

4.1 Reconciliation of debt liabilities

Accounting policy applied

Bank loans and borrowings are initially recognized at fair value minus the incurred transaction costs. After initial recognize, loans and borrowings are carried according to amortized cost using the effective interest rate method.

The Group classifies lease agreements as finance lease if, under the concluded agreement, basically all the potential benefits and risk attributable to holding of a leased object are incurred by the lessee. Any other types of lease are treated as operating lease.

Lease payments are divided into interest part and lease liability reduction, in order to obtain fixed periodic interest rate for the remaining balance of the liability in every period. Financial expenses are referred directly to the profit and loss statement unless they may be assigned directly to relevant assets – in such case, they are capitalized.

The Group's debt liabilities consist of the following two main categories: bank loans and borrowings and finance leases. Loan agreements were entered into mainly for the purposes of financing the investment and acquisition plan. The agreements were entered into for a period in excess of 5 years. The repayment of contracted obligations resulting from the executed loan agreements is made in PLN, EUR and CZK. As at 31 December 2018, the Group was using the main rolling stock components, vehicles and IT hardware under the finance lease agreements in effect. The agreements that are currently in effect were concluded for the term from 3 to 10 years in PLN, EUR and CZK. The collateral established to secure the repayment of liabilities is described in [Note 7.5](#).

Items in foreign currencies

31/12/2018	In the functional currency - PLN	In foreign currency		Total
		EUR	CZK	
Bank loans and borrowings	774.8	506.9	50.1	1,331.8
Finance leases	54.5	35.8	4.9	95.2
Total	829.3	542.7	55.0	1,427.0
Variable-interest-rate liabilities	828.5	472.8	50.1	1,351.4
Fixed-interest-rate liabilities	0.8	69.9	4.9	75.6
Total	829.3	542.7	55.0	1,427.0

31/12/2017	In the functional currency - PLN	In foreign currency		Total
		EUR	CZK	
Bank loans and borrowings	967.3	546.3	48.7	1,562.3
Finance leases	64.1	67.3	7.7	139.1
Total	1,031.4	613.6	56.4	1,701.4
Variable-interest-rate liabilities	1,030.5	523.4	48.7	1,602.6
Fixed-interest-rate liabilities	0.9	90.2	7.7	98.8
Total	1,031.4	613.6	56.4	1,701.4

Reconciliation of debt liabilities

2018	Bank loans and borrowings	Finance leases	Total
1/01/2018	1,562.3	139.1	1,701.4
Obtained debt	0.3	0.8	1.1

2018	Bank loans and borrowings	Finance leases	Total
Transaction costs	1.6	-	1.6
Accrual of interest	25.6	5.8	31.4
Payments under debt, including:			
Repayments of the principal	(248.6)	(46.7)	(295.3)
Interest paid	(25.6)	(5.8)	(31.4)
Transaction costs	(1.6)	-	(1.6)
FX valuation	15.4	1.0	16.4
FX differences resulting from translation of foreign entities	2.4	1.0	3.4
31/12/2018	1,331.8	95.2	1,427.0
Long-term	1,083.2	73.3	1,156.5
Short-term	248.6	21.9	270.5
Total	1,331.8	95.2	1,427.0

2017	Bank loans and borrowings	Finance leases	Other	Total
1/01/2017	1,471.4	200.4	118.7	1,790.5
Obtained debt	366.3	3.9	-	370.2
Transaction costs	1.7	-	-	1.7
Accrual of interest	28.1	6.1	-	34.2
Payments under debt, including:				
Repayments of the principal	(255.2)	(59.6)	-	(314.8)
Interest paid	(28.1)	(6.1)	-	(34.2)
Transaction costs	(1.7)	-	-	(1.7)
Profits / (losses) from revaluation of liability on account of the put option for non-controlling interest	-	-	(4.7)	(4.7)
Settlement of the "put" option for non-controlling interest	-	-	(114.0)	(114.0)
FX valuation	(19.5)	(5.7)	-	(25.2)
FX differences resulting from translation of foreign entities	(0.7)	0.1	-	(0.6)
31/12/2017	1,562.3	139.1	-	1,701.4
Long-term	1,312.6	91.1	-	1,403.7
Short-term	249.7	48.0	-	297.7
Total	1,562.3	139.1	-	1,701.4

Net debt

	31/12/2018	31/12/2017
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	31/12/2018	31/12/2017
Bank loans and borrowings	1,331.8	1,562.3
Finance leases	95.2	139.1
Total debt	1,427.0	1,701.4
Cash and cash equivalents	(447.3)	(516.8)
Deposits above 3 months	(201.1)	(253.8)
Total net debt	778.6	930.8
EBITDA	907.0	700.3
Net debt / EBITDA	0.9	1.3

Net debt is construed by the Group as the sum of bank loans, borrowings and lease liabilities minus cash and cash equivalents and deposits longer than 3 months.

EBITDA is defined in the statement of profit or loss and other comprehensive income as operating profit plus depreciation and impairment losses. The Parent Company's Management Board perceives EBITDA as a key performance measure.

Net debt / EBITDA is one of the key indicators taken into consideration by the Parent Company's Management Board in analysing financial liquidity and creditworthiness.

Unused credit lines

Type of loan	Bank Name	Period of availability	Currency of the contract	31/12/2018	31/12/2017
Investment loan	European Investment Bank	19/07/2020	EUR	70.7	68.5
Overdraft	Bank Polska Kasa Opieki S.A.	25/05/2018	PLN	-	100.0
Overdraft	PKO Bank Polski S.A.	15/07/2019	PLN	0.7	1.0
Overdraft	Bank Polska Kasa Opieki S.A.	24/05/2019	PLN	100.0	-
Total				171.4	169.5

On 24 May 2018, an overdraft facility agreement was entered into by the Parent Company with Bank Polska Kasa Opieki S.A. for up to PLN 100 million. The facility will be available for a period of 12 months until 24 May 2019, with an option to extend the availability period by an additional 12 months, i.e. until 24 May 2020.

Breach of the terms and conditions of the loan agreements

As at 31 December 2018, there were no breaches of any loan agreements.