

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

S. Potito Sannitico, 31st July 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

(information expressed in thousands of euros)		K.R.Energy S.p.A.		K.R.Energy Group	
		june-18	may-18	june-18	may-18
Cash and cash equivalents	A	1.146	973	3.284	2.368
Securities held for trading	B	-	-	-	-
Liquidity C = (A + B)	C	1.146	973	3.284	2.368
Current financial receivables	D	10.990	10.999	109	105
Of which with related parties		10.986	10.999	105	105
Current bank receivables	E	-	-	250	250
Current bank payables	E	-	-	(25.061)	(23.861)
Current portion of non-current debt	F	-	-	(3.476)	(5.473)
Of which with related parties					-
Other current financial payables	G	(3.923)	(3.222)	(1.113)	(1.181)
Of which with related parties		(3.892)	(3.222)	(586)	(696)
Current financial (indebtedness) H = (E + F + G)	H	(3.923)	(3.222)	(29.400)	(30.265)
Net current financial (indebtedness) I = (C + D + H)	I	8.213	8.750	(26.007)	(27.792)
Non-current bank receivables	J	-	-	-	-
Non-current bank payables	J	-	-	(15.579)	(15.625)
Bonds issued	K	-	-	-	-
Other non-current payables	L	-	-	(1.156)	(1.191)
Of which with related parties		-	-		-
Non-current financial (indebtedness) M = (J + K + L)	M	-	-	(16.735)	(16.816)
Net financial position of continuing operations N = (I + M)	N	8.213	8.750	(42.742)	(44.608)

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., Italidro S.r.l.) and mini-wind sector (Krenergy Undici S.r.l.) are shown separately.

At 30 June 2018, at individual level, the **net financial position of K.R.Energy S.p.A.'s operating activities** was positive for Euro 8.213 thousand, compared to the positive result for Euro 8.750 thousand in the previous month.

Cash and cash equivalents amounted to 1.146 thousand Euro. The item *current financial receivables* does not show significant changes compared to the previous period and refers mainly to a receivable from the subsidiary Tolo Energia. *Other financial payables* include amounts due to group companies in the context of cash pooling transactions. The same item includes a payable to the parent company Industrial, for Euro 500 thousand, plus interest, relating to a loan, as described in greater detail below, charged to shareholders' equity in July as part of the capital increase operation.

At June 30, 2018, the **consolidated net financial position for continuing operations** amounted to a negative €42.742 thousand, down from the negative €44,608 thousand of the previous month. The consolidated net indebtedness, 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 3.284 thousand. *Current financial receivables* amount to Euro 109 thousand and refer to financial receivables from related parties. Current bank receivables, amounting to €250 thousand, refer to restricted cash and cash equivalents, while current bank payables, amounting to €25.061 thousand, mainly refer to the use of credit lines to support the ordinary operations of group companies. The current portion of non-current indebtedness, amounting to a negative €3,476 thousand, is attributable to the instalments due within the next 12 months of medium/long-term loans granted to certain subsidiaries. In June 2018, the penultimate instalment of the Banco di Napoli loan for Euro 1.850 thousand was repaid.

Other current financial payables, amounting to Euro 1.113 thousand, mainly comprise short-term portions of financial payables relating to leasing contracts for Euro 422 thousand and payables to related parties for Euro 586 thousand, mainly to the parent company Industrial.

The **consolidated non-current financial indebtedness of continuing operations** amounted to a negative result of Euro 16.735 thousand compared to Euro 16.816 thousand in the previous month. This item mainly refers to non-current bank debts for a total of Euro 15,579 thousand, relating to instalments due beyond the next 12 months of medium/long-term loans granted to subsidiaries. *Other net non-current payables* at the end of the period in question amount to Euro 1.156 thousand and mainly include the long-term instalments of financial payables relating to leasing contracts.

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The main components of the financial position, both at individual and consolidated level, relating to assets held for sale are reviewed below.

(information expressed in thousands of euros)		K.R.Energy S.p.A.		Gruppo K.R.Energy	
		June-18	May-18	June-18	May-18
Net financial position - continuing operations	N	8.213	8.750	(42.742)	(44.608)
Net current financial (indebtedness) from discontinued operations	O	838	570	(2.144)	(2.433)
Net non-current financial (indebtedness) from discontinued operations	O	-	-	(18.295)	(18.736)
Net financial position of discontinued operations P = (Σ O)	P	838	570	(20.439)	(21.169)
Net financial position Q = (N + P)	Q	9.051	9.320	(63.181)	(65.777)

At June 30, 2018, the consolidated net financial position of the discontinued operations and, more specifically, of the assets held in the portfolio in the photovoltaic (Murge Green Power S.r.l.) and hydroelectric (Idroelettrica Tosco Emiliana S.r.l. and Italdro S.r.l.) sectors was mainly due, with respect to the Company's portfolio, to medium/long-term loans. The current portion, net of cash and cash equivalents, mainly contains the installments due within the next 12 months of these loans and the fair value of an interest rate swap contract; the non-current portion contains the installments due in the medium/long-term.

The line **net current financial indebtedness of discontinued operations** includes (i) cash and cash equivalents (Euro 1.517 thousand), (ii) financial receivables (Euro 233 thousand), (iii) current bank receivables to service the repayment of loans (Euro 802 thousand), (iv) instalments due within the next 12 months of medium/long-term loans (Euro 1.316), (v) the fair value measurement of an interest rate swap contract entered into by the Group to hedge interest rate risks (€2.405 thousand - €2.652 thousand in the previous month), (vi) the short-term portion of financial payables relating to leasing contracts (€974 thousand).

The line net Non-current financial debt of discontinued operations includes (i) instalments due beyond 12 months of medium/long-term loans granted to the aforesaid subsidiaries for Euro 14.648 thousand and (ii) other non-current financial payables relating to long-term instalments of leasing contracts for Euro 3.646 thousand.

As a result of the above, the consolidated net financial position of the K.R.Energy Group was negative for Euro 63,181 thousand, an increase compared to negative for Euro 65.777 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 to react 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	
	June-18	May-18	June-18	May-18
Trade payables	960	926	7.844	6.767
Tax payables			193	182
Payables to other financial institutions				218
Payables to banks				
Other payables			1.757	1.697

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, and 99,000 euros in payables to others. The payment orders amount to Euro 210 thousand, of which Euro 58 thousand in dispute.

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 review. Information is also provided in relation to transactions with related parties, including the transactions required by 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, 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%.

Representatives 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.

On June 29, 2017, following the approval of the Capital Increase in Nature by the Extraordinary Shareholders' Meeting of KRE on May 25, 2017, in accordance with the provisions of the Industrial Framework Agreement, it signed a loan agreement with KRE whereby Industrial made available to KRE Euro 500 thousand, charged to equity in July 2018, as part of the Capital Increase Option transaction, as communicated to the market on July 30, 2018.

Finally, 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 assigned 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 assigning 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 whereby 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 carrying out the investment project called Lithium Project to be used in one or more instalments, 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.

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.

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 a 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. is involved with the KRE Group in (i) the management of the national tax consolidation for IRES purposes and (ii) the management of VAT of the group. SE.R.I.

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

These transactions are mainly with the following companies:

Elektra S.r.l. provides the KRE Group with ordinary and extraordinary plant maintenance services in favour of Group companies; the Kre Group has relations with Coes Company S.r.l. mainly with regard to the supply of raw materials. The KRE Group also has receivables from Seri Lab S.r.l. following the design of a plant; Rental S.r.l. rents vehicles/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 a 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, in turn 50% owned 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. and Glass Industries S.r.l. are 100% owned by Iniziative Industriali S.r.l., the latter being 100% owned by Industrial S.p.A., of 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 Annual Financial Report accompanied by the reports of the Independent Auditors and the Board of Statutory Auditors and the Prospectus published on June 22, 2018.

The main balance sheet transactions in place at the end of the month in question are shown below:

Transactions with related parties (Euro/000)	Receivables	Paybles
COES COMPANY SRL	1.433	17
INDUSTRIAL SPA	0	586
PMIMMOBILIARE SRL	782	0
RISE SPA	62	
SE.R.I. SPA	1.439	16
ELEKTRA	3	15
SERI INNOVAZIONE DEVELOPMENT SRL	0	33
SERI LAB SRL	193	8
TOTAL	3.912	673

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 71.14% of the share capital of the Company.

Transactions with other related parties within the Group

With regard to the other related party transactions held by the Group, to the best of the Company's knowledge, the roles held and the relationships held by the following parties at the end of the month in question are indicated below:

- In 2008, *Sunelectrics* S.r.l. stipulated a contract for the maintenance of the photovoltaic plants of the subsidiary Murge Green Power, regulated at normal market conditions. Sunelectrics S.r.l. is indirectly controlled by the brothers Gianni and Luciano Frascà, who through Vas S.r.l. hold 49.98% of the share capital of Murge Green Power. The receivable due from Sunelectrics amounts to Euro 194 thousand.

- *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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