

K.R.ENERGY S.p.A.:
Communication pursuant to art. 114, paragraph 5, of Legislative Decree no. 58/1998

S. Potito Sannitico, 28th September 2018 - K.R.Energy S.p.A. (or the "Company"), pursuant to and for the purposes of Article 114, paragraph 5, of Legislative Decree no. 58/1998, in compliance with Consob request of 14.07.2009, prot. 9065375, proc. 20094491/1 according to the procedures set out in Part III, Title II, Chapter I of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments.

COMMUNICATES

a. The net financial position of the Company and the Group, with the identification of short-term components separately from medium/long-term components

<i>(information expressed in thousands of euros)</i>		<i>K.R.Energy S.p.A.</i>		<i>K.R.Energy Group</i>	
		<i>august-18</i>	<i>july-18</i>	<i>august-18</i>	<i>july-18</i>
Cash and cash equivalents	A	6.198	17.208	7.898	17.995
Securities held for trading	B	-	-	-	-
Liquidity C = (A + B)	C	6.198	17.208	7.898	17.995
Current financial receivables	D	17.229	11.230	109	109
Of which with related parties		17.225	11.226	105	105
Current bank receivables	E	-	-	250	250
Current bank payables	E	-	-	(17.682)	(24.104)
Current portion of non-current payables	F	-	-	(4.182)	(4.175)
Of which with related parties					
Other current financial payables	G	(343)	(5.074)	(543)	(544)
Of which with related parties		(312)	(5.043)	(22)	(22)
Current financial (indebtedness) H = (E + F + G)	H	(343)	(5.074)	(22.157)	(28.573)
Net current financial (indebtedness) I = (C + D + H)	I	23.084	23.364	(14.150)	(10.469)
Non-current bank receivables	J	-	-	-	-
Non-current bank payables	J	-	-	(17.191)	(17.191)
Bonds issued	K	-	-	-	-
Other non-current payables	L	-	-	(1.090)	(1.123)
Of which with related parties					
Non-current financial (indebtedness) M = (J + K + L)	M	-	-	(18.281)	(18.314)
Net financial position of continuing operations N = (I + M)	N	23.084	23.364	(32.431)	(28.783)

Below is a commentary on the main components of the financial position, both at individual and consolidated level.

Following the decision taken by the Board of Directors to dispose of the assets in the portfolio in the renewable energy sector, the figures relating to the net financial position of the assets being disposed of in the photovoltaic sector (Murge Green Power S.r.l.), hydroelectric sector (Idroelettrica Tosco Emiliana S.r.l., Italdro S.r.l.) and mini-wind sector (Krenergy Undici S.r.l.) are shown separately.

At August 31, 2018, at individual level, **the net financial position of K.R.Energy S.p.A.'s operating activities** was positive for Euro 23.084 thousand, compared to the positive result of Euro 23.364 thousand in the previous month.

Cash and cash equivalents amounted to Euro 6.198 thousand and *current financial receivables* amounted to Euro 17.229 thousand. Receivables refer to cash pooling transactions with subsidiaries. *Other financial payables* include payables to group companies in the context of *cash pooling* transactions.

At 31 August 2018, the **consolidated net financial position for continuing operations** amounted to a negative result of Euro 32.431 thousand, an increase compared to the negative result of Euro 28.783 thousand of the previous month. The consolidated net debt, compared to that of the Company, is mainly due, for the current part, to the use of credit lines to support the operational management of the electric accumulators business line and for the non-current part to loans taken out for existing investments.

Below is a comment on the main changes in the **consolidated net current financial indebtedness** of the businesses in operation between the month in question and the previous month.

Cash and cash equivalents at the end of the month in question amounted to Euro 7.898 thousand. *Current financial receivables* amount to Euro 109 thousand and mainly refer to financial receivables from related parties. *Current bank receivables*, equal to Euro 250 thousand, refer to restricted availability, while *current bank payables*, equal to Euro 17.682 thousand, refer mainly to the use of credit lines to support the ordinary management of group companies. The *current portion of non-current indebtedness*, amounting to a negative result of Euro 4.182 thousand, is attributable to the instalments due within the next 12 months of medium/long-term loans granted to certain subsidiaries.

Other current financial payables, amounting to Euro 543 thousand, mainly include short-term portions of financial payables relating to leasing contracts for Euro 415 thousand and payables to related parties for Euro 22 thousand, mainly to the parent company Industrial.

The consolidated non-current financial indebtedness of operating assets amounted to a negative result of Euro 18.281 thousand compared to Euro 18.314 thousand in the previous month. This item mainly refers to *non-current bank payables* for a total of Euro 17.191 thousand, relating to instalments due beyond the next 12 months of medium/long-term loans granted to subsidiaries.

Other *non-current net payables* at the end of the period in question amount to Euro 1.090 thousand and mainly include the long-term instalments of financial payables relating to leasing contracts.

Below is a commentary on the main components of the financial position, both at individual and consolidated level, relating to the assets being disposed of. Compared to the previous month, the discontinued operations also included Krenergy Undici S.r.l., a company operating in the mini-wind sector, following the signing of a preliminary sale agreement at the end of September. This re-exposure has no financial impact.

(information expressed in thousands of euros)	K.R.Energy S.p.A.		K.R.Energy Group	
	august-18	july-18	august-18	july-18

Net financial position of continuing operations	N	23.084	23.364	(32.431)	(28.783)
Net financial position of discontinued operations	O	605	598	(20.788)	(20.844)
Net financial position P = (N + O)		23.689	23.962	(53.219)	(49.627)

At August 31st, 2018, the **consolidated net financial position of the assets held for sale**, specifically the assets held in the photovoltaic (Murge Green Power S.r.l.) and hydroelectric (Idroelettrica Tosco Emiliana S.r.l. and Italdro S.r.l.) sectors, amounted to 20.788.000 euros and, compared with the Company's net financial position, was mainly attributable to loans and leases, net of cash and cash equivalents and the fair value of an interest rate swap contract.

The **Net financial position of discontinued operations** includes (i) cash and cash equivalents (1.191.000 euros), (ii) financial receivables (233.000 euros), (iii) current bank receivables used to repay loans (800.000 euros), and (iv) loans (16.000 euros), (v) the fair value measurement of an interest rate swap contract entered into by the Group to hedge interest rate risks (€2.418 thousand - €2.382 thousand in the previous month), (vi) financial payables relating to leasing contracts (€4.569 thousand).

As a result of the above, the **consolidated net financial position** of the K.R.Energy Group was negative for Euro 53.219 thousand compared to the negative result of Euro 49.627 thousand in the previous month.

b. K.R.Energy Group's past due debt positions broken down by type (financial, commercial, tax and social security) and any related initiatives of reaction by the Group's creditors (reminders, injunctions, supply suspensions, etc.).

Below are the updated data compared with those of the previous month.

Kind of payables (information expressed in thousands of Euros)	K.R.Energy S.p.A.		K.R.Energy Group	
	august-18	july-18	august-18	july-18
Trade payables	985	1.033	7.308	7.224
Tax payables			194	196
Payables to other financial institutions			110	1
Payables to banks			31	31
Other payables			1.786	1.786

Past due trade payables include 90.000 euros in positions long since unrecognized by K.R.Energy S.p.A. and 338.000 euros by the Group, while *other payables* include 99.000 euros for these positions. The payment orders amount to Euro 282 thousand, of which Euro 169 thousand is in dispute.

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c. Transactions with related parties of the Company and the K.R.Energy Group

The following table shows the transactions between the various companies that were part of the Group during the period under examination. Information is also provided in relation to transactions with related parties, including the transactions required by international accounting standard IAS 24.

Transactions with Subsidiaries

Transactions between companies included in the scope of consolidation mainly relate to: (i) provision of administrative, technical and legal services and management of common services, (ii) provision of loans and issue of guarantees, (iii) transactions with subsidiaries as part of the consolidated corporate income tax (IRES) return and group VAT return, (iv) transactions for the supply of products and semi-finished goods between companies included in the scope of consolidation and recognition of royalties.

Transactions with subsidiaries, regulated at market conditions (with the exception of treasury transactions and certain loans granted to non-operating controlled vehicles, which do not bear interest), are eliminated in the preparation of the annual consolidated financial statements, the condensed consolidated half-year financial statements and the other consolidated interim financial statements.

Transactions with the parent company and/or other companies in the group to which they belong and shareholders who hold significant stakes in the Company's capital

Vittorio Civitillo, a director with delegated powers in K.R.Energy S.p.A. and Chairman and Managing Director of the subsidiary Seri Industrial S.p.A., indirectly holds through Industrial S.p.A. shares corresponding to a total of 65,56% of the share capital of the Company. Vittorio Civitillo is the reference shareholder of Industrial S.p.A. ("Industrial"), which is 100% owned by SE.R.I. S.p.A. ("SE.R.I."), the latter controlled by Vittorio Civitillo, who owns 50,41% of it.

Exponents of the Civitillo family (the father Giacomo and the brothers Andrea and Marco) are members of the administrative bodies of the main companies of the KRE Group.

SE.R.I. and Industrial have undertaken to guarantee and indemnify in the context of factoring agreements relating to trade receivables by the main subsidiaries. In particular, by private agreements dated April 26, 2018, SE.R.I. and Industrial signed two separate guarantee agreements with Seri Plast, ICS, FIB (the "Transferor Companies") with which they undertook to guarantee and indemnify these companies against any claim and/or request made by the factoring companies, resulting from the non-payment by the debtors (transferred) of receivables claimed and transferred by these companies. Should one of the factoring companies indicated below request, by virtue of assignments "with recourse" of receivables, the retrocession of the assigned receivables and/or the return of the advance for non-payment of the assigned receivables, SE.R.I. or Industrial have undertaken to indemnify and hold harmless the assigning companies from the claims made by the factoring company. These agreements have been subject to the RPT Procedure and the relative content has been illustrated in the information document "for transactions with related parties of greater importance" of May 3, 2018 made available to the public pursuant to article 5 of the Consob Related Parties Regulation on the Company's website www.kreenergy.it. For the above guarantee commitment and indemnification, each of the assigning companies will pay SE.R.I. or Industrial a lump sum equal to 0,2% of its assigned receivables. In the event that such a guarantee is activated, the transferor companies are required to assign back to SE.R.I. or Industrial the receivables assigned but not paid to the factoring company, in order to allow for their possible recovery, including judicial recovery.

Furthermore, on November 19, 2016, Industrial, as lender, and Seri Industrial, as beneficiary, signed a loan agreement through which Industrial undertook to grant Seri Industrial a loan for a total maximum amount of Euro 40 million, bearing interest at 7% per annum, with a duration of 7 years (the "Industrial Loan Agreement"), aimed at implementing the investment project called Lithium Project to be used in one or more solutions, no later than December 31, 2018. Following the stipulation of a syndicated loan with the banking system granted in favour of the related party Pmimmobiliare S.r.l. with express restriction of destination in favour of FIB, on 12 February 2018 Industrial and Seri Industrial entered into an agreement for the execution of the Industrial Facilities Agreement with which the former granted the latter a revolving credit line for a total maximum amount of Euro 14 million.

These agreements have been subject to the RPT Procedure and the relative content is illustrated in the information document "for transactions with related parties of greater importance" of 18 December 2017 made available to the public pursuant to Article 5 of the Consob Related Parties Regulation on the Company's website www.kreenergy.it.

Also in relation to the Lithium Project, following the signing of a subsidized loan contract, pursuant to the decree of 9.12.2014 of the Ministry of Economic Development with Invitalia, for a total maximum amount of € 19,921 million between the subsidiary Fib S.r.l. and Invitalia, Pmimmobiliare S.r.l. ("PM") has issued a first-degree mortgage guarantee for the same amount on real estate owned by it, for an annual fee equal to 1,5% of the guaranteed amount. The guarantee issued by PM, as part of the subsidised loan, was not subject to the procedural rules laid down in the Procedure approved by the company in accordance with art. 6,7 of the same.

Vittorio Civitillo, his brother Andrea Civitillo, Industrial and SE.R.I. have issued commitments and guarantees in favour of credit institutions and leasing companies in relation to credit lines granted, among other things, to companies belonging to Seri Industrial for the benefit and in the interest of the same. In July 2018, Industrial S.p.A. lodged a guarantor within the framework of a loan agreement granted by a credit institution to an investee company for a total value of Euro 2,5 million.

Through Industrial and SE.R.I. S.p.A., factoring companies and banks have granted the Italian companies of the Seri Industrial Group the possibility of using advances on short-term receivables and credit lines.

The investee company Seri Industrial and its subsidiaries have lease agreements with Pmimmobiliare S.r.l. and Azienda Agricola Quercete s.r.l., companies indirectly controlled by Vittorio Civitillo, for office and industrial use. The receivables of the KRE Group from Pmimmobiliare mainly refer to securities paid when the relevant contracts were signed.

On 16 February 2018, Pmimmobiliare S.r.l., as the lessor, and FIB, as the lessee, signed a commercial real estate lease agreement (the "Teverola Lease Agreement"), with which Pmimmobiliare S.r.l. leased the Teverola Complex to FIB, i.e. an industrial factory, with its own court, for a period of 9 years, renewable for a further 6 years. For further details, reference should be made to the information document dated 14 February 2018 containing the description of the Teverola Lease Agreement and the above-mentioned proposal for an option agreement for the purchase by FIB of the Teverola Complex drawn up pursuant to Article 5 of the Consob Related Parties Regulation and made available to the public on the Company's website www.kreenergy.it.

SE.R.I. has relations with the KRE Group with regard to (i) the management of the national tax consolidation for IRES purposes and (ii) the management of VAT of SE.R.I. group.

There are also certain relationships with other companies belonging to the Civitillo family in relation to supplies and services of a technical and industrial, consulting and professional type, regulated at conditions similar to those generally applied in the sector in which the individual companies operate.

These relationships are mainly with the following companies:

Elektra S.r.l. provides the Group with ordinary and extraordinary maintenance services for plants; the Kre Group has relations with Coes Company S.r.l. mainly with regard to the supply of raw materials. The Group also has receivables from Seri Lab S.r.l. following the design of a plant; Rental S.r.l. rents vehicles to the KRE group; Rise S.p.A. owes the group a previous office rental contract.

In relation to the correlation profiles:

Azienda Agricola Quercete s.r.l. is 100% owned by Pmimmobiliare S.r.l., which in turn is 100% owned by Seri Green Energy & Real Estate S.r.l.. The latter is 49% owned by SE.R.I., while the remaining 51% is held through Cordusio Società Fiduciaria per Azioni at 50% each by the brothers Vittorio Civitillo and Andrea Civitillo;

Elektra S.r.l. is 51% owned by Seri Innovazione Development S.r.l., which in turn is 100% owned by SE.R.I. S.p.A., as described above, through Seri Green Energy & Real Estate S.r.l.;

Coes Company S.r.l. is 100% owned by Iniziative Industriali S.r.l., the latter 100% owned by Industrial S.p.A., in which SE.R.I. S.p.A. holds 100% of the share capital;

Rental S.r.l. is 100% owned by Pmimmobiliare S.r.l., while Seri Lab S.r.l. is 60% owned by Seri Innovazione Development S.r.l.;

Rise S.p.A. is 70% owned by Cordusio Società Fiduciaria per Azioni (whose trustee is SE.R.I.).

For further information on related party transactions, reference should also be made to the report published on June 22, 2018 and the Consolidated Half-Yearly Financial Report accompanied by the Independent Auditors' Report, approved on September 27, 2018 and published today.

The following are the main balance sheet reports in place at the end of the month in question:

Transactions with related parties (Euro/000)	Receivables	Payables
COES COMPANY SRL	1.836	0
ELEKTRA	3	49
INDUSTRIAL SPA	2	19
PMIMMOBILIARE SRL	791	36
RISE SPA	62	0
SE.R.I. SPA	1.987	13
SERI GREEN ENERGY & REAL ESTATE SRL	21	0
SERI LAB SRL	193	0
TOTAL	4.894	117

Relationships with administrative and control bodies, as well as with managers with strategic responsibilities

At the date of this Report, based on the information received, the following interests in the share capital of K.R.Energy have been held, directly or indirectly, by members of the Board of Directors, the Board of Statutory Auditors and the main executives of K.R.Energy, as well as by spouses who are not legally separated and minor children of the abovementioned parties: Vittorio Civitillo - executive director of K.R.Energy - indirectly holds shares corresponding to 65,56% of the share capital of the Company. He holds 3,30% of the Warrants Uno Due 2018 - 2019.

Transactions with other related parties within the Group

As far as the Company is aware, the roles held and the relationships held by the following parties at the end of the month in question are indicated below with regard to the other relations held by the Group with related parties:

- Repiombo S.r.l. has credit and debit relationships with Ecopiombo S.r.l., a minority shareholder of Repiombo S.r.l. (40%). The receivable amounts to Euro 2.180 thousand and the payable amounts to Euro 463 thousand.

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The manager responsible for preparing the company's financial reports, Luca Lelli, hereby declares, pursuant to Article 154-bis, paragraph 2, of Legislative Decree no. 58/1998, that the information contained in this press release on the financial position, results of operations and cash flows corresponds to the documented results, books and accounting records.

K.R.ENERGY S.p.A., subject to the management and coordination of SE.R.I. S.p.A., is a company listed on the MTA market of the Italian Stock Exchange, operating along the entire chain of electric accumulators and active in the production of energy from renewable sources. The Group oversees all stages of the electrical accumulator chain: production of lead from the recovery of spent batteries, design and construction of plants for the production of secondary lead recovered from spent batteries, recovery and recycling of plastic material and production of regenerated copolymer and special compounds, production of boxes for batteries for automotive and industrial use, production of lead and lithium electric accumulators.

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