

Resume of financial conditions (non-official translation)

As of 2014, all companies with activities in the North Sea are taxed according to one set of common rules. This generally means that companies with activities in the North Sea are taxed as follows:

- 25% corporation tax (incl. additional corporation tax), which can be deducted in the basis of the hydrocarbon tax
- 52% hydrocarbon tax. When calculating the basis of hydrocarbon taxation, a hydrocarbon deduction of 5% of the investments is given for 6 years (a total of 30%).
- State participation, where the Nordsøfonden participates with a share of 20%, as a baseline.

In the period 2017 to 2025, the companies have the opportunity to make use of an investment window concerning certain types of investment, which must be approved by the Danish Energy Agency. As a result, the hydrocarbon deduction is increased over a six-year period from 5% to 6.5% annually (a total of 39%). In addition, the rate for balance write-offs in the hydrocarbon tax is raised from 15% to 20% and the time of deduction for the two deductions is changed from the time the investments are put into use to the time of payment. However, the deduction is conditional on the oil price staying below USD 75/barrel (2017 level, increasing by 2% p.a.). If the price is higher, the tax rebate will have to be repaid.

Elements of the transition rules:

Hydrocarbon deductions relating to investments made before the transition in 2014 can be deducted from income year 2014 at 10% annually for the remainder of the 10-year deduction period. If depreciation has not begun in the 2013 income year, a hydrocarbon deduction of 25% in the 2013 income year and 10% annually in the 2014-2022 income years is granted of the part of the acquisition sum paid in 2005-2013. The same applies to preliminary investigation and exploration expenses, which is not selected immediately written off.

See also the website of the Ministry of Taxation for further information about tax rates:

<https://www.skm.dk/skattetal/satser/satser-og-beloebsgraenser/kulbrinteskatteloven>