

AS TALLINNA VESI

Consolidated Interim Report for the 3rd quarter of 2023

27 October 2023



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MANAGEMENT REPORT

Executive Summary

In the third 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 grew to €15.61 million in the third quarter, the increase in sales resulted from tariff increase due to higher production costs in the fourth quarter of 2022.

Sales from water services

Sales from water service sold to commercial customers in the third quarter of this year in the main service area of Tallinna Vesi was €4.27 million, which is 1.6% less than last year. Sales from water services provided to private customers in the third quarter increased by 23.6% compared to the same period last year and totalled €5.98 million. The increase in sales in private segments is due to the adjustment of price for water services in the last quarter of the previous year.

The Company's operating profit in the third quarter was €5.10 million. Operating profit grew by €2.66 million compared to the third quarter of last year. The operating profit for the nine months of 2023 was €13.30 million, showing an increase of €4.77 million compared to the previous year, due to the adjustment of price for water services and the stabilization of energy prices.

The recovery in operating profit was driven by sales, which reflected the increase in direct production costs. The Company's net profit was €4.05 million in the third quarter of 2023, which is €1.84 million more than in the same period last year.

High quality water and wastewater services

During the nine months of 2023, we continued to provide reliable water and wastewater services, as reflected by the steadily high level of quality indicators. During the nine months of this year, the quality of tap water was excellent, meeting 99.92% of all quality requirements. The corresponding result for the third quarter was 99.75%. 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 method, and at the beginning of the year we also introduced ice pigging technology for cleaning water pipes. Using this method, we have cleaned 106 km of water mains in nine months. Ice pigging is a pipe cleaning technology that is currently unique in the Nordic countries, 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 is warm.

In the third quarter, we were present at the XIII Youth Song and Dance Festival, the Investment Festival, the Run Around Lake Ülemiste and the Ironman Triathlon, offering fresh drinking water for free.

In the first nine months of 2023, wastewater treated at the Wastewater Treatment Plant at Paljassaare met all the established requirements. Pollutant parameters that are significantly lower than the limits required by law is the proof of the excellent level of treated effluent. In the nine months of 2023, we have taken 541 tons of debris, 181.1 tons of grit, 1 383 tons of nitrogen and 187 tons of phosphorus out of the wastewater.

Rehabilitation of water networks and reconstruction works at the treatment plants

The level of water loss in the water network has remained low in the third quarter of the year (9.98%), remaining also lower than in the same period last year (13.41%). For the first nine months of 2023, the leakage rate is 13.47%, compared to 16.25% last year.

By the end of the third quarter of 2023, we had reconstructed more than 23 kilometres of networks. In the first nine months of 2023, major reconstruction works have been carried out on Jõe and Pronksi Street, Vana-Kalamaja Street, Rahvakooli Road, E. Vilde and Akadeemia Road, Pärna, Reinvaldi and Kuhlbarsti Street. In the third quarter of 2023, we started reconstruction work on the supply pipeline for the Lasnamäe booster pumping station at the intersection of Punane and Smuuli Streets. In addition, work began on Ussimäe Road, Magasini Street and the Tondi railway crossing. Works have also started on the renovation of sewage pressure pipelines on Tartu Road near the Airport and Lake Ülemiste, as well as on the construction of an additional

pressure pipe, running under the Pirita River, for the Botaanikaia pumping station. The last two works mentioned will significantly increase the security of supply. Two phases of the chain house project are about to start, during which separate supply points will be built for the apartment buildings located in Lasnamäe and Mustamäe. The rehabilitation of the sewage pipeline in Mustamäe using no-dig method has been very successful and more than 90% of the works have already been completed. A total of approx. 38% of pipelines have been reconstructed using no-dig methods.

One of the major projects for 2023 include the reconstruction of digesters at the Wastewater Treatment Plant, including the repair of concrete parts of the digesters, replacing any equipment in need of modernization, installing new power and weak current installations, upgrading automation, creating parallel operation capability, and installing an anti-foaming agent sprinkler system, while keeping the running digester in operation. The reconstruction of digesters is the first stage in a major investment that will enable to increase the biogas production in digesters, allowing Tallinna Vesi to produce all the heat energy needed from the biogas. Construction works are currently underway at the Wastewater Treatment Plant at Paljassaare for the construction of a cogeneration plant, which will enable to generate electricity needed in the wastewater treatment process in addition to heat energy in the future. The cogeneration plant is scheduled to be launched in the fourth quarter.

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. Depending on the proceedings of the Competition Authority, the new prices will take effect no earlier than from the next year. The need for the tariff application is driven by justified costs and investments to ensure continuity of vital services, to reduce the environmental impact caused by water consumption, and to safeguard the environment.



Aleksandr Timofejev
Chairman of the Board
Chief Executive Officer

SUMMARY OF 2023 OPERATIONAL RESULTS FOR THE NINE MONTHS AND THE 3rd QUARTER OF THE YEAR

In the third quarter of 2023, the Company pumped nearly 6.2 million m³ of clean water into the water network and treated nearly 12.7 million m³ of wastewater.

During the first nine months and the third quarter of this year, tap water quality was excellent. 99.92% of the water samples taken during the nine-month period complied with the strict water quality standards. In the third quarter, compliance was 99.75%. In the nine months of 2023, 2,386 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. Starting from this year, we have been also cleaning water pipes using the ice pigging technique, and in nine months we have washed more than 150 km of water mains, 106 km of which have been 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 is warm. Residual chlorine provides a sanitary guarantee for drinking water.

One of our goals is to notify our customers about water interruptions well in advance. In the third 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 first nine months of the year, we notified almost all customers affected by an interruption (99.9%) at least one hour in advance. For customers who had a water interruption in the third quarter, it lasted an average of 2 hours and 26 minutes, which is exactly the same as in the same period last year. As for the first nine months of the year, the average duration of the water interruption was 17 minutes shorter 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 nine months, 16 additional isolation valves have been installed.

By the end of the third quarter of 2023, we had installed smart meters for 27% of our customers. The pace of installation has been affected mainly by delays in the supply of meters. In addition, a number of customers had to modernize their water metering units. 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 level of water loss in the water network has remained low in the third quarter of the year, at 9.98%. This is significantly better than in the same period last year (13.41%). For the first nine months of this year, the leakage rate is 13.47%, compared to 16.25% last year. A better result than in the past was achieved by the reconstruction of water pipelines in the city center, where water losses were significantly reduced.

In addition to providing high-quality domestic water service, one of our most important tasks is to ensure the reliability and sustainability of the wastewater service. 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 treatment plant.

In the first three quarters of 2023, wastewater treated at the Wastewater Treatment Plant at Paljassaare met all the established requirements. Pollutant parameters that are significantly lower than the limits required by law is the proof of the excellent level of treated effluent. In the nine months of 2023, we have taken 541 tons of debris, 182 ton of grit, 1 383 tons of nitrogen and 187 tons of phosphorus out of the wastewater.

We want 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 their questions are answered. In the third quarter of 2023, we responded to written contacts within 2 days in 97.8% of cases, a slightly more modest result than a year ago, and therefore we will pay more attention to the speed of our response than before.

From the beginning of 2022, we treat as complaints any notifications 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 third quarter of 2023, we received a total of 237 customer complaints, which is less compared to the same period last year (2022: 322). In the third quarter of 2023, we failed to keep our promises to customers in two cases.** Both cases were related to a failure to notify of scheduled work.

Major projects for 2023 include 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 pipelines and the construction of new pipelines.

By the end of the third quarter of 2023, we had reconstructed more than 23 kilometres of networks. In the first nine months of 2023, major reconstruction works have been carried out on Jõe and Pronksi Street, Vana-Kalamaja Street, Rahvakooli Road, E. Vilde and Akadeemia Road, Pärna, Reivaldi and Kuhlbarsti Street. In the third quarter of 2023, we started reconstruction work on the supply pipeline for the Lasnamäe booster pumping station at the intersection of Punane and Smuuli Streets. The reconstruction of wastewater pipeline in Mustamäe district using no-dig method has started off successfully with more than half of the works already being 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 and starting the renovation of clarifiers at the Water Treatment Plant. We have also started preparations for two major projects in the coming years. One of these will involve the modernization and reconstruction of ozone production for the water treatment and the other will involve the replacing of floating bed clarifiers with flotators. These projects are designed to reduce the energy consumption of the treatment plant and to increase the plant's production capacity. At the Wastewater Treatment Plant, construction work is continuing on the reconstruction of methane tanks and the digester, which was reconstructed this year, will soon be 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 NINE MONTHS AND THIRD QUARTER OF 2023

Indicator	Unit	9 months of 2023	9 months of 2022	Quarter 3 of 2023	Quarter 3 of 2022
Drinking water					
Compliance of water quality at the customer's tap	%	99.9%	99.8%	99.8%	98.5%
Water loss in the water distribution network	%	13.47%	16.25%	9.98%	13.41%
Average duration of water interruption per property	h	2.94	3.23	2.86	2.83
Wastewater					
Number of sewer blockages	no	426	440	97	99
Number of sewer collapses	no	52	55	13	16
Compliance of treated effluent with environmental requirements	%	100%	100%	100%	100%
Customer service					
Number of customer complaints	no	909 (*41)	872	237 (*16)	322
Number of customer contacts regarding water quality	no	245	231	74	108
Number of customer contacts regarding water pressure	no	187	160	54	63
Number of customer contacts regarding blockages and leading off stormwater	no	640	586	228	152
Responding to written customer contacts within at least 2 working days	%	97.6%	99.3%	97.8%	98.8%
Number of failed promises	no	2	2	2	1
Notification of unplanned water interruptions at least 1 h before the interruption	%	99.9%	99.2%	100%	98.7%

FINANCIAL RESULTS OF THE 3rd QUARTER OF 2023

The latest economic forecast from Eesti Pank expects the Estonian economy will start growing again next year, but the recovery will be slow after two years of recession. Very high inflation has however faded from Estonia. The central bank is forecasting a contraction of 2.2% in the economy this year, and growth of 1.4% next year. Inflation is expected to average 9.4% in Estonia this year, and 3.4% next year.

The economy is performing more poorly than usual, but not all sectors are suffering equally. The heaviest blows have fallen in manufacturing, which has had to cope with supply problems, recessions in the main export markets, an appreciating exchange rate, and rising production costs.

The economy will start to grow gradually next year. Inflation will continue to fall. Various cost pressures easing, notably from prices falling for industrial and food commodities, energy, and transport, together with interest rates rising have come to limit the growth in spending on consumption.

The falling tendency of consumer and energy prices have immediate results on the Company's net profit, which has increased by €1.84 million in the 3rd quarter of 2023 compared to 2022. The total revenue has increased by €2.14 million or 15.8%, whereas the revenues from water services have increased by 19.2% compared to the same period in 2022.



MAIN FINANCIAL INDICATORS

€ million except key ratios	Quarter 3			Variance 2023/ 2022	9 months			Variance 2023/ 2022
	2023	2022	2021		2023	2022	2021	
Sales	15.61	13.48	13.61	15.8%	45.62	38.53	38.36	18.4%
Gross profit	6.64	3.58	5.36	85.7%	18.16	12.38	15.78	46.7%
Gross profit margin %	42.54	26.53	39.40	60.3%	39.80	32.12	41.12	23.9%
Operating profit before depreciation and amortisation	7.12	4.15	7.17	71.4%	19.23	13.49	20.20	42.6%
Operating profit before depreciation and amortisation margin %	45.57	30.80	52.67	48.0%	42.16	35.00	52.64	20.4%
Operating profit	5.10	2.44	5.50	109.2%	13.30	8.52	15.36	56.0%
Operating profit - main business	4.72	2.06	5.15	128.5%	12.44	7.81	14.61	59.3%
Operating profit margin %	32.64	18.07	40.42	80.6%	29.15	22.12	40.04	31.8%
Profit before taxes	4.20	2.32	5.41	80.7%	11.13	8.21	15.09	35.7%
Profit before taxes margin %	26.90	17.24	39.72	56.0%	24.41	21.30	39.32	14.6%
Net profit	4.05	2.22	5.34	82.9%	9.87	6.05	12.96	63.1%
Net profit margin %	25.96	16.44	39.21	57.9%	21.63	15.70	33.78	37.7%
ROA %	1.54	0.89	2.13	72.0%	3.78	2.40	2.13	57.9%
Debt to total capital employed %	57.43	56.37	55.54	1.9%	57.43	56.37	55.54	1.9%
ROE %	3.62	2.06	4.87	75.3%	8.77	5.41	55.54	62.3%
Current ratio	1.09	1.59	3.07	-31.4%	1.09	1.59	3.07	-31.4%
Quick ratio	1.03	1.52	3.01	-32.2%	1.03	1.52	3.01	-32.2%
Investments into fixed assets	12.40	2.22	8.14	457.9%	22.84	9.95	13.77	129.5%
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

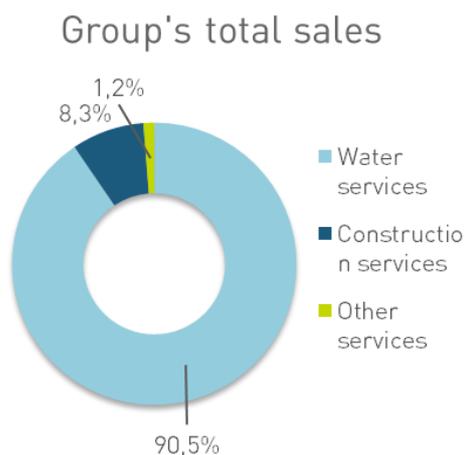
Payout ratio – Total Dividends per annum/ Total Net Income per annum

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 3rd quarter of 2023 were impacted by higher tariffs. Given Estonia's macroeconomic forecast, we don't expect any increase in the consumption of our water services in current year. In the long run, we do not expect significant changes in the use of water services.



In the 3rd quarter of 2023, the **Group's total sales** were €15.61 million, showing an increase of 15.8% or €2.14 million year-on-year. 90.5% of sales comprise of water services within and outside the service area, 8.3% from construction services and 1.2% from other services.

€ thousand	Quarter 3			Variance 2023/2022	
	2023	2022	2021	€	%
Water supply service	2,420	1,952	1,972	468	24.0%
Wastewater disposal service	3,561	2,888	2,923	673	23.3%
Total from private customers	5,981	4,840	4,895	1,143	23.6%
Water supply service	2,080	2,184	1,927	-104	-4.8%
Wastewater disposal service	2,189	2,154	1,899	35	1.6%
Total from commercial customers	4,269	4,338	3,826	-69	-1.6%
Water supply service	411	394	403	16	4.1%
Wastewater disposal service	1,037	820	813	217	26.5%
Storm water disposal service	31	30	39	1	3.3%
Total from outside service area customers	1,479	1,243	1,254	236	19.0%
Storm water treatment and disposal and fire hydrants service	2,054	1,039	872	1,015	97.7%
Overpollution charges and discharging	350	399	306	-49	-12.3%
Total from water services	14,133	11,859	11,152	2,274	19.2%
Construction services	1,289	1,389	2,231	-100	-7.2%
Other services	192	231	227	-39	-16.9%

TOTAL REVENUE

15,614 13,479 13,611 2,135 15.8%

Sales from water services were €14.13 million, showing a 19.2% or €2.27 million increase compared to the 3rd quarter of 2022, resulting mainly from tariff increase effective from 1 October 2022. The water tariffs increased on average by 23% for private customers and 4% for commercial customers. The difference in price increase by customer group was due to the gradual price equalization between private and commercial customers, a requirement of the Public Water Supply and Sewerage Act.

There has been an increase of 23.6% or €1.1 million to €5.98 million in the sales to **private customers within the service area**, driven mainly by 23% higher water tariffs effective from 1 October 2022.

Sales to **commercial customers within the service area** decreased by 1.6% to €4.27 million driven by lower consumption.

Sales from the operation and maintenance of the stormwater and fire hydrant system in the main service area amounted to €2.05 million, showing an increase of 97.7% or €1.02 million compared to the same period in 2022.

Sales from construction services were €1.29 million, decreasing by 7.2% or €0.10 million year-on-year. The decrease in sales resulted mainly from lower amount of pipe construction projects.

COST OF GOODS AND SERVICES SOLD AND GROSS PROFIT

The cost of goods and services sold amounted to €8.97 million in the 3rd quarter of 2023, being lower by €0.93 million compared to the equivalent period in 2022. The changes were influenced by lower direct production costs.

€ thousand	Quarter 3			Variance 2023/2022	
	2023	2022	2021	€	%
Water abstraction charges	-308	-323	-330	14	4.3%
Chemicals	-717	-571	-457	-146	-25.6%
Electricity	-1,583	-3,050	-1,014	1,468	48.1%
Pollution tax	-215	-184	-161	-33	-18.0%
Total direct production costs	-2,824	-4,127	-1,963	1,303	31.6%
Staff costs	-2,257	-1,908	-1,628	-349	-18.3%
Depreciation and amortisation	-1,765	-1,493	-1,472	-272	-18.2%
Construction services	-938	-1,074	-1,868	136	12.7%
Other costs of goods/services sold	-1,189	-1,300	-1,317	112	8.6%
Other costs of goods/services sold total	-6,148	-5,775	-6,285	-373	-6.5%
Total cost of goods/services sold	-8,972	-9,903	-8,248	932	9.4%

Total direct production costs (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €2.82 million, showing a 31.6% or €1.30 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 25.6% to €0.72 million, driven mainly by higher price of polymer and coagulant used in wastewater treatment process. The effect of price is worth €0.15 million respectively. The chemical price increase is mainly caused by the geopolitical situation in Eastern Europe.

- **Electricity expense** decreased by 48.1% to €1.58 million, driven mainly by 42.0% 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 €6.15 million, having increased by 6.5% or €0.37 million. The increase was mainly due to the following factors:

- **Staff costs** have increased by 18.3% to €2.26 million due to an average 9.5% salary increase and hiring of new employees.
- **Depreciation costs** increased by 18.2% or €0.27 million due to 129.5% more investments made in 2023 than in 2022.
- **Construction services** costs have decreased by 12.7% or €0.14 million to €0.94 million, related directly to lower construction revenue.

As a result of all above, the **Group's gross profit** for the 3rd quarter of 2023 was €6.64 million, showing an increase of 85.7% or €3.07 million, compared to the gross profit of €3.58 million for the comparative period in 2022.

ADMINISTRATIVE AND MARKETING EXPENSES, OTHER INCOME AND EXPENSES

Administrative and marketing expenses increased by 30.3% or €0.34 million compared to the 3rd quarter of 2022, amounting to €1.45 million. The change is mainly due to higher salary costs and increase in professional services that are bought from outside the Group.

Other income and expenses amounted to net loss of €0.01 million, compared to net loss of €0.03 million in comparative period in 2022.

OPERATING PROFIT

As a result of the factors listed above the **Group's operating profit** for the 3rd quarter of 2023 amounted to €5.10 million, being 109.2% or €2.66 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 €0.89 million, compared to €0.78 million lower expense in the 3rd 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 2023.

As at the end of the 3rd quarter of 2023, the whole loan amount of €86.64 million was bearing a floating interest rate. In the 3rd quarter of 2023, the effective interest rate of loans was 4.71%, amounting to the interest costs of €0.92 million, compared to the effective interest rate of 0.54% and the interest costs of €0.11 million in the 3rd quarter of 2022.

NET PROFIT

The Group's net profit for the 3rd quarter of 2023 was €4.05 million, being €1.84 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 NINE MONTHS OF 2023

SALES

During the nine months of 2023 the **Group's total sales** were €45.62 million, showing an increase of 18.4% or €7.08 million year-on-year. Sales from water services for nine months of 2023 were €41,63 million, increasing by 17.5% or €6.19 million year-on-year. 91.2% of sales comprise of sales of water services within and outside of the service area, 7.6% of construction services and 1.1% of other services.

€ thousand	9 months			Variance 2023/2022	
	2023	2022	2021	€	%
Water supply service	7,355	5,935	6,071	1,420	23.9%
Wastewater disposal service	10,819	8,803	8,991	2,017	22.9%
Total from private customers	18,174	14,738	15,063	3,437	23.3%
Water supply service	6,310	6,177	5,213	132	2.1%
Wastewater disposal service	6,648	6,244	5,329	404	6.5%
Total from commercial customers	12,958	12,421	10,543	536	4.3%
Water supply service	1,262	1,171	1,217	91	7.8%
Wastewater disposal service	3,144	2,588	2,519	556	21.5%
Storm water disposal service	156	158	179	-3	-1.9%
Total from outside service area customers	4,562	3,917	3,915	644	16.4%
Storm water treatment and disposal and fire hydrants service	4,865	3,359	2,753	1,508	44.9%
Overpollution charges and discharging	1,067	1,001	885	66	6.6%
Total from water services	41,626	35,436	33,157	6,189	17.5%
Construction services	3,483	2,449	4,569	1,034	42.2%
Other services	510	649	636	-140	-21.6%
TOTAL REVENUE	45,619	38,534	38,363	7,085	18.4%

During the nine months of 2023 there has been an increase in **sales to private customers within the service area** by 23.3% to €18.17 million that is related to the tariff change in the 4th quarter of 2022.

- **Sales to commercial customers** within the service area has increased by 4.3% to €12.96 million. The increase is related to the tariff change.
- Sales to **customers outside the main service area** increased by 16.4% to €4.56 million, being mainly impacted by an increase in the wastewater disposal service revenues. **Sales from the operation and maintenance of the storm water and fire hydrants system within the main service area** in the nine months of 2023 amounted to €4.86 million, showing an increase of 44.9% or €1.51 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 precipitation volume.

Sales from construction services were €3.48 million, increasing by 42.2% or €1.03 million year-on-year. The increase resulted from road and pipe construction projects that were started last year.

COST OF GOODS AND SERVICES SOLD AND GROSS AND OPERATING PROFITS

€ thousand	9 months			Variance 2023/2022	
	2023	2022	2021	€	%
Water abstraction charges	-954	-968	-955	13	1.3%
Chemicals	-2,070	-1,591	-1,317	-479	-30.1%
Electricity	-4,768	-6,562	-2,810	1 793	27.3%
Pollution tax	-684	-671	-597	-15	-2.2%
Total direct production costs	-8,477	-9,791	-5,678	1 314	13.4%
Staff costs	-7,129	-6,039	-5,325	-1 090	-18.0%
Depreciation and amortisation	-5,153	-4,314	-4,243	-840	-19.5%
Construction services	-2,584	-1,839	-3,753	-745	-40.5%
Other costs of goods/services sold	-4,120	-4,173	-3,589	53	1.3%
Other costs of goods/services sold total	-18,987	-16,365	-16,910	-2 622	-16.0%
Total cost of goods/services sold	-27,462	-26,157	-22,588	-1 305	-5.0%

During the nine months of 2023, **the cost of goods and services sold** amounted to €27.46 million, increasing by 5.0% or €1.31 million compared to the equivalent period in 2022. **Total direct production costs** (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €8.47 million, being on a lower level by €1.31 million compared to the equivalent period in 2022. The increase in chemical costs was balanced by the decrease in electricity costs.

- **Costs of chemicals** increased by 30.1% to €2.07 million, driven mainly by on average 12.7% higher price and 12.5% higher dosage of methanol, accompanied by higher usage of polymer used in wastewater treatment process, each worth €0.15 million and €0.16 million accordingly. Expenses of wastewater treatment process were further increased by 20.3% higher price of coagulant used in water treatment process, worth €0.09 million.
- **Costs of electricity** decreased by 27.3% or €1.79 million resulting in costs worth of €4.76 million due to on average 19.7% lower electricity price.

Other costs of goods/services sold (staff costs, depreciation, construction and asphaltting services costs and other costs) amounted to €18.97 million, having increased by 16.0%. The increase in other costs of goods/services sold were mainly driven by 18.0% or €1.09 million higher staff cost and 40.5% or €0.75 million higher expenses related to construction services, as described in the 3rd quarter results above.

The **Group's gross profit** for the nine months of 2023 was €18.16 million, showing an increase of 46.7% or €5.78 million compared to the comparative period in 2022. The **Group's operating profit** for the nine months of 2023 recovered to €13.30 million, being 56.0% or €4.77 million higher than in the same period in 2022, being mainly impacted by stabilized electricity price and tariff change in October 2022.

FINANCIAL EXPENSES

The **Group's net financial income and expenses** have resulted in a net expense of €2.16 million, compared to net expense of €0.32 million in the nine months of 2022. The increase was mainly impacted by higher interest cost on loans.

PROFIT BEFORE TAXES AND NET PROFIT

The **Group's profit before taxes** for the nine months of 2023 was €11.13 million, being 35.7% or €2.93 million higher than for the same period in 2022. The **Group's net profit** for the nine months of 2023 was €9.87 million, being 63.1% or €3.82 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 first 9 months of 2023 **the Group invested into fixed assets** €22.84 million. As of 30/09/2023, non-current tangible assets amounted to €246.59 million, the majority of which in the amount of €191.18 million was an investment in pipelines (31/12/2022: €186.7 million). Total non-current assets amounted to €247.45 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, €8.93 million. The collectability rate continues to be high at 99.78% compared to September 2022 when the collectability rate was 99.73%.

Current liabilities have decreased by €0.34 million to €18.83 million compared to the end of 2022, mainly resulting from investments related decrease in trade payables.

Deferred income from connection fees has increased compared to the end of 2022 by €4.67 million to €43.82 million.

Provision for possible third-party claims remains at the same level compared to the end of December 2022 on €6.02 million. More detailed information about the provision is presented in Note 6 to the financial statements.

The Group's loan balance of €86.63 million has increased (31/12/2022: €80.45 million). Changes in loan structure are described above in the 3rd quarter results.

One NIB loan is being returned in 11 equal semi-annual payments. The weighted average loan interest as of 30/09/2023 is 4.7%.

The Group has **total debt to assets** level of 57.43%, which falls in the range of 54%–65%, reflecting the Group's equity profile. In the comparative period in 2022, the total debt to assets ratio was 56.37%.

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 Tallinna Vesi, people work in offices, construction sites and water treatment plants. 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 audits 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, 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 continue to work with three trade schools and three universities. In autumn 2022, we launched a Scholarship Program for Employees of 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 for both the Company and society. Understanding and appreciating the diversity of our staff, we ensure that everyone, be it an existing or potential employee, is treated fairly and equally, and they have access to the same opportunities as is reasonable and feasible in the particular situation. We aim to ensure that no employees are discriminated against due to their age, gender, religion, cultural or ethnic origin, disability, sexual orientation or marital status, or any other factors.

It is important for us to protect the health of our staff, so we offer additional opportunities for vaccination, both against COVID-19 virus and against influenza, tick encephalitis, tetanus, and hepatitis, in accordance with the risk analysis prepared by 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 3rd quarter of 2023, the total number of employees in the Group was 359 compared to 344 at the end of the same period in 2022. The full time equivalent (FTE) in 2023 and 2022 was 345 and 330 respectively. Average number of employees during the nine months was 358 in 2023 and 341 in 2022 respectively.

By gender, employee allocation was as follows:

	As of 31/10/2023			As of 31/10/2022		
	Women	Men	Women	Men	Women	Men
Group	104	255	359	98	246	344
Management Team	12	17	29	14	17	31
Executive Team	5	4	9	5	6	11
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 3rd 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 Council should want to replace the current Management Board members is €0.17 million.

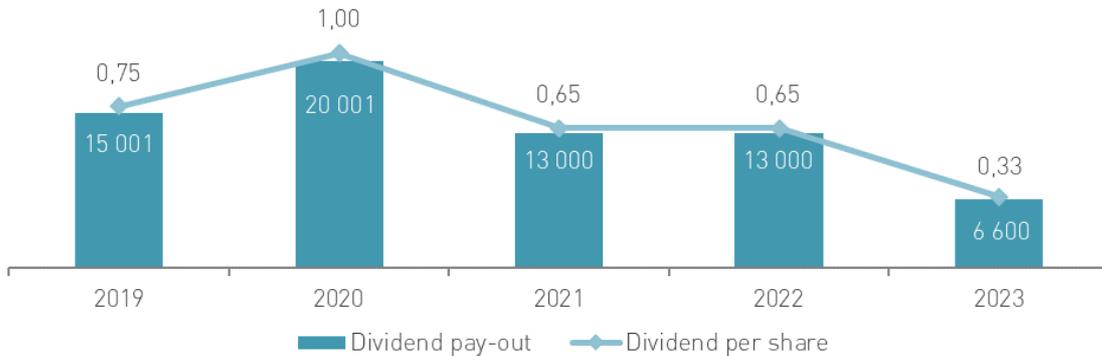
DIVIDENDS

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 the proposal of the dividends to be paid out to the shareholders and approves it to be presented to the Annual General Meeting of shareholders for voting, considering all circumstances.

In the Annual General Meeting 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.

Dividend pay-outs in the last five years have been as follows:



ASTV aims to distribute 50%–80% of the annual profit as dividends. Dividend payments shall be assessed annually considering ASTV's earnings, investment needs, liquidity position and long-term financial objectives.

SHARE PERFORMANCE

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

As of 30/09/2023, AS Tallinna Vesi's shareholders, with a direct holding over 5%, were:

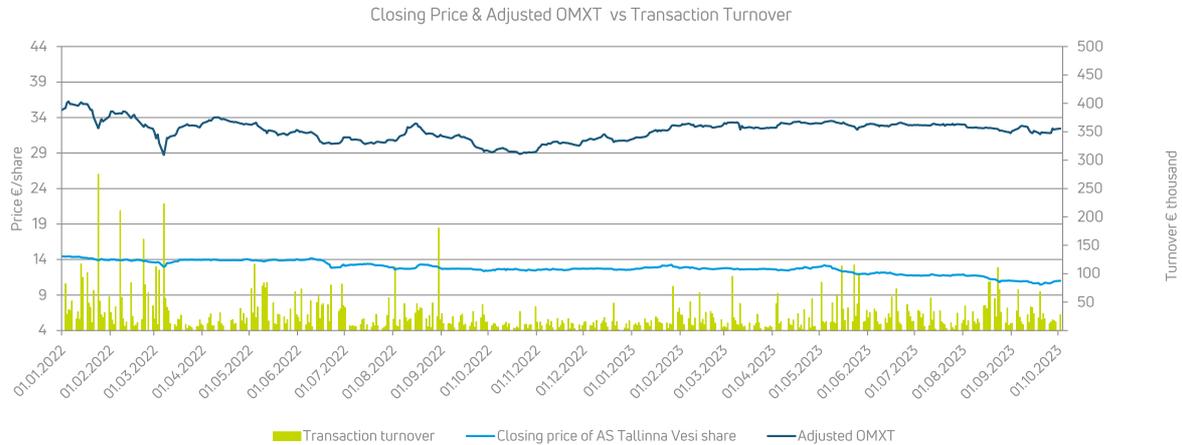
- City of Tallinn (55.06%)
- OÜ Utilitas (20.36%)

During the 9 months of 2023, the local retail investors have decreased their shareholdings by 1.57% and foreign institutional investors have decreased their shareholding by 0.13%, while foreign retail investors have increased their shareholdings by 1.75%.

As of 30/09/2023, the closing price of AS Tallinna Vesi share was €10.95, which is 6.81% (2022: -6.77%) lower compared to the closing price of €11.75 at the end of the previous quarter. During the 3rd quarter of 2023, also the OMX Tallinn index drop 1.75% (2022: -6.01%). Compared to the end of last year the AS Tallinna Vesi's share price was lower by 12.68% (2022: -14.36), while OMX Tallinn index increased 5.01% (2022: -15.94%).

In 9 months of 2023, 16,050 transactions were made with the Company's shares (2022: 16,673 transactions) during which 402 thousand shares or 2.0% of all shares changed owners (2022: 483 thousand shares or 2.4%).

The turnover of transactions in 9 months of 2023 amounted to €4.81 million, being €1.73 million lower than in the comparative period in 2022.



CORPORATE STRUCTURE

As of 31/10/2023, the Group consisted of 3 companies. The subsidiaries OÜ ASTV Green Energy and Watercom OÜ are wholly owned by AS Tallinna Vesi and consolidated into the results of the Company.

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.

In the Supervisory Council meeting held on 26th of October 2023, the decision was made to combine authorities of the Audit Committee and the Corporate Governance Committee by ceasing 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

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.

To ensure that the Company's interests are met in the best way possible, the Management Board and Supervisory Council are collaborating extensively. Management Board and Supervisory Council hold a meeting together at least once a quarter. In those meetings the Management Board informs the Supervisory Council about all significant issues in Company's business operations, the meetings discuss delivery of the Company's short and long-term goals as well as the risks that may impact the delivery. 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 2 or 3 members who are elected for 5 years.

As of 31/10/2023, there are 3 members in the Management Board of AS Tallinna Vesi: Aleksandr Timofejev (with the powers of a Chairman of the Management Board until 30/10/2026), Tarvi Thomberg (with the powers of a Member of the Management Board until 08/11/2026) and Taavi Gröön (with the powers of 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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