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

Racing Force Group

Condensed interim consolidated financial statements as at and for the six months ended 30 June 2021

(with auditors' report on review thereof)

KPMG S.p.A.

28 October 2021

KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
Racing Force S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Racing Force Group (the "group"), comprising the condensed consolidated statement of financial position, the condensed consolidated statement of profit and loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and notes thereto, as at and for the six months ended 30 June 2021. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Racing Force Group as at and for the six months ended 30 June 2021 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Other matter

The condensed interim consolidated financial statements of the Racing Force Group as at and for the six months ended 30 June 2020 have not been neither audited nor reviewed.

Genoa, 28 October 2021

KPMG S.p.A.

(signed on the original)

Andrea Carlucci
Director of Audit

CONSOLIDATED INTERIM FINANCIAL REPORT

AS OF JUNE 30, 2021

Racing Force S.p.A.

Registered office: Via Bazzano 5, Ronco Scrivia (Genoa)
F.C. and registration number: 02264760105
Member of REA - CCIAA of Genoa nr. 260454
Share capital: Euro 1,925,745.00 fully paid-up
VAT number: 02264760105
Subject to the management and coordination activity of the company SAYE S.p.A.

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Board of Directors' Report on the Operations and Situation of the Group in the period ending June 30, 2021

Board of Directors' Report on the Operations and Situation of the Group in the period ending June 30, 2021

General Information

The condensed interim consolidated financial statements as of June 30, 2021 of Racing Force Group (formerly OMP Racing Group)[1], hereinafter the Group, were prepared in accordance with IAS 34 – Interim Financial Reporting. Since they don't include all the information required by the IFRS in the preparation of the annual financial statements, the consolidated financial statements as of June 30, 2021 must be read together with the financial statements for the year ended 31 December 2020. The estimation processes and assumptions were maintained in continuity with those used for the preparation of the annual financial statements. For comparative purposes, the consolidated statements are compared with the consolidated balance sheet figures of the financial statements as at December 31, 2020 and with the consolidated economic data as at June 30, 2020.

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 first half of 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 June 30, 2021 is the result of the acquisitions made at 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 2020 and in the first half of 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 first half:

- 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

[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.

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).

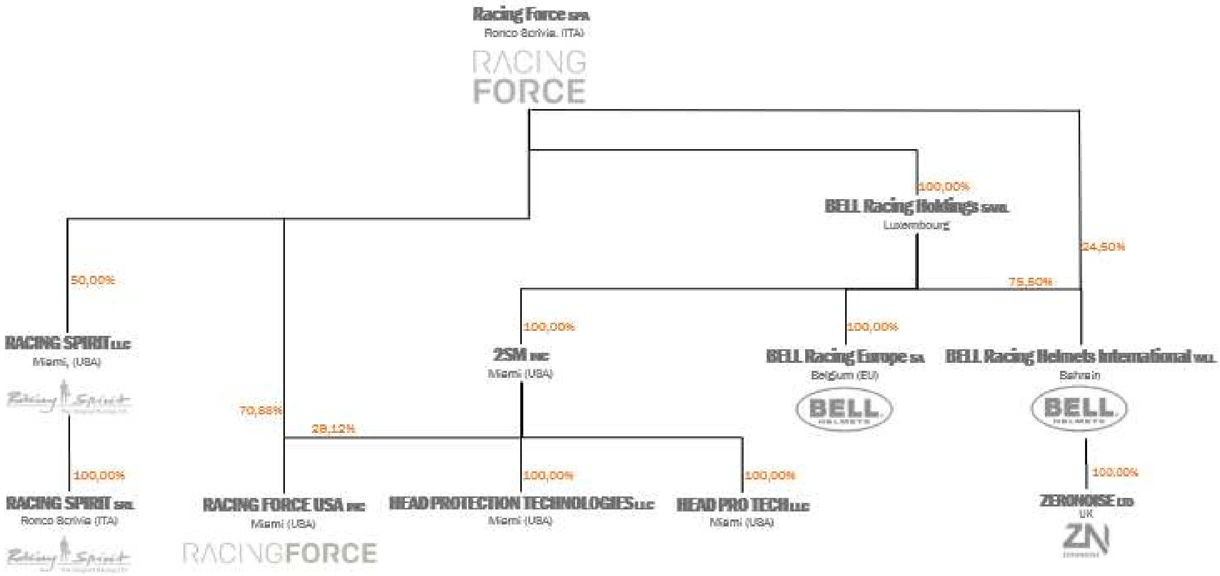
- On March 10, 2021, the Shareholders' Meeting of Racing Force S.p.A. approved the purchase of no. 34,633 own shares with a value of Euro 1.00 each at the price of Euro 650,747.00, equal to 1.80% of the capital of Racing Force S.p.A., by the company SAYE S.p.A.; the aforementioned shares were subsequently 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.

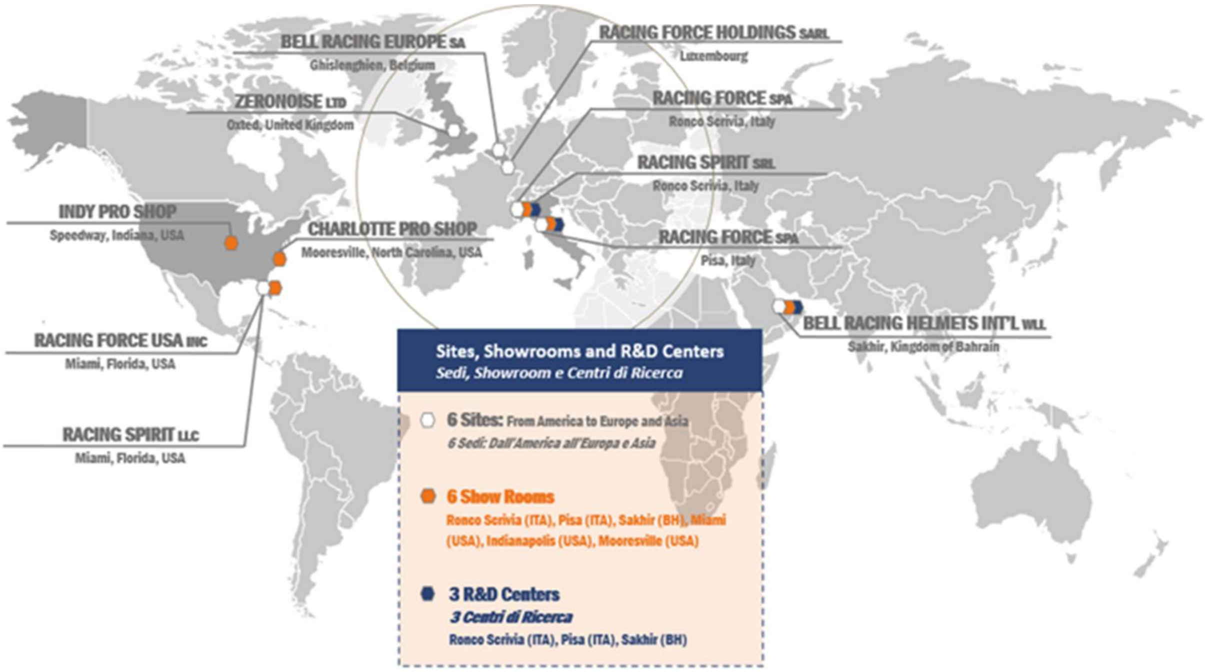
Racing Force S.p.A. is subject to the management and coordination activity of the company SAYE S.p.A. These activities have not produced particular effects on the Group and its results in the first half of 2021 that require to indicate the reasons and interests affected.

The structure of the Group at the end of 2021 first half, 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 2020, 11 out of 20 Formula One 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 and rally-raid series.

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.

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, the first half of 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 and iii) the completeness of the range of products offered by the Group, following the acquisition of Bell Racing Helmets Group and the company Zeronoise starting from the end of 2019.

Today Racing Force Group can offer the best and most complete range of Motorsport Safety Products used by professional athletes worldwide, from F1 to World Rally Championship, Karting and Rally-Raid, with more than 60 FIA World Championship titles won in the last 10 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 first half, the Group significantly increased its sales (+46.8% compared to 2020 first half, equal to +7.9 million Euro) and its margin. EBITDA increased by 142.9% compared to 2020 first half, thanks also to constant and careful planning and control of expenses in all Group companies, amounting to 24.0% 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 first half, 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.

Summary of consolidated financial data

The main figures related to the performance of the Group in the first half of 2021, compared with the first half of 2020 as regards the income statement and with the balances at the end of 2020 as regards the balance sheet, are reported in the tables below.

Financial data for the half-year ended at June 30

	2021	% of Revenue	2020	% of Revenue	Variance
Revenue	**24,943,868**		**16,996,225**		**7,947,643**
Gross profit	**14,796,443**	59.3%	**10,217,974**	60.1%	**4,578,469**
EBITDA	**5,987,428**	**24.0%**	**2,465,471**	**14.5%**	**3,521,958**
Bad Debt and write offs	54,848	0.2%	13,095	0.1%	41,753
Depreciation	1,037,331	4.2%	1,080,615	6.4%	(43,284)
EBIT	**4,895,249**	**19.6%**	**1,371,760**	**8.1%**	**3,523,489**
Finance income/(loss)	(77,693)	0.3%	(176,706)	1.0%	99,013
Taxes	1,217,105	4.9%	429,587	2.5%	787,518
Net result	**3,600,451**	**14.4%**	**765,467**	**4.5%**	**2,834,984**
					-
Cash flow from operations	**3,701,517**	**14.8%**	**(479,768)**	**2.8%**	**4,181,285**
Dividends paid to Shareholders	**56,774**	**0.2%**	**21,250**	**0.1%**	**35,524**

Financial data at the end of the period

	06.30.2021	12.31.2020	Variance
Total Assets	**48,605,962**	**44,154,689**	**4,451,273**
Fixed Assets	20,323,829	18,610,800	1,713,029
Net Working Capital	12,026,337	9,849,436	2,176,901
Other items in working capital	(2,029,717)	(73,301)	(1,956,416)
less LT & Accrued provisions	3,119,097	4,359,456	(1,240,359)
Net Invested Capital	**27,201,353**	**24,027,480**	**3,173,873**
Net Financial Position	16,938,079	15,541,642	1,396,437
Group Equity	10,263,274	8,187,408	2,075,866
NCIs	-	298,430	(298,430)
Financial Sources	**27,201,353**	**24,027,480**	**3,173,873**

Net Financial Position

	06.30.2021	12.31.2020	Variance
Debts with banks (A)			
- Short term	5,080,550	5,126,914	(46,364)
- Long term	13,061,783	11,904,728	1,157,054
Finance active loans (C)			
Long term loan to the Parent company	839,253	1,490,000	(650,747)
Short term loan to Racing Spirit Llc	265,000	-	265,000
Long term loan to KJK Protective Technologies LLC	100,000	-	100,000
Net Financial position: A) + B) - C)	**16,938,079**	**15,541,642**	**1,396,437**

Main financial KPIs

	06.30.2021	12.31.2020
Coverage of Fixed Assets		
(Net Group Equity + LT debt) / Fixed Assets	1.15	1.08
Coverage of Net Working Capital		
ST debt / Net Working Capital	0.42	0.52
Debt - Equity ratio		
(Current liabilitis + Non current liabilities) / Net Group Equity	3.74	4.36
Net Financial position / Net Group Equity	1.65	1.90
Capitalization		
Net Group Equity / Total Assets	0.21	0.19
Net Group Equity / Net Invested Capital	0.38	0.34
Liquidity ratio		
Working Capital / Current operating Liabilities	1.77	1.92
Net Financial position / Net invested capital	0.62	0.65

Main economical KPIs for the period closed at June 30

	2021	2020
ROIC		
NOPAT / Net Invested Capital	13.52%	3.78%
ROI		
EBIT / Total Assets	10.07%	3.10%
ROS		
EBIT / Revenue	19.63%	8.07%
ROA		
Net Profit / Total Assets	7.41%	1.73%

During 2021 first half, the Group achieved an EBITDA of 5,987 thousand Euro (2.465 thousand Euro in 2020 first half), with a margin of 24.0% on sales (14.5% in 2020 first half). This very positive result is due both to the performance of Racing Force S.p.A and its American subsidiary and to the contribution in terms of sales and margins of the Bell Racing Helmets Group and, although to a lesser extent, of Zeronoise.

Net profit for the year was 3,600 thousand Euro (765 thousand Euro in 2020 first half), with a margin on sales of 14.4% (4.5% in 2020 first half), after depreciation and write-offs for 1,092 thousand Euro (1,094 thousand Euro in 2020 first half), net finance expenses for 78 thousand Euro (177 thousand Euro in 2020 first half) and taxes for 1,217 thousand Euro (430 thousand Euro in 2020 first half).

The cash flow from operations was 3,702 thousand Euro (-480 thousand Euro in 2020 first half). This amount was used, together with the increase in bank loans amounting to 1,078 thousand Euro, 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 16,938 thousand Euro at the end of 2021 half-year. For a detailed analysis see the consolidated Cash Flow Statement.

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 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 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

The activities of the Group and of the consolidated entities do not have a significant impact on the environment. All waste management activities, even if reduced to the minimum and non-polluting, have been entrusted to consulting companies that manage all the obligations under environmental matters with specific reference to the regulation on waste management.

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 half-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).

During the first half of 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.

The aforementioned operation was 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 the first half of 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 the first half of 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

The results of the first two months of 2021 second half were better than those of last year, both in terms of sales and orders from customers, thanks to the increasing demand from the market. In this perspective, the Group has started a process of strengthening its production capacity, in particular as regards the production of Bell brand helmets in the factory in Bahrain, through an increase in the workforce and investments in machinery with the aim of increasing production. If the growth trend in demand is confirmed also for the next few months, it is expected to close the year with significantly positive results.

Condensed consolidated interim Financial Statements

Condensed consolidated statement of financial position

	Note	06.30.2021	12.31.2020	Variation
NON CURRENT ASSETS				
Property, plant and equipment	9	6,091,194	2,843,545	3,247,648
Right of use assets	10	2,243,450	4,066,278	(1,822,827)
Intangible assets	11	6,258,096	5,993,994	264,101
Goodwill	11	5,662,557	5,662,557	-
Investments booked at Equity method	12	68,533	44,426	24,106
Due from related parties -non current	13	919,253	1,490,000	(570,747)
Tax receivables - non current	37	211,952	211,952	-
Deferred tax assets	37	207,301	245,716	(38,414)
Other non current assets	14	18,780	89,238	(70,458)
		21,681,116	**20,647,706**	**1,033,409**
CURRENT ASSETS				
Cash and cash equivalents	15	4,295,040	4,254,877	40,163
Trade receivables	16	8,866,662	6,240,014	2,626,649
Inventories	17	11,618,911	11,277,118	341,793
Due from related parties - current	18	497,878	106,163	391,715
Tax receivables - current	37	369,792	686,808	(317,016)
Other current assets	19	1,276,563	942,003	334,559
		26,924,846	**23,506,983**	**3,417,863**
TOTAL ASSETS		**48,605,962**	**44,154,689**	**4,451,272**
EQUITY				
Share capital		1,925,745	1,925,745	-
Additional paid in capital		1,632,150	1,632,150	-
Legal reserve		398,931	398,931	-
Translation reserve		(266,662)	(363,124)	96,461
Retained earning (losses)		2,762,780	3,045,913	(283,133)
Other reserve		209,879	192,507	17,372
Net Result		3,600,451	1,355,286	2,245,165
Equity attributable to owners of the parent Company	**20**	**10,263,274**	**8,187,408**	**2,075,866**
Non-controlling interests	20	-	298,430	(298,430)
TOTAL EQUITY		**10,263,274**	**8,485,838**	**1,777,436**
NON CURRENT LIABILITIES				
Long term loans - non current	22	13,061,783	11,904,728	1,157,054
Lease liabilities - non current	10	1,928,567	3,405,469	(1,476,902)
Tax payables - non current	37	77,710	-	77,710
Employee benefits	23	792,820	753,987	38,833
Provisions	24	320,000	200,000	120,000
		16,180,880	**16,264,184**	**(83,304)**
CURRENT LIABILITIES				
Short term Loan	25	6,324,708	6,251,825	72,883
Trade payables	26	8,459,236	7,667,696	791,540
Long term loans - current portion	22	3,050,882	3,129,966	(79,085)
Lease liabilities - current	10	416,257	782,078	(365,821)
Due to related parties	27	1,422,468	157,043	1,265,425
Tax payables - current	37	1,025,968	109,161	916,807
Other payables	28	1,462,290	1,306,899	155,391
		22,161,808	**19,404,668**	**2,757,141**
TOTAL LIABILITIES AND EQUITY		**48,605,962**	**44,154,689**	**4,451,273**

Condensed consolidated statement of profit and loss for the periods ended at June 30

	Note	2021	2020
Revenue		24,943,868	16,996,225
Cost of sales		(10,147,425)	(6,778,251)
Gross profit	**29**	**14,796,443**	**10,217,974**
Other income	**30**	745,551	459,461
Selling and distribution expenses	**31**	(3,338,925)	(2,529,015)
General and administrative expenses	**32**	(6,038,767)	(5,533,618)
Other expenses	**33**	(176,874)	(149,331)
Gross operating profit (EBITDA)		**5,987,428**	**2,465,471**
Bad Debt and write offs	**34**	(54,848)	(13,095)
Depreciation	**35**	(1,037,331)	(1,080,615)
Net operating profit (EBIT)		**4,895,249**	**1,371,760**
Finance income	**36**	200,836	137,483
Finance costs	**36**	(278,529)	(314,189)
Net income (loss) before taxes		**4,817,556**	**1,195,054**
Taxes	**37**	(1,217,105)	(429,587)
Total net income (loss) after taxes		**3,600,451**	**765,467**
Income (loss) attributable to:			
Owners of the parent Company	**20**	3,600,451	874,432
Non-controlling interest	**20**	-	(108,966)

Condensed consolidated statement of profit or loss and other comprehensive income for the periods ended at June 30

	Note	2021	2020
Total net income (loss) after taxes		**3,600,451**	**765,467**
Other Comprehensive Income (Loss)			
Items that will not be reclassified through the Statements of Income			
Remeasurements of post-employment benefit obligations	**23**	22,858	(7,473)
Related tax impact		(5,486)	1,794
Items that may be reclassified through the Statements of Income			
Changes in foreign currency translation adjustment	**20**	96,461	(69,807)
Total Other Comprehensive Income		113,833	(75,487)
Total Comprehensive Income		**3,714,284**	**689,979**
Income (loss) attributable to:			
Owners of the parent Company		3,714,284	801,210
Non-controlling interest		-	(111,231)

Condensed consolidated statement of changes in Equity for the six months ended June 30

	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**
Difference from translation of financial statements of foreign companies				(69,807)				(69,807)		(69,807)
Actuarial gains and (losses)						(5,680)		(5,680)		(5,680)
Profit for the six months 01.01.2021 - 06.30.2021							874,432	874,432	(108,966)	765,467
Distribution to shareholders								-	(21,272)	(21,272)
Acquisition of NCIs								-	(1,012,330)	(1,012,330)
Balance at June 30, 2020	**1,425,745**	**1,632,150**	**398,931**	**(41,435)**	**3,045,913**	**(73,342)**	**874,432**	**7,262,395**	**2,341,332**	**9,603,727**

	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**				96,462				96,462		96,462
Fair value remeasurement IAS 16	**20**										
Actuarial gains and (losses)	**20**						17,372		17,372		17,372
Profit for the six months 01.01.2021 - 06.30.2021	**20**							3,600,451	3,600,451		3,600,451
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)	(628,341)
Balance at June 30, 2021		**1,925,745**	**1,632,150**	**398,931**	**(266,662)**	**2,762,780**	**209,879**	**3,600,451**	**10,263,274**	**-**	**10,263,274**

Condensed consolidated statement of cash flows

	Note	2021	2020
A. Cash flow from operating activities			
Net profit for the year		3,600,451	765,467
Income taxes	37	1,217,105	429,587
Interest expenses/(interest income)	36	77,693	176,706
(Capital gains)/losses arising from disposal of assets	9	(9,712)	-
1. Profit (loss) for the year before income taxes, interests, dividends and capital gains/losses on disposal of assets		**4,885,537**	**1,371,760**
Adjustments for non-monetary items that had no impact on the net working capital			
Accruals for provisions	34	54,848	35,217
Depreciation and amortization	35	1,037,331	1,080,615
Other adjustments for non-monetary items	12	(24,106)	(1,645)
2. Cash flow before variances in net working capital		**5,953,610**	**2,485,947**
Variances in net working capital			
Decrease/(increase) in inventory	17	(341,793)	(266,015)
Decrease/(increase) in receivables from customers	16	(2,626,649)	(366,999)
Increase/(decrease) in payables to suppliers	26	791,540	(1,492,472)
3. Cash flow after variations in net working capital		**3,776,709**	**360,461**
Other variances in working capital		499,710	(601,596)
Received/(paid) interests		(278,010)	(144,554)
(Paid income taxes)		(219,645)	(42,923)
(Use of accrued provisions)		(77,247)	(51,156)
Cash flow from operating activities (A)		**3,701,517**	**(479,768)**
B. Cash flows from investing activities			
Tangible fixed assets: (cost of purchase) / sale price	11	(441,551)	(292,205)
Intangible fixed assets: (cost of purchase) / sale price	3	(661,652)	(200,384)
Financial fixed assets: (cost of purchase) / sale price	0	(2,925,996)	-
Cash flow from investing activities (B)		**(4,029,199)**	**(492,590)**
C. Cash flows from financing activities			
Debt			
Increase (decrease) in short-term bank loans	22	72,883	2,753,995
Increase (decrease) in loans	10	1,077,969	1,177,136
Increase (decrease) in leases	0	(194,355)	(353,416)
Equity			
(Paid dividends)	20	(56,774)	(21,250)
Differences from translation and other reserves	0	96,462	(69,807)
Acquisition of non-controlling interests	0	(628,341)	(1,012,329)
Cash flow from financing activities (C)		**367,844**	**2,474,328**
Increase (decrease) in cash and cash equivalent (A ± B ± C)		**40,163**	**1,501,970**
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		**4,295,040**	**2,480,215**

Notes to the condensed consolidated interim 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) and specifically to IAS 34 applicable to the interim financial reporting. The interim financial statements do not include all the information required by the IFRS in the preparation of the annual financial statements and therefore must be read together with the financial statements for the year ended December 31, 2020. The estimation processes and assumptions have been maintained in continuity with those used for the preparation of the annual financial statements. For comparative purposes, the first-half financial statements are compared to the balance sheet figures as at December 31, 2020 and with the profit and loss accounts as at June 30, 2020.

While not including all the information required for complete IFRS financial reporting, specific explanatory notes are included to explain the events and transactions that are relevant to understanding the changes in the Group's financial position and performance since latest annual report.

These consolidated financial statements were authorized for publication by the Company's Board of Directors on September 10, 2021.

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 June 30, 2021 includes the financial statements of Racing Force S.p.A. and of the following companies, directly and indirectly owned at that date:

[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.

	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%
Bell Racing Helmets International WLL	Sakhir (Bahrain)	Production, R&D, commercial	24.50%
Indirect shareholdings			
Racing Force USA Inc.	Miami (USA)	Commercial	29.12%
Bell Racing Helmets International WLL	Sakhir (Bahrain)	Production, R&D, commercial	75.50%
Zeronoise Ltd	London (UK)	Commercial	100.00%
Bell Racing Europe 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 interim 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 first half of the year:

- 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 half-yearly 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 first half the Group recorded a profit after tax of 3,600 thousand Euro and generated cash flows from operating activities for 3,702 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 half-year 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.
The estimation processes and the assumptions were maintained in continuity with those used for the preparation of the annual 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).
- On March 31, 2021, the IASB published an amendment called *Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16 Leases)*, with which it extended 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.

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 May 2017, the IASB issued *IFRS 17, Insurance Contracts* ("IFRS 17"), which replaces *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.
- 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.

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

06.30.2021	12.31.2020	Variations + (-)
6,091,194	2,843,545	3,247,648

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 first six months						
Cost						
Balances from Pier S.r.l. acquisition	4,171,972	133,759	-	-	-	**4,305,731**
Additions	432	167,425	80,119	-	118,073	**366,050**
(Disposals)	-	0	(7,430)	-	(8,337)	**(15,767)**
Exchange rate impact	-	62,516	19,522	33,425	10,288	**125,751**
Reclassifications	115,425	-	-	-	(115,425)	**-**
Accumulated Depreciation						
Depreciation	(69,074)	(236,151)	(65,524)	-	(25,601)	**(396,349)**
Balances from Pier S.r.l. acquisition	(947,394)	(123,172)	-	-	-	**(1,070,566)**
(Disposals)	-	-	3,400	-	2,655	**6,055**
Exchange rate impact	-	(45,714)	(19,060)	-	(8,482)	**(73,257)**
Book value at the end of the period						
Cost	4,287,830	5,939,482	1,593,356	1,101,211	1,397,519	**14,319,397**
Accumulated Depreciation	(1,016,468)	(4,712,565)	(1,303,428)	-	(1,195,742)	**(8,228,204)**
Net Book Value	**3,271,362**	**1,226,917**	**289,928**	**1,101,211**	**201,776**	**6,091,194**

During the first half, 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 first half of the 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

06.30.2021	12.31.2020	Variations + (-)
2,243,450	4,066,278	(1,822,828)

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 first six months			
Cost			
Additions	-	-	**-**
(Disposals)	(2,259,921)	-	**(2,259,921)**
Other movements	16,337	(253)	**16,084**
Accumulated Depreciation			
Depreciation	(198,655)	(44,777)	**(243,432)**
(Disposals)	638,095	-	**638,095**
Other movements	12,955	13,391	**26,346**
Book value at the end of the period			
Cost	3,070,682	293,434	**3,364,116**
Accumulated Depreciation	(934,455)	(186,211)	**(1,120,666)**
Net Book Value	**2,136,227**	**107,223**	**2,243,450**

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 decreases in the half-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 First Half**
General and administrative expenses	(247,989)
EBITDA	247,989
Depreciation	243,432
EBIT	4,557
Finance loss and taxes	36,586
Net Result	(32,028)
Balance Sheet	
Right of use assets	2,243,450
Net invested capital	(101,374)
Net Equity	(44,939)
Cash Flow	
Cash flow from operations	194,355
Cash flow from investments	0
Cash flow from financial operations	(194,355)
Increase (decrease) in cash and cash equivalent	-

Lease liabilities

06.30.2021	12.31.2020	Variations + (-)
2,344,824	4,187,547	(1,842,723)

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	-
- 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	(243,432)
+/- Adjustments/increases in finance leases	42,431
Finance leases, net of total depreciation, at the end of the period	**2,243,450**
B) Current value of unexpired lease payments	
Current value of unexpired lease payments calculated using the interest rate of the lease contract	2,344,824
of which:	
- Payable within one year	416,257
- Long term	1,928,567
C) Financial changes for the period	
Financial charges for the year calculated using the applicable interest rate	36,586

Payables for long-term leases include 1,073 thousand Euro with a maturity between one and five years and 856 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

06.30.2021	12.31.2020	Variations + (-)
6,258,096	5,993,994	264,102

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	Other tangible assets	Total
Book value at the beginning of the period					
Cost	4,856,121	5,158,711	433,443	2,369	**10,450,645**
Accumulated Depreciation	(3,154,527)	(1,299,755)	-	(2,369)	**(4,456,651)**
Net Book Value	**1,701,594**	**3,858,957**	**433,443**	**-**	**5,993,994**
Movements of the first six months					
Cost					
Additions	286,853	85,456	192,098	-	**564,406**
Exchange rate impact	30,071	77,308	6,484	-	**113,863**
Accumulated Depreciation					
Depreciation	(253,751)	(143,800)	-	-	**(397,550)**
Exchange rate impact	(8,163)	(8,455)	-	-	**(16,618)**
Book value at the end of the period					
Cost	5,173,045	5,321,476	632,025	2,369	**11,128,914**
Accumulated Depreciation	(3,416,440)	(1,452,010)	-	(2,369)	**(4,870,819)**
Net Book Value	**1,756,605**	**3,869,466**	**632,025**	**-**	**6,258,096**

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 first half of the 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 the previous year, 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 include the costs relating to the implementation of the new ERP system in Racing Force S.p.A. and the costs recognized in the consolidated company Bell Racing Helmets International for projects under development referred to Bell branded driver’s helmets.

Goodwill

06.30.2021	12.31.2020	Variations + (-)
5,662,557	5,662,557	-

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

Goodwill	06.30.2021	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, 2020, 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 2021-2025 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: 11.43% for Bell Racing Helmets International Wll; 9.30% for Racing Force USA Inc.; 12.27% 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 1.40 (Source Damodaran - Beta Auto Parts Sector) for all CGUs.
- Growth rate beyond the explicit projection period equal to 3% for all CGUs.

For the purposes of these half-yearly consolidated financial statements, all the assumptions contained in the aforementioned plans have been analyzed on the basis of i) the final results recorded at June 30, 2021 for each CGU; ii) the trend of the main variables used within the models, including the interest rate.

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 June 30, 2021.

12. Investments booked at Equity method

06.30.2021	12.31.2020	Variations + (-)
68,533	44,426	24,107

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

	Balance at 12.31.2020	Variations for the period: Equity method evaluation	Variations for the period: Increases / (Decreases)	Balance at 06.30.2021	%
Associates and Joint Ventures					
Racing Spirit Llc	43,393	(21,454)	45,561	67,500	50.0%
Other companies					
MSC Motorsport Safety Council	1,033	-	-	1,033	-
	44,426	(21,454)	45,561	**68,533**	

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 320 thousand USD at the end of June 30, 2021. The company designs, manufactures and distributes clothing and accessories inspired by racing.

Below is the main information on the company as at June 30, 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	Miami (USA)	269,270	(42,908)	134,999	50%	67,500

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, while the share due by the other shareholder was paid within June 30, 2021.

MSC Motorsport Safety Council is 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.

13. Due from related parties - non current

06.30.2021	12.31.2020	Variations + (-)
919,253	1,490,000	(570,747)

The balance is related to:

- Euro 839 thousand of financial loan granted to the parent company SAYE S.p.A. (Euro 1,490 at December 31, 2020), with expiry date on December 31, 2027 and a 2.5% annual interest rate. The portion over 5 years amounts to 373 thousand Euro;

- Euro 80 thousand relating to the long-term portion of the loan granted to KJK Protective Technologies LLC during the first half od 2021. The collection of the credit, on which interest accrues at the rate of 2% per annum, is expected through 5 annual installments of Euro 20,000 each.

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

14. Other non current assets

06.30.2021	12.31.2020	Variations + (-)
18,780	89,238	(70,458)

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 the first half of 2021.

15. Cash and cash equivalents

06.30.2021	12.31.2020	Variations + (-)
4,295,040	4,254,877	40,163

Variations for the period are detailed as follows:

	Balance at 12.31.2020	Variations for the period	Balance at 06.30.2021
Bank deposits	4,222,311	52,887	4,275,198
Cash and cash on hand	32,566	(12,724)	19,842
	4,254,877	**40,163**	**4,295,040**

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

06.30.2021	12.31.2020	Variations + (-)
8,866,662	6,240,014	2,626,648

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

	Balance at 12.31.2020	Variations for the period	Balance at 06.30.2021
Trade receivables	6,299,463	2,658,755	8,958,218
Bad debt allowance	(59,449)	(32,106)	(91,555)
	6,240,014	**2,626,649**	**8,866,662**

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 June 30, 2021 compared to the end of the previous year is in line with the strong increase in sales in the first half of 2021.

The ageing of trade receivables at June 30, 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	6,507,201	1,659,894	441,710	141,860	36,913	170,641	**8,958,218**

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	06.30.2021	12.31.2020	Variations + (-)
EMEA	7,271,001	5,032,590	2,238,412
AMER	1,192,458	1,024,852	167,606
APAC	494,758	242,022	252,737
	8,958,218	**6,299,463**	**2,658,755**

The Group sells its products in around 80 countries. Only 4 countries (Italy, United Kingdom, United States and Germany) individually exceed 10% of the total receivables booked as at June 30, 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	06.30.2021	12.31.2020	Variazioni + (-)
Dealers	4,841,521	2,962,157	1,879,363
Team and car manufacturers	2,213,489	1,521,448	692,040
Other	1,903,209	1,815,858	87,351
	8,958,218	**6,299,463**	**2,658,755**

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

06.30.2021	12.31.2020	Variations + (-)
11,618,911	11,277,118	341,793

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 06.30.2021
Raw materials	3,175,837	817,934	3,993,770
Semi-finished goods	1,452,792	17,254	1,470,046
Finished products	6,708,454	(493,395)	6,215,058
Obsolescence Fund	(59,964)	0	(59,964)
	11,277,118	**341,792**	**11,618,911**

Balances as at June 30, 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 half-year. The obsolescence fund reflects the obsolescence rate and the timing of inventory turnover.

18. Due from related parties - current

06.30.2021	12.31.2020	Variations + (-)
497,878	106,163	391,715

Receivables from related parties are composed as follows:

Due from related parties - current	06.30.2021	12.31.2020	Variations + (-)
SAYE S.p.A.	13,282	-	13,282
STUDIOMILANO	106,261	94,760	11,501
Racing Spirit Llc	272,852	6,827	266,025
Racing Spirit Srl	84,984	-	84,984
KJK Protective Techologies LLC	20,499	4,575	15,923
	497,878	**106,163**	**391,715**

During the first half of 2021, the parent company Racing Force S.p.A. has granted two loans expiring on December 31, 2021 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

06.30.2021	12.31.2020	Variations + (-)
1,276,563	942,003	334,560

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

Other current assets	06.30.2021	12.31.2020	Variazioni + (-)
Prepaid expenses	1,265,156	928,427	336,729
Other receivables	11,407	13,576	(2,169)
	1,276,563	**942,003**	**334,560**

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

06.30.2021	12.31.2020	Variations + (-)
1,925,745	1,925,745	-

The share capital increase was subscribed and fully paid up by all shareholders. There were no changes in the period.

Additional paid-in capital

06.30.2021	12.31.2020	Variations + (-)
1,632,150	1,632,150	-

Additional paid-in capital is the share premium reserve which includes the excess of the issuing price of the shares compared to their nominal value. This share premium was generated in 2019 with the in-kind contribution of the company Zeronoise Ltd.
There were no changes in the period.

Legal reserve

06.30.2021	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

06.30.2021	12.31.2020	Variations + (-)
(266,662)	(363,124)	96,462

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 semester is mainly due to the exchange rate trend with the Bahraini Dinar, functional currency of the subsidiary Bell Racing Helmets International Wll.

Retained earnings (losses)

06.30.2021	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 are still to be paid as of June 30, 2021.

Other reserves

06.30.2021	12.31.2020	Variations + (-)
209,879	192,507	17,372

Other reserves include 271,529 Euro for the fair value remeasurement of the assets recorded in the subsidiary Bell Racing Helmets 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 61,650 Euro.

The movements are detailed in the Statement of changes in equity for the period ended June 30, 2021.

Non-controlling interest

06.30.2021	12.31.2020	Variations + (-)
-	298,408	(298,408)

Non-controlling interests as at June 30, 2021 constitute the portion of the minority shareholders' equity. The change in the half-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	**10,250,513**	**2,444,426**
Impact IAS 19	(61,650)	-
Impact IFRS 3, IFRS 10	195,650	87,500
Impact IFRS 16	3,732	19,148
Amounts as per Racing Force S.p.A. Financial Statements IAS-IFRS	**10,388,245**	**2,551,074**
Net Equity and income from consolidated subsidiaries	5,849,517	1,158,271
Elimination of consolidated investments	(11,102,453)	(44,161)
Elimination of intra-group dividend	-	(150,000)
Goodwill (IFRS 3, IFRS 10)	6,625,057	-
Intangible assets depreciation (IFRS 3, IAS 38)	(163,974)	(54,658)
Elimination of intra-group dividend	-	-
Elimination of intra-group margin	(1,034,317)	105,253
Acturial gains and losses (IAS 19)	(48,672)	12,079
Lease Accounting (IFRS 16)	(266,662)	-
Cumulative translation reserve	16,534	22,592
Net Equity and result of the Group	**10,263,274**	**3,600,451**
Non-controlling interest	-	-
Amounts as per consolidated financial statements	**10,263,274**	**3,600,451**

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

06.30.2021	12.31.2020	Variations + (-)
16,112,665	15,034,695	1,077,970

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

	06.30.2021	12.31.2020	Variations
Current	3,050,882	3,129,966	1,157,054
Non current	13,061,783	11,904,728	1,077,970
	16,112,665	15,034,695	2,235,024

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 June 30, 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 June 30, 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	-	5,000,000
Credit Agricole	EUR	700,000	5/31/2019	2/28/2023	0.90%	438,974	174,998	263,976
Intesa SanPaolo	EUR	500,000	10/30/2018	7/31/2022	1.38%	251,292	167,239	84,052
Banco BPM	EUR	600,000	6/23/2017	10/31/2023	1.90%	287,094	121,485	165,609
Banco BPM	EUR	350,000	4/19/2018	7/19/2022	1.33%	128,096	118,174	9,922
Banco BPM	EUR	4,000,000	12/10/2019	6/30/2028	2.15%	4,000,000	535,335	3,464,665
Banco BPM	EUR	500,000	11/20/2018	9/30/2022	0.88%	313,563	268,564	44,998
Banco BPM	EUR	1,750,000	5/26/2021	5/31/2031	1.60%	1,736,543	162,896	1,573,647
Monte dei Paschi di Siena	EUR	350,000	5/30/2018	6/30/2023	1.20%	175,000	58,333	116,667
Monte dei Paschi di Siena	EUR	400,000	12/16/2019	9/30/2023	1.20%	400,000	114,286	285,714
Banca Nazionale del Lavoro	EUR	1,000,000	5/30/2019	10/31/2021	1.00%	222,222	222,222	-
Credito Valtellinese	EUR	400,000	6/6/2019	10/5/2025	1.35%	383,761	48,937	334,823
Credito Valtellinese	EUR	500,000	10/24/2018	10/5/2023	1.38%	335,624	83,041	252,583
Credito Valtellinese	EUR	250,000	11/21/2019	8/21/2022	0.90%	166,916	125,093	41,823
Credito Emiliano	EUR	400,000	11/29/2017	6/30/2024	1.48%	243,526	79,983	163,543
UBI	EUR	500,000	1/13/2020	10/13/2023	1.15%	500,000	123,938	376,062
Intesa SanPaolo	EUR	800,000	3/31/2020	9/30/2021	1.00%	200,750	200,750	-
Simest	EUR	600,000	4/19/2021	12/31/2027	0.55%	360,000		360,000
PNC	USD	252,000	6/28/2018	6/28/2025	6.19%	142,366	27,768	114,597
Bahrain Development Bank	BD	300,000	11/26/2015	7/26/2021	2.19%	10,640	10,640	-
Bahrain Development Bank	BD	200,000	8/20/2016	7/20/2021	5.50%	8,250	8,250	-
Bahrain Development Bank	BD	50,000	8/20/2016	7/20/2021	2.17%	2,063	2,063	-
ASB	EUR	1,000,000	6/10/2020	6/10/2023	3.00%	805,986	396,885	409,101
Total						**16,112,665**	**3,050,882**	**13,061,783**

During the first half of 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 in Italy and Bahrain.

The loans granted by Bahrain Development Bank, falling due within the following year, are guaranteed by the assets (machinery and industrial equipment) of the company Bell Racing Helmets International Wll up to the residual value of the debt.

23. Employee benefits

06.30.2021	12.31.2020	Variations + (-)
792,820	753,987	38,833

The increase compared to the previous year is mainly due to the changes in the liability set aside by the subsidiary Bell Racing Helmets International Wll for the staff employed in Bahrain, which constitutes a defined contribution plan.

The balance as at June 30, 2021 includes 444,589 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 half-year were as follows:

Present value of obligations at December 31, 2020	**469,540**
Service cost	-
Interest	788
Benefits paid	(2,882)
Other changes	0
Actuarial loss/(gain)	(22,858)
Present value of obligations at June 30, 2021	**444,589**

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 0.7884% (0.34% in 2020);

- a prospective inflation rate of 1% was used, same as in 2020;

- 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 – June 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 5.99%.

24. Provisions

06.30.2021	12.31.2020	Variations + (-)
320,000	200,000	120,000

The provisions as at June 30, 2021 include the liabilities set aside to cover the losses deriving from any commercial disputes and tax claims.

Provisions	06.30.2021	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 the first half of 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

06.30.2021	12.31.2020	Variations + (-)
6,324,708	6,251,825	72,883

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 June 30, 2021 is shown below:

Bank	Currency	Interest rate	ST credit lines limits in currency as of 06.30.2021	ST credit lines limits in Euro as of 06.30.2021	ST debt as of 06.30.2021
BNL	EUR	Euribor + spread	1,050,000	1,050,000	0
Unicredit	EUR	Euribor + spread	1,750,000	1,750,000	498,930
Carige	EUR	Euribor + spread	1,100,000	1,100,000	279,631
Banco BPM	EUR	Euribor + spread	2,000,000	2,000,000	767,418
Credit Agricole	EUR	Euribor + spread	650,000	650,000	63,182
Intesa SanPaolo	EUR	Euribor + spread	1,600,000	1,600,000	666,184
Credem	EUR	Euribor + spread	950,000	950,000	332,734
Deutsche Bank	EUR	Euribor + spread	1,200,000	1,200,000	684,160
Monte dei Paschi di Siena	EUR	Euribor + spread	1,000,000	1,000,000	418,142
Credito Valtellinese	EUR	Euribor + spread	1,000,000	1,000,000	956,328
UBI	EUR	Euribor + spread	900,000	900,000	553,725
PNC	USD	3.25%	248,200	208,852	204,645
ASB	BHD	5.75%	450,000	1,006,711	895,720
TOTAL			**13,898,200**	**14,415,564**	**6,320,799**

In addition to the amounts reported in the table above, the balance of short-term bank loans at June 30, 2021 also includes 3,909 Euro of interest to Bahrain Development Bank.

26. Trade payables

06.30.2021	12.31.2020	Variations + (-)
8,459,236	7,667,696	791,540

The variation compared to December 31, 2020 is mainly due to the higher value of purchases made during the first six months of 2021, in addition to the delays suffered by suppliers in the delivery of goods at the end of the previous year due to the restrictions linked to the Covid-19 emergency.

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	06.30.2021	12.31.2020	Variations + (-)
EMEA	8,117,997	7,265,324	852,673
AMER	177,301	247,945	(70,644)
APAC	163,939	154,427	9,511
	8,459,236	**7,667,696**	**791,540**

Only a country (Italy) individually accounts for more than 10% of the total trade payables recorded as of June 30, 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	5,894,731	1,726,642	72,694	286,691	111,606	366,871	**8,459,236**

27. Due to related parties

06.30.2021	12.31.2020	Variations + (-)
1,422,468	157,043	1,265,425

Payables to related parties at June 30, 2021 are composed as follows:

Due to related parties	06.30.2021	12.31.2020	Variations + (-)
Racing Spirit Llc	10,858	10,858	-
KJK Protective Technologies LLC	30,533	-	30,533
Dinamo Srl	80,003	120,000	(39,997)
MDV Ltd	19,507		19,507
Stephane Cohen	15,688	1,200	14,487
Gabriele Pedone	-	3,673	(3,673)
GMP Consulting	7,500	9,200	(1,700)
Tyrrell Properties Llc	6,645	12,111	(5,466)
	170,734	**157,043**	**13,691**
Dividends approved but still to be paid	1,251,734	-	1,251,734
	1,422,468	**157,043**	**1,265,425**

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

28. Other payables

06.30.2021	12.31.2020	Variations + (-)
1,462,290	1,306,899	155,391

Other payables at June 30, 2021 are detailed in the table below:

Other payables	06.30.2021	12.31.2020	Variations + (-)
Payable to personnel	784,655	701,513	83,142
Social Security payables	275,671	258,808	16,864
Deferred income	180,245	106,499	73,747
Other accrued payables	221,718	240,079	(18,361)
	1,462,290	**1,306,899**	**155,391**

The increase in payables to personnel and social security is mainly due to the higher number of employees at June 30, 2021 (365 units) compared to December 31, 2020 (309 units).

29. Gross profit

	2021 First Half	2020 First Half	Variations + (-)
Revenue	**24,943,868**	16,996,225	7,947,643
Cost of sales	**(10,147,425)**	(6,778,251)	(3,369,174)
Gross profit	**14,796,443**	**10,217,974**	**4,578,469**

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 First Half	2020 First Half	Variazioni + (-)
Driver's equipment	17,099,282	10,529,086	6,570,195
Car parts	7,168,462	6,230,255	938,206
Other	676,124	236,883	439,241
	24,943,868	**16,996,225**	**7,947,643**

It is noted that during the full 2020 fiscal year the Group recognized revenues related to driver's equipment for Euro 21,636 thousand, car parts for Euro 10,714 thousand and other categories for Euro 1,382 thousand.

The breakdown of revenue by distribution channel is shown below:

Type	2021 First Half	2020 First Half	Variazioni + (-)
Dealers	17,538,663	11,712,887	5,825,776
Teams and car manufacturers	4,721,857	3,206,003	1,515,854
Other	2,683,348	2,077,335	606,013
	24,943,868	**16,996,225**	**7,947,643**

It is noted that revenues for the full 2020 fiscal year were split into dealers for Euro 23,951 thousand, teams and car manufactures for Euro 5,951 thousand and other parties for 3,831 thousand.

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 First Half	2020 First Half	Variazioni + (-)
EMEA	16,007,430	11,491,501	4,515,929
AMER	6,118,838	3,927,492	2,191,346
APAC	2,817,600	1,577,232	1,240,368
	24,943,868	**16,996,225**	**7,947,643**

It is noted that the breakdown of revenues for the entire 2020 financial year was as follows: Euro 8,327 thousand in the Americas (AMER), Euro 3,569 thousand in Asia and Oceania (APAC) and Euro 21,837 thousand in Europe, the Middle East and Africa (EMEA).

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 in the first six months of 2021.

The increase in revenues in the first half of 2021 compared to the same period of 2020 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 First Half	2020 First Half	Variations + (-)
Raw materials and semi-finished goods	9,492,489	6,302,667	3,189,822
Change in inventory	(353,981)	(266,015)	(87,965)
Trasport and duties on purchases	813,379	542,240	271,139
Other costs related to purchases	195,537	199,359	(3,822)
	10,147,425	**6,778,251**	**3,369,173**

Variation compared to 2020 first half is due to the increase of turnover during the first six months of 2021.

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

The gross margin in absolute value increased by 4,578 thousand Euro compared to the same period of the previous year; the gross margin percentage, calculated as the ratio between the gross margin and total revenues, remained almost constant, with a variation of less than one percentage point.

30. Other income

	2021 First Half	2020 First Half	Variations + (-)
Other income	745,551	459,461	286,090

Other income includes Euro 254 thousand relating to sales of materials to suppliers (Euro 155 thousand in 2020 first half); 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 42 thousand of government grants received by the subsidiary Bell Racing Helmets International Wll, linked to the Covid-19 pandemic (Euro 147 thousand in 2020 first half).

31. Selling and distribution expenses

	2021 First Half	2020 First Half	Variations + (-)
Selling and distribution expenses	(3,338,925)	(2,529,015)	(809,910)

Expenses in 2021 first half are detailed as reported below:

Selling and distribution expenses	2021 First Half	2020 First Half	Variations + (-)
Technical partnerships and sponsorships	2,231,183	1,745,397	485,786
Freight out	771,068	538,923	232,145
Commissions and other cost on sales	336,674	244,695	91,979
	3,338,925	**2,529,015**	**809,910**

Technical partnerships mainly refer to the portion of costs related to the half-year deriving from contracts entered into with leading car manufacturers and teams, for which there was an increase compared to the first half of the previous

year, due to a higher number of agreements signed in the first half of 2021 compared to the same period of the previous year.
The increase in freight out, commissions and other cost on sales is due to the higher revenue recognized in 2021 first half compared to the same period of last year.

32. General and administrative expense

	2021 First Half	2020 First Half	Variations + (-)
General and administrative expenses	(6,038,767)	(5,533,618)	(505,149)

Expenses in 2021 half-year are detailed as reported below:

General and administrative expenses	2021 First Half	2020 First Half	Variations + (-)
Personnel	4,145,340	3,571,962	573,378
Professional fees	543,330	776,157	(232,828)
Compensation to BoD	362,390	366,177	(3,787)
Utilities	191,571	190,307	1,265
Repair & maintenance	190,818	118,002	72,816
Other G&A	605,317	511,013	94,304
	6,038,767	**5,533,618**	**505,149**

Personnel costs include wages and salaries for employees of Group companies for Euro 3,245 thousand, as well as social security and other expenses relating to personnel for Euro 900 thousand. The increase compared to the first half of 2020 is mainly due to the greater number of employees within the Group, as detailed in note 39 - Other information.

The change in Professional fees is mainly due to 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 other general and administrative costs mainly refer to bank expenses and commissions for the use of credit cards, travel expenses incurred by Group employees during the first half of the year, consumables and other management costs. Furthermore, the item includes 19,522 Euro of fees for the board of statutory auditors of the parent company Racing Force S.p.A. (14,040 Euro in the first half of 2020).

33. Other expenses

	2021 First Half	2020 First Half	Variations + (-)
Other expenses	(176,874)	(149,331)	(27,543)

Other expenses mainly refer to costs for research incurred during the period and development costs not meeting the requirements for capitalization for 112 thousand Euro (75 thousand Euro in 2020 first half), to costs recognized in 2021 referring to previous years for 39 thousand Euro (69 thousand Euro in 2020 first half), in addition to taxes other than income taxes and other charges for 25 thousand Euro (5 thousand Euro in 2020 first half).

34. Bad Debt and write-off

	2021 First Half	2020 First Half	Variations + (-)
Bad Debt and write off	(54,848)	(13,095)	(41,753)

The balance is due to 43 thousand Euro bad debt provision and 12 thousand Euro accrual for stock obsolescence.
Balance in 2020 first half is entirely related to bad debt provision.

35. Depreciation

	2021 First Half	2020 First Half	Variations + (-)
Depreciation	(1,037,331)	(1,080,615)	43,284

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 First Half	2020 First Half	Variations + (-)
Intangible Assets	397,550	338,701	58,849
Right of use assets	243,432	377,602	(134,170)
Property, Plant & Equipment	396,349	364,313	32,036
	1,037,331	**1,080,615**	**(43,284)**

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 First Half	2020 First Half	Variations + (-)
Finance income	200,836	137,483	63,354
Finance costs	(278,529)	(314,189)	35,659
Net Finance result	**(77,693)**	**(176,706)**	**99,013**

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 First Half	2020 First Half	Variations + (-)
Interest with SAYE S.p.A.	13,286	18,472	(5,186)
Foreign exchange income	126,917	47,042	79,874
Racing Spirit Llc equity method evaluation	24,106	-	24,106
Other interest income	36,527	71,968	(35,441)
	200,836	**137,483**	**63,354**

The net foreign exchange rate income is due to 160 thousand Euro unrealized income and 33 thousand Euro realized loss.

Finance costs	2021 First Half	2020 First Half	Variations + (-)
Banks debt	237,794	248,774	(10,980)
Interest leasing IFRS 16	36,586	29,077	7,509
Racing Spirit Llc equity method evaluation	-	8,746	(8,746)
Interest IAS 19	788	1,811	(1,023)
Other finance costs	3,363	25,780	(22,417)
	278,529	**314,189**	**(35,659)**

37. Taxes

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

	2021 First Half	2020 First Half	Variations + (-)
Taxes	(1,217,105)	(429,587)	(787,518)

The composition of the balance as at June 30, 2021 is as follows:

Taxes	2021 First Half	2020 First Half	Variations + (-)
Current income taxes	1,051,855	382,154	669,702
Prior year taxes	132,321	-	132,321
Deferred taxes	32,929	47,434	(14,505)
	1,217,105	429,587	787,518

Current taxes refer to income taxes for the half-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 12,321 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 First Half		2020 First Half		Variations + (-)
Net profit before taxes		4,817,556		1,195,054	3,622,502
Income tax using the Italian tax rate	24.0%	1,156,213	24.0%	286,813	869,400
Impact from different tax rate in other countries	(3.4%)	(165,635)	1.8%	86,320	(251,955)
Impact from non deductible expenses	0.8%	36,362	0.7%	32,823	3,539
Impact from non taxable income	(1.9%)	(93,372)	(0.2%)	(11,178)	(82,194)
Impact from taxes related to prior year	2.7%	132,321	0.0%	-	132,321
Other	0.2%	10,610	(0.3%)	(14,150)	24,760
Effective tax rate	22.3%	1,076,499	31.9%	380,628	695,871
IRAP		140,606		48,959	91,647
Total taxes for the period		1,217,105		429,587	787,518

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 six months.

Changes in current taxes during the half-year

	06.30.2021	12.31.2020	Variations + (-)
Tax receivables			
current	369,792	686,808	(317,016)
non current	211,952	211,952	-
Total tax receivables	**581,745**	**898,761**	**(317,016)**
Tax payables			
current	1,025,968	109,161	916,807
non current	77,710	-	77,710
Total tax payables	**1,103,678**	**109,161**	**994,517**

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 half-year by the consolidated entities and the parent company.

The balance of tax payables at June 30, 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

	06.30.2021	12.31.2020	Variations + (-)
Deferred tax assets	207,301	245,716	(38,414)

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 June 30, 2021:

Deferred Tax Assets	06.30.2021	12.31.2020	Variations + (-)
Intra-group margin in stock	113,128	146,057	(32,929)
Goodwill	61,225	61,225	-
Defined benefit plan under IAS 19	19,469	24,955	(5,486)
Other differences	13,479	13,479	-
	207,301	**245,716**	**(38,414)**

The breakdown of taxes by type is shown below:

Type	Amount 06.30.2021	Deferred Tax Assets 06.30.2021	Amount 12.31.2020	Deferred Tax Assets 12.31.2020
Intra-group margin in stock	405,478	113,128	523,501	146,057
Goodwill	219,444	61,225	219,444	61,225
Defined benefit plan under IAS 19	81,121	19,469	103,978	24,955
Other differences	56,163	13,479	56,163	13,479
	762,206	**207,301**	**903,087**	**245,716**

The main amount at the end of the half-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 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 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.

39. Other Information

Personnel

The following table shows the number of employees of the Group at June 30, 2021 and the average for the year, broken down by homogeneous categories.

Headcount	06.30.2021	Average 2021 First Half	06.30.2020	Average 2020 First Half
Managers	22	22	18	18
Employees (office)	89	87	75	77
Warehouse / Production	254	238	208	209
Total	**365**	**347**	**301**	**304**

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 First Half	2020 First Half	Variations + (-)
Board of Directors	362,390	366,177	(3,787)
Statutory Auditors	19,552	14,040	5,512

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 First Half	2020 First Half	Variations + (-)
KPMG Italy	11,000	-	11,000

Fees to KPMG reported in the previous table relate to the limited audit on the consolidated interim financial statements of the Group.

Donations and contributions

There are no disbursements to be disclosed for the half-year.

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 first half of the year, for which a mortgage was taken out on the building in favor of the lending bank, and for the guarantees on the bank loan granted by Bahrain Development Bank, as mentioned in the note on long-term bank loans.

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 June 30, 2021 and the transaction recorded in the Profit and Loss during the half-year is provided below.

Related party	Relationship	Receivables	Payables	Revenue	Costs
SAYE S.p.A.	A	852,535	-	13,286	-
Racing Spirit Llc	B	272,852	10,858	1,163	355
Racing Spirit Srl	B	84,984	-	-	-
KJK Protective Techologies LLC	C	100,499	30,533	499	-
GMP Consulting	C	-	7,500	-	7,500
Stephane Cohen	C	-	15,688	-	-
Dinamo Srl	D	-	80,003	-	-
Studiomilano	D	106,261	-	-	53,383
Tyrrel Properties Llc	D	-	6,645	-	63,456
B2 Technology Ltd	D	-	-	-	36,000
AXH Managment Bv	D	-	-	-	60,000
MDV Ltd	D	-	19,507	-	43,986

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 June 30, 2021 include the following receivables of a financial nature: i) loan from the parent company SAYE S.p.A. for Euro 839,253, in addition to interest accrued and not yet collected at the end of the half-year for Euro 13,282; ii) loan to the associated company Racing Spirit LLC for Euro 265,000, in addition to interest accrued and not yet collected at the end of the half-year for Euro 1,163; iii) loan to KJK Protective Technologies LLC for Euro 100,000, in addition to interest accrued and not yet collected at the end of the half-year for Euro 499.

Receivables from Racing Spirit S.r.l. refer to advances paid by Group companies for orders issued for the purchase of employee uniforms, which are expected to be delivered in the second half of 2021.

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.

Payables to Dinamo S.r.l. refer to the transfer of know-how to the consolidated company Zeronoise Ltd at the end of 2018, upon the establishment of the start-up, net of the reimbursements made in the following years.

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 half-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.

On August 12, 2021, the extraordinary Shareholders' Meeting of the consolidated company Racing Force Holdings Sarl approved the change of its corporate name from Bell Racing Holdings Sarl to Racing Force Holdings Sarl.

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