



20 Annual Report 24

Tallinna Vesi





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Management Report

One of the key words that guided us through 2024 was cooperation. It guided us as we developed relationships with our customers, planned joint projects with our partners and embraced new development opportunities within the company.

During the year, there has been a marked improvement in the way we manage customer enquiries. Customer satisfaction and feedback has gradually improved, in particular satisfaction with our contracts, billing and also the replacement of water meters. Customer focus is and will remain important to us.

Chairman's statement

One of the key words that guided us through 2024 was cooperation. It guided us as we developed relationships with our customers, planned joint projects with our partners and embraced new development opportunities within the company.

During the year, there has been a marked improvement in the way we manage customer enquiries. Customer satisfaction and feedback has gradually improved, in particular expectation with our contracts, billing and also the replacement of water meters. Customer focus is and will remain important to us and I am very pleased that we are moving in the right direction with that.

We continued to invest in environmental protection, sustainable infrastructure, and the continuity of the vital water services we provide. We also continued to expand the use of innovative technologies, such as ice-pigging to clean pipes and smart water metering.

In preparing this report, we have taken a further step in applying the principles of sustainability reporting with a view to their full implementation in the nearest future. This gives us a better perspective on all the areas of responsibility in which we are involved.

As the largest water company in Estonia, our business affects more than a third of the population. We recognize this and provide services that meet all requirements, considering the impact of our business on the surrounding living and natural environment. The tap water we produce meets all drinking water standards and the quality of the treated effluent is even better than required by current standards.

We now use only electricity from renewable sources and have set ourselves a number of ambitious targets for 2030, including reducing our energy consumption

and producing our own renewable energy. We have already started to produce green heat and power using biogas from the wastewater treatment process. At our wastewater treatment plant, we treat almost 40% of the municipal wastewater collected in Estonia with the utmost care and even higher efficiency than the standards require to keep our Baltic Sea clean.

A good example of cooperation is the pipe work we carry out in the city during the summer months, which we are increasingly doing as joint projects with the city and other utility owners. This minimizes disruption to people and the city. 2024 was a landmark year — we built and rehabilitated 45 kilometres of pipes, more than 40% of it using environmentally friendly no-dig methods. An important contribution to the development of the urban area is the construction of separate stormwater systems, which will help to reduce the risk of flooding during heavy rainfall.

Investing for the future

In 2024, Tallinna Vesi continued to install smart water meters at a rapid pace. This will free our customers from the obligation to report their water meter readings every month. More than 60% of customers have already got new smart meters, and the plan is to cover the entire service area with smart water meters by 2026. The new meters provide information on water consumption, giving us a better indication of water consumption in our service area and allowing us to detect leaks in customer pipes as early as possible. This will help protect the environment and minimize potential property damage from water accidents.

In 2024, Tallinna Vesi invested approximately 50 million euros in its fixed assets. This was 15 million euros more than in the year before. These investments will ensure the continuity of water services in our service area and improve the quality of the services we provide.

The investment plan for the coming years is based on the Tallinn Public Water Supply and Sewerage Development Plan 2023–2034 and is aimed at reducing the

environmental impact of water use, ensuring the continuity of services and sustainable urban development. These and future investments will continue to ensure a high quality of drinking water for our customers and will help to keep the natural environment clean. The use of modern technologies and materials will extend the average life of pipelines and improve the efficiency of treatment systems. This will allow us to ensure the continuity of the vital services we provide at affordable prices and with minimal disruption to people's daily lives.

Modern technologies

In 2024, investment projects continued at the treatment plants, such as the renovation of the clarifiers at the Ülemiste Water Treatment Plant and the preparation of two major projects, one to upgrade and reconstruct the ozone production used in water treatment and the

other to replace the sedimentation technology currently used in the clarifiers with flotation technology. These projects aim to reduce energy consumption, improve the reliability of the treatment plant and increase its production capacity.

We invested
around
€50M
in fixed assets.

One of the major projects at the Paljassaare Wastewater Treatment Plant was the reconstruction of the digesters, which was completed in 2024. While the digesters were being reconstructed, a combined heat and power (CHP) plant was also being built, which will allow the biogas to be used not only to generate heat, but also to produce most of the electricity needed to run the wastewater treatment process. The CHP plant is now complete and has been tested for energy production. This plant will increase the plant's resilience to prolonged power outages. In the summer, we started work on the reconstruction of the secondary clarifiers. Over the next three years, we will reconstruct 12 secondary clarifiers, which will further enhance our biological treatment.

Our subsidiary Watercom continued to expand the use of ice-pigging technology for cleaning water pipes, launched in 2023. Ice-pigging is many times more efficient, faster, and better for the environment than any other maintenance method used to date. The service has got off to a successful start, attracting interest from a number of companies whose core business uses pipelines. At the end of 2024, Watercom invested in equipment that will allow the company to rehabilitate

pipes using a no-dig method, i.e. without digging a trench. The service has been launched, deployment and development is in progress.

High quality that is proven

Quality indicators showing consistently high performance prove that the water and wastewater services provided by Tallinna Vesi are reliable and safe — water samples taken during 2024 confirmed that our tap water meets all the strict quality standards for drinking water to 99.6%.

Clean drinking water is a valuable resource that cannot be taken for granted. It takes a lot of people, strategic work and science to deliver excellent water quality. Clean tap water has been achieved through targeted investment, efficient water treatment, regular monitoring and continuous preventive maintenance of the water network.

More than 140 km of water mains were cleaned in 2024 using the ice-pigging method, which has been used for water pipe maintenance for two years. Ice-pigging is a unique maintenance technology that involves preparing a mass of ice flakes from a solution of water and table salt and pumping this mass through a water pipe.

During 2024, we removed more than 730 tons of debris, 200 tons of grit, 1,800 tons of nitrogen and 240 tons of phosphorus from the wastewater. Throughout the year, the treated effluent from the Paljassaare Wastewater Treatment Plant met all standards and even exceeded them for many parameters.

Contribution to the community

Throughout the summer, 53 public water taps in Tallinn provided clean drinking water for everyone. In addition, Tallinna Vesi supported a number of community and sports events, such as the Investment Festival and IRONMAN Tallinn — just to name those with the largest number of visitors — by providing tanks with fresh water.

In August, we took part in the Opinion Festival for the first time, chairing a discussion on sustainable consumption in the "Energetic Economy" panel.

We produce tap
water that meets
99.6%
of the strictest
requirements.

In the same month, a long-established sporting event took place, the 52nd edition of the Run around Lake Ülemiste, hosted by Tallinna Vesi. We contributed to Impact Day, a sustainability festival promoting environmental education, and community events such as Tallinn Old Town Days, Summer Day of the Association of Large Families in Tallinn and Harju County, Tallinn Maritime Days, Kalamaja Days, Tallinn Urban Space Festival and KopliFest.

As a supporter of the Estonian Paralympic Committee, the company cheered for the Estonian para-athletes competing in the Paris Paralympics, which took place from 28 August to 8 September.

We supported organizations that do valuable work in helping people in need, such as the Estonian Agrenska Foundation, the Autismikool Charity Fund, the North Estonian Association of the Blind, the Tallinn Women Crisis Centre, the Estonian Food Bank and the Tallinn Children's Hospital Foundation. We also continued to support the Kindergarten Õunake and the Ristiku Primary School in Tallinn.

We organized open days and guided tours at the Ülemiste Water Treatment Plant and the Paljassaare Wastewater Treatment Plant, held discussion groups on water and environmental issues, and participated in the Water Day organized by the Estonian Waterworks Association. In total, more than 2,300 people took part in these initiatives.

As a result of the cooperation project with the students from the Estonian Academy of Arts, an eye-catching street art was designed and produced to decorate the facades of water pumping stations across the city.

Outlook for 2025

As we enter the next year, we will continue with our planned investments to secure and develop the vital water services that we provide. A number of the projects mentioned above will continue with the reconstruction of pipelines — in cooperation with other utility owners and the City of Tallinn — and the construction of stormwater systems. We are moving forward with the ozonation project at the water treatment plant, introducing electric generators at the pumping stations across the city, and installing additional screens at the main pumping station in Paljassaare to enhance mechanical treatment. At the wastewater treatment plant, we are working on a solution to increase biogas production.

We consider it important to contribute to the Estonian water industry as a whole, and to this end we participate in the working groups of the Estonian Waterworks Association and the European Federation of National Associations of Water Services (EUREAU).

We will also continue to work to harmonize the price of the service for private and business customers, as required by law, and to maintain the investment capacity needed to ensure clean drinking water and a clean environment, as well as the continuity of the services we provide. For these reasons, the Competition Authority decided on 6 December 2024 to proceed with our application to change the prices for water services. The application concerns the prices for water services in the main service area in Tallinn and Saue, in the service area in Maardu and for other water companies. The new prices are expected to take effect in 2025, subject to the Competition Authority's decision.

I would like to thank the entire dedicated team at Tallinna Vesi and Watercom, the members of the Supervisory Council, our customers, consumers and cooperation partners for the good and constructive cooperation!

53
public water taps
were opened
through the
summer.



Aleksandr Timofejev
Chairman of the Board

Our company

We are the largest water company in Estonia, providing water and wastewater services to about a third of Estonian population. We serve approximately 25,000 private and business customers and about 500,000 end-consumers in Tallinn and the surrounding municipalities. The shares of AS Tallinna Vesi are listed on the Nasdaq Baltic Main List. The company had 362 employees as at 31 December 2024.

The company has two treatment plants: Ülemiste Water Treatment Plant and Paljassaare Wastewater Treatment Plant. Every day, we pump 77,350 m³ of drinking water to the distribution network and treat 133,000 m³ of wastewater. Tallinna Vesi also has accredited water and waste water laboratories.

The public water supply system includes more than 1,224 km of water pipes, 22 water pumping stations and 49 groundwater pumping stations with a total of 91 borewells. The surface water catchment area covers about 1,800 km² in Harju and Järva counties. The public sewerage system consists of more than 1,196 km of wastewater pipes, 536 km of stormwater pipes and 181 wastewater and stormwater pumping stations throughout the service area.

Tallinna Vesi was privatized in 2001. The service agreement concluded with the City of Tallinn at the time of privatization was in effect until 30 November 2022. A new administrative contract has been signed

Ülemiste Water Treatment Plant





Paljassaare Wastewater Treatment Plant

with the city for the period 01/12/2022–30/01/2032. Together with the approval of the administrative duty, AS Tallinna Vesi has been appointed as the water undertaker within the main public water supply and sewerage service area in Tallinn until 30 November 2032 (incl.).

The Tallinna Vesi Group consists of the parent company AS Tallinna Vesi and its subsidiaries Watercom OÜ and ASTV Green Energy OÜ.

Watercom, a subsidiary established in 2010, aims to provide services to the parent company, expand the range of services offered and develop non-regulated services. The subsidiary Watercom OÜ is wholly owned by AS Tallinna Vesi and its results are consolidated in the group's results.

Tallinna Vesi also owns a 100% stake in the subsidiary ASTV Green Energy OÜ (established in 2021), which has a longer-term goal to offer reusable resources generated from the provision of water services as products in the green energy market.

The structure of the group has remained largely unchanged in recent years.

The shares of Tallinna Vesi are listed on the Nasdaq Baltic Main List. As of 31 December 2024, the shareholders with a direct shareholding of more than 5% were OÜ Utilitas and the City of Tallinn.

Every day, we pump

77,350 m³

of drinking water and treat

+133,000 m³

of wastewater.

We operate

1,224 km

of water pipes,

1,196 km

of wastewater pipes and

536 km

of stormwater pipes.

Management system

To ensure that the company is managed effectively and systematically, we have implemented an integrated management system that complies with the international standards for quality management systems (ISO 9001), environmental management systems (ISO 14001) and occupational health and safety management systems (ISO 45001), as well as the requirements of the EU's Eco-Management and Audit Scheme (EMAS) Regulation. We also have an ISO/IEC 27001:2017 certified information security management system in place since 2023 to more effectively operate and protect our information systems and infrastructure. The scope of all the standards covers the main areas of activity of Tallinna Vesi:

- abstraction and treatment of groundwater and surface water for the production of drinking water,
- supplying drinking water to consumers in Tallinn and the surrounding area,
- collection and treatment of wastewater and stormwater,
- customer service to ensure the intended service.

The activities of the subsidiary Watercom are certified according to the quality standards ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 and the scope of standards covers the following areas of activity:

- owner supervision,
- construction of water and wastewater pipes,
- repair and maintenance.

We have an
ISO/IEC 27001:2017
certified information security
management
system.



Risk management

Risks and uncertainties are part of our everyday business.

Risks and uncertainties of all kinds are an everyday part of running any business. Tallinna Vesi has defined risk as something that could have a material adverse effect on the achievement of the company's targets and objectives. Risks can mean threats, uncertainties or stranded opportunities related to the activities or operations of Tallinn Vesi, either today or in the future.

The aim of the continuous risk management process is to assess, manage and regularly monitor risks that could undermine the achievement of Tallinna Vesi's objectives. A risk owner is assigned to each risk, who, together with the quality manager, carries out regular risk assessments, additionally involving specialists in the respective field. Risks are divided into normal risks and strategic risks. Strategic risk is a business-critical risk that affects the entire company and relates to running the company, its long-term strategy, sustainability, and objectives, and which, if materialized, could jeopardize the company's performance, the achievement of its objectives and result in significant losses. All other risks that fall below the strategic risk threshold qualify as normal risk.

The identification of risks is based in particular on:

- the requirements set out in legislation,
- the requirements arising from the standards underlying the management systems,
- the company's business plan and annual targets,
- known and documented information about possible adverse events,
- the knowledge and experience of the employees in connection with the possible negative effects on the events,
- information in the media about the area of activity,
- trends and developments in the field of technologies used in the company,
- changes in the supply chain.

The impact of the risk is assessed based on the severity of the consequences across the various impact areas. The severity of the potential consequences of each risk is rated on a 4-point scale, depending on the nature of the risk, either for all or some of the topics listed below:

- financial loss,
- quality of service,
- health and quality of life of residents,
- health and safety at workplace,
- natural environment,
- reputation and cooperation with stakeholders,
- data loss, information system failures / alarm time.

Risk management process



On a quarterly basis, an overview of the significant risks, together with the measures taken to control them and the actions planned for the future, is presented to the Management Board and the Audit Committee.

Company's strategic risks

Extreme weather conditions and the resulting inability to provide a service

Extreme rainfall increases the risk of flooding in the lower areas of Tallinn (Ahtri, Tuukri and Endla streets, Pelgulinn and the Song Festival area) due to overloading of the combined sewer system, or the risk that the wastewater treatment plant will not be able to treat all incoming wastewater for a short period of time, which could lead to pollution incidents. Working with the City of Tallinn, the company continues to build separate sewer systems to help further minimize these risks.

Breakdown of facilities of strategic importance

The collapse of a major collector or a major failure at a pumping station could disrupt service to some large areas. Regular inspections and condition assessments of collectors and pumping stations are carried out to control the risk. In addition, we supervise third party construction activities within the protection zone of public sewer collectors.

Disruption to the continuity of services caused by a major power cut

A major power cut in Tallinn and/or Harju County area could lead to a complete shutdown of the wastewater treatment plant, disruption of the company's information

systems, flooding and environmental pollution, and, in the worst case, disruption of the drinking water supply in the Tallinn and Saue service areas and neighbouring municipalities. To manage the risk, the company has prepared a comprehensive contingency plan, set up a co-generation plant at the wastewater treatment plant and is purchasing generators to ensure the continuity of all its processes.

Possible third-party claims

On 12 December 2017, the Supreme Court ruled on AS Tallinna Vesi's appeal in cassation regarding the tariff dispute with the Estonian Competition Authority. The Court found that the Competition Authority was not bound by the agreement on the prices for the water services contained in the Services Agreement concluded between the company and the City of Tallinn at the time of privatization, and that in the future, the prices for the water services will be regulated by the Competition Authority.

Pursuant to the law, the prices for the water services established under the Services Agreement were in effect until the Competition Authority has established new prices for the water services and the company has implemented them in accordance with the law. The company acted in good faith and in accordance with the law. Therefore, the company does not consider itself liable to customers for any claims related to tariffs applied until the new tariffs approved by the Competition Authority were duly implemented.

The Competition Authority approved the tariff application submitted by the company in September 2019 on 18 October 2019. The new prices for the water services came into effect from 1 December 2019.

Company's risks according to their area of impact

Financial risks	Operational risks	Reputational risks	Legal and Regulatory risks
Health and Safety risks	Environmental risks	Personnel risks	IT risks
Organisational risks	Reporting risks	Sustainability risks	Quality risks



In the company's main business area, prices fell by an average of 27% for private customers and by an average of 15% for business customers.

As of 31 December 2024, the claims brought in the five actions totalled €14.67 million. The Management Board has estimated the potential liability in the event of a legal settlement at €6 million (31 December 2023: €6 million) and has decided to suspend the reduction of the provision for reasons of prudence. One of the cases reached the Supreme Court in the summer of 2024, but was sent back to the court of first instance for reconsideration. As of 31/12/2024, two cases are pending in the court of second instance. So far, the claims in these cases have been deemed to be without merit, while none of them has yet resulted in a final judgement. The company does not consider it likely that further claims will be filed on the same basis, given the general limitation periods.

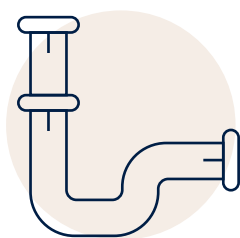
The company has always acted lawfully, applying fair tariffs established in accordance with applicable law and in the opinion of the company there is no basis for filing claims, therefore the company does not accept any liability and rejects all the claims in full.

We cooperate,
regularly check
our systems and
duplicate critical
links.

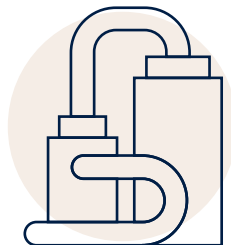
Our main products and services



Collection, treatment and supply of water



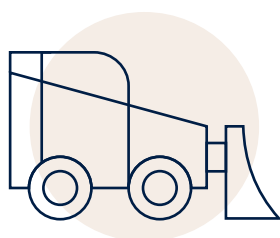
Pipe construction



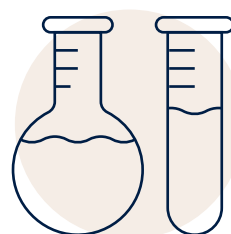
Water and wastewater services



Collection, treatment and disposal of wastewater and stormwater



Transportation services and road construction



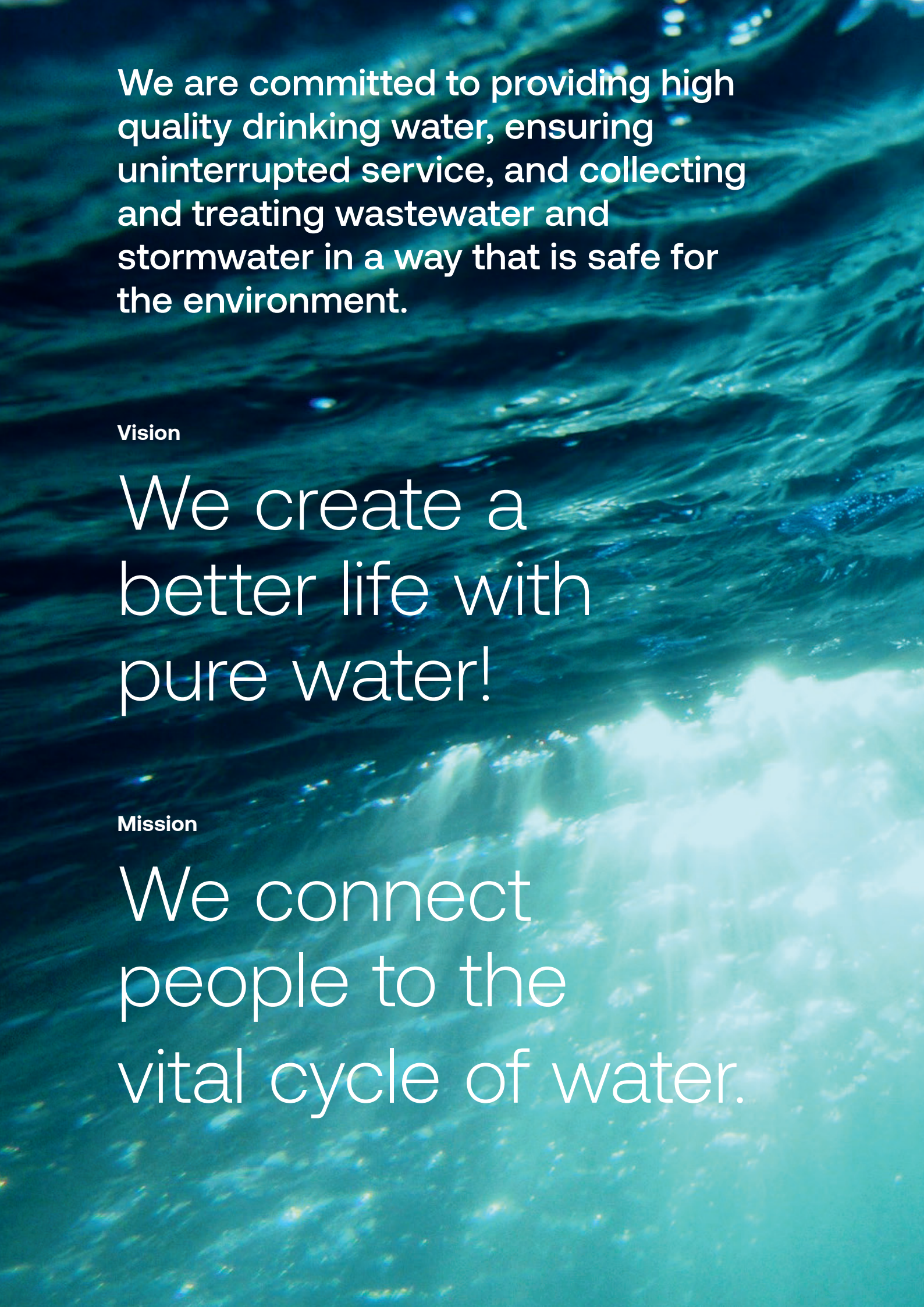
Laboratory services



Owner supervision and project management



Design services

The background of the entire image is a vibrant, high-quality photograph of an underwater scene. Sunlight rays, known as crepuscular rays, are seen filtering down from the surface, creating a shimmering, ethereal effect. The water is a deep, rich blue-green color, with visible ripples and bubbles. The overall mood is serene and clean, emphasizing the purity of water.

We are committed to providing high quality drinking water, ensuring uninterrupted service, and collecting and treating wastewater and stormwater in a way that is safe for the environment.

Vision

We create a better life with pure water!

Mission

We connect people to the vital cycle of water.

Highlights from 2024

The keyword for 2024 was environmental protection. We made major investments in water and wastewater treatment and continued to rehabilitate water and wastewater networks. Modernizing the water infrastructure will help to reduce service interruptions and ensure a high-quality water supply. During the summer, 53 public taps were opened to the public, helping to increase access to clean tap water and reduce plastic waste. As in many previous years, we supported environmental education initiatives in 2024, targeting the local community and people with fewer opportunities.

Large investments in water and wastewater treatment

Our aim in 2024 was to continue to invest to future-proof our infrastructure and ensure the continuity of the vital services we provide at prices consumers can afford. Last year, nearly €50 million was invested in fixed assets. Planned investments in water and wastewater treatment plants amounted to €19 million.



Improvements to biological wastewater treatment

Over the next three years, we will invest around €9 million to improve the biological wastewater treatment process. This will increase the efficiency of nitrogen and phosphorus removal from the wastewater treated at the Paljassaare Wastewater Treatment Plant, ensuring that the water returned to the environment is of the highest purity. The project involves the reconstruction of 12 secondary clarifiers of the biological treatment system at the Paljassaare Wastewater Treatment Plant, where activated sludge is separated from wastewater. Modern technology and equipment will help meet increasingly stringent environmental targets and ensure more energy-efficient wastewater treatment.

Pipeline work without digging up streets

In 2024, we rehabilitated 45 km of water and wastewater networks, more than 40% of them using no-dig methods, which avoid large excavations, are environmentally friendly and cause less disruption to people's daily lives. In 2024, for example, the supply pipe in Masina Street in the city centre, the pipeline in Tondimõisa Park and Siili Street, the pipeline in Tondiloo Park, the chain house project on Õismäe Road, the pipelines in Härmatisa, Räitsaka, Suur-Ameerika and Kreutzwaldi streets and in the Völvi-Liivamäe area were completed.

In addition to the ongoing work to ensure the quality of drinking water, Tallinna Vesi is actively developing the city's sewer system, which is specifically designed for stormwater. For example, larger upstream stormwater pipes were built on Kolde Avenue and Kopli and Paavli streets.



Tallinna Vesi added sustainability criteria to its syndicated loan

Tallinna Vesi amended its syndicated loan agreement to include sustainability criteria that support the strategic objectives of the company, with SEB Estonia acting as the sustainability coordinator for the loan.

Tallinna Vesi's syndicated loan agreement includes sustainability criteria and annual targets to meet the company's environmental, social and governance (ESG) objectives. Following this amendment, approximately 82% of Tallinna Vesi's total lending is now linked to green or sustainability-related instruments, underlining the strength of the company's sustainability strategy and providing a solid foundation for its future projects.

A plan to concentrate operations at two sites

Tallinna Vesi is planning to move out of its buildings on Ädala Street and continue its operations at two sites – at the water treatment plant in Ülemiste and the wastewater treatment plant in Paljassaare. There are both economic and environmental reasons for concentrating operations at two sites. The current buildings on Ädala Street, built almost 60 years ago, are old, inefficient in terms of energy use and no longer meet the company's needs. The new building is expected to be completed in 2026.

Clean drinking water for all

In the spring, we opened public water taps in Tallinn to ensure that everyone has access to clean drinking water during the summer season. In total, we opened 53 public taps in the capital, providing healthy drinking water of controlled quality until November. To this end, more than 3,000 water samples were taken during the year. According to a customer survey conducted in 2024, around 90% of people living in Tallinn and the surrounding area prefer to drink tap water.

Public taps are popular and actively used by health enthusiasts, families with children spending time outdoors and people walking their pets. In summer, especially in hot weather, the need to drink water also increases.



We supported Estonian athletes preparing for the paralympics

We supported the preparation of athletes for the Paris Paralympic Games by signing a cooperation agreement with the Estonian Paralympic Committee. The preparation of Paralympic athletes was just one targeted part of Tallinna Vesi's support for the promotion of parasports in Estonia. Tallinna Vesi and the Estonian parasports community have been working together for more than ten years, with Tallinna Vesi having previously been a long-time supporter of the Estonian Disabled Athlete Sports Association. Over the years, the water company's support has helped to improve sporting opportunities and the overall quality of life for people with disabilities in Estonia.

Tallinna Vesi and EKA students created street art on water pumping stations

Tallinna Vesi carried out a project to decorate four water pumping stations in Tallinn with street art by young people studying at the Estonian Academy of Arts. We gave the young street artists a chance to bring change and a touch of glamour to the city, and to prove that well-executed graffiti can bring joy to everyone. Together with the young artists, we sincerely hope that the people of Tallinn will appreciate the artwork created on the walls of the pumping stations, and that street art will continue to be a source of joy for all passers-by for a long time to come. The water pumping stations decorated with street art can be found at Vilde tee 132a, Võsa tee 26a, Sepa 30 and Veeriku 1 in Tallinn.



Tallinna Vesi held its first key customer day

Tallinna Vesi held its first key customer day at the Ülemiste Water Treatment Plant, inviting its partners and presenting them issues and developments that are currently important to the company.

Customers learned more about the challenges and trends facing the company, the principles of water pricing, ongoing pipeline works and future plans, as well as projects related to storm water management. We also talked about the crisis management and resilience issues and explained the operation of the water and wastewater treatment plant and the ice-pigging technology used we use to clean pipelines.

We support successful students through scholarships

We support and recognise successful students in universities and vocational schools to help them become leaders in their field. We believe it is important to motivate hardworking and active students and to promote the vital water sector. At the same time, we want to attract professionals with fresh knowledge to join the company. In 2024, we awarded scholarships at TalTech, Tallinn University of Applied Sciences, Estonian University of Life Sciences, Tallinn Center of Industrial Education, Tallinn Lasnamäe School of Mechanics and Tallinn College of Applied Sciences.



We joined the diversity charter

On Diversity Day, we joined the Diversity Charter, becoming part of a community that values diversity and equal treatment of its employees, partners and customers. At Tallinna Vesi, we believe it is important for all our employees to be involved in the company's activities and important issues, and we respect and treat each employee equally, regardless of their background. We have also created opportunities for employees to report their concerns and observations about any unfair treatment.

Tallinna Vesi is a supporter of national defenders

In June, we received the "Supporter of National Defenders" recognition, annually awarded by the Minister of Defence to companies and organizations that have excelled in supporting national defence.

Watercom introduced new equipment for no-dig pipe rehabilitation

The CIPP equipment arrived in 2024 and the first tests were carried out in late autumn. The innovative cured-in-place pipe (CIPP) technology enables environmentally-friendly pipe rehabilitation without digging up streets.



Contribution to the local community

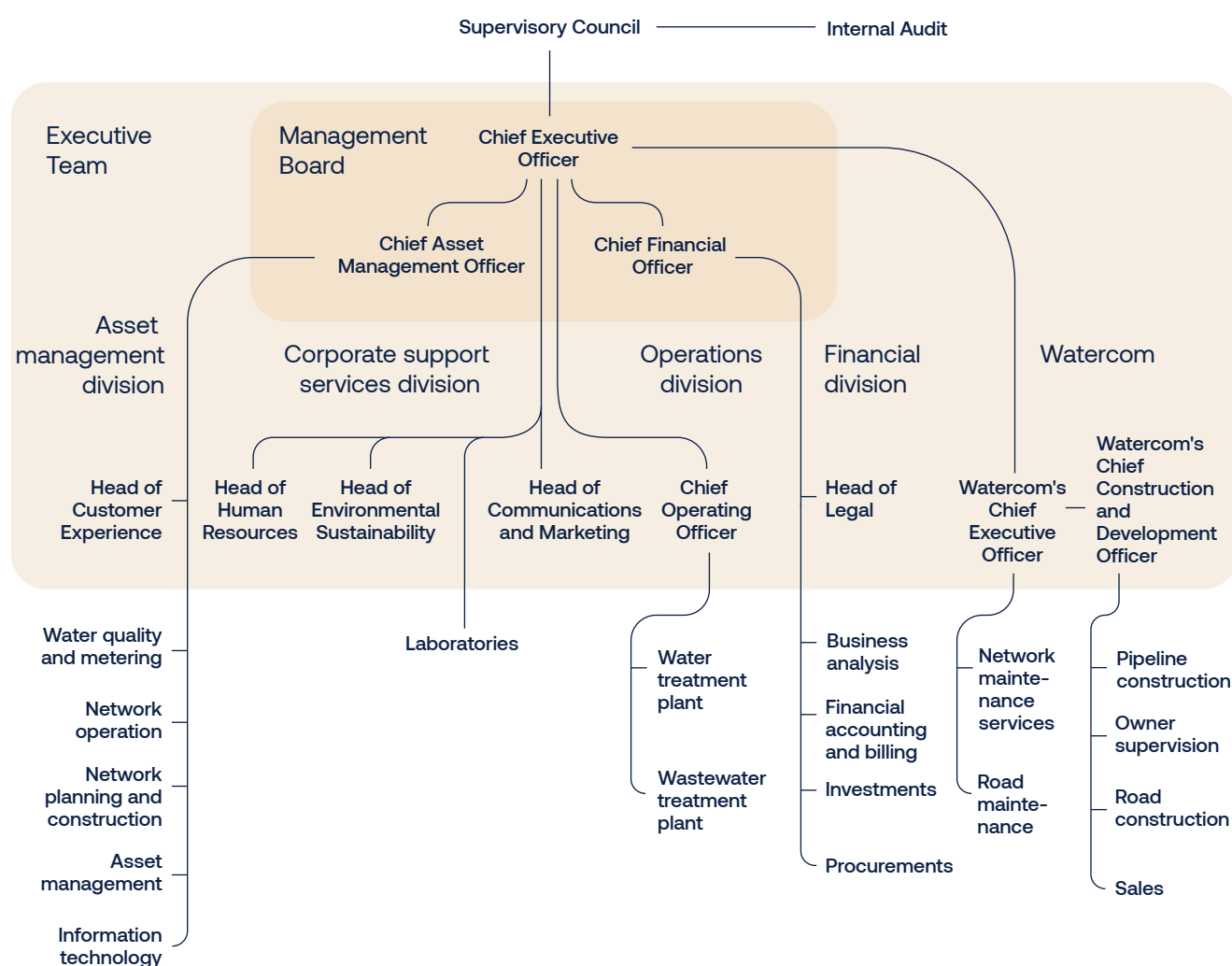
As in many previous years, in 2024 we supported initiatives related to environmental education and targeting the local community or people with fewer opportunities.

We contributed to Impact Day, a sustainability festival promoting environmental education, and the Investment Festival, as well as to community events such as Tallinn Old Town Days, Summer Day of the Association of Large Families in Tallinn and Harju County, Tallinn Maritime Days, Kalamaja Days, Tallinn Urban Space Festival and KopliFest. We also supported a number of sporting events, such as the 52nd Run around Lake Ülemiste, hosted by Tallinna Vesi, IRONMAN Tallinn and the Kõrvemaa Cycling Marathon.

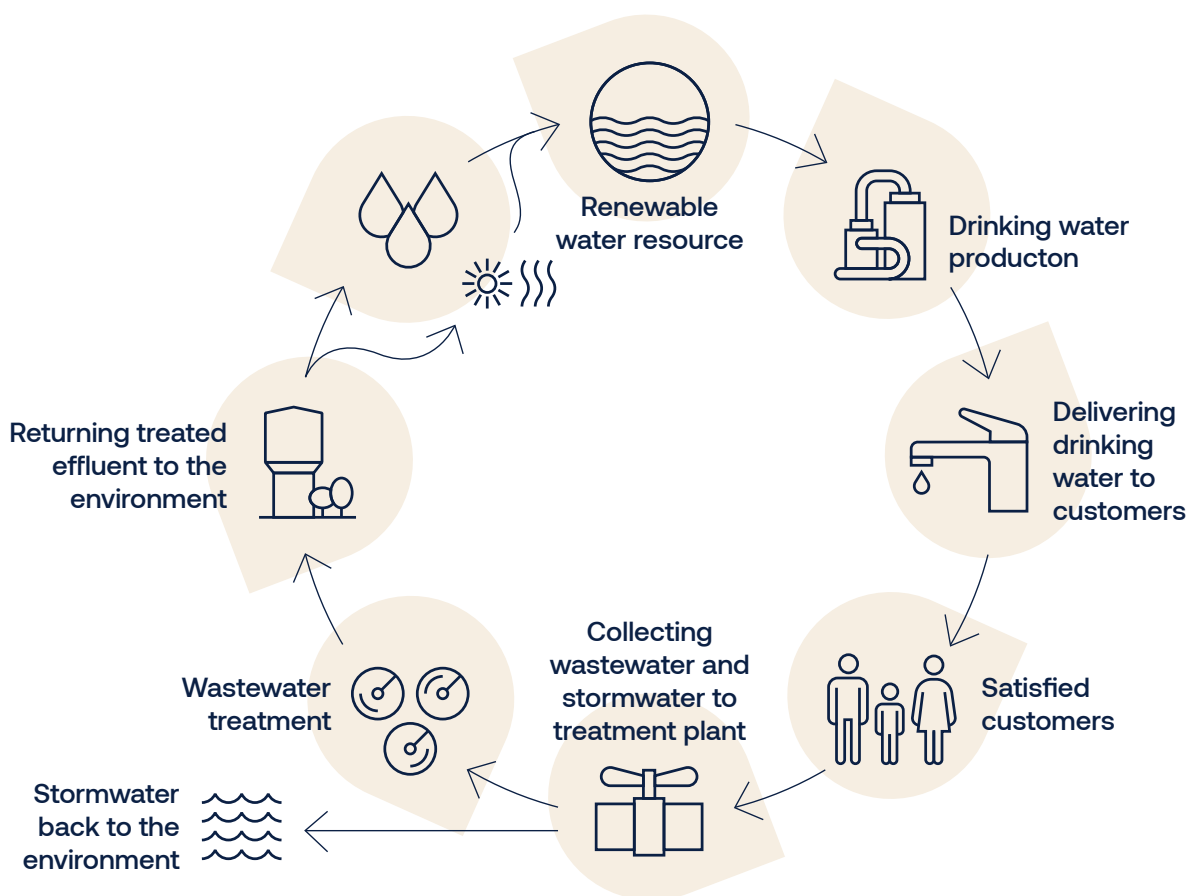
In 2024, we supported the Kindergarten Õunake and the Ristiku Primary School in Tallinn, the Estonian Paralympic Committee, the Agrenska Foundation, the Tallinn Children's Hospital Foundation, the Autism School Charity Fund, the North Estonian Association of the Blind, the Tallinn Women's Crisis Home and the Food Bank.

We organised open days and guided tours at the Ülemiste Water Treatment Plant and the Paljassaare Wastewater Treatment Plant, and held discussion groups on water and environmental issues. For the first time, we took part in the Opinion Festival and chaired a discussion on sustainable consumption in the "Energetic Economy" panel.

Company structure



Strategy



Simply put, we aim to ensure a better quality of life with clean water. Through our business, we are part of the natural water cycle, providing our customers with clean water that they can use with confidence, knowing that the same water will be returned to nature in a way that is safe for the environment. To make this vision a reality, we have set five strategic objectives that form the pillars of our business: sustainable urban development, reducing environmental impact, ensuring continuity, affordable prices, and employee satisfaction and strong shareholder relations.



How we create value

We are committed to creating a better life with pure water. We work tirelessly and passionately to achieve the targets and objectives we set for ourselves. As a large company, Tallinna Vesi holds an important role in the community. We must stand up for our employees, customers, consumers, investors, cooperation partners, the country, and the environment.

Through our business, we are part of the natural water cycle — providing our customers with clean water that they can use with confidence, knowing that the same water will be returned to nature in a way that is safe for the environment. This holistic view underpins our strategic objectives.

As a large company, Tallinna Vesi holds an important role in the community.

Strategic objectives

Tallinna Vesi's operating environment is shaped by several elements of sustainability, including environmental considerations, social factors, regulatory requirements and market dynamics. The company navigates these elements to provide reliable, safe and sustainable water and wastewater services that are vital to residents and businesses.

Tallinna Vesi has a responsibility to ensure the sustainable management of water resources, taking into account factors such as water availability, climate change and environmental protection. This means implementing efficient water treatment processes and promoting green practices among water users. As the largest water company in Estonia and a provider of vital services, we impact the daily lives of about one third of Estonian people. We recognize this and make sure that the services we provide fully meet these requirements. We take into account the impact we have on the surrounding living and natural environment and the critical importance of the continuity of our services.

Climate change is causing average temperatures to rise, leading to unexpected and abrupt weather changes. Prolonged droughts affect the availability of water resources, while periodic downpours pose drainage challenges and increase the demand for stormwater solutions.

Continuity risks from external factors have increased (geopolitical, cybersecurity, etc.).

We have set five strategic objectives that reflect the interests of our stakeholders:

- sustainable urban development,
- reducing environmental impact,
- ensuring continuity,
- affordable prices,
- employee satisfaction and strong shareholder relations.

Sustainable urban development

We enable the sustainable urban development by providing high-quality water services, pioneering modern stormwater solutions and developing green urban space. We connect our customers to the vital water infrastructure and deliver excellent customer experiences using smart solutions and digital service channels.

Reducing environmental impact

We reduce the environmental impact of our customers to ensure that a clean Baltic Sea is maintained and that surface water is used as a sustainable resource. We promote the circular economy, use renewable energy generated in our own operations and adopt modern technologies.

Ensuring continuity

We ensure the continuity of vital water services by maintaining our assets in a reliable condition, building resilience to climate change and -risks, and implementing robust cyber security measures.

Affordable prices

We strive to maintain affordable prices for our customers by continuously improving our efficiency through modern technologies, digitalization and automation. We invest wisely and in partnership with local authorities and other utility owners.

Employee satisfaction and strong shareholder relations

We value employee satisfaction and strong relationships with shareholders. We invest in our people by promoting a safe and fair working environment and supporting continuity through a well-designed succession programme. We work together to grow company's value and meet the expectations of our shareholders.

Strategic objectives and targets

	Key performance indicator	Target 2028
Sustainable urban development	Quality of drinking water	100%
	Number of flooded locations (vs 2023)	-25%
	Excellent customer experience (TRI*M Index score)	> 65
Reducing environmental impact	Compliance with environmental permit requirements	100%
	Quality of treated effluent	100%
	Scope 1 and 2 emissions (vs. 2020)	-48%
Ensuring continuity	Water loss rate lower than EU average	< 10%
	Number of water bursts*	-10%
	Number of sewer blockages*	-10%
Affordable prices	Water costs as % of household income ¹	
Employee satisfaction and strong shareholder relations	Number of workplace accidents	0
	Voluntary staff turnover	< 7%
	Dividend policy, net profit distributed	50–80%

* Compared to the average of 2020–2022

¹ Depends on the prices for water services to be approved by the Competition Authority. At the prices applied in 2023, water costs were approximately 0.5% of the average net household income and will remain at the same level if the price application submitted to the Competition Authority is approved.

Tallinna Vesi's responsibility is to ensure the sustainable management of water resources, taking into account factors such as the water availability, climate change and environmental protection.

Stakeholder expectations

Stakeholder	Expectation	Stakeholder engagement	Relation to strategy
Customers	High-quality drinking water	Customer satisfaction surveys (1x per year)	Sustainable urban development
	Functioning of public sewer system		
	Affordable and lawful prices for services	Providing information by e-mail (interruptions, quarterly newsletter)	Affordable prices
	Prompt and appropriate exchange of information		
	High level of customer service	Public events	Ensuring continuity
	Smooth billing and information transfer		
Employees	Modern working environment	Employee satisfaction surveys (1x per year)	Employee satisfaction and strong shareholder relations
	A professional and diverse team		
	Competitive salary	Intranet, e-mails	
	A stable job		
	Development and training opportunities	Open management meetings (1x per month)	
	Information flow		
Shareholders	Sustainable business model	Interim and annual reports	Employee satisfaction and strong shareholder relations
	Good reputation	Press releases	
	Steady dividend stream	Quarterly investor webinars	
	Transparency in management and reporting		
Policymakers and supervisory authorities	Conducting business in compliance with legal requirements	Participation in the process of drafting legislative intents and bills through professional associations	Ensuring continuity
	Reducing environmental and climate impacts		Affordable prices
	Continuity of vital services		Reducing environmental impact
	Providing high-quality services	Membership of relevant national and local government working groups related to business	
	Safe working environment		
	Employment	Active participation in the activities of professional associations	
	Transparent and timely reporting		
Wider public and community	Reducing environmental impact	Public events	Sustainable urban development
	Sponsorship	Annual environmental and ESG reports	Reducing environmental impact
	Environmental education		Ensuring continuity
Suppliers	Procurement transparency	Supplier satisfaction surveys	Ensuring continuity
	Clear rules for carrying out the work		
	Safe working environment	Information days	
	Timely payments		
Financial institutions	A stable revenue base	Regular reports and statements	Reducing environmental impact
	Sustainable and ethical business practices		
	Transparent and detailed reporting		
Educational institutions	Cooperation projects	Guided tours organised by the company	Sustainable urban development
	Availability of traineeships	Taking on trainees	Reducing environmental impact
	Innovation		
		Scholarship programme	

Financial results for 2024

Given that Tallinna Vesi only operates in Estonia, it is natural that our company is mainly dependent on the trends in Estonian economy. According to the Estonian Economy and Monetary Policy review prepared by Eesti Pank, the year proved harder than expected for the Estonian economy and the recession lasted longer than predicted. Changes in the consumer price and construction price indices have a direct impact on Tallinna Vesi's operating costs and investments.

Economic environment

Given that Tallinna Vesi only operates in Estonia, the company is mainly dependent on the trends in Estonian economy.

The latest economic forecast from Eesti Pank finds that the economy is in a stronger position. Several sectors that have been in difficulties have managed to start growing again and circumstances continue to improve. Growth in the economy is expected to be 1.6% next year, and around 3% in 2026 and 2027. Inflation will be close to 4% for the next two years because of tax rises, and it will come down after that. Tax rises will be behind about a third of the inflation in the next two years.

The performance of the Estonian economy depends above all on that of the European economy, which is forecast to grow faster, but still at quite a modest rate. The European Central Bank expects growth of 1.1% in the euro area next year and of 1.4% the year after. There is unfortunately increased uncertainty about the outlook for international trade, because of the fear that the US will start to tighten its trade barriers. This would cool economic growth around the world and probably boost inflation.

The labour market has reacted relatively little to the recession, and no rapid change is expected as the economy recovers. Employment has not fallen in step with the decline in the economy overall, and as businesses have clearly been avoiding laying off employees there will not be any immediate substantial increase in hiring as the economy revives. Unemployment will consequently fall only slowly while the modest competition for jobs will restrain the growth in wages to around 6% next year and around 5% in the two years after that. Wages will also grow more slowly because businesses need to recover the profitability they have lost in the meantime, as the share of revenues paid out in wage costs has come close to its all-time record level because of efforts to retain employees.

Cuts to interest rates will give a substantial boost to economic growth. Euribor falling is already passing the effect of the European Central Bank cutting base interest rates on to borrowers in Estonia. A fall in the six-month Euribor, which the loan contracts of most businesses and private clients are linked to, will give some support to the economy, and the effect of it will reach borrowers in Estonia faster than those in most other euro area countries, where loan contracts with long-term fixed interest rates are more common. The private sector in Estonia is more indebted than those in the other Baltic states, and so Estonia will feel more of the positive impact of the fall in the cost of money as it earlier felt the large increase in the interest burden.

The impact of the tax rises on inflation will be temporary. The consumer basket rose in price by 3.6% this year, and higher VAT and excises and the introduction of the vehicle tax mean it will not fall below that level in the next two years. Taxes will be responsible for

around a third of inflation moving forwards. Inflation will fall below 3% in 2027, and a quarter of it will then come from the emissions trading system of the European Union. The price level in Estonia is near the average in the European Union, and it is notably higher for some groups of goods. The high price level has already caused the share of purchases that are made from abroad to increase, and it is probable that there will be further growth in shopping

through international online stores. This limits the ability of merchants in Estonia to raise their prices if they want to remain competitive. Pressure to spend more efficiently has consequently clearly increased both for retailers and wholesalers and for producers. Striving for cost efficiency may also be one reason why Estonian companies have continued to invest quite actively even while the economy has been weak, production capacity standing idle, and interest rates high.

Changes in CPI and construction price index have direct impact on both operating and capital expenditures of Tallinna Vesi. According to the Statistics Estonia, average construction price index increased by 1.6% compared to year 2023 (2023: 17.8%).

2023 proved harder than expected for the Estonian economy and the recession continued in 2024, lasting longer than predicted.

Main financial indicators of Tallinna Vesi

€ million, except key ratios and share data	2024	2023	2022	2021	2020
Sales	64.38	61.14	54.56	53.29	51.72
Gross profit	26.67	24.07	16.90	20.58	22.23
Operating profit before depreciation and amortisation (EBITDA)	27.51	25.40	18.14	25.30	28.07
Operating profit	18.98	17.35	11.32	18.78	21.78
Profit before taxes	14.78	14.21	10.65	18.40	21.34
Net profit	13.28	12.84	8.41	16.17	16.73
Gross profit margin %	41.43	39.36	30.97	38.61	42.98
EBITDA margin %	42.73	41.55	33.24	47.47	54.27
Operating profit margin %	29.49	28.38	20.75	35.24	42.12
Profit before taxes margin %	22.96	23.23	19.51	34.52	41.27
Net profit margin %	20.63	21.01	15.41	30.33	32.35
ROA %	4.46	4.80	3.30	6.32	6.45
Debt to total assets %	61.71	58.47	56.26	54.94	56.09
ROE %	11.20	11.27	7.43	14.20	14.69
Current ratio	0.76	1.30	1.24	2.83	3.85
Number of full-time equivalent employees, at the end of the year	362	351	333	333	332
Share price, at the end of the year	10.20	10.60	12.54	14.48	13.25
Share capital	12.00	12.00	12.00	12.00	12.00
Earnings per share	0.66	0.64	0.42	0.81	0.84
Dividend per share	n/a*	0.51	0.33	0.65	0.65
Cash balance, at the end of the year	3.59	14.74	12.65	36.56	44.51
Investments to fixed assets	49.53	34.93	25.13	15.38	19.42

*Dividends for 2024 have not been declared at the time of issuing the report.

EBITDA: Operating profit + depreciation and amortization

Gross profit margin: Gross profit / Sales

EBITDA margin: EBITDA / Sales

Operating profit margin: Operating profit / Sales

Profit before taxes margin: Profit before taxes / Sales

Net profit margin: Net profit / 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

Statement of comprehensive income

Sales

During the twelve months of 2024 the group's total sales were €64.38 million, showing an increase of 5.3% or €3.24 million year-on-year. Sales from water services for twelve months of 2024 were €58.29 million, increasing by 4.8% or €2.67 million year-on-year.

Sales from water services both inside and outside of the main service area accounted for 90.6% of the group's total revenue, 8.1% of the sales accounted for construction services and 1.3% for other services.

€ thousand	12 months			Variance 2024/23	
	2024	2023	2022	EUR	%
Water supply service	11,714	9,861	8,380	1,853	18.8%
Wastewater disposal service	15,207	14,508	12,406	699	4.8%
Total from private customers	26,921	24,369	20,786	2,552	10.5%
Water supply service	8,245	8,514	8,260	-269	-3.2%
Wastewater disposal service	8,988	9,087	8,480	-99	-1.1%
Total from business customers	17,233	17,601	16,740	-368	-2.1%
Water supply service	1,733	1,670	1,599	63	3.8%
Wastewater disposal service	4,875	4,236	3,525	639	15.1%
Stormwater disposal service	168	260	193	-92	-35.4%
Total from outside service area customers	6,775	6,166	5,317	609	9.9%
Stormwater disposal and fire hydrants service	5,849	6,011	4,643	-162	-2.7%
Excess pollution charges and sewer discharge service	1,514	1,476	1,403	38	2.6%
Total from water services	58,291	55,624	48,890	2,667	4.8%
Construction services	5,220	4,775	4,809	445	9.3%
Other services	865	742	860	123	16.6%
Total revenue	64,377	61,141	54,558	3,236	5.3%

During the twelve months of 2024, sales to private customers in the main service area increased by 10.5% to €26.92 million, driven by an increase in consumption and change in tariffs from 1 July and 1 November 2024.

The price decision of 1 July 2024 was influenced by all price components. A significant impact came from adjusted depreciation and profitability, which have increased as a result of investments. The volume

of regulated assets increased from €173.2 million to €222.3 million. Due to the higher cost of capital, the weighted average cost of regulated capital (%) increased by 82 basis points to 6.28%.

Sales to business customers decreased by 2.1% to €17.23 million, also as a result of changes in consumption and in tariffs.

Sales to customers outside the main service area increased by 9.9% to €6.77 million, being mainly impacted by increase in the wastewater disposal service revenues.

Sales from the operation and maintenance of the stormwater and fire hydrants system in the main service area in the twelve months of 2024 amounted

to €5.85 million, showing a decrease of 2.7% or €0.16 million compared to the same period in 2023.

Sales from construction services were €5.22 million, increasing by 9.3% or €0.44 million year-on-year. The increase in sales resulted from a higher volume of road construction contracts.

Cost of goods and services sold and gross and operating profits

	12 month			Variance 2024/23	
	2024	2023	2022	EUR	%
Water abstraction charges	-1,282	-1,271	-1,288	-11	-0.9%
Chemicals	-2,865	-2,742	-2,238	-123	-4.5%
Electricity	-4,690	-6,408	-9,234	1,718	26.8%
Pollution tax	-1,024	-1,005	-823	-19	-1.9%
Total direct production costs	-9,861	-11,426	-13,583	1,565	13.7%
Staff costs	-10,718	-9,684	-8,229	-1,034	-10.7%
Depreciation and amortisation	-7,448	-7,002	-5,930	-446	-6.4%
Construction services	-4,084	-3,481	-3,784	-603	-17.3%
Other costs	-5,594	-5,480	-6,134	-114	-2.1%
Other costs of goods/services sold total	-27,844	-25,647	-24,077	-2,197	-8.6%
Total cost of goods/services sold	-37,705	-37,074	-37,660	-631	-1.7%

During the twelve months of 2024, the cost of goods and services sold amounted to €37.71 million, being 0.63 million higher than at the equivalent period in 2023. Total direct production costs (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €9.84 million, being lower by 13.7% or €1.56 million. Direct production costs were mainly affected by costs of electricity that decreased by 26.8% or €1.72 million resulting in costs worth of €4.69 million, driven mainly by lower average electricity prices and electricity produced for own consumption at the combined heat and power plant.

Other costs of goods/services sold (staff costs, depreciation and amortisation, construction services and other costs) amounted to €27.84 million, having

increased by 8.6%. The changes in other costs of goods/services sold were mainly driven by an 10.7% or €1.03 million increase in staff cost and a 17.3% or €0.60 million increase in construction services costs, due to the higher construction revenue.

The group's gross profit for the twelve months of 2024 was €26.67 million, showing an increase of 10.8% or €2.61 million compared to the comparative period in 2023. The group's operating profit for the twelve months of 2024 recovered to €18.98 million, being 9.4% or €1.63 million higher than in the same period in 2023, mainly due to the optimisation of electricity costs following the launch of the CHP plant.

Financial expenses

The group's net financial income and expenses have resulted in a net expense of €4.20 million, compared to net expense of €3.14 million in the twelve months of 2023. The increase was mainly impacted by higher loan balance.

At the end of 2024, the entire loan balance of €118 million was at floating rates.

Profit before taxes and net profit

Statement of financial position

In the twelve months of 2024, the group invested into fixed assets €49.53 million. As of 31/12/2024, non-current tangible assets amounted to €296.26 million, the majority of which in the amount of €231.78 million were pipelines (31/12/2023: €206.04 million). Total non-current assets amounted to €296.33 million (31/12/2024: €257.40 million).

Compared to the year-end of 2023, the trade receivables, accrued income, and prepaid expenses at the end of the 4th quarter were €10.75 million. The collectability rate remains high at 99.62%, similar to 99.78% at the end of December 2023. Current liabilities have increased by €1.76 million to €20.54 million compared to the end of 2023, mainly due to liabilities related to investments.

Deferred income from connection fees has increased by €5.45 million compared to the end of 2023, reaching €50.11 million. Provision for possible third-party claims is of the same size as at the end of December 2023, i.e. €6.02 million. More detailed information about the provision is presented in Note 13.

The group's outstanding loans amount to €118 million (31/12/2023: €96.82 million). The NIB loan taken in 2019 is being repaid in 11 equal semi-annual payments. The changes to the loan structure are described above under "Financial expenses".

The group has total debt to assets level of 61.71%,

The group's profit before taxes for the twelve months of 2024 was €14.78 million, being 4.0% or €0.57 million higher than for the same period in 2023. The group's net profit for the twelve months of 2024 was €13.28 million, being 3.4% or €0.44 million higher than for the equivalent period in 2023, impacted by the €0.11 million higher income tax expense due to higher dividend payout.

which falls in the range of 54–65%, reflecting the group's equity profile. At the same time in 2023, the total debt to assets ratio was 57.42%.

Investors

We aim to be transparent and honest through our business activities, giving timely and accurate information to our shareholders. We treat all our shareholders equally and are dedicated to efficiency while ensuring the sustainability of the company.

Investor communication

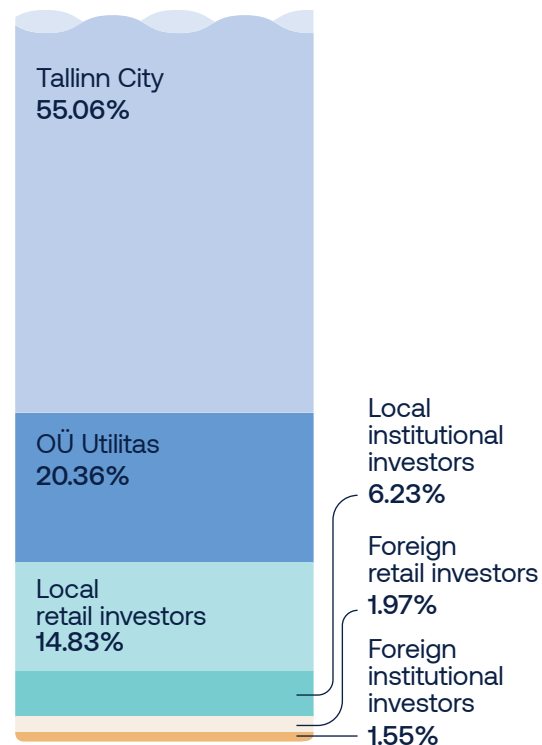
Tallinna Vesi is a listed company and its shares have been listed on Nasdaq Baltic Stock Exchanges since 1 June 2005. A company's market value is a good indication of the overall value of the company and the investors' perceptions of its business prospects. Market value is affected not only by factors controlled by the company, but also by those which cannot be controlled. Profitability and cost effectiveness are major influences on market value and can be controlled by the Management Board of the company.

Continuing and transparent communication is one of the main factors in maintaining excellent investor relations. Therefore, we continue to regularly communicate our targets, strategy and performance to the investors as well as to all other stakeholders. Each quarter, we introduce the company's quarterly financial

results to the investors and take part in discussions on the webinars. Additionally, we hold regular meetings between key institutional shareholders and potential investors and the company's Management Board. All shareholders are welcome to ask questions from the members of the Management Board and the Supervisory Council directly at the Annual General Meeting of Shareholders and at all times using e-mail or telephone.

We have worked hard on our investor relations programme since the listing of Tallinna Vesi on the Tallinn Stock Exchange and will continue to do so in the following years. To maintain the transparency of our Management Board's activities to shareholders, we have reported on Corporate Governance Recommendations on a regular basis since 2006.

Shareholders by type as of 31 December 2024



Distribution of share capital by size of share ownership as of 31 december 2024

	Number of shareholders 2024 (2023)	Shareholders % 2024 (2023)	Number of shares 2024 (2023)	% of share capital 2024 (2023)
1 – 100	8,431 (8 521)	69.4% (69.8%)	239,928 (230,584)	1.2% (1.2%)
101 – 200	1,345 (1 357)	11.1% (11.1%)	201,930 (204,080)	1.0% (1.0%)
201 – 300	597 (582)	4.9% (4.8%)	153 233 (149,473)	0.8% (0.7%)
301 – 500	579 (570)	4.8% (4.7%)	234,458 (233,222)	1.2% (1.2%)
501 – 1000	553 (548)	4.6% (4.5%)	407,077 (408,499)	2.0% (2.0%)
1001 – 5000	510 (502)	4.2% (4.1%)	1,110,003 (1,092,638)	5.6% (5.5%)
5001 – 10 000	70 (71)	0.6% (0.6%)	507,093 (517,099)	2.5% (2.6%)
10 001 – 50 000	45 (44)	0.4% (0.4%)	905,611 (914,271)	4.5% (4.6%)
50 000 +	9 (9)	0.1% (0.1%)	16,241,297 (16,236,317)	81.2% (81.2%)
Total 2024	12,121	100.0%	20,000,000	100.0%
Total 2023	12,204	100.0%	20,000,000	100.0%

Dividends

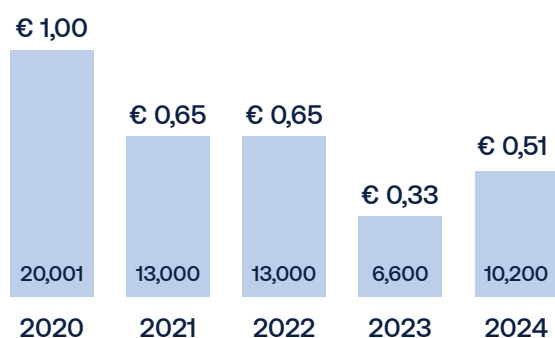
Dividend allocation to the shareholders is recorded as a liability in the financial statement of the company at the time when the profit allocation and dividend payment is confirmed by the Annual General Meeting of Shareholders.

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 30/05/2024, the Supervisory Council proposed to pay out €0.51 per share from the 2023 profits. The pay-out is equal to 79% of earnings in 2023. The proposal was approved by the Annual General Meeting.

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

Dividend pay-out / Dividend per share



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.

Decision was made
to pay out
€0.51
per share from the
2023 profits.

Share performance

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

As of 31/12/2024, 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 2024, the local retail investors and institutional investors have increased their shareholdings by 0.06% and 0.10% respectively, while the proportion of foreign institutional investors has decreased by 0.15% and the proportion of foreign retail investors has decreased by 0.01%.

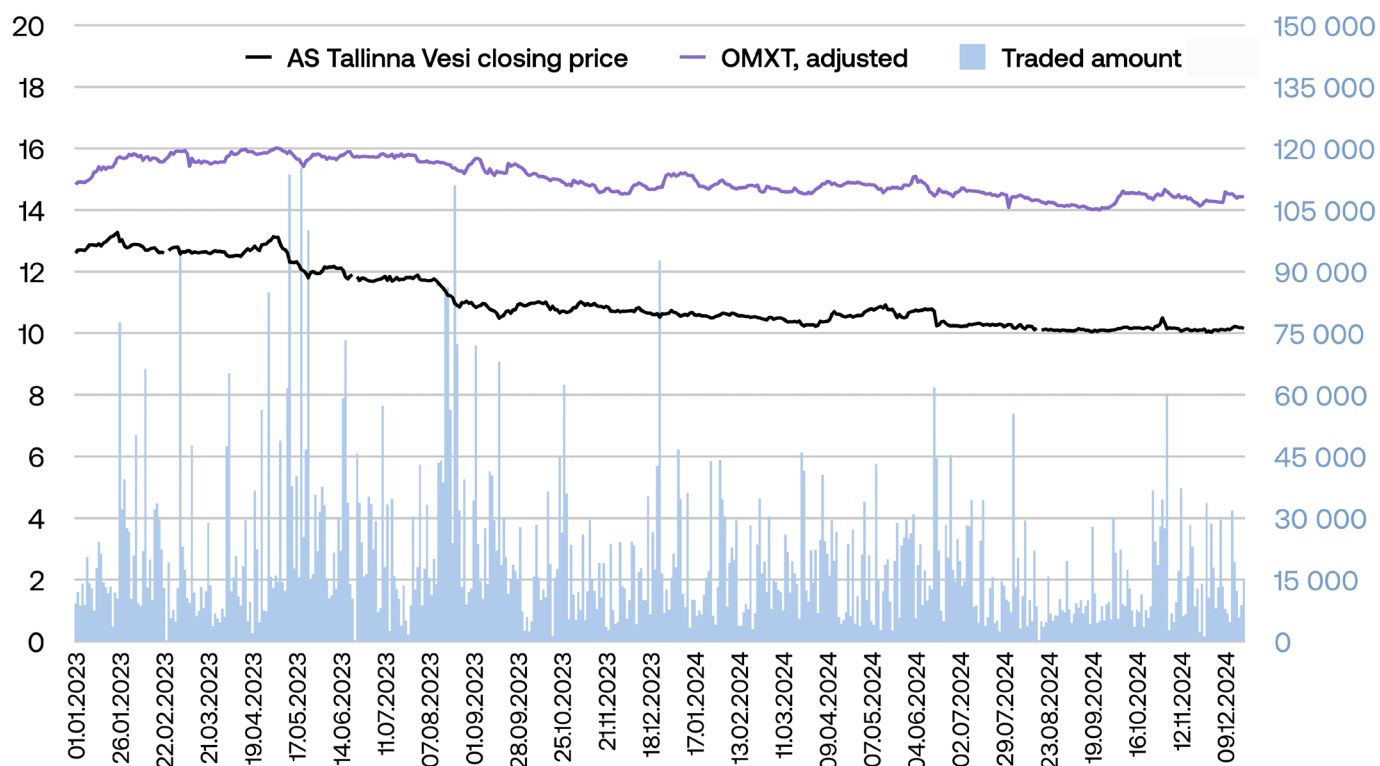
As of 31/12/2024, the closing price of Tallinna Vesi's share was €10.20, which is 3.77% lower compared to the price of €10.60 at the beginning of the year (2023: -15.74%). OMX Tallinn index decreased by -2.01% (2023: +0.1%).

During 2024, 15,515 transactions were made with the company's shares (2023: 19,918 transactions), during which 382 thousand shares or 1.9% of all shares changed hands (2023: 504 thousand shares or 2.5%).

The turnover of transactions in 12 months of 2024 amounted to €3.96 million, being €1.94 million lower than in the comparative period in 2023.

The turnover
of transactions
amounted to
€3.96M

Closing price and adjusted OMXT vs transactions turnover



Share price statistics

In euros	2024	2023	2022	2021	2020
Share price, open	10.60	12.58	14.48	13.25	11.70
Share price, at the end of the year	10.20	10.60	12.54	14.48	13.25
Share price, lowest	10.05	10.45	12.36	13.50	10.70
Share price, highest	10.95	13.28	14.42	15.60	13.70
Share price, average	10.37	11.81	13.31	14.39	12.64
Traded volume, thousand	382	504	542	947	1.403
Turnover, € million	3.96	5.90	7.30	13.59	17.49
Capitalisation, € million	204	212	251	290	265
Earnings per share	0.66	0.64	0.42	0.81	0.84
Dividend per share	n/a*	0.51	0.33	0.65	0.65
Dividend / net profit	n/a*	79%	78%	80%	78%
P/E	15.46	16.56	29.86	17.88	15.77
P/BV	1.7	1.8	2.3	2.5	2.4

P/E = share price at the end of the year / earnings per share

P/BV = share price at the end of the year / book value per share

Capitalization = share price at the end of the year * No of shares

In 2005 the listing price was €9.25

*Dividends for 2024 have not been declared at the time of issuance of the report

Activities of the subsidiary Watercom OÜ

Watercom has been established by AS Tallinna Vesi in 2010.

From the beginning, Watercom's main activities have been the maintenance and construction of water and wastewater pipelines and related activities, and in recent years also road construction. Watercom's activities support the operations of Tallinna Vesi, its main customer, on a daily basis. In addition to Tallinna Vesi, the company's customers include a number of local authorities, other water companies, developers and general contractors. The company operates mainly in Tallinn and Harju County, but has also carried out some construction projects in other parts of Estonia.

Watercom's activities include:

- pipeline construction,
- road construction,
- road maintenance services,
- pipeline maintenance services,
- project management and owner supervision,
- transport services.

Watercom's main objectives and development directions for 2025

2024 was a successful year for Watercom. Despite the difficult situation in the infrastructure market, Watercom ended the year as a standalone company with only slightly lower sales and profit than in 2023. In recognition of the good results, the company was ranked 11th overall in the TOP infrastructure builders and topped the ranking of successful water, gas and sewer pipeline builders compiled by the Äripäev business daily in 2024. The company is working to maintain a similar pace in 2025. This is underpinned by the volume of work already won in the pipeline and road construction markets in the second half of 2024, as well as an increasing number of tenders and requests for quotations, indicating a slight recovery in the construction market. Pipeline construction was the main contributor to achieving the targets set for the year. At the end of 2024, new equipment was purchased to enable sewer renovation using a no-dig method. The company plans to use this to increase the volume of work it carries out itself and to start actively offering

this service in the new year. The company has also renewed its fleet with the purchase of new tip lorries and a pressure washing truck. The outlook for 2025 remains positive and the company is committed to finding new ways to grow its revenues and profits from services won in the market. The company will continue to explore new opportunities for further growth through the development and launch of new services.

Pipeline and road construction

Watercom's main activity in 2024 was the construction of water and wastewater pipelines for developers, general contractors, water companies and private individuals. As in previous years, the focus was on feasible construction projects and procurements in Tallinn and elsewhere in Estonia. The main customers for road construction services were various general contractors, road construction companies and local authorities.

2024 continued to be a rather challenging year for the construction sector, but the second half of the year saw some recovery in both the pipeline and road construction markets, leading to an increase in external construction sales compared to the previous year. Due to the highly competitive market for both services, it was difficult to maintain the profit margin for construction activities in 2024, resulting in lower profits from these activities than in the previous year.

Other services

Pipeline maintenance and transport services are mainly provided within the group, but are also available to external customers. The preventive jet washing program significantly reduced the number of sewer blockages compared to previous years. Sales were also positively influenced by the sale of water and wastewater network maintenance services provided to external customers.

The development of new services within and outside the group will continue in 2025.

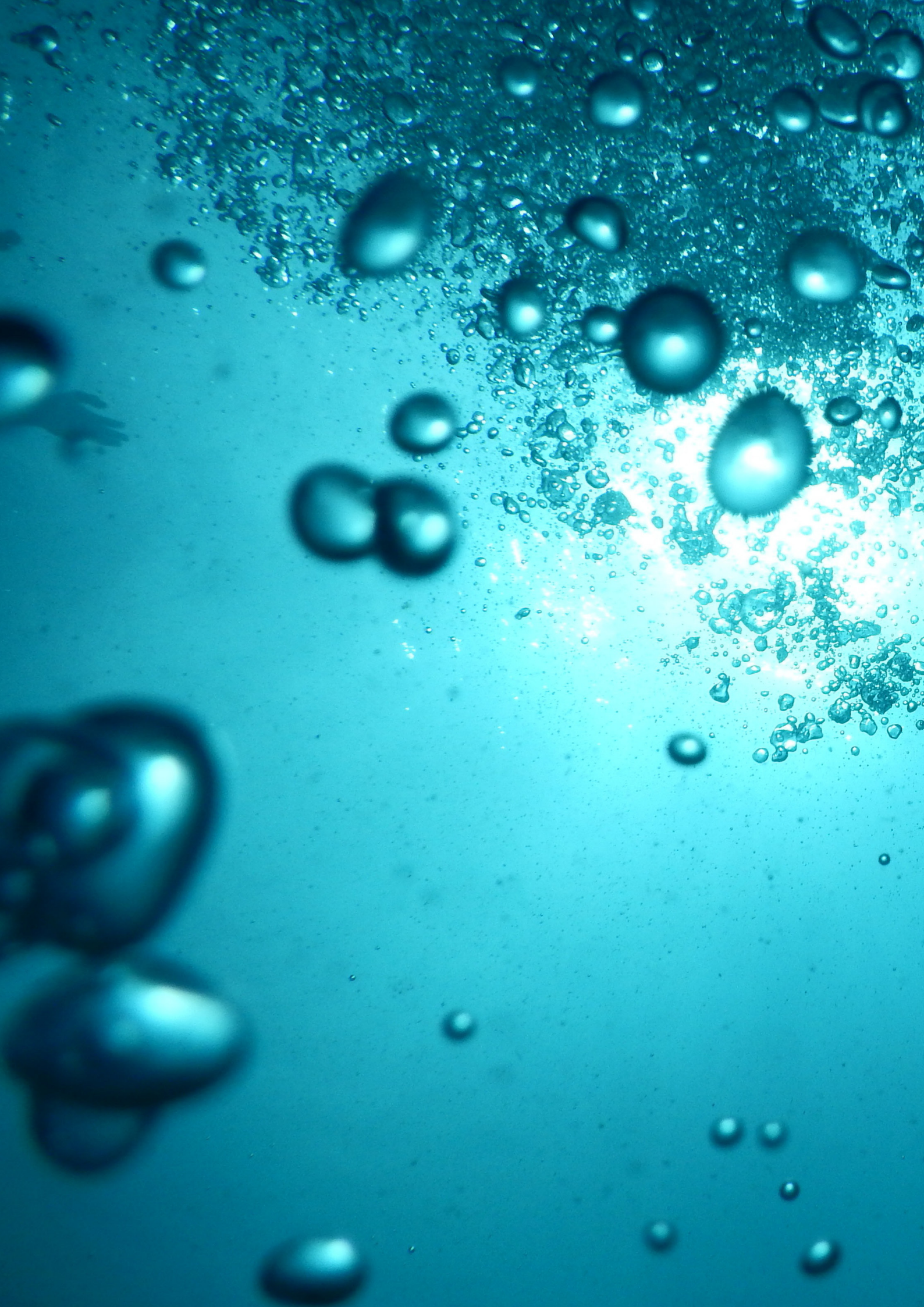
We purchased new equipment to enable sewer renovation using a no-dig method.

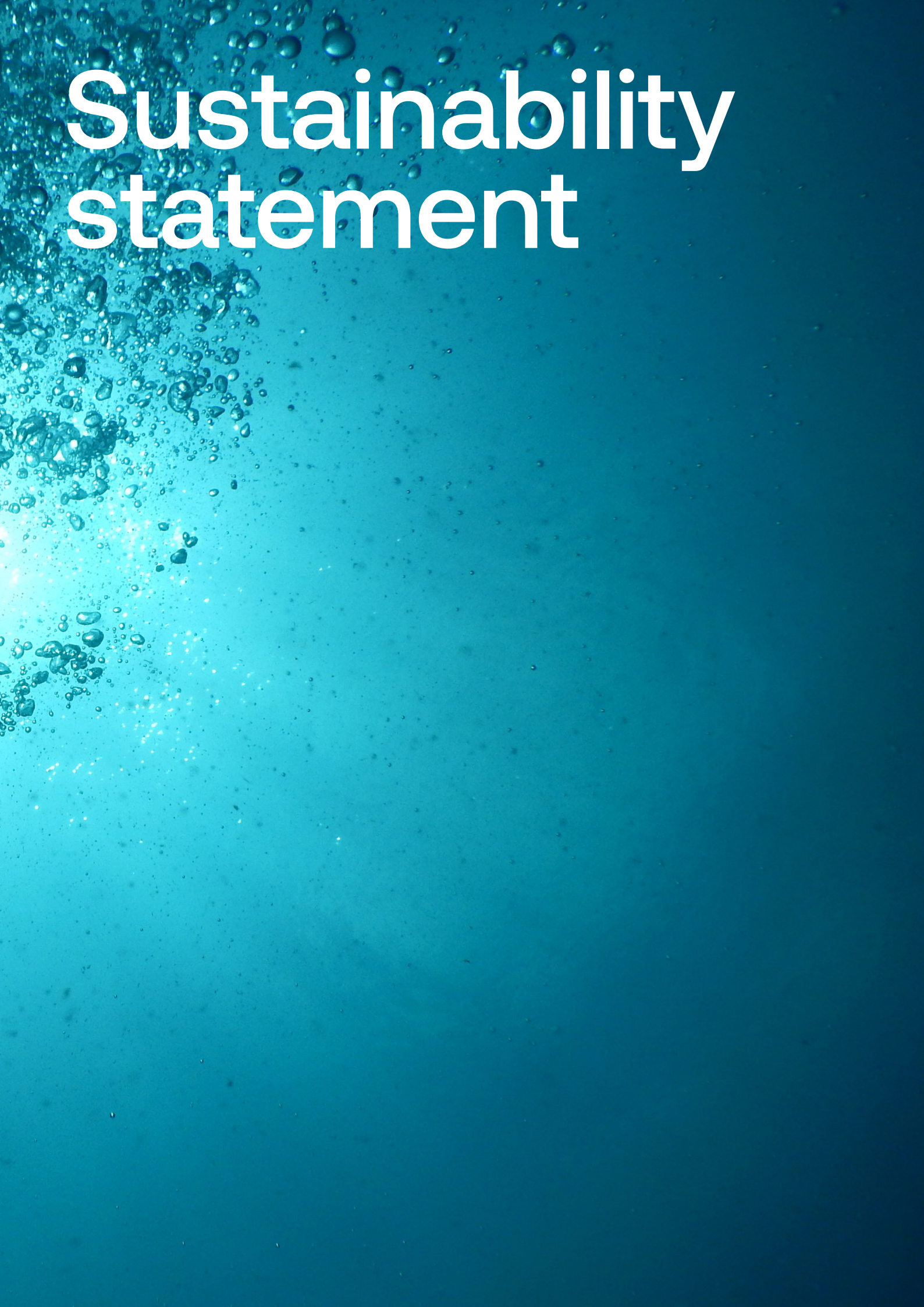
Financial targets for 2024

Group's budgeted EBITDA	>	Achieved
<hr/>		
Watercom's external profit ≥ €0.8 million	>	Achieved

Financial targets for 2025

Group's budgeted EBITDA	>	≥ Budgeted value
<hr/>		
Watercom's external profit	>	≥ Budgeted value





Sustainability statement

General information

The scope of consolidation for the sustainability statement of Tallinna Vesi is the same as for the financial report. The assessment of material impacts, risks and opportunities, as well as the policies and related actions, targets and metrics, extend to the full value chain of our company. Where the policies, measures, targets or data disclosed under the metrics cover only a specific part of the value chain, this is stated separately in each sub-topic of the statement. The company's strategy, which also includes sustainability matters, is described in more detail in the "Strategy" section.

In order to ensure that all sustainability matters are effectively covered, we have allocated responsibilities within the company according to the competences and job functions of the area managers:

Person responsible	Link to sustainability topics
Audit Committee	A sub-committee to the Supervisory Council overseeing financial reporting, audit processes, systems of internal controls, risk management and -assessment, and compliance with the laws and regulations, including sustainability requirements
Internal Auditor	Ensures independent and objective internal controls of the company's activities and is the contact point for reporting misconduct
Chairman of the Management Board	Ensures running of the company with sustainability matters taken into account
Chief Asset Management Officer	Ensures the reconstruction, maintenance and repair of assets necessary for the provision of services
Chief Financial Officer	Responsible for timely payment of taxes and invoices and servicing of loans
Chief Operating Officer	Responsible for the production of clean drinking water and the treatment of wastewater
Head of Human Resources	Responsible for employee satisfaction, succession planning and training
Head of Customer Experience	Responsible for customer satisfaction, customer contracts and information sharing
Head of Water Quality	Responsible for water quality at the point of use, water leak repairs and the installation of smart water meters
Head of Communications and Marketing	Responsible for internal and external communication, marketing and sponsorship
Head of Environmental Sustainability	Responsible for environmental compliance and sustainability reporting
Head of Legal	Responsible for ensuring that the company's business complies with applicable laws, monitors legislative initiatives that affect the company's business, and provides legal advice and training
Head of Procurement	Responsible for conducting lawful and ethical procurement processes
Head of Health and Safety	Ensures safety awareness among staff and is responsible for internal safety inspections

Assessment of material impacts, risks and opportunities

Tallinna Vesi carried out an initial assessment of key sustainability issues in 2023, which was updated in 2024. The assessment was based on the principle of double materiality, i.e. both the impact materiality and the financial materiality of sustainability topics were considered. The assessment was carried out across the value chain, taking into account all business lines of the group.

The materiality of sustainability topics was assessed in cooperation with external sustainability experts. The materiality assessment process took into account the European Sustainability Reporting Standards and the Implementation Guidance for the Materiality Assessment prepared by the European Financial Reporting Advisory Group (EFRAG).¹

The material topics were analyzed in three stages:

1. understanding the sustainability context of the business;
2. mapping of impacts, risks and opportunities;
3. performing a materiality assessment of sustainability topics.

Using the input from the first two stages, an initial mapping exercise of the material topics was carried out, based on the sustainability matters to be included in the materiality assessment, as outlined in the Sustainability Reporting Standard ESRS 1.² As a result of the initial mapping, topics, sub-topics and sub-sub-topic that are not relevant for Tallinna Vesi from a business model, strategy and stakeholder perspective were excluded. Sub-topics were also added that are not covered by the structure of the sustainability reporting, but which are relevant to Tallinn Vesi's business model and strategy.

The mapping exercise took into account existing environmental impact assessments, stakeholder engagement actions and stakeholder feedback (including employee satisfaction and salary surveys and customer feedback surveys).

For the third stage, a methodology for materiality assessment was developed based on the double materiality assessment guidelines, prepared by EFRAG,³ and the group's existing risk assessment methodology.

Impact materiality assessment

Stakeholder engagement and impact assessments

The assessments were based on the results of existing stakeholder engagement actions (including employee satisfaction and salary surveys and customer feedback surveys) and previously prepared company- and sector-specific impact assessments. The materiality assessments were validated with the members of the sustainability steering group (Management Board and Executive Team) of Tallinna Vesi.

¹ Due to the timeframe of the materiality assessment, the August 2023 version of the EFRAG guidelines was used as a basis.

² ESRS 1, AR 16 "Sustainability matters to be included in the materiality assessment".

³ EFRAG IG 1 Materiality Assessment Implementation Guidance:

https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/IG%201%20Materiality%20Assessment_final.pdf

In assessing the materiality of environmental topics, the ex-ante assessment of the company's environmental impacts and the assessment of environmental matters and impacts made within the framework of ISO 14001 were used. National forecasts on the state of various environmental topics (e.g. surface and groundwater status, changes in extreme weather events, etc.) were also taken into account. In addition, the assessments were validated with experts from Tallinna Vesi and external experts on environmental impact.

Parameters

The impact materiality was assessed by taking into account the severity and likelihood of the impact.

Three parameters were taken into account to assess the severity of the impact:

- **Scale:** How grave the negative impact is or how beneficial the positive impact is for the environment or stakeholders?
- **Scope:** How widespread the positive or negative impacts are?
- **Irremediable character:** Whether and to what extent the negative impacts could be remediated, i.e. restoring the environment or affected stakeholders to their prior state?

For actual or potential positive impacts, the irremediable character was not taken into account.

The parameters were evaluated on a 4-point scale:

- informative,
- relevant,
- significantly important,
- critically important.

Based on the Sustainability Reporting Standard ESRS 1, the likelihood of impacts was not considered for impacts on human rights.⁴ In that case, the impact materiality was determined by the severity of the impact.

For the other impacts, the likelihood of impact was assessed in the short-, medium- and long-term. The likelihood assessment took into account the link between the business model and the impact. It was also assessed to what extent the cause of the impact is under the control of the company and what are the existing mitigation actions. The assumption was made that the control of impacts and the associated adequate mitigation actions will help to reduce the likelihood of impacts.

Financial materiality assessment

Risks

To determine the financial materiality of sustainability topics, the risks arising from impacts and resource dependency were analyzed. Both aspects were evaluated on a 4-point scale: low risk, medium risk, serious risk, high risk.

⁴ ESRS 1, 3.4 "Impact materiality".

The assessment of the risks arising from impacts was based on Tallinna Vesi's existing risk assessment process, which aims to assess, manage and regularly monitor risks that could undermine the achievement of the company's objectives. The risk process is described in the "Risk management" section.

Risks arising from the resource dependency were assessed based on the scale included in the Guidance for the Materiality Assessment prepared by EFRA in 2022. The assessment was carried out with the involvement of key staff members and risk owners from various areas of the company.

Opportunities

The mapping of opportunities is done as part of the process of budgeting the capital expenditures and operating expenses and the setting of performance targets at unit level. The mapping of opportunities will take into account:

- external and internal topics that are relevant to the strategic objectives and annual targets and that have an impact on the achievement of the desired results of the quality management system;
- requirements related to stakeholders' needs and expectations.

The monitoring of the activities to be implemented will depend on the nature of the project:

- for the activities planned in the operating expenses budget, as part of the monthly budget control;
- for the activities planned as an investment, as part of the monthly checks carried out by the project steering committee;
- the evaluation of the activities planned at unit level is carried out in the units where the activities are implemented.

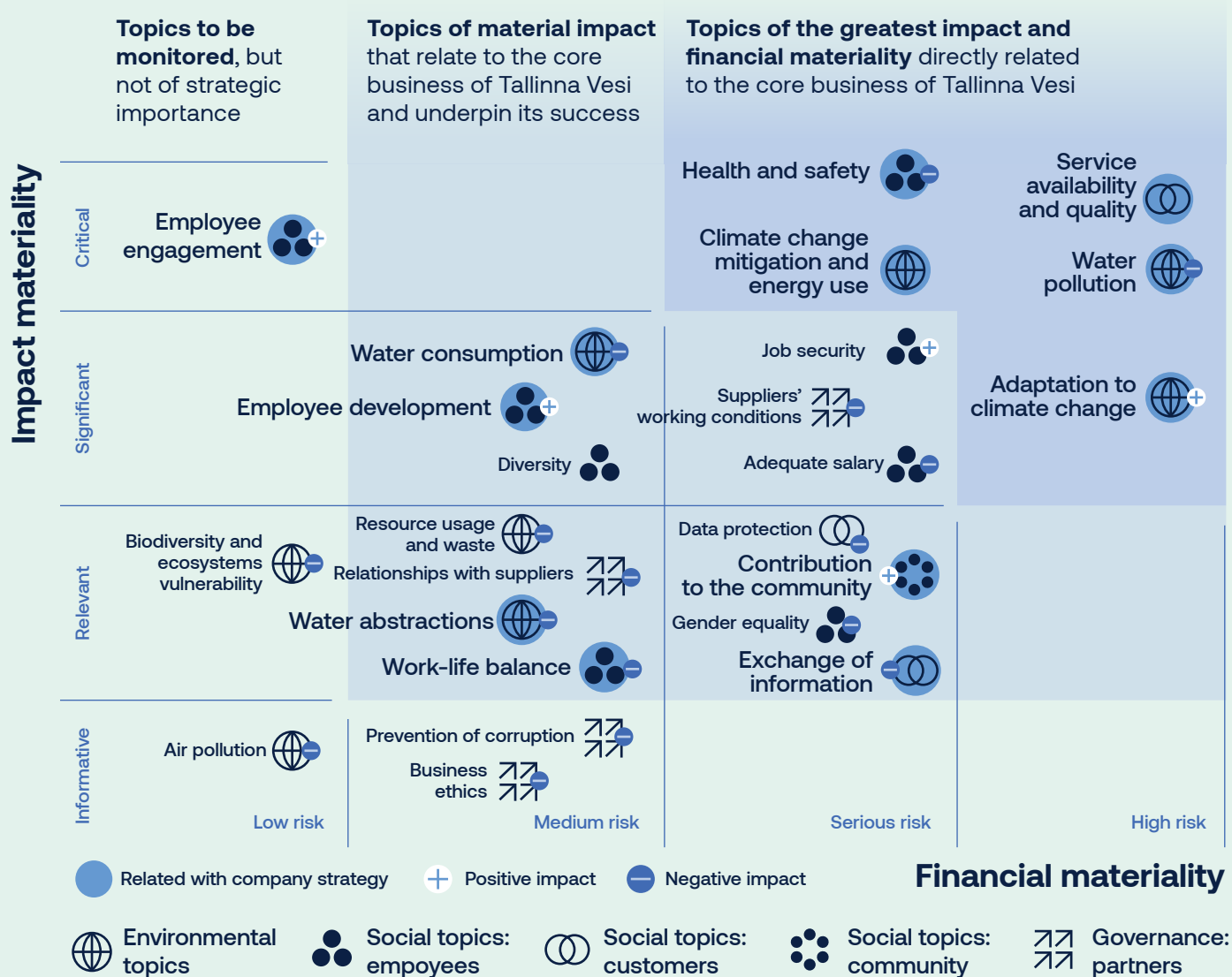
Results of the impact materiality and financial materiality assessment

The figure below shows the summary results of the materiality analysis. The figure also outlines the material topics directly related to the key directions set out in the group's strategy. As an outcome of the company management workshop, the topics were grouped into three categories, based on the impact materiality and financial materiality of the topics and their link to the key directions set out in the group's business strategy:

- A. Topics of the greatest impact materiality and financial materiality directly related to Tallinna Vesi's core business and the directions of its business strategy
- B. Topics of material impact that relate to strategic business directions and underpin the success of the core business
- C. Topics to be monitored, but not of strategic importance

More detailed explanations of the material topics and the corresponding sub-topics are outlined under each topic standard.

Summary results of materiality analysis



Integration of sustainability-related performance in incentive schemes

As a regulated water company and the largest employer in the water sector, we offer our employees stability, competitive pay, continuous development and the opportunity to build a long-term career. Most employees are eligible for an annual performance pay subject to reaching company's financial threshold and company targets and meeting one's individual targets.

Performance pay for the company management and the staff is made up of two parts: meeting company targets and meeting individual targets. A percentage of a staff member's annual basic salary is determined in accordance with the level of responsibility of the position and is used as the basis for calculating their performance pay.

The company's targets are set taking into account the aspects related to employees, customers, operations, environment and finances. Sustainability-related performance is linked to the targets related to the level of employee commitment and management quality, as well as targets related to projects for reducing electricity consumption.

Environmental information

We recognize that, as the largest water company in Estonia, we have a direct impact on the daily lives of around a third of the Estonian population, including the people of Tallinn and its neighbouring municipalities, as well as on the quality of life of communities around the Baltic Sea. Tallinna Vesi is directly dependent on natural resources, which is why we take targeted measures to reduce the negative impact of our business. For example, we are continuously improving and enhancing our existing infrastructure to increase the resilience of the urban environment to extreme weather conditions caused by climate change.

We are the largest water company in Estonia and impact the quality of life of the people who live in Tallinn and its neighbouring municipalities, as well as all those living around the Baltic Sea. Therefore, we consider the impact that we have on the living and natural environment, and the interaction with our stakeholders' interests.

As Tallinna Vesi is directly dependent on natural resources, which is why the environment is one of our key focus areas. To ensure that natural environment is preserved and that natural resources continue to be available for future generations, we are carrying out targeted actions to reduce the negative impacts of our business.

Our environmental performance complies with the requirements of the international environmental management standard ISO 14001 (including our subsidiary Watercom) and the EC Regulation 1221/2009 EMAS (Eco Management and Audit Scheme) and its amendments by Commission Regulations (EU) 2017/1505 and (EU) 2018/2026. The environmental management system is part of our management system. It is based on the identification of environmental risks, environmental matters and the resulting environmental impacts, and the setting of environmental objectives and targets to improve environmental performance.

The assessment of material impacts, risks and opportunities on underlying the report suggests that we need to focus our attention on three key topics — **climate change adaptation, climate change mitigation and energy use**.

The guiding principles on the environment cover the organization's own activities and their implementation in their own work is the responsibility of all employees in the organization, including the Management Board. Responsibilities relating to sustainability are described in more detail in the "General information" section.

Financial means for managing environmental topics

In the second quarter of 2023, AS Tallinna Vesi signed loan agreements with Nordic Investment Bank, AS SEB Pank, Swedbank AS and the Estonian branch of OP Corporate Bank plc. The loan agreements signed facilitate the financing of the investments the company has planned for 2023–2025. In 2024, the company's investments reached up to approximately €50 million. The total planned investment in 2025 is up to €61 million. The company has increased its investments in recent years to future-proof the assets needed to ensure the continuity of the vital water services. Tallinna Vesi's investments are based on the company's needs and are in line with the objectives set out in Tallinn Public Water Supply and Sewerage Development Plan. The investments focus on the company's core business and, in addition to ensuring the continuity of the service, aim to reduce the environmental impact of water consumption and allow sustainable urban development.

Each year Tallinna Vesi has committed to provide the lender with the following impact indicators for the year before:

- Amount of wastewater treated (m³) (see sub-section "Wastewater treatment")
- Amount of drinking water supplied to the consumers (m³) (2024: 22,314,699 m³)
- Greenhouse gas emissions in carbon dioxide equivalents (t/y) (see sub-section "GHG reporting principles")
- Power and heat generated from renewable energy sources (MWh/GWh) (see sub-section "Energy use and energy consumption overview")
- Water loss rate (%) (see sub-section "Water loss in distribution network")
- Length of networks built using no-dig methods (km) (2024: 18.4 km)
- Capacity of renewable energy plant(s) built or reconstructed (MW) (see sub-section "Energy use and energy consumption overview")
- Amount of natural gas consumed (m³) (2024: 245,168)

Climate change

The materiality assessment (see the assessment methodology in the "Impact materiality assessment" section) identified material impacts as well risks for Tallinna Vesi that are related to climate change.

Guiding principles

We are committed to actions that will take us towards the ambitious goal of becoming climate neutral and help preserve the living and natural environment around us in the face of climate change. More detailed information on the guiding principles on sustainability can be found on our website.

Tallinna Vesi has a **positive impact on climate change adaptation**, since through its business the company continuously improves and enhances its existing infrastructure to increase the resilience of the urban environment to extreme weather conditions caused by climate change.

There is also a **strategic risk** associated with climate change adaption. For example, the amount and quality of water received at the treatment plant (wastewater characteristics) and the amount of electricity and chemicals needed for the treatment processes depend on the amount of precipitation. Extreme downpours are accompanied by sudden increase in rainfall causing flooding and a short-term inability of sewer and stormwater systems to accommodate all water. In addition, the treatment plant may not have enough capacity to receive and/or fully treat such a large volume of wastewater at a time.

The changes in climate are also affecting Lake Ülemiste and the quality of raw water, leading to challenges in the production of drinking water, both in terms of increasing the use of resources and making it increasingly complex to control the treatment process. Climate change is therefore a major challenge for us, as it can have a significant impact on our processes and performance.

The operations of Tallinna Vesi, in particular those using biological processes, emit greenhouse gases that have a **negative impact on climate change mitigation**. At the same time, the company has a potential **positive impact** on climate change mitigation through the reduction of energy use in the value chain, by following the associated Climate Impact Reduction Plan and thereby meeting the technical screening criteria established in the Taxonomy Regulation.

Due to the need to transition to a climate-neutral economy, the climate change mitigation objective also entails **risks**, including potential risks related to regulatory expectations and possible criticism of the company's business. The materiality assessment identified that in the medium- and long-term, insufficient action on climate change mitigation and energy use reduction could lead to criticism from professionals and negatively affect the company's relationships concerning co-operation with key stakeholders, including financiers.

In 2024, we carried out a more detailed climate risk assessment involving several departments. The physical climate risks affecting the company, the impact of these risks and mitigation measures are outlined in our Climate Impact Reduction Plan.

Climate and energy targets

We have set our targets stemming from the wish to contribute to the achievement of the goals set out in Estonia's national development plans (e.g. Estonian Low Carbon Strategy until 2050 and the National Energy and Climate Plan), as well as those set at the EU level (e.g. the EU Green Deal) and global agreements (e.g. the Paris Agreement on Climate Change). The targets are set, involving the company's department managers, who take part in formulating the targets that are based on the strategy and agreeing on the target levels. External stakeholders have not been involved. The reason for setting climate targets also stems from regulatory requirements and the expectations of stakeholders, including financiers and owners.

We have also voluntarily set energy use targets, but we can expect additional obligations in the future, in particular for the energy use of the wastewater treatment plant. At EU level, a new Urban Wastewater Treatment Directive was adopted at the end of 2024, which sets a national target for achieving energy neutrality for large wastewater treatment plants.

Since we systematically started tackling climate change in 2022, it was reasonable to set the first targets in 2030 at the earliest.

- **The company is carbon neutral by 2040** at the latest. Achieving carbon neutrality requires not only greenhouse gas (GHG) emission reductions, but also emission offset mechanisms, such as clear and transparent GHG emission offset or GHG capture technologies. We are closely monitoring the market and technological developments in this area and will meet this ambitious goal at the earliest opportunity.
- **By 2030, we have reduced our GHG emissions from scopes 1 and 2 by at least 50%** compared to 2020. In scope 3, we apply principles of green procurement and other mitigation measures to emissions that the company can most significantly influence through its choices.
- We only use **electricity from renewable sources and have replaced natural gas with heat from renewable sources by 2030**.
- **We produce at least 50% of all electricity and heat we need within the company by 2030 at the latest.** For this, we use the energy from wastewater (biogas and heat) and build solar parks.
- **We have reduced our heat and electricity consumption by at least 10% by 2030** compared to 2020.

The company's targets (including environmental and climate targets) are directly linked to the pay scheme introduced in Tallinna Vesi. The annual performance pays for all employees, as well as for the members of the Management Board, depend not only on individual targets but also on the achievement of the company's annual targets.

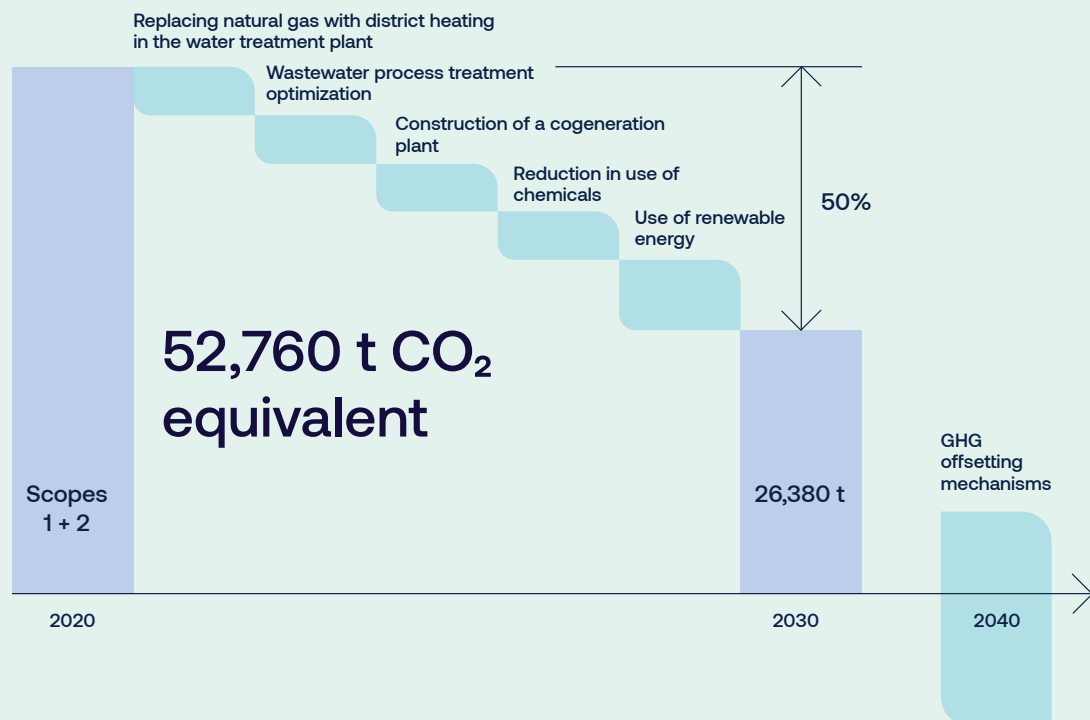
Climate impact reduction plan

In order to reduce its climate impact, Tallinna Vesi has prepared a transition plan called Climate Impact Reduction Plan, in which we have set ourselves ambitious targets to reduce our carbon footprint and reduce energy consumption. Our Climate Impact Reduction Plan is as much about climate change adaptation as it is about climate change mitigation. The Climate Impact Reduction Plan can be found on

the company's website in the [Corporate Social Responsibility > Carbon Footprint](#) section and describes the company's climate goals and targets, the principles for calculating the carbon footprint, the key assumptions and the actions and performance required to achieve these targets.

The largest sources of GHG emissions have been electricity use and wastewater treatment processes. Therefore, we have set ourselves a primary target of reducing emissions from sources controlled by Tallinna Vesi (scope 1) and indirect sources (scope 2) by 50% from base-year levels already by 2030.

The detailed actions are described in the company's Climate Impact Reduction Plan.



Climate change adaption

Climate change will also have an impact on the services we provide. Of all the climate changes, we will be most affected by prolonged droughts, intense rainfall and more frequent storm events.

The company produces 90% of its drinking water from surface water, which means we are highly dependent on the availability of surface water resources. An extensive surface water catchment system, formed by canals and reservoirs, has been built to ensure sufficient supply of raw water for drinking water production. Prolonged droughts can cause water levels in reservoirs to fall below normal. This is why reservoirs are built to capture and store the resource needed to produce drinking water, and their use in times of drought allows us to ensure that we have the raw water supply needed to produce drinking water.

With reservoirs, we mitigate a significant risk to ourselves and ensure that we have the water we need, even during prolonged droughts. We also urge our customers to use water responsibly and sparingly, especially during dry periods.

On the other hand, climate change brings along more intense rainfall, causing flooding where stormwater cannot run off the streets quickly enough.

Thirdly, due to climate change, we are experiencing more frequent storms, which can lead to longer power outages. As a provider of a vital service, we must ensure continuity of our service in the event of an emergency, so we need to be prepared for power cuts, but we also need to make sure that the infrastructure we need to deliver our services can withstand storms.

2024 target	Developing stormwater systems (completing the stormwater scheme and the upstream system designs for the Põhja-Tallinn area (yes/no)).
2024 performance	Target achieved.
2025 target	Constructing three strategic upstream systems.

Energy use and energy consumption overview

Most of the electricity we consume is used to run our core business, i.e. water and wastewater treatment plants and network pumping stations. Although we have made significant investments over the years to reduce our energy consumption, electricity consumption is still inevitably and directly linked to running our core business. This, in turn, is affected by changes in consumption and service areas, and certainly also by natural conditions.

Under energy consumption in the table below, we have included the consumption of electricity, heat and fuels from both fossil and renewable sources. Consumption of fossil energy includes the consumption of electricity and heat from fossil sources as well as fuel from crude oil and petroleum products.

Since 2021, we have been buying electricity from renewable sources with guarantees of origin to cover our electricity needs, resulting in a reduction in fossil energy consumption and an increase in the consumption of purchased electricity from renewable sources. The biogas produced as a by-product of stabilizing the sewage sludge taken out from the wastewater treatment process is used to generate both electricity and heat, which is then used to power energy-intensive processes at the wastewater treatment plant. Heat from biogas is included in the consumption of self-generated non-fuel renewable energy. At the water treatment plant and in the office building at Ädala Street, we use district heating, which is produced from natural gas.

Since 2020, we have managed to reduce our energy consumption by 1.2%. The proportion of renewable sources in total energy consumption has increased from 23% to 89% compared to 2020.

In 2024, we moved closer to achieving our targets through a series of actions. For example, the Ülemiste Water Treatment Plant, which previously used natural gas in its boiler house, was connected to the district heating network. In the biological treatment stage at the Paljassaare Wastewater Treatment Plant, a new

air blower was installed, which is more energy efficient and helps reduce energy consumption. Another similar air blower will be installed in 2025.

The testing of the combined heat and power (CHP) plant using biogas from the sludge treatment process took longer than expected, but we still produced a total of 8,168 MWh of electricity and 7,235 MWh of heat in 2024. **The electricity produced accounted for 44.2% of the plant's own annual consumption.** As well as reducing electricity costs, the CHP plant will increase the reliability of the treatment plant in the event of a power cut.

In the longer term, the plan is to further increase our power generation capacity by installing solar panels. The installation of a solar park at the wastewater treatment plant, planned for 2024, is currently delayed. Real-time optimization of the wastewater treatment process is progressing and is expected to reduce greenhouse gas emissions by up to 10%.

Energy consumption and mix	2024	2023	2022
Fuel consumption from coal and coal products (MWh)	0	0	0
Petrol fuel consumption, MWh	455	396	458
Diesel fuel consumption, MWh	2,276	2,963	3,062
Total fuel consumption from crude oil and petroleum products (MWh)	2,731	3,359	3,520
Fuel consumption from natural gas (MWh)	0	0	0
Fuel consumption from other fossil sources (MWh)	0	0	0
Consumption of purchased electricity from fossil sources (MWh)	0	0	0
Consumption of purchased/generated heat from fossil sources (MWh)	4,301	4,584	4,637
Consumption of purchased/generated or acquired electricity and heat from fossil sources (MWh)	4,301	4,584	4,637
Total fossil energy consumption (MWh)	7,032	7,943	8,157
Proportion of fossil sources in total energy consumption (%)	11%	13%	14%
Consumption from nuclear sources (MWh)	0	0	0
Proportion of nuclear energy in total energy consumption (%)	0%	0%	0%
Consumption of fuel from renewable sources (incl. biomass) (MWh)	0	0	0
Consumption of purchased or acquired electricity, steam and cooling from renewable sources (MWh)	43,334	42,034	40,304
The consumption of self-generated non-fuel renewable energy (biogas) (MWh)	11,761	11,082	11,688
Total renewable energy consumption (MWh)	55,095	53,116	51,992
Proportion of renewable sources in total energy consumption (%)	89%	87%	86%
Total energy consumption (MWh)	62,127	61,059	60,149

Electricity consumption in 2022–2024, MWh	2024	2023	2022
Water Treatment	11,401	10,895	10,787
Wastewater Treatment	23,748	23,055	21,635
Network pumping stations, incl. Maardu	7,519	7,622	7,159
Other	664	889	721
Total	43,332	42,461	40,302

Heat consumption in 2022–2024, MWh	2024	2023	2022
Water Treatment	3,035	3,202	3,215
Wastewater Treatment	11,810	10,765	11,776
incl. heat from biogas	11,761	10,655	11,688
Office at Ädala Str	1,217	1,272	1,334
Total	16,062	15,239	16,325

Greenhouse gas emissions

Climate targets focus primarily on the processes that have the most significant impact in the company, where GHG emissions are high and where the company has the greatest potential to reduce them most directly and to the greatest extent. We assess the effectiveness of the planned actions in reducing total GHG emissions annually and adjust the actions and the approach taken if necessary.

An example of a project in progress is the real-time optimization of the wastewater treatment process, for which we intend to apply for co-funding from the Environmental Investment Centre in 2025. Real-time optimization will help to control the treatment process more efficiently, thereby reducing the amount of energy and chemicals used. It is estimated that optimization could reduce greenhouse gas emissions by up to 10%.

We do not anticipate any significant changes in drinking water and wastewater volumes at this stage, but we do expect an increase in Scope 3 GHG emissions from pipeline construction, given the planned increase in pipeline construction volumes in the coming years.

2024 target	Scopes 1 and 2 GHG emissions reduced compared to the year before (by ≥ 300 t).
2024 performance	The target was not achieved and scope 1 and 2 emissions increased by 435 tons. This was due to higher than expected concentrations of pollutants in the influent to the treatment plant.

GHG Reporting

In 2024, we installed N₂O sensors to obtain more accurate data and expect to use these measurements in our 2025 GHG calculations. The principles of GHG reporting are described in more detail in our Climate Impact Reduction Plan.



GHG intensity based on net revenue	2023	2024	% 2023 vs 2024
Total GHG emissions (location-based) per net revenue (tCO ₂ eq/ monetary unit)	0.00103	0.00090	-13%
Total GHG emissions (market-based) per net revenue (tCO ₂ eq/ monetary unit)	0.00062	0.00057	-8%

	Retrospective				Milestones and target years			
	Base year 2020	2023	2024	% 2024 vs 2023	2025	2030	2050	Annual target (%) / base year
Gross Scope 1 GHG emissions (tCO ₂ eq) *	29,996	28,799	29,131	+1.15%	N/A	-50%	-100%	N/A
Percentage of Gross Scope 1 GHG emissions from regulated emission trading schemes (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Scope 2 GHG emissions								
Gross location-based Scope 2 GHG emissions (tCO ₂ eq)	19,817	25,291*	21,393*	-15.4%	N/A	N/A	N/A	N/A
Gross market-based Scope 2 GHG emissions (tCO ₂ eq)	22,763	130	234	+80.0%	N/A	-50%	-100%	N/A
Significant Scope 3 GHG emissions								
Total Gross Scope 3 GHG emissions (tCO ₂ eq)	8,459	8,670	7,214	-16.8%	N/A	N/A	N/A	N/A
1. Purchased goods and services	5,636	5,087	4,891	-3.85%	N/A	N/A	N/A	N/A
2. Capital goods (fixed assets)	14	26	41	+57.7%	N/A	N/A	N/A	N/A
3. Fuel and energy-related activities (not included in Scope 1 or Scope 2)	1,920	2,778	1,520	-45.3%	N/A	N/A	N/A	N/A
4. Upstream transportation and distribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5. Waste generated in operations	650	535	501	-6.4%	N/A	N/A	N/A	N/A
6. Business travel	4	12	28	+133%	N/A	N/A	N/A	N/A
7. Employee commuting	233	233	233	0%	N/A	N/A	N/A	N/A
8. Upstream leased assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
9. Downstream transportation and distribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10. Processing of sold products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
11. Use of sold products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
12. End-of-life treatment of sold products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13. Downstream leased assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
14. Franchises	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
15. Investments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total GHG emissions								
Total GHG emissions (location-based) (tCO ₂ eq)	58,272	62,760	57,738	-8.0%				
Total GHG emissions (market-based) (tCO ₂ eq)	61,217	37,088	36,578	-1.38%			100%	

*Calculated using CO₂ from total electricity consumption in Estonia in 2022 (601.7 g CO₂/kWh).

Pollution

The materiality assessment (see the assessment methodology in the “Impact materiality assessment” section) identified impacts as well as risks and opportunities for Tallinna Vesi that are related to pollution.

Guiding principles

We work towards improving the water status of the Baltic Sea, which is sensitive to the impact of human activity. More detailed information on the guiding principles on sustainability can be found on our website.

We also expect our partners and contractors to act green and avoid pollution. The guiding principles on the environment cover the organization's own activities and their implementation in their own work is the responsibility of all employees in the organization, including the Management Board. Responsibilities relating to sustainability are described in more detail in the "General information" section.

Pollution of water: The potential negative impacts related to pollution of water arise from the discharge of wastewater and stormwater, and from the discharge of untreated wastewater into the environment, where existing processes fail to remove pollutants from the discharged water.

Wastewater discharged from Tallinn and its surroundings is treated at the Pajassaare Wastewater Treatment Plant. Wastewater treatment is one of the most important activities for pollution prevention and is one of the two core functions that the water company has — to ensure that wastewater gets treated and is returned safely to the environment. The quality of treated effluent discharged to the Baltic Sea has a direct impact on the marine environment and is therefore directly and/or indirectly an important aspect for all our stakeholders. We are committed to minimizing negative environmental impacts, maintaining high quality and achieving results that exceed the quality standards for treated effluent discharged to the Baltic Sea.

There are a number of risks that threaten the objective of properly treating wastewater and discharging only effluent that meets all limit values at all times:

- In the event of heavy downpours, when more water arrives at the treatment plant than it can treat, we are forced to use emergency outlets and discharge water that has been diluted with stormwater (four parts stormwater to one part wastewater) but not treated.
- The operation of sewer networks and sewer pumping stations carries the risk of a pump or pipeline emergency that could result in the discharge of untreated wastewater into the environment. This could be a breakdown, collapse or blockage in the sewer system, which could result in wastewater finding its way into, for example, a separate stormwater network, the soil, a ditch or a river, causing environmental pollution.
- We have a large number of customers who discharge their wastewater and/or stormwater into the combined sewer system. For one reason or another, the pipes may have been connected incorrectly so that the wastewater is instead discharged to a separate stormwater system and ends up in the environment via a stormwater outlet.



The materiality assessment identified that **potential pollution of water from substances of concern and microplastics** is dependent on the concentration of those pollutants in the wastewater collected, and the treatment process has not been designed to remove these pollutants. Thus, the impact of Tallinna Vesi is significantly linked to external factors.

The potential impacts of pollution of water also entail risks for Tallinna Vesi, which have been identified as strategic risks. These risks and financial implications are mainly related to higher pollution charges and other costs associated with remediation.

Risks and potential financial costs are also associated with the new proposed requirements for the removal of micropollutants and microplastics and the need to invest in new wastewater treatment technology. At the EU level, a new Urban Wastewater Treatment Directive was adopted in 2024, which will require larger wastewater treatment plants, including the Paljassaare Wastewater Treatment Plant, to have a fourth treatment stage.

Environmental risks, their impacts and opportunities are assessed annually by a working group of managers from various departments. The working group maps the risks that, if realized, would have a negative impact on the environment.

Targets and actions

In preventing and reducing pollution, **we have been guided by the limits set in the environmental permits we hold**. This means that we have made targeted efforts to prevent and reduce pollution within the scope of these environmental permits. We consider it of the utmost importance that all our emissions to air and water are in line with the conditions set out in the environmental permits issued to us. Compliance with the requirements of environmental permits remains of the paramount importance, but there have been incidents in recent years that, although not in breach of permit conditions, have resulted in pollution that we would have liked to have avoided. We have therefore decided to focus on pollution incidents and the related process improvements from 2025 onwards to ensure that similar situations do not recur in the future. When a pollution incident occurs, a root cause analysis is conducted to determine the circumstances that led to the pollution and what, if anything, Tallinna Vesi could have been done to prevent the pollution or limit its extent. We have not involved stakeholders in setting our targets.

2024 target	We operate in full compliance with environmental permits.
2024 performance	100% achieved.
2025 target	All environmental permits are valid and our actions or inactions have not caused any environmental pollution.

Applicable environmental permits regulating the activities of Tallinna Vesi*

Permit for special use of water no	Valid until	Activities covered by the permit
L.VV/331954	31/12/2030	Public water supply and sewerage service area in the town of Saue Groundwater abstractions from four borewells with a volume of over 5 m ³ per day. Wastewater collection and discharge to the Paljassaare Wastewater Treatment Plant operated by AS Tallinna Vesi.
KL-506050	unlimited validity	Main public water supply and sewerage service area in Tallinn, Tallinn surface water catchment system facilities in Harju and Järva counties Regulates the use of water in the water bodies of the Ülemiste-Pirita-Jägala surface water system, surface water abstractions from Lake Ülemiste, groundwater abstractions from aquifers using the boreholes of the Tallinn public water supply system, the use of overflows and the discharge of stormwater into receiving waters.
L.VV/328349	unlimited validity	Public water supply and sewerage service area in the town of Maardu Water abstractions from the aquifer to supply the town of Maardu and the Kallavere and Muuga areas. From November 2012, wastewater from all those connected to the Kallavere and Maardu public sewerage system is discharged to the Tallinn public sewerage system.
L.VV/332366	unlimited validity	Storm water discharge in the Põhja-Tallinn area Discharge of storm water to receiving waters via Vesilennuki outlet
Integrated permit KKL-509326	unlimited validity	Paljassaare Wastewater Treatment Plant Regulates emissions to water and air and sludge treatment of the wastewater treatment plant in an integrated manner.

* More detailed information on the content and background of environmental permits, including the environmental impact assessment that preceded the setting of the limit values (if any), can be found in the national database KOTKAS by entering the environmental permit identification number in the search.

The company pays a pollution charge for all pollutants released into the environment. Information on the pollution charges paid can be found in Note 17 to the financial statements.

Construction of separate sewer systems

Some areas we operate have a separate stormwater network with stormwater outlets. However, most of the stormwater is still discharged to the combined sewer system and ends up at the Paljassaare Wastewater Treatment Plant. Downpours accompanied by sudden increase in rainfall can cause flooding and a short-term inability of sewer and stormwater systems to accommodate all water.

In addition, the treatment plant may not have enough capacity to receive and/or fully treat such a large volume of wastewater at a time, resulting in a need to open the emergency outlets and discharge highly diluted wastewater to the sea to avoid any major damage. To prevent such situations, it is crucial that we continue to work with the City of Tallinn to develop separate stormwater systems. In 2024, a separate stormwater system scheme for the Seevaldi and Põhja-Tallinn areas was completed, and in spring 2025, a scheme for the eastern part of Kesklinn and the Katusepapi and Ülemiste areas will be completed. These will form the basis for further design and construction work that will reduce the load on the combined sewer system. **In 2024, we built 6.4 km of separate stormwater systems** (2023: 0.9 km).

In addition to the construction of pipelines, we also started to work out green stormwater solutions suitable for the urban environment in cooperation with the City of Tallinn. For example, the Tondimõisa project, which started in 2023, will use a regulated water intake to divert part of the stormwater collected from the streets to a nature-based treatment and buffer zone in Tondimõisa Park to prevent flooding and improve the quality of the water reaching the Baltic Sea. The planned diversion and treatment of excess stormwater in the park will be designed to be as environmentally friendly as possible, with minimal impact on the Tondimõisa and Parditiigi park areas. With this project, we also want to give visitors to Tondimõisa Park with an additional educational experience and an opportunity to see how stormwater is treated. The collected stormwater will be channelled to the edge of the Tondimõisa Park area through a pipe that runs under Tammsaare tee. There, the water flows out of the pipe and forms a water curtain as it flows down the natural stone retaining wall into the ponds. By extending the water's residence time, the amounts of suspended solids and thus the amounts of macronutrients and other pollutants in the stormwater discharged is reduced. To assess the effectiveness of the nature-based treatment, we plan to install on-line monitoring systems at the inlet and outlet to measure water quality parameters. Construction will begin in spring 2025.

Mixture of wastewater and stormwater discharged to the environment via overflows in 2022–2024

	2024	2023	2022
Mixture of wastewater and stormwater discharged, m ³	211,649	211,127	0

Metric: Mixture of wastewater and stormwater discharged to the environment via overflows (m³), 2024: 211,649 m³

Renovating sewer network

Efficient wastewater collection is supported by the renovation of problematic sections of the sewer network that is done every year. The sewer renovations are carried out in accordance with the Tallinn Public Water Supply and Sewerage Development Plan. **In 2024, we rehabilitated and built 16 kilometers of sewer pipes** (2023: 12.4 km).

The condition of the sewer network is characterized by the number of blockages. Blockages are mainly caused by the build-up of sediments in the pipes or improper use of the sewer system by consumers. As the pipelines are designed for higher flows, today's reduced water consumption leads to a reduction in the flow rate and velocity of the water and increases the risk of blockages. The overall number of blockages is also affected by the continuous extension of the operated sewer network. In 2024, the total number of blockages was 441, which is 0.37 blockages per kilometer of sewer network we operate. A number of preventive actions, such as preventive jet washing, have helped to keep the number of blockages in the pipes low. Jet washing is carried out by creating a high velocity flow in the pipeline, which pushes all the accumulated sediments to the nearest collection well. The sediments are then collected in a jet wash tanker and transported to the Paljassaare Wastewater Treatment Plant.

Wastewater and stormwater are pumped through the pipelines by means of pumps. Emergencies can occur in both pipelines and pumping stations, resulting in the accidental release of wastewater into the environment. To prevent emergencies at the pumping stations, a SCADA remote control system is in place to continuously monitor the operation of the pumps.

Following the failure at the Laagri pumping station in 2023, we made changes to several processes. These included changing sensor locations, updating pumping station alarm control protocols, and mapping and testing other key wastewater pumping stations for the same type of failure.

In 2024, there were two significant incidents where wastewater was released into the environment due to a sewer collapse. One occurred in Pirita, where wastewater was discharged into a green area, and the other in Mustamäe, where wastewater entered the stormwater system and ended up in receiving waters. As a corrective measure, we have launched a sensor project to install on-line quality sensors in the storm water system to detect wastewater inflows immediately. We have also mapped and updated our processes in terms of information flow to ensure that any indications of pollution are addressed in a timely manner, the source of the pollution is contained and the pipes repaired as soon as possible.

Number of sewer blockages in 2022–2024

	2024	2023	2022
Number of sewer blockages, pc	441	533	628

2024 target	Reduce the number of sewer blockages compared to the year before (< 533).
2024 performance	Target achieved (number of sewer blockages: 441).
2025 target	Reduce the number of sewer blockages by 4% compared to the 2020–2022 average.

Wastewater treatment compliance

The wastewater treatment plant at Paljassaare is designed to treat municipal wastewater by removing mainly nutrients such as nitrogen and phosphorus. The treatment method used is the activated sludge process, and the whole treatment process consists of three stages: mechanical, biological and chemical treatment. Nitrogen removal is further enhanced by a biological filter that uses denitrifying bacteria. Under the integrated permit, quality limits have been set for the treated effluent, which is returned to the environment via a deep-sea outlet operated by the treatment plant.

At the end of 2024, a new Urban Wastewater Treatment Directive was adopted, which complements the existing regulations on wastewater and introduces requirements for the construction of an additional treatment stage and the monitoring of additional pollutants. For example, the current environmental permits do not limit the levels of micropollutants, such as microplastics and pharmaceutical residues, which require a fourth treatment stage to remove from wastewater.

We have already started monitoring levels of pharmaceutical residues in wastewater and treated effluent from 2023.

On microplastics, studies⁵ show that although wastewater treatment plants are a significant pathway of microplastics into the marine environment, they also act as a significant barrier, trapping in many studies 70–99% of the microplastics that reach the treatment plant, most of which is likely to be retained in the sewage sludge. We had our first analysis of microplastics in influent, effluent and sludge carried out in 2024.

Wastewater treatment is a continuous process, but the wastewater entering the plant varies in terms of pollutant concentrations, water volume and temperature, making skillful control and operation of the process crucial to achieving effluent compliance.

Metric: In 2024, the effluent from the Paljassaare wastewater treatment met all requirements.

Average pollutant concentrations in treated effluent from the plant in 2022–2024, compared to limit values set out in law

	2024	2023	2022	Permitted limit value
Biochemical oxygen demand (BOD ₇), mg/l	3.4	3.5	3.3	15
Chemical oxygen demand (COD), mg/l	36	33.6	39	125
Suspended solids, mg/l	6.6	9	7	15
Total Phosphorus (P _{Total}), mg/l	0.33	0.35	0.38	0.5
Total nitrogen (N _{Total}), mg/l	6.1	5.7	5.4	10
Oil products, mg/l	0.01	0.02	0.01	1
Nickel (Ni), µg/l	3.25	3.8	3.3	34
Copper (Cu), µg/l	3.69	2.3	6.4	15
Zinc (Zn), µg/l	25.67	30.4	29.7	50
Lead (Pb), µg/l	0.10	0.11	0.13	15
Chromium (Cr), µg/l	0.83	0.71	0.55	50

In 2024, a total of 51.5 million m³ of wastewater was treated at the Paljassaare Wastewater Treatment Plant.

Amounts of wastewater treated in 2022–2024

	2024	2023	2022
Amount of treated wastewater, mln m ³	51.5	53.1	46.5

⁵ Sources and pathways of microplastic in the Estonian coastal sea, potential impact to pelagic and benthic organisms. Tallinn University of Technology 2020.

Monitoring in the sewer network

In order to ensure a stable pollutant load of the wastewater received at the Paljassaare Wastewater Treatment Plant, we regularly monitor the wastewater received from sites in Tallinn and the surrounding areas and check the compliance of the wastewater pollutant parameters with the requirements set out in law. In 2024, we took a total of 1,047 wastewater samples (2023: 1,013) to determine the pollution load from sites, and 223 stormwater and other monitoring samples (2023: 332).

To mitigate pollution risks, we regularly take wastewater samples from customers with higher consumption and/or higher pollution potential due to the nature of their activity. Continuous monitoring of the wastewater in the sewer network helps to ensure that the wastewater meets the limits set for wastewater discharged into the sewer, that it does not damage the functioning of the sewer system, and that it can be treated in the treatment plant in such a way that the treated effluent discharged into the Baltic Sea meets all the requirements.

In the case of elevated pollution levels, the customer is charged for the pollution in excess of the limits, in line with the polluter-pays principle. These controls have a disciplinary effect and will encourage customers to better control the quality of their wastewater, as many pollutants are best removed at source. An example of this is polar hydrocarbons, or fats, which are best removed at source but which, when released into the sewer, often cause blockages and, in the worst case, can lead to wastewater being discharged into the environment.

2024 target

The pricing methodology for wastewater collection and treatment services has been updated in line with the new Public Water Supply and Sewerage Act and the polluter-pays principle.

2024 performance

A new pricing methodology has been developed and will be implemented from mid-2026.

Average pollutant concentrations from larger stormwater outlets in 2022–2024, mg/l

	2024	2023	2022	Permitted limit value
BOD ₇	3.3	2.1	2.5	15
COD	21.9	19.0	18.3	125
Oil products	0.1	0.04	0.1	5
N _{Total}	3.4	3.7	3.5	45
P _{Total}	0.2	0.2	0.2	1
pH	7.8	7.8	7.9	6–9
Suspended solids	13.9	9.2	10.5	40

Monitoring of stormwater discharges to the environment is carried out in accordance with the conditions and frequency specified in the environmental permit, on average quarterly.

Monitoring of stormwater outlets and customer connections allows us to identify incorrect connections that are discharging wastewater into the stormwater system. When a connection is detected that has been built incorrectly, we always ensure that it is immediately connected to the sewer system. Wastewater discharges into separate stormwater systems are more common than one might expect for a variety of reasons. In addition to monitoring compliance with the pollution limits set in the environmental permit, we will install the first quality sensor in 2025 as part of a pilot project to detect pollution online. The plan is to expand the monitoring network after the pilot tests.

Preventing chemical accidents

The use of chemicals inevitably involves the risk of chemical accidents, which we mitigate through our pollution prevention activities.

The chemicals we use in wastewater treatment include:

- **Methanol:** methanol is used in the wastewater treatment plant to support the denitrifying bacteria involved in the biological treatment process. Due to the extreme explosion hazard of methanol, we are classified as a dangerous enterprise.
- **Coagulants and polymers:** coagulants and polymers are used in the wastewater treatment process in large quantities. Coagulants are used for the chemical treatment of wastewater to remove phosphorus. Polymers are used to modify the properties of sewage sludge to accelerate the release of water from the sludge.
- **Antifoaming agent:** antifoaming agent is used to remove foam and reduce foaming in digesters.

We also need chemicals at the Ülemiste Water Treatment Plant to produce high-quality drinking water. The chemicals we use in water treatment include:

- **Chlorine:** chlorine is an effective disinfectant with a long-lasting effect. Chlorine has a strong oxidizing effect and is highly toxic to aquatic micro-organisms. Due to the storage and use of chlorine, we are classified as a category B enterprise with a major hazard.
- **Ozone:** ozone is a good and fast oxidizing agent that effectively breaks down organic matter and micro-organisms in raw water and improves the colour of the water.
- **Coagulants and polymers:** coagulants and polymers are chemicals that are used in the treatment process in large quantities in the form of aqueous solutions.
- **Sodium hypochlorite (NaOCl):** NaOCl is an effective chemical with a long-lasting effect, used mainly during the summer months for additional disinfection of drinking water at water pumping stations.

In 2024, we used a total of 5,999 tons (2023: 6,111 tons) of various chemicals in water and wastewater treatment and had no chemical accidents that could have harmed human health or the natural environment.

Preventing pollution in construction works

We organize tenders for contractors to renovate and develop our infrastructure. In the tender specifications, we also stipulate that it is not allowed to cause any kind of pollution or damage to the environment on the site.

From the last quarter of 2023, we have also introduced the possibility of imposing fines for environmental infringements in order to increase the effectiveness of tender specifications. Although it has not been necessary to impose fines so far, the fact that this possibility exists underlines the importance we attach to environmental issues on our construction sites.

From February 2024, we ask our contractors for an environmental plan before starting work, in which the contractor has to describe aspects related to the handling of waste, safeguarding nature and environmental disturbances, and the actions to be taken to reduce the resulting impacts and risks and to ensure compliance.

Water and marine resources

Under water and marine resources, there are two material sub-sub-topics for Tallinna Vesi: water consumption and water withdrawals (abstractions). The impacts, risks and opportunities related to water discharges are reported under sub-topic of pollution of water and are reported in accordance with the European Sustainability Reporting Standard ESRS E2 "Pollution" (see section "Pollution").

Water consumption: Tallinna Vesi has a negative impact on water consumption and the consumption of other resources, including chemicals and energy, required for water treatment due to leaks in the water network that occur during the supply of drinking water.

Water abstractions: Tallinn Vesi's core business is directly dependent on the abstraction of large quantities of water, so one of the material topics is water abstractions and the resulting potential impact on the depletion of water resources.

Neither water consumption nor water abstractions pose any significant risks in terms of resource availability, and the materiality assessment took into account that these sub-topics could only lead to criticism from individual partners, which would not have a significant impact on the cooperation.

The availability and quality of the raw water in Lake Ülemiste is essential for a sustainable service. At Tallinna Vesi, water is in constant circulation both in the treatment process and in the networks, and is not permanently stored. The water needed to supply drinking water to the residents of Tallinn is drawn from its natural environment. Therefore, we believe it is important to use water resources sparingly and to continuously improve water efficiency.

Guiding principles

We ensure sustainable use of water resources in providing water services. More detailed information on the guiding principles on sustainability can be found on our website.

The implementation of this policy in their own work is the responsibility of all employees in the organization, including the company management. Responsibilities relating to sustainability are described in more detail in the "General information" section.

Water abstractions are influenced not only by process control, but also by the consumption habits of the population, water loss rates in the distribution network and water consumption in our processes, which is why we strive to contribute to reducing water consumption both directly, through our own operations, and by raising awareness among water users.

Water abstractions and water use

Approximately 90% of our consumers in Tallinn and the town of Maardu get their drinking water from surface water. Although Lake Ülemiste is the main source of drinking water for the people of Tallinn, the natural catchment area of the lake itself is small. In order to increase the volume of water and meet the needs of the city of Tallinn, a water catchment system has been established, consisting of hydraulic units built on rivers and the reservoirs and canals connecting them. Our water catchment system mainly covers the Harju sub-basin and the catchments of the Soodla, Jägala and Pirita rivers, with a total area of about 1,800 km². The main reservoir is Lake Ülemiste with a volume of 15.8 million m³. Additional water resources, which are used to replenish the water of Lake Ülemiste and to reduce the risk of the lake running dry, are collected in the Paunküla reservoir upstream of the Pirita River (9.9 million m³) and the Soodla reservoir formed on the Soodla River (7.4 million m³). We can also use these water resources to improve the poor water quality of Lake Ülemiste if necessary. The amount of water available in Tallinn surface water catchment system depends mainly on the annual amount of precipitation.

Surface water use from Lake Ülemiste and compliance with the permit for special use water no KL-506050 in 2022–2024, mln m³

	2024	2023	2022
Surface water use from Lake Ülemiste	26.65	26.34	26.60

Water abstraction limit 47.6 million m³/y

Approximately 10% of our consumers get their drinking water from groundwater aquifers. Within our service area, we supply groundwater to the town of Saue and to the districts of Nõmme, Laagri, Merivälja, Pirita and Tiskre in Tallinn. The total volume of groundwater abstracted in 2024 was 2,646,400 m³ (2023: 2,654,114 m³). We use significantly less groundwater than our environmental permit allows — this approach ensures the sustainability of groundwater resources for future generations.

Groundwater use in 2022–2024, compared to the maximum amounts permitted in the permits for special use of water, thousand m³

Water permit no	Max amount permitted	2024	2023	2022
Tallinn (permit no KL-506050)	7749.80	2305.7	2294.7	2367.5
Saue (permit no L.VV/331954)	445	340.5	359.3	364.4
Maardu (permit no L.VV/328349)	720	0.2	1.8	0.2

2024 target

We operate in full compliance with environmental permits.

2024 performance

In 2024, we complied with all environmental permit requirements.

Reducing water consumption in our processes

We keep looking for ways to reduce water consumption in our processes by introducing new technologies and modernizing equipment.

Water consumption in our processes 2022–2024, thousand m³

	2024	2023	2022
Water consumption in our processes	2,624	2,601	2,318

2024 target

We reduce water consumption in our processes by using technical water to wash screens at the wastewater treatment plant and by reusing filter backwash water at the water treatment plant.

2024 performance

In 2024, a technical solution was designed to reuse the backwash water from the filters at the water treatment plant, but for economic reasons the project will be implemented in the coming years. At the wastewater treatment plant, the mechanical screens now use only technical water and drinking water is no longer used for technological processes.

Water loss in distribution network

One of our key objectives is to keep reducing water losses in the distribution network. To reduce the number of leaks, we monitor water loss in the network on a daily basis and repair the leaks as quickly as possible. Our specialists have special leak detection equipment which, combined with network zoning and remote reading systems, allows us to detect water leaks very quickly.

Water loss rates in 2022–2024

	2024	2023	2022
Water loss rate	13.67%	12.94%	16.02%

2024 target

We keep the water loss rate in the distribution network below 14%.

2024 performance

Target achieved (leakage rate 13.67%).

2025 target

We keep the water loss rate in the distribution network below 14%.

Resource use and circular economy

The materiality assessment (see the assessment methodology in the “Impact materiality assessment” section) identified waste as a material sub-topic related to resource use and the circular economy for Tallinna Vesi.

Guiding principles

We find ways to implement circular economy principles, reduce waste generation and maximize the recycling of waste streams. More detailed information on the guiding principles on sustainability can be found on our website.

The company’s operations generate large amounts of waste, mainly from network maintenance and repair and wastewater treatment.

Sludge treatment and sewage sludge

Sludge is an unavoidable by-product of the treatment process and accounts for the majority of all waste generated by the company. Rather than landfill the sludge, we treat it so that the nutrients it contains can be reused. The sludge is first digested in an anaerobic environment (digesters), then mixed with milled peat and aerobically digested in windrows. It is important that the composted sludge leaving the plant is safe for use and complies with the Regulation No 29 of the Minister of the Environment of 31 July 2019. We therefore take regular samples (analyzed for dry matter, organic matter, N_{Total} , P_{Total} , helminth eggs, *Escherichia coli*, cadmium, chromium, copper, nickel, lead, zinc and mercury) to assess its suitability for use.

In 2024, 42,773 tons of stabilized and composted sewage sludge were handed out to those interested (2023: 37,888 tons). The handed-out sludge complied with the conditions of both the applicable regulation and the integrated environmental permit no KKL-509326 issued to the company.

Activities covered by the EU taxonomy

AS Tallinna Vesi Group falls under the scope of the EU Corporate Sustainability Reporting Directive and has to report data covered by the EU Taxonomy for the first time in its 2025 annual report. The group started preparing for reporting in 2023 by analyzing the scope to which the group's activities are Taxonomy-eligible and mapping the criteria for activities that are Taxonomy-aligned.

Despite the fact that the group has no obligation to report data covered by the EU Taxonomy for the current reporting year, the group has decided to voluntarily disclose the descriptions of its Taxonomy-aligned activities. The general principles of reporting under the EU Taxonomy and the Taxonomy-eligible activities of the group, excluding the performance indicators related to the activities covered, are described below.

General principles

EU Taxonomy is a classification system that aims to help scale up private investments in environmentally sustainable economic activities that are necessary to reach the objectives of the European Green Deal. The Taxonomy Regulation (EU) 2020/852, adopted in 2020, sets out clear requirements and technical screening criteria for economic activities that can make a contribution to meeting the environmental objectives of the European Union. The Taxonomy Regulation does not apply to all sectors of the economy, but focuses on activities with the greatest environmental impact, including those related to the provision of water supply and sewerage services. Article 9 of the Taxonomy Regulation sets out six environmental objectives:

- climate change mitigation;
- climate change adaption;
- the sustainable use and protection of water and marine resources;
- the transition to a circular economy;
- pollution prevention and control;
- the protection and restoration of biodiversity and ecosystems.

Under the Taxonomy Regulation, reporting undertakings must disclose the proportion of Taxonomy-eligible and Taxonomy-aligned economic activities in their turnover, capital expenditure and operating expenditure in the form of a table prescribed by the regulation.

The ratio in the Taxonomy indicates the extent to which the group's turnover, capital expenditure and operating expenditure are related to the economic activities described in the Taxonomy regulations, without taking into account whether the given economic activity meets the evaluation criteria established in the Taxonomy.

In order to be Taxonomy-aligned, an economic activity must comply with the science-based evaluation criteria set out in Delegated Regulation (EU) 2021/2139 adopted under the Taxonomy Regulation, namely the activity-based technical screening criteria and the "Does Not Significantly Harm" criteria. The "Does Not Significantly Harm" principle requires that economic activities must not hinder the achievement of other environmental objectives and the Delegated Regulation also sets out evaluation criteria for this. In addition, the group must conduct its economic activities in accordance with minimum social safeguards. In order to meet minimum social safeguards, economic activities must comply with international guiding principles on business and human rights. If the group's economic activity does not meet even one of the above criteria, it cannot be considered Taxonomy-aligned.

The group will disclose the performance indicators for both Taxonomy-aligned and Taxonomy-eligible, but not Taxonomy-aligned activities for the first time in its 2025 annual report.

Descriptions of the group's economic activities covered by the Taxonomy

In mapping the activities covered by the Taxonomy Regulation, the group has used the NACE activity codes and the description of the activities as outlined in Regulations (EU) 2021/2139 and (EU) 2023/2486.

According to the analysis, the group's activities covered by the Taxonomy Regulation are as follows.

Water supply (WTR 2.1)

The group's core business is water treatment and -supply in the city of Tallinn and in towns of Maardu and Saue.

In addition, the following activities are included in Regulation (EU) 2021/2139 as sub-activities related to this activity: construction, extension and operation of water collection, treatment and supply systems (CCM 5.1/CCA 5.1) and renewal of water collection, treatment and supply systems (CCM 5.2/CCA 5.2).

Urban waste water treatment (WTR 2.2)

The group's core business is the collection, discharge and treatment of wastewater and stormwater in the city of Tallinn and towns of Maardu and Saue. The company operates one wastewater treatment plant.

In addition, the following activities are included in Regulation (EU) 2021/2139 as sub-activities related to this activity: construction, extension and operation of wastewater collection and treatment (CCM 5.3/CCA 5.3), renewal of wastewater collection and treatment (CCM 5.4/CCA 5.4), anaerobic digestion of sewage sludge (CCM 5.6/CCA 5.6).

Cogeneration of heat/cool and power from bioenergy (CCM 4.20/CCA 4.20)

The power and heat generated from biogas, a by-product of the stabilization of sewage sludge at the Tallinn Wastewater Treatment Plant, is used entirely by the treatment plant itself.

Social information

Own workforce

Maintaining the overall wellbeing of our employees is very important to us, which is why we promote a safe and fair working environment and actively support succession planning. To promote employee satisfaction, we carry out employee surveys to find out what is going well in the company and what areas need more attention. Feedback from employees helps us make decisions, and helps employees understand the reasons behind decisions and the need for change.



The overall wellbeing of its employees and safety at work are important to Tallinna Vesi, which is why the fifth key direction in the company's strategy is clearly focused on ensuring the wellbeing of its employees. The strategy states that Tallinna Vesi values employee satisfaction, invests in its people, promotes a safe and fair working environment and supports succession planning to ensure continuity. The company provides an environment where motivated and committed employees can work towards both company-wide and individual career goals. One of the focuses of the strategy's key direction related to employees is to improve the quality of management and develop leadership skills.

The materiality assessment (see the assessment methodology in the "Impact materiality assessment" section) identified material impacts, as well as risks and opportunities for Tallinna Vesi that are related to own workforce.

The **health and safety of its employees** is a priority for Tallinna Vesi. More than half of the employees work in offices, where occupational hazards are mainly related to a lack of physical activity and working with computers. For other employees, the work often involves increased risks, such as working in confined spaces, exposure to chemicals, working with specialized equipment or in deep manholes, collectors, etc. The level of risk in the sector can have a potentially negative impact on the health and safety of workers.

Ensuring **secure employment and adequate wages** are also strategically important topics. As a large company, Tallinna Vesi can offer stable employment to a significant number of people, which has a positive impact on the well-being of employees.

Working hours and reconciliation of work and family life are important topics, with potential negative impacts arising from unsocial working hours, possible overtime or increased workloads affecting the work-life balance of employees.

Employee development is important to Tallinna Vesi. Employee development programmes and training help employees to develop in their careers.

Tallinna Vesi employs people of different ages and nationalities who perform very different types of work. This gives the company the opportunity to benefit from diverse experiences and knowledge. Ensuring diversity by employing people with different profiles has a potential positive impact. Gender balance is important at Management Board and Supervisory Council level.

The interests and views of stakeholders, including employees, are outlined in the "Stakeholder Expectations" section.

Guiding principles

Tallinna Vesi's human resources policy minimizes the above risks and impacts through annual action plans. Responsibility for the implementation of the human resources policy lies with the organization's Head of Human Resources and, at the highest management level, with the Management Board. As a socially responsible company that values its people and is committed to continuous development, we believe in and invest in having committed and competent people working in our team. The guiding principles relating to the key sustainability topics (more details can be found on our website) are as follows.

- **Health and safety.** Safety is at the heart of everything we do and we do not compromise on it. We are committed to ensuring the health, safety and well-being of our employees and suppliers. We provide a safe, positive and supportive working environment that promotes health and wellbeing at all stages of the work process.

- **Diversity and gender equality.** The company employs people of different ages and nationalities who perform very different types of work. This enriches our staff with a wide diversity of experiences and knowledge. When recruiting, we ensure that the organization employs an optimum number of motivated, competent and skilled people who fit into the team and contribute to the long-term success of the organization.

- **Employee development.** We ensure that our employees receive ongoing training and development to keep their skills and knowledge up to date with the demands of the job, and we support their development as they progress in their careers. We encourage career progression within the team. We do this by giving committed and capable employees the opportunity for personal development and career progression within the company. We also encourage continuous learning and development by providing training opportunities tailored to the needs of our employees and the business. We believe it is important to ensure sustainable succession within our team. To this end, we have launched a scholarship programme in three vocational schools and three universities from 2021.

- **A secure job and adequate pay.** We implement incentive schemes, including monetary rewards, recognition and development opportunities, to keep employees happy and engaged.

- **Work-life balance.** We are flexible in our working arrangements, allowing time off and longer leave than the law requires for family occasions. We work to make our company family friendly.

The above guiding principles apply to all employees of the Tallinna Vesi Group and the implementation of these principles is within the area of responsibility of the Head of Human Resources and the Head of Health and Safety.

One of the six core rules of Tallinna Vesi's principles of business ethics set forth in the Code of Conduct concerns the protection of human and labour rights. More detailed information on the principles of business ethics can be found on the company's website.

We respect the human rights of every individual and do not discriminate against people on the basis of race, colour, religion, gender, age, social status, family background, physical or mental disability or sexual orientation, or otherwise violate human rights. Discrimination of any kind is unacceptable and we firmly uphold human rights in everything we do. The company does not use forced or child labour. Tallinna Vesi respects and upholds human and labour rights, observes the principle of equal treatment and considers it important to promote and maintain equal opportunities and equal treatment in the workplace and in employment. Every individual is respected and treated fairly and equally, regardless of gender, religion, age or other similar factors.

Channels for employee engagement

Channel for engagement	Description, examples	Regularity	Feedback collection
Organization-wide satisfaction surveys	Employee satisfaction surveys are carried out to find out what is going well in the company and what areas need more attention. The opinions and thoughts of our employees and their feedback and assessment of their working life are highly valued.	Yearly	Developing action plans based on the feedback received at both company and unit level
Executive Team meetings	Information exchange between employees and the company management	Monthly	Immediate feedback through meetings and satisfaction surveys
Meetings in departments	Immediate interaction between the department manager and members	Usually weekly or monthly, depending on a department	Immediate, ongoing feedback through meetings and satisfaction surveys
Interaction with the line manager	The importance of the line manager's role is reinforced by the good practice of regular one-to-one meetings between managers and their direct reports	Once a week, fortnightly or monthly	Interaction with the line manager is a good opportunity to assess performance on an ongoing basis, to give feedback and also to target new activities
Presentation of annual targets	At the start of each new calendar year, the company management agrees on the company's targets, which are written down in the annual scorecard. These targets are made public and presented to all staff at a meeting at the beginning of the year. Updates on the progress made towards the annual targets are displayed on digital screens at company sites.	At the beginning of each year, the status of the previous year's targets is also reviewed in January of the following calendar year. Progress against the current year's targets is reported monthly.	At the meeting, employees can ask clarifying questions about the targets and their achievement. Throughout the year, employees have the opportunity to review progress against annual targets.
Organization-wide communication channels	Monthly newsletter, organization-wide emails, intranet, digital screens, website, social media channels	As appropriate	Currently, collecting immediate feedback and organizing periodic feedback surveys
Various events, training	There are several events and training sessions for staff throughout the year, incl. summer days, a Christmas gala, an information day, a team building day with Utilitas, webinars, professional training sessions.	As appropriate	Sending feedback questionnaires to employees, collecting feedback by talking to employees and listening to their opinions

Channels for employee engagement and remedying negative impacts

There are many ways for employees to voice their concerns and observations:

- It is a common practice for staff to address concerns or observations to their line manager, the Human Resources team or the office assistant, depending on the nature of the observation.
- Mailboxes have been set up in the treatment plants and the office at Ädala Street to allow staff to send their observations, anonymously if they so wish.
- Few observations get sent via the intranet, in which case the Human Resources team responds and ensures that the notifications are dealt with promptly.
- For several decades there has been an acting trade union who can also be contacted with questions and concerns.
- A report form on the company's website also allows employees to report, anonymously if they so wish, incidents that they believe are not in line with good business practice or generally accepted moral standards. We deal with situations on a case-by-case basis, and we also remedy the situations by taking an individual approach.

The process following receipt of a concern or observation may vary depending on the particular observation, but all notifications are first dealt with by the Human Resources team, involving the Management Board if necessary. The existing process has worked well and, as the observations tend to be few and isolated, no more systematic process has yet been set up nor has the effectiveness of individual measures been assessed. The company's approach to providing channels is based on the principle that a channel can be considered effective if the concerns raised through it get resolved within a reasonable time.

All of the channels listed are created by the organization's staff and are accessible to all employees. The multiplicity of channels stems from the desire to create a way of communicating information to all employees, regardless of their physical location.

Action lines and targets

Regular feedback from employees helps make important decisions, and engaging employees helps them understand the reasons behind decisions and the need for change. The specific **channels for engagement** for collecting feedback are outlined above. We also engage employees in the actual activities of organization development. In addition, we invite employees to get involved in building the company's image (e.g. by presenting the company at trade fairs) and in charitable initiatives (e.g. by participating in campaigns inviting to move that raise funds for a range of beneficiaries).

Strengthen the employee value proposition. We must offer an attractive and competitive compensation package.



In order to assess **fair wages**, we participate in the annual salary survey conducted by Fontes and monitor the salary information published by Statistics Estonia, which is used as an input for wage adjustments.

To raise general health awareness, we organize **a health month** once a year, where we invite interesting guest speakers and introduce new ways to keep and improve one's health. To help keep our employees healthy, we have created **opportunities for them to exercise** in company's own sports facilities and gyms. We also allow people to take **an extra week off during the winter months** and support **team sports**. Starting from 2022, we offer our employees **Confido health insurance**, which allow compensation through the employer for the services of private medical institutions and public hospitals. In order to make health the health solutions for employees even more flexible and employee-friendly, we have complemented the health insurance with the possibility to get refunding for sports activities through the Stebby platform from 2024.

To help combine work and family life, we give all parents of children in grades 1 to 4 a day off for the first day of school in September, as well as paid days off on the occasion of a marriage, a funeral or the birth of a child. We value the work-life balance of our employees and strive to create a family-friendly working environment. To this end, we organized a family day with our mascot, Tilgu, at the end of the summer to give employees and their families the opportunity to spend a memorable day together and to show that we care about their loved ones. At the beginning of the Christmas month, we welcomed our little Christmas friends and their families with a fun children's Christmas party. This was our way of creating a warm and joyful Christmas atmosphere and giving families the chance to celebrate and share moments together.

To support **employee development**, we draw up a training plan every year, using feedback collected from the performance reviews with the staff. This plan is then used to organize a range of training sessions throughout the year. Training is also provided outside the training plan. We have **scholarship** in place **for employees** who study at vocational schools or universities alongside their work. In addition, each department maps its high-potential employees (talents), who are offered a range of activities throughout the year, as agreed upon during their annual performance review.

Training metrics

	2024	2023	2022
Number of participants in training	391	357	224
...male	265	241	143
...female	126	116	81
...managers	77	72	65
...specialists	194	177	109
...skilled workers	120	108	50
Percentage of total workforce participating in training	100%	99%	65%
Average number of training days per employee	4,90	4,20	2,39

Work-life balance and remuneration metrics

	2024	2023	2022
Number of staff entitled to parental leave, including gender breakdown, as a percentage of total workforce	26	8	7
...male	15	2	0
...as a percentage of the workforce	4%	0,5%	0,0%
...female	11	6	7
...as a percentage of the workforce	3%	1,6%	2,0%
Number of staff on parental leave, including gender breakdown, as a percentage of total workforce	5	8	7
...male	0	2	0
...as a percentage of the workforce	0,0%	0,5%	0,0%
...female	5	6	7
...as a percentage of the workforce	1,4%	1,6%	2,0%
Gender pay gap, including by job category or other segments	N/A	N/A	N/A
Annual total remuneration ratio of the highest-paid employee to the median annual total remuneration for all employees (excluding the highest-paid employee)	3,37	N/A	N/A

Succession planning

Succession planning ensures a smooth transfer of key positions and responsibilities. We give committed and talented people opportunities to achieve professional fulfillment within the company.

In the autumn of 2021, we started a scholarship program for our own employees and this program is ongoing. In 2024, we hosted 22 trainees (12 female and 10 male), four of whom joined the company after their traineeship.

Employee satisfaction

Tallinna Vesi gives high priority to employee satisfaction through a variety of means.

Based on the results of the employee satisfaction survey, action plans are drawn up and initiatives are implemented to address problems and improve employee well-being.

Recognition helps to keep employees satisfied with their job. As part of employee recognition, we have introduced the celebration of work anniversaries. Also, at the company's annual Christmas gala, the best employees of the year get recognized in several categories, and the award is accompanied by a monetary reward. In addition, through the company's intranet, all employees can recognize and thank their colleagues, who will receive a thank you card and a chocolate bar from the company. Overall satisfaction has remained at the 2023 level.

Employee satisfaction metrics

	Performance 2024	Target
Employee satisfaction on a 6-point scale based on the Pulse survey	3,9 points	≥ 4,1 points

Tallinna Vesi has not developed specific measures to ensure diversity and gender equality. This topic is covered by Tallinna Vesi's Code of Conduct, which states that the company is committed to observing the principle of equal treatment and considers it important to promote and maintain equal opportunities and equal treatment in the workplace and in employment. Every individual is respected and treated fairly and equally, regardless of their gender, religion, age or other similar factors.

Workforce diversity metrics

	2024	2023	2022
Gender breakdown of the Executive Team	11	11	9
...male / ...percentage	6 / 55%	6 / 55%	6 / 67%
...female / ...percentage	5 / 45%	5 / 45%	3 / 33%
Age breakdown of employees	362	364	345
...under 30 years old / ... percentage	49 / 14%	46 / 13%	48 / 14%
...31-50 years old / ... percentage	187 / 52%	187 / 52%	167 / 48%
...over 50 years old / ... percentage	126 / 35%	129 / 36%	130 / 38%
Number of employees with disability	3	5	4
...male	2	3	2
...female	1	2	2

Work-related incidents, complaints and severe human right impacts

	2024	2023	2022	Target
Total number of incidents of discrimination, incl. harassment	0	0	0	0

Workplace safety

Safety is an important aspect of our day-to-day operations. We put the safety of our employees first, fostering a safe working environment and safe working practices.

A positive workplace safety culture is highlighted in our strategic objectives and we are committed to achieving a zero accident rate at workplace.

Workplace safety targets 2024

	Performance 2024	Target
Number of work-related accidents	1	0
TR Indicator on the sites of Tallinna Vesi and Watercom	99,1%	≥ 96%

Workplace safety is inseparable and integral part of our business and central to everything we do. No job is worth getting injured. As an employer, a safe and pleasant working environment helps us to ensure that our employees are safe and do not risk their health or life while doing their job.

Our working environment activities comply with national legislation and the requirements of the ISO 45001:2018, international ISO standard for Occupational Health and Safety Management Systems. Compliance on construction and repair sites is also one of the company's annual targets.

The workplace safety in the company is managed by the Health and Safety team, which includes a Head of Health and Safety and a Health and Safety Specialist. In addition, the company has a 10-member Work Environment Council and 17 Work Environment Representatives elected from various units. Safety at workplace is also checked by members of the Work Environment Council and managers who carry out inspections both on the sites and in the production units. In the case of negative findings, improvement actions are agreed, which may include additional training, instruction, purchase of safety-enhancing equipment or putting up signs. Compliance with the agreed actions is monitored.

A total of 372 safety inspections were carried out in 2024. In 2024, there was one work-related accident that resulted in an employee being off work for more than 25 working days. To prevent accidents at work, we continue to encourage our employees, including managers, to report safety observations, and we pay attention to collecting information on hazards, safety observations and near-misses from our employees. In 2024, 152 observations were received from managers who carried out inspections using the TR indicator method, and 34 observations were received directly from employees by the Health and Safety team. Based on the information received, we implement improvement actions to prevent potential accidents in the future.

Employee awareness and **regular internal safety inspections** are key to creating and maintaining a safe working environment. We conduct regular **work environment training**. In 2024, these included refresher courses for first aiders, fire safety training for employees, training on working with open flames, training for those responsible for fire safety self-inspections, training for health and safety co-ordinators on construction sites, training on chemical safety and the use of biocidal products, training on impulsivity for drivers and vehicle users, a lecture by Ott Kiivikas on men's health, a crisis exercise entitled "The silence of the sound of running water" and a study trip by the Work Environment Council and Commissioners to the Kemira plant in Finland.

Health and safety metrics

	2024	2023	2022	Target
Percentage of employees covered by health and safety management system	100%	100%	100%	100%
Number of work-related fatalities	0	0	0	0
Number of recordable work-related accidents	1	1	1	0
Number of cases of recordable work-related ill health	0	0	0	0
Number of working days lost to work-related accidents or similar incidents involving the company's employees	25	15	30	0

Employee-related metrics

	2024	2023	2022
Number of employees by head count or full time equivalent (FTE)	362	364	345
...male	258	258	248
...female	104	106	97
...under 30 years old	49	48	48
...31-50 years old	187	187	167
...over 50 years old	126	129	130
Number of full-time employees (FTE)	350,70	350,75	333,325
Number of employees leaving during the year	74	71	81
Voluntary staff turnover rate	6,3%	7,9%	7,7%
Total employee turnover without trainees	14,1%	15%	18,7%
Employee turnover rate (total turnover, incl. trainees)	20,10%	19,8%	23,7%
Percentage of employees covered by collective bargaining agreements	100%	100%	100%

Workers in the value chain

The materiality assessment identified a material sub-topic for Tallinna Vesi, **working conditions of the workers in the value chain**, that relates to impacts, risks and opportunities related to workers in the value chain.

Potential negative impacts may arise from inadequate working conditions (e.g. working hours, adequate wages, employee engagement, etc.) for the tasks assigned to the workers in the value chain and the lack of actions to mitigate these potential impacts. Negative impacts may be accompanied by negative media attention or criticism from an expert or a partner, which may cause some reputational damage.

In the case of workers in the value chain, we focus only on contractors working on construction and repair sites directly related to Tallinna Vesi or its subsidiary Watercom. They can be most directly influenced by additional contractual requirements and on-site safety inspections.

With the construction sector being one of the sectors with the highest risk of workplace accidents, the highest impact is related to those workers in the value chain who carry out construction and repair works for our contractors. According to the work environment survey for 2023 prepared by the Labour Inspectorate of Estonia, construction is the third activity with the highest number of recordable work-related accidents, after trade and the metal industry. Because we provide a vital service, construction work is often urgent. There are situations where works need to be done working at night or on a busy street, which increases the likeli-

hood of getting into accident. The construction sector is also characterized by a high number of non-native and migrant workers, which makes this group more vulnerable to negative impacts.

In the value chain, the highest risks for us are related to accidents at construction works contracted by Tallinna Vesi and Watercom. Major work-related accidents mainly cause damage to reputation. To minimize the risks, we place great emphasis on compliance with safety requirements at work.

Guiding principles

We work with our partners to ensure compliance with health and safety requirements, as required by law and established by the company, at all construction and repair sites. We conduct regular internal safety inspections at all sites to ensure compliance and the safety of our partners' employees. More detailed information on the guiding principles on sustainability can be found on our website.

The company has established a Code of Conduct (available on the website under the [Business ethics](#) section), which we apply to all our contractual cooperation partners. In order to ensure that our cooperation partner behaves ethically, we apply additional control measures in the procurement process, which are described in the "Governance information" section.

Channels for employee engagement and remedying negative impacts

In the case of cooperation partners, we engage primarily with company representatives or project managers. As a rule, engagement starts with a project kick-off meeting, where we explain our policies and our requirements concerning safety, environment and quality. Depending on the duration or complexity of the project, regular meetings can be scheduled.

In addition, information days for construction partners are held every year. The aim of these meetings and information days is to explain our company's safety principles and requirements to our partners, so that cooperation projects run smoothly and everyone has a clear understanding of the requirements.

A list of mandatory safety requirements is attached to all construction and repair contracts. If the contractor fails to comply with the safety requirements, we have the right to suspend the work and impose a fine. Sanctions are intended to motivate contractors to take the safety of their workers seriously. To do this, contractors are required to produce a safety plan for each of their sites. This is an important document that assesses the various risks to workplace safety and the measures to be taken to mitigate them. Work cannot start until the plan has been approved by both the contracting authority and the contractor.

We have developed a number of measures to minimize negative impacts on our construction sites:

- We carry out safety inspections on the contractor's site. We carry out inspections at all construction works contracted by Tallinna Vesi and Watercom to make sure that contractors provide their employees with appropriate personal protective equipment and safe working practices.

- All our cooperation partners or their workers can give feedback or criticism, anonymously if they so wish, through the report form on the company's website, which can be found under the [Business ethics](#) section. This information is passed directly to the internal auditor, who is a separate person outside the company management and communicates directly with the company's Supervisory Council. The website also provides contact details for the Chairman of the Audit Committee, formed under the Supervisory Council, for the cases where the nature of the report is such as to require the intervention of a higher governance body.

Targets and metrics

To ensure that contractors comply with the requirements for safety at workplace set out in the general terms and conditions of their contract, our site managers and Health and Safety team carry out safety inspections using the TR Indicator method. The TR Indicator (known in Scandinavia as *TR mittari*, in Estonia as TOM) is a method for assessing the level of safety at workplace by using detailed checklists. These lists cover a number of safety aspects, such as the safety of working practices, the use of protective equipment and the marking of danger zones. The TR Indicator method focuses on collecting and analyzing data over a longer period of time. It helps to monitor safety trends and identify potential risk areas, allowing continuous safety improvement.

Workplace safety target

	Performance 2024	Target
TR Indicator on construction sites of contractors	98.1%	At least 96%

Number of safety inspections related to workers in the value chain

	2024	2023	2022
Number of inspections using TR Indicator method	137	112	n/a

Affected communities

It is strategically important for Tallinna Vesi to enable sustainable urban development by developing green urban space.

The materiality assessment identified that a material impact for Tallinna Vesi is **its contribution to the community**. Tallinna Vesi mainly has a positive impact on the community by establishing public drinking water taps where you can **fill up your drinking water bottle** or quench your pet's thirst for free, in partnership with the City of Tallinn. The company also offers **free water tanks** for large events. Tallinna Vesi **supports the community by raising environmental awareness** through visiting schools and kindergartens, businesses and community events to talk about the environment.

Guiding principles

We support our community and actively participate in community activities that are directly or indirectly related to our business. We believe it is important to raise environmental awareness and emphasize the role of tap water as a clean, environmentally sustainable and affordable source of drinking water. More detailed information on the guiding principles on sustainability can be found on our website.

Tallinna Vesi has developed a sponsorship strategy to support the community. Sponsorship activities are carried out following the principles of that strategy:

- **Scope of impact.** Tallinna Vesi's sponsorship focuses on activities in the company's main service area in Tallinn and its surroundings.
- **Link to core business.** We contribute to projects that are closely linked to our core business of providing water and wastewater services.
- **Systematic approach and consistency.** Tallinna Vesi consistently supports the same areas and projects in order to create consistency and clarity in its sponsorship principles. The decision-making process is reasoned and transparent to applicants.

Channels for employee engagement and remedying negative impacts

Members of the community can address their concerns and questions directly to the company through the official channels of communication (by post, telephone, e-mail). All correspondence and calls are registered and responded to in the same way as the correspondence with the company's contractual customers. Community members are also welcome to share information and thoughts through the company's website or social media accounts (Facebook, Instagram, LinkedIn).

Any member of the community can give feedback or criticism, anonymously if they so wish:

- This can be done by filling in the report form on the company's website, which can be found under the [Business ethics](#) section. The information entered through the form is passed directly to the internal auditor, who is a

separate person outside the company management and engages directly with the company’s Supervisory Council.

- The website also provides contact details for the Chairman of the Audit Committee, formed under the Supervisory Council, for the cases where the nature of the report is such as to require the intervention of a higher governance body.

Since most of what Tallinna Vesi does is highly regulated by environmental permits and legislation, any community member can also report potential problems or concerns directly to the Environment Board, the Health Board or the local authority, who in turn perform supervision over the company’s activities.

Targets and metrics

Tallinna Vesi mainly supports initiatives related to environmental education and aimed at the local community or people with less opportunities. In 2024, we contributed to Impact Day, an environmental sustainability festival promoting environmental education, and the Investment Festival, as well as to community events such as Tallinn Old Town Days, Summer Day of Association of Large Families in Tallinn and Harju County, Tallinn Maritime Days, Kalamaja Days, Tallinn Urban Space Festival and KopliFest. For the first time, we took part in the Opinion Festival, chairing a panel discussion on sustainable consumption. We also supported a number of sporting events, such as the 52nd edition of the Run around Lake Ülemiste, hosted by Tallinna Vesi, IRONMAN Tallinn and the Kõrvemaa Cycling Marathon. In 2024, we supported the following organizations: Kindergarten Õunake and Ristiku Primary School in Tallinn, the Estonian Paralympic Committee, the Estonian Agrenska Foundation, the Autismikool Charity Fund, the North Estonian Association of the Blind, the Tallinn Women Crisis Centre, the Tallinn Children's Hospital Foundation and the Estonian Food Bank.

Sponsorship 2024:

53 public water taps

23 water tank rentals

Raising the environmental awareness in the community is very important to us. This ensures the sustainable use of natural resources and also helps consumers to save money, for example by replacing bottled water with tap water. To raise environmental awareness in the community, Tallinna Vesi offers free educational materials on environmental issues on its website and conducts discussion groups on water-related topics in schools and kindergartens and in businesses. Tallinna Vesi supports sports and community events by providing water tanks free of charge. The company also organizes tours and open days at its treatment plants to raise environmental awareness among community members. **We aim to reach at least 1,500 people a year through our discussion groups and guided tours.**

Participants in guided tours and educational groups

	Performance 2024	Target
Number of people attending green initiatives organized by Tallinna Vesi	2,363	1,500

Clean drinking water is essential for life and should be easily and affordably accessible to all. Therefore, in partnership with the City of Tallinn, we have built a number of drinking water taps across Tallinn, both indoor and outdoor, since 2021. In 2024, 12 new water taps were installed along cycle and footpaths and health trails. In 2024, we opened 53 public drinking water taps across the capital.

Consumers and end-users

We provide water and wastewater services to approximately 25,000 contractual customers and about 500,000 end-consumers in Tallinn and its surroundings. Hence, we are responsible for ensuring that more than a third of Estonia's population has access to reliable, high-quality water and wastewater services.

The key directions set out in Tallinna Vesi's strategy are strongly linked to the provision of high-quality water and wastewater services to customers. **Tallinna Vesi's strategy outlines the following key directions for customers and end-consumers:**

- We enable sustainable urban development by delivering high-quality water services, pioneering modern stormwater solutions and developing green urban space. We connect our customers to the vital water infrastructure and deliver excellent customer experiences using smart solutions and digital service channels.
- We keep prices affordable for our customers by continuously improving our efficiency through modern technologies, digitalization and automation.

The safety and quality of drinking water, the availability of the service and the price for the service are important in ensuring water and wastewater services. For Tallinna Vesi, ensuring the availability and quality of its main service is of the greatest impact materiality and financial materiality, since it is most directly linked to the company's core business. By ensuring continuous access to a vital service, i.e. drinking water supply, Tallinna Vesi has a positive impact on the interests of customers and end-consumers. Potential negative impacts on the health of the customer could come from the deterioration in the quality of drinking water, an overall reduction in availability and an increase in the price for the service.

The materiality assessment identified that the exchange of information is linked to the potential negative impact of the failure to reach the customers and end-consumers in a timely manner with information related to the availability or disruption of the service provided by Tallinna Vesi, which is crucial for customer and end-consumer satisfaction.

Tallinna Vesi is in possession of a significant amount of customer data, and this concerns all customers and end-consumers, as a breach of privacy can have a negative impact. Compliance with the Data Protection Act provides legal safeguards to prevent violations of international human rights law. However, in the case of data leakage, the potential negative impact can be significant.

In the case of negative impacts, reputational risks may arise, for example through local negative media attention, which may cause some reputational damage. Some criticism from the authorities may be involved. The interests and views of stakeholders, including customers and end-consumers, are outlined in the "Stakeholder expectations" section.

Guiding principles

We work to ensure that the public water supply and sewerage systems function around the clock, without interruption and in accordance with all requirements and quality standards. More detailed information on the guiding principles on sustainability can be found on our website.

As a provider of a vital service, we understand the importance of our services to all the people who live in Tallinn. To ensure that water and wastewater services are available to customers at all times, we have implemented a detailed risk assessment procedure. This is described in more detail in the "Risk management" section. For risks that cannot be avoided, we have detailed crisis plans and regular crisis exercises in place. This way, we can be sure that our employees know what to do in a crisis situation.

We provide professional and personalized advice, take a proactive approach and understand our customers' needs. It is important for us to help customers solve their problems, to keep them informed and to deliver on our promises. We want our customers to have confidence in us and our service.

Relationships with customers and end-consumers are the responsibility of the Head of Customer Experience at management level and the Chief Asset Management Officer at board level.

The Key Account Manager works with Tallinna Vesi's 59 key customers and is responsible for managing customer relationships and customer enquiries from these customers. This enables us to provide a personalized and high-quality service to our key customers.

The Service Quality Manager analyses the root causes of enquiries, especially complaints, in cooperation with the area representatives. Where necessary, the Service Quality Manager will contact customers to clarify the reasons for dissatisfaction and to obtain direct feedback. The analysis will lead to agreements on improvements to working practices and systems.

Water and wastewater services are provided in strict compliance with the legislation governing water business and the service quality requirements agreed in the administrative contract signed with the local authority. In order to ensure the correct performance of customer contracts, data is collected and stored in accordance with the privacy policy, approved by the Management Board of Tallinna Vesi and Watercom on 25/05/2018, which is available to everyone and can be found on the company's website under the [Privacy policy](#) section.

In the Administrative Contract, Tallinna Vesi and the City of Tallinn agreed on the promises and deadlines to be given to customers, which can be found in full on the company's website in the [Customers > Promises to our customers](#) section:

- We promise a high-quality drinking water around the clock
- We promise to look after the environment by clearing sewage blockages as quickly as possible
- We promise to make sure our customers always have water and notify them in good time about possible interruptions
- We promise to be accurate in billing and maintaining of water meters
- We promise to respond quickly to customer enquiries and be thorough in resolving complaints

Channels for customer and end-consumer engagement and remedying negative impacts

Channels for customer and end-consumer engagement

Channel for engagement/Description, examples	Regularity	Feedback collection
Contact-based feedback surveys		
We ask for feedback on the quality of the handling of the enquiry. Every month, we ask an average of 600 customers for feedback and around 13% of them respond to the survey.	Monthly	If the customer provides feedback that they were not satisfied with the way their enquiry was handled or were rather satisfied (scores 1–3), we will analyze the background to each feedback in depth and draw conclusions to avoid similar reasons recurring and find ways to improve the results.
Customer satisfaction survey		
<p>The main objective is to identify changes in the overall strength of customer relationships and to assess annual performance in all areas relevant to the customer relationship. The survey is conducted among the following target groups:</p> <p>Customers in the Tallinn region – 500 respondents in total: 250 private homeowners, 100 housing associations, 150 other business customers.</p> <p>Final consumers in Tallinn – 400 respondents. The distribution of respondents between the city districts follows the actual proportions of the districts.</p> <p>Customers in the Maardu and Muuga area – a total of 100 interviews.</p>	Yearly	<p>Once the survey results are received, we analyze the changes in the ratings, review all open-ended responses and decide on the necessary follow-up actions to influence further results in a positive direction.</p> <p>Among other things, the annual survey asks for feedback on satisfaction with service and notification channels and quality of service.</p>
External information channels		
We send quarterly newsletters to private customers to inform them about important developments and changes in Tallinna Vesi and to share information that would help reduce the need for customers to contact the company.	Quarterly	
<p>We send letters to customers informing them of any upcoming changes (e.g. to the price for water services) by e-mail or post, depending on the customer's preference.</p> <p>Possible channels include emails, SMS notifications, quarterly newsletters, press releases and news on the company's website.</p>	As appropriate	

All the complaints and suggestions we receive are handled thoroughly respecting the deadlines set out on the website in the [Customers > Promises to our customers](#) section, or more quickly where possible. For handling complaints, Tallinna Vesi has developed a set of principles and guidelines concerning working procedures:

- We analyze complaints with a view to identifying the root causes, to avoid recurrence of similar reasons and find ways to improve the results.
- In addition to complaints, we analyze and address customer and end-consumer feedback from our annual customer satisfaction surveys and monthly contact-based surveys.

Tallinna Vesi has established a whistleblowing policy allowing to report incidents or suspicions of misconduct against the law, ethical business practices or Tallinna Vesi's Code of Conduct. For this, a report can be sent through the report form on the website under the [Business ethics](#) section, anonymously if wished so for.

Action lines and targets

Service availability and quality

Strict control of the quality of drinking water is essential to ensure uninterrupted service, as it affects the quality of life and health of all consumers. To ensure the quality of drinking water, we carry out maintenance of the networks, monitor the quality of the water leaving the treatment plant and the water pumping stations, and take regular samples from the consumer's tap. **Water quality monitoring** is carried out in accordance with drinking water monitoring programs approved by the Health Board. In Tallinn, we have around 120 sampling points, including kindergartens, schools and other institutions, evenly spread across the service area. All analytical results are public and can be found in the Health Board's information system. In addition, the results of the analysis of the drinking water leaving the treatment plant are available on the company's website.

As part of our efforts towards sustainable water use, we are focusing on reducing the number of leaks in the water network. Large water emergencies can also cause changes in water quality. To ensure the quality of our drinking water, we use chlorine, which some consumers may also find unpleasant to smell or taste.

To prevent bursting of pipes, we **continuously monitor the system**, carry out **preventive maintenance** and **rehabilitate our networks**. In order to ensure that the pipes are replaced in time, we have developed a model in cooperation with TalTech that takes into account various characteristics (e.g. age and material of the pipe, number of problems in a particular section, road reconstruction plans, etc.).

There are also **a backup generator and a standby fuel tank** at the water treatment plant to mitigate risks. The wastewater treatment plant is equipped with a combined heat and power plant and mobile power generators are used for the pumping stations. Regionally important pumping stations are equipped with two- or three-directional power supply to increase security of supply. As we cannot cover the energy needs of all our pumping stations with the existing mobile generators, we have mapped 27 key sites where stationary generators will be installed by 2025 at the latest. Both treatment plants will also have solar power plants — wastewater treatment plant in 2026 and water treatment plant in 2027.

The installation of smart water meters has a significant positive impact on the customers. The company will replace the water meters of all customers in its service area with smart meters by the end of 2026 at the latest. With smart meters, customers no longer need to report their water meter readings and this also ensures more accurate billing. In addition to consumption data, the smart meter provides information on faults and misuse of water, allowing the water company to monitor its water network more effectively and detect water leaks in both its own and its customers' pipes, which in turn helps to save clean water and the resources needed to treat it.

In order to ensure that consumers have continuous access to service, including during crises, we have prepared **crisis plans** based on our risk assessments. In our crisis plans, we have thought through possible crisis scenarios and have identified concrete actions and resources to address the crisis or minimize its impact. We are also required to prepare and submit to the local authority a continuity risk assessment and plans of vital service and to update them every two years. In 2024, we updated the existing risk assessment, which was also approved by the municipalities of Tallinn and Maardu. Crisis training sessions and exercises are carried out every year to ensure a quick and efficient response in the event of a crisis. The company has a dedicated crisis team that includes key staff members. In 2024, we held one crisis training session for crisis team members and 8 crisis exercises. Two of the exercises were large-scale, company-wide exercises to practice the response to a nationwide communications and power failure.

Exchange of information

We follow a service standard for communicating with customers and end-consumers, and a set of guidelines on how to resolve enquiries, which enables us to create a consistent approach to customer service. We are constantly developing the skills of our contact centre staff to resolve as many enquiries as possible on first contact with the customer.

In 2024, we **improved** the possibilities for updating customer contact details on our self-service portal. At the end of the year, we started to display more water consumption data on the **self-service portal** for customers with a remote water meter.

Data protection

We collect customer data only to the extent necessary for the performance of our contracts with customers and process it in a way that prevents unauthorized use. Tallinna Vesi does not profile its customers and does not process their personal data automatically. When transferring customer data to third parties to ensure the performance of contracts, we disclose these companies as authorized processors of customer data on our website. The company's website also contains the contact details of our Data Protection Specialist, who can be contacted for any data protection related issues.



Customer-related metrics

	2024	2023	2022	Target 2024
Number of customer complaints	832	1070	1215	≤ 970
Number of customer contacts regarding water quality issues	401	497	308	497
Number of customer contacts regarding water pressure	302	327	335	327
Number of customer contacts regarding blockages and leading off stormwater	631	823	814	823
Rate of written contacts responded within a required deadline	99,6%	97,9%	97,3%	100%
Number of failed promises	1	2	2	≤ 3
Results of the customer satisfaction survey (TRI*M Index)	n/a**	51	59	n/a*
Improved customer satisfaction based on monthly contact-based surveys.	4.1	3.9	4.2	≥ 4.1

* Targets were not set for 2024.

** The TRI*M survey was not carried out in 2024.

Governance information

Business conduct

The materiality assessment (see the assessment methodology in the “Impact materiality assessment” section) identified the following material subtopics related to impacts as well as risks and opportunities for Tallinna Vesi that are related to governance:

- business conduct,
- relationships with suppliers.

Under the topic of business conduct, we analyze the impacts, risks and opportunities identified in the company’s materiality assessment that are related to strengthening organizational culture and anti-corruption behaviour.

In terms of impacts, an assessment was made of whether the company’s business conduct could give rise to social and environmental impacts. The potential negative impact was found to be minimal and the topic of business conduct is more important from a risk mitigation perspective.

Under supply chain management, an assessment was made of what could be the social and environmental effects of insufficient supply chain management. Possible negative impacts can occur if sustainability-related conditions imposed on supply chain partners are insufficient or if partners do not comply with contractual terms. The risks that come with the impact are medium and are associated with a short-term reputational damage. The sub-topic does not have any long-term impact on Tallinna Vesi’s relationships concerning cooperation.

The specific impacts, risks and opportunities related to workers in the value chain were assessed in the “Workers in the value chain” section.

Guiding principles

Business conduct

In matters relating to business conduct, the Management Board of the company has approved the Code of Conduct by its resolution dated 17/05/2017. These are guidelines, undertaken voluntarily, some of which are also covered by national legislation, the UN Guiding Principles on Business and Human Rights, the UN Convention Against Corruption and the OECD Due Diligence Guidance for Responsible Business Conduct. At the end of 2024, the requirements of the Code of

Conduct were slightly updated, including merging it with the previously separate whistleblowing procedures. The new guiding principles on business ethics take effect from 01/01/2025 and are available to all on the company's website under the [Business ethics](#) section.

Relationships with suppliers

The reliability of our suppliers is crucial to ensure that the supply chain, which is vital in our lives, functions without interruption. To this end, the company has alternative suppliers at several critical links who can be called upon should something happen to the main contract partner. Tallinna Vesi is a contracting entity operating in a network sector within the meaning of the Public Procurement Act and is subject to the thresholds and conditions set for the network sector in the Public Procurement Act when purchasing goods, services and works.

Tallinna Vesi expects its suppliers and cooperation partners also comply with the group's guiding principles on business ethics and communicates this expectation at the time when the contract is signed. As a contracting entity operating in a network sector, Tallinna Vesi's major purchases and contracts must be procured in accordance with public procurement rules and through the public procurement register, which ensures greater transparency for both the parties involved in the procurement and the procurement process.

To manage the sustainability impact of our supply chain, we prefer green procurement solutions and suppliers who value the safety of their employees. More detailed information on the guiding principles on sustainability can be found on our website.

Targets and actions

Business conduct

Employees are regularly briefed on the content of the guiding principles on business ethics and are encouraged to report any observed deviations in the Group's business conduct through internal channels, including an anonymous reporting line. The most recent internal training on this subject was conducted in December 2024, followed by a test where Group employees had to demonstrate their knowledge of business ethics.

All company employees have a duty to avoid any conflict of interest between their personal and company objectives. For example, all persons involved in the procurement process must promptly inform the company's board or the Head of Procurement or the Head of Legal of any potential conflict of interest, and they must annually declare their related parties and confirm that there is no conflict of interest.

Target

The company aims to keep the number of confirmed cases of misconduct to a minimum by implementing detailed monitoring and preventive measures to raise awareness among its employees, suppliers and cooperation partners.

We encourage our employees to report any situation involving a violation of the Code of Conduct or any other legislation applicable to the company through internal channels. The company will respond promptly to any reports received, taking disciplinary action where appropriate, or terminating employment or service contracts, or initiating formal proceedings if a violation is found. In 2024, no reports of misconduct were filed.

Litigation prevention and the number of supervisory proceedings initiated by public authorities were the individual targets set for 2024 for board members and the Head of Legal.

Policymaking

Lobbying activities related to legislative initiatives of importance for water business is only carried out in cooperation with the Estonian Waterworks Association. Contacts with all the political parties represented in the councils of local authorities who have concluded an administrative contract for the provision of public water supply and sewerage services with Tallinna Vesi, take place on an equal basis, i.e. the company presents the background information necessary for the processing of drafts related to the company to all interest groups at the same time and to the same extent. Tallinna Vesi has not made any direct or indirect financial or in-kind political contributions.

Relationships with suppliers

Due to the nature of Tallinna Vesi's business as a water company, the company's production chain includes other service providers and cooperation partners who

help us to ensure that our core business functions properly and that the service we provide is available to our customers.

It is equally important for us to find new suppliers and to improve cooperation with existing partners. We consistently and systematically evaluate our cooperation with suppliers, which allows for two-way communication with existing cooperation partners, builds a trusted supplier base and allows to harness the expertise that suppliers offer to add value to the business. In addition to evaluating our suppliers' performance, we also ask for feedback on our own performance, so that we can further develop our relationships and cooperation with suppliers and become a better partner ourselves. The process of mutual evaluation of business relationships between Tallinna Vesi and its suppliers is divided into two steps: Tallinna Vesi's rating given to the activities of its partners and the partners' rating of Tallinna Vesi's activities. The selection of the partners to be evaluated is done based on cost and the goods, services or works provided by the partner in a critical aspect.

In 2024, staff from the various units of Tallinna Vesi evaluated suppliers with a contract value of more than €100,000. Contracts for works or services or for the purchase of goods in 2024 were evaluated. The sample included 92 contracts and 60 different suppliers. Ratings were given in six categories on a five-point scale.

The results of the evaluation show that the ratings given by Tallinna Vesi's to its partners' performance are good:

Category	Average rating
Reliability – meeting contract deadlines and conditions	4.59
Correctness of the administration – efficiency of the contact person's work, correctness of prepared documentation	4.39
Quality – absence of errors, availability and correctness of the required documentation	4.42
Willingness to co-operate, proactiveness – availability of a contact person, willingness to solve problems, effective and operative action. Contractor making suggestions for a better organization/flow of the work (construction). Ability to anticipate obstacles that may arise.	4.61
Safety at workplace – compliance with workplace safety requirements, occurrence of accidents at work and cases of non-compliance with workplace safety requirements, availability of safety cards	4.58
Environmental protection – occurrence of environmental non-compliances, and environmental safety and -friendliness	4.78

- the delays in the completion of the work are less than 7 calendar days or up to 3 calendar days in other deadlines set by the contract (or by the construction meeting minutes);
- there are minor errors in the preparation of documents and/or co-ordination of work, which are corrected quickly without disrupting the contracting authority's operations or processes;
- any deficiencies detected at the delivery and acceptance of the goods, services or works do not affect the contracting authority's operations or main processes and have been remedied within a specified term;
- the supplier's contact person responds within two working days and possible delay in solutions does not cause problems for the contracting authority;
- the contracting authority's comments on compliance have been received, accepted and actions corrected.

Compared to 2023, the ratings in the categories of reliability, correctness of the administration, quality and willingness to co-operate have increased by 0.4 points on average. In the category of safety at work and environmental protection, the ratings are 0.07 points lower than in 2023.

The companies selected in the sample of suppliers rated the organizational culture of Tallinna Vesi in eight

categories. Out of the 60 suppliers selected in the sample, 43 companies provided their rating. Ratings were given in eight categories on a six-point scale.

In 2024, Tallinna Vesi carried out 86 procurements above the public procurement threshold. Of the contracts awarded as a result of procurement, 68% were for works, 25% for goods and 7% for services (total value of contracts awarded was €45 million, €17 million and €5 million respectively, including framework contracts). Each procurement received 3.2 tenders on average. In addition, Tallinna Vesi carried out more than 65 procurements below the threshold for the network sector established in the Public Procurement Act.

In 2023, we set a target to increase the number of green procurements and to introduce standard clause on business conduct in our procurements, in line with company policies. In 54 of the procurements carried out in 2024, we implemented green measures to reduce the environmental impact of construction works and prevent pollution. We have also emphasized the importance of social aspects, focusing on compliance with health and safety requirements and the use of personal protective equipment adapted to the specific nature of the work.

In 2024, we introduced a requirement in the general terms and conditions of our contracts to follow ethical business practices in the performance of the contract, including avoiding conflicts of interest and corruption risks, and to comply with the company's

Category	Average rating
The importance of the partner	5.61
Is Tallinna Vesi showing interest in long-term cooperation?	5.50
Does Tallinna Vesi ask for suggestions and, if possible, take them into account?	4.94
Does Tallinna Vesi take your needs into account and is it willing to negotiate the terms of the contract to find a mutually satisfactory outcome?	4.74
Is Tallinna Vesi actively looking for new opportunities, promoting and implementing new ways of working and being open to innovative ideas?	4.83
Are the structure and processes of Tallinna Vesi efficient and easier to work with than with those of other partners?	4.35
Is the staff of Tallinna Vesi open and interested in finding solutions that best serve the strategic business needs of both companies?	5.38
Is Tallinna Vesi addressing issues and problems thoroughly?	5.20

guiding principles on business ethics, which can be found on our website.

At the end of 2024, we conducted our first sustainability survey among our suppliers to understand how our partners address sustainability issues. The questions were based on the topics covered by the Corporate Sustainability Reporting Directive. The questionnaire was sent to 65 of our largest suppliers, of which 24 responded. Of the respondents, 10 companies have

a good level of or are actively addressing sustainability issues, and 14 companies have considered some aspects of sustainability but do not yet have a systematic approach.

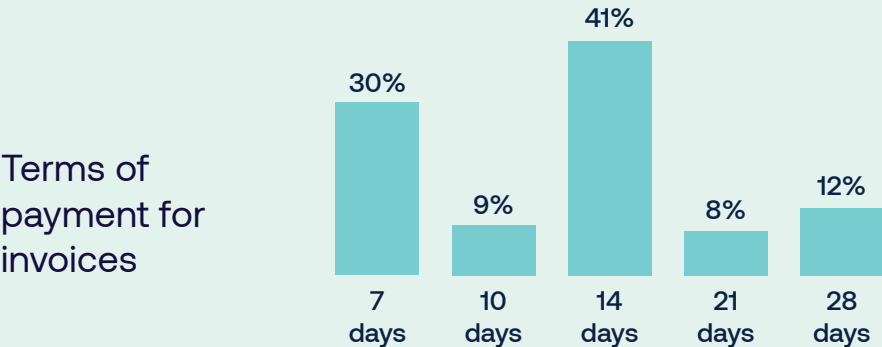
The Group has internal procedures that establish payment terms based on the amount to be paid, and invoices are paid according to contractually agreed terms.

Target

In 2025, we plan to further increase the number of green requirements and implement strategic principles for public procurement.

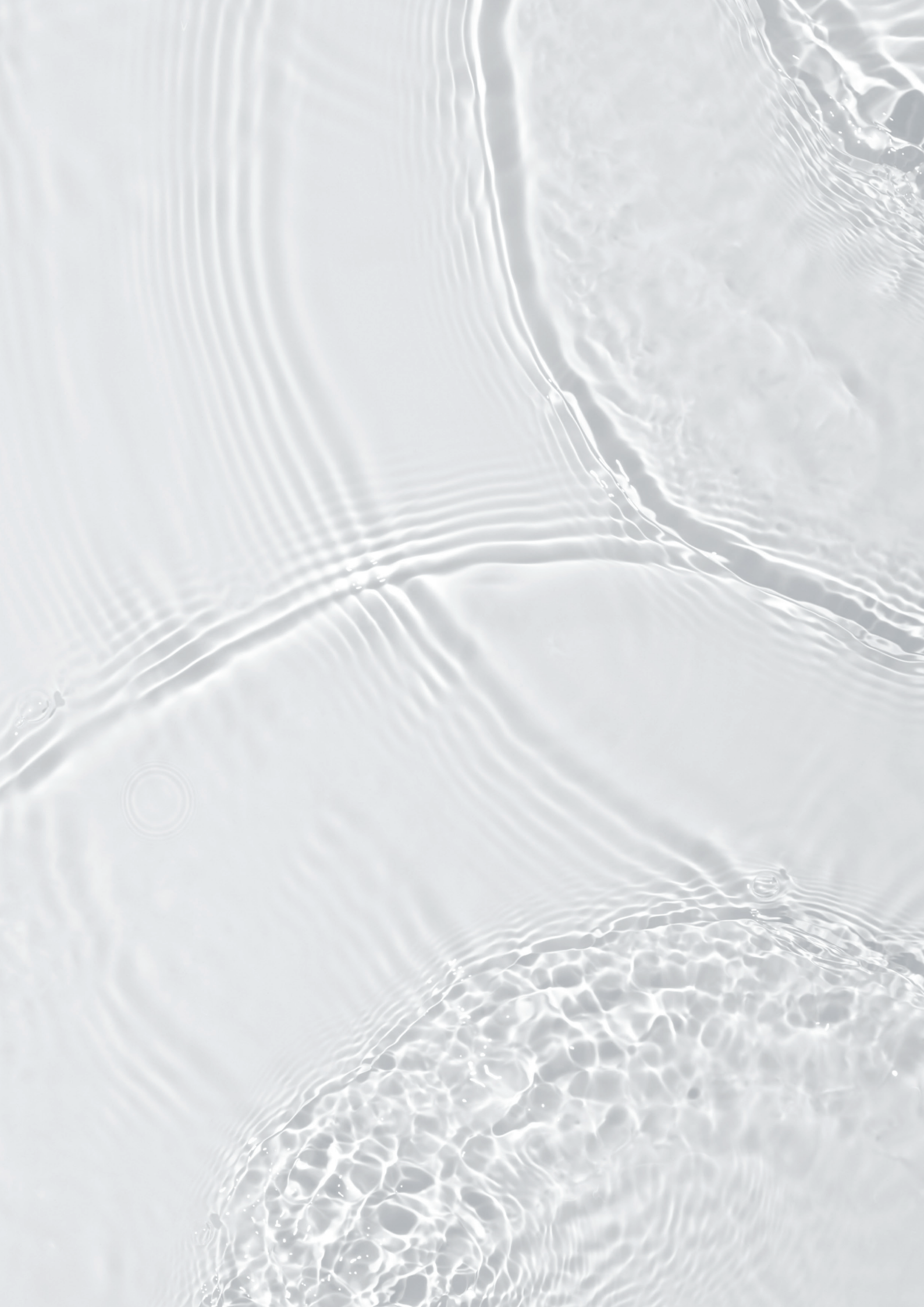
Indicator	2024	2023	Target (if any)
Average time* to pay an invoice, in number of days	16	16	The invoices are paid according to the terms of payment agreed in the contract.
Invoices up to €1000	14 days	14 days	
Invoices up to €1,001 – 14,999	21 days	21 days	
Invoices over €15,000	28 days	28 days	
Payments aligned with standard terms, %	99%	99%	
Number of legal proceedings currently outstanding for late payments	0	0	

* Time taken to pay an invoice from the date when the term of payment starts to be calculated.



Corporate Governance

We are committed to following the Corporate Governance Recommendations issued by the Financial Supervision Authority. The corporate governance model and operational structure are designed to ensure that all employees work towards the common goals of the company. Corporate governance, transparency, sustainability, internal controls and risk management are key to building and maintaining stakeholder trust.



Corporate Governance Report

Corporate governance is a system of principles for the control and management of a company. These principles are regulated by law, by the Articles of Association and by the internal rules of a company. As of 1 January 2006, the companies listed on the Nasdaq Tallinn Stock Exchange have been encouraged to follow the Corporate Governance Recommendations issued by the Financial Supervision Authority. Tallinna Vesi is committed to following those recommendations and has acted accordingly throughout 2024. This report covers the data and principles applied as of 31 December 2024.

Adherence to high standards of corporate governance is integrally linked to the values of Tallinna Vesi, and compliance with these standards is the direct responsibility of the Management Board and the Supervisory Council to shareholders. The corporate governance model and operational structure are designed to ensure that all employees work towards the common goals of the Company. Adherence to corporate governance practices, transparency, sustainability, internal controls and risk management are key to building and maintaining stakeholder trust. Tallinna Vesi aims to be transparent in its business operations, in the disclosure of information and in its relations with its stakeholders. Tallinna Vesi has received recognition for the best investor relations by Nasdaq Baltic Stock Exchanges on several occasions.

Since 2010, Tallinna Vesi has been a member of the Baltic Institute of Corporate Governance, which promotes the best practices of corporate governance in the region.

Investor relations and disclosure of information

Corporate Governance Recommendations statements are available on Tallinna Vesi's website in the [About us > Principles of governance > Corporate Governance Report](#) section. The Corporate Governance Recommendations Report is an integral part of the annual report of Tallinna Vesi, which is prepared at the end of each financial year. Annual reports are made public on the Nasdaq Tallinn Stock Exchange and are also available on the Company's website.

Tallinna Vesi discloses the following year's financial calendar on the Nasdaq Tallinn Stock Exchange as well as on Tallinna Vesi's website prior to the end of each calendar year. Such information includes the release dates of quarterly as well as annual financial information and the date of Annual General Meeting (AGM) of Shareholders.

Additionally, prior to the AGM, Tallinna Vesi discloses the following information on its website:

- AGM notice;
- background information about the agenda, including the annual report to be approved, the Supervisory Council report and the auditor's report;
- information about the member(s) of the Supervisory Council to be elected and the auditor candidate;
- the total number of voting rights;
- procedure for adding items to the agenda and presenting draft resolutions;
- procedure for inquiring about the Company's activities from the Management Board;
- the list of identification documents required for attending the General Meeting, including the form for power of attorney.

Decisions of the General Meetings and Management Board presentations are being published shortly after the meeting via Nasdaq Tallinn Stock Exchange. Finalized and certified minutes of the General Meetings

are published within seven days following the date of the General Meeting. All documents and information published via Nasdaq Tallinn Stock Exchange are available on Tallinna Vesi's website.

Tallinna Vesi holds regular discussions with its major shareholders and potential investors. To this end, the company holds General Meetings of Shareholders, not less than once a year, to keep shareholders informed and to provide them with an opportunity to question directly the Management Board and the Supervisory Council. The Management Board also meets both existing and potential investors outside of the General Meetings including but not limited to meetings on site, roadshows, by being present in conferences, through webinars and investor calls.

Tallinna Vesi organizes quarterly investor webinars, using the Nasdaq webinar service. Webinar is a virtual conference, in which the company representatives provide information about the company and its performance. Webinar allows interactive communication and the possibility to ask questions and receive answers directly from the members of the Management Board of the company. The webinar information is announced via the Nasdaq Tallinn Stock Exchange and is open to all interested parties. All webinar recordings and presentations are disclosed on the Nasdaq Tallinn Stock Exchange and Tallinna Vesi's website.

General meeting of shareholders and resolutions without calling a general meeting of shareholders

Tallinna Vesi is a public limited company, the management bodies of which are the General Meeting of Shareholders, the Supervisory Council and the Management Board. The General Meeting of Shareholders is Tallinna Vesi's highest management body.

In accordance with the Commercial Code and Corporate Governance Recommendations, Tallinna Vesi convenes both Annual General Meetings (AGM) and Extraordinary General Meetings (EGM) by notifying all of its shareholders via Nasdaq Tallinn Stock Exchange and by publishing information on its website and in one national daily newspaper at least 3 weeks in advance. Information related to General Meetings is

disclosed in Estonian and English on the company's website and in stock exchange announcements. The announcement in the daily newspaper is published only in Estonian.

The agendas of AGMs and EGMs of Tallinna Vesi are pre-approved by the Supervisory Council, who also puts forward proposals that require attention and are subject to voting at the General Meeting. General Meeting's agenda items, Supervisory Council's proposals along with relevant comments about the agenda items, procedural instructions for participating in a General Meeting and procedure for proposing additional items to the agenda are disclosed along with the General Meeting notice.

Specific rights for adding agenda items granted to shareholders, whose shareholding represents at least 1/20 of the share capital, are described in the General Meeting notice, as well as on Tallinna Vesi's website. Voting rights are explained to the shareholders in the AGM notice on the company's website as well as at the beginning of each General Meeting.

The Annual General Meeting (AGM) of Tallinna Vesi was held on 30/05/2024. The AGM approved the 2023 annual report and the decision on the distribution of profit, changed the remuneration of the members of the Supervisory Council (which had remained unchanged since 2005) and extended the term of office of Mr Priit Rohumaa as a member of the Supervisory Council for the next three-year statutory term of office. The Management Board also gave a presentation on the company's overall performance. There were no questions regarding the items on the agenda for the 2024 AGM, nor were any additional items proposed.

The Chairman of an AGM is an independent person. In 2024, the AGM was chaired by Mr Risto Agur, who introduced the procedure for conducting the General Meeting, including the procedure for inquiring about Tallinna Vesi's activities from the Management Board.

In 2024, all members of the Management Board of AS Tallinna Vesi participated in the AGM.

In 2024, AGM Tallinna Vesi allowed its shareholders who did not want to appear in person to vote in the General Meetings using electronic means. For electronic

voting, a shareholder had to fill out the voting ballot and sign it digitally (using ID-card, digi-ID or Mobiil-ID) and e-mail the digitally signed ballot to Tallinna Vesi before the AGM's day. The shareholders who voted using electronic means were deemed as having participated in the General Meeting and their votes represented by shares were counted in the quorum of the General Meeting. Electronic voting is allowed under the Articles of Association of the Company.

No shareholders have shares granting them the right for specific control. Tallinna Vesi is unaware of any shareholders having concluded any voting agreements.

The Articles of Association of Tallinna Vesi that came into effect from 18 October 2021 refer to only one type of shares (A share). Tallinna Vesi has 20 million shares, every share gives one (1) vote.

In addition to the resolutions adopted at the AGM, the shareholders of Tallinna Vesi resolved on 28/03/2024, without convening a General Meeting, to extend the term of office of the members of the Supervisory Council Mr Robert Kitt and Mr Mart Mägi for the next statutory term of office until 31/03/2027. On 11/04/2024, the shareholder of Tallinna Vesi, OÜ Utilitas, in accordance with clause 6.3.7.2 of the Articles of Association of Tallinna Vesi, notified the extension of the term of office of the members of the Supervisory Council appointed by OÜ Utilitas, Mr Priit Koit and Mr Niall Patrick Mills, for the next statutory term of office until 11/04/2027. On 21/06/2024, the shareholder of Tallinna Vesi, the City of Tallinn, in accordance with clause 6.3.7.2 of the Articles of Association of Tallinna Vesi, notified the appointment of a new member of the Supervisory Council, Ms Karolina Ebba Anna Ullman, with effect from 01/07/2024 for a term of office expiring on 30/06/2027. Ms Karolina Ebba Anna Ullman replaced Mr Andrei Korobeinik, previously appointed by the City of Tallinn, on the Supervisory Council of Tallinna Vesi, whose term of office expired on 25/04/2024. On 15/11/2024, the shareholder of Tallinna Vesi, the City of Tallinn, in accordance with clause 6.3.7.2 of the Articles of Association of Tallinna Vesi, notified the extension of the term of office of Mr Priit Lello, a member of the Supervisory Council appointed by the City of Tallinn, for the next statutory term of office until 15/11/2027.

Supervisory Council

The Supervisory Council plans the activities of Tallinna Vesi, organizes its management and supervises the activities of the Management Board. Pursuant to the Articles of Association of Tallinna Vesi, the Supervisory Council consists of nine members, each with a term of three years. In 2024, five regular Supervisory Council meetings were held. The Supervisory Council pre-approved the 2023 annual report and reviewed the dividend proposal, both of which were then presented to the Annual General Meeting for approval, and reviewed Tallinna Vesi's budget for 2025. Additionally, in its meetings, the Supervisory Council reviewed major risks affecting the company, regulatory and legal issues, matters regarding operations, finances, reporting, investments, human resources, customer service as well as customer and employee satisfaction, health and safety issues, and other operational and business matters.

The agenda of the Supervisory Council meeting usually includes the following items:

- minutes of the previous meeting;
- information on issues dealt with by the Supervisory Council committees, as appropriate;
- the Management Board's report covering the following areas: operations, regulations and laws, financial issues, communication, human resources, health and safety, issues related to quality, and non-regulated business;
- major projects and issues;
- financing decisions and policies;
- ad hoc decisions.

As of 31 December 2024, the Supervisory Council of AS Tallinna Vesi consisted of the following members:



Priit Koit (OÜ Utilitas)
Chairman of the Supervisory Council
until 11/04/2027



Robert Kitt (OÜ Utilitas)
Supervisory Council Member
until 31/03/2027



Niall Patrick Mills (OÜ Utilitas)
Supervisory Council Member
until 11/04/2027



Karolina Ebba Anna Ullman
(Tallinn City) Supervisory Council
Member until 30/06/2027



Silver Tamm (Tallinn City)
Supervisory Council Member
until 13/01/2025



Mart Mägi (Tallinn City)
Supervisory Council Member
until 31/03/2027



Priit Lello (Tallinn City)
Supervisory Council Member
until 15/11/2027



Priit Rohumaa (independent)
Supervisory Council Member
until 03/06/2027



Gerli Kivisoo (independent)
Supervisory Council Member
until 01/06/2026

Tallinna Vesi has not made any transactions outside ordinary course of business and price list with members of the Supervisory Council nor their related parties.

The Supervisory Council has formed two committees, the Audit Committee and the Nomination and Remuneration Committee, to advise the Supervisory Council on audit, on nomination and remuneration and on corporate governance matters as described below.

Audit Committee

The Audit Committee is the subcommittee to the Supervisory Council, which provides an oversight of the financial reporting process, the audit process, the systems of internal controls, review of risk management and assessment and compliance with the laws and regulations. The Audit Committee follows the Auditors Activities Act and the guidelines issued by the Financial Supervision Authority regarding the composition and working processes of an Audit Committee.

The main responsibilities of the Audit Committee are:

- to review quarterly and annual financial statements, including reporting to the Supervisory Council on significant issues considered by the Audit Committee in relation to the financial statements and how those issues were addressed;
- to monitor and analyze the effectiveness of risk management systems and internal controls;
- to review the annual report and the scope, processes and results of the annual audit and to report to the Supervisory Council on the effectiveness of the audit process;
- to monitor and analyze the independence and objectivity of external auditors and the legality of their activity regarding Tallinna Vesi and how the objectivity has been safeguarded;
- to annually evaluate the work of external auditors and report to the Supervisory Council about the results of such evaluation;
- to make recommendations to the Supervisory Council for the appointment or reappointment of external auditors and to be responsible for the tender for external auditor service and agree on the fees paid to the auditor;
- to monitor the independence of the internal auditor;
- to review the scope and effectiveness of the internal audit function, including reviewing and approving the annual audit plan.

At the time of compilation of this report, the Audit Committee consisted of the following members of the Supervisory Council:



Robert Kitt
Chairman of the Audit Committee



Mart Mägi
Member of the Audit Committee



Gerli Kivisoo
Member of the Audit Committee

At each Supervisory Council meeting, an internal audit report is presented to the Supervisory Council. The internal auditor of Tallinna Vesi reports directly to the Audit Committee.

Neither the appointed external financial auditor nor any member of the external audit team can provide any service outside the scope of annual audits without prior approval from the Audit Committee. In 2024, in addition to the annual audit of financial accounts, external auditors provided training services.

Pursuant to the Articles of Association of Tallinna Vesi, an external auditor, whose responsibility is to conduct the annual audit, is elected by the General Meeting of Shareholders. Tallinna Vesi chooses its external auditors through a procurement process, ensuring the best match of service quality and the price offered for the services. Qualification criteria are strict in order to get the best service in the market. The selected auditors are approved by the Audit Committee and the Supervisory Council before being voted by the General Meeting of Shareholders. For the audit of the periods ending 31 December 2021 and 31 December 2022, a tender was carried out in 2021, which resulted in the award of a contract for the provision of external audit services to AS PricewaterhouseCoopers. Under the terms of the contract, the external auditor's contract could be extended for two years. The Management Board made a proposal to this effect to the AGM on 01/06/2023, and the shareholders approved AS PricewaterhouseCoopers as the external auditor of the company also for the auditing years 2023 and 2024. In 2024, the amount of audit expense for consolidated audit report was 59 thousand euros, 6 thousand euros was expensed for the auditing of subsidiary's report and 1 thousand euros for other services. According to the Corporate Governance principles of Tallinna Vesi, the lead auditor needs to be re-appointed at least every 5 years. The company has also followed the Financial Supervision Authority guidelines dated 1 October 2003 "Rotation of the auditors of certain subjects of financial supervision by the state", which sets forth the requirement to rotate the lead auditor every 5 years. The lead auditor is currently Eva Jansen-Diener.

Based on the report by the Audit Committee, the Supervisory Council evaluates the quality of the work of external auditors annually in the course of the approval of the annual accounts, and discloses the summary of such evaluation in the AGM notice. The external auditors are present at the AGM and participate where necessary.

Nomination and Remuneration Committee

In 2024, the Nomination and Remuneration Committee continued to advise the Supervisory Council on the remuneration of the company management and the nomination of candidates for the Management Board.

At the time of compilation of this report, the Nomination and Remuneration Committee consisted of the following members of the Supervisory Council:



Priit Koit

Chairman of the Nomination and Remuneration Committee



Priit Lello

Member of the Nomination and Remuneration Committee



Priit Rohumaa

Member of the Nomination and Remuneration Committee

The Supervisory Council approves the remuneration policy of the company's Management Board and appoints the Nomination and Remuneration Committee. The Nomination and Remuneration Committee recommends the remuneration policy for Tallinna Vesi and exercises due supervision to ensure that the principles approved by the Supervisory Council and the requirements of the Securities Market Act are being followed.

The Nomination and Remuneration Committee ensures that the remuneration policy proposed is based on the short-term and long-term objectives of Tallinna Vesi, taking into account the financial performance of Tallinna Vesi and the legitimate interests of its investors. The Nomination and Remuneration Committee also ensures that the proportion of the basic salary and the performance pay are in accordance with the duties of that member of the Management Board and that the basic salary represents a sufficiently high proportion of the total remuneration. According to the existing principles of performance pay, members of the Management Board are entitled to a maximum performance pay of 25% of their annual gross salary. The performance pays to be paid out for 2024 depend on the annual financial and operational performance of the company, 80% of the performance pay is related to group targets and 20% of performance pay is related to specific individual targets. If the annual results are worse than expected, a decision may be taken not to pay out any performance pay.

The Nomination and Remuneration Committee ensures also that the selection of the member of the Management Board is appropriate, and that the candidate proposed to the Supervisory Council has a required background, education and experience.

Management Board

The Management Board is a management body that represents and manages the day-to-day business of Tallinna Vesi in accordance with the law and the Articles of Association of Tallinna Vesi. The Management Board is required to act in the most cost-effective manner. The Management Board may be composed of two to three members, in line with the Articles of Association effective as at the day of compilation of this report and is elected for a term of five (5) years. The Management Board always prepares management reports for the Supervisory Council meetings and such reports are distributed to the members of the Supervisory Council ten (10) days in advance of the meeting, as required by the Supervisory Council. The Management Board also provides ad hoc reports to the Supervisory Council outside meetings, as deemed necessary and at the request of the Chairman of the Supervisory Council.

Members of the Management Board and Supervisory Council are deemed to be insiders who are aware of Tallinna Vesi's insider rules and, along with their related persons, are listed in the group's insider list.

In 2024, there were no changes in the composition of the company's Management Board, which continued to work with the following members:



Aleksandr Timofejev
Chief Executive Officer,
Chairman of the Board,
Member of the Management Board
until 30/10/2026



Taavi Gröön
Chief Financial Officer,
Member of the Management Board
until 23/05/2027



Tarvi Thomberg
Chief Asset Management Officer,
Member of the Management Board
until 08/11/2026

The Supervisory Council of AS Tallinna Vesi has appointed all members of the Management Board.

The responsibilities of all members of the Management Board are specified below.

The functions of the Chairman of the Management Board, Mr Aleksandr Timofejev, include performing the day-to-day duties of the Chief Executive Officer (CEO) of Tallinna Vesi, managing and representing Tallinna Vesi, ensuring compliance with contracts and the law, organizing the work of the Management Board and co-ordinating the development of strategies and ensuring their implementation.

The functions of the Member of the Management Board, Mr Taavi Gröön, include performing the day-to-day duties of the Chief Financial Officer (CFO) of Tallinna

Vesi, managing and being responsible for the accounting and financial operations of Tallinna Vesi, and the planning and implementation of long-term investments.

The duties of the Member of the Management Board of Tallinna Vesi, Mr Tarvi Thomberg, include performing the day-to-day duties of the Chief Asset Management Officer (CAMO) of Tallinna Vesi, managing and being responsible for the day-to-day operation of Tallinna Vesi's underground water and wastewater networks, water metering, customer service and administrative operations, as well as planning and implementing investments in the assets of Tallinna Vesi.

Tallinna Vesi has signed board member contracts with all members of the Management Board. Tallinna Vesi has not entered into any transactions with the members of the Management Board or related parties outside the ordinary course of business and/or the price list.

According to the Articles of Association of Tallinna Vesi, the Chairman of the Board of Directors has the sole right to represent Tallinna Vesi; other members of the Management Board may represent Tallinna Vesi only together with another member of the Management Board. For the purpose of day-to-day decision-making, the Management Board has approved a framework of principles according to which certain members of the company's management are authorized to conclude low-value transactions.

The Management Board of Tallinna Vesi also acts on behalf of AS Tallinna Vesi as the sole shareholder of Watercom.

Equal opportunities and diversity in selecting Management Board and Supervisory Council members

Tallinna Vesi undertakes to respect the principles of equal treatment when electing members of the Management Board and the Supervisory Council. No one shall be discriminated against on the basis of age, gender, religion, origin or other characteristics. In order to achieve an effective and balanced composition of the board, priority in the selection of members of the Management Board and the Supervisory Council shall be given to the candidates' experience in the company or their knowledge of the field, as well as their education and background. The proportion of male and female members of the Management Board is set out in the Management Report.

Conformity with NASDAQ Tallinn Stock Exchange corporate governance recommendations

As of 1 January 2006, the companies whose shares have been admitted for trading on the regulated market operating in Estonia will describe, in accordance with the 'Comply or Explain' principle, their management practices in a Corporate Governance report and confirm their compliance or non-compliance with the Corporate Governance Recommendations. If the issuer fails to comply with the Corporate Governance Recommendations, it will explain the reasons for its non-compliance in the report.

Declaration of conformity by Tallinna Vesi

In 2024, Tallinna Vesi complied with the vast majority of the Corporate Governance Recommendations. However, Tallinna Vesi did not comply with certain recommendations, which are listed below along with the reasons for such non-compliance:

"2.2.7. Basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a member of the Management Board, as well as their essential features (incl. features based on comparison, incentives and risk) will be published in clear and unambiguous form on the website of the Issuer and in the Corporate Governance Recommendations Report. Information published will be deemed clear and unambiguous if it directly expresses the amount of expense to the Issuer or the amount of foreseeable expense as of the day of disclosure."

Tallinna Vesi discloses the overall Management Board remuneration in Note 23 and in the Remuneration Report included to this Annual Report.

"3.2.2. At least half of the members of the Supervisory Board of the Issuer will be independent. If the Supervisory Board has an odd number of members, then there may be one independent member less than the number of dependent members."

Pursuant to the Articles of Association of Tallinna Vesi, the Supervisory Council consists of nine members. Under the Shareholders Agreement, OÜ Utilitas (hereinafter Utilitas) and the City of Tallinn have agreed that the division of seats in the Supervisory Council will be such that, Utilitas will have three seats, the City of Tallinn will have four seats (both have the right to directly nominate two members of the Supervisory Council and the rest will be proposed to the General Meeting of Shareholders) and two seats will be reserved for independent members to be elected to the Supervisory Council as permitted by the Tallinn Stock Exchange on listing in June 2005.

Information disclosure

"2.2.2. The member of the Management Board will not be at the same time a member of more than two Management Boards of an Issuer and will not be the Chairman of the Supervisory Board of another Issuer. A member of the Management Board can be the Chairman of the Supervisory Board in a company belonging to same group as the Issuer."

The members of the Management Board of AS Tallinna Vesi are not in the management boards or act as a chairman of supervisory board of other issuers.

"2.3.2. The Supervisory Board will approve the transactions which are significant to the issuer and concluded between the Issuer and a member of its Management Board or another person connected/close to them and will determine the terms of such transactions."

The Supervisory Council approves the remuneration policy for the Management Board. In 2024, the transactions between Tallinna Vesi and any members of the Management Board or any persons or companies related to them were carried out by the arm's length principle and are disclosed in Note 23 to this report.

“3.2.5. The amount of remuneration of a member of the Supervisory Board will be published in the Corporate Governance Recommendations Report, indicating separately, basic and additional payment (incl. compensation for termination of contract and other payable benefits).”

The amount of the remuneration of a member of the Supervisory Council was set at €6,396 per year by the General Meeting of Shareholders in 2005, at the time the company's shares were listed on the stock exchange. At the General Meeting of Shareholders held on 30/05/2024, a resolution was adopted to pay the Chairman of the Supervisory Council €2,000 per month and a member of the Supervisory Council €1,000 per month with effect from 01/06/2024. These fees are subject to deduction of statutory taxes and are paid monthly. The members of the Supervisory Council were not paid any additional fees or other compensation in 2024.

“3.2.6. If a member of the Supervisory Board has attended less than half of the meetings of the Supervisory Board, this will be indicated separately in the Corporate Governance Recommendations Report.”

In 2024, five Supervisory Council meetings were held (1 February 2024, 4 April 2024, 2 May 2024, 1 August 2024 and 31 October 2024). Niall Patrick Mills was the only Board member absent from more than half of Board meetings (three out of five).

“3.3.2. A Supervisory Board member candidate will inform other members of the Supervisory Board about the existence of a conflict of interests before their election and immediately upon arising of it later. Members of the Supervisory Board will promptly inform the Chairman of the Supervisory Board and Management Board regarding any business offer related to the business activity of the Issuer made to him, a person close to him or a person connected with him.”

All members of the Supervisory Council are aware of this requirement and at minimum once a year, Tallinna Vesi requests all members of the Supervisory Council to update the record of their business interests. No business transactions outside of the main business took place between Tallinna Vesi and either any member of the Supervisory Council or any persons or companies related to them in 2024. Water and wastewater services were sold to the members of the Supervisory Council at a price those were sold to all the other customers.

The sections “Management Report”, “Sustainability Statement”, “Consolidated Financial Statements” and “Remuneration Report” form an integral part of the Annual Report of Tallinna Vesi for the financial year ended 31 December 2024. The Management Report gives a true and fair view of the development and results of the company's business, the main risks and uncertainties.

Business ethics

As a listed company, it is one of Tallinna Vesi's priorities to ensure that its business activities and the conduct of its directors, employees or any third parties acting on its behalf are in accordance with the highest standards of integrity. Tallinna Vesi is committed to be a reliable partner to all stakeholders in its business and is committed to contributing to reliable business climate. Tallinna Vesi does not tolerate corruption in any shape or form. In order to prevent corruption Tallinna Vesi has worked out several procedures and rules which require all directors, employees and everyone acting on behalf of the company to act with high integrity.

It is important that our activities at all levels are transparent, in accordance with the legal requirements and high business ethics. At least once a year, we explain these principles to all our employees, ask them to take a test to check their knowledge, and carry out an assessment of the potential risks of corruption and fraud.

Tallinna Vesi has established a whistleblowing policy allowing to report incidents or suspicions of misconduct against the law or ethical business practices.

Any situation involving a potential violation of the Code of Conduct must be reported immediately.

The employees, partners and third parties of Tallinna Vesi have the opportunity to use various channels to raise concerns or report incidents of unethical behaviour. All such reports will be analyzed by an independent third party. The system of reporting and processing the information ensures that the confidentiality and anonymity of the reporting party are retained if so requested. The incidents can be reported over the internet, by e-mail or by direct communication.

In 2024, Tallinna Vesi did not identify any confirmed cases of corruption or fraud.

Cooperation partners

We strive to do more than we are expected by legislative and contractual requirements. To serve that purpose, we focus on dialogue and cooperation, both within our team and with partners. Changes in applicable legislation are constantly monitored and communicated to the managers, whom those changes concern. On the other hand, we also value preventive cooperation and actively participate in the development and amending of legal acts primarily via Estonian Waterworks Association. We also co-operate with several quality-conscious companies that have high environmental awareness to promote doing business in an ethical and responsible way.

Cooperation with suppliers

Considering the nature of our activity as a water company, our supply chain includes other service providers and partners, who help us to guarantee the performance of our main operations and availability of services to the customers.

Unlike many other industries, our supply chain is relatively simple, because the company produces and sells the service without having any external links within its supply chain and there have been no significant changes in the chain. Still, the company itself is often an integral link in our customers' supply chain and therefore, it is very important that our service meets high quality standards. For this short but vital supply chain to work without any interruptions, we need our suppliers to be reliable. For this purpose, in several links of critical importance in the chain we have alternative suppliers in place, whom we can turn to should something happen to our main contract partner. We find our suppliers mostly through tenders or public procurements, which gives us the opportunity to set the criteria that we expect our suppliers to meet. We consider the environmental safety as well as the safety of our suppliers' employees very important.

Our cooperation partners can be divided into three larger groups: suppliers of goods, services and construction works.

Our suppliers are mostly based in Estonia, but we also carry out international tenders. We choose high-quality products and invest in the renovation of systems in order to ensure effective and sustainable operational activity. We outsource various support services so that our focus can remain on the main activity. For instance, we are outsourcing advertising, cleaning and security services and many other specific services.

We mainly sign long-term framework agreements to retain our suppliers and to ensure good and reliable cooperation. We have, at any time, around 1,000 suppliers on our database with whom we have worked at least once a year.

Looking for new suppliers as well as monitoring and improving our cooperation with the current partners are equally important to us. We consistently and systematically assess our cooperation with suppliers, which allows us to have a two-way interaction with our current partners, create a reliable base of suppliers and employ suppliers' competencies in order to create additional value for the company. Besides assessing the activity of suppliers, we also ask for feedback on our own activity in order to further develop our relationships and cooperation with the suppliers, aiming to be a better partner.

Our principles and membership in organizations

We deem it important to be involved and express our opinion on the issues that are relevant in society and to contribute to the development of areas related to our activity and drafting of legal acts. To these purposes, we have joined and become a founder member of various associations. We are a founder member of Estonian Association of Environmental Management and Corporate Social Responsibility Forum in Estonia, a collective member of Association for Quality, a member of Estonian Waterworks Association, a member of Taxpayers Association, a member of Baltic Institute of Corporate Governance and other organizations.

Our role is to provide consumers with a reliable drinking water service and to treat wastewater and stormwater using environmentally friendly technologies. This is a responsibility we must always bear in mind, both in making consistent and systematic management decisions and in our day-to-day operations. This means that our management practices must take into account the impact of our business on the surrounding living environment and the expectations of various stakeholders.

The Management Board has approved policies and guiding principles that set the overall framework for operating in various areas. All these policies and guiding principles are available at least in Estonian and English and can be found on our website in the [About us > Management and responsibilities > Principles of governance](#) section.



Consolidated Financial Statements

Management confirmation

The Management Board of Tallinna Vesi has prepared the consolidated accounts of AS Tallinna Vesi (the company) and its subsidiaries OÜ Watercom and OÜ ASTV Green Energy (hereinafter jointly referred to as the group) in the form of consolidated financial statements for the 12 months period of financial year ended 31 December 2024 on pages 120–156.

To the best of the company management's knowledge, the consolidated financial statements as at 31 December 2024, prepared in accordance with applicable International Financial Reporting Standards, as adopted by European Union,, provide a true and fair view of the company's assets, liabilities, financial position, profits and cash flows.

The management report provides a true and fair view of the trends and results of the company's operating activities and its financial position and includes a description of the main risks and concerns.

The significant transactions with related parties are disclosed in the notes to consolidated accounts.

Any subsequent events that materially affect the valuation of assets and liabilities of the group and have occurred up to the completion of the financial statements on 14 March 2025 have been considered in preparing the financial statements.

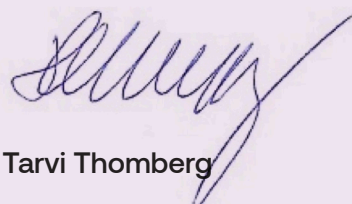
The Management Board of Tallinna Vesi considers AS Tallinna Vesi and its subsidiaries to be going concern entities.



Aleksandr Timofejev
Chief Executive Officer,
Chairman of the
Management Board



Taavi Gröön
Chief Financial Officer,
Member of the
Management Board



Tarvi Thomborg
Chief Asset Management Officer,
Member of the
Management Board

14 March 2025

Consolidated statement of financial position

€ thousand, as of 31 December

Note

2024

2023

Assets

Current assets	Cash and cash equivalents	5	3,589	14,736
	Trade receivables, accrued income, and prepaid expenses	6	10,746	8,608
	Inventories		1,180	1,137
	Total current assets		15,515	24,481
Non-current assets	Property, plant, and equipment	7	296,264	256,108
	Intangible assets	8	2,062	1,293
	Total non-current assets		298,326	257,401
Total assets			313,841	281,882

Liabilities and equity

Current liabilities	Leases	9	875	697
	Bank loans	9	3,441	3,594
	Trade and other payables	10	13,581	10,886
	Prepayments	12	2,646	3,604
	Total current liabilities		20,543	18,781
Non-current liabilities	Deferred income from connection fees		50,106	44,653
	Leases	9	2,178	1,892
	Bank loans	9	114,241	92,835
	Provision for possible third-party claims	13	6,018	6,018
	Deferred tax liability		494	505
	Other payables		108	128
	Total non-current liabilities		173,145	146,031
	Total liabilities		193,688	164,812
Equity	Share capital	14	12,000	12,000
	Share premium		24,734	24,734
	Statutory legal reserve		1,278	1,278
	Retained earnings		82,141	79,058
	Total equity		120,153	117,070
	Total liabilities and equity		313,841	281,882

Consolidated statement of comprehensive income

€ thousand, for the year ended 31 December	Note	2024	2023
Revenue	15	64,377	61,141
Costs of goods and services sold	17	-37,705	-37,074
Gross profit		26,672	24,067
Distribution expenses	17	-908	-818
General administration expenses	17	-6,261	-5,278
Other income (+)/ expenses (-)	18	-521	-621
Operating profit		18,982	17,350
Financial income	19	191	119
Financial expenses	19	-4,394	-3,263
Profit before taxes		14,779	14,206
Income tax	20	-1,496	-1,362
Net profit for the period		13,283	12,844
Total comprehensive income for the period		13,283	12,844

Attributable profit

To equity holders of A shares		13,283	12,844
Earnings per A share (in euros)	21	0.66	0.64

Consolidated statement of cash flows

€ thousand, as of 31 December

	Note	2024	2023
Cash flows from operating activities			
Operating profit		18,982	17,350
Adjustment for depreciation/amortisation		8,526	8,055
Adjustment for revenues from connection fees	18	-701	-604
Other non-cash adjustments		32	-16
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets		-62	-34
Change in current assets involved in operating activities		-2,182	430
Change in liabilities involved in operating activities		1,652	-667
Total cash flows from operating activities		26,247	24,514
Cash flows used in investing activities			
Acquisition of property, plant and equipment, and intangible assets		-42,730	-28,885
Compensations received for construction of pipelines		1,996	2,535
Proceeds from sale of property, plant and equipment, and intangible assets		111	37
Interest received		191	119
Total cash flows from investing activities		-40,432	-26,194
Cash flows used in financing activities			
Interest paid and loan financing costs		-5,506	-3,413
Lease payments		-1,144	-1,233
Received loans	9	25,000	57,500
Repayment of loans	9	-3,604	-41,136
Dividends paid	20	-10,069	-6,515
Withheld income tax paid on dividends	20	-131	-85
Income tax on dividends	20	-1,508	-1,352
Total cash flows used in financing activities		3,038	3,766
Change in cash and cash equivalents		-11,147	2,086
Cash and cash equivalents at the beginning of the period	5	14,736	12,650
Cash and cash equivalents at the end of the period	5	3,589	14,736

Consolidated statement of changes in equity

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
as of 31 December 2022	12,000	24,734	1,278	72,814	110,826
Dividends (Note 20)	0	0	0	-6,600	-6,600
Comprehensive income for the period (Note 21)	0	0	0	12,844	12,844
as of 31 December 2023	12,000	24,734	1,278	79,058	117,070
Dividends (Note 20)	0	0	0	-10,200	-10,200
Comprehensive income for the period (Note 21)	0	0	0	13,283	13,283
as of 31 December 2024	12,000	24,734	1,278	82,141	120,153

Notes to the Consolidated Financial Statement

NOTE 1. General information

AS Tallinna Vesi (Company) is the largest water utility in Estonia providing water and wastewater services to about 500,000 people in Tallinn and in several neighbouring municipalities of Tallinn. The current Administrative Contract is in effect until 30 November 2032 as per the exclusive right for the provision of water and wastewater services in Tallinn.

The shareholders with significant influence in AS Tallinna Vesi are the City of Tallinn with 55.05% and OÜ Utilitas with 20.3%. The remaining shares are in free float on the Nasdaq Baltic Stock Exchanges, where the shares of AS Tallinna Vesi have been listed since 1 June 2005.

Watercom OÜ (Subsidiary) is a company established in 2010 by the parent company. Its main areas of activity are services related to water business and owner supervision and construction services.

ASTV Green Energy OÜ (Subsidiary) is a company acquired by the parent company in 2021. Its main activity is gas production. It is a dormant company and there has been no active economic activity.

The company and the subsidiaries together form a group (Group).

Contacts

Name	AS Tallinna Vesi	Watercom OÜ	ASTV Green Energy OÜ
Commercial register number	10257326	11944939	16101654
VAT identification number	EE100060979	EE101374619	-
Address	Ädala 10, 10614 Tallinn	Ädala 10, 10614 Tallinn	Ädala 10, 10614 Tallinn
Telephone	+372 62 62 200	+372 62 62 620	+372 62 62 200
E-mail	tvesi@tvesi.ee	watercom@watercom.eu	greenenergy@tvesi.ee

NOTE 2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements (hereinafter referred to as the financial statements) are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU) (hereinafter IFRS).

The financial statements have been prepared on the basis of the cost convention.

The Management Board of AS Tallinna Vesi authorized these consolidated financial statements for issue on 14 March 2025. Pursuant to the Commercial Code of the Republic of Estonia, the financial statements are subject to approval by the Supervisory Council of AS Tallinna Vesi and the General Meeting of Shareholders. Shareholders have the right not to approve the annual report prepared and approved by the Management Board, and request preparation of a new annual report.

The preparation of financial statements in accordance with IFRS requires the use of significant accounting estimates. It also requires the company management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Adoption of new or revised standards and interpretations

There have been no new or revised standards or interpretations that have material impact and which the Group has applied for the first time for their annual reporting period beginning on 1 January 2024.

There are no new or revised standards or interpretations that are not yet in effect that would be expected to have a material impact on the Group.

Principles of consolidation and subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

In the consolidated financial statements, the financial statements of the subsidiaries are combined on a line-by-line basis. Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated; unrealized losses are also eliminated unless the cost cannot be recovered. The Parent Company and its subsidiaries use uniform accounting policies. Where necessary, the accounting policies of the subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Investment in subsidiaries is carried at cost (less any impairment losses) in the unconsolidated primary financial statements of the Company.

Foreign currency

Functional and presentation currency

Consolidated financial statements for the year ended 31 December 2024 have been presented in euros.

The financial statements have been presented in thousands of euros, unless stated otherwise.

Current and non-current distinction of assets and liabilities

Assets and liabilities are classified in the statement of financial position as current or non-current. Assets expected to be realized of within 12 months of the end of the next financial year or during the normal operating cycle of the Group are considered as current. Current liabilities are liabilities that fall due within the next financial year after the reporting date or are likely to be settled within the next financial year or in the normal operating cycle of the group. All other assets and liabilities are shown as non-current.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and the cash flow statement comprise of cash on hand, cash in bank accounts and short-term, risk free, highly liquid bank deposits with original maturities of three months or less.

Cash flows from operating activities are reported using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Cash flows from investing and financing activities are reported using the direct method.

Financial assets

Classification

The Group's financial assets have been classified in the amortized cost measurement category. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has

transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

The subsequent recognition of debt instruments depends on the group's business model for managing financial assets and the contractual cash flows of the financial asset. All Group's debt instruments are classified in amortized cost measurement category.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in the statement of comprehensive income on the row 'Other income (+)/expenses (-)'. Impairment losses are also presented on the row 'Other income (+)/expenses (-)'. As at 31 December 2024 and 2023 all the Group's financial assets were classified in this category.

Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables and contract assets without a significant financing component the Group applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables.

The Group uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

Inventories

Inventories are initially recorded at cost. The FIFO method has been used to determine the cost of inventories.

Property, plant and equipment, and intangible assets

Property, plant and equipment are tangible assets used in operating activities of the Group with an expected useful life of over one year. Property, plant and equipment are carried in the statement of financial position at historical cost less accumulated depreciation and any impairment losses.

Intangible assets are recognized in the statement of financial position only if the following conditions are met:

- the asset is controlled by the Group;
- it is probable that the future economic benefits that are attributable to the asset will flow to the Group;
- the cost of the asset can be measured reliably.

Acquired licenses

Acquired computer software that is not an integral part of the related hardware is recognized as an intangible asset. Development costs of computer software are recognized as intangible assets if these are directly related to the development of such software objects that are identifiable, controllable by the Group and that are expected to generate economic benefits beyond one year. Capitalizable development costs of computer software include staff costs and other expenses directly related to the development. Costs related to the day-to-day maintenance of computer software are recognized as expenses in the statement of comprehensive income. Costs of computer software will be depreciated over the estimated useful lifetime, the duration of which is up to 10 years.

Other intangible assets

Expenses for acquiring patents, trademarks, licenses and certificates are capitalized if it is possible to estimate the future economic benefits attributable to

these assets. Other intangible assets are amortized on a straight-line basis over the estimated useful lifetime, the duration of which does not exceed 10 years.

The cost of purchased property, plant and equipment and intangible assets comprises the purchase price, transport costs, installation, and other direct expenses (incl. internal labour costs) related to the acquisition or implementation. Labour costs are capitalized with employee's hourly index applied to working hours which are needed for taking the asset to the location and condition necessary for it to be capable of operating in the manner intended by the company management. Hourly rate is calculated individually for each employee and includes other direct expenses connected with the employee in addition to salary expense.

If an item of property, plant and equipment consists of components with different useful lives, these components are depreciated as separate items.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

Subsequent expenditures are added to the carrying amount of the item of property, plant and equipment or are recognized as a separate asset only when it is probable that future economic benefits related to the assets will flow to the Group and the cost of the asset can be measured reliably. A replaced component or proportion of the replaced item of property, plant and equipment is derecognized. Costs related to ongoing maintenance and repairs are charged to the statement of comprehensive income.

Land is not depreciated. Depreciation of other property, plant and equipment is calculated on a straight-line basis on cost over the estimated useful life of the asset.

Applicable depreciation/amortization rates per annum:

- buildings 1.25–2.0%;
- facilities 1.0–8.33%;
- machinery and equipment 3.33–50%;
- acquired licenses and other intangible assets 10–33%.

In exceptional circumstances rates may differ from the above ranges if it is evident that the estimated useful life of the asset varies materially from the ranges of rates assigned to the respective category.

Financial liabilities

Financial liabilities have the following measurement categories: (a) recognized at fair value through profit or loss (derivatives), (b) recognized at amortized cost.

Financial liabilities include trade payables, accrued expenses, loans payable and other short term and long-term financial liabilities and derivatives. Financial liabilities (except derivatives) are initially recognized at fair value net of transaction cost. Subsequently financial liabilities are carried at the amortized cost.

Amortized cost of short-term financial liabilities is usually equal to their nominal value; thus, they are carried on statement of financial position at the amount payable. For calculating the amortized cost of long-term financial liabilities, these are initially recognized at fair value of amount received (less transaction costs), interest expense is calculated from the liability using the effective interest method subsequently.

Liabilities are classified as current liabilities, unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

Income tax on dividends in Estonia

According to the Estonian Income Tax Act the accrued profit of a resident legal entity is not subject to tax, as tax is charged only on dividend distributions. Pursuant to the Income Tax Act, resident legal entities are liable to income tax on all dividends paid and other profit distributions irrespective of the recipient. The distributed profit tax rate is 22%, which is calculated as 22/78 of the net dividends paid out. Under certain conditions, it is possible to redistribute received dividends without incurring additional income tax expense. The condition for tax exemption is that the company that received the dividend and paid it forward had a stake of at least 10% in the respective company when the dividends were received. The lower tax rate of 14% or 14/86 of the net amount of dividends that previously applied to regular dividends is no longer applicable from January 1, 2025. It is possible to apply a transitional provision for redistribution of dividends taxed at a lower tax rate received before this date.

From January 1, 2026, a security tax of 2% will be applied to the company's annual profit before income tax. In the case of a consolidated annual report, the

profit of the parent company's unconsolidated profit and loss statement is used as a basis.

The contingent tax liability that would occur if all distributable retained earnings were paid out as dividends is not recognized in the statement of financial position. The income tax due on dividend distribution is recorded as a liability and as a tax expense in the statement of comprehensive income during the same period as the dividend is declared regardless of the actual payment date or the period for which dividends are declared. Income tax liability is due on the 10th date of the month following the dividend payment.

Deferred income tax

Deferred income tax liability arises for the Group from subsidiaries in Estonia. As there is no fixed policy relating to dividend payments from subsidiaries, the Group has decided to measure the deferred tax liability on potential dividends to the extent of accumulated profits of subsidiaries at the reporting date. The Group measures deferred income tax liability using the tax rates valid on the reporting date.

Provisions and contingent liabilities

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

The provisions include provision for the possible third-party claims and the guarantee the Group has given to the construction services provided by the Group itself, which is necessary to meet the warranty obligation for services sold by the reporting date. The amount of provision for construction services guarantees is recognized in the statement of financial position as a current and non-current liability, depending on the length of the guarantee period and possible time of its realization. Guarantee provisions have been recognized based on of the best estimates of the Group's management and the actual costs of these transactions can differ from the provided estimates.

Commitments and other possible and existing liabilities, the realization of which is unlikely, or the amount of accompanying costs cannot be assessed with sufficient reliability, but which can become liabilities on certain terms in the future, are disclosed as contingent liabilities in the notes to the financial statements. See also Note 11.

Share capital

Shares are recorded within the equity capital. Pursuant to the Group's Articles of Association, the Group has one class of shares: the A Shares, with a nominal value of €0.60 each.

Statutory reserve capital

Pursuant to the requirements of the Commercial Code the statutory reserve capital is set up comprising of the allocations from net profits. The annual allocation must be at least 5% of the net profit of the accounting year until the reserve capital is equal to 10% of paid-up share capital. As the Group's reserve capital has reached the required level, the reserve capital is no longer increased from net profit.

At the decision of the General Meeting of the Shareholders the reserve capital can be used for the covering of loss in case it is not possible to cover it from the Group's available shareholders' equity, also for increasing the Group's share capital. The reserve capital cannot be distributed to the shareholders.

Leases

Accounting principles – the Group as the lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Initial measurement

At the commencement date, a lessee will recognize a right-of-use asset and a lease liability.

At the commencement date, a lessee will measure the right-of-use asset at cost. The cost of the right-of-use asset will comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are recorded within the line 'Property, plant and equipment' in the statement of financial position.

At the commencement date, the lessee measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments will be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee will use the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group has elected not to apply the requirements of IFRS 16 to short-term leases (except for long-term lease arrangements of vehicles with maturity less than 12 months) and leases for which the underlying asset is of low value. Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of real estate.

Revenue from contracts with customers

Revenue is income arising in the course of the Group's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring control over promised services to a customer, excluding the amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a service to a customer.

The Group provides water, wastewater, stormwater, fire hydrants and other associated services under fixed-price contracts. Revenue from providing services is recognized in the accounting period in which the services are rendered based on the units delivered.

When connecting to the water services network, the customers must pay a connection fee based on the actual costs of infrastructure to be built in order to connect them to the network. The Group's management has concluded that the connection fees do not represent a separate performance obligation from providing the ongoing water service, and thus the revenue from connection fees is deferred and recognized as 'Other income' over the estimated average useful lives of assets providing the service, being 75 years. Connection fees received from customers are carried in the statement of financial position as 'Deferred revenue from connection fees' within non-current liabilities.

Revenue from construction services is recognized over time based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The constructed assets have generally no alternative use for the Group due to contractual restrictions. Enforceable right to payment arises during the construction before legal title has passed to the customer.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the statement of profit or loss in the period in which the circumstances that give rise to the revision become known by the company management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the contract includes an hourly fee, revenue is recognized in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

The contract asset and contract liability arising from the same contract are presented net in the financial statements.

If the contract includes variable consideration, revenue is recognized only to the extent that it is highly probable that there will be no significant reversal of such consideration.

Financing component

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

Earnings per share

Earnings per share are calculated by dividing the net profit of the accounting year with the weighted average number of issued shares of the period. The Group has no instruments that would have a diluting effect on the earnings per share.

NOTE 3. Significant 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 within the next financial year are addressed below:

- The Group's 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 12 months before 31 December 2024, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of Estonia in which it sells its goods and services to be the most relevant factors and has accordingly adjusted the historical loss rates based on expected changes in these factors. As at 31 December 2024, the Group's management has assessed the expected credit loss related to macroeconomic conditions to be €113 thousand.
- The Group's 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 the tariffs 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. Therefore, the Com-

pany does not consider itself liable to customers for any claims related to tariffs applied until the new tariffs approved by the Competition Authority were duly implemented.

As of 31 December 2024, claims totalling €14.67 million have been filed within five applications (added a request for a penalty for late payment in the amount of €6.3 million filed within two applications). The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6 million (as of 31 December 2023: €6 million). 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. See also Note 13.

- The Group's management has estimated the useful lives of tangible and intangible assets based on management's assessment of the actual period the assets are used. The results of the estimates are disclosed in Note 2 'Property, plant and equipment, and intangible assets' section and the information about the carrying amounts is disclosed in notes 7 and 8.

As of 31 December 2024, Group owns property, plant and equipment, and intangible assets with a net book value of €296 million (31 December 2023: €256 million) and annual depreciation was €8.2 million (2023: €7.7 million). If the depreciation rates decreased/increased by 5%, the depreciation expense would increase/decrease by €412 thousand respectively (2023: €385 thousand).

NOTE 4. Financial risk management

Financial risk factors

In its business activities the Group is exposed to different financial risks: market risk (including currency risk, price risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Group's financial risks are managed under the control and supervision of the Management Board by the financial department. Financial department identifies, evaluates and manages financial risks in cooperation with the Group's operating units.

Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group's foreign exchange risk is related to purchases done and amounts owned in foreign currencies.

Majority of Group's purchases are made in euros. The proportion of purchases in other currencies in 2024 was 0.0% (2023: 0.0%). Because of the small proportion of transactions in foreign currencies the Group has not taken any special activities to reduce this risk.

On 31 December 2024 the Group's bank accounts balances (including deposits) totalled €3,588 thousand (31 December 2023: €14,736 thousand) from which no amounts were in foreign currencies (31 December 2023: no foreign currencies). There were no other significant exposures to foreign currencies arising from Group's other financial assets and financial liabilities.

Due to the above the Group considers its currency risk level to be low.

Price risk

The Group has no price risk regarding financial instruments because it has no investments into equity instruments.

Cash flow interest rate risk and fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of financial instruments will fluctuate in the future due to changes in market interest rates. Cash flows interest rate risk is the risk that financial expenses arising from financial liabilities with floating interest rate will increase when interest rates on the market increase.

Borrowings issued at variable interest rates (Note 9) expose the Group to cash flow interest rate risk. The board assesses the scope of the interest rate risk and possible mitigation measures on a quarterly basis and, based on the assessments, decides the need to enter into SWAP agreements.

At the end of reporting period, the Group had the following variable rate borrowings:

	31 December 2024	31 December 2023
	Balance € thousand	Balance € thousand
Borrowings	118,214	96,818
Net exposure to cash flow interest rate risk in case Euribor > 0	118,214	96,818
Net exposure to cash flow interest rate risk in case Euribor < 0	0	0

The Group's profit is sensitive to higher/lower borrowings and interest expenses as a result of changes in interest rate.

Impact on profit € thousand	2024	2023
Interest rates- Increase by 50 basis points*	-526	-345
Interest rates- Decrease by 50 basis points*	526	345

*Holding all other variables constant

As all instruments are carried at amortized cost, the change in market interest rates would not have an effect on the financial statements of the Group.

Credit risk

Credit risk expresses potential loss that can arise if counterparty fails to fulfil its contractual obligations. Cash in bank accounts and deposits, financial assets at fair value through profit and loss, trade and other receivables are exposed to credit risk.

According to the Group's risk management policies the Group's short-term resources can be deposited only in accounts, overnight deposits and fixed term deposits opened in credit institutions. For cash in banks and short-term depositing counterparties with at least a long-term Baa1 rating (by Moody's) is used. As of 31 December 2024 the Group had no fixed-term deposits (31 December 2023: €5 million).

The Group is also monitoring European Banking Authority's recommendations regarding banks' recapitalization needs and fixed term deposits are opened only in banks with no capitalization shortfall.

To measure the expected credit losses, trade receivables and contract assets 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 12 months before 31 December 2024, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of Estonia in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. On that basis described above, the loss allowance as at 31 December 2024:

not due.	0.2%
1 to 30 days over due date	0.2%
31 to 60 days over due date.	0.2%
61 to 90 days over due date.	0.2%
Over 90 days over due date	100%

Also cash and cash equivalents are subject to the impairment requirements of IFRS 9, no impairment loss as of 31 December 2024 was identified.

Sales of Group's products and services is done in compliance with internal procedures. To reduce credit risk related to accounts receivable the customers' payment discipline is consistently observed. In the case of overdue debt, the customers are contacted by billing group. As of the end of December 2024 there was 1 customer (31 December 2023: 3 customers) with receivable (Note 6) exceeding 5% of total trade receivables. All the receivables are paid before the date of completion of these financial statements.

Financial assets

Financial assets			Overdue		Impairment
€ thousand	Balance	Not due	Up to 60 days	More than 60 days	
as of 31 December 2024					
Cash and cash equivalents (Note 5)	3,589	3,589	0	0	0
Trade receivables (Note 6)	9,539	9,107	208	225	-196
Business customers	5,295	5,002	165	129	-125
Private customers	4,244	4,105	43	96	-71
Total	13,128	12,696	208	225	-196
as of 31 December 2023					
Cash and cash equivalents (Note 5)	14,736	14,736	0	0	0
Trade receivables (Note 6)	8,155	7,501	152	502	-473
Business customers	4,589	4,068	116	405	-345
Private customers	3,566	3,433	37	97	-128
Total	22,891	22,237	152	502	-473

The Group's maximum credit risk is equal to the carrying amount of the financial assets and is considered to be low.

Liquidity risk

Liquidity risk is the risk that the Group is unable to fulfil its financial obligations due to insufficient cash funds or inflows. This risk realizes when the Group does not have enough funds to serve its loans, to fulfil its working capital needs, to invest and/or to make declared dividend payments.

Financial liabilities in terms of payment*

€ thousand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
as of 31 December 2024						
Trade and other payables (Note 10)	13,581	0	0	0	0	13,581
Bank loans	0	0	3,571	114,643	0	118,214
Leases	64	127	538	1,917	0	2,646
Total	13,645	127	4,109	116,560	0	134,441
as of 31 December 2023						
Trade and other payables (Note 10)	6,668	0	0	0	0	6,668
Bank loans	0	0	3,604	51,786	41,429	96,818
Finance leases	60	119	518	1892	60	119
Total	6,728	119	4,122	53,678	41,489	103,605

*All amounts above are undiscounted

At the end of the period, the Group's working capital is negative.

A negative working capital and a low cash balance are strategic choices aimed at optimizing the efficiency of the use of the Company's capital and the associated costs. The Group has entered into long-term investment loan agreements, which ensure sufficient available credit lines that can be drawn down within 3 to 5 working days. At 31/12/2024, the available investment credit line was €44 million.

The Company's working capital is also supported by investment activities financed by targeted financing. The targeted financing will be used to finance the construction of separate stormwater systems in Tallinn. €5.45 million of targeted financing was received in January 2025. Targeted financing is received up to twice a year, in January and July, depending on the volume of investments made

Capital management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern, to be in accordance with Business Plan's capital structure approved by Supervisory Council and the long-term borrowing contracts that limit the Group's equity ratio to a minimum of 30% of the total assets.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (Note 9; including 'current and non-current borrowings' as shown in the consolidated Statement of financial position) less cash and cash equivalents (Note 5). Total capital is calculated as 'equity' as shown in the consolidated Statement of financial position plus net debt.

as of 31 December, € thousand	2024	2023
Borrowings	120,735	99,018
Cash	-3,589	-14,736
Net debt	117,146	84,282
Equity	120,153	117,070
Total capital	237,299	201,352
Net debt to total capital ratio	49.4%	41.8%
Total assets	313,841	281,882
Proportion of equity from total assets	38.3%	41.5%

Fair value estimation

Fair values of cash and cash equivalents, trade receivable, other long-term receivables, short-term borrowings and trade payable do not vary significantly from their carrying amount because their realization will take place within 12 months or these were recognized close to the reporting date.

To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. As of 31 December 2024 and 2023, the Group did not have any financial instruments of level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As of 31 December 2024, all Group's long-term borrowings had floating interest rates. The fair values of long-term borrowings are based on discounted cash flows using the borrowing rate of 4.33% (2023: 4.45%) and are within level 3 of the fair value hierarchy. As of 31 December 2024, the fair value of the Group's long-term borrowings was €7,552 thousand higher than their carrying amount (31 December 2023: €1,224 thousand lower).

NOTE 5. Cash and cash equivalents

as of 31 December, € thousand	2024	2023
Cash and bank accounts (Note 4)	3,589	14,736
Total cash and cash equivalents	3,589	14,736

NOTE 6. Trade receivables, accrued income and prepaid expenses

as of 31 December, € thousand	2024	2023
Accounts receivable	9,539	8,155
Including receivable from related parties (Note 23)	1,305	1,005
Allowance for doubtful receivables	-196	-473
Total trade receivables	9,343	7,682
Allowance for doubtful receivables at the beginning of the period	-473	-549
Non-collectible receivables written off	305	0
Allowance for doubtful receivables recognised during the period (+) reversal of allowances (-)	-28	76
Allowance for doubtful receivables at the end of the period	-196	-473

Impairment losses recognized during the period are reported in profit or loss as 'Other income (+)/expenses (-)'. For further information on ageing of receivables (including overdue receivables), please see Note 4.

as of 31 December, € thousand	2024	2023
Other accrued income	270	546
Prepaid expenses	1,133	380
Total accrued income and prepaid expenses	1,403	926
Total trade receivables, accrued income and prepaid expenses	10,746	8,608

NOTE 7. 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
as of 31 December 2022							
Acquisition cost	27,618	269,144	54,526	6,151	3,433	0	360,872
Accumulated depreciation	-8,262	-82,445	-38,660	0	-1,636	0	-131,003
Net book value	19,356	186,699	15,866	6,151	1,797	0	229,869
Transactions in the period 1 January 2023 - 31 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
Net book value	19,542	206,043	18,405	9,025	3,093	0	256,108
Transactions in the period 1 January 2024 - 31 December 2024							
Acquisition in book value	0	0	0	47,175	0	1,312	48,487
Write off and sale of property, plant and equipment in residual value	0	0	-48	0	-6	0	-54
Reclassification	236	30,412	8,092	-38,619	1,157	-1,312	-34
Depreciation	-314	-4,672	-2,709	0	-548	0	-8,243
as of 31 December 2024							
Acquisition cost	28,246	321,397	64,717	17,581	5,391	0	437,332
Accumulated depreciation	-8,782	-89,614	-40,977	0	-1,695	0	-141,068
Net book value (Note 3)	19,464	231,783	23,740	17,581	3,696	0	296,264

By nature, the right-of-use assets comply with the asset class of machinery and equipment.

weighted average rate of its general borrowings of 5.00% (2023: 5.00%) (Note 22).

As of 31 December 2024, The Group's assets are not pledged or carry mortgage due to signing new loan contracts and changes made to existing loan contracts.

Significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities amounted to €4,700 thousand (2023: €2,437 thousand).

During the year, the Group has capitalized borrowing costs amounting to €911 thousand (2023: €442 thousand) on qualifying assets. Borrowing costs were capitalized at the

NOTE 8. Intangible assets

€ thousand	Acquired licenses and other intangible assets	Unfinished intangible assets	Total intangible assets
as of 31 December 2022			
Acquisition cost	5,023	91	5,114
Accumulated amortisation	-4,426	0	-4,426
Net book value	597	91	688
Transactions in the period 01 January 2023 - 31 December 2023			
Acquisition in book value	0	942	942
Reclassification	519	-519	0
Amortisation	-336	0	-336
as of 31 December 2023			
Acquisition cost	5,400	514	5,914
Accumulated amortisation	-4,621	0	-4,621
Net book value	779	514	1,293
Transactions in the period 01 January 2024 - 31 December 2024			
Acquisition in book value	0	1,039	1,039
Reclassification	1,455	-1,455	0
Amortisation	-271	0	-271
as of 31 December 2024			
Acquisition cost	6,856	98	6,954
Accumulated amortisation	-4,892	0	-4,892
Net book value (Note 3)	1,964	98	2,062

Significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities amounted to €440 thousand (2023: €456 thousand).

NOTE 9. Borrowings

Current liabilities	€ thousand	as of 31 December 2024	as of 31 December 2023
Current portion of long-term leases		875	697
Current portion of long-term loans		3,441	3,594

Non-current liabilities

Leases		2,178	1,892
Loans		114,241	92,835

Liabilities at 31 December 2023	€ thousand	Balance	Effective interest rate
as of 31 December 2024			
Lease liabilities		3,053	1.7%–6.88%
Bank loans at floating interest rate (based on 6-month Euribor)		117,682	3.66% -4.4%
as of 31 December 2023			
Lease liabilities		2,589	1.7%–6.88%
Bank loans at floating interest rate (based on 6-month Euribor)		96,429	4.6% -5.0%

The Group's loan agreements, valid as of 31 December 2024, mature as follows. One loan agreement in the amount of €42.5 million has maturity date in May 2028. The second loan agreement in the amount of €35.7 million will be repaid in 20 equal semi-annual repayments from May 2025 to November 2034. The third loan agreement in the amount of €40 million will be repaid in semi-annual repayments from 2027 to 2038. The loans are not pledged. The breakdown of loans in terms of payment is described in Note 4. Loans are subject to the following covenants: net debt to EBITDA, equity ratio, and loan to debt-financed assets ratio.

Net debt € thousand	as of 31 December 2024	as of 31 December 2023
Cash and cash equivalents	3,589	14,736
Borrowings	-117,682	-96,429
Lease liabilities	-3,053	-2,589
Total net debt	-117,146	-84,282
Cash and cash equivalents	3,589	14,736
Gross debt - variable interest rates	-120,735	-99,018
Total net debt	-117,146	-84,282

€ thousand	Liabilities from financing activities			Other assets	
	Borrowings	Leases	Subtotal	Cash and cash equivalents	Subtotal
Net debt as at 31 December 2022	-80,338	-2,490	-82,828	12,650	-70,178
Cash flows	-16,364	1,233	-15,131	2,086	-13,045
Acquisitions – leases	0	-1,332	-1,332	0	-1,332
Other changes	273	0	273	0	273
Net debt as at 31 December 2023	-96,429	-2,589	-99,018	14,736	-84,282
Cash flows	-21,396	1,144	-20,252	-11,147	-31,399
Acquisitions – leases	0	-1,608	-1,608	0	-1,608
Other changes	143	0	143	0	143
Net debt as at 31 December 2024	-117,682	-3,053	-120,735	3,589	-117,146

Other changes include non-cash movements, including loan financing costs that are recognized as financial cost over the entire loan period and early termination of lease agreements. See also Notes 3 and 4.

NOTE 10. Trade and other payables

€ thousand, for the year ended 31 December	2024	2023
Trade payables – operating expenditures	2,596	2,301
Trade payables – capital expenditures	5,393	4,367
Payables to related parties (Note 23)	59	20
Payables to employees	2,211	1,917
Interest payable	356	414
Other accrued expenses	816	89
Warranty reserve	79	76
Taxes payable incl.:	2,071	1,722
Income tax	387	319
VAT	330	78
Water abstraction charges	322	317
Pollution taxes	332	324
Social security tax	636	600
Other	64	84
Total trade and other payables	13,581	10,886

NOTE 11. Other contingent liabilities

Tax authority have got the right to review to the Group's tax accounting within 5 years after the term for the submission of tax declaration and when mistakes are detected to impose an additional amount of tax, interests and fines. According to the Group's management there are no circumstances as a result of which tax authority could impose a significant additional amount of tax to the Group.

The Group's distributable retained earnings as at 31 December 2024 amounted to €82,141 thousand (31 December 2023: €79,058 thousand). Consequently, if retained earnings were fully distributed as dividends, the maximum possible tax liability would be €23,168 thousand, applying tax rate 22/78, applicable to dividend payments in 2025. See also Note 2.

The Group has concluded contracts as future liabilities for acquiring tangible and intangible assets, for more details please see Notes 7 and 8.

NOTE 12. Prepayments

€ thousand, as of 31 December	2024	2023
Prepayments for water and sewerage services	173	228
Prepayments for connection fee	2,473	3,376
Total prepayments	2,646	3,604

NOTE 13. 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 now on, the tariffs will be regulated by the Competition Authority in line with the methodology.

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 customers for any claims related to 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 effect on 1 December 2019. In the Company's main service area, the private customer tariffs reduced by 27% and business customer tariffs dropped by 15%, on average.

As of 31 December 2024, claims totalling €14.67 million have been filed against the company within five applications (Added a request for a penalty for late payment in the amount of €6.3 million filed within two applications). The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6 million. The courts have dismissed the claims against AS Tallinna Vesi in the ongoing disputes, but there is still no final judgment in any of the litigations. Due to the fact that the disputes are still pending, AS Tallinna Vesi has not changed its provision for claims as of 31 December 2024.

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. See also Note 3.

NOTE 14. Share capital

As of 31 December 2024, the nominal value of the share capital was €12,000,000 (twelve million euros), composed of 20,000,000 (twenty million) shares with the nominal value of €0.60 (sixty eurocents) per share. Each share grants its holder 1 (one) vote at the General Meeting of the Shareholders of the Company and the right to participate in the General Meetings of the Shareholders of the Company and in the distribution of profits and in the distribution of the remaining assets upon dissolution of the Company, as well as any other rights set forth in the law and in the articles of association of the Company.

The General Meeting of the Shareholders has the authority to decide the emission and buyback of the shares, following the principles established in the Articles of Association. The Management Board does not have any respective authorities.

As of 31 December 2024, OÜ Utilitas owned 4,072,352 (20.36%) shares and the City of Tallinn owned 11,011,482 (55.06%) shares, with 4,916,166 shares in free float. Other direct shareholders each owned less than 5% of the shares as of 31 December 2024.

As of 31 December 2024, the members of Management Board Aleksandr Timofejev, Taavi Gröön and Tarvi Thomberg owned the shares of AS Tallinna Vesi, 200, 400 and 800 shares accordingly. Members of Supervisory Council did not own any shares as of 31 December 2024.

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. Members of Supervisory Council did not own any shares as of 31 December 2023.

Dividends declared and paid are disclosed in Note 20.

Contingent income tax on the dividend payments from retained earnings is described in Note 11.

NOTE 15. 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 transport services, project management and owner 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.

€ thousand	Water services	Construction services	Other services	Inter-segment transactions	Total segments
1 January 2024 – 31 December 2024					
External revenue	58,291	5,220	866	0	64,377
Inter-segment revenue	4	3,403	6,271	-9,678	0
Total segment revenue	58,295	8,623	7,137	-9,678	64,377
Segment's gross profit	24,773	646	2,365	-1,112	26,672
Unallocated expenses					
Distribution and Administrative expenses					-7,169
Other income/expenses					-521
Operating profit					18,982

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					
Distribution and Administrative expenses					-6,096
Other income/expenses					-621
Operating profit					17,350

Revenue by activities

€ thousand, for the year ended 31 December

2024

2023

Water services		
Water supply service	11,714	9,861
Wastewater disposal service	15,207	14,508
Total from private customers	26,921	24,369
Water supply service	8,245	8,514
Wastewater disposal service	8,988	9,087
Total from business customers	17,233	17,601
Water supply service	1,733	1,670
Wastewater disposal service	4,874	4,236
Stormwater disposal service	168	260
Total from outside service area customers	6,775	6,166
Stormwater treatment and disposal service and fire hydrants service (Note 23)	5,848	6,011
Overpollution charges and discharging	1,514	1,477
Total from water services	58,291	55,624
Construction services	5,220	4,775
Other services	866	742
Total revenue	64,377	61,141

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

NOTE 16. Staff costs

€ thousand, for the year ended 31 December

2024

2023

Salaries and wages (Note 17)	-11,392	-10,091
Social security and unemployment insurance taxation (Note 17)	-3,740	-3,411
Total staff costs	-15,132	-13,502
The average number of employees	368	359

NOTE 17. Cost of goods and services sold, distribution and administrative expenses

€ thousand, for the year ended 31 December

Cost of goods and services sold	2024	2023
Water abstraction charges	-1,282	-1,271
Chemicals	-2,865	-2,742
Electricity	-4,690	-6,408
Pollution tax	-1,025	-1,005
Staff costs (Note 16)	-10,718	-9,684
Depreciation and amortisation (Note 7 and 8)	-7,449	-7,002
Construction service	-4,084	-3,481
Other costs of goods and services sold	-5,592	-5,480
Total cost of goods and services sold	-37,705	-37,074

Marketing expenses

Staff costs (Note 16)	-825	-740
Depreciation and amortisation (Note 7 and 8)	-1	-3
Other marketing expenses	-82	-75
Total marketing expenses	-908	-818

Administrative expenses

Staff costs (Note 16)	-3,589	-3,078
Depreciation and amortisation (Note 7 and 8)	-418	-486
Other general administration expenses	-2,254	-1,714
Total administrative expenses	-6,261	-5,278

NOTE 18. Other income/expenses

€ thousand, for the year ended 31 December	2024	2023
Connection fees	701	604
Depreciation of single connections (Note 7 and 8)	-659	-564
Doubtful receivables expenses (-)/expense reduction (+)	-30	70
Other income (+)/expenses (-)	-533	-731
Total other income/expenses	-521	-621

NOTE 19. Financial income and expenses

€ thousand, for the year ended 31 December	2024	2023
Interest income	191	119
Interest expense, loan	-4,311	-3,197
Other financial income (+)/expenses (-)	-83	-66
Total financial income/expenses	-4,203	-3,144

NOTE 20. Dividends

€ thousand, for the year ended 31 December	2024	2023
Dividends declared during the period	10,200	6,600
Dividends paid during the period	10,069	6,515
Withheld income tax on dividends	131	85
Income tax on dividends paid	1,508	1,352

Dividends declared per shares:

Dividends per share (in euros)	0.51 EUR	0.33 EUR
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Dividend income tax rate in 2024 was 20/80 (2023: 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, 2021 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. In 2025, income tax rate 22/78 is applied to dividend payments.

As of 31 December 2024, deferred income tax expense and liability is €494 thousand (31/12/2023: €287 thousand) and is calculated based on total distributable profits of the subsidiary.

NOTE 21. Earnings per share

for the year ended 31 December	2024	2023
Net profit (€ thousand)	13,283	12,844
Weighted average number of ordinary shares for the purposes of basic earnings per share (in thousands)	20,000	20,000
Earnings per share (in euros)	0.66 EUR	0.64 EUR

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

NOTE 22. Leases

The lease agreements, in which the Group is a lessee, are leases of vehicles, property and IT equipment. The underlying currency of all lease contracts is euro. Leased assets have not been sublet.

In 2024, lease payments amounted to €1,144 thousand (in 2023: €1,233 thousand). Interest expenses from lease agreements amounted to €163 thousand (in 2023: €80 thousand).

For information about depreciation charge for right-of-use assets, additions to right-of-use assets and the carrying amount of right-of-use assets, please see Note 7. The maturity analysis of lease liabilities is disclosed in Note 4.

As of 31 December 2024, the Group had entered into the lease agreements, which take effect in 2024, in the total amount of €1,609 thousand (as at 2023: €1,345 thousand).

The lease agreements, in which the Group is a lessor, are all leases of property. All these are operating leases. The underlying currency of all lease contracts is euro. The Group's consolidated income from operating lease in 2024 was €111 thousand (in 2023: €112 thousand). The Group considers the income from leasing and the assets held for leasing in proportion of all assets insignificant.

NOTE 23. Related parties

Transactions with related parties are considered as transactions with members of the Group's Supervisory Council 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 in on the statement of financial position of the Group, € thousand, as of 31 December

	2024	2023
Accounts receivable	1,305	1,005
Trade and other payables (Note 10)	59	20

Transactions, € thousand, for the year ended 31 December

	2024	2023
Revenue	7,586	7,437
Purchase of thermal energy	180	113
Purchase of investment	250	0
Purchase of legal service	0	28

Fees to the Group's Management and Supervisory Council members, € thousand (excluding social tax), for the year ended 31 December

	2024	2023
Management Board members	380	343
Supervisory Council members	56	38

The Group's Management Board and Supervisory Council members are considered as key management personnel who have received only the contractual salary payments as disclosed above.

The potential salary liability would be up to €182 thousand (excluding social tax) if the Supervisory Council would want to replace all members of the Management Board.

The Group's Management Board or Supervisory Council members do not have more than 5% shareholding in any of the companies having important business or cooperation relationships with the Group.

The information about AS Tallinna Vesi shares belonging to the related parties is disclosed in notes 14.

NOTE 24. Subsidiaries

Subsidiary	Location	Activity	Holding (%) as of 31 December	
			2024	2023
Watercom OÜ	Tallinn, Estonia	Provision of construction and other services related to water business	100%	100%
ASTV Green Energy OÜ	Tallinn, Estonia	Gas production	100%	100%

NOTE 25. Supplementary disclosures on the parent company of the group

Pursuant to the Accounting Act of the Republic of Estonia, information of the unconsolidated financial statements (primary statements) of the consolidating entity (Parent Company) must be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the Parent Company the same accounting policies have been used as in preparing the consolidated financial statements. The accounting policy for reporting subsidiaries has been amended in the separate primary financial statements disclosed as supplementary information in the Annual Report in conjunction with IAS 27, Consolidated and Separate Financial Statements.

In the parent separate primary financial statements, disclosed to these consolidated financial statements (Supplementary disclosures), investments into the shares of subsidiaries are accounted for at cost less any impairment recognized.

The separate reports on the parent company

According to the Estonian Accounting Law, the amount which can be distributed to the shareholders is calculated as follows: adjusted unconsolidated equity less share capital, share premium and reserves.

Unconsolidated financial statements

€ thousand, as of 31 December

2024

2023

Assets

Current assets	Cash and cash equivalents	2,556	12,978
	Trade receivables, accrued income and prepaid expenses	8,065	6,826
	Receivables from parent company	923	1,002
	Receivables from subsidiary	38	54
	Inventories	1,072	1,059
	Total current assets	12,654	21,919
Non-current assets	Investment in subsidiary	527	527
	Property, plant and equipment	302,338	262,481
	Intangible assets	2,062	779
	Total non-current assets	304,927	263,787
Total assets		317,581	285,706

Liabilities and equity

Current liabilities	Leases	208	160
	Bank loans	3,441	3,594
	Trade and other payables	11,309	9,301
	Payables to parent company	59	20
	Payables to subsidiary	1,349	1,637
	Prepayments	2,624	3,553
	Total current liabilities	18,990	18,265
Non-current liabilities	Deferred income from connection fees	50,106	44,653
	Leases	406	363
	Bank loans	114,241	92,835
	Provision for possible third party claims	6,018	6,018
	Other payables	17	23
	Total non-current liabilities	170,788	143,892
Total liabilities		189,778	162,157
Equity	Share capital	12,000	12,000
	Share premium	24,734	24,734
	Statutory legal reserve	1,278	1,278
	Retained earnings	89,791	85,537
	Total equity	127,803	123,549
Total liabilities and equity		317,581	285,706

Statement of comprehensive income

€ thousand, for the year ended 31 December	2024	2023
Revenue	58,980	56,214
Cost of goods and services sold	-33,544	-33,500
Gross profit	25,436	22,714
Distribution expenses	-908	-818
General administration expenses	-5,813	-4,977
Other income (+)/expenses (-)	-455	-483
Operating profit	18,260	16,436
Interest expenses	-4,183	-3,133
Other financial income and expenses	1,582	1,335
Profit before taxes	15,659	14,638
Income tax on dividends	-1,205	-1,074
Net profit for the period	14,454	13,564
Total comprehensive income for the period	14,454	13,564
Attributable profit to:		
Equity holders of A shares	14,454	13,564
Earnings per A share (in euros)	0.72	0.68

Statement of cash flows

€ thousand, for the year ended 31 December

	2024	2023
Cash flows from operating activities		
Operating profit	18,260	16,436
Adjustment for depreciation/amortisation	8,210	7,756
Adjustment for revenue from connection fees	-701	-604
Other non-cash adjustments	39	-76
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets	-41	-33
Change in current assets involved in operating activities	-1,157	-561
Change in liabilities involved in operating activities	746	365
Total cash flow from operating activities	25,356	23,283
Cash flows used in investing activities		
Acquisition of property, plant and equipment, and intangible assets	-43,841	-30,469
Compensations received for construction of pipelines	1,996	2,522
Proceeds from sale of property, plant and equipment, and intangible assets	63	35
Interest received	166	101
Total cash used in investing activities	-41,616	-27,811
Cash flows used in financing activities		
Interest paid and loan financing costs	-5,379	-3,283
Lease payments	-274	-261
Repayment of loans	-3,604	-41,136
Loans received	25,000	57,500
Dividends received	1,500	1,300
Dividends paid	-10,069	-6,515
Withheld income tax paid on dividends	-131	-85
Income tax on dividends	-1,205	-1,074
Total cash used in financing activities	5,838	6,446
Change in cash and cash equivalents	-10,422	1,918
Cash and equivalents at the beginning of the period	12,978	11,060
Cash and equivalents at the end of the period	2,566	12,978

Statement of changes in equity

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
as of 31 December 2022	12,000	24,734	1,278	78,573	116,585
Dividends	0	0	0	-6,600	-6,600
Comprehensive income for the period	0	0	0	13,564	13,564
as of 31 December 2023	12,000	24,734	1,278	85,537	123,549
Carrying amount of investments under control and significant influence					-527
Value of investments under control and significant influence using the equity method					0
Adjusted unconsolidated equity as of 31 December 2023					123,022
as of 31 December 2023	12,000	24,734	1,278	85,537	123,549
Dividends	0	0	0	-10,200	-10,200
Comprehensive income for the period	0	0	0	14,454	14,454
as of 31 December 2024	12,000	24,734	1,278	89,791	127,803
Carrying amount of investments under control and significant influence					-527
Value of investments under control and significant influence using the equity method					0
Adjusted unconsolidated equity as of 31 December 2024					127,276

NOTE 26. Events after the reporting period

In December 2024, the Company signed agreement with City of Tallinn for targeted financing of separate stormwater infrastructure developments. After the reporting date, all conditions for receiving the targeted financing on investments made in 2024 were met and €5.45 million of targeted funding was received in January 2025.

Remuneration Report

The Remuneration Policy for the members of the Management Board of Tallinna Vesi, which was prepared in 2021 and approved by the Supervisory Council in January 2022, is aimed at supporting the long-term objectives of our company. This policy takes account of the economic performance of Tallinna Vesi, the legitimate interests of its investors and creditors, and reflects the contribution of a particular Management Board member and the performance of the entire Management Board. In addition, the policy takes into account the future prospects of Tallinna Vesi and the current situation in the labour market with regard to the remuneration of executives.

Introduction

The remuneration statement of AS Tallinna Vesi (hereinafter Tallinna Vesi or the company), covering the calculated fees to the members of the Management Board of Tallinna Vesi in 2020–2024, has been prepared in accordance with the requirements set out in § 135³ of the Securities Market Act and in the light of the company's remuneration policy, prepared in accordance with the requirements of § 135² of the Securities Market Act.

The remuneration policy for the members of the Management Board of AS Tallinna Vesi has been prepared in 2021 and approved by the Supervisory Council of AS Tallinna Vesi in January 2022. The general principles of remuneration are based on the long-term objectives of Tallinna Vesi, taking account of the company's financial performance and the legitimate interests of its investors and creditors, as well as the duties of a particular member of the Management Board, their performance in the position and the performance of the entire Management Board, as well as the future prospects of Tallinna Vesi and the overall situation in the labour market with regard to the remuneration of executives. The remuneration policy aims to help implement the company's strategy and ensure the sustainability of its long-term interests.

Pursuant to subsection (2) of § 314 of the Commercial Code, upon determining the procedure for remuneration of the members of the Management Board and the amount of fees and other benefits, and upon entry into contracts with the members of the Management Board, the Supervisory Council has ensured that the total amount of the payments made by Tallinna Vesi to the members of the Management Board are in reasonable proportion to the duties of the members of the Management Board and the economic situation of the company.

Pursuant to subsection (3) of § 314 of the Commercial Code, if the economic situation of Tallinna Vesi significantly deteriorates and further payment to a member of the Management Board of the fees established for or agreed upon with the

member, or further allowing of other benefits to the member would be extremely unfair to Tallinna Vesi, the company may require the decrease of the fees or benefits. If decrease of fees or other benefits is demanded, the member of the Management Board may exercise the right to extraordinary cancellation of a contract entered into with them upon one month's advance notice of cancellation.

A three-member Nomination and Remuneration Committee has been established within the Supervisory Council to ensure that the remuneration policy proposed is based on the short- and long-term objectives of Tallinna Vesi, taking account of the financial performance of the company and the legitimate interests of its investors.

Pursuant to the procedure for Supervisory Council committees, the Nomination and Remuneration Committee (hereinafter the committee) will make a proposal to the Supervisory Council for determining the fees and other financial advantages of the members of the Management Board, considering that Tallinna Vesi remunerates the members of the Management Board in a fair and responsible manner, taking into account the criteria set out in the remuneration policy. The committee will review the grounds of remuneration of the Management Board at least once a year.

The committee will ensure that the proportion of the basic salary and the performance pay are in accordance with the duties of that member of the Management Board and that the basic salary represents a sufficiently high proportion of the total remuneration.

The Bases and Principles of Remuneration

The general principles of remuneration are based on the long-term objectives of Tallinna Vesi, taking account of the company's financial performance and the legitimate interests of its investors and creditors, as well as the duties of a particular member of the Management Board, their performance in the position, the performance of the entire Management Board, as well as the future prospects of Tallinna Vesi and the overall situation in the labour market with regard to the remuneration of executives.

The bases and principles for establishing the remuneration of a member of the management board

- The proportion of the basic salary in the total remuneration will be in reasonable proportion to the duties of the member of the Management Board.
- The basic salary will form a sufficiently large proportion of the total remuneration, which makes it possible not to determine or pay the performance pay, as appropriate.
- The basic salary will be such as to motivate a member of the Management Board to act in the best interests of Tallinna Vesi and, consequently, to refrain from acting in their own interests or in the interests of third persons.
- The basic salary of a member of the Management Board will be determined taking into consideration the previous work experience of the member of the Management Board as well as the remuneration of chief executives of a similar position and liability on the labour market.
- The basic salary of a member of the Management Board is determined in the contract of the member of the Management Board, and it is paid monthly.
- The input to amending the basic salary is the situation on the labour and salary market. After the resolution of the Supervisory Council, adopted on the proposal of the committee, the basic salary may be adjusted according to the situation on the labour and salary market within a calendar year as of the agreed date.
- In the circumstances set out in the introduction to the remuneration policy, the salary of a member of the Management Board will be reduced on the basis of a resolution taken by the Supervisory Council on a proposal from the committee. The resolution must be substantiated.

The bases and principles for establishing the performance pay of a member of the management board

- The proportion of the performance pay will be in reasonable proportion to the duties of the member of the Management Board.
- The maximum amount of the performance pay forms 25% of the annual gross basic salary of the member of the Management Board.
- The performance pay will be such as to motivate a member of the Management Board to act in the best interests of Tallinna Vesi and, consequently, to refrain from acting in their own interests or in the interests of third persons.
- The performance pay is paid on the basis of the results of the calendar year preceding its payment and as an incentive pay of the next calendar year, unless it is paid to a resigning member of the Management Board. Payment is made after the results of the financial year have been approved, normally in the middle of March.
- The performance pay of a member of the Management Board is calculated being guided:
 - to the extent of 80% by the financial and production results of the year preceding the payment of the performance pay, the targets established to the member of the Management Board by the Supervisory Council of AS Tallinna Vesi and the achievement thereof;
 - to the extent of 20% by the achievement of individual targets of the member of the Management Board.

These targets are reviewed in January and approved by the committee.

Payment of the performance pay is decided by the committee. The payment is made in March. If the results specified in this clause do not achieve the targets established, the committee may decide not to pay the performance pay to a member of the Management Board.

The bases and principles for determining benefits and other advantages related to work of member of the management board

- Company car
- Severance pay:
 - The amount of the severance pay of a member of the Management Board is their basic salary of six months if the member of the Management Board is removed for reasons independent of him or her or if the member of the Management Board wants to resign due to a breach of the contract by Tallinna Vesi who has not eliminated the breach within reasonable time after receiving a corresponding notice.
 - No severance pay is paid if a member of the Management Board is removed due to their breach of the contract, incl. they have either caused damage or loss to Tallinna Vesi, are no longer trustworthy or are punished pursuant to criminal procedure.
 - The amount of the severance pay of a member of the Management Board is their basic salary of three months if they are removed due to their state of health, where they have been unable to perform their duties for three months or more.
 - Upon expiry of the contract of a member of the Management Board, the amount subject to payment is the performance pay specified in the "The bases and principles for establishing the performance pay of a member of the Management Board" section of the remuneration policy. The rules applicable are those set out in the section stated before. The performance pay of a resigning member of the Management Board is calculated in proportion to the time during which they worked in the last calendar year.

The bases and principles for remuneration of a member of the management board with shares, share options or other similar rights

The company does not offer any remuneration with shares, share options or other similar rights (e.g., long-term bonus schemes, etc.) to a member of the Management Board.

Fees calculated in 2024

Manager Position	Date of appointment	Basic salary EUR	Performance pay EUR	Total EUR	Basic salary as % of total remuneration	Performance pay as % of total remuneration
Aleksandr Timofeev Chairman of the Management Board, Chief Executive Officer	30/10/2012	118,000	22,000	140,000	84%	16%
Taavi Gröön Member of the Management Board, Chief Financial Officer	23/05/2022	101,000	19,000	120,000	84%	16%
Tarvi Thomberg Member of the Management Board, Chief Asset Management Officer	08/11/2021	101 000	19,000	120,000	84%	16%

Changes in fees

Reporting year	2024	2023	2022	2021	2020
Change in fees paid to A. Timofeev	+8.4%	+3.3%	+9.9%	+1.8%	+9.5%
Change in fees paid to T. Gröön	+9.2%	+12.8%	+595.5%	-	-
Change in fees paid to T. Thomberg	+14.8%	+99.9%	-	-	-
Change in fees paid to K. Ojakäär	-	-	-61.3%	+24.0%	-
Change in fees paid to R. Käi	-	-	-	-	-85.6%
Change in average fee paid to full-time company employees*	11.1%	+12.5%	+7.8%	+4.3%	+3.5%
Change in the company performance (net profit)	+6.6%	+56.7%	-46.3%	-5.5%	-39.7%

* Percentage of change in fees expresses the change in total costs per financial year.

Application of performance criteria and compatibility with the company's long-term objectives

The basic salary and the performance pay to the members of the Management Board are in line with the company's remuneration policy described above and no exceptions to remuneration have been made.

The performance pay to the members of the Management Board for 2024 was based on meeting the company's targets for 2023, such as earnings before depreciation and amortization (EBIDTA), water quality in the water network, customer satisfaction, employee satisfaction. The performance pay to a member of

the Management Board for 2024 also depended on meeting the individual targets for 2023 set for that member of the Management Board by the Supervisory Council of the company.

Each member of the Management Board has their own area of responsibility, based on which the individual targets are set. The individual targets set are both financial and non-financial, supporting the company's long-term objectives and helping to ensure the results are being achieved. The financial targets are set in line with the specific performance indicators of the company. These indicators give shareholders a true and comprehensive view of the company's position and development and provide an input to investment decisions.

Confirmation of the Management Board and the Supervisory Council

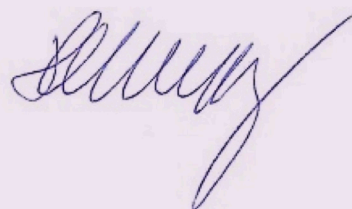
The Management Board of AS Tallinna Vesi has prepared the management report and the financial statements of AS Tallinna Vesi on 14 March 2025. The Supervisory Council of AS Tallinna Vesi has reviewed the annual report, consisting of the management report, the financial statements, the sustainability statement, the remuneration report and the independent auditors' report, presented by the Management Board, and has approved the annual report on 14 March 2025 by its minuted decision for submission to the General Meeting of Shareholders.



Aleksandr Timofejev
Chairman of the
Management Board



Taavi Gröön
Member of the
Management Board

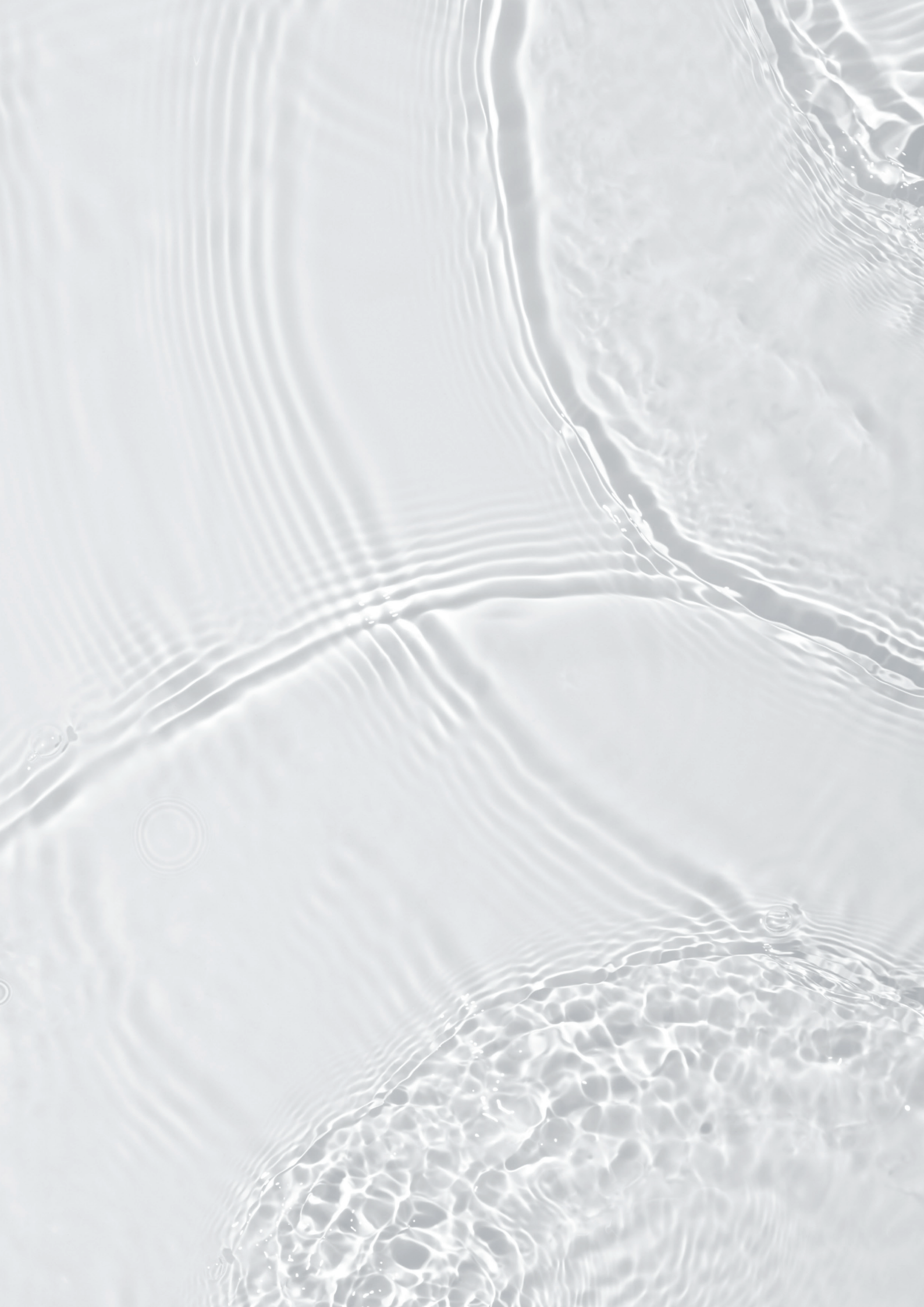


Tarvi Thomberg
Member of the
Management Board

14 March 2025

www.tallinnavesi.ee

This book is printed on 100% recycled paper.







Independent auditor's report

To the Shareholders of AKTSIASELTS TALLINNA VESI

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AKTSIASELTS TALLINNA VESI (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2024, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 14 March 2025.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its parent and subsidiaries are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59¹ of the Auditors Activities Act of the Republic of Estonia.

The non-audit services that we have provided to the Company in the period from 1 January 2024 to 31 December 2024 are disclosed in the management report.

AS PricewaterhouseCoopers

Tatari 1, 10116 Tallinn, Estonia; License No. 6; Registry code: 10142876

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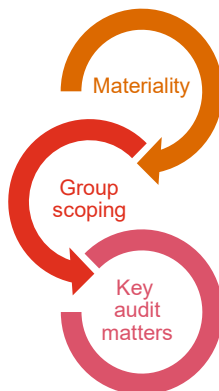
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Our audit approach

Overview



- Overall Group audit materiality is EUR 738 thousand, which represents 5% of the profit before tax.
- The audit team performed a full audit of the Group's parent company AKTSIASELTS TALLINNA VESI and its subsidiary Watercom OÜ. At the group level we also audited the consolidation process to obtain evidence that there were no material misstatements of the consolidated financial information.
- Provision relating to the potential consequences of legal dispute with the Estonian Competition Authority.
- Estimates involved in capitalisation of capital expenditures and determining their useful lives.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group audit materiality	EUR 738 thousand
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We have applied this benchmark, as profit before tax is the key measure used both internally by management and, we believe, externally by shareholders in evaluating the performance of the Group.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Provision relating to the potential consequences of the legal dispute with the Estonian Competition Authority (refer to Notes 3 “Significant accounting estimates” and 13 “Provision for possible third-party claims” for further details).</i></p> <p>The Group was involved in the lawsuit with the Estonian Competition Authority over the tariffs of water and sewage services. As a result of the outcome of the lawsuit, potential third-party compensation claims have been issued and could arise.</p> <p>As at 31 December 2024, the provision has been recognised in respect of potential claims from the customers in the amount of EUR 6 million (31 December 2023: EUR 6 million).</p> <p>As of 31 December 2024, claims in the amount of EUR 14.67 million plus interest have been filed against the Group within five applications.</p> <p>We have considered assessment of this provision to be a key audit matter given the potential magnitude and uncertainty in the timing and amount of possible outflow of economic benefits.</p>	<p>We have discussed the status of third-party claims and potential claims with the Group management. We have read the minutes of meetings of the Management and Supervisory Board where claims were discussed.</p> <p>We also obtained confirmations from the Group’s internal and external legal counsels in order to compare their expert opinions to management’s position on the provision.</p> <p>We discussed with the management the inputs and assumptions used to estimate the amount of potential outflows of economic benefits as a basis of provision.</p> <p>We reviewed the disclosures regarding the dispute and resulting provision.</p>
<p><i>Estimates involved in the capitalisation of capital expenditures and determining their useful lives (refer to Note 2 “Accounting policies”, Note 3 “Significant accounting estimates” and Note 7 “Property, plant and equipment” for further details).</i></p> <p>In 2024, the Group capitalised additions to Property, Plant and Equipment (PPE), mainly related to the construction of water and wastewater network, in the amount of EUR 48 million.</p>	<p>We assessed whether the Group’s accounting policies in relation to the capitalisation of expenditures are in compliance with IFRS.</p> <p>We obtained a listing of capital expenditures incurred during the year and, on a sample basis, checked whether the projects were undertaken based on an internal purchase order that had been properly approved by the responsible individuals with such authority.</p> <p>We inspected a sample of underlying source documents to determine whether the</p>

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Expenditures are capitalised, if they create new or enhance the existing assets, and expensed, if they relate to repair or maintenance of the assets. Classification of the expenditures involves judgement.

The useful lives of PPE items are based on management's estimates regarding the period during which the asset or its significant components will be used. The estimates are based on historical experience and market practice and take into consideration the physical condition of the assets.

Capital expenditure is not considered to be an area of significant risk for our audit but as it requires considerable time and resources to audit due to its magnitude, it is considered to be a key audit matter.

classification between capital and operating expenditure was appropriate.

We evaluated whether the useful lives of PPE determined by the management were in accordance with the ranges of depreciation rates presented in the Group's accounting policies according to the classes of PPE.

We reviewed whether the depreciation of PPE items commenced timely, by comparing the date of the reclassification from construction in progress to finished projects, with the date of the act of completion of the work.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises three entities: AKTSIASELTS TALLINNA VESI and its subsidiaries Watercom OÜ and ASTV Green Energy OÜ all located in Estonia. The group audit team performed full scope audit procedures on the financial statements of AKTSIASELTS TALLINNA VESI and Watercom OÜ. We also audited the consolidation process to obtain evidence that there were no material misstatements of the consolidated financial information.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises the Management report, the Remuneration report and the Sustainability report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act of the Republic of Estonia. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia.

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In accordance with the Securities Market Act of the Republic of Estonia with respect to the Remuneration Report, our responsibility is to consider whether the Remuneration Report includes the information in accordance with the requirements of Article 135³ (3) of the Securities Market Act of the Republic of Estonia.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements;
- the Management report has been prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia; and
- the Remuneration Report has been prepared in accordance with Article 135³ (3) of the Securities Market Act of the Republic of Estonia.

If, based on the work we have performed on the Management report and other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement in the Management report or in this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged based on our agreement by the Management Board of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of AKTSIASELTS TALLINNA VESI for the year ended 31 December 2024 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Management Board of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and those charged with governance

The Management Board of the Company is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (Estonia) 3000 (revised) "Assurance Engagements other than Audits and Reviews of Historical Financial Information" (ISAE (EE) 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

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Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE (EE) 3000 (revised) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality management requirements and professional ethics

We apply the provisions of the International Standard on Quality Management (Estonia) 1 (revised), and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

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Appointment and period of our audit engagement

We were first appointed as auditors of AKTSIASELTS TALLINNA VESI, as a public interest entity, for the financial year ended 31 December 2008. Our appointment has been renewed by tenders and shareholder resolutions in the intermediate years, representing the total period of our uninterrupted engagement appointment for AKTSIASELTS TALLINNA VESI, as a public interest entity, of 17 years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of AKTSIASELTS TALLINNA VESI can be extended for up to the financial year ending 31 December 2027.

AS PricewaterhouseCoopers

Original report is signed in Estonian language

Eva Jansen-Diener
Certified auditor in charge, auditor's certificate no. 501

14 March 2025
Tallinn, Estonia

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