



**HERA S.P.A.**

**Registered Office in Bologna, Viale Carlo Berti Pichat n. 2/4**

**Share Capital €1.421.342.617,00**

**Bologna Business Registry Registration Number**

**04245520376**

***EXPLANATORY ADMINISTRATORS' REPORT***

***ON THE SUBJECT MATTER LISTED AT POINT 3 OF THE AGENDA***

***ORDINARY PART***

***of HERA S.p.A.'s Combined Extraordinary and Ordinary General Meeting***

***called on 23rd April 2014 at 10:00***

Dear Shareholders,

HERA S.p.A.'s Board of Directors have called a Combined Extraordinary and Ordinary General Meeting held at *CENTRO CONGRESSI CNR - Sala Auditorium, Via Gobetti n. 101, Bologna* on 23rd April 2014 at 10.00, aimed at discussing and endorsing the following:

agenda

**Extraordinary Part**

1. Amendment of art. 16.1 of the Company's Articles of Association under the Transitory Norm thereof: applicable and ensuing resolutions.
2. Amendment of art. 17.2 of the Company's Articles of Association as modified by the Transitory Norm thereof: applicable and ensuing resolutions.
3. Approval of merger through takeover of Amga –Multiservice Company S.p.A. into Hera S.p.A. under the *Codice Civile* art. 2501 and following, and subsequent amendment of Section 5.1 in the articles of association: applicable and ensuing resolutions.

**Ordinary Part**

1. Financial statement for the year ended 31st December 2013, management report, profit allotment proposal and Board of Statutory Auditors report: applicable and ensuing resolutions.
2. Presentation of corporate governance report and resolutions relating to the remuneration policy.
3. Renewal of authorization to purchase treasury shares and relevant allotment policies: applicable and ensuing resolutions.
4. Appointment of members of the Board of Directors: applicable and ensuing resolutions.
5. Quantification of compensation for members of the Board of Directors: applicable and ensuing resolutions.
6. Appointment of members and Chairman of the Board of Statutory Auditors: applicable and ensuing resolutions.
7. Quantification of compensation for members of the Board of Statutory Auditors: applicable and ensuing resolutions.
8. Appointment of account auditors for financial years 2015 – 2023: applicable and ensuing resolutions.

Third item in the agenda.

**Renewal of authorization to purchase treasury shares and ensuing share allotment policy: resulting measures.**

This report - drawn up as per art. 73 of Issuers' Regulations - illustrates the demand for renewal of the authorisation to purchase and allot ordinary shares by Hera S.p.A. (hereafter referred to as "HERA" or the "Company") ex art. 2357-ter of the *Codice Civile*, as a measure aimed at creating value to the benefit of the shareholders. The prospective use of any acquired treasury shares allowing investment opportunities - through exchange, share swap, trading-in, allocation, transfer or any other treasury share assignment act - is equally envisaged.

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**Reasons for the intended renewal of the authorisation.**

The Board of Directors deem that the renewal of the authorisation to purchase and allot the treasury shares - formerly endorsed in the 30th April 2013 general meeting - is key to attaining the objectives provided for by the regulations in force as well as by the current business practice: namely, creating value for the shareholders. The prospective use of any acquired treasury shares allowing investment opportunities – through exchange, share swap, trading-in, allocation, transfer or any other treasury share assignment act - is equally envisaged, with a view to acquire shareholding, blocks of shares or any other action entailing treasury share allocations or transactions.

**Maximum number, category and nominal value of shares under this authorisation.**

Treasury share purchase is regulated by the *Codice Civile* and a pre-emptive authorisation by the meeting is required under arts. 2357 and 2357-ter ; the meeting shall establish the procedures and maximum number of shares to be purchased within the thresholds set out by the legislation in force, as well as the maximum price; authorization to purchase cannot be permitted for longer than 18 months of the meeting date.

In keeping with the regulations in force, the Company shall only be able to purchase its own treasury shares within the thresholds ensuing from distributable profits and available reserves, as in the latest approved financial statement.

In view of the above, it is deemed necessary to renew the authorization to purchase up to a maximum turnover equalling nr. 40,000,000 HERA ordinary shares having one Euro nominal value

each, after the previous authorisation - endorsed in the 30th April 2013 meeting for the part not enacted - has been repealed. Said authorization therefore entails permission to transfer the treasury shares that have been acquired, even before exhausting the maximum amount of treasury shares that can be purchased; if viable, it also entails permission to buy back so that, in any event, the treasury shares owned by the Company shall not at any time exceed the thresholds set out in the meeting, nor flout any relevant regulations.

**Information ex art. 2357, third comma of the *Codice Civile*.**

We wish to remind the shareholders that under the provisions of the *Codice Civile*, art. 2357, third comma, the portfolio share nominal value cannot exceed the fifth part of the share capital; to this purpose, the shares owned by its subsidiaries shall also be accounted for.

To the date of the present report, Hera's share capital equals €1,421,342,617 and consists of nr. 1,421,342,617 ordinary shares, each having €1,00 nominal value. To the same date, the Company holds nr. 7,690,411 treasury shares - accounting for 0.541% of the share capital - while its subsidiaries do not hold any Hera S.p.A. shares.

**Length of time for the authorisation demand.**

The authorisation to purchase treasury shares is demanded for 18 months of the date of the resolution passed in the meeting; purchase operations may be carried out through single or multiple payments.

On the contrary, the authorisation to transfer does not entail defining any specific time limits on the part of the shareholders.

**Minimum and maximum amount due.**

We suggest that any authorisation for treasury share purchase be given for a minimum unit price that is no lower than their nominal and maximum value, which will not exceed 10% with respect to the **M.T.A.** reference price, as set out and managed by Borsa Italiana S.p.A. in the stock exchange session preceding that of every single purchase.

The purchase price and any other treasury share transfer price shall not result in a negative economic outcome for the Company and shall be conducted under the laws and the regulations in force as well as under all of the supervisory bodies' (*Autorità di Vigilanza*) and/or Borsa Italiana S.p.A.'s prescriptions.

The maximum amount for the investment equals €80,000,000.

**Procedures for share purchase and sale.**

Shares shall be purchased under art. 132 of the Legislative Decree D.Lgs n. 58/1998, art. 144-*bis* of the Issuer's Regulations as well as under any other applicable regulation.

Namely, treasury shares shall preferably be purchased on the M.T.A. as set out by the legislation and the regulations in force, as well as under the provisions set out by the supervisory bodies and/or by *Borsa Italiana S.p.A.*

As to the procedures involving the transferral of the purchased treasury shares under the *Codice Civile*, art. 2357-*ter*, we propose that the Board of Directors be authorised to use the treasury shares within any transactions resulting in actual investment opportunities, such as exchange, share swap, trading-in, allocation, handover or any other transferral of treasury shares with a view to acquire shareholding or blocks of shares, or any other transactions entailing treasury share allotment or transfer; they shall also be authorised to alienate such shares, provided the transactions do not entail any negative financial outcome for the Company.

**Information on how the purchase affects the share capital reduction.**

We wish to draw attention to the fact that the purchase of treasury shares as detailed in this request for authorisation does not serve the purposes of share capital reduction.

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**Resolution proposal**

In view of the above, the Board of Directors invites you to endorse the following resolutions:

*“HERA S.p.A's ordinary meeting:*

- *after hearing the President's clarification;*
- *after acknowledging the Board of Directors' explanatory report and the propositions hereby stated*

***resolves***

- 1) *to approve the purchase, to be enacted within 18 months of the date of this meeting's resolution, in full or multiple payment, up to a maximum turnover threshold equalling nr. 40.000.000 HERA ordinary shares, each having one Euro nominal value; this shall always take place as per thresholds under art. 2357 of the Codice Civile, after the previous authorisation resolution*

*passed in the 30th April 2013 meeting has been repealed for the non-enacted part. Treasury share purchase price shall be no lower than their nominal value, not exceeding a 10% threshold with respect to the reference price recorded on the Stock Exchange day prior to every single purchase; it is understood that purchases cannot exceed a maximum amount equalling € 80,000,000. Moreover, purchases shall preferably take place on the M.T.A. and shall abide by all of the law provisions, regulations and prescriptions set out by the supervising authorities and/or by Borsa Italiana S.p.A.;*

- 2) *to authorise, ex art. 2357 ter of the Codice Civile:
  - (a) *the use of treasury shares acquired within transactions allowing for investment opportunities including such means as exchange, share swap, trading-in, allocation, handover or any other treasury share assignment act aimed at acquiring shareholding or blocks of shares or any other transactions entailing treasury share allotment or disposal;*
  - (b) *the sale may take place through multiple payment, at a price that does not entail any negative financial outcome for the Company, and shall always abide by all legislation and regulations and by the supervising bodies' and Borsa Italiana S.p.A.'s guidelines;**
- 3) *to authorise, under art. 2357-ter of the Codice Civile, the increase of the existing non-disposable asset reserve, equalling the amount of treasury shares in the balance assets;*
- 4) *to confer a mandate upon the Board of Directors and on their behalf to the Chair and the CEO in a separate manner, so that they carry out the purchase and/or the utilisation/sale of HERA shares under all relevant legislation, under this authorisation as well as under the above-listed conditions, with the timing that is deemed appropriate;*
- 5) *to establish that, in the case of treasury share handover, the reserve under art. 2357-ter of the Civil Code shall flow back to an amount equalling the book value of the treasury shares handed over in the existing treasury share purchase reserve, so that said reserve may eventually be used for other purchases, within the timing and conditions authorised under this resolution. Should the portfolio treasury shares undergo downwriting or revaluation, the above-mentioned reserve shall subsequently be rectified.*



Bologna, 26th February 2014

**Chairman of the Board of Director.**  
(Mr. Tomaso Tommasi di Vignano)