF ARCHES®

APPLICATION, AS PER ARTICLE 123-*TER*, PARAGRAPH 3-*BIS* OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998, OF A TEMPORARY DEROGATION FROM SOME ITEMS OF THE REMUNERATION POLICY FOR 2020 OF F.I.L.A. S.P.A.

- ***H1 2020 Revenue of Euro 307.6 million, -12.3% on the same period of the previous year (Euro 350.7 million in H1 2019), -11.8% (net of the FX and M&A effect); organic Fine Art growth of 4.2%, mainly on the North American market was fully offset by the contraction on the School & Office segment (-18.0%), which hit all geographic areas, particularly India, due to the spread of COVID-19 and the consequent lockdown;***
- ***Adjusted EBITDA, net of IFRS 16 effects in H1 2020, of Euro 46.2 million, -20.7% on H1 2019 (Euro 58.2 million), exclusively due to the impact of COVID-19 and the consequent lockdown on volumes, profitability of sales and on organisational and production costs in all geographical areas, particularly in India, from March 2020 (the increase in revenue in the Indian market was 8% until mid-March). These effects were partially offset by major initiatives taken by management to contain overheads and also thanks to the diversification into the fine arts segment over the last 3 years;***

- ***Adjusted Group Net Profit, net of IFRS 16 effects, in H1 2020 of Euro 9.5 million (Euro 21.9 million in H1 2019). The contraction was mainly due to the drop in EBITDA and higher financial expense, exclusively due to currency losses;***
- ***Net Bank Debt falls Euro 14.2 million in the last 12 months, despite the outlay of Euro 43.6 million for the acquisition of ARCHES® and Euro 4.1 million for related consulting and other fees. Over the last 12 months, it has therefore decreased Euro 61.9 million;***
- ***Free Cash Flow to Equity of Euro -60.2 million, including consultancy commissions and other expenses for the acquisition of ARCHES® for Euro 4.1 million (Euro -51 million in H1 2019)***
- ***The available liquidity and existing bank lines appear adequate to cover the current and future operating requirements of the F.I.L.A. Group;***
- ***It is indicated also that on June 30, 2020 the financial covenants had been complied with. However, it was negotiated in advance with the structured debt lending banks that no default shall be linked to any failure to comply with the financial covenants relating to the June 2020 and December 2020 tests ("holiday covenants");***
- ***At June 30, the Group's plants are all operational, in accordance with the regulations for each country, although not at fully capacity in order to protect workers safety.***
- ***The Board of Directors of F.I.L.A. S.p.A. in addition approved - on the proposal of the Remuneration Committee and having received the favourable non-binding reasoned opinion of the Control and Risks and Related Parties Committee - the application, in accordance with Article 123-ter, paragraph 3-bis, of Legislative Decree No. 58 of February 24, 1998, of a temporary derogation to specific items of the remuneration policy for 2020, approved by binding vote of the Shareholders' Meeting of April 22, 2020, amid "exceptional circumstances" relating to the impacts from the COVID-19 pandemic on the results of F.I.L.A. S.p.A. and of the wider Group.***

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Pero, August 5, 2020 – The Board of Directors of F.I.L.A. – **Fabbrica Italiana Lapis ed Affini S.p.A. ("F.I.L.A."** or the **"Company")**, listed on the Milan Stock Exchange, STAR Segment, ISIN code IT0004967292, today reviewed and approved the consolidated results at June 30, 2020, 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 H1 2020 revenue of Euro 307.6 million, down 12.3% (-11.8% net of exchange rate and M&A effects). H1 Adjusted EBITDA of Euro 46.2 million is down 20.7% on H1 2019. The Adjusted Profit after extraordinary items, IFRS 16 effects and minorities is Euro 9.5 million, compared to Euro 21.9 million in H1 2019.

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*The results for the first half of the year, despite the lockdown on distribution and production globally due to Covid-19, substantially highlights three concepts: the first is that the schools business, although resilient, depends on the normal functioning of classes. The second half of the year may therefore be impacted if children do not return to classroom lessons as normal. The second is that the F.I.L.A. Group's supply chain - after the difficulties encountered in 2018 and 2019 - now is an important competitive advantage. Finally, the investment in the Fine Art segment, a key pillar of our strategic vision and a central objective of the Stock market listing, is now an asset with major development potential (+4.2% compared to H1 2019)". **Massimo Candela CEO of F.I.L.A**. stated "The impacts from Covid-19 and the consequent lockdown on volumes, on sales profitability and on organisational and production costs across all geographical areas were partly offset by major overhead cost-cutting actions, protecting the margin and, in particular, I wish to underline that in India - despite the extremely complex lockdown which is ongoing and the consequent drop in volumes and consumption - management took extraordinary cost containment actions to bring EBITDA to substantial break-even, without cash absorption. We have in addition taken all necessary actions to ensure the liquidity needed to support the business and the Net Bank Debt over the last 12 months has reduced by Euro 14.2 million, despite the outlay for the acquisition of ARCHES® and the complex situation stemming from the ongoing pandemic".*

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Adjusted operating performance net of IFRS 16 effects - F.I.L.A. GROUP

Revenue of Euro 307.6 million decreased on H1 2019 by Euro 43.1 million (-12.3%). Net of currency losses of Euro 0.2 million (mainly due to the weakening of the Indian Rupee and the Mexican Peso, only partially offset by the strengthening US Dollar) and the net negative M&A effect of Euro 2.0 million (from the joint impact of higher revenue of Euro 1.9 million following

the acquisition in March 2020 of the new ARCHES® business unit and the lower revenue of Euro 3.9 million following the sale of the "Superior" brand business in October 2019), the organic contraction was Euro 40.9 million (-11.8%).

Looking to the geographical areas, this result was mainly due to the drop in consumption as a result of the Covid-19 pandemic in Europe for Euro 14.8 million (-13%), in Asia for Euro 14.0 million (-33.9%), in Central-South America for Euro 8.2 million (-29.3%) and in North America for Euro 4.1 million (-2.5%).

This analysis also highlights the impacts of the Covid-19 pandemic and of the relative lockdown and remote working period, which resulted in a contraction in revenue concerning, in particular, school and office products, as their consumption is mainly linked to the physical presence of students at school and of personnel at their offices.

Other Revenue of Euro 5.9 million increased on H1 2019 by Euro 2.4 million, mainly due to higher exchange gains on commercial transactions.

Operating costs in H1 2020 of Euro 267.4 million decreased by Euro 28.6 million on the same period of 2019, due to the reduction in revenue, which was partly offset by management's commercial, marketing, administrative and personnel overhead cost-cutting measures, with the latter through the use of accrued vacations, mechanisms similar to the lay-off schemes and a downsizing of the workforce, mainly of temporary workers where possible.

EBITDA was Euro 46.2 million, down Euro 12.1 million on 2019 (-20.7%).
The adjustment on the H1 2020 EBITDA relates to non-recurring operating charges of approx. Euro 7.7 million, mainly for the charges concerning the corporate transaction for the acquisition of the ARCHES® business unit, for Euro 4.5 million, the costs incurred to deal with the Covid-19 pandemic for Euro 2 million and, residually, reorganisation costs of the F.I.L.A. Group, particularly in North America for Euro 1.2 million.

EBIT of Euro 28.9 million decreased by Euro 14.2 million (-32.9%) compared to the first half of 2019, and includes amortisation, depreciation and write-downs of Euro 17.3 million, increasing Euro 2.1 million, mainly due to the increased amortisation and depreciation in the period on investments, and the increase in accruals to cover the greater doubtful debt risk as a result of Covid-19.

The overall adjustment of the EBIT was Euro 7.7 million, resulting from the aforementioned effects on the EBITDA.

Net Financial Expense increased by Euro 1.7 million, mainly due to greater negative currency effects on financial transactions.

The adjustment of Net Financial Expense refers to the financial expense incurred by the Parent F.I.L.A. S.p.A. for the signing of a new loan to support the M&A transaction.

Group **Adjusted income taxes** amounted to Euro 5.3 million, decreasing on the previous year by Euro 2.4 million, due to the reduced pre-tax result.

Net of the profit attributable to non-controlling interests, the F.I.L.A. Group **Adjusted Profit** in H1 2020 was Euro 9.5 million, compared to Euro 21.9 million in the first half of 2019.

The adjustment of the H1 2020 Group Result concerns the aforementioned adjustments, net of the tax effect.

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

The F.I.L.A. Group's **Net Invested Capital** in H1 2020 of Euro 946.7 million, comprises Net Fixed Assets of Euro 651.7 million (increasing on December 31, 2019 by Euro 31.4 million), Net Working Capital of Euro 358.2 million (increasing on December 31, 2019 by Euro 63.3 million) and Other Non-Current Assets/Liabilities of approx. Euro 19.0 million (increasing on December 31, 2019 by Euro 0.6 million), net of Provisions of Euro 82.3 million (Euro 78.0 million at December 31, 2019).

Intangible Assets increased on December 31, 2019 by Euro 32.5 million, mainly due to the change in the consolidation scope following the M&A for the acquisition of the business unit of the ARCHES® brand products, which generated Goodwill of Euro 21.2 million, Brands of Euro 12.4 million and Customer Relationships of Euro 10.4 million. The above intangible assets were valued through Purchase Price Allocation. In addition, net investments principally by the parent F.I.L.A. S.p.A. of Euro 1.2 million for the installation of the SAP system were recorded, amortisation in the period of Euro 7.7 million and negative currency differences in the period of Euro 5.0 million.

Property, plant and equipment decreased on December 31, 2019 by Euro 0.8 million compared

to December 31, 2019, due to the decrease of Euro 2.8 million in Property, Plant and Equipment, partially offset by the increase in rights-of-use of Euro 1.9 million.
Net investments in Property, Plant and Equipment in the period amounted to Euro 4.9 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. In addition, an M&A related increase of Euro 4.3 million is recorded, including Euro 13 thousand of notary fees. The movement is mainly offset by depreciation of Euro 8.3 million and negative currency differences of Euro 3.5 million.

Financial assets decreased by Euro 0.3 million compared to December 31, 2019 and mainly concerned financial receivables.

The increase in **Net Working Capital** of Euro 63.3 million relates to the following:

- **Inventories** - increasing Euro 19.4 million, mainly due to the net increase in stock at the F.I.L.A. Group, for Euro 24.9 million, in particular in North America, France, Mexico and India, in line with the schools campaign business seasonality, an effect amplified by the postponed fulfilment of orders to subsequent quarters due to the Covid-19 pandemic, in addition to the impact from the change in the consolidation scope for Euro 2.7 million during the period, an increase significantly offset by negative currency movements of approx. Euro 8.3 million;
- **Trade and Other receivables** - increasing Euro 58.0 million due to the seasonality of the F.I.L.A. Group's business, with receivables at their highest during the middle months of the year as revenue is generated, although to a lesser extent than normally due to the contraction and deferment of revenues to the subsequent quarters of the year due to the Covid-19 pandemic. This movement mainly concerned Dixon Ticonderoga Company (U.S.A.), F.I.L.A. S.p.A. and Canson SAS (France) and was offset by negative currency effects of Euro 10.4 million;
- **Trade and Other Payables** - increased Euro 11.4 million, principally due to the business seasonality of the F.I.L.A. Group, with procurement concentrated in the initial months of the year in support of production and supplies for peak and forecast sales. The movement principally concerned the North American subsidiary and was partially offset by the reduction at the Indian subsidiary DOMS Industries Pvt Ltd and positive currency conversion effects of Euro 2.5 million.

The increase in **Provisions** on December 31, 2019 of Euro 4.2 million principally concerns the:

- Increase in Deferred tax liabilities of Euro 6.1 million, principally due to the tax effect concerning Intangible Assets, recognised during the PPA of the business unit acquired of

Euro 7.5 million. The change was offset by positive currency conversion effects of Euro 1.3 million;

- Decrease in Provisions for Risks and Charges of Euro 1.1 million, due to utilisations in the period, principally by the North American subsidiary;
- Increase in Employee benefits of Euro 0.8 million, mainly due to the actuarial losses recorded in the period by the company Daler Rowney Ltd (United Kingdom).

F.I.L.A. Group **Equity** of Euro 335.4 million, decreasing on December 31, 2019 by Euro 21.9 million. Net of the profit of Euro 2.2 million (of which a loss of Euro 0.6 million concerning non-controlling interests), the residual movement mainly concerned the increase in the negative currency reserve of approx. Euro 13.0 million and the decrease in the fair value hedge of the IRS derivatives for Euro 10.2 million, partially offset by the "Actuarial Profits/Losses" reserve of Euro 1.0 million.

The F.I.L.A. Group **Net Financial Position** at June 30, 2020 was a net debt of Euro 611.3 million, increasing on December 31, 2019 by Euro 113.1 million.
The net cash flow absorbed in the first half of 2020 from Operating Activities of Euro 44.3 million (in H1 2019 absorbing approx. Euro 31 million), is as follows:

- Inflows of Euro 37.3 million (Euro 50.7 million in H1 2019) from cash flow from Operating profit, calculated as the difference of revenue and operating costs plus other operating items, excluding financial items;
- Outflows of Euro 81.6 million (outflow of Euro 81.7million at June 30, 2019) attributable to Working Capital movements, primarily related to increases in "Inventories", "Trade Receivables and Other Receivables" and "Trade and Other Payables".

Investing Activities absorbed liquidity of Euro 5.6million (Euro 7.9 million at June 30, 2019), mainly due to the use of cash for Euro 6.1 million (Euro 8.0 million at June 30, 2019) for tangible and intangible asset investments, particularly regarding DOMS Industries Pvt Ltd (India), Canson SAS (Francia), F.I.L.A.-Dixon, S.A. de C.V. (Mexico), Dixon Ticonderoga Company (U.S.A.) and F.I.L.A. S.p.A..

Cash flow from Financing Activities absorbed liquidity of Euro 11.7 million (absorption of Euro 17.4 million in H1 2019), entirely due to interest paid on loans and credit lines granted to Group companies, mainly F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A.) and Grupo F.I.L.A. – Dixon, S.A. de C.V. (Mexico).

Considering the currency effect from the translation of the net financial positions in currencies other than the Euro (positive for Euro 9.9 million), the adjustment to Mark to Market hedges of Euro 10.2 million, the movement in the net debt due to the application of IFRS 16, equal to a negative Euro 8.7 million, and the movement generated by corporate transactions of Euro 43.6 million, due to the acquisition of the new business unit, the change in the Group's Net Financial Position is therefore a negative Euro 113.1 million (debt of Euro149.6 million at June 30, 2019).

Significant events in the period and subsequent events

- On **March 2, 2020**, F.I.L.A.- Arches S.A.S., a French company wholly-owned by F.I.L.A., completed the purchase of the fine art business unit of the company specialised in fine art operating through the ARCHES® brand, until now managed by the Ahlstrom-Munksjö Group, finalizing the non-binding memorandum of understanding signed on October 30, 2019 between F.I.L.A. S.p.A. and Ahlstrom-Munksjö Oyj and its French subsidiary, Ahlstrom-Munksjö Arches.
  For over 500 years, the ARCHES® brand has been one of the best-known global brands in the production and distribution of premium fine art paper. The company creates its products utilising a particular "cylinder mould" technique which ensures the delivery of a highly crafted product and an inimitable natural appearance. Each production cycle is subject to numerous technical controls, which have always guaranteed the undisputed quality of the paper and its excellent brand reputation.
  The total price, on a debt-free cash-free basis, paid by F.I.L.A. - Arches S.A.S. for the business unit was Euro 43.6 million. The acquisition was funded through amending the current medium/long-term loan contract, through the granting of new lines for Euro 15 million and the partial use of the RCF line for Euro 25 million, through its conversion into a medium/long-term line.

- **Covid-19 impacts:**

  As known, since January 2020, on the Chinese market - and gradually from March 2020 across the rest of the world - the operating environment has been dominated by the spread of Covid-19 ("Coronavirus") and the resulting restrictive containment measures implemented by the public authorities of the countries affected. The current health emergency, in addition to the enormous social impacts, is having direct and indirect repercussions on the general economy and on the propensity to consume and invest, resulting in a generally uncertain environment.

The F.I.L.A. Group monitored the developing situation in order to minimise its social, workplace health and safety, economic, financial and equity impacts, by drawing up and rolling out flexible and timely action plans. In particular, from the beginning the F.I.L.A. Group has worked tirelessly to ensure maximum health and safety levels for its employees, customers and suppliers. The Group promptly introduced a series of protective measures for personnel and activated its Crisis Response Protocol, immediately rolling out a series of measures at all levels of the organisation - both at headquarters and overseas - at the operational sites and at the production plant.

In this regard, the Coronavirus related lockdown resulted in the closure of the Yixing facility from February 4 until February 21 and that of Kunshan from February 4 until February 28, the Indian facilities from March 22 until May 3, the Italian F.I.L.A. S.p.A. facilities from March 23 to April 10 and that of Industria Maimeri from March 16 to April 30, the Dominican Republic facilities from March 23 to April 3 and those in Mexico from April 6 to April 17.

At the reporting date, the Group's plants are all operational, in accordance with the regulations for each country, although not at fully capacity in order to protect worker safety. With the exception of India, where production and commercial activity was totally blocked for the entire month of April, shipments to customers have never stopped, although sometimes limited by logistical inefficiencies emerging during the lockdown period. The majority of the Group companies updated their internal procedures to guarantee a safe workplace so as to minimise any infection risk, alternating, where possible, the physical presence of workers with remote working. All subsidiaries introduced all of the social security and corrective measures available to offset the drop in activity, such as containing all fixed costs related to activities not strictly necessary in 2020 and a similar deferment to 2021 of all those investments not considered strictly strategic in the current year.

Public aid has principally taken the form of social security schemes to contain labour costs (principally in Italy, France, Germany, United States and England), while there are no significant non-repayable grants. The impact on the business has mainly been a decrease in sales on the Chinese market in February and part of March, while the decrease in sales in the rest of the world has had a gradual impact only from the second half of March (we indicate the total blockage of the Indian market in April), with the exception of customers selling online and Major Retailers, where this impact was however minimal as the sales channels had been operative also in this period.

It is highlighted that Group revenue in April, May and June generally does not correspond, especially for "school products", to the sell-out by our customers to end consumers, but in particular to the supply of the distribution chain ahead of sales for the reopening of schools. Based on current forecasts for the end of the emergency, the impacts on business could be

partially offset by a recovery in the months leading up to the reopening of schools, with the effect therefore of partially deferring revenues from the second to third quarters.

With regard to potential financial stress scenarios, management has monitored and continues to monitor both the Group's current and future liquidity. In April, the first significant impacts on collection activities directly related to the worldwide spread of the Coronavirus became apparent. The Group therefore introduced a strict customer selection policy to limit future financial difficulties, limiting as much as possible exposure to customers considered most at risk and lengthening collection times where possible. In terms of suppliers, however, actions focused on identifying alternative sources of procurement in the case of any critical logistical or financial situations at the main suppliers; no significant criticalities have emerged to date however. No significant renegotiation of existing contracts with customers and suppliers is reported. At that date, the available liquidity appears adequate to cover current and future operating needs.

The medium/long-term debt of a nominal Euro 453 million is based on a bullet repayment plan (Euro 50.9 million in 2023 and Euro 253.8 million in 2024), with the amortizing part settled through increasing instalments until maturity in 2023; the 2020 instalment amounts to Euro 19.4 million. In addition, it was negotiated with the structured debt lending banks that no default shall be linked to any failure to comply with the financial covenants relating to the June 2020 and December 2020 tests ("holiday covenants"), while the margin to be used to calculate the interest shall continue to be that considering the financial statements for the year ended December 31, 2019 (in the case in which dividends are not distributed to shareholders of FI.L.A. S.p.A. during the second half of 2020). It is indicated however that at June 30, 2020 the financial covenants had been complied with.

The Group has carried out a further sensitivity analysis of the potential operating and financial impacts of the current crisis and has drafted a series of measures to limit these impacts, such as the containment of overheads and of the investments planned for 2020, described previously.

In light of that reported and on the basis of the currently available information, assuming that the schools reopen in September, a slight improvement in the operating and financial performance is expected in the second half of the year in comparison with the first half. Consequently, the lower revenue and the possible net working capital tensions shall result in a reduced cash generation compared with the previous year. However, these effects shall be offset by a number of actions taken by management, such as, for example the postponement of certain non-strategic investments and the containment of overheads.

It may be stated that Covid-19 to date has not halted or changed any of the Group's development plans and strategy, only acting to slow them.

The directors of F.I.L.A. S.p.A., considering the effects of the Covid-19 pandemic as a possible impairment indicator, in accordance with IAS 36 "Impairments of assets" (paragraphs 9 and 12), carried out an impairment test on the non-financial assets in order to ascertain their recoverability, not recognising any write-downs and postponing a new valuation to the second half of 2020.

Subsequent events

As regards the lockdown following the Covid-19 pandemic, at the date of this report, the Group's plant are operational, in accordance with the regulations for each country, though not at full capacity in order to protect worker safety.

Outlook

The 2020 outlook will be affected by the instability resulting from the outbreak of Covid-19, which was disclosed in the "Significant events in the period" section. 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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Application, as per Article 123-*ter*, paragraph 3-*bis* of Legislative Decree No. 58 of February 24, 1998, of a temporary derogation from specific items of the remuneration policy for 2020 of F.I.L.A.

The Board of Directors of F.I.L.A. today in addition approved - on the proposal of the Remuneration Committee and having received the favourable non-binding reasoned opinion of the Control and Risks and Related Parties Committee - the application, in accordance with Article 123-ter, paragraph 3-bis, of Legislative Decree No. 58 of February 24, 1998 (the "**CFA**"), of a temporary derogation to specific items of the remuneration policy for 2020, approved by binding vote of the Shareholders' Meeting of April 22, 2020 (the "**2020 Remuneration Policy**" or the "**2020 Policy**"), amid "exceptional circumstances" relating to the impacts from the COVID-19 pandemic and the consequent lockdown on the results of F.I.L.A. and of the Group.
In this regard, it is recalled that Paragraph 1.8 of the 2020 Policy, in line with Article 123-*ter* of the CFA, expressly stipulates the possibility of applying a temporary derogation and regulates both the procedural conditions on the basis of which the derogation may be applied (i.e. application of

the rules for related party transactions as per CONSOB Regulation 17221/2010 (the "**RPT Regulation**") and of the policy adopted by Fila concerning related party transactions (the "**RPT Policy**") and the items for which exemptions may be applied (i.e. any type of fixed or variable, short and/or medium/long-term remuneration, of the beneficiaries of the 2020 Policy).
The 2020 Remuneration Policy is available on F.I.L.A.'s website, in the "*Governance – Annual Reports*" section, at www.filagroup.it.

Items of the 2020 Remuneration Policy covered by temporary derogation:
The temporary derogation to the 2020 Policy approved by the Board of Directors of F.I.L.A. concerns an amendment to the performance and pay-out curves regarding the quantitative short-term variable remuneration objectives for 2020 (whose targets refer to the Group's EBITDA and NFP according to the Group's 2020 annual budget), implemented through (i) increase in the minimum end of the scale of 12.5% and, (ii) increase in the discount stipulated for the minimum end of the various scales of the same percentage in view of the forecast reduction in Group EBITDA for 2020 and the increase in the Group's NFP at December 31, 2020, according to prudential management estimates as of today.

"Exceptional circumstances" as a requirement for the application of the temporary derogation:
In the Company's opinion, the application of the above temporary derogation is necessary for the purposes of pursuing the "*long-term interests of the Company"*, in line with the provisions of Article 123-*ter*, paragraph 3-*bis*, of the CFA. In fact, within the current emergency situation, on the basis of the original provisions of the 2020 Policy, the Group's management, due to circumstances totally beyond its control and regardless of the commitment made in this difficult situation, would see the short-term variable component (qualitative and quantitative) of its remuneration almost entirely reducing to zero, thus frustrating the rationale of the alignment of management's interests with those of shareholders, which is the basis of the remuneration policy, as well as its incentive effect. In fact, as mentioned above, the COVID-19 pandemic and the consequent lockdowns in the various countries in which the Group operates had a negative impact on the achievement of the EBITDA and NFP targets set out in the Group's annual budget for 2020, to whose achievement the payment of the qualitative component of short-term variable remuneration of Group personnel is linked. In addition, also in accordance with the 2020 Policy, the non-achievement of the EBITDA and NFP objectives, as set out in the annual budget for 2020 of the Group, would result in a 75% reduction in the amount of the target of the quantitative component of short-term variable remuneration of Group personnel.
The above temporary waiver has also been designed to avoid distorting effects (such as the payment to beneficiaries of the 2020 Policy of monetary bonuses linked to short-term quantitative objectives above the "target" level) in the event that the Group's results at December 31, 2020, in terms of

EBITDA and/or NFP, are better than the estimates as revised internally by the Company, but in any case lower than those set out in the Group's 2020 annual budget.

Procedural profiles of the application of the temporary derogation:
For the purposes of the approval of the above temporary derogation, the procedural safeguards provided for in Paragraph 1.8 of the 2020 Policy have been observed and, therefore, the rules for transactions with related parties set out in the RPT Regulation and the RPT Policy have been applied. In particular, the policy was followed for "*less significant related party transactions*" as the application of the derogation from the 2020 Policy, as a result of its value, does not fall within the "*minor transactions*" as per Article 2 of the RPT Policy (*i.e.* transactions between related parties whose value does not exceed the amount of Euro 200,000) and does not exceed any of the significance thresholds provided for in Annex 3 to the RPT Regulation for the purposes of qualifying *a* related party transaction as "*significant*".
A summary of the procedure followed by the Company to approve the exemption follows:

1. on July 3, 2020, the F.I.L.A. Remuneration Committee preliminarily examined some proposals for the application of a temporary derogation to certain items of the 2020 Policy, based on the above-mentioned need to realign the interests of the various stakeholders in the light of the effects of the pandemic;
2. on July 24, 2020, F.I.L.A.'s Remuneration Committee defined the proposal to apply a temporary derogation to certain elements of the 2020 Policy, in the terms described above, and resolved, unanimously, to submit this proposal to F.I.L.A.'s Board of Directors;
3. also on July 24, 2020, the Control and Risks and Related Parties Committee of F.I.L.A., considering the aforementioned application of the RPT Policy as safeguard implemented by the Company with regards to the proposed derogation from the 2020 Policy, examined the proposal to apply a temporary exemption to certain items of the 2020 Remuneration Policy drawn up by the Remuneration Committee and expressed, unanimously, a non-binding reasoned favourable opinion on the Company's interest in approving and implementing this proposal, in addition to its benefit and the substantial fairness of the terms and conditions;
4. on August 5, 2020, to the extent necessary, the Board of Statutory Auditors of F.I.L.A. expressed a favourable opinion on the proposal to apply the temporary derogation to certain items of the 2020 Policy;
5. on August 5, 2020, the Board of Directors of F.I.L.A., taking into account the above, approved, unanimously, the application of the temporary derogation to certain items of the 2020 Policy.

Further details on the application of the temporary derogation to certain items of the 2020

Remuneration Policy will be included in the second section of the report outlining the remuneration policy for the year 2021 and on the remuneration paid in 2020 of F.I.LA..

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The IFRS consolidated and separate financial statements from the approved document are annexed.

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The Executive Officer for Financial Reporting Stefano De Rosa declares, in accordance with paragraph 2 of Article 154-bis of the Consolidated Finance Act, 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. In November 2015, F.I.L.A. listed on the STAR segment of the Milan Stock Exchange. The company, with revenue of Euro 687.4 million in 2019, 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 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.*
F.I.L.A. currently operates through 22 production facilities (of which 2 in Italy) and 35 subsidiaries across the globe and employs over 10,000 people.

* * *

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

Euro millions	June 2020	*% core business revenue*	June 2019	*% core business revenue*	Change 2020 - 2019	
Revenue	307,518	*100%*	350,703	*100%*	(43,185)	*-12,3%*
Other Revenue	5,984		3,688		2,296	*62,3%*
Total Revenue	**313,502**		**354,391**		**(40,889)**	***-11,5%***
Total operating costs	(268,337)	*-87,3%*	(294,453)	*-84,0%*	26,116	*8,9%*
EBITDA	**45,165**	***14,7%***	**59,938**	***17,1%***	**(14,773)**	***-24,6%***
Amortisation, depreciation and write-downs	(22,848)	*-7,4%*	(20,246)	*-5,8%*	(2,602)	*-12,9%*
EBIT	**22,317**	***7,3%***	**39,692**	***11,3%***	**(17,375)**	***-43,8%***
Net financial charges	(17,298)	*-5,6%*	(15,236)	*-4,3%*	(2,062)	*-13,5%*
Pre-Tax Profit	**5,020**	***1,6%***	**24,456**	***7,0%***	**(19,436)**	***-79,5%***
Total income taxes	(2,869)	*-0,9%*	(6,414)	*-1,8%*	3,545	*55,3%*
Net profit - Continuing Operations	**2,150**	***0,7%***	**18,042**	***5,1%***	**(15,892)**	***-88,1%***
Net Profit for the period	**2,150**	***0,7%***	**18,042**	***5,1%***	**(15,892)**	***-88,1%***
Non-controlling interest profit	(0,630)	*-0,2%*	1,074	*0,3%*	(1,704)	*-158,7%*
F.I.L.A. Group Net Profit	**2,780**	***0,9%***	**16,967**	***4,8%***	**(14,187)**	***-83,6%***

Attachment 2 – F.I.L.A. Group Adjusted and net of the IFRS 16 effects Consolidated Income Statement

NORMALIZED - Euro millions	June 2020	*% core business revenue*	June 2019	*% core business revenue*	Change 2020 - 2019	
Revenue	307,639	*100%*	350,703	*100%*	(43,064)	*-12,3%*
Other Revenue	5,951		3,558		2,393	*67,3%*
Total Revenue	**313,590**		**354,261**		**(40,671)**	***-11,5%***
Total operating costs	(267,428)	*-86,9%*	(296,035)	*-84,4%*	28,607	*9,7%*
EBITDA	**46,162**	***15,0%***	**58,226**	***16,6%***	**(12,064)**	***-20,7%***
Amortisation, depreciation and write-downs	(17,253)	*-5,6%*	(15,145)	*-4,3%*	(2,108)	*-13,9%*
EBIT	**28,909**	***9,4%***	**43,081**	***12,3%***	**(14,172)**	***-32,9%***
Net financial charges	(14,007)	*-4,6%*	(12,302)	*-3,5%*	(1,705)	*-13,9%*
Pre-Tax Profit	**14,902**	***4,8%***	**30,779**	***8,8%***	**(15,877)**	***-51,6%***
Total income taxes	(5,344)	*-1,7%*	(7,727)	*-2,2%*	2,383	*30,8%*
Net profit - Continuing Operations	**9,558**	***3,1%***	**23,052**	***6,6%***	**(13,494)**	***-58,5%***
Net Profit for the period	**9,558**	***3,1%***	**23,052**	***6,6%***	**(13,494)**	***-58,5%***
Non-controlling interest profit	0,013	*0,0%*	1,103	*0,3%*	(1,091)	*-98,9%*
F.I.L.A. Group Net Profit	**9,545**	***3,1%***	**21,950**	***6,3%***	**(12,405)**	***-56,5%***

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

Euro millions	June 2020	December 2019	Change 2020 - 2019
Intangible Assets	463,093	430,609	32,484
Property, plant & equipment	185,210	186,013	(0,803)
Financial assets	3,413	3,690	(0,277)
Net Fixed Assets	**651,716**	**620,313**	**31,403**
Other non Current Asset/Liabilities	**18,990**	**18,347**	**0,643**
Inventories	277,860	258,409	19,451
Trade and Other Receivables	199,385	141,339	58,046
Trade and Other Payables	(120,050)	(108,670)	(11,380)
Other Current Assets and Liabilities	1,027	3,800	(2,773)
Net Working Capital	**358,222**	**294,880**	**63,342**
Provisions	**(82,256)**	**(78,039)**	**(4,217)**
Net Capital Employed	**946,673**	**855,501**	**91,172**
Equity	**(335,407)**	**(357,351)**	**21,944**
Net Financial Position	**(611,266)**	**(498,150)**	**(113,116)**
Net Funding Sources	**(946,673)**	**(855,501)**	**(91,172)**

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

Euro millions	June 2020	June 2019	Change 2020 - 2019
EBIT	21,236	38,843	(17,607)
Adjustments for non-cash items	17,485	15,508	1,977
Integrations for income taxes	(1,419)	(3,632)	2,213
Cash Flow from Operating Activities Before Changes in NWC	**37,302**	**50,719**	**(13,417)**
Change NWC	**(81,580)**	**(81,683)**	**0,103**
Change in Inventories	(24,523)	(15,486)	(9,037)
Change in Trade and Other Receivables	(70,856)	(78,163)	7,307
Change in Trade and Other Payables	15,449	14,747	0,702
Change in Other Current Assets/Liabilities	(1,651)	(2,781)	1,130
Cash Flow from Operating Activities	**(44,278)**	**(30,963)**	**(13,315)**
Investments in tangible and intangible assets	(6,073)	(8,012)	1,939
Interest Income	0,520	0,068	0,452
Cash Flow from Investing Activities	**(5,553)**	**(7,943)**	**2,390**
Change in Equity	(0,274)	(4,262)	3,988
Financial expenses	(11,408)	(13,091)	1,683
Cash Flow from Financing Activities	**(11,683)**	**(17,353)**	**5,670**
Exchange rate effect and other changes IFRS 16 effect included	(2,273)	(2,059)	0,127
Total Net Cash Flow	**(60,460)**	**(55,302)**	**(5,158)**
Effect of exchange losses	9,894	(3,115)	13,009
Mark to Market Hedging	(10,204)	(10,657)	0,453
Variation for IFRS 16 adoption	(8,746)	(80,521)	71,775
Effect of M&A Operation	(43,600)	0,000	(43,600)
Change in Net Financial Position	**(113,116)**	**(149,595)**	**36,479**