



4.3.9 NET FINANCING COSTS

	2019	2018
Interest income on loans & receivables	10	10
Interest income on investments	10	19
Net foreign exchange gain	10	17
Other financial income	1	0
Financial income	31	46
Interest expenses on financial liabilities at amortized cost	(247)	(223)
Interest expenses on hedging derivatives	(17)	(36)
Interest expenses on lease liabilities	(6)	(7)
Interest addition to provisions	(2)	(14)
Net loss on financial instruments at fair value through profit and loss	(0)	(0)
Net cash flow hedges ineffectiveness	(3)	-
Net foreign exchange loss	0	(0)
Financial expenses	(274)	(279)
Net financing costs	(243)	(233)

The increase in net financing costs is mainly due to the net foreign exchange gain compared to 2018. The 2018 gain resulted from an index-linked term deposit protecting the Company against Kwanza devaluation for its cash held in Angola.

The decrease in interest income on investments comes mainly from the lower amounts of cash available in 2019 at corporate level

In 2019 the settlement with the Brazilian authorities and Petrobras is now recognized as a financial liability and impacts interest expenses on financial liabilities amortized at costs whereas it was a provision impacting interest addition to provisions in 2018. Its unwinding effect is lower in 2019.

4.3.10 INCOME TAX EXPENSE

The relationship between the Company's income tax expense and profit before income tax (referred to as 'effective tax rate') can vary significantly from period to period considering, among other factors: (i) changes in the blend of income that is taxed based on revenues versus profit; (ii) the different statutory tax rates in the location of the Company's operations and (iii) the possibility to recognize deferred tax assets on tax losses to the extent that suitable future taxable profits will be available.

Some of the taxes are withholding taxes (paid on revenues). The assessment of whether the withholding tax is in scope of IAS 12 is judgemental; the Company performed this assessment in the past and some of the withholding taxes that the Company pays in certain countries qualify as income taxes as it creates an income tax credit or it is considered as deemed profit taxation.

Consequently, income tax expense does not change proportionally with profit before income taxes. Significant decreases in profit before income tax typically lead to a higher effective tax rate, while significant increases in profit before income taxes can lead to a lower effective tax rate, subject to the other factors impacting income tax expense noted above. Additionally, where a deferred tax asset is not recognized on a loss carry forward, the effective tax rate is impacted by the unrecognized tax loss.