

ENERGICA MOTOR COMPANY SPA

Head office: VIA CESARE DELLA CHIESA 150
41126 MODENA (MO)
Share capital, approved: Euro 48,321,167.67
Share capital, issued and paid-up: Euro 306,409.82
Business registry 03592550366
Econ. Admin. Index 401221

Report on Operations for the ordinary and consolidated financial statements for the year ending 31 December 2020

Shareholders,

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

The consolidated financial statements to 31 December 2020 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.

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.

From March onwards, the company had to address a number of issues caused by the Covid-19 pandemic; despite that, turnover grew considerably, reaching more than Euro 6 million compared to Euro 3.2 million in the previous year.

New trade agreements were signed with 19 dealers during 2020; by year-end there were 72 dealers in the network, globally.

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

In February 2020, the Covid-19 virus quickly spread to Italy and to many other countries, which had a significant negative impact on public health, businesses and the economies of the countries involved. Unfortunately, the initial period, and the most difficult part of the pandemic, coincided with spring 2020 - is the most important time of year for dealers, who are Energica’s main customers.

The pandemic led to the postponing of the FIM Enel MotoE™ 2020 World Championship, which started in July in Jerez de la Frontera (Spain) and ended in October in Le Mans (France). Despite huge organisational problems, the championship organisers managed to maintain the MotoE racing schedule planned at the start of the year, which comprised seven events.

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 in April 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 main corporate events during the 2020 financial year were as follows:

- 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 of illustrating not only its own business model and financial results, but also of highlighting 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 that 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 of Euro 0.5 million and for the issue of a convertible bond of Euro 7 million, giving a total of Euro 7.5 million. This was then ratified by the Extraordinary Meeting of Shareholders on 11 May 2020.

Up until the reporting date, bond tranches were subsequently issued for a total of Euro 2 million, of which Euro 1.4 million was converted into shares and thus into equity by 31 December 2020, with the remaining Euro 0.6 million converted by the end of February 2021.

- In the first half of 2020, Energica obtained a bank credit facility of Euro 0.2 million for advances on orders, and three loans for a total of Euro 1.3 million.
- A Simest loan of Euro 0.3 million was obtained in order to strengthen the Group's internationalisation campaign.
- In May 2020, a specialised advisory firm was commissioned to assist the Company in preparing documents relating to the law on the R&D tax credits for 2015-2020, so that the tax benefit could be offset against other taxes. The income posted on the financial statements to 31 December 2020 was Euro 0.8 million.
- The Energica showroom in Munich was inaugurated in February.
- November saw the launch of the new MY2021 bikes in the RS E Kit Corsa versions, at the Moto.it Festival.
- Production has been upgraded with the launch of a new area for the in-house assembly of batteries. Sponsored by Sonic Equipment, the 95 m² area will improve overall efficiency. Energica is one of the very few companies in the industry to have 100% control of the battery process, from design through to fitting.

- An important partnership has been forged with Interphone, a brand from the Cellularline Group, which specialises in designing and developing a full range of devices and accessories for onboard communications.
- Livia Cevolini, CEO of Energica, has agreed to join the Advisory Board of Ride Vision, an Israeli start-up which is working on the first collision prevention system to be adapted to any motorbike.
- The prototypes of the Energica and Dell'Orto "E-Power" project have undergone initial engine testing. E-Power is the name of the project in which the two companies have joined forces; it is an innovative electric power system for sustainable urban mobility, covering the entire power range from 2.5 up to peaks of 15kW, with performance similar to equivalents of 50 to 125cc.
- The VCU (vehicle control unit) passed the technical examination required to obtain a patent in China.
- A with-recourse factoring agreement has been signed with General Finance S.p.A. to finance the dealer network.
- The CEMP (Connected Electric Modular Powertrain) has been presented: it is a sustainable innovation project for light urban mobility developed in collaboration with Octo Telematics, Dell'Orto and the Universities of Modena and Reggio Emilia.
- In October, the second season of the FIM Enel MotoE World Cup concluded successfully. The agreement has been extended for a year, up to and including the 2022 competitive season.
- A new commercial agreement has been signed with Cooltra Motos Italia, a company specialising in the provision of mobility services through sharing and short, medium and long-term hire.
- Total Lubrifiants has become the official sponsor and industrial partner of Energica. Thanks to this industrial partnership, all Energica electric bikes can take advantage of the Total Lubrifiants range of lubricants, greases and related products.
- Agos, a leading automotive finance company, has reached an agreement with Energica for the provision of ad hoc finance packages for the purchase of the company's e-bikes.
- A tech partnership has been launched with Sealence, and innovative Italian start-up that is revolutionising the world of naval power with the DeepSpeed electric jet. The aim of this industrial collaboration is to develop a powertrain for the nautical market.

In 2020, the Company made investments in the following areas:

- Technological improvements to the Ego Corsa prototypes, to upgrade the performance of the racing bikes participating in the FIM Enel MotoE World Cup;
- New workforce in the Production units;
- New production area for the in-house assembly of batteries;
- Online and offline communications focusing on global brand awareness;
- Marketing plan to promote the products and the sales network;

Business continuity assessment

Following Energica's signature of the sole constructor contract for the FIM Enel MotoE™ World Cup for the 2019-2022 period, measures were put in place to contain the Covid-19 pandemic in all the countries in which the Energica Group has its sales operations; this led to the postponement of certain deliveries until the second half of 2020. As the break-even point has not yet been reached, mainly due to the delay in developing the business compared to forecasts (as reflected in the updated budget and cash flow plan to 31 December 2021 approved by the Board of Directors on 30 March

2021) the Company has for some time been faced with the need to increase its investments and working capital, and this requires further funding which has already been injected, as detailed below.

The Directors also noted that:

- in the 2020 financial year, the Energica Group posted a negative result of Euro 6.3 million (negative by Euro 7.7 million in the 2019 financial year); significant losses are also expected in the 2021 financial year in relation to the ongoing phase of business development. The loss led to a consolidated negative net equity position of Euro 476,000 as of 31 December 2020. At 31 December 2020 and as of the financial reporting date (30 March 2021) 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 2020 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 the overheads; 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 second racing season was in 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; demand for the new series has had a positive impact on the 2020 revenues and order book, as of the reporting date.

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 achieve 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 in certain countries. The Energica Group has already successfully extended 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 the first half of 2020, the Energica Group strengthened its net equity with the full conversion into new shares of the Euro 1 million tranche of the previous convertible bond, subscribed on 6 September 2018 with Atlas Special Opportunities and Atlas Capital Markets;
- on 15 April 2020, the Company made an agreement with Negma Group Ltd for a capital increase of Euro 0.5 million, which was paid immediately, 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 Euro 3 million, giving a total of Euro 7 million) divided into 8 tranches of Euro 500,000. The first five tranches were drawn in 2020 and the early part of 2021, for a total of Euro 2.5 million (these were then fully converted into newly issued shares with net equity reinforced by the same amount); the subsequent tranches can be drawn 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, thanks to the “anti-Covid” public funding measures, Energica obtained a bank credit facility of Euro 0.2 million for advances on orders, and a loan of Euro 1.6 million; as of the reporting date (30 March 2021), a second line of bank credit of Euro 0.5 million was obtained to cover advance orders;
- 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 Srl 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 2020, Energica does not expect to repay the residual advance of Euro 4.1 million within 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; on 30 June 2020 the shareholder CRP Technology Srl also converted a receivable of Euro 260,793 into equity (reserve for future capital increase);
- 5 March 2021 saw the successful completion of a capital increase, with total funding of Euro 14.9 million through the subscription of 8,374,325 ordinary new-issue shares (1,376,500 shares allocated to subscribers, 6,128,706 shares allocated to Ideanomics Inc., and the remaining shares to CRP Technology), at a price per share of Euro 1.78. In detail: Energica raised Euro 10,909,091 from the investment agreement with Ideanomics, Euro 1,547,037 through the conversion into equity and share premium reserve of the reserves previously paid by the shareholders CRP Meccanica and CRP Technology, and Euro 2,450,170 from other investors; this produced a liquidity increase of approximately Euro 13.4 million.

The US company Ideanomics Inc., which is a Nasdaq-listed global enterprise focused on the convergence of natural services and disruptive tech industries, is a key shareholder in this transaction with 20% of the share capital.

In view of these aspects, in particular the capital increase that took place on 5 March 2021, which allowed the Group to restore a largely positive consolidated net equity position, to obtain adequate financial resources to settle the outstanding trade payables and to fund the investments needed for growth, the Directors have prepared the consolidated financial statements to 31 December 2020 on a going-concern basis.

Operating conditions, future 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

- During 2020 the Company launched a strategic marketing plan to support the international launch of the MY2020 series; the plan also benefited from the positive response to the first racing seasons of the MotoE, held in 2019 and in 2020.
- Technological improvements to the Ego Corsa prototypes to upgrade the performance of the racing bikes participating in the FIM Enel MotoE World Cup.
- 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. Despite this, there has not been any significant cancellation of orders, only a delay in production and delivery due to the lockdown.
- During 2020, a number of new international commercial agreements were signed: the expansion of the network includes important market areas such as Japan, Italy, France, the UAE, Indonesia, Belgium and California.
- The Company has signed an international partnership agreement until the end of 2022 with Total Lubrificants, the fourth world's fourth-largest player in the energy sector for the lubricants market, which has become an industrial partner and official sponsor of Energica.

Outlook

Company Management considers that the positive growth in sales seen in 2020 can continue in 2021, unless there are unforeseeable developments in the markets connected to the effects of the Covid-19 pandemic. This is thanks to the growing brand awareness of the Group, the development of the e-mobility infrastructure network, and the creation of new global sales agreements and partnerships for Energica bikes.

The value of the order book has now reached Euro 3.6 million, which equates to 60% of the total turnover for 2020. A major order of more than Euro 0.8 million has come in from a Taiwanese importer.

Finally:

- The third season of the FIM Enel MotoE championship officially began in March 2021 at the Jerez de la Frontera circuits, with the first session of official testing (this was not a feature of last year's championship). This year the championship will involve seven European races over six weekends.
- The Group can confirm a growth trend partly thanks to the production efficiencies generated by the increased volumes and the optimisation of the supply chain.

- There may be delays in delivering to customers due to worldwide shortages in electronic components, as well as delays by other suppliers due to the ongoing Covid-19 emergency in Italy and abroad. At the moment, the declared forecast of financial break-even by 2022, remains in place.
- Energica has launched a plan of investments for 2021 in order to develop the cost-saving plan. The objective is to reduce the costs of production by 2% from the first half of 2021, arriving at a saving of 19% by the end of the second half of the year. The Company is aiming to improve the average cost of production by 8% in 2021 and by more than 20% in 2022. The plan envisages a total investment of Euro 2.2 million, of which Euro 1.9 million goes to the R&D sector.
- In the first few weeks of 2021, the Company launched a strategic marketing plan to support the international launch of the MY2021 series with the RS E Kit versions; in tandem with this, the plan was also boosted by the positive response to the second MotoE season.
- Early in 2021, bonds of 1.1 million were converted by the Negma Group; to date, there are no other bonds in circulation.
- 5 March 2021 marked the successful completion of the share capital increase with a share premium of Euro 14.9 million. The US company Ideanomics Inc., a Nasdaq-listed global enterprise focused on the convergence of natural services and disruptive tech industries, is a key shareholder in this transaction with 20% of the share capital.

Business trends

Trends in the Group's sectors

The following table illustrates the Group's result for the year, in terms of the value of production, EBITDA, operating income and earnings before tax:

Values in Euro	31.12.2020	31.12.2019	Change
Value of production	6,712,802	5,707,618	1,005,184
EBITDA	- 4,372,216	- 4,850,034	477,818
Operating income	- 6,176,781	- 7,617,203	1,440,422
Earnings before tax	- 6,334,889	- 7,704,924	1,370,034

Main consolidated financial data

The income statement of the Group, reclassified on a value-added basis, is as follows:

Values in Euro	31.12.2020	31.12.2019	Change
Net sales revenue	6,043,261	3,160,563	2,882,699
+/- Change in finished and semi-finished product inventory -	1,438,222	1,560,336 -	2,998,558
+ Increase in internally generated fixed assets	1,141,371		1,141,371
+ Other revenues and income	966,392	986,719 -	20,327
= Value of production	6,712,802	5,707,618	1,005,184
- Cost of materials consumed	- 4,511,369 -	2,993,131 -	1,518,238
- Cost of services consumed	- 3,314,637 -	3,736,827	422,190
- Cost of rents and leases	- 332,527 -	274,964 -	57,563
- Other operating costs	- 199,288 -	1,034,185	834,897
= <i>Total costs</i>	- 8,357,821 -	8,039,107 -	318,714
Added value	- 1,645,019 -	2,331,490	686,471
- Labour costs	- 2,727,197 -	2,518,545 -	208,652
= Gross operating profit	- 4,372,216 -	4,850,034	477,818
- Depreciation	- 1,804,565 -	2,763,851	959,286
- Other provisions	- - -	3,318	3,318
Operating income	- 6,176,781 -	7,617,203	1,440,422
+ Financial income	1,298	30	1,268
- Financial expenses	- 60,496 -	45,514 -	14,981
= <i>Balance of financial account</i>	- 59,198 -	45,484 -	13,714
+ Income from assets and other income			-
- Cost of assets and other expenses	- 98,911 -	42,237 -	56,674
= <i>Balance of asset account</i>	- 98,911 -	42,237 -	56,674
= Operating results	- 6,334,889 -	7,704,924	1,370,034
Balance of financial account	-	-	-
= Pre-tax earnings	- 6,334,889 -	7,704,924	1,370,034
- Income tax	-	-	-
= Net income	- 6,334,889 -	7,704,924	1,370,034

Main consolidated balance sheet data

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

Values in Euro	31.12.2020	31.12.2019
Net intangible assets	1,389,991	1,401,896
Net tangible assets	1,985,237	2,511,081
Financial assets	56,724	58,356
Locked-up capital	3,431,952	3,971,333
Warehouse inventory	3,985,525	5,550,335
Other receivables	1,830,464	811,031
Accruals and prepayments	102,690	43,008
Operating current assets	5,918,679	6,404,375
Payables to suppliers	(2,913,204)	(2,930,919)
Tax and social security debts	(116,672)	(223,633)
Other payables	(4,720,414)	(4,536,010)
Accrued expenses and deferred income	(110,740)	(103,318)
Operating current liabilities	(7,861,030)	(7,793,880)
Net operating working capital	- 1,942,351	- 1,389,506
Provision for risks and charges	(30,000)	(30,000)
Employees' termination benefits	(292,611)	(223,974)
Medium to long-term liability	(322,611)	(253,974)
Capital invested	1,166,990	2,327,854
Net assets	-475,752	2,062,150
Medium to long-term net financial position	1,126,294	0
Current net financial position	516,448	265,704
Equity and net financial debt	1,166,990	2,327,854

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:

	31.12.2020	31.12.2019
Fixed asset to equity capital margin	-3,907,704	-1,909,183
Fixed asset to equity ratio	-13.86%	51.93%
Fixed asset to equity capital and medium-long term debt margin	-3,585,093	-1,655,209
Fixed asset to equity capital and medium-long-term debt ratio	-4.46%	58.32%

- 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 is as follows:

Values in euros	31.12.2020	31.12.2019
Free cash flow/(financial payables)		
Cash flow	850	541
Bank deposits	1,060,265	1,181,407
Held-for-trading securities		
Liquidity (A+B+C)	1,061,115	1,181,949
Current financial credit	-	-
Current bank debt	- 935,359	- 411,189
Debt securities issued	- 600,000	- 1,000,000
Other current financial payables	- 42,204	- 36,463
<i>of which toward shareholders</i>	-	27,214
Current financial indebtedness (F+G+H)	- 1,577,563	- 1,447,652
Current net financial position (I+E+D)	- 516,448	- 265,704
Non-current bank payables	- 761,502	-
Other non-current financial payables	- 364,793	-
<i>of which toward shareholders</i>	-	-
Non-current financial indebtedness (K+L+M)	- 1,126,294	-
NET FINANCIAL POSITION (J+N)	- 1,642,742	- 265,704

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

	31.12.2020	31.12.2019
Primary liquidity	31.16%	14.37%
Secondary liquidity	81.86%	85.58%
Indebtedness	-568.33%	70.20%
Fixed assets coverage ratio	66.00%	41.38%

- 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 liabilities) / Fixed assets.

Environment and personnel

Personnel

In conformity with the current employment contracts and applicable legislation, the costs for personnel consist of: salaries, deferred pay, provisions for employees' termination benefits, accrued holiday pay, ancillary personnel expenses and social security contributions payable by the Group.

Total personnel costs are Euro 2,727,197.

The average workforce as at 31 December 2020 was 58 employees, including 1 senior manager, 2 middle managers, 33 clerical workers and 22 manual workers.

There were no fatalities among personnel during the financial year.

No serious accidents occurred in the workplace that resulted in serious or very serious injury to personnel.

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 half-year, there were no instances of environmental damage for which the Company was definitively ruled to be liable.

During the half-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 the obligations deriving from the Group's financial liabilities. 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 results of the Group is deemed minimal, as most of the Group's supply contracts have pre-set prices.

Interest rate risk

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

On the reporting date, the Company held two derivatives to hedge against changes in the variable rate of interest on two unsecured loans, each of Euro 400,000.

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 Group is exposed to this risk, in particular in with regard to activities of its US-based subsidiary.

Related party transactions

The asset values relative to related party transactions and the respective balances as of 31 December 2020 for Energica Motor Company SpA are as follows:

Balance sheet	Receivables from parent companies	Receivables from controlled subsidiaries	Receivables from companies subject to control of 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	-	-	-	-	-	-	75,000
2 CRP Meccanica srl	29,260	-	-	-	-	187,540	-
3 CRP Tecnologia srl	-	-	13,680	-	78,914	-	-
4 CRP Service srl	-	-	-	-	144,137	-	-
5 Energica Motor Company INC	-	1,508,394	-	-	-	-	-
Totale	29,260	1,508,394	13,680	-	223,051	187,540	75,000

- Accounts receivable from subsidiaries, totalling Euro 1,508,394 on 31 December 2020, refer to the non-interest-bearing loan to the American subsidiary Energica Motor Company Inc. of Euro 292,470, and to the trade receivable of Euro 1,215,924 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 2020 are as follows:

Balance sheet	Receivables from parent companies	Receivables from companies subject to control of 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	-	-	-	-	-	75,000
2 CRP Meccanica srl	29,260	-	-	-	187,540	-
3 CRP Tecnologia srl	-	13,680	-	78,914	-	-
4 CRP Service srl	-	-	-	144,137	-	-
5 CRP USA LLC	-	-	-	1,489	-	-
Total	29,260	13,680	-	224,540	187,540	75,000

- The item 'payables to other parties', of Euro 75,000, 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.
- Euro 13,680 of the Receivables from companies subject to control of parent companies relates to the sale of a bike to CRP Tecnologia.
- Payables to parent companies relate to purchases of materials for motorbike production.
- The payables to CRP Service Srl, classified as "Payables towards enterprises controlled by parent companies" refer to the chargeback of administration and personnel management costs.
- The payables to CRP Tecnologia, which are classified as "Payables towards enterprises controlled by parent companies" refer to the purchase of materials.

The income-statement values relative to related party transactions and the respective balances as of 31 December 2020 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 Amministratori	-	15,000	-	-
2 CRP Meccanica srl	-	-	275,212	-
3 CRP Tecnologia srl	-	-	233,973	-
4 CRP Service srl	-	-	-	120,685
5 Energica Motor Company INC	1,434,093	-	-	-
Total	1,434,093	15,000	509,185	120,685

The income-statement values relative to related party transactions and the respective balances as of 31 December 2020 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	-	-	275,212	-
3 CRP Technology srl	-	-	233,973	-
4 CRP Service srl	-	-	-	120,685
Total	-	15,000	509,185	120,685

- 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 para. 3, subparagraphs 3 and 4 of the Civil Code

On 31 December 2020, and throughout the financial year 2020, the Company did not own and has not owned shares or quotas of parent companies.

Secondary offices

As required by Art. 2428 of the Civil Code, we can report that during the year no other branches of the Company were opened other than the one at Via Scarlatti no. 20, Soliera (Modena), which houses the Company’s sales and administration offices and the entire production operation, and the site in Cabiato (Como) which performs experimental research and development.

Modena, 30 March 2021

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 48,321,167.67
Share capital, issued and paid-up: Euro 306,409.82
Business registry 03592550366
Econ. Admin. Index 401221**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDING 31 DECEMBER 2020**

Balance sheet assets	31.12.2020	31.12.2019
B) Fixed assets		
<i>I. Intangible</i>		
1) Start-up and expansion costs	78,121	422,752
2) Development costs	-	37,218
3) Industrial patents and rights to use copyrighted works	82,628	115,407
4) Concessions, licences, trademarks and other similar rights	85,911	551,474
6) Under construction and advances	910,976	8,966
7) Other	232,355	266,079
Total intangible assets	<u>1,389,991</u>	<u>1,401,896</u>
<i>II. Tangible</i>		
2) Plant and machinery	50,511	69,902
3) Industrial and commercial equipment	460,794	519,286
4) Other tangible assets	1,462,679	1,888,245
5) Under construction and advances	11,253	33,648
Total tangible assets	<u>1,985,237</u>	<u>2,511,081</u>
III. Financial		
1) Investments in:		

d) other companies	350	350
	350	350
2) Receivables: d-bis) from others	56,374	58,006
	56,374	58,006
Total financial fixed assets	56,724	58,356

Total fixed assets	3,431,952	3,971,333
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C) Current assets*I. Inventory*

2) Work in process and semi-finished products	3,099,230	3,817,747
4) Finished products and goods	853,262	1,703,370
5) Advances	33,033	29,218
Total inventories	3,985,525	5,550,335

II. Receivables

1) Trade		
- within 12 months	704,451	203,530
	704,451	203,530
4) Receivables from parent companies		
- within 12 months	29,260	29,260
	29,260	29,260
5) Receivables from companies subject to control of parent companies		
- within 12 months	13,680	-
	13,680	-
5- bis) Tax receivables		
- within 12 months	1,029,495	562,627
	1,029,495	562,627
5-ter) Prepaid taxes	-	-
	-	-
	-	-
5- quater) From others		
- within 12 months	53,466	15,503
- later than 12 months	113	113
	53,578	15,615
Total receivables	1,830,464	811,031

IV. Cash and cash equivalents

1) Bank and post office deposit accounts	1,060,265	1,181,407
3) Cash on hand	850	541
Total cash and cash equivalents	1,061,115	1,181,949

Total current assets	6,877,104	7,543,315
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D) Accruals and prepayments

- Accruals and deferrals	102,690	43,008
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Total accruals and deferrals	102,690	43,008
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Total assets	10,411,746	11,557,657
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Balance sheet liabilities	31.12.2020	31.12.2019
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A) Net assets

I. Capital	215,940	174,129
II. Share premium reserve	3,936,055	4,965,502
VI. Other reserves, indicated individually:		

- Conversion reserve	54,759	-17,519
- Shareholder capital contribution reserve	1,647,036	4,943,343
	<hr/>	<hr/>
	1,701,795	4,925,824
VIII. Retained earnings / (losses)	5,347	-298,381
IX. Profit / (loss) for the year	-6,334,889	-7,704,924

Total net equity	-475,752	2,062,150
B) Provisions for risks and charges		
4) Other	30,000	30,000
Total provisions for risks and charges	30,000	30,000
C) Employees' termination benefits		
292,611	292,611	223,974
D) Payables		
2) Convertible bonds		
- within 12 months	600,000	1,000,000
	<u>600,000</u>	<u>1,000,000</u>
3) Payables to shareholders for financing		
- within 12 months	-	27,214
	<u>-</u>	<u>27,214</u>
4) Payables to banks		
- within 12 months	935,359	411,189
- later than 12 months	761,502	-
	<u>1,696,861</u>	<u>411,189</u>
5) Payables for other financing		
- within 12 months	42,204	9,249
- later than 12 months	364,793	-
	<u>406,996</u>	<u>9,249</u>
6) Advances		
- within 12 months	171,556	135,551
	<u>171,556</u>	<u>135,551</u>
7) Payables to suppliers		
- within 12 months	2,501,125	2,259,658
	<u>2,501,125</u>	<u>2,259,658</u>
11) Amounts payable to Parent Companies		
- within 12 months	187,540	578,828
	<u>187,540</u>	<u>578,828</u>
11- bis) Payables to enterprises controlled by parent companies		
- within 12 months	224,540	92,433
	<u>224,540</u>	<u>92,433</u>
12) Tax payables		
- within 12 months	-	96,480
	<u>-</u>	<u>96,480</u>
13) Payables to social security and welfare institutions		
- within 12 months	116,672	127,153
	<u>116,672</u>	<u>127,153</u>
14) Other payables		
- within 12 months	4,548,858	4,400,459
	<u>4,548,858</u>	<u>4,400,459</u>
Total payables	10,454,147	9,138,214
E) Accruals and deferrals		
- Accruals and deferrals	110,740	103,318
Total accruals and deferrals	110,740	103,318
Total liabilities	10,411,746	11,557,657

Income statement	31.12.2020	31.12.2019
A) Value of production		
1) Revenues from sales and services	6,043,261	3,160,563
2) Change in work in process and finished goods	-1,438,222	1,560,336
4) Increase in internally generated fixed assets	1,141,371	-
5) Other revenues and income:		
- other	966,392	986,719
Total value of production	6,712,802	5,707,618
B) Costs of production		
6) Raw materials, ancillary consumables and goods	4,511,369	2,993,131
7) Services	3,314,637	3,736,827
8) Rents and leases	332,527	274,964
9) Personnel		
a) Salaries and wages	1,911,768	1,700,452
b) Social security and welfare contributions	619,799	636,086
c) Employees' termination benefits	136,886	107,825
e) Other costs	58,745	74,181
	<hr/>	<hr/>
	2,727,197	2,518,545
10) Amortisation, depreciation and write-downs		
a) Amortisation of intangible assets	1,000,721	1,495,953
b) Depreciation of tangible assets	803,844	1,267,898
	<hr/>	<hr/>
	1,804,565	2,763,851
13) Other provisions	-	3,318
14) Other operating expenses	199,288	1,034,185
Total costs of production	12,889,583	13,324,821
Difference between value and costs of production (A-B)	-6,176,781	-7,617,203
C) Financial income and expenses		
16) Other financial income:		
d) Financial income other than sources indicated above:		
- other	1,298	30
	<hr/>	<hr/>
	1,298	30
17) Interest and other financial expenses:		
- other	-60,496	-45,514
	<hr/>	<hr/>
	-60,496	-45,514
17 bis) Gains and losses on currency exchange	-98,911	-42,237
Total financial income and expenses	-158,109	-87,721
Net income before taxes (A-B±C±D)	-6,334,889	-7,704,924
20) Corporate income tax		
a) Current taxes	-	-
c) Deferred and prepaid taxes	-	-
	<hr/>	<hr/>
	-	-
21) Current earnings (losses)	-6,334,889	-7,704,924

Consolidated statement of cash flows

Cash flow from operations determined using indirect method

Description	31.12.2020	31.12.2019
A. Cash flow from operations		
Profit / (loss) for the year	-6,334,889	-7,704,924
Income tax	-	-
Interest expense/(income)	59,198	87,721
(Gains)/Losses from disposal of assets	15,276	-
1. Profit/(loss) for the year before tax, interest, dividends and gains/losses on disposal	-6,260,416	-7,617,203
<i>Adjustments for non-monetary elements with no contra-entry in net working capital</i>		
Additions to the provisions	136,886	119,933
Depreciation and amortisation of non-current assets	1,804,565	2,763,851
Write-downs from permanent impairments of value	-	-
Other adjustments for non-monetary items		742
2. Cash flows before changes in Net Working Capital	1,941,450	2,884,526
<i>Changes in net working capital</i>		
Decrease/(Increase) of inventories	1,514,768	-1,681,693
Decrease/(Increase) in trade receivables	-500,921	-79,254
Increase/(Decrease) in trade payables	241,467	414,670
Decrease/(Increase) in prepayments and accrued income	-59,682	128,603
Increase/(Decrease) in accrued liabilities and deferred income	7,422	14,142
Other changes in net working capital	170,006	5,143,644
<i>Total changes in net working capital</i>	<i>1,373,061</i>	<i>3,940,112</i>
3. Cash flows after changes in Net Working Capital	3,314,511	6,824,638
<i>Other adjustments</i>		
Interest received/(paid)	-59,198	-84,587
(Use of provisions)	-68,249	-70,928
<i>Total Other adjustments</i>	<i>-127,447</i>	<i>-155,515</i>
4. Cash flows after other adjustments	3,187,064	6,669,124
Cash flow from operations (A)	-3,073,352	-948,078
B. Cash flows from investment activities		
<i>Tangible assets</i>		
(Investments)	-243,741	-2,786,886
Price from realisation of divestments	-307,560	-2,786,886
	63,819	
<i>Intangible assets</i>		
(Investments)	-988,792	-146,234
Price from realisation of divestments	-988,792	-147,642
	-	1,408
<i>Financial assets</i>		
(Investments)	1,632	-14,242
	-	-14,242
Price from realisation of divestments	1,632	
Cash flow from investment activities (B)	-1,230,900	-2,947,362
C. Cash flows from financing activities		
<i>Third-party funds</i>		

Increase (Decrease) in short-term bank payables	166,146	-25,411
New loans	2,200,000	-
Repayment of loans	-82,727	-264,980
<i>Own funds</i>		
Paid capital increase	1,900,000	4,989,448
Cash flows from financing activities (C)	4,183,419	4,699,057
Increase (decrease) of cash and cash equivalents (A ± B ± C)	-120,833	803,618
Cash and cash equivalents at the beginning of the year	1,181,949	378,330
of which:		
bank and post office deposit accounts	1,181,407	378,099
cash and cash equivalents	541	378,330
Cash and cash equivalents at year-end	1,061,115	1,181,949
of which:		
bank and post office deposit accounts	1,060,265	1,181,407
cash and cash equivalents	850	541
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	-120,834	803,619

Modena, 30 March 2021

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 48,321,167.67
Share capital, issued and paid-up: Euro 306,409.82
Business registry 03592550366
Econ. Admin. Index 401221

Explanatory note for consolidated financial statement for financial year ending 31 December 2020

Introduction

Shareholders,

These consolidated financial statements relate to the financial year ending 31 December 2020. They show a consolidated loss for the period of Euro 6,334,889, 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 certainly already know, on 29 January 2016 the ordinary shares and warrants issued for the company were admitted to trading on the AIM Italia stock market regulated by Borsa Italiana SpA. Other extraordinary transactions were then carried out in order to strengthen the company and/or inject financial resources. These are illustrated in the following paragraph, to which please refer.

Business continuity assessment

Following Energica's signature of the sole constructor contract for the FIM Enel MotoE™ World Cup for the 2019-2022 period, measures were put in place to contain the Covid-19 pandemic in all the countries in which the Energica Group has its sales operations; this led to the postponement of certain deliveries until the second half of 2020. As the break-even point has not yet been reached, mainly due to the delay in development of the business compared to forecasts (as reflected in the updated budget and cash flow plan to 31 December 2021 approved by the Board of Directors on 30 March 2021), the Company has for some time had to increase its investments and working capital, and this requires further funding which has already been injected, as detailed below.

The Directors also noted that:

- in the 2020 financial year, the Energica Group achieved a negative result of Euro 6.3 million (negative by Euro 7.7 million in the 2019 financial year) and significant losses are also expected in the 2021 financial year in relation to the ongoing phase of business development. The loss led to a consolidated negative net equity position of Euro 476 thousand as of 31 December 2020. At 31 December 2020 and as of the financial reporting date (30 March 2021) 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 2020 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 the overheads; 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 second racing season was in 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; demand for the new series has had a positive impact on the 2020 revenues and order book, as of the reporting date.

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 achieve 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 in certain countries. The Energica Group has already successfully extended 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 the first half of 2020 the Energica Group strengthened its net equity with the full conversion into new shares of the Euro 1 million tranche of the previous convertible bond, subscribed on 6 September 2018 with Atlas Special Opportunities and Atlas Capital Markets;
- on 15 April 2020, the Company made an agreement with Negma Group Ltd for a capital increase of Euro 0.5 million, which was paid immediately, 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 Euro 3 million, giving a total of Euro 7 million) divided into 8 tranches of Euro 500,000. The first five tranches were drawn in 2020 and the early part of 2021, for a total of Euro 2.5 million (these were then fully converted into newly issued shares with net equity reinforced by the same amount); the subsequent tranches can be drawn 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, thanks to the “anti-Covid” public funding measures, Energica obtained a bank credit facility of Euro 0.2 million for advances on orders, and a loan of Euro 1.6 million; as of the reporting date (30 March 2021), a second line of bank credit of Euro 0.5 million was obtained to cover advance orders;
- 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 Srl 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 2020, Energica does not expect to repay the residual advance of Euro 4.1 million within 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; on 30 June 2020 the shareholder CRP Technology Srl also converted a receivable of Euro 260,793 into equity (reserve for future capital increase);
- 5 March 2021 saw the successful completion of a capital increase, with total funding of Euro 14.9 million through the subscription of 8,374,325 ordinary new-issue shares (1,376,500 shares allocated to subscribers, 6,128,706 shares allocated to Ideanomics Inc., and the remaining shares to CRP Technology), at a price per share of Euro 1.78. In detail: Energica raised Euro 10,909,091 from the investment agreement with Ideanomics, Euro 1,547,037 through the conversion into equity and share premium reserve of the reserves previously paid by the shareholders CRP Meccanica and CRP Technology, and Euro 2,450,170 from other investors; this produced a liquidity increase of approximately Euro 13.4 million.

The US company Ideanomics Inc., a Nasdaq-listed global enterprise focused on the convergence of natural services and disruptive tech industries, is a key shareholder in this transaction with 20% of the share capital.

In view of these aspects, in particular the capital increase that took place on 5 March 2021, which allowed the Group to restore a largely positive consolidated net equity position, to obtain adequate financial resources to settle the outstanding trade payables and to fund the investments needed for growth, the Directors have prepared the consolidated financial statements to 31 December 2020 on a going-concern basis.

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 amortisation 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 (including 4 years for the racing bikes used in MotoE and 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 inventories are valued at the cost of purchase or of production, as illustrated above, and the estimated realisable value deducible from market trends, 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 illustrated 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 2020 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 31.12.2020	Result at 31.12.2020	Shareholding quota	Book value of shareholding
Energica Motor Company Inc.	127 Goodwin Circle, Suite B- Mooresville, NC 28115	1 -	747,873 -	1,156,873	100%	-

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 values in the financial statement of the foreign subsidiary have been converted into euros by applying the exchange rate in effect at the date of closure of the financial year for assets and liabilities, and applying the average exchange rate over the year for the items in the income statement. The conversion differences arising from the conversion of the net 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 1.2271 for the asset balances (1.1234 on 31 December 2019) and 1.1422 for the income balances (1.1195 on 31 December 2019).

Assets

B) Fixed assets

I. Intangible assets

Movement of intangible assets

Category:	COST AT 31.12.2019	ACC. AMM. 31.12.2019	TOTAL	INCREASES	DECREASES	DEP. FUND 31.12.2020	FINAL VALUE
Start-up and expansion costs	1,775,465	(1,352,713)	422,752	9,541	-	(354,172)	78,121
Development costs	372,177	(334,959)	37,218	-	-	(37,218)	-
Patents and intellectual property rights	411,264	(295,857)	115,407	57,879	-	(90,658)	82,628
Concessions, licences, trademarks and other similar rights.	4,651,869	(4,100,395)	551,474	10,160	-	(475,723)	85,911
Intangible assets in progress	8,966	-	8,966	902,010	-	-	910,976
Other intangible assets	426,354	(160,274)	266,080	9,226	-	(42,951)	232,355
Total intangible assets	7,646,094	- 6,244,198	1,401,896	988,816	-	- 1,000,721	1,389,991

Start-up and expansion costs

This item consists mainly of the costs incurred in listing the shares in the company on the AIM Italia stock market on 29 January 2016, and the cost of subsequent capital increases.

Development costs

This entry consists of costs sustained in early 2015 for the development of the EGO electric motorcycle. These costs have been fully depreciated.

Concessions, licences, trademarks and other similar rights

This item includes the value of the "Energica" brand (Euro 53,532). The most significant proportion of this item, however, is the value of 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. The estimated useful life is 5 years. Depreciation of this item was completed on 31 December 2020.

Intangible assets in progress

With the approval of the Board of Statutory Auditors, this item includes the capitalisation of the development costs incurred during the financial year totalling Euro 836,429, namely Euro 1,141,371 net of the capital contribution of Euro 304,941 obtained following a funding scheme organised by the region of Lombardy.

The company has utilised an outright grant of 304,941 as an advance on the CEMP R&D project “Connected Electric Modular Powertrain system for use on 2, 3 and 4-wheelers” ID 1176773 launched on 2 December 2019.

The project was funded by the Call Hub Research and Innovation scheme named “Call for strategic research, development and innovation projects to upgrade Lombardy’s research and innovation ecosystem into an international hub” announced by the Region of Lombardy with the POR – FESR 2014-2020 funds.

These costs were classified under this heading, as the project was not yet completed as of 31 December 2020.

The costs pertain to the following projects:

- Activity 1 - R&D projects: innovative e-bikes and components;
- Activity 4 - Lombardy funding project - CEMP Connected Electric Modular Powertrain system for use on 2, 3 and 4-wheelers;
- Activity 5 - Emilia-Romagna funding scheme E-NOVA – Tech platform for the development of high-performance new-generation e-bikes with enhanced drivability and autonomy.

The capitalised costs are mainly personnel costs.

Other intangible assets

This item consists of the costs sustained by the Group in 2016 to transfer the offices and production operations to the new site in Soliera 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 31.12.2019	ACC. DEP. 31.12.2019	TOTAL	INCREASES	DECREASES	DEP. FUND 31.12.2020	FINAL VALUE
Plant and machinery	131,012	(61,110)	69,902	4,069	-	(23,459)	50,511
Equipment	1,656,512	(1,137,226)	519,286	223,489	-	(281,981)	460,794
Other assets	2,991,306	(1,103,061)	1,888,245	129,537	56,700	(498,403)	1,462,679
Tangible assets in progress	33,648	-	33,648	-	22,395	-	11,253
Total tangible assets	4,812,478	- 2,301,397	2,511,081	357,095	79,095	- 803,844	1,985,237

Industrial and commercial equipment

This item 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 631,136, of the EVA, EGO and ESSESSE9 models owned by Energica Group, which are used for internal technical testing and for marketing purposes.

It also includes the EGO CORSA bikes, currently used in the MotoE championship, which were capitalised at the gross value of Euro 1,955,000, depreciated throughout the duration of the championship, thus three years from 2019; in 2020 the working life was extended by one year following the extension of the championship until at least 2022.

As provided for in article 60 of decree law 104 of 14 August 2020, the Company took up the option available in the 2020 financial year to suspend depreciation on bikes used for marketing purposes, following their reduced utility as a result of the adverse effects of the Covid-19 pandemic.

The total depreciation suspended and not recognised in 2020 amounts to Euro 143,880, with an equivalent effect on the consolidated loss and consolidated equity as of 31 December 2020.

Assets under construction and advances

This item includes some of the tools used in the development of the motorbikes.

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 17,684 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 2020, net of advances to suppliers totalling Euro 33,033, equates to Euro 3,099,230 for production in progress and semi-finished products, and Euro 853,262 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 2020 – allocated a finished product write-down provision of Euro 310,478, which is a decrease of Euro 119,625 compared to the Euro 430,103 in the write-down provision as of 31 December 2019.

II. Receivables

The total for current assets receivables is Euro 1,830,464. The increase in receivables compared to the financial statements for the year ending 31.12.2019 is Euro 1,019,433.

Receivables are broken down by type as follows:

Description	31.12.2020	31.12.2019	Change
From customers	704,451	203,530	500,921
From parent companies	29,260	29,260	-
To concerns controlled by parent companies	13,680	-	13,680
For tax receivables	1,029,495	562,627	466,868
From others	53,578	15,615	37,963
Total receivables	1,830,464	811,031	1,019,433

Trade receivables have increased by Euro 500,921 compared to 31 December 2019, as a result of the increase in sales revenues.

The receivables from parent companies consist of the residual part of the tax income that Energica Motor Company SpA has accrued from the majority shareholder CRP Meccanica Srl in past years, under the fiscal consolidation agreement between them.

The tax receivables include the VAT credit of Euro 225,797 accrued by Energica Motor Company SpA during the period, as a result of the higher volume of purchases made in Italy during 2020 compared to Italian sales. This credit is used on a monthly basis to compensate for payables to tax authorities and social security organisations.

They also include Euro 808,254 being a tax credit for research and development relating to the activities performed between 2015 and 2020. Of that amount, Euro 102,202 was carried as a direct reduction of the tax payables to 31 December 2020 as these can be offset.

Over the course of 2015 to 2019 the Company carried out research and development, directing its efforts in particular towards projects considered to be particularly innovative:

- Activity 1 “Design of innovative components for the experimentation of new e-bikes”.

In 2020 the company worked on innovative pre-competitive activities, directing its efforts into the following projects:

- Activity 1 - R&D projects: innovative e-bikes and components;
- Activity 2 - Innovation projects, with expansion of the series: RS, Eva Ribelle and Moto E;
- Activity 3 - Project Innovation 4.0: Big Data;
- Activity 4 - Lombardy funding project - CEMP Connected Electric Modular Powertrain system for use on 2, 3 and 4-wheelers;
- Activity 5 - Emilia-Romagna funding scheme E-NOVA – Tech platform for the development of high-performance new-generation e-bikes with enhanced drivability and autonomy.

These projects were managed at the site in Soliera (Modena) and also at the branch in Cabiato (Como). Research and development will continue during 2021.

We trust that the positive outcome of these innovations will generate good results in terms of sales, with a favourable impact on the company’s economic situation.

According to the principle of conservatism, advance taxes on corporation tax losses transferred to the parent company in 2020 and in previous years are not recognised if their recovery is not certain.

Receivables as of 31 December 2020 are broken down in the following table in accordance with due period:

Description	within 12 months	later than 12 months	5 years	31.12.2020	repurchase transactions
From customers	704,451	-	-	704,451	-
From parent companies	29,260	-	-	29,260	-
To concerns controlled by parent companies	13,680	-	-	13,680	-
For tax receivables	1,029,495	-	-	1,029,495	-
From others	53,466	113	-	53,578	-
Total receivables	1,830,351	113	-	1,830,464	-

Receivables as of 31 December 2020 are broken down in the following table in accordance with geographic area:

Description	From customers	From parent companies	To concerns controlled by parent companies	Tax receivables	receivables from others	balance on 31/12/2020
Italy	203,941	29,260	13,680	1,029,495	53,117	1,329,493
Foreign	500,510	-	-	-	462	500,972
Total receivables	704,451	29,260	13,680	1,029,495	53,578	1,830,463

Receivables originally in currencies other than euros 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	31.12.2020	31.12.2019	Change
Bank and post office deposit accounts	1,060,265	1,181,407	- 121,142
Cash on hand	850	541	309
Total cash and cash equivalents	1,061,115	1,181,949	- 120,834

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; this is regardless of the date of payment or receipt of the relative income and expenses, they are common to two or more financial years and are subdivisible over time. As of 31 December 2020, there were no accruals or deferrals over five years. The composition of this line is as follows:

Description	31.12.2020	31.12.2019	Change
Accrued income	24,307	3,345	20,962
Prepayments	78,383	39,663	38,720
Total accruals and deferrals	102,690	43,008	59,682

On 31 December 2020 most of the prepayments related to the cost of the convertible bond.

Liabilities**A) Net equity**

The changes in consolidated net equity in 2020 and in the previous financial year are detailed in the following table:

- The net equity movements in the financial year 2020:

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 31/12/2019	174,129	4,965,502	-17,519	4,943,343	0	-298,381	-7,704,924	2,062,150
Loss allowance		-8,011,236				306,312	7,704,924	0
Net change in fair value of hedging transactions								0
Conversion reserve			72,278			-2,584		69,694
Capital increase	41,811	6,981,789		-3,296,307				3,727,293
Earnings (losses) for period							-6,334,889	-6,334,889
Net assets on 31/12/2020	215,940	3,936,055	54,759	1,647,036	-	5,347	-6,334,889	475,751

- 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	4,768,826
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	-	298,381	-7,704,924	2,062,150

In 2020, the bonds posted as financial liabilities of Euro 1,000,000 as of 31 December 2019 were converted entirely into shares, with an equivalent increase in net equity.

On 15 April 2020, the Company signed an agreement with Negma Group Ltd for a reserved capital increase of Euro 0.5 million (this was paid immediately), and for the issue of a convertible bond totalling Euro 4 million which can be extended to Euro 7 million.

During the financial year, Euro 2,000,000 of bonds were issued, subscribed by Negma Group Ltd. Euro 1,400,000 had been converted into shares as of 31 December 2020, with an equivalent increase in net equity.

The shareholders meeting of 15 April 2020 approved the issue of ordinary shares to convert the reserves for the future capital increase paid by the shareholders CRP Meccanica and CRP Technology, for a total of Euro 4.1 million, of which approximately Euro 3.3 million were already converted in the 2020 financial year.

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

Nature/description	Sum	Possibility of use (*)	Share available
Capital	215,940	B	-
Total	215,940		-
Non-distributable share	215,940		-
Remaining distributable share	215,940		-
Capital reserve	-		-
Capital contribution reserve	-	A, B, C	-
Conversion reserve	54,759		
Share premium reserve	3,936,055	A, B	3,936,055
Future capital contribution reserve	1,647,036	A	1,647,036
Reserve for hedging operations of expected derivatives cash flows	-	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 2020 is Euro 6,334,889.

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 has not changed compared to the balance on 31.12.2019.

C) Employees' termination benefits

The provisions set aside consist of the liabilities for towards employees of the company accrued as of 31 December 2020, net of any advances paid, for a total of Euro 292,611.

D) Payables

Payables amounted to Euro 10,454,147 as of 31 December 2020. The increase in payables compared to the year ending 31.12.2019 was Euro 1,315,933, as can be seen from the table below.

Description	31.12.2020	31.12.2019	Change
Convertible bonds	600,000	1,000,000	- 400,000
Payables to shareholders for financing	-	27,214	- 27,214
Payables to banks	1,696,861	411,189	1,285,671
Payables for other financing	406,996	9,249	397,747
Advances	171,556	135,551	36,005
Payables to suppliers	2,501,125	2,259,658	241,467
Amounts payable to Parent Companies	187,540	578,828	- 391,288
Payables to concerns controlled by parent companies	224,540	92,433	132,107
Tax payables	-	96,480	- 96,480
Payables to social security and welfare institutions	116,672	127,153	- 10,481
Other payables	4,548,858	4,400,459	148,399
Total payables	10,454,147	9,138,214	1,315,932

Payables as of 31 December 2020 are valued at their nominal values, and broken down by due period as follows:

Description	within 12 months	later than 12 months	31.12.2020
Convertible bonds	600,000	-	600,000
Payables to shareholders for financing	-	-	-
Payables to banks	935,359	761,502	1,696,861
Payables for other financing	42,204	364,793	406,996
Advances	171,556	-	171,556
Payables to suppliers	2,501,125	-	2,501,125
Amounts payable to Parent Companies	187,540	-	187,540
Payables to concerns controlled by parent companies	224,540	-	224,540
Tax payables	-	-	-
Payables to social security and welfare institutions	116,672	-	116,672
Other payables	4,548,858	-	4,548,858
Total payables	9,327,853	1,126,294	10,454,147

Payables as of 31 December 2020 are broken down in the following table in accordance with geographic area:

Payables by geographic area	Payables to banks	Payables for other financing	Advances	Payables to suppliers	Amounts payable to Parent Companies	Payables to concerns controlled by parent companies	Payables to social security and welfare institutions	Other payables	Total 31.12.2020
Italy	1,696,861	342,204	11,578	2,102,656	187,540	223,051	116,672	4,533,988	9,214,548
Foreign	-	64,793	159,978	398,469	-	1,489	-	14,871	1,239,599
Total	1,696,861	406,996	171,556	2,501,125	187,540	224,540	116,672	4,548,858	10,454,147

Payables as of 31 December 2020 are detailed as follows:

Description	31.12.2020
Convertible bonds	600,000
Payables to banks	1,696,861
Payables to Unicredit SpA	479,536
Payables to Intesa Sanpaolo SpA	817,273
Payables to Banco BPM	400,000
Payables to BPER	52
Payables for other financing	406,996
Payables to GeneralFinance SpA	33,355
Payables to Simest	300,000
Customer advances account	171,556
Suppliers of goods and services	2,501,125
Italian suppliers	2,102,656
Foreign suppliers	398,469
Amounts payable to the Parent Company	187,540
Payables to CRP Meccanica srl	187,540
Payables to enterprises controlled by parent companies	224,540
Payable to CRP Service srl	144,137
Payable to CRP Technology	78,914
Payables to pension funds and social security institutions	116,672
Payables to INPS, INAIL, COMETA, PREVINDAI...	116,672
Other payables	4,548,858
Holidays and leave not taken by employees	135,221
Payable to employees	124,890
Other payables	4,277,687
Total	10,454,147

Convertible bonds

The amount payable for the convertible bond, of Euro 1,000,000 as of 31 December 2019, relates to the finance and investment agreement made with Atlas Special Opportunities (“Atlas”) and Atlas Capital Markets (“ACM”) for the issue of a convertible bond cum warrant for a total of Euro 5 million. The liability as posted 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.

In 15 April 2020, the Company signed an agreement with Negma Group Ltd for a reserved capital increase of Euro 0.5 million (this was paid immediately), and for the issue of a convertible bond of Euro 4 million extendable up to Euro 7 million.

During the financial year, Euro 2,000,000 of bonds were issued, subscribed by Negma Group Ltd. Euro 1,400,000 had been converted into shares as of 31 December 2020, with an equivalent increase in net equity.

Payables to shareholders

Payables to shareholders relate to the interest accruing on the loan converted in 2018 into the reserve for future capital increase, by the shareholder CRP Technology Srl; they were converted into a reserve for the future capital increase during the 2020 financial year.

Payables to banks

The balance of bank payables as of 31 December 2020 relates:

- to the invoice advance of Euro 479,537 received from UniCredit SpA;
- to two loans totalling Euro 817,273, taken out with Intesa Sanpaolo during the year;
- to the loan of Euro 400,000, taken out with Banco BPM during the year.

Payables for other financing

The balance of payables to other lenders includes the loan from Simest of Euro 300,000, the amount payable to GeneralFinance SpA of Euro 33,355 and the amount payable to the US lenders, of Euro 71,001.

Payables to concerns controlled by parent companies

The Receivables from companies subject to control of parent companies include the amounts payable to CRP Service, CRP Technology and CRP USA LLC.

On 30 June 2020, the shareholder CRP Technology Srl converted into capital (reserve for future capital increase) a receivable of Euro 233,580.

Tax payables

The tax credit for R&D relating to the activities performed between 2015 and 2020 were carried as to Euro 102,202 as a direct reduction of the tax payables to 31 December 2020 as these can be offset.

Other payables

The total for other payables as of 31 December 2020 is Euro 4,548,858, increasing by Euro 148,399 over the value as of 31 December 2019.

They mainly relate to 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 posted by the Company as the initial receipt of compensation for the destroyed racing equipment, which was posted for the same amount of approximately Euro 1 million as a cost in 2019.

None of these payables is secured by a collateral guarantee 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 2020 there were no accruals or deferrals over five years. The composition of this line is as follows:

Description	31.12.2020	31.12.2019	Change
Deferred income	13,939	6,967	6,972
Accrued expenses	96,801	96,352	450
Total accruals and deferrals	110,740	103,318	7,422

Income statement**A) Value of production**

The value of production is as follows:

Description	31.12.2020	31.12.2019	Change
Revenues from sales and services	6,043,261	3,160,563	2,882,699
Change in work in process and finished goods	-1,438,222	1,560,336	-2,998,558
Increase in internally generated fixed assets	1,141,371	0	1,141,371
Other revenues and income	966,392	986,719	-20,327
Total revenues	6,712,802	5,707,618	1,005,184

The item “Revenues from sales and services” relates to the sale of electric bikes and parts for Euro 4,876 thousand (Euro 2,185 thousand as at 31 December 2019), to the revenues from the FIM Enel MotoE championship of Euro 648 thousand (Euro 682 thousand to 31 December 2019), as well as sponsorship revenues of Euro 520 thousand (Euro 293 thousand as at 31 December 2019).

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

Revenues by geographic area	31.12.2020
Italy	635,542
Foreign	5,407,719
Total	6,043,261

Euro 1,141,371 of the item “Increase in internally generated fixed assets” relates to the capitalisation of the development costs incurred during the 2020 financial year, mainly in respect of personnel costs as described in the paragraph “Intangible assets”.

The item “Other income and revenues” in 2020 amounted to Euro 966,392 and it mainly includes tax credits for research and development for the financial years 2015-2020, equal to Euro 808,254.

B) Costs of production

The costs of production are as follows:

Description	31.12.2020	31.12.2019	Change
Raw materials, ancillary consumables and goods	4,511,369	2,993,131	1,518,238
Services	3,314,637	3,736,827	-422,190
Rents and leases	332,527	274,964	57,563
Salaries and wages	1,911,768	1,700,452	211,316
Social security and welfare contributions	619,799	636,086	-16,287
Employees' termination benefits	136,886	107,825	29,060
Other costs	58,745	74,181	-15,437
Amortisation of intangible fixed assets	1,000,721	1,495,953	-495,232
Depreciation of tangible fixed assets	803,844	1,267,898	-464,054
Other provisions	0	3,318	-3,318
Other operating expenses	199,288	1,034,185	-834,897
Total cost of production	12,889,583	13,324,821	-435,238

Costs for raw materials, subsidiary materials, consumables and goods

These costs totalled Euro 4,511,369 compared with Euro 2,993,131 for the previous year, and are posted net of any discounts, allowances and premiums on purchases granted by suppliers.

These are strictly correlated with item A (value of production) of the income statement, and with the procurement policy to cover the planned production requirements.

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

Costs for services

The "costs for services" amount to Euro 3,314,637, a reduction compared to the Euro 3,736,827 posted in 2019. These costs are primarily attributable to the following expenses: advertising, marketing and attendance at trade shows (Euro 826,177), expenses related to the listing of shares on the AIM stock exchange and contracts for convertible bonds (Euro 237,276), technical, commercial and administrative consulting services (Euro 848,988), outsourced work (Euro 478,641) and transport (Euro 259,369). The reduction is mainly due to having incurred fewer advertising costs, lower costs of the AIM stock exchange listing and of the convertible bond contracts, and the lower costs of technical, commercial and administrative consulting and outsourcing.

Cost of rents and leases

These costs, totalling Euro 332,527, 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 2020 were Euro 2,727,197.

The average workforce for 2020 was 58 employees, including 1 senior manager, 2 middle managers, 33 clerical workers and 22 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	31.12.2020	31.12.2019	Change
Other financial income:	1,298	30	1,268
(interest and other financial expenses)	-60,496	-45,514	-14,981
Gains and losses on currency exchange	-98,911	-42,237	-56,674
Total financial income and expenses	-158,109	-87,721	-70,388

The balance of interest and other financial charges in 2020, for a total of Euro 60,496, consists primarily of interest payable on the current bank account of Euro 26,095, Euro 13,302 interest payable on loans, while Euro 17,120 is bank commission.

20) Income taxes for the year

As the Company again posted a significant loss on 31 December 2020, prudentially there was no entry as of that date (as happened on 31 December 2019) 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 2020, the statement of cash flows shows a decrease of Euro 120,834 in cash and cash equivalents.

This balance is the result of the following:

- income management, which absorbed resources to the value of Euro 3,073,352;
- investment activities, which absorbed resources of Euro 1,230,900;
- financing activities, which generated resources of Euro 4,183,419.

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

The Group uses the financial instruments offered by the market solely in order to cover against the risk of fluctuation in interest and currency exchange rates.

The fair values and information concerning the value and nature of each category of financial instrument used by the company are given as follows:

Type of contract	transaction date	expiry date	notional value	Mark to market (fair value)	purpose	Underlying financial risk
Interest Rate Swap Euribor 1 month	03/06/2020	03/06/2026	400,000	- 3,479	coverage	interest risk
Interest Rate Swap Euribor 3 months	05/10/2020	05/10/2026	400,000	- 7,484	coverage	interest risk

Items of income or expenditure of extraordinary size or incidence

In accordance with Art. 2427, para. 13 of the Civil Code, please note that in financial years 2019 and 2020 there were no items of income or expenditure of an extraordinary amount or impact other than the following:

- the costs and income of an equivalent amount of approximately Euro 1 million and thus with no impact on the result for the 2019 financial year, relating to the fire at Jerez in March 2019;
- the income from the tax credits for research and development for the financial years 2015-2020, equal to Euro 808,254, which were recognised as a single amount in the 2020 financial year;
- the income from “Increases in internally generated fixed assets” of Euro 1,141,371, relating to the capitalisation of the development costs incurred in 2020, mainly in respect of personnel costs.

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:

	31.12.2020
Administrators	15,000
Board of Statutory Auditors	22,000

Note that the company shareholders meeting approved a remuneration for 2020 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 2020 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 2020 were Euro 15,000.

Information pursuant to Article 1, para. 125, of Law No. 124 of 4 August 2017

Para. 125 – Contributions, subsidies and economic benefits received

In accordance with article 1 paragraph 125 of law 124 of 4 August 2017 and in compliance with the transparency obligation, please note that during the 2020 financial year the Company did not receive any subsidies, contributions, paid mandates or other economic benefits from any public authorities and/or parties referred to in the first sentence of paragraph 125 of article 1 of law 124/2017, other than those indicated below:

Paying entity	Grant received	Reason	Date received
Region of Lombardy	304,941.27	"POR FESR 2014-2020 - Call HUB Research and Innovation" CUP E69J20000080007	19/12/2020
COMMISSARIAT A L ENERGIE ATOMIQUE ET AUXBATIMENT	46,971.88	Call FED4SAE	27/04/2020 and 16/12/2020
Revenue Agency	18,008.00	Grant: Art. 25 Decree Law no. 34/2020	07/07/2020

The Company received the following guarantees from the Guarantee Fund for Small and Medium Enterprises set up pursuant to article 2 paragraph 100 a) of law no. 662/96:

- guarantee from Mediocredito Centrale equal to 90% of the Euro 400,000 loan granted by INTESA SANPAOLO (aid provided under section 3.1 of the Temporary Aid Framework: Euro 7,129.39);
- guarantee from Mediocredito Centrale equal to 90% of the Euro 400,000 loan granted by BANCO BPM (aid provided under section 3.1 of the Temporary Aid Framework: Euro 7,129.39);
- guarantee from Mediocredito Centrale equal to 90% of the Euro 500,000 loan granted by INTESA SANPAOLO (aid provided under section 3.1 of the Temporary Aid Framework: Euro 1,125).

During the year, a loan was granted by Simest, of Euro 300,000 at a special rate (de minimis rate: Euro 41,477).

Finally, during the financial year the Company obtained a tax credit for the rental on non-residential properties and business leases as provided for under article 28 of decree law 34 of 2020, in the amount of Euro 29,365.

For details of the State assistance and de minimis aid, which are required to be reported to the National Register of State Aid (Article 52 of law 234/2012), please make reference to that register.

Para. 126 - Deeds of subsidy, contributions and economic benefits

During the 2020 financial year, the Company did not enter into any formal agreement for any subsidy, contribution, aid or other economic benefit with any individuals or public or private bodies.

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 2020, 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

Company Management considers that the positive growth in sales seen in 2020 can continue in 2021 – unless there are unforeseeable developments in the markets connected to the effects of the Covid-19 pandemic. This is thanks to the growing brand awareness of the Group, the development of the e-mobility infrastructure network, and the creation of new global sales agreements and partnerships for Energica bikes.

The value of the order book has now reached 3.6 million Euro, which equates to 60% of the total turnover for 2020. A major order of more than Euro 0.8 million has come in from a Taiwanese importer.

Finally:

- The third season of the FIM Enel MotoE championship officially began in March 2021 at the Jerez de la Frontera circuits, with the first session of official testing (not a feature last year). This year the championship will involve seven European races over six weekends.
- The Group can confirm a growth trend partly thanks to the production efficiencies generated by the increased volumes and the optimisation of the supply chain.
- There may be delays in delivering to customers due to global shortages worldwide shortages in electronic components, as well as delays by other suppliers due to the ongoing Covid emergency in Italy and abroad. At the moment, the declared forecast of financial break-even by 2022, remains in place.
- Energica has launched a plan of investments for 2021 in order to develop the cost-saving plan. The objective is to reduce the costs of production by 2% from the first half of 2021, arriving at a saving of 19% by the end of the second half of the year 2021. The Company is aiming to improve the average cost of production by 8% in 2021 and by more than 20% in 2022. The plan envisages a total investment of Euro 2.2 million, of which Euro 1.9 million goes to the R&D sector.
- In the first few weeks of 2021, the Group launched a strategic marketing plan to support the international launch of the MY2021 series with the RS E Kit versions; in tandem with this, the plan also benefited from the positive response to the second MotoE season.
- In January and February 2021, all the bonds subscribed by the Negma Group for Euro 1.1

million (of which Euro 600,000 was posted among financial payables to 31 December 2020) were converted into shares with an equivalent increase in consolidated equity; to date, there are no other bonds in circulation.

- 5 March 2021 marked the successful completion of the share capital increase with a share premium of Euro 14.9 million. The US company Ideanomics Inc., a Nasdaq-listed global enterprise focused on the convergence of natural services and disruptive tech industries, is a key shareholder in this transaction with 20% of the share capital.

These consolidated financial statements to 31 December 2020, 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 2020, of the income situation for the year 2020, and they correspond to the accounting records.

Modena, 30 March 2021

For the Board of Directors

The Chairman
Mr. Franco Cevolini