



2017

Payments

to governments

EDISON GROUP

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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). Edison is part of Electricité de France Group (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 France, the EU Directive has been transposed with effective date January 1st, 2015.

In Italy, the EU Directive has been transposed with effective date 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 (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 31.12.2017.

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.

Reporting period

This report covers the payments made in the following period: January 1st – December 31st, 2017.

Basis for preparation

This report has been prepared consistently with the provisions of the Directive n. 34/2013/EU, on a cash basis and includes direct payments to governments from subsidiaries and joint ventures, regardless of whether Edison is the operator or not. Significant payment within the scope of this report, such as taxes and royalties, are mostly made directly by Edison to governments. In some case, however, certain payments to governments may be made by the operator on behalf of the joint venture members. This is often the case 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 by the Directive n. 34/2013/EU. 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, in certain cases, 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), are reported at the level for which the payment is made even if the overall payment could partially refer to activities out of the scope of this report.

Materiality

Payments made in the reporting period, as a single or a series of related payments, for an amount below Euro 100.000 are not included in this report according to the Directive 34/2013/EU, article 46. If no payments or only payments below this threshold were paid in a specific country, such country is not displayed in Section 4 of 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 as implemented in Italy, 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 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. **Signature, discovery and production bonuses** are money to be paid when signing an oil and gas lease, when discovering natural resources and/or when production has started,
- d. License **fees** are typically paid on the right to the on-going use of an asset
- 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 in 2017 Consolidated Non-Financial Disclosure, at <https://www.edison.it/en/reports-and-related-documents>

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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 2017.

Payments per project

(In euro million)	Taxes	Royalties	Dividends	Fees	Bonuses	Infrastructure Improvements	Host government entitlements	Total
Egypt	66,74	-	-	-	-	-	-	66,74
Italy	11,75	7,43	-	-	-	0,10	-	19,28
United Kingdom	-	-	-	0,70	-	-	-	0,70
Total	78,49	7,43	-	0,70	-	0,10	-	86,72

4 Focus by country

Egypt

In Egypt, the main asset is represented by Edison's 100% operated participating interest in the Abu Qir concession in the Nile Delta offshore, together with a 100% operating interest in North East Amriya and North Idku acquired in 2017. Moreover Edison has participating interests in several other Concession Agreements which are in an exploration stage.

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

Payments per project

(In euro million)	Taxes	Royalties	Dividends	Fees	Bonuses	Infrastructure Improvements	Host government entitlements	Total
ABU QIR	54,42 ^[A]	-	-	-	-	-	-	54,42
ROSETTA	12,32 ^[A]	-	-	-	-	-	-	12,32
Total	66,74	-	-	-	-	-	-	66,74

Payments per government

(In euro million)	Taxes	Royalties	Dividends	Fees	Bonuses	Infrastructure Improvements	Host government entitlements	Total
Egyptian Tax Authority	66,74 ^[A]	-	-	-	-	-	-	66,74
Total	66,74	-	-	-	-	-	-	66,74

[A] paid by EGPC on behalf of Edison

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 2017 Edison produced in Italy roughly 4,2 MBOE of which 370 Msmc of gas and 1.9 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 Rospo and Vega, in Sicily, and Sarago Mare, in the Adriatic sea.

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

Payments per project

(In euro million)	Taxes	Royalties	Dividends	Fees	Bonuses	Infrastructure Improvements	Host government entitlements	Total
Ragusa - Energy Efficiency Improving	-	-	-	-	-	0,10	-	0,10
Daria Concession	-	0,11	-	-	-	-	-	0,11
Emma - Giovanna Concession	-	0,11	-	-	-	-	-	0,11
Clara Est Nord Concession	-	2,00	-	-	-	-	-	2,00
Clara Ovest Calipso Concession	-	0,86	-	-	-	-	-	0,86
Fauzia Concession	-	0,08	-	-	-	-	-	0,08
Rospo Concession	-	0,85	-	-	-	-	-	0,85
Vega Concession	-	0,51	-	-	-	-	-	0,51
Candela Concession	-	0,31	-	-	-	-	-	0,31
S.Anna Concession	-	2,60	-	-	-	-	-	2,60
Corporate	11,75	-	-	-	-	-	-	11,75
Total	11,75	7,43	-	-	-	0,10	-	19,28

Payments per government

(In euro million)	Taxes	Royalties	Dividends	Fees	Bonuses	Infrastructure Improvements	Host government entitlements	Total
Puglia Region	-	0,32	-	-	-	-	-	0,32
Molise Region	-	0,18	-	-	-	-	-	0,18
Sicily Region	-	1,02	-	-	-	-	-	1,02
Municipality of Ragusa	-	1,73	-	-	-	0,10	-	1,84
Italian Tax Authority ("Agenzia delle Entrate")	11,75	-	-	-	-	-	-	11,75
Sviluppo Economico Ministry via Italian Central Bank - Treasury Department	-	4,18	-	-	-	-	-	4,18
Total	11,75	7,43	-	-	-	0,10	-	19,28

"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 4,5 million euro (detracted 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 E&P UK Ltd owns participating interests in three producing assets offshore gas fields (Kilmar, Garrow and Wenlock, collectively known as Tors and Wenlock with a non-operated equity stake of 68% and 80% respectively); two offshore oil fields (Scott and Telford, with a non-operated stake of 10.47% and 15.65%) and the main activity is to develop and produce petroleum. Euroil Exploration Ltd owns a range of exploration licences on the United Kingdom Continental Shelf.

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

Payments per project

(In euro million)	Taxes	Royalties	Dividends	Fees	Bonuses	Infrastructure Improvements	Host government entitlements	Total
Tors	-	-	-	0,57	-	-	-	0,57
Wenlock	-	-	-	0,13	-	-	-	0,13
Total	-	-	-	0,70	-	-	-	0,70

Payments per government

(In euro million)	Taxes	Royalties	Dividends	Fees	Bonuses	Infrastructure Improvements	Host government entitlements	Total
Licence fees billed by Operator (Alpha Petroleum)	-	-	-	0,70	-	-	-	0,70
Total	-	-	-	0,70	-	-	-	0,70

5 Contextual Information

The contextual information disclosed in this section provides a broader picture of Edison's E&P overall economic impact in the country 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	153,1	227,4	(30,2)	11,3
Italy	25,7	147,4	(117,5)	4,2
United Kingdom	11,3	45,7	(31,3)	0,8
Total	190,1	420,5	(179,0)	16,3

(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 - 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