

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 ASSET BASE AND THEIR AGGREGATED VALUE, ART. 30 (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:

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

where:

M_{2024}	fixed assets as planned for 31 December 2024,
M_{2022}	fixed assets as at 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 15,320,827 thousand**.

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

The rate of return 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 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, pre-tax,
r _f	risk-free rate – 4,352%,
DP	premium for the risk of providing external (debt) financing – 1,00%,
D	external (debt) financing – 50%,
E	equity – 50%,
ERP	equity risk premium – 5,00%,
β _e ,	risk of the capital involved – 0.724,
T _N	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).

For the years 2024-2028 GAZ-SYSTEM assumed constant value of WACC equal to **7,597%**, calculated in accordance with the above formula.

Return on capital employed for 2024, calculated according to the formula, is **PLN 1,163,923 thousand**.

3. CAPITAL EXPENDITURES, ARTICLE 30 (1) (B) (III) (3)

Investments planned for tariff year 2024 are **PLN 1,323,115 thousand**.

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

Not applicable. GAZ-SYSTEM has not re-evaluated the assets so far.

6. EXPLANATIONS OF THE EVOLUTION OF THE VALUE OF THE ASSETS, ARTICLE 30 (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, ARTICLE 30 (1) (B) (III) (3) (D)

All fixed assets and intangible and legal assets owned by the Capital follow the line method of depreciation and amortization respectively.

The below table presents rates used in the various groups of fixed assets, the planned depreciation and amortization value as at 31 December 2024.

Table. Depreciation rates for each fixed assets group.

Group name	Planned depreciation and amortization for 2024 [thous. PLN]	OEU [Years]	OEU [%]
group 0 Land	693	up to 99 years	no less than 1%
group I Buildings	13,514	15 - 60	2 - 7 %
group II Structures	397,573	9 - 60	2 - 11 %
group III Boilers and power machines	5,543	7 - 25	4 - 14 %
group IV General machines	41,276	2 - 30	3 - 50 %
group V Specialist machines	1,268	5 - 15	7 - 20 %
group VI Technical devices	109,971	5 - 47	2 - 20 %
group VII Means of transport	11,053	5 - 20	5 - 20 %
group VIII Equipment	9,175	5 - 55	2 - 20 %
Inatgible and legal assets, including:	82,304	4 - 50	2 - 100 %
EUA	47,308	1	100 %

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

Operating costs (without depreciation) included in the calculation of tariff rates for 2024 are **PLN 1,760,848 thousand**.

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

Not applicable.

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

Not applicable. The tariff year is equal to the regulatory period, hence inflation indices are not used.