

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:

$$M_{2023} = M_{2021} + \frac{1}{2} * E * (I_{2022} + I_{2023}) - \frac{1}{2} * (A_{2022} + A_{2023}) - M_{UE}$$

where:

M_{2023} – fixed assets as planned for 31 December 2023,

M_{2021} – fixed assets as at 31 December 2021,

E – rate of realization of planned net value of the investment costs, in year 2023 E=100%,

I_{2022} – planned net value of the investment cost as per the Development Plan for 2022,

I_{2023} – planned net value of the investment costs as per the Development Plan for 2023,

A_{2022} – planned depreciation for year 2022,

A_{2023} – planned depreciation planned for 2023.

M_{UE} – value of fixed assets and intangible assets financed from non-returnable European Union Funds

The regulated asset base for the tariff year 2023, estimated on the basis of the above formula, equals to PLN 7 740 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:

$$ZNK = WACC * WRA$$

where:

ZNK – return on capital employed,

WACC – weighted average cost of capital,

WRA – net value of the regulated asset base, calculated under the formula recommended by the President of ERO.

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 2019 - 2023 dla*

infrastrukturalnych przedsiębiorstw sektora gazowego (The methodology of setting the weighted average cost of capital for 2019 - 2023 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,

rf – risk-free rate (2.373 %)

DP – premium for the risk of providing external (debt) financing (1%)

D – external (debt) financing (50 %)

E – equity (50 %)

ERP – equity risk premium (4.5 %)

β_e – risk of the capital employed (0.724)

T_N – nominal tax rate (19 %)

The WACC calculation follows the capital structure determined by the ERO President for 2023 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:

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

WACC calculated in accordance with the above formula equals to 5,162%.

Return on capital employed calculated according to the formula PLN 400 thousand.

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

Investments planned for tariff year 2023 are PLN 10,7 thousand.

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.

Group Name	Planned Depreciation for 2022 [PLN thousand]	OEU [Years]	OEU [%]
group I Buildings	3.96	15 - 60	2 - 7 %
group II Structures	29.96	9 - 60	2 - 11 %
group III Boilers and power machines	0.20	7 - 25	4 - 14 %
group IV General machines	400.42	2 - 30	3 - 50 %
group V Specialist machines		5 - 15	7 - 20 %
group VI Technical devices	20.00	5 - 47	2 - 20 %
group VII Means of transport	22.39	5 - 20	5 - 20 %
group VIII Equipment	11.55	5 - 55	2 - 20 %
Intangible and legal assets	402.49	4 - 50	2 - 25 %

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

Operating costs (without depreciation) included in the calculation of tariff rates for 2023 are PLN 204,2 thousand.

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.