

**Cross-border merger by incorporation of EDISON  
INTERNATIONAL HOLDING NV into EDISON SpA**

**Explanatory report of the Board of Directors of Edison S.p.A of the plan for the  
cross-border merger of  
Edison International Holding N.V. into Edison S.p.A.**

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**CROSS-BORDER MERGER**  
of **“EDISON INTERNATIONAL HOLDING N.V.”**  
into **“EDISON S.P.A.”**

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**INTRODUCTION**

This report aims to describe the cross-border merger (hereinafter, also referred to as the **“Merger”** or the **“Transaction”**) of Edison International Holding N.V. (hereinafter, also referred to as **“EIH”** or the **“Disappearing Company”**), public limited liability company (*Naamloze Vennootschap*) organised under the laws of the Netherlands, into its parent company Edison S.p.A. (hereinafter, also **“Edison”** or the **“Acquiring Company”** or the **“Company”**), a joint stock company (*Società per azioni*) incorporated under the laws of Italy, with savings shares traded on the MTA market organised and managed by Borsa Italiana S.p.A. (**“MTA”**).

The Merger therefore qualifies as a cross-border merger pursuant to Directive 2005/56/EC of October 26, 2005 on cross-border mergers of limited liability companies (hereinafter also referred to as the **“Directive”**), as the companies participating in the Transaction belong to two separate Member States of the European Union. As such, the Merger must also be carried out in compliance with Italian Legislative Decree no. 108 of May 30, 2008 (the **“Decree”**) and Title 2.7 of the Dutch Civil Code, which adopted the above-mentioned Directive.

As the Disappearing Company is now, and will be at the merger effective date, entirely and directly owned by Edison, the Transaction will be enacted following the “simplified” procedure pursuant to art. 2505 of the Italian Civil Code and art. 18 of the Decree, as well as section 2:333, paragraph 1, of the Dutch Civil Code, and will be characterised by procedural simplifications, not requiring, inter alia, the determination of an exchange ratio.

However, although art. 2505 of the Italian Civil Code exempts the Board of Directors from the obligation of drafting the report pursuant to art. 2501-*quinquies* of the Italian Civil Code, as this is a cross-border merger, in observance of the provisions of art. 8 of the Decree, this report has been prepared which therefore takes into account the provisions pursuant to art. 2501-*quinquies* of the Italian Civil Code, art. 8 of the Decree and, since Edison has issued savings shares traded on the MTA market, art. 70, paragraph 2 of the Issuers' Regulation and the relative Annex 3A (the “**Report**”).

### **STRATEGIC JUSTIFICATION FOR THE MERGER**

The Transaction is taking place within the context of Edison's general strategy enacted in recent years, to orient its development primarily in Italy, taking on a leadership role in the national energy business. From this perspective, the Company is concentrating its core business in the sector of electricity generation (with a particular focus on renewable sources, and thermoelectric generation efficiency activities), the market of energy, gas and value added services to its customers, as well as offering energy and environmental services and diversifying gas procurement sources. At the same time, Edison has decided to streamline and dispose of its hydrocarbons exploration and development and production activities, including abroad, and to simplify the chain of control of other foreign assets in the business sectors of interest to the group.

The Disappearing Company, EIH, a member of the group for more than 50 years, had progressively become the driver for the development of the group's activities abroad, and in 2014 was reorganised from the management and corporate perspective into operative sub-holding companies in order to consolidate, manage and develop those activities, also providing the relevant financial support. To that end, it was provided with an adequate technical and professional structure to support its development, particularly with reference to the electricity market (with the equity investment, jointly with Helpe, in the Greek company Elpedison Sa, owner of thermoelectric generation plants), midstream gas infrastructure (with the equity investment, jointly with Depa, in the companies IGI and its associate ICGB which are developing the construction of gas pipelines in the Balkans and Mediterranean area) and Exploration & Production activities (with control over three UK companies, transferred to another Edison Group company in 2019).

Currently, the above-mentioned redefinition of strategic positioning and the resulting downsizing of foreign development, coupled with the disposal of the E&P business, no longer justifies the existence of a dedicated foreign sub-holding company.

The transaction identified to achieve the result of closing EIH is the Merger, as a result of which EIH will cease to exist and Edison will take over direct management of its activities.

The expected effects of the Transaction can be summarised as follows:

- decrease in overhead costs
- cash flow simplification
- simplification of the group's corporate structure

In particular Edison, and as a result its shareholders, will thus be able to benefit from cost savings to the extent of roughly 1 million euros (on an annual basis) and the simplification of management processes, following the elimination of the complexities linked to the management of a company organised under foreign law. Furthermore, Edison's acquisition of direct ownership of the partnerships with third-party partners of EIH will contribute towards simplifying relationships with such partners.

## **LEGAL AND TECHNICAL ASPECTS AND MAIN STEPS OF THE MERGER**

Considering that the Acquiring Company directly owns the entire share capital of EIH:

- (i) the Merger will take place through the cancellation of all shares of the Disappearing Company, without a share capital increase of the Acquiring Company or the issue of new shares, nor will any shares be assigned to replace the equity investments held in the Disappearing Company, which will be cancelled with no share swap as a result of the Merger;
- (ii) pursuant to article 2505 of the Italian Civil Code and art. 18 of the Decree and the corresponding provisions of Dutch legislation:
  - a) the cross-border merger plan does not contain indications regarding the exchange ratio, the methods for assigning shares and profit-sharing, pursuant to article 2501-ter, paragraph 1, numbers 3), 4) and 5) of the Italian Civil Code, as well as art. 6, paragraph 1, letter b) of the Decree;
  - b) there will be no report prepared by experts - pursuant to art. 2501-sexies of the Italian Civil Code, as there is no share swap.

As this is a simplified merger, the cross-border merger plan relating to the Acquiring Company will be approved by its Board of Directors, as permitted by art. 18 of the Decree, and art. 17 of the Edison Articles of Association, without prejudice to the right of shareholders of the Acquiring Company representing at least five percent of the share capital to request, pursuant to art. 2505, paragraph 3 of the Italian Civil Code, the transfer of decision-making responsibilities to the Extraordinary Shareholders' Meeting by means of a request sent to the Acquiring Company within eight days of the deposit of the merger plan for registration at the competent Business Register of the Acquiring Company.

As concerns the Disappearing Company, the Merger will be approved by the relevant body in compliance with applicable provisions of law.

There will be no amendment to the Edison Articles of Association as a result of the Merger. The Acquiring Company will therefore retain, *inter alia*, its current name, business purpose and registered office. As it does not entail any amendment to the Edison Articles of Association, or provide any other reason for withdrawal as set forth by law, the Merger shall not give the Edison shareholders the right to withdraw.

## **REFERENCE FINANCIAL STATEMENTS**

For the purposes of the Merger, the interim financial statements as at June 30, 2020 of the Acquiring Company and the Disappearing Company, approved by the respective Boards of Directors, were assumed as the financial statements pursuant to art. 2501-*quater* of the Italian Civil Code and the corresponding provisions of the Dutch Civil Code.

## **PUBLICATION REQUIREMENTS**

According to the provisions of art. 2501-*septies* of the Italian Civil Code and art. 7 of the Decree, at least thirty days prior to the decision on the Merger, the merger plan shall be deposited, together with its annexes, at the Business Register of the Acquiring Company and the Disappearing Company, and the main information concerning the Merger (pursuant to art. 7 of the Decree) will be published in the Italian Official Gazette (and in the Dutch government gazette).

Additionally, in accordance with and pursuant to the combined provisions of articles 2501-*septies* and 2505 of the Italian Civil Code, during the thirty days prior to the decision on the Merger, the following will be deposited at the registered office of each merging company:

- (i) the merger plan (together with its annexes) and the Report;
- (ii) the financial statements of the last three financial years of the merging companies, with the respective reports of the board of directors, the independent auditors and, only for Edison, the board of statutory auditors,
- (iii) the interim financial statements as at June 30, 2020 of each merging company, as the financial statement pursuant to art. 2501-quater, paragraph 2 of the Italian Civil Code and the corresponding provisions of the Dutch Civil Code.

The documents referred to in letters (i) and (iii) above shall also be published on the website of Edison and in the storage system for regulated information called “E-market Storage”.

### **EFFECTS OF THE MERGER**

As of the effective Merger date, Edison will acquire all assets, liabilities and other legal relationships of the Disappearing Company under universal title of succession, undertaking to meet the commitments and obligations according to the agreed expiry dates and conditions.

The legal effects of the Transaction shall begin on the first day of the month subsequent to that of the date of registration of the Merger Italian notarial deed with the relevant Business Register of the Acquiring Company (“**Effective Date**”).

The transactions of the Disappearing Company will be accounted in the annual accounts of the Acquiring Company as of the Effective Date. Tax effects will begin as of the same date.

### **TAX IMPACTS ON THE MERGING COMPANIES**

As this is a cross-border merger, the Acquiring Company shall be required to define its tax position in Holland, paying, insofar as may be due, an exit tax on any capital gain realised on the assets transferred on the basis of the fair value that can be attributed at the time the merger takes effect. Taking into account the possible application of the Participation exemption system, it is not considered that there will be any significant tax expenses in Holland applicable to the equity investments transferred and all the business of the Acquiring Company.

The Acquiring Company will, for tax purposes, acquire the assets and business of the Disappearing Company at fair “exit” value from Holland and these values will constitute the entry and acquisition tax values of the same assets and business in Italy.

## **IMPLICATIONS OF THE TRANSACTION ON SHAREHOLDERS, CREDITORS AND EMPLOYEES**

### CONSEQUENCES ON SHAREHOLDERS

The Merger shall have no direct consequences for the Shareholders of Edison. Indeed, when it is complete, the shareholding structure will not change, as the Disappearing Company is entirely and directly held by the Acquiring Company, nor will the conditions be met, as noted above, for the right to withdraw.

Furthermore, for the Edison Shareholders holding common shares and saving shares (the latter with no voting right and with the prerogatives indicated in Edison current articles of association) the rights linked to their status as shareholder and the methods for exercising them shall not change, as the Acquiring Company will remain subject to Italian law and its savings shares will continue to be traded on the MTA even after the Merger becomes effective.

As of today's date, there are no relevant shareholders' agreements concerning the shares of the Acquiring Company pursuant to art. 122 of Italian Legislative Decree 58/1989.

### CONSEQUENCES ON CREDITORS

As a result of the Merger, the assets and liabilities of the Disappearing Company shall be transferred to the Acquiring Company and, therefore, all creditors of the Disappearing Company shall become creditors of the Acquiring Company.

The Merger is not expected to have any impacts on the rights of Edison's creditors. Indeed, the Disappearing Company is a mere sub-holding company and its merger will not entail any decrease in the overall financial guarantees currently offered by Edison.

The creditors of both merging companies may possibly benefit, if they deem this necessary, from the objection procedure guaranteed to them under art. 2503 of the Italian Civil Code and the rights provided under Dutch law on the protection of creditors.

### CONSEQUENCES ON WORKERS

As things currently stand, the Disappearing Company has two employees and one employee of the Acquiring Company seconded to it. With effect starting August 1, 2020, one employee

of the Disappearing Company will be transferred to another Edison Group company and simultaneously the secondment of the employee of the Acquiring Company will cease. The employment relationship of the remaining employee of the Disappearing Company, assuming such is still in place as at the Effective Date, will be transferred to the Acquiring Company. Completion of the Merger will not entail any change to the contracts of employment in place between the Acquiring Company and its employees.

Please note that art. 19 of the Decree governing the participation of workers in the Acquiring Company is not implemented in the case in question, as the conditions for its application are not met. Indeed, neither the Acquiring Company nor the Disappearing Company are managed under a worker participation system pursuant to article 2, paragraph 1, letter m) of Italian Legislative Decree no. 188 of August 19, 2005.

Pursuant to art. 8 of the Decree and in implementation of art. 7 of the Directive, the Report shall be made available to the employees of the Disappearing Company and shall also be sent to the representatives of the employees of the Acquiring Company at least thirty days before the final approval, pursuant to art. 2505, paragraph 2 of the Italian Civil Code, of the Merger plan by the Board of Directors of the Acquiring Company.

Milan, July 29, 2020

On behalf of the Board of  
Directors:

The Chief Executive Officer  
Nicola Monti



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