



HERA S.P.A.

Registered office in Bologna, Viale Carlo Berti Pichat no. 2/4

Share capital: EUR 1,489,538,745.00

Registered with the Register of Companies of Bologna

Registration number 04245520376

***REPORT OF THE BOARD OF DIRECTORS ON
THE ISSUE AT ITEM 3 ON THE AGENDA
ORDINARY SESSION***

*of the Extraordinary and Ordinary Shareholders' Meeting of HERA S.p.A.
called on 29 April 2020 at 10 a.m. in one single call*

Dear Shareholders,

The Board of Directors of HERA S.p.A., has called an Extraordinary and Ordinary Shareholders' Meeting at the Company's registered office – *Viale Berti Pichat n. 2/4, Bologna* – at “*Spazio Hera*” – on 29 April 2020, at 10:00 a.m. in single call, to discuss and resolve on the following:

Agenda

Extraordinary Session

1. Amendment to Articles 16 and 26 and cancellation of Article 34 of the Articles of Association, in compliance with provisions of Law no. 160 dated 27 December 2019: related and consequent resolutions.
2. Amendment to Article 17 of the Articles of Association, in compliance with Law no. 160 of 27 December 2019: related and consequent resolutions.

Ordinary Session

1. Financial statements as at 31 December 2019, Report on Operations, profit allocation proposal and Report of the Board of Statutory Auditors and the Independent Audit Report: related and consequent resolutions. Presentation of the consolidated financial statements as at 31 December 2019.
Presentation of the Sustainability Report - Consolidated non-financial statement, drawn up pursuant to Italian Legislative Decree no. 254/2016.
2. Report on the remuneration policy and compensation paid: related and consequent resolutions.
3. Renewal of the authorisation to purchase treasury shares and ways of disposing the same: related and consequent resolutions.
4. Appointment of the members of the Board of Directors: related and consequent resolutions.
5. Determination of the remuneration of the members of the Board of Directors: related and consequent resolutions.
6. Appointment of the members of the Board of Statutory Auditors and Chairman: related and consequent resolutions.
7. Determination of the remuneration of the members of the Board of Statutory Auditors: related and consequent resolutions.

Third issue on the Agenda - Ordinary session.

Renewal of the authorisation to purchase treasury shares and ways of disposing the same: consequent provisions.

This report, drawn up pursuant to article 73 of the Issuers' Regulation, describes the renewal

proposal of the purchase and disposal authorisation of Hera S.p.A. ordinary shares (hereinafter “**HERA**” or the “**Company**”), as per article 2357-ter of the Italian Civil Code, as part of transactions aimed at increasing the value for shareholders, without excluding the option of using treasury shares purchased as part of corporate transactions that prove to be investment opportunities, also by means of exchanges, swaps, part-exchange, transfer, sale or other means of disposal of treasury shares, as well as for the issue of financial instruments.

The reasons for the renewal proposal of the authorisation.

The Board of Directors deems it useful that the request to renew the authorisation for the purchase and disposal of treasury shares - already decided at the Shareholders’ Meeting of 30 April 2019 - is granted for the purposes permitted by regulations in force and admitted market practices, including: the increase in the value for shareholders, without excluding the option of using treasury shares purchased as part of transactions that prove to be investment opportunities, also by means of exchanges, swaps, part-exchange, transfer, sale or other means of disposal of treasury shares to purchase equity investments or shareholdings or in other transactions implying the allocation or disposal of treasury shares, as well as within issue transactions of financial instruments.

The maximum number, category and nominal value of shares to which the authorisation refers.

The purchase of treasury shares is regulated by articles 2357 and 2357-ter of the Italian Civil Code, which requires prior authorisation by the Shareholders’ Meeting that shall define the procedures and the maximum number of shares to be purchased, within the limits of the quantities provided for by law, the minimum and maximum price. The authorisation to purchase may not be granted for a period longer than 18 months from the date of the Shareholders’ Meeting.

Pursuant to current law provisions, the Company may not purchase treasury shares except within the limits of distributable profits and available reserves, as shown in the latest approved financial statements.

That being stated, it is deemed suited to propose to the Shareholders’ Meeting the authorisation renewal to purchase shares up to a maximum revolving limit of 60,000,000 HERA ordinary shares, with a nominal value of Euro 1,00 each, equal to around 4.028% of the share capital, after revocation of the previous authorisation resolution taken by the Shareholders’ Meeting on 30 April 2019 for the portion that has not been executed.

Therefore, the authorisation includes the disposal authorisation of treasury shares acquired also before reaching the maximum quantity of treasury shares that may be purchased and, if necessary, to repurchase the shares to such an extent that, in any case, the treasury shares held by the Company at any time do not exceed the quantity limits established by the Shareholders' Meeting and applicable regulations.

Information pursuant to art. 2357, subsection 3 of the Italian Civil Code.

It is specified and recalled that, pursuant to article 2357, subsection 3, of the Italian Civil Code, the nominal value of shares held in portfolio shall not exceed one fifth of the share capital, including, to this purpose, also equity investments owned by subsidiaries.

At the date of this report, HERA's share capital was Euro 1,489,538,745, represented by 1,489,538,745 ordinary shares with a nominal value of Euro 1,00 each. At the date of this report, the Company owned 10,288,000 treasury shares, equal to 0.69068% of the share capital and its subsidiaries owned no Hera S.p.A. shares.

The term for which the authorisation is required.

The authorisation for the purchase of treasury shares is required for 18 months from the date of the resolution taken by the Shareholders' Meeting. Purchases can be made in one or more stages.

The authorisation for the disposal of shares does not foresee any special time limits defined by the Shareholders' Meeting.

Minimum and maximum price.

It is proposed that the purchase of treasury shares be authorised at a minimum unit price not lower than their nominal value and not exceeding 10% of the reference price recorded on the automated stock exchange organised and managed by Borsa Italiana S.p.A. ("M.T.A.") in the stock market session prior to each purchase.

All purchases and disposal of treasury shares shall be at a price that would not entail detrimental economic effects for the Company, and shall be carried out pursuant to legislation and regulations in force and provisions set out by the Supervisory Authorities and/or Borsa Italiana S.p.A.

The maximum amount of the investment is set at Euro 270,000,000.

The modalities by which purchases / sales will be made.

Purchases will be made pursuant to provisions set out in article 132 of Italian Legislative Decree no. 58/1998, article 144-bis of the Issuers' Regulation and any other applicable rule.

In particular, the purchases of treasury shares shall be preferably made on the M.T.A., in compliance with legislation and regulations in force and provisions set out by the Supervisory Authorities and/or Borsa Italiana S.p.A.

As regards the disposal modalities of acquired treasury shares, the proposal is that, pursuant to art. 2357-ter of the Italian Civil Code, the Board of Directors be authorised to use treasury shares within transactions that prove to be investment opportunities, also by means of exchanges, swaps, part-exchange, transfer, sale or other means of disposal of treasury shares to purchase equity investments or shareholdings or in other transactions implying the allocation or disposal of treasury shares, within issue transactions of financial instruments, as well as to dispose the same, provided that such disposal would not entail detrimental economic effects for the Company.

Information on the usefulness of the purchase to reduce the share capital.

Please note that the purchase of treasury shares object of this authorisation request is not instrumental to a reduction in share capital.

Proposed resolution

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

“The Ordinary Shareholders’ Meeting of HERA S.p.A.:

- *after hearing the presentation of the executive Chairman;*
- *after acknowledging the report of the Board of Directors and related proposals;*

resolves

- 1) *to approve the purchase, for completion within 18 months from the date of these minutes and in one or more stages, of up to a maximum revolving limit of 60,000,000 Hera ordinary shares with a nominal value of Euro 1,00 each, all of which in compliance with limits established in art. 2357 of the Italian Civil Code, after revocation of the previous authorisation resolution taken by the Shareholders’ Meeting on 30 April 2019 for the portion that has not been executed. The purchase of treasury shares shall be at a purchase price not less than the nominal value and not greater than 10% of the reference price recorded on the market day prior to each*

individual purchase, envisaging a total amount for the purchases of Euro 270,000,000. In any event the preferred market for purchases must be the M.T.A. market, in compliance with legislation and regulations in force and provisions set out by the Supervisory Authorities and/or Borsa Italiana S.p.A.;

2) *to authorise, pursuant to art. 2357-ter of the Italian Civil Code:*

(a) use of treasury shares purchased as part of transactions that prove to be investment opportunities, also by means of exchanges, swaps, part-exchange, transfer, sale or other means of disposal of treasury shares to purchase equity investments or shareholdings or in other transactions implying the allocation or placement of treasury shares, as well as within issue transactions of financial instruments;

(b) the sale, completed in one or more stages, at a price with no detrimental economic effects on the Company and in any event in observance of legal and regulatory provisions and of Supervisory Authority and Borsa Italiana S.p.A. instructions;

3) *to provide, pursuant to art. 2357-ter of the Italian Civil Code, that treasury shares be recognised in the financial statements as a reduction in shareholders' equity, by entering a specific item with a negative sign;*

4) *to confer mandate upon the Board and Directors and, on the Board's behalf, grant separate powers to the executive Chairman and Managing Director to proceed in compliance with law and in observance of this resolution to purchase and/or use/sell HERA shares under the aforementioned terms and over a timescale deemed to be most appropriate.*

Bologna, 19 February 2020

The Executive Chairman of the Board of Directors

(Tomaso Tommasi di Vignano)