



**Illustrative Report of the Board of Directors on point 1 of the Agenda of the Extraordinary Shareholders' Meeting, called for April 27, 2017 in single call**

## Proposal to amend Article 5 of the Company By-Laws; resolutions thereon

Dear Shareholders,

we submit for your approval the proposal to amend Article 5 of the By-Laws of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. (**FILA** or the **Company**), through the inclusion of a new paragraph 5.3, in order to establish, as per the first paragraph of Article 2349 of the Civil Code, the faculty to allocate profits or retained earnings to employees of the company or the subsidiaries through scrip issues.

The amendment is proposed to provide the company with an effective instrument to establish loyalty and incentive initiatives for employees of FILA and the subsidiaries, as permitted by applicable law.

In this regard, in accordance with Article 114-*bis* of Legislative Decree No. 58/1998, the following shall be submitted for the review and approval of the Shareholders' Meeting called for April 27, 2017 in single call: (i) as point 2 on the Agenda of the ordinary session, the proposal to approve a one-off extraordinary bonus concerning ordinary shares of the company to be allocated free of charge to the Executive Director Mr. Luca Pelosin and to other Group key management personnel and managers; and (ii) as point 3 of the ordinary part of the Agenda, the proposal to approve the 2017-2019 stock grant plan known as the "2017-2019 Performance Shares Plan" concerning the free allocation of ordinary shares of the company, reserved to Group executives and managers. For further details on the extraordinary bonus and the 2017-2019 Performance Shares Plan and the relative free share capital increases in service of such, reference should be made to the relative illustrative reports, available in accordance with law on the company website [www.filagroup.it](http://www.filagroup.it) (Corporate Governance/Corporate Documents/2017 Shareholders' Meeting).

On conclusion, on January 4, 2016, of the exercise period of the "F.I.L.A. S.p.A. Market Warrants", the elimination from paragraph 5.1 of the description of the share capital increase approved by the Shareholders' Meeting of October 9, 2013 in service of the above-stated warrants is in addition proposed. For completeness, from January 1, 2015 and until January 4, 2016, a total 8,153,609 Market Warrants were exercised, against the subscription of 2,201,454 ordinary company shares. As established by paragraph 5.1 of the "F.I.L.A. S.p.A. Market Warrants" Regulation, the remaining 22,685 unexercised "F.I.L.A. S.p.A. Market Warrants" are cancelled and entirely invalid.

A table outlining the amendments proposed, comparing the currently applicable text, is reported below.

BY-LAWS	
EXISTING TEXT	PROPOSED TEXT
5.1 The share capital amounts to Euro 37,170,830 and is divided into 41,232,296 shares, of which 34,665,788 Ordinary shares and 6,566,508 Special Class B shares ("B Shares"), all without par value.	<i>Unchanged</i>

The Extraordinary Shareholders' Meeting of October 9, 2013 resolved (among other matters):

~~A) to issue a maximum 2,692,307 ordinary shares, without par value – with a reduction of the implied par value of all shares in circulation – and without any simultaneous increase in share capital, in service of the exercise of the F.I.L.A. S.p.A. Market Warrants, and under the conditions laid down by the relevant regulation approved by the Extraordinary Shareholders' Meeting at the same meeting, as amended by the Board of Directors on January 15, 2015 in accordance with Article 6.3 of that regulation;~~

~~B) to increase the paid-in share capital, in tranches, for a maximum total amount including share premium of Euro 7,788,750, to be reserved for the exercise of the corresponding 750,000 F.I.L.A. S.p.A. Sponsor Warrants, in accordance with the terms and conditions laid down by the relevant regulation approved by the Extraordinary Shareholders' Meeting at the same meeting (as amended by the Board of Directors on January 15, 2015 in accordance with Article 6.2 of the same regulation), through the issuance of a maximum of 750,000 ordinary shares without par value at a price of Euro 10,385; the deadline as per Art. 2439 of the Civil Code, the rights and the effectiveness of this last increase shall be regulated by the relevant motion.~~

5.2 Ordinary shares, Class B shares and the warrants are subject to dematerialisation in accordance with Articles 83-bis and subsequent of Legislative Decree No. 58/1998.

*Unchanged*

**5.3 The assignment of profits and/or retained earnings to employees of the company or the subsidiaries, through the issue of shares in accordance with the first paragraph of Article 2349 of the Civil Code is permitted.**

The By-Law amendment in question does not provide the right to withdraw as per Article 2437 of the Civil Code.

Dear Shareholders,

in light of that above, the Board of Directors proposes the following motions:

*“The Shareholders’ Meeting of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A.:*

- *having viewed the illustrative report prepared by the Board of Directors and noted the relative proposals*

**resolves**

- *to amend Article 5 of the By-Laws through:*
  - (i) *elimination of letter A) of paragraph 5.1 following conclusion of the exercise period for the “F.I.L.A. S.p.A. Market Warrants”; and*
  - (ii) *the inclusion (with renumbering of the subsequent paragraphs and subject to further motions to be undertaken by the same Shareholders’ Meeting) of the new paragraph 5.3: “The assignment of profits and/or retained earnings to employees of the company or the subsidiaries, through the issue of shares in accordance with the first paragraph of Article 2349 of the Civil Code is permitted”.*

Pero, March 24, 2017

For the Board of Directors  
The Chairman of the Board of Directors