CONSOLIDATED FINANCIAL STATEMENTS

AT 31 / 12 /2017

ENERGICA

ENERGICA MOTOR COMPANY

ENERGICA MOTOR COMPANY SPA

Headquarters in VIA CESARE DELLA CHIESA 150
41126 MODENA (MO)
Resolved share capital Euro 18,721,167.67
Subscribed and paid-in share capital Euro 139,774.50
Companies Register 03592550366
REA (Economic Administrative Index) 401221

Report on Operations to the Annual Financial Statements and the Consolidated Financial Statements at 31/12/2017

Shareholders,

Also for the 2017 financial year, this Report on Operations has been prepared in a unitary manner, with information regarding both the annual financial statements and the consolidated financial statements, based on the provisions of article 40 paragraph 2-bis of Legislative Decree 127/1991, as amended.

The ordinary shares and warrants of Energica Motor Company SpA are financial instruments traded on the AIM Italia market regulated by Borsa Italiana SpA. The start of negotiations took place on 29 January 2016. Details of the listing transaction are set out in the Admission Document, available on the company website.

In 2015 and 2016, the reference shareholders CRP Meccanica Srl and CRP Technology Srl, in support of the business plan and confirming the great commitment towards the Energica Group, financed the company by paying Euro 1,860 thousand as shareholder loans and in 2017 further increased these loans, outstanding at 31 December 2017 for Euro 4,124 thousand.

On 6 March 2017, the extraordinary general shareholders' meeting approved the issuance of bonds convertible into shares with warrants in favour of Atlas Special Opportunities and Atlas Capital Markets, with the exclusion of option rights pursuant to article 2441, paragraph 5 of the Civil Code for a total maximum amount of Euro 4,000,000, divided into nine tranches, of which, at the date of preparation of the financial statements at 31 December 2017, the last two tranches still remain to be issued for a total amount of Euro 800 thousand. This loan, which was then promptly converted into newly issued Energica shares, contributed to the Company as of 31 December 2017 an increase in shareholders' equity of Euro 2.4 million and, as of today's date, net of start-up fees and legal fees incurred, net liquidity equal to Euro 2,942 thousand.

On 17 March 2017, a share capital increase with a share premium was subscribed by institutional investors, for a total value of approximately Euro 2.3 million.

On 15 December 2017, a further share capital increase with a share premium was subscribed by institutional investors, for a total value of approximately Euro 1.9 million.

Energica Motor Company SpA and its US subsidiary ("Energica" or the "Group") are active in the manufacture and sale of electric motorcycles.
The consolidated financial statements include the accounting data of Energica Motor Company Inc., a wholly-owned subsidiary, which deals with the sale of electric motorcycles in the USA.
The Energica Group achieved a negative result after tax of Euro -5,823,758 in the 2017 financial year, but 2017 was nevertheless a fundamental year for the growth of the Energica Group, which has

dedicated efforts and investments to the launch of the brand and of the products, thanks to which Energica has been chosen by Dorna Sports as the Unique Manufacturer of the FIM Enel MotoE™ World Cup, the world's first electric motorcycle competition that will begin in 2019.
In 2017, the Company made important investments, above all for the following:

1) Attainment of the Unique Manufacturer of FIM Enel MotoE™ World Cup.
2) Recruitment of the workforce required for European and US operations and implementation of a sales manager area to support the German market.
3) Development of production and supply chain.
4) Presentation to the market of the third Eva EsseEsse9 model, on sale since early 2018, and continuous development of the 2020 technology platform.
5) Attainment of important cost savings on the bill of materials of each motorcycle, in order to obtain the advance of efficiencies compared to as expected in the business plan.
6) Attainment of the Euro 4 approval as per European regulation and of important patents by the research and development department.
7) Investment for the first Energica branded Fast Charge column, installed in Selva di Val Gardena with the collaboration of Alperia.

This phase has absorbed many resources, as it coincided with the consolidation of the launch of the Group's activity. The expansion of the sales network, the approval of vehicles and the testing phase represented cost items with important impacts on operations. On the other hand, revenues for 2017 reflected the start-up of sales to end customers through concessionaires, limited numbers, but which indicate an area of growth currently occupied only by early adopters; therefore, 2017 should be considered a launch year for the company's operations.
In particular, several bureaucratic problems were solved in the United States during the year, which made it difficult to conclude commercial negotiations and important dealership agreements were tightened.

Business continuity assessments

The Directors have identified some indicators of potential critical issues regarding the ability of the Company and the Energica Group to operate on the basis of the business continuity assumption. In particular, the Directors took note of the following:

- in 2017, the Energica Group recorded a negative result of approximately Euro 5.8 million and - in connection with the start-up phase still underway - significant losses are expected also in 2018;

- sales volumes in 2017 were significantly lower than expected, due to the general conditions that potential buyers are facing, especially due to the lack of a widespread and easily accessible recharging infrastructure, as described in the following paragraph "Operating performance and development of the business plan".

- In forming the assessment of the correctness of the business continuity assumption, the Directors considered the following:

- the failure to achieve targets in terms of sales is the result of a series of contingent factors, which caused delays that the Group is expected to recover in the coming years, aligning the top line of revenues to the levels envisaged in the business plan;

- in 2017, the Energica Group obtained liquidity from extraordinary transactions, through loans received from the reference industrial shareholders for approximately Euro 2.2 million, two capital increase transactions with a share premium for a total of approximately Euro 4.2 million and issue of a convertible bond (later fully converted into newly issued shares by 31 December 2017) for approximately Euro 2.4 million. The attainment of these financial resources, totalling approximately Euro 8.8 million, of which approximately Euro 6.6 million as an increase in shareholders' equity and approximately Euro 2.2 million through loans received from the reference industrial shareholders, testifies the high interest of investors and the financial market in the innovative Energica industrial project;

- the cash plan until 31 December 2018, approved during the Board of Directors' meeting on 30 March 2018, incorporates a cash-flow expectation through the issue of bonds convertible into shares for Euro 1.6 million (of which Euro 0.8 million already collected on 20 March 2018 and Euro 0.8 million to be collected in May 2018, at the conclusion of the investment agreement signed on 15 February 2017 with Atlas Special Opportunities and Atlas Capital Markets for a total of Euro 4 million (of which Euro 2.4 million drawn in 2017, as noted above, and the residual Euro 1.6 million to be drawn during the first half of 2018), as well as by means of signing of a new agreement for the issue of a further bond convertible into shares with the same counterparty, to an extent and with timing such as to fill the financial needs reflected in the business plan up to 30 June 2019;

- if the envisaged signing of an agreement for the issue of a further bond convertible into shares does not take place in the manner and in the times envisaged in the aforementioned business plan, the majority shareholder CRP Meccanica Srl has undertaken, with respect to Energica Motor Company SpA, by letter dated 27 September 2017, also through the financial provisions deriving from the sale of its corporate assets and within the maximum limit of Euro 4.5 million, to continue to support the Company and the Energica Group financially and with equity, in order to ensure the fulfilment of financial commitments and regular continuation and continuity, at least for the 15 months ending 31 December 2018;

- the majority shareholder CRP Meccanica Srl has also undertaken, by letter dated 29 March 2018, which complements the previous letter dated 27 September 2017, to continue to support the Company and the Energica Group, where necessary, also through conversion into equity reserve of its financial receivables outstanding at 31 December 2017 for approximately Euro 1.8 million;

- the shareholder CRP Technology Srl has also undertaken, by letter dated 29 March 2018, to continue to support the Company and the Energica Group, where necessary, also through conversion into equity reserve of its financial receivables outstanding at 31 December 2017 for approximately Euro 2.2 million.

Consequently, the Directors of Energica Motor Company SpA prepared the annual financial statements and the consolidated financial statements as at 31 December 2017 on the basis of the business continuity assumption, while highlighting the presence of significant uncertainty related to the actual attainment of financial resources deriving from the plan, but not yet completed, issue of an additional bond convertible into shares in the manner and timing set forth in the financial plan until 31 December 2018, as well as - alternatively - the effective capacity of the majority shareholder to fill the financial needs of the Energica Group through the sale of its corporate assets; said capacity is conditioned by the possibility of transferring these assets with timing consistent with the Group's cash requirements.

Operating conditions and business development and foreseeable business outlook

Today, Energica is among the first producers of supersport electric bikes (superbikes).
In the coming years, Energica intends to establish itself as a leading brand in the production of high performance supersport electric motorcycles, synonymous with luxury made in Italy design. An important element of this strategy was added at the end of the year in question, thanks to the agreement reached with Dorna mentioned above.

Operating performance and development of the business plan

Sales volumes in the financial year 2017 were significantly lower than expected, due to the general conditions that buyers are facing; first of all the lack of recharging infrastructures, almost completely absent, especially in Southern Europe, or where they are difficult to use. In addition to this, there is the problem of the universality of payment methods: charging networks, in fact, are of different providers and it is not always possible to pay with a normal credit card. These elements also make their weight felt in the electric car market, which has slowed, despite the strong interest shown by the market. Energica is promoting various activities aimed at the rapid resolution of the above; in May 2017, it installed its own Fast Charge column in Selva di Val Gardena and is collaborating with car companies and some providers, such as Hubject and Charge Point. Thanks to the various activities undertaken, the Group has succeeded in expanding its sales network and the effects of the marketing and commercial strategies implemented will continue to bear fruit as early as the coming months. The dealers, sensitive to the demands of the market, recognize the quality of the product, the credibility and the potential of the business by dedicating more and more space to our bikes in their showrooms, to the detriment of traditional products. An important contract has been signed with ALD Automotive, in order to be able to offer our product also with the rental formula. To date, this contract is in place only for the Italian market, but several negotiations are underway to extend the same formula in other countries.

In addition, 2017 was a key year for investing Energica on the market, with the appointment of Unique Manufacture of FIM Enel MotoE™ World Cup, an aspect that contributes decisively to the success of the brand as a benchmark in the sector. Thanks to commercial development and a strategic marketing plan, the Company is establishing itself as the only brand of high performance electric motorcycles in the international automotive scene.
In addition to the countries with contracted dealers already in 2015 and 2016, the company strengthened its position in key markets in Germany and the USA, with the appointment of strategic figures for the development of the brand. During the year, the Company signed new commercial agreements with operators in the sector present in Sweden and Germany, in particular in Munich, Cologne and in the region of Baden-Württemberg, and in the early months of 2017, important markets such as Paris Milan and Los Angeles were added. In the same countries, negotiations were started to make the network even more widespread and functional.
In the second half of the year, negotiations were concluded in Westphalia and Santa Monica. At the same time, negotiations were started in Eastern Europe, Ireland and the United Arab Emirates.
From a commercial point of view, the Company has started an important synergy with ALD Automotive Italia for the promotion of high performance sustainable mobility in Italy.

The Company has also worked looking for maximum performance, without compromising on reliability and quality.

R&D

Among the key variables in the scenario of these months, research and development has undoubtedly assumed a fundamental role.
In 2017, the R&D department reached 3 important patents concerning crucial components present on every motorcycle manufactured by Energica: the VCU - Vehicle Control Unit (real brain of the Energica electric motorcycles, which monitors and manages the battery control units, the inverter, battery charger and ABS), the Supply Unit (technical component that contains entirely rechargeable batteries, sealing them in-house and avoiding overheating) and eABS (component able to limit the maximum regenerative torque, in the case of detection of slippery conditions).
During 2017, Energica focused on developing the third model, Eva EsseEsse9, moving from the prototype stage to the final product. In the first quarter of 2018, R&D obtained the final approval of the model currently on sale at the official sales network.
Beginning in the second half, Energica was involved in the MotoE™ project. In particular, the team carried out several tests on the track and on the bench, which satisfied the commission of Dorna Sports that assigned the Company the role of Unique Manufacturer of FIM Enel MotoE™ World Cup, the world's first electric motorcycle competition that will start in 2019.
In October 2017, an important development activity was started in order to adapt the models to the new Euro4 standard, in which electric motorcycles were also included, in order to offer customers timely updates, despite the fact that the authorizations for the sale of the previous version had been obtained.
At the same time, Energica is continuing to develop the new technological platform that will be the underlying part for the new vehicles that will go on the market in 2020.

Strategic Marketing

In the first quarter of 2017, Energica became part of the CharIN e.v. Association, founded by major vehicle manufacturers and major companies of products for the automotive electrical industry.
Over the next few years, the Company aims to expand the dealer network; in addition, it has plans to launch global marketing operations to increase brand awareness.
From the design, Energica believed in the combined charging system as a standard; it is, in fact, the only manufacturer of electric motorcycles to integrate in its products the rapid DC charging technology on the CCS Combo base.
In May 2017, the Company launched the "Fast Charge Infrastructure Program" installation plan. In particular, Energica has installed a 50 kW Fast Charge column in Selva di Val Gardena, in fact the first electric Fast Charge column owned by the brand and the first "fast charge" in the Dolomites.
Thanks to this installation, Energica stands as the only company in the world of electric motorcycles to have invested in recharging infrastructures with its own brand.
In the second half Energica, thanks to the great technological achievements obtained, was awarded the Legambiente "Environmentally-friendly innovation" award and the IDTechEx 2017 award as "Most Significant Innovation".
In addition, the Company's first model, Ego, was elected by the British Motorcycle News media "Best Electric Bike of the Year 2017".

The commercial department introduced the "My Electric Deal" initiative aimed at selling a fleet of used company vehicles, guaranteed by the manufacturer and at advantageous prices.
Agreements have been signed with new dealers in new markets (Jordan, Austria, Ireland, the Czech Republic and the United States). The motorcycles of the Energica range have been presented at all

the major trade fairs, both in the United States and in Europe.
In November 2017, the marketing plan culminated with the presence at EICMA (World Motorcycling Exhibition), where Energica presented the final version of the third Energica Eva EsseEsse9 model, still on sale.

Operating performance

Operating performance in the sectors in which the Company operates

The table below shows the Group result achieved in the year in terms of production value, gross operating margin and pre-tax result:

Figures in Euro	31/12/2017	31/12/2016	Change
Production value	2,858,828	2,540,972	317,856
Gross operating margin	-3,672,918	-3,495,537	-177,381
Pre-tax result	-5,832,183	-4,922,224	-909,959

Consolidated key income statement figures

The income statement of the Group, reclassified to Added Value, is as follows:

Figures in Euro	31/12/2017	31/12/2016	Change
Net sales revenues	506,642	799,778	- 293,136
+/- Change in inventories of finished and semi-finished products	2,350,633	1,741,193	609,440
+ Capitalized costs for internal works	1,553		1,553
= Production value	**2,858,828**	**2,540,972**	**317,856**
- Cost of materials consumed	- 2,423,780	- 2,824,111	400,331
- Cost of services consumed	- 2,363,859	- 1,685,554	- 678,305
- Costs for rents and leases	- 252,282	- 187,916	- 64,366
= Total costs	*- 5,039,921*	*- 4,697,582*	*- 342,339*
Added Value	**- 2,181,093**	**- 2,156,610**	**- 24,483**
- Labour cost	- 1,491,825	- 1,338,926	- 152,899
= Gross Operating Margin	**- 3,672,918**	**- 3,495,537**	**- 177,381**
- Amortization and depreciation	- 1,820,680	- 1,546,451	- 274,229
- Other provisions	-	- 21,900	21,900
Operating income	**- 5,493,598**	**- 5,063,889**	**- 429,709**
+ Financial income	2,593	936	1,657
- Financial expenses	- 109,972	- 34,570	- 75,402
= Balance of financial management	*- 107,379*	*- 33,634*	*- 73,745*
+ Capital and other income	29,592	225,003	- 195,411
- Capital and other expenses	- 260,798	- 49,704	- 211,094
= Balance of capital management	*- 231,206*	*175,299*	*- 406,505*
= Pre-tax result	**- 5,832,183**	**- 4,922,224**	**- 909,959**
- Income tax	8,425	898,206	898,206
= Net result	**- 5,823,758**	**- 4,024,018**	**- 1,799,740**

Consolidated key balance sheet figures

The reclassified balance sheet of the Group is as follows:

Figures in Euro	31/12/2017	31/12/2016
Net intangible assets	4,030,348	5,182,435
Net tangible assets	1,181,614	1,170,641
Financial assets	42,107	44,719
Fixed assets	**5,254,069**	**6,397,795**
Inventories	4,432,724	2,240,267
Other receivables	580,772	1,114,832
Accrued income and prepaid expenses	169,438	66,516
Short-term operating assets	**5,182,934**	**3,421,615**
Payables to suppliers	(1,507,423)	(2,135,937)
Tax and social security payables	(125,579)	(131,548)
Other payables	(145,987)	(127,663)
Accrued liabilities and deferred income	(12,133)	(7,116)
Short-term operating liabilities	**(1,791,122)**	**(2,402,265)**
Net working capital	**3,391,812**	**1,019,350**
Provision for risks and charges	(26,685)	(36,216)
Employee severance indemnity (TFR)	(116,683)	(72,377)
Medium/long-term liabilities	**(143,368)**	**(108,593)**
Invested capital	**8,502,513**	**7,308,552**
Shareholders’ equity	5,208,609	4,413,680
Medium/long-term net financial position	4,307,099	2,229,765
Short-term net financial position	-1,013,195	665,108
Equity and net financial debt	**8,502,513**	**7,308,552**

To describe the Group's equity structure, the table below shows some financial statement ratios relating to both the financing modalities of medium/long-term loans and the composition of the sources of financing:

	31/12/2017	31/12/2016
Primary structure margin	-45,460	-1,984,115
Primary structure ratio	99.13%	68.99%
Secondary structure margin	97,908	-1,875,522
Secondary structure ratio	101.86%	70.68%

- Primary structure margin is calculated as Equity - Fixed assets.
- Primary structure ratio is calculated as Equity / Fixed assets.

- Secondary structure margin is calculated as Equity + Medium/long-term liabilities - Fixed assets.
- Secondary structure ratio is calculated as Equity + Medium/long-term liabilities/Fixed assets.

Key financial figures

The consolidated net financial position at 31 December 2017, was as follows:

Amounts in Euro	31/12/2017	31/12/2016
Available cash / (Financial payables)		
Cash	375	388
Bank deposits	1,623,146	126,926
Cash and cash equivalents (A+B+C)	**1,623,521**	**127,314**
Current financial receivables	**-**	**-**
Current bank payables	-590,402	-773,521
Other current financial payables	-19,924	-18,900
of which with shareholders	-	-
Current financial debt (F+G+H)	**-610,326**	**-792,421**
Current net financial position (I+E+D)	**1,013,195**	**-665,108**
Non-current bank payables	-164,979	-331,320
Bonds issued	-	-
Other non-current payables	-4,142,120	-1,898,445
of which with shareholders	*4,123,600*	*1,860,000*
Non-current financial debt (K+L+M)	**-4,307,099**	**-2,229,765**
NET FINANCIAL POSITION (J+N)	**-3,293,904**	**-2,894,872**

To describe the financial situation, some financial ratios are shown in the table below:

	31/12/2017	31/12/2016
Primary liquidity	-14.68%	87.69%
Secondary liquidity	232.80%	180.94%
Debt	94.41%	68.47%
Fixed assets coverage ratio	-61.83%	-14.24%

- Primary Liquidity = Short-term operating assets - inventories + Short-term NFP/Short-term liabilities.
  The ratio in question compares current assets net of inventories with current liabilities.
- Secondary liquidity = Short-term operating assets + Short-term NFP/Short-term liabilities.
  This ratio highlights the company's ability to cope with short-term commitments by using the assets to be carried out in the short term (also inventory).
- The debt ratio shows the relationship between borrowed capital and equity capital.
- The fixed assets coverage ratio is given by: (Net Capital - Dividends + Medium/Long-term liabilities)/Fixed Assets.

Information regarding the environment and personnel

Personnel

Personnel costs refer, in accordance with employment contracts and applicable laws, to salaries paid

to employees, deferred remuneration, provisions for severance indemnities, holidays accrued but not taken, ancillary personnel costs and social security contributions and welfare expenses borne by the Company and the Group.
Personnel costs amounted to Euro 1,491,825.
The precise number of employees at 31 December 2017 was 32.
In the year, there were no deaths at work for personnel registered as employees.
During the year, there were no serious accidents at work that resulted in serious or very serious injury to the personnel recorded in the payroll.
During the year, there were no charges for occupational diseases of employees or former employees and mobbing, for which the Company was declared liable.

Environment
During the year, there was no environmental damage for which the Company was found guilty definitively.
In the year, no definitive sanctions or penalties were imposed for environmental crimes or damage.

Information regarding risks and uncertainties

Credit risk
Credit risk represents exposure to contingent losses resulting from default by commercial and financial counterparties. At the reporting date, there is no significant credit exposure to counterparties outside the Energica Group; consequently, this risk is considered remote.

Liquidity risk
Liquidity risk is associated with the ability to meet the commitments deriving from the financial liabilities assumed by the Company. Prudent management of the liquidity risk originated from normal operations requires the maintaining of an adequate level of cash or cash equivalents and the availability of funds through an adequate amount of credit facilities.
At 31 December 2017 and at the date of these financial statements, as also highlighted in the paragraph on "Business continuity assessments", to which reference is made, the Company has set up a financial structure which, in line with the business objectives, is adequate to guarantee an adequate level of liquidity, maintaining a balance in terms of duration and debt composition, in line with the financial forecasts contained in the Business Plan.

Price risk
The Company does not carry out commercial transactions of goods or services whose prices are listed on regulated markets; therefore, it is not directly exposed to price risk. The risk that price changes may produce negative effects on the result of the Company is to be considered limited, as the Company has supply contracts in place at pre-set prices.

Interest rate risk
Group bank loans are indexed at the Euribor rate.
At the reporting date, the Company holds a derivative instrument to hedge the variation in the variable interest rate of an unsecured loan for an amount equal to Euro 400,000.

Exchange rate risk
The exchange risk is the risk that the future fair value or cash flows may fluctuate following variations of exchange rates. The Company is subject to this risk, in particular with reference to the activities of the US subsidiary.

Transactions with related parties

The balance sheet values relating to transactions with related parties and the related balances outstanding at 31 December 2017 relating to Energica Motor Company SpA are shown below:

	Balance Sheet	Receivables from parent companies	Receivables from subsidiaries	Receivables from companies subject to the control of parent companies	Payables to shareholders for loans	Payables to companies subject to the control of parent companies	Payables to others
1	Directors	-	-	-	-	-	30,000
2	CRP Meccanica Srl	119,579	-	-	1,836,386	-	
3	CRP Technology Srl	-	-	42,632	2,287,214	293,271	-
4	CRP Service Srl	-	-	-	-	339,716	-
5	Energica Motor Company INC	-	1,543,343	-	-	-	-
6	CRP Racing Srl in liquidation					1,220	
	Total	**119,579**	**1,543,343**	**42,632**	**4,123,600**	**634,207**	**30,000**

- Receivables from subsidiaries refer to the sale of motorcycles and spare parts with the American subsidiary Energica Motor Company Inc.

The balance sheet values relating to transactions with related parties and the related outstanding balances relating to the Group at 31 December 2017 are shown below:

	Balance Sheet	Receivables from parent companies	Receivables from companies subject to the control of parent companies	Payables to shareholders for loans	Payables to companies subject to the control of parent companies	Payables to others
1	Directors	-	-	-	-	30,000
2	CRP Meccanica Srl	119,579	-	1,836,386	-	
3	CRP Technology Srl	-	42,632	2,287,214	293,271	-
4	CRP Service Srl	-	-	-	339,716	-
5	CRP Racing Srl in liquidation	-	-	-	1,220	-
6	CRP USA LLC				1,523	
	Total	**119,579**	**42,632**	**4,123,600**	**635,730**	**30,000**

- Payables to others for Euro 30,000 refer to payables for fees paid to the Independent Director of the consolidating company.
- Payables to CRP Service Srl, classified under "Payables to companies subject to the control of Parent companies" refer to the amount due on the basis of the service contract for the payment of administrative costs.
- Payables to CRP Technology Srl for Euro 293,271 refer to payables accrued following purchases of material for the production of motorcycles.
- Payables to shareholders for loans consist of disbursements of loans and related interest for a total of Euro 4,123,600.
- Receivables from the Parent Company for Euro 119,579 mainly refer to the tax consolidation income for 2016, following the tax consolidation agreement signed between the parties on 20 December 2016.

The economic values relating to transactions with related parties and the related balances outstanding at 31 December 2017 relating to the Energica Motor Company SpA are shown below:

Income Statement		Sales revenues	Personnel costs	Costs for raw and ancillary materials, consumables and goods	Costs for services
1	Directors	-	15,000	-	-
2	CRP Meccanica Srl	-	-	-	352
3	CRP Technology Srl	-	-	51,980	-
4	CRP Service Srl	-	-	-	111,900
5	CRP USA LLC	-	-	-	5,215
6	CRP Racing Srl in liquidation	-	-	-	1,066
7	Energica Motor Company INC	672,043	-	-	-
Total		**672,043**	**15,000**	**51,980**	**118,533**

The economic values relating to transactions with related parties and the related balances outstanding at 31 December 2017 relating to the Group are shown below:

Income Statement		Sales revenues	Personnel costs	Costs for raw and ancillary materials, consumables and goods	Costs for services
1	Directors	-	15,000	-	-
2	CRP Meccanica Srl	-	-	-	352
3	CRP Technology Srl	-	-	51,980	-
4	CRP Service Srl	-	-	-	111,900
5	CRP USA LLC	-	-	-	5,215
6	CPR Racing Srl in liquidation	-	-	-	1,066
Total		**-**	**15,000**	**51,980**	**118,533**

- The item Directors includes the company cost incurred by the Company for the Independent Director.
- The cost incurred with respect to CPR Technology Srl relates to purchases of components for vehicles produced with Windform material, carried out on the basis of a specific contract.
- The cost incurred with respect to CRP Service Srl represents the charge of administrative costs that said affiliated company incurs in favour of Energica, in particular for the management of personnel and part of the administration.

Other information

Information required by article 2428, paragraph 3, nos. 3 and 4 of the Civil Code

At 31 December 2017, the Company does not hold and did not hold any shares or holdings in parent companies in 2017.

Secondary offices

Pursuant to article 2428 of the Civil Code, it is noted that during the year, no other secondary offices of the Company were opened, in addition to the one located in Soliera via Scarlatti 20, where the offices and the entire production are present.

Modena, 30 March 2018
For the Board of Directors

The Chairman
Mr. Franco Cevolini

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ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

Balance Sheet Assets	31/12/2017	31/12/2016
B) Fixed assets		
I. Intangible assets		
1) Start-up and expansion costs	1,121,804	1,325,811
2) Development costs	186,089	260,524
3) Industrial patent and intellectual property rights	159,034	158,796
4) Concessions, licenses, trademarks and similar rights	2,335,730	3,145,110
6) Assets under development and advances	4,153	45,679
7) Others	223,539	246,515
Total Intangible assets	4,030,348	5,182,435
II. Tangible assets		
2) Plant and machinery	66,224	76,160
3) Industrial and commercial equipment	539,430	698,953
4) Other assets	526,457	395,528
5) Assets under construction and advances	49,504	-
Total Tangible assets	1,181,614	1,170,641
III. Financial assets		
2) Receivables:		
d-bis) others	42,094	44,586
	42,094	44,586
4) Derivative financial instruments receivable	13	133
Total Financial assets	42,107	44,719
Total fixed assets	**5,254,069**	**6,397,795**
C) Current assets		
I. Inventories		
1) Raw and ancillary materials and consumables	-	-
2) Work in progress and semi-finished products	2,813,765	1,289,942

4) Finished products and goods	1,618,959	931,696
5) Advances	-	18,629
Total inventories	4,432,724	2,240,267
II. Receivables		
1) Customers		
- within 12 months	39,983	46,019
	39,983	46,019
4) Parent companies		
- within 12 months	119,579	100,000
	119,579	100,000
5) Companies subject to the control of parent companies		
- within 12 months	42,632	42,156
	42,632	42,156
5 bis) Tax receivables		
- within 12 months	365,110	902,951
	365,110	902,951
5-ter) Deferred tax assets	-	1,078
	-	1,078
5-quater) From others		
- within 12 months	13,355	22,515
- beyond 12 months	113	113
	13,467	22,628
Total Receivables	580,772	1,114,832
IV. Cash and cash equivalents		
1) Bank and postal deposit accounts	1,623,146	126,926
3) Cash on hand	375	388
Total Cash and cash equivalents	1,623,521	127,314
Total current assets	**6,637,016**	**3,482,413**
D) Accruals and deferrals		
- Accruals and deferrals	169,438	66,516
Total accruals and deferrals	**169,438**	**66,516**
Total assets	**12,060,523**	**9,946,724**

Balance sheet liabilities	31/12/2017	31/12/2016
A) Shareholders’ equity		
I. Share capital	139,775	116,566
II. Share premium reserve	10,391,726	5,284,235
VI. Other reserves, indicated separately:		
- Euro rounding reserve	-	0
- Contribution reserve	-	2,375,173
- Translation reserve	54,055	(12,288)
- Shareholder contributions reserve	819,743	819,743
	873,798	3,182,628
VII. Reserve for hedging transactions of expected financial flows	10	101
VIII. Profit (Loss) carried forward	(372,942)	(145,832)
IX. Profit (Loss) for the year	(5,823,758)	(4,024,018)
Total Shareholders’ equity	**5,208,609**	**4,413,680**
B) Provisions for risks and charges		
2) taxes, including deferred	3	9,534
4) Others	26,682	26,682
Total Provisions for risks and charges	**26,685**	**36,216**
C) Employee severance indemnity (TFR)	**116,683**	**72,377**
D) Payables		
2) Convertible bonds		
- within 12 months	-	
	-	
		-
3) Payables to shareholders for loans		
- within 12 months		-
- beyond 12 months	4,123,600	1,860,000
	4,123,600	1,860,000
4) Payables to banks		
- within 12 months	590,402	773,521
- beyond 12 months	164,979	331,320
	755,381	1,104,841
5) Payables to other lenders		
- within 12 months	19,924	18,900
- beyond 12 months	18,520	38,445
	38,444	57,345
6) Advances		
- within 12 months	-	13,087
	-	13,087
7) Payables to suppliers		
- within 12 months	871,692	1,557,250
	871,692	1,557,250
11) Payables to parent companies		
- within 12 months	-	58,474
	-	58,474
11-bis) Payables to companies subject to the control of parent companies		
- within 12 months	635,731	507,126
	635,731	507,126
12) Tax payables		
- within 12 months	60,210	51,913
	60,210	51,913
13) Payables to pension and social security institutions		

- within 12 months	65,369	79,635
- beyond 12 months	-	-
	65,369	79,635
14) Other payables		
- within 12 months	145,987	127,663
- beyond 12 months		
	145,987	127,663
Total payables	**6,696,413**	**5,417,334**
E) Accruals and deferrals		
- Accruals and deferrals	12,133	7,116
Total accruals and deferrals	**12,133**	**7,116**
Total liabilities	**12,060,523**	**9,946,724**

Income Statement	31/12/2017	31/12/2016
A) Production value		
1) Revenues from sales and services	506,642	799,778
2) Change in inventories of work in progress, semi-finished and finished products	2,350,633	1,741,193
4) Increases in fixed assets for internal work	1,553	0
5) Other revenues and income:		-
- various	29,592	168,855
Total production value	**2,888,419**	**2,709,826**
B) Production costs		
6) Raw and ancillary materials, consumables and goods	2,423,780	2,824,111
7) Services	2,363,859	1,685,554
8) Rents and leases	252,282	187,916
9) Personnel		
a) Wages and salaries	1,062,620	958,693
b) Social security contributions	282,659	235,300
c) Employee severance indemnity (TFR)	71,422	60,793
e) Other costs	75,124	84,140
	1,491,825	1,338,926
10) Amortization, depreciation and write-downs		
a) Amortization of intangible assets	1,447,323	1,332,884
b) Depreciation of tangible assets	373,357	213,567
d) Write-downs of receivables included in current assets and cash and cash equivalents	-	-
	1,820,680	1,546,451
11) Changes in inventories of raw and ancillary materials, consumables and goods	-	-
13) Other provisions	-	21,900
14) Other operating expenses	32,970	49,704
Total production costs	**8,385,396**	**7,654,562**
Difference between production value and costs (A-B)	**(5,496,976)**	**(4,944,736)**
C) Financial income and expenses		
16) Other financial income:		
d) other income		
- from parent companies	-	-
- others	2,593	936
- other financial income	-	-
	2,593	936
17) Interest and other financial expenses:		
- others	(109,972)	(34,570)
	(109,972)	(34,570)
17-bis) Exchange rate gains (losses)	(227,828)	56,147
Total financial income and expenses	**(335,207)**	**22,513**
Total extraordinary items	-	-
Pre-tax result (A–B±C±D)	(5,832,183)	(4,922,223)
20) Income taxes		

a) Current taxes	-	-
c) Deferred tax liabilities and assets	(8,425)	(798,206)
d) Income from tax consolidation	-	(100,000)
	(8,425)	(898,206)
21) Profit (Loss) for the year	**(5,823,758)**	**(4,024,017)**

Cash Flow Statement

Description	31/12/2017	31/12/2016
A. Cash flows from operating activities		
Profit (loss) for the year	- 5,823,758	- 4,024,017
Income taxes	- 8,425	- 898,206
Interest expense/(interest income)	107,379	33,634
1. Profit (loss) for the year before taxes on income, interest, dividends and gains/losses from disposals	**- 5,724,804**	**- 4,888,589**
Adjustments for non-monetary items that had no balancing entry in net working capital		
Allocations to provisions	71,422	82,693
Amortization/Deprecation of fixed assets	1,820,680	1,546,451
2. Cash flow before changes in net working capital	**1,892,101**	**1,629,144**
Changes in net working capital		
Decrease/(increase) in inventories	- 2,192,456	- 1,802,714
Decrease/(Increase) in receivables from customers	6,036	- 13,622
Increase/(decrease) in payables to suppliers	- 704,459	1,034,611
Decrease/(increase) in accrued income and prepaid expenses	- 102,922	- 59,247
Increase/(decrease) in accrued liabilities and deferred income	5,016	5,034
Other changes in net working capital	676,025	- 114,558
3. Cash flow after changes in net working capital	**- 2,312,761**	**- 950,496**
Other adjustments		
Interest collected/(paid)	- 107,379	- 33,634
(Income taxes paid)		-
(Use of provisions)	- 35,664	- 19,696
Other collections/payments	-	-
4. Cash flow after other adjustments	**- 143,042**	**- 53,330**
Cash flow from operations (A)	**- 6,288,506**	**- 4,263,271**
B. Cash flows from investment activities		
Tangible assets	*- 384,330*	*- 1,090,725*
(Investments)	- 384,330	- 1,090,725
Intangible assets	*- 58,046*	*- 442,816*
(Investments)	- 58,046	- 442,816
Financial assets	*2,612*	*- 43,888*
(Investments)	2,612	- 43,888
Cash flows from investment activities (B)	**- 439,764**	**- 1,577,429**
C. Cash flows from financing activities		
Borrowed capital		
Increase (decrease) in short-term bank borrowings	- 183,118	618,901
New loans	2,263,600	1,681,615
Repayment of loans	- 166,342	- 159,249
Equity		
Paid capital increase	6,310,336	3,797,496

Cash flow from financing activities (C)	**8,224,477**	**5,938,763**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**1,496,207**	**98,063**
Cash and cash equivalents at the beginning of the year	**127,314**	**29,251**
of which:		
bank and postal deposits	**126,926**	**28,598**
cash on hand	**388**	**653**
Cash and cash equivalents at the end of the year	**1,623,521**	**127,314**
of which:		
bank and postal deposits	**1,623,146**	**126,926**
cash on hand	**375**	**388**
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	**1,496,207**	**98,063**

Modena, 30 March 2018
For the Board of Directors

The Chairman
Mr. Franco Cevolini

ENERGICA MOTOR COMPANY SPA

Headquarters in VIA CESARE DELLA CHIESA 150
41126 MODENA (MO)
Resolved share capital Euro 18,721,167.67
Subscribed and paid-in share capital Euro 139,774.50
Companies Register 03592550366
REA (Economic Administrative Index) 401221

Notes to the Consolidated Financial Statements at 31 December 2017

Introduction

Shareholders,

These consolidated financial statements, submitted for your examination, refer to the financial year ended 31 December 2017 and show a consolidated loss for the period of Euro 5,823,758, following the start-up phase of Energica Motor Company SpA (hereinafter also the "Company") and of Energica Motor Company Inc (hereinafter also "the Energica Group" or "the Group"), which to date have not yet achieved the economies of scale that characterize the automotive sector.

As known, on 29 January 2016, the Company's ordinary shares and warrants were admitted to trading on the AIM Italia market regulated by Borsa Italiana SpA. Subsequently, in 2017, other extraordinary finance operations were carried out, aimed at strengthening the company assets and/or obtaining financial resources, illustrated below.
Firstly, additional shareholder loans were obtained for approximately Euro 2.2 million, as a result of which the payables to shareholders for loans at 31 December 2017 amounted to approximately Euro 4,124 thousand.
On 6 March 2017, the extraordinary general shareholders' meeting approved the issuance of bonds convertible into shares with warrants in favour of Atlas Special Opportunities and Atlas Capital Markets, with the exclusion of option rights pursuant to article 2441, paragraph 5 of the Civil Code for a total maximum amount of Euro 4,000,000, divided into nine tranches, of which, at the date of preparation of these financial statements, the last two tranches still remain to be issued for a total of Euro 800 thousand. As of today's date, this loan contributed to the company net liquidity of Euro 2,942 thousand, net of start-up fees and legal expenses incurred. This loan, issued at 100% of its nominal value, accrues an interest coupon of 1% on an annual basis, and has been converted by Atlas Special Opportunities and Atlas Capital Markets into newly issued Energica shares, with a consequent increase in shareholders’ equity (share capital and share premium reserve) for a total of Euro 2.4 million in 2017. In addition, 10 warrants were issued, combined with the first tranche of this loan, exercisable within five years starting from 15 March 2017 (date of issue of the first tranche), for the subscription of 281,690 ordinary shares of Energica Motor Company at a price of Euro 4.26 per share, for a maximum total value of Euro 1,200,000.

On 17 March 2017, a share capital increase with a share premium was subscribed by institutional investors, for a total value of approximately Euro 2.3 million.

On 15 December 2017, a further share capital increase with a share premium was subscribed by institutional investors, for a total value of approximately Euro 1.9 million.

Furthermore, in February 2017, new shares were assigned relating to the bonus share linked to the newly issued shares during the IPO. After all the operations on the aforementioned share capital, the stock exchange float at today's date is equal to 27.56% of the share capital. The market price of the individual share is close to Euro 3.20, which was the listing price in January 2016, despite the overall number of shares increased, reflecting the continued interest of financial investors in the Company's industrial project.

Business continuity assessments

The Directors have identified some indicators of potential critical issues regarding the ability of the Company and the Energica Group to operate on the basis of the business continuity assumption. In particular, the Directors took note of the following:

- in 2017, the Energica Group recorded a negative result of approximately Euro 5.8 million and - in connection with the start-up phase still underway - significant losses are expected also in 2018;

- sales volumes in 2017 were significantly lower than expected, due to the general conditions that potential buyers are facing, especially due to the lack of a widespread and easily accessible recharging infrastructure, as described in the paragraph "Operating performance and development of the business plan" in the Report on Operations.

- In forming the assessment of the correctness of the business continuity assumption, the Directors considered the following:

  - the failure to achieve targets in terms of sales is the result of a series of contingent factors, which caused delays that the Company is expected to recover in the coming years, aligning the top line of revenues to the levels envisaged in the business plan;

  - in 2017, Energica Motor Company SpA obtained liquidity from extraordinary transactions, through loans received from the reference shareholders for approximately Euro 2.2 million, two capital increase transactions with a share premium for a total of approximately Euro 4.2 million and issue of a convertible bond (later fully converted into newly issued shares by 31 December 2017) for approximately Euro 2.4 million. The attainment of these financial resources, totalling approximately Euro 8.8 million, of which approximately Euro 6.6 million as an increase in shareholders' equity and approximately Euro 2.2 million through loans received from the reference shareholders, testifies the high interest of investors and the financial market.

  - the cash plan until 31 December 2018, approved during the Board of Directors' meeting on 30 March 2018, incorporates a cash-flow expectation through the issue of bonds convertible into shares for Euro 1.6 million (of which Euro 0.8 million already collected on 20 March 2018 and Euro 0.8 million to be collected in May 2018, at the conclusion of the investment agreement signed on 15 February 2017 with Atlas Special Opportunities and Atlas Capital Markets for a total of Euro 4 million (of which Euro 2.4 million drawn in 2017, as noted above, and the residual Euro 1.6 million to be drawn during the first half of 2018), as well as by means of signing of a new agreement for the issue of a further convertible bond with the same counterparty, to an extent and with timing such as to fill the financial needs reflected in the business plan up to 30 June 2019;

- if the envisaged signing of an agreement for the issue of a further convertible bond does not take place in the manner and in the times envisaged in the aforementioned business plan, the majority shareholder CRP Meccanica Srl has undertaken, with respect to Energica Motor Company SpA, by letter dated 27 September 2017, also through the financial provisions deriving from the sale of its corporate assets and within the maximum limit of Euro 4.5 million, to continue to support the Company financially and with equity, in order to ensure the fulfilment of financial commitments and regular continuation and continuity, at least for the 15 months ending 31 December 2018;

- the majority shareholder CRP Meccanica Srl has also undertaken, by letter dated 29 March 2018, which complements the previous letter dated 27 September 2017, to continue to support the Company, where necessary, also through conversion into equity reserve of its financial receivables outstanding at 31 December 2017 for approximately Euro 1.8 million;

- the shareholder CRP Technology Srl has also undertaken, by letter dated 29 March 2018, to support the Company, where necessary, through conversion into equity reserve of its financial receivables outstanding at 31 December 2017 for approximately Euro 2.2 million.

Consequently, the Directors of Energica Motor Company SpA prepared the annual and consolidated financial statements at 31 December 2017 on the basis of the business continuity assumption, while highlighting the presence of significant uncertainty related to the actual attainment of financial resources deriving from the plan, but not yet completed, issue of an additional bond convertible into shares in the manner and timing set forth in the financial plan until 31 December 2018, as well as - alternatively - the effective capacity of the majority shareholder to fill the financial needs of the Company through the sale of its corporate assets; said capacity is conditioned by the possibility of transferring these assets with timing consistent with the cash requirements of the Company and of the Group.

Preparation criteria

The following financial statements comply with the provisions of articles 2423 and following of the Civil Code, as shown in these Notes, prepared pursuant to article 2427 of the Civil Code, which constitute, pursuant to article 2423 of the Civil Code, integral part of the consolidated financial statements and comply with the provisions of Italian accounting standards and the related interpretations provided by the Italian Accounting Body (OIC), as amended in 2016, and taking into account the amendments published by the OIC on 29 December 2017, which specifically did not have an impact on the Group's financial statements.
The financial statement values are represented in Euro by rounding of the related amounts. Any rounding differences have been reported under the heading “Euro rounding reserve” under Shareholders’ Equity.
Under article 2423, fifth paragraph, Civil Code, the Notes have been prepared in Euro.
These consolidated financial statements consist of the Balance Sheet, Income Statement, Cash Flow Statement and Notes to the financial statements, and are accompanied by the Report on Operations (prepared for the annual financial statements and the consolidated financial statements).

Valuation criteria

The valuation of the financial statement items was made based on general criteria of prudence and competence, on a business continuity assumption, as illustrated in the paragraph Business continuity assessments.

The application of the principle of prudence has led to the individual evaluation of the components of the single entries or items of assets or liabilities, to avoid offsetting losses that should have been recorded and profits not to be recorded as unrealized.
In accordance with the principle of competence, the effect of transactions and other events is accounted for and allocated to the year to which such transactions and events are related, and not to the year of the related collection and payment.
The valuation of the financial statement items was made taking into account the substance of the transaction or contract; said valuation allows the representation of transactions according to the economic reality underlying the formal aspects.
In accordance with the principle of relevance, the obligations regarding recognition, evaluation, presentation and disclosure were not respected when compliance thereof had irrelevant effects in order to provide a true and fair representation.

Derogations

No exceptional cases occurred requiring any exception to be made pursuant to article 2423, paragraph 4 of the Civil Code.

In particular, the valuation criteria adopted in the preparation of the financial statements were the following.

Assets

Intangible assets
These have been recorded at their historical purchase or production cost net of the relevant depreciation over the years and recorded directly under individual items.
Start-up and expansion costs and development costs with long-term use have been recorded as assets and are amortized over 5 years.
Leasehold improvements are amortized at rates based on the duration of the contract.
If, regardless of accumulated amortization, there is a permanent impairment of value, the asset is written down accordingly. If in future years the reasons for the impairment no longer apply, the original value is restored, adjusted only for amortization that would have been recorded in the meantime.

Tangible assets
These have been recorded at their purchase cost and are adjusted by the relevant accumulated depreciation.
The book value includes any ancillary costs and the costs incurred for the use of the asset, less any trade discounts and any significant cash discounts.
The depreciation amounts that were recorded in the income statement were calculated according to the use, allocation and economic-technical life of the assets, based on the criterion of residual possibility of use.
The useful life estimated for each class of assets is the following:

- plant and machinery: 5 or 6 years;

- industrial and commercial equipment: 4 years;
- other assets: 4 or 5 years.

If, regardless of accumulated depreciation, there is an impairment loss, the asset is written down accordingly. If in future years the reasons for the impairment no longer apply, the original value is restored, adjusted only for depreciation that would have been recorded in the meantime.
Tangible assets have not been revalued or impaired.

Financial lease transactions
Financial lease transactions are accounted for using the financial method set forth in IAS 17, which was referred to by OIC 17 with reference to the consolidated financial statements. The financial method is thus used, which provides for the recognition of the historical cost of goods under assets, the recognition of the payable in liabilities and the recognition of financial expenses and amortization/depreciation of the income statement.

Receivables (including those classified as financial assets)
Receivables are recognized in the financial statements according to the amortized cost criterion, taking into consideration the time factor and the estimated realizable value. In particular, the initial recognition value is represented by the nominal value of the receivable, net of all premiums, discounts and rebates, and inclusive of any costs directly attributable to the transaction that generated the receivable. Transaction costs, any commission income and expenses and any difference between initial value and nominal value at the due date are included in the calculation of the amortized cost using the effective interest criterion.
A specific bad debt provision has been established for possible insolvency risks, the adequacy of which with regard to doubtful accounts is verified periodically and, in any case, at the end of each year, taking into account both situations of non-collection already manifested or considered probable, and general, sector and country risk economic conditions.
It is specified that, as permitted by Legislative Decree 139/15, at 31 December 2016, receivables already outstanding at 31 December 2015 have been recognized at nominal value.

Payables
Payables are recognized in the financial statements according to the amortized cost criterion, taking into account the time factor and the estimated realizable value. In particular, the initial recognition value is represented by the nominal value of the payable, net of transaction costs and all premiums, discounts and rebates directly deriving from the transaction that generated the payable. Transaction costs, any commission income and expenses and any difference between initial value and nominal value at the due date are included in the calculation of the amortized cost using the effective interest criterion.

Inventories
Raw and ancillary materials and finished products are stated at the lower cost between the purchase or manufacturing cost and the net realizable value based on market trends, applying the specific cost.

Provisions for risks and charges
They are set aside to cover losses or payables that are certain or probable, however for which the amount or date of occurrence at year-end could not be determined.
Contingent liabilities were recognized in the financial statements and recorded in provisions as deemed probable and as the amount of the related expense can be estimated with reasonableness. Risks considered only possible are shown in the Notes, while risks considered remote are not reported.

Provision for employee severance indemnity (TFR)

Represents the actual liability accrued due to the employees in accordance with law and labour contracts in force, considering all forms of ongoing remuneration.

The provision corresponds to the total indemnities accrued in favour of employees of the Company at year-end, net of any advances paid, and is equal to the amount that should have been paid to employees in the event of termination of employment on that date.

Derivative financial instruments

Derivative financial instruments are recorded at fair value. If the Group decides to adopt hedge accounting and hedging of the risk of changes in expected cash flows of another financial instrument or of a planned transaction is effective, the changes in fair value are directly recognized in a positive or negative equity reserve; said reserve is recognized in the income statement in the amount and timing corresponding to the occurrence or change in the cash flows of the hedged instrument or the occurrence of the hedged transaction. In the event that the Company does not opt for this option or the hedging is ineffective, the changes in fair value are recognized in the income statement. If the fair value at the reference date is positive, it is recognized under the item "derivative financial instruments receivable" under financial assets or financial assets not held as fixed assets. If the value is negative, it is recognized under the item "derivative financial instruments payable" under provisions for risks and charges.

Income taxes

Taxes are allocated according to the accrual principle; they therefore represent:

- accruals for taxes paid or to be paid for the year, determined in accordance with the rates and regulations in force;
- the amount of deferred taxes or paid in advance in respect of temporary differences arisen or cancelled during the year.

Deferred IRES and IRAP liabilities and assets are calculated on temporary differences between the value of assets and liabilities in the financial statements and the corresponding tax values.

Deferred tax assets and liabilities are measured based on the tax rates expected
to be applied to the year in which these assets will be realized or these liabilities will be settled, considering the rates in force and those already issued at the reporting date.

At the reporting date, the existence of adequate future tax profits that may make the use of deferred tax assets applicable is assessed; if there were no certainty of their recovery, they would be impaired accordingly.

With reference to the "IRES income tax of the company", it is noted that Energica Motor Company SpA, as a consolidated company, participates in the "Domestic" tax consolidation regime referred to in articles 117 and following of the TUIR Income Tax Code; said regime sees the parent company CRP Meccanica Srl take on the role of consolidating company.

Accruals and deferrals

They were determined on the accrual basis of the year.

They measure income and expenses whose competence is advanced or delayed with respect to the actual cash and/or documentation; they do not consider the date of payment or collection of the related income and expenses that are common to two or more years and distributable over time.

Recording of revenues and costs

Revenues and purchase costs resulting from the sale and purchase of goods are recognized upon transfer of all the risks and rewards associated with ownership, which commonly coincides with the shipment or delivery of the goods.

Sales revenues and purchase costs are recognized net of returns, discounts, rebates and premiums for the year.
Revenue adjustments, and not only those relating to revenues for the year, are deducted from revenues, with the exception of those deriving from corrections of errors or changes in accounting standards, in accordance with the relative accounting standard OIC 29.

Criteria for the conversion of the values expressed in foreign currency
Receivables and payables originally expressed in foreign currencies, recorded at the exchange rates prevailing at the date on which they arose, are adjusted to current exchange rates at year-end.
In particular, assets and liabilities other than fixed assets and fixed financial receivables are recorded at the exchange rate prevailing at year-end. Gains and losses arising from the conversion of receivables and payables are respectively credited or debited to the Income Statement under the item 17 bis Exchange rate gains and losses.

Assets realized internally
The initial cost of an asset totally or partially realized internally is the production cost inclusive of direct costs (material and direct workmanship, design costs, external supplies, etc.) and of general production costs, for the portion reasonably attributable to the asset for the period of its manufacture up to the time the asset is ready for use.

Scope and methods of consolidation

The consolidated financial statements of the Energica Group at 31 December 2017 include the accounting data of Energica Motor Company SpA as consolidating company and of the following wholly-owned US subsidiary, which began operations in 2015:

Company Name	HQ	Share capital	Shareholders' equity at 31/12/2017	2017 Result	Shareholding
Energica Motor Company Inc	127 Goodwin Circle, Suite B-Mooresville, NC 28115	1	-730,983	-485,852	100%

* The share capital is expressed in US Dollars.

Consolidation criteria

The full consolidation method provides for the full recognition of assets and liabilities, costs and revenues of companies belonging to the consolidation area.

The carrying amount of the consolidated investment was eliminated against the related shareholders' equity on the date of the first consolidation.
The financial statements of the foreign company are converted into Euro by applying for assets and liabilities the exchange rate at the end of the year and for income statement items the average exchange rate for the year. The translation differences, arising both from the conversion of shareholders' equity items to year-end exchange rates compared to historical ones, and between the average and year-end exchange rates for the income statement, are recognized under the consolidated shareholders' equity item "Translation reserve".

The exchange rates used for the conversion of the accounting position of Energica Motor Company Inc, whose functional currency is the US dollar, are equal to 1.1993 for equity items and 1.1297 for economic balances.

Assets

B) Fixed assets

I. Intangible assets

Changes in intangible assets

	TOTAL PREVIOUS YEAR			CHANGES FY				
Category	**HISTORICAL COST**	**ACC. AMORT. 31/12/2016**	**TOTAL**	**INCREASES**	**DECREASES**	**TRANSFERS**	**AMORT. 2017**	**FINAL VAL.**
START-UP AND EXPANSION COSTS	1,619,467	293,656	1,325,811	149,435	-	-	353,442	1,121,804
RESEARCH, DEVELOPMENT AND ADVERTISING COSTS	372,177	111,654	260,524	-	-	-	74,435	186,088
INDUSTRIAL PATENT AND INTELLECTUAL PROPERTY RIGHTS	213,213	54,417	158,796	67,978	-	-	67,740	159,034
CONCESSIONS, LICENSES, TRADEMARKS AND SIMILAR RIGHTS	4,488,203	1,343,093	3,145,110	60,807	-	45,679	915,866	2,335,730
ASSETS UNDER DEVELOPMENT AND ADVANCES	45,679	-	45,679	4,153		- 45,679	-	4,152
OTHER	282,953	36,437	246,516	13,792	-	-	35,839	223,539
Total Intangible Assets	**7,021,692**	**1,839,256**	**5,182,435**	**296,165**	**-**	**-**	**1,447,323**	**4,030,348**

Start-up and expansion costs
The item in question consists of the costs incurred for listing the Company's shares in the AIM Italia market, which took place on 29 January 2016, and the costs incurred for the two capital increases incurred during the year in question.

Development costs
The item in question consists of the costs incurred in early 2015 for the development of the EGO electric motorcycle. The amortization of these amounts began in 2015, the year of the production of the electric motor cycle, and the estimated useful life is 5 years.

Concessions, licenses, trademarks and similar rights
The item includes the value of the "Energica" brand for Euro 21,273, while the most significant portion refers to the value of know-how (historical cost of approximately Euro 4.5 million), relating to the construction, production and sale of road electric motorcycles conferred on 30 September 2015 by CRP Meccanica Srl with the business unit, the value of which was submitted to a sworn appraisal by the independent expert Massimo Tonioni.

Other intangible assets
The item in question includes the costs that the Group incurred in 2016 to transfer the offices and the operating site to the new plant, located in Soliera, and to adapt it to production needs.

At the reporting date, the Directors did not consider there were indicators of impairment of intangible assets, since the loss for the year is strictly connected to the Group's start-up phase, and considering, based on recent analyst reports and the evaluation made by the market within the aforementioned capital increases, the net carrying amount lower than the fair value of the same.

II. Tangible assets

Changes in tangible assets

Category	HISTORICAL COST	ACC. DEP. 31/12/2016	TOTAL	INCREASES	DECREASES	TRANSFERS	DEP. 2017	FINAL VAL.
PLANTS AND MACHINERY	84,623	8,464	76,160	5,553	-	-	15,489	66,224
INDUSTRIAL AND COMMERCIAL EQUIPMENT	905,400	206,448	698,953	77,403	-	-	236,926	539,430
OTHER ASSETS	434,888	39,362	395,526	257,213	-	-	120,942	526,457
ASSETS UNDER CONSTRUCTION AND ADVANCES	-	-	-	49,504	-	-	-	49,504
Total Tangible Assets	**1,424,912**	**254,273**	**1,170,639**	**389,673**	**-**	**-**	**373,357**	**1,181,614**

Industrial and commercial equipment
The item includes owned equipment (mainly industrial moulds) held by suppliers of materials and semi-finished products, whose useful life is estimated over 4 years.

Other assets
This item shows the capitalizations, carried out in 2016 and 2017 for a value of Euro 395,582, of EVA and EGO bike model owned by the Group, to be used for internal use; in addition to these for the year 2017 are Euro 2,008 in increases for the purchase of furniture and furnishings, and Euro 8,462 for workshop furnishings. In addition to these are the capitalization costs of 2 demo-motorcycles owned by the Inc and the effect of IAS 17 on leased assets. For these assets, the estimated useful life is 5 years.

III. Financial assets

This item includes non-current receivables for a value of Euro 24,000, paid as a guarantee deposit relating to the lease contract of the Soliera plant, and Euro 18,093 paid as a guarantee deposit for the rental of the premises of the subsidiary Energica Inc.

C) Current assets

I. Inventories

The purchase or production cost of inventories at 31 December 2017 is equal to Euro 2,813,765 for work in progress and semi-finished products and Euro 1,599,934 for finished products.
The increase in the value of inventories compared to 31 December 2016 is caused by the need to have a stock of semi-finished products sufficient for the production planned for 2018 of EGO and EVA electric motorcycles and finished products sufficient to meet the expected sales in the first half of 2018. The Company has created a warehouse of finished products at its American offices in order to react promptly to customer requests.
In order to take into account the lower realizable value of some products compared to the cost of production, the Group set aside in the year a provision for the write-down of finished products amounting to Euro 20 thousand, which was increased compared to the corresponding write-down provision at 31 December 2016 equal to Euro 3 thousand.

II. Receivables
Total receivables of current assets amounted to Euro 580,772. The decrease in receivables compared to the 2016 financial statements was Euro -534,061.
Receivables are thus broken down by type and due date:

Description	31/12/2017	31/12/2016	Change
Customers	39,983	46,019	6,036
Parent companies	119,579	100,000	19,579
Companies subject to the control of parent companies	42,632	42,156	476
Tax receivables	365,110	902,951	- 537,841
Deferred tax assets	-	1,078	- 1,078
Others	13,467	22,628	- 9,160
Total Receivables	**580,772**	**1,114,832**	**- 534,061**

Receivables from parent companies mainly relate to the tax income that Energica Motor Company SpA accrued in 2016 with respect to CRP Meccanica Srl, pursuant to the IRES tax consolidation agreement signed between the parties.

Tax receivables consist solely of the VAT credit accrued in the period by Energica Motor Company SpA, due to the greater volume of purchases made in 2017 compared to sales in Italy.

Due to the prudence principle, no deferred tax assets have been recorded on the tax losses of the Company and of the US subsidiary for the years 2015, 2016 and 2017, as no taxable income is envisaged for tax purposes for at least the next two years.

The breakdown of receivables at 31 December 2017 by due date is outlined in the following table.

Description	within 12 months	beyond 12 months	5 years	31/12/2017	Transactions with reverse repurchase agreement
Customers	39,983	-	-	39,983	-
Parent Companies	119,579	-	-	119,579	-
Companies	42,632	-	-	42,632	-
For tax receivables	365,110	-	-	365,110	-
For taxes	-	-	-	-	-
Others	13,355	113	-	13,468	-
Total Receivables	**580,659**	**113**	**-**	**580,772**	**-**

The breakdown of receivables at 31 December 2017 by geographical area is outlined in the following table:

Description	Customers	Parent companies	Companies subject to the control of parent companies	Tax receivables	Receivables for deferred tax assets	Receivables from others	Balance at 31/12/2017
Italy	-	119,579	42,632	365,110	-	13,467	540,788
Abroad	39,984	-	-	-	-	-	39,984
Total Receivables	**39,984**	**119,579**	**42,632**	**365,110**	**-**	**13,467**	**580,772**

Receivables expressed in currencies other than the Euro are converted at the precise period-end exchange rate.

IV. Cash and cash equivalents

The balance reflects the liquid assets and the cash on hand and cash equivalents at end of the period.

Description	31/12/2017	31/12/2016	Change
Bank and postal deposits	1,623,146	126,926	1,496,221
Cash and equivalents on hand	375	388	- 13
Total cash and cash equivalents	**1,623,521**	**127,314**	**1,496,207**

D) Accrued income and prepaid expenses

Description	31/12/2017	31/12/2016
accrued income	0	-
prepaid expenses	169,438	67,974
costs advanced	-	-
Total accruals and deferrals	**169,438**	**67,974**

There are no accrued income and prepaid expenses with a duration of over 5 years.

Liabilities

A) Shareholders' equity

The following table shows the changes in consolidated shareholders' equity in 2017 and the previous year:

- Changes in shareholders' equity in 2016

Shareholders' equity	Share capital	Share premium reserve	Other reserves (contribution reserve)	Translation reserve	Other reserves (future capital increase reserve)	Reserve for hedging transactions of expected financial flows	Income (loss) for the previous year	Profit (loss) for the period	Balance at 31/12/2016
Shareholders' equity at 31/12/2015	100,000		3,664,153	- 72	819,743	603	- 2,764	- 1,432,047	3,149,616
Share capital increase with IPO of 29 January 2016	16,566	5,284,235							5,300,801
Loss coverage previous year			- 1,288,980				- 143,068	1,432,047	0
Translation reserve				- 12,216					- 12,216
Net change in fair value of hedging transactions						- 502			- 502
Recognition of the result of the consolidated investment								- 241,356	- 241,356
Other minor changes								10,411	10,411
Profits (losses) for the period of the parent company								- 3,793,073	- 3,793,073
Total	**116,566**	**5,284,235**	**2,375,173**	**- 12,288**	**819,743**	**101**	**- 145,832**	**- 4,024,018**	**4,413,681**

- Shareholders' equity at 31/12/2017

Shareholders' equity	Share capital	Share premium reserve	Other reserves (contribution reserve)	Translation reserve	Other reserves (future capital increase reserve)	Reserve for hedging transactions of expected financial flows	Income (loss) for the previous year	Profit (loss) for the period	Balance at 31/12/2017
Shareholders' equity at 31/12/2016	116,566	5,284,235	2,375,173	- 12,288	819,743	101	- 145,832	- 4,024,018	4,413,680
Share capital increase	23,209	6,525,390							6,548,599
Loss coverage previous year		- 1,417,899	- 2,375,173				- 230,946	4,024,018	- 0
Translation reserve				66,343					66,343
Other minor changes						- 91	3,836		3,745
Profits (losses) for the period								- 5,823,758	- 5,823,758
Total	**139,775**	**10,391,726**	**-**	**54,055**	**819,743**	**10**	**- 372,942**	**- 5,823,758**	**5,208,609**

The share capital consists of shares with a total value of Euro 139,775. Shareholders' equity items are broken down according to origin, possibility of use, and distribution:

Nature/description	Amount	Possibility of use (*)	Portion available
Capital	139,775	B	-
Total	**139,775**		**-**
Non-distributable portion	139,775		-
Residual distributable portion	**139,775**		**-**
Capital reserve			
Contribution reserve	-	A, B, C	-
Translation reserve	54,055		
Share premium reserve	10,391,726	A, B	10,391,726
Future capital increase reserve	819,743	A	-
Reserve for hedging transactions of expected financial flows	10	A	-

(*) A: for capital increase; B: for coverage of losses; C: for distribution to shareholders

The following complementary information is provided:

- the financial statements do not include any revaluation reserve;
- the financial statements do not include any statutory reserve.

Result for the year

The loss for the year at 31 December 2017 amounted to Euro 5,823,758.

B) Provisions for risks and charges

Provisions for risks and charges include Euro 26,682 for the Product guarantee provision to cover any future repair costs.

C) Employee severance indemnity (TFR)

The provision allocated represents the liability at 31/12/2017 towards employees of the Company as of that date, net of any advances paid and amounted to Euro 116,683.

D) Payables

Payables amounted to Euro 6,696,413 at 31 December 2017. The increase in payables compared to the 2016 financial statements amounted to Euro 1,279,079, as shown in the table below:

Description	31/12/2017	31/12/2016	Change
Payables to shareholders for loans	4,123,600	1,860,000	2,263,600
Payables to banks	755,381	1,104,841	-349,460
Payables to other lenders	38,444	57,345	-18,901
Advances	-	13,087	-13,087
Payables to suppliers	871,692	1,557,250	-685,559
Payables to parent companies	-	58,474	-58,474
Payables to companies subject to the control of parent companies	635,731	507,126	128,605
Tax payables	60,210	51,913	8,297
Payables to social security institutions	65,369	79,635	-14,266
Other payables	145,987	127,663	18,324
Total payables	**6,696,413**	**5,417,334**	**1,279,079**

At 31 December 2017, payables are stated at their nominal value and the due date of the same is as follows.

Description	within 12 months	beyond 12 months	5 years	31/12/2017
Payables to shareholders for loans	-	4,123,600	-	4,123,600
Payables to banks	590,402	164,979	-	755,381
Payables to other lenders	19,924	18,520	-	38,444
Advances	-	-	-	-
Payables to suppliers	871,692	-	-	871,692
Payables to parent companies	-	-	-	-
Payables to companies subject to the control of parent companies	635,731	-	-	635,731
Tax payables	60,210	-	-	60,210
Payables to social security institutions	65,369	-	-	65,369
Other payables	145,987	-	-	145,987
Total payables	**2,389,315**	**4,307,099**	**-**	**6,696,414**

The breakdown of payables at 31 December 2017 by geographical area is outlined in the following table:

Payables by geographical area	Payables to shareholders for loans	Payables to banks	Payables to other lenders	Advances	Payables to suppliers	Payables to Parent Companies	Payables to companies subject to the control of parent companies	Tax payables	Payables to social security institutions	Other payables	Total 31/12/2016
Italy	4,123,600	755,381	38,444	-	693,035	-	635,731	60,210	65,369	145,987	6,517,757
Abroad	-	-	-	-	178,657	-	-	-	-	-	178,657
Total	**4,123,600**	**755,381**	**38,444**	**-**	**871,692**	**-**	**635,731**	**60,210**	**65,369**	**145,987**	**6,696,414**

The breakdown of payables at 31 December 2017 is as follows:

Description	31/12/2017
Payables to shareholders	**4,123,600**
Payables to CRP Meccanica Srl	1,836,386
Payables to CRP Technology Srl	2,287,214
Payables to banks	**755,382**
Payables to Unicredit SpA	480,695
Payables to Banco Popolare	101,380
Payables to Banca Finnat	8,332
Payables to BPER	- 4
Long-term bank borrowings	164,979
Payables to other lenders	**38,444**
Payables to leasing companies	38,444
Customer advance accounts	**-**
Suppliers of goods and services	**871,692**
Suppliers - Italy	693,035
Suppliers - Abroad	178,657
Payables to parent companies	**-**
Payables to CRP Meccanica Srl	-
Payables to companies subject to the control of parent companies	**635,729**
Payables to CRP Service Srl	339,716
Payables to CRP USA LLC	1,522
Payables to CRP Racing Srl in liquidation	1,220
Payables to CRP Technology	293,271
Tax payables	**60,210**
Revenue withholding tax - employees	55,502
Revenue withholding tax - self-employed persons	4,653
Revenue withholding tax - other	55
Payables to pension and social security institutions	**65,369**
Payables to INPS, INAIL, COMETA, PREVINDAI...	65,369
Other payables	**145,987**
Unused employee holidays	46,733
Payables to employees	53,908
Other payables	45,346
Total	**6,696,413**

Payables to shareholders for loans

The Group has outstanding payables for loans received in favour of the Company from the shareholders of CRP Meccanica Srl and CRP Technology Srl:

- Interest-free loan of Euro 1,500,000, with full single payment by 31 December 2020. Repayment is subordinate to the satisfaction of the other creditors;
- interest-bearing loan, at a rate of 3% on an annual basis, equal to Euro 2,560,000, with payment by instalments no later than 31 December 2022.

As already indicated above, the majority shareholder CRP Meccanica Srl undertook, by letter dated 29 March 2018, which complements the previous letter dated 27 September 2017, to continue to support the Company's assets, where necessary, also by conversion to equity reserve of their outstanding financial receivables at 31 December 2017 for approximately Euro 1.8 million and the shareholder CRP Technology Srl undertook, by letter dated 29 March 2018, to support the Company's equity, where necessary, by conversion to equity reserve of their outstanding financial receivables at 31 December 2017 for approximately Euro 2.2 million.

Payables to banks

The balance of payables to banks at 31/12/2017 refers to:

- the remaining portion of the unsecured loan signed on 7 May 2015, 54 months for an amount of Euro 250,000, with a monthly French amortization plan indexed to the 3-month Euribor + 6-month spread and pre-amortization.
- the unsecured loan signed on 27 October 2015, 48 months for an amount of Euro 400,000 with an amortization plan of 16 quarterly instalments deferred to the 3-month Euribor + spread, with no pre-amortization period.

To hedge against the risk of fluctuation in the Euribor interest rate on the second loan, the Group underwrote a hedging derivative on a notional amortizing, whose mark-to-market value at 31 December 2017 is equal to Euro 13.

Payables to other lenders

The balance of payables to other lenders includes the payables due to BMW Leasing and to UniCredit Leasing.
With both leasing companies, the Company has signed a financial lease contract with a 48-month purchase right, accounted for in accordance with IAS 17.

Other payables

Other payables amounted to Euro 145,987 and increased by Euro 18,324 compared to 31/12/2016.
The payable at 31/12/2017 is mainly attributable to liabilities for wages and salaries and for holidays not yet taken.

No payable is secured by collateral on corporate assets.

E) Accrued liabilities and deferred income

Description	31/12/2017	31/12/2016
accrued liabilities	12,133	7,116
Total accruals and deferrals	**12,133**	**7,116**

There are no accrued liabilities and deferred income with a duration of over 5 years.

Income Statement

A) Production value

The item "Revenues from sales and services" relates to the sale of vehicles, partly destined for the US market, and related options.

Description	31/12/2017	31/12/2016	Change
Revenues from sales and services	506,642	799,778	- 293,136
Changes in inventories of raw and ancillary materials, consumables and goods	2,350,633	1,741,193	609,440
Increases in fixed assets for internal works	1,553	0	1,553
Other revenues and income	29,592	168,855	- 139,264
Total Revenues	**2,888,419**	**1,709,826**	**178,593**

The geographical breakdown of "Revenues from sales and services" is shown in the following table:

Revenues by geographical area	31/12/2017
Italy	390
Abroad	506,252
Total	**506,642**

B) Production costs

Production costs are broken down as follows:

Description	31/12/2017	31/12/2016	Change
Raw and ancillary materials and goods	2,423,780	2,824,111	- 400,331
Services	2,363,859	1,685,554	678,305
Rents and leases	252,282	187,916	64,366
Wages and salaries	1,062,620	958,693	103,927
Social security contributions	282,659	235,300	47,359
Employee severance indemnity (TFR)	71,422	60,793	10,629
Other costs	75,124	84,140	- 9,016
Amortization of intangible assets	1,447,323	1,332,884	114,439
Depreciation of tangible assets	373,357	213,567	159,790
Change in inventories of raw materials	-	-	-
Other allocations	-	21,900	- 21,900
Other operating expenses	32,970	49,704	- 16,734
Total Production Costs	**8,385,396**	**7,654,562**	**730,833**

Costs for raw and ancillary materials, consumables and goods
They amounted to Euro 2,423,780, compared to Euro 2,824,111 of the previous year, and are recorded net of any rebates, discounts and premiums on purchases granted by suppliers.
These costs are strictly related to the performance of point A (Production value) of the Income Statement, of the procurement policy necessary for production scheduled in 2018 and of the production and sales process in 2017.
The prevailing item is represented by the costs for the purchase of components and semi-finished products.

Costs for services
"Costs for the provision of services" amounted to Euro 2,363,859, an increase compared to Euro

1,685,554 recorded in 2016. These costs mainly refer to advertising and participation in fairs for Euro 633,905, fund raising for Euro 268,354, technical and administrative consultancy for Euro 399,636, external work for Euro 144,401, transport for Euro 91,006 and costs for legal, notary and commercial consultancy for Euro 111,098.

Costs for rents and leases

These costs amounted to Euro 252,282 and are mainly due to the rental of the Soliera production plant and the American headquarters.

Personnel costs

Personnel costs refer, in accordance with employment contracts and applicable laws, to salaries paid to employees, deferred remuneration, provisions for severance indemnities, holidays accrued but not taken, ancillary personnel costs and social security contributions.
Personnel costs amounted to Euro 1,491,825.
The precise number of employees at 31 December 2017 was 32.

Depreciation of tangible assets and amortization of intangible assets

Depreciation and amortization were calculated on the basis of the useful life of the asset and its use in production.

C) Financial income and expenses

Financial Income and Expenses

The following table shows the breakdown of financial income and expenses:

Description	31/12/2017	31/12/2016	Change
Other financial income	2,593	936	1,658
(Interest and other financial expenses)	- 109,972	- 34,570	- 75,402
Exchange rate gains (losses)	- 227,828	56,147	- 283,975
Total income and expenses	**- 335,207**	**22,512**	**- 357,719**

The balance of interest and other financial expenses in 2017, equal to Euro 109,972, consists of Euro 11,283 for bank commissions, Euro 29,508 for interest expense on outstanding mortgages and Euro 63,600 for interest on shareholder loans. The other items are residual.

22) Income taxes for the year

Description	31/12/2017	31/12/2016	Change
Current taxes:	**-**	**-**	**-**
IRFS	-	-	-
IRAP	-	-	-
Substitute taxes	-	-	-
Deferred tax liabilities (assets)	**- 8,425**	**- 798,206**	**789,781**
IRFS	- 7,844	- 743,159	735,315
IRAP	- 581	- 55,047	54,466
Income (expenses) from participation in tax consolidation	**-**	**- 100,000**	**100,000**
Total taxes	**- 8,425**	**- 898,206**	**889,781**

By not providing for taxable profits for the next two years in the 2018-2020 business plan, and having significant tax losses that can be carried forward indefinitely, the Group has prudently not recorded deferred tax assets in the financial statements.

Cash Flow Statement

The cash flow statement has been prepared in accordance with OIC 10.
Cash flows are exposed according to the area from which they originate (income management, investment activities, financing activities).
The sum of these cash flows represents the increase or decrease in cash and cash equivalents in the year.
The financial flow deriving from income management is determined using the indirect method, which provides for the reconstruction of the data backwards, starting from the result for the year and making changes (amortization, provisions, etc.) that have not had any impact in terms of creation or consumption of cash and cash equivalents.
Cash flows from investment activities include the flows arising from the purchase and sale of tangible, intangible and financial assets and short-term financial assets.
Cash flows from financing activities include flows deriving from the attainment or return of cash and cash equivalents in the form of risk capital or debt capital.
It is noted that, within the financial flow of the financing activity, the item "Paid capital increase", for the year 2017, equal to a gross amount of Euro 6,547,526, has been netted of ancillary consultancy fees, capitalized in intangible assets under start-up and expansion costs.

For the year 2017, the cash flow statement shows an increase in cash and cash equivalents totalling Euro 1,496,207.
The following have contributed to this balance:

- income management, which absorbed resources for Euro 6,288,506.
- investment activity, which absorbed resources for Euro 439,764.
- financing activity, which generated resources for Euro 8,224,477.

Other information

Pursuant to and for the effects of article 2427, paragraph 9 of the Civil Code, it is specified that Energica has issued a bank guarantee of Euro 72,000 for the rent of the Soliera industrial building, in favour of the lessor to guarantee the fulfilment of its obligations. The amount of the guarantee is equal to 6 monthly rental fees and the duration is equal to that established by the contract.

Information regarding the fair value of financial instruments (art. 2427 bis): Derivatives (see above for Financial assets)

The Group uses the financial instruments offered on the market solely with a view to hedging the risk of fluctuating interest and exchange rates.
The fair value and information on the extent and nature of each category of financial instruments held by the Company are shown below:

Type of contract	trading date	maturity date	notional	Mark to market (fair value)	purposes	Underlying financial risk
Amortizing CAP	10/11/2015	27/10/2019	205,875	13	hedge	interest risk

Revenues or costs of exceptional entity or incidence

Pursuant to article 2427, point 13 of the Civil Code, it is noted that no revenues or costs of exceptional entity or incidence were recorded.

Remuneration of directors and auditors

The information regarding the remuneration of Directors and Statutory Auditors, pursuant to Article 2427, point 16 of the Civil Code, is presented below.
Income Statement item "B.7 Costs for services" includes the following total fees due to Directors and members of the Board of Statutory Auditors:

	31/12/2017
Directors	15,000
Board of Statutory Auditors	22,000

It is noted that the Shareholders' Meeting of the Company has resolved a fee to be paid to Directors for 2017 higher than as reported, but all the non-independent Directors have renounced it, in order to reduce the expense for the Company.

The Company did not grant advances and receivables to Directors and Auditors.

Independent auditors' fees

Pursuant to article 2427, paragraph 1, point 16-bis of the Civil Code, the contractual fees of the independent auditors PricewaterhouseCoopers SpA for the legal audit of the 2017 annual accounts amounted to Euro 25,000 and fees for the limited audit of the condensed consolidated half-year financial statements at 30 June 2017 amounted to Euro 13,000.

Further information

In 2016, the Company issued ordinary shares and warrants listed on the AIM Italia market; for details of the transaction and to view the warrant regulation, reference is made to the Admission Document filed with Borsa Italiana SpA and to the warrant regulation.
In 2017, the Company issued ordinary shares following the aforementioned capital increases.

The companies of the Group do not have any agreements that are not included in the Balance Sheet.

During the period, no financial expenses were allocated to the values recognized under Balance Sheet assets.

There are no assets for a specific business.

The parent company CRP Meccanica Srl does not exercise management and coordination over Energica Motor Company SpA, as the corporate decisions and strategies of the Energica Group are taken independently by the Directors of the Company.

Significant events after the reporting period

No significant events took place from 1 January 2018 to the date of preparation of these financial statements.

In the first quarter of 2018, the Company obtained a number of orders that exceeded the entire sales of 2017. This result was achieved also thanks to the launch of the new Eva EsseEsse9 model and to the involvement in the MotoE™ project. Also to be noted are the reactivity and the productive potential of the company that is already able to cope with sudden accelerations such as those above.
The commercial department introduced the "My Electric Deal" initiative aimed at selling a fleet of used company-owned vehicles at favourable prices, a strategy that seems to already be starting to bear fruit, given that a good part of the sales referred to above are guaranteed pre-owned.
Agreements have been signed with new dealers in new markets (Jordan, Austria, Ireland, the Czech Republic and the United States).
From a financial point of view, the Company is getting ready to face also the investments due to MotoE™ and for this reason negotiations with Atlas Special Opportunities are at an advanced stage for a new agreement for the issue of an additional bond convertible into shares, to an extent and with timing such as to fill the financial needs reflected in the business plan up to 30 June 2019.
Over the next few months, the Company aims to expand the network of Energica dealers.

The consolidated financial statements herewith, comprising the Balance Sheet, Income Statement, Cash Flow Statement and Notes, and accompanied by the Report on Operations, give a true and fair view of the equity and financial position of the Group and the economic result for the year, and correspond to the accounting records.

Modena, 30 March 2018
For the Board of Directors

The Chairman
Mr. Franco Cevolini