

# AS TALLINNA VESI

Consolidated Interim Report for the 4<sup>th</sup> quarter of 2023

2 February 2024



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Field of activity	Production, treatment and distribution of water, storm and wastewater disposal and treatment

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# MANAGEMENT REPORT

## Executive Summary

In the fourth quarter of 2023, we continued to provide high-quality water and wastewater services and carried out large-scale reconstruction projects. AS Tallinna Vesi's sales for the fourth quarter were €15.52 million, affected by the overall economic environment and a decrease in revenue from construction services. At the same time, the Company's revenue from its core business of providing water services continued to grow.

### Sales from water services

Sales from water service sold to business customers in the fourth quarter of 2023 in the main service area of AS Tallinna Vesi were €4.64 million, which is 7.56% more than the year before. Sales from water services provided to private customers increased by 2.4% in the fourth quarter compared to the same period of the previous year and totalled €6.19 million.

The Company's operating profit for the fourth quarter was €4.05 million. Operating profit grew by €1.25 million compared to the fourth quarter of the previous year. The operating profit for the twelve months of 2023 was €17.35 million, showing an increase of €6.03 million compared to the previous year, driven mainly by the stabilization of energy prices and increased consumption of water services.

The Company's net profit for the fourth quarter of 2023 was €2.98 million, which is €0.62 million more than in the same period last year.

### High quality water and wastewater services

**During the twelve months of 2023, we continued to provide reliable water and wastewater services**, as reflected by the steadily high level of quality indicators. Throughout the year, the quality of tap water was excellent, meeting 99.9% of all quality requirements. The corresponding result for the fourth quarter was 99.7%. Clean tap water has been ensured by an efficient water treatment process, regular monitoring and ongoing preventative maintenance work on the water network. In 2023, we continued to maintain water pipes using the air-scouring technique and at the beginning of the year we also introduced ice pigging technique for cleaning water pipes. Using this technique, we cleaned 141 km of water mains in twelve months. 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.

In addition, water quality is 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 are high.

In the fourth quarter, we took part in the sustainability festival Impact Day and opened the doors of our Water Treatment Plant to the public as part of the architectural event Open House Tallinn.

**During the twelve months of 2023, wastewater treated at the Wastewater Treatment Plant at Paljassaare met all the established requirements.** The excellent quality of the treated effluent is demonstrated by pollutant levels well below the legal limits. In the twelve months of 2023, we took 800 tons of debris, 200 tons of grit, 1800 tons of nitrogen and 240 tons of phosphorus out of the wastewater.

### Rehabilitation of water networks and reconstruction works at the treatment plants

**The rate of water loss in the water network has remained low in the fourth quarter (11.35%),** remaining also lower than in the same period of the previous year (15.34%). For the twelve months of 2023, the rate of water loss was 12.93%, compared to 16.02% of the year before. The low level of water losses is ensured by the continuous online monitoring of the water network and the network rehabilitation programme implemented as planned.

**By the end of the fourth quarter of 2023, we had reconstructed more than 27 kilometres of networks.** Of these, 12 kilometres were rehabilitated using environment-friendly no-dig methods. The largest reconstruction works in 2023 were carried out on Jõe and Pronksi Street, Vana-Kalamaja Street, E. Vilde and Akadeemia Road, Kuklase and Vaablase Street, Pärna, Reinvaldi and Kuhlbari Street, Tehnika, Magasini and Punane Street, and on Smuuli Road.

In the fourth quarter of 2023, the reconstruction work on the supply pipeline for the Lasnamäe booster pumping station at the intersection of Punane and Smuuli Streets was completed, significantly increasing the security of supply in that area.

Works were also completed on the large-scale chain house project with individual supply points being built for the apartment buildings in Lasnamäe and Mustamäe area. The rehabilitation of the sewage pipeline in Mustamäe using trenchless technique was completed.

**The major projects carried out at the treatment plants in 2023 included the reconstruction of digesters and the installation of the cogeneration plant at the Wastewater Treatment Plant, and the reconstruction of the filters of the B-house and reconstructing of the clarifiers of the A-house at the Water Treatment Plant.** The first phase of the reconstruction of digesters has been successfully completed with the first of the two digesters being reconstructed and most of the technological components being replaced. Work will continue in 2024.

The installation of the cogeneration plant was completed towards the end of 2023, and while electricity and heat production have already started, finishing works and tests are still ongoing until the plant becomes fully operational. The reconstruction works on the filters of the B-house at the Water Treatment Plant were successfully completed and a new contract for the works was already signed at the end of the year for 2024. The renovation works on the clarifiers will carry on in 2024.

**On September 21, AS Tallinna Vesi submitted an application to the Competition Authority to change the prices for water services.** The application concerns the price for water services in the main service area in Tallinn and Saue, the service area in Maardu and for other water companies. The new prices will apply once the Competition Authority has reviewed the application and approved it. The need for the tariff application is driven by the increase in justified costs and investments to ensure continuity of vital services, to reduce the environmental impact caused by water consumption, and to safeguard the environment.

**Tallinna Vesi has committed to continuing the investments to future-proof its infrastructure and ensure the continuity of the vital service at prices that consumers can afford.** The total investment planned in 2024 will be worth up to €62 million, with more than half of this or nearly €38 million intended for the development and reconstruction of networks. Planned investments in water and wastewater treatment plants will reach up to €19 million.



Aleksandr Timofejev  
Chairman of the Board  
Chief Executive Officer

## SUMMARY OF 2023 OPERATIONAL RESULTS FOR THE TWELVE MONTHS AND THE 4<sup>th</sup> QUARTER OF THE YEAR

**In the fourth quarter of 2023, the Company pumped 7.01 million m<sup>3</sup> of clean water into the water network and treated nearly 15.43 million m<sup>3</sup> of wastewater.**

**During the twelve months and the fourth quarter of the year, tap water quality was excellent. 99.9% of the water samples taken across the year complied with the strict water quality standards.** In the fourth quarter, compliance was 99.7%. During the year, 3,170 water samples were taken. Clean tap water has been ensured by an efficient water treatment process, regular monitoring, and ongoing preventative maintenance work on the water network. In 2023, we also started using the ice pigging technique to maintain water pipes, and in twelve months 141 km of water mains were cleaned with ice. In addition, water quality is supported by the investments in water pumping stations made in recent years, enabling additional chlorination in various parts of the city. This 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 are high. Residual chlorine ensures that the drinking water meets sanitary standards.

One of our goals is to notify our customers about water interruptions well in advance. **In the fourth quarter of 2023, we managed to notify our customers in 100% of the cases at least 1 hour before an unplanned water interruption took place.** During the twelve months of the year, we notified almost all customers affected by an interruption (99.9%) at least one hour in advance. The average duration of a water interruption in the fourth quarter was 2 hours and 52 minutes, 8 minutes less than in the same period a year before. As for the twelve months of the year, the average duration of a water interruption was 15 minutes shorter than in the same period a year before. To reduce the inconvenience caused by water interruptions, we continue installing additional isolation valves on the water network. During the year, 25 additional isolation valves were installed.

**By the end of the fourth quarter of 2023, we had installed smart meters for 40.6% of our customers.** The main advantage of smart meters is the speed and accuracy of data transmission, as well as 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 efficiently and detect leaks, which in turn helps to save clean water and the resources it takes to treat 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.

**The rate of water loss in the water network remained low in the fourth quarter of the year, 11.35%. This is significantly better than in the same period a year before (13.41%).** For the twelve months of the year, the rate of water loss was 12.93%, compared to 16.02% of the year before. The reconstruction of water pipelines in the city centre, where water losses were significantly reduced, contributed to the improved performance.

**Throughout the year, the effluent treated at the Wastewater Treatment Plant at Paljassaare met all the established requirements.** We continuously assess the efficiency of the wastewater treatment process and the quality of the treated effluent by monitoring the amounts of pollutants in the wastewater received at the treatment plant and in the effluent leaving the plant. The excellent quality of the treated effluent is demonstrated by pollutant levels well below the legal limits. In the twelve months of 2023, we removed 800 tons of debris, 203 tons of grit, 1,835 tons of nitrogen and 248 tons of phosphorus from the wastewater.

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 fourth quarter of 2023, we responded to written enquiries within 2 days in 98.8% of cases,** a significant improvement compared to a year before. We will continue to focus on our speed of response.

Since 2022, 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 efficiently. **In the fourth quarter of 2023, we received a total of 165 customer complaints, which is less compared to the same period a year before (2022: 343). In the fourth quarter of 2023, we did not fail to keep our promises to customers.**

**The major projects in 2023 included** the reconstruction of digesters and construction of a combined heat and power plant at the Wastewater Treatment Plant, the reconstruction of filters and clarifiers at the Water Treatment Plant, and the reconstruction of the existing water and sewer networks and the construction of new pipelines.

**By the end of the fourth quarter of 2023, we had reconstructed more than 27 kilometres of networks.** The largest reconstruction works in 2023 were carried out on Jõe and Pronksi Street, Vana-Kalamaja Street, E. Vilde and Akadeemia Road, Kuklase and Vaablase Street, Pärna, Reinvaldi and Kuhlbarsti Street, Tehnika, Magasini and Punane Street, and on Smuuli Road.

In the fourth quarter of 2023, the reconstruction work on the supply pipeline for the Lasnamäe booster pumping station at the intersection of Punane and Smuuli Streets was completed, significantly increasing the security of supply in that area. Works were also completed on the large-scale chain house project with individual supply points being built for the apartment buildings in Lasnamäe and Mustamäe area. The rehabilitation of the sewage pipeline in Mustamäe using trenchless technique was completed.

**We continued to work on investment projects at our treatment plants,** such as completing the work on the renovation of the high-speed filters planned for 2023 and starting the renovation of clarifiers at the Water Treatment Plant. Preparations are ongoing for two major projects in the coming years. One involves upgrading and reconstructing the production of ozone used in the water treatment, and the other involves converting floating bed clarifiers into flotators. These projects are designed to reduce the energy consumption of the treatment plant and increase the production capacity of the plant. At the Wastewater Treatment Plant, reconstruction works on digesters are ongoing, with the digester reconstructed in 2023 being soon ready for re-commissioning. Works are also ongoing on the installation of the knife gate valve between the suction basins at the wastewater headworks and the commissioning of the cogeneration plant is about to start.

OPERATIONAL PERFORMANCE DURING THE TWELVE MONTHS AND THE FOURTH QUARTER OF 2023

Indicator	Unit	12 months 2023	12 months 2022	Quarter 4 2023	Quarter 4 2022
<b>Drinking water</b>					
Compliance of water quality at the customer's tap	%	99.9%	99.8%	99.7%	99.5%
Water loss rate in the water distribution network	%	12.93%	16.02%	11.35%	15.34%
Average duration of water interruption per property	h	2.92	3.16	2.87	3.03
<b>Wastewater</b>					
Number of sewer blockages	pc	507	600	81	160
Number of sewer collapses	pc	69	71	17	16
Compliance of treated effluent with environmental requirements	%	100%	100%	100%	100%
<b>Customer service</b>					
Number of customer complaints	pc	1070	1215	165	343
Number of customer contacts regarding water quality	pc	263	289	18	76
Number of customer contacts regarding water pressure	pc	235	221	48	61
Number of customer contacts regarding blockages and leading off stormwater	pc	806	801	166	212
Responding to written customer enquiries at least within 2 working days	%	97.9%	97.6%	98.8%	92.4%
Number of failed promises	pc	2	2	0	0
Notification of unplanned water interruptions at least 1 h before the interruption	%	99.9%	96.9%	100%	90.4%

## FINANCIAL RESULTS OF THE 4<sup>th</sup> QUARTER OF 2023

According to the latest economic forecast from Eesti Pank, the recession in the Estonian economy will last for longer than previously expected, mainly because Estonia's export markets are in a poor position and competitiveness has been lost. The forecast expects the Estonian economy to shrink by 0.4% in 2024, while faster growth is expected from 2025. The shrinking economy will see unemployment rise a little next year, though people's purchasing power will improve as inflation has backed off.

The year 2023 has proved harder than expected for the Estonian economy, and the recession will last longer than was earlier predicted. Opportunities for sales by companies in the domestic market have been limited by people feeling uncertain about the future, which has led them to spend less and save more. Sales in foreign markets have meanwhile been constrained by the key markets for Estonian exports performing more poorly than the European economy as a whole, and by the exchange rate appreciating against the Nordic countries. A major role has been played by production costs rising, while the war in Ukraine has snapped several earlier supply chains, and business models have become redundant.

Uncertain times have immediate results on the Company's economic outcome. The turnover has decreased in the 4<sup>th</sup> quarter by €0.50 million compared to 2022. Due to the stabilizing of energy prices the profit has increased by 26.4% or €0.62 million, being 2.98 million in the 4<sup>th</sup> quarter of 2023.



## MAIN FINANCIAL INDICATORS

€ million except key ratios	Quarter 4			Variance 2023/ 2022	12 months			Variance 2023/ 2022
	2023	2022	2021		2023	2022	2021	
Sales	15.52	16.03	14.93	-3.1%	61.14	54.56	53.29	12.1%
Gross profit	5.91	4.52	4.80	30.7%	24.07	16.90	20.58	42.4%
Gross profit margin %	38.07	28.21	32.17	35.0%	39.36	30.97	38.61	27.1%
Operating profit before depreciation and amortisation	6.17	4.65	5.10	32.8%	25.40	18.14	25.30	40.1%
Operating profit before depreciation and amortisation margin %	39.78	29.00	34.17	37.1%	41.55	33.24	47.47	25.0%
Operating profit	4.05	2.80	3.42	44.9%	17.35	11.32	18.78	53.3%
Operating profit - main business	3.55	2.50	2.91	41.7%	15.99	10.31	17.52	55.1%
Operating profit margin %	26.12	17.45	22.89	49.6%	28.38	20.75	35.23	36.8%
Profit before taxes	3.07	2.44	3.31	26.0%	14.21	10.65	18.40	33.4%
Profit before taxes margin %	19.79	15.22	22.19	30.0%	23.23	19.51	34.52	19.1%
Net profit	2.98	2.36	3.21	26.4%	12.84	8.41	16.17	52.8%
Net profit margin %	19.18	14.70	21.47	30.5%	21.01	15.41	30.33	36.3%
ROA %	1.08	0.94	1.26	15.4%	4.80	3.30	6.45	45.5%
Debt to total capital employed %	58.47	56.26	54.94	3.9%	58.47	56.26	54.94	3.9%
ROE %	2.58	2.15	2.82	19.9%	11.27	7.43	14.69	51.7%
Current ratio	1.30	1.24	2.83	4.8%	1.30	1.24	2.83	4.8%
Quick ratio	1.24	1.17	2.79	6.0%	1.24	1.17	2.79	6.0%
Investments into fixed assets	12.09	15.18	1.61	-20.4%	34.93	25.13	15.38	39.0%
Payout ratio %	-	78.52	80.42		-	78.52	80.42	

*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*

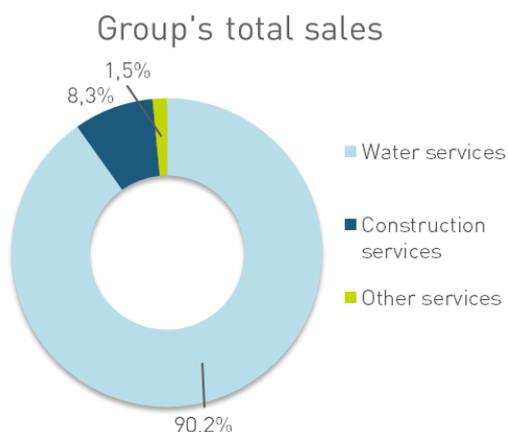
*Payout ratio – Total Dividends per annum/ Total Net Income per annum*

*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 4<sup>th</sup> quarter of 2023 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 4<sup>th</sup> quarter of 2023, the **Group's total sales** were €15.52 million, showing a decrease of 3.1% or €0.50 million year-on-year. 90.2% of sales comprise of water services within and outside the main service area, 8.3% from construction services and 1.5% from other services.

€ thousand	Quarter 4			Variance 2023/2022	
	2023	2022	2021	€	%
Water supply service	2,506	2,445	2,026	61	2.5%
Wastewater disposal service	3,689	3,603	3,010	86	2.4%
<b>Total from private customers</b>	<b>6,195</b>	<b>6,048</b>	<b>5,035</b>	<b>147</b>	<b>2.4%</b>
Water supply service	2,205	2,083	1,902	122	5.9%
Wastewater disposal service	2,439	2,236	1,970	203	9.1%
<b>Total from business customers</b>	<b>4,644</b>	<b>4,319</b>	<b>3,871</b>	<b>325</b>	<b>7.5%</b>
Water supply service	408	427	414	-19	-4.4%
Wastewater disposal service	1,091	937	903	154	16.4%
Stormwater disposal service	105	35	77	70	200.0%
<b>Total from outside service area customers</b>	<b>1,604</b>	<b>1,399</b>	<b>1,394</b>	<b>204</b>	<b>14.6%</b>
Stormwater collection and treatment and fire hydrants service	1,146	1,285	1,257	-139	-10.8%
Excessive pollution fees and sewer discharge service	409	403	340	6	1.5%
<b>Total from water services</b>	<b>13,998</b>	<b>13,454</b>	<b>11,898</b>	<b>544</b>	<b>4.0%</b>
Construction services	1,291	2,360	2,759	-1,069	-45.3%
Other services	232	211	275	21	10.0%
<b>TOTAL REVENUE</b>	<b>15,522</b>	<b>16,025</b>	<b>14,931</b>	<b>-503</b>	<b>-3.1%</b>

**Sales from water services** were €13.99 million, showing a 4.0% or €0.54 million increase compared to the 4<sup>th</sup> quarter of 2022, resulting from consumption increase.

There has been an increase of 2.4% or €0.15 million to €6.19 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** increased by 7.5% to €4.64 million, driven by the increased consumption in industry and leisure sector.

**Sales from the operation and maintenance of the fire hydrants and the stormwater system in the main service area** amounted to €1.15 million, showing a decrease of 10.8% or €0.14 million compared to the same period in 2022.

**Sales from construction services** were €1.29 million, decreasing by 45.3% or €1.07 million year-on-year. The decrease in sales resulted mainly from lower number of pipe and road construction projects.

### *COST OF GOODS AND SERVICES SOLD AND GROSS PROFIT*

**The cost of goods and services sold** amounted to €9.61 million in the 4<sup>th</sup> quarter of 2023, being lower by €1.89 million compared to the equivalent period in 2022. The changes were influenced by the decrease in direct production costs.

€ thousand	Quarter 4			Variance 2023/2022	
	2023	2022	2021	€	%
Water abstraction charges	-317	-321	-327	4	1.2%
Chemicals	-673	-647	-506	-26	-4.0%
Electricity	-1,639	-2,672	-1,803	1,033	38.7%
Pollution tax	-322	-153	-297	-169	-110.5%
<b>Total direct production costs</b>	<b>-2,951</b>	<b>-3,792</b>	<b>-2,932</b>	<b>841</b>	<b>22.2%</b>
Staff costs	-2,556	-2,189	-1,918	-367	-16.8%
Depreciation and amortisation	-1,848	-1,616	-1,482	-232	-14.4%
Construction services	-898	-1,945	-2,234	1,047	53.8%
Other costs of goods/services sold	-1,360	-1,961	-1,561	601	30.6%
<b>Other costs of goods/services sold total</b>	<b>-6,662</b>	<b>-7,711</b>	<b>-7,195</b>	<b>1,049</b>	<b>13.6%</b>
<b>Total cost of goods/services sold</b>	<b>-9,612</b>	<b>-11,503</b>	<b>-10,127</b>	<b>1,891</b>	<b>16.4%</b>

**Total direct production costs** (water abstraction charges, chemicals, electricity and pollution tax expenses) amounted to €2.95 million, showing a 22.2% or €0.84 million decrease compared to the equivalent period in 2022. Changes in direct production costs resulted from a combination of changes in prices and in treated volumes as follows:

- **Costs of chemicals** increased by 4.0% to €0.67 million, driven mainly by 48.2% higher price of coagulant used in wastewater treatment process and 36.1% higher price of chlorine and 28.2% higher price of coagulant used in water treatment process. The chemical price increase is mainly caused by the geopolitical situation in Eastern Europe.
- **Electricity expense** decreased by 38.7% to €1.63 million, driven mainly by 45.0% lower electricity price.
- **Pollution tax** expense increased by 110.5% or €0.17 million, to €0.32 million, mainly caused by the increase in the volumes of treated stormwater.

**Other costs of goods/services sold** (staff costs, depreciation, costs related to construction services and other costs of goods/services sold) amounted to €6.66 million, having decreased by 13.6% or €1.05 million. The increase in costs was due to the following factors:

- **Staff costs** have increased by 16.8% to €2.56 million due to an average 9.5% salary increase and hiring of new employees.
- **Depreciation costs** increased by 14.4% or €0.23 million due to a 39.0% increase in the amounts of investments made in 2023.
- **Construction services** costs have decreased by 53.8% or €1.05 million, to €0.90 million, related directly to the decrease in construction revenue.

As a result of all above, the **Group's gross profit** for the 4<sup>th</sup> quarter of 2023 was €5.91 million, showing an increase of 30.7% or €1.39 million, compared to the gross profit of €4.52 million for the comparative period in 2022.

### *ADMINISTRATIVE AND MARKETING EXPENSES, OTHER INCOME AND EXPENSES*

**Administrative and marketing expenses** increased by 16.7% or €0.23 million compared to the 4<sup>th</sup> quarter of 2022, amounting to €1.61 million. The change is mainly due to the increase in salary costs and outsourced professional services.

**Other income and expenses** resulted in net loss of €0.25 million compared to net loss of €0.35 million in the comparative period in 2022.

### *OPERATING PROFIT*

As a result of the factors listed above the **Group's operating profit** for the 4<sup>th</sup> quarter of 2023 amounted to €4.05 million, being 44.9% or €1.26 million higher than in the same period in 2022.

### *FINANCIAL EXPENSES*

**The Group's net financial income and expenses** have resulted in a net expense of €0.98 million, compared to €0.62 million lower expense in the 4<sup>th</sup> quarter of 2022. The change was caused by the increased interest costs of loans linked to Euribor.

In May 2023, AS Tallinna Vesi and AS SEB Pank, together with Swedbank AS and OP Corporate Bank plc Estonian branch, signed a syndicated loan agreement for a total amount of €91 million. Within this loan contract, the Group refinanced OP Corporate Bank loan in the amount of €37.5 million.

In June 2023, a loan agreement between AS Tallinna Vesi and Nordic Investment Bank was concluded in the amount of €40 million. From this sum, the amount of €8 million was withdrawn in June and €12 million in December 2023.

As at the end of the 4<sup>th</sup> quarter of 2023, the whole loan amount of €96.82 million was bearing a floating interest rate. In the 4<sup>th</sup> quarter of 2023, the effective interest rate of loans was 4.71%, amounting to the interest costs of €1.01 million, compared to the effective interest rate of 3.62% and the interest costs of €0.36 million in the 4<sup>th</sup> quarter of 2022.

### *NET PROFIT*

**The Group's net profit** for the 4<sup>th</sup> quarter of 2023 was €2.98 million, being €0.62 million higher than for the comparative period in 2022. The increase in net profit was impacted by changes in operating profit and net financial expenses described above, and the income tax on dividends in the amount of €1.09 million, which is €0.92 million less compared to 2022 due to the smaller dividend payment.

## FINANCIAL RESULTS FOR THE TWELVE MONTHS OF 2023

### SALES

During the twelve months of 2023, the **Group's total sales** were €61.14 million, showing an increase of 12.1% or €6.58 million year-on-year. Sales from water services for twelve months of 2023 were €55.62 million, increasing by 13.8% or €6.73 million year-on-year. 91.0% of the sales comprise of sales of water services within and outside of the main service area, 7.8% of construction services and 1.2% of other services.

€ thousand	12 months			Variance 2023/2022	
	2023	2022	2021	€	%
Water supply service	9,861	8,380	8,097	1,481	17.7%
Wastewater disposal service	14,508	12,406	12,000	2,102	16.9%
<b>Total from private customers</b>	<b>24,369</b>	<b>20,786</b>	<b>20,097</b>	<b>3,583</b>	<b>17.2%</b>
Water supply service	8,514	8,260	7,115	254	3.1%
Wastewater disposal service	9,087	8,480	7,299	607	7.2%
<b>Total from business customers</b>	<b>17,601</b>	<b>16,740</b>	<b>14,414</b>	<b>861</b>	<b>5.1%</b>
Water supply service	1,670	1,599	1,631	71	4.4%
Wastewater disposal service	4,236	3,525	3,422	711	20.2%
Stormwater disposal service	260	193	256	67	34.7%
<b>Total from outside service area customers</b>	<b>6,166</b>	<b>5,317</b>	<b>5,309</b>	<b>849</b>	<b>16.0%</b>
Stormwater collection and treatment and fire hydrants service	6,011	4,643	4,011	1,368	29.5%
Excessive pollution fees and sewer discharge service	1,477	1,403	1,225	73	5.2%
<b>Total from water services</b>	<b>55,624</b>	<b>48,889</b>	<b>45,055</b>	<b>6,734</b>	<b>13.8%</b>
Construction services	4,775	4,809	7,328	-34	-0.7%
Other services	742	860	911	-118	-13.7%
<b>TOTAL REVENUE</b>	<b>61,141</b>	<b>54,558</b>	<b>53,294</b>	<b>6,583</b>	<b>12.1%</b>

During the twelve months of 2023 there has been an increase in **sales to private customers within the main service area** by 17.2% to €24.37 million, resulting mainly from tariff increase effective from 1 October 2022. The water tariffs increased on average by 23% for private customers and 4% for business customers. The difference in price increase by customer group was due to the gradual price equalization between private and business customers, a requirement of the Public Water Supply and Sewerage Act.

- **Sales to business customers** within the main service area has increased by 5.1% to €17.60 million. The increase is related to the tariff change, whereas the consumption has decreased by 1.3% compared to 2022.
- Sales to **customers outside the main service area** increased by 16.0% to €6.16 million, being mainly impacted by the increase in the wastewater disposal service revenues.
- **Sales from the operation and maintenance of the fire hydrants and the stormwater system within the main service area** in the twelve months of 2023 amounted to €6.01 million, showing an increase of 29.5% or €1.37 million year-on-year. The change has been brought about by change of services pricing model in 2023, with additional impact from increase in cost levels and changes in the amount of precipitation.

**Sales from construction services** were €4.77 million, decreasing by 0.7% or €0.03 million year-on-year. The decrease in sales resulted from the lower number of road and pipe construction projects.

### **COST OF GOODS AND SERVICES SOLD AND GROSS AND OPERATING PROFITS**

€ thousand	12 months			Variance 2023/2022	
	2023	2022	2021	€	%
Water abstraction charges	-1,271	-1,288	-1,281	17	1.3%
Chemicals	-2,742	-2,238	-1,822	-504	-22.5%
Electricity	-6,408	-9,234	-4,612	2,826	30.6%
Pollution tax	-1,005	-823	-894	-182	-22.1%
<b>Total direct production costs</b>	<b>-11,426</b>	<b>-13,583</b>	<b>-8,609</b>	<b>2,157</b>	<b>15.9%</b>
Staff costs	-9,684	-8,229	-7,243	-1,455	-17.7%
Depreciation and amortisation	-7,002	-5,930	-5,725	-1,072	-18.1%
Construction services	-3,481	-3,784	-5,988	303	8.0%
Other costs of goods/services sold	-5,480	-6,134	-5,150	654	10.7%
<b>Other costs of goods/services sold total</b>	<b>-25,647</b>	<b>-24,077</b>	<b>-24,106</b>	<b>-1,570</b>	<b>-6.5%</b>
<b>Total cost of goods/services sold</b>	<b>-37,074</b>	<b>-37,660</b>	<b>-32,715</b>	<b>586</b>	<b>1.6%</b>

During the twelve months of 2023, **the cost of goods and services sold** amounted to €37.07 million, decreasing by 1.6% or €0.58 million compared to the equivalent period in 2022. **Total direct production costs** (water abstraction charges, chemicals, electricity and pollution tax expenses) amounted to €11.43 million, being on a lower level by €2.16 million compared to the equivalent period in 2022.

- **Costs of chemicals** increased by 22.5% to €2.74 million, driven mainly by on average 32.1% higher price of coagulant, accompanied by the increase in the amount of polymer used in wastewater treatment process, each worth €0.08 million and €0.15 million accordingly. Expenses were further increased by 39.2% higher price of chlorine and 22.3% higher price of coagulant used in water treatment process, worth €0.02 and €0.14 million accordingly.
- **Costs of electricity** decreased by 30.6% or €2.82 million, resulting in costs worth of €6.41 million due to on average 33.5% lower electricity price.

**Other costs of goods/services sold** (staff costs, depreciation, construction and asphaltting services costs and other costs) amounted to €25.65 million, having increased by 6.5%. The increase in other costs of goods/services sold were mainly driven by 17.7% or €1.45 million increase in staff cost and 18.1% or €1.07 million increase in depreciation expenses related to the large-scale investments made in 2023.

The **Group's gross profit** for the twelve months of 2023 was €24.07 million, showing an increase of 42.4% or €7.17 million compared to the comparative period in 2022. The **Group's operating profit** for the twelve months of 2023 recovered to €17.35 million, being 53.3% or €6.03 million higher than in the same period in 2022, being mainly impacted by the stabilizing of electricity price and the tariff change in October 2022.

### **FINANCIAL EXPENSES**

**The Group's net financial income and expenses** have resulted in a net expense of €3.14 million, compared to net expense of €0.67 million in the twelve months of 2022. The increase was mainly impacted by higher loan balance and higher interest cost on loans.

### **PROFIT BEFORE TAXES AND NET PROFIT**

The **Group's profit before taxes** for the twelve months of 2023 was €14.21 million, being 33.4% or €3.56 million higher than for the same period in 2022. The **Group's net profit** for the twelve months of 2023 was

€12.84 million, being 52.8% or €4.44 million higher than for the equivalent period in 2022, impacted by the €0.92 million lower income tax expense due to the smaller dividend payment.

## STATEMENT OF FINANCIAL POSITION

In the 12 months of 2023, **the Group invested into fixed assets** €34.93 million. As of 31/12/2023, non-current tangible assets amounted to €256.11 million, the majority of which in the amount of €206.04 million were pipelines (31/12/2022: €186.7 million). Total non-current assets amounted to €257.40 million (31/12/2022: €230.55 million).

Compared to the year-end of 2022, **the trade receivables, accrued income, and prepaid expenses** have been at the same level, €8.61 million. The collectability rate continues to be high at 99.73%, compared to December 2022 when the collectability rate was 99.85%.

**Current liabilities** have increased by €0.29 million to €18.78 million compared to the end of 2022, mainly due to liabilities related to investments.

**Deferred income from connection fees** has increased by €5.50 million compared to the end of 2022, reaching €44.65 million.

**Provision for possible third-party claims** is of the same size as at the end of December 2022, 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 (31/12/2022: €80.45 million). Changes in loan structure are described above in the 4<sup>th</sup> quarter results.

The previous NIB loan is being repaid in 11 equal semi-annual payments. The weighted average loan interest as of 31/12/2023 is 5.0%.

The Group has **total debt to assets** level of 58.47%, which falls in the range of 54–65%, reflecting the Group's equity profile. At the same time in 2022, the total debt to assets ratio was 56.26%.

## 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.

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 2023, 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 2023, we also continued to work with three trade schools and three universities. In autumn 2022, 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 4<sup>th</sup> quarter of 2023, the total number of employees in the Group was 364 compared to 345 at the end of the same period in 2022. The full time equivalent (FTE) in 2023 and 2022 was 350 and 333 respectively. Average number of employees during the twelve months was 358 in 2023 and 342 in 2022 respectively.

### Gender breakdown of staff:

	As of 31/12/2023			As of 31/12/2022		
	Women	Men	Women	Men	Women	Men
<b>Group</b>	<b>106</b>	<b>258</b>	<b>364</b>	<b>97</b>	<b>248</b>	<b>345</b>
Management Team	12	18	30	12	16	28
Executive Team	5	6	11	3	6	9
Management Board	0	3	3	0	3	3
Supervisory Council	1	8	9	0	9	9

The total salary costs were €3.12 million for the 4<sup>th</sup> quarter of 2023, including €0.09 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 €0.17 million.

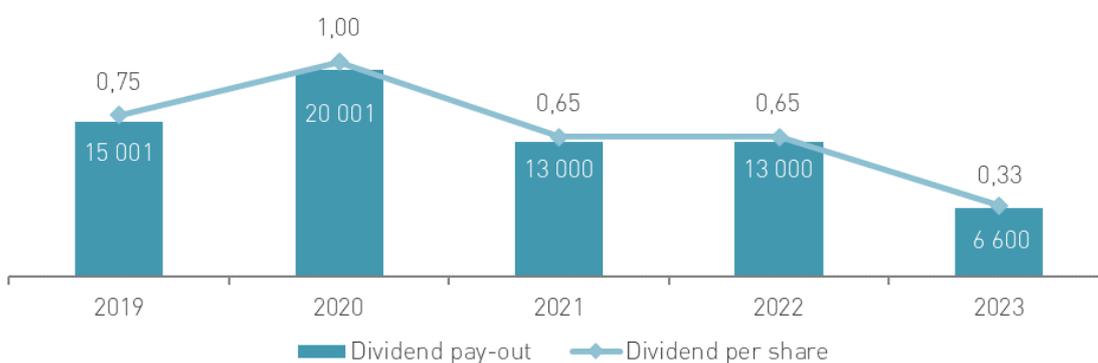
## DIVIDENDS

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.

In the Annual General Meeting of Shareholders held on 01/06/2023, the Supervisory Council proposed to pay out €0.33 per share from the 2022 profits. The pay-out is equal to 78% of earnings in 2022. The proposal was approved by the Annual General Meeting and the dividend pay-out was made on 28/06/2023.

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 31/12/2023, AS Tallinna Vesi's shareholders, with a direct holding over 5%, were:

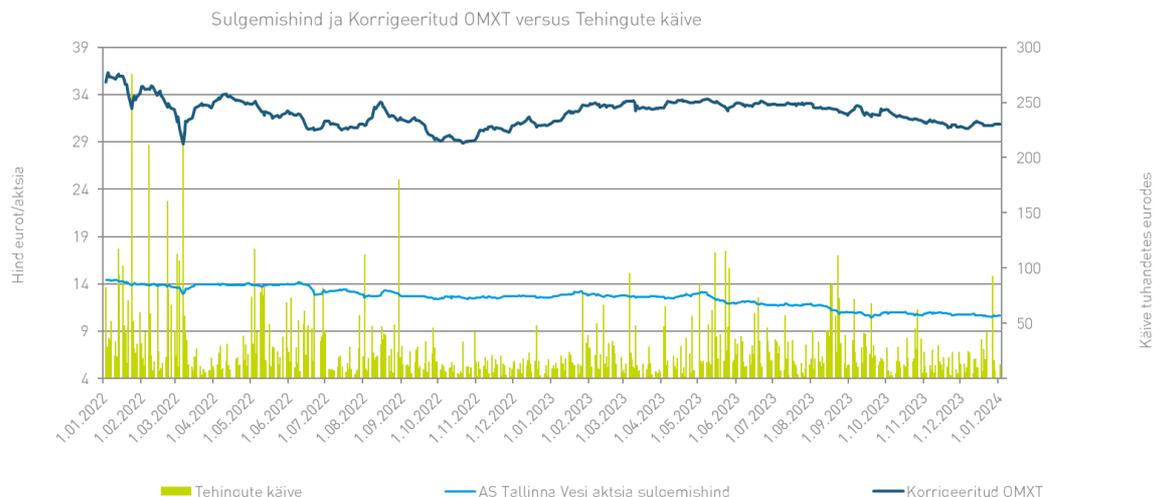
- City of Tallinn (55.06%)
- OÜ Utilitas (20.36%)

During the 12 months of 2023, the local retail investors and institutional investors have decreased their shareholdings by 1.54% and 0.01% respectively, while the share of foreign institutional investors has decreased by 0.19% and the share of foreign retail investors has increased by 1.74%.

As of 31/12/2023, the closing price of AS Tallinna Vesi's share was €10.60, which is 15.74% lower compared to the price of €12.58 at the beginning of the year (2022: -13.40%). OMX Tallinn index remained stable at +0.1% (2022: -11.71%).

During 2023, 19,918 transactions were made with the Company's shares (2022: 20,167 transactions), during which 504 thousand shares or 2.5% of all shares changed hands (2022: 542 thousand shares or 2.7%).

The turnover of transactions in 12 months of 2023 amounted to €5.9 million, being €1.40 million lower than in the comparative period in 2022.



## CORPORATE STRUCTURE

As of 31/12/2023, 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 2023 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 31/12/2023, 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:**

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Tarvi Thomberg  
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Taavi Gröön  
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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 12 months period of financial year 2023 ended 31 December. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 31 December 2023 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 that occurred during the 12 months of the financial year 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 2 February 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

2 February 2024

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand

as of 31 December

ASSETS	Not e	2023	2022
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	14,736	12,650
Trade receivables, accrued income and prepaid expenses		8,608	8,989
Inventories		1,137	1,197
<b>TOTAL CURRENT ASSETS</b>		<b>24,481</b>	<b>22,836</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant, and equipment	4	256,108	229,869
Intangible assets	5	1,293	688
		<b>257,40</b>	
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1</b>	<b>230,557</b>
		<b>281,88</b>	
<b>TOTAL ASSETS</b>		<b>2</b>	<b>253,393</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Current portion of long-term lease liabilities		697	883
Current portion of long-term loans		3,594	3,630
Trade and other payables		10,886	10,225
Prepayments		3,604	3,749
<b>TOTAL CURRENT LIABILITIES</b>		<b>18,781</b>	<b>18,487</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income from connection fees		44,653	39,150
Leases		1,892	1,607
Loans		92,835	76,708
Provision for possible third-party claims	6	6,018	6,018
Deferred tax liability		505	496
Other payables		128	101
		<b>146,03</b>	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1</b>	<b>124,080</b>
		<b>164,81</b>	
<b>TOTAL LIABILITIES</b>		<b>2</b>	<b>142,567</b>
<b>EQUITY</b>			
Share capital		12,000	12,000
Share premium		24,734	24,734
Statutory legal reserve		1,278	1,278
Retained earnings		79,058	72,814
		<b>117,07</b>	
<b>TOTAL EQUITY</b>		<b>0</b>	<b>110,826</b>
		<b>281,88</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2</b>	<b>253,393</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	Quarter 4		for the year ended 31 December	
		2023	2022	2023	2022
Revenue	7	15,522	16,025	61,141	54,558
Cost of goods and services sold	9	-9,612	-11,503	-37,074	-37,660
<b>GROSS PROFIT</b>		<b>5,910</b>	<b>4,522</b>	<b>24,067</b>	<b>16,898</b>
Marketing expenses	9	-216	-169	-818	-703
General administration expenses	9	-1,391	-1,208	-5,278	-4,399
Other income (+)/ expenses (-)	10	-250	-347	-621	-476
<b>OPERATING PROFIT</b>		<b>4,053</b>	<b>2,798</b>	<b>17,350</b>	<b>11,320</b>
Financial income	11	46	5	119	8
Financial expenses	11	-1,028	-363	-3,263	-682
<b>PROFIT BEFORE TAXES</b>		<b>3,071</b>	<b>2,440</b>	<b>14,206</b>	<b>10,646</b>
Income tax	12	-95	-85	-1,362	-2,240
<b>NET PROFIT FOR THE PERIOD</b>		<b>2,976</b>	<b>2,355</b>	<b>12,844</b>	<b>8,406</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>2,976</b>	<b>2,355</b>	<b>12,844</b>	<b>8,406</b>
Attributable profit to:					
Equity holders of A-shares		2,976	2,355	12,844	8,406
Earnings per A share (in euros)	13	0.15	0.12	0.64	0.42

## CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand		for the year ended 31 December	
	Note	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit		17,350	11,320
Adjustment for depreciation/amortisation	4,5,9,10	8,055	6,817
Adjustment for revenues from connection fees	10	-604	-544
Other non-cash adjustments	6	-16	0
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets		-34	-32
Change in current assets involved in operating activities		430	-2,841
Change in liabilities involved in operating activities		-667	309
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>24,514</b>	<b>15,029</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Acquisition of property, plant, and equipment, and intangible assets		-28,885	-20,701
Compensations received for construction of pipelines, incl connection fees		2,535	1,593
Proceeds from sale of property, plant and equipment, and intangible assets		37	53
Interest received		119	9
<b>TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>-26,194</b>	<b>-19,046</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Interest paid and loan financing costs, incl swap interests		-3,413	-616
Lease payments		-1,233	-524
Received loans		57,500	0
Repayment of loans		-41,136	-3,636
Dividends paid	12	-6,515	-12,835
Withheld income tax paid on dividends	12	-85	-165
Income tax paid on dividends	12	-1,352	-2,116
<b>TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>3,766</b>	<b>-19,892</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>2,086</b>	<b>-23,909</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>			
	3	12,650	36,559
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>			
	3	14,736	12,650

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
<b>as of 31 December 2021</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>77,408</b>	<b>115,420</b>
Dividends	0	0	0	-13,000	-13,000
Comprehensive income for the period	0	0	0	8,406	8,406
<b>as of 31 December 2022</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>72,814</b>	<b>110,826</b>
Dividends	0	0	0	-6,600	-6,600
Comprehensive income for the period	0	0	0	12,844	12,844
<b>as of 31 December 2023</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>79,058</b>	<b>117,070</b>

## 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 2022. 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 2022, 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 December 2023, 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 at 31 December 2023, Management of the Group has assessed the expected credit loss related to macroeconomic conditions to be €162 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 December 2023, 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 2022: €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

	as of 31 December	
€ thousand	2023	2022
Cash in hand and in bank	14,736	12,650
<b>Total cash and cash equivalents</b>	<b>14,736</b>	<b>12,650</b>

### NOTE 4. PROPERTY, PLANT AND EQUIPMENT

€ thousand	Land and buildings	Facilities	Machinery and equipment	Construction in progress	Right-of-use assets	Right-of-use assets in progress	Total property, plant and equipment
<b>as of 31 December 2021</b>							
Acquisition cost	27,033	247,613	50,819	12,052	2,950	0	340,467
Accumulated depreciation	-7,968	-79,998	-39,675	0	-1,280	0	-128,921
<b>Net book value</b>	<b>19,065</b>	<b>167,615</b>	<b>11,144</b>	<b>12,052</b>	<b>1,670</b>	<b>0</b>	<b>211,546</b>
<b>Transactions in the period 1 January 2022 - 31 December 2022</b>							
Acquisition in book value	0	0	0	24,361	0	560	24,921
Write off and sale of property, plant, and equipment in residual value	0	0	-21	0	-6	0	-27
27Reclassification	584	22,973	6,705	-30,262	560	-560	0
Depreciation	-293	-3,889	-1,962	0	-427	0	-6,571
<b>as of 31 December 2022</b>							
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
<b>Net book value</b>	<b>19,356</b>	<b>186,699</b>	<b>15,866</b>	<b>6,151</b>	<b>1,797</b>	<b>0</b>	<b>229,869</b>

#### Transactions in the period 1 January 2023 - 31 December 2023

Acquisition in book value	0	0	0	32,885	0	1,099	33,984
Write off and sale of property, plant, and equipment in residual value	0	-2	-40	0	-6	0	-48
Reclassification	505	23,733	5,043	-30,011	1,850	-1,099	21
Depreciation	-319	-4,387	-2,465	0	-548	0	-7,719

#### 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
<b>Net book value</b>	<b>19,542</b>	<b>206,043</b>	<b>18,405</b>	<b>9,025</b>	<b>3,093</b>	<b>0</b>	<b>256,108</b>

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
<b>as of 31 December 2021</b>			
Acquisition cost	4,831	89	4,920
Accumulated depreciation	-4,191	0	-4,191
<b>Net book value</b>	<b>640</b>	<b>89</b>	<b>729</b>

#### Transactions in the period 1 January 2022 - 31 December 2022

Acquisition in book value	0	205	205
Reclassification	203	-203	0
Depreciation	-246	0	-246

#### as of 31 December 2022

Acquisition cost	5,023	91	5,114
Accumulated depreciation	-4,426	0	-4,426
<b>Net book value</b>	<b>597</b>	<b>91</b>	<b>688</b>

#### Transactions in the period 1 January 2023 - 31 December 2023

Acquisition in book value	0	942	942
Reclassification	519	-519	0
Depreciation	-336	0	-336

#### as of 31 December 2023

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

## 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 December 2023, 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 2022: €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	Const- ruction services	Other services	Inter- segment transactions	Total segments
€ thousand					
<b>1 January 2022 - 31 December 2022</b>					
External revenue	48,890	4,809	860	0	54,558
Inter-segment revenue	2	3,508	4,594	-8,105	0
<b>Total segment revenue</b>	<b>48,892</b>	<b>8,317</b>	<b>5,454</b>	<b>-8,105</b>	<b>38,534</b>
<b>Segment's gross profit</b>	<b>15,353</b>	<b>901</b>	<b>1,526</b>	<b>-882</b>	<b>16,898</b>

<b>Unallocated expenses:</b>	
Marketing and Administrative expenses	-5,102
Other income/expenses	-476

**Operating profit** **11,320**

**1 January 2023 - 31 December 2023**

External revenue	55,624	4,775	742	0	61,141
Inter-segment revenue	0	5,693	5,311	-11,004	0

**Total segment revenue** **55,624** **10,468** **6,053** **-11,004** **61,141**

**Segment's gross profit** **22,184** **1,104** **1,722** **-943** **24,067**

**Unallocated expenses:**

Marketing and Administrative expenses	-6,096
Other income/expenses	-621

**Operating profit** **17,350**

**Revenue by activities**

€ thousand	2023	Quarter 4 2022	for the year ended 31 December	
			2023	2022
<b>Water services</b>				
Water supply service	2,506	2,445	9,861	8,380
Wastewater disposal service	3,689	3,603	14,508	12,406
<b>Total from private customers</b>	<b>6,195</b>	<b>6,048</b>	<b>24,369</b>	<b>20,786</b>
Water supply service	2,205	2,083	8,514	8,260
Wastewater disposal service	2,439	2,236	9,087	8,480
<b>Total from corporate customers</b>	<b>4,644</b>	<b>4,319</b>	<b>17,601</b>	<b>16,740</b>
Water supply service	408	427	1,670	1,599
Wastewater disposal service	1,091	937	4,236	3,525
Storm water disposal service	105	35	260	193
<b>Total from outside service area customers</b>	<b>1,604</b>	<b>1,399</b>	<b>6,166</b>	<b>5,317</b>
Storm water treatment and disposal service and fire hydrants service	1,146	1,285	6,011	4,643
Overpollution charges and discharging	409	403	1,477	1,403
<b>Total from water services</b>	<b>13,998</b>	<b>13,454</b>	<b>55,624</b>	<b>48,889</b>
<b>Construction services</b>	<b>1,291</b>	<b>2,360</b>	<b>4,775</b>	<b>4,809</b>
<b>Other services</b>	<b>233</b>	<b>211</b>	<b>742</b>	<b>860</b>
<b>Total revenue</b>	<b>15,522</b>	<b>16,025</b>	<b>61,141</b>	<b>54,558</b>

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

**NOTE 8. STAFF COSTS**

€ thousand	Quarter 4		for the year ended 31 December	
	2023	2022	2023	2022
Salaries and wages	-2,672	-2,230	-10,091	-8 499
Social security and unemployment insurance tax	-903	-754	-3,411	-2 873
<b>Staff costs total</b>	<b>-3,575</b>	<b>-2,984</b>	<b>-13,502</b>	<b>-11 372</b>
<b>Average number of employees during the reporting period</b>	<b>363</b>	<b>346</b>	<b>359</b>	<b>342</b>

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

€ thousand	Quarter 4		for the year ended 31 December	
	2023	2022	2023	2022
<b>Cost of goods and services sold</b>				
Water abstraction charges	-317	-321	-1,271	-1,288
Chemicals	-673	-646	-2,742	-2,238
Electricity	-1,639	-2,672	-6,408	-9,234
Pollution tax	-322	-153	-1,005	-823
Staff costs	-2,556	-2,189	-9,684	-8,229
Depreciation and amortization	-1,848	-1,616	-7,002	-5,930
Construction services	-898	-1,945	-3,481	-3,802
Other costs	-1,360	-1,961	-5,480	-6,116
<b>Total cost of goods and services sold</b>	<b>-9,612</b>	<b>-11,503</b>	<b>-37,074</b>	<b>-37,660</b>
<b>Marketing expenses</b>				
Staff costs	-201	-150	-740	-625
Depreciation and amortization	-1	-1	-3	-5
Other marketing expenses	-14	-18	-75	-73
<b>Total marketing expenses</b>	<b>-216</b>	<b>-169</b>	<b>-818</b>	<b>-703</b>
<b>Administrative expenses</b>				
Staff costs	-819	-645	-3,078	-2,518
Depreciation and amortization	-123	-106	-486	-375
Other general administration expenses	-449	-457	-1,714	-1,506
<b>Total administrative expenses</b>	<b>-1,391</b>	<b>-1,208</b>	<b>-5,278</b>	<b>-4,399</b>

## NOTE 10. OTHER INCOME/EXPENSES

€ thousand	Quarter 3		for the year ended 31 December	
	2023	2022	2023	2022
Connection fees	159	138	604	544
Depreciation of single connections	-148	-128	-564	-507
Doubtful receivables expenses (-)/ expense reduction (+)	115	-119	70	-15
Other income (+)/expenses (-)	-376	-238	-731	-498
<b>Total other income / expenses</b>	<b>-250</b>	<b>-347</b>	<b>-621</b>	<b>-476</b>

## NOTE 11. FINANCIAL INCOME AND EXPENSES

€ thousand	Quarter 4		for the year ended 31 December	
	2023	2022	2023	2022
Interest income	46	5	119	8
Interest expense, loan	-1 011	-357	-3 197	-650
Other financial income (+)/ expenses (-)	-17	-6	-66	-32
<b>Total financial income / expenses</b>	<b>-982</b>	<b>-358</b>	<b>-3 144</b>	<b>-674</b>

## NOTE 12. DIVIDENDS

€ thousand	for the year ended 31 December	
	2023	2022
Dividends declared during the period	6,600	13,000
Dividends paid during the period	6,515	12,835
Withheld income tax on dividends	85	165
Income tax on dividends paid	1,352	2,116
Dividends declared per shares:		
Dividends per A-share (in euros)	0,33	0,65

Dividend income tax rate in 2023 is 20/80 (in 2022: 20/80), but for dividend payments in the amount of up to the average taxed dividend payment during the three preceding years, the income tax rate 14/86 is applied. When calculating the average dividend payment of the three preceding years, 2020 is the first year to be taken into account. In addition, for dividends payable to natural persons, income tax at a rate of 7% is withheld on dividends taxed with a lower income tax rate.

## NOTE 13. EARNINGS PER SHARE

€ thousand	Quarter 4		for the year ended 31 December	
	2023	2022	2023	2022
Net profit minus B-share preferred dividend rights	2,976	2,440	12,844	8,406
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20,000,000	20,000,000	20,000,000	20,000,000
Earnings per A share (in euros)	0,15	0,12	0,64	0,42

Diluted earnings per share for the periods ended 31 December 2023 and 31 December 2022 was equal to earnings per share figures stated above.

## NOTE 14. 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

	as of 31 December	
€ thousand	2023	2022
Accounts receivable	1,005	1,309
Trade and other payables	20	61

	Quarter 4		for the year ended 31 December	
Transactions	2023	2022	2023	2022
€ thousand	2023	2022	2023	2022
Revenue	1,619	1,593	7,437	5,791
Purchase of thermal energy	39	41	113	126
Purchase of legal services	0	54	28	54

	Quarter 4		for the year ended 31 December	
Fees to the Group's Management and Supervisory Board members	2023	2022	2023	2022
€ thousand (excluding social tax)	2023	2022	2023	2022
Fees for Management Board	76	72	343	313
Supervisory Board fees	9	9	38	38

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 €171 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 December 2023, the members of Management Board Aleksandr Timofejev, Taavi Gröön and Tarvi Thomberg owned the shares of AS Tallinna Vesi, 200, 200 and 400 shares accordingly. 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 December 2023, the members of Supervisory Council did not own any shares in the Company.

As of 31 December 2022, the members of Management Board and Supervisory Council did not own any shares in the Company.

#### **NOTE 15. 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/>.