

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

The planned assets value taken into account in the regulated assets base used for the tariff calculation is presented as the WRA value.

WRA = PLN 910.04 million.

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

The amount of return from the capital committed was calculated according to the following formula:

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

where:

ZNK – return on the capital committed,

$WACC_{pre\ tax}$ – weighted average cost of capital before taxation,

WRA – net value of the regulated assets base,

The weighted average rate of capital return (amounting to 5,697%) was determined basing on the formula presented below, recommended by the President of the Energy Regulation Authority in the document: "Metoda określania wskaźnika kosztu kapitału zaangażowanego dla operatorów systemów gazowych na lata 2019-2023 dla infrastrukturalnych przedsiębiorstw sektora gazowego" (The Method of Determination of the Committed Capital Rate for the Years 2019-2023, for the gas system operators).

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

where:

$WACC_{pre-tax}$ – weighted average cost of capital before taxation,

r_f – risk-free rate (2.845%)

DP – premium for the risk of making outside capital available to the enterprise (1%)

D – outside capital (42%)

E – equity capital (58%)

ERP – equity risk premium (4.5%)

β_e – measure of the capital commitment risk (0.63462)

TN – nominal tax rate (19%)

Next, the amount of return from the capital committed, calculated by means of the formulae presented above, was adjusted (reduced) in order to meet provisions of Art. 4 of the Additional Protocol to the Agreement between the Governments of the Republic of Poland and the Government of the Russian Federation on Construction of the System of Pipelines for Transit of Russian Natural Gas through the Territory of the Republic of Poland and Deliveries of Russian Natural Gas to the Republic of Poland, dated August 25, 1993 - in the wording given by Article 2 of the Protocol on Introducing Changes to the Additional Protocol, signed on October 29, 2010 (M. P. of 2011, item. 519).

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

The capital expenditures planned for tariff year 2021 (increasing the value of assets), increased by depreciation, amount to PLN 340.62 million.

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

Fixed assets are valued according to their purchase prices (in case of purchase) or manufacturing costs (in case of making them in-house) or a re-valuated value (after update of the fixed assets valuation), reduced by deductions for depreciations.

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

Year-to-year changes of assets values results from depreciation deductions and a permanent value loss of fixed assets and also liquidation; increases result from introduction of new fixed assets for operation in the fiscal year.

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

All fixed assets and intangible ones that are contained in property of the Company are depreciated by means of the linear method. The following depreciation rates are used for individual fixed asset groups (the data used in calculation of the reference prices):

Group Name	Planned Depreciation for 2021 [PLN x 1000]	OEU [Years]	OEU [%]
Group I Buildings	3,630	22 – 67	1,5% - 4,5%
Group II Structures	246,095	20 – 40	2,5% - 4,5%
Group III Boilers and power machines	618	7 - 14	7% - 14%
Group IV General machines	2,166	3 - 10	10% - 30%
Group VI Technical devices	910	5 - 10	10% - 20%
Group VII Means of transport	164	4 - 7	14% - 25%
Group VIII Equipment	51	4 - 7	14% - 25%
Intangible and legal assets	1,111	-	-
Redemption of issuance rights	66,690	2	-
Total	321,435		

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

Operational expenditures included in calculation of the reference prices (tariff charge rates) being in force in 2021, amount to PLN 665.68 million.

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

Not applicable. The EuRoPol GAZ s.a. does not use any incentive mechanisms.

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.