

PASUBIO GROUP

Condensed consolidated interim financial statements
as of and for the six-months period ended
June 30, 2023
(unaudited)

Use of this report is subject to the disclaimer included in the back.

Condensed Consolidated Interim Balance Sheet (Unaudited)

| € thousand | | As of June 30, 2023 | As of December 31, 2022 |
|---|---|------------------------|-------------------------------|
| Goodwill | 1 | 449,298 | 461,552 |
| Intangible assets | 2 | 23,448 | 24,948 |
| Property, plant and equipment | 3 | 63,783 | 58,608 |
| Investments in associated and other companies | | 5,826 | 106 |
| Other assets | 4 | 5,300 | 4,788 |
| Non-current Assets | | 547,655 | 550,001 |
| Inventories | 5 | 87,391 | 93,390 |
| Trade receivables | | 42,929 | 40,745 |
| Tax receivables | | 6,149 | 3,224 |
| Deferred tax assets | | 1,076 | 1,163 |
| Other receivables | | 7,358 | 8,499 |
| Prepaid expenses and accrued income | | 2,307 | 2,205 |
| Cash at bank and on hand | | 19,513 | 22,928 |
| Total current Assets | | 166,723 | 172,154 |
| Total Assets | | 714,377 | 722,155 |
| Shareholders' equity | | (253,048) | (125,122) |
| Deferred tax liabilities | | (6,337) | (6,570) |
| Provisions for employee severance indemnities | | (1,527) | (1,673) |
| Provision for risks and charges | | (686) | (686) |
| Bank Loan | 8 | (12,211) | (11,604) |
| Notes | 6 | (328,952) | (328,124) |
| Shareholders' loan | 7 | (13,547) | (144,751) |
| Other financial liabilities | 9 | (3,936) | (3,226) |
| Non-Current Liabilities | | (367,195) | (496,634) |
| Bank Loan | 8 | (13,269) | (14,923) |
| Notes | 6 | 0 | (63) |
| Other financial liabilities | 9 | (3,413) | (4,106) |
| Trade payables | | (55,215) | (61,300) |
| Shareholders' loan | 7 | - | - |
| Tax payables | | (4,789) | (2,158) |
| Social security payables | | (2,875) | (3,165) |
| Other payables | | (10,032) | (8,553) |
| Accrued expenses | | (4,542) | (6,131) |
| Current Liabilities | | (94,135) | (100,399) |
| Total Liabilities and Shareholders' equity | | (714,377) | (722,155) |

Condensed Consolidated Interim Income Statement (Unaudited)

| € thousand | Notes | 6 months at June 30, 2023 | 6 months at June 30, 2022 |
|--|-------|------------------------------|------------------------------|
| Revenue | 10 | 190,262 | 183,104 |
| Other revenue and income | | 2,446 | 429 |
| Total revenue and other income | | 192,708 | 183,533 |
| Purchase of goods and changes in inventory | 11 | (98,359) | (99,428) |
| Cost of services | | (34,564) | (28,599) |
| Use of third party assets | | (645) | (527) |
| Personnel costs | | (26,581) | (26,160) |
| Other operating costs | | (463) | (370) |
| Capitalization in fixed assets for internal work | | 504 | - |
| Depreciation - tangible assets | | (4,521) | (4,499) |
| Amortization - intangible assets | | (15,218) | (14,809) |
| Write-down of trade receivables | | (77) | - |
| Total operating costs | | (179,923) | (174,394) |
| Operating profit / (loss) | | 12,785 | 9,140 |
| Financial income (expenses) | 12 | (21,014) | (15,997) |
| Net exchange rate gain (losses) | 12 | (152) | 508 |
| Profit (Loss) before tax | | (8,381) | (6,350) |
| Income taxes | | (2,585) | (5,472) |
| Profit (Loss) for the year | | (10,965) | (11,821) |

Condensed Consolidated Interim Cash Flow Statement (Unaudited)

| € thousands | 6 month at June 30, 2023 | 6 month at June 30, 2022 |
|--|-----------------------------|-----------------------------|
| Cash flow from operating activities | | |
| Profit (Loss) for the year | (10,965) | (11,821) |
| Income Taxes | 2,585 | 5,195 |
| Net financial expenses | 21,014 | 15,997 |
| (Capital gains) Capital losses deriving from disposal assets | - | (101) |
| 1. Profit (loss) for the year before income taxes, interest, dividends and capital gains / losses on disposal | 12,633 | 9,270 |
| <i>Non cash adjustments</i> | | |
| Depreciation and Amortization | 19,739 | 19,308 |
| Non-monetary adjustments that have not had a counterpart in working capital | (112) | 382 |
| Provisions (Uses) for contingencies | (146) | 56 |
| Total non-monetary adjustments without effects in working capital | 19,481 | 19,746 |
| 2. Cash flow from operating activities before changes in net working capital | 32,114 | 29,016 |
| <i>Changes in Net Working Capital</i> | | |
| Decrease (Increase) of inventories | 5,999 | 9,167 |
| Decrease (Increase) of trade receivables | (2,185) | (12,755) |
| (Decrease) Increase in trade payables | (1,795) | (6,661) |
| Decrease (Increase) in accrued income and prepaid expenses | (238) | 708 |
| (Decrease) Increase in accrued expenses and deferred income | (1,876) | (45) |
| Other working capital items | 731 | 62 |
| Total changes in working capital | 636 | (9,524) |
| 3. Cash flow from operating activities after changes in working capital | 32,750 | 19,492 |
| <i>Other Adjustments</i> | | |
| (Income tax paid) | (2,049) | (1,464) |
| (Interests paid) | (12,267) | (4,496) |
| Total other adjustments | (14,316) | (5,960) |
| Cash flow from operating activities (A) | 18,434 | 13,532 |
| Cash flow from investing activities | | |
| (Payments for tangible assets) | (8,900) | (3,470) |
| Proceeds from sale of tangible assets | 29 | 113 |
| (Payments for intangible assets) | (1,463) | (1,359) |
| (Payments for financial fixed assets) | (351) | (16) |
| Net cash used in acquisition of Innova | (4,941) | - |
| Net cash flow for the acquisition of Conceria Pasubio Group | (3,660) | (3,268) |
| Net cash flow for the acquisition of GD and GDI | - | (5) |
| Cash flow from investing activities (B) | (19,285) | (8,005) |
| Cash flow from financing activities | | |
| <i>Debt Financing</i> | | |
| Proceeds and repayment of short term loan | (879) | 70 |
| Proceeds of new long term loan | (630) | 14,705 |
| Repayment of long term loan | (139,536) | (17,842) |
| Increase in Share Capital | 138,481 | - |
| Cash flow from financing activities (C) | (2,564) | (3,067) |
| Increase/(Decrease) cash and cash equivalents (A ± B ± C) | (3,415) | 2,460 |
| Cash at hand and on bank at beginning of the period | 22,928 | 27,969 |
| Cash at hand and on bank at the end of the period | 19,513 | 30,429 |

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (Unaudited)

| € thousands | Share capital | Legal Reserve | Share premium reserve | Revaluation Reserve | Hedging Reserve | Shareholders' Fund | Consolidation Reserve | Translation Reserve | Extraordinary Reserve | Retained earnings/losses | Fiscal year profit/loss | Total Group shareholders' equity |
|---|---------------|---------------|-----------------------|---------------------|-----------------|--------------------|-----------------------|---------------------|-----------------------|--------------------------|-------------------------|----------------------------------|
| Balance as of December 31, 2022 | 6,800 | 1,447 | 60,876 | 10,432 | 2,884 | - | 487 | 159 | 57,424 | (12) | (15,375) | 125,122 |
| Allocation of profit (loss) for the year | | | | | | | | | | (15,375) | 15,375 | - |
| Conversion SHL to Equity | | | | | | 138,481 | | | | | | 138,481 |
| Cash flow hedge reserve | | | | | 356 | | | | | | | 356 |
| Minority acquisition | | | | | | | | | | | | - |
| Other movements | | | | | | | | 66 | 2,330 | (2,342) | | 54 |
| Result for the period ended June 30, 2023 | | | | | | | | | | | (10,965) | (10,965) |
| Balance as of June 30, 2023 | 6,800 | 1,447 | 60,876 | 10,432 | 3,240 | 138,481 | 487 | 226 | 59,755 | (17,730) | (10,965) | 253,048 |

Operating & Financial Review

Significant events throughout the period

General Overview

The global economic landscape is undergoing a pivotal transformation, although it still has a considerable distance to traverse before achieving robust and sustainable expansion. In the course of 2022, global GDP growth experienced a significant deceleration; however, many of the adverse factors responsible for this slowdown are now gradually subsiding.

The decline in energy prices and headline inflation, the alleviation of supply bottlenecks, the resumption of economic activities in China, and the presence of strong employment rates and relatively resilient household financial conditions are all contributing to the anticipated recovery. Nonetheless, it's important to note that this resurgence will be comparatively subdued when measured against historical benchmarks. Global growth is poised to reach 2.7% in 2023, with a slight uptick to 2.9% in 2024. These figures remain notably lower than the average growth rate observed in the decade preceding the onset of the COVID-19 pandemic.

When comparing inflation levels in the first six months of 2023 to those recorded in the same period of 2022, significant differences emerge. In 2022, Europe experienced a gradual increase in inflation rates, but at a subdued pace. In the corresponding period of 2023, there was an acceleration in inflation with a more pronounced rise in prices. This change can be attributed to several factors, including more persistent supply chain disruptions, growing domestic and external demand, and shifts in consumption patterns due to the ongoing economic recovery.

In response to evolving economic dynamics, the European Central Bank implemented three interest rate hikes during the first six months of 2023.

Finally, the worldwide macroeconomic situation continues to exhibit volatility, primarily due to uncertainties surrounding the possibility of economic recession, persistent inflationary tendencies, and ongoing geopolitical instabilities. Given the unpredictability inherent in these factors, the Group is dedicated to upholding an agile, adaptable, and responsive organizational structure.

This approach is supported by a collection of distinctive businesses, each possessing well-defined and efficacious growth strategies in particular focusing on new customers and new projects. These measures collectively aim to ensure that the Group sustains its trajectory of robust expansion amidst the prevailing uncertainty.

Conversion of Shareholders' Loan into Equity

In the ordinary course of business of Conceria Pasubio S.p.A. ("Pasubio"), the need to reduce the group's debt exposure has arisen in order to better position Pasubio in relations with its customers and in the participation of tenders. Once informally represented this situation to the sole shareholder Leather S.p.A. ("Leather") and to the indirect controlling shareholder PAI Europe VII Master Topco S.a.r.l. SICAV – RAIF ("PAI") on behalf of its compartments PAI Europe VII Opportunities and Pasubio Co-Invest, PAI offered to have its portion of the so-called bond "Leather 2021-2030 Qualified Bonds" (issued by Leather as part of the Pasubio acquisition financing) repaid.

Accordingly, on June 22, 2023, the bondholders' meeting of the aforementioned bond issue resolved, inter alia, to repay the portion of the bond subscribed by PAI on behalf of the two compartments, referring to the board of directors of Leather the decision on the operating methods with which such repayment should take place. On June 22, 2023, the board of directors of Leather was also held, took note of the resolution of the bondholders' meeting and thus approved the repayment of the 117,912,602 bonds, to be made on June 29, 2023 for Euro 138,481,082, including capital and interest accrued and accruing up to that date, including capitalized funds, in favor of the PAI Europe VII Opportunities and Pasubio Co-Invest sub-funds.

Also on June 22, 2023, the shareholders' meeting of Leather approved: (i) the amendment of Leather's By-Laws with, among other things, the introduction of a new "B1" class of shares; and (ii) a resolution to increase the capital in favor of PAI, on behalf of its PAI Europe VII Opportunities Pasubio Co-Invest sub-funds, excluding the option rights of all other shareholders, for a nominal amount of Euro 11,791,260, plus a share premium of Euro 126,689,822 (and therefore for a total of Euro 138,481,082), through the issue of 117,912,602 new "B1" class shares.

On June 26, 2023, another meeting of Leather's board of directors approved the partial (for a total amount of Euro 138,481,082, of which Euro 117,263,250 as principal and Euro 21,217,832 for interest as of June 29, 2023) remission of Pasubio's debt owed to Leather in relation to the shareholder loan that had been granted by Leather to the acquisition vehicle (Leather 2 S.p.A., merged into Pasubio in 2022). The remission granted the aimed improvement of the debt exposure of Pasubio, rebalancing Leather's NFP after the repayment of the bond.

On June 29, 2023, PAI subscribed to the Leather's capital increase described above by offsetting the amount due by Leather as repayment of the bond.

Seasonality

Our business is seasonal. Our working capital requirements typically increase during the first and third quarters of the year and reduce towards the end of the year. OEMs typically slow down vehicle production during certain portions of the year. For instance, our European customers slow down vehicle production in August and during the holiday season in December during which they also often conduct internal maintenance and adjustments to inventory. Further, there are a fewer number of working days at the end of the year as opposed to the beginning of a year and this results in a reduction in vehicle production towards the end of such year.

Results of Operations

| € thousand | 6 months at June 30, 2023 | 6 months at June 30, 2022 | |
|--|------------------------------|------------------------------|--------------|
| Revenue | 190,262 | 183,104 | 3.9% |
| Other revenue and income | 2,446 | 429 | 469.9% |
| Total revenue and other income | 192,708 | 183,533 | 5.0% |
| Purchase of goods and changes in inventory | (98,359) | (99,428) | -1.1% |
| Cost of services | (34,564) | (28,599) | 20.9% |
| Use of third party assets | (645) | (527) | 22.3% |
| Personnel costs | (26,581) | (26,160) | 1.6% |
| Other operating costs | (463) | (370) | 25.1% |
| Capitalization in fixed assets for internal work | 504 | - | n.a. |
| Depreciation - tangible assets | (4,521) | (4,499) | 0.5% |
| Amortization - intangible assets | (15,218) | (14,809) | 2.8% |
| Write-down of trade receivables | (77) | - | n.a. |
| Total operating costs | (179,923) | (174,394) | 3.2% |
| Operating profit / (loss) | 12,785 | 9,140 | 39.9% |
| Financial income (expenses) | (21,014) | (15,997) | 31.4% |
| Net exchange rate gain (losses) | (152) | 508 | -130.0% |
| Profit (Loss) before tax | (8,381) | (6,350) | 32.0% |
| Income taxes | (2,585) | (5,472) | -52.8% |
| Profit (Loss) for the year | (10,965) | (11,821) | -7.2% |

Revenue

Revenue for the six months ended June 30, 2023 amounts to € 190.3 million, an increase of € 7.2 million compared to the six months ended June 30, 2022, primarily due to an organic growth of the business and in part thanks to price increase that took effect from January 1, 2023.

Purchase of goods and changes in inventory

Purchase of goods and changes in inventory for the six months ended June 30, 2023 amount to € 98.4, a decrease of € 1.1 million compared to the six months ended June 30, 2022, primarily due to better material conversion performance.

Cost of services

Cost of services for the six months ended June 30, 2023 amounts to € 34.6, an increase of € 6.0 million compared to the six months ended June 30, 2022, primarily due to an increase in costs for outsourcing operations mainly driven by procurement strategy of raw material at different transformation stage, and in utility costs as a result of the higher inflation if compared to the same period of the previous year.

Personnel costs

Personnel costs for the six months ended June 30, 2023 amount to € 26.6, an increase of € 0.4 million compared to the six months ended June 30, 2022.

Other operating costs

Other operating costs for the six months ended June 30, 2023 amounts to € 0.5 million, an increase of € 0.1 million if compared to the six months ended June 30, 2022.

Depreciation—tangible assets

Depreciation—tangible assets for the six months ended June 30, 2023 amounts to € 4.5 million, basically in line if compared to the six months ended June 30, 2022.

Amortization—intangible assets

Amortization—intangible assets for the six months ended June 30, 2023 amounts to € 15.2 million, an increase of € 0.4 million compared to the six months ended June 30, 2022, primarily due to an increase in investment in intangible assets in the last year.

Financial expenses

Financial expenses for the six months ended June 30, 2022 amount to € 21.0 million, an increase of € 5.0 million compared to the six months ended June 30, 2022, primarily as a result of the higher interest rates applied to the floating rate notes, partially offset by an hedging instrument in place.

Income taxes

Income taxes for the six months ended June 30, 2023 amount to € 2.6 million, a decrease of € 2.9 million compared to the six months ended June 30, 2022, primarily as a result of lower profit before tax due to the new debt structure after the reverse merger process by incorporation of the parent company Leather 2 into Conceria Pasubio S.p.A.

Liquidity and Capital Resources

Overview

Historically, the principal sources of our liquidity have been (i) cash flow from operating activities, (ii) bank credit lines, (iii) existing bank loans and (iv) revolving credit borrowings. In addition, we engage in the sale of the receivables related to certain specific customers on the basis of uncommitted framework non-recourse factoring agreements in order to support our working capital and liquidity needs. To ensure access to credit for our suppliers and given the importance of the supply chain to the leather industry, in January 2021, we entered into a reverse factoring agreement with certain suppliers. Pursuant to this reverse factoring agreement, the relevant suppliers have the discretionary option to sell receivables we owe to them to an independent third-party finance company and to receive the amount owed to them before the due date. In exchange for this arrangement, some of these suppliers have granted us longer due dates for payments. Payables related to our reverse factoring program are included in the line item “trade payables” in our financial statements. This reverse factoring program has a volume cap of €18.0 million.

Historically, our principal uses of cash have been (i) funding capital expenditures, (ii) providing working capital, (iii) meet debt service requirements and (iv) fund acquisitions.

We or an affiliate may, from time to time, depending on market conditions and other factors, repurchase or acquire an interest in our outstanding indebtedness, whether or not such indebtedness trades above or below its face amount, for cash and/or in exchange for other securities or other consideration, in each case in open market purchases and/or privately negotiated transactions or otherwise.

Cash Flows

The table below sets forth a summary of our consolidated statements of cash flows as of and for the periods indicated:

| € million | 6 month at June 30, 2023 | 6 month at June 30, 2022 |
|--|-----------------------------|-----------------------------|
| Cash flow from operating activities | 18.4 | 13.5 |
| Cash flow used in investing activities | (19.3) | (8.0) |
| Cash flow used in financing activities | (2.6) | (3.1) |
| Increase/(Decrease) cash and cash equivalents | (3.4) | 2.5 |
| Cash at hand and on bank at beginning of the period | 22.9 | 28.0 |
| Cash at hand and on bank at the end of the period | 19.5 | 30.4 |

Cash flow from operating activities

Cash flow used in operating activities amounted to €18.4 million for the six months ended June 30, 2023, an increase of €4.9 million compared to the six months ended June 30, 2022, primarily as a result of decrease in working capital mainly driven by a rationalization of the inventory.

Cash flow used in investing activities

Cash flow used in investing activities amounted to €-19.3 million for the six months ended June 30, 2023, an increase of €11.3 million compared to the six months ended June 30, 2022, primarily as a result of the Innova Acquisition during the first quarter of 2023 for € 4.9 million and a different amount invested in tangible assets.

Cash flow used in financing activities

Cash flow from financing activities amounted to €-2.6 million for the six months ended June 30, 2023, a decrease of € 0.5 million compared to the six months ended June 30, 2022, primarily due to the repayment of short term loan.

Capital expenditure

To support our business strategy and development plans and to further expand our business, we regularly incur capital expenditure.

The table below sets forth our capital expenditure based on cash flows for the periods indicated:

| € million | 6 month at June 30, 2023 | 6 month at June 30, 2022 |
|---------------------------------------|-----------------------------|-----------------------------|
| Payments for tangible assets | 10.4 | 3.5 |
| Proceeds from sale of tangible assets | (0.0) | (0.1) |
| Payments for intangible assets | 1.5 | 1.4 |
| Capital Expenditure | 11.9 | 4.7 |

For the six months ended June 30, 2023, capital expenditure amounted to €11.9 million including €1.5 million of new leasing capex.

Other Information

In these Condensed Consolidated Interim Financial Statements, we present certain financial measures that are not recognized by Italian GAAP or any other generally accepted by accounting principles. We refer to these measures as “non-GAAP measures” as they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with Italian GAAP, or are calculated using financial measures that are not calculated in accordance with Italian GAAP.

Non-GAAP measures may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Pasubio Group’s operating results as reported under Italian GAAP.

Last Twelve Months (“LTM”) represents the twelve months ended June 30, 2023.

| € million | 6 months at June 30, 2023 | 6 months at June 30, 2022 | LTM June 30, 2023 |
|---|------------------------------|---------------------------------|----------------------|
| (1) Net Revenue | 185.2 | 178.1 | 359.0 |
| (2) EBITDA | 32.4 | 29.0 | 67.2 |
| (2) Adjusted EBITDA | 33.9 | 29.3 | 70.1 |
| (3) Working Capital | 68.7 | 65.7 | 68.7 |
| (2) Pro Forma Adjusted EBITDA | | | 75.0 |
| (4) Net Financial Position (NFP) | | | 351.1 |
| Ratio of NFP to Pro Forma Adjusted EBITDA | | | 4.7x |

- (1) We define net revenue as revenue excluding sales of unfinished leather and certain after sale discounts that we sometimes apply in case of disputes in connection with our products.

The following table reconciles revenue, presented under Italian GAAP, to net revenue for each of the periods indicated:

| € million | 6 months at June 30, 2023 | 6 months at June 30, 2022 | LTM June 30, 2023 |
|------------------------------------|------------------------------|---------------------------------|----------------------|
| Revenue | 190.3 | 183.1 | 366.3 |
| (a) Disputes (discounts on sales) | (0.9) | (1.2) | (2.0) |
| (b) Sales of not finished leathers | 7.5 | 6.2 | 15.5 |
| (c) Other Revenues | (1.4) | 0.0 | (6.1) |
| (d) Late adjustments | (0.1) | (0.0) | (0.2) |
| Net revenue | 185.2 | 178.1 | 359.0 |

- (a) Represents commercial discounts on sales for which a customer has raised a quality complaint. When this happens, our customer service team analyzes the case and can decide to take back the leather as physical returns and issue a credit note or agree with the relevant customer a discount of the selling price and issue a credit note.
- (b) Represents sales of the sub-product that we obtain from processing raw hides which are the split leather to reduce the thickness of the raw material. These products are then sold back to the supplier or to specific customers. These products are not classified in the net revenue because they are treated as a recovery of the purchase price of raw materials and are not part of our core business.
- (c) Represents operating and other grants received by Pasubio as a transfer of resources in return for past or future compliance with certain conditions relating to the operating activities of the company.
- (d) Represents differences between management account closing and statutory closing. Certain unaccrued invoices at management closing can accrue before the statutory account closing, which usually takes place a few months after management account closing.

Net revenue is not a measure of net income, operating income, operating performance or liquidity presented in accordance with Italian GAAP. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our net income, operating income or any other operating performance or liquidity measure calculated in accordance with Italian GAAP.

- (2) We define EBITDA as profit (loss) for the period before financial income (expenses), income taxes, depreciation—tangible assets and amortization—intangible assets. We define Adjusted EBITDA as EBITDA adjusted for certain non-cash items, including net exchange rate gain (losses) and write-down of trade receivables, certain items we believe are non-recurring or exceptional in nature, including start-up costs, one-off / non-operating adjustments and the impact of COVID-19, and certain other adjustments not reflective of the ongoing performance of our business, including capital gain/loss and financial income/expenses (bank charges). We define Pro Forma Adjusted EBITDA as Adjusted EBITDA adjusted for (A) estimated purchasing synergies resulting from the Hewa Acquisition and (B) the run rate effect of our cost improvement operational projects as if cost improvements resulting therefrom had full effect from July 1, 2022.

We believe Adjusted EBITDA and Pro Forma Adjusted EBITDA are useful metrics for investors to understand our results of operations and profitability because it permits investors to evaluate our recurring profitability from underlying operating activities. Additionally, we believe that Adjusted EBITDA and Pro Forma Adjusted EBITDA provide investors with a tool to compare the historical performance of our business across different periods as our adjustments to net profit from continuing operations and the exclusion of certain costs and expenses include items not considered by management to be attributable to the day-to-day operation of our business. We also use this measure internally to establish forecasts, budgets and operational goals to manage and monitor our business, as well as evaluating our underlying historical performance. Our presentation of Adjusted EBITDA and Pro Forma Adjusted EBITDA may be different from the presentation used by other companies and therefore comparability may be limited. Adjusted EBITDA and Pro Forma Adjusted EBITDA are Non-GAAP Measures and the terms Adjusted EBITDA and Pro Forma Adjusted EBITDA are not defined under Italian GAAP or any other generally accepted accounting principles. Consequently, the use of Adjusted EBITDA and Pro Forma Adjusted EBITDA has certain limitations. Adjusted EBITDA and Pro Forma Adjusted EBITDA are not measures of net income, operating income, operating performance or liquidity presented in accordance with Italian GAAP. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our net income, operating income or any other operating performance or liquidity measure calculated in accordance with Italian GAAP. Adjusted EBITDA and Pro Forma Adjusted EBITDA as presented herein differ from Consolidated EBITDA as defined in the Indenture.

The following table reconciles EBITDA to Adjusted EBITDA for each of the periods indicated, and Adjusted EBITDA to Pro Forma Adjusted EBITDA for the twelve months ended September 30, 2022:

| € thousand | 6 months at June 30, 2023 | 6 months at June 30, 2022 | LTM June 30, 2023 |
|----------------------------------|------------------------------|---------------------------------|----------------------|
| EBITDA | 32.4 | 29.0 | 67.2 |
| Net exchange rate gain (losses) | 0.2 | (0.5) | 0.3 |
| (a) Non-recurring adjustments | 1.3 | 0.7 | 2.1 |
| (b) Other adjustments | 0.0 | 0.1 | 0.5 |
| Adjusted EBITDA | 33.9 | 29.3 | 70.1 |
| (c) Hewa Acquisition adjustments | | | 3.1 |
| (d) Run Rate Saving OPS | | | 1.8 |
| Pro Forma Adjusted EBITDA | | | 75.0 |

- (a) For the six months ended June 30, 2023, non-recurring adjustments consisted of (A) €0.6 million related to one-off consulting expenses; (B) € 0.3 million related to Hewa integration process; (C) € 0.1 million related to consultancies connected to certain M&A projects; (D) € 0.2 million related to the implementation of GD US and GDI Mexico plants for the set up of a new project with an automotive customer and (E) € 70.1 thousand related to extraordinary leaving incentives.

For the six months ended June 30, 2022, non-recurring adjustments consisted of (A) €10.3 thousand of one-off COVID-19 related to extraordinary healthcare measures to protect our employees; (B) € 602.2 thousand related to one-off consulting and professional expenses connected to one off projects such as Hewa integration, the reverse merger between Pasubio Spa Group and Leather 2

and others one off expenses; (C) € 2.0 thousand consisting of one off costs related to the relocation of our Italian cutting plant and (D) € 130.3 thousand related to extraordinary personnel costs.

For the twelve months ended June 30, 2023, non-recurring adjustments consisted of (A) 0.8 million of one off adjustment related to different inventory evaluation of Hewa; (B) 0.2 million related to one-off consulting expenses; (C) 0.5 million related to Hewa integration process; (D) 0.2 million related to extraordinary personnel costs such as extraordinary wages and leaving incentives; (E) € 0.1 million related to consultancies connected to certain M&A projects; (F) € 0.1 million related to extraordinary bad debt provision in Arzignanese; (G) € 0.2 million related to the implementation of GD US and GDI Mexico plants for the set up of a new project with an automotive customer and (H) € 3.2 thousand of one-off COVID-19 related to extraordinary healthcare measures to protect our employees.

- (b) For the six months ended June 30, 2023, other adjustments consisted of €36.5 thousand of capital gain/loss; bank charges and late adjustments between management closing and statutory closing.

For the six months ended June 30, 2022, other adjustments consisted of €0.1 million of capital gain/loss; bank charges and late adjustments between management closing and statutory closing.

For the twelve months ended June 30, 2023, other adjustments consisted of (i) €0.5 million of capital gain/loss; bank charges and late adjustments between management closing and statutory closing.

- (c) Represents €4.1 million of estimated synergies resulting from Hewa (i) purchasing raw materials under Conceria Pasubio's arrangements with suppliers, which provide for better commercial terms, compared to Hewa's existing supply contracts and (ii) perform at Conceria Pasubio's efficiency level in the use of raw hides. These savings are expected to come into effect contemporaneously with the integration of Hewa into Conceria Pasubio's business. It is our objective to reach the levels of projected synergies reflected above, no assurance can be given that such levels will be achieved in the time frame indicated or at all or that additional unanticipated costs will not arise. Our synergy estimates are based on a number of assumptions made in reliance on the information available to us and our judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to significant business, economic and competitive risks and uncertainties that could cause our actual results to differ materially from those contained in these benefit estimates
- (d) Represents the run rate effect of our operational cost improvement projects as if we benefited from the full cost savings from July 1, 2022. Although it is our objective to reach such cost savings, no assurance can be given that they will be achieved in the predicted time frame or at all or that additional unanticipated costs will not arise. Our cost savings estimates are based on a number of assumptions made in reliance on information available to us at the time such estimates were made and on our judgment. Assumptions are inherently uncertain and are subject to significant business, economic and competitive risks and uncertainties that could cause our actual results to differ materially from the estimates.

- (3) Working Capital consists of inventories, trade receivables, tax receivable, other current receivables and prepaid expenses and accrued income less trade payables, social security payables, current tax payables, other current payables and accrued expenses. Our finished product inventories generally have a short shelf-life and our raw materials and work in progress inventories are primarily affected by production management, invoicing and inventory management. The change in accounts payables and receivables is primarily linked to varying terms and the timing of payment and the ability to recover payments from customers.

The following table summarizes our change in Working Capital as of the dates and for the periods indicated:

| € million | As of June 30, 2023 | As of December 31, 2022 |
|---------------------------------------|------------------------|-------------------------------|
| Inventories | 87.4 | 93.4 |
| Trade receivables | 42.9 | 40.7 |
| Prepaid expenses and accrued income | 2.3 | 2.2 |
| Tax receivables | 6.1 | 3.2 |
| Other receivables | 7.4 | 8.5 |
| <i>Calculated current assets</i> | 146.1 | 148.1 |
| Trade payables | 55.2 | 57.6 |
| Tax payables | 4.8 | 2.2 |
| Social security payables | 2.9 | 3.2 |
| Accrued expenses | 4.5 | 6.1 |
| Other payables | 10.0 | 8.6 |
| <i>Calculated current liabilities</i> | 77.5 | 77.6 |
| Working Capital | 68.7 | 70.4 |
| Change in Working Capital | -1.8 | |

¹ Please notice that we have reclassified the amount of €3.7 in the figures as of December 31, 2022 from Trade receivables to Other receivables for comparation purpose.

Working Capital decreased by €1.8 million, or 2.5%, from €70.4 million as of December 31, 2022 to €68.7 million as of June 30, 2023. This decrease was primarily due to decreases in inventory of € 6.0 million partially offset by the increase of the tax amount.

- (4) Net financial position represents our consolidated total indebtedness, consisting of €340.0 million of proceeds of the Notes, €10.0 million drawn under our Revolving Credit Facility and other existing debt of the Group, less cash and cash equivalents.

Subsequent Events

We do not have any subsequent events to report.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

General information about the Conceria Pasubio Group

The Conceria Pasubio Group is one of the leading suppliers of premium leather for the automotive industry producing high-quality finished leather for seats, dashboards and steering wheels, and other upholstery. The Conceria Pasubio Group has long-term, strategic relationships with global luxury and premium OEMs and is the partner of choice of Porsche, Jaguar Land Rover, Lamborghini, Bentley and Rolls-Royce. Given its history and geographical location, the Conceria Pasubio Group's customer base also includes leading Italian OEM luxury brands such as Maserati and Alfa Romeo.

Although the Conceria Pasubio Group operates across the entire leather value chain, which includes tanning, processing & finishing and cutting activities, the Conceria Pasubio Group focuses on the most value-added steps of the leather value chain: processing & finishing and cutting. The Conceria Pasubio Group considers these to be the more profitable steps of the leather value chain and the ones that require the most highly-skilled labor. Lower value-added, less skilled and more labor-intensive work is outsourced to third-party suppliers. As a result, the Conceria Pasubio Group's tanning operations are minimal, and it fully outsources sewing and wrapping work.

The Conceria Pasubio Group operates eleven state-of-the-art manufacturing plants comprising five production facilities in Italy, two production facilities in Germany and four cutting and lamination facilities in Italy, Serbia, Mexico and Germany, respectively. Over the course of its history, Conceria Pasubio Group has invested in building and maintaining advanced operations, driving its ability to operate on short lead times. Conceria Pasubio Group exclusively manufactures its products in Italy and Germany. Facilities in Serbia and Mexico are dedicated to re-tanning, finishing, cutting, lamination and wrapping.

Basis of presentation

These condensed consolidated interim financial statements of the Company for the three months ended June 30, 2023 (the "Condensed Consolidated Interim Financial Statements") include the Condensed Consolidated Interim Balance Sheet, the Condensed Consolidated Interim Income Statement, the Condensed Consolidated Interim Statement of Changes in Shareholders' Equity, the Condensed Consolidated Interim Cash Flow Statement and the Notes to the Condensed Consolidated Interim Financial Statements, all of which were circulated to the Board of Directors of the Company on May 29, 2023. These Condensed Consolidated Interim Financial Statements have been prepared in accordance with the accounting standards issued by the Italian Accounting Organization (*Organismo Italiano di Contabilità*) ("Italian GAAP"), including OIC 30 (Interim Financial Reporting), and do not include all the information required for annual financial statements. Accordingly, these Condensed Consolidated Interim Financial Statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2022.

In preparing the Condensed Consolidated Interim Financial Statements, the Company reclassified and renamed certain Italian GAAP line items in a manner that makes them more easily comparable to the financial information of businesses that do not adopt Italian GAAP.

The items reported in the Condensed Consolidated Interim Financial Statements are stated in accordance with the general principles of prudence and accruals and considering the economic function of the assets and liabilities.

The Condensed Consolidated Interim Financial Statements are shown in euros, which is the accounting currency of the Group and its subsidiaries.

Scope of consolidation and presentation of the Condensed Consolidated Interim Financial Statements

The scope of consolidation of the Group has been determined by referring to the legal control that Conceria Pasubio exercises over its subsidiaries.

The Consolidated Financial Statements consist of the Financial Statements of Conceria Pasubio, and the subsidiaries: Arzignanese S.r.l., GDI Assemblies LLC, GD Servicios Internacionales de Norte S. de R.L and Hewa Leder GmbH in which Conceria Pasubio directly holds the majority of voting rights and over whose activities it exercises control.

Consolidation Accounting Principles

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with Italian Legislative Decree 127/1991 and OIC 17 (Consolidated Financial Statements). These Condensed Consolidated Interim Financial Statements do not include all the information required for annual financial statements. Accordingly, these Condensed Consolidated Interim Financial Statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2022.

These Condensed Consolidated Interim Financial Statements consolidate subsidiaries from the date on which Conceria Pasubio acquired control of that subsidiary or from the first available date of consolidation. Should any subsidiary be disposed of, such subsidiary will be deconsolidated from the date on which Conceria Pasubio is no longer the controlling entity of such subsidiary.

These Condensed Consolidated Interim Financial Statements are consolidated on a line-by-line basis. The main consolidation criteria, which has been consistently applied across the periods described herein are as follows:

- the carrying amount of investments in consolidated subsidiaries is eliminated against the corresponding net equity; positive differences are allocated, where possible and gross of the related tax effect, to the subsidiaries' assets; any non-attributable residual amount calculated at the date of acquisitions, represents goodwill and is recognized as intangible assets and amortized over its estimated useful life;
- all payables, receivables, revenue and costs, including any unrealized profit and losses, deriving from transactions between subsidiaries and the parent company or between subsidiaries are eliminated upon consolidation.

Judgments and estimates

In preparing its Condensed Consolidated Interim Financial Statements, Conceria Pasubio occasionally makes judgments in applying its accounting policies. In addition, the preparation of consolidated financial statements in conformity with Italian GAAP requires the use of estimates that may affect the amounts reported and disclosed in the consolidated financial statements and related notes in future periods. These estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the consolidated financial statements. The significant accounting policy judgments and areas of estimation uncertainty in the preparation of the Condensed Consolidated Interim Financial Statements are consistent with those applied and disclosed in Conceria Pasubio's audited consolidated financial statements for the year ended December 31, 2022.

Goodwill (note 1)

| € thousand | As of December 31, 2022 | Increase | (Amortization) | (Decrease) | Inclusion in consolidation area | As of June 31, 2023 |
|-----------------------|-------------------------------|----------|-----------------|------------|---------------------------------------|------------------------|
| Conceria Pasubio | 461.552 | | (12.254) | | | 449.298 |
| Total goodwill | 461.552 | - | (12.254) | - | - | 449.298 |

Goodwill arising from the acquisition of Conceria Pasubio Group amounted originally to Euro 490,8 million. It was determined as the sum of the consideration transferred included the fees related to the acquisition minus the net identifiable assets acquired and liabilities assumed measured at fair value in accordance with OIC 17.

Based on the considerations that most significant part of the Goodwill was attributable to Conceria Pasubio's customer relation and on specific customer relationship analysis performed during the PPA process, the useful life of the goodwill has been determined in 20 years.

Intangible assets (note 2)

As of June 30, 2023, Intangible Assets amounted to €23,448 thousand, and as of December 31, 2022, Intangible Assets amounted to €24,948 thousand.

Intangible assets are detailed as follows:

| € thousand | As of December 31, 2022 | Increase | (Amortization) | (Decrease) | Currency translation difference | Inclusion in consolidation area | As of June 30, 2023 |
|--|-------------------------------|--------------|----------------|------------|---------------------------------------|---------------------------------------|------------------------|
| Start-up and expansion costs | 5.772 | 500 | (764) | - | - | - | 5.508 |
| Development costs | 2.802 | 504 | (731) | - | - | - | 2.576 |
| Rights | - | - | - | - | - | - | - |
| Concessions, licenses and similar rights | 14.663 | - | (994) | - | 1 | - | 13.670 |
| Other intangible assets | 1.710 | 459 | (475) | - | (0) | - | 1.694 |
| Total intangible assets | 24.948 | 1.463 | (2.964) | - | 1 | - | 23.448 |

Start-up and expansion costs

The net book value of the item "start-up and expansion costs" mainly refers to "lump sum" contributions that the Company recognizes to car manufacturers when they are awarded new long-term projects.

Development costs

The net book value of the item "development costs" mainly refers to the expenses that the Conceria Pasubio Group has sustained to develop new products that are considered innovative and technologically advanced.

Concessions, licenses and similar rights

The rights, which net book value amounts to Euro 13,670 thousand, refer to the use and dispose water for the production activity only through specific rights and authorizations. Having the rights is a necessary condition for running the tannery business. They have been identified during the PPA process (Euro 16.973 thousand) and refer to Conceria Pasubio (Euro 10.557 thousand, amortized over 15 years) and to Arzignane (Euro 6.416 thousand, amortized over 5 years).

Other intangible assets

The net book value of the item “other intangible assets” mainly refers to software, mainly attributable to the Company.

Property, plant and equipment (note 3)

As of June 30, 2023 property, plant and equipment amounted to €63,783 thousand, and as of December 31, 2022, property, plant and equipment amounted to €58,608 thousand.

Depreciation allocated throughout the periods was calculated on all of the property, plant and equipment depreciated, applying the tax rates representing the technical-economic life, specified in the significant accounting policies.

Property, plant and equipment are detailed as follows:

| € thousand | As of December 31, 2022 | Increase | (Amortization) | (Decrease) | Currency translation difference | Inclusion in consolidation area | As of June 30, 2023 |
|-------------------------------------|-------------------------|--------------|----------------|-------------|---------------------------------|---------------------------------|---------------------|
| Land and building | 26.350 | 106 | (543) | - | - | - | 25.913 |
| Plants and machinery | 24.397 | 7.511 | (3.630) | (7) | (3) | - | 28.268 |
| Industrial and commercial equipment | 2.190 | 672 | (295) | - | (0) | - | 2.566 |
| Other tangible assets | 458 | 23 | (53) | (22) | - | - | 406 |
| Constructions in progress | 5.213 | 1.417 | - | - | - | - | 6.631 |
| Total tangible assets | 58.608 | 9.729 | (4.521) | (29) | (4) | - | 63.783 |

Land and building refers to properties owned by the Conceria Pasubio Group, mainly related to the Company for an amount equivalent to €25,913 thousand as of June 30, 2023. Specifically, the value of land is € 6,493 thousand, while the remainder relates to industrial and civil buildings.

Plant and Machinery mainly refers to the substantial investment plan that the Company undertook during the previous year and that involved all plants to carry out a technological renewal of existing plants and increase production capacity.

Industrial and commercial equipment includes the cost of purchase of various equipment for warehouse (trestles, platforms, stainless steel tanks, etc.) and laboratory.

Other tangible assets throughout the fiscal years are mainly related to vehicles and cars as well as other office equipment.

Other assets (note 4)

As of June 30, 2023, other assets amounted to €5,300 thousand; and as of December 31, 2022 other assets amounted to €4,788 thousand.

Other assets are detailed as follow:

| € thousand | As of June 30, 2023 | As of December 31, 2022 |
|---------------------------|---------------------|-------------------------|
| Hedge instrument | 4.877 | 4.561 |
| Other | 424 | 226 |
| Total Other assets | 5.300 | 4.788 |

Inventory (note 5)

As of June 30, 2023, inventories amounted to €87,391 thousand; and as of December 31, 2022 inventories amounted to €93,390 thousand.

Inventories are detailed as follow:

| € thousand | As of June 30, 2023 | As of December 31, 2022 |
|---|------------------------|-------------------------------|
| Raw Materials | 22.631 | 26.590 |
| Work in progress and semi-finished products | 58.018 | 58.492 |
| Finished products | 6.742 | 8.308 |
| Total inventories | 87.391 | 93.390 |

Inventories are stated net of provisions for warehouse stock write-downs, in order to report their estimated realizable value. These provisions reflect both the economic and physical obsolescence of inventories. Inventories are shown net of a provision for slow moving items.

Notes (note 6)

Notes amounted to €328,952 thousand as of June 30, 2023; and amounted to €328,188 thousand as of December 31, 2022.

| € thousand | As of June 30, 2023 | As of December 31, 2022 |
|--------------------|------------------------|-------------------------------|
| - Notes | 340.000 | 340.000 |
| - Accrued interest | (0) | 63 |
| - Amortized costs | (11.048) | (11.876) |
| Total Notes | 328.952 | 328.188 |

Leather 2 issued € 340.0 million of senior secured notes currently listed on the Euro MTF of the Luxembourg Stock Exchange. The Notes will mature on September 30, 2028. Interest on the Notes accrues at a rate of three-month EURIBOR (with a 0% floor) plus 4.5% and provides for interest payments on a quarterly basis.

Shareholders' Loan (note 7)

Shareholders' Loan amounted to Euro 13,547 thousand as of June 30, 2023; and it amounted to Euro 144,751 as of December 31, 2022.

| € thousand | As of June 30, 2023 | As of December 31, 2022 |
|---------------------------------|------------------------|-------------------------------|
| Shareholders' loan | 11,437 | 128,700 |
| <i>Conceria Pasubio S.p.A.</i> | 11,437 | 128,700 |
| Accrued interest | 2,110 | 16,051 |
| <i>Conceria Pasubio S.p.A.</i> | 2,110 | 16,051 |
| Total Shareholders' Loan | 13,547 | 144,751 |

The amount represents the shareholder loan granted to Leather 2 on September 27, 2021. The interest rate is 10% and provides the liquidation of the interest on September 30, 2029. The repayment of this shareholder loan is subordinated to the Notes.

On June 29, 2023, Leather informed PAI of its intention to repay the bond and PAI subsequently informed Leather of its intention to subscribe to the capital increase described in the paragraph "*Significant events throughout the period*", by offsetting the amount due as repayment for a total of Euro 138,481,082.46, of which Euro 117,263,250.71 as principal and Euro 21,217,831.75 as interest,

Bank Loan (note 8)

Borrowings from banks are detailed in the following table:

| € thousand | As of June 30, 2023 | As of December 31, 2022 |
|-----------------------------|------------------------|-------------------------------|
| Bank loan | | |
| - of which within 12 months | 13.269 | 14.923 |
| - of which beyond 12 months | 12.211 | 11.604 |
| Total bank loan | 25.479 | 26.527 |

The main Bank loans represented can be split as follows:

- Hewa Financing with Commerzbank: amount to Euro 720 thousand as of June 30, 2023; the interest rate is 2.00%
- Hewa Financing with Commerzbank: amount to Euro 2,225 thousand as of June 30, 2023; the interest rate is 1.57%
- Several Pasubio short term Credit lines like import/export or other cash credits: amount to Euro 12,222 thousand as of June 30, 2023; the interest rate is between 0,35% and 0,55%;
- “Revolving Credit Facility”: amount to Euro 10,000 thousand as of June 30, 2023; the interest rate is 3.25%. The total available amount is equal to Euro 65,000 thousand, the interest rate applied on the undrawn is 0.98% (30% of 3.25%).

Certain residual local lines are open across the Conceria Pasubio Group.

Other financial liabilities (note 9)

Other financial liabilities are as follows:

| € thousand | As of June 30, 2023 | As of December 31, 2022 |
|--|------------------------|-------------------------------|
| Other financial liabilities | | |
| - of which within 12 months | 3,413 | 4,106 |
| - of which beyond 12 months | 3,936 | 3,226 |
| Total other financial liabilities | 7,350 | 7,332 |

In particular, the amounts due under other financial liabilities, throughout the period, are as follows:

| € thousand | As of June 30, 2023 | As of December 31, 2022 |
|--|------------------------|-------------------------------|
| Leasing Debt of Arzignanese S.r.l. | 848 | 1,047 |
| Leasing Debt of Conceria Pasubio S.p.A. | 3,492 | 2,464 |
| Debts to factoring companies | 2,083 | 2,895 |
| Other financial liabilities | 927 | 927 |
| Total other financial liabilities | 7,350 | 7,332 |

Leasing debts mainly refers to contracts signed by Arzignanese and the Company for the purchase of machinery and equipment.

Revenue (note 10)

Revenue is detailed in the following table:

| € thousand | As of June 30, 2023 | As of June 30, 2022 |
|---------------------------------|------------------------|------------------------|
| Proceeds from the sale of goods | 182,916 | 176,352 |
| Revenues for service provided | 7,345 | 6,753 |
| Total Revenue | 190,262 | 183,104 |

Revenue amounted to €190,262 thousand for the six months ended June 30, 2023; and it amounted to Euro 183,104 thousand for the six months ended June 30, 2022.

Revenues are shown net of discounts and rebates.

A breakdown of revenue by geographic region is provided below:

| € thousand | As of June 30, 2023 | As of June 30, 2022 |
|----------------------|------------------------|------------------------|
| Europe | 170,914 | 157,247 |
| Asia | 5,068 | 6,640 |
| Africa | 8,850 | 7,090 |
| America | 5,234 | 11,277 |
| Rest of the World | 196 | 850 |
| Total Revenue | 190,262 | 183,104 |

Purchase of goods and changes in inventory (note 11)

Purchase of goods and changes in inventory comprise costs of raw materials, supplies and consumables as explicated below:

| € thousand | As of June 30, 2023 | As of June 30, 2022 |
|--|------------------------|------------------------|
| <i>Raw material</i> | 88,989 | 87,011 |
| <i>Finished goods</i> | 10 | 53 |
| Other purchases | 3,411 | 3,041 |
| Purchase of raw materials, components and finished goods | 92,410 | 90,106 |
| Change in inventories of finished goods and semi-finished products | 1,897 | 713 |
| Change in inventories of raw materials and goods | 4,052 | 8,609 |
| Total purchase of goods and changes in inventory | 98,359 | 99,428 |

Purchase of raw materials, consumables and goods and changes in inventories amount to €141,998 thousand as of September 30, 2022; and amount to € 121,278 thousand as of September 30, 2021.

Net financial expenses (notes 12)

Financial income and expenses are detailed below:

| € thousand | As of June 30, 2023 | As of June 30, 2022 |
|--|------------------------|------------------------|
| Financial income (expenses) | (21,014) | (15,997) |
| - Financial expenses on notes | (12,249) | (8,431) |
| - Financial expenses on shareholders' Loan | (7,277) | (6,616) |
| - Financial expenses on RCF | (540) | (684) |
| - Other financial expenses | (948) | (265) |
| Net exchange rate gain (losses) | (152) | 508 |
| - Profit exchange rates | 536 | 892 |
| - Losses on exchange rates | (688) | (384) |
| Net financial expenses | (21,166) | (15,489) |

Financial expenses

Throughout the periods presented, financial expenses refer to interests on Notes, Shareholder Loan and on bank loans primarily entered into by the Company.

Gains and losses on exchange

These gains and losses have been calculated considering the exchange rate as the end date of each period.

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