



HERA S.P.A.

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

Share Capital € 1,489,538,745.00

Bologna Business Registry

Registration Number 04245520376

***EXPLANATORY ADMINISTRATORS' REPORT
ON THE SUBJECT MATTER LISTED AT POINT 3 OF THE AGENDA***

ORDINARY PART

of the Extraordinary and Ordinary HERA S.p.A. Shareholders' Meeting

convened on 28 April 2016 at 10:00 in a single calling

Dear Shareholders,

HERA S.p.A.'s Board of Directors has convened an Extraordinary and Ordinary Shareholders' Meeting to be held at the Company's Registered Office – *Viale Berti Pichat n. 2/4, Bologna, "Spazio Hera"* area – on 28 April 2016 at 10:00 in a single calling, to discuss and endorse the following:

agenda

Ordinary Part

1. Financial statements for the year ended 31 December 2015, Directors' Report, proposal to distribute the profit and report of Board of Statutory Auditors and Independent Auditors': related and consequent resolutions. Presentation of the consolidated financial statements as at 31 December 2015.
2. Presentation of the corporate governance report and non-binding resolutions pertaining to remuneration policies.
3. Renewal of authorisation to purchase treasury shares and procedures for arrangement of the same: related and consequent resolutions.

Extraordinary Part

1. Amendment of article 4 of the Articles of Association: related and consequent resolutions.

Third item on the agenda for the Ordinary Part.

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

The present report, drawn up as per art. 73 of the Issuers' Regulations, illustrates the proposal for a renewal of the authorisation to purchase and allot ordinary Hera S.p.A. (hereafter referred to as "**Hera**" or the "**Company**") shares, ex art. 2357-*ter* of the Italian Civil Code, as a measure aimed at creating value to the benefit of the shareholders. The prospective use of any acquired treasury shares allowing company operations that involve investment opportunities - through exchange,

share swap, trading-in, allocation, transfer or any other act of treasury share allotment - is equally envisaged.

Reasons for the proposal to renew authorisation.

The Board of Directors deems that a renewal of the authorisation to purchase and allot treasury shares - formerly endorsed in the 28 April 2015 Shareholders' Meeting - represents an effective tool in attaining the objectives provided for by the regulations in force as well as by current business practice: namely, creating value for 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 Italian Civil Code, a pre-emptive authorisation by the meeting being required under arts. 2357 and 2357-ter; the meeting shall establish the procedures and maximum number of shares to be purchased within the limits set out by current legislation, as well as their minimum and maximum price; the authorization to purchase cannot be granted for longer than 18 months following the date of the meeting.

In keeping with the regulations currently in force, the Company shall only be able to purchase its own treasury shares within the limits ensuing from distributable profits and available reserves, as per 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 60,000,000 ordinary HERA shares having a nominal value of one Euro each, after the previous authorisation - endorsed in the 28 April 2015 Shareholders' 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 quantitative

limits set out in the meeting, nor flout any relevant regulations.

Information ex art. 2357, third comma of the Italian Civil Code.

We wish to remind shareholders that under the provisions of the Italian Civil Code, 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 considered. To the date of the present report, Hera's share capital equals € 1,489,538,745 and is represented by 1,489,538,745 ordinary shares, each having a nominal value of € 1.00. To the same date, the Company holds 16,670,150 treasury shares - accounting for 1.119% of the share capital - while its subsidiaries do not hold any Hera S.p.A. shares.

Length of time for which the authorisation is requested.

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

On the contrary, the authorisation to transfer does not require the Shareholders' Meeting to define any specific time limits.

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.** (Mercato Telematico Azionario) 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 is set at € 180,000,000.

Procedures for share purchase and sale.

Shares shall be purchased under art. 132 of Legislative Decree 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 Italian Civil Code, art. 2357-ter, we propose that the Board of Directors be authorised to use the treasury shares within any transactions resulting in 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 concerning the effects of the purchase on 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.

Resolution proposal

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

“HERA S.p.A.’s ordinary Shareholders’ Meeting:

- having heard the Executive Chairman’s clarification;*
- having acknowledged 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 Shareholder Meeting resolution, in full or multiple payment, up to a maximum turnover limit equalling 60,000,000 ordinary HERA shares, each having a nominal value of one Euro; this shall in any case take place as per the limits under art. 2357 of the Italian Civil Code, after the previous authorisation resolution passed in the 28 April 2015 meeting has been repealed for the non-enacted part. The*

treasury share purchase price shall be no lower than their nominal value, not exceeding a 10% limit 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 € 180,000,000. 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 Italian Civil Code:*

(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 consequences 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 establish that, under art. 2357-ter of the Civil Code, the treasury shares be stated as a reduction of net assets, by creating a specific entry bearing a negative sign;*

4) *to confer a mandate upon the Board of Directors and on their behalf to the Executive Chairman and the CEO, separately, 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.*

Bologna, 24 February 2016

The Executive Chairman of the Board of Directors

(Mr. Tomaso Tommasi di Vignano)