INFORMATION RELATED THE FOLLOWING PARAMETERS: TYPES OF ASSETS, COST OF CAPITAL, CAPITAL AND OPERATIONAL EXPENDITURES, INCENTIVE MECHANISMS AND EFFICIENCY TARGETS, INFLATION INDICES

1. TYPES OF ASSETS INCLUDED IN THE REGULATED ASSETS BASE AND THE AGGREGATED VALUE, ART. 30 PARA. 1(B)(III)(1)

In accordance with guidelines issued by the President of the Energy Regulatory Office (hence ERO) the regulated asset base is calculated as follows:

$$M_{2024} = M_{2022} + \tfrac{1}{2}*E*(I_{2023} + I_{2024}) - \tfrac{1}{2}*(A_{2023} + A_{2024}) - M_{UE}$$

where:

M_{2024} - fixed assets as planned for 31 December 2024,
M_{2022} - fixed assets as of 31 December 2022,
E - rate of realization of planned net value of the investment costs, in year 2024 E=100%,
I_{2023} - planned net value of the investment cost as per the Development Plan for 2023,
I_{2024} - planned net value of the investment costs as per the Development Plan for 2024,
A_{2023} - planned depreciation for year 2023,
A_{2024} - planned depreciation planned for 2024,
M_{UE} - value of fixed assets and intangible assets financed from non-returnable European Union Funds.

The regulated asset base for the tariff year 2024, estimated on the basis of the above formula, equals to **PLN 9 904 thousand**.

2. COST OF CAPITAL AND ITS CALCULATION METHODOLOGY, ART. 30 PARA. 1 (B)(III)(2)

The rate of return on capital employed is being calculated under the formula:

$$ZNK = WACC_{pre\text{-}tax} * WRA$$

where:

ZNK - return on capital employed,
$WACC_{pre\text{-}tax}$ - weighted average cost of capital,
WRA - net value of the regulated asset base.

The weighted average cost of capital was determined based on the formula below, recommended by the President of Energy Regulatory Office in the document entitled: "Metoda określania wskaźnika kosztu zaangażowanego kapitału na lata 2024 - 2028 dla infrastrukturalnych przedsiębiorstw sektora gazowego (The methodology of setting the weighted average cost of capital for 2024 - 2028 for infrastructural enterprises in gas sector)".

$$WACC_{pre-tax} = (r_f + DP) * \frac{D}{D+E} + \frac{(r_f + \beta_e * ERP)}{(1-T_N)} * \frac{E}{D+E}$$

where:

WACC $_{pre-tax}$	- weighted average cost of capital before taxation,
r_f	- risk-free rate (3.154%),
DP	- premium for the risk of providing external (debt) financing (1%),
D	- external (debt) financing (50%),
E	- equity (50%),
ERP	- equity risk premium (5.0%),
βe	- risk of the capital employed (0.724),
TN	- nominal tax rate (19%),

The WACC calculation follows the capital structure at 50% (equity) to 50% (debt).

The cost of equity was estimated in accordance with the following formula:

$$K_e = \frac{(r_f + \beta_e * ERP)}{(1-T_N)}$$

where:

Ke – cost of equity pre-tax (including tax shield).

WACC calculated in accordance with the above formula equals to **6.258%.**

For the years 2024-2028 GAZ-SYSTEM assumed variable value of WACC, estimated in accordance with the above formula, for the purpose of tariff calculation for gaseous fuels transmission of the Polish Section of the Transit Gas Pipeline System Yamal – Europe.

Return on capital employed calculated according to the formula **PLN 620 thousand.**

3. CAPITAL EXPENDITURES, ART. 30 PARA. 1 (B)(III)(3)

Investments planned for tariff year 2024 are **PLN 10.2 million**.

4. METHODOLOGIES TO DETERMINE THE INITIAL VALUE OF ASSETS, ART. 30 PARA. 1 (B)(III)(3)(A)

The initial value of fixed assets depending on the method of acquisition is determined as follows:

- for a purchased fixed asset — the initial value is the purchase price, i.e., the actual purchase price including the seller's due (excl. VAT), and if imported: plus non-refundable charges of public-law nature, and plus costs directly relating to the purchase and adaptation of the fixed asset to reach usable condition,

▪ for a fixed asset received as a non-financial contribution, the initial value is the fair value determined by an independent appraiser.

The initial value of fixed assets will be increased by expenditures for improvements consisting in overhaul, expansion, modernization, or reconstruction and causing the useful value of such a fixed asset to exceed the fair value it has when accepted for use, measured using the duration of use, production capacity, quality of products obtained using the improved fixed asset, exploitation costs or other measures.

5. METHODOLOGIES TO RE-EVALUATE THE ASSETS, ART. 30 PARA. 1 (B)(III)(3)(B)

Not applicable.

6. EXPLANATIONS OF THE EVOLUTION OF THE VALUE OF THE ASSETS, ART. 30 PARA. 1 (B)(III)(3)(C)

Evolution of the value of the assets p.a. arises from depreciation and amortization write-offs and permanent loss of value, as well as liquidation, and increases arise from new fixed assets commissioned in the reporting year.

7. DEPRECIATION PERIODS AND AMOUNTS PER ASSET TYPE, ART. 30 PARA. 1 (B)(III)(3)(D)

All fixed assets and intangible and legal assets owned by GAZ-SYSTEM follow the line method of depreciation and amortization respectively. Depreciation rates below are used for each fixed assets group (data used for reference prices calculation).

Table. Depreciation rates for each fixed assets group.

Group Name	Planned Depreciation for 2024 [PLN thousand]	OEU [Years]	OEU [%]
group 0 Land	0.01	up to 99 years	no less than 1%
group I Buildings	0.51	15 - 60	2 - 7 %
group II Structures	181.88	9 - 60	2 - 11 %
group III Boilers and power machines	16.62	7 - 25	4- 14 %
group IV General machines	67.31	2 - 30	3 - 50 %
group V Specialist machines	9.46	5 - 15	7 - 20 %
group VI Technical devices	489.27	5 - 47	2 - 20 %
group VII Means of transport	0.00	5 - 20	5 - 20 %
group VIII Equipment	249.18	5 - 55	2 - 20 %
Inatgible and legal assets	334.65	4 - 50	2 - 25 %
Total	1 348.90		

8. OPERATIONAL EXPENDITURES, ART. 30 PARA. 1 (B)(III)(4)

Operating costs included in the calculation of tariff rates for 2024 is **PLN 193.9 million**.

9. INCENTIVE MECHANISMS AND EFFICIENCY TARGETS, ART. 30 PARA. 1 (B)(III)(5)

Not applicable.

10. INFLATION INDEX, ART. 30 PARA. 1 (B)(III)(6)

Not applicable. The tariff year is equal to the regulatory period and thus inflation rates are not used.