

## 6.1 Financial instruments

### Categories and classes of financial instruments

Financial assets by categories and classes	Note	31/12/2018	Financial assets by categories and classes	31/12/2017
<b>Hedging financial instruments</b>				<b>Hedging financial instruments</b>
Derivatives	Note 5.5	3.5	Derivatives	12.1
<b>Financial assets measured at fair value through other comprehensive income</b>				<b>Available-for-sale financial assets</b>
Investments in equity instruments	Note 5.5	6.8	Shares in unlisted companies	7.3
<b>Financial assets measured at amortized cost</b>				<b>Loans and receivables</b>
Trade receivables	Note 5.4	685.3	Trade receivables	688.8
Receivables on account of sale of non-financial non-current assets		-	Receivables on account of sale of non-financial non-current assets	0.1
Loans granted		-	Loans granted	1.1
Bank deposits over 3 months		201.1	Bank deposits over 3 months	253.8
Cash and cash equivalents	Note 4.4	447.3	Cash and cash equivalents	516.8
<b>Total</b>		<b>1,344.0</b>		<b>1,480.0</b>

Financial liabilities by categories and classes	Note	31/12/2018	31/12/2017
<b>Hedging financial instruments</b>			
Derivatives	Note 5.9	0.2	0.3
Bank loans and borrowings	Note 4.1	468.1	494.3
<b>Financial liabilities measured at amortized cost</b>			
Bank loans and borrowings	Note 4.1	863.7	1,068.0
Trade payables		499.9	447.2
Investment liabilities	Note 5.6	287.4	79.1
Financial liabilities excluded from the scope of IFRS 9 / IAS 39	Note 4.1	95.2	139.1
<b>Total</b>		<b>2,214.5</b>	<b>2,228.0</b>

Impairment losses on shares in unlisted companies and trade receivables are described in [Notes 5.4](#) and [5.5](#) to these Consolidated Financial Statements, respectively.

### Hedge accounting

In the period from 1 January 2018 to 31 December 2018, the Group applied hedge accounting to its cash flows. The purpose of the hedging activity was to mitigate the impact of the FX risk within the EUR/PLN currency pair on future cash flows. The hedged item is a highly probable cash flow denominated in EUR.

As at 31 December 2018, the following hedging instruments were established by the Parent Company:

- investment loans denominated in EUR. The hedged cash flows will be realized until August 2031. As at 31 December 2018, the nominal amount of the hedging instrument was EUR 108.9 million, which is an equivalent of PLN 468.1 million;
- in forward foreign exchange contracts. The hedged cash flows will be realized until December 2020. As at 31 December 2018, the value of assets and liabilities on account of the measurement of the hedging instrument was PLN 3.5 million and PLN 0.2 million, respectively.

This item also includes measurement of hedging instruments in a subsidiary in the form of forward foreign exchange contracts on the EUR/PLN currency pair, hedging future cash flows. The hedged cash flows will be realized until November 2019. As at 31 December 2018, the value of the assets on account of measurement hedging instruments was PLN 0.3 million.

### Fair value hierarchy

As at 31 December 2018, financial instruments measured at fair value were forward FX contracts and investments in equity instruments.

	31/12/2018	31/12/2017	
	Level 2	Level 3	Level 2
<b>Assets</b>			
Derivatives - forward FX contracts	3.5	-	12.1
Investments in equity instruments - shares in unlisted companies	-	6.8	-
<b>Liabilities</b>			
Derivatives - forward FX contracts	0.2	-	-
Derivatives - IRS contracts	-	-	0.3

### Measurement methods for financial instruments carried at fair value

#### a) Forward FX contracts

The fair value of forward FX contracts is determined on the basis of discounted future cash flows on account of executed transactions calculated based on the difference between the forward price and the transaction price. A forward price is calculated based on NBP fixing and the interest rate curve derived from FX swap transactions.

#### b) Investments in financial instruments

This line item includes mainly shares in Euroterminal Sławków Sp. z o.o. worth PLN 4.9 million, the value of which was measured by an independent adviser using the modified Swiss method. The Swiss method is a mixed measurement method as it combines the asset value aspect with the ability to generate future cash flows. According to the Swiss method, the value of the enterprise is calculated as the weighted average of the values determined by the asset-based approach and the income-based approach. This method attaches a greater weight (twice as large) to the value determined by the income-based approach. The adoption of the Swiss method is justified on the grounds that Euroterminal Sławków Sp. z o.o. has a moderate ability to generate profits in the future but owns significant assets in the form of land plots and real properties.

#### c) IRS contracts

The fair value of interest rate swaps was determined on the basis of discounted future cash flows on account of executed transactions based on the difference between the forward price and the transaction price. The fair value was calculated and discounted by the bank according to WIBOR 1M.

#### d) Other financial instruments

For the category of financial instruments which are not carried at fair value as at the balance sheet date, the Group does not disclose fair value because the fair values of these financial instruments as at 31 December 2018 and 31 December 2017 were not materially different from their values presented in the statement of financial position.

### Changes to the measurement of financial instruments for Level 3 of the fair value hierarchy

	2018	2017
<b>As at the beginning of the reporting period (audited)</b>	-	118.7
Changes resulting from the implementation of IFRS 9	6.2	-
<b>As at the beginning of the reporting period (restated)</b>	6.2	118.7
Purchase of shares	1.0	-
Sale of shares	(0.4)	-
(Profit) / loss on revaluation	-	(4.7)
Settlement of the "put" option for non-controlling interest	-	(114.0)
<b>As at the end of the reporting period</b>	<b>6.8</b>	-

Data as at 1 January 2018 have been restated in connection with the implementation of IFRS 9, as described in [Note 1.3](#) and [1.5](#) to these Consolidated Financial Statements.

In the financial year ended 31 December 2018 and 31 December 2017, there were no transfers between levels 2 and 3 of the fair value hierarchy.

### Revenues, costs, profits and losses in the consolidated statement of comprehensive income by categories of financial instruments

2018	Hedging financial instruments	Investments in equity instruments	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Financial liabilities excluded from the scope of IFRS 9	Total
Dividends and profit-sharing	-	0.3	-	-	-	0.3
Interest income / (expense)	(3.0)	-	15.2	(25.0)	(5.8)	(18.6)
FX differences	-	-	4.2	(2.6)	(1.0)	0.6
Impairment losses / revaluation	-	-	3.0	-	-	3.0
Transaction costs related to loans	-	-	-	(1.6)	-	(1.6)
(Profit) / loss on the sale of investments	-	5.0	-	-	-	5.0
Effect of settlement of cash flow hedge accounting	7.0	-	-	-	-	7.0
<b>Gross profit / (loss)</b>	<b>4.0</b>	<b>5.3</b>	<b>22.4</b>	<b>(29.2)</b>	<b>(6.8)</b>	<b>(4.3)</b>
Movement in revaluation	(23.4)	-	-	-	-	(23.4)
<b>Other comprehensive income</b>	<b>(23.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23.4)</b>

In the period of 12 months ended 31 December 2018, the effect of settling cash flow hedge accounting adjusted the value of revenue from contracts with customers in the amount of PLN 7.3 million and financial expenses in respect of interest on finance lease liabilities in the amount of PLN (0.3) million.

In the period of 12 months ended 31 December 2018, the change in the measurement of hedging financial instruments recognized in other comprehensive income included a change in the measurement of derivatives in the amount of PLN (8.5) million and bank loans in the amount of PLN (14.9) million, recognized as part of the hedge accounting applied by the Group.

2017	Hedging financial instruments	Available-for-sale financial assets	Loans and receivables	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Financial liabilities excluded from the scope of IAS 39	Total
Dividends and profit-sharing	-	0.3	-	-	-	-	0.3
Interest income / (expense)	(1.2)	-	14.1	-	(28.7)	(6.1)	(21.9)
FX differences	0.7	-	(16.1)	-	6.6	5.7	(3.1)
Impairment losses / revaluation	0.1	-	(6.3)	4.7	-	-	(1.5)
Transaction costs related to loans	-	-	-	-	(1.7)	-	(1.7)
(Profit) / loss on the sale of investments	-	(0.2)	-	-	-	-	(0.2)
Effect of settlement of cash flow hedge accounting	8.0	-	-	-	-	-	8.0
<b>Gross profit / (loss)</b>	<b>7.6</b>	<b>0.1</b>	<b>(8.3)</b>	<b>4.7</b>	<b>(23.8)</b>	<b>(0.4)</b>	<b>(20.1)</b>

2017	Hedging financial instruments	Available-for-sale financial assets	Loans and receivables	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Financial liabilities excluded from the scope of IAS 39	Total
Movement in revaluation	27.9	-	-	-	-	-	27.9
<b>Other comprehensive income</b>	<b>27.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27.9</b>

In the period of 12 months ended 31 December 2017, the effect of settling cash flow hedge accounting adjusted the value of revenue from contracts with customers in the amount of PLN 8.9 million and financial expenses in respect of interest on finance lease liabilities in the amount of PLN (0.9) million.

In the period of 12 months ended 31 December 2017, the change in the measurement of hedging financial instruments recognized in other comprehensive income included a change in the measurement of derivatives in the amount of PLN 12.7 million and bank loans in the amount of PLN 15.2 million, recognized as part of the hedge accounting applied by the Group.

### Offsetting financial assets

31/12/2018	Gross value of recognized financial assets	Net value of financial assets presented in the statement of financial position	Associated values not in the statement of financial position - received cash collateral	Net value
Trade receivables	685.3	685.3	(4.4)	680.9
<b>Total</b>	<b>685.3</b>	<b>685.3</b>	<b>(4.4)</b>	<b>680.9</b>

31/12/2017	Gross value of recognized financial assets	Net value of financial assets presented in the statement of financial position	Associated values not in the statement of financial position - received cash collateral	Net value
Trade receivables	688.8	688.8	(5.4)	683.4
<b>Total</b>	<b>688.8</b>	<b>688.8</b>	<b>(5.4)</b>	<b>683.4</b>

### Offsetting financial liabilities

31/12/2018	Gross value of recognized financial liabilities	Net value of financial liabilities presented in the statement of financial position	Associated values not offset in the statement of financial position - provided cash collateral	Net value
Trade payables	499.9	499.9	(0.7)	499.2
<b>Total</b>	<b>499.9</b>	<b>499.9</b>	<b>(0.7)</b>	<b>499.2</b>

31/12/2017	Gross value of recognized financial liabilities	Net value of financial liabilities presented in the statement of financial position	Associated values not offset in the statement of financial position - provided cash collateral	Net value
Trade payables	447.2	447.2	(1.5)	445.7
<b>Total</b>	<b>447.2</b>	<b>447.2</b>	<b>(1.5)</b>	<b>445.7</b>

The values presented in the above tables as securing trade receivables that have not been offset in the statement of financial position are recognized under other liabilities, while the values securing trade liabilities are recognized under other assets.