

AS TALLINNA VESI

Consolidated Interim Report for the 1st quarter of 2024

3 May 2024



Currency	Thousand euros
Start of reporting period	1 January 2024
End of reporting period	31 March 2024
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Field of activity	Production, treatment and distribution of water, storm and wastewater disposal and treatment

Contents

MANAGEMENT REPORT	3
MANAGEMENT CONFIRMATION	16
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	17
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	18
CONSOLIDATED STATEMENT OF CASH FLOWS	19
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	20
NOTES TO THE ACCOUNTS	
NOTE 1. ACCOUNTING PRINCIPLES	20
NOTE 2. CRITICAL ACCOUNTING ESTIMATES	20
NOTE 3. CASH EQUIVALENTS	21
NOTE 4. PROPERTY, PLANT AND EQUIPMENT	21
NOTE 5. INTANGIBLE ASSETS	22
NOTE 6. PROVISION FOR POSSIBLE FOURTH-PARTY CLAIMS	23
NOTE 7. SEGMENT REPORTING	23
NOTE 8. STAFF COSTS	25
NOTE 9. COST OF GOODS/SERVICES SOLD, MARKETING AND ADMINISTRATIVE EXPENSES	26
NOTE 10. OTHER INCOME / EXPENSES	26
NOTE 11. FINANCIAL INCOME AND EXPENSES	27
NOTE 12. DIVIDENDS	27
NOTE 13. RELATED PARTIES	27
NOTE 14. LIST OF SUPERVISORY BOARD MEMBERS	28

MANAGEMENT REPORT

In the first quarter of 2024, we continued to provide high quality water and wastewater services and carried out large-scale reconstruction projects. The company pumped 6.49 million m³ of clean water into the water network and treated nearly 13.77 million m³ of wastewater during that quarter.

Tallinna Vesi's sales for the first quarter were €14.94 million, affected by the overall level of consumption and the price for water services.

Sales from water services

Sales from water services sold to business customers in the first quarter of 2024 in the main service area of Tallinna Vesi were €4.28 million, which is in line with the year before. Sales from water services provided to private customers increased by 2.7% in the first quarter compared to the same period of the previous year and totalled €6.21 million.

The company's operating profit for the first quarter was €4.13 million. Operating profit increased by 1.4% or €0.05 million compared to the year before.

The company's net profit for the first quarter of 2024 was €3.01 million, which is €0.49 million less than in the same period of the previous year. Net profit was affected by the level of operating profit and the change in net financial expenses.

High quality water and wastewater services

During the first quarter of 2024, we continued to provide reliable water and wastewater services, as demonstrated by the consistently high quality indicators. The quality of tap water quality in the first quarter was excellent, meeting 100% of all quality requirements. During the first quarter, 774 water samples were taken.

Clean tap water has been ensured by the efficient water treatment process and regular monitoring of the water network, as well as ongoing preventive maintenance and timely investments.

In 2024, innovative ice pigging technology will be mainly used to maintain water pipes. Using this technique, we cleaned 20 km of water mains in the first quarter. Ice pigging that is currently unique in the Nordic countries is a pipe cleaning technology in which an ice slurry made of water and table salt is pumped through the pipeline.

The water quality is also supported by the investments in water pumping stations made in recent years, enabling additional chlorination in various parts of the city. Additional disinfection will ensure that the requirements set for tap water quality are met at various points across the city where chlorine levels in the water are normally very low, especially in summer when the water temperatures in the network get high.

One of our goals is to notify our customers about water interruptions well in advance. In the first quarter of 2024, we notified customers at least 1 hour before unplanned water interruption took place in 100% of cases.

The average duration of a water interruption in the first quarter was 2 hours and 26 minutes, 46 minutes less than in the same period last year. To reduce the inconvenience caused by water interruptions, we continue installing additional isolation valves on the water network.

In the first quarter of 2024, the effluent treated at the Paljassaare Wastewater Treatment Plant met all the established requirements.

The excellent quality of the treated effluent is demonstrated by pollutant levels well below the limits set by law. During the first quarter of 2024, we removed more than 155 tonnes of debris, 57.9 tonnes of grit, 479.5 tonnes of nitrogen and 63.5 tonnes of phosphorus from the wastewater.

Key projects

Investment projects at the treatment plants continued. These included the renovation of the high-speed filters, renovation of the clarifiers in building A, which was completed, and the replacement of the gear of water weir at the Kaunissaare dam which is in the final stages. Preparations are ongoing for several large-scale projects in the coming years. One of these involves upgrading the ozone production technology used in water treatment, which is currently at the design stage. Another project involves the reuse of backwash water from

the filters in building B, which is also being designed. The third project involves converting the floating bed clarifiers into flotators. These projects are designed to reduce the treatment plant's own need for water and energy and to increase its production capacity.

At the wastewater treatment plant, the reconstruction works on the digesters will continue, with the emptying of the digester to be reconstructed in 2024 being started at the end of the first quarter. The commissioning and final acceptance of the cogeneration plant is also in the final stages. New major projects at the treatment plant this year include launching a three-year project to reconstruct the secondary clarifiers, installing mechanical screens at the headworks, and replacing the screens in the screen house at the plant. We will also start installing new, more efficient air blowers in 2024, increase our methanol tank fleet and start preparations for a solar power plant.

Water network rehabilitation

The rate of water loss in the water network remained low at 16.55% in the first quarter of the year. This is a better result than in the same period last year (16.67%). Low rates of water loss are ensured by the continuous online monitoring of the water network and timely implementation of the network rehabilitation programme.

By the end of the first quarter of 2024, we had reconstructed and installed more than 5 kilometres of pipelines, of which over 4 kilometres were built using environmentally friendly trenchless techniques. The largest pipeline reconstructions are carried out on L. Koidula Street, the railway crossing on Tondi Street, Siili Street, Masina Street, and Härmatise and Räätsaka Street. In addition, work is underway on the pipeline to booster pumping station supplying water to Mustamäe, to increase the reliability of that pipeline.

Customer service

By the end of the first quarter of 2024, we had installed smart water meters for 46.5% of our customers.

The main advantages of a smart meter include the speed and accuracy of data transmission, but also security and reliability. In addition to consumption data, the smart meters also communicate information about any failures and water losses. This allows the company to monitor its water network more effectively and detect leaks, which in turn helps to save clean water and the resources it takes to treat the water. The company aims to replace water meters for all customers in its service area with smart meters by the end of 2026 at the latest.

We strive to provide our customers and consumers with a reliable service, part of which is the availability of important information about the service and the speed at which the enquiries are answered. In the first quarter of 2024, we responded to written enquiries within 2 days in 99.4% of cases, a significant improvement compared to a year before. We will continue to focus on our speed of response.

We consider as complaints any enquiries received from customers that indicate dissatisfaction with the company's activities or the quality of the services provided. The aim of this is to gain a better understanding of the causes of customer dissatisfaction and to prevent complaints more effectively. In the first quarter of 2024, we received a total of 210 customer complaints, which is significantly less compared to the same period a year ago (2023: 348). In the first quarter of 2024, we did not once fail to keep our promises to customers.

Partnerships and investments

In the first quarter, we highlighted the importance of clean drinking water as part of the International Water Day, signed a cooperation agreement with the Estonian Paralympic Committee, and introduced opportunities for working in the water sector by attending the Student Fair, the Engineering Career Day and the Key to the Future Career Fair.

On 21 September 2023, Tallinna Vesi submitted an application to the Competition Authority to change the prices for water services.

This application concerns the price for water services in the main service area in Tallinn and Saue, in the service area in Maardu and for other water companies. The processing of price application is ongoing, and the new prices will apply once the application has been approved by the Competition Authority. The need to adjust the water tariff is driven by the increase in justified costs and by the crucial need for investment to keep the vital service running, reduce environmental impacts and maintain a clean environment.

Tallinna Vesi aims to continue investing to increase the futureproofing of its infrastructure and to ensure the continuity of the vital service at prices that consumers can afford. The total amount of planned investments

in 2024 is up to €62 million, of which more than half, or nearly €38 million, is intended for the development and reconstruction of pipelines. Planned investments in water and wastewater treatment plants amount up to €19 million.

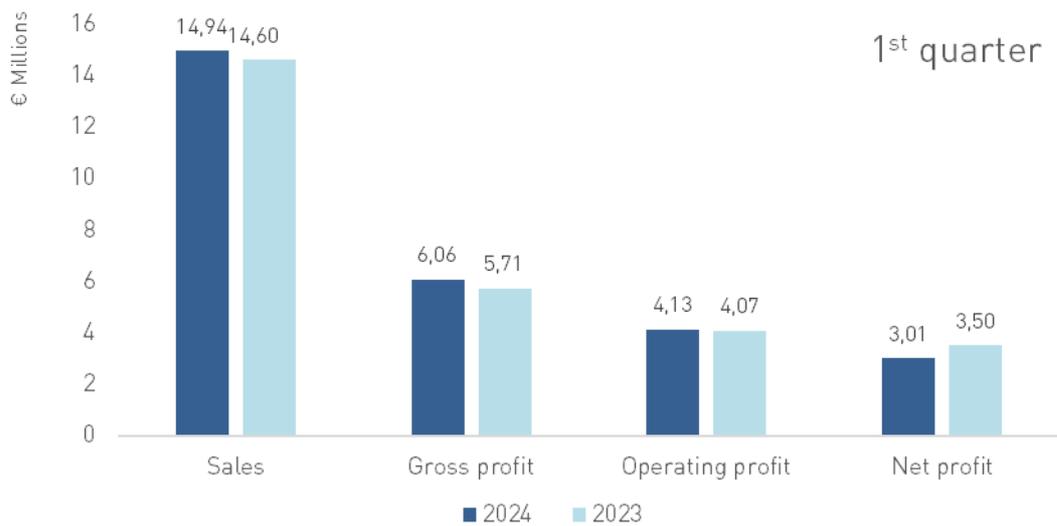
OPERATIONAL PERFORMANCE DURING THE FIRST QUARTER OF 2024

Drinking water			
Compliance of water quality at the customer's tap	%	100%	99,5%
Water loss rate in the water distribution network	%	16,55%	16,67%
Average duration of water interruption per property	h	2,44	3,21
Wastewater			
Number of sever blockages	pcs	137	176
Number of sever collapses	pcs	13	22
Compliance of treated effluent with environmental requirements	%	100%	100%
Customer service			
Number of customer contacts	pcs	7 356	8 405
<i>Incl number of customer complaints</i>	<i>pcs</i>	<i>210</i>	<i>348</i>
Responding to written customer enquiries at least within 2 working days	%	99,4%	96,9%

FINANCIAL RESULTS OF THE 1st QUARTER OF 2024

The latest forecast from Eesti Pank finds that after two years of recession, conditions have improved for the economy to return to growth. Prices for energy and other commodities have fallen, inflation is coming down and the purchasing power of people in Estonia and Europe is improving. Estonian companies are also working hard to become more competitive. The economy is expected to revive during this year, though the figures for the whole year will still be below those of last year. The central bank is forecasting growth of 3% for the following two years.

Signs of improvement of economic conditions have immediate results on the Company's outcome. The turnover has increased in the 1st quarter by €0.34 million compared to 2023. Due to the increase of loan expenses the profit has decreased by 13.9% or €0.49 million, being 3.01 million in the 1st quarter of 2024.



MAIN FINANCIAL INDICATORS

€ million except key ratios	Quarter 1			Variance 2024/ 2023
	2024	2023	2022	
Sales	14.94	14.60	12.05	2.3%
Gross profit	6.06	5.71	4.38	6.1%
Gross profit margin %	40.57	39.13	36.36	3.7%
Operating profit before depreciation and amortisation	6.23	6.02	4.64	3.4%
Operating profit before depreciation and amortisation margin %	41.67	41.22	38.53	1.1%
Operating profit	4.13	4.07	3.00	1.4%
Operating profit - main business	4.17	3.91	2.92	6.5%
Operating profit margin %	27.63	27.89	24.92	-0.9%
Profit before taxes	3.03	3.53	2.91	-14.1%
Profit before taxes margin %	20.27	24.16	24.13	-16.1%
Net profit	3.01	3.50	2.88	-13.9%
Net profit margin %	20.16	23.97	23.88	-15.9%
ROA %	1.06	1.38	2.09	-23.0%
Debt to total capital employed %	58.11	55.19	54.17	5.3%
ROE %	2.54	3.11	4.70	-18.3%
Current ratio	1.44	1.46	3.20	-1.4%
Quick ratio	1.37	1.38	3.13	-0.7%
Investments into fixed assets	6.65	4.67	2.78	42.4%
Payout ratio %	na	na	na	

Gross profit margin – Gross profit / Net sales

Operating profit margin – Operating profit / Net sales

Operating profit before depreciation and amortisation – Operating profit + depreciation and amortisation

Operating profit before depreciation and amortisation margin – Operating profit before depreciation and amortisation / Net sales

Net profit margin – Net profit / Net sales

ROA – Net profit / Average Total assets for the period

Debt to Total capital employed – Total liabilities / Total capital employed

ROE – Net profit / Average Total equity for the period

Current ratio – Current assets / Current liabilities

Quick ratio – (Current assets – Stocks) / Current liabilities

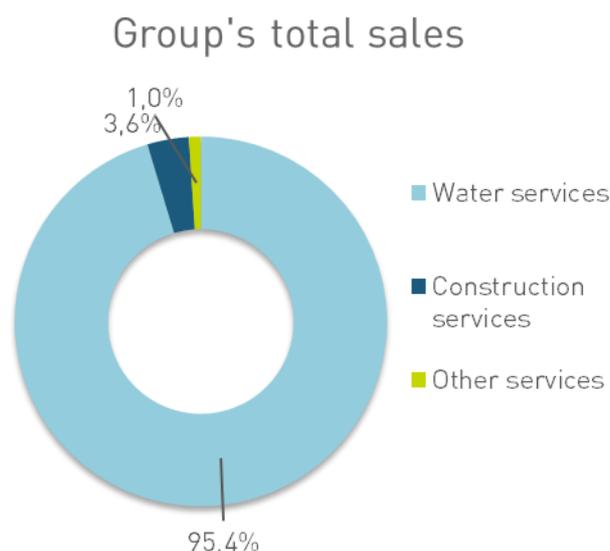
Payout ratio – Total Dividends per annum/ Total Net Income per annum

Main business – water services related activities, excl. connections profit and government grants, construction services, doubtful receivables

STATEMENT OF COMPREHENSIVE INCOME

SALES

The revenues from the main activities, i.e., sales of water and wastewater services in the 1st quarter of 2024 were impacted by consumption and tariffs. Given Estonia's macroeconomic forecast, we do not expect any increase in the sales of our water services in 2024. In the long run, the Company does not foresee significant changes in the consumption of water services in the future.



In the 1st quarter of 2024, the **Group's total sales** were €14.94 million, showing an increase of 2.3% or €0.34 million year-on-year. 95.4% of sales comprise of water services within and outside the main service area, 3.6% from construction services and 1.0% from other services.

€ thousand	Quarter 1			Variance 2024/2023	
	2024	2023	2022	€	%
Water supply service	2,509	2,441	1,973	68	2.8%
Wastewater disposal service	3,695	3,600	2,932	95	2.6%
Total from private customers	6,205	6,040	4,904	165	2.7%
Water supply service	2,084	2,018	1,864	66	3.3%
Wastewater disposal service	2,196	2,252	1,977	-56	-2.5%
Total from business customers	4,280	4,270	3,841	10	0.2%
Water supply service	365	405	376	-40	-9.9%
Wastewater disposal service	1,066	1,094	872	-28	-2.6%
Stormwater disposal service	93	88	86	5	5.7%
Total from outside service area customers	1,524	1,588	1,334	-64	-4.0%
Stormwater collection and treatment and fire hydrants service	1,898	1,406	1,174	492	35.0%
Excessive pollution fees and sewer discharge service	338	353	266	-15	-4.2%
Total from water services	14,246	13,657	11,519	589	4.3%

Construction services	538	804	366	-266	-33.1%
Other services	154	139	168	15	10.8%
TOTAL REVENUE	14,938	14,599	12,053	339	2.3%

Sales from water services were €14.25 million, showing a 4.3% or €0.59 million increase compared to the 1st quarter of 2023, resulting from consumption increase.

There has been an increase of 2.7% or €0.16 million to €6.21 million in the sales to **private customers within the main service area**, driven mainly by the increased consumption in apartment buildings.

Sales to **business customers within the main service area** were on the same level compared to the same period in previous year.

Sales from the operation and maintenance of the fire hydrants and the stormwater system in the main service area amounted to €1.89 million, showing an increase of 35.0% or €0.49 million compared to the same period in 2023.

Sales from construction services were €0.54 million, decreasing by 33.1% or €0.26 million year-on-year. The decrease in sales resulted mainly from lower number of pipe construction projects, whereas the road construction revenue increased.

COST OF GOODS AND SERVICES SOLD AND GROSS PROFIT

The cost of goods and services sold amounted to €8.87 million in the 1st quarter of 2024, being at the same cost level compared to the equivalent period in 2023.

€ thousand	Quarter 1			Variance 2024/2023	
	2024	2023	2022	€	%
Water abstraction charges	-324	-319	-323	-5	-1.6%
Chemicals	-702	-618	-533	-84	-13.6%
Electricity	-1,369	-1,709	-1,711	340	19.9%
Pollution tax	-279	-305	-273	26	8.5%
Total direct production costs	-2,674	-2,950	-2,840	276	9.4%
Staff costs	-2,701	-2,351	-2,006	-350	-14.9%
Depreciation and amortisation	-1,844	-1,683	-1,426	-161	-9.6%
Construction services	-415	-622	-291	207	33.3%
Other costs of goods/services sold	-1,243	-1,280	-1,108	37	2.9%
Other costs of goods/services sold total	-6,203	-5,936	-4,831	-267	-4.5%
Total cost of goods/services sold	-8,877	-8,887	-7,670	10	0.1%

Total direct production costs (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €2.67 million, showing a 9.4% or €0.27 million decrease compared to the equivalent period in 2023. Changes in direct production costs resulted from a combination of changes in prices and in treated volumes as follows:

- **Costs of chemicals** increased by 13.6% to €0.70 million, driven mainly by higher price of coagulant used in wastewater sand water treatment process, 62.4% and 28.3% accordingly. The chemical price increase is mainly caused by the geopolitical situation in Eastern Europe.
- **Electricity expense** decreased by 19.9% to €1.36 million, driven mainly by 6.6% lower electricity price.

Other costs of goods/services sold (staff costs, depreciation, costs related to construction services and other costs of goods/services sold) amounted to €6.20 million, having increased by 4.5% or €0.26 million. The increase in costs was due to the following factors:

- **Staff costs** have increased by 14.9% to €2.70 million due to an average 6.2% salary increase.
- **Depreciation costs** increased by 9.6% or €0.16 million due to an increase in the amounts of investments made in 2024.
- **Construction services** costs have decreased by 33.3% or €0.21 million, to €0.42 million, related directly to the decrease in construction revenue.

As a result of all above, the **Group's gross profit** for the 1st quarter of 2024 was €6.06 million, showing an increase of 6.1% or €0.35 million, compared to the gross profit of €5.71 million for the comparative period in 2023.

ADMINISTRATIVE AND MARKETING EXPENSES, OTHER INCOME AND EXPENSES

Administrative and marketing expenses increased by 14.0% or €0.21 million compared to the 1st quarter of 2023, amounting to €1.73million. The change is mainly due to the increase in salary costs and outsourced professional services.

Other income and expenses resulted in net loss of €0.20 million compared to net loss of €0.12 million in the comparative period in 2023.

OPERATING PROFIT

As a result of the factors listed above the **Group's operating profit** for the 1st quarter of 2024 amounted to €4.13 million, being 1.4% or €0.05 million higher than in the same period in 2023.

FINANCIAL EXPENSES

The Group's net financial income and expenses have resulted in a net expense of €1.09 million, compared to €0.55 million lower expense in the 1st quarter of 2023. The change was caused by the increased interest costs of loans linked to Euribor and to higher loan balance.

As at the end of the 1st quarter of 2024, the whole loan amount of €96.82 million was bearing a floating interest rate. In the 1st quarter of 2024, the effective interest rate of loans was 5.08%, amounting to the interest costs of €1.16 million, compared to the effective interest rate of 2.91% and the interest costs of €0.55 million in the 1st quarter of 2023.

NET PROFIT

The Group's net profit for the 1st quarter of 2024 was €3.01 million, being €0.49 million lower than for the comparative period in 2023. The decrease in net profit was impacted by changes in operating profit and net financial expenses described above.

STATEMENT OF FINANCIAL POSITION

In the first 3 months of 2024, **the Group invested into fixed assets** €6.65 million. As of 31/03/2024, non-current tangible assets amounted to €260.55 million, the majority of which in the amount of €208.28 million were pipelines (31/12/2023: €206.04 million). Total non-current assets amounted to €261.91 million (31/12/2024: €257.40 million).

Compared to the year-end of 2023, **the trade receivables, accrued income, and prepaid expenses** have increased to €9.11 million. The collectability rate continues to be high at 99.77%, compared to December 2023 when the collectability rate was 99.73%.

Current liabilities have decreased by €1.56 million to €17.22 million compared to the end of 2023, mainly due to liabilities related to investments.

Deferred income from connection fees has increased by €2.28 million compared to the end of 2023, reaching €47.53 million.

Provision for possible third-party claims is of the same size as at the end of December 2023, i.e. €6.02 million. More detailed information about the provision is presented in Note 6 to the financial statements.

The Group's outstanding loans amount to €96.82 million (31/12/2024: €96.82 million).

The previous NIB loan is being repaid in 11 equal semi-annual payments. The weighted average loan interest as of 31/03/2024 is 5.0%.

The Group has **total debt to assets** level of 58.11%, which falls in the range of 54–65%, reflecting the Group's equity profile. At the same time in 2023, the total debt to assets ratio was 55.19%.

EMPLOYEES

We believe it is important to treat our employees equally, involve them in the decision-making process and to inform them regularly. We consider the involvement of our staff in the decision-making process instrumental for them to understand and be able to support the Company in its pursuits. Our staff can vary to a large degree in age, nationality, nature of work and in many other aspects. At AS Tallinna Vesi, people can work in an office, on a construction site or at a treatment plant. This requires us to be resourceful and flexible in our communication with the staff to involve, engage and listen to them. This is done using several means and channels of communication, such as regular staff meetings with the management, regular safety inspections carried out by members of management, digital screens, intranet, monthly newsletters, team events and meetings.

Our everyday work is guided by our values: I am part of the team, I care, I am reliable, I am forward looking.

As a socially responsible company, we value and develop our employees, by offering them new challenges, whilst also implementing succession planning activities. Safety at work is our top priority. We continuously train and develop safe working culture in our company. In 2024, AS Tallinna Vesi has continued with the scholarship program for students launched in autumn 2021. Through this program, we want to keep motivating students with good results. At the same time, this will give us a chance to promote water sector and attract specialists with fresh expertise to join the Company. In 2024, we also continued to work with three trade schools and three universities. In autumn 2023, we launched a scholarship program for employees of AS Tallinna Vesi to recognize and motivate the employees within the Company who invest in their development by studying at a trade school or university, thereby creating added value both for the Company and the society. Recognizing and appreciating the diversity of our staff, we ensure that everyone, be it an existing or potential employee, is treated fairly and equally and provided equal opportunities, where reasonable and practicable in the given circumstances. Within the company, we ensure that no one is discriminated against due to their age, gender, religion, cultural or ethnic origin, disability, sexual orientation or marital status, or any other grounds.

It is important for us to protect the health of our staff, so we offer additional vaccination options against COVID-19 virus, as well as influenza, tick-borne encephalitis, tetanus, and hepatitis, in accordance with the risk assessment prepared within the Company.

We consider it important to develop our staff, which is why we have organised a wide range of training courses for skilled workers, specialists, and managers (for example, training on work involving an open flame, training on safe working in confined spaces, training for new managers, etc.).

At the end of the 1st quarter of 2024, the total number of employees in the Group was 360 compared to 347 at the end of the same period in 2023. The full time equivalent (FTE) in 2024 and 2023 was 347 and 333 respectively. Average number of employees during the twelve months was 360 in 2024 and 342 in 2023 respectively.

Gender breakdown of staff:

	As of 31/03/2024			As of 31/03/2023		
	Women	Men	Women	Men	Women	Men
Group	101	259	360	100	247	347
Management Team	11	18	29	12	17	29
Executive Team	5	6	11	5	5	10
Management Board	0	3	3	0	3	3
Supervisory Council	1	8	9	0	9	9

The total salary costs were €3.83 million for the 1st quarter of 2024, including €0.15 million paid to the Management Board and Supervisory Council members (excluding social taxes). The contingent liability in case the Supervisory Council should want to replace the current Management Board members is €0.18 million.

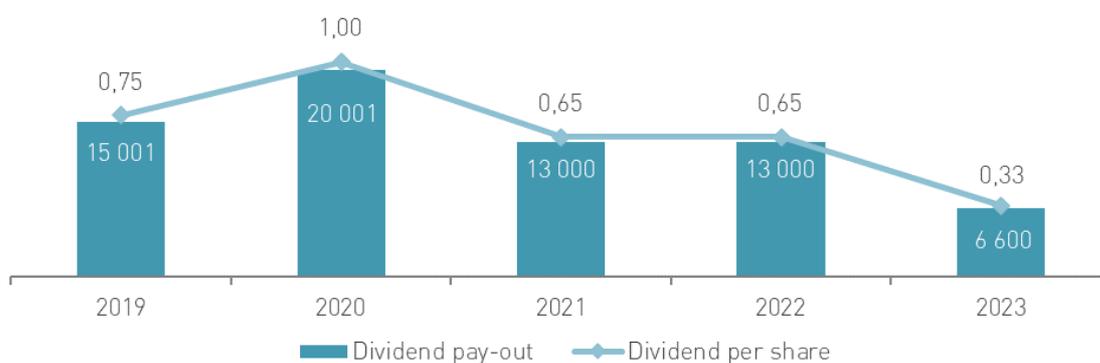
DIVIDENDS

Dividend allocation to the shareholders is recorded as a liability in the financial statement of the Company at the time when the profit allocation and dividend payment is confirmed by the Annual General Meeting of shareholders.

Every year, the Supervisory Council evaluates, taking into account all the circumstances, the proposal for the dividend to be paid to shareholders and approves it to be presented for a vote by the Annual General Meeting of Shareholders.

The Annual General Meeting of Shareholders is aimed to be held on 30/05/2024.

In the last five years, dividends have been paid as follows:



AS Tallinna Vesi aims to distribute 50–80% of the annual profit as dividends. Dividend payments are assessed annually considering the Company's earnings, investment needs, liquidity position and long-term financial targets.

SHARE PERFORMANCE

AS Tallinna Vesi is listed on Nasdaq Baltic Main List with trading code TVEAT and ISIN EE3100026436.

As of 31/03/2024, AS Tallinna Vesi's shareholders, with a direct holding over 5%, were:

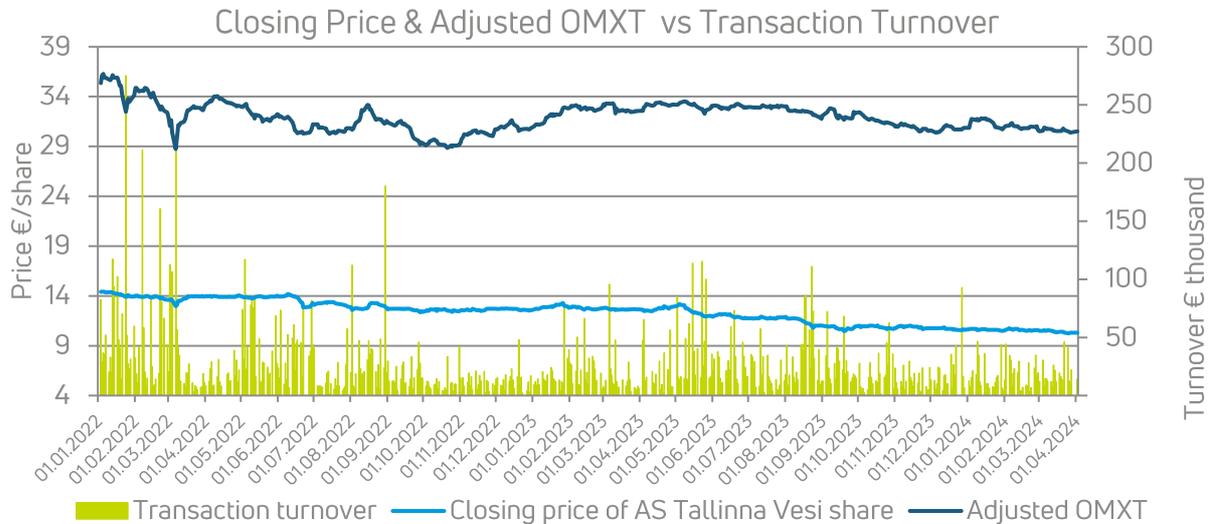
- City of Tallinn (55.06%)
- OÜ Utilitas (20.36%)

During the first quarter of 2024, the local retail investors have increased their shareholdings by 0,06%, local institutional investors have increased their shareholdings by 0,02%, foreign institutional investors and foreign retail investors have decreased their shareholdings by 0.05% and 0.03% respectively.

As of 31/03/2024, the closing price of AS Tallinna Vesi share was €10.30, which is 2.83% (2024 Q1: + 0.80%) lower compared to the closing price of €10.60 at the beginning of the year. During the first quarter of 2024, the OMX Tallinn index decreased by 1.11% (2024 Q1: +5,68%).

In three months of 2024, 4,587 deals were concluded with the Company's shares (2024 Q1: 4,464 deals) during which 104 thousand shares or 0.17% of all shares changed owners (2024 Q1: 94 thousand shares or 0.16%).

The turnover of transactions amounted to €1.1 million, being €0.11 million lower than in the comparative period of 2024.



CORPORATE STRUCTURE

As of 31/03/2024, the Group consisted of 3 companies. The subsidiaries OÜ ASTV Green Energy and Watercom OÜ are wholly owned by AS Tallinna Vesi and fully consolidated in the Company's accounts.

CORPORATE GOVERNANCE

SUPERVISORY COUNCIL

Supervisory Council organises and arranges the management of the Company and supervises the activities of the Management Board. According to the Articles of Association, the Supervisory Council members of AS Tallinna Vesi are elected or appointed for three years.

Supervisory Council has established three committees to advise Supervisory Council on audit, nomination and remuneration, and corporate governance matters.

The Supervisory Council meeting held on 26 October 2024 resolved to combine the authorities of the Audit Committee and the Corporate Governance Committee, dissolving the latter.

Further information about the Supervisory Council and committees is available in Note 15 to the financial statements, as well as on the Company's website:

[About us > Management board > Supervisory council](#)

[About us > Audit committee](#)

[About us > Corporate Governance Report](#)

MANAGEMENT BOARD

The Management Board is a governing body, which represents and manages AS Tallinna Vesi in its daily operations in accordance with the legal requirements as well as the Articles of Association. The Management Board is required to act economically in the most efficient way taking into consideration the interest of the Company and its shareholders and to ensure the sustainable development of the Company in accordance with the set objectives and strategy.

The Management Board and the Supervisory Council cooperate fully to safeguard the best interests of the Company. The Management Board and the Supervisory Council hold regular meetings together at least once a quarter. At those meetings the Management Board informs the Supervisory Council about significant aspects of the Company's business and discuss the delivery of the Company's short- and long-term objectives and the

risks that may affect them. The Management Board prepares a management report for every Supervisory Council meeting and submits it in advance with sufficient time for the Supervisory Council to study it.

According to the Articles of Association, the Management Board consists of two to three members who are elected for five years.

As of 31/03/2024, the Management Board of AS Tallinna Vesi has three members: Aleksandr Timofejev (with the term of office as a Chairman of the Management Board until 30/10/2026), Tarvi Thomberg (with the term of office as a Member of the Management Board until 08/11/2026) and Taavi Gröön (with the term of office as a Member of the Management Board until 23/05/2027).

Further information on the members of the Management Board is available on the Company's website: [About us > Management board](#)

Additional information:

Aleksandr Timofejev
Chairman of the Board
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MANAGEMENT CONFIRMATION

The Management Board has prepared the consolidated interim accounts of AS Tallinna Vesi (the Company) and its subsidiaries OÜ Watercom and OÜ ASTV Green Energy (together the Group) in the form of consolidated condensed financial statements for the 3 months period ended on 31 March of financial year 2024. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended on 31 March 2024 have been prepared following the accounting policies and the manner of presenting the information in line with the International Financial Reporting Standards as adopted by the EU. The condensed financial statements provide a fair presentation of the assets, liabilities, financial position and result of the operations and the cash flows of the Group.

The interim report gives a fair presentation of the main events and of their effect on the condensed financial statements. It includes the description of the main risks and unclear aspects that can, based on the sensible judgement of the Management Board.

The significant transactions with related parties are disclosed in the interim accounts.

Any subsequent events that materially affect the valuation of assets and liabilities and have occurred until the completion of the consolidated financial statements on 3 May 2024 have been considered in preparing the financial statements.

The Management Board considers AS Tallinna Vesi and its subsidiaries to be going concern entities.

Aleksandr Timofejev

Member of the Management Board
Chief Executive Officer

Tarvi Thomberg

Member of the Management Board
Chief Asset Management Officer

Taavi Gröön

Member of the Management Board
Chief Financial Officer

3 May 2024

Introduction and photos of the Management Board members are published at company's web page <https://tallinnavesi.ee/en/ettevete/management-board/>.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand

ASSETS	Note	as of 31 March 2024	as of 31 December 2023
CURRENT ASSETS			
Cash and cash equivalents	3	14,494	14,736
Trade receivables, accrued income and prepaid expenses		9,112	8,608
Inventories		1,120	1,137
TOTAL CURRENT ASSETS		24,726	24,481
NON-CURRENT ASSETS			
Property, plant, and equipment	4	260,550	256,108
Intangible assets	5	1,355	1,293
TOTAL NON-CURRENT ASSETS		261,905	257,401
TOTAL ASSETS		286,631	281,882
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current portion of long-term lease liabilities		1,004	697
Current portion of long-term loans		3,600	3,594
Trade and other payables		9,579	10,886
Prepayments		3,039	3,604
TOTAL CURRENT LIABILITIES		17,222	18,781
NON-CURRENT LIABILITIES			
Deferred income from connection fees		47,530	44,653
Leases		2,310	1,892
Loans		92,852	92,835
Provision for possible third-party claims	6	6,018	6,018
Deferred tax liability		523	505
Other payables		96	128
TOTAL NON-CURRENT LIABILITIES		149,329	146,031
TOTAL LIABILITIES		166,551	164,812
EQUITY			
Share capital		12,000	12,000
Share premium		24,734	24,734
Statutory legal reserve		1,278	1,278
Retained earnings		82,068	79,058
TOTAL EQUITY		120,080	117,070
TOTAL LIABILITIES AND EQUITY		286,631	281,882

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand		for the 3 months ended 31 March	
	Note	2024	2023
Revenue	7	14,937	14,599
Cost of goods and services sold	9	-8,877	-8,887
GROSS PROFIT		6,060	5,712
Marketing expenses	9	-235	-215
General administration expenses	9	-1,494	-1,303
Other income (+)/ expenses (-)	10	-203	-122
OPERATING PROFIT		4,128	4,072
Financial income	11	82	10
Financial expenses	11	-1,182	-555
PROFIT BEFORE TAXES		3,028	3,527
Income tax		-18	-28
NET PROFIT FOR THE PERIOD		3,010	3,499
COMPREHENSIVE INCOME FOR THE PERIOD		3,010	3,499
Attributable profit to:			
Equity holders of A-shares		3,010	3,499
Earnings per A share (in euros)	12	0.15	0.17

CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand		for the 3 months ended 31 March	
	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		4,128	4,072
Adjustment for depreciation/amortisation	9,10	2,097	1,945
Adjustment for revenues from connection fees	10	-168	-145
Other non-cash adjustments		22	0
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets		-41	0
Change in current assets involved in operating activities		-487	1,191
Change in liabilities involved in operating activities		105	-1,357
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		5,656	5,706
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant, and equipment, and intangible assets		-6,176	-5 304
Compensations received for construction of pipelines, incl connection fees		377	288
Proceeds from sale of property, plant and equipment, and intangible assets		66	0
Interest received		82	10
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-5,651	-5,006
CASH FLOWS USED IN FINANCING ACTIVITIES			
Interest and loan financing costs paid		-34	-258
Lease payments		-213	-203
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-247	-461
CHANGE IN CASH AND CASH EQUIVALENTS		-242	239
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
	3	14,736	12,650
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	3	14,494	12,889

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
as of 31 December 2022	12,000	24,734	1,278	72,814	110,826
Comprehensive income for the period	0	0	0	3,499	3,499
as of 31 March 2023	12,000	24,734	1,278	76,313	114,325
as of 31 December 2023	12,000	24,734	1,278	79,058	117,070
Comprehensive income for the period	0	0	0	3,010	3,010
as of 31 March 2024	12,000	24,734	1,278	82,068	120,080

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING PRINCIPLES

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed interim financial statements do not contain all the information presented in the annual financial statements and should be read in conjunction with the Group's latest published annual financial statements as at and for the year ended 31 December 2023. Selected notes are included in interim financial statements to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of material misstatements to the carrying amounts of assets and liabilities were the same as described in the last annual financial statements as at and for the year ended 31 December 2023, except for estimates addressed below:

- Management has developed estimates on the expected credit losses of trade receivables based on the best available information about past events, current conditions, and forecasts of macroeconomic conditions. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 March 2024, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of Estonia in which it sells its goods and services to be the most relevant factors and has accordingly adjusted the historical loss rates based on expected changes in these factors. As of 31 March 2024, Management of the Group has assessed the expected credit loss related to macroeconomic conditions to be €184 thousand. Estimated credit loss is being revised according to further developments.
- Management has made an estimate with regards to possible third-party claims based on the maximum difference between revenues calculated with tariffs established based on the Services Agreement and based on the Company's estimation, with the reservation to the possible fluctuation. According to the law, the tariffs established based on the Services Agreement were in force until the Competition Authority approved the new tariffs and the Company implemented these tariffs in line with the law. The Company has acted in good faith and in reliance to the applicable legal acts. Thus, the Company does not

consider itself liable to the customers for any claims related to the tariffs applied until the new tariffs approved by the Competition Authority were duly implemented.

As of 31 March 2024, claims totalling €13.6 million have been filed within four applications. The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6.0 million (as of 31 December 2023: €6.0 million) and has suspended the reduction of the provision pursuant to the principle of conservatism. The Company has always acted legitimately by applying fair tariffs imposed in accordance with the law in force, and the Company believes there are no grounds for submitting the claims. Therefore, the Company does not admit any liability and fully rejects it.

NOTE 3. CASH AND CASH EQUIVALENTS

€ thousand	as of 31 March 2024	as of 31 December 2023
Cash in hand and in bank	14,494	14,736
Total cash and cash equivalents	14,494	14,736

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

€ thousand	Land and buildings	Facilities	Machinery and equipmen t	Construction in progress	Right- of-use assets	Right-of- use assets in progress	Total property, plant and equipment
as of 31 December 2022							
Acquisition cost	27,618	269,144	54,526	6,151	3,433	0	360,872
Accumulated depreciation	-8,262	-82,445	-38,660	0	-1,636	0	-131,003
Net book value	19,356	186,699	15,866	6,151	1,797	0	229,869
Transactions in the period 1 January 2023 - 31 March 2023							
Acquisition in book value	0	0	0	4,340	0	157	4,497
Reclassification	0	2,247	218	-3,216	908	-157	0
Depreciation	-79	-1,032	-610	0	-133	0	-1,854
as of 31 March 2023							
Acquisition cost	27,618	271,272	54,590	7,275	4,337	0	365,092
Accumulated depreciation	-8,341	-83,358	-39,115	0	-1,765	0	-132,579
Net book value	19,277	187,914	15,475	7,275	2,572	0	232,513

as of 31 December 2023

Acquisition cost	28,121	292,134	57,446	9,025	4,743	0	391,469
Accumulated depreciation	-8,579	-86,091	-39,041	0	-1,650	0	-135,361
Net book value	19,542	206,043	18,405	9,025	3,093	0	256,108

Transactions in the period 1 January 2024 - 31 March 2024

Acquisition in book value	0	0	0	5,750	0	781	6,531
Write off and sale of property, plant, and equipment in residual value	0	0	-19	0	-6	0	-25
Reclassification	0	3,385	741	-3,614	603	-781	334
Depreciation	-78	-1,148	-1,041	0	-131	0	-2,398

as of 31 March 2024

Acquisition cost	28,121	295,375	57,865	11,161	4,905	0	397,427
Accumulated depreciation	-8,657	-87,095	-39,779	0	-1,346	0	-136,877
Net book value	19,464	208,280	18,086	11,161	3,559	0	260,550

Property, plant and equipment and intangible assets are written off, if the conditions of the asset do not enable its further usage for production purposes. By nature, the right-of-use assets comply with the asset class of machinery and equipment.

NOTE 5. INTANGIBLE ASSETS

€ thousand	Acquired licenses and other intangible assets	Unfinished intangible assets	Total intangible assets
as of 31 December 2022			
Acquisition cost	5,023	91	5,114
Accumulated depreciation	-4,426	0	-4,426
Net book value	597	91	688
Transactions in the period 1 January 2023 - 31 March 2023			
Acquisition in book value	0	169	169
Reclassification	19	-19	0
Depreciation	-92	0	-92
as of 31 March 2023			
Acquisition cost	5,041	241	5,282
Accumulated depreciation	-4,517	0	-4,517
Net book value	524	241	765

as of 31 December 2023

Acquisition cost	5,400	514	5,914
Accumulated depreciation	-4,621	0	-4,621
Net book value	779	514	1,293

Transactions in the period 1 January 2024 - 31 March 2024

Acquisition in book value	0	118	118
Depreciation	-57	0	-57

as of 31 March 2024

Acquisition cost	5,400	632	6,032
Accumulated depreciation	-4,677	0	-4,677
Net book value	723	632	1,355

NOTE 6. PROVISION FOR POSSIBLE THIRD-PARTY CLAIMS

On 12 December 2017, the Supreme Court made a decision on AS Tallinna Vesi's cassation in the tariff dispute with the Estonian Competition Authority. The court stated that the Competition Authority is not bound by the agreement on the water tariffs contained in the Services Agreement, which was executed upon privatization of the Company. From then on, the tariffs are regulated by the Competition Authority.

According to the law the tariffs established based on the Services Agreement were in force until the Competition Authority approved the new tariffs and the Company implemented these tariffs in line with the law. The Company has acted in good faith and in reliance to the applicable legal acts. Thus, the Company does not consider itself liable to the customers for any claims related to the tariffs applied until the new tariffs approved by the Competition Authority were duly implemented.

On 18 October 2019, the Competition Authority approved the tariffs that the Company had applied for in September of that year. The new tariffs for water services came into force on 1 December 2019. In the Company's main service area, the private customer tariffs decreased by 27% and commercial customer tariffs dropped by 15%, on average.

As of 31 March 2024, claims totalling €13.6 million have been filed within four applications. The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6 million (as of 31 December 2023: €6 million) and has suspended the reduction of the provision pursuant to the principle of conservatism. The Company has always acted legitimately by applying fair tariffs imposed in accordance with the law in force, and the Company believes there are no grounds for submitting the claims. Therefore, the Company does not admit any liability and fully rejects it.

NOTE 7. SEGMENT REPORTING

The Group has defined the business segments based on the reports used regularly by the chief operating decision maker for the purposes of making strategic decisions. The chief operating decision maker monitors the Group's operations by activities. Three segments are distinguished: water services, construction, and other services.

Water services: water supply, storm and wastewater disposal and treatment, fire hydrants service, overpollution charges and discharging.

Construction services: construction services provided by Watercom OÜ. Construction services have been identified as a reportable segment because its revenues are more than 10% of the combined revenues of all segments.

Other services: road maintenance, jet wash and transportation services, project management and owner's supervision and other activities. Other activities are of less importance to the Group's financial results and none of them constitutes a separate segment for reporting purposes.

The Group's chief operating decision maker assesses the performance of each operating segment on the basis of its revenue (external and inter-segment revenue) and gross profit. The inter-segment transactions are carried out on market terms.

	Water services	Construction services	Other services	Inter-segment transactions	Total segments
€ thousand					
1 January 2024 - 31 March 2024					
External revenue	14,245	538	154	0	14,937
Inter-segment revenue	0	313	1,205	-1,518	0
Total segment revenue	14,245	851	1,359	-1,518	14,937
Segment's gross profit	5,807	36	357	-140	6,060
Unallocated expenses:					
Marketing and Administrative expenses					-1,729
Other income/expenses					-203
Operating profit					4,128
1 January 2023 - 31 March 2023					
External revenue	13,656	804	139	0	14,599
Inter-segment revenue	1	288	1,138	-1,427	0
Total segment revenue	13,657	1,092	1,277	-1,427	14,599
Segment's gross profit	5,432	64	333	-117	5,712
Unallocated expenses:					
Marketing and Administrative expenses					-1,518
Other income/expenses					-122
Operating profit					4,072

Revenue by activities

€ thousand	for the 3 months ended 31 March	
	2024	2023
Water services		
Water supply service	2,509	2,441
Wastewater disposal service	3,696	3,599
Total from private customers	6,205	6,040
Water supply service	2,084	2,018
Wastewater disposal service	2,196	2,252
Total from corporate customers	4,280	4,270
Water supply service	365	405
Wastewater disposal service	1,067	1,094
Storm water disposal service	92	89
Total from outside service area customers	1,524	1,588
Storm water treatment and disposal service and fire hydrants service	1,899	1,405
Overpollution charges and discharging	337	353
Total from water services	14,245	13,656
Construction services	538	804
Other services	154	139
Total revenue	14,937	14,599

100% of the Group's revenue was generated within the Republic of Estonia.

NOTE 8. STAFF COSTS

€ thousand	for the 3 months ended 31 March	
	2024	2023
Salaries and wages	-2,913	-2,466
Social security and unemployment insurance tax	-918	-834
Staff costs total	-3,831	-3,300
Average number of employees during the reporting period	361	342

NOTE 9. COST OF GOODS AND SERVICES SOLD, MARKETING AND ADMINISTRATIVE EXPENSES

€ thousand	for the 3 months ended 31 March	
	2024	2023
Cost of goods and services sold		
Water abstraction charges	-324	-319
Chemicals	-702	-618
Electricity	-1,369	-1,709
Pollution tax	-279	-305
Staff costs	-2,701	-2,351
Depreciation and amortization	-1,844	-1,683
Construction services	-415	-622
Other costs	-1,243	-1,280
Total cost of goods and services sold	-8,877	-8,887
Marketing expenses		
Staff costs	-210	-187
Depreciation and amortization	0	-1
Other marketing expenses	-25	-27
Total marketing expenses	-235	-215
Administrative expenses		
Staff costs	-920	-762
Depreciation and amortization	-95	-126
Other general administration expenses	-478	-415
Total administrative expenses	-1,493	-1,303

NOTE 10. OTHER INCOME/EXPENSES

€ thousand	for the 3 months ended 31 March	
	2024	2023
Connection fees	168	145
Depreciation of single connections	-158	-135
Doubtful receivables expenses (-)/ expense reduction (+)	-164	-24
Other income (+)/expenses (-)	-49	-108
Total other income / expenses	-203	-122

NOTE 11. FINANCIAL INCOME AND EXPENSES

€ thousand	for the 3 months ended 31 March	
	2024	2023
Interest income	82	10
Interest expense, loan	-1,161	-548
Other financial income (+)/ expenses (-)	-21	-7
Total financial income / expenses	-1,100	-545

NOTE 12. EARNINGS PER SHARE

€ thousand	for the 3 months ended 31 March	
	2024	2023
Net profit for the period	3,010	3,499
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20,000,000	20,000,000
Earnings per share (in euros)	0.15	0.17

Diluted earnings per share for the periods ended 31 March 2024 and 31 March 2023 was equal to earnings per share figures stated above.

NOTE 13. RELATED PARTIES

Transactions with related parties are considered to be transactions with members of the Supervisory Board and Management Board, their relatives, and the companies in which they have control or significant influence and transactions with shareholder having the significant influence. Dividend payments are indicated in the Statement of Changes in Equity.

Shareholders having the significant influence

Balances recorded on the statement of financial position of the Group € thousand	as of 31 March	as of 31 December
	2024	2023
Accounts receivable	1,646	1,005
Trade and other payables	16	20

Transactions recorded on the statement of comprehensive income

€ thousand	for the 3 months ended 31 March	
	2024	2023
Revenue	2,291	1,797
Purchase of thermal energy	47	56
Purchase of legal services	0	12

Fees to the Group's Management and Supervisory Board members (excluding social tax)	for the 3 months ended 31 March	
	2024	2023
€ thousand		
Fees for Management Board	140	115
Supervisory Board fees	10	10

The Group's Management Board and Supervisory Board members are considered as key management personnel for whom the contractual salary payments have been accounted for as disclosed above.

The Group's Management Board members are elected for 5 (five) years and Supervisory Board members for 3 (three) years. Stock exchange announcement is published about the change in Management and Supervisory Board.

The potential salary liability would be up to €184 thousand (excluding social tax) if the Supervisory Board were to replace all Management Board members.

Company shares belonging to the Management Board and Supervisory Board members

As of 31 March 2024, the members of Management Board Aleksandr Timofejev, Taavi Gröön and Tarvi Thomberg owned the shares of AS Tallinna Vesi, 200, 200 and 500 shares accordingly. Tarvi Thomberg has acquired 100 shares during the 3 months period ended on 31 March 2024. All securities transactions have been conducted in accordance with the applicable law as well as relevant rules, including AS Tallinna Vesi rules for handling inside information. All securities transactions have been conducted in accordance with the applicable law as well as relevant rules, including AS Tallinna Vesi rules for handling inside information.

As of 31 March 2024 and 31 December 2023, the members of Supervisory Council did not own any shares in the Company.

NOTE 14. LIST OF SUPERVISORY BOARD MEMBERS

Priit Koit	Chairman of the Supervisory Council
Priit Lello	Vice Chairman of the Supervisory Council
Robert Kitt	Member of the Supervisory Council
Gerli Kivisoo	Member of the Supervisory Council
Andrei Korobeinik	Member of the Supervisory Council
Niall Patrick Mills	Member of the Supervisory Council
Mart Mägi	Member of the Supervisory Council
Priit Rohumaa	Member of the Supervisory Council
Silver Tamm	Member of the Supervisory Council

Introduction of Supervisory Board members is published at company's web page:

<https://tallinnavesi.ee/en/ettevote/management-board/supervisory-council/>.