



Il futuro ha i nostri colori. Da 100 anni.

F.I.L.A. GROUP
INTERIM FINANCIAL REPORT
AT SEPTEMBER 30, 2020

FILA – Fabbrica Italiana Lapis ed Affini S.p.A.

Via XXV Aprile 5 Pero (MI)

F.I.L.A. Fabbrica Italiana Lapis ed Affini. 1920 • 2020



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DIRECTORS' REPORT
AT SEPTEMBER 30, 2020

I - Interim Directors' Report

Corporate Bodies

Board of Directors

Chairman	Giovanni Gorno Tempini
Honorary Chairman	Alberto Candela
Chief Executive Officer	Massimo Candela
Executive Director	Luca Pelosin
Director (**)	Annalisa Barbera
Director (*)(**)	Filippo Zabban
Director (*)(**)(***)	Gerolamo Caccia Dominioni
Director (*)(**)	Francesca Prandstraller
Director (*)(**)	Paola Bonini
Director (*)(**)	Alessandro Potestà

(*) *Independent director in accordance with Article 148 of the Consolidated Finance Act and Article 3 of the Code of Conduct.*

(**) *Non-Executive Director.*

(***) *Lead Independent Director.*

Control and Risks and Related Parties Committee

Gerolamo Caccia Dominioni
Paola Bonini
Filippo Zabban
Alessandro Potestà

Remuneration Committee

Francesca Prandstraller
Annalisa Barbera
Filippo Zabban
Paola Bonini

Board of Statutory Auditors

Chairman	Gianfranco Consorti
Standing Auditor	Elena Spagnol
Standing Auditor	Pietro Michele Villa
Alternate Auditor	Stefano Amoroso
Alternate Auditor	Sonia Ferrero

Independent Auditors

KPMG S.p.A.

Overview of the F.I.L.A. Group

The F.I.L.A. Group operates in the creativity tools market, producing colouring, design, modelling, writing and painting objects, such as pencils, crayons, modelling clay, chalk, oil colours, acrylics, watercolours, paints and paper for the fine arts, school and leisure.

At the reporting date, the F.I.L.A. Group operates through 21 production facilities and 35 subsidiaries across the globe and employs over 10,000, becoming a pinnacle for creative solutions in many countries with brands such as GIOTTO, DAS, LYRA, Canson, Maimeri, Daler-Rowney Lukas, Ticonderoga, Pacon, Strathmore and Princeton.

Founded in Florence in 1920 by two noble Tuscan families, della Gherardesca and Marchesi Antinori, F.I.L.A. S.p.A. (hereafter also the “Parent”) has achieved strong international growth in the past 20 years, supported by a series of strategic acquisitions. Over the years, the Parent has acquired: (i) the Italian firm Adica Pongo in 1994, a leading producer of modelling clay for children; (ii) the Spanish firm Spanish Fila Hispania S.L. (formerly Papeleria Mediterranea S.L.) in 1997, the Group’s former exclusive distributor in Spain; (iii) the French firm Omyacolor S.A. in 2000, a leading manufacturer of modelling putties and clays; (iv) the U.S. Dixon Ticonderoga Group in 2005, a leading producer and distributor of pencils in North America, with subsidiaries operating on the Canadian, Mexican, Chinese and European markets; (v) the German LYRA Group in 2008, which allowed the Group to enter the German, Scandinavian and Eastern Asian markets; (vi) the business unit operated by Lapiceria Mexicana in 2010, one of the main local competitors in the budget coloured and graphite pencils market; and (vii) the business unit operated by Maimeri S.p.A. in 2014, a manufacturer and distributor of paints and accessories for arts and crafts. In addition to these operations, on the conclusion of an initiative which began with the acquisition of a significant influence in 2011, control of the Indian company DOMS Industries Pvt Ltd. was acquired in 2015 (viii). In 2016, the F.I.L.A. Group focused upon development through strategic Art&Craft sector acquisitions, seeking to become the leading market player. On February 3, 2016, F.I.L.A. S.p.A. acquired control of the Daler-Rowney Lukas Group, an illustrious brand producing and distributing materials and accessories on the arts and crafts market since 1783, with a direct presence in the United Kingdom, the Dominican Republic, Germany and the USA (ix). In September 2016, the F.I.L.A. Group acquired the entire share capital of St. Cuthberts Holding Limited and the operating company St. Cuthberts Mill Limited, a highly-renowned English paper mill, founded in 1907, located in the south-west of England and involved in the production of high-quality artist’s papers (x). In October 2016, F.I.L.A. S.p.A. acquired the Canson Group, founded in 1557 by the Montgolfier family, with headquarters in Annonay in France, production facilities in France and conversion and distribution centres in Italy, France, China, Australia and Brazil. Canson products are available in over 120 countries and the brand is the most respected globally involved in the production and distribution of high added value paper for the fine arts, design, leisure and schools, but also for artists’ editions and technical and digital drawing materials (xi). In June 2018, F.I.L.A. S.p.A., through its US subsidiary Dixon Ticonderoga Co. (U.S.A.), consolidated its role

as a leading player on the US market with the acquisition of the US Group Pacon, which through brands such as Pacon, Riverside, Strathmore and Princeton, is a leader in the US schools and arts and crafts sector. On March 2, 2020, F.I.L.A.- Arches S.A.S., a French company wholly-owned by F.I.L.A. S.p.A., completed the purchase of the fine art business unit of the company specialised in fine art operating through the ARCHES® brand, until then 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.

Key Financial Highlights

The key highlights of the F.I.L.A. Group at September 30, 2020 are reported below.

<i>Euro thousands</i>	September 30, 2020	% revenue	September 30, 2019	% revenue	Change 2020 - 2019	IFRS 16 effects	Normalizations for Non-Recurring expenses
Revenue	471,129	100%	535,858	100%	(64,729) -12.1%		(218)
Gross operating profit ⁽¹⁾	78,527	16.7%	90,244	16.8%	(11,717) -13.0%	9,935	(9,470)
Operating profit	45,586	9.7%	59,491	11.1%	(13,905) -23.4%	1,868	(9,470)
Net financial expense	(27,744)	-5.9%	(21,088)	-3.9%	(6,656) -31.6%	(4,463)	(200)
Total taxes	(5,514)	-1.2%	(11,916)	-2.2%	6,402 53.7%	618	2,337
F.I.L.A. Group Profit attributable to the owners of the Parent	12,789	2.7%	25,178	4.7%	(12,389) -49.2%	(1,887)	(6,782)

Earnings per share (€ cents)

basic	0.25	0.49
diluted	0.25	0.48

<i>NORMALISED Net of IFRS16 - Euro thousands</i>	September 30, 2020	% revenue	September 30, 2019	% revenue	Change 2020 - 2019	of which: Fila ARCHES
Revenue	471,347	100.0%	535,858	100.0%	(64,511) -12.0%	3,064
Gross operating profit ⁽¹⁾	78,062	16.6%	88,156	16.5%	(10,094) -11.5%	1,510
Operating profit	53,188	11.3%	65,267	12.2%	(12,079) -18.5%	1,327
Net financial expense	(23,081)	-4.9%	(16,716)	-3.1%	(6,365) -38.1%	(471)
Total taxes	(8,469)	-1.8%	(14,115)	-2.6%	5,646 40.0%	(249)
F.I.L.A. Group Net Profits attributable to the owners of the Parent	21,458	4.6%	33,053	6.2%	(11,595) -35.1%	607

Earnings per share (€ cents)

basic	0.42	0.65
diluted	0.41	0.64

<i>Euro thousands</i>	September 30, 2020	September 30, 2019	Change 2020 - 2019
Cash flows from operating activities	(5,404)	25,013	(30,417)
Investments	(7,501)	14,068	6,567
% revenue	1.6%	2.6%	

<i>Euro thousands</i>	September 30, 2020	December 31, 2019	Change 2020 - 2019	of which: IFRS 16 effects	of which: Fila ARCHES
Net capital employed	910,473	855,501	54,972	(3,981)	43,897
Net Financial debt ⁽⁴⁾	(568,986)	(498,150)	(70,836)	2,684	(21,941)
Equity	(341,486)	(357,351)	15,865	1,297	(21,956)

⁽¹⁾ The Gross Operating Profit (EBITDA) corresponds to the operating result before amortisation and depreciation and impairment losses;

⁽²⁾ Indicator of the net financial position, calculated as the aggregate of the current and non-current financial debt, net of cash and cash equivalents and current financial assets and loans provided to third parties classified as non-current assets. The net financial position as per CONSOB Communication DEM/6064293 of July 28, 2006 excludes non-current financial assets. The non-current financial assets of the F.I.L.A. Group at September 30, 2020 amount to Euro 2,606 thousand, of which Euro 68 thousand included in the calculation of the net financial position; therefore the F.I.L.A. Group financial indicator does not equate, for this amount, with the net financial position as defined in the above-mentioned Consob communication. For further details, see paragraph "Financial Overview" of the Report below.

2020 Adjustments:

- ▶ The adjustment to revenue mainly concerns the return of goods as a result of disputes with customers, related to the economic and social effects of the COVID-19 pandemic;
- ▶ The adjustment to the 9M 2020 gross operating profit relates to non-recurring operating expense of approx. Euro 9.5 million, mainly for the expense concerning the corporate transaction for the acquisition of the ARCHES® business unit, for Euro 4.7 million, the costs incurred to deal with the COVID-19 pandemic for Euro 3 million and, residually, reorganisation costs of the F.I.L.A. Group for Euro 1.5 million, particularly in North America;
- ▶ The overall adjustment to the operating profit was Euro 9.5 million, resulting from the aforementioned effects on the gross operating profit;
- ▶ The adjustment to 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;
- ▶ The adjustment to the 9M 2020 Profit attributable to the owners of the parent concerns the aforementioned adjustments, net of the tax effect.

2019 Adjustments:

- ▶ The gross operating profit adjustment in 9M 2019 amounted overall to Euro 7.5 million, principally regarding the Group reorganisation and charges for the roll out and development of the new ERP;
- ▶ The overall adjustment of the operating profit was Euro 7.5 million, resulting from the aforementioned effects on the gross operating profit;
- ▶ The adjustment to the 9M 2019 Profit attributable to the owners of the parent concerns the aforementioned adjustments, net of the tax effect.

The alternative performance measures used are illustrated below:

Gross operating profit or EBITDA: this is calculated as profit for the period, excluding the following components: (i) income taxes for the period, (ii) depreciation, amortization and impairment losses, (iii) financial income and expense and (iv) profit or loss from discontinued operations. The F.I.L.A. Group uses this measure as an internal management target and in external presentations (for analysts and investors), as it is useful in measuring the overall operating performance of the F.I.L.A. Group

The table below presents a reconciliation of the profit for the period with the gross operating profit:

<i>Euro thousands</i>	September 30, 2020	September 30, 2019
Profit attributable to non-controlling interests	(461)	1,308
Profit/(loss) attributable to the owners of the parent	12,789	25,178
Profit for the year	12,328	26,486
Income taxes	5,514	11,916
<i>Current taxes</i>	8,079	12,891
<i>Deferred taxes</i>	(2,565)	(975)
Amortisation, depreciation and impairment losses	32,941	30,753
Financial items	27,744	21,088
<i>Financial income</i>	(3,472)	(6,333)
<i>Financial expenses</i>	31,177	27,561
<i>Share of losses of equity-accounted investees</i>	39	(140)
Gross operating profit net of the IFRS 16 effects	78,527	90,244

The Group defines adjusted gross operating profit or EBITDA as gross operating profit or EBITDA gross of: (i) non-recurring charges and (ii) the application of IFRS 16.

The following is a reconciliation between gross operating profit or EBITDA and adjusted gross operating profit or EBITDA and net of IFRS 16 effects:

<i>Euro thousands</i>	September 30, 2020	September 30, 2019
Gross operating profit	78,527	90,244
Non-recurring expense	9,470	7,518
IFRS 16 effect	(9,935)	(9,606)
Adjusted gross operating profit	78,062	88,156

Operating profit or EBIT: this is calculated as profit for the period, excluding the following components: (i) income taxes for the period, (ii) financial income and expense and (iii) profit from discontinued operations:

<i>Euro thousands</i>	September 30, 2020	September 30, 2019
Operating Result	45,586	59,491
Non-recurring expense	9,470	7,518
IFRS 16 effect	(1,868)	(1,742)
Adjusted Operating Result net of the IFRS 16 effects	53,188	65,267

The Group defines adjusted operating profit or EBIT and net of the IFRS 16 effects as operating profit or EBIT gross of: (i) non-recurring expense and (ii) the application of IFRS 16.

F.I.L.A. Group profit for the period: profit for the period, adjusted for non-controlling interest items:

<i>Euro thousands</i>	September 30, 2020	September 30, 2019
Profit/(loss) attributable to the owners of the parent	12,789	25,178
Non-recurring expense	6,782	5,996
IFRS 16 effect	1,887	1,879
Adjusted Profit/(loss) attributable to the owners of the parent net of tl	21,458	33,053

The Group defines the Adjusted profit attributable to the owners of the parent and net of IFRS 16 effects as the Group profit for the period, gross of: (i) non-recurring expense, (ii) and net of IFRS 16 effects.

Net Financial Position (or Net Financial Debt): this is a valid measure of the F.I.L.A. Group's financial structure. It is calculated as the aggregate of the current and non-current financial liabilities net of cash and cash equivalents and of current and non-current financial assets relating to derivative instruments. The net financial position as per CONSOB Communication DEM/6064293 of July 28, 2006 excludes non-current financial assets. Non-current financial assets amount to Euro 68 thousand at September 30, 2020 and to Euro 1,070 thousand at December 31, 2019. Accordingly, the F.I.L.A. Group financial indicator at September 30, 2020 and December 31, 2019 differs from the net financial position as defined in the above-mentioned Consob communication by those amounts

F.I.L.A. Group's Key Financial figures

The F.I.L.A. Group Key Financial Highlights for Q3 2020 are reported below.

Adjusted Net Result net of IFRS 16 effects

The 9M 2020 normalised gross operating profit, net of IFRS 16 effects, decreased by 11.5% compared to 9M 2019.

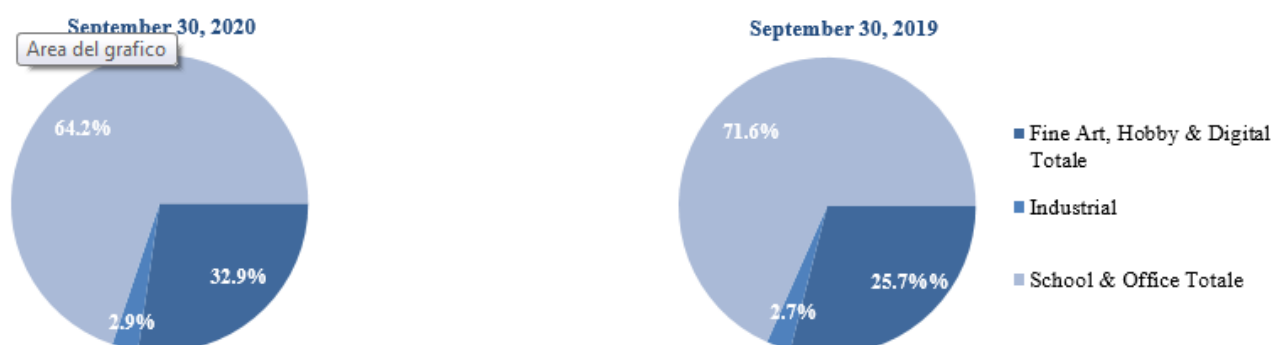
	September 30, 2020	% revenue	September 30, 2019	% revenue	Change 2020 - 2019	
<i>NORMALISED Net of IFRS16 - Euro thousands</i>						
Revenue	471,347	100%	535,858	100%	(64,511)	-12.0%
Income	6,198		5,430		768	14.1%
Total revenue	477,545		541,287		(63,742)	-11.8%
Total operating expense	(399,483)	-84.8%	(453,131)	-84.6%	53,648	11.8%
Gross operating profit	78,062	16.6%	88,156	16.5%	(10,094)	-11.5%
Amortisation, depreciation and impairment losses	(24,874)	-5.3%	(22,889)	-4.3%	(1,985)	-8.7%
Operating profit	53,188	11.3%	65,267	12.2%	(12,079)	-18.5%
Net financial expense	(23,081)	-4.9%	(16,716)	-3.1%	(6,365)	-38.1%
Pre-tax profit	30,106	6.4%	48,551	9.1%	(18,445)	-38.0%
Total income taxes	(8,469)	-1.8%	(14,115)	-2.6%	5,646	40.0%
Net Profit for the year	21,637	4.6%	34,436	6.4%	(12,799)	-37.2%
Non-controlling interest	179	0.0%	1,383	0.3%	(1,204)	-87.1%
F.I.L.A. Group Profit attributable to the owners of the Parent	21,458	4.6%	33,053	6.2%	(11,595)	-35.1%

The principal changes compared to Q3 2019 are illustrated below.

“Revenue from sales and services” of Euro 471,347 thousand decreased on 9M 2019 by Euro 64,511 thousand (-12.0%). Net of exchange loss of Euro 7,357 thousand (mainly the depreciation of the Indian Rupee and the Central-South American currencies), the organic contraction was Euro 57,154 thousand (-10.7%). This decrease, improving on the first half of 2020 thanks to the partial reopening of schools in Europe and North America and the excellent fine art business performance in the third quarter, however relates to the global contraction in consumption as a result of the impacts of the COVID-19 pandemic across the world and particularly the closure of schools, which extended far beyond initial expectations in India and Mexico, regions in which the schools-related business and the significant lack of alternative sales channels to the online channel are important factors. Looking to the geographical segments, this result mainly related to Asia for Euro 24,050 thousand (-37.6%), Central-South America for Euro 22,124 thousand (-45.6%), Europe for Euro 7,093 thousand (-4.2%), North America for Euro 4,175 thousand (-1.6%) and was partially offset for Euro 288 thousand (+14.4%) by the increase in the Rest of the World.

2020 Revenue includes from March 2020 that of Fila Arches for Euro 3,064 thousand, while 2019 Revenue included that from the “Superior” brand for Euro 5,392 thousand, which was sold in October 2019.

In order to better illustrate F.I.L.A. Group revenue, the table below highlights revenue by strategic segment (the school and office strategic business segment, the arts and crafts strategic business segment and, to a residual extent, industrial products):



This analysis highlights the impacts of the COVID-19 pandemic and of the relative lockdown and remote working period on school and office products, as their consumption is mainly linked to the physical presence of students at school and of personnel at their offices. This decrease was offset by the excellent Fine Art, Hobby & Digital business performance.

Other revenue and income of Euro 6,198 thousand increased by Euro 768 thousand compared to the preceding period, mainly due to higher exchange gains on commercial transactions.

Operating costs in 2020 of Euro 399,483 thousand decreased by Euro 53,648 thousand on 2019, due to the reduction in revenue and 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 temporary downsizing of the workforce, where possible.

Gross Operating Profit was Euro 78,062 thousand, down Euro 10,094 thousand on 2019 (-11.5%) although with the margin improving on the previous year as a combined effect of increased fine art business and the reduction in schools' revenue in the lower-margin geographic areas (India and Mexico).

The Gross Operating Profit in 2020 includes from March 2020 that of Fila Arches for Euro 1,510 thousand, while in 2019 Gross Operating Profit included that of the "Superior" brand for Euro 1,049 thousand, which was sold in October 2019.

Amortisation, depreciation and impairment losses rose by Euro 1,985 thousand, mainly due to higher amortisation and depreciation resulting from investments and the increase from accruals to cover the greater doubtful debt risk as a result of COVID-19.

Net Financial Expense increased by Euro 6,365 thousand, mainly due to greater exchange losses on financial transactions.

Adjusted income taxes totalled Euro 8,469 thousand.

Net of the profit attributable to non-controlling interests, the F.I.L.A. Group adjusted result in Q3 2020 was a loss of Euro 21,458 thousand, compared to a profit of Euro 33,053 thousand in the previous year.

Business seasonality

The group's operations are affected by the business's seasonal nature, as reflected in the consolidated results.

The F.I.L.A. Group primarily operates in the school and office strategic business segment and the arts and crafts strategic business segment. Historically, the school and office strategic business segment reports greater sales in the second and third quarters of the year than in the first and fourth quarters of the year. This is mainly due to the fact that in the Group's main markets (i.e., North America, Mexico, India and Europe), schools reopen in the period from June to September. By contrast, the arts and crafts strategic business segment reports greater sales to some extent in the first, but especially in the fourth quarter, than in the second and third quarters, partially offsetting the seasonal nature of the school and office strategic business segment.

In 2020, COVID-19 (the lockdowns and delays to schools fully reopening) caused revenue to be delayed until the end of the year in the schools and offices strategic area, particularly in Mexico and India, while benefitting the fine arts segment.

The quarterly breakdown of profit or loss shows the concentration of sales in the second and third quarters in conjunction with the "school campaign". Specifically, significant sales are made through the traditional "school suppliers" channel in June and through the "retailers" channel in August.

Seasonality is more significant when it is viewed in relation to working capital. In fact, in the school and office strategic business segment the group has historically invested large quantities of financial resources to meet the enormous demand for products from July to September, while only receiving payments in November.

In 2020, working capital movements were again impacted by the financial and social effects of COVID-19, particularly in terms of stock levels due to the contraction and delay in revenue.

The key highlights for Q3 2020 and 2019 are reported below.

	2019				2020		
	First 3 mth. 2019	First 6 mth. 2019	First 9 mth. 2019	FY 2019	First 3 mth. 2020	First 6 mth. 2020	First 9 mth. 2020
<i>Euro thousands</i>							
Revenue	143,811	350,703	535,858	682,686	145,769	307,518	471,129
Full year portion	21.07%	51.37%	78.49%	100.00%			
Portion of the period under review	26.84%	65.45%	100.00%		30.94%	65.27%	100.00%
Gross operating profit	18,490	59,938	90,244	105,923	14,873	45,166	78,527
% revenue from sales and services	12.86%	17.09%	16.84%	15.50%	10.20%	14.69%	16.67%
Full year portion	17.47%	56.64%	85.28%	100.00%			
Portion of the period under review	20.49%	66.42%	100.00%		18.94%	57.52%	100.00%
Adjusted gross operating profit	18,418	58,226	88,156	110,834	16,799	46,162	78,062
% revenue from sales and services	12.81%	16.60%	16.45%	16.10%	11.52%	15.01%	16.57%
Full year portion	16.65%	52.63%	79.68%	100.00%			
Portion of the period under review	20.89%	66.05%	100.00%		21.52%	59.14%	100.00%
Net Financial Debt	(578,278)	(602,365)	(583,771)	(498,150)	(584,592)	(611,266)	(568,986)

Statement of Financial Position

The statement of financial position of the F.I.L.A. Group at September 30, 2020 is reported below.

<i>Euro thousands</i>	September 30, 2020	December 31, 2019	Change 2020 - 2019
Intangible assets	449,564	430,609	18,955
Property, plant & equipment	175,189	186,013	(10,824)
Financial assets	3,479	3,690	(211)
Net non-current assets	628,231	620,313	7,918
Other Assets/Non-Current Liabilities	19,398	18,347	1,051
Inventories	271,174	258,409	12,765
Trade receivables and other assets	174,801	141,339	33,462
Trade payables and other liabilities	(104,325)	(108,670)	4,345
Other current assets and liabilities	1,330	3,800	(2,470)
Net working capital	342,980	294,880	48,100
Provisions	(80,136)	(78,039)	(2,097)
Net invested capital	910,473	855,501	54,972
Equity	(341,486)	(357,351)	15,865
Net financial debt	(568,968)	(498,150)	(70,836)
Net funding sources	(910,473)	(855,501)	(54,972)

The F.I.L.A. Group's "net invested capital" of Euro 910,473 thousand at September 30, 2020 was composed of net non-current assets of Euro 628,231 thousand (up by Euro 7,918 thousand on December 31, 2019), "net working capital" of Euro 342,980 thousand (up by Euro 48,100 thousand on December 31, 2019) and "other non-current assets/liabilities" of Euro 19,398 thousand (up by Euro 1,051 thousand on December 31, 2019), net of "provisions" of Euro 80,136 thousand (Euro 78,039 thousand at December 31, 2019).

"Intangible assets" increased on December 31, 2019 by Euro 18,955 thousand, mainly due to the acquisition of the ARCHES® brand products business unit which generated "Goodwill" of Euro 21,232 thousand, "Brands" of Euro 12,376 thousand and "Customer Relationships" of Euro 10,369 thousand. The above intangible assets were measured through Purchase Price Allocation, carried out as per the applicable reporting standards. In addition, net investments of Euro 1,396 thousand principally by the parent F.I.L.A. S.p.A. of Euro 1,223 thousand for the installation of the SAP system were recognised along with amortisation of the period of Euro 11,057 thousand and net exchange losses of the period of Euro 15,361 thousand.

Property, plant and equipment decreased on December 31, 2019 by Euro 10,824 thousand, mainly due to the decrease of Euro 5,021 thousand for "Buildings" and of Euro 4,436 thousand for "Plant and Machinery".

Net investments in “Property, Plant and Equipment” in the period amounted to Euro 6,660 thousand and were principally undertaken by DOMS Industries Pvt Ltd (India) and Dixon Ticonderoga Company (U.S.A.), Grupo F.I.L.A. – Dixon, S.A. de C.V. (Mexico) and Canson SAS (France) for the extension and development of the local production and logistics sites. In addition, an M&A related increase of Euro 4,283 thousand was recognised, including Euro 13 thousand of notary fees. This change is fully offset by depreciation of Euro 12,282 thousand and net exchange losses of Euro 4,797 thousand.

Financial assets decreased by Euro 211 thousand compared to December 31, 2019 and mainly concerned financial receivables.

The increase in “Net Working Capital” of Euro 48,100 thousand relates to the following:

- “Inventories” - increasing for Euro 12,765 thousand. This mainly followed the net increase in stock at the F.I.L.A. Group, for Euro 24,718 thousand, in particular North America, Mexico and France, in line with the contraction in revenue and the postponed fulfilment of orders to subsequent quarters, both due to the COVID-19 pandemic, in addition to the impact of the change in the consolidation scope of Euro 2,702 thousand during the period. This increase was significantly offset by exchange losses of approx. Euro 14,605 thousand;
- “Trade Receivables and Other assets” - increasing Euro 33,462 thousand due to the seasonality of the F.I.L.A. Group’s business, although to a lesser extent than normally due to the contraction and deferment of revenue to the subsequent quarters of the year due to the COVID-19 pandemic. This change mainly concerned F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A.), and Fila Iberia (Spain) and was offset by net exchange losses of Euro 12,922 thousand;
- “Trade Payables and Other Liabilities” - reducing Euro 4,345 thousand, mainly due to the decrease in VAT payables of Euro 2,464 thousand and a decrease in other payables of Euro 1,749 thousand.

The increase in “Provisions” on December 31, 2019 of Euro 2,097 thousand principally concerns the:

- Increase in “Deferred tax liabilities” of Euro 4,233 thousand, principally due to the tax effect concerning “Intangible Assets”, recognised as a result of the acquisition of the Arches business unit for Euro 7,513 thousand. The change was offset by net exchange gains of Euro 2,787 thousand;
- Decrease in “Provisions for Risks and Charges” of Euro 1,004 thousand, due to utilisations in the period, principally by the North American subsidiary;
- Reduction in “Employee benefits” of Euro 1,132 thousand, mainly due to the actuarial gains recorded by the company Daler Rowney Ltd (United Kingdom).

The “Equity” attributable to owners of the Parent, amounting to Euro 341,486 thousand, decreased on December 31, 2019 by Euro 15,865 thousand. Net of the profit for the period of Euro 12,328 thousand (of which a loss of Euro 461 thousand attributable to non-controlling interests), the residual movement mainly concerned the increase in the negative currency reserve of Euro 21,468 thousand and the fair value losses on IRS’s of Euro 7,665 thousand, partially offset by the Actuarial reserve of Euro 1,343 thousand.

The F.I.L.A. Group net financial debt at September 30, 2020 was Euro 568,986 thousand, increasing Euro 70,836 thousand on December 31, 2019. For greater details, reference should be made to the “Net financial debt and cash flows” section.

Financial overview

The group's net financial debt at September 30, 2020 and cash flows for the period then ended are summarised in the following table to complete the discussion about its financial position and financial performance.

The **Net Financial Debt** at September 30, 2020 is Euro 568,986 thousand.

<i>Euro thousands</i>	September 30, 2020	December 31, 2019	Change 2020 - 2019
A Cash	169	135	34
B Other cash equivalents	87,306	100,057	(12,751)
C Securities held for trading	-	-	-
D Liquidity (A + B + C)	87,475	100,192	(12,717)
E Current loan assets	1,148	169	979
F Current bank loans and borrowings	(67,377)	(79,511)	12,134
G Current portion of non-current debt	(26,295)	(15,008)	(11,287)
H Other current loans and borrowings	(12,180)	(8,187)	(3,993)
I Current financial debt (F + G + H)	(105,852)	(102,706)	(3,146)
J Net current financial debt (I + E+ D)	(17,229)	(2,345)	(14,884)
K Non-current bank loans and borrowings	(452,641)	(402,546)	(50,095)
L Bonds issued	-	-	-
M Other non-current loans and borrowings	(99,183)	(94,328)	(4,855)
N Non-current financial debt (K + L + M)	(551,824)	(496,874)	(54,951)
O Net financial debt (J+N)	(569,053)	(499,219)	(69,835)
P Loans issued to third parties	68	1,070	(1,002)
Q Net financial debt (O + P) - F.I.L.A. Group	(568,986)	(498,150)	(70,836)

Compared to December 31, 2019 (Euro 498,150 thousand), net financial debt increased Euro 70,836 thousand, as outlined below in the Statement of Cash Flows.

<i>Euro thousands</i>	September, 2020	September, 2019
Operating profit	43,718	57,749
Adjustments for non-cash items	25,583	25,270
Income taxes	(5,488)	(8,605)
Cash Flows from Operating Activities Before Changes in NWC	63,813	74,413
Change in NWC	(73,839)	(61,991)
Change in Inventories	(24,594)	3,068
Change in Trade receivables and Other Assets	(48,770)	(53,465)
Change in Trade payables and Other Liabilities	1,334	(8,256)
Change in Other Current Assets/Liabilities	(1,809)	(3,339)
Net cash Flows from Operating Activities	(10,025)	12,422
Investments in Property, Plant and Equipment and Intangible assets	(7,501)	(14,069)
Interest income	564	80
Net cash Flows used in Investing Activities	(6,937)	(13,988)
Change in Equity	(280)	(4,257)
Interest Expense	(16,546)	(17,735)
Net cash Flows from (used in) Financing Activities	(16,826)	(21,993)
Other changes	(2,398)	(3,442)
Net cash flow from IFRS16	5,238	5,234
Total Net Cash Flows	(30,948)	(21,767)
Effect of exchange losses	17,622	(14,642)
Mark to mark hedging adj	(7,598)	(13,602)
NFD change due to IFRS16	(6,313)	(78,206)
NFD from M&A Transactions (Change in Consolidation Scope)	(43,600)	(2,784)
Change in Net Financial Debt	70,836	(131,001)

The net cash flows used in operating activities of Euro 10,025 thousand in the period (cash generated of Euro 12,422 thousand in 9M 2019) are due to:

- ▶ Generation of Euro 63,813 thousand (Euro 74,413 thousand at September 30, 2019) from “EBIT”, 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 73,839 thousand (Euro 61,991 thousand in 2019) attributable to working capital movements, primarily related to the increases in inventories and trade receivables and other assets, partially offset by the decrease in trade payables and other liabilities.

Investing activities absorbed liquidity of Euro 6,937 thousand (Euro 13,988 thousand in 9M 2019), mainly due to the use of cash for Euro 7,501 thousand (Euro 14,069 thousand in 9M 2019) for property, plant and

equipment and intangible asset investment, particularly regarding DOMS Industries Pvt Ltd (India) e Dixon Ticonderoga Company (U.S.A.).

Cash flow from Financing Activities absorbed liquidity of Euro 16,826 thousand (Euro 21,993 thousand at September 30, 2019), mainly due to interest paid on loans and credit lines granted to Group companies.

Excluding exchange gains and losses from the translation of the net financial positions in currencies other than the Euro (net gains of Euro 17,622 thousand), the adjustment to Mark-to-Market hedges of Euro 7,598 thousand and the movement in the Net Financial Position due to the application of IFRS 16, equal to a negative Euro 6,313 thousand, and the negative movement generated by corporate transactions of Euro 43,600 thousand, due to the acquisition of the new business unit. The Group's Net Financial Debt therefore increased Euro 70,836 thousand (increasing Euro 131,001 thousand on September 30, 2019).

Changes in net cash and cash equivalents are detailed below.

<i>Euro thousands</i>	September 30, 2020	December 31, 2019
Opening Cash and Cash Equivalents	85,579	146,831
Cash and cash equivalents	100,191	157,602
Current account overdrafts	(14,612)	(10,771)
Closing Cash and Cash Equivalents	79,350	85,579
Cash and cash equivalents	87,475	100,191
Current account overdrafts	(8,125)	(14,612)

Segment reporting

In terms of segment reporting, the F.I.L.A. Group has adopted IFRS 8, mandatory on January 1, 2009.

IFRS 8 requires an entity to base segment reporting on internal reporting, which is regularly reviewed by the entity's chief operating decision maker to allocate resources to the various segments and assess performance.

Geographical segments are the primary basis of analysis and of decision-making by the F.I.L.A. Group's management, therefore fully in line with the internal reporting prepared for these purposes.

In particular, the Parent's business is divided into five business segments, each of which is composed of various geographical segments, i.e. (i) Europe, (ii) North America (USA and Canada), (iii) Central and South America, (iv) Asia and (v) the Rest of the World, which includes South Africa and Australia. Each of the five business segments designs, markets, purchases, manufactures and sells products under known consumer brands in demand amongst end users and used in schools, homes and workplaces. Product designs are adapted to end users' preferences in each geographical segment.

The group's products are similar in terms of quality and production, target market, margins, sales network and customers, even with reference to the different brands which the group markets. Accordingly, there is no diversification by segments in consideration of the substantial uniformity of the risks and benefits relating to the products produced by the F.I.L.A. Group.

The accounting policies applied to segment reporting are in line with those used for the preparation of the consolidated financial statements.

Business Segment Reporting of the F.I.L.A. Group aggregates companies by geographical segment on the basis of the "entity location".

For disclosure upon the association between the geographical segments and F.I.L.A. group companies, reference should be made to the attachments to the report in the "List of companies included in the consolidation scope and other equity investments" paragraph.

The segment reporting required in accordance with IFRS 8 is presented below.

Geographical segments – Statement of financial position

The key statement of financial position figures for the F.I.L.A. Group by region, at September 30, 2020 and December 31, 2019, are reported below:

September 30, 2020	Europe	North America	Central & South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
<i>Euro thousands</i>							
Intangible Assets	142,010	223,092	1,003	21,958	-	61,501	449,564
Property, plant & equipment	66,182	49,984	20,897	37,852	274	-	175,189
Total non-current assets	208,192	273,076	21,900	59,810	274	61,501	624,753
<i>of which Intercompany</i>	<i>(76)</i>						
Inventories	90,971	118,978	35,777	28,439	2,179	(5,170)	271,174
Trade receivables and Other assets	109,493	59,192	39,617	14,619	1,261	(49,381)	174,801
Trade payables and other liabilities	(74,644)	(48,386)	(12,532)	(13,688)	(3,709)	48,634	(104,325)
Other Current Assets and Liabilities	976	184	518	(348)	-	-	1,330
Net Working Capital	126,796	129,968	63,380	29,022	(269)	(5,917)	342,980
<i>of which Intercompany</i>	<i>(12,544)</i>	<i>3,860</i>	<i>1,383</i>	<i>(1,854)</i>	<i>3,237</i>		
Net Financial Debt	(249,655)	(263,107)	(44,629)	(9,454)	(2,380)	239	(568,986)
<i>of which Intercompany</i>	<i>239</i>						
December 31, 2019							
<i>Euro thousands</i>							
Intangible Assets	106,092	236,959	1,517	24,904	-	61,137	430,609
Property, plant & equipment	67,576	49,328	26,028	42,839	242	-	186,013
Total non-current assets	173,668	286,287	27,545	67,743	242	61,137	616,622
<i>of which Intercompany</i>	<i>(76)</i>						
Inventories	88,746	104,253	36,068	29,814	2,548	(3,020)	258,409
Trade Receivables and other assets	74,994	40,992	55,098	15,420	1,463	(46,628)	141,339
Trade payables and other liabilities	(71,699)	(34,421)	(22,923)	(21,434)	(3,179)	44,986	(108,670)
Other Current Assets and Liabilities	1,465	2,700	153	(518)	-	-	3,800
Net Working Capital	93,506	113,524	68,396	23,282	832	(4,662)	294,880
<i>of which Intercompany</i>	<i>(10,153)</i>	<i>1,906</i>	<i>3,169</i>	<i>(2,340)</i>	<i>2,756</i>		
Net Financial Debt	(189,531)	(256,843)	(42,913)	(7,599)	(2,185)	921	(498,150)
<i>of which Intercompany</i>	<i>921</i>						

Geographical segments – Statement of comprehensive income

The group's key statement of comprehensive income figures broken down by geographical segment for the nine months ended September 30, 2020 and September 30, 2019, are reported below:

September 30, 2020	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
<i>Euro thousands</i>							
Revenue	224,518	258,543	47,031	67,427	2,275	(128,665)	471,129
<i>of which Intercompany</i>	<i>(64,794)</i>	<i>(9,273)</i>	<i>(25,162)</i>	<i>(29,280)</i>	<i>(157)</i>		
Gross operating profit (loss)	28,990	39,999	2,949	9,090	(468)	(2,034)	78,527
Operating profit (loss)	16,204	28,528	337	3,232	(872)	(1,843)	45,586
Net financial income (expense)	(3,249)	(10,785)	(6,219)	(918)	(84)	(6,489)	(27,744)
<i>of which Intercompany</i>	<i>(5,127)</i>	<i>(1,607)</i>	<i>144</i>	<i>26</i>	<i>75</i>		
Profit (loss) for the year	12,292	12,395	(5,721)	1,666	(1,013)	(7,291)	12,328
Non-controlling interests	258	198	-	(914)	(3)	-	(461)
Profit attributable to the owners of the Parent	12,035	12,196	(5,721)	2,580	(1,010)	(7,291)	12,789
September, 2019							
<i>Euro thousands</i>							
Revenue	231,574	275,159	71,052	93,634	2,156	(137,718)	535,858
<i>of which Intercompany</i>	<i>(64,228)</i>	<i>(21,129)</i>	<i>(22,523)</i>	<i>(29,687)</i>	<i>(151)</i>		
Gross operating profit (loss)	30,119	38,390	7,863	14,630	(780)	22	90,244
Operating profit (loss)	18,696	28,161	4,312	9,078	(865)	109	59,491
Net financial income (expense)	5,977	(3,732)	(6,267)	(599)	3	(16,470)	(21,088)
<i>of which Intercompany</i>	<i>(12,026)</i>	<i>(4,566)</i>	<i>29</i>	<i>14</i>	<i>79</i>		
Profit (loss) for the year	20,868	18,823	(2,033)	6,157	(860)	(16,469)	26,486
Non-controlling interests	253	-	-	1,055			1,308
Profit attributable to the owners of the Parent	20,616	18,823	(2,033)	5,102	(860)	(16,469)	25,178

Geographical Segments – Other Information

The “other information” on the group companies’ investments in property, plant and equipment and intangible assets broken down by geographical segment at September 30, 2020 and September 30, 2019 is reported below:

September 30, 2020	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
<i>Euro thousands</i>						
Intangible assets	1,346	17	-	32	-	1,396
Property, plant and equipment	1,209	2,034	560	2,697	161	6,660
Right-of-use assets	2,224	7,376	1,203	(661)	-	10,142
Net investments	4,779	9,427	1,763	2,068	161	18,198

September 30, 2019	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
<i>Euro thousands</i>						
Intangible assets	3,030	156	-	-	-	3,185
Property, plant and equipment	2,139	1,558	1,761	5,419	6	10,883
Right-of-use assets	19,130	30,227	21,556	12,404	158	83,475
Net investments	24,298	31,940	23,318	17,823	164	97,544

Key events in the period

- On March 2, 2020, F.I.L.A.- Arches S.A.S., a French company wholly-owned by F.I.L.A. S.p.A., completed the purchase from the Ahlstrom-Munksjö Group of the fine art business unit specialised in fine art operating through the ARCHES® brand.

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 by amending the current medium/long-term loan contract, through the granting of new credit 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 credit line.

- COVID-19 impacts:

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 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. 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, developing a specific crisis response plan and immediately rolled out a series of measures at all levels of the organisation - both at headquarters and overseas - at the operating 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 the facilities 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 full 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, the United States and England), while there are no significant outright 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 Retail, where this impact was however minimal as the sales channels had been operative also in this period.

In the third quarter of 2020, the reopening of schools in Europe and North America, although not always with full physical attendance, allowed for a partial recovery of school-aged children product revenue, which did not materialise in India and Mexico due to the schools remaining closed and with the reopening date still not yet established. Fine art business unit revenue however has continued to consistently grow over the same period of the previous year.

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 that subject to interest settled through increasing instalments until maturity in 2023; the 2020 instalment amounts to Euro 11.9 million. In addition, the structured debt was negotiated with the lending banks and 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 based on the financial statements as at and for the year ended December 31, 2019 (in the case in which dividends are not distributed to shareholders of F.I.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, as described previously.

Consequently, as outlined above, the reduced expected revenue and the possible net working capital difficulties shall result in a reduced generation of cash compared to the previous year, although 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 "Impairment of assets", in H1 2020 carried out an impairment test on goodwill and intangible assets with finite useful lives recognised in the financial statements in order to ascertain their recoverability. No impairment losses were recognised as a result.

Subsequent events

As regards the lockdown following the Coronavirus 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, in particular in India and Mexico.

Outlook

The 2020 outlook will be affected by the instability resulting from the outbreak of the Coronavirus, which was disclosed in the “Key events of the reporting 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.

Treasury shares

At September 30, 2020, the Parent does not hold any treasury shares.

II - Consolidated Financial Statements of the F.I.L.A. Group at September 30, 2020

Condensed Interim Financial Statements

Consolidated Statement of the Financial Position

<i>Euro thousands</i>	September 30, 2020	December 31, 2019
Assets	1,189,221	1,150,978
Non-current assets	647,737	639,773
Intangible assets	449,564	430,609
Property, plant and equipment	175,189	186,013
Non-current financial assets	2,674	3,783
Equity-accounted investments	842	947
Other equity investments	31	31
Deferred tax assets	19,438	18,391
Current assets	541,484	511,206
Current financial assets	1,148	169
Current tax assets	6,886	11,097
Inventories	271,174	258,409
Trade receivables and other assets	174,801	141,339
Cash and cash equivalents	87,475	100,191
Liabilities and equity	1,189,221	1,150,978
Equity	341,486	357,351
Share capital	46,967	46,876
Reserves	80,117	106,679
Retained earnings	177,616	153,616
Profit for the period	12,789	24,000
Equity attributable to the owners of the parent	317,489	331,171
Equity attributable to non-controlling interests	23,997	26,180
Non-current liabilities	630,605	572,817
Non-current financial liabilities	531,047	483,303
Financial instruments	20,777	13,571
Employee benefits	10,667	11,800
Provisions for risks and charges	677	937
Deferred tax liabilities	67,396	63,162
Other liabilities	41	44
Current liabilities	217,130	220,813
Current financial liabilities	105,852	102,706
Current provisions for risks and charges	1,396	2,139
Current tax liabilities	5,556	7,296
Trade payables and other liabilities	104,325	108,670

Consolidated Income Statement

<i>Euro thousands</i>	September 30, 2020	September 30, 2019
Revenue	471,129	535,858
Income	6,752	5,542
Total revenue	477,881	541,400
Raw materials, consumables, supplies and goods	(240,195)	(245,393)
Services and use of third party assets	(79,405)	(91,206)
Other costs	(6,009)	(5,496)
Change in raw materials, semi-finished products, work in progress and finished goods	24,439	(2,883)
Personnel expense	(98,185)	(106,178)
Amortisation and depreciation	(31,406)	(29,754)
Net impairment losses on trade receivables and other assets	(1,428)	(825)
Other net impairment losses	(107)	(174)
Total operating costs	(432,295)	(481,909)
Operating profit	45,586	59,491
Financial income	3,472	6,333
Financial expense	(31,177)	(27,561)
Share of profit of equity-accounted investments	(39)	140
Net financial expense	(27,744)	(21,088)
Pre-tax profit	17,842	38,403
Income taxes	(8,079)	(12,891)
Deferred taxes	2,565	975
Total taxes	(5,514)	(11,916)
Profit from continuing operations	12,328	26,486
Profit for the year	12,328	26,486
<i>Attributable to:</i>		
Non-controlling interests	(461)	1,308
Owners of the parent	12,789	25,178
Other comprehensive income (expense) which may be reclassified subsequently to profit or loss	(29,133)	(3,650)
Exchange losses	(21,468)	9,952
Hedging reserves	(7,665)	(13,602)
Other comprehensive income which may not be reclassified subsequently to profit or loss	1,343	(489)
Actuarial gain	1,726	(666)
Taxes	(383)	177
Other comprehensive income (expense), net of tax effect	(27,790)	(4,139)
Comprehensive expense	(15,462)	22,347
<i>Attributable to:</i>		
Non-controlling interests	(2,256)	(932)
Owners of the parent	(13,206)	23,279
Earnings per share:		
<i>basic</i>	0.25	0.49
<i>diluted</i>	0.25	0.48

Statement of Changes in Equity

Note 12.A Statement of Changes in Equity

	Share capital	Legal reserve	Share premium reserve	Actuarial reserve	Other reserves	Translation reserve	Retained earnings	Profit attributable to the owners of the parent	Equity attributable to the owners of the parent	Capital and reserves att. to non-controlling interests	Profit attributable to non-controlling interests	Equity attributable to non-controlling interests	Total equity
<i>Euro thousands</i>													
December 31, 2018	46,799	7,434	151,769	(3,253)	(24,192)	(22,524)	148,939	8,747	313,719	23,376	1,714	25,090	338,809
Profit for the year								24,000	24,000		2,105	2,105	26,105
Other comprehensive income (expense)			-	(961)	(8,402)	6,467			(2,896)	(241)		(241)	(3,137)
Other changes	77		1,839	-	(1,498)	-			418	(538)		(583)	(165)
Profit for the year recognised directly in equity	77	-	1,839	(961)	(9,900)	6,467	-	24,000	21,522	(824)	2,105	1,281	22,803
Allocation of the 2018 profit		331			(331)		8,747	(8,747)	-	1,714	(1,714)	-	-
Dividends							(4,070)		(4,070)	(191)		(191)	(4,261)
December 31, 2019	46,876	7,765	153,608	(4,214)	(34,423)	(16,057)	153,616	24,000	331,717	(24,075)	2,105	26,180	357,351
Profit for the year								12,789	12,789		(461)	(461)	12,328
Other comprehensive income (expense)				1,343	(7,665)	(19,673)			(25,995)	(1,795)		(1,795)	(27,790)
Other changes	91				(567)				(467)	342		342	(134)
Profit for the year recognised directly in equity	91	-	1,343	(8,232)	(19,673)	-	12,789	(13,682)	(1,453)	(461)	(1,914)	(15,596)	
Allocation of the 2019 profit		566			(566)		24,000	(24,000)		2,105	(2,105)		
Dividends										(269)		(269)	(269)
September 30, 2020	46,967	8,331	153,608	(2,871)	(43,221)	(35,730)	177,616	12,789	317,489	24,458	(461)	23,997	341,486

Consolidated Statement of Cash Flow

<i>Euro thousands</i>	September, 2020	September, 2019
Operating profit	12,328	26,486
Non-monetary and other adjustments:	67,813	66,816
Amortisation and depreciation	23,339	21,890
Depreciation of right-of-use assets	8,067	7,864
Net impairment losses on intangible assets and property, plant and equipment	107	174
Impairment gains/losses on trade receivables and write-downs of inventories	1,800	640
Accruals for post-employment and other employees benefits	875	2,615
Accruals to/reversals of the provision for risks and charges	20	-
Exchange losses on foreign currency trade receivables and payables	906	678
Net gains on the sale of intangible assets and property, plant and equipment	(558)	(49)
Net financial expense	27,704	21,228
Net gains on equity investments	39	(140)
Taxes	5,514	11,917
Addition for:	(11,706)	(6,298)
Income taxes paid	(5,488)	(8,605)
Net unrealised exchange gains/losses on foreign currency assets and liabilities	(5,354)	2,707
Net realised exchange gains/losses on foreign currency assets and liabilities	(864)	(400)
Cash flows from operating activities before changes in net working capital	68,434	87,004
Changes in net working capital:	(73,839)	(61,991)
Change in inventories	(24,594)	3,068
Change in trade receivables and other assets	(48,770)	(53,465)
Change in trade payables and other liabilities	1,334	(8,256)
Change in other liabilities, net	(938)	(1,645)
Change in post-employment and other employee benefits	(871)	(1,694)
Net cash flows used in operating activities	(5,404)	25,013
Net increase in intangible assets	(1,396)	(3,185)
Net increase in property, plant and equipment	(6,105)	(10,883)
Net increase in equity investments measured at cost	(43,600)	(2,784)
Net increase/decrease in other financial assets	(584)	28
Interest collected	564	80
Net cash flows used in investing activities	(51,121)	16,745
Change in equity	(280)	(4,257)
Financial expense	(16,546)	(17,735)
Lease expense of rights-of-use assets	(4,697)	(4,372)
Net increase/decrease in loans and borrowings and other financial liabilities	74,266	(98,508)
Net increase/decrease in lease liabilities of rights-of-use assets	6,313	(5,288)
Net cash flows from (used in) financing activities	59,056	(130,160)
Exchange gains and Other non-monetary changes	(21,457)	9,952
Net cash flows for the year	(6,231)	(120,067)
Opening cash and cash equivalents net of current account overdrafts	85,579	146,831
Closing cash and cash equivalents net of current account overdrafts	79,350	26,764

- 1) Cash and cash equivalents at September 30, 2020 totalled Euro 87,475 thousand; current account overdrafts amounted to Euro 8,125 thousand net of relative interest.
- 2) Cash and cash equivalents at December 31, 2019 totalled Euro 100,191 thousand; current account overdrafts amounted to Euro 14,612 thousand net of relative interest.
- 3) The cash flows are presented using the indirect method. In order to provide a more complete and accurate presentation of the individual cash flows, the effects of non-monetary items were eliminated (including the translation of statement of financial position items in currencies other than the Euro), where significant. These effects were aggregated and included in the account "Other non-monetary changes".

<i>Euro thousands</i>	September 30, 2020	December 31, 2019
Opening cash and cash equivalents	85,579	146,831
Cash and cash equivalents	100,191	157,602
Current account overdrafts	(14,612)	(10,771)
Closing cash and cash equivalents	79,350	85,579
Cash and cash equivalents	87,475	100,191
Current account overdrafts	(8,125)	(14,612)

Attachments

Attachment 1 - List of companies included in the consolidation and other equity investments

Company	Country	Segment IFRS 8 ¹	Year of acquisition	% Held directly (F.I.L.A. S.p.A.)	% Held indirectly	% Held F.I.L.A. Group	Held By	Recognition	Non controlling interests
Johann Froeseis Lyra Bleistift-Fabrik GmbH & Co. KG	Germany	EU	2008	99,53%	0,47%	100,00%	FILA S.p.A. Lyra Bleistift-Fabrik Verwaltungs GmbH	Line-by-Line	0,00%
Lyra Bleistift-Fabrik Verwaltungs GmbH	Germany	EU	2008	0,00%	100,00%	100,00%	Johann Froeseis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-Line	0,00%
F.I.L.A. Nordic AB ²	Sweden	EU	2008	0,00%	50,00%	50,00%	Johann Froeseis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-Line	50,00%
FILA Stationary and Office Equipment Industry Ltd. Co.	Turkey	EU	2011	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
Fila Stationary O.O.O.	Russia	EU	2013	90,00%	0,00%	90,00%	FILA S.p.A.	Line-by-Line	10,00%
Industria Maimeri S.p.A.	Italy	EU	2014	51,00%	0,00%	51,00%	FILA S.p.A.	Line-by-Line	49,00%
Fila Hellas Single Member S.A.	Greece	EU	2013	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
Fila Polska Sp. Z.o.o	Poland	EU	2015	51,00%	0,00%	51,00%	FILA S.p.A.	Line-by-Line	49,00%
Dixon Ticonderoga Company	U.S.A.	NA	2005	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
Dixon Canadian Holding Inc.	Canada	NA	2005	0,00%	100,00%	100,00%	Dixon Ticonderoga Company	Line-by-Line	0,00%
Grupo F.I.L.A.-Dixon, S.A. de C.V.	Mexico	CSA	2005	0,00%	100,00%	100,00%	Dixon Canadian Holding Inc. Dixon Ticonderoga Company	Line-by-Line	0,00%
F.I.L.A. Chile Ltda	Chile	CSA	2000	0,79%	99,21%	100,00%	Dixon Ticonderoga Company FILA S.p.A.	Line-by-Line	0,00%
FILA Argentina S.A.	Argentina	CSA	2000	0,00%	100,00%	100,00%	F.I.L.A. Chile Ltda Dixon Ticonderoga Company	Line-by-Line	0,00%
Beijing F.I.L.A.-Dixon Stationery Company Ltd.	China	AS	2005	0,00%	100,00%	100,00%	Dixon Ticonderoga Company	Line-by-Line	0,00%
Xinjiang F.I.L.A.-Dixon Plantation Company Ltd.	China	AS	2008	0,00%	100,00%	100,00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-Line	0,00%
PT. Lyra Akrelux	Indonesia	AS	2008	0,00%	52,00%	52,00%	Johann Froeseis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-Line	48,00%
FILA Dixon Stationery (Kunshan) Co., Ltd.	China	AS	2013	0,00%	100,00%	100,00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-Line	0,00%
FILA SA PTY LTD	South Africa	RM	2014	99,43%	0,00%	99,43%	FILA S.p.A.	Line-by-Line	0,57%
Canson Art & Craft Yixing Co., Ltd.	China	AS	2015	0,00%	100,00%	100,00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-Line	0,00%
DOMS Industries Pvt Ltd	India	AS	2015	51,00%	0,00%	51,00%	FILA S.p.A.	Line-by-Line	49,00%
Renoir Topco Ltd	U.K.	EU	2016	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
Renoir Midco Ltd	U.K.	EU	2016	0,00%	100,00%	100,00%	Renoir Topco Ltd	Line-by-Line	0,00%
Renoir Bidco Ltd	U.K.	EU	2016	0,00%	100,00%	100,00%	Renoir Midco Ltd	Line-by-Line	0,00%
FILA Benelux SA	Belgium	EU	2016	0,00%	100,00%	100,00%	Renoir Bidco Ltd Daler Rowney Ltd Daler Board Company Ltd	Line-by-Line	0,00%
Daler Rowlux Ltd	U.K.	EU	2016	0,00%	100,00%	100,00%	Renoir Bidco Ltd	Line-by-Line	0,00%
Daler Rowney GmbH	Germany	EU	2016	0,00%	100,00%	100,00%	Daler Rowney Ltd	Line-by-Line	0,00%
Lukas-Nerchau GmbH	Germany	EU	2016	0,00%	100,00%	100,00%	Daler Rowney GmbH	Line-by-Line	0,00%
Nerchau Malfarben GmbH	Germany	EU	2016	0,00%	100,00%	100,00%	Daler Rowney GmbH	Line-by-Line	0,00%
Brideshore srl	Domenica Republic	CSA	2016	0,00%	100,00%	100,00%	Daler Rowney Ltd	Line-by-Line	0,00%
St. Cuthberts Holding Limited	U.K.	EU	2016	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
St. Cuthberts Mill Limited	U.K.	EU	2016	0,00%	100,00%	100,00%	St. Cuthberts Holding Limited	Line-by-Line	0,00%
Fila Iberia S. L.	Spain	EU	2016	96,77%	0,00%	96,77%	F.I.L.A. Hispania S.L.	Line-by-Line	3,23%
Canson SAS	France	EU	2016	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
Canson Brasil I.P.E. LTDA	Brazil	CSA	2016	0,04%	99,96%	100,00%	Canson SAS FILA S.p.A.	Line-by-Line	0,00%
Lodi 12 SAS	France	EU	2016	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
Canson Australia PTY LTD	Australia	RM	2016	0,00%	100,00%	100,00%	Lodi 12 SAS	Line-by-Line	0,00%
Canson Qingdao Ltd.	China	AS	2016	0,00%	100,00%	100,00%	Lodi 12 SAS	Line-by-Line	0,00%
Canson Italy S.r.l	Italy	EU	2016	0,00%	100,00%	100,00%	Lodi 12 SAS	Line-by-Line	0,00%
FILA Art Products AG	Switzerland	EU	2017	52,00%	0,00%	52,00%	FILA S.p.A.	Line-by-Line	48,00%
FILA Art and Craft Ltd	Israel	AS	2018	51,00%	0,00%	51,00%	FILA S.p.A.	Line-by-Line	49,00%
Dixon Ticonderoga ART ULC	Canada	NA	2018	0,00%	100,00%	100,00%	Dixon Canadian Holding Inc. Dixon Ticonderoga Company	Line-by-Line	0,00%
Castle Hill Crafts	U.K.	EU	2018	0,00%	100,00%	100,00%	Dixon Ticonderoga Company	Line-by-Line	0,00%
Creativity International	U.K.	EU	2018	0,00%	100,00%	100,00%	Castle Hill Crafts	Line-by-Line	0,00%
Princeton Hong Kong	Hong Kong	AS	2018	0,00%	100,00%	100,00%	Dixon Ticonderoga Company	Line-by-Line	0,00%
Fila Arches SAS	France	EU	2019	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
Fila Specialty Paper LLC	U.S.A.	NA	2019	0,00%	50,00%	50,00%	Dixon Ticonderoga Company	Line-by-Line	50,00%
Pioneer Stationery Pvt Ltd.	India	AS	2015	0,00%	51,00%	51,00%	DOMS Industries Pvt Ltd	Equity method	49,00%
Unwrite Pens and Plastics Pvt Ltd	India	AS	2016	0,00%	60,00%	60,00%	DOMS Industries Pvt Ltd	Equity method	40,00%

1 - EU - Europe; NA - North America; CSA - Central South America; AS - Asia; RM - Rest of the world

2 - Although not holding more than 50% of the share capital, considered a subsidiary under IFRS10

Attachment 2 - Business combinations

Arches

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 specialised in fine art operating through the ARCHES® brand, until then managed by the Ahlstrom-Munksjö Group, finalising 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.

In 9M 2020, the acquisition only contributed to the profit/loss for the period between March 2, 2020 and September 30, 2020.

In such period, the subsidiary generated revenue from third parties of Euro 3,064 thousand, in addition to Euro 3,458 thousand of revenue from other Group companies, and reported a loss of Euro 847 thousand. Management consider that if the acquisition of the business had taken place on January 1, 2020, the consolidated revenue for the first half of the year would have been Euro 2,626 thousand higher (therefore Euro 473,755 thousand). In calculating this amount, management assumed that the fair value adjustments at the acquisition date would have been the same even if the acquisition took place on January 1, 2020.

The acquisition involves the payment of a net consideration of Euro 43,032 thousand, based on the initial price of Euro 43,600 thousand, adjusted for liabilities for post-employment benefits transferred and concerning personnel previously at Ahlstrom-Munksjö Arches of Euro 568 thousand. The acquisition was accounted for by applying the purchase method, based on the definition of a business in IFRS 3, in accordance with the recently introduced amendments to such standard.

The fair values of the assets acquired and liabilities assumed at the acquisition date are summarised below:

Value of Asset Deal March 2, 2020	
Assets	29,881
Non-current assets	27,179
Intangible assets	12,376
<i>of which Customer Relationship</i>	<i>10,369</i>
Property, plant and equipment	4,270
Deferred tax assets	164
Current assets	2,702
Inventories	2,702
Liabilities and equity	(8,081)
Equity	-
Non-current liabilities	(8,081)
Staff Leaving Indemnities and Other Personnel Benefits	(568)
Deferred tax liabilities	(7,513)
Current liabilities	-
Financial outlay	21,800

The differential between the net financial outlay of Euro 43,032 thousand and the value of the business unit acquired at that date resulted in the recognition of Goodwill of Euro 21,232 thousand. The breakdown of the calculation of Goodwill considering the above-stated effects at the transaction date are reported in detail:

Financial outlay	43,032
Value asset deal acquired	21,800
Difference between financial outlay and book value of asset deal acquired (Goodwill)	21,232

Goodwill deriving from the acquisition refers to the future economic benefits resulting from the integration of the business unit acquired in the Group's fine art sector.

Atypical and/or Unusual Transactions

In accordance with Consob Communication of July 28, 2006, it is noted that during Q3 2020 the F.I.L.A. Group did not carry out any atypical and/or unusual transactions as defined by this communication, whereby atypical and/or unusual transactions refer to transactions which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to the period end) may give rise to doubts in relation to: the correctness/completeness of the information in the financial statements, conflicts of interest, the safeguarding of the group's assets and the protection of non-controlling shareholders.

The Board of Directors
THE CHAIRMAN
Mr. GIOVANNI GORNO TEMPINI

Statement of the Manager in Charge - Interim Financial Report



F.I.L.A. S.p.A.
Via XXV Aprile, 5
20016 Pero (Milano)

November 13, 2020

Declaration of the Executive Officer – Interim Report (ref. Article 154-bis, paragraph 2)

The undersigned Stefano De Rosa, Executive Officer responsible for the preparation of the financial statements of F.I.L.A. S.p.A.,

declares

in accordance with paragraph 2 of Article 154bis of Legislative Decree No. 58 of February 24, 1998 that the accounting information contained in the present Interim Report at September 30, 2020 corresponds to the underlying accounting records.

The Executive Officer responsible
for the preparation of the financial statements
Stefano De Rosa

F.I.L.A. - Fabbrica Italiana Lapis ed Affini Società per Azioni.

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Strathmore

CANSON

ST CUTHBERTS MILL

PRINCETON
ARCHES

LUKAS

ROWNEY

DALER

MAIMERI

LYRA

LYRA

GIOTTO

DAS

trotto

GIOTTO

GIOTTO

GIOTTO