

F.I.L.A. – FABBRICA ITALIANA LAPIS ED AFFINI S.p.A.

ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS PREPARED IN ACCORDANCE WITH ARTICLE 125-TER OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS AND ARTICLE 84-TER OF THE REGULATION ADOPTED WITH CONSOB MOTION No. 11971 OF MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

Report approved by the Board of Directors of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. at the meeting of March 21, 2018 and available on the website www.filagroup.it

Point 1 on the agenda of the Ordinary Shareholders' Meeting called for April 27, 2018 in single call:

- **“financial Statements for the year ended December 31, 2017, including the Board of Directors' Report, the Board of Statutory Auditors' Report and the Independent Auditors' Report; presentation of the consolidated financial statements for the year ended December 31, 2017; resolutions thereon;”**

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Dear Shareholders,

this Report has been prepared in accordance with Article 125-ter, paragraph 1 of Legislative Decree No. 58 of February 24, 1998 and subsequent amendments and supplements (the “CFA”) and Article 84-ter of the Regulation adopted with Consob motion No. 11971 of May 14, 1999 and subsequent amendments and supplements (the “Issuers' Regulation”).

The Report was approved by the Board of Directors on March 21, 2018 and is made available to the public, in accordance with applicable law and regulations, at the registered office, on the company website (www.filagroup.it) and also by the other means established by the applicable regulation.

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With reference to the first point on the Agenda of the Shareholders' Meeting, the Board of Directors proposes for your approval, in accordance with law, the Financial Statements for the year ended December 31, 2017 (consisting of the Statement of Financial Position, the Income Statement, the Statement of Cash Flows, the Statement of Changes of Equity and the Explanatory Notes), together with the Directors' Report.

These documents, together with the consolidated financial statements at December 31, 2017, the Board of Statutory Auditors' Report as per Article 2429 of the Civil Code and the Auditors' Report of KPMG S.p.A. on the separate and consolidated financial statements at December 31, 2017, will be made available to the public at the registered office of the company, on the website www.filagroup.it, on the website of Borsa Italiana S.p.A. and on the authorised storage mechanism “NIS-STORAGE” at www.emarketstorage.com.

The separate financial statements at December 31, 2017 present:

- revenues totalling Euro 87.1 million (of which core business revenues of Euro 83.9 million and other revenues and income of Euro 3.2 million);
- operating costs of Euro 80.6 million; and
- an operating profit of Euro 6.5 million;

Net financial income totalled Euro 1 million. The pre-tax profit was Euro 7.5 million; the profit for the year was Euro 6.9 million.

The FILA Group consolidated financial statements at December 31, 2017 present:

- core business revenues of Euro 510.4 million (+20.8% on Euro 422.6 million in 2016, organic growth of 4.7%, excluding the currency effect and changes to the consolidation scope);
- adjusted EBITDA of Euro 80.6 million (+19.9% on Euro 67.2 million in 2016, organic growth of 3.3%);
- adjusted profit, net of extraordinary costs and tax effects, of Euro 29.1 million (up 3.1% on 2016); and
- net financial debt of Euro 239.6 million (increasing Euro 16.2 million on the end of 2016).

The Board of Directors, in view of the profit for the year, therefore proposes, subject to approval of the separate financial statements at December 31, 2017:

- to distribute to Shareholders a dividend totalling Euro 3,719,923 and, therefore, Euro 0.09 for each of the 41,332,477 ordinary shares currently in circulation, while it should be noted that in the case where the total number of shares of the company currently in circulation should increase, the total amount of dividend will remain unchanged and the unitary amount will be automatically adjusted to the new number of shares. The dividend shall be paid-out from May 23, 2018, with record date of May 22, 2018 and dividend coupon of May 21, 2018.

Where in agreement with the above proposals, we invite you to pass the following motions:

“the Shareholders’ Meeting

- having reviewed the illustrative report of the Board of Directors;
- and noting the Board of Statutory Auditors’ Report prepared in accordance with Article 2429 of the Civil Code and 153 of Legislative Decree No. 58 of February 24, 1998;
- in addition to the Auditors’ Report of KPMG S.p.A., prepared as per Articles 14 and 16 of Legislative Decree No. 39 of January 27, 2010
- having reviewed the Directors’ Report;
- and the statutory financial statements at December 31, 2017 and the consolidated financial statements at December 31, 2017;

resolves

- to approve the financial statements of the company for the year ended December 31, 2017, as proposed and illustrated by the Board of Directors, together with the Directors’ Report, which present a profit of Euro 6,933,129.92 and also takes note

of the consolidated financial statements of the Company for the year ended December 31, 2017;

- to distribute to Shareholders a dividend of Euro 0.09 for each of the 41,332,477 shares currently in circulation and, therefore, a total dividend of Euro 3,719,922.93, from the profit for the year; while it should be noted that in the case where the total number of shares of the Company currently in circulation should increase, the total amount of dividend will remain unchanged and the unitary amount will be automatically adjusted to the new number of shares; the dividend shall be paid-out from May 23, 2018, with record date of May 22, 2018 and dividend coupon of May 21, 2018.

Pero, March 21, 2018

For the Board of Directors

The Chairman

(Mr. Gianni Mion)