



2016
Payments
to governments
EDISON GROUP

Table of contents

1 Introduction.....	3
2 Reporting principles.....	5
3 Consolidated overview	7
4 Focus by country.....	8
Egypt.....	8
Italy.....	9
United Kingdom.....	10
5 Contextual Information	11
Investments, revenues, purchases of goods and services and production volumes	11
List of Subsidiaries	12

1 Introduction

Background

Edison is Europe's oldest energy company, and one of the industry leaders in Italy and Europe. Today we operate in several countries around the world and have a staff of about 5,000 people in our two main areas of business: electric power and hydrocarbons exploration and production (natural gas and crude oil). At the date of this report, Edison is a subsidiary of Électricité de France (EDF).

Legal framework

The article 42 of the Directive 34/2013/EU states that *“Member States shall require large undertakings and all public-interest entities active in the extractive industry or the logging of primary forests to prepare and make public a **report on payments made to governments** on an annual basis...”*

In Italy, EU Directive 34/2013/EU has been transposed with Legislative Decree 139/2015, with effective date of January 1st, 2016.

Our activity

In the hydrocarbons business, Edison operates in Italy, Europe, the Middle East, Africa and South America, where it holds licenses for the exploration and production of natural gas and crude oil.

We are also committed to developing gas import infrastructures for Italy and Europe, and through our subsidiaries we manage regulated activities (gas transport, storage and distribution).

Further information on Edison are available on the official website: www.edison.it

Where we are in the world:



This map provides an overview of Edison presence as of 31.12.2016 (countries in orange).

2 Reporting principles

Scope and validity

Edison Group (hereinafter referred to as Edison) has prepared a consolidated report on payments to governments, for activities related to exploration, prospecting, discovery, development, and extraction of minerals, oil, natural gas deposits or other materials (extractive activities). In this report, we only disclose payments to governments for legal entities involved in extractive activities, or payments made on behalf of such group entities, as illustrated below. The relevant payment types are described later in this section.

Government

In this report “government” means any local, regional and national authority of a country, included departments, agencies or corporation controlled by that authority, in accordance with Legislative Decree 139/2015, article 1.

Reporting period

This report covers the payments made in the following period: January 1st – December 31st, 2016

Basis for preparation

This report has been prepared consistently with the provisions of the Directive n. 34/2013/EU, as transposed by Legislative Decree 139/2015, on a cash basis and includes direct payments to governments from subsidiaries, joint operations and joint ventures, regardless of whether Edison is the operator or not.

Significant payment types within the scope of this report, such as taxes and royalties, are typically made directly by Edison to governments. In some case, however, certain payments to governments may be made by the operator on behalf of a partnership. This is often the cases for area fees. In such cases, Edison, will report the payment made by the operator on Edison behalf.

Perimeter

Edison defined the perimeter of the payments to governments to be disclosed in accordance with the legal framework in force. Particularly Edison considered payments to governments made by consolidated subsidiaries active in the businesses listed in Legislative Decree 139/2015. Payments made by non-consolidated entities are not disclosed in this report, regardless the amount paid.

Project definition

A project is defined as the operational activities under an individual contract, license, lease, concession or similar legal agreement. Moreover we consider as an individual project also

operational activities under several agreements “substantially interconnected” (e.g. unitization and unit operating agreement).

Payments that are not directly linked to a specific project, but have been made at entity level (e.g. corporate taxes), will be reported at the level for which the payment is made even if the overall payment could partially refer to businesses out of the scope of this report.

Materiality

Payments made in the reporting period, as a single or a series of related payments, below Euro 100.000 are not included in this report according to Legislative Decree 139/2015, article 3, paragraph 2. If no payments or only payments below this threshold were paid in a particular country, the country is not displayed in this report.

Report Currency

When preparing the report, amounts in currencies other than Euro have been translated based on the average annual foreign exchange rate.

Payment types disclosed at project or legal entity level

According to EU legislation, the following payment types shall be disclosed for legal entities involved in extractive activities:

- a. **Taxes** levied on the income, production or profits of companies. Taxes levied on consumption, such as a value added taxes, personal income taxes, sales taxes, withholding taxes, property taxes and environmental taxes, are out of scope,
- b. **Royalties** are usage-based payments for the right to the on-going use of an asset,
- c. License **fees** and **Bonuses** are payments to be made when signing an oil and gas lease, when discovering natural resources and/or when starting production,
- d. Shares or other **ownership rights** to a company or its subsidiaries or closely connected parties that are given to governments for the right to extract oil and gas,
- e. **Dividends** include payments to governments instead of production entitlements or royalties. In this context, dividends do not include payments to governments when a government is a shareholder of the company, as long as the dividend is paid to the government under the same terms and conditions as applicable to other shareholders,
- f. Payments for **infrastructure improvements**. Such payments are disclosed if Edison is contractually committed to finance public services and utilities
- g. **Host government entitlements** are the host government’s share of production after oil production has been allocated to cover costs and expenses under production sharing agreements.

Further information about environmental subjects and community investment is available, at <http://www.edison.it/>

3 Consolidated overview

The consolidated overview discloses the sum of Edison's payments to governments in each country and per payment type. The overview is based on the location of the receiving government.

Edison did not transfer any ownership rights or pay any dividends in lieu of production rights, entitlements or royalties in 2016.

(in Euro million)	Taxes	Royalties	Fee and Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
Egypt	-	-	0,59	-	36,17	0,99	36,76
Italy	179,67	10,87	-	0,25	-	-	190,79
United Kingdom	-	-	0,31	-	-	-	0,31
Total	179,67	10,87	0,90	0,25	36,17	0,99	227,86

4 Focus by country

Egypt

In Egypt Edison holds mainly a 100% operated participating interest in the Abu Qir concession in the Nile Delta offshore and operates (with a 60% working interest) the West Wadi El Rayan license, in the Western Desert. Edison has also a 20% participating interest in the Rosetta offshore production license.

The exhibits below disclose payments per projects and governments made in the country:

Payments per project

(in Euro million)	Taxes	Royalties	Fee and Bonuses	Infrastructure Improvements	Host government	Host government	Total (value)
					entitlements (value)	entitlements (mmboe)	
Abu Qir	-	-	-	-	32,03	0,97	32,03
Rosetta	-	-	-	-	4,14	0,02	4,14
North Thekah	-	-	0,11	-	-	-	0,11
North Hapy	-	-	0,17	-	-	-	0,17
North Port Fouad	-	-	0,14	-	-	-	0,14
South Idku	-	-	0,17	-	-	-	0,17
Total	-	-	0,59	-	36,17	0,99	36,76

Pagamenti per governo

(in Euro million)	Taxes	Royalties	Fee and Bonuses	Infrastructure Improvements	Host government	Host government	Total (value)
					entitlements (value)	entitlements (mmboe)	
Egyptian Tax Authority - Large tax payer	-	-	-	-	36,17	0,99	36,17
EGPC	-	-	-	-	-	-	-
EGAS	-	-	0,59	-	-	-	0,59
Total	-	-	0,59	-	36,17	0,99	36,76

Consistently with concession agreement provisions, all the entitlements related to the above mentioned projects are supposed to be transferred to EGPC/EGAS (corporations owned by Egyptian government) which withhold the share pertaining to Egyptian government as taxes to be paid in kind.

As regards the column bonuses, it includes signature bonuses paid to state-owned companies in the framework of the acquisition of exploration participation interests.

Italy

Since the early '50s Edison has always played a leading role in the Italian energy sector with discoveries of major importance. The Italian activities are managed by the two districts of Pescara (Adriatic offshore and Northern Italy) and Siracusa (Sicily). In 2016 Edison produced in Italy roughly 4,5 MBOE of which 378 Msmc of gas and 2.2 MMBbl of oil. The majority of the gas production came from the major gas fields of Calipso and Clara, both operated by Eni, whilst the oil production, came from the operated offshore fields of Vega, in Sicily, and Sarago Mare, in the Adriatic sea and the non-operated onshore field of Tresauro (in Sicily).

The exhibits below disclose payments per projects and governments made in the country:

Payments per project

(in Euro million)	Taxes	Royalties	Fee and Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
Municipality of Fermo - Cliff	-	-	-	0,25	-	-	0,25
Daria Concession	-	0,68	-	-	-	-	0,68
Emma-Giovanna Concession	-	0,39	-	-	-	-	0,39
Clara Concession	-	1,09	-	-	-	-	1,09
Clara Est Nord	-	0,17	-	-	-	-	0,17
Clara Ovest Calipso	-	0,25	-	-	-	-	0,25
Fauzia	-	0,04	-	-	-	-	0,04
Candela Concession	-	0,81	-	-	-	-	0,81
Rospo Sea Concession	-	1,00	-	-	-	-	1,00
Vega Concession	-	0,64	-	-	-	-	0,64
Sarago	-	0,13	-	-	-	-	0,13
Comiso Concession	-	0,13	-	-	-	-	0,13
S. Anna Concession	-	5,54	-	-	-	-	5,54
Corporate	179,67	-	-	-	-	-	179,67
Total	179,67	10,87	-	0,25	-	-	190,79

Payments per government

(in Euro million)	Taxes	Royalties	Fee and Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
Ragusa Municipality	-	3,83	-	-	-	-	3,83
Fermo Municipality	-	-	-	0,25	-	-	0,25
Sicily Region	-	2,05	-	-	-	-	2,05
Abruzzo Region	-	-	-	-	-	-	-
Puglia Region	-	0,54	-	-	-	-	0,54
Molise Region	-	0,26	-	-	-	-	0,26
Italian Tax Authority ("Agenzia delle Entrate")	179,67	-	-	-	-	-	179,67
Sviluppo Economico Ministry via Italian Central Bank - Treasury Department	-	4,19	-	-	-	-	4,19
Total	179,67	10,87	-	0,25	-	-	190,79

"Corporate" line includes tax payments made by three different Edison subsidiaries: Edison SPA, Edison Stoccaggio SpA and Edison Idrocarburi Sicilia Srl. For the first two entities, active in several businesses, since taxes are paid at entity level, we disclosed the overall taxes paid, regardless the business they refer to.

As far as the payments per government table is concerned, the cell taxes paid to Italian Tax Authority ("Agenzia delle Entrate") includes payments directly made for 22,0 million euro (deducted tax credit for 0,36 million euro). The remaining share was paid via Transalpina di Energia Srl, the company which consolidates Edison Italian entities for tax purposes.

United Kingdom

Edison holds in UK participating interests in producing fields in the North Sea (Scott and Telford, acquired in 2015) and in the United Kingdom Continental Shelf (Kilmar, Garrow and Wenlock). In the last couple of years a growth strategy has been put in place through the participation in the 28th Offshore Licensing Round and the acquisition of further exploration licenses from third parties.

The exhibits below disclose payments per projects and governments made in the country:

Payments per project

(in Euro million)	Taxes	Royalties	Fee and Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
Tors	-	-	0,31	-	-	-	0,31
Total	-	-	0,31	-	-	-	0,31

Payments per government

(in Euro million)	Taxes	Royalties	Fee and Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
Licence fees billed by operator	-	-	0,31	-	-	-	0,31
Total	-	-	0,31	-	-	-	0,31

5 Contextual Information

The contextual information disclosed in this section provides a broader picture of Edison's E&P overall economic impact in the countries where we have business activities and considered in this report.

Some of our subsidiaries have also several branches registered in the country where operations take place. To enhance organizational transparency, we have included both country of operation and country of incorporation/registration in the overview of subsidiaries.

The contextual information reported is based on data collected mainly for the purpose of financial reporting. For this reason, information disclosed in this section (investments, revenues, purchases of goods and services) is reported in accordance with the principles for financial reporting (accruals basis) and not on a cash basis.

Investments⁽¹⁾, revenues, purchases of goods and services and production volumes

(in Euro million)	Investments	Revenues	Purchase of goods and services	Production volume (mmboe)
Egypt	28,8	198,5	118,4	9,7
Italy	12,1	128,5	16,1	4,5
United Kingdom	1,4	27,1	0,0	1,1
Total	42,4	354,1	134,3	15,3

(1) Investments include Exploration activities

List of Subsidiaries

The table below provides an overview of all subsidiaries in the Edison Group E&P and their country of incorporation and operation.

Subsidiaries	Country of incorporation	Country of operation
Edison SpA	Italy	Italy
Edison Stoccaggio SpA	Italy	Italy
Edison Idrocarburi Sicilia Srl	Italy	Italy
Edison International SpA	Italy	Algeria
Edison International SpA	Italy	Denmark
Edison International SpA	Italy	Falkland Islands
Edison International SpA	Italy	United Arab Emirates
Edison International SpA - Croatia Branch	Italy*	Croatia
Edison International SpA - Israel Branch	Italy*	Israel
Edison International SpA - Ivory Coast Branch - winding up	Italy*	Ivory Coast
Edison International SpA - Egypt Branch	Italy*	Egypt
Edison International SpA - Iran Branch	Italy*	Iran
Edison International SpA - Greece Branch	Italy*	Greece
Edison Norge AS	Norway	Norway
Edison E&P UK Ltd	UK	UK
Edison North Sea Ltd	UK	UK
Euroil Exploration Ltd	UK	UK

(*) Edison International SpA is operating in this country through a registered branch