

**F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A.**

www.fila.it

Registered Office Via XXV Aprile 5 Pero (MI)

Share Capital: subscribed and paid-in Euro 37,170,830.00

Milan Registration Office No.: 08391050963

**Board of Directors illustrative Report, prepared pursuant to Article 125-ter of Legislative Decree No. 58/98 and thereafter (CFA), on the proposals on the Agenda of the Shareholders' Meeting to be held at ATA Hotel Expo Fiera, via Giovanni Keplero No. 3, Pero (Milan), 20016, for April 29, 2016 at 10AM in single call (the Shareholders' Meeting)**

The present report will be sent to Consob and Borsa Italiana S.p.A. and also made available to the public at the registered office of the company and on the website of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A. (**FILA** or the **Company**), in accordance with the terms and manner required by law.

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Dear Shareholders,

you are called to the Shareholders' Meeting to discuss and vote upon the following Agenda:

- 1) *financial statements for the year ended December 31, 2015 of the Company, 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, 2015; resolutions thereon;*
- 2) *resolutions relating to the covering of losses, to fully constitute the legal reserve and the distribution of a dividend from the available reserves, subject to paragraph 1, letter a), of Article 6 of Legislative Decree No. 38 of February 28, 2005;*
- 3) *remuneration report: resolution on the first part of the report pursuant to Article 123-ter, paragraph 6 of Legislative Decree No. 58 of February 24, 1998 (Company remuneration policy and relative procedures utilised for the adoption and implementation of this policy)*

**Point 1) financial statements for the year ended December 31, 2015 of the Company, 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, 2015; resolutions thereon;**

Dear Shareholders,

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, 2015 (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, within the terms required by applicable provisions and regulations, will be made available to the

public at the registered office of the Company, on the website [www.fila.it](http://www.fila.it), on the website of Borsa Italiana S.p.A. and on the authorised storage mechanism "NIS-STORAGE" at [www.emarketstorage.com](http://www.emarketstorage.com), together with the Board of Statutory Auditors' Report, the Independent Auditors' Report on the Financial Statements for the year ended December 31, 2015, and the consolidated financial statements for the year ended December 31, 2015.

The financial statements of the Company for the year ended December 31, 2015 report total revenue of Euro 45,598 thousand, operating costs of Euro 44,786 thousand and an operating profit of Euro 812 thousand. Net financial charges totalled Euro 44,795 thousand. The pre-tax result was a loss of Euro 43,983 thousand; the net result for the year was a loss of Euro 41,086 thousand.

We highlight that the financial statements do not include the revenue and costs, respectively, of the Company in the period prior to the merger by incorporation with Space S.p.A. (**Space**), effective as of June 1, 2015.

The consolidated financial statements report core business revenue of Euro 275.3 million, up 17.9% (Euro 41.7 million) compared to the previous year (Euro 233.6 million); normalised EBITDA was Euro 47.6 million and reports growth of 18.4% (Euro 7.4 million) on 2014 (Euro 40.2 million). The Core business revenue margin was 17.3%.

In 2015, normalised "Net financial charges", excluding charges from the Fair Value measurement of Space S.p.A. equity at May 31, 2015 (Euro 45.8 million) and market warrants at December 31, 2015 (Euro 5.2 million), offset by the Fair Value revaluation of the investment in the Indian subsidiary Writefine Products PTV Ltd. (Euro 13.9 million), were in line with the previous year.

The normalised "Net Profit", excluding "minorities", was Euro 24.8 million, up 23% (Euro 4.6 million) on the previous year.

The loss for the year of Euro 16.7 million is therefore exclusively due to the non-cash financial items.

Considering that stated above, we present the following proposal:

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

- having noted the Directors' Report;*
- having noted the Board of Statutory Auditors' Report and the Independent Auditors' Report;*
- having reviewed the financial statements of the Company for the year ended December 31, 2015 and the consolidated financial statements for the year ended December 31, 2015;*
- in view of the proposals of the Board of Directors*

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*to approve the financial statements of the Company for the year ended December 31, 2015, as proposed and illustrated by the Board of Directors, together with the Directors' Report, relating to the financial statements, which report a loss of Euro 41,086,173 and also takes note of the consolidated financial statements of the Company for the year ended December 31, 2015 which report a loss of Euro 16,662,609."*

\* \* \*

**Point 2) resolutions relating to the covering of losses, to fully constitute the legal reserve and the distribution of a dividend from the available reserves, subject to paragraph 1, letter a), of Article 6 of Legislative Decree No. 38 of February 28, 2005;**

Dear Shareholders,

with reference to the second matter on the Agenda of the Shareholders' Meeting the Board of Directors proposes the following.

As illustrated above, the financial statements for the year ended December 31, 2015 report a loss of Euro 41,086 thousand.

These financial statements also report losses carried forward of Euro 513 thousand at December 31, 2015, which include both losses relating to previous years and gains recognised on market warrants exercised during 2015, amounting to Euro 618 thousand.

The Company has in place:

- a share premium reserve, at December 31, 2015, amounting to Euro 109,879 thousand;
- other reserves of Euro 26,081 thousand, gross of an IAS 19 negative reserve of Euro 212 thousand,

the total net equity therefore amounts to Euro 131,320 thousand.

The statutory result reported was impacted by the following non-cash items:

- a charge of Euro 45,791 thousand deriving from the accounting of the merger by incorporation of FILA into Space, effective as of June 1, 2015, equal to the difference between the fair value of Space at May 31, 2015 (the market capitalisation of shares at May 29, 2015) and the relative book value of the equity at the same date (in application of IFRS 2);
- the amount of the negative adjustment to the fair value of the market warrants in force and not exercised at December 31, 2015, amounting to Euro 15,989 thousand;
- Income, amounting to Euro 15,052 thousand, deriving from the revaluation of the investment held in the company Writefine Products PTV Ltd., following the acquisition of control by FILA in November 2015.

Based on that outlined above, the Board of Directors therefore proposes to shareholders:

1. to utilise part of the share premium reserve for Euro 41,599 thousand (i) to cover the losses for the year of Euro 41,086 thousand and (ii) to cover the residual losses relating to the years prior to 2015 of Euro 513 thousand;
2. to fully constitute the legal reserve for Euro 7,435 thousand through the partial utilisation of the remaining part of the share premium reserve;
3. to release a further residual part of this share premium reserve for Euro 15,052 thousand, pursuant to Article 6, paragraph 1, letter a) of Legislative Decree No. 38 of February 28, 2015;
4. to distribute part of the other reserves of the Company, other than those in suspension of taxes, totalling Euro 3,710,907, as dividend.

The Board of Directors will propose the distribution of a dividend of Euro 0.09 for each of the 41,232,296 ordinary shares currently in circulation, through utilisation of the available reserves.

It should be noted that in the case where, before the payment date, changes should occur of any nature (due to the conversion of sponsor warrants or other reasons) in the total number of shares of the Company currently in circulation, the total amount of dividend will remain unchanged and the unitary amount will be automatically adjusted to the new number of shares.

The Board also proposes that the dividend will be paid with coupon, record and payment date, respectively of May 23, 24 and 25, 2016.

Considering that stated above, we present the following proposal:

*“The Shareholders’ Meeting of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A., having reviewed the illustrative report of the Board of Directors,*

#### RESOLVES

- *to utilise part of the share premium reserve for Euro 41,599 thousand (i) to cover the losses for the year of Euro 41,086 thousand and (ii) to cover the residual losses relating to the years prior to 2015 of Euro 513 thousand;*
- *to fully constitute the legal reserve for Euro 7,435 thousand through the partial utilisation of the remaining part of the share premium reserve;*
- *to release a further residual part of this share premium reserve for Euro 15,052 thousand, pursuant to Article 6, paragraph 1, letter a) of Legislative Decree No. 38 of February 28, 2015;*
- *to distribute part of the other reserves of the Company, other than those in suspension of taxes, totalling Euro 3,710,907 as dividend and, therefore to distribute a dividend of Euro 0.09 for each of the 41,232,296 ordinary shares currently in circulation, from the available reserves, while it should be noted that in the case where, before the payment date, changes should occur of any nature (due to the conversion of sponsor warrants or other reasons) in the total number of shares of the Company currently in circulation, the total amount of dividend will remain unchanged and the unitary amount will be automatically adjusted to the new number of shares;*
- *to pay the dividend on May 25, 2016, with coupon date and record date respectively of May 23 and 24, 2016.*

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**Point 3) Remuneration Report: resolution on the first part of the report pursuant to Article 123-ter, paragraph 6 of Legislative Decree No. 58 of February 24, 1998 (Company remuneration policy and relative procedures utilised for the adoption and implementation of this policy)**

Dear Shareholders,

with reference to the fourth matter on the Agenda, the Board of Directors presents for your approval, pursuant to Article 124-ter, paragraph 6, of the CFA, Section I of the “Remuneration Report” of FILA, prepared pursuant to the above-mentioned article of the CFA and Article 84-*quater* of Consob Regulation No. 11971/1999, which illustrates the remuneration policy of the members of the Board of Directors, the

General Managers and the Executives with strategic responsibilities, in addition to the procedures utilised for the adoption and implementation of this policy.

For further information, reference should be made to the full text of the “Remuneration Report” which, in accordance with the current regulations, will be made available to the public at the registered office of the Company, on the Company website at [www.fila.it](http://www.fila.it), at Borsa Italiana S.p.A. and on the authorised storage website “NIS-STORAGE” at [www.emarketstorage.com](http://www.emarketstorage.com), at least 21 days before the date fixed for the Shareholders’ Meeting.

It is recalled that the Shareholders, pursuant to Article 123-ter, paragraph 6 of the CFA, will be called to vote on Section I of the Report (in favour or against). The resolution is not binding. The results of the vote will be made available to the public in accordance with Article 125 quater, paragraph 2 of the CFA.

The Shareholders’ Meeting is therefore requested to approve the following resolution:

*“The Shareholders’ Meeting of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A., having reviewed the Remuneration Report, prepared by the Board of Directors pursuant to Article 123-ter, paragraph 6 of Legislative Decree No. 58, 1998 and further applicable regulations, and in particular Section I, pursuant to paragraph 6 of the above-mentioned regulation,*

*RESOLVES*

*to approve Section I of the Remuneration Report, which illustrates the policy adopted by the Company.”*

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Pero (MI), March 23, 2016

The Chairman of the Board of Directors  
Gianni Mion