



Board of Directors' Illustrative Report on Item 2 of the agenda of the Shareholders' Meeting in ordinary session, called for 27 April 2017 in single call

One-off Extraordinary bonus entailing F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A. ordinary shares reserved for the Group's executives and management personnel; related and resulting resolutions

Dear Shareholders,

We present for your approval an extraordinary bonus reserved for the executives and management personnel of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. (**FILA** or the **Company**) pursuant to Article 114-*bis* of Legislative Decree No. 58/1998 (the **CFA**), to be implemented through a *one-off* free allocation of a new issue of FILA ordinary shares, derived from a free increase of share capital pursuant to Article 2349, paragraph 1 of the Italian Civil Code (the **Extraordinary Bonus**).

On 21 March 2017, the Board of Directors of the Company approved the Extraordinary Bonus, within the limit of the scope of its powers. This Extraordinary Bonus, which is the subject of this report and which will be presented for the approval of today's Shareholders' Meeting, is designed to reward the significant efforts made by certain Company managers with higher corporate seniority, and who have played a key role in the Group's growth and development, from the merger by incorporation of FILA in Space S.p.A. - which took place in May 2015 – to-date.

It should be noted that the proposal to increase share capital pursuant to Article 2349 of the Civil Code, detailed in a special report drawn up pursuant to Articles 125-*ter* of the CFA and 72 of Consob Regulation No. 11971/1999 (the **Issuers' Regulation**), will be presented for the examination and approval of today's Shareholders' Meeting as Item 2 on the agenda of the extraordinary session. For more information on the proposed share capital increase for the Extraordinary Bonus, please refer to the related explanatory report, in addition to what is briefly discussed in Point 3 below.

The disclosure document on the Extraordinary Bonus drawn up pursuant to Article 84-*bis* of the Issuers' Regulation and in compliance with Annex 3A of this Regulation, will be made available to the public in the manner and within the deadlines required by law.

1. Reasons for the adoption of the Extraordinary Bonus

As already stated, the Extraordinary Bonus is designed to reward the significant efforts made by certain Company managers with higher corporate seniority, and who have played a key role in the Group's growth and development, from the merger by incorporation of FILA in Space S.p.A. - which took place in May 2015 – to-date.

2. Beneficiaries of the Extraordinary Bonus

The Extraordinary Bonus is reserved for:

- The Executive Director of FILA, Dr. Luca Pelosin;
- 2 Key management personnel;
- 6 management personnel; and
- An employee of the FILA Group.

Key management personnel who are the beneficiaries of the Extraordinary Bonus are executives of the FILA Group who have direct or indirect authority and responsibility for the planning, management and control of the Company's activities.

Management personnel who are the beneficiaries of the Extraordinary Bonus are employees of the Company and its subsidiary companies and who occupy posts earmarked for the long-term business growth and sustainability of the FILA Group.

3. The aim and implementation method of the Extraordinary Bonus

The Extraordinary Bonus provides for the free assignment of the right to receive FILA ordinary shares from the Company (always free of charge) to each of the beneficiaries. The assignment of shares underlying the Extraordinary Bonus is not subject to the achievement of performance objectives or related to other key variables.

For the implementation of the Extraordinary Bonus, as indicated above, the Shareholders' Meeting of the Company will be presented with:

- (i) The proposal to insert, in Article 5 of the By-laws of the Company, the authority to allocate profits and/or retained profits to employees through the issue of shares reserved for them pursuant to Article 2349, paragraph 1, of the Italian Civil Code; the effectiveness of the resolutions relating to the Extraordinary Bonus' approval must, therefore, be considered as subject to the Shareholders' approval of the amendment of Article 5 of the By-laws, referred to in Item 1 of the extraordinary session of the Shareholders' Meeting, and the subsequent registration in the Register of Companies of the FILA By-laws' new version which includes the amendment to Article 5 in the aforementioned terms;
- (ii) The proposal for a free and indivisible share capital increase, pursuant to Article 2349, paragraph 1 of the Civil Code, for an amount of EUR 90,314.00 to be fully ascribed to share capital through the issue of 100,181 ordinary shares, without nominal value and with regular dividend rights, for the Extraordinary Bonus.

For more details on the proposal to amend the By-laws of the Company and on the proposal to increase share capital free of charge for the Extraordinary Bonus, please refer to the related explanatory reports drawn up as per Articles 125-*ter* of the CFA and 72 of the Issuers' Regulation, available to the public in accordance with the provisions of law and available on the website of the Company www.filagroup.it (Corporate Governance Section/Documents/Shareholders' Meetings 2017).

Please refer to Point 4 below for the methods of determining the total number of ordinary shares under the Extraordinary Bonus to be allocated to the beneficiaries.

The Company will provide the ordinary shares due to the beneficiary after the approval of the Extraordinary Bonus by the Shareholders' Meeting.

The Extraordinary Bonus will not receive any support from the Special Fund for encouraging employee participation in the companies, referred to in Article 4, paragraph 112 of Law No. 350 of 24 December 2003.

4. Duration of the extraordinary bonus, allocation and delivery of the shares

As stated above, the assignment of shares for the Extraordinary Bonus is free, not subject to the achievement of performance objectives or linked to other key variables.

The free allocation of shares to Extraordinary Bonus beneficiaries will take place in a single payment after the date of today's Shareholders' Meeting. With this allocation, the Extraordinary Bonus will be considered to be depleted.

For the determination of the number of Shares to be allocated free of charge to each of the beneficiaries, the company has taken the strategic importance of the role and the characteristics of each of these Extraordinary Bonus beneficiaries into consideration, including in differentiated terms.

The total number of Shares underlying the Extraordinary Bonus, equivalent to 100,181, was determined on the basis of the mid-market closing price of the underlying security in the 30 trading days preceding the date of 21 March 2017 (excluded).

The authority to assign the Extraordinary Bonus will be vested in the Board of Directors, which will be appointed in this regard by the Shareholders' Meeting. The Board of Directors may delegate all or part of its powers, duties and responsibilities to one or more of its members for the assignment of the Extraordinary Bonus.

5. Transfer of shares

There are no transfer restrictions on the Shares that will be assigned to Extraordinary Bonus beneficiaries.

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Dear Shareholders,

In view of the above, we invite you to adopt the following resolutions:

"The Shareholders' Meeting of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A., having seen and approved the Explanatory Report of the Board of Directors,

resolves

- *To approve, pursuant to and in accordance with Article 114-bis of Legislative Decree No. 58/1998, a one-off extraordinary bonus having the characteristics (including the conditions and terms for implementation) specified in the Board of Directors' Report (attached under "A");*
- *To confer to the Board of Directors, with the widest powers of delegation, all powers necessary or appropriate to fully and wholly implement the "Extraordinary Bonus", in particular, including but not limited to, all powers to determine the quantity of ordinary shares to be allocated to each beneficiary, to proceed to the assignment to beneficiaries, to provide for the preparation and/or finalisation of every necessary or appropriate document in relation to the Extraordinary Bonus, as well as to carry out all acts, compliances, formalities and communication that are necessary or appropriate for the management and/or implementation of this scheme, in accordance with the applicable laws and regulations, as well as, generally for the implementation of this resolution."*

Pero, 24 March 2017

For the Board of Directors
The Chairman of the Board of Directors
Dr. Gianni Mion