

## 2.1 Revenues from contracts with customers

### Accounting policy applied

The Group recognizes revenue from contracts with customers in such a manner as to reflect the transfer of promised goods or services to the customer in the amount corresponding to the consideration expected to be payable to the Group in return. Revenue from contracts with customers is disclosed at fair value of the payment received or due less VAT, refunds, rebates and discounts.

Revenues are recognized upon (or during) fulfilment of the obligation to make the performance through the provision of the promised good or service (i.e. asset) to the customer.

Revenue from sales of services is recognized in the statement of profit or loss and other comprehensive income over time, because the customer receives and at the same time benefits from the performance provided by the Group as it is being provided. The Group is of the opinion that this condition is fulfilled, because the work performed by it to date would not have to be substantially re-performed by another entity if it were to complete the remaining portion of the obligation toward the customer.

Revenue from sales of materials is recognized in the statement of profit or loss and other comprehensive income when the customer obtains control over the asset in question. The moment of the transfer of control is the same as the moment when the significant risk and benefits resulting from their ownership were transferred. In the case of commission contracts, revenue is not recognized at the time of delivery to the intermediary but when the asset is transferred to the end customer.

The Group does not apply payment terms or advance payments exceeding 12 months, hence the contracts do not contain a material financing element.

### Variable consideration

Commercial contracts contain a variable consideration element resulting from the following:

- the possibility of imposing penalties on the client in connection with its failure to meet the contractual provisions pertaining to transportation of a specified freight volume;
- the possibility of imposing fines on the Group by the client in the event of failure to transport the ordered freight volume.

The Group estimates the value of variable consideration resulting from penalties based on the degree of performance of a given contract in the agreed settlement period. Facts and circumstances determining the probability of the occurrence of each scenario are reviewed at least at the end of each reporting period.

### Contract assets

The Group recognizes in its statement of financial position a contract asset constituting the Group's right to consideration in return for goods or services that the Group has provided to the customer if this right is dependent on a condition other than the passage of time. Assets arising from contracts with customers are presented under the trade receivables item and include mainly assets that have not yet been invoiced but reflect services that have been completed or are in the process of being provided.

### Contract liabilities

The Group recognizes in its statement of financial position a contract liability constituting the Group's obligation to transfer goods or services to the customer in return for which the Group has obtained consideration (or the amount of consideration is due) from the customer. The Group recognizes a contract liability mainly in connection with consideration received in advance for services that have not yet been provided by the Group.



#### SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

Significant estimates pertaining to contracts with customers relate to recognized but not invoiced revenues resulting from the following:

- from the degree of progress of transport services, which are measured based on the estimated level of freight volume the transportation of which has not been completed as at the balance sheet date and the average obtainable price;
- from the freight volume that has already been delivered to the destination but has not yet been collected by the customer. The measurement takes into account the actual freight volume and the average obtainable price;
- from rents for wagons owned by the Group which are used by foreign rail transport companies in the course of transport services rendered outside Poland. This item is measured based on the quantity of wagons outside Poland (data obtained from IT systems) and prices resulting from agreements and contracts with foreign rail undertakings;

- from reclamation and construction works that are currently in the process of acceptance by the client or, in accordance with the contract, the stage of works that would enable invoicing has not yet been achieved. The Group measures revenue based on the scope of work performed as at the balance sheet date and the rates resulting from contracts / orders.

The value of recognized revenue estimates as at the balance sheet date is presented in the note on movement in assets arising from contracts with customers.

## Structure of revenues from contracts with customers

The Group conducts its business within one segment only, i.e. domestic and international cargo freight and provision of comprehensive logistics services related to rail freight.

The Parent Company's Management Board does not evaluate the Group's performance and does not make decisions concerning allocation of resources to groups of services provided account being taken of the structure of revenues from contracts with customers, as presented below. Therefore, the specific service groups may not be treated as the Group's operating segments. The Management Board of the Parent Company analyses financial data in the layout in which they have been presented in these Consolidated Financial Statements.

The data for the 12 months ended 31 December 2017 in this note have been restated in connection with the retrospective application of IFRS 15, as described in [Note 1.3](#) to these Consolidated Financial Statements.

2018	Group of entities related to the biggest external counterparty	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation and freight forwarding services	444.4	6.0	993.0	2,897.4	4,340.8
Revenue from other transportation activity	-	-	2.1	184.5	186.6
Revenue from siding and traction services	0.4	7.7	104.9	135.7	248.7
Revenue from transshipment services	0.3	-	1.3	130.3	131.9
Revenue from reclamation services	-	1.8	-	87.1	88.9
Revenue from sales of goods and raw materials	-	-	1.8	62.8	64.6
Revenue from lease of assets and other revenue	1.8	8.7	6.1	104.9	121.5
<b>Total</b>	<b>446.9</b>	<b>24.2</b>	<b>1,109.2</b>	<b>3,602.7</b>	<b>5,183.0</b>
<b>Revenue recognition date</b>					
At a point of time	-	-	1.8	83.1	84.9
Over a period	446.9	24.2	1,107.4	3,519.6	5,098.1
<b>Total</b>	<b>446.9</b>	<b>24.2</b>	<b>1,109.2</b>	<b>3,602.7</b>	<b>5,183.0</b>

  

2017	Group of entities related to the biggest external counterparty	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from rail transportation and freight forwarding services	508.5	8.3	857.0	2,568.4	3,942.2
Revenue from other transportation activity	-	0.5	2.0	165.4	167.9

2017	Group of entities related to the biggest external counterparty	PKP Group related parties	State Treasury related parties	Others	Total
Revenue from siding and traction services	-	17.1	89.9	132.9	239.9
Revenue from transshipment services	-	-	1.0	81.3	82.3
Revenue from reclamation services	-	0.6	-	76.4	77.0
Revenue from sales of goods and raw materials	-	2.5	-	49.3	51.8
Revenue from lease of assets and other revenue	2.2	9.8	15.1	100.9	128.0
<b>Total</b>	<b>510.7</b>	<b>38.8</b>	<b>965.0</b>	<b>3,174.6</b>	<b>4,689.1</b>
<b>Revenue recognition date</b>					
At a point of time	-	2.5	-	73.7	76.2
Over a period	510.7	36.3	965.0	3,100.9	4,612.9
<b>Total</b>	<b>510.7</b>	<b>38.8</b>	<b>965.0</b>	<b>3,174.6</b>	<b>4,689.1</b>

### Transaction price assigned to other unfulfilled (or partially unfulfilled) performance commitments

The following tables present revenues related to unfulfilled (or partially unfulfilled) performance commitments as at the end of the financial year that the Group expects to recognize in the future:

	31/12/2018			31/12/2017		
	Rail sidings	Reclamation services	Total	Rail sidings	Reclamation services	Total
up to 1 year	48.6	41.6	90.2	34.0	3.0	37.0
1 to 3 years	54.8	15.9	70.7	30.4	1.6	32.0
over 3 years	-	0.5	0.5	3.2	-	3.2
<b>Total</b>	<b>103.4</b>	<b>58.0</b>	<b>161.4</b>	<b>67.6</b>	<b>4.6</b>	<b>72.2</b>

In accordance with IFRS 15.121, in the case of other executed commercial agreements, the Group takes advantage of a practical simplification and refrains from disclosing information on the total transaction price assigned to a performance commitment that was not fulfilled at the end of the period and refrains from disclosing the period in which revenue from fulfilling the performance commitment is expected to be recognized. The possibility of applying this simplification is due to the fact that a significant portion of contracts are entered into for a period not longer than 12 months or the Group has the right to recognize revenue in the invoiced amount.

## Geography

The Group defines the geographical territory of business as the location of the registered office of the service recipient, and not as the country of the service provision. Poland is the key geographic area of the Group's activity.

Revenue from contracts with customers of the Group generated on external customers and broken down based on their country of headquarters is presented below:

	2018	2017
Poland	3,658.4	3,326.7
Czech Republic	626.4	589.2
Germany	293.9	242.3
Slovakia	159.1	115.5

	2018	2017
Italy	70.5	83.2
France	50.6	50.7
Other countries	324.1	281.5
<b>Total</b>	<b>5,183.0</b>	<b>4,689.1</b>

#### Non-current assets net of financial instruments and deferred tax assets broken down by location

	2018	2017
Poland	4,310.7	3,984.0
Czech Republic	727.7	804.8
Other countries	4.9	12.6
<b>Total</b>	<b>5,043.3</b>	<b>4,801.4</b>

### Information on key customers

In the financial year ended 31 December 2018, the Group's revenue from any single Group client did not exceed 10% of the total revenues from agreements with clients. In the financial year ended 31 December 2017, sales to one group exceeded 10% and accounted for 10.9% of the total revenue from contracts with customers.

#### Assets from contracts with customers

	2018	2017
<b>As at the beginning of the reporting period</b>	<b>43.6</b>	<b>27.8</b>
Recognition of revenue before the payment due date	37.2	43.6
Reclassification to receivables	(43.7)	(27.8)
<b>As at the end of the reporting period</b>	<b>37.1</b>	<b>43.6</b>

#### Liabilities from contracts with customers

	2018	2017
<b>As at the beginning of the reporting period</b>	<b>5.2</b>	<b>10.2</b>
Recognition of revenues:		
From the opening balance of liabilities from contracts with customers	(5.2)	(10.2)
From liabilities from contracts with customers recognized during the period	-	(6.9)
Payment received or due in advance	1.6	12.1
<b>As at the end of the reporting period</b>	<b>1.6</b>	<b>5.2</b>