

2015

Payments

to governments

EDF GROUP – EDISON

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1 Introduction

Background – Activity

This report aims at presenting the Exploration & Production (“E&P”) activities of EDF and its subsidiaries (“EDF Group”).

EDF Group is operating on the whole electricity market: nuclear, renewable and fossil production, transportation, distribution, commercialization, ... It is the main operator on the French electricity market and benefits from strong positions in Europe and all around the world.

EDF Group operates in the hydrocarbons business through Edison Group (hereinafter referred to as “Edison”), which holds licenses for the exploration and production of natural gas and crude oil in Italy, Europe, the Middle East, Africa and South America.

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

Edison is Europe’s oldest energy company, and one of the industry leaders in Italy and Europe. Today Edison operates in several countries around the world and has a staff of more than 3,000 people in two main areas of business: electric power and hydrocarbons E&P (natural gas and crude oil).

E&P activities are carried out by various Edison’s Group legal entities, listed in section 5 of the present report with reference to each country of operations.

Legal framework

This report is released in accordance with Directive 34/2013/EU of the European Parliament, which has been transposed in French legislation. Its publication aims to provide for enhanced transparency of payments made to governments.

Article 42 of the Directive 2013/34/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...*”.

The French Law 2014-1662 dated December 30, 2014 transposed this obligation into the French legislation with effective date on January 1st, 2015 for companies counting more than 5.000 employees during the fiscal year starting on January 1st 2015.

The provisions of this law are integrated in article L.225-102-3 of the French Commercial Code.

In Groups of companies, the obligation to publish the report relies on the parent company which is under the obligation to publish financial consolidated statements (i.e. EDF S.A. for Edison's E&P activities).

Overview of Edison's presence worldwide as of 31.12.2015 in its two main business areas, production and sale of electrical power and procurement exploration production and sale of hydrocarbons:



2 Reporting principles

Scope and validity

EDF Group 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 (hereinafter referred to as “**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. The relevant payment types are described later in this section.

Government

According to article 41 of the Directive 2013/34, governments means any national, regional or local authority of a country, including departments, agencies or undertakings controlled by that authority. Such definition shall apply in the present report.

Reporting period

This report covers the payments made in the following period: January 1st – December 31st, 2015

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, joint operations and joint ventures, regardless of whether EDF Group is the operator or not. Significant payment types within the scope of this report, such as taxes and royalties, are typically made directly by EDF Group to governments. In some cases, however, certain payments to governments may be made by the operator on behalf of a partnership. This is often the cases for area fees (Norwegian tax aimed at increasing the efficiency in the exploitation of assigned areas). In such cases will only be reported hereinafter the payments made by the operator on EDF Group behalf.

Perimeter

EDF Group defined the perimeter of the payments to governments to be disclosed in accordance with the legal framework in force. Particularly EDF Group 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 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 the Directive/EU. If no payments or only payments below this threshold were paid in a particular country, the country is not displayed in this report. If no payment or only payments below such threshold were made in respect of certain projects listed in the description of the main activities in a particular country, then such projects are not listed in the table of payments related to that country.

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** are typically paid on the right to the on-going use of an asset
- d. **Bonuses** are money to be paid when signing an oil and gas lease, when discovering natural resources and/or when production has started,
- e. 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,
- f. **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,
- g. Payments for **infrastructure improvements**. Such payments are disclosed if Edison is contractually committed to finance public services and utilities,
- h. **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.

Other relevant reports

Further information about environmental subjects and community investment is available in 2015 Edison Sustainability Report, at <http://www.edison.it/en/sustainability>.

3 Consolidated overview

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

EDF Group did not pay any dividends in lieu of production rights, entitlements or royalties in 2015.

(in Euro million)	Taxes	Royalties	Fees	Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
Algeria	0.24	-	-	-	-	-	-	0.24
Egypt	-	-	-	6.61	-	104.58	3,02	111.19
Italy	27.38	19.27	-	-	1.00	-	-	47.65
Norway	0.11	-	1.64	-	-	-	-	1.75
United Kingdom	0.18	-	0.71	-	-	-	-	0.89
Total	27.91	19.27	2.35	6.61	1.00	104.58	3.02	161.72

4 Focus by country

Algeria

Edison has been active in Algeria since the late 90'. Through the participation in most bid rounds in the country from 1995 to 2005 Edison developed a wide experience of the exploration themes in various areas of South Algeria. In 2002 a Joint Venture with Edison as a minority shareholder obtained the rights on the Reggane North block, located in the Reggane basin in the South-Western sector of the Algerian Sahara desert where the main exploration targets are gas bearing Devonian and Carboniferous sandstones. Since February 2012 the Joint Venture has been in development phase operated by Repsol. Production is expected to start in 2017 and will contribute with its productions to the Edison Group production targets. Edison currently owns a participating interest share of 11,25%.

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

Payments per project

(in Euro million)	Taxes	Royalties	Fees	Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
Reggane project	0.24	-	-	-	-	-	-	0.24
Total	0.24	-	-	-	-	-	-	0.24

Payments per government

(in Euro million)	Taxes	Royalties	Fees	Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
Direction des Grandes Entreprises	0.24	-	-	-	-	-	-	0.24
Total	0.24	-	-	-	-	-	-	0.24

Egypt

In Egypt Edison holds a 100% operated participating interest in the Abu Qir concession in the Nile Delta offshore, which is Edison's main project in Egypt. Edison also operates (with a 60% participating interest share) the West Wadi El Rayan concession¹ and (with a 100% participating interest share) the North West Gindi concession, both in the Western Desert, and the North Thekah and North Port Fouad concessions offshore (both with a 50% participating interest share). Edison also owns a 20% participating interest share in the Rosetta offshore production concession (operated by BG), a 25% participating interest share in the South Idku onshore concession (operated by Petroceltic) and a 50% participating interest in the North West El Amal concession in the Gulf of Suez (operated by DEA).

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

Payments per project

(in Euro million)	Taxes	Royalties	Fees	Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
Abu Qir	-	-	-	0.13	-	102.35	2.95	102.48
Rosetta	-	-	-	-	-	2.23	0.07	2.23
North Thekah	-	-	-	0.14	-	-	-	0.14
North West El-Amal	-	-	-	0.90	-	-	-	0.90
North West Gindi	-	-	-	2.84	-	-	-	2.84
North Port Fouad	-	-	-	2.53	-	-	-	2.53
South Idku	-	-	-	0.07	-	-	-	0.07
Total	-	-	-	6.61	-	104.58	3.02	111.19

Payments per government

(in Euro million)	Taxes	Royalties	Fees	Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
Egyptian Tax Authority - Large tax payer	-	-	-	-	-	104.58	3.02	104.58
EGPC	-	-	-	3.88	-	-	-	3.88
EGAS	-	-	-	2.73	-	-	-	2.73
Total	-	-	-	6.61	-	104.58	3.02	111.19

Consistently with the concession agreements provisions, all the taxes to be paid in Egypt in relation to the operation carried out under such concession agreements (which in practice are all the taxes to be paid in Egypt in relation to the activities carried out) is paid by EGPC² (or EGAS³ as applicable) on behalf of Edison International (EGPC takes it from EGPC's share of entitlement).

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

¹ No payments above the 100,000 € threshold were made in respect of this project, so that it is not listed in the table of payments.

² The Egyptian General Petroleum Corporation (EGPC) is a company 100% owned by the Arab Republic of Egypt.

³ The Egyptian Natural Gas Holding Company (EGAS) is also 100% (indirectly) owned by the Arab Republic of Egypt.

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 2015 Edison produced in Italy roughly 4.7 MBOE of which 344 Msmc of gas and 2.5 MMbbl of oil.

The majority of the gas production came from the two major gas fields: Daria and Clara, both operated by Eni and where Edison owns a 49% participating interest share in each of them.

The oil production came from:

- (i) the operated offshore fields of Vega, in Sicily, (where Edison has a participating interest share of 60%) and Rospo Mare, in the Adriatic sea, where Edison has a participating interest share of 61,72 % in and
- (ii) the non-operated onshore field of Tresauro in the S.Anna concession, in Sicily ,operated by Enimed, with a participating interest share of 25%).

Edison owns several other concessions in Italy and, among others, Comiso (with a 100% participating interest share held by Edison), Capparuccia (operated by Eni, where Edison has a participating interest share of 5%), B.C10.AS "Emma-Giovanna" (operated by Eni, where Edison has a participating interest share of 49%), and Candela (operated by Eni, where Edison has a participating interest share of 39,5%).

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

Payments per project

(in Euro million)	Taxes	Royalties	Fees	Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
Municipality of Fermo - Cliff	-	-	-	-	0.70	-	-	0.70
Municipality of Fermo - High School	-	-	-	-	0.30	-	-	0.30
Capparuccia Concession	-	0.01	-	-	-	-	-	0.01
Daria Concession	-	1.88	-	-	-	-	-	1.88
Emma-Giovanna Concession	-	0.83	-	-	-	-	-	0.83
Clara Concession	-	1.73	-	-	-	-	-	1.73
Candela Concession	-	1.13	-	-	-	-	-	1.13
Rospo Sea Concession	-	1.91	-	-	-	-	-	1.91
Vega Concession	-	1.86	-	-	-	-	-	1.86
Comiso Concession	-	0.17	-	-	-	-	-	0.17
S.Anna Concession	-	9.75	-	-	-	-	-	9.75
Corporate	27.38	-	-	-	-	-	-	27.38
Total	27.38	19.27	-	-	1.00	-	-	47.65

Payments per government

(in Euro million)	Taxes	Royalties	Fees	Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
Ragusa Municipality	-	6.67	-	-	-	-	-	6.67
Fermo Municipality	-	-	-	-	1.00	-	-	1,00
Sicily Region	-	3.61	-	-	-	-	-	3.61
Abruzzo Region	-	0.20	-	-	-	-	-	0.20
Puglia Region	-	0.80	-	-	-	-	-	0.81
Molise Region	-	0.61	-	-	-	-	-	0.61
Italian Tax Authority ("Agenzia delle Entrate")	27.38	2.93	-	-	-	-	-	30.31
Sviluppo Economico Ministry via Italian Central Bank - Treasury Department	-	4.45	-	-	-	-	-	4.45
Total	27.38	19.27	-	-	1.00	-	-	47.65

As regards the "Payment per Project" table, please note in respect of the Capparuccia Concession (which is part of a unitized area where Edison owns a 5% track participation interest), a payment has been included notwithstanding Edison share is under 100.000 Euro because part of a wire transfer of more than 2ML Euro.

Moreover, in respect of the "Corporate" line please note that this amount includes tax payments made by Edison S.p.A., Edison Stocaggio SpA and Edison Idrocarburi Sicilia Srl. Please also note that both of Edison S.p.A. and Edison Stocaggio Spa are active in a number of activities other than Oil and Gas productions. As it is not possible to obtain the detail in respect of the Oil and Gas operations only, we are including the aggregate of the tax position for such companies.

As far as the "Payments per Government" table is concerned, from the amount of taxes indicated as paid to Italian Tax Authority ("Agenzia delle Entrate") only 3.9 million euro has been directly made by Edison S.p.A.

or by one of its subsidiaries while the remaining share was paid via Transalpina di Energia SpA, a company that controls Edison S.p.A. and which consolidates Edison Italian entities also for tax purposes.

Norway

Norway is confirmed as a strategic country for Edison that aims at developing Norwegian assets in order to create its third active E&P pole of production (after the Italian and the Egyptian ones). Edison has been present in Norway since 2007, based in Stavanger. Edison licenses portfolio covers all the main areas: North Sea, Norwegian Sea and Barents sea. To date Edison Norge showed successful track record thanks to the discoveries of Zidane East and West in 2010/2012 in PL435 (operated by DEA, where Edison participates with a 20% participating interest share) and PL418 Skarfjell in 2012 (operated by Wintershall, where Edison owns a 15% participating interest share). Edison's licence portfolio includes also, among others, PL226 (operated by ENI, where Edison owns a 20% participating interest share), PL420 (operated by DEA, where Edison owns a 10% participating interest share) and PL510 (operated by Maersk Oil, where Edison owns a 30% participating interest share). Edison is also actively involved in the NSGI/Polarled Gas transportation project⁴ (where Edison owns a 2,4% participating interest in the relevant contractual joint venture).

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

Payments per project

(in Euro million)	Taxes	Royalties	Fees	Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
License PL226 (Eni Norge paid on behalf of partners)	-	-	0.30	-	-	-	-	0.30
License PL418 (Wintershall paid on behalf of partners)	-	-	0.26	-	-	-	-	0.26
License PL420 (DEA paid on behalf of partners)	-	-	0.15	-	-	-	-	0.15
License PL435 (DEA paid on behalf of partners)	-	-	0.50	-	-	-	-	0.50
License PL510 (Mærsk Oil Norway paid on behalf of partners)	0.11	-	0.32	-	-	-	-	0.43
Application fees	-	-	0.11	-	-	-	-	0.11
Total	0.11	-	1.64	-	-	-	-	1.75

Payments per government

(in Euro million)	Taxes	Royalties	Fees	Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
Norwegian Petroleum Directorate	-	-	1.64	-	-	-	-	1.64
Norwegian Customs Agency	0.11	-	-	-	-	-	-	0.11
Total	0.11	-	1.64	-	-	-	-	1.75

During 2015 the only direct payment from Edison to Norwegian government is related to application fees.

⁴ No payments above the 100,000 € threshold were made in respect of this project, so that it is not listed in the table of payments

United Kingdom

Edison holds in UK participating interests in of the following producing fields in the North Sea and in the United Kingdom Continental Shelf:

- (i) in the Scott unitized field, operated by Nexen, with a 10.47 % unit track participation;
- (ii) In the Telford unitized field, also operated by Nexen, with a 15.65% unit track participation (both acquired in 2015 as “Project Sally”);
- (iii) In the Kilmar and Garrow fields (“Tors”), operated by Alpha Petroleum, with a 68% participating interest share) and
- (iv) In the Wenlock field, with an 80% participating interest share, also operated by Alpha Petroleum.
- (v) In the Markham field⁵ (operated by Centrica), with a 3,07% unit track participation of the relevant unit area.

In the last couple of years a growth strategy has been put in place through the participation of 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	Fees	Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
Project Sally (Edison North Sea)	0.18	-	-	-	-	-	-	0.18
Tors	-	-	0.59	-	-	-	-	0.59
Wenlock	-	-	0.12	-	-	-	-	0.12
Total	0.18	-	0.71	-	-	-	-	0.89

Payments per government

(in Euro million)	Taxes	Royalties	Fees	Bonuses	Infrastructure Improvements	Host government entitlements (value)	Host government entitlements (mmboe)	Total (value)
HM Revenue & Customs - stamp duty land tax (office lease)	0.18	-	-	-	-	-	-	0.18
Licence fees billed by operator	-	-	0.71	-	-	-	-	0.71
Total	0.18	-	0.71	-	-	-	-	0.89

⁵ No payments above the 100,000 € threshold were made in respect of this project, so that it is not listed in the table of payments

4 Contextual Information

The contextual information disclosed in this section provides a broader picture of EDF Group's E&P overall economic impact in the country we have business activities and considered in this report in respect of the payments made in 2015.

Some of Edison's subsidiaries have also several branches registered in the country where operations take place. To enhance organizational transparency, we have included both country of operations 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)
Algeria	109.7	-	(62.4)	-
Egypt	82.9	225.3	(120.9)	10.0
Italy	102.4	174.2	(11.0)	4.7
Norway	73.0	-	(34.0)	-
United Kingdom	41.3	53.1	-	1.2
Total	409.4	452.6	229.1	15.9

(1) Investments include Exploration activities

List of Subsidiaries

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

Subsidiaries	Country of incorporation	Country of operation
Edison SpA	Italy	Italy
Edison Stocaggio 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 - Egypt Branch	Italy*	Egypt
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