SOSTENYA GROUP PLC

(THE "COMPANY" OR THE "ISSUER")

ISSUANCE OF
THE "SOSTENYA GROUP CONVERTIBLE NOTES 2021
UP TO EURO 15,000,000 – DUE DECEMBER 2021"
(THE "NOTES")

INFORMATION MEMORANDUM

FOR THE PURPOSES OF THE ADMISSION OF THE NOTES TO LISTING ON THE THIRD MARKET OF THE VIENNA STOCK EXCHANGE

SECTION I - THE ISSUER

1. General Information on the Issuer

Incorporation and status

The Issuer is a public limited company incorporated under the English law, established on March 6, 2014, with registered office and seat in 44 Welbeck Street, London W1G 8DY. The Company is registered under the firm name Sostenya Group PLC with the Companies Register of England and Wales under no. 8926790.

Phone No.: +44 (0) 20 3393 9393 – Mobile: +39 347 52 38511 – E-mail: *www.sostenya.co.uk*

Share Capital

The Issuer's authorized share capital is equal to £53,590,000.00 (fifty-three million five hundred ninety thousand/00) equivalent to Euro 65,177,100 (sixty-five million one hundred seventy-seven and one hundred thousand/00) fully paid. The ordinary shares are n. 53,590,000 at £1.00 each and they are attached full voting dividend and capital distribution (including on winding up) rights. They are not liable to be redeemed.

Ownership Structure

The share capital of the Issuer is articulated as follows:

Shareholders	Number/Category of Shares	Percentage on the authorized share capital
Pietro Colucci	27,330,900/ordinary	51% (fifty one per cent.)
Abitare Roma S.p.A	26,259,100/ordinary	49% (forty nine per cent.)

Pietro Colucci's bio

He graduated in Economics and Business Administration from university of Naples Federico II.

Entrepreneur since 1982 when he took on the leadership of his family-owned company, operating in the environmental industry.

In 2000 he led the acquisition of Waste Italia from the American group Waste Management Inc., the largest environmental service company in Italy.

In 2002 he launched a business plan to develop technological solutions integrating the production of energy from renewable sources.

Since 2016, member of the Energia di Assolombarda Group and previously Chairman of Assoambiente (an Association of Confindustria that represents the private companies operating in the environmental services in Italy), serving two terms.

With Edo Ronchi, he wrote a book, called "*Vento a favore*". He is the co-founder of the Foundation for Sustainable Development and a promoter of the States General of the Green Economy.

Today:

- Founder and Chairman of Sostenya Group PLC, a shareholder company operating in the environmental and renewable energy industry.
- Chairman of Gruppo Waste Italia SpA, a company listed on MTA of Borsa Italiana, operating in the environmental services and waste management sector.

• Chairman of Innovatec SpA until December 16, 2016, a company listed on AIM market of Borsa Italiana and operating in the renewable energy and energy efficiency industry.

Abitare Roma S.p.A.

Abitare Roma S.p.A. is a company limited by shares incorporated under Italian law, with registered office in Roma, Via di Porta Pinciana 6, VAT Number and Registration number with the Company Register of Rome 07008821006, REA of Rome 1004397, share capital equal to Euro 1,000,000 fully paid.

Net Worth as of December 31 2015 equal to Euro 35 million and total assets of Euro 47 million.

Abitare Roma was established in 2002 and operates in the sectors of real estate and equity investment.

It owns real estate in Tuscany (i.e. villas) and, by way of equity investment, a real estate in London.

Ownership:

Federica Giovannini: 99% of the share capital, equal to Euro 990,000.

Pietro Colucci: 1% of the share capital, equal to Euro 10,000.

Board of Directors: Dott. Maurizio Moccaldi Ruggiero, sole director.

Supervisory body: Dott. Roberto Lorusso Caputi, Dott.ssa Francesca Sanseverino, Dott. ssa Valentina Davidde

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The Company also owns, directly or indirectly:

(i) 100% (one hundred per cent.) of the following subsidiaries:

- Aker S.r.l., Socio Unico
- Alice Ambiente S.r.l., Socio Unico;

(ii) 34.95% (thirty-four point ninety-five per cent.) of Gruppo Waste Italia S.p.A.;

(iii) 42.60% (forty-two point sixty per cent.) of Innovatec S.p.A.;

(the Company together with such subsidiaries and affiliates will be referred to as the "**Group**").

Please find below a group chart.

2. Company Structure

Description of the Issuer

Sostenya Group Plc is an investment holding company operating in Italy and internationally in the environmental and renewables industries as well as in the energy efficiency business. In addition, as supplier for subsidiaries and associated companies, Sostenya is active in advising for strategic planning, international development, institutional and international external relations, strategic finance and business development. The Company is a pure holding company and its current and future cash flows are generated from advisory activities, management fees, dividends from its subsidiaries as well as from interests on financial loans given to subsidiaries.

In detail, the Company's corporate purpose consists of business development and advisory in favour of its subsidiaries and affiliates and related to the fields of:

A) environment;

B) renewables;

C) energy efficiency.

The Company may take all actions to implement such activities.

To pursue its corporate purpose the Company may enter into any commercial, industrial and real estate transactions and – provided they do not become the Company's prevailing activity and are not offered to the public – any financial transactions, granting of guarantees, deposits, guarantees in favour of third parties and purchase shares in companies with similar corporate purpose (as long as it constitutes a stable investment and not mere trading).

Administration, management and supervisory bodies

<u>Board of Directors</u>

The Issuer is managed by a Board of Directors which, as of the date of this Information Memorandum, is composed of the following directors:

Name	**Title**
• Pietro Colucci	**• Director**

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• Donatello Pirlo	**• Director**
• Anthony Stephen Airs	**• Director**

The above mentioned directors have been appointed for an unlimited term.

The business address of each of the Issuer's current members of the Board of Directors is that of the Issuer's registered office.

There is no supervisory board.

External Auditors

Myron Lipson (Senior Statutory Auditor) has been engaged as external auditor of the Issuer until the approval of the financial statements for the year ended on 31 December 2015.

3 Business Fields

The Issuer is active in the sector of business advisory. The main activities are grouped as follows:

1. business development;
2. advisory; and
3. development of international and in institutional relationships;

in each of the environment, renewables and energetic sectors.

4. Historic development, investments and business plan

On the 12Th of May 2014, through a *Share Exchange Agreement* with its shareholders, Sostenya Group Plc become shareholder (with a 44% shares) of Gruppo Waste Italia S.p.A. (former Kinexia S.p.A.) with an investment of Euro 65,120,000.00 (equivalent at that date to £ 53,540,000). The Sostenya Group Plc, through the above mentioned operation increased its share capital from Euro 57,100.00 (equivalent at that date to £ 50,000.00) to Euro 65,177,100 (equivalent at that date to £ 50.000,00).

In addition on the 13th of November 2015, Sostenya Group Plc received from Gruppo Waste Italia S.p.A. an extraordinary dividend in kind of n. 2,467,722 Innovatec Shares (27.81% of Innovatec Shareholders' Capital) equivalent to Euro 3,824,967.00. The Sostenya Group Plc, through the above mentioned operation became directly major shareholder in Innovatec and indirectly in Innovatec through Gruppo Waste Italia S.p.A. with a Innovatec capital percentage of 17.81%.

Finally Sostenya Group Plc invested in the 10.5% Waste Italia S.p.A. Bond due date 29 October 2019 with the purchase in the market, on the 12th November 2015, of n. 5,000,000 notes at Euro 2,450,000.00. Waste Italia S.p.A. is an operating Italian holding company operating in the environment business, indirectly owned for about 88% of its share capital by Gruppo Waste Italia S.p.A., as follows: the 100% of the share capital of Waste Italia S.p.A. (equal to Euro 10,309,280) is directly owned by Waste Italia Holding S.r.l., which has a quota capital of Euro 18,987,500 that is owned for the 96.4% by Waste Italia Partecipazioni S.r.l., the latter having a quota capital of Euro 17,390 owned for the 91.37% by Gruppo Waste Italia S.p.A.

At the end of October 2016, Sostenya Group Plc participated to the Innovatec capital increase up to a maximum of n. 248,472,308 new ordinary shares of Innovatec S.p.A., without par value, with the same characteristics as those in circulation, with regular entitlement, to be offered as options to shareholders, at the price of € 0.02 for each new share, at a ratio of n. 28 newly issued shares for each. 1 share held for a total maximum amount of Euro 4,969,446.16. Sostenya Group Plc, has subscribed. 2.217.714 ordinary shares, for a total of Euro 1,241,919.84 through conversion of its accounts receivables vs Innovatec S.p.A. Also Gruppo Waste Italia S.p.A. participated to the Innovatec capital increase, subscribing n. 1,417,146 ordinary shares, for a total value of Euro 793,601.76.

As to date, after the completion of the above mentioned capital increase, Sostenya Group Plc has therefore

(ii) 34.95% (forty four per cent.) of Gruppo Waste Italia S.p.A. The latter owns 27.09% (twenty seven point zero nine per cent.) of Innovatec S.p.A.;

(iii) 42.60% (twenty seven per cent.) of Innovatec S.p.A.

Gruppo Waste Italia S.p.A. is a holding company listed in the MTA of the Italian Stock Exchange, operating mainly in the environment industry (through the sub holding Waste Italia S.p.A. is also investing in the renewable energy and energy efficiency businesses). Waste Italia S.p.A. is one of the main operators at national level in the waste management and environmental services industries; in particular, the activities of Waste Italia entirely cover the whole chain of integrated waste management through the collection, transportation, sorting, treatment, recovery, development and disposal of special waste, i.e. those that come from industrial production and trade. Waste Italia Group is an established reality in the domestic market, with a strong expertise not only in logistics but also in the design, implementation and management of systems dedicated to the treatment of waste. Waste Italia has a portfolio of over three thousand customers in the industry of waste management and disposal, with several selection centres and collection points in landfills in Piedmont, Lombardy and Liguria, giving complete coverage of the design of the supply chain plants, collection and selection, till final disposal, with a wide and integrated range of services, consulting and customization, including through a sales network spread throughout the country.

Innovatec S.p.A. is an operating holding company listed on AIM Italia, which also operates through its subsidiaries (among others Gruppo Green Power S.p.A. also listed on AIM Italia) in the renewable energy and energy efficiency industries as well as in the EPC business. The company has as its primary objective the development and marketing of innovative technologies, products and services for the corporate and retail markets in distributed generation, smart grids and smart cities, energy efficiency and storage. The new business model is based on technological innovation, both in terms of products and processes, and on the interconnections between the web and the world of energy efficiency and renewable energy.

The wholly owned companies Aker S.r.l. Socio Unico and Alice Ambiente S.r.l., Socio Unico both operate in the environment industry as well.

Aker S.r.l., Socio Unico is a limited liability company with a sole quotaholder incorporated under the laws of Italy which operates in the sector of waste treatment and disposal (VAT No. and No. of enrolment in the Company Register of Rome 08203680015, quota capital of Euro 10,000), established in Turin on April 9, 2001 and originally denominated Waste to Water S.r.l. On July 7, 2014 Waste to Water S.r.l. was acquired by Sostenya Group Plc and, with determination of its quotaholders' meeting dated February 19, 2016 (with effect towards third parties since February 29, 2016), its denomination was changed into Aker S.r.l. and its registered office was transferred from Turin to Rome. As of December 31, 2015, its total assets were equal to Euro 13.6 million and were constituted by the quota held in Alice Ambiente S.r.l., socio unico and the receivables deriving from loans granted to it and, for an amount of about Euro 9 million, by rights of disposal of waste (in the form take or pay) acquired, for an amount of 120,000 tons.

Alice Ambiente S.r.l., Socio Unico is a limited liability company with a sole quotaholder incorporated under the laws of Italy, having its registered office in Milan, Via Giovanni Bensi 12/3, VAT No. and No. of enrolment in the Company Register of Milan 05797040960, quota capital of 1,000,000 fully paid. Its business purpose is primarily waste treatment. As of December 31, 2016 its net assets were equal to Euro 7,130,674 (Euro 9,921,889 in the previous financial year), and its total assets were equal to Euro 14.1 million. On March 23, 2016, Waste Italia S.p.A. sold 100% of Alice Ambiente S.r.l., socio unico, with the right of buyback, to Aker S.r.l., socio unico (then Waste to Water S.r.l.) for a price of Euro 100,000. The entire quota capital of Alice Ambiente socio unico s.r.l. is charged by a pledge, pursuant to articles 2784 et seq. of the Italian Civil Code, that had been granted by the then quotaholder Waste Italia S.p.A in favour of: Citibank, N.A., London Branch, BNP Paribas Italan Branch, Citibank N.A., The Law Debenture Trust Corporation plc, Citigroup Global Markets Deutschland AG, Walkers Listing and Support Services Ltd, Jefferies International Limited and the noteholders of the notes issued by the then quotaholder Waste Italia S.p.A. (the "Waste Bond").

5. Financial figures of the past two financial years of the *company* Sostenya Group Plc

Euro / 000's *company accounts*	**2015**	**2014**
Revenues comprising Dividends received	**3.825**	**Nil**

Net Results	**(11.550)**	**(41)**
Investments	**55.799**	**65.130**
Shareholders Funds	**53.585**	**65.136**

6. Financial figures of the past two financial years consolidated of the *Group* Sostenya Group Plc

Euro / 000's *consolidated*	**2015**	**2014**
Revenues	**254**	**Nil**
Net Results	**(21.564)**	**(13.055)**
Investments	**36.968**	**52.704**
Shareholders Funds	**30.608**	**52.122**

7. Equity Ratio

Definition: a financial ratio that measures the level of leverage used by a company, the equity ratio quantifies the proportion of the total assets that are financed by stockholders, and not creditors (or debt).

The equity ratio only requires two inputs, owner's equity and total assets; both of which are found on a company's balance sheet.

Sostenya Group PLC

	Single Entity		Consolidated	
	2015	2014	2015	2014
X 100	81%	100%	57%	99%

SECTION II – USE OF THE PROCEEDS

The Notes will be issued by the Issuer in order to finance its business activity.

The proceeds of the Notes subscribed, less the sums used for the completion of the issue, will be primarily intended to:

(i) the establishment of appropriate SPV ("**Special Purpose Vehicle**"), controlled by a sub-holding company resident in the United States of America ("Pat") for projects in the environmental sector acquisitions incentive / renewable in USA;

(ii) the establishment of appropriate SPV, controlled by a sub-holding company resident in Italy for projects in the environmental sector acquisitions incentive / renewable in Italy;

(iii) Acquisition of an interest in a service management start-up for a hospital located in the region of Sardinia (Italy);

(iv) support the process of the Italian-level business development of the sub-holding Group Waste Italy S.p.A. through a subscription of a medium / long term no convertible / convertible bond loan or bullet

Proceeds	**.000€**	**Uses**	**.000€**
Notes.........	15.000,0	Usa Projects (equity injection).........	5.000,0
		Environment Projects (equity inception).........	3.100,0
		Start up Project Hospital Services (Olbia IT).........	1.600,0
		Subscription of a Bond /Bond Convertible be issued by Gruppo Waste Italia S.p.A.........	5.000,0
		Expenses.........	300,0
Totale Proceeds.........	15.000,0	Total Uses.........	15.000,0

SECTION III – RISK FACTORS

1. Risk Factors Relating to the Company and the Group

Issuer risk

By purchasing the Convertible Notes, the noteholders (the "**Noteholders**") will be financing the Issuer hence becoming a creditor thereof for the payment of interest and principal upon maturity. The Notes are subject to the general risk that the Issuer may not be able to pay interest at the set payment dates and/or reimburse the principal amount upon maturity.

Risk related to the concentration of activities

The Issuer is a holding company and its activity is exclusively carried out towards its subsidiaries and affiliates. In particular, the Issuer's activity consists in business development and advisory of its subsidiaries and affiliates, which operate in the fields of environment, renewables and energy efficiency, and its revenues exclusively consist of fees, interest on loans /financing and dividends paid by such subsidiaries and affiliates Therefore, the Notes are subject to the operational risk of the Issuer's subsidiaries and affiliates, above all Gruppo Waste Italia S.p.A., Waste Italia S.p.A. and Innovatec S.p.A. (more information on the risk related to the activities of such subsidiaries is contained in their respective financial documentation, available at: www.gruppowasteitalia.it; www.wasteitalia.it; www.innovatec.it).

Company operating as a holding company is depending on its subsidiaries and affiliates for cash to satisfy the obligations of the holding company and therefore Company cash flow and its ability to meet its obligations depends on the cash flow of its subsidiaries. In addition, the payments of funds in the form of dividends, intercompany payments, tax and other forms may be subject to restrictions under the laws of the countries of incorporation of its subsidiaries.

Deriving the Issuer all of its income from its subsidiaries and affiliates, should one or more of these go bankrupt or otherwise fail to pay fees and dividends to the Issuer, the Issuer's financial worthiness might be seriously compromised as well as the consistency /value of Company assets.

The Issuer, though, will also develop its own projects in the renewables and energy efficiency sectors.

Risks related to the rules and regulations of the market sectors in which the Group works and permits, to the licenses and to the administrative authorizations for the development, building and the operations

The Issuer's subsidiaries and affiliates operate in the environment, renewable and energy efficiency sectors which are highly regulated and subject to administrative procedures that are particularly complex, and which require the obtainment of permits from the competent national and local authorities.

Such requests may be rejected by the competent authorities or there may be considerable delays in receiving any such permits. The obtainment of the permits may also be delayed or hindered by any change in laws or by the opposition of the communities located in the areas interested by the projects.

Any failure or delay in the obtainment of the permits, of the licenses and/or of the necessary authorizations, the revocation, the cancellation or the non-renewal of the permits and of the authorizations obtained by Issuer's subsidiaries and affiliates, as well as any opposition by third parties to the measures for the issuance of such permits, licenses and authorizations, could induce the Issuer's subsidiaries and affiliates to change or reduce its own development targets in given areas or technologies, and/or determine negative effects on the activity and on the economic, equity and/or financial situation of the Group.

Furthermore, the complexity and the fragmentation of national and local regulations of the sectors of the renewable and energy efficiency sources, together with fragmented interpretation by the competent authorities, makes it more complex to operate in the sector, generating situations of uncertainty and judicial disputes.

Therefore, any future changes in the regulatory framework, or any restrictive interpretations thereof, could negatively affect the activity and the economic, equity and/or financial situation of the Group.

Risks related to international and national policies supporting the production of energy from renewable energy sources

The development of electricity from renewable energy sources strongly depends on national laws supporting the sector.

These forms of incentive may affect significantly the profit expectations of the production from renewable sources for the operators in the sector and therefore of the Issuer, since the entire electric power it produces is subject to incentives. Certain countries provide contributions to the energy produced by renewable energy plants. Even though the sector benefits, at the Date of the Information Memorandum, of objective incentives (in terms of tax deductions, green certifications, white certifications, etc.) the Issuer may not guarantee that such support will be maintained also in the future.

Risks related to the business activity of Issuer's subsidiaries and affiliates

In addition, the plants, landfills, machineries, appliances and devices managed by the Issuer's subsidiaries and affiliates are exposed to malfunctioning and service interruption risks which are beyond their control and may result in increased costs. The insufficient quality of installed equipment, plants and landfills may results in faster than expected degradation, lower production efficiency and/or higher maintenance costs. This may lead to lower revenues and higher operating costs. Even the equipment that has been properly maintained may from time to time experience technical problems or breakdowns. Diverse events may be caused, *inter alia*, by erroneous installations or components flaws. Extensive repair interventions may thus be needed. Depending on the component failure relevance and the plant parts design, some or whole of the capacity can be out of production for some time. There is risk that the befitting parts are not available for various reasons, causing an extended production stop. Moreover, such malfunction, could cause a potential reimbursement due to a negative judgement towards the subsidiaries and affiliates for the damages suffered by the customers. Although the Issuer's subsidiaries and affiliates entered into certain insurance policies to cover such events, they could be not sufficient to cover all the damages suffered by the customers or the insurance coverage may prove insufficient to fully compensate for such losses.

Risks related to the competitiveness of the Group

The Company and its subsidiaries and affiliates are currently facing intense competition in most of the markets in which it is present. The Group may face increasing competition in the future, *inter alia* due to peers being able to develop competing projects, or by obtaining capital at a lower cost than the Group.

Many of Group's existing and potential competitors may have longer operating histories, access to lower cost financing, structurally better cost positions through geographical location (including direct and indirect subsidies), better access to skilled personnel, better access to research and development partners, and significantly greater financial, technical and other resources than the Group.

Furthermore, the Group also competes with other companies in attempting to secure equipment necessary for its activities. Such equipment may be in short supply from time to time. There is no assurance that the Group will be able to successfully compete against its competitors. The failure to successfully compete against other market players could have a material adverse effect on the Group's business and results of operations.

Risks related to Insurance policies

The plants, landfills, equipment, appliances and other tangible assets are normally covered by insurance policies against damages and losses of revenue due to incidents such as technical breakdown, natural phenomena and criminal actions as described above as well as based upon the regulatory framework. Liability insurance is also available and applicable to power plant operations.

However, the insurance policy may not cover all foreseeable and unforeseeable events, and the Group might be exposed to losses and cost of repairs that exceed normal Operating & Maintenance budgets and are outside the insurance agreements. There is no assurance that the insurance coverage of the Group would be adequate to cover the anticipated losses of the insurable events, or that insurance coverage is applicable to relevant damages.

Furthermore, under special circumstances, the amount of damages received from the insurance company may be reduced due to curtailments or other reasons due to, for example, the magnitude of the total damages to be covered. The occurrence of insurance claims may in turn lead to requirements for additional mitigating measures, such as increased security, and/or increases in insurance premiums that will have a negative impact on the profitability of plant operations.

Although the Group has not received any indication of difficulties in the future renewal of its insurance policies, it cannot be guaranteed that these renewals can be made on the same terms of the existing policies, or that the Group will be able to obtain insurance on normal and acceptable terms, or that the Group will be able to insure its business and assets to the extent deemed necessary. In these cases, such circumstances could have a significant adverse effect on the business, prospects, financial results and results of operations of the Group.

The Group has exposure to credit risk arising from its commercial activity

Credit risk represents the Group's exposure to potential losses that could be incurred if a commercial or financial counterpart fails to meet its obligations. This risk arises primarily from economic/financial factors (i.e., where the counterpart defaults on its obligations), as well as from factors that are technical/commercial or administrative/legal in nature (disputes over the interpretation of contractual clauses, supporting invoices, etc.). Particularly, the adverse economic conditions regarding the sector or sectors in which a significant number of counterparts work could affect the Group's business.

The Group will be exposed to third party credit risk in several instances, including, without limitation, with respect to suppliers and/or contractors who may be engaged to construct or operate assets held by the Group.

The Group's exposure to credit risk is also influenced to a significant extent and in a direct way by the economic performance of the geographical areas in which it operates almost exclusively.

Should any significant commercial or financial counterpart of the Group fail to meet one or more of their payment obligations, the financial worthiness of the whole Group might be seriously compromised.

Risk related to credit access to support growth

The Group is relying on current financing agreements, the renewal of these and/or the obtaining of new financing to fund its investments, operations, additional acquisitions, working capital or expenditures. In particular, the Group finances a significant portion of its capital costs associated with the manufacturing and development of its products / services by incurring in external debt and/or equity for development and operational projects.

The installation of new equipment, machineries, as well as for landfills extension and other tangible and intangible assets may also be related to the capability of the banking and credit system to offer instruments allowing access to means of financing that are specific for small and medium-sized investments. In this respect, as of the date of this Memorandum, the generalized difficulty in accessing credit facilities has negatively affected the market conditions. Failure to obtain on additional financing a timely basis, or to retain or renew current financing upon expiry, may lead to the loss of business opportunities for the Group, the reduction or termination of its operations in certain locations or to forfeit its direct interest in certain projects. An increase in the Group's level of debt financing and/or adverse change in the conditions of its financing arrangements, may lead to an accrual of financing costs and reduce the Group's profitability and ultimately may affect the ability to fulfill the obligations under the Notes.

Liquidity, funding and financial risks

Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or the Group may be unable to convert assets belonging to it into cash on the market (asset liquidity risk), meaning that it may not be able to meet its payment commitments. This may materially and adversely affect the Group's results of operations and financial condition should the Group be obliged to incur extra costs to meet its financial commitments or, in extreme cases, threaten the Group's future as a going concern and lead to insolvency. The Group's approach to liquidity risk is to have a financial structure which ensures an adequate level of liquidity for the Issuer and a balance in terms of duration and composition of its debt in line with its business objectives. The Group's policies are aimed at diversifying the due dates of its debt and funding sources and rely on liquidity buffer to meet unexpected commitments. However, these measures may not be sufficient to cover such risk.

The Group's ability to borrow in the bank or capital markets to meet its financial requirements is also dependent on, among other things, favourable and prevailing market conditions. There are no guarantees that the Group will be capable of obtaining loans and financing from other sources under the same or better conditions as it currently does. This may adversely affect the Group's results and financial condition.

As at the date of this Information Memorandum Innovatec S.p.A. has not paid interest due on the interest payment date falling in October 21, 2016 on its bond "*INNOVATEC 8.125% OTT20 EUR*", ISIN IT0005057770. Waste Italia S.p.A., a company controlled by Gruppo Waste Italia S.p.A., has not paid interest due on the interest payment dates falling on May 15th 2016 and November 15th 2016 on the bonds "*10,5% NV19 Euro 129,875mm*" ISIN XS1139056037 and "*Waste 10,5% NV19 (144a) Euro 70,125mm*" ISIN XS1139021676 issued by Waste Italia S.p.A. itself. Both Innovatec S.p.A. and Gruppo Waste Italia S.p.A. are under discussion with their respective bondholders to renegotiate the terms of the bonds. In addition, Gruppo Waste Italia S.p.A. is currently in negotiations with different holders of its financial debts (of a total amount approximately equal to Euro 50 million) to renegotiate terms and conditions of the above mentioned debts. More information on the risk is contained in their respective financial documentation, available at: www.gruppowasteitalia.it; www.wasteitalia.it; www.innovatec.it).

Non-renewal or revocation of the current short/medium/long term credit/funding/debt lines of the Group as well the renegotiations on the above mentioned bonds and financial debts will not have a positive finalisation and, in general, failure to obtain commercial financing of working capital, capex, projects may negatively affect the economic and financial situation of the Group and/or delay the obtainment of the Group's Business Plan objectives.

Dependence upon key persons

The Group's success depends upon certain key managers, amongst which Mr. Pietro Colucci, the Director of the Issuer, who contributed significantly to the incorporation, development and management of the Company and the Group thanks to his extensive competence in the fields in which the Company is active. Even if the Company believes it has adopted an appropriate organizational model to guarantee its continuity, the loss of the above key persons could result in a reduction of the competitive strength and growth of the Company.

Risk of change in tax regimes

The Group is subject to risks that countries in which the it operates, or will operate in the future, may impose additional withholding taxes, income taxes or other taxes, as well as changing tax levels from those in force at the date of the respective projects or the date hereof.

Any future adverse changes in general to tax regimes applicable to the Group would have an adverse impact on their future results of operations and cash flows. This, as well as any other changes to the tax regime generally applicable to the Group, may have an adverse effect on the Group's ability to pay interest on the Notes and to repay the Notes in full at their maturity.

Operational risks

The Company is subject to various operational risks - including the risk of fraud by employees of other persons, unauthorized transactions by employees or operational errors, including due to malfunctions or bugs in IT systems - which may negatively affect the Company's economic and financial situation.

Risks related to the economic-financial trends

The Group's stability and its capacity to generate revenues are affected by the general economic situation and by the dynamics of the financial markets and the creditworthiness of the Group. The following elements are therefore relevant: investors' confidence, level and volatility of short term and long term interest rates, exchange rates, financial markets liquidity, availability and cost of capital, sovereign debt sustainability, family incomes, consumer expenditure, unemployment levels, inflation and housing costs.

Even if the Issuer obtained positive results during the current economic crisis, it is possible that if the crisis continues this may have an impact on the activity and outlook of the Issuer as well as on its economic and financial situation.

In addition to the above, the British referendum held on 23 June 2016, in which the majority of citizens of the United Kingdom expressed their desire to leave the European Union ("**Brexit**"), could cause an increase in volatility in the financial markets, a worsening in the terms of financing especially in the so-called "peripheral" countries, including Italy, and a possible consequent economic slowdown. Moreover, it cannot be excluded that in the European Member States, there may be further increases in political and institutional instability, with a consequent rise in interest rates for sovereign debt. The above-mentioned circumstances could negatively impact on the Issuer and the Group or could cause a rise in the indebtedness of the Issuer and the Group, with consequential negative effects on their business as well as their economic and financial position.

Risks related to events which are not under the control of the Issuer

Press releases or changes in general market conditions may significantly affect the market value of the Notes, as well as market fluctuations, general economic and political conditions, regardless of the Issuer's creditworthiness.

Breach of the negative pledge obligations

Should the Issuer or its affiliated companies breach their negative pledge obligations, as provided for in the terms and conditions of the Notes, in case of bankruptcy or liquidation of the Issuer, its creditors secured by collateral – even if subsequent in time to the Noteholders – will be preferred to the latter over the collateralized assets. As a consequence, the Issuer's assets will be reduced and therefore the chances that the Noteholders will receive payment of their credit will decrease.

2. Risks relating to the Convertible Notes and the Shares

No prior market for the Notes

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. There can be no assurance as to the liquidity of any market that may develop for the Notes, the ability of the Noteholders to sell their Notes or the price at which the Notes may be sold. The liquidity of any market for the Notes will depend on the number of Noteholders, prevailing interest rates, the market for similar securities and other factors, including general economic conditions, and the Issuer's financial condition, performance and prospects. Although application has been made for the Notes to be admitted to trading on the Third Market of the Vienna Stock Exchange, there is no assurance that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. In an illiquid market, the Noteholders might not be able to sell their Notes at any time at fair market prices.

Risks related to the secondary market liquidity and/or trading prices of the Notes

The ability to transfer the Notes may also be restricted by securities laws or regulations of certain countries or regulatory bodies.

It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with applicable securities laws. In addition, transfers to certain persons in certain other jurisdictions may be limited by law, or may result in the imposition of penalties or liability.

Inflation and interest rate risk

The value of future payments of interest and principal may be reduced as a result of inflation as the real rate of interest on an investment in the Notes will be reduced at rising inflation rates and may be negative if the inflation rate rises above the nominal rate of interest on the Notes. Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Adjustment of Conversion Right

The Conversion Rate and the Conversion Value of the Notes may be adjusted, *inter alia*, in the event that there is a consolidation, reclassification or subdivision in relation to the Shares, capitalisation of profits or reserves, the payment of any dividend, rights issue or grant of other subscription rights or other adjustment which affects the Shares, but only in the situations and only to the extent provided under "Terms and Conditions of the Notes — 6.4 Adjustment of the Conversion Right". Certain events not governed under the Terms and Conditions of the Notes, may be evaluated by an independent advisor selected among those specified in the Terms and Conditions of the Notes. Any such independent advisor may decide an adjustment affecting the Shares that will be binding on the Issuer and the Noteholders, save in case of manifest errors. However, there is no certainty that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Notes.

Risks attached to the exercise of Conversion Rights

At any point when the Notes are outstanding, depending on the performance of the Shares, the value of the Shares may be substantially lower than when the Notes were initially purchased. In addition, because there will be a delay between when Conversion Rights (as defined Condition 6 of the Terms and Conditions of the Notes) are exercised and when Shares are delivered, the value of the Shares to be delivered may vary substantially between the date on which Conversion Rights are exercised and the date on which such Shares are delivered.

Changes in law may adversely affect returns to holders of the Notes

The Notes other than the Conversion rights and the meetings of the Noteholders will be governed by Italian law. No assurance can be given as to the impact of any possible change to Italian law. Any change in the Issuer's tax status (or that of other members of the Group) or taxation legislation or practice could affect the Issuer's ability to provide returns to the Noteholders or alter post tax returns to the Noteholders.

Risk of fluctuation in the price of the Shares

In recent years, the securities markets have experienced a high level of price and volume volatility and the market price of securities of many companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values of prospects of such companies. The market price of the Notes is expected to be affected by fluctuations in the market price of the Shares and it is impossible to predict whether the price of the Shares will rise or fall. Trading prices of the Shares will be influenced by, among other things, the financial position of the Group, the results of operations, communication of the Group's performance and strategy and political, economic, financial and other factors. Any decline in the market price of the Shares may have an adverse effect on the market price of the Notes.

Future issues of, or disposals of the Shares by substantial shareholders may significantly affect the trading price of the Notes or the Shares. Even the expectation that such issues or disposals may occur may significantly affect the trading price of the Notes and the Shares.

Amendments to the fiscal regime

All the present and future taxes applicable to the payments made pursuant to the Notes are due by each respective Noteholder. There is no certainty that the fiscal regime currently applicable will not vary with a negative impact on the net return expected by the Noteholder.

Amendments to the terms and conditions of the Notes without all the Noteholders' consent

The Italian Civil Code regulates Noteholders' meetings. Should these meetings validly adopt a resolution amending certain regulations of the Notes, such amendments will apply also to absent, dissenting or abstaining Noteholders.

Conflicts of interest with the persons involved in the issuance

The persons involved in the issuance of the Notes may have an autonomous interest potentially conflicting with the interest of a subscriber. The Issuer confirms that at the moment it is not aware of any such conflicts of interest.

Conflicts of interest among the subscribers of the Notes

Noteholders may be in a conflict of interest with other Noteholders e.g. that may have become shareholders of the Issuer or may have signed agreements with the latter or its shareholders.

Purchase of Notes by the Issuer

Issuer may be in a conflict of interest should it purchase Notes, further to their issuance and listing.