

#### 24. Employee benefit obligations

	Note	December 31st 2018	December 31st 2017
<b>Non-current liabilities:</b>	<b>24.1</b>	<b>170.4</b>	<b>169.3</b>
Post-employment benefits	24.1	40.9	41.8
Length-of-service awards and other benefits	24.1	129.5	127.5
<b>Current liabilities</b>		<b>156.2</b>	<b>145.3</b>
Post-employment benefits	24.1	7.4	8.2
Length-of-service awards and other benefits	24.1	13.4	13.0
Bonuses, awards and unused holidays		100.9	93.5
Salaries and wages payable		34.5	30.6
<b>Total</b>		<b>326.6</b>	<b>314.6</b>

##### 24.1 Obligations under length-of-service awards and post-employment benefits

In accordance with the Group's remuneration systems, the Group employees are entitled to post-employment benefits upon retirement. Length-of-service awards are paid after a specific period of employment. Therefore, based on valuations prepared by professional actuary firms or based on own estimates, the Group recognises the present value of obligations under length-of-service awards and post-employment benefits. The table below provides information on the amount of the obligations and reconciliation of changes in the obligations during the reporting period.

	Note	Post-employment benefits	Length-of-service awards and other benefits	Total
<b>January 1st 2018</b>		<b>46.4</b>	<b>140.5</b>	<b>186.9</b>
Current service cost	24.2	2.7	10.7	13.4
Cost of discount	24.2; 9.6	1.3	4.1	5.4
Past service cost	24.2	1.6	0.1	1.7
Benefits paid		(4.3)	(12.8)	(17.1)
Actuarial (gain)/loss under profit or loss	24.2	-	0.3	0.3
Actuarial (gain)/loss under other comprehensive income	24.2	(0.2)	-	(0.2)
<b>December 31st 2018</b>		<b>47.5</b>	<b>142.9</b>	<b>190.4</b>
including:				
non-current		40.4	129.5	169.9
current		7.1	13.4	20.5
Obligations under length-of-service awards and post-employment benefits at foreign companies <sup>(1)</sup>		0.8	-	0.8
<b>December 31st 2018</b>		<b>48.3</b>	<b>142.9</b>	<b>191.2</b>
including:				
non-current		40.9	129.5	170.4
current		7.4	13.4	20.8

	Note	Post-employment benefits	Length-of-service awards and other benefits	Total
<b>January 1st 2017</b>		<b>45.3</b>	<b>142.5</b>	<b>187.8</b>
Current service cost	24.2	2.6	10.8	13.4
Cost of discount	24.2; 9.6	1.3	4.5	5.8
Benefits paid		(2.5)	(13.1)	(15.6)
Actuarial (gain)/loss under profit or loss	24.2	-	(4.2)	(4.2)
Actuarial (gain)/loss under other comprehensive income	24.2	(0.3)	-	(0.3)
<b>December 31st 2017</b>		<b>46.4</b>	<b>140.5</b>	<b>186.9</b>
including:				
non-current		38.5	127.5	166.0
short-term		7.9	13.0	20.9
Obligations under length-of-service awards and post-employment benefits at foreign companies <sup>(1)</sup>		3.6	-	3.6
<b>December 31st 2017</b>		<b>50.0</b>	<b>140.5</b>	<b>190.5</b>
including:				
non-current		41.8	127.5	169.3
short-term		8.2	13.0	21.2

<sup>(1)</sup> Given the different nature of pension plans operated by the Group's foreign companies LOTOS Exploration and Production Norge AS and the companies of the AB LOTOS Geonafra Group – and their immaterial effect on the Group's total obligations under length-of-service awards and post-employment benefits, those companies' obligations are presented separately under Obligations under length-of-service awards and post-employment benefits at foreign companies.

#### 24.2 Total cost of future employee benefit payments charged to profit or loss

	Note	2018	2017
<b>Items recognised in profit or loss:</b>		<b>20.8</b>	<b>15.1</b>
Length-of-service awards, retirement and other post-employment benefits	9.2	15.4	9.3
- current service cost	24.1	13.4	13.4
- past service cost	24.1	1.7	-
- effect of foreign operations		-	0.1
- actuarial (gain)/loss	24.1	0.3	(4.2)
Cost of discount	24.1; 9.6	5.4	5.8
<b>Items recognised in other comprehensive income:</b>		<b>(0.4)</b>	<b>1.5</b>
Actuarial (gain)/loss	24.1	(0.2)	(0.3)
Effect of foreign operations		(0.2)	1.8
<b>Total comprehensive income</b>		<b>20.4</b>	<b>16.6</b>

#### 24.3 Actuarial assumptions

Key assumptions adopted by the actuary	December 31st 2018	December 31st 2017
Discount rate (%)	3.00%	3.30%
Expected inflation rate (%)	2.50%	2.50%
Employee turnover ratio (%)	3.30%	2.41%
Expected growth rate of salaries and wages (%) in the following year	1.30% + PLN 150	0.00%
Expected growth rate of salaries and wages (%) in the following years	2.50%	2.50%

- The employee attrition probability is based on the historical data on employee turnover at the Group and statistical data on the Polish labour market. The employee turnover ratios applied by the actuary were determined separately for five age categories in ten-year intervals. The employee turnover ratio is now calculated on an average basis.
- The mortality and life expectancy ratios are based on the Life Expectancy Tables of Poland for 2016, published by the Polish Central Statistics Office (GUS), and assume that the Company's employee population is representative of the average Polish population in terms of mortality (December 31st 2017: Life Expectancy Tables of Poland for 2016).
- It was assumed that employees would retire in accordance with the standard procedure, as prescribed by the Pensions Act, with the exception of employees who, according to the information provided by the Company, meet the conditions for early retirement entitlement. The discount rate on future benefits was assumed at 3.0%, i.e. reflecting the assumption made at the corporate level (December 31st 2017: 3.3%, i.e. reflecting the assumption made at the corporate level).

#### 24.4 Termination benefits

In 2018, termination benefits and compensation payable in respect of the non-compete obligation totalled PLN 8.1m (2017: PLN 8.5m).

In 2018, provisions for termination benefits totalled PLN 0.2m (2017: PLN 0.4m).

#### 24.5 Sensitivity analysis

The table below presents results of calculations for changed key actuarial assumptions: the salaries and wages growth rate and the discount rate.

##### Initial obligation balance

Salaries and wages growth rate	Discount rate	Length-of-service awards	Old-age and disability retirement severance payments	Death benefits	Social benefits fund	Total <sup>(1)</sup>
base	base	127.2	42.1	11.5	9.6	190.4
base + 1%	base	136.3	45.9	12.3	11.2	205.7
base - 1%	base	117.8	38.4	10.6	8.3	175.1
base	base + 0.5%	122.2	40.1	11.0	9.0	182.3
base	base - 0.5%	131.1	43.8	11.8	10.3	197.0

<sup>(1)</sup> Given the different nature of pension plans operated by the Group's foreign companies – LOTOS Exploration and Production Norge AS and the companies of the AB LOTOS Geonafta Group – and their negligible effect on the Group's obligations under length-of-service awards and post-employment benefits, such companies' obligations were not presented in the review.

The tables below present results of calculations for changed key actuarial assumptions: the salaries and wages growth rate, medical care contributions, and the discount rate.

**Current service cost projected for 2019**

Salaries and wages growth rate	Discount rate	Length-of-service awards	Old-age and disability retirement severance payments	Death benefits	Social benefits fund	Total <sup>(1)</sup>
base	base	10.5	2.5	1.0	0.5	14.5
base + 1%	base	11.5	2.9	1.1	0.7	16.2
base - 1%	base	9.6	2.2	0.9	0.4	13.1
base	base + 0.5%	10.1	2.4	0.9	0.5	13.9
base	base - 0.5%	10.9	2.7	1.0	0.6	15.2

**Cost of discount projected for 2019**

Salaries and wages growth rate	Discount rate	Length-of-service awards	Old-age and disability retirement severance payments	Death benefits	Social benefits fund	Total <sup>(1)</sup>
base	base	3.4	1.0	0.3	0.3	5.0
base + 1%	base	3.7	1.2	0.3	0.3	5.5
base - 1%	base	3.2	0.9	0.3	0.2	4.6
base	base + 0.5%	3.8	1.2	0.3	0.3	5.6
base	base - 0.5%	3.0	0.9	0.3	0.3	4.5

**Total current service cost and cost of discount projected for 2019**

Salaries and wages growth rate	Discount rate	Length-of-service awards	Old-age and disability retirement severance payments	Death benefits	Social benefits fund	Total <sup>(1)</sup>
base	base	13.9	3.5	1.3	0.8	19.5
base + 1%	base	15.2	4.1	1.4	1.0	21.7
base - 1%	base	12.8	3.1	1.2	0.6	17.7
base	base + 0.5%	13.9	3.6	1.2	0.8	19.5
base	base - 0.5%	13.9	3.6	1.3	0.9	19.7

<sup>(1)</sup> Given the different nature of pension plans operated by the Group's foreign companies – LOTOS Exploration and Production Norge AS and the companies of the AB LOTOS Geonafta Group – and their negligible effect on the Group's obligations under length-of-service awards and post-employment benefits, such companies' obligations were not presented in the review.