

## 10. Income tax

### 10.1 Tax expense

	Note	2018	2017
Current tax		760.7	567.7
Deferred tax	10.3	374.5	208.2
<b>Total income tax charged to net profit or loss</b>	<b>10.2</b>	<b>1,135.2</b>	<b>775.9</b>
Tax expense recognised in other comprehensive income (net), including:		(14.5)	136.5
- cash flow hedging	20	(14.8)	137.8
- actuarial gain/(loss) relating to post-employment benefits		0.3	(1.3)

For the entities operating in Poland, the current and deferred portion of income tax was calculated at the rate of 19% of taxable income.

In the case of Norwegian subsidiary LOTOS Exploration and Production Norge AS, the marginal tax rate is 78% of the tax base. LOTOS Exploration and Production Norge AS's activities are subject to taxation under two parallel tax systems: the corporate income tax system (23% tax rate) and the petroleum tax system (additional tax rate of 55%). In 2019, the tax rates will be 22% under the corporate income tax regime and 56% under the petroleum tax regime, which affects the amount of deferred income tax recognised in the current reporting period.

In the case of Lithuanian subsidiaries (AB LOTOS Geonafta Group), the current and deferred portion of income tax was calculated at the rate of 15%.

### 10.2 Corporate income tax calculated at effective tax rate and reconciliation of pre-tax profit to taxable income

	2018	2017
Pre-tax profit	2,722.6	2,447.7
<b>Income tax at 19%</b>	<b>517.3</b>	<b>465.1</b>
Permanent differences:	26.7	43.8
- tax risk provision	13.6	-
- interest on past-due public charges	-	1.3
- other permanent differences	13.1	42.5
Tax effect of share in profit of equity-accounted entities	(0.6)	(0.6)
Adjustments disclosed in current year related to tax for previous years	(1.2)	(0.5)
Difference resulting from the application of tax rates other than 19%:	592.9	267.9
- Norway	592.2	266.0
- Lithuania	0.7	2.1
- other	-	(0.2)
Other differences	0.1	0.2
<b>Income tax</b>	<b>1,135.2</b>	<b>775.9</b>

### 10.3 Deferred income tax

	Note	Statement of financial position			Change	
		December 31st 2017	Effect of changes in accounting policies	January 1st 2018		December 31st 2018
Deferred tax assets		415.4	-	415.4	149.6	(265.8)
Deferred tax liabilities		(277.7)	31.0	(246.7)	(324.9)	(78.2)
<b>Net deferred tax assets/(liabilities)</b>	<b>10.3.1</b>	<b>137.7</b>	<b>31.0</b>	<b>168.7</b>	<b>(175.3)</b>	<b>(344.0)</b>
Exchange differences on translating deferred tax of foreign operations						(16.0)
Deferred tax disclosed under other comprehensive income/(loss), net	10.1					(14.5)
<b>Deferred tax expense charged to net profit or loss</b>	<b>10.1</b>					<b>(374.5)</b>

Taxable temporary differences are expected to expire in 2019–2090.

As at December 31st 2018, unrecognised tax assets on account of tax losses were PLN 0.1m (December 31st 2017: PLN 0.2m). The period during which tax losses for which no tax asset has been recognised may be settled in accordance with applicable tax laws expires in 2020.

**LOTOS GROUP**  
**Consolidated financial statements for 2018**  
**Notes to the financial statements**

(PLNm)

**10.3.1 Deferred tax assets and liabilities**

Note	December 31st 2017	Effect of changes in accounting policies	January 1st 2018	Deferred tax disclosed under net profit or loss	Deferred tax disclosed under other comprehensive income/(loss)	Exchange differences on translating deferred tax of foreign operations	December 31st 2018
<b>Deferred tax assets</b>							
Employee benefit obligations	59.1	-	59.1	1.0	(0.3)	0.1	59.9
Provisions for/assets related to decommissioning of oil and gas extraction facilities and site restoration	499.4	-	499.4	66.2	-	8.1	573.7
Finance lease liabilities	26.4	-	26.4	8.5	-	-	34.9
Cash flow hedge accounting	52.9	-	52.9	-	14.8	-	67.7
Other	48.2	-	48.2	16.8	-	-	65.0
	<b>686.0</b>	<b>-</b>	<b>686.0</b>	<b>92.5</b>	<b>14.5</b>	<b>8.2</b>	<b>801.2</b>
<b>Deferred tax liabilities</b>							
Purchase of property, plant and equipment and intangible assets	419.6	-	419.6	423.3	-	(5.7)	837.2
Difference between current tax value and carrying amount of settlements under joint operations (Norwegian fields)	15.5	(31.0)	(15.5)	20.7	-	(0.8)	4.4
Other	113.2	-	113.2	23.0	-	(1.3)	134.9
	<b>548.3</b>	<b>(31.0)</b>	<b>517.3</b>	<b>467.0</b>	<b>-</b>	<b>(7.8)</b>	<b>976.5</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>137.7</b>	<b>31.0</b>	<b>168.7</b>	<b>(374.5)</b>	<b>14.5</b>	<b>16.0</b>	<b>(175.3)</b>

*(This is a translation of a document originally issued in Polish)*