

Unofficial translation

29 September 2003

Agreement
between
the Minister for Economic and Business Affairs
and
the Concessionaires in accordance with Sole Concession of 8 July 1962 to
explore for recover hydrocarbons from the Danish subsoil

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The Minister for Economic and Business Affairs, as the first party to the Agreement, and A.P. Møller – Mærsk A/S and Mærsk Olie og Gas AS (the “Concessionaires”), as the second party to the Agreement, have agreed to extend A.P. Møller – Mærsk’s Sole Concession up to and including 8 July 2042 with the below amendments to the Sole Concession to explore for recover hydrocarbons from the Danish subsoil, cf. Ministerial Order no. 372 of 7 November 1963, with accompanying protocols and agreements (hereinafter collectively called the “Concession”), which shall subsequently apply as amended.

The object of the Agreement shall be to create stable and, long-term conditions for the Concessionaires’ and their partners’ exploration and production activities and at the same time to ensure a robust distribution of the values from the activities in the North Sea between the Danish State and the Concessionaires and their partners.

The Agreement shall have the following contents:

I. Extension of the Sole Concession until 2042

The Concessionaires shall be granted an extension of the Licence for the period 1 January 2004 to 8 July 2042. As from 9 July 2012, the Danish State will become a partner in DUC with a share of 20 per cent, cf. Clause IV.

The present cooperation between the parties in DUC will continue.

Section 2 (6) of the 1962 concession shall be updated to the effect that the continuance of production or other activities shall be decided for each individual production or injection system or sub-system based on an evaluation of whether the activities can be performed on an economically viable basis for both the Danish society and the Concessionaires. In the event of any disagreement in this respect, the dispute shall be settled by arbitration.

II. Acreage

The Concession shall entitle the Sole Concession to continue exploration and production of hydrocarbons in the areas covered by the present Sole Concession as at 31 December 2003. The present agreements on the relinquishment of areas shall remain in force, except for the relinquishment in 2012. This shall have the effect that, as at 9 July 2012, the Concession will cover all the areas that are available at this date in accordance with the 1962 Concession.

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To the extent to which the fields in the contiguous area have not yet been delineated, this shall take place in connection with the area relinquishment in 2005.

Areas covered by the Concession shall be relinquished to the Danish State field by field to the extent that production is ceased, irrespective of whether the platforms, pipelines, etc. are to remain in operation. However, such relinquishment shall only take place if it can be effectuated without this having a negative impact on the Concessionaires' ongoing activities.

In the future, in addition to the annual report to the Danish Energy Authority on future oil and gas production, the Concessionaires shall outline the plans for the future shutting in of fields.

If the Concessionaires no longer wish to operate an individual platform, group of platforms or pipeline installation, and the Concessionaires have not been able to sell the installation(s) in question with accompanying rights and obligations on commercial terms within a period of 18 months (unless extensions are granted), the rules on abandonment shall apply. In the event of any disagreement in this respect, the dispute shall be settled by arbitration. Assignment of concessionary rights shall observe the rules on such assignment in force from time to time.

If all production ceases before 8 July 2042, the Concession shall terminate concurrently with this.

III. Work Programme, Exploration and Development

The obligations to continued exploration shall be based on the applicable provisions of the 1981 Agreement. The present exploration work programme shall continue. Following negotiations with the Concessionaires based on a proposal from the Concessionaires, the Danish Energy Authority will approve a work programme for 6-year periods. The work programmes shall be determined for the coming 6-year period every third year.

In accordance with generally accepted practice, the work programme shall contain the obligations that the Concessionaires shall meet vis-à-vis the authorities regarding a professional exploration programme aimed at ascertaining whether there are exploitable deposits of hydrocarbons. This shall be based on the interest of the Danish society in effective exploration activities on a basis that is economically viable for both the Danish society and the Concessionaires.

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Correspondingly, the Concessionaires shall endeavour, on a basis that is economically viable for both the Danish society and the Concessionaires, to continue to further the production of oil and gas from the Danish North Sea, using the most effective technology available and with continued optimisation of the production.

In the event of disagreement about the scope or content of the work, the dispute shall be settled by arbitration. Complaints about the supervisory authority's decisions in accordance with applicable legislation shall observe the general public administrative rules.

IV. State Participation

As of 1 January 2004 up to and including 8 July 2012, the Concessionaires, and their partners shall pay an annual amount to the Danish State corresponding to 20 per cent of the profit, cf. Appendix 1 to this Agreement.

As of 9 July 2012, the Danish State will participate as a partner in DUC, and the Danish State shall acquire a share of 20 per cent of the facilities (platforms, plants, pipelines, etc.). The Danish State shall not take over a share of liquid funds in DUC. The Danish State shall not take over any debt except for ordinary operational credit facilities.

The Danish State shall not pay any consideration for the share. The acquisition shall not trigger any tax gain or loss for the Concessionaires and their partners. The Concessionaires and their partners shall retain 80 per cent of the balances for depreciation allowances for facilities and 80 per cent of other tax values of assets and liabilities of which the Danish State takes over a share. Unrealised tax losses and the basis for computation of hydrocarbon tax allowance shall not be reduced as a consequence of the State participation.

The Danish State shall participate in rights and obligations on a pro rata basis with its 20 per cent share as of 9 July 2012, comprising 20 per cent participation in all expenses, including new investments, operating expenses, abandonment costs, etc., and shall receive its share of the oil and gas produced.

A.P. Møller – Mærsk has stated that the existing Joint Operating Agreement – JOA – between the DUC partners will be maintained until 9 July 2012. With effect from 9 July 2012, an updated JOA shall be drafted on the partners' mutual relations. As of the same date, the Danish State will join the Operating Committee (OPCOM), participate in technical meetings in DUC and receive the same reports, plans and other documentation as the other partners.

V. Other Financial Terms and Conditions

The Government will seek to implement the amendments below to the hydrocarbon taxation, which shall cover the present Concession and any new licences. The Concessionaires are aware of and accept that such amendments will be made to the Danish Hydrocarbon Tax Act with effect for this Agreement.

- As of the 2004 tax year, the hydrocarbon tax allowance shall be reduced to 5 per cent for 6 years instead of 25 per cent for 10 years. For investments made before 1 January 2004, the hydrocarbon tax allowance shall be reduced from 25 per cent to 10 per cent annually with effect from 1 January 2004. The right to the allowance shall terminate when the investment is 10 years old.
- Field taxation (“ring fence”) shall cease as of the 2004 assessment year. Unutilised field losses shall be calculated at the end of the 2003 tax year and shall be deducted by 2.5 per cent in each of the years 2004-2005 and by 6 per cent in each of the years 2006-2016 (both years inclusive). The remaining 29 per cent cannot be deducted. This shall be subject to the Concessionaires and their partners making the maximum depreciation allowances for the 2003 tax year. The mentioned losses shall not be lost for a DUC partner that is a transferee company in a tax-free reorganisation in accordance with the rules in the Danish Mergers Tax Act.
- The special pay-back rule in Section 17 of the Danish Hydrocarbon Tax Act shall be repealed with effect from 1 January 2004. Any requests for an exemption from the pay-back rules regarding investments made before 1 January 2004 will be decided in accordance with the existing practice.
- The pipeline tax shall be set off against hydrocarbon tax from 1 January 2004 and not against the income basis for either hydrocarbon tax or corporation tax. Unutilised allowances in one year may be carried forward to subsequent year(s).
- The hydrocarbon tax rate shall be reduced from 70 per cent to 52 per cent.

Furthermore, provisions on a carry back scheme shall be inserted in the Danish Hydrocarbon Tax Act. Abandonment costs shall be deducted in the year in which they are paid. If there is not sufficient positive hydrocarbon income for full utilisation of the tax allowance, when production in accordance with the Concession has ceased, the Danish State will reimburse the tax value of the unutilised allowance. However, the reimbursed amount cannot exceed the accumulated hydrocarbon tax payment less amounts previously reimbursed regarding abandonments under the same scheme.

The parties are also in agreement that:

The provision regarding payment of royalty in Section 10 (1) of the 1962 Concession shall be repealed with effect as of 1 January 2004.

The pipeline tax in accordance with the 1981 Agreement shall be terminated with effect from 9 July 2012.

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The present Agreement shall not affect the conditions on the compensation for duties on natural gas, as agreed between the DUC partners and DONG. However, the Concessionaires and their partners declare that any possibilities claiming compensation as a result of this Agreement and the applicable legislation will not be used vis-à-vis DONG. If DONG wishes to use the possibility, if any, of claiming compensation from the DUC entities, this Agreement shall be adjusted so that the economical balance between the parties is maintained.

VI. Other Provisions

It is agreed that the DUC companies shall be compensated for the effects of amendments to existing or new legislation and other rules that specifically affect producers of hydrocarbons in the Danish North Sea. The compensation shall be fixed with a view to restoring the economical balance between the Danish State and the Concessionaires and their partners and may, as a maximum, equal the net advantage that the Danish State obtains by this Agreement.¹

Any disagreement on this shall be settled by arbitration.

The Danish State's general power of taxation shall not be affected by this provision.

The Concessionaires shall, in general, be treated in an objective and non-discriminatory manner.

The Government will, as soon as possible, put forward a proposal in the Danish Parliament for the necessary legislative amendments required by this Agreement and implement the necessary adjustments of the legal basis.

Execution of this Agreement shall be subject to the Government obtaining the necessary support from the Danish Parliament and the Energy Policy Committee of the Danish Parliament, and implementing the necessary and implied legislative amendments.

On the part of the Danish State, execution of this Agreement shall also be subject to the new concession not giving rise to any objections from the European Commission.

On the part of A.P. Møller – Mærsk, the execution of this Agreement shall be subject to Board approvals.

The parties require that the implementation of this Agreement in legislation, other rules and detailed agreements will be made in a manner that is satisfactory to both parties in accordance with the provisions of this Agreement. This shall include that, before this Agreement becomes final, agreement

¹ A detailed agreement on the compensation provision shall be drawn up.

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shall be achieved on the specific wording of the concession. The concession shall be in accordance with the provisions of the Licence Directive. The parties shall endeavour to ensure that the provisions of this Agreement enter into force on 1 January 2004.

[Signed]

Appendix 1 to Agreement of 29 September 2003 between the Minister for Economic and Business Affairs and the Concessionaires in accordance with sole concession of 8 July 1962 for exploration and production of hydrocarbons in the Danish subsoil.

On calculation of 20 per cent of the profit, cf. Clause IV State Participation

As of 1 January 2004 and up to and including 8 July 2012, the Concessionaires and their partners shall pay an annual amount to the Danish State corresponding to 20 per cent of the positive taxable income stated in accordance with Chapter 2 of the Danish Hydrocarbon Tax Act with the addition of net interest (may be both positive and negative). It shall not be taken into consideration in connection with the calculation of the amount that the profit share is deductible in the statement of the taxable income of the Concessionaires and their partners. The profit share is deductible in connection with the calculation of the basis for the corporation tax and the hydrocarbon tax.

The amount shall be payable on account annually in November for the tax year in question, (initially) on 1 November 2004. The amount shall correspond to the expected State profit share for the assessment year in question. Final settlement of the profit share shall be made on the basis of the tax assessment. If the basis of calculation is subsequently changed, the profit share shall be adjusted correspondingly.

Example of calculation of the profit share (PS)

1. Corporation taxable income calculated without deduction for PS	90	
2. Correction for deducted net interest charges	10	
3. Basis for the amount (1+2)	100	
4. The amount (20 per cent of 3)		20
5. Corporation taxable income stated with deduction for PS (1-4)	70	
6. Corporation tax (30 per cent of 5)		21