



Racing Force Group

Consolidated financial statements
as at and for the year ended 31 December 2021
(with independent auditors' report thereon)



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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

*To the Shareholders of
Racing Force S.p.A.*

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Racing Force Group (formerly OMP Racing Group, the "group") at 31 December 2021, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Racing Force Group as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Racing Force S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the



related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2021 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2021 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2021 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Genoa, 13 April 2022

KPMG S.p.A.

(signed on the original)

Andrea Carlucci
Director of Audit

RACING**FORCE**GROUP



ANNUAL FINANCIAL REPORT *AS OF DECEMBER 31, 2021*

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
Share capital: Euro 2,375,745.00 fully paid-up
VAT number: 02264760105

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

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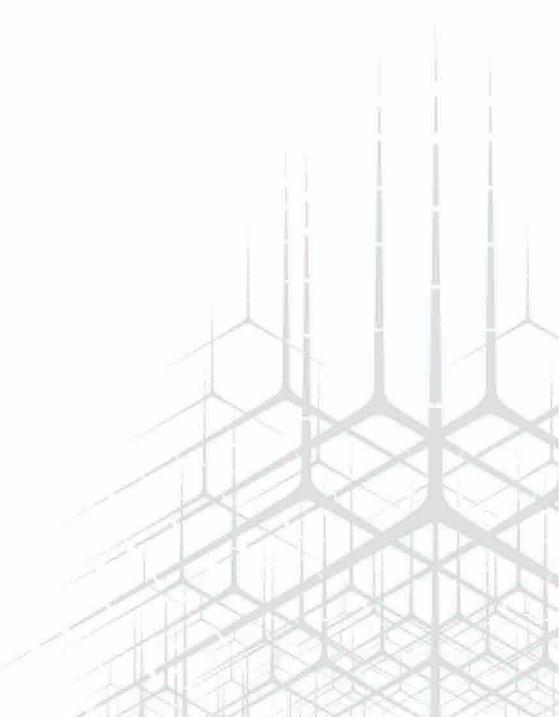
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RACING
FORCE
GROUP



Board of Directors' Report
on the Operations and Situation
of the Group in the year
ending December 31, 2021



Board of Directors' Report on the Operations and Situation of the Group in the year ending December 31, 2021

General Information

The consolidated financial statements as of December 31, 2021 of Racing Force Group (formerly OMP Racing Group¹), 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 2021, 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.

The Group structure as of December 31, 2021 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, 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.

In detail, the following events took place during 2021.

- In February 2021 Racing Force S.p.A. acquired 100% of the shares of the company Pier S.r.l., owner of the building located in Ronco Scrivia where the company is based, for 3 million Euro. Subsequently, on May 14, 2021, Pier S.r.l. was merged by incorporation into Racing Force S.p.A.

Following this operation, Racing Force S.p.A. reported a difference from the merger of 188,739 Euro, allocated to the value of the building.

- At the end of March 2021, the Group acquired the remaining 35% of the minority stakes in the following companies based in the United States, as summarized in the following table:

Target Entity	Buyer	Purchase Price (in USD)
Bell Racing USA LLC	Racing Force USA Inc.	570,236
Head Protection Technologies LLC	2SM Inc.	128,327
Head Pro Tech LLC	2SM Inc.	48,157

After these transactions, all the companies included in the consolidation area are 100% controlled by the Group.

In accordance with IAS 27, these transactions have been accounted for as transactions between owners in equity, without any profit or loss recognized in the income statement. The difference between the fair value of the consideration paid and the existing book value of the minority interests was recognized directly in the shareholders' equity attributable to the Group (386,685 Euro).

¹ On August 31, 2021, the extraordinary Shareholders' Meeting of Racing Force S.p.A. approved the change of company name from OMP Racing S.p.A. to Racing Force S.p.A.

- On March 10, 2021, the Shareholders' Meeting of Racing Force S.p.A. approved the purchase of no. 34,633 own shares with a value of Euro 1.00 each at the price of Euro 650,747.00, equal to 1.80% of the capital of Racing Force S.p.A., by the company SAYE S.p.A.; the aforementioned shares were subsequently sold at the price of Euro 650,747.00, to Mr. Kyle Kietzmann, current COO of Racing Force USA Inc., with waiver of the right of preemption due to the shareholders.

- In April 2021 Racing Force USA Inc. changed its corporate name from OMP Racing Inc. to Racing Force USA Inc. and subsequently, with effect from June 1, 2021, Bell Racing USA LLC was merged by incorporation into Racing Force USA.

- On June 21, 2021, the Board of Directors of Racing Force S.p.A. approved a paid capital increase on Racing Spirit Llc for a total of Euro 200 thousand (USD 240 thousand), reserved equally in favor of the two shareholders of the associated company. The share reserved for Racing Force S.p.A. was paid in July 2021.

- On August 12, 2021, the Extraordinary Shareholders' Meeting of the subsidiary Racing Force Holdings Sarl approved the change of its corporate name from Bell Racing Holdings Sarl to Racing Force Holdings Sarl.

- In September 2021 the subsidiary High Protection Systems SA changed its corporate name from Bell Racing Europe SA to High Protection Systems SA.

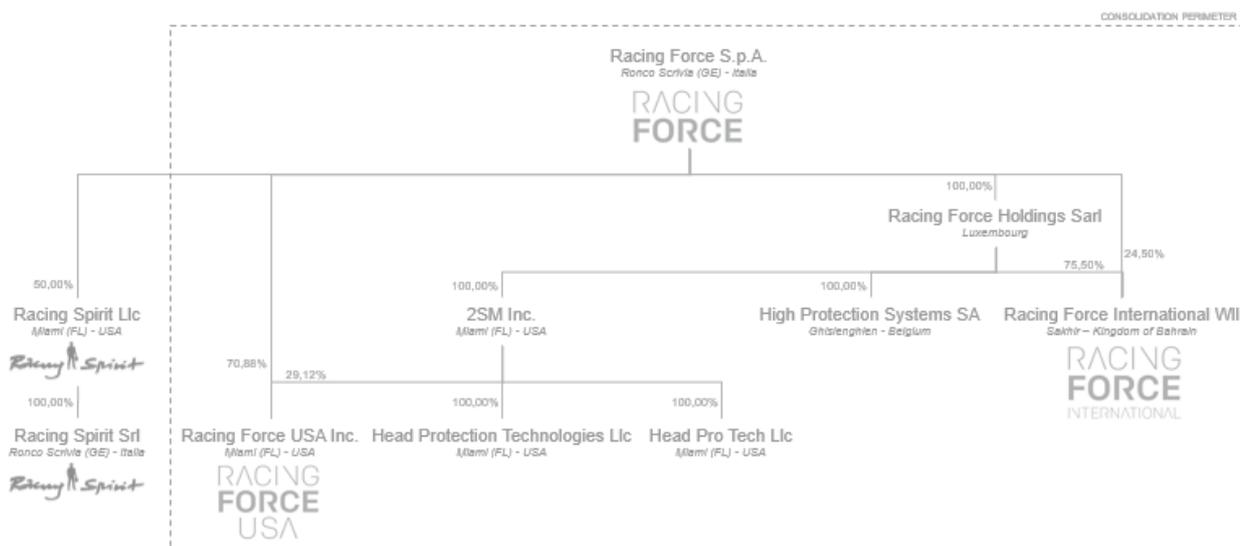
- On October 5, 2021 the Shareholders' Meeting of Racing Force International Wll approved the change of the company name from Bell Racing Helmets International Wll to Racing Force International Wll.

- At the end of October 2021, the subsidiary Zeronoise LTD was liquidated and the residual assets, consisting of the ZN Zeronoise brand, the patent for the Driver's Eye and the remaining cash were distributed to the direct parent company Racing Force International Wll.

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 in 2021 that require to indicate the reasons and interests affected.

The structure of the Group at the end of 2021, 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.).

Today, OMP products are used by drivers and teams in world racing championships including Formula 1[®], World Rally Championship – WRC, World Endurance Championship - WEC, Rally Cross World Championship - RX, Formula E, IndyCar, NASCAR. 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, FIA-Karting, 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. In 2021, 11 out of 20 Formula 1[®] drivers wear 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 and Road Racing. All products comply with or exceed the industry's most demanding helmet safety standards including FIA and Snell.

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).

Moreover, Zeronoise developed the world first in-helmet camera for real-time TV broadcasting homologated with a helmet by FIA: it is the *Driver's Eye*, which made its debut in Formula E in 2020 and in Formula 1[®] in 2021. Following the positive feedback on this technology, in 2021 an agreement was signed with the F1[®] promoter for the use of the technology in the 2022 season.

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.

RACING SPIRIT

The brand Racing Spirit was established in 2012, with the vision of making car racing specific clothing 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.

Performance of operating activities

After the events related to the Covid-19 epidemiological emergency that shook the entire world economy during 2020, fiscal year 2021 showed important signs of growth for the Group, which is recognized today as one of the main global players in the motorsport business, mainly due to the following reasons: i) the continuous research for innovation and the offer of new products, ii) the constant improvement of existing products, as required by the ultimate homologation parameters, iii) the completeness of the range of products offered by the Group, following the integration of OMP, Bell Helmets and Zeronoise brands, iv) the almost complete coverage of the world market thanks to intra-group synergies.

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 30 FIA World Championship titles won in the last 4 years. The catalogs of the brands distributed by the Group offer a complete range of more than 2.000 safety and performance products designed for race cars, drivers and amateurs.

During 2021, the Group significantly increased its sales (+38.4% compared to 2020, equal to +12.9 million Euro) and its margin. Excluding listing² costs recognized through the profit and loss, adjusted EBITDA increased by 67.0% compared to 2020, thanks also to constant and careful planning and control of expenses in all Group companies, amounting to 19.2% of revenues.

These very positive results are mainly due to the effect deriving from the process of integration of the businesses acquired at the end of 2019, which in 2020 had not yet been able to fully express their potential due to the pandemic and to their recent acquisition.

During 2021, the Group has been able to further increase its presence in the motorsport business, thus becoming one of the undisputed leaders in the world: the commercial agreements signed with leading market partners, teams and car manufacturers, have granted a greater visibility and consolidation of turnover and margins. The products of the Group, which are now considered the state of the art in the motorsport safety equipment market, are currently used by the top drivers in the main world competitions managed by FIA. Furthermore, during the year the Group renewed the technical partnership agreement with FIA, operational since 2012, on a multi-year basis.

² A description of the listing on EG Milan stock exchange market is provided under the paragraph *Significant events in the fiscal year*.

Summary of consolidated financial data

The main figures related to the performance of the Group in 2021, compared with prior year, are reported in the tables below.

Financial data for fiscal year

	2021	% of Revenue	2020	% of Revenue	Variance
Revenue	46,674,333		33,733,308		12,941,025
Gross profit	27,203,485	58.3%	20,135,374	59.7%	7,068,111
EBITDA	7,900,679	16.9%	5,362,679	15.9%	2,538,000
Costs incurred for IPO EG Milan	1,053,586	2.3%	-	-	1,053,586
Adjusted EBITDA	8,954,265	19.2%	5,362,679	15.9%	3,591,586
Bad Debt and write offs	138,111	0.3%	212,002	0.6%	(73,891)
Depreciation	2,251,467	4.8%	2,304,893	6.8%	(53,426)
EBIT	5,511,101	11.8%	2,845,784	8.4%	2,665,317
Adjusted EBIT	6,564,687	14.1%	2,845,784	8.4%	3,718,903
Finance income/(loss)	(276,040)	0.6%	(699,668)	2.1%	423,627
Taxes	1,067,392	2.3%	709,030	2.1%	358,362
Net result	4,167,669	8.9%	1,437,087	4.3%	2,730,582
Adjusted net result	4,927,304	10.6%	1,437,087	4.3%	3,490,217
Cash flow from operations	4,455,075	9.5%	2,366,490	7.0%	2,088,585
Adjusted cash flow from operations	5,508,661	11.8%	2,366,490	7.0%	3,142,171
Dividends paid to Shareholders	1,285,978	2.8%	21,250	0.1%	1,264,728

Financial data at year-end

	12.31.2021	12.31.2020	Variance
Total Assets	64,909,689	44,154,689	20,755,000
Fixed Assets	21,239,849	18,610,800	2,629,049
Net Working Capital	11,717,841	9,849,436	1,868,404
Other items in working capital	865,249	(73,301)	938,550
less LT & Accrued provisions	3,234,883	4,359,456	(1,124,573)
Net Invested Capital	30,588,056	24,027,480	6,560,576
Net Financial Position	670,887	15,541,642	(14,870,755)
Group Equity	29,917,169	8,187,408	21,729,761
NCIs	-	298,430	(298,430)
Financial Sources	30,588,056	24,027,480	6,560,576

Net Financial Position

	12.31.2021	12.31.2020	Variance
Debts with banks (A)			
- Short term	7,894,319	9,381,791	(1,487,472)
- Long term	10,874,527	11,904,728	(1,030,201)
Cash and cash equivalents (B)	17,752,959	4,254,877	13,498,082
Finance active loans (C)			
Long term loan to the Parent company	-	1,490,000	(1,490,000)
Short term loan to Racing Spirit Llc	265,000	-	265,000
Long term loan to KJK Protective Technologies LLC	80,000	-	80,000
Net Financial Position: A) - B) - C)	670,887	15,541,642	(14,870,755)

Main financial KPIs

	12.31.2021	12.31.2020
Coverage of Fixed Assets		
(Net Group Equity + LT debt) / Fixed Assets	1.92	1.08
Coverage of Net Working Capital		
ST debt / Net Working Capital	0.67	0.95
Debt - Equity ratio		
(Current liabilities + Non current liabilities) / Net Group Equity	1.17	4.36
Net Financial position / Net Group Equity	0.02	1.90
Capitalization		
Net Group Equity / Total Assets	0.46	0.19
Net Group Equity / Net Invested Capital	0.98	0.34
Liquidity ratio		
Working Capital / Current operating Liabilities	1.92	1.92
Net Financial position / Net invested capital	0.02	0.65

Main economical KPIs for the fiscal year

	2021	2020
ROIC		
Adjusted NOPAT / Net Invested Capital	17.01%	8.89%
ROI		
Adjusted EBIT / Total Assets	10.11%	6.45%
ROS		
Adjusted EBIT / Revenue	14.06%	8.44%
ROA		
Adjusted net result / Total Assets	7.59%	3.25%

The adjusted EBITDA of the Group, net of the costs relating to the listing recognized in the income statement for the year for Euro 1,054 thousand, amounted to Euro 8,954 thousand (Euro 5,363 thousand in 2020), with a 19.2% margin on sales (15.9% in 2020).

This very positive result is due both to the performance of Racing Force S.p.A. and to the contribution in terms of sales and margins of the subsidiaries. The increase in the percentage margin is mainly attributable to the increase in efficiency linked to the higher volumes of production and turnover.

Adjusted net result, calculated net of the costs incurred for the listing recognized in the income statement and the related tax effect, was Euro 4,927 thousand (Euro 1,437 thousand in 2020), with an incidence on sales of 10.6% (4.3% in 2020), after amortization, depreciation and write-downs for Euro 2,390 thousand (Euro 2,517 thousand in 2020), net financial charges of Euro 276 thousand (Euro 700 thousand in 2020) and taxes for Euro 1,361³ thousand (Euro 709 thousand in 2020).

The cash flow from operations was Euro 4,455 thousand (Euro 2,366 thousand in 2020). Net of listing costs recognized in the income statement for the year, the adjusted cash flow from operations is equal to Euro 5,509 thousand, equal to 61.5% of the adjusted EBITDA reported for 2021. Cash generated from operating activities was used to meet the cash requirements of the transactions carried out during the fiscal year, including the acquisition of the company Pier S.r.l., owner of the building where the parent company has its headquarters, and the purchase of the remaining minority interests in the American companies Bell Racing USA Llc, Head Protection Technologies Llc and Head Pro Tech Llc. The Group's overall net financial indebtedness has passed from 15,542 thousand Euro at the end of 2020 to 671 thousand Euro at the end of 2021, mainly due to the equity increase following the IPO. For a detailed analysis see the consolidated Cash Flow Statement.

³ The amount includes the tax effect on listing costs booked through the income statement, equal to Euro 294 thousand.

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 Covid-19 epidemiological emergency and the complex conditions of the global economy

The continuing epidemic related to the spread of the COVID-19 virus ("Coronavirus" or "COVID-19") has had, and may have in the future, a negative impact on the Group's operations, results and the entire market in which it operates. Even though the Group was not exposed to restrictive measures, made exception for the activity carried out in its industrial plant in Bahrain, which was interrupted for 10 days in 2020, it is not possible to exclude that it will be exposed in the future to the risk arising from the adoption by public authorities of additional and new measures to prevent and/or limit the spread of the Coronavirus and the operational and economic consequences arising from the adoption of such measures. In response to this emergency, the Group has also promptly adopted all the health and behavioral precautions imposed by the competent national and local authorities at its offices and production plants, including the development of social distancing plans, also implementing, where possible, remote operating methods for personnel.

Risks associated with the Russian-Ukrainian conflict and the restrictions applied following the economic sanctions

The conflict between the Russian Federation and Ukraine and the severe 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 European countries' export to Russia and the cost of energy supplies.

Although the Group's activity is not directly exposed to restrictive measures, it is not possible to exclude the risk of a contraction in turnover towards Russia, neither an increase in the price of energy in the coming months.

In this context of great uncertainty and geopolitical instability, the Group carefully monitors exports to Russia, trying to minimize its credit exposure to customers from that country. As regards the price of energy, the Group has started projects aimed at improving the energy efficiency of its production sites, with the goal of reducing the risk deriving from the increase in the cost of energy.

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 filed, (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.

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.

In 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. The adoption of the Organization, Management and Control Model pursuant to Legislative Decree 231/2001 and the Code of Ethics is expected in the course of 2022.

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 drafting of the Sustainability Report for the year 2021. The document will be 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 aspect, the Group has already launched studies aimed at improving the energy efficiency of its production sites.

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 initiatives taken by the Group are consistent with the direction in which the entire Motorsport business is moving towards, increasingly attentive to environmental issues, as demonstrated by the introduction of the hybrid engine in the World Rally Championship (WRC) starting from 2022, the use of more ecological fuel in Formula 1® and the introduction of the electric version of the main championships at world level.

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

The listing at Euronext Growth Milan

On November 12 2021, Borsa Italiana admitted to trading the ordinary shares (the "Shares") of the parent company Racing Force S.p.A. (the "Issuer") on Euronext Growth Milan - Alternative Capital Market, multilateral trading system, organized and managed by Borsa Italiana S.p.A.

The placement, reserved for qualified investors in Italy and institutional investors abroad (the "Offer"), received strong interest from primary institutional investors, with a wide geographical diversification, resulting in an overwritten demand more than 6x the Price of Offer.

The offer price of the Shares was set at Euro 4.50 per share. Based on the offer price, the total value of the transaction (including the over-allotment option, as defined below) was approximately Euro 31.2 million. The capitalization of the Company at the start date of trading was approximately Euro 106.9 million, including the capital increase of approximately Euro 20.3 million.

On the basis of the requests received as part of the Offer, 6.3 million Shares were allocated, of which (i) 4.5 million newly issued ordinary shares of the Company (the "New Shares") deriving from an increase of capital with exclusion of the option right; and (ii) an aggregate of 1.8 million existing ordinary shares sold by SAYE S.p.A. (approximately 1.7 million Shares) and Nehoc Systems Limited (approximately 0.1 million Shares), collectively referred to as the "Selling Shareholders".

In addition, the Selling Shareholders have granted in favor of the Sole Global Coordinator (Equita SIM S.p.A.) an Over-Allotment option to cover any over-allocations, short sales and stabilization activities as part of the Offer (the "Option of Over-Allotment ") for 0.6 million additional Shares.

Following the placement and subsequent exercise of the Over-Allotment Option, which took place for 624,862 ordinary shares of the Company, the free float was equal to approximately 29.15% of the Issuer's share capital, while SAYE S.p.A. remained the majority shareholder with approximately 56.95% of the overall share capital of the Company.

The net proceeds from the subscription of the New Shares will be used by the Group to finance the development and growth of the business, strengthen its capital structure and maximize its future financial flexibility.

The lock-up period was determined to be 12 months from the start date of the negotiations, both for the Company and for the Selling Shareholders and some directors and key representatives of the Company's management.

The start date of the trading of the Shares on Euronext Growth Milan was November 16, 2021. Payment for the Shares was made on the same day, net of placement fees.

Overall, the Group incurred listing costs of approximately Euro 3 million, accounted for in accordance with the provisions of IAS 32 - *Financial instruments: presentation in the financial statements* and, therefore, recognized i) as a decrease in shareholders' equity for the marginal costs directly attributable to the share capital increase, net of the related tax effect in accordance with IAS 12 - *Income taxes*, ii) in the profit (loss) for the year if relating to the pre-existing shares being sold. The transaction costs associated with the issue of New Shares and the sale of pre-existing ones have been attributed using the number of shares issued and sold as the allocation criterion.

The income statement of the fiscal year did not benefit from any tax contribution in relation to the incurred listing costs. As part of the Offer, Equita SIM S.p.A. acted as Sole Global Coordinator, Sole Bookrunner, Euronext Growth Advisor and Specialist. Emintad Italy S.r.l. acted as financial advisor to the Company; LCA Studio Legale acted as legal advisor to the Company and the EG Advisor.

At the closing date of the financial year, the share price was equal to Euro 5.99, up by + 33.11% compared to the initial Offer price, with a total market capitalization of 142.3 million Euro.

Other significant operations that occurred during the year

In February 2021 Racing Force S.p.A. acquired 100% of the shares of the company Pier S.r.l., owner of the building in Ronco Scrivia, for 3 million Euro. Subsequently, on May 14, 2021, Pier S.r.l. was merged by incorporation into Racing Force S.p.A. Following this operation, Racing Force S.p.A. reported a difference from the merger of 188,739 Euro, allocated to the value of the building.

On March 10, 2021, the Shareholders' Meeting of Racing Force S.p.A. approved the purchase of no. owned 34,633 shares with a value of Euro 1.00 each at the price of Euro 650,747, equal to 1.80% of the capital of Racing Force S.p.A., from the company SAYE S.p.A.; the aforementioned shares were then sold in the same month at the price of Euro 650,747, to Mr. Kyle Kietzmann, current COO of Racing Force USA Inc., with waiver of the right of preemption due to the shareholders.

At the end of March 2021, the Group acquired the remaining 35% minority interests in the American Bell Racing USA Llc, Head Protection Technologies Llc and Head Pro Tech Llc, as already mentioned above. As a result of these transactions, all the companies included in the consolidation area are 100% controlled by the Group as of June 30, 2021. In accordance with IAS 27, these transactions were accounted for as transactions between owners in equity, without any profit or loss recognized in the income statement. The difference between the fair value of the consideration paid and the existing book value of the minority interests was recognized directly in the shareholders' equity attributable to the Group (386,685 Euro).

On June 21, 2021, the Board of Directors of Racing Force S.p.A. approved a paid capital increase on Racing Spirit Llc for a total of Euro 200 thousand (USD 240 thousand), reserved equally in favor of the two shareholders of the associated company. The share reserved for Racing Force S.p.A. was paid in July 2021.

During 2021, the following changes also occurred on the subsidiaries included in the consolidation area:

- in April 2021, Racing Force USA Inc. changed its name from OMP Racing Inc. to Racing Force USA Inc. and subsequently, with effect from June 1, 2021, Bell Racing USA LLC was merged by incorporation into Racing Force USA.
- in August 2021, the Extraordinary Shareholders' Meeting of the subsidiary Racing Force Holdings Sarl approved the change of its corporate name from Bell Racing Holdings Sarl to Racing Force Holdings Sarl.
- in September 2021, the subsidiary High Protection Systems SA changed its corporate name from Bell Racing Europe SA to High Protection Systems SA.
- in October 2021, the Shareholders' Meeting of Racing Force International Wll approved the change of the company name from Bell Racing Helmets International Wll to Racing Force International Wll.
- at the end of October 2021, the subsidiary Zeronoise LTD was liquidated and the residual assets, consisting of the ZN Zeronoise brand, the patent for the Driver's Eye and the remaining cash were distributed to the direct parent company Racing Force International Wll.

The aforementioned operations were carried out with the aim of simplifying the Group structure, obtaining cost savings by reducing the number of companies, achieving greater efficiency in the management of activities by reducing decision-making levels and strengthening strategic and operational integration.

During 2021, the parent company Racing Force S.p.A. activated two new loans:

- mortgage loan for a total of Euro 1,750,000 with Banco BPM, having as guarantee the property in which the company is based in Ronco Scrivia, duration 120 months and a fixed interest rate of 1.6%;
- subsidized loan for Euro 360,000 from Simest, drawn from the resources of the public Fund 394/81, referred to in Circular 3/394/2020 for the improvement and safeguarding of the financial solidity of exporting companies. The loan received from Simest will be repaid at the subsidized rate of 0.055%, instead of the reference rate of 0.55%, if at the

end of the pre-amortization period (2 years), Racing Force S.p.A. will have improved its level of capital solidity and increased the incidence of foreign turnover on the total compared to the entry values recorded at December 31, 2019. In addition to the loan, Simest has provided Racing Force S.p.A with a grant equal to 240,000 Euro, in accordance with the provisions of the Integrated Promotion Fund, within the terms and according to the procedures set out in the Law Decree nr. 18 of March 17, 2020, converted with Law nr. 17 of 24 April 2020, as subsequently amended.

The health emergency deriving from the Coronavirus - Covid-19, unfortunately still ongoing although opposed by the spread of vaccines, did not have significant impacts on the Group's activities in 2021. During the emergency period, the parent company Racing Force S.p.A. just as the other consolidated companies were able to continue to operate, simultaneously adopting all the necessary safety measures. No Group company has made use of social safety nets.

Outlook

During the first quarter of 2022, Racing Force Group recorded record levels both in terms of sales and in terms of orders received from customers, with significant double-digit growth compared to the first quarter of 2021, which was already the reference quarter in the history of Group.

The protraction of the global emergency linked to the pandemic continued until the end of 2021 and is still affecting the entire world economy in the first months of 2022, albeit significantly mitigated by the vaccination campaigns adopted by the governments of the various countries. The gradual easing of restrictions and measures to contain the virus at a global level should favor the recovery of the entire international economy, even though future relapses cannot be excluded as of today, particularly starting from autumn.

The outbreak, starting from February 2022, of the war between Russia and Ukraine has raised the geo-political risk at a global level, also causing very strong economic and financial tensions on the markets. The exposure of the Group to the Russian and Ukrainian markets, albeit limited, is constantly monitored carefully, waiting to understand future developments and the evolution of the conflict. Receivables from Russian customers were almost zero as of December 31, 2021, while the turnover generated during the year 2021 was slightly higher than 800 thousand Euro. At the date of this Report, unexpired receivables from Russian customers, due to the sales made in the first months of 2022, net of what has already been collected, amounted to Euro 66 thousand.

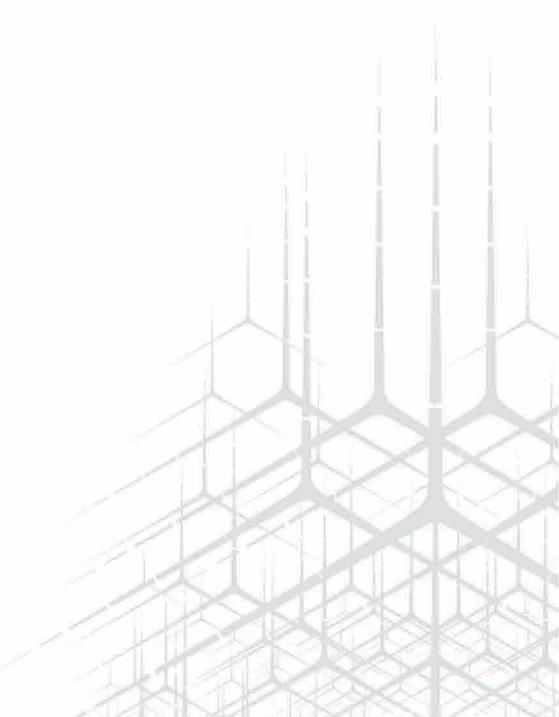
With reference to the generalized increase in the costs of energy supplies and procurement of raw materials, recorded on a global scale since the end of 2021, the Group took steps to intervene both by updating its sales price lists and through careful planning of purchases, in such a way as to contain the increases in the costs of raw materials and logistics.



RACING
FORCE
GROUP



Consolidated Financial Statements
as of December 31, 2021



Consolidated Balance Sheet at December 31, 2021

	Note	12.31.2021	12.31.2020
NON CURRENT ASSETS			
Property, plant and equipment	9	6,330,962	2,843,545
Right of use assets	10	2,390,711	4,066,278
Intangible assets	11	6,727,144	5,993,994
Goodwill	11	5,662,557	5,662,557
Investments booked at Equity method	12	128,475	44,426
Due from related parties -non current	13	60,000	1,490,000
Tax receivables - non current	37	211,952	211,952
Deferred tax assets	37	657,757	245,716
Other non current assets	14	18,667	89,238
		22,188,225	20,647,706
CURRENT ASSETS			
Cash and cash equivalents	15	17,752,959	4,254,877
Trade receivables	16	7,675,933	6,240,014
Inventories	17	14,715,341	11,277,118
Due from related parties - current	18	425,211	106,163
Tax receivables - current	37	813,200	686,808
Other current assets	19	1,338,819	942,003
		42,721,463	23,506,983
TOTAL ASSETS		64,909,689	44,154,689
EQUITY			
Share capital		2,375,745	1,925,745
Additional paid in capital		20,014,823	1,632,150
Legal reserve		398,931	398,931
Translation reserve		(93,852)	(363,124)
Retained earning (losses)		2,762,780	3,045,913
Other reserve		291,074	192,507
Net Result		4,167,669	1,355,286
Equity attributable to owners of the parent Company	20	29,917,169	8,187,408
Non-controlling interests	20	-	298,430
TOTAL EQUITY		29,917,169	8,485,838
NON CURRENT LIABILITIES			
Long term loans - non current	22	10,874,527	11,904,728
Lease liabilities - non current	10	1,997,665	3,405,469
Tax payables - non current	37	77,710	-
Employee benefits	23	839,508	753,987
Provisions	24	320,000	200,000
		14,109,410	16,264,184
CURRENT LIABILITIES			
Short term Loan	25	4,691,924	6,251,825
Trade payables	26	10,673,433	7,667,696
Long term loans - current portion	22	3,202,394	3,129,966
Lease liabilities - current	10	506,451	782,078
Due to related parties	27	106,167	157,043
Tax payables - current	37	195,248	109,161
Other payables	28	1,507,491	1,306,899
		20,883,109	19,404,668
TOTAL LIABILITIES AND EQUITY		64,909,689	44,154,689

Consolidated Income Statement for the year ended December 31

	Note	2021	2020
Revenue		46,674,333	33,733,308
Cost of sales		(19,470,848)	(13,597,933)
Gross profit	29	27,203,485	20,135,374
Other income	30	1,444,804	1,484,745
Selling and distribution expenses	31	(6,399,095)	(4,967,655)
General and administrative expenses	32	(14,098,349)	(10,823,049)
Other expenses	33	(250,165)	(466,737)
Gross operating profit (EBITDA)		7,900,679	5,362,679
Bad Debt and write offs	34	(138,111)	(212,002)
Depreciation	35	(2,251,467)	(2,304,893)
Net operating profit (EBIT)		5,511,101	2,845,784
Finance income	36	405,948	236,425
Finance costs	36	(681,988)	(936,093)
Net income (loss) before taxes		5,235,061	2,146,116
Taxes	37	(1,067,392)	(709,030)
Total net income (loss) after taxes		4,167,669	1,437,087
Income (loss) attributable to:			
Owners of the parent Company	20	4,167,669	1,355,286
Non-controlling interest	20	-	81,801

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

	Note	2021	2020
Total net income (loss) after taxes		4,167,669	1,437,087
Other Comprehensive Income (Loss)			
Items that will not be reclassified through the Statements of Income			
Remeasurements of post-employment benefit obligations	23	(104)	(14,947)
Related tax impact		25	3,587
Remeasurements of artefacts at fair value	9, 20	98,646	271,529
Items that may be reclassified through the Statements of Income			
Changes in foreign currency translation adjustment	20	269,272	(391,496)
Total Other Comprehensive Income		367,839	(131,327)
Total Comprehensive Income		4,535,507	1,305,760
Income (loss) attributable to:			
Owners of the parent Company		4,535,507	1,248,548
Non-controlling interest		-	57,212

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

	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 January 1, 2020	1,425,745	1,632,150	398,931	28,372	3,045,913	(67,662)	-	6,463,450	3,483,900	9,947,350
Additional paid-in capital	500,000							500,000		500,000
Difference from translation of financial statements of foreign companies				(391,496)				(391,496)		(391,496)
Fair value remeasurement IAS 16						271,529		271,529		271,529
Actuarial gains and (losses)						(11,359)		(11,359)		(11,359)
Profit for the period 01.01.2020 - 12.31.2020							1,355,286	1,355,286	81,801	1,437,087
Distribution to shareholders								-	(21,250)	(21,250)
Acquisition of NCIs								-	(3,246,021)	(3,246,021)
Balance at December 31, 2020	1,925,745	1,632,150	398,931	(363,124)	3,045,913	192,507	1,355,286	8,187,408	298,430	8,485,838

	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, 2020		1,925,745	1,632,150	398,931	(363,124)	3,045,913	192,507	1,355,286	8,187,408	298,430	8,485,838
Allocation of the result	20					1,355,286		(1,355,286)	-		-
Difference from translation of financial statements of foreign companies	20				269,272				269,272		269,272
Fair value remeasurement IAS 16	20						98,646		98,646		98,646
Actuarial gains and (losses)	20						(79)		(79)		(79)
Profit for the period 01.01.2021 - 12.31.2021	20							4,167,669	4,167,669		4,167,669
Distribution to shareholders	20					(1,251,734)			(1,251,734)	(56,774)	(1,308,508)
Acquisition of NCIs	20					(386,685)			(386,685)	(241,656)	(628,340)
Listing EG Milan	20	450,000	18,382,673						18,832,673		18,832,673
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

Consolidated statement of cash flows

	Note	2021	2020
A. Cash flow from operating activities			
Net profit for the year		4,167,669	1,437,087
Income taxes	37	1,067,392	709,030
Interest expenses/(interest income)	36	276,040	699,668
(Capital gains)/losses arising from disposal of assets	9	(10,243)	-
1. Profit (loss) for the year before income taxes, interests, dividends and capital gains/losses on disposal of assets		5,500,858	2,845,784
Adjustments for non-monetary items that had no impact on the net working capital			
Accruals for provisions	23, 34	285,090	212,002
Depreciation and amortization	35	2,251,467	2,304,893
Other adjustments for non-monetary items	12	14,918	10,824
2. Cash flow before variances in net working capital		8,052,334	5,373,503
Variances in net working capital			
Decrease/(increase) in inventory	17	(3,438,223)	301,038
Decrease/(increase) in receivables from customers	16	(1,496,266)	13,560
Increase/(decrease) in payables to suppliers	26	3,005,737	(1,387,984)
3. Cash flow after variations in net working capital		6,123,582	4,300,117
Other variances in working capital		(296,474)	(583,713)
Received/(paid) interests		(436,545)	(534,970)
(Paid income taxes)		(780,311)	(654,991)
(Use of accrued provisions)		(155,178)	(159,952)
Cash flow from operating activities (A)		4,455,075	2,366,490
B. Cash flows from investing activities			
Tangible fixed assets: (cost of purchase) / sale price	9, 10	(873,048)	(608,129)
Intangible fixed assets: (cost of purchase) / sale price	11	(1,379,432)	(540,289)
Financial fixed assets: (cost of purchase) / sale price	3	(3,025,996)	-
Cash flow from investing activities (B)		(5,278,476)	(1,148,417)
C. Cash flows from financing activities			
Debt			
Increase (decrease) in short-term bank loans	25	(1,559,900)	103,087
Increase (decrease) in loans	22	(957,773)	5,800,927
Increase (decrease) in leases	10	(348,471)	(686,688)
Equity			
Share capital increase	20	18,832,673	500,000
(Paid dividends)	20	(1,285,978)	(21,250)
Acquisition of non-controlling interests	20	(628,341)	(3,246,021)
Differences from translation and other reserves	20	269,272	(391,496)
Cash flow from financing activities (C)		14,321,482	2,058,559
Increase (decrease) in cash and cash equivalent (A ± B ± C)		13,498,081	3,276,632
Cash and cash equivalent at the beginning of the period		4,254,877	978,245
Cash and cash equivalent at the end of the period		17,752,959	4,254,877

Notes to consolidated Financial Statements

Basis of Preparation

1. Company preparing the Financial Statements

Racing Force S.p.A. (the "Company"), formerly OMP Racing S.p.A.¹, 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 car racing.

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 29, 2022.

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, 2021 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	Ghislenghien (Belgium)	Commercial	100.00%
2SM Inc	Miami (US)	Sub-holding	100.00%
Head Protection Technologies LLC	Miami (US)	Commercial	100.00%
Head Pro Tech 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.

The following changes to the consolidation area occurred during the fiscal year:

¹ On August 31, 2021, the extraordinary Shareholders' Meeting of Racing Force S.p.A. approved the change of company name from OMP Racing S.p.A. to Racing Force S.p.A.

- At the end of March 2021, the Group acquired the remaining 35% of the minority interests in the following companies based in the United States, as summarized in the following table:

Target Entity	Buyer	Purchase Price (in USD)
Bell Racing USA LLC	Racing Force USA Inc.	570,236
Head Protection Technologies LLC	2SM Inc.	128,327
Head Pro Tech LLC	2SM Inc.	48,157

The aforementioned acquisitions were made with a view to simplifying the shareholding structure of the Group, obtaining cost savings by reducing the number of investee companies, achieving greater efficiency in the management of activities by reducing decision-making levels and strengthening the strategic and operational integration.

In accordance with IAS 27, these transactions have been accounted for as transactions between owners in equity, without any profit or loss recognized in the income statement. The difference between the fair value of the consideration paid and the existing book value of the minority share was recognized directly in the shareholders' equity attributable to the parent company (386,685 Euro).

- During the month of April 2021, the subsidiary Racing Force USA Inc. changed its name from OMP Racing Inc. to Racing Force USA Inc. and subsequently, with effect from June 1, 2021, Bell Racing USA LLC was merged by incorporation into Racing Force USA. This operation did not have any effect on the balance sheet and income statement of the consolidated financial statements, as it was carried out between companies within the consolidation area.

- In February 2021 Racing Force S.p.A. acquired 100% of the shares of the company Pier S.r.l., owner of the property located in Ronco Scrivia where the company is based, for a consideration of 3 million Euro. Subsequently, on May 14, 2021, Pier S.r.l. was merged by incorporation into Racing Force S.p.A. Following this operation, Racing Force S.p.A. reported a merger deficit of 188,739 Euro, allocated to the value of the building.

The balances of the acquired company Pier S.r.l. by homogeneous categories are reported below:

	Assets	Liabilities
Property, plant and equipment	3,046,426	
Cash and cash equivalents	74,004	
Tax receivables	1,476	
Other current assets	3,904	
Tax payables		244,420
Other payables		70,129
Net Equity		2,811,261
	3,125,810	3,125,810

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 2021 the Group recorded a profit after tax of 4,168 thousand Euro and generated cash flows from operating activities for 4,455 thousand Euro, showing a strong growth compared to the same period of the previous year.

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.

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, 2021

- EU Regulation 2021/25 of January 13, 2021, which adopted the *Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*, with the aim to address the accounting issues that arise for financial instruments referring to Interbank Offered Rate (IBORs) upon transition to nearly risk-free rates (RFRs).
- EU Regulation 2021/1421 of August 30, 2021, which adopted the amendment called *Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16 Leases)*, extending by one year the application period of the amendment to IFRS 16 issued in 2020, relating to the accounting of the concessions granted to lessees due to Covid-19. The changes apply from April 1, 2021.
- EU Regulation 2021/2036 of November 19, 2021, which adopted *IFRS 17, Insurance Contracts* (“IFRS 17”), replacing *IFRS 4 - Insurance Contracts*. IFRS 17 requires all insurance contracts to be accounted for in a consistent manner and insurance obligations to be accounted for by using current values, instead of the historical cost. The new standard requires current measurement of the future cash flows and the recognition of profit over the period in which services are provided under the contract. Pursuant to IFRS 17 entities are also required to submit insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses and an entity is required to make an accounting policy choice of whether to recognize all insurance finance income or expenses in profit or loss or to recognize some of those income or expenses in other comprehensive income. The standard is effective for financial years beginning on or after January 1, 2023 with earlier adoption permitted.

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

Accounting Standards and interpretations issued by IASB but not adopted by the EU yet

- In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*, which affects the requirements in IAS 1 for the presentation of liabilities, including clarifications of one of the criteria for classifying a liability as non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier adoption permitted.
- In May 2020, the IASB also published the following amendments to the IFRS, which will all enter into force on January 1, 2022:
 - Amendments to *IFRS 3 - Business combinations*: they update the reference mentioned in IFRS 3 to the *Conceptual Framework* in the revised version, without changes to the provisions of the standard.
 - Amendments to *IAS 16 - Property, plant and equipment*: it does not allow the amount received from the sale of goods produced before the asset was ready for use to be deducted from the cost of fixed assets. These sales revenues and the related costs will be recognized in the income statement.
 - Amendments to *IAS 37 - Provisions, contingent liabilities and contingent assets*: it clarifies which cost items must be considered to assess whether an agreement will be an onerous contract.
 - Annual improvements: amendments are made to *IFRS 1 - First adoption of International Financial Reporting Standards*, to *IFRS 9 - Financial instruments*, to *IAS 41 - Agriculture* and to the *Illustrative Examples* accompanying *IFRS 16 - Leasing*.
- On February 12, 2021, the IASB published the amendments called *Amendments to IAS 1 Presentation of Financial Statements* and *IFRS Practice Statement 2: Disclosure of Accounting policies* and *Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*. All the amendments, aimed at improving disclosure on accounting policies in order to provide more useful information to investors and other primary users of the financial statements, as well as to help companies distinguish changes in accounting estimates from changes in accounting policies, will come into effect on January 1, 2023.

- On May 7, 2021, the IASB published some amendments to IAS 12 relating to taxes, to specify how deferred taxes on certain transactions that can generate assets and liabilities of the same amount, such as leasing and dismantling obligations, must be accounted for. The changes apply from January 1, 2023, but early application is allowed.
- - On December 10, 2021, the IASB published the amendment to the transitional provisions of IFRS 17 "*Initial Application of IFRS 17 and IFRS 9 - Comparative Information*". The amendment provides insurers with an option with the aim of improving the relevance of the information to be provided to investors during the initial application of the new standard. IFRS 17, including this amendment, will come into force from January 1, 2023.

We are still evaluating the impacts that these changes will have on our consolidated financial statements, however we do not expect them to have a significant impact.

9. Property, Plant and Equipment

12.31.2021	12.31.2020	Variations + (-)
6,330,962	2,843,545	3,487,416

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	Other tangible assets	Total
Book value at the beginning of the period						
Cost	-	5,575,782	1,501,145	1,067,786	1,392,920	9,537,632
Accumulated Depreciation	-	(4,307,528)	(1,222,244)	-	(1,164,314)	(6,694,087)
Net Book Value	-	1,268,254	278,900	1,067,786	228,606	2,843,545
Movements of the fiscal year						
Cost						
Balances from Pier S.r.l. acquisition	4,171,972	130,159	-	-	-	4,302,131
Additions	97,318	434,480	242,925	-	117,455	892,178
(Disposals)	-	(122,775)	(51,041)	-	(9,216)	(183,032)
Remeasurement at fair value IAS 16	-	-	-	98,646	-	98,646
Exchange rate impact	-	163,945	51,171	87,729	27,380	330,225
Reclassifications	115,425	-	-	-	(115,425)	-
Accumulated Depreciation						
Depreciation	(130,466)	(528,747)	(137,779)	-	(60,733)	(857,725)
Balances from Pier S.r.l. acquisition	(947,394)	(119,572)	-	-	-	(1,066,966)
(Disposals)	-	122,775	48,058	-	3,534	174,367
Exchange rate impact	-	(126,950)	(51,414)	-	(24,043)	(202,408)
Book value at the end of the period						
Cost	4,384,715	6,181,592	1,744,199	1,254,160	1,413,114	14,977,780
Accumulated Depreciation	(1,077,860)	(4,960,022)	(1,363,379)	-	(1,245,557)	(8,646,819)
Net Book Value	3,306,855	1,221,570	380,820	1,254,160	167,557	6,330,962

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, in order 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 balances resulting from acquisition in the fiscal year of the company Pier S.r.l., owner of the headquarters of the parent company Racing Force S.p.A. in Ronco Scrivia. In detail, following the acquisition, Land for Euro 35,839 and Buildings for a net book value of Euro 3,188,739 were recorded, including the difference from the consolidation, allocated to the value of the property, for an amount equal to 188,739 Euro.

In addition, following the aforementioned acquisition, plants were acquired for a net book value of Euro 10,587.

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.

Reclassifications are related to the improvements on the building acquired following the acquisition of Pier S.r.l., recognized under Other tangible assets at the end of the previous year.

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

12.31.2021	12.31.2020	Variations + (-)
2,390,711	4,066,278	(1,675,567)

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	5,314,266	293,687	5,607,953
Accumulated Depreciation	(1,386,850)	(154,826)	(1,541,676)
Net Book Value	3,927,417	138,861	4,066,278
Movements of the fiscal year			
Cost			
Additions	244,474	68,933	313,407
(Disposals)	(2,259,921)	-	(2,259,921)
Other movements	103,697	669	104,366
Accumulated Depreciation			
Depreciation	(428,925)	(72,414)	(501,340)
(Disposals)	638,095	-	638,095
Other movements	45,283	(15,457)	29,826
Book value at the end of the period			
Cost	3,402,516	363,288	3,765,805
Accumulated Depreciation	(1,132,396)	(242,697)	(1,375,094)
Net Book Value	2,270,120	120,591	2,390,711

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 in the year include the rights of use relating to the lease contract for the new Mooresville store for Euro 179 thousand, the lease agreement for the office in Belgium for Euro 65 thousand, in addition to long-term car rentals

for Euro 69 thousand. The decreases in the year mainly refer to the termination of the rental contract for the building in Ronco Scrivia, following the acquisition of the company Pier S.r.l., owner of the building, into Racing Force S.p.A.

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	2021
General and administrative expenses	(587,789)
EBITDA	587,789
Depreciation	501,340
EBIT	86,449
Finance loss and taxes	76,737
Net Result	9,713
Balance Sheet	
Right of use assets	2,390,711
Net invested capital	(113,405)
Net Equity	(79,101)
Cash Flow	
Cash flow from operations	348,471
Cash flow from investments	-
Cash flow from financial operations	(348,471)
Increase (decrease) in cash and cash equivalent	-

Lease liabilities

12.31.2021	12.31.2020	Variations + (-)
2,504,116	4,187,547	(1,683,431)

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 the period	4,066,278
+ Assets acquired on finance leases during the first six months	313,407
- Assets on finance leases redeemed during the first six months	-
- Lease agreements terminated during the first six months	(1,621,826)
- Share of depreciation for the half-year	(501,340)
+/- Adjustments/increases in finance leases	134,192
Finance leases, net of total depreciation, at the end of the period	2,390,711
B) Current value of unexpired lease payments	
Current value of unexpired lease payments calculated using the interest rate of the lease contract	2,504,116
of which:	
- Payable within one year	506,451
- Long term	1,997,629
C) Financial changes for the period	
Financial charges for the year calculated using the applicable interest rate	76,737

Payables for long-term leases include 1,119 thousand Euro with a maturity between one and five years and 798 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

12.31.2021	12.31.2020	Variations + (-)
6,727,144	5,993,994	733,151

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	4,557,678	5,590,261	726,550	10,874,489
Accumulated Depreciation	(3,154,527)	(1,725,968)	-	(4,880,495)
Net Book Value	1,403,151	3,864,293	726,550	5,993,994
Movements of the fiscal year				
Cost				
Additions	675,649	265,364	438,419	1,379,432
Exchange rate impact	78,926	192,246	17,019	288,190
Accumulated Depreciation				
Depreciation	(564,550)	(327,852)	-	(892,402)
Exchange rate impact	(23,428)	(18,642)	-	(42,070)
Book value at the end of the period				
Cost	5,312,253	6,047,871	1,181,988	12,542,111
Accumulated Depreciation	(3,742,505)	(2,072,462)	-	(5,814,967)
Net Book Value	1,569,748	3,975,409	1,181,988	6,727,144

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, starting from November 2020, also for Zeronoise branded products, and in the subsidiary Bell Racing Helmets 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 values of the Zeronoise brand and the *Driver's Eye* patent were recognized during the acquisition and first consolidation of Zeronoise Ltd at the end of 2021, based on the projections of the Business Plan made by the Group's management. Operating cash flows were discounted using the Unlevered Discounted Cash Flow method.

Work in progress includes the costs relating to the implementation of the new ERP system in Racing Force S.p.A. and the costs recognized in the consolidated companies for projects under development referred to Bell branded driver's helmets and, more broadly, to systems for head protection which can be adopted in motorsport or in other industries.

Goodwill

12.31.2021	12.31.2020	Variations + (-)
5,662,557	5,662,557	-

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

Goodwill	12.31.2021	12.31.2020	Variations
Bell Racing Helmets International Llc	3,717,556	3,717,556	-
OMP Racing Inc.	1,345,001	1,345,001	-
OMP Racing S.p.A.	600,000	600,000	-
	5,662,557	5,662,557	-

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, 2021, 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 2022-2025 Business Plan prepared by the management of each consolidated company, 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: 10.89% for Racing Force International Wll; 9.09% for Racing Force USA Inc.; 12.73% for Racing Force S.p.A., 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 1.44 (Source Damodaran - Beta Auto Parts Sector) for all CGUs.
- Growth rate beyond the explicit projection period equal to 3% for all 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 1%; ii) a reduction of operating flows expected for the period 2022-2025 equal to 5%; 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, 2021.

12. Investments booked at Equity method

12.31.2021	12.31.2020	Variations + (-)
128,475	44,426	84,049

The list of investments in not consolidated companies is reported below:

	Balance at 12.31.2020	Variations for the period		Balance at 12.31.2021	%
		Equity method evaluation	Increases / (Decreases)		
Associates and Joint Ventures					
Racing Spirit Llc	43,393	(17,837)	102,919	128,475	50.0%
Other companies					
MSC Motorsport Safety Council	1,033	-	-	-	-
	44,426	(17,837)	102,919	128,475	

Racing Spirit Llc is a 50% owned entity based in Miami (USA) that was established on March 23, 2018, with a paid-in share capital of 440 thousand USD at the end of December 31, 2021. The company designs, manufactures and distributes clothing and accessories inspired by racing.

Below is the main information on the company as at December 31, 2021:

Entity	Headquarters	Share capital in Euro	2021 First-Half Net result in Euro	Total Equity in Euro	% share owned by the Group	Net book value in consolidated FS
Racing Spirit Llc	Miami (USA)	388,487	(35,673)	256,950	50%	128,475

On June 21, 2021, the Board of Directors of Racing Force S.p.A. approved an increase against payment of the share capital of Racing Spirit Llc for a total amount of Euro 200 thousand (USD 240 thousand), reserved in equal measure in favor of the two shareholders of the company. The share reserved for Racing Force S.p.A. was paid in July 2021.

MSC Motorsport Safety Council, a consortium with registered office in Genoa (Italy), operating with the purpose of coordinating the various bodies of motorsports in relation to safety regulations and product homologation standards, was liquidated and subsequently cancelled from *Registro delle Imprese* on December 27, 2021.

13. Due from related parties - non current

12.31.2021	12.31.2020	Variations + (-)
60,000	1,490,000	(1,430,000)

The balance is related to the long-term portion of the loan granted to KJK Technologies 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, the first installment collected in September 2021.

During the year, the parent company SAYE S.p.A. repaid in full the loan that was outstanding at December 31, 2020 for Euro 1,490 thousand.

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

12.31.2021	12.31.2020	Variations + (-)
18,667	89,238	(70,571)

The item mainly refers to guarantee deposits.

The change in the period is due to the closing of the security deposit originally paid to the company Pier S.r.l., acquired and then merged by incorporation in 2021.

15. Cash and cash equivalents

12.31.2021	12.31.2020	Variations + (-)
17,752,959	4,254,877	13,498,082

Variations for the period are detailed as follows:

	Balance at 12.31.2020	Variations for the period	Balance at 12.31.2021
Bank deposits	4,222,311	13,482,731	17,705,042
Cash and cash on hand	32,566	15,351	47,917
	4,254,877	13,498,082	17,752,959

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

12.31.2021	12.31.2020	Variations + (-)
7,675,933	6,240,014	1,435,919

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

	Balance at 12.31.2020	Variations for the period	Balance at 12.31.2021
Trade receivables	6,299,463	1,496,267	7,795,730
Bad debt allowance	(59,449)	(60,347)	(119,797)
	6,240,014	1,435,919	7,675,933

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, 2021 compared to the end of the previous year is in line with the strong increase in sales in 2021.

The ageing of trade receivables at December 31, 2021 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	3,801,786	1,986,464	1,308,217	242,207	317,712	139,344	7,795,730

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	12.31.2021	12.31.2020	Variations + (-)
EMEA	6,549,107	5,032,590	1,516,517
AMER	969,904	1,024,852	(54,948)
APAC	276,719	242,022	34,697
	7,795,730	6,299,463	1,496,267

The Group sells its products in around 80 countries. Only 3 countries (Italy, United Kingdom and Germany) individually exceed 10% of the total receivables booked as at December 31, 2021. As of December 31, 2020, only 3 countries (Italy, the United Kingdom, and the United States) 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	12.31.2021	12.31.2020	Variazioni + (-)
Dealers	3,952,717	2,962,157	990,560
Team and car manufacturers	2,556,763	1,521,448	1,035,315
Other	1,286,249	1,815,858	(529,609)
	7,795,730	6,299,463	1,496,267

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

12.31.2021	12.31.2020	Variations + (-)
14,715,341	11,277,118	3,438,223

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

	Balance at 12.31.2020	Variations for the period	Balance at 12.31.2021
Raw materials	3,175,837	1,688,718	4,864,554
Semi-finished goods	1,452,792	556,978	2,009,770
Finished products	6,708,454	1,192,527	7,900,981
Obsolescence Fund	(59,964)	-	(59,964)
	11,277,118	3,438,223	14,715,341

Balances as at December 31, 2021 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.

18. Due from related parties - current

12.31.2021	12.31.2020	Variations + (-)
425,211	106,163	319,048

Receivables from related parties are composed as follows:

Due from related parties - current	12.31.2021	12.31.2020	Variations + (-)
Studiomilano	110,715	94,760	15,955
Racing Spirit Llc	268,167	6,827	261,339
Racing Spirit Srl	25,809	-	25,809
KJK Protective Technologies LLC	20,519	4,575	15,944
	425,211	106,163	319,047

During 2021, the parent company Racing Force S.p.A. has granted two loans expiring on December 31, 2022 for a total of 265,000 Euro, at an interest rate of 1.5% per annum, in favor of the associated company Racing Spirit Llc, due to the growing operational activities by the latter.

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

12.31.2021	12.31.2020	Variations + (-)
1,338,819	942,003	396,816

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

Other current assets	12.31.2021	12.31.2020	Variations + (-)
Prepaid expenses	1,327,030	928,427	398,602
Other receivables	11,789	13,576	(1,787)
	1,338,819	942,003	396,816

Prepayments mainly refer to costs connected to long-term contracts incurred for technical partnerships with teams and car manufacturers and sponsorships, related to the following period.

20. Net Equity

Share capital

12.31.2021	12.31.2020	Variations + (-)
2,375,745	1,925,745	450,000

The share capital increase was subscribed and fully paid up by all shareholders. Change in the period is due Euro thousand Euro share capital increase following the listing on EG Milan stock exchange market.

Additional paid-in capital

12.31.2021	12.31.2020	Variations + (-)
20,014,823	1,632,150	18,382,673

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. Change in the period is due to the increase related to the listing on EG Milan stock exchange market, net of related costs and fiscal impact.

Legal reserve

12.31.2021	12.31.2020	Variations + (-)
398,931	398,931	-

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. There were no changes in the period.

Translation reserve

12.31.2021	12.31.2020	Variations + (-)
(93,852)	(363,124)	269,272

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 in the year is mainly due to the exchange rate trend with the Bahraini Dinar, functional currency of the subsidiary Racing Force International Wll.

Retained earnings (losses)

12.31.2021	12.31.2020	Variations + (-)
2,762,780	3,045,913	(283,133)

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 May 17, 2021, the Shareholders' Meeting of the parent company Racing Force S.p.A. approved the distribution of dividends for Euro 1,251,734, attributing a unit dividend of Euro 0.65 to each share. These dividends were paid in 2021, except for an amount of Euro 22,531.

Other reserves

12.31.2021	12.31.2020	Variations + (-)
291,074	192,507	98,567

Other reserves include 370,175 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 79,101 Euro.

The movements are detailed in the Statement of changes in equity for the period ended December 31, 2021.

Non-controlling interest

12.31.2021	12.31.2020	Variations + (-)
-	298,408	(298,408)

Non-controlling interests constitute the portion of the minority shareholders' equity. The change in the fiscal year is mainly due to the acquisition of the remaining 35% of the consolidated companies Bell Racing USA LLC, Head Protection Technologies LLC and Head Pro Tech LLC.

During the year, moreover, dividends were distributed to the minority shareholders of Bell Racing USA LLC for 56,774 Euro.

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	29,868,682	1,812,594
Impact IAS 19	(79,101)	-
Impact IFRS 3, IFRS 10	195,650	87,500
Impact IAS 32, IAS 38	(1,139,320)	278,007
Impact IFRS 16	3,732	19,148
Amounts as per Racing Force S.p.A. Financial Statements IAS-IFRS	28,849,643	2,197,250
Net Equity and income from consolidated subsidiaries	7,517,363	2,837,339
Elimination of consolidated investments	(11,028,614)	(80,188)
Elimination of intra-group dividend	-	(150,000)
Goodwill (IFRS 3, IFRS 10)	6,663,732	38,675.00
Intangible assets depreciation (IFRS 3, IAS 38)	(239,306)	(129,990)
Elimination of intra-group dividend	-	-
Elimination of intra-group margin	(1,690,545)	(550,974)
Actuarial gains and losses (IAS 19)	(48,811)	11,940
Lease Accounting (IFRS 16)	(93,852)	-
Cumulative translation reserve	(12,441)	(6,383)
Net Equity and result of the Group	29,917,170	4,167,668
Non-controlling interest	-	-
Amounts as per consolidated financial statements	29,917,170	4,167,668

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

12.31.2021	12.31.2020	Variations + (-)
14,076,922	15,034,695	(957,773)

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

	12.31.2021	12.31.2020	Variations
Current	3,202,394	3,129,966	(1,030,201)
Non current	10,874,527	11,904,728	(957,773)
	14,076,922	15,034,695	(1,987,974)

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

The details of long-term loans to banks as at December 31, 2021 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, 2021 in Euro	Current portion in Euro	Long term portion in Euro
Banca Carige	EUR	5,000,000	9/4/2020	8/31/2026	1.10%	5,000,000	408,319	4,591,681
Credit Agricole	EUR	700,000	5/31/2019	2/28/2023	0.90%	438,974	350,784	88,190
Intesa SanPaolo	EUR	500,000	10/30/2018	7/31/2022	1.38%	251,292	251,292	-
Banco BPM	EUR	600,000	6/23/2017	10/31/2023	1.90%	226,640	122,643	103,996
Banco BPM	EUR	350,000	4/19/2018	7/19/2022	1.33%	69,212	69,212	-
Banco BPM	EUR	4,000,000	12/10/2019	6/30/2028	2.15%	3,733,767	541,105	3,192,662
Banco BPM	EUR	500,000	11/20/2018	9/30/2022	0.88%	188,576	188,576	-
Banco BPM	EUR	1,750,000	5/26/2021	5/31/2031	1.60%	1,643,608	164,204	1,479,404
Monte dei Paschi di Siena	EUR	350,000	5/30/2018	6/30/2023	1.20%	175,000	116,667	58,333
Monte dei Paschi di Siena	EUR	400,000	12/16/2019	9/30/2023	1.20%	400,000	228,571	171,429
Credito Valtellinese	EUR	400,000	6/6/2019	10/5/2025	1.35%	383,761	98,206	285,555
Credito Valtellinese	EUR	500,000	10/24/2018	10/5/2023	1.38%	335,624	166,656	168,968
Credito Valtellinese	EUR	250,000	11/21/2019	8/21/2022	0.90%	166,916	166,916	-
Credito Emiliano	EUR	400,000	11/29/2017	6/30/2024	1.22%	203,552	80,678	122,874
UBI	EUR	500,000	1/13/2020	10/13/2023	1.15%	500,000	248,565	251,435
Simest	EUR	600,000	4/19/2021	12/31/2027	0.55%	360,000	-	360,000
Total						14,076,922	3,202,394	10,874,527

During 2021, the parent company Racing Force S.p.A. has activated two new loans: i) mortgage loan for a total of 1,750,000 Euro with Banco BPM, having as guarantee the building in which the company is based in Ronco Scrivia, duration 120 months, fixed interest rate of 1.6%; ii) a subsidized loan for Euro 360,000 from Simest, drawn from the resources of the public Fund 394/81, referred to in Circular 3/394/2020 for the improvement and safeguarding of the financial solidity of exporting companies. The loan received from Simest will be repaid at the subsidized rate of 0.055%, instead of the reference rate of 0.55%, if at the end of the pre-amortization period (2 years), Racing Force S.p.A. will have improved its level of capital solidity and increased the incidence of foreign turnover on the total compared to the entry values recorded at December 31, 2019.

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

By the end of 2021, the Group paid off the existing loans with Al Salam Bank and PNC, whose balances at December 31, 2020 amounted to Euro 1,004 thousand and Euro 151 thousand respectively, in advance of their contractual maturity.

23. Employee benefits

12.31.2021	12.31.2020	Variations + (-)
839,508	753,987	85,521

The balance is composed as follows:

	Balance at 12.31.2020	Variations for the period	Balance at 12.31.2021
Defined contribution plans	284,447	92,937	377,383
Defined benefit plans (TFR)	469,540	(7,415)	462,125
	753,987	85,521	839,508

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, 2020	284,447
Accruals	146,979
Payments	(77,413)
Exchange rate impact	23,371
Balance at December 31, 2021	377,383

The balance as at December 31, 2021 includes 462,125 Euro of defined benefit obligations related to the personnel employed in Italy by Racing Force S.p.A., accounted for according to IAS 19 (469,540 Euro as of December 31, 2020).

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 2021 were as follows:

Present value of obligations at December 31, 2020	469,540
Service cost	-
Interest	1,575
Benefits paid	(9,095)
Other changes	-
Actuarial loss/(gain)	104
Present value of obligations at December 31, 2021	462,125

The main assumptions of the model are the following:

- the discount rates used to measure the obligation related to the Italian TFR are based on the yields of high-quality fixed income securities (rating AA), on the "10+" maturity, which is the maximum available maturity currently listed and which is the one closest to the duration of the Racing Force S.p.A. severance pay liability.

For this plan, the weighted average discount rate reflecting the timing and estimated amount of future benefit payments for 2020 was 0.98% (0.34% in 2020);

- a prospective inflation rate of 1.79% was used;

- 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 2.00%, middle managers / clerks / blue-collar workers 0.50%;

- 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;

- the annual frequency of access to the right of anticipation (3% per annum) and the frequency of turnover (3% per annum) have been inferred from historical experiences. For the purposes of this estimate, the last five years of data were considered to be significant. Instead, a zero probability of early retirement was considered.

The discount rate is one of the valuation parameters that certainly has the greatest impact on the dimensioning of defined benefit obligations ("DBO"). According to the revised version of the standard (the so-called IAS19R) and with a

view to providing an analysis of the sensitivity of the DBO to changes in the discounting interest rate, the recent evolution of the yield of securities that may fall within the definition of High-Quality Corporate Bonds included in the IAS standard has been analyzed.

Due to the volatility of the period under analysis (January 2021 – December 2021), in order to provide a monetary quantification of the sensitivity of the DBO to the discount rate, a further assessment was made by introducing a shock of -50bp compared to the iBoxx AA Corporate return 10+. As expected, the lowering of the rate leads to an increase in the BOD equal to 5.91%.

24. Provisions

12.31.2021	12.31.2020	Variations + (-)
320,000	200,000	120,000

The provisions as at December 31, 2021 include the liabilities set aside to cover the losses deriving from any commercial disputes and tax claims.

Provisions	12.31.2021	12.31.2020	Variations + (-)
Tax Claims	180,000	60,000	120,000
Other accrued liabilities	140,000	140,000	-
	320,000	200,000	120,000

The provision for tax claims concerns the prudential provision made by the Group in relation to the appeals pending before the C.T.R. of Liguria relating to the tax audit carried out for VAT purposes on the 2010-2012 tax years and the tax dispute relating to the 2008 financial year whose judgment is currently pending in the Court of Cassation.

Following the ruling of the Regional Tax Commission of January 19, 2021 which rejected the appeal of Racing Force S.p.A. in relation to the VAT dispute for the years 2010-2011-2012, the Group has deemed it appropriate to set aside prudentially an additional 120,000 Euro in 2021.

The other accrued liabilities refer to a single dispute that originated in 2012 with a commercial counterparty, which is still ongoing.

25. Short Term Loans

12.31.2021	12.31.2020	Variations + (-)
4,691,924	6,251,825	(1,559,900)

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 at December 31, 2021 is shown below:

Bank	Currency	Interest rate	ST credit lines limits in currency as of 12.31.2021	ST credit lines limits in Euro as of 12.31.2021	ST debt as of 12.31.2021
BNL	EUR	Euribor + spread	1,050,000	1,050,000	-
Unicredit	EUR	Euribor + spread	1,750,000	1,750,000	312,439
Carige	EUR	Euribor + spread	1,100,000	1,100,000	405,168
Banco BPM	EUR	Euribor + spread	2,000,000	2,000,000	803,109
Credit Agricole	EUR	Euribor + spread	650,000	650,000	124,996
Intesa SanPaolo	EUR	Euribor + spread	2,350,000	2,350,000	991,740
Credem	EUR	Euribor + spread	950,000	950,000	259,432
Deutsche Bank	EUR	Euribor + spread	950,000	950,000	585,160
Monte dei Paschi di Siena	EUR	Euribor + spread	1,000,000	1,000,000	483,485
Credito Valtellinese	EUR	Euribor + spread	1,600,000	1,600,000	726,394
ASB	BHD	5.75%	250,000	586,854	-
TOTAL			13,650,000	13,986,854	4,691,924

26. Trade payables

12.31.2021	12.31.2020	Variations + (-)
10,673,433	7,667,696	3,005,737

The variation compared to December 31, 2020 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 stocks.

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

Area	12.31.2021	12.31.2020	Variations + (-)
EMEA	9,907,147	7,265,324	2,641,822
AMER	315,579	247,945	67,634
APAC	450,708	154,427	296,281
	10,673,433	7,667,696	3,005,737

Only a country (Italy) individually accounts for more than 10% of the total trade payables recorded as of December 31, 2021. There were two countries (Italy and Bahrain) which individually exceeded 10% of total trade payables as of December 31, 2020.

The breakdown of the balance at the end of the period 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	7,876,244	1,950,195	451,022	7,613	69,405	318,955	10,673,433

27. Due to related parties

12.31.2021	12.31.2020	Variations + (-)
106,167	157,043	(50,876)

Payables to related parties at December 31, 2021 are composed as follows:

Due to related parties	12.31.2021	12.31.2020	Variations + (-)
Racing Spirit Llc	14,403	10,858	3,545
Racing Spirit Srl	8,598	-	8,598
Dinamo Srl	-	120,000	(120,000)
MSV Ltd	20,449	-	20,449
AXH Management Bv	10,074	-	10,074
Stephane Cohen	-	1,200	(1,200)
Gabriele Pedone	-	3,673	(3,673)
GMP Consulting	30,113	9,200	20,913
Tyrrell Properties Llc	-	3,673	(3,673)
	83,636	148,605	(64,969)
Dividends approved but still to be paid	22,531	-	22,531
	106,167	148,605	(42,438)

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

28. Other payables

12.31.2021	12.31.2020	Variations + (-)
1,507,491	1,306,899	200,592

Other payables at December 31, 2021 are detailed in the table below:

Other payables	12.31.2021	12.31.2020	Variations + (-)
Payable to personnel	799,781	701,513	98,268
Social Security payables	271,990	258,808	13,183
Deferred income	78,024	106,499	(28,474)
Other accrued payables	357,695	240,079	117,617
	1,507,491	1,306,899	200,593

The increase in payables to personnel and social security is mainly due to the higher number of employees at December 31, 2021 (413 units) compared to December 31, 2020 (309 units).

29. Gross profit

	2021	2020	Variations + (-)
Revenue	46,674,333	33,733,308	12,941,025
Cost of sales	(19,470,848)	(13,597,933)	(5,872,915)
Gross profit	27,203,485	20,135,374	7,068,111

Group's revenues are mainly due to the sales of finished products to dealers, distributors, teams, car manufacturers and individual customers. The products made 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	2021	2020	Variations + (-)
Driver's equipment	33,075,462	21,636,924	11,438,538
Car parts	12,068,629	10,714,443	1,354,186
Other	1,530,242	1,381,941	148,301
	46,674,333	33,733,308	12,941,025

During 2021, the Group recorded a strong increase in sales both in terms of driver's equipment (+ 52.9%) and in terms of car components (+ 12.6%).

The breakdown of revenue by distribution channel is shown below:

Type	2021	2020	Variations + (-)
Dealers	32,463,773	23,951,271	8,512,502
Teams and car manufacturers	9,719,955	5,951,335	3,768,620
Other	4,490,605	3,830,702	659,903
	46,674,333	33,733,308	12,941,025

Dealers represent the main sales channel for the Group, accounting for 69.6% of total consolidated revenues (71.0% in 2020).

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

Area	2021	2020	Variations + (-)
EMEA	30,019,018	21,836,572	8,182,446
AMER	11,086,011	8,327,551	2,758,459
APAC	5,569,304	3,569,184	2,000,120
	46,674,333	33,733,308	12,941,025

Group's revenues are generated in approximately 80 countries. Of these, only three countries (Italy, the United Kingdom and the United States) individually exceed the 10% threshold of the Group's total revenues during 2021 (the same country were exceeding the threshold even in 2020).

The increase in revenues in 2021 compared prior year is mainly due to the synergies resulting from the process of integration of the businesses acquired at the end of 2019, which in 2020 had not yet been able to fully express their potential, due to the recent acquisition and to the Covid-19 emergency which involved the entire world economy.

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

	2021	2020	Variations + (-)
Raw materials	18,838,785	12,226,675	6,612,110
Change in inventory of finished and semi-finished goods	(1,749,505)	(208,187)	(1,541,318)
Transport and duties on purchases	1,897,752	1,032,911	864,842
Other costs related to purchases	483,816	546,534	(62,719)
	19,470,848	13,597,933	5,872,915

Variation compared to prior year is due to the increase of turnover during 2021.

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

The gross margin in absolute value increased by Euro 7,068 thousand compared to the previous year; the percentage gross margin, calculated as the ratio between the gross margin and total revenues, is equal to 58.3% (59.7% in 2020). The 1.4% decrease is due to the higher weight of transport costs, following the increase in tariffs at international level, and to the increase of raw material costs reported during 2021.

30. Other income

	2021	2020	Variations + (-)
Other income	1,444,804	1,484,745	(39,941)

Other income includes Euro 494 thousand relating to sales of materials to suppliers (Euro 316 thousand in 2020); Euro 369 thousand euros for development services provided as part of technical partnerships (Euro 338 thousand in 2020); Euro 240 thousand of grants provided by Simest, under the Integrated Promotion Fund, within the terms and according to the procedures set out in the Law Decree of March 17, 2020, nr. 19 converted with Law nr. 27 of April 24, 2020, as

subsequently amended; Euro 112 thousand of government grants received by the subsidiary Racing Force International WII, linked to the Covid-19 pandemic (Euro 191 thousand in 2020); Euro 83 thousand of non-repayable grants received from the American subsidiary Racing Force USA as part of the support measures provided by the US government to face the consequences of the pandemic.

31. Selling and distribution expenses

	2021	2020	Variations + (-)
Selling and distribution expenses	(6,399,095)	(4,967,655)	(1,431,441)

Expenses in 2021 are detailed as reported below:

Selling and distribution expenses	2021	2020	Variations + (-)
Technical partnerships and sponsorships	4,144,540	3,239,582	904,958
Freight out	1,678,065	1,122,356	555,709
Commissions and other cost on sales	576,490	605,716	(29,226)
	6,399,095	4,967,655	1,431,441

Technical partnerships mainly refer to the portion of costs related to 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 2021 compared to the prior year.

The increase in freight out, commissions and other cost on sales is due to the higher turnover recognized in 2021 compared to 2020.

32. General and administrative expense

	2021	2020	Variations + (-)
General and administrative expenses	(14,098,349)	(10,823,049)	(3,275,300)

Expenses in 2021 are detailed as reported below:

General and administrative expenses	2021	2020	Variations + (-)
Personnel	9,208,050	7,148,057	2,059,992
Professional fees	2,158,150	1,340,051	818,099
Compensation to BoD	740,385	787,795	(47,410)
Utilities	463,032	384,471	78,561
Repair & maintenance	391,860	295,794	96,066
Travel expenses	358,296	78,694	279,602
Bank charges	191,305	173,676	17,629
Other G&A	587,273	614,510	(27,237)
	14,098,349	10,823,049	3,275,300

Personnel costs include wages and salaries for employees of Group companies for Euro 7,120 thousand (Euro 5,469 thousand in 2020), as well as social security and other expenses relating to personnel for Euro 2,088 thousand (Euro 1,679 thousand in 2020). The increase compared to the previous year is mainly due to the greater number of employees within the Group, as detailed in note 39 - Other information.

The increase in Professional fees is mainly due to the costs incurred for the listing booked in the income statement for Euro 1,054 thousand, net of the impact from the termination of the contract with the US company Studiomilano (related party), which provided personnel and administrative services to the consolidated company Racing Force USA Inc. until the end of 2020. Starting from January 1, 2021, Racing Force USA Inc. has hired employees to cover positions that were previously outsourced.

The change in travel expenses is linked to the gradual reduction of restrictions imposed in 2020 to face the Covid-19 pandemic and, consequently, the higher number of employees' travels in the current fiscal year.

The other general and administrative costs mainly refer to consumables and other management costs. Furthermore, the item includes 35,664 Euro of fees for the board of statutory auditors of the parent company Racing Force S.p.A. (31,500 Euro in 2020).

33. Other expenses

	2021	2020	Variations + (-)
Other expenses	(250,165)	(466,737)	216,572

Other expenses mainly refer to costs for research incurred during the period and development costs not meeting the requirements for capitalization for 119 thousand Euro (255 thousand Euro in 2020), to costs recognized in 2021 referring to previous years for 49 thousand Euro (160 thousand Euro in 2020), in addition to taxes other than income taxes and other charges for 82 thousand Euro (52 thousand Euro in 2020).

34. Bad Debt and write-off

	2021	2020	Variations + (-)
Bad Debt and write off	(138,111)	(212,002)	73,891

The balance is due to 124 thousand Euro bad debt provision (Euro 119 thousand in 2020) and 14 thousand Euro accrual for stock obsolescence (Euro 93 thousand in 2020).

35. Depreciation

	2021	2020	Variations + (-)
Depreciation	(2,251,467)	(2,304,893)	53,426

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	2021	2020	Variations + (-)
Intangible Assets	892,402	807,827	84,575
Right of use assets	501,340	785,840	(284,501)
Property, Plant & Equipment	857,725	711,226	146,500
	2,251,467	2,304,893	(53,426)

The variation is primarily due to the reduction in depreciation deriving from right of use assets. Following the acquisition of Pier S.r.l., the building is no longer accounted for as a right of use deriving from a contract, but as an element of Property, Plant and Equipment with a longer useful life than the contractually established right of use.

36. Finance income and costs

	2021	2020	Variations + (-)
Finance income	405,948	236,425	169,522
Finance costs	(681,988)	(936,093)	254,105
Net Finance result	(276,040)	(699,668)	423,627

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	2021	2020	Variations + (-)
Interest with SAYE S.p.A.	21,413	37,048	(15,635)
Foreign exchange income	376,363	-	376,363
Other interest income	8,172	199,378	(191,206)
	405,948	236,425	169,522

The net foreign exchange rate income is due to 386 thousand Euro unrealized income and 10 thousand Euro realized loss.

Finance costs	2021	2020	Variations + (-)
Banks debt	501,340	492,692	8,648
Interest leasing IFRS 16	76,737	109,052	(32,315)
Foreign exchange loss	-	281,073	(281,073)
Racing Spirit Llc equity method evaluation	14,918	21,215	(6,297)
Interest IAS 19	1,575	3,623	(2,048)
Other finance costs	87,418	28,438	58,980
	681,988	936,093	(254,105)

37. Taxes

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

	2021	2020	Variations + (-)
Taxes	(1,067,392)	(709,030)	(358,362)

The composition of the balance as at December 31 is as follows:

Taxes	2021	2020	Variations + (-)
Current income taxes	805,954	634,136	171,818
Prior year taxes	135,562	-	135,562
Deferred taxes	125,876	74,894	50,982
	1,067,392	709,030	358,362

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

Taxes relating to previous years include 120,000 Euro of provision for tax risks, as described in Note 24 - Provisions, as well as 15,562 Euro of taxes relating to the company 2SM Europe Sprl, liquidated at the end of 2020.

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

	2021		2020		Variations + (-)
Net profit before taxes		5,235,061		2,146,116	3,088,944
Income tax using the Italian tax rate	24.0%	1,256,415	24.0%	515,068	741,347
Impact from different tax rate in other countries	(8.8%)	(459,891)	1.2%	63,406	(523,297)
Impact from non deductible expenses	1.9%	101,491	1.0%	51,403	50,088
Impact from non taxable income	(2.6%)	(137,883)	(0.3%)	(17,506)	(120,378)
Impact from taxes related to prior year	2.6%	135,562	0.0%	-	135,562
Other	0.7%	36,297	0.4%	19,986	16,311
Effective tax rate	17.8%	931,990	29.5%	632,357	299,633
IRAP		135,402		76,672	58,730
Total taxes for the period		1,067,392		709,030	358,362

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

	12.31.2021	12.31.2020	Variations + (-)
Tax receivables			
current	813,200	686,808	126,392
non current	211,952	211,952	-
Total tax receivables	1,025,153	898,761	126,392
Tax payables			
current	195,248	109,161	86,087
non current	77,710	-	77,710
Total tax payables	272,958	109,161	163,797

Tax credits are mainly due to VAT credit and payments of advances for income taxes paid in Italy.

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

The balance of tax payables at December 31, 2021 includes 155 thousand Euro due for the revaluation of the building in Ronco Scrivia, booked following the acquisition of the company Pier S.r.l. for a total of 233 thousand Euro, net of the amount paid by Racing Force S.p.A. during the first half of the year for 77 thousand Euro.

The outstanding balance will be paid in two installments of the same amount within the deadline for the settlement of the income taxes relating to the current tax period and the following one.

Changes in deferred taxes during the year

	12.31.2021	12.31.2020	Variations + (-)
Deferred tax assets	657,757	245,716	412,041

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

Below is the breakdown of the movements in deferred tax assets at December 31, 2021:

Deferred Tax Assets	12.31.2021	12.31.2020	Variations + (-)
Listing costs IAS 32	430,314	-	430,314
Intra-group margin in stock	146,335	146,057	278
Goodwill	34,100	61,225	(27,125)
Defined benefit plan under IAS 19	24,980	24,955	25
Other differences	22,028	13,479	8,549
	657,757	245,716	412,041

The breakdown of taxes by type is shown below:

Type	Deferred Tax Assets		Deferred Tax Assets	
	Amount 12.31.2021	Amount 12.31.2021	Amount 12.31.2020	Amount 12.31.2020
Listing costs IAS 32	1,542,343	430,314	-	-
Intra-group margin in stock	524,499	146,335	523,501	146,057
Goodwill	122,222	34,100	219,444	61,225
Defined benefit plan under IAS 19	104,082	24,980	103,978	24,955
Other differences	78,953	22,028	56,163	13,479
	2,372,100	657,757	903,087	245,716

The main amount at the end of the fiscal year relates to 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 period.

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 Covid-19 epidemiological emergency and the complex conditions of the global economy

The continuing epidemic related to the spread of the COVID-19 virus ("Coronavirus" or "COVID-19") has had, and may have in the future, a negative impact on the Group's operations, results and the entire market in which it operates. Even though the Group was not exposed to restrictive measures, made exception for the activity carried out in its industrial plant in Bahrain, which was interrupted for 10 days in 2020, it is not possible to exclude that it will be exposed in the future to the risk arising from the adoption by public authorities of additional and new measures to prevent and/or limit the spread of the Coronavirus and the operational and economic consequences arising from the adoption of such measures. In response to this emergency, the Group has also promptly adopted all the health and behavioral precautions imposed by the competent national and local authorities at its offices and production plants, including the development of social distancing plans, also implementing, where possible, remote operating methods for personnel.

Risks associated with the Russian-Ukrainian conflict and the restrictions applied following the economic sanctions

The conflict between the Russian Federation and Ukraine and the severe 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 European countries' export to Russia and the cost of energy supplies.

Although the Group's activity is not directly exposed to restrictive measures, it is not possible to exclude the risk of a contraction in turnover towards Russia, neither an increase in the price of energy in the coming months.

In this context of great uncertainty and geopolitical instability, the Group carefully monitors exports to Russia, trying to minimize its credit exposure to customers in that country. As regards the price of energy, the Group has started studies aimed at improving the energy efficiency of its production sites, with the goal of reducing the risk deriving from the increase in the cost of energy.

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 an in-house laboratory that is 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 damages has so far been brought against the Group, 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 at December 31, 2021 and the average for the year, broken down by homogeneous categories.

Headcount	12.31.2021	Average 2021	12.31.2020	Average 2020
Managers	27	27	19	19
Employees (office)	101	90	80	78
Warehouse / Production	285	255	210	205
Total	413	371	309	302

The increase in the total number of employees compared to the previous year is mainly due to the hiring of personnel in the production factory in Bahrain, as well as to the direct hiring of employees in Racing Force USA Inc., employed by the company Studiomilano until last year in accordance with the consultancy and staff supply contract for the American subsidiary.

Fees to Directors and Statutory Auditors

	2021	2020	Variations + (-)
Board of Directors	740,384	787,795	(47,411)
Statutory Auditors	35,664	31,500	4,164

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

	2021	2020	Variations + (-)
KPMG Italy - audit	47,000	36,000	11,000
KPMG Italy - other services	70,000	-	70,000
KPMG Bahrain	17,511	6,065	11,446
Total	134,511	42,065	92,446

Fees to KPMG Italy - audit relate to the financial statements of Racing Force S.p.A. for Euro 22 thousand, to the Group's consolidated financial statements for Euro 14 thousand and to the limited audit of the half-yearly consolidated financial statements for Euro 11 thousand; other services relate to the assistance provided for the listing on EG Milan.

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

There are no disbursements to be disclosed for the fiscal year, except for 2 thousand Euro donation 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 loan granted by Banco BPM during the year, for which a mortgage was taken out on the building in favor of the lending bank.

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 interim financial statements.

A summary of the balances with related parties at December 31, 2021 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	-	-	21,417	-
Racing Spirit Llc	B	268,167	14,403	3,167	23,161
Racing Spirit Srl	B	25,809	8,598	14,372	70,733
KJK Protective Technologies LLC	C	80,519	-	1,522	-
GMP Consulting	C	-	30,113	-	30,113
Studiomilano	D	110,715	-	-	54,419
Tyrrel Properties Llc	D	-	-	-	139,768
B2 Technology Ltd	D	-	-	-	81,810
AXH Managment Bv	D	-	10,074	-	126,246
MDV Ltd	D	-	20,449	-	129,996

A: parent company; B: associated companies and joint ventures; C: Subsidiaries' shareholders and top managers; D: companies controlled by shareholders or top managers of the consolidated companies.

The balances as of December 31, 2021 include the following receivables of a financial nature: i) loan to the associated company Racing Spirit LLC for Euro 265,000; ii) loan to KJK Protective Technologies LLC for Euro 80,000, in addition to interest accrued and not yet collected at the end of the fiscal year for Euro 519.

Costs from Racing Spirit S.r.l. mainly refer to the purchase of Group's employee uniforms, while revenues are mainly due to the administrative and logistic services provided by Racing Force S.p.A. in 2021.

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

Tyrrell Properties Llc is the company that provides the facilities where the consolidated company Racing Force USA Inc. is based in Miami.

Studiomilano is the consulting company that provided staff and payroll and administrative services to Racing Force USA Inc. until December 31, 2020. Starting from January 1, 2021, the staff was hired directly by Racing Force USA Inc. The balance at June 30, 2021 mainly refers to a credit note received at the end of the previous year relating to government grants received by Studiomilano, to be re-credited to Racing Force USA Inc.

B2 Technology Ltd, AXH Management BV and MDV Ltd are companies that provide technical, operational and research and development consulting services, respectively managed by the Chief Executive Officer (CEO) of the subsidiary Bell Racing Helmets International Wll, the Chief Operating Officer (COO) of the Group 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.

With reference to the ongoing health emergency connected to Coronavirus - Covid-19, given the solidity of the fundamentals of both the value chain and the economic and financial structure of the consolidated companies and the Group as a whole, no significant effects are expected on operating results for the current year.

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. The exposure of the Group to the Russian and Ukrainian markets, albeit limited, is constantly monitored carefully, waiting to understand future developments and the evolution of the conflict. Receivables from Russian customers were almost zero as of December 31, 2021, while the turnover generated during the year 2021 was slightly higher than 800 thousand Euro. At the date of these Notes, unexpired receivables from Russian customers, due to the sales made in the first months of 2022, net of what has already been collected, amounted to Euro 66 thousand.



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