

PASUBIO GROUP

Condensed consolidated interim financial statements
as of and for the six-months period ended
June 30, 2024
(unaudited)

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

Condensed Consolidated Interim Balance Sheet (Unaudited)

€ thousand	Notes	As of June 30, 2024	As of December 31, 2023
Goodwill	1	292,851	301,298
Intangible assets	2	22,430	23,446
Property, plant and equipment	3	76,381	74,373
Investments in associated and other companies		106	106
Other assets	4	2,155	2,444
Non-current Assets		393,922	401,667
Inventories	5	82,768	78,295
Trade receivables		38,528	40,641
Tax receivables		5,911	3,706
Deferred tax assets		905	1,026
Other receivables		4,009	7,489
Prepaid expenses and accrued income		2,273	1,821
Cash at bank and on hand		14,571	22,879
Total current Assets		148,964	155,857
Total Assets		542,886	557,524
Shareholders' equity		(93,529)	(100,650)
Deferred tax liabilities		(6,014)	(6,559)
Provisions for employee severance indemnities		(1,635)	(1,680)
Provision for risks and charges		(640)	(640)
Bank Loan	8	(1,660)	(8,844)
Notes	6	(330,668)	(329,801)
Shareholders' loan	7	(14,630)	(14,034)
Other financial liabilities	9	(2,896)	(3,432)
Non-Current Liabilities		(358,142)	(364,990)
Bank Loan	8	(8,488)	(11,834)
Notes	6	846	(60)
Other financial liabilities	9	(4,740)	(3,542)
Trade payables		(56,906)	(57,740)
Tax payables		(3,500)	(1,463)
Social security payables		(3,241)	(3,054)
Other payables		(11,152)	(8,881)
Accrued expenses		(4,034)	(5,309)
Current Liabilities		(91,215)	(91,885)
Total Liabilities and Shareholders' equity		(542,886)	(557,524)

Condensed Consolidated Interim Income Statement (Unaudited)

€ thousand	Notes	6 months at June 30, 2024	6 months at June 30, 2023
Revenue	10	177,725	190,262
Other revenue and income		1,332	2,446
Total revenue and other income		179,057	192,708
Purchase of goods and changes in inventory	11	(83,994)	(98,359)
Cost of services		(33,597)	(34,564)
Use of third party assets		(731)	(645)
Personnel costs		(28,787)	(26,581)
Other operating costs		(361)	(463)
Capitalization in fixed assets for internal work		1,307	504
Depreciation - tangible assets		(5,450)	(4,521)
Amortization - intangible assets		(11,821)	(15,218)
Write-down of trade receivables		(46)	(77)
Total operating costs		(163,480)	(179,923)
Operating profit / (loss)		15,577	12,785
Financial income (expenses)	12	(15,668)	(21,014)
Net exchange rate gain (losses)	12	186	(152)
Profit (Loss) before tax		95	(8,381)
Income taxes		(5,374)	(2,585)
Profit (Loss) for the year		(5,279)	(10,965)

Condensed Consolidated Interim Cash Flow Statement (Unaudited)

€ thousands	6 month at June 30, 2024	6 month at June 30, 2023
Cash flow from operating activities		
Profit (Loss) for the year	(5,279)	(10,965)
Income Taxes	5,374	2,585
Net financial expenses	15,668	21,014
(Capital gains) Capital losses deriving from disposal assets	3	-
1. Profit (loss) for the year before income taxes, interest, dividends and capital gains / losses on disposal	15,766	12,633
<i>Non cash adjustments</i>		
Depreciation and Amortization	17,271	19,739
Non-monetary adjustments that have not had a counterpart in working capital	(1,152)	(112)
Provisions (Uses) for contingencies	(45)	(146)
Total non-monetary adjustments without effects in working capital	16,074	19,481
2. Cash flow from operating activities before changes in net working capital	31,840	32,114
<i>Changes in Net Working Capital</i>		
Decrease (Increase) of inventories	(4,473)	5,999
Decrease (Increase) of trade receivables	2,113	(2,185)
(Decrease) Increase in trade payables	(835)	(1,795)
Decrease (Increase) in accrued income and prepaid expenses	(565)	(238)
(Decrease) Increase in accrued expenses and deferred income	(145)	(1,876)
Other working capital items	27	731
Total changes in working capital	(3,877)	636
3. Cash flow from operating activities after changes in working capital	27,963	32,750
<i>Other Adjustments</i>		
(Income tax paid)	(1,509)	(2,049)
(Interests paid)	(15,009)	(12,267)
Total other adjustments	(16,518)	(14,316)
Cash flow from operating activities (A)	11,445	18,434
Cash flow from investing activities		
(Payments for tangible assets)	(7,577)	(8,900)
Proceeds from sale of tangible assets	117	29
(Payments for intangible assets)	(2,357)	(1,463)
(Payments for financial fixed assets)	2	(351)
Net cash used in acquisition of Innova	-	(4,941)
Cash flow from investing activities (B)	(9,816)	(19,285)
Cash flow from financing activities		
<i>Debt Financing</i>		
Proceeds and repayment of short term loan	(2,838)	(879)
Proceeds of new long term loan	1	(630)
Repayment of long term loan	(7,101)	(139,536)
Cash flow from financing activities (C)	(9,938)	(2,564)
Increase/(Decrease) cash and cash equivalents (A ± B ± C)	(8,309)	(3,415)
Cash at hand and on bank at beginning of the period	22,879	22,928
Cash at hand and on bank at the end of the period	14,571	19,513

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, 2023	6,800	1,447	60,876	10,432	1,132	138,481	487	240	59,825	(17,783)	(161,287)	100,650
Cash flow hedge reserve					(102)							(102)
Other movements								(121)	2,306	(165,212)	161,287	(1,741)
Result for the period ended March 31, 2024											(5,279)	(5,279)
Balance as of June 30, 2024	6,800	1,447	60,876	10,432	1,030	138,481	487	120	62,131	(182,995)	(5,279)	93,529

Operating & Financial Review

Significant events throughout the period

General Overview

In 2024, the global economy is navigating through a period of moderate slowdown, influenced heavily by extended high interest rates and a significant slowdown in China. Despite these challenges, the global GDP is on track to achieve modest growth. Central banks globally are beginning to ease the stringent policies that have been in place for the last few years, indicating a move towards a softer economic downturn.

Geopolitical tensions continued to significantly impact global economic stability in 2024. Conflicts in the Middle East and Ukraine, alongside trade disputes and political instability in various regions, disrupted economic growth and trade flows, prompting countries to diversify their supply chains and reduce dependency on single-source suppliers.

Inflation remained a critical issue in both the US and Europe. In the US, while inflation showed signs of moderation, it still exceeded the Federal Reserve's target, necessitating careful monetary policy adjustments to avoid recession. In Europe, inflation rates were expected to decrease gradually but remained influenced by energy prices and supply chain challenges, with interest rate cuts anticipated by mid-2024.

In the first half of 2024, the global automotive market saw stability with differences among regions and segments. New car produced globally slightly decreased, with the European Union and south America recording the strongest contraction, while the timid growth was recorded in North America, China fast pace growth moderated in the first six months of 2024. The demand for vehicles recovered post-pandemic but faced challenges from high interest rates and economic uncertainties. Internal combustion engine (ICE) vehicles continued to dominate a significant portion of the market, though they faced higher production costs due to stringent emissions regulations and ongoing supply chain issues, particularly semiconductor shortages.

Electric vehicles (EVs) experienced robust growth, with new battery-electric car sales increasing and achieving new market share in the EU. Advancements in battery technology, government incentives, and expanded charging infrastructure drove this growth. However, the adoption of EVs varied, with some markets slower due to infrastructure concerns and high initial costs.

Simultaneously, the utilities sector has managed to maintain stable pricing amid the ongoing global supply chain disruptions. This stability is supported by robust investments in renewable energy and technological advancements, including the integration of artificial intelligence. However, energy prices were notably impacted by the ongoing conflict in Ukraine, leading to efforts to enhance energy security and investments in alternative energy sources to stabilize prices.

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, 2024	6 months at June 30, 2023	
Revenue	177,725	190,262	-6.6%
Other revenue and income	1,332	2,446	-45.6%
Total revenue and other income	179,057	192,708	-7.1%
Purchase of goods and changes in inventory	(83,994)	(98,359)	-14.6%
Cost of services	(33,597)	(34,564)	-2.8%
Use of third party assets	(731)	(645)	13.4%
Personnel costs	(28,787)	(26,581)	8.3%
Other operating costs	(361)	(463)	-22.1%
Capitalization in fixed assets for internal work	1,307	504	159.1%
Depreciation - tangible assets	(5,450)	(4,521)	20.5%
Amortization - intangible assets	(11,821)	(15,218)	-22.3%
Write-down of trade receivables	(46)	(77)	-39.9%
Total operating costs	(163,480)	(179,923)	-9.1%
Operating profit / (loss)	15,577	12,785	21.8%
Financial income (expenses)	(15,668)	(21,014)	-25.4%
Net exchange rate gain (losses)	186	(152)	-222.2%
Profit (Loss) before tax	95	(8,381)	-101.1%
Income taxes	(5,374)	(2,585)	107.9%
Profit (Loss) for the year	(5,279)	(10,965)	-51.9%

Revenue

Revenue for the six months ended June 30, 2024 amounts to Euro 177.7million, a decrease of Euro 12.5million compared to the six months ended June 30, 2023, driven by (i) sales to automotive customers due to the market slowdown especially in the luxury segment and by (ii) a negative price effect and change in supply mix by of the raw material by-product.

Purchase of goods and changes in inventory

Purchase of goods and changes in inventory for the six months ended June 30, 2024 amount to Euro 84.0 million, a decrease of Euro 14.4million compared to the six months ended June 30, 2023, primarily due to sales volume contraction and operational improvement (lower production scraps).

Cost of services

Cost of services for the six months ended June 30, 2024 amounts to Euro33.6 million, an increase of Euro 1.0 million compared to the six months ended June 30, 2023.

Personnel costs

Personnel costs for the six months ended March 30, 2024 amount to Euro28.8 million, an increase of Euro 2.2million compared to the six months ended March 30, 2023, mainly due to the mandatory increase of salaries driven by the inflation rate.

Other operating costs

Other operating costs for the six months ended March 30, 2024 amounts to Euro 0.4million, a decrease of Euro 0.1million if compared to the six months ended March 30, 2023.

Depreciation—tangible assets

Depreciation—tangible assets for the six months ended March 30, 2024 amounts to Euro 5.5million, an increase of Euro 1.0 million compared to the six months ended March 30, 2023, mainly driven by the new investments done during the 2023.

Amortization—intangible assets

Amortization—intangible assets for the six months ended March 30, 2024 amounts to Euro 11.8million, a decrease of Euro 3.4 million compared to the six months ended March 30, 2023, primarily due to the result of the impairment loss with reference to Goodwill posted in the year ended December 31, 2023.

Financial expenses

Financial expenses for the six months ended June 30, 2024 amount to Euro 15.7million, a decrease of Euro 5.4million compared to the six months ended June 30, 2023, primarily as a result of the conversion of the Shareholders' Loan into equity occurred in June, 2023.

Income taxes

Income taxes for the six months ended June 30, 2024 amount to Euro 5.4million, an increase of Euro 2.8million compared to the six months ended June 30, 2023, primarily as a result of higher profit before tax of the main entity 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 Euro18.0 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, 2024	6 month at June 30, 2023
Cash flow from operating activities	11.4	18.4
Cash flow used in investing activities	(9.8)	(19.3)
Cash flow used in financing activities	(9.9)	(2.6)
Increase/(Decrease) cash and cash equivalents	(8.3)	(3.4)
Cash at hand and on bank at beginning of the period	22.9	22.9
Cash at hand and on bank at the end of the period	14.6	19.5

Cash flow from operating activities

Cash flow used in operating activities amounted to Euro 11.4 million for the six months ended June 30, 2024, a decrease of Euro 7 million compared to the six months ended June 30, 2023, primarily as a result of increase in working capital due to the overstock built for the rump up of certain projects as well as higher interests expenses paid for the Notes.

Cash flow used in investing activities

Cash flow used in investing activities amounted to Euro 9.8 million for the six months ended June 30, 2024, a decrease of Euro 7.3 million compared to the six months ended June 30, 2023, mainly driven by the acquisition of Innova in the first quarter of 2023 (Euro 4.9 million) and by less capex expenses.

Cash flow used in financing activities

Cash flow from financing activities amounted to Euro 9.9 million for the six months ended June 30, 2024, an increase of Euro 7.3 million compared to the six months ended June 30, 2023, primarily due to the repayment of the RCF (Euro 7.0 million).

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, 2024	6 month at June 30, 2023
Payments for tangible assets	7.6	10.4
Proceeds from sale of tangible assets	(0.1)	(0.0)
Payments for intangible assets	2.4	1.5
Capital Expenditure	9.8	11.9

For the six months ended June 30, 2024, capital expenditure amounted to Euro 9.8 million.

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, 2024.

€ million	LTM June 30, 2024	6 months at June 30, 2024	6 months at June 30, 2023
(1) Net Revenue	343.1	177.2	185.7
(2) EBITDA	57.5	33.0	32.4
(2) Adjusted EBITDA	64.7	35.0	33.9
(3) Working Capital	54.7	54.7	68.7
(2) Pro Forma Adjusted EBITDA	69.2		
(4) Net Financial Position (NFP)	338.8		
Ratio of NFP to Pro Forma Adjusted EBITDA	4.9x		

- (1) We define net revenue as revenue excluding sales of sub-products and certain after-sales 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	LTM June 30, 2024	6 months at June 30, 2024	6 months at June 30, 2023
Revenue	346.9	177.7	190.3
(a) Disputes (discounts on sales)	(2.1)	(1.0)	(0.9)
(b) Sales of not finished leathers	7.0	2.1	7.0
(c) Other Revenues	(1.4)	(0.5)	(1.4)
(d) Late adjustments	(0.0)	0.0	(0.1)
(e) Business Development	0.4	(0.1)	0.0
Net revenue	343.1	177.2	185.7

- (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) Mainly 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 and other minor items.
- (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.
- (e) Represents differences between management account closing and statutory closing related to adjustments made to the managerial closing attributing to the ongoing implementation of the new businesses of Innova S.r.l. and Pasubio South Africa Ltd with negative EBITDA impact adjusted.

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.

Please note that we have reclassified the net revenue value for 2023 including the sales of semi-finished hides (“crust”) and the sales of leather from the cutting plant for which there are no economical reason to cut the leather (low cutting yield) and are sold as scrap. These revenues were reclassified as a reduction of purchasing cost before.

Here below there is a reconciliation table for the year ended December 31, 2023 and for the month ended June 30, 2024:

€ million	12 months at December 31, 2023	6 months at March 30, 2023
Net revenue - Old	350.8	185.2
Reclass	<u>0.8</u>	<u>0.5</u>
Net revenue	<u>351.5</u>	<u>185.7</u>

- (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 June 30, 2024:

€ thousand	LTM June 30, 2024	6 months at June 30, 2024	6 months at June 30, 2023
EBITDA	57.5	33.0	32.4
Net exchange rate gain (losses)	(0.0)	(0.2)	0.2
(a) Non-recurring adjustments & Business Development	7.0	2.4	1.3
(b) Other adjustments	0.2	(0.2)	0.0
Adjusted EBITDA	64.7	35.0	33.9
(c) Hewa Acquisition adjustments	2.1		
(d) Run Rate Saving OPS	2.4		
Pro Forma Adjusted EBITDA	69.2		

(a) For the six months ended June 30, 2024, non-recurring adjustments consisted of (A) Euro 1.0 million related to the implementation of GD US and GDI Mexico plants to start tannery activities for new project; (B) Euro 0.5 million related to the establishment of the new Legal Entity established in Mexico; (C) Euro 0.2 million related to one-off consulting expenses; (D) Euro 0.5 million related to the business development of the two new plants Innova S.r.l. and Pasubio South Africa; (E) Euro 0.1 million related to Hewa integration process and (F) Euro 0.1 million related to one-off consulting expenses and to certain M&A projects .

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 twelve months ended June 30, 2024, non-recurring adjustments consisted of (A) Euro 1.8 million related to the implementation of GD US and GDI Mexico plants to start tannery activities for new project; (B) Euro 0.9 million of one off adjustment related to extraordinary inventory devaluation; (C) Euro 0.6 million related to Hewa integration process; (D) Euro 0.7 million related to one-off consulting expenses and to certain M&A projects; (E) Euro 0.7 million related to extraordinary scraps due to non-conformity of tannage process which leads to extraordinary bad yield if compared to historical series; (F) Euro 0.6 million related to extraordinary leaving incentives; (G) Euro 1.0 million related to the business development of two new plants Innova S.r.l. and Pasubio South Africa; (H) Euro 0.5 million related to the new Legal Entity established in Mexico and (I) Euro 0.2 million related to extraordinary bad debt provision in Arzignanese S.r.l. and extraordinary provision for legal case in Conceria Pasubio S.p.A..

(b) For the six months ended June 30, 2024, other adjustments consisted of Euro -198.4 thousand of capital gain/loss; bank charges and late adjustments between management closing and statutory closing.

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

For the twelve months ended June 30, 2024, other adjustments consisted of Euro 0.2 million of capital gain/loss; bank charges and late adjustments between management closing and statutory closing.

(c) Represents Euro 1.1 million and Euro 4.0 million (for the year ended December 31, 2023 and December 31, 2022 respectively) respect of estimated purchasing synergies resulting from having Hewa (i) purchase raw materials under our arrangements with our suppliers, which provide for better commercial terms, compared to Hewa's existing supply contracts and (ii) Perform at our efficiency level in the use of raw materials related to hides. These savings are expected to come into effect contemporaneously with the integration of Hewa into our business. The presentation of Pro Forma Adjusted EBITDA is for informational purposes only. 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 April 1, 2023. 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, 2024	As of December 31, 2023
Inventories	82.8	78.3
Trade receivables	38.5	40.6
Prepaid expenses and accrued income	2.3	1.8
Tax receivables	5.9	3.7
Other receivables	4.0	7.5
<i>Calculated current assets</i>	133.5	132.0
Trade payables	56.9	57.7
Tax payables	3.5	1.5
Social security payables	3.2	3.1
Accrued expenses	4.0	5.3
Other payables	11.2	8.9
<i>Calculated current liabilities</i>	78.8	76.4
Working Capital	54.7	55.5
Change in Working Capital	-0.8	

Working Capital decreased by Euro 0.8 million, or 1.5%, from Euro 55.5 million as of December 31, 2023 to Euro 54.7 million as of June 30, 2024.

- (4) Net financial position represents our consolidated total indebtedness, consisting of Euro 340.0 million of proceeds of the Notes and other existing debt of the Group, less cash and cash equivalents. For pro forma purposes, we have included only the Net Financial Position of Pasubio Mexico to provide a more accurate view of all Group indebtedness, although the Financial Statement of the new Company is not included due to its immaterial relevance to the overall group.

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 March 30, 2024 (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, 2024. 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, 2023.

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, Hewa Leder GmbH, Innova S.r.l. and Pasubio South Africa (Pty) Ltd in which Conceria Pasubio directly holds the majority of voting rights and over whose activities it exercises control. Please note that Conceria Pasubio established a new Legal Entity in Mexico, Pasubio Mexico S. DE R.L. DE C.V. This entity will become operational at the end of the 2024 and therefore as its immaterial relevance to the overall group it is not included in the scope of the Consolidated Financial Statements for the six months ending June 30, 2024. For pro forma purposes, we have included only the Net Financial Position of Pasubio Mexico to provide a more accurate view of all Group indebtedness.

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, 2023.

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, 2023.

Goodwill (note 1)

€ thousand	As of December 31, 2023	Increase	(Amortization)	(Decrease)	Inclusion in consolidation area	As of June 30, 2024
Conceria Pasubio	301,298		(8,448)			292,851
Total goodwill	301,298	-	(8,448)	-	-	292,851

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.

Considering the results achieved by the Group in the 2023 financial year, and the forecasts outlined in the 2024-2027 business plan approved during the Board of Directors meeting on March 29, 2024, both of which were lower than the expectations formulated at the time of acquisition by Leather 2 S.p.A. (from which has been originated, among the others, the actual amount of goodwill), the economic environment, the significance of intangible assets including goodwill, an impairment test was conducted for the net invested capital of the cash-generating units ("CGUs").

The outcome of the impairment test resulted in the recognition of durable impairments of value regarding Goodwill of Euro 136,9 million.

Intangible assets (note 2)

As of June 30, 2024, Intangible Assets amounted to Euro 22,430 thousand, and as of December 31, 2023, Intangible Assets amounted to Euro 23,446 thousand.

Intangible assets are detailed as follows:

€ thousand	As of December 31, 2023	Increase	(Amortization)	(Decrease)	Currency translation difference	Inclusion in consolidation area	As of June 30, 2024
Start-up and expansion costs	5,271	855	(875)	-	-	-	5,250
Development costs	2,632	773	(927)	-	-	-	2,479
Concessions, licenses and similar rights	12,677	(0)	(994)	-	-	-	11,682
Other intangible assets	1,921	409	(577)	-	2	-	1,755
Constructions in progress	945	318	-	-	-	-	1,263
Total intangible assets	23,446	2,355	(3,374)	-	2	-	22,430

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 11,682 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 Arzignanese (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, 2024 property, plant and equipment amounted to Euro 76,381 thousand, and as of December 31, 2023, property, plant and equipment amounted to Euro 74,373 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, 2023	Increase	(Amortization)	(Decrease)	Reclass	Inclusion in consolidation area	As of June 30, 2024
Land and building	32,618	350	(983)	-	-	-	31,984
Plants and machinery	35,258	3,913	(4,161)	(7)	-	-	35,003
Industrial and commercial equipment	2,644	361	(273)	(53)	-	-	2,678
Other tangible assets	436	1	(32)	(17)	-	-	389
Constructions in progress	3,418	2,909	-	-	-	-	6,328
Total tangible assets	74,373	7,534	(5,450)	(77)	-	-	76,381

Land and building refers to properties owned by the Conceria Pasubio Group, mainly related to the Company for an amount equivalent to Euro 31,984 thousand as of June 30, 2024. Specifically, the value of land is Euro 6,655 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, 2024, other assets amounted to Euro 2,540 thousand; and as of December 31, 2023 other assets amounted to Euro 2,444 thousand.

Other assets are detailed as follow:

€ thousand	As of June 30, 2024	As of December 31, 2023
Hedge instrument	1,662	1,949
Other	493	495
Total Other assets	2,155	2,444

Inventory (note 5)

As of June 3, 2024, inventories amounted to Euro 82,768 thousand; and as of December 31, 2023 inventories amounted to Euro 78,295 thousand.

Inventories are detailed as follow:

€ thousand	As of June 30, 2024	As of December 31, 2023
Raw Materials	18,723	24,099
Work in progress and semi-finished products	51,651	47,553
Finished products	12,394	6,643
Total inventories	82,768	78,295

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 Euro 329,822 thousand as of June 30, 2024; and amounted to Euro 329,861 thousand as of December 31, 2023.

€ thousand	As of June 30, 2024	As of December 31, 2023
- Notes	340,000	340,000
- Accrued interest	(846)	60
- Amortized costs	(9,332)	(10,199)
Total Notes	329,822	329,861

Leather 2 issued Euro 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.

The amount of the accrued interest represents the amount cash in on July 1, 2024 with reference to the second quarter of 2024 due to the hedging instruments.

Shareholders' Loan (note 7)

Shareholders' Loan amounted to Euro 14,630 thousand as of June 30, 2024; and it amounted to Euro 14,034 as of December 31, 2023.

€ thousand	As of June 30, 2024	As of December 31, 2023
Shareholders' loan	11,202	11,302
<i>Conceria Pasubio S.p.A.</i>	11,202	11,302
Accrued interest	3,428	2,732
<i>Conceria Pasubio S.p.A.</i>	3,428	2,732
Total Shareholders' Loan	14,630	14,034

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.

Bank Loan (note 8)

Borrowings from banks are detailed in the following table:

€ thousand	As of June 30, 2024	As of December 31, 2023
Bank loan		
- of which within 12 months	8,488	11,834
- of which beyond 12 months	1,660	8,844
Total bank loan	10,148	20,678

The main Bank loans represented can be split as follows:

- Hewa Financing with Commerzbank: amount to Euro 480 thousand as of June 30, 2024; the interest rate is 2.00%
- Hewa Financing with Commerzbank: amount to Euro 1,731 thousand as of June 30, 2024; the interest rate is 1.57%
- Several Pasubio short term Credit lines like import/export or other cash credits: amount to Euro 7,937 thousand as of June 30, 2024; the interest rate is between 0,35% and 0,55%
- "Revolving Credit Facility": has been repaid for the total amount outstanding equal to Euro 7,000 thousand as of March 31, 2024; 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, 2024	As of December 31, 2023
Other financial liabilities		
- of which within 12 months	4,740	3,542
- of which beyond 12 months	2,896	3,432
Total other financial liabilities	7,636	6,975

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

€ thousand	As of June 30, 2024	As of December 31, 2023
Leasing Debt of Arzignanese S.r.l.	489	656
Leasing Debt of Conceria Pasubio S.p.A.	2,508	2,967
Debts to factoring companies	3,608	2,261
Other financial liabilities	1,031	1,091
Total other financial liabilities	7,636	6,975

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, 2024	As of June 30, 2023
Proceeds from the sale of goods	170,015	182,916
Revenues for service provided	7,710	7,345
Total Revenue	177,725	190,262

Revenue amounted to Euro 177,725 thousand for the six months ended June 30, 2024; and it amounted to Euro 190,262 thousand for the six months ended June 30, 2023.

Revenues are shown net of discounts and rebates.

A breakdown of revenue by geographic region is provided below:

€ thousand	As of June 30, 2024	As of June 30, 2023
Europe	159,528	167,740
Asia	4,890	5,081
Africa	7,608	8,849
America	4,737	8,397
Rest of the World	962	194
Total Revenue	177,725	190,262

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, 2024	As of June 30, 2023
<i>Raw material</i>	84,617	88,989
<i>Finished goods</i>	13	10
Other purchases	3,737	3,411
Purchase of raw materials, components and finished goods	88,367	92,410
Change in inventories of finished goods and semi-finished products	(8,945)	1,897
Change in inventories of raw materials and goods	4,571	4,052
Total purchase of goods and changes in inventory	83,993	98,359

Purchase of raw materials, consumables and goods and changes in inventories amount to Euro 83,997 thousand as of June 30, 2024; and amount to Euro 98,359 thousand as of June 30, 2023.

Net financial expenses (notes 12)

Financial income and expenses are detailed below:

€ thousand	As of June 30, 2024	As of June 30, 2023
Financial income (expenses)	(15,668)	(21,016)
- Financial expenses on notes	(13,463)	(12,249)
- Financial expenses on shareholders' Loan	(707)	(7,277)
- Financial expenses on RCF	(420)	(540)
- Other financial expenses	(1,078)	(950)
Net exchange rate gain (losses)	186	(152)
- Profit exchange rates	337	405
- Losses on exchange rates	(151)	(558)
Net financial expenses	(15,482)	(21,168)

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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