CONCERIA PASUBIO GROUP

Condensed consolidated interim financial statements
as of and for the nine-months period ended
September 30, 2021
(unaudited)

Condensed Consolidated Interim Balance Sheet (Unaudited)

€ thousand	Notes	As of September 30, 2021	As of December 31, 2020	As of September 30, 2020
Goodwill	1	126,905	133,395	138,367
Intangible assets	2	9,282	9,281	8,985
Property, plant and equipment	3	56,268	43,977	44,217
Investments in associated and other companies		90	87	208
Other non-current assets		6	12	6
Non-current Assets		**192,549**	**186,752**	**191,782**
Inventories	4	88,652	55,677	53,937
Trade receivables		33,042	30,999	35,943
Tax receivables		3,489	4,113	2,001
Deferred tax assets		1,112	1,134	1,023
Other receivables		294	926	173
Prepaid expenses and accrued income - current portion		974	1,247	1,106
Cash at bank and on hand		61,706	72,601	47,925
Total current Assets		**189,269**	**166,697**	**142,109**
Total Assets		**381,819**	**353,449**	**333,891**
Shareholders' equity				
Share capital		6,800	6,800	6,800
Reserve		143,643	134,091	133,922
Retained earnings		7,723	5,225	5,354
Profit/(loss) for the period		10,333	11,986	4,748
Equity attributable to the owners of the parent		**168,500**	**158,102**	**150,824**
Equity attributable to non-controlling interests		**720**	**605**	**533**
Total Shareholders' equity		**169,219**	**158,708**	**151,357**
Non-Current Liabilities				
Deferred tax liabilities		1,675	1,675	1,835
Provisions for employee severance indemnities		1,523	1,541	1,552
Provision for risks and charges		686	920	696
Bank Loan - Non Current	5	120,301	121,708	121,559
Bond - Non Current		-	-	-
Other financial liabilities - Non Current	6	2,299	2,354	2,705
Non-Current Liabilities		**126,484**	**128,199**	**128,348**
Current Liabilities				
Bank Loan - Current	5	9,823	6,299	5,135
Bond - Current		-	-	-
Other financial liabilities - Current	6	2,994	2,536	2,323
Trade payables		53,834	47,314	34,941
Shareholders' loan		396	370	386
Tax payables		6,887	2,168	3,282
Social security payables		911	1,711	1,167
Other payables		9,900	5,846	6,780
Accrued expenses		1,371	300	172
Current Liabilities		**86,116**	**66,542**	**54,186**
Total Liabilities and Shareholders' equity		**381,819**	**353,449**	**333,891**

Condensed Consolidated Interim Income Statement (Unaudited)

€ thousand	Notes	9 months at September 30, 2021	12 months at December 31, 2020	9 months at September 30, 2020
Revenue	7	239,351	268,991	184,247
Other revenue and income		1,733	1,936	1,564
Total revenue and other income		**241,084**	**270,928**	**185,812**
Purchase of goods and changes in inventory	8	(121,278)	(127,685)	(89,568)
Cost of services		(41,352)	(45,803)	(31,773)
Use of third party assets		(741)	(772)	(539)
Personnel costs		(33,028)	(36,248)	(25,654)
Other operating costs		(561)	(2,183)	(1,465)
Capitalization in fixed assets for internal work		1,467	1,408	850
Depreciation - tangible assets		(5,044)	(5,712)	(3,829)
Amortization - intangible assets		(17,139)	(22,055)	(16,138)
Write-down of trade receivables		(399)	(434)	(330)
Total operating costs		**(218,075)**	**(239,483)**	**(168,446)**
Operating profit / (loss)		**23,009**	**31,445**	**17,366**
Financial income (expenses)	9	(4,623)	(6,623)	(5,073)
Net exchange rate gain (losses)	9	819	(1,317)	(379)
Profit (Loss) before tax		**19,206**	**23,505**	**11,914**
Income taxes		(8,788)	(11,215)	(6,919)
Profit (Loss) for the period		**10,418**	**12,289**	**4,995**
ATTRIBUTABLE TO:				
Owners of the parent		10,333	11,986	4,748
Non-controlling interests		85	303	247

Condensed Consolidated Interim Cash Flow Statement (Unaudited)

€ thousands	9 month at September 30, 2021	9 month at September 30, 2020
Cash flow from operating activities		
Profit (Loss) for the year	**10,418**	**4,995**
Income Taxes	8,788	6,919
Net financial expenses	4,623	5,073
(Capital gains) Capital losses deriving from disposal assets	(71)	(173)
1. Profit (loss) for the year before income taxes, interest, dividends and capital gains / losses on disposal	**23,757**	**16,815**
Non cash adjustments		
Depreciation and Amortization	22,182	19,966
Non-monetary adjustments that have not had a counterpart in working capital	-	-
Provisions (Uses) for contingencies	-	-
Total non-monetary adjustments without effects in working capital	**22,182**	**19,966**
2. Cash flow from operating activities before changes in net working capital	**45,939**	**36,781**
Changes in Net Working Capital		
Decrease (Increase) of inventories	(27,966)	(7,559)
Decrease (Increase) of trade receivables	394	(6,238)
(Decrease) Increase in trade payables	4,734	(7,278)
Decrease (Increase) in accrued income and prepaid expenses	237	(46)
(Decrease) Increase in accrued expenses and deferred income	(11)	(278)
Other working capital items	1,662	816
Total changes in working capital	**(20,949)**	**(20,582)**
3. Cash flow from operating activities after changes in working capital	**24,990**	**16,199**
Other Adjustments		
(Income tax paid)	(3,073)	(10,146)
(Interests paid)	(5,054)	(4,313)
(Use of provisions)	(18)	(69)
Total other adjustments	**(8,145)**	**(14,528)**
Cash flow from operating activities (A)	**16,845**	**1,671**
Cash flow from investing activities		
(Payments for tangible assets)	(8,200)	(7,491)
Proceeds from sale of tangible assets	373	269
(Payments for intangible assets)	(2,094)	(3,800)
(Payments for financial fixed assets)	-	-
Proceeds from sale of financial fixed assets	4	(301)
Net cash used in the acquisition of Gruppo Mario Pretto	-	-
Net cash used in acquisition of Faster	-	-
Net cash flow for the acquisition of GD and GDI	-	(1,659)
Net cash used in acquisition of HEWA	(14,812)	-
Cash flow from investing activities (B)	**(24,728)**	**(12,980)**
Cash flow from financing activities		
Debt Financing		
Proceeds and repayment of short term loan	2,604	(177)
Proceeds of new long term loan	480	35,351
Repayment of long term loan	(6,095)	(40,026)
(Reserve distribution)		
Cash flow from financing activities (C)	**(3,011)**	**(4,851)**
Increase/(Decrease) cash and cash equivalents (A ± B ± C)	**(10,894)**	**(16,161)**
Cash at hand and on bank at beginning of the period	**72,601**	**64,086**
Cash at hand and on bank at the end of the period	**61,706**	**47,925**
Net cash used in acquisition of Hewa		
Consideration paid to the vendor	(14,300)	-
Additional fees (ancillary charges)	(521)	-
Cash and cash equivalent obtained from the acquisition	9	-
Net cash flow for the acquisition	**(14,812)**	**-**
Net cash used in acquisition of GD and GDI		
Consideration paid to the vendor	-	(2,476)
Additional fees (ancillary charges)	-	(227)
Cash and cash equivalent obtained from the acquisition	-	1,044
Net cash flow for the acquisition	**-**	**(1,659)**

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

€ thousands	Share capital	Legal reserve	Share premium reserve	Revaluation reserve	Translation Reserve	Extraordinary Reserve	Retained earnings/losses	Fiscal year profit/loss	Total Group shareholders' equity	Minority	Total shareholders' equity
Balance as of December 31, 2019	**6,800**	**1,447**	**60,876**	**10,432**	**-**	**53,426**	**(221)**	**13,500**	**146,260**	**-**	**146,260**
Allocation of profit (loss) for the year						7,925	5,575	(13,500)	**-**	-	**-**
Inclusion in consolidation area									**-**	365	**365**
Other movements					(184)				**(184)**	(79)	**(263)**
Result for the nine-months period ended September 30, 2020								4,748	**4,748**	247	**4,995**
Balance as of September 30, 2020	**6,800**	**1,447**	**60,876**	**10,432**	**(184)**	**61,352**	**5,354**	**4,748**	**150,824**	**533**	**151,357**
Balance as of December 31, 2020	**6,800**	**1,447**	**60,876**	**10,432**	**(144)**	**61,481**	**5,225**	**11,986**	**158,103**	**605**	**158,707**
Allocation of profit (loss) for the year						9,488	2,499	(11,986)	**-**	-	**-**
Inclusion in consolidation area									**-**	-	**-**
Other movements					212	(149)			**63**	29	**93**
Result for the nine-months period ended September 30, 2021								10,333	**10,333**	85	**10,418**
Balance as of September 30, 2021	**6,800**	**1,447**	**60,876**	**10,432**	**68**	**70,820**	**7,723**	**10,333**	**168,500**	**718**	**169,218**

Operating & Financial Review

Significant events throughout the period

Acquisition by PAI

On the June 22, 2021, PAI Partners ("PAI"), a leading European private equity firm, entered into an acquisition agreement to acquire the entire issued and outstanding share capital of the Company (the "Acquisition"). The Acquisition closed on October 27, 2021 (see "*Subsequent Events*").

Semi-conductor shortages

During the third quarter of 2021, a global semi-conductor shortage linked to geopolitical factors exacerbated by the COVID-19 pandemic started to show its effects in Europe. In recent months, both suppliers and OEMs have put in action a series of initiatives which are expected to reduce the short-term impact of chip shortages. In addition, players in the semiconductors industry began to take steps to add capacity in late 2020 and in the first quarter of 2021 to help address the shortage, and some of this output is expected to become more widely available before the end of 2021. On the demand side, OEMs have taken specific actions to manage potential future supply pressure through actions which include (i) optimization of chip and product specifications to reduce dependence on chips in short supply, (ii) pre-building vehicles to support retrofits to quickly meet demand as soon as chip supply becomes available, (iii) increased visibility and control over future chip supply, including for example long term contracts to ensure security of supply and (iv) overstocking.

Conceria Pasubio Group believes that it continues to maintain a strategic positioning in the supply chain of OEMs as the short-term limitations on chips availability leads to a prioritization of higher margin models over volume categories, thus benefitting premium leather suppliers servicing such categories, such as Conceria Pasubio Group. In addition, the production of pre-built vehicles with chip retrofit capabilities and overstocking is expected to result in continued demand for interiors supply despite current delays in deliveries to final OEMs customers.

Raw Material Price fluctuation

The spread of the COVID-19 pandemic and the effects of responses thereto imposed by governments worldwide, the global economy resulted in shortages in the availability of certain raw materials, including raw hides, and increases in their cost as well as the cost of utilities and of transport. As a result, we adopted a raw and preprocessed hides purchasing strategy that seeks to cover the risk of raw materials price variances, a strategy that can influence the changes in working capital across periods.

Seasonality

The Conceria Pasubio Group's business is seasonal. The Conceria Pasubio Group's 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, Conceria Pasubio Group's 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. Conceria Pasubio Group's adopts purchasing strategies in order to cover the risk of raw materials price variances, and these strategies can influence working capital.

Results of Operations

Revenue

Revenue for the nine months ended September 30, 2021 increased by €55.1 million, or 29.9%, to €239.4 million, from €184.3 million for the nine months ended September 30, 2020, primarily due to higher volumes for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 when the COVID-19 pandemic led to a significant drop in demand in the automotive industry and to closures of production plants for approximately two months.

Purchase of goods and changes in inventory

Purchase of goods and changes in inventory for the nine months ended September 30, 2021 increased by €31.7 million, or 35.4%, to €121.3 million, from €89.6 million for the nine months ended September 30, 2020, primarily due to the increase in volumes described above. This increase in purchase of goods and changes in inventory is proportionally higher than the corresponding increase in revenue, primarily due to price increase trends in the raw hides market following the COVID-19 pandemic.

Cost of services

Cost of services for the nine months ended September 30, 2021 increased by €9.6 million, or 35.4%, to €41.4 million, from €31.8 million for the nine months ended September 30, 2020, primarily due to the increase in volumes described above and primarily consisting of €3.2 million higher outsourced processing costs, €1.5 million higher maintenance costs, €1.2 million higher utility and environmental costs, €1.4 million in higher consulting costs (mainly related to one offs costs, please refer to "*Other Information*"), board compensation and statutory auditor costs, €0.5 million higher other cost of services, €0.2 million in higher agents, depositaries and collaboration awards costs, €0.1 million in higher transport cost, €0.1 million in higher industrial rental cost and €0.2 million in higher IT expenses.

Personnel costs

Personnel costs for the nine months ended September 30, 2021 increased by €7.4 million, or 28.7%, to €33.0 million, from €25.7 million for the nine months ended September 30, 2020, primarily due to the greater impact of the COVID-19 pandemic in the nine months ended September 30, 2020, resulting in increased use of layoff benefits funds, which was partly offset by lower use of holidays and overtime.

Other operating costs

Other operating costs for the nine months ended September 30, 2021 decreased by €0.9 million, or 61.7%, to €0.6 million, from €1.5 million for the nine months ended September 30, 2020, primarily due to one-off costs incurred during the nine months ended September 30, 2020, consisting of €0.3 million related to a one-off donation made to the Municipality of Arzignano and €0.6 million related to other operating charges.

Depreciation—tangible assets

Depreciation—tangible assets for the nine months ended September 30, 2021 increased by €1.2 million, or 31.7%, to €5.0 million, from €3.8 million for the nine months ended September 30, 2020.

Amortization—intangible assets

Amortization—intangible assets for the nine months ended September 30, 2021 increased by €1.0 million, or 6.2%, to €17.1 million, from €16.1 million for the nine months ended September 30, 2020, primarily due to the impact of investments carried out in the second half of 2020 and in the first half of 2021.

Financial expenses

Financial expenses for the nine months ended September 30, 2021 decreased by €0.4 million, or 8.9%, to negative €4.6 million, from negative €5.1 million for the nine months ended September 30, 2020, primarily due to a decrease in the aggregate principal amount of indebtedness outstanding.

Income taxes

Income taxes for the nine months ended September 30, 2021 increased by €1.9 million, or 27.0%, to negative €8.8 million, from negative €6.9 million for the nine months ended September 30, 2020, primarily due to an increase in our profit before tax.

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 €10.0 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.

Cash Flows

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

€ millions	9 month at September 30, 2021	9 month at September 30, 2020
Cash flow from operating activities	16.8	1.7
Cash flow used in investing activities	(24.7)	(13.0)
Cash flow used in financing activities	(3.0)	(4.9)
Increase/(Decrease) cash and cash equivalents	(10.9)	(16.2)
Cash at hand and on bank at beginning of the period	72.6	64.1
Cash at hand and on bank at the end of the period	**61.7**	**47.9**

Cash flow from operating activities

Cash flow from operating activities amounted to €16.8 million for the nine months ended September 30, 2021, an increase of €15.2 million compared to the nine months ended September 30, 2020, primarily driven by (i) an increase of cash flow from operating activities before changes in working capital of €9.2 million mainly due to an increase in profit for the period of €5.5 million; (ii) a decrease in negative changes in working capital of €0.4 million; and (iii) an increase in other adjustments of €6.4 million, primarily related to a lower cash outflow for taxes of €7.1 million. After the outbreak of the COVID-19 pandemic, the cost of raw materials dropped sharply. We started accumulating what we considered to be cheap stock of raw materials in order to protect our margins. In the second half of 2020, having already negotiated selling prices with customers for 2021, we continued to accumulate stocks. Meanwhile raw material prices began to increase, but at levels that were not yet affecting 2021 margins. We continued to buy stocks through the first 9 months of 2021.

Cash flow used in investing activities

Cash flow used in investing activities amounted to €24.7 million for the nine months ended September 30, 2021, an increase of €11.7 million compared to the nine months ended September 30, 2020, primarily driven by €14.8 million incurred in connection with the Hewa Acquisition and higher investments in intangible assets of €1.7 million.

Cash flow used in financing activities

Cash flow used in financing activities amounted to €3.0 million for the nine months ended September 30, 2021, an increase of €1.8 million compared to the nine months ended September 30, 2020, primarily driven by additional drawing of €2.6 million of local credit lines.

Working Capital

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:

€ M	9 month at September 30, 2021	9 month at September 30, 2020
Inventories	88.7	53.9
Trade receivables	33.0	35.9
Tax receivables	3.5	2.0
Other receivables	0.3	0.2
Prepaid expenses and accrued income - current portion	1.0	1.1
Calculated Current Assets	*126.5*	*93.2*
Trade payables	(53.8)	(34.9)
Tax payables	(6.9)	(3.3)
Social security payables	(0.9)	(1.2)
Other payables	(9.9)	(6.8)
Accrued expenses	(1.4)	(0.2)
Calculated Current Liabilites	*(72.9)*	*(46.3)*
Working Capital	**53.5**	**46.8**

Working Capital increased by €6.7 million, or 14.4%, from €46.8 million as of September 30, 2020 to €53.5 million as of September 30, 2021. This increase was primarily due to increases in inventories of €34.7 million, partially offset by decreases in trade receivables of €2.9 million and increases in trade payables of €18.9 million. Inventories increased as a result of our accumulation of raw materials.

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:

€ millions	9 month at September 30, 2021	9 month at September 30, 2020
Payments for tangible assets	8.2	7.5
Proceeds from sale of tangible assets	(0.4)	(0.3)
Payments for intangible assets	2.1	3.8
Capital Expenditure	**9.9**	**11.0**

For the nine months ended September 30, 2021, capital expenditures were €9.9 million, compared to €11.0 million for the nine months ended September 30, 2020. This decrease was primarily driven by lower lump sum contributions to car manufacturers in respect of new long-term projects.

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 Conceria Pasubio Group's operating results as reported under Italian GAAP.

LTM represents the twelve months ended September 30, 2021.

	€ M	3Q20 YTD	3Q21 YTD	LTM Sep21 PF
(1)	Net Revenue	180.4	232.5	315.6
(2)	EBITDA Adjusted	40.8	50.0	74.2
(3)	Working Capital	46.8	53.5	53.5
(2)	Pro Forma Net Revenue			336.3
(6)	Pro Forma Adjusted EBITDA			73.9

(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:

	€ M	3Q20 YTD	3Q21 YTD	LTM Sep21
	Revenue	**184.2**	**239.4**	**324.1**
(a)	Disputes (discounts on sales)	(1.9)	(1.7)	(2.8)
(b)	Sales of not finished leathers	5.8	8.5	11.4
(c)	Late adjustments	(0.0)	(0.0)	(0.2)
	Net revenue	**180.4**	**232.5**	**315.6**

(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 material and are not part of our core business.

(c) 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 Hewa's standalone EBITDA, estimated purchasing synergies resulting from the Hewa Acquisition and a one-off reduction in our cost of raw materials resulting from a sharp temporary decrease in the price of raw hides caused by the initial outbreak of the COVID-19 pandemic.

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 such term is defined in the indenture governing our outstanding senior secured notes.

The following table reconciles Profit (Loss) for the period, presented under Italian GAAP, to EBITDA, 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, 2021:

	€ M	3Q20 YTD	3Q21 YTD	LTM Sep21
	Profit (Loss) for the period	**5.0**	**10.4**	**17.7**
	Financial income (expenses)	5.1	4.6	6.2
	Income taxes	6.9	8.8	13.1
	Depreciation - tangible assets	3.8	5.0	6.9
	Amortization - intangible assets	16.1	17.1	23.1
	EBITDA	**37.0**	**46.0**	**67.0**
	Net exchange rate gain (losses)	0.4	(0.8)	0.1
(a)	Non-recurring adjustments	2.7	4.7	6.5
(b)	Other adjustments	0.7	0.0	0.7
	Adjusted EBITDA	**40.8**	**50.0**	**74.2**
(c)	Hewa Acquisition adjustments			4.4
(d)	One-off reduced cost of raw materials			(4.7)
	Pro Forma Adjusted EBITDA			**73.9**

(a) For the nine months ended September 30, 2020, non-recurring adjustments consisted of €2.7 million of one-off COVID-19 related adjustments in turn consisting of (i) €2.0 million of devaluation of goods; (ii) €0.3 million consisting of an extraordinary contribution to the Municipality of Arzignano to support a response to the COVID-19 pandemic; (iii) €0.3 million in extraordinary healthcare measures to protect our employees; (iv) €0.1 million related to paying for shipments by air instead of by sea; and (v) €0.1 consisting of other COVID-19 related one-off costs.

For the nine months ended September 30, 2021, non-recurring adjustments consisted of (i) €2.9 million related to extraordinary scrap; (ii) €1.0 million related to one-off consulting and professional expenses incurred in connection with the Acquisition; (iii) €0.2 million related to non-recurring COVID-19-related expenses, such as healthcare measures; (iv) €0.5 million in connection with a last-minute requirement change by one of our customers; and (v) €0.1 consisting of one off costs related to the location change of our Italian cutting plant.

(b) For the nine months ended September 30, 2020, other adjustments consisted of (i) €0.6 million of capital gain/loss; and (ii) €0.1 million of late adjustments between management closing and statutory closing.

For the nine months ended September 30, 2021, other adjustments consisted of (i) €0.1 million of capital gain/loss; and (ii) €0.1 million of bank charges.

(c) Represents (i) €1.0 million of standalone EBITDA of Hewa for the twelve months ended September 30, 2021 as if Hewa had been acquired on October 1, 2020 and (ii) €3.4 million of estimated purchasing synergies resulting from having Hewa purchase raw materials under our arrangements with our suppliers, which provide for better commercial terms, compared to Hewa's existing supply contracts. 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. This information does not represent the results we would have achieved had the Hewa Acquisition occurred and Hewa had been fully integrated on October 1, 2020. Furthermore, the EBITDA of Hewa has not been audited, reviewed or verified by any independent accounting firm. This information is inherently subject to risks and uncertainties. It may not be comparable to our consolidated financial statements or the other financial information included herein and should not be relied upon when making an investment decision. Although 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 adjustments made to eliminate a one-off reduction in our cost of raw materials for the twelve months ended September 30, 2021 resulting from a sharp temporary decrease in the price of raw hides caused by the initial outbreak of the COVID-19 pandemic. Such reduction for an amount of €4.7 million was booked in the three months ended December 31, 2020.

(3) We define Pro Forma net revenue as net revenue adjusted for the Hewa Acquisition. The following table sets forth a reconciliation of Pro Forma net revenue to net revenue, our most directly comparable measure under Italian GAAP, as of and for the twelve months ended September 30, 2021.

€ M	LTM Sep21
Net revenue	**315.6**
Hewa Acquisition adjustments	20.7
Pro Forma net revenue	**336.3**

Subsequent Events

On October 27, 2021 the Acquisition closed. The Acquisition was financed through the offering of €340.0 million in senior secured notes by Leather 2 S.p.A. (the "Issuer") and through a shareholder contribution by the shareholders of the Issuer (together with the Acquisition, the "Transaction"). Following the closing of the Acquisition, the Company became a subsidiary of the Issuer.

The following table sets forth the consolidated cash and cash equivalents and the indebtedness (i) of the Conceria Pasubio Group on a historical basis, as of September 30, 2021 and (ii) of the Conceria Pasubio Group as adjusted to give effect to the consummation of the Transactions as if they had occurred on September 30, 2021. Amounts presented in the table below exclude capitalized debt issuance costs. Unless otherwise noted, the adjustments column does not give effect to movements in cash and cash equivalents or amounts borrowed or repaid after September 30, 2021. We believe that presenting the consolidated cash and cash equivalents and indebtedness of the Conceria Pasubio Group in this manner is the most meaningful way to present the financial position of the Issuer after giving effect to the Transactions if they had occurred on September 30, 2021, given that Leather 2 S.p.A. is a holding company formed in connection with the Transactions with no revenue generating activities of its own and without any business operations, material assets or liabilities, other than those incurred in connection with its incorporation and the Transactions.

	€ M	As of September 30, 2021	As adjusted for the Transactions
(1)	Cash and cash equivalents	(61.7)	(5.0)
(2)	Revolving Credit Facility	0.0	0.0
(3)	Senior Secured Notes	0.0	340.0
(4)	Existing term loan of the Target Group	124.3	0.0
(5)	Other existing debt of the Target Group	11.7	20.8
	Net Financial Position	74.2	355.8

(1) As of September 30, 2021, the Conceria Pasubio Group had cash and cash equivalents of €61.7 million. The amount of cash and cash equivalents shown in the *As adjusted for the Transactions* column gives effect to the expected use of cash on balance sheet at the Company on the closing date of the Acquisition in connection with the Transactions.

(2) Represents the €65.0 million revolving credit facility entered into on September 30, 2021 (the "Revolving Credit Facility").

(3) Represents the aggregate principal amount of senior secured notes issued by Leather 2 S.p.A. on September 30, 2021 in connection with the Transactions.

(4) Represents the aggregate principal amount outstanding under a term loan entered into by the Conceria Pasubio Group (excluding accrued and unpaid interest, break costs and €2.3 million of amortized costs) that was repaid in full on the Acquisition Closing Date.

(5) Other existing debt of the Conceria Pasubio Group as of September 30, 2021, comprises €3.2 million of lease liabilities, €2.2 million local credit facilities entered into by the Company €0.5 million of a loan entered into with Simest, €0.1 million of a loan entered into by GDI U.S.A., €4.2 million of local credit facilities entered into by Hewa and €1.5 million of Hewa overdrafts.

On November 30, 2021, Mr. Giuseppe Viola, the Chief Financial Officer of the Company, resigned. Mr. Viola left Pasubio for personal reasons. Mr. Viola's resignation became effective as of December 1, 2021. The Conceria Pasubio Group is in the process of identifying a new Chief Financial Officer. Mr. Viola's replacement is expected to be announced during the first quarter of 2022. The responsibilities of the Chief Financial Officer are temporarily being handled by the Finance Team at Pasubio, under the supervision of Mr. Luca Pretto, Pasubio's Chief Executive Officer, until a replacement is appointed.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

General information about the Conceria Pasubio Group

Conceria Pasubio S.p.A. (the "Company" and, together with its subsidiaries, the "Conceria Pasubio Group") and its subsidiaries Arzignanese S.r.l., GDI Assemblies LLC ("GDI U.S.A."), GD Servicios Internacionales del Norte S. de R.L. de C.V. ("GDI Mexico") and Hewa Leder GmbH ("Hewa"), 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 upholstering. 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.

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 nine months ended September 30, 2021 (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 approved by the Board of Directors of the Company on December 15, 2021. 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, 2020.

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 Conceria Pasubio Group.

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

The scope of consolidation of the Conceria Pasubio Group was determined by referring to the legal control that the Company exercises over its subsidiaries and includes the Company and subsidiaries of the Company over which the Company exercises a dominant influence, whether directly or indirectly. A list of subsidiaries included in the consolidation perimeter, their consolidation percentage and the consolidation method used is set forth below:
On October 19, 2020, Faster S.r.l. was incorporated into the Company. As such, from October 19, 2020, Faster S.r.l. does not exist as a standalone legal entity, and its business results are reported as part of the Company's results.

Subsidieries	Consolidation Percentage	Consolidation Method
Arzignanese	100%	Full Consolidation
Faster	100%	Full Consolidation
GDI SERVICIOS INTERNACIONALES DEL NORTE	70%	Full Consolidation
GD Assemblies LLC	70%	Full Consolidation
Hewa Leder	100%	Full Consolidation

Compared to the year ended December 31, 2020 the scope of consolidation changed for the inclusion of Hewa, which was acquired on June 15, 2021 (the "Hewa Acquisition"). In these Condensed Consolidated Interim Financial Statements Hewa is consolidated from June 30, 2021 (the date of the first available Hewa financial data). Given the short delay between the date of the Hewa Acquisition and the fact that no material events in connection with Hewa occurred between the date of the Hewa Acquisition and the date from which Hewa's financial results started being consolidated, the Conceria Pasubio Group considers that these Condensed Consolidated Interim Financial Statements would not have been materially different had Hewa been consolidated from the date of the Hewa Acquisition.

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, 2020.

These Condensed Consolidated Interim Financial Statements consolidate subsidiaries from the date on which the Company 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 the Company 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, the Company 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 the Company's audited consolidated financial statements for the year ended December 31, 2020.

Goodwill (note 1)

€ thousand	As of December 31, 2020	Increase	(Amortization)	(Decrease)	Other	Inclusion in consolidation area	As of September 30, 2021
Conceria Pasubio's Goodwill	127,943	-	(14,338)	-	-	-	113,605
Hewa Leder Gmbh's goodwill	-		(213)			8,515	8,302
GDI Assemblies Limited Liability Company ("GDI")'s goodwill	4,899		(408)				4,491
GD Servicios Internacionales del Norte S. de R.L. de C.V. ("GD")'s goodwill	552		(46)				506
Total goodwill	**133,395**	**-**	**(15,005)**	**-**	**-**	**8,515**	**126,905**

The net book value of "goodwill" primarily refers to, in an amount equivalent to €113,605 thousand, as of September 30, 2021, to the acquisition of Mario Pretto S.r.l. and its subsidiaries (the Company and Arzignanese) that was concluded in October 2017.

As of September 30, 2021, the Hewa Acquisition and the consolidation of Hewa determined the recognition of additional goodwill in an amount of €8,302 thousand.

The directors of the Company, taking into account the sector in which the Conceria Pasubio Group operates, which is not subject to particular technological changes, as well as the fact that it is one of the main world players, consider it reasonable to straight-line amortize goodwill over ten years.

In connection with the Conceria Pasubio Group's investment in GDI U.S.A. and GDI Mexico a reduction in the economic performance in the next years due to the loss of some projects with clients is expected. This fact has been identified as a durable impairment indicator and therefore goodwill has been tested for impairment according to OIC 9 (Impairment). The test confirmed the recoverability of the goodwill. For further information please refer to the Conceria Pasubio Group's financial statement as of June 30, 2021.

Intangible assets (note 2)

As of September 30, 2021, Intangible Assets amounted to €9,282 thousand, and as of December 31, 2020, Intangible Assets amounted to €9,281 thousand.

Intangible assets are detailed as follows:

€ thousand	As of December 31, 2020	Increase	(Amortization)	(Decrease)	Currency translation difference	Inclusion in consolidation area	As of September 30, 2021
Start-up and expansion costs	4.432	125	(664)	-	-	-	3.894
Development costs	2.693	1.491	(797)	-	-	-	3.387
Other intangible assets	2.156	478	(673)	(10)	0	50	2.001
Total intangible assets	**9.281**	**2.094**	**(2.133)**	**(10)**	**0**	**50**	**9.282**

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 Company has sustained to develop new products that are considered innovative and technologically advanced.

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 September 30, 2021 property, plant and equipment amounted to €56,268 thousand, and as of December 31, 2020, property, plant and equipment amounted to €43,977 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, 2020	Increase	(Amortization)	(Decrease)	Currency translation difference	Inclusion in consolidation area	As of September 30, 2021
Land and building	21.843	281	(764)	(18)	2	6.001	27.344
Plants and machinery	16.872	5.767	(3.571)	(242)	5	2.345	21.176
Industrial and commercial equipment	2.128	625	(600)	(32)	4	985	3.110
Other tangible assets	474	67	(109)	(10)	4	91	517
Constructions in progress	2.661	1.461	-		-	-	4.122
Total tangible assets	**43.977**	**8.200**	**(5.044)**	**(302)**	**16**	**9.421**	**56.268**

Land and building refers to properties owned by the Conceria Pasubio Group, mainly related to the Company for an amount equivalent to €21,172 thousand as of September 30, 2021. 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.

Inventory (note 4)

As of September 30, 2021, inventories amounted to €88,652 thousand, as of December 31, 2020, inventories amounted to €55,677 thousand.
Inventories are detailed as follow:

€ thousand	As of September 30, 2021	As of December 31, 2020
Raw Materials	22,446	10,122
Work in progress and semi-finished products	56,494	40,667
Finished products	9,712	4,889
Total inventories	**88,652**	**55,678**

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.

Bank Loan (note 5)

Borrowing from banks are detailed in the following table:

€ thousand	As of September 30, 2021	As of December 31, 2020
Bank loans		
- of which within 12 months	9.823	6.299
- of which beyond 12 months	120.301	121.708
Total bank loans	**130.124**	**128.007**

The original amount of the bank loans of the Company (all subscribed in 2017) can be split as follows:
- "Term Loan A1 and A2": amount to €30,000 thousand, the interest rate is 2.75%, and provides a six-monthly repayment, with a maturity date in October 2024;
- "Term Loan B1 and B2": amount to €110,000 thousand, the interest rate is 3.75%, and provides bullet repayment in April 2024;
- "Revolving Credit Facility": amount to €35,000 thousand, the interest rate is 2.5%, and provides bullet repayment in April 2024.

The "Term Loan A1 and A2" loan amount to €14,250 thousand as of September 30, 2021, to Euro 19,350 thousand as of December 31, 2020.
The " Term Loan B1 and B2" loan amount to €110,000 thousand as of September 30, 2021, to €110,000 thousand as of December 31, 2020.
The " Revolving Credit Facility" loan is equal to €0 (zero) as of both September 30, 2021 and December 31, 2020.

The bank loans of the Company require compliance with some financial parameters (covenants), quarterly calculated on the consolidated figures. The covenants have been respected in each financial period.

The original amount of the bank loans of Hewa can be split as follows:
- "Commerzbank loan": amount to €1,200 thousand, the interest rate is 2%, and provides a quarterly repayment, with a maturity date in June 2026. This loan amounts to €1,140 thousand as of September 30, 2021;
- "Commerzbank loan": amount to €3,956 thousand, the interest rate is 1.57%, and provides a quarterly repayment, with a maturity date in December 2027. This loan amounts to €3,091 thousand as of September 30, 2021;
- "Commerzbank loan": amount to €44 thousand, the interest rate is 1.57%, and provides a quarterly repayment, with a maturity date on December 2022. This loan amounts to €14 thousand as of September 30, 2021.

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

Other financial liabilities (note 6)

Other financial liabilities are as follows:

€ thousand	As of September 30, 2021	As of December 31, 2020
Other financial liabilities		
- of which within 12 months	2.994	2.536
- of which beyond 12 months	2.299	2.354
Total other financial liabilities	**5.293**	**4.890**

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

€ thousand	As of September 30, 2021	As of December 31, 2020
Leasing Debt of Arzignanese S.r.l.	1.144	1.103
Leasing Debt of Conceria Pasubio S.p.A.	2.100	2.892
Debts to factoring companies	1.570	894
Other financial liabilities (Simest Loan)	480	
Total bank loans	**5.293**	**4.889**

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

Revenue (note 7)

Revenue is detailed in the following table:

€ thousands	9 month at September 30	
	2021	2020
Proceeds from the sale of goods	230,522	177,355
Revenues for service provided	8,829	6,892
Total Revenue	**239,351**	**184,247**

Revenue amounted to €238,351 thousand for the nine months ended September 30, 2021, and to €184,247 thousand for the nine months ended September 30, 2020. Revenues are shown net of discounts and rebates.

A breakdown of revenue by geographic region is provided below:

€ thousands	9 month at September 30	
	2021	2020
Europe	203,377	154,535
Asia	10,472	10,390
Africa	7,452	4,872
America	18,051	14,451
Total Revenue	**239,351**	**184,247**

Purchase of goods and changes in inventory (note 8)

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

€ thousands	9 month at September 30	
	2021	2020
Purchase of raw materials, components and finished goods	149,138	97,614
Change in inventories of finished goods and semi-finished products	(16,520)	(9,126)
Change in inventories of raw materials and goods	(11,341)	1,080
Total Purchase of goods and change in inventory	**121,278**	**89,568**

Purchase of raw materials, consumables and goods and changes in inventories amount to €121,278 thousand as of September 30, 2021, and to €89,568 thousand as of September 30, 2020.

Net financial expenses (notes 9)

Financial income and expenses are detailed below:

€ thousand	9 month at September 30	
	2021	2020
(Financial Expenses)	**(4,623)**	**(5,073)**
- Financial Expenses on Banks Loans	(4,484)	(4,910)
- Other financing fees	(139)	(163)
Gain and losses on foreign currency translation	**819**	**(379)**
- Profit on exchange rates	1,249	614
- Losses on exchange rates	(429)	(993)
Net financial expenses	**(3,803)**	**(5,452)**

Financial expenses

Throughout the periods presented, financial expenses refer to the interest 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 of September 30 of each period.