

## 9. Income and expenses

### 9.1 Expenses by nature

	Note	2018	2017
Depreciation and amortisation	8	722.7	844.3
Raw materials and consumables used <sup>(1)</sup>		22,937.5	16,933.1
Services		1,549.0	1,527.8
Taxes and charges		541.6	506.7
Employee benefits expense	9.2	761.6	736.2
Other expenses by nature		266.6	254.4
Merchandise and materials sold		1,280.7	1,386.1
<b>Total expenses by nature</b>		<b>28,059.7</b>	<b>22,188.6</b>
Change in products and adjustments to cost of sales		(689.3)	(292.2)
<b>Total</b>		<b>27,370.4</b>	<b>21,896.4</b>
including:			
Cost of sales		25,592.7	20,194.1
Distribution costs		1,355.6	1,252.3
Administrative expenses		422.1	450.0

<sup>(1)</sup> Including PLN 66.2m of foreign exchange losses related to operating activities, recognised as cost of sales (2017: PLN 4.8m of foreign exchange losses), see Note 26.2.

### 9.2 Employee benefits expense

	Note	2018	2017
Current service costs		578.9	560.7
Social security and other employee benefits		167.3	166.2
Length-of-service awards, retirement and other post-employment benefits	24.2	15.4	9.3
<b>Total employee benefits expense</b>	<b>9.1</b>	<b>761.6</b>	<b>736.2</b>
Change in products and adjustments to cost of sales		(4.0)	(3.1)
<b>Total</b>		<b>757.6</b>	<b>733.1</b>
including:			
Cost of sales		453.5	439.0
Distribution costs		41.1	33.3
Administrative expenses		263.0	260.8

### 9.3 Other income

	Note	2018	2017
<b>Provisions</b>		-	<b>24.6</b>
- remeasurement of provision for costs of decommissioning of the offshore oil and gas extraction facilities in the Heimdal field		-	13.1
- remeasurement of provision for costs of decommissioning of the offshore oil and gas extraction facilities in the B-3 field		-	3.1
- remeasurement of provision for contingent payments – Sleipner assets acquisition agreement		-	0.3
- provision for deficit in CO <sub>2</sub> emission allowances	27.2	-	(4.6)
- other provisions		-	12.7
<b>Reversal of impairment loss on property, plant and equipment and intangible assets:</b>		<b>271.7</b>	-
<b>Reversal of impairment losses:</b>		<b>373.5</b>	-
• on oil and gas development assets: Norway: YME field	13.2.2	<b>349.5</b>	-
• oil and gas production assets: Lithuania: Girkalai, Nausodis fields	13.2.2	<b>23.5</b>	-
• refinery and other non-current assets		<b>0.5</b>	-
<b>Impairment losses:</b>		<b>(101.8)</b>	-
• oil and gas production assets:	13.2.2	<b>(67.7)</b>	-
- Norway: Heimdal assets		(48.7)	-
- Lithuania: Vežaičiai field		(18.5)	-
- Poland: B-8 field		(0.5)	-
• oil and gas exploration and evaluation assets: Poland: Kamień Pomorski area	13.2.1	<b>(0.4)</b>	-
• refinery and other non-current assets:		<b>(33.7)</b>	-
- service stations		(33.3)	-
- other assets		(0.4)	-
<b>Grants</b>	25.2	<b>9.5</b>	<b>16.8</b>
<b>Damages</b>		<b>124.1</b>	<b>9.9</b>
<b>Reimbursed excise duty</b>		-	<b>1.6</b>
<b>Other</b>		<b>7.2</b>	<b>7.4</b>
<b>Total</b>		<b>412.5</b>	<b>60.3</b>

<sup>(1)</sup> Including PLN 118.3m due to the Group as its share of damages related to the YME project, see Note 29.1.

The Group offsets similar transaction items in accordance with IAS 1 *Presentation of Financial Statements*, Sections 34 and 35. Material items of income and expenses charged to profit or loss are disclosed separately, as presented in the table above.

#### 9.4 Other expenses

Note	2018	2017
<b>Impairment loss on property, plant and equipment and intangible assets:</b>	-	83.6
<b>Impairment losses:</b>	-	85.8
• oil and gas exploration and evaluation assets: Poland: Kamień Pomorski area 13.2.1	-	23.7
• oil and gas production assets: Lithuania: Girkalai, Auksoras, Vėžaičiai, Kretinga, Ablinga and Ližai fields 13.2.2	-	32.9
• refinery and other non-current assets: 13.1.1	-	29.2
- service stations	-	26.2
- ships	-	0.8
- other assets	-	2.2
<b>Reversal of impairment losses:</b>	-	(2.2)
• refinery and other non-current assets:	-	(2.2)
- service stations	-	(1.9)
- other assets	-	(0.3)
<b>Gain on disposal of non-financial non-current assets</b>	<b>3.7</b>	<b>0.9</b>
<b>Loss on discontinued projects</b>	<b>0.1</b>	<b>0.7</b>
<b>Impairment losses on receivables:</b> 15.1	<b>6.4</b>	<b>2.0</b>
- impairment losses	8.3	5.5
- reversal of impairment losses	(1.9)	(3.5)
<b>Provisions:</b>	<b>146.9</b>	<b>-</b>
- provision for deficit in CO <sub>2</sub> emission allowances 27.2	26.3	-
- remeasurement of provision for contingent payments – Sleipner assets acquisition agreement 25.1	69.2	-
- tax risk provisions	52.5	-
- other provisions	(1.1)	-
<b>Fines and compensation</b>	<b>2.5</b>	<b>8.0</b>
<b>Damage to property arising in ordinary course of business</b>	<b>1.2</b>	<b>1.6</b>
<b>Charitable donations</b>	<b>11.5</b>	<b>7.3</b>
<b>Other</b>	<b>10.2</b>	<b>16.9</b>
<b>Total</b>	<b>182.5</b>	<b>121.0</b>

The Group offsets similar transaction items in accordance with IAS 1 *Presentation of Financial Statements*, paragraphs 34 and 35. Material items of income and expenses charged to profit or loss are disclosed separately, as presented in the table above.

### 9.5 Finance income

	Note	2018	2017
Dividends		5.3	4.2
- equity accounted joint ventures		3.2	2.1
- equity investments measured at fair value through other comprehensive income	26.2	2.1	2.1
Interest:		<b>34.6</b>	<b>20.8</b>
• interest on assets measured at amortised cost:		<b>34.2</b>	<b>19.2</b>
- on trade receivables	26.2	2.7	2.6
- on cash	26.2	4.5	2.3
- on deposits	26.2	27.0	14.3
• other interest		<b>0.4</b>	<b>1.6</b>
Exchange differences:		-	<b>107.9</b>
- on bank borrowings	26.2	-	180.7
- on translation of intercompany loans <sup>(1)</sup>	26.2	-	(99.2)
- on realised foreign-currency transactions in bank accounts	26.2	-	35.5
- on notes	26.2	-	(6.0)
- on deposits and other cash	26.2	-	(7.1)
- other		-	4.0
Revaluation of derivative financial instruments:		-	<b>314.1</b>
- measurement	26.2	-	196.7
- settlement	26.2	-	117.4
Other		<b>1.2</b>	<b>3.0</b>
<b>Total</b>		<b>41.1</b>	<b>450.0</b>

<sup>(1)</sup> According to IAS 21 *The Effects of Changes in Foreign Exchange Rates*, foreign exchange gains and losses on intercompany foreign currency transactions are recognised in the Group's net profit or loss.

### 9.6 Finance costs

	Note	2018	2017
Interest:		<b>186.9</b>	<b>203.8</b>
• interest on liabilities measured at amortised cost:		<b>116.9</b>	<b>134.2</b>
- on bank borrowings	26.2	103.7	114.2
- on non-bank borrowings	26.2	2.9	3.5
- on notes	26.2	7.8	15.6
- other		2.5	0.9
• other interest		70.0	69.6
- on finance lease liabilities	26.2	19.9	18.4
- discount on provisions for oil and natural gas production facilities and for site restoration, and other provisions	25.1	43.8	43.1
- cost of discount on employee benefit obligations	24.1; 24.2	5.4	5.8
- on liabilities to the state budget		0.3	1.7
- other		0.6	0.6
Exchange differences:		<b>75.2</b>	-
- on bank borrowings	26.2	94.5	-
- on translation of intercompany loans <sup>(1)</sup>	26.2	(25.2)	-
- on realised foreign-currency transactions in bank accounts	26.2	3.3	-
- on notes	26.2	13.4	-
- on deposits and other cash	26.2	(12.8)	-
- other		2.0	-
Revaluation of derivative financial instruments:		<b>7.2</b>	-
- measurement	26.2	116.7	-
- settlement	26.2	(109.5)	-
Bank fees		<b>15.9</b>	<b>18.0</b>
Tax risk provision		<b>17.1</b>	<b>1.3</b>
Other		<b>0.8</b>	<b>10.9</b>
<b>Total</b>		<b>303.1</b>	<b>234.0</b>

<sup>(1)</sup> According to IAS 21 *The Effects of Changes in Foreign Exchange Rates*, foreign exchange gains and losses on intercompany foreign currency transactions are recognised in the Group's net profit or loss.

The Group offsets similar transaction items in accordance with IAS 1 *Presentation of Financial Statements*, paragraphs 34 and 35. Material items of income and expenses charged to profit or loss are disclosed separately, as presented in the table above.