CONSOLIDATED FINANCIAL STATEMENTS

AT 31 / 12 / 2018

ENERGICA

ENERGICA MOTOR COMPANY SPA

Head office: VIA CESARE DELLA CHIESA 150
41126 MODENA (MO)
Share, approved: 30,821,167.67 euros
Share capital, issued and paid-up: 159,893.73 euros
Business registry 03592550366
REA

Annual report relative to financial statement and consolidated financial statement for financial year closing on 31/12/2018

Dear shareholders,

This unified report for the year 2018 contains information concerning both the financial statement and the consolidated financial statement in conformity with Article 40 comma 2-bis of Italian Law Decree 127/1991 and subsequent amendments.

Ordinary shares and warrants issued for Energica Motor Company SpA are financial instruments traded on the AIM Italia stock market in accordance with the regulations of Borsa Italiana SpA. Trading of these shares and warrants began on 29 January 2016.

As permitted by the aforementioned law, the administrative board has decided to defer the shareholder meeting to approve the statement to a date at least 180 days from the date of closure of the financial year. The reason for this deferral is that the administrative board needed more time than envisaged to evaluate the impact on investments of the damage sustained on 14 March 2019 at the Jerez de la Frontera circuit during official testing for the FIM Enel MotoE™ World Cup.

Furthermore, the board of administration has today re-approved the draft statement initially approved on 31 May 2019 to include a significant event occurring after this date in the information provided to shareholders, namely the issue today (13 May 2019) of an increase in capital by third party investors, bringing total capital stock up to approximately 1.9 million euros.

To support the industrial plan and confirming their significant *commitment* to the Energica Group, the main shareholders CRP Meccanica Srl and CRP Technology Srl - which had previously contributed to funding the company with shareholder loans totalling 4.124 million euros as of 31 December 2017 - decided, in the financial year ending 31.12.2018, to demonstrate their renewed trust in the company by capitalising the loans made previously, improving the net worth and net financial position of the company by an equivalent amount.

On 22 June 2018, the warrant holder assembly extended the expiry date of the exercise periods of warrants from the originally defined date in October 2018 to October 2021. During the same assembly, it was also decided to change from one to two warrant exercise windows for each year (with an additional window introduced in June), and the exercise prices were reviewed.

On 6 September 2018, the board of administration approved the issue of a new convertible bond *cum* warrant undersigned with Atlas Special Opportunities and Atlas Capital Markets, with the exclusion of pre-emptive rights in accordance with Article 2441 comma 5 of the Italian Civil Code, for a total sum not exceeding €5,000,000 subdivided into five instalments. As of 31 December 2018, the final three instalments had yet to be issued, for a total of 3 million euros. Combined with the conversion of the remaining instalments of the agreement undersigned in 2017, this loan, which was promptly converted into newly issued Energica shares, increased the net worth of the company for the financial year considered herein by 2.5 million euros.

The activities of Energica Motor Company SpA (hereinafter “Energica” or the “Company”) and its US based controlled subsidiary (“Energica Group” or the “Group”) consist of the fabrication and sale of electric motorcycles.
The consolidated financial statement also includes the financial data relative to Energica Motor Company Inc., the subsidiary company controlled 100% by Energica Motor Company S.p.A. which commercialises electric motorcycles in the USA.
While the Energica Group registered losses of €7,269,912 in the financial year 2018, this was nonetheless a crucial year for the growth of the Energica Group, which dedicated effort and investments to the launch of new products and to strengthen the brand, and as a result of which, Energica completed the development and production roll-out of the Ego Corsa model, which will be used by all the teams participating in the FIM Enel MotoE™ World Cup - the first ever world championship for electric motorcycles, which starts in July 2019. It is also important to note that the Group has succeeded in increasing its sales substantially, with revenue from sales up fourfold from 0.5 million euros to 2.2 million euros.
In 2018, the company made significant investments, targeting the following key areas in particular:

1) Development and production of electric racing bikes for the FIM Enel MotoE™ World Cup.

2) Investments to support track testing for the technical development of the Ego Corsa.

3) Employment of the workforce necessary for production of the Ego Corsa.

4) Investments to support the development and creation of the Sport Production Dept. within the Energica factory. An all-new area of approximately 160 m² situated in the Energica production plant.

5) Involvement and direct support to the marketing and communication plan aimed at promoting the new MotoE competition, with demo laps on board Energica Ego at each stage of MotoGP 2018.

6) Start of marketing of the third model Eva EsseEsse9.

7) Presentation to the market of the "My Electric Deal" initiative: a fleet of company vehicles available for sale to the public.

8) Continuous development of the 2020 technological platform and other innovative technological solutions, through the many tests carried out for MotoE and through prestigious collaboration with international companies such as Samsung.

9) Measures to achieve significant cost savings on the bill of materials for each individual motorcycle, which will be reflected in the price list to the public from 2019.

10) Revised company logo.

11) Registration of a new patent in China.

This has been a very resource-intensive period, as it also coincided with efforts to consolidate the activities of the group and with the preparations leading up to the FIM Enel MotoE™ World Cup. The costs associated with the expansion of the sales network and with the fabrication and testing of race vehicles had a significant impact on the budget. Revenues for 2018 increased substantially over 2017 (+326%), reflecting the increased size of the sales network and the success of dealers in attracting and meeting the approval of end customers. These are very encouraging figures indicative of impressive growth at a time when the this market is still only populated by early adopters.
This strong growth in turnover is due to a number of factors, among which the expansion of the infrastructure catering for EVs in Italy and around the world (despite the fact that this expansion is taking place more slowly and less extensively than promised by governments and operators in the industry), the strengthening of the Energica brand, which has been further consolidated by its appointment as “Sole Constructor” for the FIM Enel MotoE™ World Cup starting on 7 July 2019, and the expansion of the sales network, with the launch of new distributors. During 2018, the company forged numerous trade agreements in the Czech Republic, Germany, Italy, Texas and North Carolina, as well as partnerships in France, Germany and Florida, and also made an initial foray into new market of the Gulf countries. The Ego electric supersport bike remained the best-selling bike in the range in North America, while in Europe customers preferred the streetfighter Eva.

Business continuity assessment

The appointment of Energica as the sole constructor of race bikes for the FIM Enel MotoE™ World Cup and the substantial damage sustained by race material at the Jerez circuit in March 2019, in an event causing the start of the championship to be postponed to 7 July 2019, have demanded a prolonged increase in the working capital of both the Company and the Group. Due largely to the fact that an economic and financial break-even point has yet to be attained, which in turn is primarily the result of a delay in reaching the commercial goals defined on the basis of prior forecasts and as reflected in the revised budget and cash flow projection up to 30 June 2020, approved today by the board of administration (13 June 2019 - “Cash flow projection”), this has required additional financial resources, which to date have only partially been released, and will continue to be injected into the group over the next few months through an increase in capital and through third party financing.

Furthermore, the administrators have also acknowledged the following:

- Energica Motor Company SpA registered a loss of approximately 7.3 million euros in 2018. In light of the fact that the commercial start-up stage is still in progress, significant losses are also forecasted for 2019;

- Sales volumes in 2018 were significantly higher than the figures for the previous year, but still fell short of the goals set by the original plans and were not sufficient to generate the profits necessary to cover fixed operating costs. The relatively large numbers of vehicles registered and now on the road, combined with the significant contribution of the MotoE™ championship - which starts on 7 July 2019 - to the visibility of the brand can only improve brand awareness and allow the company and the Energica Group to approach an economic and financial break-even point . An improvement in the general adverse conditions owners are faced with - chief among which the inadequate charging infrastructure, which is almost completely non-existent, especially in Southern Europe, and even where some infrastructure exists, is difficult to use - will nonetheless be necessary in order to attain the projected sales volumes. Another problem is the lack of a universal payment solution: the charging networks in place are operated by a number of different providers, and it is not always possible to pay with a normal credit card. These factors are also having an impact on the electric car market, which is growing slowly in spite of significant interest among consumers. Energica is currently fielding a number of initiatives to help find a solution to this problem as quickly as possible. Among these, the group has succeeded in extending its sales network, and the marketing and commercial strategies in place will already begin to produce even more positive results within the next few months. Keenly aware of what the market wants today, and recognising the quality and credibility of our products and brand, and the business potential they offer, dealers are dedicating more and more space to our bikes in their showrooms, favouring them above conventional models even from established, premium brands.

In evaluating the correctness of the presumption that the undertaking will continue business as a going concern, the administrators took the following into account:

- in 2018 and up to the current date, the Energica Group attained liquidity through the issue of the final four instalments of the mandatory convertible bond approved on 15 February 2017 for a total of 1.6 million euros (which was entirely converted into newly issued shares today, strengthening the net worth of the group), and the issue of the first four instalments, for a total of 4 million euros (inclusive of arrangement fees and consulting costs associated with issue), of another mandatory convertible bond approved on 6 September 2018 with Atlas Special Opportunities and Atlas Capital Markets; the final instalment, of 1 million euros of this mandatory convertible bond is expected to be received in the second half of 2019, as reflected in the cash flow plan. Additionally, today (13 June 2019), a share capital increase with share premium totalling approximately 1.9 million euros was undersigned by third party investors, as reflected in the cash flow plan. Lastly, on 6 May 2019, the company negotiated a term sheet with the private equity fund “DIP”, which will, in the near future, increase the financial resources of the company by 3.5 million euros (which, in accordance with the principle of conservatism, is not reflected in the cash flow plan), subdivided as follows: 2 million euros in the form of capital increase with share premium and 1.5 million euros in the form of a mandatory convertible bond; whether this latter financial operation is implemented, however, will depend on the outcome of the due diligence audit currently in progress; all the above testify to the significant interest of investors and the financial market in the innovative industrial project of Energica;
- as a result of the substantial damage to race material, on 28 March 2019, Energica signed a deal with EnelX and Dorna Sports, according to which the funds necessary to rebuild the race bike were advanced by EnelX Srl in April 2019, to allow repairs to proceed while waiting for reimbursement from the insurance companies involved;
- on 22 June 2018, the administrators were delegated by an extraordinary shareholders meeting to implement one or more operations to increase share capital for a sum not exceeding 20 million euros, inclusive of share premium, through the issue of stock options to all shareholders with the exclusion of pre-emptive rights. Should the further planned capital increase operations not be realised within the second half of 2019, in accordance with the actions and time frames envisaged by the administrators (but not yet reflected in the cash flow plan), the majority shareholder CRP Meccanica Srl will undertake, as agreed upon in the letter dated 27 September, to continue to support Energica Motor Company SpA financially and materially, to allow the company to fulfil its financial obligations and ensure the normal continuation of its business activities at least until 31 December 2019, with funds of up to 4.5 million euros obtained, if necessary, from revenue generated from the sale of its assets.

In consideration of the matters outlined above, the directors compiled the financial statement and consolidated financial statement for the financial year ending 31 December 2018 on the basis of the presumption that the undertaking will continue business as a going concern despite the fact that it is not expected to meet a meeting economic and financial break-even point even in 2019, primarily as a result of delays in reaching the commercial development goals defined on the basis of prior forecasts, and as reflected in the revised budget up to 30 June 2020, approved today by the board of administration (13 June 2019).

Operating conditions, future developments in operations and business outlook

Energica is now one of the leading producers of electric superbikes.
Over the coming years, Energica aims to establish itself as the leading brand in the high performance electric superbike market, embodying the essence of proudly Italian design and luxury.

Business trends and development of the industrial plan

- In November 2018 the Company announced *Smart Ride*, a joint project in collaboration with Samsung Electronics Italy. Smart Ride, a project managed and developed entirely in Italy by Samsung and Energica, is intended to enable interaction, through NFC and Bluetooth connection, between the Samsung Galaxy Watch smartwatch and the Energica motorcycle, offering motorcyclists a new way to experience life with their motorcycle. In order to present the project to the general public, Energica has designed an ad hoc prototype called Bolid-E which was unveiled during Eicma 2018.

- In October 2018, the third model by the Company, Eva EsseEsse9, was voted “Best Electric Bike of the Year 2018” by the British media outlet Motorcycle News. The motorcycles of the Energica range have been presented at all the major expos in both the United States and Europe.

- In September 2018, the Company subscribed the issue of a Convertible Bond of up to €5 million with Atlas Capital Markets and Atlas Special Opportunities, in addition to the similar agreement already reached during 2017. Based on these transactions, the Company’s free float increased from 27.56% at the end of 2017 to 32.58% at the end of 2018. These sources of financing have covered the costs of the company’s operations and investments in production, development, the MotoE™ project and marketing to increase *brand* awareness.

- In July and October 2018, net worth also increased as a result of the issue of warrants for a total of €287,000.

- Since early 2018, the Company has sustained all promotional activities related to the MotoE project, from the presentation of the World Cup on 6 February last year, and with demo laps by the Ego Corsa at each event in the MotoGP calendar.

- Since March 2018 Energica, has used a number of different communicators among its customers to act as Brand Advocates during the year.

- In May, the Company organised the first edition of Energica Day, which also included the “Road to Mugello” competition, which was replicated in format in November with the “Road to Valencia”.

- In October 2018, the Company signed a contract for a strategic order with the holding company FlyMove, founded by Equiventia Capital Partners, an industrial division of Carlin & Associates, for the project “Dianchè Smart Mobility Platform (SMP)”. The SMP initiative is today the only integrated land and air mobility project that allows for a complete production process from the autonomous generation of energy to materials and finished vehicles with minimal energy and environmental impact. SPM has decided to involve Energica in its plans, entrusting the Modena based company with the design and construction of a prototype of an electrically powered vehicle suitable for battery swapping and which will be used predominately in urban areas.

- In November 2018, at Eicma, the Company presented a significantly repositioned pricing structure for all models, achieved by through the newly developed design-to-cost process and an acquired economy of scale.

- During the 2018 season some tests were carried out with an updated version of the 2019 prototype of the Ego Corsa. On this occasion a new battery was tested in combination with new suspension and brake adjustments, new brake units and ratios. The new battery, developed for racing, is able to accumulate and contain 100% more energy, and also boasts a lighter weight and smaller size. A new fairing with improved aerodynamics, designed and developed with the aim of improving the overall efficiency of the technical package, has been screened by technicians with extensive tests. During the year, Energica R&D also focused on important electronic and technical improvements presented at Intermot 2018 on all MY2019s. Throughout 2018 and for the next three years, the MotoE championship has been and will continue to be an exclusive test bed for the Company, allowing it to test and develop innovative solutions and technology intended for its road-going products.

- May 2018 saw the launch of short and medium-to-long term rental formulas implemented through dealers or specialised companies such as ALD Automotive.

- During the international event in Milan, the Company, following the great response it received throughout 2018 thanks to the Ego Corsa lap demos, presented a kit inspired by Ego Corsa and developed by Energica R&D for the most demanding customers. The Corsa Clienti Kit has been designed exclusively for use in closed circuits and is currently bookable by the end customer.

- In the latter part of the first half of 2018, Energica participated in the 10th Annual REFUEL EV Track Event at Laguna Seca, the legendary professional motorcycling circuit located in Monterey, California, beating the circuit record in the Production Bikes category. The sporting Ego, ridden by US Service Manager Chris Paz, took first place in the Production Motorcycles class with 1:48:759, beating the previous record of 1:49:558 and against 21 other contenders.

- In October and November 2018, the marketing plan culminated in the company's participation in the Intermot expo in Cologne and the Eicma international expo in Milan, where Energica presented the new Ego Sport Black graphics - a new colour kit for the Ego sports bike inspired by the test prototype of the Ego Corsa 2019, and which pays homage to the partners which have supported the Company and its *team* with so much enthusiasm.

Operating Performance

Operating performance in sector of operation of the company

The following table illustrates the business results of the company registered in the financial year considered in terms of production value, gross operating profit and earnings before tax:

Values in euros	31.12.2018	31.12.2017	Variation
Production value	2,286,253	2,888,419	- 602,166
Gross operating profit	- 5,385,146	- 3,672,918	- 1,712,228
Earnings before tax	- 7,269,912	- 5,832,183	- 1,437,729

Main consolidated income statement figures

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

Values in euros	31.12.2018	31.12.2017	Variation
Net sales revenue	2,153,595	506,642	1,646,953
+/- Variation in finished and semi-finished product inventory	1,756	2,350,633	- 2,348,877
+ Capitalised costs for internal work	-	1,553	- 1,553
= Production value	**2,155,351**	**2,858,828**	**- 703,477**
- Cost of materials consumed	- 2,404,858	- 2,423,780	18,922
- Cost of services consumed	- 2,860,517	- 2,363,859	- 496,658
- Cost of rents and leases	- 244,820	- 252,282	7,462
= Total costs	*- 5,510,194*	*- 5,039,921*	*- 470,273*
Added value	**- 3,354,843**	**- 2,181,093**	**- 1,173,750**
- Labour costs	- 2,030,303	- 1,491,825	- 538,478
= Gross operating profit	**- 5,385,146**	**- 3,672,918**	**- 1,712,228**
- Depreciation	- 1,908,899	- 1,820,680	- 88,219
- Other provisions	- 99,932	- 32,970	- 66,962
Operating income	**- 7,393,977**	**- 5,526,568**	**- 1,867,409**
+ Financial income	15	2,593	- 2,578
- Financial expenses	- 104,896	- 109,972	5,076
= Balance of financial account	*- 104,881*	*- 107,379*	*2,498*
+ Income from assets and other income	130,902	29,592	101,310
- Cost of assets and other expenses	98,044	- 227,828	325,872
= Balance of asset account	*228,946*	*- 198,236*	*427,182*
= Operating results	**- 7,269,912**	**- 5,832,183**	**- 1,437,729**
= Pre-tax earnings	**- 7,269,912**	**- 5,832,183**	**- 1,437,729**
- Income tax	-	8,425	898,206
= Net income	**- 7,269,912**	**- 5,823,758**	**- 1,446,154**

Main consolidated balance sheet data

The reclassified balance sheet situation of the group is as follows:

Values in euros	31.12.2018	31.12.2017
Net intangible assets	2,751,615	4,030,348
Net tangible assets	1,335,696	1,181,614
Financial fixed assets	44,115	42,107
Locked-up capital	**4,131,425**	**5,254,069**
Warehouse inventory	4,497,575	4,432,724
Other receivables	753,905	580,772
Accruals and prepayments	171,611	169,438
Operating current assets	**5,423,091**	**5,182,934**
Accounts payable (D.7 + D.11 bis)	(2,640,719)	(1,507,423)
Tax and social security debts	(181,477)	(125,579)
Other payables (D.14 + D.6)	(255,321)	(145,987)
Accrued expenses and deferred income	(89,177)	(12,133)
Operating current liabilities	**(3,166,694)**	**(1,791,122)**
Net operating working capital	**2,256,397**	**3,391,812**
Provision for risks and charges	(26,685)	(26,685)
Employees' termination benefits	(187,077)	(116,683)
Medium to long term liability	**(213,762)**	**(143,368)**
Capital invested	**6,174,059**	**8,502,513**
Net worth	4,768,827	5,208,609
Medium to long term net financial position	3,407	4,307,099
Current net financial position	1,401,825	(1,013,195)
Equity and net financial debt	**6,174,059**	**8,502,513**

To describe the asset structure of the group, a number of balance items are given in the following table pertaining to both financing actions for medium to long term uses and the composition of sources of finance:

	31.12.2018	31.12.2017
Fixed asset to equity capital margin	637,402	-45,460
Fixed asset to equity ratio	115.43%	99.13%
Fixed asset to equity capital and	851,164	97,908
Fixed asset to equity capital and	120.60%	101.86%

- Fixed asset to equity capital margin is calculated as Net worth - Locked-up capital
- Fixed asset to equity capital ratio is calculated as Net worth / Locked-up capital
- Fixed asset to equity capital and medium-long term debt margin is calculated as Net worth + Medium to long term liability - Locked-up capital.
- Fixed asset to equity capital and medium-long term debt ratio is calculated as Net worth + Medium to long term liability / Locked-up capital.

Main financial data

The consolidated net financial position as of 31 December 2018 is as follows:

Values in euros	**31/12/2018**	**31/12/2017**
Free cash flow/(financial payables)		
Cash flow	231	375
Bank deposits	378,099	1,623,146
Held-for-trading securities		
Liquidity (A+B+C)	**378,330**	**1,623,521**
Current financial credit	**-**	**-**
Current bank debt	- 601,578	- 590,402
Debt securities issued	- 1,100,000	
Other current financial payables	- 78,577	- 19,924
of which toward	*- 63,600*	
Current financial indebtedness (F+G+H)	**- 1,780,155**	**- 610,326**
Current net financial position (I+E+D)	**- 1,401,825**	**1,013,195**
Non-current bank payables	-	- 164,979
Other non-current payables	- 3,407	- 4,142,120
of which toward	-	*4,123,600*
Non-current financial indebtedness (K+L+M)	**- 3,407**	**- 4,307,099**
NET FINANCIAL POSITION (J+N)	**- 1,405,232**	**- 3,293,904**

A number of balance items are given in the following table to describe the financial position:

	31.12.2018	31.12.2017
Primary liquidity	-15.04%	58.74%
Secondary liquidity	215.52%	306.22%
Indebtedness	37.40%	34.24%
Fixed assets coverage ratio	-49.44%	-61.83%

- Primary liquidity = Operating current assets – warehouse inventory + Current NFP / Current liability.
  This index represents the ratio between current assents, net of warehouse inventory, and current liability.
- Secondary liquidity = Operating current assets + Current NFP / Current liability.
  This index illustrates the capacity of the company to sustain short term commitments with assets destined to be realised in the short term (including warehouse inventory).
- The indebtedness index represents the relationship between third party capital and equity capital.
- The fixed assets coverage ratio is calculated as follows: (Net capital - Dividends + Medium to long term liability) / Fixed assets.

Information concerning the environment and personnel

Personnel

In conformity with the employment contracts in place and applicable legislation, the costs for personnel consist of: wages for personnel, deferred compensation, provisions for employees' termination benefits, accrued vacation pay, ancillary personnel expenses and social security contributions payable by the company and the group.
Total personnel costs are 2,030,303 euros.

The number of employees as of 31 December 2018 is 43.
No fatalities occurred among the employees registered in the personnel register in the financial year considered.
No serious accidents occurred in the workplace resulting in serious or very serious injury to employees registered in the personnel register in the financial year considered.
No legal action was taken against the company concerning occupational illness of employees or former employees or cases of bullying, for which the company was ruled liable.

Environment
During the financial year, there were no instances of environmental damage for which the company was definitively ruled to be liable.
During the financial year, there were no definitive rulings imposing fines or other sanctions on the company for criminal harm or damage to the environment.

Information regarding risk and uncertainty

Credit risk
Credit risk is the possibility of a loss resulting from failure to meet contractual obligations, whether commercial or financial, made with another party. At the date of compilation of the financial statement, the Energica group is not significantly exposed towards any external party, and as a result, the credit risk of the group is deemed remote.

Liquidity risk
Liquidity risk is associated with the ability of the concern to meet obligations deriving from the financial liability assumed by the company. In order to prudently manage the liquidity risk originating from the normal conduction of business, it is necessary to maintain adequate levels of liquid assets and of funds obtainable as a result of an adequate credit line.
As of 31 December 2018 and at the date of compilation of this financial statement, as also outlined in the paragraph "Business continuity assessment", the company has a financial structure which, in keeping with its business goals, is deemed capable of ensuring adequate levels of liquidity while maintaining an acceptable balance in terms of duration and composition of debt, in accordance with the financial forecasts of the industrial plan.

Price risk
The company does not engage in commercial transactions with goods or services with prices listed on regulated markets, and is therefore not directly exposed to a price risk. The risk of variations in price having a detrimental impact on the results of the group is deemed minimal, as the company has no supply contracts in place with fixed prices.

Interest rate risk
The bank loans of the group are indexed with the Euribor rate.
At the date of compilation of the financial statement, the company has a derivative in place for covering the fluctuations in variable interest rate of an unsecured loan for the sum of 400,000 euros.

Exchange rate risk
The exchange rate risk consists of the risk of fluctuation in the fair value or in future financial flows due to variations in exchange rates. The company is exposed to this risk in particular in the activities of its US based controlled subsidiary.

Related party transactions

The asset values relative to related party transactions and the respective balances as of 31 December 2018 are listed for Energica Motor Company SpA as follows:

Balance sheet situation	Receivables from parent companies	Receivables from controlled subsidiaries	Payables to shareholders for financing	Payables to concerns controlled by parent companies	Payables to other parties
1 Administrators	-	-	-	-	45,000
2 CRP Meccanica srl	65,646	-	36,386	-	-
3 CRP Technology srl	-	-	27,214	288,450	-
4 CRP Service srl	-	-	-	507,600	-
5 Energica Motor Company INC	-	910,576	-	-	-
6 CRP Racing srl (in liquidation)	-	-	-	1,220	-
Total	**65,646**	**910,576**	**63,600**	**797,270**	**45,000**

- The item 'Receivables towards controlled subsidiaries' refers to interest-free credit provided to the US based controlled subsidiary Energica Motor Company Inc.

The asset values relative to related party transactions and the respective balances as of 31.12.2018 are listed for the group as follows:

Balance sheet situation	Receivables from parent companies	Receivables from controlled subsidiaries	Payables to shareholders for financing	Payables to concerns controlled by parent companies	Payables to other parties
1 Administrators	-	-	-	-	45,000
2 CRP Meccanica srl	65,646	-	36,386	-	-
3 CRP Technology srl	-	-	27,214	288,450	-
4 CRP Service srl	-	-	-	507,600	-
5 CRP USA LLC	-	-	-	1,596	
6 Energica Motor Company INC	-	-	-	-	-
7 CRP Racing srl (in liquidation)				1,220	-
Total	**65,646**	**-**	**63,600**	**798,865**	**45,000**

- The item 'payables to other parties', with a value of 45,000 euros, refers to debt incurred for the compensation of the independent administrator of the company.
- The item 'payables to CRP Service Srl, classified as “Payables towards concerns controlled by parent companies”, refers to the sum due in accordance with the relative service contract for the billing of administrative expenses.
- The item 'payables to CRP Technology Srl', for a sum of 288,450 euros, refers to payables incurred for the purchase of material to manufacturer motorcycles.
- The item 'Receivables from parent companies', for a sum of 65,646 euros, refers to the residual balance relative to income from the IRES group tax filing system for the financial year 2016 received in accordance with the group tax filing contract undersigned by the parties on 20.12.2016.

The economic values relative to related party transactions and the respective balances as of 31 December 2018 are listed for Energica Motor Company SpA as follows:

Income statement	Revenues from sales	Personnel costs	Costs for raw materials, ancillary consumables and goods	Costs for services
1 Administrators	-	15,000	-	-
2 CRP Meccanica srl	-	-	53,933	
3 CRP Technology srl	-	-	158,686	-
4 CRP Service srl	-	-		171,900
5 CRP USA LLC	-	-	-	-
6 CRP Racing srl (in liquidation)	-	-	-	-
7 Energica Motor Company INC	- 704,889	-	-	-
Total	**- 704,889**	**15,000**	**212,619**	**171,900**

The economic values relative to related party transactions and the respective balances as of 31 December 2018 are listed for the group as follows:

Income statement	Revenues from sales	Personnel costs	Costs for raw materials, ancillary consumables and goods	Costs for services
1 Administrators	-	15,000	-	-
2 CRP Meccanica srl	-	-	53,933	-
3 CRP Technology srl	-	-	158,686	-
4 CRP Service srl	-	-		171,900
5 CRP USA LLC	-	-	-	5,215
6 CRP Racing srl (in liquidation)	-	-	-	-
7 Energica Motor Company INC	-	-	-	-
Total	**-**	**15,000**	**212,619**	**177,115**

- The item “Administrators” refers to the company costs sustained by the company for the independent administrator.
- The sum payable to CPR Technology Srl is relative to the purchase of vehicle components fabricated in Windform in accordance with a specific supply contract.
- The sum payable to CRP Service Srl represents the administrative costs sustained by CRP Service Srl in its activities on behalf of Energica and, in particular, for the management of personnel and part of its administration.

Other information

Information required by Article 2428, comma 3, paragraphs 3 and 4 of the Italian Civil Code
On 31 December 2018, and throughout the financial year 2018, the company does not own and has not owned shares or quotas of parent companies.

Secondary offices
As required by Art. 2428 of the Italian Civil Code, notice is hereby given that no additional offices of the company were opened during the financial year considered, and that the site at via Scarlatti 20

Soliera is the sole headquarters of the company, where the administrative offices and all production activities of the company are based.

Modena, 13 June 2019
For the Board of Administration

The Chairman
Ing. Franco Cevolini

ENERGICA MOTOR COMPANY SPA

Head office: VIA CESARE DELLA CHIESA 150
41126 MODENA (MO)
Share capital, approved: 30,821,167.67 euros
Share capital, issued and paid-up: 159,893.73 euros
Business registry 03592550366
Rea 401221

CONSOLIDATED FINANCIAL STATEMENT FOR FINANCIAL YEAR ENDING 31 DECEMBER 2018

Balance sheet assets	31.12.2018	31.12.2017
B) Fixed assets		
I. Intangible		
1) Start-up and formation expenses	775,220	1,121,804
2) Development costs	111,653	186,089
3) Industrial patents and original works exploitation rights	116,359	159,034
4) Concessions, licences, trademarks and other similar rights	1,451,781	2,335,730
6) Under construction and advances	9,073	4,153
7) Other	287,529	223,539
Total intangible assets	2,751,615	4,030,348
II. Materials		
2) Plant and machinery	52,802	66,224
3) Industrial and commercial equipment	536,935	539,430
4) Other tangible fixed assets	391,103	526,457
5) Under construction and advances	354,856	49,504
Total tangible fixed assets	1,335,696	1,181,614
III. Financial		
1) Investments in:		
d) other companies	350	-
	350	-

2) Receivables:		
d-bis) from others	43,752	42,094
	43,752	42,094
4) Active financial derivative assets	13	13
Total financial fixed assets	44,115	42,107
Total fixed assets	**4,131,425**	**5,254,069**
C) Current assets		
I. Inventory		
2) Production in progress and semi-finished products	2,611,282	2,813,765
4) Finished products and goods	1,875,738	1,618,959
5) Advances	10,555	-
Total inventory	4,497,575	4,432,724
II. Receivables		
1) From customers		
- within 12 months	124,276	39,983
	124,276	39,983
4) Receivables from parent companies		
- within 12 months	65,646	119,579
	65,646	119,579
5) Receivables from companies subject to control of parent companies		
- within 12 months	-	42,632
	-	42,632
5- bis) Tax receivables		
- within 12 months	383,556	365,110
	383,556	365,110
5- quater) From others		
- within 12 months	180,314	13,355
- later than 12 months	113	113
	180,426	13,467
Total receivables	753,905	580,772
IV. Cash and cash equivalents		
1) Bank and post office deposit accounts	378,099	1,623,146
3) Cash on hand	231	375
Total cash and cash equivalents	378,330	1,623,521
Total current assets	**5,629,809**	**6,637,016**
D) Accruals and prepayments		
- Accrued income and prepayments	171,611	169,438
Total accrued income and prepayments	**171,611**	**169,438**
Total assets	**9,932,845**	**12,060,523**

Balance sheet liabilities	31.12.2018	31.12.2017
A) Net worth		
I. Capital	150,183	139,775
II. Share premium reserve	7,098,846	10,391,726
VI. Other reserves, indicated individually:		
- Conversion reserve	- 26,328	54,055
- Shareholder capital contribution reserve	4,943,343	819,743
	4,917,015	873,798
VII. Reserve for hedging operations of expected cash flows	10	10
VIII. Retained earnings (losses)	- 127,316	- 372,942
IX. Current earnings (losses)	- 7,269,912	- 5,823,758
Total net worth	**4,768,827**	**5,208,609**
B) Provisions for risks and charges		
2) Tax provisions, including deferred tax liabilities	3	3
4) Other	26,682	26,682
Total provisions for risks and charges	**26,685**	**26,685**
C) Employees' termination benefits	**187,077**	**116,683**
D) Payables		
2) Convertible bonds		
- within 12 months	1,100,000	-
- later than 12 months	-	-
	1,100,000	-
3) Payables to shareholders for financing		
- within 12 months	63,600	-
- later than 12 months	-	4,123,600
	63,600	4,123,600
4) Payables to banks		
- within 12 months	601,578	590,402
- later than 12 months	-	164,979
	601,578	755,381
5) Payables for other financing		
- within 12 months	14,977	19,924
- later than 12 months	3,407	18,520
	18,384	38,444
6) Advances		
- within 12 months	16,201	-
	16,201	-
7) Payables to suppliers		
- within 12 months	1,841,854	871,692
	1,841,854	871,692
11- bis) Payables to concerns controlled by parent companies		
- within 12 months	798,865	635,731
	798,865	635,731
12) Tax payables		
- within 12 months	82,999	60,210
	82,999	60,210
13) Payables to social security and welfare institutions		
- within 12 months	98,478	65,369
	98,478	65,369
14) Other payables		
- within 12 months	239,120	145,987

	239,120	145,987
Total payables	**4,861,080**	**6,696,413**
E) Accruals and deferrals		
- Accruals and deferrals	89,177	12,133
Total accruals and deferrals	**89,177**	**12,133**
Total liabilities	**9,932,845**	**12,060,523**

Income statement	**31.12.2018**	**31.12.2017**
A) Production value		
1) Revenues from sales and services	2,153,595	506,642
2) Change in work in process and finished goods	1,756	2,350,633
4) Increase in internally generated fixed assets	-	1,553
5) Other revenues and income:		
- grants for current expenses	100,405	
- other	30,497	29,592
Total production value	**2,286,253**	**2,888,419**
B) Production costs		
6) Raw materials, ancillary consumables and goods	2,404,858	2,423,780
7) Services	2,860,517	2,363,859
8) Rents and leases	244,820	252,282
9) Personnel		
a) Salaries and wages	1,444,647	1,062,620
b) Social security and welfare contributions	473,417	282,659
C) Employees' termination benefits	90,073	71,422
e) Other costs	22,166	75,124
	2,030,303	1,491,825
10) Amortisation, depreciation and write-downs		
a) Amortisation of intangible fixed assets	1,464,876	1,447,323
b) Amortisation of tangible fixed assets	444,023	373,357
	1,908,899	1,820,680
13) Other provisions	-	
14) Other operating expenses	99,932	32,970
Total cost of production	**9,549,328**	**8,385,396**
Difference between production value and production costs (A–B)	**-7,263,075**	**-5,496,976**
C) Financial income and expenses		
16) Other financial income:		
d) Financial income other than sources indicated above:		
- other	15	2,593
	15	2,593
17) Interest and other financial expenses:		
- other	- 104,896	-109,972
	-104,896	-109,972
17 bis) Gains and losses on currency exchange	98,044	-227,828
Total financial income and expenses	**-6,837**	**-335,207**
Net income before taxes (A–B±C±D)	- 7,269,912	- 5,832,183

20) Corporate income tax		
a) Current taxes	-	-
c) Deferred and prepaid taxes	-	- 8,425
d) Income from group tax filing system	-	
	-	- 8,425
21) Current earnings (losses)	**-7,269,912**	**- 5,823,758**

Cash Flow Statement

Cash flow from operations determined using the indirect method

Description	**31.12.2018**	**31.12.2017**
A. Cash flows from operations		
Current earnings (losses)	-7,269,912	-5,823,758
Income tax	-	-8,425
Interest expense/(interest income)	104,881	107,379
(Gains)/losses on disposal of assets	19,703	
1. Profit (loss) for the period before income tax, interest, dividends and gains/losses on disposal	**-7,145,328**	**-5,724,804**
Adjustments for non-monetary items that did not have a balancing entry in net working capital		
Allocations to provisions	90,073	71,422
Depreciation of tangible fixed assets	1,908,899	1,820,680
2. Cash flow before changes in net working capital	**1,998,972**	**1,892,101**
Changes in net working capital		
Decrease/(increase) in inventories	-64,851	-2,192,456
Decrease/(increase) in trade receivables	-84,292	6,036
Increase/(decrease) in trade payables	950,102	-704,459
Decrease/(increase) in accrued income and prepaid expenses	-2,173	-102,922
Increase/(decrease) in accrued income and prepaid expenses	77,044	5,016
Other changes in net working capital	159,143	676,025
Total changes in net working capital	1,034,972	-2,312,760
3. Cash flow after changes in net working capital	**3,033,944**	**-420,659**
Other adjustments		
Interest received/(paid)	-41,281	-107,379
(Utilisation of provisions)	-19,679	-35,664
Total other adjustments	-60,960	-143,043
4. Cash flow after other adjustments	**2,972,984**	**-563,702**

Cash flow from operating activities (A)	**-4,172,342**	**-6,288,506**
B. Cash flow from investing activities		
Tangible fixed assets	*-617,808*	*-384,330*
(Investments)	-676,531	-384,330
Realisable value from disposal of assets	58,723	
Intangible assets	*- 186,143*	*-58,046*
(Investments)	-186,143	-58,046
Financial fixed assets	*-2,008*	*2,612*
(Investments)	-2,008	2,612
Cash flow from investing activities (B)	**-805,959**	**-439,764**
C. Cash flow from lending activities		
Loan capital		
Increase (decrease) in short-term bank borrowings	11,485	-183,118
Loan origination	1,100,000	2,263,600
Repayment of loans	-165,288	-166,342
Equity		
Paid capital increase	2,786,912	6,310,336
Cash flow from lending activities (C)	**3,733,109**	**8,224,477**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**- 1,245,191**	**1,496,207**
Cash and cash equivalents at the beginning of the period	**1,623,521**	**127,314**
of which:		
bank and post office deposit accounts	**1,623,146**	**126,926**
cash and valuables on hand	**375**	**388**
Cash and cash equivalents at the end of the period	**378,330**	**1,623,521**
of which:		
bank and post office deposit accounts	**378,099**	**1,623,146**
cash and valuables on hand	**231**	**375**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-1,245,191**	**1,496,207**

Modena, 13 June 2019
For the Board of Administration

The Chairman
Ing. Franco Cevolini

ENERGICA MOTOR COMPANY SPA

Head office: VIA CESARE DELLA CHIESA 150
41126 MODENA (MO)
Share capital, approved: 30,821,167.67 euros
Share capital, issued and paid-up: 159,893.73 euros
Business registry 03592550366
Rea 401221

Explanatory note for consolidated financial statement for financial year ending 31 December 2018

Introduction

Dear shareholders,

The financial statement submitted herein for your consideration refers to the financial year ending 31 December 2018 reveals a consolidated loss of the period of 7,269,912 euros, attributable to the fact that the commercial start-up activities conducted by Energica Motor Company SpA (hereinafter also the "Company") and Energica Motor Company Inc. (hereinafter also "the Energica group" or "the Group") are still in progress, and that production has yet to attain the economy of scale typical of the automotive industry.

As you certainly already know, on 29 January 2016 the ordinary shares and warrants issued for the company were admitted to trading on the AIM Italia stock market regulated by Borsa Italiana SpA. Subsequently, in 2017, 2018 and 2019, other extraordinary financial operations - illustrated below - were deployed to strengthen the company platform and/or inject financial resources.

As permitted by the aforementioned law, the administrative board has decided to defer the shareholder meeting to approve the statement to a date at least 180 days from the date of closure of the financial year. The reason for this deferral is that the administrative board needed more time than envisaged to evaluate the impact on investments of the damage sustained on 14 March 2019 at the Jerez de la Frontera circuit during official testing for the FIM Enel MotoE™ World Cup.

Furthermore, the board of administration has today re-approved the draft statement initially approved on 31 May 2019 to include a significant event occurring after this date in the information provided to shareholders, namely the issue today (13 May 2019) of an increase in capital by third party investors, bringing total capital stock up to approximately 1.9 million euros.

To support the industrial plan and confirming their significant *commitment* to the Energica Group, the main shareholders CRP Meccanica Srl and CRP Technology Srl - which had previously contributed to funding the company with shareholder loans totalling 4.124 million euros as of 31 December 2017 - decided, in the financial year ending 31.12.2018, to demonstrate their renewed trust in the company by capitalising the loans made previously, improving the net worth and net financial position of the company.

On 22 June 2018, the warrant holder assembly extended the expiry date of the exercise price of warrants from the originally defined date in October 2018 to October 2021. During the same assembly, it was also decided to change from one to two warrant exercise windows for each year (with an additional window introduced in June), and the exercise prices were reviewed.

In July and October 2018, warrants were issued with expiry dates in the respective exercise windows, increasing net worth by a total of 287,000 euros.

On 6 September 2018, the board of administration approved the issue of a new mandatory convertible bond *cum* warrant to support Atlas Special Opportunities and Atlas Capital Markets, with the exclusion of pre-emptive rights in accordance with Article 2441 comma 5 of the Italian Civil Code, for a total sum not exceeding €5,000,000 subdivided into five instalments. As of 31 December 2018, the final three instalments had yet to be issued, for a total of 3 million euros. Combined with the conversion of the remaining instalments of the agreement undersigned in 2017, this loan, which was promptly converted into newly issued Energica shares, increased the net worth of the company for the financial year considered herein by 2.5 million euros.

Business continuity assessment

The appointment of Energica as the sole constructor of race bikes for the FIM Enel MotoE™ World Cup and the substantial damage sustained by race material at the Jerez circuit in March 2019, in an event causing the start of the championship to be postponed to 7 July 2019, have demanded a prolonged increase in the working capital of both the Company and the Group. Due largely to the fact that an economic and financial break-even point has yet to be attained, which in turn is primarily the result of a delay in reaching the commercial goals defined on the basis of prior forecasts and as reflected in the revised budget and cash flow projection up to 30 June 2020, approved today by the board of administration (13 June 2019 - “Cash flow projection”), this has required additional financial resources, which to date have only partially been released, and will continue to be injected into the group over the next few months through an increase in capital and through third party financing.

Furthermore, the administrators have also acknowledged the following:

- Energica Motor Company SpA registered a loss of approximately 7.3 million euros in 2018. In light of the fact that the commercial start-up stage is still in progress, significant losses are also forecast for 2019;

- Sales volumes in 2018 were significantly higher than the figures for the previous year, but still fell short of the goals set by the original plans and were not sufficient to generate the profits necessary to cover fixed operating costs. The relatively large numbers of vehicles registered and now on the road, combined with the significant contribution of the MotoE™ championship - which starts on 7 July 2019 - to the visibility of the brand can only improve brand awareness and allow the company and the Energica Group to approach an economic and financial break-even point . An improvement in the general adverse conditions owners are faced with - chief among which the inadequate charging infrastructure, which is almost completely non-existent, especially in Southern Europe, and even where some infrastructure exists, is difficult to use - will nonetheless be necessary in order to attain the projected sales volumes. Another problem is the lack of a universal payment solution: the charging networks in place are operated by a number of different providers, and it is not always possible to pay with a normal credit card. These factors are also having an impact on the electric car market, which is growing slowly in spite of significant interest among consumers. Energica is currently fielding a number of initiatives to help find a solution to this problem as quickly as possible. Among these, the Energica group has succeeded in extending its sales network, and the marketing and commercial strategies in place will already begin to produce even more positive results within the next few months. Keenly aware of what the market wants today, and recognising the quality and credibility of our products and brand, and the business potential they offer, dealers are dedicating more and more space to our bikes in their showrooms, favouring them above conventional models even from established, premium brands.

In evaluating the correctness of the business continuity assessment, the administrators took the following into account:

- in 2018 and up to the current date, the Energica Group attained liquidity through the issue of the final four instalments of the mandatory convertible bond approved on 15 February 2017 for a total of 1.6 million euros (which was entirely converted into newly issued shares today, strengthening the net worth of the group), and the issue of the first four instalments, for a total of 4 million euros (inclusive of arrangement fees and consulting costs associated with issue), of another mandatory convertible bond approved on 6 September 2018 with Atlas Special Opportunities and Atlas Capital Markets; the final instalment, of 1 million euros of this mandatory convertible bond is expected to be received in the second half of 2019, as reflected in the cash flow plan. Additionally, today (13 June 2019), a share capital increase with share premium totalling approximately 1.9 million euros was undersigned by third party investors, as reflected in the cash flow plan. Lastly, on 6 May 2019, the company negotiated a term sheet with the private equity fund "DIP", which will, in the near future, increase the financial resources of the company by 3.5 million euros (which, in accordance with the principle of conservatism, is not reflected in the cash flow plan), subdivided as follows: 2 million euros in the form of capital increase with share premium and 1.5 million euros in the form of a mandatory convertible bond; whether this latter financial operation is implemented, however, will depend on the outcome of the due diligence audit currently in progress; all the above testify to the significant interest of investors and the financial market in the innovative industrial project of Energica;
- as a result of the substantial damage to race material, on 28 March 2019, Energica signed a deal with EnelX and Dorna Sports, according to which the funds necessary to rebuild the race bike were advanced by EnelX Srl in April 2019, to allow repairs to proceed while waiting for reimbursement from the insurance companies involved;
- on 22 June 2018, the administrators were delegated by an extraordinary shareholders meeting to implement one or more operations to increase share capital for a sum not exceeding 20 million euros, inclusive of share premium, through the issue of stock options to all shareholders with the exclusion of pre-emptive rights. Should the further planned capital increase operations not be realised within the second half of 2019, in accordance with the actions and time frames envisaged by the administrators (but not yet reflected in the cash flow plan), the majority shareholder CRP Meccanica Srl will undertake, as agreed upon in the letter dated 27 September, to continue to support Energica Motor Company SpA financially and materially, to allow the company to fulfil its financial obligations and ensure the normal continuation of its business activities at least until 31 December 2019, with funds of up to 4.5 million euros obtained, if necessary, from revenue generated from the sale of its assets.

In consideration of the matters outlined above, the directors compiled the consolidated financial statement for the financial year ending 31 December 2018 on the basis of the presumption that the undertaking will continue business as a going concern despite the fact that it is not expected to meet a meeting economic and financial break-even point even in 2019, primarily as a result of delays in reaching the commercial development goals defined on the basis of prior forecasts, and as reflected in the revised budget up to 30 June 2020, approved today by the board of administration (13 June 2019).

Criteria for compilation

The following financial statement is conformant with the requirements of Articles 2423 et seq. of the Italian Civil Code, as outlined in this explanatory note, produced pursuant to the requirements of Article 2427 of the Italian Civil Code and which, pursuant to Article 2423 of the Italian Civil Code, constitutes an integral part of the financial statement itself and is conformant with the Italian accounting principles and the relative interpretations thereof issued by the OIC Italian Accounting Board (Organismo Italiano di Contabilità) modified in 2016, and in consideration of the amendments published by the OIC on 29 December 2017 which, however, had no impact on the compilation of the financial statement of the group.
The values indicated in this financial statement are in euros and are rounded to the nearest whole unit. Any differences due to rounding are indicated in the item “Reserve for rounding to nearest whole euro” in the section Net Worth.
Pursuant to Article 2423, comma 5 of the Italian Civil Code, all monetary values indicated the explanatory note are in euros.
This consolidated financial statement consists of the balance sheet situation, the income statement, the financial statement and the explanatory note, and is accompanied by a single annual financial report produced for both the financial statement and the consolidated financial statement.

Criteria for evaluation

The individual items in the statement were evaluated in accordance with general conservatism and accrual principles, with the presumption that the undertaking will continue business as a going concern, as illustrated in the paragraph “Business continuity assessment”.

In applying the principle of conservatism, each individual asset or liability item was evaluated individually so that losses to be recognised are not compensated by profits not to be recognised as they have not effectively been produced.
In accordance with the accrual principle, the effect of operations and other events were recognised and attributed to the financial year in which the operations and events themselves effectively occurred, and to the year in which the relative cash flows (revenues and payments) materialised.
The items in the balance were evaluated in consideration of the substance of the operation or contract; this form of evaluation more accurately represents the operations involved in terms of the economic reality beneath the formal aspects.
In accordance with the principle of materiality, the requirements in terms of recognition, evaluation, presentation and information were not observed, as this would have been irrelevant for the purposes of truthful and correct representation.

Deferrals

There were no extraordinary cases necessitating the implementation of deferrals in accordance with Article 2423 comma 4 of the Italian Civil Code.

In particular, the following criteria were implemented in the creation of the financial statement:

Fixed assets

Intangible

These are valued at the historical cost of acquisition or production, net of depreciation applicable for the financial year, and allocated directly to the individual items.
Start-up and formation expenses, which consist of costs applicable to multiple years, are entered as current assets and amortised over a period of five financial years.
Improvements to third party assets are amortised at a rate dependent on the duration of the contract.
Where, regardless of the amortisation already recognised, there is long-term value depreciation, the fixed asset is written-down accordingly. If the conditions for writing down of the fixed asset cease to exist in later years, the original value is restored, adjusted solely by the depreciation which would otherwise have been recognised.

Tangible

These are valued at the cost of acquisition or production and adjusted by the corresponding provision for depreciation.
The balance sheet value entered considers ancillary costs and the costs sustained in the usage of the fixed asset, reduced by any trade discounts and cash discounts of relevant value.
The depreciation rates entered in the income statement are calculated in consideration of the expected usage, destination and economic-technical life span of the assets themselves, in accordance with the estimated useful lives of the assets.
The estimated useful lives for each class of asset are as follows:

- plant and machinery: 5 or 6 years;
- industrial and commercial equipment: 4 years;
- other assets: 4 or 5 years.

Where, regardless of the amortisation already recognised, there is long-term value depreciation, the fixed asset is written-down accordingly. If the conditions for writing down of the fixed asset cease to exist in later years, the original value is restored, adjusted solely by the depreciation which would otherwise have been recognised.
Tangible fixed assets were not subject to revaluation or value depreciation.

Finance leasing operations

Finance leasing operations are recorded in accordance with the financial methods defined by the standard IAS 17, which is replicated by the standard OIC 17 with reference to consolidated financial statements. In accordance with this financial method, the historical costs of assets are entered as current assets, payables are recorded as current liabilities, and financial costs and depreciation rates are entered in the income statement.

Receivables (including receivables entered as financial fixed assets)

Receivables are entered in the balance sheet in accordance with the amortised cost method, in consideration of time-adjustment and estimated realisable value. In particular, the initially recorded value is the nominal value of the receivable, net of all premiums, discounts and allowances, and inclusive of any costs directly attributable to the transaction generating the receivable. Transaction costs, any commission incomes and commission expenses and any difference between the initial value and the nominal value at end of term are included in the calculation of amortised cost in accordance with the effective interest method.
A provision for bad debt exists against the possible risk of insolvency, the adequacy of which with

respect to doubtful receivables is evaluated periodically and at the end of every financial year, taking into account doubtful receivables situations which have already arisen or are deemed probable, and the general economic conditions, the conditions in the sector and the country risk .

Payables

Payables are entered in the balance sheet in accordance with the amortised cost method, in consideration of time-adjustment and estimated realisable value. In particular, the initially recorded value is the nominal value of the payable, net of transaction costs and of all premiums, discounts and allowances directly attributable to the transaction generating the payable. Transaction costs, any commission incomes and commission expenses and any difference between the initial value and the nominal value at end of term are included in the calculation of amortised cost in accordance with the effective interest method.

Warehouse inventory

Purchased semi-finished products and finished products are recorded in accordance with the FIFO valuation method; all inventory is valued at the purchase or the production cost or the estimated realisable value deducible from market trends, according to which is the lesser value, as illustrated above, through the creation of an inventory write-down fund.

Provisions for risks and charges

These are set aside to cover certain or probable losses or payables, the value or date of occurrence of which were not determinable at the closure of the financial year.
Potential liabilities are entered in the balance sheet and recorded as provisions as they are deemed probable and as the sum of the relative expense can be estimated with reasonable certainty. Risks deemed only possible are indicated in the explanatory note, while risks deemed remote possibilities only are not indicated.

Provisions for employees' termination benefits

This represents the effective liabilities accrued for employees in accordance with applicable law and employment contracts, in consideration of forms of remuneration of a continuous nature.
The value of the provision is the total of individual indemnities accrued for employees of the company at the date of closure of the financial statement, net of any advance payments made, and is equal to the sum which would have been due to employees had their work contract terminated on this date.

Financial derivative instruments

Financial instruments are recorded at the fair value. If the group decides to implement hedge accounting, and the coverage against the risk of variation in the financial flows of another financial instrument or planned operation is effective, variations in fair value will be allocated directly to a positive or negative net worth reserve; this reserve is entered in the income statement with values and times reflecting the effective variations occurring in the cash flow of the covered instrument or the implementation of the operation. If the company chooses not to use this solution or if the coverage is ineffective, variations in fair value are recorded in the income statement. If the fair value at the date of closure is positive, it is recorded under the item "financial derivative assets", among financial fixed assets or among financial assets not constituting fixed assets. If the value is negative, it is recorded under the item "financial derivative liabilities", among the provisions for risks and expenses.

Income tax
Taxes are provided for in accordance with the accrual principle, and therefore consist of the following:
- provisions for taxes liquidated or to be liquidated for the financial year, determined in accordance with applicable rates and legislation;
- the sum or deferred or prepaid taxes, in relation to temporary differences originating or reversed in the financial year.

Deferred and prepaid IRES and IRAP are calculated on the basis of the temporary differences between the assets and liabilities indicated in the financial statement and the corresponding fiscal values.
Deferred tax assets and liabilities are determined in accordance with the expected fiscal rates.
These are applied to the financial year in which these assets will be generated or these liabilities will be are extinguished, considering the rates in effect or already published at the date of closure of the financial statement.
At the date of closure of the financial statement, the existence of adequate future taxable profits which could permit usage of deferred tax assets is evaluated; if it is not certain whether it will be possible to recover these deferred tax assets, they will be written-down.
With regard to IRES corporate income tax, as a consolidated concern, Energica Motor Company SpA is subject to the "Domestic" consolidated fiscal regime in accordance with Article 117 et seq. of the TUIR, whereby the controlling company CRP Meccanica Srl assumes the role of consolidating company.

Accruals and deferrals
These are determined in accordance with the accrual principle for the effective financial year.
These measure income and expenses relating to periods earlier or later than the manifestation of their effects in terms of cash flow and/or documentation; these prescind from the date of payment or receipt of the relative incomes and expenses, which apply to two or more financial years and are subdivisible over time.

Recognition of revenues and costs
The revenues and purchase costs consequent to the sale and purchase of goods are recognised at the moment of transfer of all risks and benefits associated with ownership. This transfer commonly takes place upon shipment or delivery of the goods.
Sales revenues and purchase costs are recorded net of all relevant returns, discounts, allowances and premiums.
Adjustments to revenues, and not only to revenues relating to the financial year, are always negative except for those made to correct errors or in case of changes in accounting principle, in accordance with the accounting principle OIC 29. Other revenues and costs are recorded in accordance with the accrual principle.

Criteria for the conversion of values originally expressed in other currencies
Receivables and payables originally expressed in foreign currencies and recorded in accordance with the exchange rates in effect at the time when they originated, are adjusted to reflect the exchange rates in effect at the time of closure of the financial statement.
In particular, assets and liabilities not constituting fixed assets and financial loans not classified as fixed assets are registered in accordance with the spot exchange rates at the closure of the financial year. Profits and losses deriving from the conversion of receivables and payables are respectively credited or charged in the income statement, under item 17 bis Gains and losses on currency exchange.

Self-constructed assets

The initial cost of a totally or partially self-constructed asset is the production cost inclusive of direct costs (direct materials and labour, design costs, externally supplied goods and services etc.) and general production costs, for the quota reasonably attributable to the asset for the period from its fabrication to the moment when the asset is ready to be used.

Consolidated area and methods

The consolidated financial statement for the Energica Group for the financial year closing on 31 December 2018 contains the accounting data relative to the consolidating company Energica Motor Company SpA and to the wholly controlled US based subsidiary, which began operations in 2015:

Company name	Head office	Share capital	Net worth on 31.12.2018	Operating result for 2018	Shareholding quota	Book value of shares
Energica Motor Company Inc.	127 Goodwin Circle, Suite B - Mooresville, NC 28115	1	303,763	- 1,304,704	100%	303,763

Consolidation criteria

the full consolidation method entails the complete entry of all the assets and liabilities and the costs and revenues of the businesses within the consolidation area.

The carrying value of the shareholding in the consolidated subsidiary has been written off against the relative net worth at the date of initial consolidation.

The values in the financial statement of the foreign subsidiary have been converted into euros by applying the exchange rate in effect at the date of closure of the financial year for assets and liabilities, and applying the average exchange rate over the year for the items in the income statement. The conversion differences arising from the conversion of the net worth items at the exchange rate in effect at the end of the year instead of using the historical rates, and between the average exchange rate and the end of year exchange rate, are entered under the consolidated net worth item denominated "Conversion reserve".

The exchange rates used to convert the accounting situation of Energica Motor Company Inc, which operates in US dollars, were 1.1450 for asset balances (1.1993 on 31 December 2017) and 1.1810 for economic balances (1.1297 on 31 December 2017).

Assets

B) Fixed assets

I. Intangible assets

Movement of intangible fixed assets

	CONSISTENCY WITH PREV. YEAR			YEAR-OVER-YEAR VARIANCE				
Category	HISTORICAL COST	DEP. FUND 31/12/2017	TOTAL	INCREASES	DECREASES	TRANSFERS	DEP. FUND 31/12/2018	FINAL VAL.
START-UP AND FORMATION EXPENSES	1,768,902	647,098	1,121,804	7,619	-	-	354,204	775,220
DEVELOPMENT COSTS	372,177	186,089	186,088	-	-	-	74,435	111,653
INDUSTRIAL PATENTS AND ORIGINAL WORKS EXPLOITATION RIGHTS	281,190	122,157	159,034	34,968	-	-	77,643	116,359
CONCESSIONS, LICENCES, TRADEMARKS AND OTHER SIMILAR RIGHTS	4,594,689	2,258,959	2,335,730	33,678	-	1,528	919,154	1,451,781
UNDER CONSTRUCTION AND ADVANCES	4,152	-	4,152	6,448	-	- 1,528	-	9,073
OTHER	295,727	72,187	223,539	103,430	-		39,441	287,528
Total intangible assets	7,316,837	3,286,490	4,030,348	186,142	-	-	1,464,876	2,751,615

Start-up and formation expenses

This entry consists of the costs sustained in listing the shares in the company on AIM Italia stock market on 29 January 2016, and the costs sustained subsequently for later capital increases.

Development costs

This entry consists of costs sustained in early 2015 for the development of the EGO electric motorcycle. The amortisation of these costs began in 2015, the year of entry into production of the electric motorcycle, which has an estimated useful life of 5 years.

Concessions, licences, trademarks and other similar rights

This entry includes the value of the “Energica” brand (47,263 euros). The most significant proportion of this entry, however, is the value of the know how (with a historical cost of approximately 4.5 million euros) relative to the development, production and commercialisation of road-going electric motorcycles, acquired from CRP Meccanica Srl as a result of the transfer of a branch of the latter company on 30 September 2015, and the value of which was subject to the sworn appraisal of the independent valuator Dott. Massimo Tonioni.

Other intangible assets

This entry consists of the costs sustained by the group in 2016 to transfer the offices and production operations to the new site in Soliera, and to ready the new site for the needs of production.

The administrators have concluded that there was no long-term value depreciation of intangible assets at the date of closure of the financial report, as the operating loss for the financial year is strictly related to the commercial start-up activities conducted by the Group , and in consideration of the fact that, on the basis of recent analyst reports and the value of the stock capitalisation market, the accountable net value of these assets is less than their fair value.

II. Tangible fixed assets

Movement of tangible fixed assets

	CONSISTENCY WITH PREV. YEAR			YEAR-OVER-YEAR VARIANCE				
Category	HISTORICAL COST	DEP. FUND 31/12/2017	TOTAL	INCREASES	DECREASES	TRANSFERS	DEP. FUND 31/12/2018	FINAL VAL.
PLANT AND MACHINERY	90,177	23,953	66,224	3,000	-	-	16,421	52,802
INDUSTRIAL AND COMMERCIAL EQUIPMENT	982,803	443,373	539,430	237,488	-	49,504	289,486	536,935
OTHER ASSETS	545,379	105,128	440,251	63,324	62,001	-	138,114	391,103
UNDER CONSTRUCTION AND ADVANCES	49,504	-	49,504	354,856	-	- 49,504	-	354,856
Total tangible fixed assets	1,667,863	572,454	1,095,409	658,668	62,001	-	444,023	1,335,696

Industrial and commercial equipment

This entry consists primarily of equipment owned by the group (mainly industrial presses) kept at the premises of suppliers of materials and semifinished products, the useful life of which is estimated as 4 years.

Other assets

This entry consists primarily of the capitalisation costs, for a gross value of 349,274 euros, of EVA and EGO models owned by Energica Motor Company SpA for internal use; in addition to these assets, 2018 saw increases of 993 euros for the purchase of furniture and furnishings and 17,957 euros for workshop furniture, and decreases of 62,001 euros due to the sale of motorcycles during the financial year. In addition to these costs are the capitalisation costs for 2 demo bikes owned by the Inc and the effects of the standard IAS 17 concerning leased goods. The estimated useful life of these goods is 5 years.

Under construction and advances

This entry consists primarily of the costs sustained up to the date of closure of the financial statement for motorcycles and components relative to the FIM Enel MotoE™ World Cup.

III. Financial fixed assets

This entry consists of the non current receivables, for a value of 24,800 euros, paid as the security deposit for the rental contract for the Soliera plant, and the sum of 18,093 euros paid as the security deposit for the rental contract of the site of the controlled subsidiary Energica Inc.

C) Current assets

I. Inventory

The purchase or production costs of inventory as of 31 December 2018, net of advances to suppliers totalling 10,555 euros, are 2,611,282 euros for production in progress and semi-finished products, and 1,875,738 for finished products.
In consideration of the possibility that the realisable value of certain finished products may be lower than the relative production costs, the company has - as of 31 December 2018 - allocated a finished product write-down fund of 421,310 euros, with an increase of 401,310 euros over the 20,000 euros allocated the write-down fund as of 31 December 2017.

II. Receivables

The total for current assets receivables is 753,905 euros. The increase in receivables over 2017 is 173,133 euros.
Receivables are broken down by type as follows:

Description	31.12.2018	31.12.2017	Variation
From customers	124,276	39,983	84,293
From parent companies	65,646	119,579	- 53,933
To concerns controlled by parent companies	-	42,632	- 42,632
For tax receivables	383,556	365,110	18,446
For prepaid taxes	-	-	-
From others	180,426	13,467	166,959
Total receivables	**753,905**	**580,772**	**173,133**

Receivables from parent companies are predominantly relative to the tax income that Energica Motor Company SpA has accrued from the majority shareholder CRP Meccanica Srl as a result of the IRES group tax filing system contract existing between the parties.

Tax receivables consist exclusively of the VAT credit accrued by Energica Motor Company SpA over the period, as a result of purchase costs exceeding sales revenues in Italy during the 2018 financial year. This credit is used on a monthly basis to compensate for payables to tax authorities and social security organisations.

In application of the principle of conservatism, taxes that have been prepaid but are not due, as a result of the losses of the company and the US subsidiary company made in the financial years 2015, 2016, 2017 and 2018, as no taxable income is foreseen for at the next two financial years.
Receivables as of 31 December 2018 are broken down in the following table in accordance with due period:

Description	within 12 months	later than 12 months	5 years	31/12/2018	repurchase transactions
From customers	124,276	-	-	124,276	-
From parent companies	65,646	-	-	65,646	-
For tax receivables	383,556	-	-	383,556	-
From others	180,314	113	-	180,426	-
Total receivables	**753,792**	**113**	**-**	**753,905**	**-**

Receivables as of 31 December 2018 are broken down in the following table in accordance with geographic area:

Description	From customers	From parent companies	Tax receivables	Receivables from others	balance on 31/12/2018
Italy	65,599	65,646	383,556	180,426	695,228
Abroad	58,429	-	-	-	58,429
North America	247	-	-	-	247
Total receivables	**124,275**	**65,646**	**383,556**	**180,426**	**753,905**

Receivables originally in currencies other then euros are converted at the spot exchange in effect at the end of the period.

IV. Cash and cash equivalents

The balance represents cash and cash equivalents and the existence of ready money and the relative values at the closure date of the period.

Description	31.12.2018	31.12.2017	Variation
Bank and post office deposit	378,099	1,623,146	- 1,245,047
Cash on hand	231	375	- 144
Total cash and cash equivalents	**378,330**	**1,623,521**	**- 1,245,19**

D) Accrued income and prepayments

Description	31.12.2018	31.12.2017	Variation
accrued income	2,786	0	2,786
prepayments	168,825	169,438	- 613
Total accrued income	**171,611**	**169,438**	**2,173**

No accrued income and prepayments exist with a duration exceeding 5 financial years.

Liabilities

A) Shareholders' equity

The net equity movements in the financial year 2018 and the previous are detailed in the following table:

- Changes in Shareholders'equity in the financial year 2017:

Net worth	Share capital	Share premium reserve	Other reserves (capital contribution reserve)	Conversion reserve	Other reserves (future capital contribution reserve)	Reserve for hedging operations of expected cash flows	Earnings (losses)	Earnings (losses) for period	Total
Net worth on 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 allowance for previous year		- 1,417,899	- 2,375,173				- 230,946	4,024,018	- 0
Conversion reserve				66,343					66,343
Other lesser movements						- 91	3,836		3,745
Earnings (losses) for period								- 5,823,758	- 5,823,758
Net worth on 31/12/2017	**139,775**	**10,391,726**	**-**	**54,055**	**819,743**	**10**	**- 372,942**	**- 5,823,758**	**5,208,609**

- Shareholders' equity on 31.12.2018

Net worth	Share capital	Share premium reserve	Other reserves (conversion reserve)	Other reserves (future capital contribution reserve)	Reserve for hedging operations of expected cash flows	Earnings (losses) carried forward from previous year	Earnings (losses) for period	Total
Net worth on 31/12/2017	139,775	10,391,726	54,055	819,743	10	-372,942	-5,823,758	5,208,609
Loss allowance		-6,069,384				245,626	5,823,758	0
Conversion reserve			-80,383					-80,383
Net variation in fair value of hedging transactions								0
Shareholder loan conversion				4,123,600				4,123,600
Warrant exercise price	908	286,004						286,912
Capital increase	9,500	2,490,500						2,500,000
Earnings (losses) for period							-7,269,912	-7,269,912
Net worth on 31/12/2018	**150,183**	**7,098,846**	**- 26,328**	**4,943,343**	**10**	**- 127,316**	**- 7,269,912**	**4,768,827**

Shareholders' equity items are broken down by origin, possibility of use and distribution:

Nature/description	Sum	Possibility of use (*)	Share available
Capital	150,183	B	-
Total	**150,183**		**-**
Non-distributable share	150,183		-
Remaining distributable share	**150,183**		**-**
Capital contribution reserve	-	A, B, C	-
Conversion reserve	- 26,328		
Share premium reserve	7,098,846	A, B	7,098,846
Future capital contribution reserve	4,943,343	A	4,943,343
Reserve for hedging operations of expected derivatives cash flows	10	A	-

(*) A: for capital increase; B: for loss allowance; C: for distribution to shareholders

The following additional information is also given:

- no revaluation reserve is included in the balance sheet;
- no statutory reserve is included in the balance sheet.

Operating results
The consolidated loss for the financial year ending 31 December 2018 is 7,269,912 euros.

B) Provisions for risks and charges

The provisions for risks and charges include 26,682 euros for the warranty reserve fund for covering future product repair costs, and for which there were no movements in the financial year 2018.

C) Employees' termination benefits (TFR)

The provisions set aside consist of the liabilities for towards employees of the company accrued as of 31/12/2018, net of an advances paid, for a total of 187,077 euros.

D) Payables

The total for payables as of 31 December 2018 is 4,861,080 euros. The decrease in payables over the financial year 2017 is 1,835,333, as can be seen in the following table:

Description	31.12.2018	31.12.2017	Variation
Convertible bonds	1,100,000	-	1,100,000
Payables to shareholders for financing	63,600	4,123,600	- 4,060,000
Payables to banks	601,578	755,381	- 153,803
Payables for other financing	18,384	38,444	- 20,060
Advances	16,201	-	16,201
Payables to suppliers	1,841,854	871,692	970,162
Payables to concerns controlled by parent companies	798,865	635,731	163,134
Tax payables	82,999	60,210	22,789
Payables to social security and welfare institutions	98,478	65,369	33,109
Other payables	239,120	145,987	93,133
Total payables	**4,861,080**	**6,696,413**	**- 1,835,335**

Payables as of 31 December 2018 are valued at their nominal values, and broken down by due period as follows:

Description	within 12 months	later than 12 months	31/12/2018
Convertible bonds	1,100,000		1,100,000
Payables to shareholders for financing	63,600		63,600
Payables to banks	601,578		601,578
Payables for other financing	14,977	3,407	18,384
Advances	16,201		16,201
Payables to suppliers	1,841,854		1,841,854
Payables to concerns controlled by parent companies	798,865		798,865
Tax payables	82,999		82,999
Payables to social security and welfare institutions	98,478		98,478
Other payables	239,120		239,120
Total payables	**4,857,673**	**3,407**	**4,861,080**

Payables as of 31 December 2018 are broken down in the following table in accordance with geographic area:

Payables by geographic area	Convertible bonds	Payables to shareholders for financing	Payables to banks	Payables for other financing	Advances	Payables to suppliers	Payables to concerns controlled by parent companies	Tax payables	Payables to social security and welfare institutions	Other payables	Total 31.12.2018
Italy	-	63,600	601,578	18,384	-	1,714,439	797,270	82,999	98,478	237,014	3,613,762
Abroad	1,100,000	-	-	-	16,201	127,415	1,596	-	-	2,106	1,247,318
Total	**1,100,000**	**63,600**	**601,578**	**18,384**	**16,201**	**1,841,854**	**798,865**	**82,999**	**98,478**	**239,120**	**4,861,080**

Payables as of 31 December 2018 are detailed as follows:

Description	31.12.2018
Convertible bonds	**1,100,000**
Payables to shareholders	**63,600**
Payables to CRP Meccanica srl	36,386
Payables to CRP Technology srl	27,214
Payables to banks	**601,578**
Payables to Unicredit SpA	497,415
Payables to Banco Popolare	104,111
Payables to BPER	52
Payables for otherfinancing	**18,384**
Payables to leasing companies	18,384
Customer advances account	**16,201**
Supliers of goods and service	**1,841,854**
Suppliers Italy	1,714,439
Suppliers Abroad	127,415
Payables to Concerns controlledbyparent companies	**798,865**
Payables to CRP Service srl	511,617
Payables to CRP Racing (in liquidation)	1,220
Payables to CRP USA LLC	1,596
Payables to CRP Technology	284,433
Tax payables	**82,999**
Withholding taxes payable for employees	76,592
Withholding taxespayable for free-lance workers	6,338
Other withholding taxes payable	69
Payables to social security and welfare institutions	**98478**
Payables to INPS, INAIL,COMETA, PREVINDAI…	98,478
Other payables	**239,120**
Accrued employee vacation and leave pay	68,234
Payables to employees	79,645
Other payable	91,241
Total	**4,861,081**

Convertible bonds

Payables for convertible bond loads are related to the contract for financing and subsequent investment secured with Atlas Special Opportunities (“Atlas”) and Atlas Capital Markets (“ACM”) for the issue of a convertible bond loan *cum warrant* for a total of 5 million euros. The payable indicated is relative to the effective issue of the first two instalments of 100 bonds in total, of which 45 have already been converted into ordinary shares as of 31 December 2018.

Payables to shareholders

The reduction in the payables to shareholders over the previous financial year is a consequence of the aforementioned conversion of these payables, for a total of over 4.1 million euros, into a future capital contribution reserve by the main shareholders CRP Meccanica Srl and CRP Technology Srl.

Payables to banks

The total payables to banks as of 31/12/2018 consists of the following:

- the residual capital of the unsecured loan undersigned on 7 May 2015, with a duration 54 months and for an original sum of 250,000 euros, with a fixed instalment repayment plan indexed with the 3-month Euribor rate + spread and a 6 month grace period.
- the unsecured loan undersigned on 27 October 2015, with a duration of 48 months and for a sum of 400,000 euros, with a repayment plan of 16 quarterly deferred instalments indexed with the 3-month Euribor rate + spread, without grace period.

As coverage against the risk of fluctuation in the Euribor interest rate on the second loan, the group has undersigned a derivative contract to cover notional amortising with a mark to market value of 0.41 euro on 31 December 2018.

Payables for other financing

The balance of payables for other financing includes the payables to BMW Leasing and to UniCredit Leasing.
With both of the aforementioned companies, the company has undersigned financial leasing with option to buy contracts with a duration of 48 months, recognised in accordance with IAS 17.

Other payables

The total for other payables as of 31/12/2018 is 239,120 euros, increasing by 93,133 euros over the value as of 31/12/2017.
The payables as of 31.12.2018 are predominantly attributable to liabilities for salaries and wages, and for accrued vacation and leave pay.
There are no payables secured by collateral guarantees on company assets.

E) Accrued expenses and deferred income

Description	31.12.2018	31.12.2017	Variation
accrued expenses	8,344	12,133	- 3,789
deferred income	80,833	-	80,833
Total accruals and	**89,177**	**12,133**	**77,044**

No accrued expenses and deferred income exist with a duration exceeding 5 financial years.

Income statement

A) Production value

The entry "Revenues from sales and services" is relative to the sale of electric motorcycles.

Description	31.12.2018	31.12.2017	Variation
Revenues from sales and services	2,153,595	506,642	1,646,953
Change in work in process and finished goods	1,756	2,350,633	-2,348,877
Increase in internally generated fixed assets	0	1,553	-1,553
Other revenues and income	130,902	29,592	101,310
Total revenues	**2,286,253**	**2,888,419**	**-602,166**

"Revenues from sales and services" are broken down by geographic area as follows:

Revenues by geographic area	31.12.2018
Italy	105,905
Abroad	2,047,690
Total	**2,153,595**

The entry "Other revenues and income", for a total of 130,902 euros, consists primarily of the balance of the grant of 100,405 euros received from the European Union relative to the TAPPS three-year research project in August 2018.

B) Production costs

Production costs are broken down as follows:

Description	31.12.2018	31.12.2017	Variation
Raw materials, ancillary consumables and goods	2,404,858	2,423,780	-18,922
Services	2,860,517	2,363,859	496,658
Rents and leases	244,820	252,282	-7,462
Salaries and wages	1,444,647	1,062,620	382,027
Social security and welfare contributions	473,417	282,659	190,758
Employees' termination benefits	90,073	71,422	18,651
Other costs	22,166	75,124	-52,958
Amortisation of intangible fixed assets	1,464,876	1,447,323	17,553
Amortisation of tangible fixed assets	444,023	373,357	70,666
Other operating expenses	99,932	32,970	66,962
Total cost of production	**9,549,328**	**8,385,396**	**1,163,932**

Costs for raw materials, ancillary consumables and goods

These costs totalled 2,404,858 for the year (compared with 2,423,780 for the previous year), and are recorded net of any discounts, allowances and premiums on purchases granted by suppliers.
These are strictly correlated with item A (Production value) of the income statement, and with the procurement policy to cover the needs of the production activities planned for 2019.
The most significant entry in this item is the purchase cost of components and semi-finished products.

Costs for services

The “costs for services”, for a total of 2,860,517 euros, saw an increase from the total of 2,363,859 euros recorded in 2017. These costs are primarily attributable to the following expenses: advertising and participation in trade fairs (705,822 euros), expenses related to the listing of shares on the stock exchange and contracts for convertible bonds (304,775 euros), technical and administrative consulting services (406,394 euros), outsourced work (283,092 euros), transport (116,562 euros) and legal and notary consulting services (168,791 euros).

Cost of rents and leases

These costs, totalling 244,820 euros, are primarily due to the rental of the Soliera production site and the site of the US subsidiary.

Personnel costs

In conformity with the employment contracts in place and applicable legislation, the costs for personnel consist of: wages for personnel, deferred compensation, provisions for employees’ termination benefits, accrued vacation pay, ancillary personnel expenses and social security contributions.

Total personnel costs are 2,030,303 euros.

The number of employees as of 31 December 2018 is 43.

Amortisation and depreciation on tangible and intangible fixed assets

Amortisation and depreciation are calculated on the basis of the useful life of the asset and their usage in the production process.

C) Financial income and expenses

Financial income and expenses

Financial income and expenses are detailed as follows:

Description	31.12.2018	31.12.2017	Variation
Other financial income:	15	2,593	-2,578
(interest and other financial expenses)	-104,896	-109,972	5,076
Gains and losses on currency exchange	98,044	-227,828	325,872
Total financial income and expenses	**-6,837**	**-335,207**	**328,370**

The balance of interest and other financial expenses in 2018, for a total of 104,896 euros, consists primarily of the following items: 17.099 euros interest payable on current account, 10,835 euros for banking commission, 9,743 euros for interest payable on existing loans, and 63,600 euros for interest on shareholder financing.

22) Income tax

Description	31.12.2018	31.12.2017	Variation
Current taxes:	**0**	**0**	0
IRES	0	0	0
IRAP	0	0	0
Substitutive tax	0	0	0
Deferred and prepaid taxes	**0**	**-8,425**	**8,425**
IRES	0	-8,425	8,425
IRAP	0	0	0
Income and expenses from participation in tax consolidation/special tax exemption regime			0
Total tax	**0**	**-8,425**	**8,425**

As no taxable income is foreseeable for the next two years and taxable income, and having significant fiscal losses that can be carried forward indefinitely, the group has, in accordance with the principle of conservatism, not recorded the taxes prepaid on these fiscal losses and on taxed funds existing on 31 December 2018 in the balance.

Income statement

The income statement was drawn up in accordance with OIC 10.
Financial flows are broken down in accordance with the area from they originate (income management, investment activities and finance activities).
The algebraic sum of these flows represents the increase or decrease in cash and cash equivalents occurring in the financial year.
The financial flow deriving from income management is determined with the indirect method, where the value is extrapolated backwards from the operating results, applying to the latter the variations (amortisation, depreciation, provisions etc.) which have had no impact in terms of the creation or consumption of cash and cash equivalents.
Financial flows relative to investment activities include the flows derived from the purchase and sale of tangible, intangible and financial fixed assets and from current financial assets.
Financial flows relative to financing activities include the flows deriving from the acquisition or return of cash and cash equivalents in the form of risk capital or debt capital.

The income statement for 2018 reveals a decrease of 1,245,191 in cash and cash equivalents.
This balance is the result of the following:

- income management, which absorbed resources to a value of 4,172,342 euros.
- investment activities, which absorbed resources to a value of 805,959 euros.
- financing activities, which generated resources to a value of 3,733,109 euros.

Other information

Pursuant to Article 2427, comma 9 of the Italian Civil Code, notification is given that Energica issued a bank guarantee to the value of 72,000 euros to the lessor for the rental of the factory building in Soliera, as a guarantee that it would fulfil its contractual obligations. The sum of the bank guarantee is equal to 6 monthly rental payments, and its duration is as stipulated in the contract.

Information relative to the fair value of financial instruments (Art. 2427 bis): Derivatives (see above for Financial fixed assets)

The group uses the financial instruments offered by the market solely in order to cover against the risk of fluctuation in interest and currency exchange rates.
The fair values and information concerning the value and nature of each category of financial instrument used by the company are given as follows:

Type of contract	transaction date	expiry date	notional value	Mark to market (fair value)	purpose	Underlying financial risk
Amortising CAP	10/11/2015	27/10/2019	104,448	0	coverage	interest risk

Items of income or expenditure of extraordinary size or incidence

Pursuant to Art. 2427, section 13 of the Italian Civil Code, notice is given that there were no items of income or expenditure of extraordinary size or incidence in the financial years 2017 and 2018.

Compensation for administrators and auditors

Pursuant to Art. 2427, section 16 of the Italian Civil Code, information is given as follows concerning compensation paid to administrators and auditors.
Item “B.7 Services” of the income statement includes the following compensation due respectively to administrators and members of the board of auditors:

	31.12.2018
Administrators	15,000
Board of auditors	22,000

Note that the company shareholders meeting approved compensation for administrators for the year 2018 exceeding the value indicated above, but all non-independent administrators declined the larger sum in order to limit the expenses sustained by the company.

The company has not granted advances or credit for administrators and auditors.

External auditing firm fees

Pursuant to Article 2427, comma 1, paragraph 16-bis of the Italian Civil Code, notice is given that the contractual fees paid to the auditing firm PricewaterhouseCoopers SpA for the statutory audit of the annual accounts for the year 2018 were 28,000 euros, and that the fees for the audit solely of the consolidated condensed half-yearly financial statement for the period ending 30 June 2018 were 15,000 euros.

Other information

In 2016, the company issued ordinary shares and warrants listed on the AIM Italia stock market. For details of this operation and for the warrant rules, see the admission document deposited with Borsa Italiana SpA and the warrant rules.
In 2018, the company issued ordinary shares following the capital increase actions described above.

The companies of the group have no commitments not recorded in the balance sheet.

During the period, there were no financial commitments at the values entered in the balance sheet.

There are no assets allocated to specific business activities.

The controlling company CRP Meccanica Srl does not exercise any management and coordination activities over Energica Motor Company SpA, as all decisions and corporate strategy of the Energica Group are made and determined autonomously by the administrators of the company.

Significant events since the end of the financial year

By the end of the first six weeks of 2019, Energica had accumulated an order portfolio book equal to 20% of the total portfolio of 2018, the first half of which saw revenues of €1,157,000 euros.
In March 2019, there was a fire at the Jeréz de la Frontera circuit during official testing with the teams participating in the MotoE championship. This fire involved all the racing material at the event, including all the motorcycles, which were kept together at the paddock where the fire occurred. This clearly caused significant damages to the company. While the investigation is still in progress, the administrators believe that Energica is not responsible at all. An agreement was reached with the counterparties Enel X and Dorna Sports, according to which Enel X provided the financial support to replace all the motorcycles and the ancillary materials necessary for the championship to proceed before the end of April 2019. As a result of this agreement and the hard work of the entire Energica staff, it was only necessary to postpone the first 2 races, which will now take place in November, ensuring that the entire race schedule of the championship will still be completed.
In accordance with paragraph 59 of the accounting principle OIC 29, the accounting effects of this reduction in value of the motorcycles and materials due to the fire and the relative income from insurance reimbursement will only be reflected in the financial year 2019.

In March 2019 Energica signed a technology partnership with Omoove, solution provider of technologies for Intelligent Mobility, a company of the Octo Telematics group, the number one global provider of telematics and data analysis solutions for the motor insurance sector. Thanks to this partnership, Energica bikes will be equipped, as standard, with remote connectivity, which will be added to the local short-range connectivity based on Bluetooth technology, which is already available.

In early 2019, Atlas Capital undertook to fund the company with the issue of two instalments of 1 million euros each in convertible bonds. To date, Atlas has therefore provided Energica with €4 million of the €5 million agreed; also to date, Atlas still has bonds to be converted into shares for an amount of €600,000.

From a financial perspective, the company is gearing up to be able to sustain the investments necessary for new products and the MotoE™ championship, and negotiations are now at an advanced stage with a major strategic investor which has expressed its intention to provide financial resources in the form of equity and a convertible bond.

To date (13 June 2019), third party investors have subscribed to a capital increase for a total of approximately 2.9 million euros.

Over the next months, the company also aims to increase the Energica dealer network.

Modena, 13 June 2019
For the Board of Administration

The Chairman
Ing. Franco Cevolini