

RACING**FORCE**GROUP



ANNUAL FINANCIAL REPORT **AS OF DECEMBER 31, 2023**

Racing Force S.p.A.

Registered office: Via Bazzano 5, Ronco Scrivia (Genoa)

Member of Registro Imprese of CCIAA of Genoa

F.C. and registration number: 02264760105

Registered to R.E.A. of CCIAA of Genoa - nr. 260454

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Subject to the management and coordination activity of the company SAYE S.p.A.

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RACING **FORCE** GROUP



Board of Directors' Report on the Operations and Situation of the Group in the year ending December 31, 2023



General Information

The consolidated financial statements as of December 31, 2023 of Racing Force Group, hereinafter the Group, were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the Regulation no. 1606/2002, art. 6, of the European Parliament and subsequent updates.

All estimates and valuations have been made on the basis of business continuity and are the result of the best possible assessment by management. If in the future these estimates and valuations should differ from the actual data, they would be modified in the same period in which the changes were recorded.

This report is presented together with the Consolidated Financial Statements and the Notes in order to provide management insights on the economic and financial results for the year 2023, as well as historical data and prospective evaluations.

Group structure

The companies that form the Group operate in the production of safety equipment for racing and motorsports industry or conduct business activities which are essentially complementary to or in line with these activities.

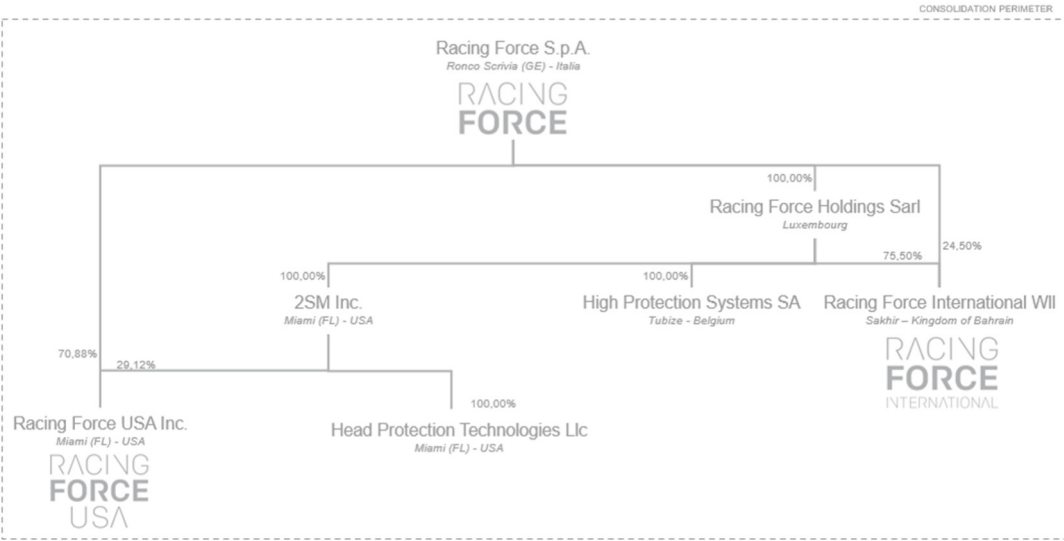
Racing Force S.p.A., parent company of the Group, is listed on Euronext Growth Milan (RFG) and Paris (ALRFG).

The Group structure as of December 31, 2023 is the result of the acquisitions made since the end of December 2019, when the parent company Racing Force S.p.A. acquired the control of Bell Racing Helmets Group and Zeronoise Ltd, and the subsequent transactions completed in 2021 and, with the purposes of simplifying the Group's structure and obtaining i) cost savings by reducing the number of the companies; ii) greater efficiency and effectiveness in the management of activities by reducing decision-making levels and strengthening strategic and operational integration of the Group companies.

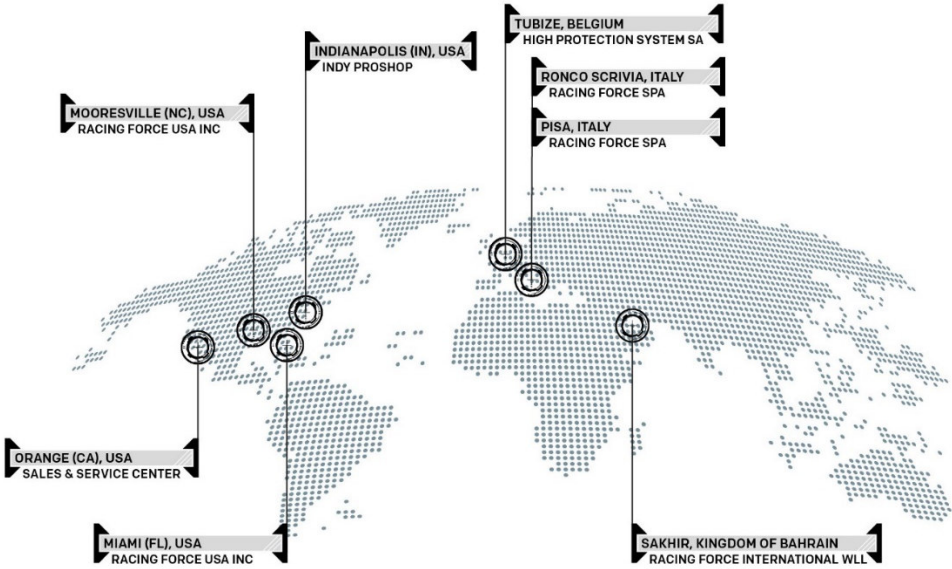
Racing Force S.p.A. is subject to the management and coordination activity of the company SAYE S.p.A. These activities have not produced particular effects on the Group and its results that require to indicate the reasons and interests affected.

The structure of the Group at the end of 2023, with the indication of the location of the various entities and a brief description of the main features of each brand, is reported below.

Organizational Group structure



Group's sites and locations



Main brands within the Group

OMP

OMP brand was created in Genoa in 1973 and is worldwide leader in the business of racing safety equipment for drivers (suits, gloves, boots, etc.) and race cars (seats, safety belts, steering wheels, rollbars, etc.).

OMP products are used by drivers and teams driving in world racing championships including Formula 1®, World Rally Championship – WRC, World Endurance Championship - WEC, Rally Cross World Championship - RX, Formula E, important continental competitions such as IndyCar, NASCAR in the United States, Repco supercars Championship in Oceania, other than local races and minor competitions in several countries worldwide. OMP is one of a very few brands in the world able to offer a complete range of safety and performance products dedicated to race car and driver, with over 2.000 products in its catalog with the majority homologated to industry standards including FIA, CIK-FIA, SFI and Snell.

BELL HELMETS

Created in 1954, Bell Helmets (hereinafter also "Bell") is the world premier auto racing and karting helmet brand.

Throughout its history, the brand has pioneered key innovations including the first energy absorbing liner, Snell certified helmet, full-face helmet, fire retardant helmet, aerodynamic helmet and FIA "super helmet". Today the brand is associated to technically superior racing helmets incorporating advanced materials and the latest manufacturing techniques.

Positioned as a premium brand, Bell helmet is the of choice of World Champions such as Lewis Hamilton, multiple Formula 1® world champion, Charles Leclerc and Fernando Alonso. In 2024, 12 out of 20 Formula 1® drivers wears Bell Helmets.

Bell is a technical partner of Ferrari and other F1® teams and car manufacturers.

Bell manufactures and markets helmets for professional and amateur racers for all forms of racing from Formula 1® to Karting through Rally. All products comply with or exceed the industry's most demanding helmet safety standards (FIA and Snell homologations).

ZERONOISE

Zeronoise is the brand through which the Group develops and manufactures communication devices for the racing industry. The technologies that have been developed under the Zeronoise™ brand are focused on audio communication and video.

The communication devices, such as intercoms, known for their unique design and high performance, are used by professional teams in top rally series, as World Rally Championship (WRC) and Rally Raid Championship (including Dakar).

Moreover, Zeronoise developed the world first in-helmet camera for real-time TV broadcasting homologated with a helmet: it is the *Driver's Eye™*, which made its debut in Formula E in 2020 and in Formula 1® in 2021, initially integrated into Bell branded helmets and, starting from season 2023, available for all drivers and racing helmets manufacturers on the starting grid. *Driver's Eye™* is used today also in the Repco Supercars Championship in Oceania.

Furthermore, during 2023, Zeronoise developed the first *Wired-Wireless* helmet in the world, designed for rally competitions, expected to be on track at the beginning of 2024.

RACING SPIRIT

The brand Racing Spirit was established in 2012 and became an industrial project in 2019. The aim of the project is creating a specific clothing line inspired to car competitions that strives to incite those who love the sport with beauty, design technology and functionality. Racing Spirit combines maximum wearer comfort with top performance by meeting every requirement in terms of function and style. Racing Spirit is the first premium racing inspired apparel brand, where craftsmanship, quality and attention to detail are setting Racing Spirit apart from all others. Racing Spirit products are being chosen by an increasingly larger number of corporate customers and Teams.

B2 HELMETS

B2 Helmets (hereinafter also "B2") specializes in the development, manufacturing and distribution of protective helmets for auto racing, motorized activities and industrial applications. The B2 brand was developed to address the helmet safety needs of sporting and service professionals that require a higher level of head protection at an affordable price.

B2 helmets incorporate the same technology and advanced manufacturing techniques developed for auto racing helmets design for professionals competing in the highest levels of motorsports, featuring advanced technology, innovative design, value & performance.

SPORTS MINI LINE

Sports Mini Line launched the concept of creating a half scale exact replica of famous racing drivers.

Mini helmets are designed and produced by recognized leaders in the racing helmet industry who use the same manufacturing techniques and engineering excellence to produce authentic and detailed half-scale representations of the full-size racing helmet, hand made by a team of highly skilled craftsmen. The mini helmet including the shell, interior and visor is made with similar materials and components as the real racing helmet.

Today, Sports Mini Line is specializing in producing custom made series for race teams, sponsors and drivers.

Performance of operating activities

The global economy decelerated in 2023, mainly due to high inflation and restrictions in financing conditions. The strong geopolitical uncertainty, caused by the conflict between the Russian Federation and Ukraine and, starting from the end of 2023, also by the conflict between Israel and Palestine, further worsened the market environment.

Despite dynamic activity in the services sector in the world's major economies, the manufacturing sector weakened, and international trade experienced a modest growth, which was affected by weak demand for goods and global monetary tightening. Following high volatility in early October, oil and natural gas prices lowered and remained subdued, despite the attacks on shipping traffic in the Red Sea. Data on U.S. inflation, slightly higher than expected in January 2024 and in line with expectations in February, suggest that the Federal Reserve may postpone interest rate cuts, despite the steady decline since the beginning of the year. In the Euro area, economic activity remains weak, reflecting the lack of dynamism in domestic and foreign demand, while inflation was lower than expected in the final months of 2023.

The current macroeconomic environment overall continues to be characterized by uncertainty, with risks to growth mainly related to the evolving conflicts in Ukraine and the Middle East.

In this scenario, the Group recorded +6.4% growth in sales during the year, compared to the previous period (+7.0% at constant exchange rates), thanks particularly to the excellent results achieved on the European market (+11.2%) and the continuous growth in Asia Pacific (+15.0%), regions where the Group has further consolidated its leadership position. The Americas recorded a drop (-7.8%), mainly due to a one-off supply made in the previous year, as well as the weakening of the US dollar against the euro compared to the highs recorded in the previous year. Excluding these effects, growth in the Americas would be +4.6%, although the US market was affected by a general weakening of demand, as a result of rising inflation, credit restrictions and the consequent destocking policies implemented by some dealers.

Today Racing Force Group can offer the best and most complete range of motorsport safety products used by professional athletes worldwide, from F1® to World Rally Championship, Karting and Rally-Raid, with more than 60 FIA World Championship titles won in the last 5 years with its products. The catalogs of the brands commercialized by the Group offer a complete range of more than 2.000 safety and performance products designed for race cars, drivers and amateurs.

During 2023, the Group has been able to further increase its presence in the motorsport business, thus reaffirming its status as one of the undisputed global leaders: the commercial agreements signed with leading market partners, teams and car manufacturers, have ensured greater visibility and consolidation of turnover. The products of the Group are now considered as the state of the art in the motorsport safety equipment market.

Summary of consolidated financial data

The main figures related to the performance of the Group in 2023, compared with prior year, are reported in the tables below.

Financial data for fiscal year¹

	2023	% of Revenue	2022	% of Revenue	Variance
Revenue	62,656,072		58,872,869		3,783,203
Gross profit	38,660,708	61.7%	36,781,921	62.5%	1,878,787
EBITDA	9,619,660	15.4%	11,655,647	19.8%	- 2,035,987
Bad Debt and write offs	332,542	0.5%	141,268	0.2%	191,274
Depreciation	3,008,719	4.8%	2,700,862	4.6%	307,857
EBIT	6,278,399	10.0%	8,813,517	15.0%	- 2,535,118
Finance income/(loss)	(508,690)	0.8%	(100,029)	0.2%	(408,661)
Taxes	976,438	1.6%	1,164,425	2.0%	(187,987)
Net result	4,793,271	7.7%	7,549,063	12.8%	(2,755,792)
Cash flow from operations	983,649	1.6%	3,156,686	5.4%	(2,173,037)
Dividends paid to Shareholders	2,312,928	3.7%	1,685,552	2.9%	627,376

Financial data at year-end

	12.31.2023	12.31.2022	Variance
Total Assets	78,097,782	70,487,302	7,610,480
Fixed Assets	29,346,676	24,833,139	4,513,537
Net Working Capital	23,978,416	19,479,932	4,498,483
Other items in working capital	2,896,910	536,461	2,360,449
/less LT & Accrued provisions	4,557,077	3,942,807	614,270
Net Invested Capital	51,664,924	40,906,724	10,758,200
Net Financial Position	3,179,960	4,420,095	(1,240,135)
Group Equity	48,484,965	36,486,629	11,998,336
Financial Sources	51,664,925	40,906,724	10,758,200

Net Financial Position

	12.31.2023	12.31.2022	Variance
Debts with banks (A)			
- Short term	3,763,980	5,744,100	(1,980,120)
- Long term	6,075,997	8,574,373	(2,498,376)
Cash and cash equivalents (B)	6,106,995	9,838,378	(3,731,382)
Non current Financial Assets (C)	513,021	-	513,021
Finance active loans (D)			
Long term loan to KJK Protective Technologies LLC	40,000	60,000	(20,000)
Net Financial Position: A) - B) - C) - D)	3,179,960	4,420,095	(1,240,135)

¹ The 2023 data exclude significant non-recurring items, for which adjustments compared to the figures reported in the financial statements are required. In 2022, the adjusted EBITDA amounted to 11,685,165 Euro due to adjustments booked on costs and income from the listing on Euronext Growth in Paris and Milan, resulting in an overall balance of 29,518 Euro.

Main financial KPIs

Financial KPIs at the end of the period	12.31.2023	12.31.2022
Coverage of Fixed Assets		
(Net Group Equity + LT debt) / Fixed Assets	1.86	1.81
Coverage of Net Working Capital		
ST debt / Net Working Capital	0.16	0.29
Debt - Equity ratio		
(Current liabilities + Non current liabilities) / Net Group Equity	0.61	0.93
Net Financial position / Net Group Equity	0.07	0.12
Capitalization		
Net Group Equity / Total Assets	0.62	0.52
Net Group Equity / Net Invested Capital	0.94	0.89
Liquidity ratio		
Working Capital / Current operating Liabilities	2.71	2.22
Net Financial position / Net invested capital	0.06	0.11

Main economical KPIs for the fiscal year

	2023	2022
ROIC		
Adjusted NOPAT / Net Invested Capital	10.79%	19.49%
ROI		
Adjusted EBIT / Total Assets	8.04%	12.50%
ROS		
Adjusted EBITDA / Revenue	15.35%	19.80%
Adjusted EBIT / Revenue	10.02%	14.97%
ROA		
Adjusted net result / Total Assets	6.14%	10.71%

During 2023, the Group made significant investments to further strengthen its organizational structure (+43 employees compared to December 31, 2022) and to increase production and logistics capacity, in line with the investment plan already started at the end of the previous year.

With reference to costs, it was recorded i) an increase in commercial and distribution expenses (10,048 thousand Euro in 2023 compared to 9,268 thousand Euro in 2022), mainly due to the technical partnership agreements in force during the period and ii) an increase in general and administrative expenses (19,635 thousand Euro in 2023 compared to 16,935 thousand Euro in 2022), mainly due to the higher number of employees within the Group (+90 units employed on average during 2023 compared to the previous year), necessary to support the growth within motorsport and, above all, functional to the implementation of the diversification projects, currently ongoing. These effects were partially mitigated by the reduction of supply chain issues worldwide, which led to the consequent reduction of energy commodity prices and logistics costs.

Net income for the year was 4,793 thousand Euro (7,549 thousand Euro in 2022), with a margin of 7.7% on sales (12.8% in 2022), after depreciation and amortization of 3,341 thousand Euro (2,842 thousand Euro in 2022), net financial expenses of 509 thousand Euro (100 thousand Euro in 2022) and taxes of 976 thousand Euro (1,164 thousand Euro in 2022).

The cash flow from operations was 984 thousand Euro (3,157 thousand Euro in 2022) as a result of cash generated from operations of 9,771 thousand Euro (11,887 thousand Euro in 2022), partially absorbed by the increase in net working capital of 4,700 thousand Euro (7,866 thousand Euro in 2022) and by other variations in working capital, interest, taxes and provisions for a total of 4,089 thousand Euro (863 thousand Euro in 2022), including 1,476 thousand Euro for higher advances to suppliers related to production activities of both drivers equipment and non-technical clothing.

Variance in net working capital in 2023 is due to i) the increase in customers receivables for 1,100 thousand Euro, substantially in line with the increase recorded in sales during the year; ii) the increase in inventory stock for 3,511 thousand Euro, mainly due to the increase in Bell helmets inventory stock; iii) the decrease in trade payables for 88 thousand Euro, following payments to suppliers.

The increase in helmet stock in 2023, is mainly due to i) the increase in the inventory of the subsidiary Racing Force USA Inc., following the destocking policies implemented by some American dealers during the year, of which the subsidiary will benefit in 2024; ii) the new FIA regulation 8859-2024, approved on December 6, 2023 from FIA World Council, that

will become effective as soon as a helmet manufacturer will develop a new model compliant with the new standard. To allow the development and production of helmets homologated in compliance with the new standard, the Group adopted a strategy of advanced production for helmets compliant with the current standard, necessary to support sales in 2024 season and to be ready for the 2025 season with a large part of the production of helmets homologated under the new standard. The adoption of the new regulation represents an important technological challenge, but also a great opportunity to affirm and strengthen once again the Bell brand as world leader.

Cash generated from operating activities, together with the liquidity deriving from the share capital increase carried out in January 2023 for a total amount of 10 million Euro, net of the related costs and tax effect of 0.3 million Euro, was used to meet the cash requirements of the transactions carried out during 2023, and in particular to finance the investments in tangible and intangible assets for 6,168 thousand Euro and the dividend payment to shareholders for 2,313 thousand Euro.

As a result of the above changes the Group's total net financial debt decreased from 4,420 thousand Euro at the end of 2022 to 3,180 thousand Euro as of December 31, 2023.

For a detailed analysis see the consolidated Cash Flow Statement.

Group Equity as of December 31, 2023 amounted to 48,845 thousand Euro (36,487 thousand Euro as of December 31, 2022), mainly due to the above-mentioned capital increase, aimed to support the investment plan, and the result generated during the year, net of dividends distributed. Details of the changes for the period are provided within the Consolidated statement of changes in Equity for the year.

Risk factors and uncertainty

The Group operates in a free market and it is therefore exposed to risk factors and uncertainty.

The Group has set up mechanisms and procedure at the level of each consolidated entity for the constant monitoring of the foregoing risks, so as to avoid potential negative effects and implement any actions required to contain those risks. In this connection, below is a more detailed qualitative and quantitative analysis of each type of risk.

Main risks considered by management to be at medium and significant materiality are the following:

Risks associated with the Russian-Ukrainian conflict

The conflict between the Russian Federation and Ukraine and the sanctions imposed by Europe, the United Kingdom and the United States, risk having very significant impacts on the international economy and on businesses. Regardless of how the current crisis is resolved, the consequences could be long-term and negatively affect economic activities of companies and, particularly, the cost of energy supplies.

In this context of great uncertainty and geopolitical instability, the Group carefully monitors the evolution of the conflict and the risk of spreading to other countries.

Starting from 2022, the Group has no credit exposure and ceased any export activities to Russian clients. Additionally, initiatives have been launched with the aim of enhancing energy efficiency at the Ronco Scrivia headquarters. Investments are also planned in Bahrain, with the same goal of achieving energy cost savings and mitigating the risk of future price increases, even though a decrease in rates in 2023 compared to the previous fiscal year has been recorded.

Risks associated with the procurement and price fluctuation of raw materials

Several of the Group's products are the result of complex production processes that require the use of raw materials available in illiquid goods markets characterized by a small number of suppliers at the world level. Any production planning problems, delays in supplies and/or difficulties in the procurement of raw materials could have an impact on costs, especially in the event that replacement material is not promptly available.

In recent years, also influenced by the Russian-Ukrainian crisis, various sectors from which the Group procures its supplies, have recorded an increase in the price of certain noble metals, other basic raw materials and strategic advanced components, and a shortage or delay in the supply of electronic materials that led to a rapid increase in prices, with a consequent increase in purchase costs as well as problems in the supply chain.

The recent worsening of tensions in the Gaza Strip, as a consequence of the conflict between Israel and Palestine and the attacks on naval traffic in the Red Sea since late 2023 are likely to exacerbate the volatility of commodity prices (oil and natural gas) and hinder the Group's logistics.

As regards the risk of shortage or delay in the supply of raw materials, the risk is mitigated through a careful planning of the purchases by the Group. Where necessary, alternative routes for shipments from Bahrain to the Group's other locations have also been identified.

As to the increase of prices of raw materials, the risk is however mitigated by the capacity of the Group to re-charge any price increase to final customers.

Risks associated with the product liability and brand awareness

The products manufactured and distributed by the Group can be divided into two macro categories: homologated and non-homologated products.

In both cases, any defects in the design or manufacture of the Group's products could expose the Group itself to the risk of liability to third party and consequent claims for damages.

With regard to homologated products, then, the Group, as manufacturer, has the responsibility to homologate them in compliance with FIA standards. In this respect, the Group also has in-house laboratories that are able to carry out in-house tests on products that will then be carried out by FIA-accredited laboratories to verify compliance with homologation regulations.

Furthermore, pursuant to the regulations in force in Italy (art. 114 of Legislative Decree no. 206/2005, the so-called Consumer Code) and abroad on product liability, any design or manufacturing defects in both homologated Products and non-homologated offered by the Group could expose it to the risk of liability actions by third parties and, consequently, to potentially significant claims for damages.

Although no action for damage has so far been brought against the Group, and insurance coverage in relation to product liability is in place, it cannot be excluded that such actions may be brought against it in the future.

Furthermore, one of the key factors in the Group's success is the recognizability of Racing Force Group's brands, namely OMP and Bell Helmets, which have been in the market of safety equipment.

This recognition is influenced by many factors, such as the high quality of craftsmanship, creativity, attention to detail, the ability to meet the needs of individual customers and the presence. Moreover, the Group constantly strives to maintain and increase its brands recognition through advertising and promotional campaigns, including on social networks, as well as implementing communication and branding strategies.

Should, in the future, brand awareness is not effectively maintained and developed by the Group, this could result in a negative impact on the reputation and, therefore, on the economic and financial situation of the Group itself, arising out in connection with (i) the possible confusion of the Group's brands with those of other companies operating in the same field, (ii) the inability to communicate to the market the distinctive values of its brand and to maintain them over time, or (iii) the spreading by third parties of partial, untrue or defamatory information about the Group and (iv) the inability to attract and/or retain customers.

The risk is mitigated by the tightly controlled process that products need to go through before the commercialization: i) first of all the manufacturer has to be authorized and recognized by FIA to produce; ii) there are regulations and technical standards issued by FIA to which products must comply with; iii) tests are performed in third-party FIA authorized laboratories.

Risks associated with implementing future strategies and programs

The Group is exposed to the risk of not being able to achieve its growth strategy, or of not achieving it within the planned time frame, if the basic assumptions on which it is based, including the assumptions in the business plan, prove to be incorrect or if the strategy does not produce the expected results for other reasons, including those outside the Group's control.

Although no significant deviations from the estimates made by management have been found in the past, the estimates and assumptions contained in this document, although currently considered reasonable, may prove to be incorrect in the future also due to the occurrence of unforeseen factors and/or circumstances other than those considered, which could impact the Group's results or performance.

Risks associated with protection of the Group's know-how and industrial secrets

To make the production processes increasingly efficient and, consequently, to make the product offerings competitive, the Group must continually update its technologies, also by investing in research and development; should the Group not be able to acquire or adequately develop the technologies currently available, or those available in the future, it may have to change or reduce its development objectives or see its competitive strength reduced.

The Group, as owner of IP assets that are worth and strategic for their success on the market, is subject to risks related to their protection and is actively engaged in the implementation of actions aimed at containing and, possibly, eliminating such risks of undue use of such intangible assets, directly bearing the related costs.

The Group has implemented both internal and external procedures aimed at the protection of the know-how internally developed.

Main risks considered by the management to be of low materiality are the following:

Credit risk

The financial activities of the Group are to be considered as of good credit quality.

Customers are selected after being carefully evaluated under a commercial and financial standpoint. Many of the Group's top customers are historical and loyal partners, with a good financial capacity and a demonstrated track in terms of reliability and timing of payments. For these reasons, the risk of bad debt is well below the normal standards deemed physiological by the bank system for any commercial enterprise. The current size of the bad debt provision is in fact such as to cover all the positions considered to be of possible risk. Based on these elements, the Group has evaluated not to proceed with credit risk hedging actions with any insurance tools.

Liquidity risk

The liquidity risk is related to the ready availability of sufficient cash and financial resources when needed to meet commitments associated with financial instruments and carry out operations and planned investments.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring losses or risking damage to the reputation of any of the Group's entities.

There are no significant risk factors for the Group, considering that the credit lines granted by the banks are largely adequate for the current business needs.

Market risk

The specific market risks to which the Group is exposed are those arising from fluctuations in exchange and interest rates.

As regards the interest rate risk, the Group has covered its exposure on medium-long term debt positions recurring to fixed interest rates. Therefore, based on the current composition of debts, the Group did not deem it necessary to resort to interest rate risk hedging instruments.

As for the exchange rate risk associated with commercial relations with foreign customers and suppliers, for which transactions are not regulated in the functional currency of each of the consolidated entities, the risk is mitigated by the fact that the total volumes of transactions in foreign currency are lower than the volumes made in functional currency. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly. Under these circumstances, the Group did not consider it necessary and / or appropriate to enter into financial hedging instruments.

Other risks considered by management to be at low materiality are risks associated with products counterfeiting, risks associated with the license agreements to use the Bell Helmets trade mark, risks associated with key people, risks associated with the loss of qualified resources and the difficulty of finding new ones, risks associated with APIs (Alternative Performance Indicators), risks associated with transactions with related parties, risks associated with the price fluctuation of raw materials, risks associated with international activities and regulations in the various markets in which the Group operates, risks associated with compliance with workplace safety regulations, risks associated with tax regulations, risks associated with potential conflicts of interest of directors, risks associated with the failure to adopt the organizational model pursuant to Legislative Decree no. 231/2001, risks connected to potential overdue tax payables, risk of interruption of production and catastrophic events. Management does not consider that these risks can have a significant influence on the financial statements.

Environmental information and Sustainability (ESG)

Given the nature of the activities carried out, the operations of the parent company and the consolidated entities are deemed not to have significant impact on the environment; waste management activities, even if reduced to the minimum and non-polluting, are entrusted to consulting companies that manage all the obligations under environmental matters with specific reference to the regulation on waste management.

At the end of 2021, Racing Force Group launched, in collaboration with consultancy company Deloitte Legal, a process aimed at integrating sustainability issues into its business model, starting with the compliance of the parent company to Legislative Decree 231/2001, with a specific focus on governance and the corporate organizational structure, up to the definition of ethical principles, as essential and indispensable tools for spreading the culture of sustainability within the Group and promoting sustainable economic growth.

On July 1, 2022, the Board of Directors of Racing Force S.p.A. approved the adoption of the Organization, Management and Control Model pursuant to Legislative Decree 231/2001 and the Code of Ethics. During the same meeting, the Supervisory Board was also appointed, with the aim of monitoring the correct application of the Model.

In parallel, a process of reporting of non-financial information related to aspects of economic, social and environmental sustainability was launched, in a manner consistent with the organizational and business characteristics, which will lead to the preparation of the Sustainability Report for the year 2021 and then 2022. The latter, approved by the Board of Directors of Racing Force S.p.A. on June 20, 2023, has been drawn up according to the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards"), international reporting standards defined by the GRI - Global Reporting Initiative for non-financial reporting which constitute a universally accepted reporting model.

These initiatives will allow the Group to achieve a plurality of objectives, including: the adoption of more informed decision-making processes, based on a better understanding of the Group's expectations, the opportunities associated with social responsibility and the risks of not being socially responsible; increasing the competitiveness of the Group, stimulating innovation on products and business processes; improving the transparency of the supply chain; the reduction of potential conflicts with consumers relating to the products offered; increasing employee participation and motivation; strengthening relations with the Group's stakeholders and the ability to respond to the growing information needs on sustainability.

Finally, the development of environmental issues within its business model will allow for significant savings associated with greater productivity and efficiency of the resources used in the production process. With reference to this topic, the Group has completed in 2023 the first investments aimed at improving the energy efficiency of its production site in Ronco Scrivia, by the renovation of the roof, the facades cladding and the installation of solar panels, which entered into service in December 2023. The expansion plan of the subsidiary company Racing Force S.p.A. involves the construction of about 4,000 additional square meters on two floors, adhering to the existing building, expected to be completed between the end of 2024 and the first quarter of 2025. The investment aims to increase the production and logistics capacity of the headquarters and has been carefully planned considering efficiency and sustainability goals for the current facility.

The same approach is applied for the construction, in partnership with the Bahrain International Circuit, of the second floor of the facility in Bahrain, to have new production capacity up and running by the end of 2024.

The greater knowledge of its energy consumption profile, of the methods of supplying energy through which to satisfy it, of the possibility of shifting consumption from fossil gas to electricity powered by renewable sources, of the possibilities of making its production cycle flexible, will allow the Group to implement a change aimed at reducing its energy costs, increasing its value in a market that increasingly awards the most environmentally virtuous subjects.

The value of the Group's sustainability initiatives was acknowledged in April 2023, as Borsa Italiana included Racing Force in the new ESG ITA Growth Index. This index is the first ESG-specific index for companies listed on Euronext Growth Milan (EGM), established in collaboration with SDA Bocconi School of Management, CRIF, and Ambromobiliare. In the absence of shared evaluation paradigms and standards, an ESG score was developed and applied to all companies listed on EGM. This score was based on public documents and information, further refined through models, macroeconomic and climate scenarios, industry benchmarks, as well as machine learning methodologies. The eligible companies were then selected based on three main criteria: the level of sustainable governance, liquidity of their shares, and market capitalization. This index will facilitate market cluster analysis, educate investors, and bring greater liquidity to the most virtuous companies.

The initiatives taken by the Group are consistent with the direction in which the entire Motorsport business is moving towards, increasingly attentive to environmental issues.

Research and development activities

The Group constantly carries out development activities on various materials, commonly used in production and aimed primarily at innovation and improvement of the technical characteristics of the products offered to the customers.

The research and development activity carried on by the Group is aimed at continuous product innovation through the implementation of studies, projects and prototypes of new products to be launched on the market.

Data protection

The Group is compliant with the regulations in terms of data protection and privacy. Specifically, where it is applicable, the consolidated entities ensure compliance with the General Data Protection Regulation 2016/679 on data protection and privacy in the European Union and the European Economic Area.

Transactions with related parties

Transactions with related parties are carried out at market values. For details, please refer to the explanatory Notes.

Significant events in the fiscal year

Starting from January 1, 2023, the parent company Racing Force S.p.A. has been categorized as an issuer of financial instruments widely distributed to the public, following the occurrence of the conditions set out in Article 2-bis of Regulation No. 11971 of May 14, 1999. These conditions include: i) the total number of shareholders, excluding the controlling shareholders of the company, holding at least 5% of the share capital, is greater than 500; ii) the limits indicated in Article 2435-bis, first paragraph, of the Italian Civil Code have been exceeded.

On January 11, 2023, the parent company successfully completed a private placement operation through an *accelerated bookbuilding* procedure, issuing 1,941,748 new ordinary shares without nominal value, having the same characteristics as those already in circulation. These shares originated from a share capital increase excluding the option rights, following the resolutions of the Board of Directors of the Company on January 11, 2023. The newly issued shares were subscribed at a unit price of EUR 5.15, resulting in a total value, inclusive of a premium, of 10 million Euro.

This operation allowed the Group to rapidly and efficiently secure venture capital to implement the development and expansion plan for its activities in both the motorsport business and in support of the diversification program in the defense sector. The proceeds will be primarily used to realize planned investments aimed at increasing current production and logistical capacity in Italy and Bahrain, as well as financing the launch of new logistics capability in the United States.

As a result of the capital increase, the Group incurred costs totaling 384 thousand Euro, recognized in accordance with the provisions of IAS 32 - Financial Instruments: Presentation, as a reduction of net equity.

On February 8, 2023, the parent company Racing Force S.p.A. entered into an agreement with the Municipality of Ronco Scrivia, concerning the definition of the urbanization charges due for the fulfillment of functional endowment obligations related to the construction of the new building as an extension of the existing production factory, settled for a total of 128,877 Euro. The completion of the headquarters expansion work, currently underway, is expected by the end of 2024 and the first quarter of 2025.

Starting from February 13, 2023, the consolidated subsidiary Racing Force USA Inc. entered into a lease agreement for a new sales and service center in California, located in the Los Angeles area, with the aim to strengthen the Group's presence on the western coast of the United States. During 2024 that contract has been replaced with an agreement with Jimco Racing Inc, important dealer and racing car preparer located in San Diego (California), specialized in off-road competitions, that will host an exclusive sales and service center for the Group's products.

In March 2023, in partnership with the Bahrain International Circuit, the Group announced an expansion project for the Racing Force International subsidiary in Bahrain, aimed at the construction of a second floor in the current building, with an extension of the total area equal to about 60%, functional to meet the growing demand for helmets in the global motorsport market and support the Group's diversification projects. The completion of the works, which began in the spring, is expected by the first half of 2024, giving Racing Force Group the opportunity to double the current production capacity of Bell helmets and allow the production of helmets for the defense industry.

On April 28, 2023, the Shareholders' Meeting of Racing Force S.p.A. approved the adoption of a compensation plan for certain Group managers, named the "Stock Grant Plan 2023-2025", which provides for the allocation of up to a maximum number of 1,000,000 rights to receive free Company shares to beneficiaries. This three-year Plan aims to remunerate high levels of performance by motivating management to increase profitability and shareholder value; recognize the results achieved during the single financial year by establishing a direct relationship between compensation and correlated objectives, promoting motivation and development of individual professionalism; promote the sense of belonging of key resources and strengthen the alignment of management interests with those of shareholders, pursuing the primary objective of creating value and safeguarding corporate assets.

The Plan has a three-year duration and is divided into three tranches, all subject to the same vesting period, expiring on December 31, 2025. With reference to the first tranche, the Board of Directors of the parent company, on June 20, 2023, approved the assignment of a maximum number of 136,600 rights, corresponding to a maximum number of 136,600 shares. The accrual of the rights relating to each tranche is conditional on the beneficiary remaining within the Group for the entire duration of the Plan and in proportion to the achievement of the objectives set for the related tranche.

The objectives are represented by i) a certain minimum increase in consolidated adjusted EBITDA (gross operating margin) compared to the previous year, to which a number of Rights equal to 80% of the total number of rights assigned is correlated; ii) an increase in the consolidated operating cash flow compared to the previous year, to which a number of rights equal to 10% of the total number of rights assigned is correlated; and iii) an increase in the weighted average price of the Company's shares, calculated according to the volume-weighted average price (VWAP) parameter, in the 30 (thirty) trading days prior to December 31st of the year to which the tranche refers, compared to the same period of the previous year, to which a number of rights equal to 10% of the total number of rights assigned is correlated.

In 2023, the objectives for the vesting of the first tranche were not met and, therefore, no rights were assigned.

In August 2023, following the termination of the previous lease agreement with Tyrell Properties LLC, the US consolidated companies Racing Force USA Inc., Head Protection Technologies LLC and 2SM Inc., moved their headquarters to another building located in Doral area, also in Miami. Initially, a sublease agreement was arranged, followed by the commencement of a 5-year lease contract with the property effective from October 1st.

Effective from September 1st, 2023, Mr. Gabriele Pedone, CEO of Racing Force USA Inc. and President of the three American subsidiaries, has submitted his voluntary resignation from all the positions previously held. Consistent with the operating activity of the companies, his role was taken over by Mr. Kyle Kietzmann, former Co-CEO of Racing Force USA.

On October 14th and 15th, 2023, Racing Force Group organized at the Bahrain International Circuit in Sakhir the 2023 Racing Force World Meeting, the most important private event in the motorsport safety industry. The 2024 product collection and novelties from the OMP, Bell Racing Helmets, Zeronoise and Racing Spirit brands have been unveiled in front of over 75 invited distributors and dealers from 40 countries and five continents as the event welcomed more than 300 guests.

Starting December 1st, 2023, the subsidiary High Protection Systems SA moved its offices to a new location in Tubize (Belgium), under a 9-year lease agreement.

On December 6, 2023, the FIA World Council approved the new FIA regulation 8859-2024 for helmets, effective upon the first homologation a model compliant with the new standard.

Outlook

Sales at the beginning of 2024 were in line with the previous year, maintaining stability in the main geographic areas of operation, except for non-technical apparel under the Racing Spirit brand which registered a decrease compared to the first months of 2023, mainly due to the deliveries made at the beginning of the previous year to two important customers covering the entire season.

Orders received from customers in the first months of the year increased significantly compared to the same period of the previous year.

The approval of a new FIA safety standard for helmets, effective upon the first homologation of a compliant model by a manufacturer, entails the risk of potential effects on demand in the first part of 2024, particularly from dealers, waiting for the new models, with the expectation of a strong acceleration in sales once the new homologated helmets will be available. For this reason, the development of helmets compliant with the new standard, with the aim of having a large quantity in stock by the end of 2024, is a crucial element to achieve the growth targets set for the Bell brand and gaining new market share.

In addition, a new Snell homologation standard for helmets distributed on the US market is scheduled to come into force in autumn 2025.

The introduction of new safety standards has always been a technological challenge and, at the same time, an important growth opportunity for the Group. In the case of helmets, particularly, testing activities are currently underway at the R&D center in Bahrain, which is unique in the competitive landscape, and the initial results are particularly positive to date.

With reference to other main product categories, both Car parts and Driver's Equipment are expected to benefit from the technical partnership agreement in place for the season, starting with the new agreement signed at the beginning of the year with Penske Team, one of the main American teams racing in Nascar and Indycar.

Following the consolidation of the Group's structure during 2023, to support the expected growth in motorsport and with the aim of supporting the implementation of diversification projects, the Group's priority for the coming periods, together with the growth in turnover, is to achieve an efficiency increase in the structure with a positive impact on marginality.

The prolonged war between Russia and Ukraine, coupled with escalating tensions in the Middle East, contributes to maintaining a high level of geo-political risk worldwide, generating significant uncertainty on the global economy and businesses. As of today, marginal effects impacted the Group's operating results, however it will be necessary to continue monitoring the situation's progression throughout the year.



RACING
FORCE
GROUP



Consolidated Financial Statements
as of December 31, 2023



Consolidated Balance Sheet

	Note	12.31.2023	12.31.2022
NON CURRENT ASSETS			
Property, plant and equipment	9	11,247,605	8,028,567
Right of use assets	10	3,720,673	3,147,592
Intangible assets	11	8,143,362	7,421,943
Goodwill	11	6,235,037	6,235,037
Non current financial assets	12	513,021	-
Due from related parties -non current	13	20,000	40,000
Tax receivables - non current	37	263,106	280,081
Deferred tax assets	37	610,144	582,313
Other non current assets	14	13,617	18,758
		30,766,564	25,754,291
CURRENT ASSETS			
Cash and cash equivalents	15	6,106,995	9,838,378
Trade receivables	16	11,215,073	10,315,187
Inventories	17	25,101,154	21,590,904
Due from related parties - current	18	21,243	21,146
Tax receivables - current	37	1,515,390	1,289,888
Other current assets	19	3,371,362	1,677,509
		47,331,218	44,733,012
TOTAL ASSETS		78,097,782	70,487,302
EQUITY			
Share capital		2,569,920	2,375,745
Additional paid in capital		29,777,959	20,249,087
Legal reserve		514,984	475,149
Translation reserve		(351,262)	88,253
Retained earning (losses)		10,387,509	5,191,210
Other reserve		792,583	558,121
Net Result		4,793,271	7,549,063
Equity attributable to owners of the parent Company	20	48,484,965	36,486,629
Non-controlling interests		-	-
TOTAL EQUITY		48,484,965	36,486,629
NON CURRENT LIABILITIES			
Long term loans - non current	22	6,075,997	8,574,373
Lease liabilities - non current	10	3,078,041	2,623,043
Deferred Tax Liabilities	37	23,410	-
Employee benefits	23	1,122,129	962,857
Provisions	24	356,907	356,907
		10,656,485	12,517,180
CURRENT LIABILITIES			
Short term Loan	25	1,263,779	2,488,016
Trade payables	26	12,337,811	12,426,159
Long term loans - current portion	22	2,500,201	3,256,084
Lease liabilities - current	10	777,664	652,577
Due to related parties	27	58,675	171,076
Tax payables - current	37	4,246	598,777
Other payables	28	2,013,957	1,890,804
		18,956,333	21,483,493
TOTAL LIABILITIES AND EQUITY		78,097,782	70,487,302

Consolidated Income Statement for the year ended December 31

	Note	2023	2022
Revenue		62,656,072	58,872,869
Cost of sales		(23,995,364)	(22,090,948)
Gross profit	29	38,660,708	36,781,921
Other income	30	965,397	1,461,833
Selling and distribution expenses	31	(10,048,283)	(9,267,540)
General and administrative expenses	32	(19,635,029)	(16,935,192)
Other expenses	33	(323,133)	(385,376)
Gross operating profit (EBITDA)		9,619,660	11,655,647
Bad Debt and write offs	34	(332,542)	(141,268)
Depreciation	35	(3,008,719)	(2,700,862)
Net operating profit (EBIT)		6,278,399	8,813,517
Finance income	36	202,681	397,811
Finance costs	36	(711,371)	(497,840)
Net income (loss) before taxes		5,769,709	8,713,488
Taxes	37	(976,438)	(1,164,425)
Total net income (loss) after taxes		4,793,271	7,549,063
Income (loss) attributable to:			
Owners of the parent Company	20	4,793,271	7,549,063
Non-controlling interest	20	-	-

Consolidated statement of profit or loss and other comprehensive income for the year ended December 31

	Note	2023	2022
Total net income (loss) after taxes		4,793,271	7,549,063
Other Comprehensive Income (Loss)			
Items that will not be reclassified through the Statements of Income			
Remeasurements of post-employment benefit obligations	23	(16,203)	81,857
Related tax impact		3,889	(19,646)
Remeasurements of artefacts at fair value	9, 20	246,775	204,837
Items that may be reclassified through the Statements of Income			
Changes in foreign currency translation adjustment	20	(439,514)	182,104
Total Other Comprehensive Income		(205,053)	449,153
Total Comprehensive Income		4,588,218	7,998,216
Income (loss) attributable to:			
Owners of the parent Company		4,588,218	7,998,216
Non-controlling interest		-	-

Consolidated statement of changes in Equity for the year ended December 31

	Note	Share Capital	Share premium reserve	Legal reserve	Translation reserve	Retained earnings (losses)	Other Reserves	Net Group result for the period	Group Equity	Non-controlling interest	Total Equity
Balance at December 31, 2021		2,375,745	20,014,823	398,931	(93,852)	2,762,780	291,074	4,167,669	29,917,169	-	29,917,169
Allocation of the result	20			76,218		4,091,451		(4,167,669)	-		-
Difference from translation of financial statements of foreign companies	20				182,105				182,105		182,105
Fair value remeasurement IAS 16	20						204,837		204,837		204,837
Actuarial gains and (losses)	20						62,211		62,211		62,211
Profit for the period											
01.01.2022 - 12.31.2022	20							7,549,063	7,549,063		7,549,063
Distribution to shareholders	20					(1,663,021)			(1,663,021)		(1,663,021)
Tax Credit on listing costs	20		234,265						234,265		234,265
Balance at December 31, 2022		2,375,745	20,249,087	475,149	88,253	5,191,210	558,122	7,549,063	36,486,629	-	36,486,629

	Note	Share Capital	Share premium reserve	Legal reserve	Translation reserve	Retained earnings (losses)	Other Reserves	Net Group result for the period	Group Equity	Non-controlling interest	Total Equity
Balance at December 31, 2022		2,375,745	20,249,087	475,149	88,253	5,191,210	558,122	7,549,063	36,486,629	-	36,486,629
Share capital increase	20	194,175	9,528,872						9,723,046		9,723,046
Allocation of the result	20			39,835		7,509,228		(7,549,063)	-		-
Difference from translation of financial statements of foreign companies	20				(439,514)				(439,514)		(439,514)
Fair value remeasurement IAS 16	20						246,775		246,775		246,775
Actuarial gains and (losses)	20						(12,315)		(12,315)		(12,315)
Profit for the period											
01.01.2023 - 12.31.2023	20							4,793,271	4,793,271		4,793,271
Distribution to shareholders	20					(2,312,928)			(2,312,928)		(2,312,928)
Balance at December 31, 2023		2,569,920	29,777,959	514,984	(351,262)	10,387,509	792,583	4,793,271	48,484,965	-	48,484,965

Consolidated statement of cash flows for the year ended December 31

	Note	2023	2022
A. Cash flow from operating activities			
Net profit for the year		4,793,271	7,549,063
Income taxes	37	976,438	1,164,425
Interest expenses/(interest income)	36	508,690	100,029
(Capital gains)/losses arising from disposal of assets	9	(5,449)	992
1. Profit (loss) for the year before income taxes, interests, dividends and capital gains/losses on disposal of assets		6,272,950	8,814,509
Adjustments for non-monetary items that had no impact on the net working capital			
Accruals for provisions	23, 34	489,732	371,298
Depreciation and amortization	35	3,008,719	2,700,862
2. Cash flow before variances in net working capital		9,771,401	11,886,669
Variances in net working capital			
Decrease/(increase) in inventory	17	(3,510,969)	(6,902,888)
Decrease/(increase) in receivables from customers	16	(1,099,886)	(2,716,210)
Increase/(decrease) in payables to suppliers	26	(88,348)	1,752,726
3. Cash flow after variations in net working capital		5,072,198	4,020,297
Other variances in working capital		(2,909,003)	(88,731)
Received/(paid) interests		(151,916)	(394,910)
(Paid income taxes)		(875,236)	(341,985)
(Use of accrued provisions)		(152,394)	(37,985)
Cash flow from operating activities (A)		983,649	3,156,686
B. Cash flows from investing activities			
Tangible fixed assets: (cost of purchase) / sale price	9, 10	(4,039,837)	(2,376,436)
Intangible fixed assets: (cost of purchase) / sale price	11	(2,128,498)	(2,134,065)
Financial fixed assets: (cost of purchase) / sale price	3	(513,021)	182,963
Cash flow from investing activities (B)		(6,681,356)	(4,327,539)
C. Cash flows from financing activities			
Debt			
Increase (decrease) in short-term bank loans	25	(1,224,237)	(2,203,908)
Increase (decrease) in loans	22	(3,254,259)	(2,246,464)
Increase (decrease) in leases	10	(718,337)	(713,229)
Equity			
Share capital increase	20	9,723,046	-
(Paid dividends)	20	(2,312,928)	(1,685,552)
Differences from translation and other reserves	20	(246,961)	105,425
Cash flow from financing activities (C)		1,966,325	(6,743,729)
Increase (decrease) in cash and cash equivalent (A ± B ± C)		(3,731,382)	(7,914,582)
Cash and cash equivalent at the beginning of the period		9,838,378	17,752,959
Cash and cash equivalent at the end of the period		6,106,995	9,838,378

Notes to consolidated Financial Statements

Basis of Preparation

1. Company preparing the Financial Statements

Racing Force S.p.A. (the "Company") is based in Italy. The address of the Company's registered office is in Via Bazzano 5, Ronco Scrivia, Genoa, Italy. The consolidated financial statements include the financial statements of the Company and its subsidiaries (together, the "Group"). Racing Force S.p.A. is controlled by the company SAYE S.p.A., with registered office in Genoa, Via Gabriele D'Annunzio nr. 2/104, which prepares the consolidated financial statements.

The Group is mainly active in the production and distribution of safety products and components for drivers and racing cars.

2. Accounting framework

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS Standards). These consolidated financial statements were authorized for publication by the Company's Board of Directors on March 27, 2024.

3. Consolidation Area

The Group financial statements include the results of the Racing Force S.p.A., the Group parent company, and its controlled subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. All significant intra-Group balances and transactions are eliminated in consolidation.

The consolidation area as of December 31, 2023 includes the financial statements of Racing Force S.p.A. and of the following companies, directly and indirectly owned at that date:

	Registered office	Activity	Shareholding % in consolidated FS
Direct shareholdings			
Racing Force USA Inc	Miami (US)	Commercial	70.88%
Racing Force Holdings Sarl	Luxembourg	Sub-holding	100.00%
Racing Force International WLL	Sakhir (Bahrain)	Production, R&D, commercial	24.50%
Indirect shareholdings			
Racing Force USA Inc	Miami (USA)	Commercial	29.12%
Racing Force International WLL	Sakhir (Bahrain)	Production, R&D, commercial	75.50%
High Protection Systems SA	Tubize (Belgium)	Commercial	100.00%
2SM Inc	Miami (US)	Sub-holding	100.00%
Head Protection Technologies LLC	Miami (US)	Commercial	100.00%

The financial statements of Racing Force S.p.A. and all the consolidated companies are those prepared locally, in accordance with the legislation in force in the countries where the companies are registered, appropriately adjusted to be compliant with IFRS.

The financial statements of the parent company and its subsidiaries used in the preparation of the consolidated financial statements have the same reporting date.

4. Functional and presentational currency

These consolidated financial statements are presented in Euro, the functional currency of the Group.

5. Going concern basis

These consolidated financial statements have been prepared on a going concern basis, assuming that the Group will be able to extinguish its liabilities.

In 2023 the Group recorded a profit after tax of 4,793 thousand Euro and generated cash flows from operating activities for 984 thousand Euro.

The level of capitalization, the availability of credit lines and loans granted by the banking system are considered suitable by the Group's management to guarantee adequate resources to continue operating in the near future.

6. Use of estimates

As part of the preparation of the consolidated financial statements, the Group's management had to formulate estimates and assessments that affect the application of accounting principles and the amounts of assets, liabilities, costs and revenues recognized in the financial statements. However, it should be noted that, since these are estimates, the results obtained will not necessarily be the same as those shown in these financial statements.

These estimates and the underlying assumptions are regularly reviewed. Any changes deriving from the revision of the accounting estimates are recognized prospectively.

Impairment of goodwill

The impairment of goodwill is verified by comparing the book value of the cash generating units and their recoverable value; the latter is represented by the greater of the fair value less the costs related to the sale and the value in use of the same unit. This complex evaluation process implies, among other procedures, the use of methods such as the discounting of expected cash flows, with the related assumptions on the estimate of cash flows. The recoverable amount in the discounted cash flow model depends significantly on the discount rate used, as well as on the expected future cash flows and the growth rate used for the calculation.

Impairment of intangible and tangible assets

At each balance sheet date, the Group checks whether there are indicators that both tangible and intangible assets may have suffered a reduction in value. To this end, both internal and external sources of information are taken into consideration. The identification of impairment indicators, the estimate of future cash flows and the determination of the fair value of each asset require management to make significant estimates and assumptions regarding the determination of the discount rate to be applied, the useful life and the residual value of resources.

Allowance for bad debt

The recoverability of receivables is assessed taking into account the risk of bad debt, their age and the losses on receivables recorded in the past for similar types of receivables.

Inventory obsolescence fund

Provisions are recorded for raw materials, finished products, spare parts and other obsolete and slow-moving inventories, based on their expected future use and their realizable value. The net realizable value is the estimated sales price in the normal course of business, less the estimated completion costs and the estimated sales and distribution costs.

Provisions, potential liabilities and employee benefits

Provisions for contingent liabilities require a significant level of estimates. The provisions relating to personnel, in particular to defined benefit obligations, are determined on the basis of actuarial assumptions.

Deferred tax assets

The assessment of the recoverability of prepaid taxes takes into account the estimate of future taxable income and is based on prudent tax planning.

7. Significant accounting policies

Unless otherwise specified, the accounting principles described below have been applied consistently for all periods included in these consolidated financial statements.

A. Consolidation criteria

i. Business combinations

The Group accounts for business combinations by applying the acquisition method when the set of activities and assets acquired meets the definition of business and the Group obtains control. In determining whether a certain set of activities and assets represents a business, the Group assesses whether that set includes, at a minimum, a factor of production and a substantial process and if it has the ability to generate production.

The Group has the right to carry out a "concentration test" which makes it possible to ascertain with a simplified procedure that the acquired set of activities and assets is not a company asset. The concentration test, which is optional, is positive if almost all the fair value of the gross assets acquired is concentrated in a single identifiable asset or in a group of identifiable assets with similar characteristics.

The consideration transferred and the identifiable net assets acquired are usually recognized at fair value. The book value of any goodwill is subjected to impairment testing annually to identify any losses due to impairment. Any profits deriving from a purchase at favorable prices are immediately recognized in profit / (loss) for the year, while costs related to the combination, other than those relating to the issue of debt securities or equity instruments, are recognized as expenses in profit / (loss) for the year when incurred.

Amounts relating to the termination of a pre-existing relationship are excluded from the consideration transferred. Normally these amounts are recognized in profit / (loss) for the year.

The contingent consideration is recognized at fair value on the acquisition date. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not subject to subsequent valuation and the future settlement is recognized directly in equity. Other contingent payments are measured at fair value at each year-end date and changes in fair value are recognized in profit / (loss) for the year.

In the event that the incentives recognized in the share-based payment (substitutive incentives) are exchanged for incentives owned by employees of the acquiree (acquiree's incentives), the value of those substitutive incentives of the acquirer is fully or partially included in the evaluation of the consideration transferred for the business combination. This evaluation takes into account the difference in the market value of the substitutive incentives compared to the value of the acquiree's incentives and the proportion of substitutive incentives that refers to the provision of services prior to the aggregation.

ii. Subsidiaries

Subsidiaries are those entities in which the Group holds control, or when the Group is exposed to variable returns deriving from its relationship with the entity, or has rights to such returns, being capable at the same time to influence them by exercising its power over the entity itself. The financial statements of subsidiaries are included in the consolidated financial statements from the moment in which the parent company begins to exercise control until the date in which such control ceases.

iii. Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in the loss of control are accounted for as transactions carried out between parties as shareholders.

iv. Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v. Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

vi. Operations eliminated in the consolidation process

In the preparation of the consolidated financial statements, the balances of intra-group transactions, as well as the unrealized revenues and costs (excluding exchange differences) are eliminated. Unrealized profits resulting from transactions with subsidiaries accounted for using the equity method are eliminated in proportion to the Group's stake in the entity. Unsupported losses are eliminated in the same way as unrealized profits, to the extent that there are no indicators that can give evidence of a reduction in value.

B. Foreign currency

i. Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each Group entity at the exchange rate in effect on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss and presented within finance costs.

However, the exchange differences deriving from the translation of the following elements, if present, are recognized among the other components of the comprehensive income statement: i) equity securities designated to FVOCI (excluding losses due to impairment, in which case the exchange differences recognized among the other components of the comprehensive income statement have been reclassified to profit / (loss) for the year); ii) financial liabilities designated to hedge the net investment in a foreign operation to the extent that the hedge is effective; and iii) cash flow hedges to the extent that the hedge is effective.

ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments resulting from the acquisition, are translated into Euro using the exchange rate recorded at the closing date of the financial year. The revenues and costs of foreign entities operations are converted into Euro using the average exchange rate for the year, which approximates the exchange rates in force at the date of the operations.

Exchange differences are recognized among the other components of the comprehensive income statement and included in the translation reserve, with the exception of exchange differences that are attributed to NCI.

C. Revenues from contracts with customers

Revenues are valued based on the consideration specified in the contract with the customer. The Group recognizes revenues when it transfers control of goods or services.

For the sale of goods, the transfer of control, and therefore the recognition of revenues, generally corresponds to the date on which the goods are made available to the customer, or when the goods are released to the carrier responsible for their transport to the customer.

Revenues from services are recognized once the service is provided. If a service is provided on an ongoing basis over time, the related revenue is recorded pro rata on an accrual basis.

D. Employee benefits

The net obligation of the Group deriving from defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that employees have accrued in exchange for the activity performed in the current and previous years; this benefit is discounted and the fair value of any plan assets are deducted from the liabilities.

The calculation is performed by an independent actuary using the projected unit credit method. If the calculation generates a benefit for the Group, the amount of the recognized asset is limited to the present value of the economic benefits available in the form of repayments from the plan or reductions in future contributions from the plan. In order to establish the present value of the economic benefits, the minimum financing requirements applicable to any plan of the Group are considered.

Actuarial gains and losses, returns from plan assets (excluding interest) and the effect of the asset ceiling (excluding any interest) that emerge following the revaluation of the net liability for defined benefit plans are recognized immediately in the other components of the comprehensive income statement. Net interest for the year on the net liability / (asset) for defined benefits is calculated by applying to the net liability / (asset) the discount rate used to discount the defined benefit obligation, determined at the beginning of the year, considering any changes in the net liability / (asset) for defined benefits that occurred during the year following the contributions received and the benefits paid. Net interest and other costs relating to defined benefit plans are instead recognized in profit / (loss) for the year.

When changes are made to the benefits of a plan or when a plan is curtailed, the portion of the economic benefit relating to past service or the profit or loss deriving from the plan curtailment are recognized in the profit / (loss) of the exercise when the adjustment or reduction occurs.

E. Grants

The grants that offset the costs incurred by the Group are recognized in profit / (loss) for the year, with a systematic criterion, to set them against the costs that the grant intends to offset in the same period, unless the conditions for receiving the contribution are not satisfied after the relevant costs have been recognized. In this case, the contribution is recognized when it becomes due.

F. Costs

Costs are recognized on the basis of their function in the income statement. Costs for purchases of goods are recognized when control of products is transferred. For services, the cost is recognized once the service is provided. In the event of a service provided over time, the related cost is accounted for pro rata on an accrual basis.

G. Financial income and expenses

The Group's financial income and expenses are recognized on an accrual basis and include interest income, interest expense, dividends.

Interest income and expense are recognized in profit / (loss) for the year on an accrual basis. Dividend income is recognized when the Group's right to receive payment is established.

H. Income taxes

The tax charge for the year includes current and deferred taxes recognized in profit / (loss) for the year, except for those relating to business combinations or items recognized directly in equity or among other components of the comprehensive income statement.

The Group has determined that the interest and penalties relating to income taxes, including the accounting treatments to be applied to income taxes of an uncertain nature, are accounted for in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* as they do not meet the definition of income taxes.

i. Current taxes

Current taxes include the estimate of the amount of income taxes due or to be received, calculated on taxable income or tax loss for the year as well as any adjustments to previous year taxes. The amount of taxes due or to be received, determined on the basis of the tax rates in force or substantially in force at the end of the financial year, also includes the best estimate of any amount to be paid or received which is subject to factors of uncertainty. Current taxes also include any taxes relating to dividends.

Current tax assets and liabilities are offset only when certain criteria are met.

ii. Deferred taxes

Deferred taxes are recognized with reference to the temporary differences between the book values of the assets and liabilities recorded in the financial statements and the corresponding values recognized for tax purposes. Deferred taxes are not recognized for:

- temporary differences relating to the initial recognition of assets or liabilities in a transaction other than the business combination that does not affect either the accounting profit (or loss) or taxable income (or tax loss);
- temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the cancellation of the temporary differences and it is probable that, in the foreseeable future, the temporary difference will not reverse; and
- the taxable temporary differences relating to the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses and tax credits, as well as for deductible temporary differences, to the extent that it is probable that future taxable income will be available against which such assets can be used. The future taxable income is defined on the basis of the offsetting of the relative deductible temporary differences. If the amount of the taxable temporary differences is not sufficient to fully recognize a deferred tax asset, the future taxable income is taken into account, adjusted for the offsetting of the existing temporary differences, provided for by the business plans of the individual subsidiaries of the Group. The value of deferred tax assets is reviewed at each year-end date and is reduced to the extent that it is no longer likely that the related tax benefit will be realized. These reductions must be reinstated when the probability of generating future taxable income increases.

Unrecognized deferred tax assets are reviewed at the closing date of each financial year and are recognized to the extent that it has become probable that the Group will achieve a future taxable profit sufficient for their use.

Deferred taxes are valued using the tax rates that are expected to be applicable to temporary differences in the year in which they will be reversed on the basis of the tax rates established by provisions in force or substantially in force at the end of the year and reflect any uncertainties relating to income taxes.

The valuation of deferred taxes reflects the tax effects that arise from the ways in which the Group expects, at the closing date of the financial year, to recover or extinguish the book value of the assets and liabilities. The presumption that the book value of real estate investments measured at fair value will be fully recovered through a sale transaction has not been refuted.

Deferred tax assets and liabilities are offset only when certain criteria are met.

I. Inventories

Inventories include raw materials, semi-finished and finished products.

Inventories are initially entered at purchase or production cost and subsequently valued at the lower of cost and the corresponding realizable value inferable from the market.

Purchase cost means the actual purchase price plus ancillary charges. The purchase cost of the materials includes, in addition to the price of the material, also the costs of transport, customs, other taxes and other costs directly attributable to that material. Returns, commercial discounts, allowances and bonuses are brought down to costs.

Production cost means all direct costs and indirect costs for the portion reasonably attributable to the product relating to the period of manufacture and up to the time from which the asset can be used, considered on the basis of normal production capacity.

The cost calculation method adopted for fungible assets is the weighted average cost.

A provision is made for raw materials, finished products, spare parts and other obsolete or slow-moving inventories based on their expected future use and their realizable value, if this is lower than the book value. The realizable value is the estimated sale price in the normal course of business, net of the estimated completion costs and the estimated sales and distribution costs.

J. Property, plant and equipment

Tangible fixed assets are initially recognized at cost and include the purchase price, any costs directly attributable to bringing the assets to the place and conditions necessary to be able to operate in the manner intended by management and any initial estimate of the costs of dismantling and removal of the asset and the estimate of the costs of restoring the site where it is located. Internally generated assets are initially recognized at production cost. Subsequent expenses and the cost of replacing parts of an asset are capitalized only if the future economic benefits incorporated in that asset increase. All other expenses are charged to the income statement when incurred. When replacement costs are capitalized, the book value of the parts that are replaced is charged to the income statement.

Tangible fixed assets are depreciated on a straight-line basis over their estimated useful life using the following depreciation rates:

Property, Plant & Equipment	Depreciation period
Building	33 years
Plant, Machinery and Equipment	6-7 years
Furniture, fixtures and office equipment	5-7 years
Other tangible assets	4-5 years

The depreciation methods, useful lives and residual values are verified at the closing date of the financial year and adjusted where necessary.

Some particular types of assets, such as historical helmets, are accounted for according to their fair value at the date of the measurement, net of any subsequent accumulated depreciation and any subsequent loss due to accumulated impairment.

Remeasurements are made regularly and kept up to date. The redetermination increases are recognized in the other components of the comprehensive income statement and accumulated in the shareholders' equity, unless they offset a previous decrease in a revaluation of the same asset previously recognized in the income statement. If the book value of an asset has decreased following a restatement, the decrease must be recognized in the income statement. However, the decrease must be recognized in the statement of the other components of the comprehensive income statement as a revaluation surplus to the extent that there are any credit balances in the revaluation reserve with reference to this asset. The decrease recognized in the statement of the other components of the comprehensive income statement reduces the amount accumulated in equity under the item revaluation reserve.

If the intended use of a property is transformed from instrumental to real estate investment, the property is valued at fair value and reclassified among real estate investments. Any increase resulting from this assessment is attributed to the profit / (loss) for the year to the extent that it rectifies a previous loss due to the reduction in value of that property. Any excess portion of the increase is recognized directly among the other components of the comprehensive income statement and presented in the net equity restatement reserve. Any loss is recognized directly in the profit / (loss) for the year. In addition, if an amount has been recognized in the revaluation reserve for this property, the loss is recognized in the other components of the comprehensive income statement as a reduction of the equity reserve until this amount is zeroed.

K. Intangible assets and goodwill

Goodwill arising from the acquisition of subsidiaries is valued at cost net of accumulated impairment losses. For the evaluation of goodwill, the full goodwill method is used as required by IFRS 3. Full goodwill is calculated on the entire business and not only on the share acquired by evaluating at fair value also the investment held by minority shareholders at the acquisition date.

Research expenses are recognized in the profit / (loss) of the year in which they are incurred.

Development expenses are capitalized only if the cost attributable to the asset during its development can be reliably assessed, the product or process is feasible in technical and commercial terms, future economic benefits are probable, and the Group intends and has sufficient resources to complete its development and to use or sell the asset. Other development expenses are recognized in profit / (loss) for the year at the time they are incurred. Capitalized development expenses are recognized at cost net of accumulated depreciation and any accumulated impairment losses.

Other intangible assets, including commercial relationships with customers, patents and trademarks, acquired by the Group, which have a defined useful life, are recognized at cost net of amortization and any accumulated impairment losses.

Subsequent costs are capitalized only when they increase the expected future economic benefits attributable to the asset to which they refer. All other subsequent costs, including those relating to goodwill and internally generated trademarks, are charged to the profit / (loss) for the year in which they are incurred.

Intangible assets are initially recognized at cost and subsequently valued at cost net of accumulated amortization.

Depreciation is calculated on a straight-line basis as follows:

Intangible Assets	Amortization period
Development costs	5 years
Software	5 years
Patents, Licences	based on contract period
Other intangible assets	lower than useful life and contract period

An intangible asset with an indefinite useful life (for example, a perpetual license) is not amortized, but is checked annually, or whenever there is an indication that it has not suffered a reduction in value.

At the end of the fiscal year, it is assessed whether there is evidence that a particular asset may have suffered a loss in value. In this case, an estimate of the recoverable value of the asset is made on the basis of the greater between the fair value and its value in use. If the recoverable value of an asset is lower than its book value, this lower value of the asset is recognized and the difference is recognized in the income statement.

When an intangible asset is sold, the profit or loss from the disposal is included in the income statement.

L. Financial instruments

i. Recognition and measurement

Trade receivables and debt securities issued are recognized at the time they originate. All other financial assets and liabilities are initially recognized on the trade date, i.e. when the Group becomes a contractual party to the financial instrument.

With the exception of trade receivables that do not contain a significant financing component, financial assets and liabilities are initially measured at fair value plus or minus, in the case of financial assets or liabilities not measured at FVTPL, the costs of the transaction directly attributable to the acquisition or issue of the financial asset. At the time of initial recognition, trade receivables that do not have a significant financing component are valued at their transaction price.

ii. Classification and subsequent measurement

Financial assets

At the time of initial recognition, a financial asset is classified according to its valuation: amortized cost; fair value recognized in the other components of the comprehensive income statement (FVOCI) - debt security; FVOCI - equity security; or at fair value recognized in profit / (loss) for the year (FVTPL).

Financial assets are not reclassified after their initial recognition, unless the Group changes its business model for the management of financial assets. In this case, all the financial assets involved are reclassified on the first day of the first financial year following the change in the business model.

A financial asset must be valued at amortized cost if both of the following conditions are met and it is not designated to the FVTPL: i) the financial asset is owned as part of a business model whose objective is to own the financial assets for the purpose of the collection of the related contractual financial flows; and ii) the contractual terms of the financial activity provide for financial flows at certain dates represented solely by payments of capital and interest on the amount of capital to be repaid.

A financial asset must be valued at the FVOCI if both of the following conditions are met and it is not designated at the FVTPL i) the financial asset is owned as part of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets; ii) the contractual terms of the financial activity provide for financial flows at certain dates represented solely by payments of capital and interest on the amount of capital to be repaid.

Upon initial recognition of an equity security not held for trading purposes, the Group can make the irrevocable choice of presenting subsequent changes in fair value in the other components of the comprehensive income statement. This choice is made for each activity.

All financial assets not classified as valued at amortized cost or at FVOCI, as indicated above, if any, are valued at FVTPL. All derivative financial instruments are included. Upon initial recognition, the Group can irrevocably designate the financial asset as measured at fair value through profit / (loss) for the year if by so doing it eliminates or significantly reduces an accounting asymmetry that would otherwise result from the valuation of the asset financial at amortized cost or to FVOCI.

Financial assets: evaluation of the business model

The Group evaluates the objective of the business model under which the financial asset is held at the portfolio level as it best reflects the manner in which the business is managed, and the information communicated to the company management. This information includes:

- the criteria set out and the objectives of the portfolio and the practical application of these criteria, including, inter alia, if the management strategy is based on obtaining interest income from the contract, on maintaining a certain interest rate profile interest, on the alignment of the duration of the financial assets to that of the related liabilities or on the expected cash flows or on the collection of cash flows through the sale of the assets;
- the methods for evaluating the performance of the portfolio and the methods for communicating the performance to the Group's executives with strategic responsibilities;
- the risks affecting the performance of the business model (and of the financial assets held under the business model) and the way these risks are managed;
- the methods of remuneration of company executives (for example, if the remuneration is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the frequency, value and timing of sales of financial assets in previous years, the reasons for the sales and expectations regarding future sales.

The transfers of financial assets to third parties in the context of transactions that do not involve derecognition are not considered sales for the purpose of evaluating the business model, in line with the Group's maintenance of these activities in the financial statements.

Financial assets - evaluation to establish whether the contractual financial flows are represented solely by payments of principal and interest

For valuation purposes, "principal" is the fair value of the financial asset at the time of initial recognition, while "interest" constitutes the consideration for the time value of money, for the credit risk associated with the amount of capital to be repaid during a given period of time and for other basic risks and costs related to the loan (for example, liquidity risk and administrative costs), as well as for the profit margin.

In assessing whether the contractual cash flows are represented solely by payments of principal and interest, the Group considers the contractual terms of the instrument. Therefore, it evaluates, among others, whether the financial asset contains a contractual clause that changes the timing or amount of the contractual cash flows such as not to satisfy the following condition. For the purposes of the assessment, the Group considers:

- contingent events that would change the timing or the amount of financial flows;
- clauses that could adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specific assets (for example, non-recourse elements).

A prepayment feature is in line with the criterion of "cash flows represented solely by payments of principal and interest" when the amount of the advance payment substantially represents the unpaid amounts of principal and interest accrued on the amount of the capital to be repaid, which may include reasonable compensation for early termination of the contract. Furthermore, in the case of a financial asset acquired with a significant premium or discount on the contractual nominal amount, an element that allows or requires an advance payment equal to an amount that substantially represents the contractual nominal amount plus the contractual interest accrued (but not paid) (which

may include a reasonable compensation for early termination of the contract) is accounted for in accordance with this criterion if the fair value of the prepayment element is not significant at the time of initial recognition.

Financial assets: subsequent measurement and profits and losses

Financial assets valued at FVTPL: These assets are subsequently measured at fair value. Net profits and losses, including dividends or interest received, are recognized in profit / (loss) for the year.

Financial assets valued at amortized cost: These assets are subsequently measured at amortized cost in accordance with the effective interest criterion. The amortized cost is decreased by the losses due to value reduction. Interest income, exchange gains and losses and impairment losses are recognized in the profit / (loss) for the year as well as any profits or losses from elimination.

Debt securities valued at FVOCI: These assets are subsequently measured at fair value. Interest income calculated in accordance with the effective interest method, exchange gains and losses and losses due to impairment are recognized in profit / (loss) for the year. Other net gains and losses are recognized in the other components of the comprehensive income statement. At the time of derecognition, the profits or losses accumulated in the other components of the comprehensive income statement are reclassified in the profit / (loss) for the year.

Equity securities valued at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized in profit / (loss) for the year unless they clearly represent a recovery of part of the investment cost. Other net profits and losses are recognized in the other components of the comprehensive income statement and are never reclassified in profit / (loss) for the year.

Financial Liabilities - Classification, Subsequent measurement and Profits and Losses

Financial liabilities are classified as measured at amortized cost or at FVTPL. A financial liability is classified at the FVTPL when it is held for trading, represents a derivative instrument or is designated as such at the time of initial recognition. Financial liabilities at FVTPL are measured at fair value and any changes, including interest expense, are recognized in profit / (loss) for the year. The other financial liabilities are subsequently measured at amortized cost using the effective interest criterion, except for trade payables that do not contain a significant financing component. Interest expense and exchange gains / (losses) are recognized in profit / (loss) for the year, as well as any profits or losses resulting from the derecognition.

M. Impairment losses

i. Financial instruments and assets deriving from contracts

The Group recognizes bad debt provisions for expected credit losses relating to financial assets measured at amortized cost, any debt securities valued at FVOCI and assets deriving from the contract.

In addition, the Group recognizes the bad debt provision under trade receivables and other receivables for expected losses over the entire duration of the receivables implicit in leasing contracts.

The Group evaluates the bad debt provision at an amount equal to the expected life-long losses of the credit, except as indicated below, for the following twelve months:

- debt securities with low credit risk at the balance sheet date; and
- other debt securities and bank current accounts whose credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not significantly increased after initial recognition.

Provisions for bad debts for trade receivables (including those relating to leasing) and for assets deriving from contracts are always measured at an amount equal to the expected losses over the entire life of the credit.

In order to determine whether the credit risk relating to a financial asset has increased significantly after initial recognition and to estimate expected credit losses, the Group considers reasonable and demonstrable information that is relevant and available without excessive cost or effort. This includes quantitative and qualitative information and analyzes, based on the historical experience of the Group, on the credit assessment as well as on information indicative of expected developments ("forward-looking information").

Expected credit losses are a probability weighted estimate of credit losses. Credit losses are the present value of all non-collections (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash

flows that the Group expects to receive). Expected credit losses are discounted using the criterion of the effective interest of the financial asset, unless the effects of such discounting are negligible compared to the nominal value.

The gross book value of a financial asset is written down (in part or entirely) to the extent that there is no real prospect of recovery.

ii. Non-financial assets

At each year-end closing date, the Group checks whether there is objective evidence of impairment with reference to the book values of its non-financial assets, with the exception of biological assets, property investments, inventories, assets deriving from the contract and deferred tax assets. If on the basis of the verification it emerges that the assets have actually suffered a reduction in value, the Group estimates their recoverable value. On the other hand, the recoverable value of goodwill is estimated annually.

For the purpose of identifying any losses due to impairment, the assets are grouped into the smallest identifiable group of assets that generate financial flows that are largely independent from the financial flows generated by other assets or groups of assets (the "CGU" or "cash-generating unit"). The goodwill acquired through a business combination is allocated to the group of CGUs which envisages the benefit of the synergies of the combination.

The recoverable value of an asset or a CGU is the greater of its value in use and its fair value less the costs of disposal. To determine the value in use, the estimated expected cash flows are discounted using a pre-tax discount rate that reflects the current market valuations of the time value of money and the specific risks of the CGU's business.

When the book value of an asset or a CGU exceeds the recoverable value, an impairment loss is recognized.

Losses due to impairment are recognized in profit / (loss) for the year. Those relating to the CGU are first attributed to a reduction in the carrying amount of any goodwill allocated to the CGU, then proportionately to a reduction in the other assets that make up the CGU.

Losses due to impairment of goodwill cannot be reversed. For other assets, impairment losses recognized in previous years are reinstated up to the book value that would have been determined (net of depreciation) if the impairment loss on the asset had never been recognized.

N. Accrued provisions

Provisions for risks and charges include provisions for current obligations (legal or implicit) deriving from a past event, for the fulfillment of which it is probable that an use of resources may be required, the amount of which can be reliably estimated. The changes in the estimate are reflected in the income statement for the year in which the change occurred. If the effect of the discounting is significant, the funds are shown at their current value.

O. Leasing

At the beginning of the contract, the Group assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if, in exchange for a consideration, it transfers the right to control the use of an identified asset for a period of time.

At the beginning of the contract or the modification of a contract that contains a leasing component, the Group assigns the consideration of the contract to each leasing component on the basis of its separate price. However, in the case of leasing of buildings, the Group has decided not to separate the non-leasing components from the leasing components and to account for the leasing and non-leasing components as a single component.

On the effective date of the lease, the Group recognizes the asset for the right of use and the liability of the lease. The right-of-use asset is initially measured at cost, including the amount of the initial valuation of the lease liability, adjusted for the payments due for the lease made on or before the effective date, increased by the initial direct costs incurred and an estimate of the costs that the lessee will have to incur for the dismantling and removal of the underlying asset or for the restoration of the underlying asset or the site where it is located, net of leasing incentives received.

The asset for the right of use is subsequently amortized on a straight-line basis from the effective date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term or, considering the cost of the asset for the right of use, it is expected that the Group will exercise the purchase option. In this case, the asset for the right of use will be amortized over the useful life of the underlying asset, determined on the

same basis as that of property, plant and machinery. In addition, the asset for the right of use is regularly decreased by any losses due to impairment and adjusted to reflect any changes resulting from subsequent valuations of the lease liability.

The Group evaluates the lease liability at the present value of the payments due for the lease not paid at the effective date, discounting them using the implicit interest rate of the lease. Where it is not possible to determine this rate easily, the Group uses the marginal loan rate. Generally, the Group uses the marginal borrowing rate as the discount rate.

The Group's marginal financing rate is calculated on the basis of the interest rates obtained from various external financing sources, making some adjustments that reflect the conditions of the lease and the type of asset being leased.

The payments due for the lease included in the measurement of the lease liability include:

- fixed payments (including substantially fixed payments);
- the variable payments due for the lease that depend on an index or a rate, initially valued using an index or a rate at the effective date;
- the amounts expected to be paid as a guarantee on the residual value; and
- the exercise price of a purchase option that the Group has the reasonable certainty of exercising, the payments due for the lease in an optional renewal period if the Group has the reasonable certainty of exercising the renewal option, and the penalty for early termination of the lease, unless the Group is reasonably certain that it will not terminate the lease early.

The lease liability is measured at amortized cost using the effective interest criterion and is remeasured in the event of a change in the future payments due for the lease resulting from a change in the index or rate, in the event of a change in the amount that the Group expects to have to pay as a guarantee on the residual value or when the Group changes its valuation with reference to the exercise or otherwise of a purchase option, extension or termination or in the event of a revision of the payments due for the leasing fixed in substance .

When the lease liability is remeasured, the lessee proceeds to a corresponding modification of the asset for the right of use. If the book value of the asset for the right of use is reduced to zero, the lessee recognizes the change in the profit / (loss) for the year.

In the statement of financial position, the Group shows the assets for the right of use that do not meet the definition of real estate investments in the item "right of uses assets" and the leasing liabilities among the "financial liabilities".

Short-term leasing and leasing of small value assets

The Group has decided not to recognize the assets for the right of use and the leasing liabilities relating to assets of modest value and short-term leases, including IT equipment. The Group recognizes the related payments due for the lease as a cost on a straight-line basis over the lease term.

P. Fair value measurement

The "fair value" is the price that would be received at the measurement date for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators in the main (or most advantageous) market at which the Group has access at that time. The fair value of a liability reflects the effect of a risk of default.

Various accounting principles and some disclosure obligations require the Group to evaluate the fair value of financial and non-financial assets and liabilities.

Where available, the Group evaluates the fair value of an instrument using the listed price of that instrument in an active market. A market is active when transactions relating to the asset or liability occur with a frequency and volumes sufficient to provide useful information for determining the price on an ongoing basis.

In the absence of a listed price in an active market, the Group uses valuation techniques by maximizing the use of observable input data and minimizing the use of unobservable input data. The valuation technique chosen includes all the factors that market participants would consider when estimating the transaction price.

The best proof of the fair value of a financial instrument at the time of initial recognition is usually the transaction price (i.e. the fair value of the consideration given or received). If the Group notes a difference between the fair value at the time of initial recognition and the transaction price and the fair value is not determined either by using a price listed in an active market for identical assets or liabilities, or by means of a valuation technique whose unobservable input data

are considered insignificant, the financial instrument is initially measured at fair value, adjusted in order to defer the difference between the fair value at the time of initial recognition and the transaction price. Subsequently, this difference is recognized in the profit / (loss) for the year over the life of the instrument with an appropriate method, but no later than the time when the valuation is fully supported by observable market data or the transaction is concluded.

Q. Share-based payments

With reference to share-based payment transactions, upon the occurrence of the conditions underlying, the Group shall recognize the effects in accordance with the provisions of the accounting standards, which require that the fair value at the grant date of the incentives is recognized in the equity-settled payment as an expense, with a corresponding increase in equity over the period during which the beneficiaries obtain the right to the incentives.

The amount recognized as an expense shall be adjusted to reflect the actual number of shares for which the vesting conditions and non-market performance conditions have been satisfied, so that the final amount recognized as an expense is based on the number of shares that satisfy those conditions at the vesting date.

The fair value of the amount to be paid to the beneficiaries in respect of cash-settled share appreciation rights has to be recognized as an expense with a corresponding increase in the liability over the period during which the beneficiaries accrue the unconditional right to receive payment. The liability is revaluated at each reporting date and the settlement date on the basis of the fair value of the share appreciation rights. Any changes in the fair value of the liability have to be recognized in profit or loss for the year.

8. Adoption of new or revised accounting standards

Accounting Standards and interpretations issued by IASB and adopted by the EU for the financial years beginning on or after January 1, 2023

Starting from January 1, 2023, the following changes to IFRS came into effect:

- Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. The amendments provide guidelines for the application of materiality criteria to accounting policies and clarify the differences between accounting policies and estimates, in order to ensure consistent application of accounting policies and comparability of financial statements.
- Amendments to IAS 12 - Income taxes, specifying how companies must account for deferred taxes on transactions such as leasing and obligations arising from dismantling, with the aim of reducing the differences in the recognition of deferred tax assets and liabilities on leases and dismantling obligations. Subsequently, in May and September 2023, the IASB published two documents which further amends IAS 12 - Income taxes, introducing a temporary exception to the recognition of deferred taxes connected to the application of the provisions of the Pillar Two published by the OECD. The amendments have been adopted by EU Regulation 2023/2468 issued by the Commission on November 8, 2023.
- Amendments to *IFRS 17 - Insurance Contracts*. The amendment of the transitional provisions of IFRS 17 allows companies to overcome the one-off classification differences of the comparative information of the previous year at the moment of the first application of IFRS 17 and of *IFRS 9 - Financial Instruments*.

On September 26, 2023, Commission Regulation EU 2023/1083 was published in the Gazzetta Ufficiale, which replaces EC Regulation 1126/2008, in order to include the Principles and related Interpretations issued or adopted by the IASB until September 8, 2022, in accordance with EC Regulation 1606/2002. Furthermore, the Regulation provides for the possibility for Union companies to exempt certain groups of insurance contracts from the application of the annual grouping obligation referred to in IFRS 17.

These amendments did not have a significant impact on the Group's financial statements.

Furthermore, on January 5, 2023, Directive 2022/2464/EU of December 14, 2022 came into force, amending EU regulation no. 537/2014, directive 2004/109/EC, directive 2006/43/EC and directive 2013/34/EU, as regards corporate sustainability reporting (CSRD). This directive provides that the sustainability reporting obligations are extended to all large companies, as well as to all companies with transferable securities admitted to trading on regulated markets, with the sole exception of micro-entities. The rules introduced by the CSRD see a progressive temporal application. In particular, the same will be applicable starting from the financial statements relating to the 2024 financial year for

companies already subject to the directive on the disclosure of non-financial information (NFRD); 2025 for other large companies; 2026 for listed SMEs and 2028 for branches of non-EU companies.

Purpose of the introduction of the CSRD is to achieve greater alignment between financial information and sustainability reporting, eliminating the possibility, existing in the previous legislation, of publishing sustainability information in a report separate from the management report. Sustainability reporting will therefore become an integral part of the annual financial report, making it necessary to further align the production processes of ESG and financial information. Lastly, sustainability reporting will be subject to assurance, with the aim of strengthening the reliability of the information reported therein.

Accounting Standards and interpretations issued by IASB but not adopted yet

In August 2023 the IASB published the document Lack of Exchangeability (Amendments to IAS 21). The amendment clarifies when a currency cannot be converted into another, how to estimate the exchange rate and the information to be provided in the explanatory notes. The change will come into force from January 1, 2025.

Furthermore, during 2023, the following Regulations of the European Commission were approved:

- EU Regulation 2023/2579 of November 20, 2023, which adopts amendments to IFRS 16 - Leasing. The amendments to IFRS 16 specify how the selling lessee subsequently evaluates the sale and leaseback transactions. The changes will come into effect on January 1, 2024.
- EU Regulation 2023/2822 of December 19, 2023, which adopts amendments to IAS 1 - Presentation of financial statements. The amendments improve the information that a company must provide when its right to defer the settlement of a liability for at least twelve months is subject to covenants. The changes will come into effect on January 1, 2024.
- EU Regulation 2023/2772 of July 31, 2023, which adopts the sustainability reporting principles (ESRS). The regulation applies from 1 January 2024.

The management is still evaluating the impacts that these changes will have on the consolidated financial statements, however no significant impacts are expected.

9. Property, Plant and Equipment

12.31.2023	12.31.2022	Variations + (-)
11,247,605	8,028,567	3,219,038

Variations for the period, on the basis of consistent categories, are detailed as follows:

	Land and Building	Plant, machinery and equipment	Furniture, fixtures and office equipment	Assets held at fair value	Work in progress and advances	Other tangible assets	Total
Book value at the beginning of the period							
Cost	4,735,004	4,830,132	1,762,892	1,534,760	491,097	683,949	14,037,835
Accumulated Depreciation	(1,218,835)	(2,945,362)	(1,356,537)	-	-	(488,534)	(6,009,268)
Net Book Value	3,516,169	1,884,770	406,355	1,534,760	491,097	195,415	8,028,567
Movements of the fiscal year							
Cost							
Additions	371,706	1,753,516	353,890	-	1,492,023	68,702	4,039,837
(Disposals)	-	-	-	-	-	(40,414)	(40,414)
Remeasurement at fair value IAS 16	-	-	-	246,775	-	-	246,775
Exchange rate impact	-	(103,165)	(34,294)	(51,775)	-	(17,808)	(207,042)
Reclassifications	342,113	80,000	-	-	(422,113)	-	-
Accumulated Depreciation							
Depreciation	(162,388)	(582,105)	(184,258)	-	-	(48,722)	(977,472)
(Disposals)	-	-	-	-	-	39,252	39,252
Exchange rate impact	-	76,258	28,303	-	-	13,542	118,103
Reclassifications	-	-	-	-	-	-	-
Book value at the end of the period							
Cost	5,448,823	6,560,484	2,082,487	1,729,760	1,561,007	694,429	18,076,990
Accumulated Depreciation	(1,381,223)	(3,451,209)	(1,512,491)	-	-	(484,462)	(6,829,386)
Net Book Value	4,067,600	3,109,275	569,996	1,729,760	1,561,007	209,966	11,247,605

During the fiscal year, in accordance with the planning, the Group proceeded to make the necessary investments to renew plants, machinery, equipment and other depreciable assets, to guarantee the highest standards of production. Some assets, of immaterial unit value, were expensed in the period in which they were purchased; the decision not to capitalize the value of these assets finds an economic reason in the fact that these are goods of small value, whose duration is very limited and difficult to determine.

Maintenance costs of an incremental nature are accounted for as an increase in the assets to which they refer; the incremental expenses do not assume independent relevance with respect to the asset they refer to and, therefore, the calculation of the depreciation takes place in a unitary and indistinct way both as regards the cost on which the depreciation is calculated, and as regards the relative percentage of depreciation.

The item Land and Buildings refers to the balance resulting from the acquisition in fiscal year 2021 of the company Pier S.r.l., former owner of the headquarters of the parent company Racing Force S.p.A. in Ronco Scrivia. The increase in 2023 is mainly related to facades cladding work carried out on the building, of which 372 thousand Euro incurred in 2023 and 342 thousand Euro previously recorded as work in progress at the end of the previous year.

The additions recorded in Plant, machinery and equipment are due to 959 thousand Euro for investments made by the parent company Racing Force S.p.A., finalized to enhance the production capacity of the OMP branded products; 195 thousand Euro for solar panels installed at the headquarters in Ronco Scrivia, with the aim of increasing the energy efficiency of the building; 552 thousand Euro for investments made by the subsidiary Racing Force International Wll, aimed at increasing the production of helmets in the Bahraini factory; 77 thousand Euro for warehouse equipment purchased by the consolidated companies Racing Force USA Inc and High Protection Systems SA, in addition to 80 thousand Euro previously booked as work in progress.

The assets held at fair value refer to original helmets and replicas of historic Bell branded racing helmets, whose value at the end of the year is determined on the basis of an appraisal provided by an independent expert. Fair value was determined based on a market approach that reflects recent transaction prices for similar assets.

Works in progress, amounting to 1,561 thousand Euro as of December 31, 2023, primarily refer to advances for intervention related to the headquarters of the parent company in Ronco Scrivia, as part of the expansion plan aimed at increasing production and logistics capacity, expected to be completed between the end of 2024 and the first quarter of 2025.

Disposals mainly refer to fully depreciated assets that are no longer in use, for which historical cost and accumulated depreciation have been written-off, in addition to some machinery disposals recorded in the period.

10. Right of use assets and lease liabilities

The Group owns factories, warehouses and shops through leasing agreements. The duration of these leases varies from 2 to 15 years, with the possibility of renewal. Lease payments are renegotiated periodically to reflect market rents. Some leases provide for additional payments that depend on local variations in the price index.

The Group also leases IT equipment (printers), whose duration is between 3 and 5 years, and cars, with a duration between 3 and 4 years.

Other leasing contracts, if short-term and / or if referring to assets of modest value, are not recognized among assets and liabilities for the right of use.

Right of use assets

12.31.2023	12.31.2022	Variations + (-)
3,720,673	3,147,592	573,080

Variations for the period, on the basis of consistent categories, are detailed as follows:

	Buildings	Other assets	Total
Book value at the beginning of the period			
Cost	4,556,618	534,864	5,091,482
Accumulated Depreciation	(1,643,339)	(300,551)	(1,943,891)
Net Book Value	2,913,279	234,313	3,147,592
Movements of the fiscal year			
Cost			
Additions	1,274,753	92,631	1,367,384
(Disposals)	(885,287)	(98,562)	(983,849)
Other movements	(68,022)	(829)	(68,851)
Accumulated Depreciation			
Depreciation	(630,678)	(105,639)	(736,317)
(Disposals)	885,287	98,562	983,849
Other movements	10,429	435	10,864
Book value at the end of the period			
Cost	4,878,062	528,105	5,406,167
Accumulated Depreciation	(1,378,301)	(307,193)	(1,685,494)
Net Book Value	3,499,761	220,912	3,720,673

In compliance with IFRS 16, buildings include the value of the rights of use relating to premises subject to leasing contracts in which the entities of the Group carry out their activities; other tangible assets mainly relate to printers and leased vehicles.

The increases of the year include the rights of use relating to the new lease contracts signed by the subsidiaries Racing Force USA Inc and High Protection Systems S.A. following the relocation of the headquarters, respectively for a property in Doral (Miami) for 651 thousand Euro and a property in Tubize (Belgium) for 622 thousand Euro. Additions in Other Assets are related to new contracts for company cars for 86 thousand Euro and printers for 6 thousand Euro.

Disposals are related to lease contracts terminated in the fiscal year. The other movements mainly reflect the changes in the exchange rates of the lease contracts of the consolidated foreign companies.

The impact of leasing transactions on the balance sheet, income statement and cash flow statement are shown below:

Income Statement	2023
General and administrative expenses	(845,745)
EBITDA	845,745
Depreciation	736,317
EBIT	109,428
Finance loss and taxes	127,408
Net Result	(17,981)
Balance Sheet	
Right of use assets	3,720,673
Net invested capital	(135,032)
Net Equity	(6,782)
Cash Flow	
Cash flow from operations	718,337
Cash flow from investments	-
Cash flow from financial operations	(718,337)
Increase (decrease) in cash and cash equivalent	-

Lease liabilities

12.31.2023	12.31.2022	Variations + (-)
3,855,705	3,275,620	580,085

The details of the right-of-use assets and leasing liabilities, including current and long-term portions, are shown in the following table:

A) Value of assets	
Finance leases, net of total depreciation, at the beginning of year	3,147,592
+ Assets acquired on finance leases	1,367,384
- Assets on finance leases redeemed	-
- Lease agreements terminated	-
- Share of depreciation for the year	(736,317)
+/- Adjustments/increases in finance leases	(57,986)
Finance leases, net of total depreciation, at the end of the year	3,720,673
B) Current value of unexpired lease payments	
Current value of unexpired lease payments calculated using the interest rate of the lease contract	3,855,705
of which:	
- Payable within one year	777,664
- Long term	777,664
C) Financial changes for the year	
Financial charges for the year calculated using the applicable interest rate	127,408

Payables for long-term leases include 2,623 thousand Euro with a maturity between one and five years and 455 thousand Euro with a maturity over five years.

The expiry dates of the contracts on the basis of which the current value of the unexpired lease payments was determined are those indicated on the contracts, unless the Group has the reasonable certainty of exercising the renewal option.

11. Intangible Assets and Goodwill

Intangible assets

12.31.2023	12.31.2022	Variations + (-)
8,143,362	7,421,943	721,420

Variations for the period, on the basis of consistent categories, are detailed as follows:

	Development costs	Licences, patents and trademarks	Work in progress and advances	Total
Book value at the beginning of the period				
Cost	3,938,937	6,295,620	745,301	10,979,858
Accumulated Depreciation	(1,988,850)	(1,569,065)	-	(3,557,916)
Net Book Value	1,950,087	4,726,555	745,301	7,421,943
Movements of the fiscal year				
Cost				
Additions	826,924	290,035	1,011,539	2,128,498
Reclassifications	21,288	-	(21,288)	-
Disposals	-	-	-	-
Exchange rate impact	(52,676)	(94,542)	(2,562)	(149,780)
Accumulated Depreciation				
Depreciation	(806,366)	(488,563)	-	(1,294,929)
Disposals	-	-	-	-
Exchange rate impact	26,473	11,158	-	37,631
Book value at the end of the period				
Cost	4,734,474	6,491,113	1,732,989	12,958,576
Accumulated Depreciation	(2,768,744)	(2,046,471)	0	(4,815,214)
Net Book Value	1,965,730	4,444,643	1,732,989	8,143,362

Development costs mainly refer to expenses for technical, laboratory and homologation tests for the Group's products, incurred by Racing Force S.p.A. for OMP brand products and for Zeronoise branded products, and in the subsidiary Racing Force International for Bell branded helmets.

Development costs are recognized under intangible assets since they are considered recoverable, as they relate to specific development projects that can be carried out and for which the Group has the necessary resources. These costs, in fact, relate to a product or process that is clearly defined as well as identifiable and measurable.

The increase in development costs during the fiscal year is due to the recognition among intangible assets of the expenses incurred for the homologation of new OMP and Bell brand products.

The item licenses, patents and trademarks include the trademarks owned by the Group, the value of the licenses for the sale of Bell branded products and the international patent for the technology called *In-Helmet Camera IHC* (video camera inside the helmet) which integrates the so-called *Driver's Eye*.

The additions recorded in the year include 185 thousand Euro for investments in software and 104 thousand Euro for trademarks.

Work in progress includes 1,561 thousand Euro related to the development of helmets for the defense industry (special forces and police riot), expected to be completed by the end of 2024, other than 144 thousand Euro for projects under development relating to Bell branded racing helmets and 28 thousand Euro for the design of new websites for the Group.

Goodwill

12.31.2023	12.31.2022	Variations + (-)
6,235,037	6,235,037	-

Below is a table summarizing the composition of the goodwill recorded in the Consolidated Financial Statements:

Goodwill	12.31.2023	12.31.2022	Variations
Racing Force International Wll	3,717,556	3,717,556	-
Racing Force USA Inc.	1,345,001	1,345,001	-
Racing Force S.p.A.	600,000	600,000	-
Racing Spirit	572,480	572,480	-
	6,235,037	6,235,037	-

Goodwill represents the excess of the fair value of the consideration paid in a business combination over the fair value of net tangible and intangible assets separately identifiable at the time of the acquisition.

The values of goodwill have been all subject to the assessment and evaluation by the Group's management at December 31, 2023, based on the projection of the discounted operating cash flows for each cash generating unit (impairment test).

The impairment tests were performed on the basis of the projections of the 2024-2027 Business Plan prepared by the management of each consolidated company and Racing Spirit business unit, considered as separate cash generating units for the purposes of the valuations. For the calculations in the impairment test, the Unlevered Discounted Cash Flow method was used.

The operating cash flows expected for future years have been discounted using the weighted average cost of capital or WACC (Weighted Average Cost of Capital), which adjusts the expected cash flows depending on the monetary value of time, the risk of the company, the sector and country. The discount rate is used to homogenize cash flows referring to different periods and to take into account their volatility based on the riskiness of the various cash generating units.

Below is a summary of the main assumptions used:

- WACC: 15.32% for Racing Force International Wll; 8.77% for Racing Force USA Inc.; 10.15% for Racing Force S.p.A.; 8.75% for Racing Spirit business unit, determined on the basis of the rate of return of risk-free assets and the market premium in the various countries and increased, prudentially, by an additional risk component.
- Beta equal to 0.95 for all CGUs, except for Racing Spirit for which a 0.74 rate was used (Source: Damodaran).
- Growth rate beyond the explicit projection period equal to 3% for all the CGUs.

A sensitivity analysis was carried out for each assessment, keeping the other inputs constant, based on: i) an increase in the WACC equal to 2%; ii) a reduction of operating flows expected for the period 2024-2027 equal to 10%; iii) an expected growth rate beyond the explicit projection period equal to zero. These changes would not have had any effect on the result for the year.

Based on the above analysis, management has determined that no trigger events have emerged that would require an impairment test to be performed in connection with the preparation of the Interim Consolidated Financial Statements as of December 31, 2023.

12. Non current financial assets

12.31.2023	12.31.2022	Variations + (-)
513,021	-	513,021

The amount is related to a deposit (6 months) signed with ASB by the consolidated entity Racing Force International Wll, amounting to 500 thousand Euro, expiring on June 4, 2024 on which interest income accrue at an annual rate of 4.10%.

13. Due from related parties - non current

12.31.2023	12.31.2022	Variations + (-)
20,000	40,000	(20,000)

The balance is related to the long-term portion of the loan granted to KJK Technologies LLC in 2021 for the original amount of Euro 100 thousand. The collection of the credit, on which interest accrues at the rate of 2% per annum, is expected through 5 annual installments of Euro 20,000 each.

Complete information on transactions with related parties is provided in the section Other information - Transactions with related parties, to which reference should be made.

14. Other non current assets

12.31.2023	12.31.2022	Variations + (-)
13,617	18,758	(5,141)

The item mainly refers to guarantee deposits.

15. Cash and cash equivalents

12.31.2023	12.31.2022	Variations + (-)
6,106,995	9,838,378	(3,731,382)

Variations for the period are detailed as follows:

	Balance at 12.31.2022	Variations for the period	Balance at 12.31.2023
Bank deposits	9,806,914	(3,733,206)	6,073,708
Cash and cash on hand	31,464	1,823	33,287
	9,838,378	(3,731,382)	6,106,995

Bank deposits, cash and other cash on hand are not restricted and are fully available. For the analysis of cash variations, please refer to the consolidated cash flow statement.

16. Trade receivables

12.31.2023	12.31.2022	Variations + (-)
11,215,073	10,315,187	899,886

Trade receivables are shown net of the allowance for bad debt.

	Balance at 12.31.2022	Variations for the period	Balance at 12.31.2023
Trade receivables	10,501,452	917,919	11,419,370
Bad debt allowance	(186,265)	(18,033)	(204,297)
	10,315,187	899,886	11,215,073

Trade receivables are classified as current, since they are collectable by the end of the following fiscal year and do not include any significant past due balance for which the collection is at risk, except for those positions considered within the bad debt allowance.

The bad debt provision is calculated on the basis of the principles set out in these explanatory notes, to which reference should be made.

The increase in the balance of trade receivables at December 31, 2023 compared to the end of the previous year is in line with the increase in sales in 2023.

The ageing of trade receivables at December 31, 2023 is reported below.

	Not Due	Due 1 - 30 days	Due 31 - 90 days	Due 91 - 180 days	Due 181 - 365 days	Due > 1 year	Total
Trade receivables	6,908,181	1,373,157	1,367,936	747,332	685,414	337,350	11,419,370

Trade receivables past due by more than one year consist of: amounts covered by bad debt allowance, amounts that will be offset on the basis of agreements with customers who are also suppliers for partnerships and sponsorships, and residual amounts that are being recovered.

The breakdown of trade receivables by geographical area, before the bad debt provision, divided between the Americas (AMER), Asia and Oceania (APAC) and Europe, the Middle East and Africa (EMEA), is as follows:

Area	12.31.2023	12.31.2022	Variations + (-)
EMEA	9,606,256	8,469,152	1,137,104
AMER	1,465,611	1,827,604	(361,993)
APAC	347,503	204,696	142,807
	11,419,370	10,501,452	917,919

The Group sells its products in around 80 countries. Only 2 countries (Italy and United Kingdom) individually exceed 10% of the total receivables booked as at December 31, 2023. As of December 31, 2022, 3 countries (Italy, United States and United Kingdom) individually exceeded 10% of the total receivables recorded at that date.

The table below shows the breakdown of the balance of trade receivables, before the bad debt provision, by type of customer.

Type	12.31.2023	12.31.2022	Variazioni + (-)
Dealers	4,438,039	4,574,098	(136,059)
Team and car manufacturers	5,055,670	4,010,508	1,045,162
Other	1,925,661	1,916,845	8,816
	11,419,370	10,501,452	917,919

Group management assumes that there are no risks associated with a particular geographical area, or to the concentration of receivables. For more information, see paragraph 38 on risk management.

17. Inventories

12.31.2023	12.31.2022	Variations + (-)
25,101,154	21,590,904	3,510,249

Variations for the period, on the basis of consistent categories, are detailed as follows:

	Balance at 12.31.2022	Variations for the period	Balance at 12.31.2023
Raw materials	8,205,751	894,949	9,100,699
Semi-finished goods	1,281,989	152,326	1,434,315
Finished products	12,189,885	2,473,581	14,663,466
Obsolescence Fund	(86,720)	(10,606)	(97,326)
	21,590,904	3,510,249	25,101,154

Balances as of December 31, 2023 are reported net of the elimination of the intragroup margin on the sale of goods between the companies that fall within the consolidation area, as regards the products still in stock at the end of the year.

The obsolescence fund reflects the obsolescence rate and the timing of inventory turnover. During the fiscal year, provisions for 110 thousand Euro were set aside, and 99 thousand Euro were used for scrap material.

The variance in inventories as of December 31, 2023 compared to the previous year is mainly related to the increase in finished products, mainly related to Bell branded helmets. The variance in helmets stock in 2023 is mainly due to i) the increase of the inventory level in the subsidiary Racing Force USA Inc., following the destocking policies implemented by some US dealers during the year, of which the consolidated company will benefit in 2024; ii) the new FIA regulation 8859-2024, approved on December 6, 2023 from FIA World Council, effective upon the first homologation of a helmet compliant with the new standard.

To allow the development and production of helmets homologated in compliance with the new standard, the Group adopted a strategy of advanced production for helmets compliant with the current standard, necessary to support sales in 2024 season and to be ready for the 2025 season with a large part of the production of helmets homologated under the new standard. The adoption of the new regulation represents an important technological challenge, but also a great opportunity to affirm and strengthen once again the Bell brand as world leader.

Furthermore, the increase in raw materials to be used in the production process has the aim of strengthening control over some stages of production, in particular with reference to fabrics. This strategy allows the Group to reduce the risk related to the availability of raw materials and price fluctuations, and, at the same time, has the goal of promoting product innovation linked to racewear.

18. Due from related parties - current

12.31.2023	12.31.2022	Variations + (-)
21,243	21,146	97

Receivables from related parties are composed as follows:

Due from related parties - current	12.31.2023	12.31.2022	Variations + (-)
KJK Protective Technologies LLC	20,202	20,302	(100)
SAYE S.p.A.	1,041	844	197
	21,243	21,147	97

The balance is related to the current portion of the active loan granted to KJK Protective Technologies LLC, as well as interests accrued for the year.

In addition, 1 thousand Euro of receivables towards the parent company SAYE S.p.A. are included, related to the proceeds realized under the liquidity agreement with TP ICAP – Midcap division.

A complete disclosure of transactions with related parties is provided under the section Other Information – Relationships with related parties, to which we refer.

19. Other current assets

12.31.2023	12.31.2022	Variations + (-)
3,371,362	1,677,509	1,693,854

The detail of the other current assets is shown in the following table:

Other current assets	12.31.2023	12.31.2022	Variations + (-)
Prepaid expenses	3,246,488	1,510,339	1,736,149
Other receivables	124,874	167,169	(42,296)
	3,371,362	1,677,509	1,693,854

The item prepaid expenses and advances refers to: i) 1,367 thousand Euros of costs connected to multi-year contracts incurred for technical partnerships with teams and car manufacturers, related to the following period (1,107 thousand Euros as of December 31, 2022) and ii) 1,879 thousand Euros of advances to suppliers relating to both the production of driver's equipment and non-technical apparel (404 thousand Euros as of December 31, 2022).

20. Net Equity

Share capital

12.31.2023	12.31.2022	Variations + (-)
2,569,920	2,375,745	194,175

Share capital consists of no. 25,699,198 shares with no par value and is fully subscribed and paid up by all shareholders. The change in year is due to the paid share capital increase, with the exclusion of option rights (accelerated bookbuilding), according to the terms resolved by the Board of Directors of the parent company on January 11, 2023, for the portion allocated to the share capital.

Additional paid-in capital

12.31.2023	12.31.2022	Variations + (-)
29,777,959	20,249,087	9,528,872

Additional paid-in capital is the share premium reserve which includes the excess of the issuing price of the shares compared to their nominal value. This share premium was generated in 2019 with the in-kind contribution of the company Zeronoise Ltd for 1,632 thousand Euro and increased in 2021 as a result of the share capital increase following the listing on EG Milan stock exchange market for a total of 18,383 thousand Euro, net of related cost and fiscal effect.

The change in the year is due to the share capital increase transaction against payment with the exclusion of the option right (accelerated bookbuilding), according to the terms resolved by the Board of Directors of the parent company on January 11, 2023, for the portion allocated to additional paid-in capital, net of the related costs and tax effect.

Legal reserve

12.31.2023	12.31.2022	Variations + (-)
514,984	475,149	39,835

The legal reserve is required by Italian law and must be set aside until reaching 20% of the share capital of the company to which it refers, the minimum annual provision is equal to 5% of the net profit for the year.

The variation in the period is related to the allocation of 2022 result of the parent company, as approved by the Shareholders' Meeting held on April 28, 2023.

Translation reserve

12.31.2023	12.31.2022	Variations + (-)
(351,262)	88,253	(439,514)

The translation reserve is generated by the conversion into Euro of the financial statements of subsidiaries that have a functional currency other than the Euro. The change of the year is mainly due to the exchange rate trend with the Bahraini Dinar and USD Dollar.

Retained earnings (losses)

12.31.2023	12.31.2022	Variations + (-)
10,387,509	5,191,210	5,196,299

Retained earnings / (losses) are related to the results for the year that the Group has decided not to distribute or allocate to a specific reserve.

On April 28, 2023, the Shareholders' Meeting of the parent company Racing Force S.p.A. approved the distribution of dividends for Euro 2,313, attributing a unit dividend of Euro 0.09 per share. These dividends were paid out in May 2023.

Other reserves

12.31.2023	12.31.2022	Variations + (-)
792,583	558,121	234,461

Other reserves include 821,787 Euro for the fair value remeasurement of the assets recorded in the subsidiary Racing Force International Wll, as described in the note on Property, plant and equipment and the negative reserve deriving from the actuarial valuation of defined benefit obligations in accordance with the accounting standard IAS 19, net of the related tax impact, for 29,204 Euro.

The movements are detailed in the Statement of changes in equity for the period ended December 31, 2023.

Statement of agreement between Racing Force S.p.A. shareholders' equity and result and Group consolidated shareholders' equity and result

	Shareholders' equity	Net income for the period
Amounts as per Racing Force S.p.A. financial statements ITA GAAP	41,414,125	2,565,413
Impact IAS 19	(29,204)	-
Impact IFRS 3, IFRS 10	348,281	22,240
Impact IAS 32, IAS 38	(711,164)	286,546
Impact IFRS 16	8,031	1,333
Amounts as per Racing Force S.p.A. Financial Statements IAS-IFRS	41,030,068	2,875,532
Net Equity and income from consolidated subsidiaries	18,003,909	5,020,999
Elimination of consolidated investments	(9,269,163)	-
Elimination of intra-group dividend	-	(404,205)
Goodwill (IFRS 3, IFRS 10)	4,808,885	-
Intangible assets depreciation (IFRS 3, IAS 38)	(274,205)	(1,701)
Elimination of intra-group dividend	-	-
Elimination of intra-group margin	(5,475,563)	(2,701,348)
Actuarial gains and losses (IAS 19)	(14,813)	(2,640)
Lease Accounting (IFRS 16)	(351,262)	-
Cumulative translation reserve	27,107	6,634
Net Equity and result of the Group	48,484,965	4,793,271
Non-controlling interest	-	-
Amounts as per consolidated financial statements	48,484,965	4,793,271

21. Capital management

The Group's capital management policies provide for the maintenance of an adequate level of capital in order to maintain a relationship of trust with shareholders, creditors and the market, also allowing for future development of the business. In addition, the Group's management monitors the return on capital and the level of dividends to be distributed to the shareholders.

The Board of Directors tries to maintain a balance between obtaining higher returns through the use of a higher level of debt and the advantages and safety offered by a solid financial situation. In particular, the Group monitors its exposure in terms of net financial position (short and long-term bank debt, net of cash and cash equivalents and financial receivables from the parent company, minority shareholders and associated companies) and gross operating margin (EBITDA).

22. Long term loans

12.31.2023	12.31.2022	Variations + (-)
8,576,198	11,830,457	(3,254,259)

The breakdown of long-term loans between current and non-current portion is as follows:

Long term loans	12.31.2023	12.31.2022	Variations
Current	2,500,201	3,256,084	(755,883)
Non current	6,075,997	8,574,373	(2,498,376)
	8,576,198	11,830,457	(3,254,259)

The portion of long-term loans expiring within one year is classified under current liabilities.

The details of long-term loans to banks as of December 31, 2023 including the current portion, are shown in the following table:

Bank	Currency	Original amount in currency	Starting date	Maturity date	Interest base rate	Outstanding debt at December 31, 2023 in Euro	Current portion in Euro	Long term portion in Euro
Bper (ex Carige)	EUR	5,000,000	9/4/2020	8/31/2026	1.10%	3,357,706	1,247,617	2,110,089
Banco BPM	EUR	4,000,000	12/10/2019	6/30/2028	2.15%	2,639,829	564,815	2,075,013
Banco BPM	EUR	1,750,000	5/26/2021	5/31/2031	1.60%	1,315,179	169,539	1,145,639
Banco BPM	EUR	1,000,000	4/13/2022	4/30/2026	2.22%	675,254	285,121	390,133
Credit Agricole (ex Valtellinese)	EUR	400,000	6/6/2019	10/5/2025	1.35%	186,015	100,892	85,123
Credito Emiliano	EUR	400,000	11/29/2017	6/30/2024	1.22%	42,216	42,216	-
Simest	EUR	600,000	4/19/2021	12/31/2027	0.55%	360,000	90,000	270,000
Totale						8,576,198	2,500,201	6,075,997

The maturity dates of the loans shown in the table, where applicable, are those restated following the extended terms granted by the banks.

23. Employee benefits

12.31.2023	12.31.2022	Variations + (-)
1,122,129	962,857	159,272

The balance is composed as follows:

	Balance at 12.31.2022	Variations for the period	Balance at 12.31.2023
Defined contribution plans	590,641	145,398	736,039
Defined benefit plans (TFR)	372,216	13,874	386,090
	962,857	159,272	1,122,129

The increase compared to the previous year is mainly due to the changes in the liability set aside by the subsidiary Racing Force International Wll for the staff employed in Bahrain, which constitutes a defined contribution plan. A detail of the variation for the period is shown in the following table.

Balance at December 31, 2022	590,641
Accruals	168,677
Payments	(32,058)
Exchange rate impact	8,779
Balance at December 31, 2023	736,039

The balance as of December 31, 2023 includes 386,090 Euro of defined benefit obligations related to the personnel employed in Italy by Racing Force S.p.A., accounted for according to IAS 19 (372,216 Euro as of December 31, 2022).

The amount of the benefit to which each employee is entitled to is paid upon leaving the Group and is calculated on the basis of the period of employment and the taxable income of each employee. Under certain conditions, the amount can be partially advanced to an employee during his working life.

The Italian legislation ruling this subject was amended by Law 296 of December 27, 2006 and subsequent decrees and regulations issued in 2007. With these changes, companies with at least 50 employees were obliged to transfer the accrued defined obligation to the "Treasury Fund" managed by social security institution of the Italian State ("INPS") or complementary pension funds. Before the aforementioned legislation, the employee severance indemnity (TFR) of all Italian companies could be managed by the company itself. Subsequently, the obligation of the Italian companies towards INPS and the contributions to complementary pension funds take the form of defined contribution plans pursuant to IAS 19 - Employee benefits, while the amounts recorded as TFR up to December 31, 2006 maintain the nature of a defined benefit plan, determined in existence and amount but uncertain in its manifestation.

The amount of the defined benefit obligation is calculated and certified annually by an independent external actuary based on the "Projected unit credit" method, based on specific financial, actuarial and demographic assumptions. Actuarial gains and losses are recognized on an accrual basis directly within Equity.

The changes of defined benefit obligations in 2023 were as follows:

Present value of obligations at December 31, 2022	372,216
Service cost	-
Interest	12,425
Benefits paid	(14,754)
Other changes	-
Actuarial loss/(gain)	16,203
Present value of obligations at December 31, 2023	386,090

The main assumptions of the model are the following:

- Consistently with previous assessments, yields published by Markit on maturities 1-3Y, 3-5Y, 5-7Y, 7-10Y and finally 10+Y, were considered to construct an iBoxx Corporate AA "rate curve" as of December 31, 2023.

These interest rate values, ranging from 3.15% (1-3Y) to 3.17% (10+Y), were then used to calculate the present value of the flows for the purpose of quantifying Racing Force S.p.A.'s severance pay liability (for FY 2022 interests values ranging from 3.3381% (1-3Y) to 3.7686%);

- due to the uncertainties of future economic developments and the peculiarities of the Italian price market, in a prudential perspective, it was assumed an increase in the price index for blue and white collars (FOI index) of 2.3% for 2024 and 2% fixed for the following years (last year an inflation curve of 4.267% (Y1), 2.351% (Y2) and 2% for the following years was applied);
- the annual revaluation rate is equal to 75% of inflation plus one and a half percentage points;
- annual rates of increase in salaries were used according to the qualifications of the employees: managers 3.50%, middle managers / clerks / blue-collar workers 3.00%;
- the 2016 ISTAT survival table of the Italian population was used to estimate the mortality phenomenon within the collective of employees subject to the assessment. An INPS table differentiated according to age and sex was used to estimate the phenomenon of disability within the group of employees subject to the assessment;
- achievement of the minimum requirements of the Compulsory General Insurance (AGO) in line with the criteria defined by the Monti-Fornero law;
- considering the evolution of the data over the last 5 years, the frequency of turn-over slightly increased (from 3% to 5% per year), while the annual frequency of access to the right of anticipation has decreased (from 3% to 1% per year). Instead, a zero probability of early retirement was considered.

The discount rate is one of the valuation parameters that definitely has the greatest impact on the dimensioning of the defined benefit obligations ("DBOs"). According to the revised version of the standard (the so-called IAS19R) and with a view of providing a sensitivity analysis of the DBO to changes in the discounting rate of interest, a further assessment has been performed by introducing a -50bp shock to the adopted iBoxx Corporate "AA" rate curve.

As was natural to expect, lowering the rate leads to an increase in the DBO of 4.47%.

24. Provisions

12.31.2023	12.31.2022	Variations + (-)
356,907	356,907	-

The provisions as of December 31, 2023 include the liabilities set aside to cover the losses deriving from any commercial disputes and tax claims.

Provisions	12.31.2023	12.31.2022	Variations + (-)
Tax Claims	216,907	216,907	-
Other accrued liabilities	140,000	140,000	-
	356,907	356,907	-

The provision for tax claims relates to the amounts prudentially accrued to cover the tax credit originated against payments made by the parent company in relation to tax claims on VAT for the tax years 2008, 2010, 2011, 2012. In January 2024, the Court of Cassation upheld the Company's appeal regarding the 2008 tax year, remanding the case to the second-level Tax Justice Court for reevaluation in accordance with the guidelines outlined in the legitimacy judgment.

The other accrued liabilities refer to a single dispute that originated in 2007 with a commercial counterparty, which is still ongoing.

No changes recorded in the period.

25. Short Term Loans

12.31.2023	12.31.2022	Variations + (-)
1,263,779	2,488,016	(1,224,237)

The item refers to short-term loans, current account overdrafts and advances on invoices in relation to credit lines granted, with original maturity within twelve months.

The Group has credit lines with a plurality of financial institutions, such as to allow the adequacy of the financial resources that it requires. The summary of the short-term credit lines and balances as of December 31, 2023 is shown below:

Bank	Currency	Interest rate	ST credit lines limits in currency as of 12.31.2023	ST credit lines limits in Euro as of 12.31.2023	ST debt as of 12.31.2023
BNL	EUR	Euribor + spread	1,050,000	1,050,000	66,507
Unicredit	EUR	Euribor + spread	1,750,000	1,750,000	94,284
Bper Banca	EUR	Euribor + spread	900,000	900,000	198,213
Banco BPM	EUR	Euribor + spread	2,000,000	2,000,000	286,135
Credit Agricole	EUR	Euribor + spread	2,150,000	2,150,000	-
Intesa SanPaolo	EUR	Euribor + spread	2,500,000	2,500,000	306,976
Credem	EUR	Euribor + spread	850,000	850,000	300,000
Deutsche Bank	EUR	Euribor + spread	850,000	850,000	-
Monte dei Paschi di Siena	EUR	Euribor + spread	1,000,000	1,000,000	-
ASB	BHD	6.75%	350,000	843,373	-
PNC Bank	BHD	-	12,888	11,664	11,664
TOTAL			13,412,888	13,905,037	1,263,779

26. Trade payables

12.31.2023	12.31.2022	Variations + (-)
12,337,811	12,426,159	(88,348)

The variation compared to December 31, 2022 is mainly due to the higher value of purchases made during fiscal year, in line with the higher volumes of turnover and the increase in warehouse stock.

The breakdown of trade payables by geographical area, divided between Americas (AMER), Asia and Oceania (APAC) and Europe, Middle East and Africa (EMEA), is as follows:

Area	12.31.2023	12.31.2022	Variations + (-)
EMEA	11,675,034	11,651,483	23,551
AMER	283,166	319,022	(35,856)
APAC	379,611	455,653	(76,042)
	12,337,811	12,426,159	(88,348)

Only a country (Italy) individually accounts for more than 10% of the total trade payables recorded as of December 31, 2023, as well as of December 31, 2022.

The breakdown of the balance at the end of the year by age group is shown below:

	Not Due	Due 1 - 30 days	Due 31 - 90 days	Due 91 - 180 days	Due 181 - 365 days	Due > 1 year	Total
Trade payables	9,300,544	994,880	1,119,978	407,190	206,652	308,567	12,337,811

27. Due to related parties

12.31.2023	12.31.2022	Variations + (-)
58,675	171,076	(112,401)

Payables to related parties at December 31, 2023 are composed as follows:

Due to related parties	12.31.2023	12.31.2022	Variations + (-)
MSV Ltd	56,662	34,239	22,423
AXH Management Bv	-	18,010	(18,010)
Gabriele Pedone	-	69,123	(69,123)
GMP Consulting	2,013	5,290	(3,277)
Sports Business & Development Ltd	-	28,961	(28,961)
Tyrrell Properties Utc	-	15,452	(15,452)
	58,675	171,076	(112,401)

A complete disclosure of transactions with related parties is provided under the section Other Information – Relationships with related parties.

28. Other payables

12.31.2023	12.31.2022	Variations + (-)
2,013,957	1,890,804	123,152

Other payables at December 31, 2023 are detailed in the table below:

Other payables	12.31.2023	12.31.2022	Variations + (-)
Payable to personnel	972,849	997,141	(24,293)
Social Security payables	375,648	291,838	83,810
Deferred income	170,817	250,236	(79,419)
Other accrued payables	494,643	351,588	143,054
	2,013,957	1,890,805	123,152

The variance in Other accrued payables is mainly due to the increase in payables related to company credit cards.

29. Gross profit

	2023	2022	Variations + (-)
Revenue	62,656,072	58,872,869	3,783,203
Cost of sales	(23,995,364)	(22,090,948)	(1,904,416)
Gross profit	38,660,708	36,781,921	1,878,787

Group's revenues are mainly related to the sales of finished products to dealers, distributors, teams, car manufacturers and individual customers. The products offered by the Group consist of safety components for drivers (fireproof and anti-abrasive suits, helmets, intercoms, gloves, shoes and more) and for racing cars (seats, seat belts, steering wheels, roll bars, fire extinguishers and other car components), which are marketed under the OMP, Bell, Zeronoise and B2 brands. In addition, Sports Mini Line is the line dedicated to the sale of mini-helmets.

The breakdown of revenue by main category of products is reported below:

Category	2023	2022	Variations + (-)
Driver's equipment	45,043,360	43,023,514	2,019,846
Car parts	13,156,128	13,324,916	(168,788)
Other	4,456,584	2,524,439	1,932,145
	62,656,072	58,872,869	3,783,203

With regards to product categories, Driver's Equipment represents the main segment (45,043 thousand Euro, equal to 71.9% of total sales). With regards to product categories, sales of Driver's Equipment registered a 4.7% increase compared to 2022, thanks to the growth across all the main racewear products offered by the Group, with a significant increase in racing suits. Total turnover of Car Parts, amounting to 13,156 thousand Euro, closed the fiscal year with a slight decrease of -1.3%, compared to the previous year, primarily due to a different timing of supplies to some car manufacturers. The Other segment recorded a +76.5% growth, mainly due to the sales of Racing Spirit branded products, following the acquisition of the entire project by the Group during the previous year.

The breakdown of revenue by distribution channel is shown below:

Type	2023	2022	Variations + (-)
Dealers	38,919,381	37,999,302	920,079
Teams and car manufacturers	15,096,753	13,179,721	1,917,032
Other	8,639,938	7,693,847	946,092
	62,656,072	58,872,869	3,783,203

Dealers represent the main sales channel for the Group, accounting for 62.1% of total consolidated revenues (64.5% in 2022) with a 2% growth compared to prior year.

Compared to 2022, there is a notable increase in revenues towards Teams and car manufacturers (+14.5%) and Other (+12.3%), with both segments benefiting from significant partnership agreements signed by the Group.

The breakdown of revenue by geographical area, divided between Americas (AMER), Asia and Oceania (APAC) and Europe, Middle East and Africa (EMEA), is as follows:

Area	2023	2022	Variations + (-)
EMEA	40,975,660	36,841,277	4,134,383
AMER	14,744,881	15,998,932	(1,254,051)
APAC	6,935,531	6,032,660	902,871
	62,656,072	58,872,869	3,783,203

Group's revenues are generated in approximately 80 countries. Among these, in 2023 only three countries (United States, United Kingdom and Italy) individually exceed the 10% threshold of the Group's total revenues (the same countries were exceeding the threshold even in 2022).

In terms of geographical areas, countries in the EMEA and APAC macro-regions have recorded a significant double-digit growth, reaching +11.2% and +15.0% respectively, compared to previous year, driven by helmets and racing suits; Americas registered a decrease (-7.8%), mainly due to a one-off supply made during the previous fiscal year and to the weakening of dollar against euro compared to the last year's highs. Net of these effects, growth in the Americas would be +4.6%

The breakdown of the cost of goods sold by nature of expenditure is shown below:

	2023	2022	Variations + (-)
Raw materials	23,322,395	21,673,235	1,649,161
Change in inventory of finished and semi-finished goods	(2,625,907)	(3,561,123)	935,216
Transport and duties on purchases	2,782,571	3,446,675	(664,104)
Other costs related to purchases	516,305	532,162	(15,857)
	23,995,364	22,090,948	1,904,416

Variation compared to prior year is due to the increase of turnover during 2023, net of reduction of freight charges compared to the previous year.

Other costs include production waste, packaging and other minor purchases.

The gross margin in absolute value increased by 1,879 thousand Euro compared to the previous year; gross margin percentage, calculated as the ratio between gross margin and total revenues, is equal to 61.7% (62.5% in 2022). This variance is mainly due to a different breakdown of turnover and, particularly, to higher sales of products included in the macro-category Other, particularly apparel commercialized under the brand Racing Spirit, having a lower average marginality compared to other products sold by the Group.

30. Other income

	2023	2022	Variations + (-)
Other income	965,397	1,461,833	(496,437)

Other income includes 547 thousand Euro relating to sales of materials to suppliers (600 thousand Euro in 2022); 156 thousand Euro for development services provided as part of technical partnerships (308 thousand Euro in 2022); 169 thousand Euro of government grants, of which 148 thousand Euro received by the subsidiary Racing Force International Wll for new personnel hired (72 thousand Euro in 2022) and 21 thousand Euro as an energy bonus received by the parent company (27 thousand Euro in 2022).

The balance of the previous year included 175 thousand Euro of tax credit granted against the costs incurred for the listing on Euronext Growth Milan at the end of 2021, as stated by Article 1, paragraphs 89 to 92, of Law No. 205 of December 27, 2017 (Financial Statements Law 2018 - *Legge di bilancio 2018*).

31. Selling and distribution expenses

	2023	2022	Variations + (-)
Selling and distribution expenses	(10,048,283)	(9,267,540)	(780,743)

Details of the expenses incurred by the Group in 2023 are reported in the following table:

Selling and distribution expenses	2023	2022	Variations + (-)
Technical partnerships and sponsorships	6,336,651	5,522,727	813,924
Freight out	2,813,842	2,734,139	79,703
Commissions and other cost on sales	897,791	1,010,674	(112,883)
	10,048,283	9,267,540	780,743

Technical partnerships mainly refer to the portion of costs related to the fiscal year deriving from contracts entered into with leading car manufacturers and teams, for which there was an increase compared to the previous year, due to a higher number of agreements signed in 2023 compared to the prior year.

The increase in freight out is due to the higher turnover recognized in 2023 compared to 2022.

The decrease in commissions and other cost on sales is related to lower royalties for the year, following the change in the sales model of mini helmets for some major Teams and car manufacturers, which led to a decrease in sales subject to royalties, against an increase in direct sales to Teams and car manufacturers.

32. General and administrative expense

	2023	2022	Variations + (-)
General and administrative expenses	(19,635,029)	(16,935,192)	(2,699,837)

The breakdown of general and administrative expenses incurred by the Group during the fiscal year is reported in the following table:

General and administrative expenses	2023	2022	Variations + (-)
Personnel	13,893,437	11,726,455	2,166,982
Professional fees	1,728,825	1,813,609	(84,784)
Compensation to BoD	807,441	811,815	(4,374)
Utilities	785,083	629,106	155,977
Repair & maintenance	493,738	399,020	94,718
Travel expenses	667,211	610,231	56,980
Rent	270,719	163,943	106,776
Insurance	207,678	107,514	100,163
Bank charges	196,630	174,619	22,012
Other G&A	584,266	498,879	85,387
	19,635,029	16,935,192	2,699,837

Personnel costs include wages and salaries for the employees of Group's companies for 10,561 thousand Euro (8,955 thousand Euro in 2022), as well as social security and other expenses relating to personnel for 3,333 thousand Euro (2,771 thousand Euro in 2022). The increase compared to the previous year is mainly due to the higher number of employees within the Group, as detailed in note 39 - Other information.

The increase in Utilities refers mostly to costs incurred in the six-months period for the new ERP software licenses, which has been implemented in the consolidated company Racing Force International Wll.

The increase in Rent expenses is mainly attributable to the new store in California, to the payment of some rent expenses related to Miami offices before moving to the new headquarter located in Doral and to the rental of an external warehouse next to the building in Ronco Scrivia, to meet the growing logistical capacity needs, while the expansion plan is ongoing.

Higher Insurances costs during 2023 are mainly due to the insurance coverage required for the provision of services related to the Driver's Eye technology in the United States, in addition to the increase in insurance expenses for company cars.

The change in travel expenses is linked to the end of restrictions imposed in the previous years to face the Covid-19 pandemic and, consequently, the higher number of business travels from employees in the current fiscal year.

The other general and administrative costs mainly refer to consumables and other management costs. Furthermore, the item includes 31,500 Euro of fees to the board of statutory auditors of the parent company Racing Force S.p.A. (31,500 Euro in 2022).

33. Other expenses

	2023	2022	Variations + (-)
Other expenses	(323,133)	(385,376)	62,243

Other expenses mainly refer to costs for research incurred during the period and development costs not meeting the requirements for capitalization for 179 thousand Euro (164 thousand Euro in 2022), costs booked in the current fiscal year referring to previous years for 25 thousand Euro (64 thousand Euro in 2022), in addition to taxes other than income taxes and other charges for 98 thousand Euro (95 thousand Euro in 2022). In 2022, the amount also included 43 thousand Euro of losses from the sales of machinery booked by the parent company.

34. Bad Debt and write-off

	2023	2022	Variations + (-)
Bad Debt and write off	(332,542)	(141,268)	(191,274)

The balance is due to 200 thousand Euro bad debt provision (77 thousand Euro in 2022) and 132 thousand Euro accrual for stock obsolescence (27 thousand Euro in 2022). The balance in 2022 included also 37 thousand Euro accrual on tax credits.

35. Depreciation

	2023	2022	Variations + (-)
Depreciation	(3,008,719)	(2,700,862)	(307,857)

The breakdown of depreciation by consistent categories of assets is provided in the comment to the items relating to intangible and tangible assets. The detail of depreciation by category of asset is provided below:

Type	2023	2022	Variations + (-)
Intangible Assets	1,294,929	1,138,164	156,765
Right of use assets	736,317	601,563	134,754
Property, Plant & Equipment	977,472	961,134	16,338
	3,008,719	2,700,862	307,857

Changes compared to the previous year are due to the investments made by the Group in 2023 and to assets entered into service that were booked under Work in progress and advances at the end of the previous fiscal year.

36. Finance income and costs

	2023	2022	Variations + (-)
Finance income	202,681	397,811	(195,131)
Finance costs	(711,371)	(497,840)	(213,530)
Net Finance result	(508,690)	(100,029)	(408,661)

Financial income and costs are recorded on an accrual basis during the fiscal year.

The composition of finance income and costs is detailed in the tables below:

Finance income	2023	2022	Variations + (-)
Bank interest income	194,796	38,466	156,330
Interests with SAYE S.p.A.	1,100	-	1,100
Other interest income	6,784	4,799	1,985
Foreign exchange income	-	300,058	(300,058)
Gain on sale of Racing Spirit LLC	-	54,488	(54,488)
	202,681	354,546	(354,546)

Bank interest income in 2023 refers to amounts accrued on the parent company ordinary bank account for 173 thousand Euro and to interest income on the deposit signed with ASB by the consolidated company Racing Force International WII for 22 thousand Euro.

Finance costs	2023	2022	Variations + (-)
Foreign exchange loss	312,906	-	312,906
Banks debt	258,632	392,322	(133,691)
Interest leasing IFRS 16	127,408	92,356	35,052
Interest IAS 19	12,425	4,529	7,896
Other finance costs	-	8,633	(8,633)
	711,371	497,840	213,530

The decrease in interest expense on bank borrowings is due to the lower average level of indebtedness during the period.

Foreign exchange losses consist of 180 thousand Euro arising from negative exchange differences realized during the six-month period and 144 thousand Euro of unrealized negative exchange rate differences, mainly due to the effect of the appreciation of the Euro on liabilities booked in that currency in the consolidated companies Racing force International WII and Racing Force USA Inc., having respectively Bahrain Dinar and US Dollar as functional currencies.

37. Taxes

Income taxes recognized in profit / (loss) for the year

	2023	2022	Variations + (-)
Taxes	(976,438)	(1,164,425)	187,987

The composition of the balance as of December 31,2023 is as follows:

Taxes	2023	2022	Variations + (-)
Current income taxes	872,473	1,195,842	(323,369)
Prior year taxes	-	762	(762)
Deferred taxes	103,966	(32,180)	136,145
	976,438	1,164,425	(187,987)

Current taxes refer to income taxes for the fiscal year, calculated analytically by each company in the Group.

Deferred taxes concern positive or negative income components respectively subject to taxation or deduction in periods other than the current one.

Reconciliation of the effective tax rate

	2023	2022	Variations + (-)
Net profit before taxes	5,769,709	8,713,488	(2,943,779)
Income tax using the Italian tax rate	24.0% 1,384,730	24.0% 2,091,237	(706,507)
Impact from different tax rate in other countries	(9.6%) (554,994)	(10.6%) (925,842)	370,848
Impact from non deductible expenses	1.6% 93,504	1.1% 94,786	(1,282)
Impact from non taxable income	(4.2%) (244,923)	(3.0%) (259,655)	14,732
Impact from taxes related to prior year	0.0% -	0.0% 762	(762)
Other	2.2% 124,334	(0.3%) (26,875)	151,209
Effective tax rate	13.9% 802,651	11.2% 974,413	(171,762)
IRAP	173,787	190,012	(16,225)
Total taxes for the period	976,438	1,164,425	(187,987)

IRAP is excluded from the calculation of the effective tax rate, as it is calculated on a taxable basis other than the net profit before taxes of the fiscal year.

Changes in current taxes during fiscal year

	12.31.2023	12.31.2022	Variations + (-)
Tax receivables			
current	1,515,390	1,289,888	225,502
non current	263,106	280,081	(16,975)
Total tax receivables	1,778,496	1,569,969	208,527
Tax payables			
current	4,246	598,777	(594,532)
non current	-	-	-
Total tax payables	4,246	598,777	(594,532)

Tax credits are mainly due to VAT credit and include 131 thousand Euro for receivables related to tax prepayments paid from the parent Company during the year, net of accrued taxes for the year still to be paid.

Tax payables refer mainly to income taxes accrued for the fiscal year by the consolidated entities.

Changes in deferred taxes during the year

	12.31.2023	12.31.2022	Variations + (-)
Deferred tax assets			
current	-	-	-
non current	610,144	582,313	27,831
Total deferred tax assets	610,144	582,313	27,831
Deferred tax liabilities			
current	-	-	-
non current	(23,410)	-	(23,410)
Total deferred tax assets	(23,410)	-	(23,410)

Deferred tax assets and liabilities are calculated using the current tax rates applicable in each country.

Below is the breakdown of the movements in deferred taxes at December 31, 2023:

	12.31.2023	12.31.2022	Variations + (-)
Deferred Tax Assets			
Listing costs IAS 32	300,894	322,735	(21,841)
Intra-group margin in stock	249,369	215,740	33,629
Goodwill	-	6,069	(6,069)
Defined benefit plan under IAS 19	9,223	5,334	3,889
Other deferred tax assets	50,658	32,435	18,223
	610,144	582,313	27,831
Deferred Tax Liabilities			
Goodwill	(21,962)	-	(21,962)
Unrealized Fx rate differences	(1,448)	-	(1,448)
	(23,410)	-	(23,410)

The breakdown of taxes by type is shown below:

Type	Amount 12.31.2023	Deferred Tax Assets 12.31.2023	Amount 12.31.2022	Deferred Tax Assets 12.31.2022
Listing costs IAS 32	771,172	300,894	1,156,758	322,735
Intra-group margin in stock	893,795	249,369	773,261	215,740
Goodwill	-	-	21,752	6,069
Defined benefit plan under IAS 19	33,056	9,223	19,119	5,334
Other differences	195,266	50,658	121,054	32,435
	1,893,289	610,144	2,091,943	582,313

Type	Amount 12.31.2023	Deferred Tax Liabilities 12.31.2023	Amount 12.31.2022	Deferred Tax Liabilities 12.31.2022
Goodwill	(78,718)	(21,962)	-	-
Unrealized Fx rate differences	(6,034)	(1,448)	-	-
	(84,752)	(23,410)	2,372,100	657,757

The main amount at the end of December 31, 2023 relates to the deferred tax assets resulting from costs incurred for the listing on EG Milan, booked among Equity, and to the deferred tax assets resulting from the elimination of the intra-group unrealized margin on the sales of Racing Force S.p.A. to the American subsidiary Racing Force USA Inc., with reference to the products recorded in the subsidiary's inventories at the end of the year.

38. Risk Management

The Group operates in a free market and it is therefore exposed to risk factors and uncertainty.

The Group has set up mechanisms and procedure at the level of each consolidated entity for the constant monitoring of the foregoing risks, so as to avoid potential negative effects and implement any actions required to contain those risks. In this connection, below is a more detailed qualitative and quantitative analysis of each type of risk.

Main risks considered by management to be at medium and significant materiality are the following:

Risks associated with the Russian-Ukrainian conflict

The conflict between the Russian Federation and Ukraine and the sanctions imposed by Europe, the United Kingdom and the United States, risk having very significant impacts on the international economy and on businesses. Regardless of how the current crisis is resolved, the consequences could be long-term and negatively affect economic activities of companies and, particularly, the cost of energy supplies.

In this context of great uncertainty and geopolitical instability, the Group carefully monitors the evolution of the conflict and the risk of spreading to other countries.

Starting from 2022, the Group has no credit exposure and ceased any export activities to Russian clients. Additionally, initiatives have been launched with the aim of enhancing energy efficiency at the Ronco Scrivia headquarters. Investments are also planned in Bahrain, with the same goal of achieving energy cost savings and mitigating the risk of future price increases, even though a decrease in rates in 2023 compared to the previous fiscal year has been recorded.

Risks associated with the procurement and price fluctuation of raw materials

Several of the Group's products are the result of complex production processes that require the use of raw materials available in illiquid goods markets characterized by a small number of suppliers at the world level. Any production planning problems, delays in supplies and/or difficulties in the procurement of raw materials could have an impact on costs, especially in the event that replacement material is not promptly available.

In recent years, also influenced by the Russian-Ukrainian crisis, various sectors from which the Group procures its supplies, have recorded an increase in the price of certain noble metals, other basic raw materials and strategic advanced components, and a shortage or delay in the supply of electronic materials that led to a rapid increase in prices, with a consequent increase in purchase costs as well as problems in the supply chain.

The recent worsening of tensions in the Gaza Strip, as a consequence of the conflict between Israel and Palestine and the attacks on naval traffic in the Red Sea since late 2023 are likely to exacerbate the volatility of commodity prices (oil and natural gas) and hinder the Group's logistics.

As regards the risk of shortage or delay in the supply of raw materials, the risk is mitigated through a careful planning of the purchases by the Group.

Where necessary, alternative routes for shipments from Bahrain to the Group's other locations have also been identified.

As to the increase of prices of raw materials, the risk is however mitigated by the capacity of the Group to re-charge any price increase to final customers.

Risks associated with the product liability and brand awareness

The products manufactured and distributed by the Group can be divided into two macro categories: homologated and non-homologated products.

In both cases, any defects in the design or manufacture of the Group's products could expose the Group itself to the risk of liability to third party and consequent claims for damages.

With regard to homologated products, then, the Group, as manufacturer, has the responsibility to homologate them in compliance with FIA standards. In this respect, the Group also has in-house laboratories that are able to carry out in-house tests on products that will then be carried out by FIA-accredited laboratories to verify compliance with homologation regulations.

Furthermore, pursuant to the regulations in force in Italy (art. 114 of Legislative Decree no. 206/2005, the so-called Consumer Code) and abroad on product liability, any design or manufacturing defects in both homologated Products and non-homologated offered by the Group could expose it to the risk of liability actions by third parties and, consequently, to potentially significant claims for damages.

Although no action for damage has so far been brought against the Group, and insurance coverage in relation to product liability is in place, it cannot be excluded that such actions may be brought against it in the future.

Furthermore, one of the key factors in the Group's success is the recognizability of Racing Force Group's brands, namely OMP and Bell Helmets, which have been in the market of safety equipment.

This recognition is influenced by many factors, such as the high quality of craftsmanship, creativity, attention to detail, the ability to meet the needs of individual customers and the presence. Moreover, the Group constantly strives to maintain and increase its brands recognition through advertising and promotional campaigns, including on social networks, as well as implementing communication and branding strategies.

Should, in the future, brand awareness is not effectively maintained and developed by the Group, this could result in a negative impact on the reputation and, therefore, on the economic and financial situation of the Group itself, arising out in connection with (i) the possible confusion of the Group's brands with those of other companies operating in the same field, (ii) the inability to communicate to the market the distinctive values of its brand and to maintain them over time, or (iii) the spreading by third parties of partial, untrue or defamatory information about the Group and (iv) the inability to attract and/or retain customers.

The risk is mitigated by the tightly controlled process that products need to go through before the commercialization: i) first of all the manufacturer has to be authorized and recognized by FIA to produce; ii) there are regulations and technical standards issued by FIA to which products must comply with; iii) tests are performed in third-party FIA authorized laboratories.

Risks associated with implementing future strategies and programs

The Group is exposed to the risk of not being able to achieve its growth strategy, or of not achieving it within the planned time frame, if the basic assumptions on which it is based, including the assumptions in the business plan, prove to be incorrect or if the strategy does not produce the expected results for other reasons, including those outside the Group's control.

Although no significant deviations from the estimates made by management have been found in the past, the estimates and assumptions contained in this document, although currently considered reasonable, may prove to be incorrect in the future also due to the occurrence of unforeseen factors and/or circumstances other than those considered, which could impact the Group's results or performance.

Risks associated with protection of the Group's know-how and industrial secrets

To make the production processes increasingly efficient and, consequently, to make the product offerings competitive, the Group must continually update its technologies, also by investing in research and development; should the Group not be able to acquire or adequately develop the technologies currently available, or those available in the future, it may have to change or reduce its development objectives or see its competitive strength reduced.

The Group, as owner of IP assets that are worth and strategic for their success on the market, is subject to risks related to their protection and is actively engaged in the implementation of actions aimed at containing and, possibly, eliminating such risks of undue use of such intangible assets, directly bearing the related costs.

The Group has implemented both internal and external procedures aimed at the protection of the know-how internally developed.

Main risks considered by the management to be of low materiality are the following:

Credit risk

The financial activities of the Group are to be considered as of good credit quality.

Customers are selected after being carefully evaluated under a commercial and financial standpoint. Many of the Group's top customers are historical and loyal partners, with a good financial capacity and a demonstrated track in terms of reliability and timing of payments. For these reasons, the risk of bad debt is well below the normal standards deemed physiological by the bank system for any commercial enterprise. The current size of the bad debt provision is in fact such as to cover all the positions considered to be of possible risk. Based on these elements, the Group has evaluated not to proceed with credit risk hedging actions with any insurance tools.

Liquidity risk

The liquidity risk is related to the ready availability of sufficient cash and financial resources when needed to meet commitments associated with financial instruments and carry out operations and planned investments.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring losses or risking damage to the reputation of any of the Group's entities.

There are no significant risk factors for the Group, considering that the credit lines granted by the banks are largely adequate for the current business needs.

Market risk

The specific market risks to which the Group is exposed are those arising from fluctuations in exchange and interest rates.

As regards the interest rate risk, the Group has covered its exposure on medium-long term debt positions recurring to fixed interest rates. Therefore, based on the current composition of debts, the Group did not deem it necessary to resort interest rate risk hedging instruments.

As for the exchange rate risk associated with commercial relations with foreign customers and suppliers, for which transactions are not regulated in the functional currency of each of the consolidated entities, the risk is mitigated by the fact that the total volumes of transactions in foreign currency are lower than the volumes made in functional currency. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly. Under these circumstances, the Group did not consider it necessary and / or appropriate to enter into financial hedging instruments.

Other risks considered by management to be at low materiality are risks associated with products counterfeiting, risks associated with the license agreements to use the Bell Helmets trade mark, risks associated with key people, risks associated with the loss of qualified resources and the difficulty of finding new ones, risks associated with APIs (Alternative Performance Indicators), risks associated with transactions with related parties, risks associated with the price fluctuation of raw materials, risks associated with international activities and regulations in the various markets in which the Group operates, risks associated with compliance with workplace safety regulations, risks associated with tax

regulations, risks associated with potential conflicts of interest of directors, risks associated with the failure to adopt the organizational model pursuant to Legislative Decree no. 231/2001, risks connected to potential overdue tax payables, risk of interruption of production and catastrophic events. Management does not consider that these risks can have a significant influence on the financial statements.

39. Other Information

Personnel

The following table shows the number of employees of the Group of December 31, 2023 and the average for the year, broken down by homogeneous categories.

Headcount	12.31.2023	Average 2023	12.31.2022	Average 2022
Managers	54	53	43	41
Employees (office)	124	119	111	103
Warehouse / Production	375	383	356	321
Total	553	555	510	465

The increase in the total number of employees compared to the previous year is mainly due to the hiring of personnel in the production facilities of the Group.

Fees to Directors and Statutory Auditors

	2023	2022	Variations + (-)
Board of Directors	807,441	811,815	(4,374)
Statutory Auditors	31,500	31,500	-

Fees paid to the Board of Directors refer to the parent company Racing Force S.p.A. and to other consolidated companies, where applicable.

The fees to the statutory auditors are those referred to the parent company Racing Force S.p.A.

Fees to Independent Auditors

	2023	2022	Variations + (-)
KPMG Italy - audit	45,000	45,000	-
KPMG Bahrain	15,120	15,152	(32)
Total	60,120	60,152	(32)

Fees to KPMG Italy - audit relate to the financial statements of Racing Force S.p.A. for 22 thousand Euro, to the Group's consolidated financial statements for 12 thousand Euro and to the limited audit of the half-yearly consolidated financial statements for 11 thousand Euro.

Fees to KPMG Bahrain refer to the audit of the financial statements of Racing Force International Wll.

These values do not include monetary revaluation and expenses.

Donations and contributions

During the fiscal year the parent company made in kind donations for 10 thousand Euro to the association San Francesco Onlus of La Spezia.

Commitments, guarantees and contingent liabilities

There are no commitments, guarantees or potential liabilities not shown in the financial statements, with the exception of the mortgage related to the building in Ronco Scrivia against the loan granted by Banco BPM during 2021, for a residual amount of 1,324,366 Euro as of December 31, 2023.

Derivative financial instruments

The Group did not invest in derivative financial instruments.

Relationships with related parties

All the balances with related parties at year end are disclosed throughout the Notes to these consolidated financial statements.

A summary of the balances with related parties of December 31, 2023 and the transaction recorded in the Profit and Loss during the fiscal year is provided below.

Related party	Relationship	Receivables	Payables	Revenue	Costs
SAYE S.p.A.	A	1,041	-	1,887	-
KJK Protective Technologies LLC	B	40,202	-	1,100	-
GMP Consulting	B	-	2,013	-	7,013
Nehoc Systems Ltd	B	-	-	7,524	-
AXH Management Bv	C	-	-	-	123,495
MSV Ltd	C	-	56,662	-	217,576

A: parent company; B: Subsidiaries' shareholders and top managers; C: companies controlled by shareholders or top managers of consolidated entities.

Revenues from SAYE S.p.A., and the corresponding receivable as of year-end, are related to the profit realized under the liquidity agreement with TP ICAP – Midcap division.

The balances as of December 31, 2023 include the loan to KJK Protective Technologies LLC for Euro 40,000 in addition to interest accrued and not yet collected at the end of the period for Euro 202.

GMP Consulting provides accounting and administrative consultancy to the subsidiary Racing Force Holdings Sarl

The revenues from Neoch Systems Ltd are related to sales of non-technical apparel under Racing Spirit brand.

AXH Management BV and MSV Ltd are companies which provided technical and operational services, as well as research and development support, respectively managed by the Chief Operating Officer (COO) and the Chief Technical Officer (CTO) of the Group.

All other commercial relations with related parties were concluded under normal market conditions.

Material events arising after the balance sheet date

Events occurring after the end of the period that highlight conditions already existing at the reporting date and requiring changes to the values of assets and liabilities, in accordance with the relevant accounting standard, are recognized in the financial statements, in accordance with the postulate of accrual, to reflect the effect that such events have on the financial situation and on the economic result at the end of the year.

Events occurring after the end of the period that indicate situations arising after the balance sheet date, which do not require changes in the balance sheet values, in accordance with the provisions of the relevant accounting standard, as they pertain to the following year, are not recognized in the financial statements but are illustrated in the explanatory notes, if deemed material for a more complete understanding of the situation of the Group.

On January 25, 2024, the parent company Racing Force S.p.A. signed a loan agreement with Banco BPM for Euro 4 million, duration of 7 years, at a variable interest rate equal to the Euribor 3-month plus a spread of 0.90%, primarily aimed at supporting the Group's investment plan currently being implemented.

As regards the conflict between Russian Federation and Ukraine, there's great uncertainty at global level about the impacts the war will produce on the global economy and businesses. To date, no significant effects have been incurred on operating results of the Group, but it will be necessary to wait for the evolution of the situation over the course of the year.

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