

FIM Enel MotoE™ World Cup



ENERGICA

SINGLE
MANUFACTURER

motoe



CONSOLIDATED FINANCIAL STATEMENTS

AT 31 / 12 / 2019



ENERGICA

ENERGICA MOTOR COMPANY SPA

Head office: VIA CESARE DELLA CHIESA 150
41126 MODENA (MO)
Share capital, approved: Euro 44,144,767.67
Share capital, issued and paid-up: Euro 181,986.30
Business registry 03592550366
Econ. Admin. Index 401221

Annual Report relative to the ordinary and consolidated financial statements for the year ending 31 December 2019

Dear Shareholders,

This unified report for the year 2019 contains information concerning both the ordinary financial statements and the consolidated accounts, in accordance with Article 40 para. 2-bis of Italian Legislative Decree 127/1991 as amended.

As you will know, the ordinary shares and warrants issued for Energica Motor Company SpA (the “Company”) are financial instruments traded on the AIM Italia stock market in accordance with the regulations of Borsa Italiana SpA. The trading start date was 29 January 2016.

As permitted by Legislative Decree 18 of 17 March 2020, in view of the emergency caused by the Covid-19 pandemic, the Company has extended the approval of the ordinary financial statements and the examination of the consolidated financial statements for the year ending 31 December 2019 for the longer period of 180 days after year-end; The Meeting of Shareholders was convened, at the first call, for 24 June 2020.

The consolidated financial statements to 31 December 2019 also include the financial data relative to Energica Motor Company Inc., a 100%-controlled subsidiary which markets electric motorcycles in the USA. The business of Energica Motor Company SpA and its US-based subsidiary (“Energica Group” or the “Group”) is the manufacture, sale and hire of electric motorcycles.

The main events of 2019 are listed below:

FIM Enel MotoE™ World Cup: During the IRTA testing for the MotoE World Championship, the Company suffered extensive damage to its racing equipment due to a fire which occurred at the Jerez Circuit during the night of 13–14 March 2019. Thanks to the constant hard work of Energica’s technical team and the agreement signed with Enel X Srl and Dorna Sports S.l., the Company was able to reinstate its fleet of bikes and racing equipment in just 3 months, managing to launch the first e-bike world championship in Germany on 7 July 2019. Energica will also be the sole supplier for the championship for the next two seasons, 2020 and 2021.

The championship is a significant milestone for Energica, which has established itself globally as a leader in the sector of top-level, high-performance two-wheel racing. With regard to the accounting treatment of the fire damage, only the items already recognised as assets, among fixed assets in progress, or included in the inventory stocks on 31 December 2018, have been written off: those items have been written off in full together with the value of the equipment lost in the blaze produced at the start of 2019 up until the date of the fire. The amounts of these write-downs were

classified in B-14) “Other operating costs” for a total of Euro 962,305. The insurance process had not been completed by 31 December 2019, and is still ongoing; the Company thus entered in line A-5) “Other income and revenue” an amount equal to the above-mentioned cost of write-off, deferring until future years the recognition of the supplementary income for the effective payout to cover the whole of the loss. Finally, the initial advance of Euro 5,082,909 received from Enel X Srl in April 2019 to support the cost of urgently recovering the motorbikes and race equipment, was classified among Other payables within 12 months (net of the above sum of Euro 962,305), although Energica does not expect to repay that amount in the short term.

Increases in share capital, also through POC drawdowns: 13 June 2019 saw the successful completion of an accelerated book building operation, with private placement through the subscription of 878,813 ordinary new-issue shares with medium-and long-term investors, at a price per share of Euro 2.15, with funding collected of Euro 1,889,448.

A table showing the number of shares and a list of shareholders can be found on the Company’s website, in the “Investor Relations” section.

The series of bond issues continued, with subsequent conversions into ordinary shares of the convertible bond subscribed on 6 September 2018, in favour of Atlas Special Opportunities and Atlas Capital Markets. The last instalment of bonds was issued on 23 December 2019, to the value of Euro 1 million. The conversion into ordinary shares with share premium was concluded in February 2020.

Technology partnerships: In March 2019, Energica signed a technology partnership with Omoove, a provider of intelligent mobility solutions. It is part of the Octo Telematics Group, the world’s number one provider of telematics and data analysis solutions for the motor insurance sector. Thanks to this partnership, Energica bikes will be equipped with remote connectivity, in addition to the already-available local short-range connectivity based on Bluetooth technology.

In July 2019, Energica signed an important agreement with Dell’Orto, a historic manufacturer of electronic injection systems, for the production and sale of a new type of EV power unit for electric motorbikes, both small size (power range up to 8/11kW) and mid-size (power range up to 30 kW). The Company and Dell’Orto won the tender launched by the regional government of Lombardy in November 2019, for “Strategic research, development and innovation projects to develop the region’s research and innovation ecosystems into an international hub”; the total outright grant was Euro 2,730,182, which equates to approximate 40% of the investments made in the project over a period of 30 months; Energica’s share of the outright grant will be 762,353 Euro, and this will be recognised as income on the income statement in future years.

Product evolution: thanks to its continuing innovation and investment in R&D, Energica has introduced disruptive evolution in the MY2020 motorbike range, for the electric bike sector: a 21.5 kWh power unit, with range increased by 60% (up to 400 km), torque increased by 10% and a 5% weight reduction. The Company attended EICMA 2019 to preview the new products, which were enthusiastically received.

Dealer network: As at 31 December 2019, the Group counted 53 dealers globally, and has also entered the Japanese market.

Even though the huge effort to restore the racing fleet, with everything that entailed (inevitable delays to serial production and damage to image) coincided with the peak of the commercial season, the consolidated sales for 2019 stand at Euro 3.2 million. The increase of 47% on the previous year, when sales were Euro 2.2 million, is thanks to a Euro 0.4 million rise in the sales of vehicles and parts, and to revenues of Euro 0.6 million from leasing and sponsorship for the MotoE championship (which was held for the first time on 7 July 2019); those revenues were not realised in 2018.

The Energica Group sustained a loss of Euro -7,704,924 in 2019. The 2019 financial year was nevertheless a crucial period for the growth of the brand, and for the reception of its new products by the market. The launch of MY2020 in November was immediately followed by a significant number of customer orders. As mentioned, huge efforts have been made to restore the racing division, with the on-track testing of all new bikes through to the official testing at the Valencia circuit in mid-June.

In 2019, the Company made large investments, in the following key areas in particular:

- 1) design and development of the definitive 2019 Ego Corsa prototypes , which are intended for the development of racing bikes participating in the FIM Enel MotoE World Cup;
- 2) a new workforce in Production and Sales & Marketing;
- 3) online and off-line communications focusing on global brand awareness ;
- 4) a marketing plan to promote the products and the sales network;
- 5) production and circulation of a *Demo Bike* to develop the commercial network and to increase local and international visibility;
- 6) launch of the MY2020 range in the e-bike sector: a 21.5 kWh power unit, with range increased by 60% (up to 400 km), torque increased by 10% and a 5% weight reduction;
- 7) a technological development and commercial agreement signed with Dell'Orto, for the production and sale of a new type of EV power unit for electric motorbikes, both small size (power range up to 8/11kW) and mid-size (power range up to 30 kW);
- 8) obtaining a new patent in Japan.

Some of these investments were made thanks to sponsorship agreements with technical partners, including Octo Telematics, Dainese, Errea and Würth.

The increase in sales is thanks to a number of factors, including steady improvements in the infrastructure for EVs in Italy and around the world (although these upgrades are slower and less extensive than was promised by governments and energy operators), the strengthening of the Energica brand, boosted by its appointment as “Sole Constructor” for the FIM Enel MotoE™ World Cup, and expansion of the dealer network, with new retail points now open in Europe and in the USA, as well as the extension of the sales network to include important areas such as Maryland and the Mid-Atlantic region, New York, Oregon, Belgium, Malta and Majorca.

Business continuity assessment

Due to Energica's appointment as sole constructor for the FIM Enel MotoE™ World Cup for 2019-2021, and to the extensive damage to the race equipment at Jerez on 14 March 2019 resulting in the start of the championship being postponed to 7 July 2019, the Company has for some time had to cope with an increase in investments and working capital. This has required further funding, some of which has already been received, and which will continue to be injected over the next few months of 2020 and 2021; this will take place either by means of the capital increase with share premium for at least Euro 4 million, planned for the second half of 2020 but not yet concluded, or alternatively, through a series of issues of the convertible bond agreed on 15 April 2020 with Negma Group Ltd and through bank finance, as financial equilibrium has not yet been reached. This is mainly due to the delay in the business development plan compared to previous forecasts; this has been reflected in the updated budget and cash flow plan to 31 December 2020, approved by the Board of Directors on 22 May 2020 ("Cash Flow Plan").

The Directors also noted that:

- the Energica Group posted a loss of approximately Euro 7.7 million in 2019 (Euro 7.3 million in 2018). Significant losses are also expected for the 2020 financial year, in connection with the commercial start-up phase which is still ongoing; as of 31 December 2019 and on the financial reporting date (22 May 2020) there were still significant overdue trade payables, for which repayment plans have already been agreed or are pending with suppliers in the context of their involvement in the Energica project and their collaboration with the Company;
- sales volumes in 2019 were significantly higher than in the previous year, but they still fell short of the targets set in the original plans and were not sufficient to generate the profits necessary to cover fixed operating costs; however, the relatively large numbers of vehicles newly registered and now on the road, combined with the significant contribution to the brand's profile made by the MotoE™ championship - whose first racing season was in 2019 and whose second season is expected to start in July 2020 - can only improve brand awareness and bring the Company and the Energica Group closer to break-even point. In December 2019, Energica introduced the new MY2020 bike range, for which there has been a significant increase in orders and this has positively impacted the revenues for 2020. The 2020 product signals a major step forward, as the range has risen up to 400 km in Urban mode. Despite this, in order to reach the expected sales volumes, it will still be necessary to improve the general conditions that buyers will be faced with, primarily the lack of charging infrastructure. Thanks to these activities, the Energica Group has succeeded in extending its sales network, and the effects of the existing marketing and sales strategies will continue to bear fruit over 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 Directors took the following into account:

- in 2019, the Group obtained liquidity through the issue of three instalments of the convertible bond signed on 6 September 2018 with Atlas Special Opportunities and Atlas Capital Markets, totalling Euro 3 million (this was then fully converted into new-issue shares, strengthening net equity). On 13 June 2019, a share capital increase with share premium totalling approximately Euro 1.9 million was subscribed by third-party investors.
- on 15 April 2020, the Company made an agreement with Negma Group Ltd. for a reserved capital increase of Euro 0.5 million, which has already been subscribed and paid, and for the issue of a convertible bond totalling Euro 4 million (this can then, at the Company's discretion, be renewed for a further 3 million, giving a total of 7 million); this is divided into 8 instalments of Euro 500,000 with the drawdown of the first instalment expected in the third quarter of 2020 and the subsequent instalments at a distance of at least one month after the previous one; On 11 May 2020, the Extraordinary Meeting of Shareholders approved the issue of the convertible bond cum warrant subscribed by Negma Group Ltd for a total of Euro 7 million, and the reserved capital increase of Euro 0.5 million;
- In the first half of 2020, Energica obtained a bank credit facility of Euro 0.2 million for advances on orders, and a loan of Euro 0.5 million; on the reporting date (22 May 2020) negotiations were underway to receive further finance from the banking system, by 31 July 2020; this finance will be for the Company (approximately Euro 1 million) and for the American subsidiary thanks to the "anti-Covid" financial relief;
- as a result of the extensive damage to race equipment caused by the fire at Jerez on 14 March 2019, on 28 March 2019 Energica signed a deal with EnelX and Dorna Sports, under which in April 2019 Enel X Srl advanced the funds necessary to rebuild the race bike, until the insurance payout is received; although that advance was posted as a short-term payable in the accounts to 31 December 2019, Energica does not expect to repay it in the short term;
- to strengthen the Company's asset structure, on 15 January 2020 the majority shareholder CRP Meccanica Srl converted into capital (reserved for future capital increase) an account receivable of Euro 566,500 which had previously been listed among Energica's liabilities to 31 December 2019;
- if the planned funding operations (capital increase with share premium for at least Euro 4 million) or alternatively the issues of instalments of the new convertible bond are not realised by 31 December 2020 in accordance with the terms and conditions of the Cash Flow Plan, the majority shareholder CRP Meccanica Srl has given a letter of assurance to Energica Motor Company SpA, dated 26 September 2019, assuring that it will continue to provide support, partly through the funds resulting from the sale of own assets, in order to allow the Company to meet its financial commitments and operate as a going concern until at least 31 December 2020.

In view of the above, the Directors have prepared the consolidated financial reports to 31 December 2019 on a going concern basis. However, they wish to highlight the significant uncertainties that could cast doubt on the capacity of the Company and of the Energica Group to continue to operate as a functional business; this depends in particular to the obtaining of funding in the second half of 2020 from the planned – but not yet concluded – capital increase with share premium (alternatively, the drawdowns of the instalments of the convertible bond) on dates that are compatible with the cash flow requirements of the Company and of the Group; also relevant is the effective capacity of the majority shareholder to cover the Energica Group's financial requirement through the sale of its own business assets. This capacity is affected by the possibility of selling these assets at a time that would be compatible with the cash flow needs of the Company and of the Energica Group.

Operating conditions, future operational developments and business outlook

Energica is now one of the world's 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 Italian design and luxury.

Business performance and progress of the industrial plan

- In the first few weeks of 2019 the Company launched a strategic marketing plan to support the launch of the MY2019 range internationally; the plan also benefited from the positive response to the MotoE project launched in 2018.
- In March 2019, Energica signed a technology partnership with the company Omoove, a provider of intelligent mobility technologies. Omoove is part of the Octo Telematics Group, the world's leading 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.
- Early in 2019 the Company attended major trade fairs supported by the local dealer network. These included: Swiss Moto in Switzerland, Motor Beurs in Utrecht (the Netherlands) and the MCN London Show in England.
- Due to the fire at the Jerez circuit on 13-14 March 2019, Energica missed out on the global visibility deriving from the MotoE championship, for which the opening event had been planned for 5 May 2019 in the heart of the motorbike racing season. Despite the coverage – which was absent or negative – due to these events, and notwithstanding the problems involved in restoring all the racing equipment while still continuing its usual industrial manufacturing, Energica managed to achieve a positive sales result.
- The Company's commitment and investment in promoting its brand and the Energica bikes extended to all the sponsors who have supported the company and the MotoE team, by creating communicational and marketing synergies which will maintain focus and visibility on the racing.

- All these events and activities have been accompanied by a massive on/off-line marketing campaign with the world's leading media players. The Company has chosen some of the best-known international publications from the world of motorcycle racing, tech, news, luxury and lifestyle (including MCN, Motociclismo and Motorrad), reaching tens of millions of readers worldwide.
- In mid-July 2019 a letter of intent was signed, for a partnership with Dell'Orto S.p.A. to develop and sell small and mid-size electric powertrains.
- Launch of the MY2020 range in the e-bike sector: a 21.5 kWh power unit, with range increased by 60% (up to 400 km), torque increased by 10% and a 5% weight reduction.

Outlook

According to Bloomberg NEF, electric vehicles are showing more resilience than conventional ones, during this Covid-19 period. Analysts have predicted a decline of 23% in the global sales of conventional motor vehicles for the year 2020, with the market share of electric vehicles thus increasing. ACEA data on electric or hybrid vehicles were the only positive aspects of the first three months of the year, with numbers falling for all sectors of traditional vehicles, across Europe.

The growing interest in environmental sustainability is also reflected in investments: over the past year, Europe has invested Euro 60 billion (19 times higher than in 2018) in the production of electric vehicles and batteries. The sharp take-off in investments in e-vehicles has led to a rapidly expanding market, which accounted for 7% of sales in the first quarter of 2020.

The business strategy is to establish the Energica brand as the undisputed world leader in the two-wheeler market.

There was a promising start to 2020, with strong interest in the new MY2020 series leading to significant growth in the order book and the need to step up production to meet demand, as well as a rise in the number of dealers, and entry into the Japanese market.

In the first four months of 2020, the order book value equated to 125% of the figure for the whole of 2019, despite the Covid-19 lockdown.

41% of the order book came from the USA.

New commercial agreements were signed in January 2020 (Rome, Tuscany and Riccione in Italy), and in France, Belgium, Germany, the Arab Emirates, Indonesia, Taiwan and California.

In January 2020, following the spread of the SARS-CoV-2 virus and the respiratory disease COVID-19 (commonly known as "Coronavirus"), the Chinese government and other foreign government authorities introduced certain restrictions to limit the spread of the pandemic. The main restrictions involved isolating the region in which the epidemic originated, by imposing restrictions and controls on travel into and out of China, as well as national travel, limiting the movement of the local population and closing offices and factories across the country.

In the last week of February 2020, as of the reporting date the virus had quickly spread to Italy and to various other countries, with a significant negative impact on public health, businesses and the economies of the countries involved.

On the reporting date, it is not possible to predict when the spread of the pandemic will cease and whether governments in Italy and in the other countries where the Energica Group is operative will adopt further restrictions on industry and commerce, and on the movement of the population.

In accordance with the Ministerial Decrees and regional orders, and due to the need to protect the health of its workforce, the Company shut down its factory production from 25 March until 28 April 2020, although certain administrative, marketing and sales activities did continue through remote working. The reopening of the Soliera factory saw a gradual reinstatement of production operations, with safety measures and social distancing in place, and deliveries were restarted to dealers and importers across the globe. Despite this, there has not been any significant cancellation of orders, only a delay in production and delivery due to the lockdown.

In order to align the growth in orders with the production capacity while guaranteeing the continuity of the business, the Meeting of Shareholders authorised a capital increase, as was announced on 11 May 2020.

The pandemic led to the postponing of the FIM Enel MotoE™ 2020 World Championship, which is now expected for mid-July.

The Directors consider that the pandemic is a non-adjusting event and thus it was not taken into account in the preparation of the financial statements to 31 December 2019.

On the reporting date, the Directors consider that it is not possible to quantify the impact of the coronavirus on the Company's assets, income and financial situation for 2020 nor on the Group's capacity to meet its short-term financial and income targets, due to a number of determining factors which have not yet been defined. The possibility that such an impact may occur cannot be excluded, particularly in terms of the balance sheet items, which are more dependent on estimates. This will be taken into account in the preparation of the accounting estimates to 30 June and 31 December 2020.

In view of the contents of the paragraph "Going concern assessment", we do not consider that the uncertainties due to coronavirus will affect the capacity of the Company and of the Group to continue its operations in the foreseeable future.

Finally:

- On 5 March 2020 the Company presented its first Sustainability Report, for 2019. It was prepared in accordance with the *GRI (Global Reporting Initiative)* standards, which are now the most commonly recognised and accepted international standards on sustainability reporting. In this first report, the Company has started the process to illustrate not only its own business model and financial results, but also to highlight how the management of the Company aims to create sustainable, lasting value for its stakeholders. The Report is confirmation of the continuous research and innovation, which is a feature of our Company, and the desire to offer answers to ESG (*Environmental, Social, Governance*) issues.
- In April 2020 the Company signed an agreement with Negma Group, for a reserved capital increase of Euro 0.5 million and a convertible bond of 7 million, giving a total of 7.5 million. This was then ratified by the Extraordinary Meeting of Shareholders on 11 May 2020.

The capital increase portion of Euro 0.5 million has already been subscribed and paid as of today's date.

In the first half of 2020, Energica obtained a bank credit facility of Euro 0.2 million for advances on orders, and a loan of Euro 0.5 million; on the reporting date (22 May 2020) negotiations were underway to receive further finance from the banking system, by 31 July 2020; this finance will be for the Company (approximately Euro 1 million) and for the American subsidiary thanks to the "anti-Covid" financial relief;

- In May 2020, a specialised advisory firm was commissioned to assist the Company in preparing documents relating to the law on the tax credits for research and development for 2015-2019, so that the tax benefit can be claimed in the second half of 2020.

Business trends

Trends in the Group's sectors

The following table illustrates the business results of the Group posted in the financial year, considered in terms of the value of production, EBITDA and earnings before tax:

Values in Euro	31.12.2019	31.12.2018	Change
Value of production	5,707,618	2,286,253	3,421,364
EBITDA	- 4,850,034	- 5,354,176	504,141
Earnings before tax	- 7,704,924	- 7,269,912	435,012

Main consolidated financial data

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

Values in Euro	31.12.2019	31.12.2018	Change
Net sales revenue	3,160,563	2,153,595	1,006,968
+/- Change in finished and semi-finished product inventory	1,560,336	1,756	1,558,580
+ Other revenues and income	986,719	130,902	855,816
= Value of production	5,707,618	2,286,253	3,421,364
- Cost of materials consumed	- 2,993,131	- 2,404,858	- 588,273
- Cost of services consumed	- 3,736,827	- 2,860,517	- 876,310
- Cost of rents and leases	- 274,964	- 244,820	- 30,144
- Other operating costs	- 1,034,185	- 99,932	- 934,253
= <i>Total costs</i>	- 8,039,107	- 5,610,126	- 2,428,981
Added value	- 2,331,490	- 3,323,873	992,383
- Labour costs	- 2,518,545	- 2,030,303	- 488,242
= Gross operating profit	- 4,850,034	- 5,354,176	504,141
- Depreciation	- 2,763,851	- 1,908,899	- 854,951
- Other provisions	- 3,318	-	- 3,318
Operating income	- 7,617,203	- 7,263,075	354,128
+ Financial income	30	15	14
- Financial expenses	- 45,514	- 104,896	59,382
= <i>Balance of financial account</i>	- 45,484	- 104,881	59,396
+ Income from assets and other income	-	98,044	- 98,044
- Cost of assets and other expenses	- 42,237	-	- 42,237
= <i>Balance of asset account</i>	- 42,237	98,044	- 140,281
= Operating results	- 7,704,924	- 7,269,912	435,012
Balance of financial account	-	-	-
= Pre-tax earnings	- 7,704,924	- 7,269,912	435,012
- Income tax	-	-	-
= Net income	- 7,704,924	- 7,269,912	435,012

Main consolidated balance sheet data

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

Values in Euro	31.12.2019	31.12.2018
Net intangible assets	1,401,896	2,751,615
Net tangible assets	2,511,081	1,335,696
Financial assets	58,356	44,115
Locked-up capital	3,971,333	4,131,425
Warehouse inventory	5,550,335	4,497,575
Other receivables	811,031	753,905
Accruals and prepayments	43,008	171,611
Operating current assets	6,404,375	5,423,091
Payables to suppliers	(2,930,919)	(2,640,719)
Tax and social security debts	(223,633)	(181,477)
Other payables	(4,536,010)	(255,321)
Accrued expenses and deferred income	(103,318)	(89,177)
Operating current liabilities	(7,793,880)	(3,166,694)
Net operating working capital	- 1,389,506	2,256,397
Provision for risks and charges	(30,000)	(26,685)
Employees' termination benefits	(223,974)	(187,077)
Medium to long term liability	(253,974)	(213,762)
Capital invested	2,327,854	6,174,059
Net assets	2,062,150	4,768,827
Medium to long term net financial position	0	3,407
Current net financial position	265,704	1,401,825
Equity and net financial debt	2,327,854	6,174,059

To describe the asset structure of the Group, a number of balance sheet indicators have been given in the table below. They relate to finance for medium to long term uses and also to the composition of sources of finance:

	31.12.2019	31.12.2018
Fixed asset to equity capital margin	-1,909,183	637,402
Fixed asset to equity ratio	51.93%	115.43%
Fixed asset to equity capital and medium-long term debt margin	-1,655,209	851,164
Fixed asset to equity capital and medium-long term debt ratio	58.32%	120.60%

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

Main financial data

The consolidated net financial position as at 31 December 2019 and 2018 is as follows:

Values in euros	31/12/2019	31/12/2018
Free cash flow/(financial payables)		
Cash flow	541	231
Bank deposits	1,181,407	378,099
Held-for-trading securities		
Liquidity (A+B+C)	1,181,949	378,330
Current financial credit	-	-
Current bank debt	- 411,189	- 601,578
Debt securities issued	- 1,000,000	- 1,100,000
Other current financial payables	- 36,463	- 78,577
<i>of which toward shareholders</i>	- 27,214	- 63,600
Current financial indebtedness (F+G+H)	- 1,447,652	- 1,780,155
Current net financial position (I+E+D)	- 265,704	- 1,401,825
Non-current bank payables	-	-
Other non-current payables	-	- 3,407
<i>of which toward shareholders</i>	-	-
Non-current financial indebtedness (K+L+M)	-	- 3,407
NET FINANCIAL POSITION (J+N)	- 265,704	- 1,405,232

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

	31.12.2019	31.12.2018
Primary liquidity	14.37%	-15.04%
Secondary liquidity	85.58%	215.52%
Indebtedness	70.20%	37.40%
Fixed assets coverage ratio	41.38%	-49.44%

- Primary liquidity = Operating current assets – warehouse inventory + Current NFP / Current liability.
This indicator represents the ratio between current assets, net of inventories, and current liabilities.
- 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 inventories).
- The indebtedness indicator represents the relationship between third-party capital and own capital.
- The fixed assets coverage ratio is calculated as follows: (Net capital - Dividends + Medium to long term liability) / Fixed assets.

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 Euro 2,518,545.

The average workforce for 2019 was 45 employees, including one manager, 28 clerical workers and 16 manual workers.

No fatalities occurred among the employees registered in the personnel register in the financial year.

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.

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. On the reporting date, the Energica Group had no significant credit exposure towards external counterparties; as a result, the credit risk is deemed remote.

Liquidity risk

Liquidity risk is associated with the capacity to meet obligations deriving from the financial liability assumed by the Company. In order to prudently manage the liquidity risk originating from the normal course of business, it is necessary to maintain adequate levels of liquid assets and of funds obtainable as a result of an adequate credit line.

For more details see the “Going concern assessment” paragraph.

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 Company’s results is deemed minimal, as it has no supply contracts in place with fixed prices.

Interest rate risk

The Group’s bank loans are indexed at the Euribor rate.

On the reporting date the Company did not hold any derivatives.

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 2019 for Energica Motor Company SpA are as follows:

Balance sheet	Receivables from parent companies	Receivables from controlled subsidiaries	Payables to shareholders for financing	Payables to concerns controlled by parent companies	Amounts payable to Parent Companies	Payables to other parties
1 Administrators	-	-	-	-	-	60,000
2 CRP Meccanica srl	29,260	-	-	-	578,828	-
3 CRP Technology srl	-	-	27,214	86,790	-	-
4 CRP Service srl	-	-	-	4,016	-	-
5 Energica Motor Company INC	-	1,231,601	-	-	-	-
Total	29,260	12,301,601	27,214	90,807	578,828	60,000

- Accounts receivable from subsidiaries, totalling Euro 1,231,601 on 31 December 2019, refer to the non-interest-bearing loan to the American subsidiary Energica Motor Company Inc. of Euro 297,214, and to the trade receivable of Euro 934,387 from that company, for the sale of roadgoing bikes and parts marketed in the USA by the subsidiary.

The asset values relative to related party transactions and the respective Group balances as of 31 December 2019 are as follows:

Balance sheet	Receivables from parent companies	Payables to shareholders for financing	Payables to concerns controlled by parent companies	Amounts payable to Parent Companies	Payables to other parties
1 Administrators	-	-	-	-	60,000
2 CRP Meccanica srl	29,260	-	-	578,828	-
3 CRP Technology srl	-	27,214	86,790	-	-
4 CRP Service srl	-	-	4,016	-	-
5 CRP USA LLC	-	-	1,626	-	-
Total	29,260	27,214	92,433	578,828	60,000

- The item 'payables to other parties', of Euro 60,000, refers to the remuneration of the Company's independent director.
- The item 'Receivables from parent companies', of Euro 29,260, refers to the residual balance relative to income from the IRES fiscal consolidation for the financial year 2016 according to the fiscal consolidation agreement signed on 20.12.2016.
- Amounts payable to parent companies are relative, as to Euro 566,550 to the commercial payables originally towards CRP Service Srl, obtained from the parent company CRP Meccanica Srl in the second half of 2019. Euro 12,328 is for the purchase of materials.
- The payables to CRP Service Srl, classified as "Payables towards enterprises controlled by parent companies", refer to the chargeback of costs.
- The payables to CRP Technology Srl comprise Euro 86,790 for purchases of materials for the production of motorbikes and Euro 27,214 for interest on loans granted in prior years, which were then converted into capital reserves.

The income-statement values relative to related party transactions and the respective balances as of 31 December 2019 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	-	-	381,850	-
3 CRP Technology srl	-	-	301,070	-
4 CRP Service srl	-	-	-	171,900
5 Energica Motor Company INC	937,532	-	-	-
Total	937,532	15,000	682,920	171,900

The income-statement values relative to related party transactions and the respective balances as of 31 December 2019 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	-	-	381,850	-
3 CRP Technology srl	-	-	301,070	-
4 CRP Service srl	-	-	-	171,900
Total	-	15,000	682,920	171,900

- The item “Directors” refers to the remuneration paid by the company to the independent director.
- The sum payable to CRP Meccanica Srl is relative to the purchase of vehicle components.
- The sum payable to CRP Technology Srl is relative to the purchase of Windform motorbike parts produced under a specific supply contract.
- The sum payable to CRP Service Srl represents the administrative costs incurred by that company 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 2019, and throughout the financial year 2019, the Company did not own and has not owned shares or quotas of parent companies.

Secondary offices

As required by Art. 2428 of the Italian Civil Code, we report that during the year a secondary site was opened in Cabiato (Como) for research and experimental development. This is added to the secondary site at Via Scarlatti no. 20, Soliera (Modena) which is where the commercial and administration offices are based, as well as the whole of the Company’s production operations.

Modena, 22 May 2020

For the Board of Directors

The Chairman
Mr. Franco Cevolini

ENERGICA MOTOR COMPANY SPA

Head office: VIA CESARE DELLA CHIESA 150
41126 MODENA (MO)

Share capital, approved: Euro 44,144,767.67
Share capital, issued and paid-up: Euro 181,986.30
Business registry 03592550366
Econ. Admin. Index 401221

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

Balance sheet assets	31.12.2019	31.12.2018
B) Fixed assets		
<i>I. Intangible</i>		
1) Start-up and expansion costs	422,752	775,220
2) Development costs	37,218	111,653
3) Industrial patents and rights to use copyrighted works	115,407	116,359
4) Concessions, licences, trademarks and other similar rights	551,474	1,451,781
6) Under construction and advances	8,966	9,073
7) Other	266,079	287,529
Total intangible assets	1,401,896	2,751,615
<i>II. Tangible</i>		
2) Plant and machinery	69,902	52,802
3) Industrial and commercial equipment	519,286	536,935
4) Other tangible assets	1,888,245	391,103
5) Under construction and advances	33,648	354,856
Total tangible assets	2,511,081	1,335,696
III. Financial		
1) Investments in:		
d) other companies	350	350
	350	350
2) Receivables:		
d-bis) from others	58,006	43,752
	58,006	43,752
4) Active financial derivative assets	-	13
Total financial fixed assets	58,356	44,115
Total fixed assets	3,971,333	4,131,425

C) Current assets*I. Inventory*

2) Work in process and semi-finished products	3,817,747	2,611,282
4) Finished products and goods	1,703,370	1,875,738
5) Advances	29,218	10,555
Total inventories	5,550,335	4,497,575

II. Receivables

1) Trade		
- within 12 months	203,530	124,276
	203,530	124,276
4) Receivables from parent companies		
- within 12 months	29,260	65,646
	29,260	65,646
5) Receivables from companies subject to control of parent companies		
- within 12 months	-	-
	-	-
5- bis) Tax receivables		
- within 12 months	562,627	383,556
	562,627	383,556
5- quater) From others		
- within 12 months	15,503	180,314
- later than 12 months	113	113
	15,615	180,426
Total receivables	811,031	753,905

IV. Cash and cash equivalents

1) Bank and post office deposit accounts	1,181,407	378,099
3) Cash on hand	541	231
Total cash and cash equivalents	1,181,949	378,330

Total current assets	7,543,315	5,629,809
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D) Accruals and prepayments

- Accruals and deferrals	43,008	171,611
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Total accruals and deferrals	43,008	171,611
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Total assets	11,557,657	9,932,845
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Balance sheet liabilities	31.12.2019	31.12.2018
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A) Net assets

I. Capital	174,129	150,183
II. Share premium reserve	4,965,502	7,098,846
VI. Other reserves, indicated individually:		
- Conversion reserve	- 17,519 -	26,328
- Shareholder capital contribution reserve	4,943,343	4,943,343
	4,925,824	4,917,015
VII. Reserve for hedging operations of expected cash flows	-	10
VIII. Retained earnings / (losses)	- 298,381 -	127,316
IX. Profit / (loss) for the year	- 7,704,924 -	7,269,912

Total Net assets	2,062,150	4,768,827
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B) Provisions for risks and charges		
2) Tax provisions, including deferred tax liabilities	-	3
4) Other	30,000	26,682
Total provisions for risks and charges	30,000	26,685
C) Employees' termination benefits		
	223,974	187,077
D) Payables		
2) Convertible bonds		
- within 12 months	1,000,000	1,100,000
- later than 12 months	-	-
	<u>1,000,000</u>	<u>1,100,000</u>
3) Payables to shareholders for financing		
- within 12 months	27,214	63,600
- later than 12 months	-	-
	<u>27,214</u>	<u>63,600</u>
4) Payables to banks		
- within 12 months	411,189	601,578
- later than 12 months	-	-
	<u>411,189</u>	<u>601,578</u>
5) Payables for other financing		
- within 12 months	9,249	14,977
- later than 12 months	-	3,407
	<u>9,249</u>	<u>18,384</u>
6) Advances		
- within 12 months	135,551	16,201
	<u>135,551</u>	<u>16,201</u>
7) Payables to suppliers		
- within 12 months	2,259,658	1,841,854
	<u>2,259,658</u>	<u>1,841,854</u>
11) Amounts payable to Parent Companies		
- within 12 months	578,828	-
	<u>578,828</u>	<u>-</u>
11- bis) Payables to enterprises controlled by parent companies		
- within 12 months	92,433	798,865
	<u>92,433</u>	<u>798,865</u>
12) Tax payables		
- within 12 months	96,480	82,999
	<u>96,480</u>	<u>82,999</u>
13) Payables to social security and welfare institutions		
- within 12 months	127,153	98,478
	<u>127,153</u>	<u>98,478</u>
14) Other payables		
- within 12 months	4,400,459	239,120
	<u>4,400,459</u>	<u>239,120</u>
Total payables	9,138,214	4,861,080
E) Accruals and deferrals		
- Accruals and deferrals	103,318	89,177
Total accruals and deferrals	103,318	89,177
Total liabilities	11,557,657	9,932,845

Income statement	31.12.2019	31.12.2018
A) Value of production		
1) Revenues from sales and services	3,160,563	2,153,595
2) Change in work in process and finished goods	1,560,336	1,756
4) Increase in internally generated fixed assets	-	-
5) Other revenues and income:		
- grants for current expenses	-	100,405
- other	986,719	30,497
Total value of production	5,707,618	2,286,253
B) Costs of production		
6) Raw materials, ancillary consumables and goods	2,993,131	2,404,858
7) Services	3,736,827	2,860,517
8) Rents and leases	274,964	244,820
9) Personnel		
a) Salaries and wages	1,700,452	1,444,647
b) Social security and welfare contributions	636,086	473,417
C) Employees' termination benefits	107,825	90,073
e) Other costs	74,181	22,166
	<hr/>	<hr/>
	2,518,545	2,030,303
10) Amortisation, depreciation and write-downs		
a) Amortisation of intangible assets	1,495,953	1,464,876
b) Amortisation of tangible assets	1,267,898	444,023
	<hr/>	<hr/>
	2,763,851	1,908,899
13) Other provisions	3,318	-
14) Other operating expenses	1,034,185	99,932
Total cost of production	13,324,821	9,549,328
Difference between value and costs of production (A-B)	- 7,617,203 -	7,263,075
C) Financial income and expenses		
16) Other financial income:		
d) Financial income other than sources indicated above:		
- other	30	15
	<hr/>	<hr/>
	30	15
17) Interest and other financial expenses:		
- other	-	104,896
	<hr/>	<hr/>
	-	104,896
17 bis) Gains / (losses) on currency exchange	-42,237	98,044
Total financial income and expenses	- 87,721 -	6,837
Net income before taxes (A-B±C±D)	-7,704,924	-7,269,912
20) Corporate income tax		
a) Current taxes	-	-
c) Deferred and prepaid taxes	-	-
	<hr/>	<hr/>
	-	-
21) Profit / (loss) for the year	- 7,704,924 -	7,269,912

Consolidated statement of cash flows

Cash flow from operations determined using indirect method

Description	31.12.2019	31.12.2018
A. Cash flow from operations		
Profit (loss) for the year	- 7,704,924	- 7,269,912
Income tax	-	-
Interest expense/(income)	87,721	104,881
(Gains)/Losses from disposal of assets	-	19,703
1. Profit (loss) for the year before tax, interest, dividends and gains/losses on disposal	- 7,617,203	- 7,145,328
<i>Adjustments for non-monetary elements with no contra-entry in net working capital</i>		
Additions to the provisions	119,933	90,073
Depreciation and amortisation of non-current assets	2,763,851	1,908,899
Write-downs from permanent impairments of value		
Other adjustments for non-monetary items	742	-
2. Cash flows before changes in Net Working Capital	2,884,526	1,998,972
<i>Changes in net working capital</i>		
Decrease/(Increase) of inventories	- 1,681,693	- 64,851
Decrease/(Increase) in trade receivables	- 79,254	- 84,292
Increase/(Decrease) in trade payables	414,670	- 950,102
Decrease/(Increase) in prepayments and accrued income	128,603	- 2,173
Increase/(Decrease) in accrued liabilities and deferred income	14,142	77,044
Other changes in net working capital	5,143,644	159,143
<i>Total changes in net working capital</i>	<i>3,940,112</i>	<i>1,034,972</i>
3. Cash flows after changes in Net Working Capital	6,824,638	3,033,944
<i>Other adjustments</i>		
Interest received/(paid)	- 84,587	- 41,281
(Use of provisions)	- 70,928	- 19,679
<i>Total Other adjustments</i>	<i>- 155,515</i>	<i>- 60,960</i>
4. Cash flows after other adjustments	6,669,124	2,972,984
Cash flow from operations (A)	- 948,078	- 4,172,342
B. Cash flows from investment activities		
<i>Tangible assets</i>		
(Investments)	- 2,786,886	- 617,808
Price from realisation of divestments		58,723
<i>Intangible assets</i>		
(Investments)	- 146,234	- 186,143
Price from realisation of divestments	1,408	
<i>Financial assets</i>		
(Investments)	- 14,242	- 2,008
Cash flow from investment activities (B)	- 2,947,362	- 805,959

C. Cash flows from financing activities		
<i>Third-party funds</i>		
Increase (Decrease) in short-term bank payables	- 25,411	11,485
New loans	-	1,100,000
Repayment of loans	- 264,980	- 165,288
<i>Own funds</i>		
Paid capital increase	4,989,448	2,786,912
Cash flows from financing activities (C)	4,699,057	3,733,109
Increase (decrease) of cash and cash equivalents (A ± B ± C)	803,618	- 1,245,191
Cash and cash equivalents at the beginning of the year	378,330	1,623,521
of which:		
bank and post office deposit accounts	378,099	1,623,146
cash and cash equivalents	378,330	375
Cash and cash equivalents at year-end	1,181,949	378,330
of which:		
bank and post office deposit accounts	1,181,407	378,099
cash and cash equivalents	541	231
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	803,619	- 1,245,191

Modena, 22 May 2020

For the Board of Directors

The Chairman
Mr. Franco Cevolini

ENERGICA MOTOR COMPANY SPA

Head office: VIA CESARE DELLA CHIESA 150
41126 MODENA (MO)

Share capital, approved: Euro 44,144,767.67
Share capital, issued and paid-up: Euro 181,986.30
Business registry 03592550366
Econ. Admin. Index 401221

Explanatory note for consolidated financial statement for financial year ending 31 December 2019

Introduction

Dear Shareholders,

These consolidated financial statements relate to the financial year ending 31 December 2019. They show a consolidated loss for the period of Euro 7,704,924, which is due to the fact that the commercial start-up of Energica Motor Company SpA ("Energica" or the "Company") and of its subsidiary Energica Motor Company Inc. ("the Energica Group" or the "Group") have not yet attained the economies of scale typical of the automotive industry.

As you will know, on 29 January 2016 the ordinary shares and warrants of the Company were admitted to trading on AIM Italia, a market regulated by Borsa Italiana SpA. Other extraordinary finance operations were carried out in 2017, 2018 and 2019 in order to strengthen the company's assets and to source funding. The operations concluded in 2019 are illustrated below.

In 2019, the Energica Group obtained liquidity through the issue of three instalments of the convertible bond signed on 6 September 2018 with Atlas Special Opportunities and Atlas Capital Markets, totalling Euro 3 million (this was then fully converted into new-issue shares, strengthening net equity). The consolidated financial reports to 31 December 2019 show a liability of Euro 1 million for bonds, as the last instalment of the bond was issued on 23 December 2019, as part of the above-mentioned operation. The conversion into capital was concluded in February 2020. .

In June 2019, the Company successfully completed a capital increase with share premium. This generated a net increase in capital of Euro 1,889,448.

Business continuity assessment

Due to Energica's appointment as sole constructor for the FIM Enel MotoE™ World Cup for 2019-2021, and to the extensive damage to the race equipment at Jerez on 14 March 2019 resulting in the start of the championship being postponed to 7 July 2019, the Company has for some time had to cope with an increase in investments and working capital. This has required further funding, some of which has already been received, and which will continue to be injected over the next few months of 2020 and 2021; this will take place either by means of the capital increase with share premium for at least Euro 4 million, planned for the second half of 2020 but not yet concluded, or alternatively, through a series of issues of the convertible bond agreed on 15 April 2020 with Negma Group Ltd and through bank finance, as financial equilibrium has not yet been reached. This is mainly due to the delay in the business development plan compared to previous forecasts; this has been reflected in the updated budget and cash flow plan to 31 December 2020, approved by the Board of Directors on 22 May 2020 ("Cash Flow Plan").

The Directors also noted that:

- the Energica Group posted a loss of approximately Euro 7.7 million in 2019 (Euro 7.3 million in 2018). Significant losses are also expected for the 2020 financial year, in connection with the commercial start-up phase which is still ongoing; as of 31 December 2019 and on the financial reporting date (22 May 2020) there were still significant overdue trade payables, for which repayment plans have already been agreed or are pending with suppliers in the context of their involvement in the Energica project and their collaboration with the Company;
- sales volumes in 2019 were significantly higher than in the previous year, but they still fell short of the targets set in the original plans and were not sufficient to generate the profits necessary to cover fixed operating costs; however, the relatively large numbers of vehicles newly registered and now on the road, combined with the significant contribution to the brand's profile made by the MotoE™ championship - whose first racing season was in 2019 and whose second season is expected to start in July 2020 - can only improve brand awareness and bring the Company and the Energica Group closer to break-even point. In December 2019, Energica introduced the new MY2020 bike range, for which there has been a significant increase in orders and this has positively impacted the revenues for 2020. The 2020 product signals a major step forward, as the range has risen up to 400 km in Urban mode. Despite this, in order to reach the expected sales volumes, it will still be necessary to improve the general conditions that buyers will be faced with, primarily the lack of charging infrastructure. Thanks to these activities, the Energica Group has succeeded in extending its sales network, and the effects of the existing marketing and sales strategies will continue to bear fruit over 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 Directors took the following into account:

- in 2019, the Group obtained liquidity through the issue of three instalments of the convertible bond signed on 6 September 2018 with Atlas Special Opportunities and Atlas Capital Markets, totalling Euro 3 million (this was then fully converted into new-issue shares, strengthening net equity). On 13 June 2019, a share capital increase with share premium totalling approximately Euro 1.9 million was subscribed by third-party investors.
- on 15 April 2020, the Company made an agreement with Negma Group Ltd. for a reserved capital increase of Euro 0.5 million, which has already been subscribed and paid, and for the issue of a convertible bond totalling Euro 4 million (this can then, at the Company's discretion, be renewed for a further 3 million, giving a total of 7 million); this is divided into 8 instalments of Euro 500,000 with the drawdown of the first instalment expected in the third quarter of 2020 and the subsequent instalments at a distance of at least one month after the previous one; On 11 May 2020, the Extraordinary Meeting of Shareholders approved the issue of the convertible bond cum warrant subscribed by Negma Group Ltd for a total of Euro 7 million, and the reserved capital increase of Euro 0.5 million;
- In the first half of 2020, Energica obtained a bank credit facility of Euro 0.2 million for advances on orders, and a loan of Euro 0.5 million; on the reporting date (22 May 2020) negotiations were underway to receive further finance from the banking system, by 31 July 2020; this finance will be for the Company (approximately Euro 1 million) and for the American subsidiary thanks to the "anti-Covid" financial relief;
- as a result of the extensive damage to race equipment caused by the fire at Jerez on 14 March 2019, on 28 March 2019 Energica signed a deal with EnelX and Dorna Sports, under which in April 2019 Enel X Srl advanced the funds necessary to rebuild the race bike, until the insurance payout is received; although that advance was posted as a short-term payable in the accounts to 31 December 2019, Energica does not expect to repay it in the short term;
- to strengthen the Company's asset structure, on 15 January 2020 the majority shareholder CRP Meccanica Srl converted into capital (reserved for future capital increase) an account receivable of Euro 566,500 which had previously been listed among Energica's liabilities to 31 December 2019;
- if the planned funding operations (capital increase with share premium for at least Euro 4 million) or alternatively the issues of instalments of the new convertible bond are not realised by 31 December 2020 in accordance with the terms and conditions of the Cash Flow Plan, the majority shareholder CRP Meccanica Srl has given a letter of assurance to Energica Motor Company SpA, dated 26 September 2019, assuring that it will continue to provide support, partly through the funds resulting from the sale of own assets, in order to allow the Company to meet its financial commitments and operate as a going concern until at least 31 December 2020.

In view of the above, the Directors have prepared the consolidated financial reports to 31 December 2019 on a going concern basis. However, they wish to highlight the significant uncertainties that could cast doubt on the capacity of the Company and of the Energica Group to continue to operate as a functional business; this depends in particular to the obtaining of funding in the second half of 2020 from the planned – but not yet concluded – capital increase with share premium (alternatively, the drawdowns of the instalments of the convertible bond) on dates that are compatible with the cash flow requirements of the Company and of the Group; also relevant is the effective capacity of the majority shareholder to cover the Energica Group's financial requirement through the sale of its own business assets. This capacity is affected by the possibility of selling these assets at a time that would be compatible with the cash flow needs of the Company and of the Energica Group.

Criteria for compilation

These financial statements conform to the provisions of Article 2423 et seq of the Italian Civil Code, as can be seen from these Notes which were prepared in accordance with Article 2427 civil code. As required by Article 2423 Italian Civil Code, the Notes form an integral part of the annual financial statements and they conform to the Italian accounting standards prepared by the Italian Accounting Board.

The values indicated in these financial statements are in Euro 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 Net assets items.

In accordance with Article 2423, fifth paragraph, of the Italian Civil Code, the Notes have also been drafted in Euro.

These consolidated financial statements consist of the balance sheet, the income statement, the statement of cash flows and the Notes. They are accompanied by a single Report on Operations, which covers both the ordinary accounts and the consolidated accounts.

Valuation criteria

The line items are valued on the basis of the principles of conservatism and accrual, on a going-concern basis 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 were valued according to the substance of the operation or underlying contract; this form of valuation more accurately represents the operations involved in terms of the economic reality beneath the formal aspects.

Derogations

There were no extraordinary cases which required the use of derogations under Article 2423 para. 4 of the Italian Civil Code.

In particular, the following valuation criteria were used:

Fixed assets

Intangible

These are valued at the historical cost of purchase or production, net of the depreciation applicable for the financial year, and allocated directly to the individual items.

Start-up and expansion costs, the costs of the development, licences and trademarks with multi-year use were entered under assets and are amortised over a period of five 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 impairment, the asset is written-down accordingly. If the conditions for writing-down the asset cease to exist in later years, the original value is restored, adjusted solely by the amortisation 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 the ancillary costs and the costs sustained in the usage of the asset.

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: 3 - 5 years (3 years for the racing bikes used in MotoE, 4 years for the bikes used internally for marketing purposes).

Where, regardless of the depreciation already recognised, there is long-term impairment, the asset is written-down accordingly. If the conditions for writing-down the asset cease to exist in later years, the original value is restored, adjusted solely by the depreciation which would otherwise have been recognised.

Tangible assets were not subject to revaluation.

Finance leasing operations

Finance leasing operations are recorded in accordance with the financial methods defined in 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 recognised using 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 income or expenses, and any difference between the initial value and the nominal value at the end of the 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; its adequacy is evaluated periodically, and always at the end of every financial year, taking into account doubtful receivables 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 income or expenses, and any difference between the initial value and the nominal value at the end of the term are included in the calculation of amortised cost, in accordance with the effective interest method.

Inventories

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 Notes, 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 use hedge accounting, and the hedge of the risk of changes in cash flows expected from another financial instrument or planned operation is effective, changes in fair value are booked directly to a positive or negative net asset 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 Group chooses not to use this solution, or if the coverage is ineffective, changes 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 recognised in accordance with the accrual principle, and represent:

- the provisions for current taxes for the year, determined in accordance with the applicable rates and tax rules;
- the sum of 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 extinguished, considering the rates in effect or already published at the date of closure of the financial statement.

On the closing date, the existence of adequate future taxable profits which could permit the use 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 corporation tax, as a consolidated enterprise, Energica Motor Company SpA is subject to the “Domestic” consolidated fiscal rules, 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 are regardless of the date of payment or receipt of the relative incomes and expenses, which apply to two or more financial years and are divisible 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. Revenues from hire services are recognised at the time the service is actually completed; the related costs are recognised in accordance with the accrual principle.

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.

Any net profit resulting from exchange adjustments to foreign currency items at year-end are included in the formation of the result for the period. When the financial statements are approved along with the appropriation of profit to the legal reserve, the part of the net profit not absorbed by any loss for the year will be allocated to a non-distributable reserve until the time of realisation.

Self-constructed assets

The initial cost of a totally or partially self-constructed asset is the cost of production 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.

Consolidation area and methods

The consolidated financial statements for the Energica Group to 31 December 2019 contain the accounting data relative to the consolidating company Energica Motor Company SpA and to the wholly-controlled US-based subsidiary, whose figures converted into Euro are as follows:

Company name	Head office	Share capital	Net assets to 31.12.2019	Result at 31.12.2019	Shareholding quota	Book value of shareholding
Energica Motor Company Inc.	127 Goodwin Circle, Suite B- Mooresville, NC 28115	1	102,972 -	1,000,791	100%	102,972

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 consolidated shareholding has been written off against the relative net equity at the date of initial consolidation.

The financial statements of the foreign subsidiary were converted into euros by applying the exchange rate in effect at the year-end date, and by 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 equity items at the year-end exchange rate instead of using the historical rates, and between the average exchange rate and the year-end exchange rate, are entered under the consolidated Net assets item denominated "Conversion reserve".

The exchange rates used to convert the accounting situation of Energica Motor Company Inc, which operates in US dollars, were 1.1234 for the asset balances (1.1450 on 31 December 2018) and 1.1195 for the income balances (1.2104 on 31 December 2018).

Assets**B) Fixed assets****I. Intangible assets****Movement of intangible assets**

Category:	COST AT 31.12.2018	ACC. AMML 31.12.2018	TOTAL	INCREASES	DECREASES	TRANSFERS	DEP. FUND 31.12.2019	FINAL VALUE
Start-up and expansion costs	1,774,025	(998,805)	775,219	2,064	-	-	(354,531)	422,752
Development costs	372,177	(260,524)	111,653	-	-	-	(74,435)	37,218
Patents and intellectual property rights	316,159	(199,799)	116,359	95,104	-	-	(96,057)	115,406
Concessions, licences, trademarks and other similar ri	4,629,894	(3,178,113)	1,451,781	23,175	1,200	-	(922,283)	551,474
Intangible assets in progress	9,073	-	9,073	1,301	1,408	-	-	8,966
Other intangible assets	399,157	(111,628)	287,529	27,243	46	-	(48,646)	266,080
Total intangible assets	7,500,485	-	4,748,870	2,751,615	148,887	2,654	-	1,495,952

Start-up and expansion costs

This entry consists mainly of the costs sustained in listing the Company's shares on the AIM Italia stock market on 29 January 2016, and of the costs incurred in 2017 for the subsequent 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 the second half of 2015, the year when electric motorcycle production was launched. Its estimated useful life is 5 years.

Concessions, licences, trademarks and other similar rights

This item includes the value of the "Energica" brand (Euro 49,533). The most significant proportion of this item, however, is the value of the know-how (with a historical cost of approximately Euro 4.5 million), relative to the development, production and marketing of roadgoing e-motorcycles. The know-how was acquired from the parent CRP Meccanica Srl on 30 September 2015 with the related business unit, whose value was the subject of a sworn valuation by the independent valuer Massimo Tonioni. The estimated useful life is 5 years.

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 Directors have concluded that there were no indicators of lasting impairment of intangible assets at the reporting date, as the operating loss for the year is still related to the commercial start-up of the Group; also, based on the market value linked to the stock market capitalisation, the net carrying value of these assets is below their fair value.

II. Tangible assets**Movement of tangible assets**

Category:	COST AT 31.12.2018	ACC. DEP. 31.12.2018	TOTAL	INCREASES	DECREASES	TRANSFERS	DEP. FUND 31.12.2019	FINAL VALUE
Plant and machinery	93,177	(40,374)	52,802	37,835	-	-	(20,736)	69,902
Equipment	1,268,258	(731,323)	536,935	371,454	-	16,800	(405,903)	519,286
Other assets	589,696	(198,593)	391,103	2,311,529	-	-	(814,386)	1,888,246
Tangible assets in progress	354,856	-	354,856	39,195	343,603	(16,800)	-	33,648
Total tangible assets	2,305,986	-	970,291	1,335,696	2,760,013	343,603	-	1,241,025

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 semi-finished products, the useful life of which is estimated as 4 years.

Other assets

This line consists primarily of the capitalisations, for a gross value of Euro 654,573, of the EVA, EGO and ESSESSE9 models owned by Energica Group, which are used for internal technical testing and for marketing purposes. In 2019, the EGO CORSA bikes, currently used in the MotoE championship were capitalised to the gross value of Euro 1,955,000, depreciated throughout the duration of the championship, thus three years from 2019.

Under construction and advances

This item includes some of the tools used to develop the bikes, while the decrease of Euro 343,603 refers to the write-down of the value of the bikes and racing equipment developed for the FIM Enel MotoE™ World Cup, which was completely destroyed in the fire at Jerez in March 2019.

III. Financial assets

This line consists of the non-current receivables totalling Euro 24,800, paid as the security deposit for the rental contract for the Soliera plant, Euro 18,093 paid as the security deposit for the rental contract of the site of the US subsidiary Energica Inc., and Euro 9,135 paid as a deposit for the rental of the showroom opened in Munich during 2020.

Finally, Euro 4,755 was paid as a security deposit for other properties used as temporary accommodation.

C) Current assets**I. Inventory**

The cost of purchase or production of inventories as of 31 December 2019, net of advances to suppliers totalling Euro 29,218, equates to Euro 3,817,747 for production in progress and semi-finished products, and Euro 1,703,370 for finished products.

As the realisable value of certain finished products may be lower than the relative costs of production, the Company has – as of 31 December 2019 – allocated a finished product write-down provision of Euro 430,103, with an increase of Euro 8,793 compared to the Euro 421,310 in the write-down provision as of 31 December 2018.

II. Receivables

The total for current assets receivables is Euro 753,905. The increase in receivables compared to the financial statements for the year ending 31.12.2018 is Euro 57,127.

Receivables are broken down by type as follows:

Description	31.12.2019	31.12.2018	Change
From customers	203,530	124,276	79,254
From parent companies	29,260	65,646 -	36,386
For tax receivables	562,627	383,556	179,070
From others	15,615	180,426 -	164,811
Total receivables	811,031	753,905	57,127

Trade receivables have increased by Euro 79,254 compared to 31 December 2018, as a result of the increase in sales revenues.

Receivables from parent companies consist of the tax income that Energica Motor Company SpA has accrued from the majority shareholder CRP Meccanica Srl in past years, under the group tax consolidation system. The decrease compared to 31 December 2018 is due to the set-off of the remainder against an amount payable towards the same party.

Tax receivables consist exclusively of the VAT credit accrued by Energica Motor Company SpA over the period, as a result of the higher volume of purchases made in Italy during 2019 compared to Italian sales. This credit is used on a monthly basis to compensate for payables to tax authorities and social security organisations.

According to the principle of conservatism, advance taxes on the corporation tax loss of 2019 and on the corporation tax losses transferred to the parent company in previous years are not recognised if their recovery is not certain.

Receivables as of 31 December 2019 are broken down in the following table in accordance with due period:

Description	within 12 months	later than 12 months	5 years	31.12.2019	repurchase transactions
From customers	203,530	-	-	203,530	-
From parent companies	29,260	-	-	29,260	-
For tax receivables	562,627	-	-	562,627	-
From others	15,503	113	-	15,615	-
Total receivables	810,918	113	-	811,031	-

Receivables as of 31 December 2019 are broken down in the following table in accordance with geographic area:

Description	From customers	From parent companies	From parent companies	Tax receivables	Receivables from others	balance on 31/12/2019
Italy	104,217		29,260	562,627	15,615	711,719
Foreign	99,313	-	-	-	-	99,313
Total receivables	203,530	-	29,260	562,627	15,615	811,030

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

IV. Cash and cash equivalents

This balance is the cash and cash equivalents on the closing date, as indicated below:

Description	31.12.2019	31.12.2018	Change
Bank and post office deposit accounts	1,181,407	378,099	803,308
Cash on hand	541	231	311
Total cash and cash equivalents	1,181,949	378,330	803,619

D) Accrued income and prepayments

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 are regardless of the date of payment or receipt of the relative incomes and expenses, which apply to two or more financial years and are divisible over time. As of 31 December 2019 there were no accruals or deferrals over five years. The composition of this line is as follows:

Description	31.12.2019	31.12.2018	Change
Accrued income	3,345	2,786	559
Prepayments	39,663	168,825	- 129,162
Total accruals and deferrals	43,008	171,611	- 128,603

On 31 December 2018 most of the prepayments related to the cost of the convertible bond. These costs were costed entirely in the 2019 income statement, due to the drawdown of the last instalment, as described in the introduction.

Liabilities

A) Net assets

The net equity movements in the financial year 2019 and the previous are detailed in the following table:

- The net equity movements in the financial year 2018:

Net assets	Share capital	Share premium reserve	Other reserves (capital contribution 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 assets 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	5,823,626	0
Conversion reserve			-80,383					-80,383
Net change in fair value of hedging transactions								0
Shareholder loan conversion				4,123,600				4,123,600
Warrant exercise	908	286,004						286,912
Capital increase	9,500	2,490,500						2,500,000
Earnings (losses) for period							-7,269,912	-7,271,800
Totale	150,183	7,098,846	- 26,328	4,943,343	10	- 127,316	- 7,269,912	4,768,827

- The net equity movements in the financial year 2019:

Net assets	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 assets on 31/12/2018	150,183	7,098,846	-26,328	4,943,343	10	-127,316	-7,269,912	4,768,827
Loss allowance		-7,098,846				-171,065	7,269,912	0
Net change in fair value of hedging transactions					-10			-10
Conversion reserve			8,809					8,809
Capital increase	23,946	4,965,502						4,989,448
Earnings (losses) for period							-7,704,924	-7,704,924
Net assets on 31/12/2019	174,129	4,965,502	- 17,519	4,943,343	0	- 298,381	- 7,704,924	2,062,150

In 2019, the bonds posted as financial liabilities as of 31 December 2018, of Euro 1,100,000, were converted entirely into shares. Euro 3,000,000 of further bonds were also issued, of which Euro 2,000,000 had been converted as of 31 December 2019. Finally, on 13 June 2019, Euro 1,889,448 were sourced from the stock market through an accelerated book building operation leading to a total net capital increase of Euro 4,989,448.

Net asset items are broken down by origin, possibility of use and distribution:

Nature/description	Sum	Possibility of use (*)	Share available
Capital	174,129	B	-
Total	174,129		-
Non-distributable share	174,129		-
Remaining distributable share	174,129		-
Capital reserve	-		-
Capital contribution reserve	-	A, B, C	-
Conversion reserve	- 17,519		
Share premium reserve	4,965,502	A, B	4,965,502
Future capital contribution reserve	4,943,343	A	4,943,343
Reserve for hedging operations of expected derivatives cash flows	- 0	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 2019 is Euro 7,704,924.

B) Provisions for risks and charges

The provisions for risks and charges include Euro 30,000 for the Provision for product warranties, which covers the cost of future repairs; this was increased by Euro 3,318 during 2019.

C) Employees' termination benefits

The provisions set aside consist of the liabilities for towards employees of the company accrued as of 31 December 2019, net of an advances paid, for a total of Euro 223,974.

D) Payables

The total for payables as of 31 December 2019 is Euro 9,138,214. The increase in payables compared to the year ending 31.12.2018 was Euro 4,277,133, as can be seen from the table below.

Description	31.12.2019	31.12.2018	Change
Convertible bonds	1,000,000	1,100,000	- 100,000
Payables to shareholders for financing	27,214	63,600	- 36,386
Payables to banks	411,189	601,578	- 190,388
Payables for other financing	9,249	18,384	- 9,135
Advances	135,551	16,201	119,350
Payables to suppliers	2,259,658	1,841,854	417,804
Amounts payable to Parent Companies	578,828	-	578,828
Payables to concerns controlled by parent companies	92,433	798,865	- 706,432
Tax payables	96,480	82,999	13,481
Payables to social security and welfare institutions	127,153	98,478	28,675
Other payables	4,400,459	239,120	4,161,339
Total payables	9,138,214	4,861,080	4,277,133

Payables as of 31 December 2019 are valued at their nominal values, and broken down by due period as follows:

Description	within 12 months	later than 12 months	31.12.2019
Convertible bonds	1,000,000	-	1,000,000
Payables to shareholders for financing	27,214	-	27,214
Payables to banks	411,189	-	411,189
Payables for other financing	9,249	-	9,249
Advances	135,551	-	135,551
Payables to suppliers	2,259,658	-	2,259,658
Amounts payable to Parent Companies	578,828	-	578,828
Payables to concerns controlled by parent companies	92,433	-	92,433
Tax payables	96,480	-	96,480
Payables to social security and welfare institutions	127,153	-	127,153
Other payables	4,400,459	-	4,400,459
Total payables	9,138,214	-	9,138,214

Payables as of 31 December 2019 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	Amounts payable to Parent Companies	Payables to concerns controlled by parent companies	Tax payables	Payables to social security and welfare institutions	Other payables	Total 31.12.2019
Italy	-	27,214	411,189	9,249	6,120	1,932,393	578,828	90,807	96,480	127,153	4,394,049	7,673,481
Foreign	1,000,000	-	-	-	129,431	327,265	-	1,626	-	-	6,410	1,464,733
Total	1,000,000	27,214	411,189	9,249	135,551	2,259,658	578,828	92,433	96,480	127,153	4,400,459	9,138,214

Payables as of 31 December 2019 are detailed as follows:

Descrizione	31.12.2019
Obbligazioni convertibili	1.000.000
Debiti verso soci	27.214
Debiti verso CRP Meccanica srl	-
Debiti verso CRP Technology srl	27.214
Debiti verso Banche	411.189
Debiti verso Unicredit spa	411.139
Debiti verso Banco Popolare	-
Debiti verso BPER	50
Debiti verso altri finanziatori	9.249
Debiti verso società di leasing	9.249
Clienti conto anticipi	135.551
Fornitori di beni e servizi	2.259.658
Fornitori Italia	1.932.393
Fornitori Estero	327.265
Debito verso Controllanti	578.828
Debito verso CRP Meccanica srl	578.828
Debito verso Imprese sottoposte al controllo di Controllanti	92.433
Debito verso CRP Service srl	4.016
Debito verso CRP USA LLC	1.626
Debito verso CRP Technology	86.790
Debiti tributari	96.480
Erario conto ritenute dipendenti	95.829
Erario conto ritenute autonomi	3.651
Altre Erario conto ritenute	-
Erario conto credito d'imposta	3.000
Debiti verso istituti di previdenza e sicurezza sociale	127.153
Debiti verso INPS, INAIL, COMETA, PREVINDAI...	127.153
Altri debiti	4.400.459
Ferie e permessi non goduti dai dipendenti	73.253
Debiti verso dipendenti	96.949
Altri debiti	4.230.257
Totale	9.138.214

Convertible bonds

The amount payable for the convertible bond, of Euro 1,000,000 relates to the agreement for the loan and subsequent investment, made with Atlas Special Opportunities ("Atlas") and Atlas Capital Markets ("ACM") for the issue of a convertible bond loan cum warrant for a total of Euro 5 million. The liability as stated relates to the subscription of the fifth instalment of 50 bonds yet to be converted as of 31 December 2019. They were then converted in January and February 2020, with a simultaneous increase in net equity.

Payables to shareholders

This item refers to the interest accruing on the loan converted in 2018 into the reserve for future capital increase, by the shareholder CRP Technology Srl. _____

Payables to banks

The total payables to banks as of 31 December 2019 refer to the invoice advance account of Euro 411,139 from UniCredit SpA.

Payables for other financing

The balance of payables for other financing includes interest payable to Atlas.

Other payables

The other payables as of 31 December 2019 amount to Euro 4,400,459. They have increased by Euro 4,161,339 compared to 31 December 2018 mainly because of the advance of Euro 5.1 million paid by Enel X Srl in April 2019 to reinstate the fleet of bikes and equipment destroyed in the fire at Jerez in March 2019; that amount was then reduced to Euro 4.1 million on 31 December 2019, net of the amount recorded by the company as the initial receipt for compensation for the destroyed racing equipment, which was posted for the same amount as a cost in 2019.

There are no payables secured by collateral guarantees on company assets.

E) Accrued expenses and deferred income

These are the linking entries for the year recognised according to the accruals principle. As of 31 December 2019 there were no accruals or deferrals over five years. The composition of this line is as follows:

Description	31.12.2019	31.12.2018	Change
Deferred income	6,967	8,344	- 1,377
Accrued expenses	96,352	80,833	15,518
Total accruals and deferrals	103,318	89,177	14,142

Income statement**A) Value of production**

The value of production is as follows:

Description	31.12.2019	31.12.2018	Change
Revenues from sales and services	3,160,563	2,153,595	1,006,968
Change in work in process and finished goods	1,560,336	1,756	1,558,580
Other revenues and income	986,719	130,902	855,817
Total revenues	5,707,618	2,286,253	3,421,365

The item “Revenues from sales and services” relates to the sale of electric bikes and parts for Euro 2,185 thousand (Euro 1,808 thousand in the previous year), and to the revenues from the FIM Enel MotoE championship of Euro 682 thousand (Euro 32 thousand in the previous year), as well as sponsorship revenues of Euro 293 thousand (Euro 314 thousand in the previous year).

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

Revenues by geographic area	31.12.2019
Italy	121,401
Foreign	3,039,162
Total	3,160,563

The entry “Other revenues and income”, for a total of Euro 986,719 consists primarily of the initial amount of the compensation recognised in 2019, for the racing equipment destroyed in the Jerez fire in March 2019. The insurance case is still ongoing. The amount posted as income from the insurance payout equates to the cost of production of the racing bikes and equipment destroyed in the Jerez fire in March 2019, which was posted on the income statement, among other operating costs.

B) Costs of production

The costs of production are as follows:

Description	31.12.2019	31.12.2018	Change
Raw materials, ancillary consumables and goods	2,993,131	2,404,858	588,273
Services	3,736,827	2,860,517	876,310
Rents and leases	274,964	244,820	30,144
Salaries and wages	1,700,452	1,444,647	255,805
Social security and welfare contributions	636,086	473,417	162,669
Employees' termination benefits	107,825	90,073	17,752
Other costs	74,181	22,166	52,015
Amortisation of intangible fixed assets	1,495,953	1,464,876	31,077
Amortisation of tangible fixed assets	1,267,898	444,023	823,875
Other provisions	3,318	0	3,318
Other operating expenses	1,034,185	99,932	934,253
Total cost of production	13,324,821	9,549,328	3,775,493

Costs for raw materials, subsidiary materials, consumables and goods

These costs totalled Euro 2,993,131 for the year (compared with Euro 2,404,858 for the previous year), and are recorded net of any discounts, allowances and premiums on purchases granted by suppliers.

These are strictly correlated with the trend in income statement item A (Value of production), and with the procurement policy to cover the needs of the production activities planned for 2019 and 2020.

The most significant entry in this item is the purchase cost of components.

Costs for services

The "costs for services", for a total of Euro 3,736,827, saw an increase from the total of Euro 2,860,517 recorded in 2018. These costs are primarily attributable to the following expenses: advertising and participation in trade fairs (Euro 1,092,829), expenses related to the listing of shares on the stock exchange and contracts for convertible bonds (Euro 302,436), technical and administrative consulting services (Euro 936,842), outsourced work (Euro 498,511), transport (Euro 204,655) and legal and notary consulting services (Euro 38,609). The increase compared to the previous year is mainly due to the increased advertising costs, and the higher costs of technical, commercial and administrative consulting.

Cost of rents and leases

These costs, totalling Euro 274,964, are primarily due to the rental of the Soliera production site and the site of the US subsidiary, as well as software assistance and leasing charges.

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 in 2019 were Euro 2,518,545.

The average workforce for 2019 was 45 employees, including one manager, 28 clerical workers and 16 manual workers.

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 its use in the production process.

C) Financial income and expenses

Financial income and expenses

Financial income and expenses are detailed as follows:

Description	31.12.2019	31.12.2018	Change
Other financial income:	30	15	15
(interest and other financial expenses)	-45,514	-104,896	59,382
Gains and losses on currency exchange	-42,237	98,044	-140,281
Total financial income and expenses	-87,721	-6,837	-80,884

The balance of interest and other financial charges in 2019, for a total of Euro 45,514, consists primarily of interest payable on the current bank account of Euro 30,656, Euro 4,502 of interest payable on the bond loan, Euro 2,670 interest payable on loans, while Euro 4,353 is bank commission.

20) Income taxes for the year

Due to the loss for the year in 2019 incurred by the two Group companies, no current income taxes have been recognised.

As the Company again posted a significant loss on 31 December 2019, prudentially there was no entry as of that date (as happened on 31 December 2018) of advance taxes on the tax loss carryforwards transferred to the parent company CRP Meccanica Srl but not yet used by that company in the context of the IRES tax consolidation.

Cash flow 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.

As of 31 December 2019, the statement of cash flows shows an increase of Euro 803,619 in cash and cash equivalents.

This balance is the result of the following:

- income management, which absorbed resources to a value of Euro 948,078
- investment activities, which absorbed resources to a value of Euro 2,947,362
- financing activities, which generated resources to a value of Euro 4,699,057.

Other information

In accordance with Article 2427, para. 9 of the Italian Civil Code, please note that Energica issued a bank guarantee of Euro 72,000 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)

On 31 December 2019 the Group did not hold any derivative instruments.

Items of income or expenditure of extraordinary size or incidence

In accordance with Art. 2427, para. 13 of the Italian Civil Code, please note that in 2018 and 2019 there were no items of income or expenditure of extraordinary amount or impact other than the costs and income mentioned above relating to the fire in Jerez in March 2019 which are the same amount and thus have no effect on the operating result.

Remuneration of directors and statutory auditors

Pursuant to Art. 2427, section 16 of the Italian Civil Code, information is given as follows concerning the remuneration paid to directors and statutory auditors.

Item “B.7 Services” of the income statement includes the following compensation due respectively to directors and members of the board of auditors:

	31.12.2019
Administrators	15,000
Board of Statutory Auditors	22,000

Note that the company shareholders meeting approved a remuneration for 2019 that exceeded the above value. However, all the non-independent directors declined the larger sum in order to limit the expenses sustained by the Company.

The Company has not granted advances or loans to directors or statutory auditors.

External auditing firm fees

Pursuant to Article 2427(1) paragraph 16-bis of the Italian Civil Code, please note that the contractual fees paid to the auditing firm PricewaterhouseCoopers SpA for the statutory audit of the annual accounts for the year 2019 were Euro 28,000, and that the fees for the audit solely of the consolidated condensed half-yearly financial statement for the period ending 30 June 2019 were Euro 15,000.

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 2019, the Company issued new ordinary shares following the capital increases described above.

The Group companies have no significant commitments not recorded on 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 company's directors.

Significant events after year-end

There was a promising start to 2020, with strong interest in the new MY2020 series producing significant growth in the order book, the need to step up production to meet demand, a rise in the number of dealers, and entry into the Japanese market.

In order to strengthen the Company's asset structure, on 15 January 2020 the majority shareholder CRP Meccanica Srl converted into capital (reserved for future capital increase) an account receivable of Euro 566,500 which had previously been listed among Energica's liabilities to 31 December 2019.

In January 2020, following the spread of the SARS-CoV-2 virus and the respiratory disease COVID-19 (commonly known as "Coronavirus"), the Chinese government and other foreign government authorities introduced certain restrictions to limit the spread of the pandemic. The main restrictions involved isolating the region in which the epidemic originated, by imposing restrictions and controls on travel into and out of China, as well as national travel, limiting the movement of the local population and closing offices and factories across the country.

In the last week of February 2020, as of the reporting date the virus had quickly spread to Italy and to various other countries, with a significant negative impact on public health, businesses and the economies of the countries involved.

On the reporting date, it is not possible to predict when the spread of the pandemic will cease and whether governments in Italy and in the other countries where the Company is operative will adopt further restrictions on industry and commerce, and on the movement of the population.

In accordance with the Ministerial Decrees and regional orders, and due to the need to protect the health of its workforce, the Company shut down its factory production from 25 March until 28 April 2020, although certain administrative, marketing and sales activities did continue through remote working. The reopening saw a gradual reinstatement of production operations, with safety measures and social distancing in place, and deliveries were restarted to dealers and importers

across the globe. Despite this, there has not been any significant cancellation of orders from customers, only a delay in production and delivery due to the lockdown.

In order to align the growth in orders with the production capacity while guaranteeing the continuity of the business, the Meeting of Shareholders authorised a capital increase, as was announced on 11 May 2020.

The pandemic led to the postponing of the FIM Enel MotoE™ 2020 World Championship, which is now expected from mid-July 2020.

The Directors consider that the pandemic is a non-adjusting event and thus it was not taken into account in the preparation of the financial statements to 31 December 2019.

On the reporting date, the Directors consider that it is not possible to quantify the impact of the coronavirus on the Company's assets, income and financial situation, nor on the Group's capacity to meet its short-term financial and income targets, due to a number of determining factors which have not yet been defined. However, the possibility that such an impact may occur cannot be excluded, particularly in terms of the balance sheet items which are more dependent on estimates. This will be taken into account in the preparation of the accounting estimates during 2020.

In view of the contents of the paragraph "Going concern assessment", we do not consider that the uncertainties due to coronavirus will affect the capacity of the Company and of the Group to continue its operations in the foreseeable future.

Finally:

- On 5 March 2020 the Company presented its first Sustainability Report, for 2019. It was prepared in accordance with the *GRI (Global Reporting Initiative)* standards, which are now the most commonly recognised and accepted international standards on sustainability reporting. In this first report, the Company has started the process to illustrate not only its own business model and financial results, but also to highlight how the management of the Company aims to create sustainable, lasting value for its stakeholders. The Report is confirmation of the continuous research and innovation, which is a feature of our Company, and the desire to offer answers to ESG (*Environmental, Social, Governance*) issues.

- In April 2020 the Company signed an agreement with Negma Group Ltd., for a reserved capital increase and a convertible bond totalling Euro 7.5 million. This was then ratified by the Extraordinary Meeting of Shareholders on 11 May 2020.

The capital increase portion of Euro 0.5 million has already been subscribed and paid as of today's date.

In the first half of 2020, Energica obtained a bank credit facility of Euro 0.2 million for advances on orders, and a loan of Euro 0.5 million; on the reporting date (22 May 2020) negotiations were underway to receive further finance from the banking system, by 31 July 2020; this finance will be for the Company (approximately Euro 1 million) and for the American subsidiary thanks to the "anti-Covid" financial relief;

- in May 2020, a specialised advisory firm was commissioned to assist the Company in preparing documents relating to the law on the tax credits for research and development for 2015-2019.

These consolidated financial statements to 31 December 2019, consisting of the balance sheet, the income statement, the statement of cash flows and the Notes to the financial statements, accompanied by the Report on Operations, give a true and fair view of the assets and financial position of the Energica Group as at 31 December 2019, of the income situation for the year 2019, and they correspond to the accounting records.

Modena, 22 May 2020

For the Board of Directors

The Chairman
Mr. Franco Cevolini