

Presented below are the factors affecting the margin on the sale of electricity:

- a) Volume of retail sales – a 5% increase in volume contributed to the margin growth yoy.
- b) Structure of the sales volume by tariff groups (mix) – the change of the tariff mix adversely affected the margin as it increased the percentage of customers from tariff groups with a lower unit margin.
- c) Price for end users – the prices follow the changes in variable cost and are determined by market competition. The decrease in the average yoy sales price is a consequence of the declining prices of energy and green certificates in the market and reduction of tariff G for 2017 by ERO by over 4%.
- d) Cost of electricity purchase (in PLN/MWh) – the decrease in the average cost yoy (which fell more slowly than sales prices) is a result of a decline in market prices, which contributed to the reduction of contractual prices, and the lower costs connected with the “offtaker of last resort” function discharged by Energa Obrót SA.
- e) Cost of redemption of property rights – the average unit cost in 2017 was lower than in 2016. The key impact on the change in this factor is exerted by the redemption cost of green certificates, where the rate of decline was much lower than could be inferred from the decline in the market prices of green certificates (by 47%). This was caused predominantly by long-term contracts for the purchase of green certificates entered into many years earlier, under which the purchases were effected until September 2017 at prices based on a fixed substitution fee rather than on market prices. The yoy increase in the cost of property rights was also driven by the introduction, on 1 July 2016, of a new obligation associated with support for the producers of electricity from biogas (blue certificates); in 2017 the obligation was in effect for the entire financial year, compared to the second half of the year in 2016.