

# AS TALLINNA VESI

Consolidated Interim Report for the 1<sup>st</sup> quarter of 2023

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

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# MANAGEMENT REPORT

## Executive Summary

In the first quarter of 2023, AS Tallinna Vesi earned €14.6 million in revenue and €3.50 million in net profit. Sales increased by 21.1% compared to the same period last year, mainly due to an increase in water consumption among the commercial customers and in the sales from construction services. The level of investments in fixed assets in the first quarter increased by 68% compared to the previous period, reaching €4.7 million. Last quarter, we continued to provide high-quality water and wastewater services and carried out a number of large-scale reconstruction projects.

### Continued increase in water consumption of commercial customers

Sales from water services provided to commercial customers in the main service area increased by approximately 11% in the first quarter compared to a year ago, reaching €4.27 million.

Consumption of water services by commercial customers increased mainly in the leisure sector: hospitality establishments and spas, trade and sports centers, and in the rental services sector.

Sales from water services provided to private customers increased by 23.2% in the first quarter compared to a year ago, reaching €6.04 million. The higher sales resulted from the adjustment of the price for water services in the last quarter of 2022.

Tallinna Vesi's gross profit for the first quarter was €5.71 million. The company's gross profit increased by 30.4% compared to the previous year. For the same period in 2022, the changes in direct production costs had not yet been reflected in the price of water services.

The Company's operating profit in the first quarter amounted to €4.1 million, which is €1.07 million more compared to the same period last year. The recovery in operating profit was also driven by sales revenues, which reflects the increased direct production costs.

The Company's net profit was €3.5 million in the first quarter of 2023, which is €0.62 million more than in the same period in 2022.

### Rehabilitation of water networks and the treatment plants

In 2023, the level of investments has been significantly increased. In three months, Tallinna Vesi invested €4.7 million in fixed assets, the level of investments compared to the same period last year increased by €1.89 million. In late March, the Company conducted a water network testing in the Nõmme area, simulating a scenario of a major power outage during which drinking water treated at the Water Treatment Plant at Ülemiste had to be pumped to the Nõmme groundwater area. The testing proved successful: approximately 1/3 of the regular water supply in the Nõmme area was replaced with drinking water produced from surface water. The water quality in the area behaved as predicted during the testing – at first, the water samples showed an increase in turbidity due to changes in the direction of water flow, whereas the samples taken later showed a decrease in turbidity again. Additionally, after the testing was over, the Company took water samples every day until the end of that week, carrying out chemical and microbiological tests to check the quality of water. We kept monitoring the area closely weeks after that. All results have met the expectations and confirm high water quality levels in the area also after the testing. This was a necessary exercise that will help us to become better prepared for crises.

We reconstructed nearly 7 km of water and wastewater pipes. In 2023, we plan to further increase this number by renovating a total of ca 25 km of pipeline by the end of the year. This year, too, work will continue on Vana-Kalamaja, Jõe and Pronksi Street, rehabilitation of pipelines has already started on Rahvakooli Road, Rebase and Naaritsa Street, using do-dig methods in the area between Sõpruse Avenue and Kuklase Street, and another pressure pipe has been built for the Teletorni sewer pumping station to ensure security of supply. This year, we also plan to start the reconstruction of wastewater pipeline in the districts of Õismäe and Mustamäe using environmentally friendly no-dig methods which cause less disturbance and blocking of traffic.

At the water treatment plant, reconstruction works are currently underway on the filters located in the B-building, shortly we will start with the reconstruction of 0.4 kV switchboards, and also preparations for the reconstruction of the clarifiers and the fish pass in Vaskjala.

At the main wastewater pumping station, installation of a new pump was successfully completed. Preparations are underway for the installation of a valve between the suction basins at the main wastewater pumping station, for the reconstruction of digesters, for the installation of a cogeneration plant and for the reconstruction of aeration tanks. Major design contracts have been concluded for the design of additional screens at the main wastewater pumping station, for the reconstruction of screens at the wastewater treatment plant and for the reconstruction of secondary clarifiers. Additionally, we have started studies to identify the potential for heat recovery from the air of air blowers and are participating in a research project funded by Interreg on the application of various technologies to remove PFASs from wastewater. We are also involved as a participant in another similar Interreg project, which is currently in the process of applying for funding and which seeks to test new technologies for removing APIs from wastewater.

The Public Water Supply and Sewerage (PWSS) Development Plan, prepared by AS Infragate and ordered by the City of Tallinn, the purpose of which is to provide a clear direction to the development of the water sector in Tallinn for the next 12 years, is currently being approved. This will also provide an input to the development and investment plan prepared by AS Tallinna Vesi, it is not an investment decision of AS Tallinna Vesi.

AS Tallinna Vesi will gradually switch to remote readable water meters, which will free customers from the obligation of reporting their water meter readings every month. By the end of the first quarter of 2023, we had installed almost 3,000 remote water meters, which represents 12.2% of the total number of customers, and we aim to complete the installation by 2026.

### High quality water and wastewater services

In the three months of the year, the quality of tap water was excellent, with all the water samples taken meeting the strict standards for water quality. Within three months, the Company took 769 water samples, 100% of which met all quality requirements.

High-quality tap water has been ensured by an efficient water treatment process, low water temperature and ongoing maintenance work on the water network. In 2023, in addition to the usual maintenance work, we started cleaning water pipes using a new ice pigging method that is still new to the Nordic countries. In the first quarter, approximately 20 km of water pipes were already washed using the new technology, despite the fact that learning was still in progress and we were working out the organization of works. Early-stage information and samples indicate that this is a very effective method for maintenance. The new method and training of the team have also resulted in the increased number customer contacts related to water pressure and quality.

Also, the wastewater treated at the Wastewater Treatment Plant at Paljassaare met all the strict requirements in the first quarter. The quality of treated effluent has a direct impact on the marine environment. Therefore, we monitor the amounts of pollutants in the wastewater received at the treatment plant and in the effluent leaving the treatment plant. Pollutant parameters that are significantly lower than the limits required by law is the proof of the excellent level of treated effluent.

The level of water loss in the water network was low in the first quarter of 2023 (16.7%), remaining at a significantly lower level compared to the same period last year (20.8%).

It is also extremely important for us to provide our customers and consumers with a reliable service, part of which is the availability of important information about the service and the speed at which questions are answered. Therefore, we are especially pleased that in the first quarter of 2023 we responded to all written customer contacts within a maximum of 2 days, as we did in the same period a year ago.



Aleksandr Timofejev  
Chairman of the Board  
Chief Executive Officer

## SUMMARY OF 2022 OPERATIONAL RESULTS FOR THE TWELVE MONTHS AND THE 1st QUARTER OF THE YEAR

**In the first quarter of 2023, the Company pumped nearly 7.1 million m<sup>3</sup> of clean water into the water network and treated nearly 14.8 million m<sup>3</sup> of wastewater.**

**In the three months of the year, the quality of tap water was excellent, meeting 100% of all quality requirements.** This means that all 769 water samples (Tallinn, Saue, Maardu) taken in the three months of 2023 met the strict standards set for water quality. High-quality tap water has been ensured by an efficient water treatment process, low water temperature and ongoing maintenance work on the water network. In 2023, in addition to the usual maintenance work, we started cleaning water pipes using a new ice pigging method that is still new to the Nordic countries. In the first quarter, approximately 20 km of water pipes were already washed using that method, despite the fact that learning was still in progress and we were working out the organization of works. Early-stage information and samples indicate that this is a very effective method for maintenance. The new method and training of the team have also resulted in more customer contacts related to water pressure and quality.

One of our goals is to notify our customers about water interruptions well in advance. **In the first quarter of 2023, we managed to notify all customers at least 1 hour before an unplanned water interruption took place. There were no major leaks which would have required immediate repair or which would have caused an immediate disruption of the water service.**

For customers who had a water interruption in the first quarter, it lasted an average of 3 hours and 13 minutes, which is less than the 3 hours and 25 minutes of the same period last year. To reduce the inconvenience caused by water interruptions, we will continue installing additional isolation valves on the water network also in 2023.

**The level of water loss in the water network was low in the first quarter of 2023 (16.7%), remaining significantly lower than in the same period last year (20.8%).**

In addition to providing high-quality domestic water service, one of our most important tasks is to ensure the reliability and sustainability of the wastewater service. We continuously assess the efficiency of the wastewater treatment process and the quality of the treated effluent by monitoring the amounts of pollutants in the wastewater received at the treatment plant and in the effluent leaving the treatment plant. **In the first three months of 2023, wastewater treated at the Wastewater Treatment Plant at Paljassaare met all the established requirements.** Pollutant parameters that are significantly lower than the limits required by law is the proof of the excellent level of treated effluent. The levels of main pollutant parameters phosphorus and nitrogen were 0.38 mg/l (limit 0,5 mg/l) and 6.4 mg/l (limit 10 mg/l) respectively.

We want to provide our customers and consumers with a reliable service, part of which is the availability of important information about the service and the speed at which their questions are answered. **In the first quarter of 2023, we responded to all written contacts within 2 days, as we did in the same period a year ago.**

In early 2022, we started implementing a new definition of complaints, according to which any notification received from a customer about a failure in the quality of the service delivered is treated as a complaint. It aims to further improve the quality of service and to prevent complaints more efficiently. According to the new methodology, we received a total of 349 customer complaints in the first quarter of 2023. The number of complaints in the first quarter of 2022 was 255. In the first quarter of 2023, we did not fail to keep any of the promises to the customer.

By the end of 2022, we had installed nearly 1,000 remote water meters for customers and the goal is to complete installation work by 2026. By the end of the first quarter of 2023, 12.2% of customers were provided with new smart water meters.

**By the end of the first quarter of 2023, we had rehabilitated 7 km of pipelines.** In 2023, we plan to further increase this number and renovate a total of ca 25 km of pipeline by the end of the year. This year, too, work will continue on Vana-Kalamaja, Jõe and Pronksi Street, rehabilitation of pipelines has already started on Rahvakooli Road, Rebase and Naaritsa Street, using do-dig methods in the area between Sõpruse Avenue and

Kuklase Street, and another pressure pipe has been built for the Teletorni sewer pumping station to ensure security of supply.

**We focused on launching new and continuing ongoing investments in 2023, but also preparing investments for the upcoming years.** At the water treatment plant, reconstruction works are currently underway on the filters located in the B-building, shortly we will start with the reconstruction of one of the major 0.4 kV switchboards, and also preparations for the reconstruction of the clarifiers and the fish pass in Vaskjala. At the main wastewater pumping station, installation of a new pump is already about to be completed. Preparations are underway for the installation of a valve between the suction basins at the main wastewater pumping station, for the reconstruction of digesters, for the installation of a cogeneration plant and for the reconstruction of aeration tanks. Major design contracts have been concluded for the design of the screens at the main wastewater pumping station, for the reconstruction of screens at the wastewater treatment plant and for the reconstruction of secondary clarifiers. Additionally, we have started studies to identify the potential for heat recovery from the air of air blowers and are participating in a research project funded by Interreg on the application of various technologies to remove PFASs from wastewater. We are also involved as a participant in another similar Interreg project, which is currently in the process of applying for funding and which seeks to test new technologies for removing APIs from wastewater.

#### OPERATIONAL PERFORMANCE DURING THE FIRST QUARTER OF 2023

Indicator	Unit	3 months of 2023	3 months of 2022
Compliance of water quality at the customer's tap	%	100.0%	100.0%
Water loss in the water distribution network	%	16.67%	20.80%
Average duration of water interruption per property	h	3.21	3.41
Number of sewer blockages	no	176	172
Number of sewer collapses	no	22	27
Compliance of treated effluent with environmental requirements	%	100%	100%
Number of customer complaints	no	349	255 (*11)
Number of customer contacts regarding water quality	no	78	70
Number of customer contacts regarding water pressure	no	84	51
Number of customer contacts regarding blockages and leading off stormwater	no	249	324
Responding to written customer contacts within at least 2 working days	%	100%	100%
Number of failed promises	no	0	0
Notification of unplanned water interruptions at least 1 h before the interruption	%	100%	100%

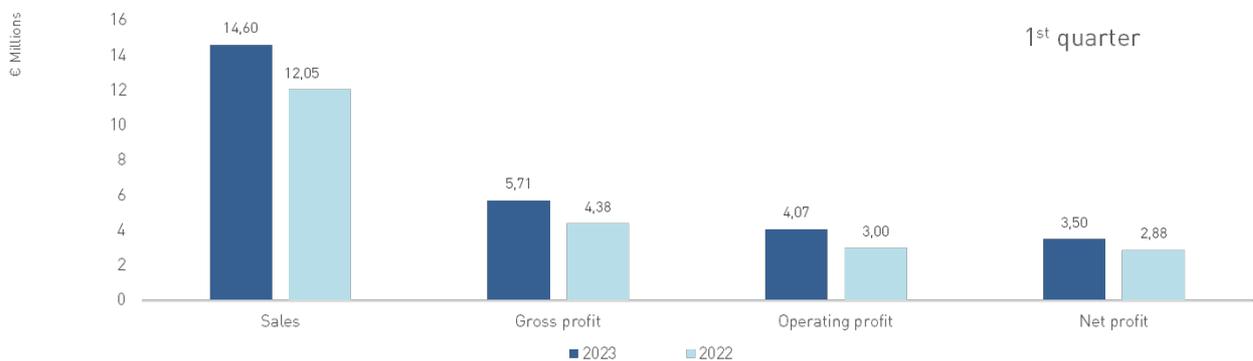
*\* From the first quarter of 2022, we introduced a new methodology for defining customer complaints. The number marked with an asterisk indicates the number of complaints by the old definition.*

## FINANCIAL RESULTS OF THE 1st QUARTER OF 2023

The latest **economic forecast** from Eesti Pank finds that conditions are improving for a recovery in economic growth. GDP will move towards an upward trajectory throughout 2023, but the growth will be built on the back of the downturn that happened in the second half of last year, and so the economy will still be 0.6% smaller in size for this year overall than it was in 2022. Growth in the economy will strengthen in the years ahead to around 3%.

It will be helped in this by recovery in foreign markets, cheaper energy, slower growth in consumer prices, increased purchasing power for consumers, and improved confidence among companies and households that will make conditions more favourable for investment. Higher interest rates mean that the growth in borrowing and investment will be slower than it was before the series of crises started, and consequently it will offer less support for the economy.

The slower growth in consumer and energy prices have immediate results on the company's net profit, which has increased by 21.6% in the 1st quarter of 2023 compared to 2022 and the total revenue has increased by 21.1%, whereas the revenues from water services have increased by 18.6% compared to the same period of 2022.



## Main financial indicators

€ million, except key ratios	1st quarter			Change 2023/ 2022
	2023	2022	2021	
Sales	14.60	12.05	11.78	21.1%
Gross profit	5.71	4.38	5.18	30.4%
Gross profit margin %	39.13	36.36	43.97	7.6%
Operating profit before depreciation and amortisation	6.02	4.64	6.23	29.6%
Operating profit before depreciation and amortisation margin %	41.22	38.53	52.83	7.0%
Operating profit	4.07	3.00	4.66	35.6%
Operating profit - main business	3.91	2.92	4.50	34.2%
Operating profit margin %	27.89	24.92	39.55	11.9%
Profit before taxes	3.53	2.91	4.57	21.3%
Profit before taxes margin %	24.16	24.13	38.78	0.1%
Net profit	3.50	2.88	4.55	21.6%
Net profit margin %	23.97	23.88	38.59	0.4%
ROA %	1.38	1.12	2.09	23.0%
Debt to total capital employed %	55.19	54.17	54.83	1.9%
ROE %	3.11	2.46	4.70	26.2%
Current ratio	1.46	3.20	4.48	-54.4%
Quick ratio	1.38	3.13	4.42	-55.9%
Investments into fixed assets	4.67	2.78	2.28	68.0%
Payout ratio %	na	na	na	

*Gross profit margin – Gross profit / Net sales*

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

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

*Operating profit margin – Operating profit / Net sales*

*Net profit margin – Net profit / Net sales*

*ROA – Net profit / Average Total assets for the period*

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

*ROE – Net profit / Average Total equity for the period*

*Current ratio – Current assets / Current liabilities*

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

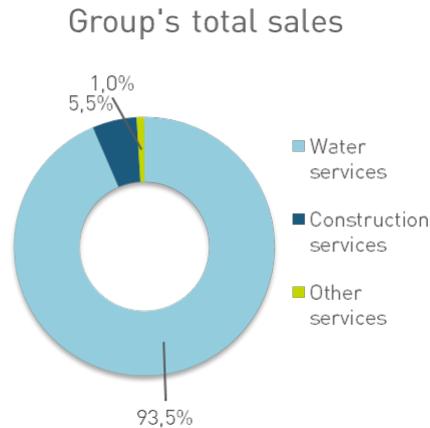
*Payout ratio - Total Dividends per annum/ Total Net Income per annum*

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

## Statement of comprehensive income

### SALES

The revenues from the main activities, i.e., sales of water and wastewater services, in the 1st quarter of 2023 were impacted by higher rate and also consumption increase in commercial sector. Given Estonia's macroeconomic forecast, we don't expect an increase in the consumption of our water services in current year. In the long run, we do not expect significant changes in the use of water services.



In the 1st quarter of 2023, the **Group's total sales** were €14.60 million, showing an increase of 21.1% or €2.55 million year-on-year. 93.5% of sales comprise of water services within and outside the service area, 5.5% from construction services and 1.0% from other services.

€ thousand	1st quarter			Difference 2023/2022	
	2023	2022	2021	€	%
Water supply service	2,441	1,973	2,054	468	23.7%
Wastewater disposal service	3,599	2,932	3,057	667	22.7%
<b>Total from private customers</b>	<b>6,040</b>	<b>4,904</b>	<b>5,111</b>	<b>1,136</b>	<b>23.2%</b>
Water supply service	2,018	1,864	1,577	154	8.3%
Wastewater disposal service	2,252	1,977	1,682	275	13.9%
<b>Total from commercial customers</b>	<b>4,270</b>	<b>3,841</b>	<b>3,259</b>	<b>429</b>	<b>11.2%</b>
Water supply service	405	376	396	29	7.7%
Wastewater disposal service	1,094	872	844	222	25.5%
Storm water disposal service	89	86	83	3	3.5%
<b>Total from outside service area customers</b>	<b>1,588</b>	<b>1,334</b>	<b>1,323</b>	<b>254</b>	<b>19.0%</b>
Storm water treatment and disposal and fire hydrants service	1,405	1,174	872	231	19.7%
Overpollution charges and discharging	353	266	281	87	32.7%
<b>Total from water services</b>	<b>13,657</b>	<b>11,519</b>	<b>10,846</b>	<b>2,138</b>	<b>18.6%</b>
Construction services	804	366	765	438	119.7%
Other services	139	168	173	-29	-17.3%
<b>TOTAL REVENUE</b>	<b>14,599</b>	<b>12,053</b>	<b>11,784</b>	<b>2,546</b>	<b>21.1%</b>

**Sales from water services** were €13.65 million, showing a 18.6% or €2.14 million increase compared to the 1st quarter of 2022, resulting mainly from tariff increase starting from 1<sup>st</sup> of October 2022 and consumption increase in commercial sector. The water tariffs were increased averagely 23% for private customers and 4% for commercial customers. The difference in price increase by customer group was a result of gradual price equalization between private and commercial customers, a requirement of Public Water Supply and Sewerage Act.

There has been an increase of 23.2% or €1.13 million to €6.04 million in the sales to **private customers**, driven mainly by 23% higher water tariffs effective from 1<sup>st</sup> of October 2022.

Sales to **commercial customers** within the service area increased by 11.2% to €4.27 million driven also by higher water tariffs since 1<sup>st</sup> of October 2022 and by 6.6% higher consumption. The impact from consumption and tariff change on revenues from commercial customers was +€0.43 million.

Sales from the **operation and maintenance of the stormwater and fire hydrant system in the main service area** amounted to €1.41 million, showing an increase of 19.8% or €0.23 million compared to the same period in 2022.

Sales of **construction services** were €0.80 million, increasing by 119.7% or €0.44 million year-on-year. The increase derived from road and pipe construction projects that were started in last year.

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

**The cost of goods and services sold** amounted to €8.88 million in the 1st quarter of 2023, being higher by €1.22 million compared to the equivalent period in 2022. The changes were influenced by higher costs of staff costs, construction services and depreciation costs.

€ thousand	1st quarter			Difference 2023/2022	
	2023	2022	2021	€	%
Water abstraction charges	-319	-323	-307	4	1.2%
Chemicals	-618	-533	-446	-85	-15.9%
Electricity	-1,709	-1,711	-894	2	0.1%
Pollution tax	-305	-273	-233	-32	-11.7%
<b>Total direct production costs</b>	<b>-2,950</b>	<b>-2,840</b>	<b>-1,881</b>	<b>-110</b>	<b>-3.9%</b>
Staff costs	-2,351	-2,006	-1,836	-345	-17.2%
Depreciation and amortisation	-1,683	-1,426	-1,368	-257	-18.0%
Construction services	-622	-291	-607	-331	-113.7%
Other costs of goods/services sold	-1,280	-1,107	-911	-173	-15.6%
<b>Other costs of goods/services sold total</b>	<b>-5,936</b>	<b>-4,831</b>	<b>-4,722</b>	<b>-1,105</b>	<b>-22.9%</b>
<b>Total cost of goods/services sold</b>	<b>-8,887</b>	<b>-7,670</b>	<b>-6,603</b>	<b>-1,217</b>	<b>-15.9%</b>

**Total direct production costs** (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €2.95 million, showing a 3.9% or €0.11 million increase compared to the equivalent period in 2022. Changes in direct production costs came from a combination of changes in prices and in treated volumes as follows:

- **Chemicals** costs increased by 15.9% to €0.62 million, driven mainly by higher usage and higher price of methanol and polymers used in wastewater treatment process. The effect of price increase and higher dosage is worth €0.06 and €0.02 million accordingly. The chemicals price increase is mainly deriving from the geopolitical situation in Eastern Europe.

- **Pollution tax** costs increased by 11.7% to €0.31 million, driven by averagely 6.7% higher Nitrogen and 28.6% higher suspended solids pollution load.

**Other costs of goods sold** (staff costs, depreciation, construction services related costs and other costs of goods sold) amounted to €5.94 million, having increased by 22.9% or €5.94 million. The increase was mainly derived by:

- **Staff costs** have increased by 17.2% to €2.35 million due to general salary increase of averagely 9,5% and new team members employed.
- **Depreciation cost** increased by 18.0% or €0.26 million due to 68% more investments made in 2023 Q1 than in 2022.
- **Construction services** have increased by 113.7% or €0.33 million to €0.62 million, related directly to 119.7% higher construction revenue.

As a result of all above, the **Group's gross profit** for the 1st quarter of 2023 was €5.71 million, showing an increase of 30.4% or €1.33 million, compared to the gross profit of €4.38 million for the comparative period of 2022.

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

**Administrative and marketing expenses** increased by 14.1% or €0.18 million amounting to €1.52 million, compared to 1st quarter of 2022, related to higher salary costs and professional services increase that are bought from outside the group.

**Other income and expenses** amounted to net loss of €0.12 million, compared to net loss of €0.05 million in comparative period.

#### *OPERATING PROFIT*

As a result of the factors listed above the Group's **operating profit** for the 1st quarter of 2023 amounted to €4.07 million, being 35.6% or €1.07 million higher than in the corresponding period of 2022.

#### *FINANCIAL EXPENSES*

**The Group's net financial income and expenses** have resulted in a net expense of €0.55 million, compared to 467,7% lower expense in the 1st quarter of 2022. The numbers derived from increased interest costs due change of Euribor of loan agreements.

As of the 1st quarter of 2023, the whole loan amount of €80.45 million was bearing a floating interest rate. The effective interest rate of loans in the 1st quarter of 2023 was 2.91%, amounting to the interest costs of €0.55 million, compared to the effective interest rate of 0.32% and the interest costs of €0.09 million in the 1st quarter of 2022.

#### *NET PROFIT*

The Group's **net profit** for the 1st quarter of 2023 was €3.50 million, being €0.62 million higher than for the comparative period of 2022. The increase in net profit was impacted by changes in operating profit.

## Statement of financial position

In the first quarter of 2023 **the Group invested into fixed assets** €4.67 million. As of 31/03/2023, non-current tangible assets amounted to €232.51 million, the majority of which in the amount of €187.91 million was an investment in pipes (31/12/22 €186.7). Total non-current assets amounted to €233.27 million (31/12/2022: €230.55 million).

Compared to the year end of 2021 **the trade receivables, accrued income and prepaid expenses** have shown a slight decrease in the amount of €1.31 million to €7.68 million. The decrease mainly derives by €1.09 million lower receivables from water and construction services. The collectability rate continues to be high at 99.89% compared to march 2022 when the collectability rate was 99.72%.

**Current liabilities** have decreased by €3.55 million to €14.94 million compared to the end of first quarter of 2022, mainly deriving from investments related decrease in prepayments of new connections.

**Deferred income from connection fees** has increased compared to the end of 1<sup>st</sup> quarter of 2022 by €1.80 million to €40.95 million.

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

The Group's **loan balance** of €80.45 million has remained the same compared to 31/12/2022. One NIB loan is being returned in equal semi-annual payments. The weighted average loan interest as of 31.03.2023 is 3.0%.

The Group has **total debt to assets** level of 55.19%, in range of 54%-65%, reflecting the Group's equity profile. In the comparative period of 2022, the total debt to assets ratio was at the same range, being 54.17%.

## EMPLOYEES

We believe it is important to treat our employees equally, involve them in the decision-making process and to inform them regularly. We consider the involvement of our staff in the decision-making process instrumental for them to understand and be able to support the Company in its pursuits. Our staff can vary to a large degree in age, nationality, nature of work and in many other aspects. This requires us to be resourceful and flexible in our communication with the staff to involve, engage and listen to them. This is done using several means and channels of communication, such as regular staff meetings with the management, bulletin boards, intranet, informative letters, team events and a quarterly internal newsletter. Estonian is not the communication language for quite a number of our staff, therefore we provide the majority of important information also in Russian. Multiple locations have digital screens that are constantly broadcasting the latest information in two languages about what takes place in our company.

As a socially responsible company, we value and develop our employees, by offering them new challenges, whilst also implementing succession planning activities.

In 2022, Tallinna Vesi continued with the Scholarship Program for Students launched in autumn 2021. Through this program, we want to keep motivating students with good results. At the same time, this will give us a chance to promote water sector and attract specialists with fresh expertise to join the Company. In 2022, we continued to work with three trade schools and three universities. In 2022, we launched a Scholarship Program for Employees of Tallinna Vesi to recognize and motivate the employees within the Company who invest in their development by studying at trade schools or universities and thereby creating added value for both the Company and society.

We have described our human resource policies. We follow equality principles in selecting and managing people, which translates into providing, when feasible, everyone with equal opportunities. Understanding and appreciating the diversity of our staff, we ensure, that everyone is treated fairly and equally, and they have access to the same opportunities as is reasonable and practicable. We aim to ensure, that no employees are discriminated against due to, but not exclusive to age, gender, religion, cultural or ethnic origin, disability, sexual orientation or marital status.

We have almost fully returned to normal working arrangements. At the same time, we continue to allow office staff to work remotely. It is important for us to protect the health of our staff, so we offer additional opportunities for vaccination, both against COVID-19 virus and against influenza, tick encephalitis, tetanus, and hepatitis, in accordance with a risk analysis prepared by the company.

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

At the end of the 1st quarter of 2023, the total number of employees was 347 compared to 340 at the end of the same period in 2022. The full time equivalent (FTE) was 333 and 324 respectively. Average number of employees during the three months was 342 in 2023 and 332 in 2022 respectively.

By gender, employee allocation was as follows:

Group	As of 31/03/2023			As of 31/03/2022		
	Women	Men	Women	Men	Women	Men
	100	247	347	96	244	340
Management Team	12	17	29	12	16	28
Executive Team	5	5	10	4	6	10
Management Board	0	3	3	0	2	2
Supervisory Board	0	9	9	0	9	9

The total salary costs were €2.46 million for the 1st quarter of 2023, including €0.12 million paid to the Management Board and Supervisory Council members (excluding social taxes). The contingent liability in case the Council should want to replace the current Management Board members is €0.17 million.

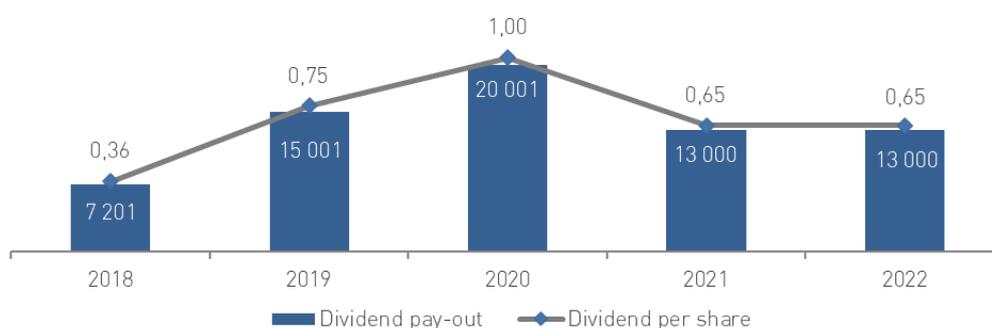
## DIVIDENDS

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

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

The Annual General Meeting of shareholders is scheduled for 01/06/2023.

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



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

## SHARE PERFORMANCE

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

As of 31/03/2023, AS Tallinna Vesi's shareholders, with a direct holding over 5%, were:

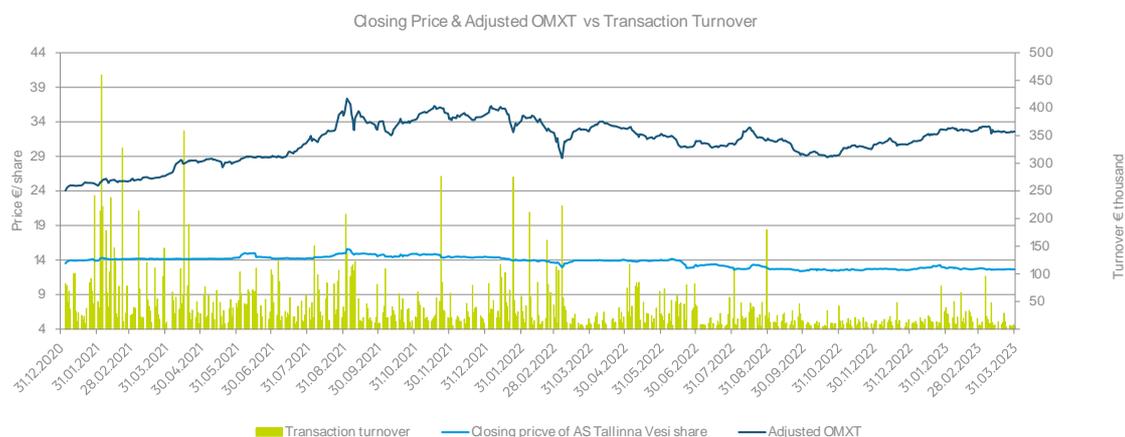
- City of Tallinn (55.06%)
- OÜ Utilitas (20.36%)

During the 3 months of 2023 the local retail investors have induced their shareholdings by 0.44%, local institutional investors have reduced their shareholdings by 0.21%, foreign institutional investors and foreign retail investors have decreased their shareholdings by 0.13% and 0.10% respectively.

As of 31/12/2022, the closing price of AS Tallinna Vesi share was €12.64, which is 0.80% (2022: -3.73%) higher compared to the closing price of €12.54 at the end of the previous year. During the 2023 first 3 months, the OMX Tallinn index outperformed AS Tallinna Vesi's share price by increasing 5.68% (2022: -5.53%).

In 3 months of 2023, 4,464 deals were concluded with the Company's shares (2022: 6,992 deals) during which 94 thousand shares or 0.5% of all shares changed owners (2022: 214 million shares or 1.1%).

The turnover of transactions amounted to €1.20 million, being €1.76 million lower than in the comparative period of 2022.



## CORPORATE STRUCTURE

As of 31/03/2023, the Group consisted of 3 companies. The subsidiaries OÜ ASTV Green Energy and Watercom OÜ are wholly owned by AS Tallinna Vesi and consolidated into the results of the Company.

## CORPORATE GOVERNANCE

### SUPERVISORY COUNCIL

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

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

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

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

[About us > Audit committee](#)

[About us > Principles of governance > Corporate governance report](#)

### MANAGEMENT BOARD

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

To ensure that the Company's interests are met in the best way possible, the Management Board and Supervisory Council are collaborating extensively. Management Board and Supervisory Council hold a meeting together at least once a quarter. In those meetings the Management Board informs the Supervisory Council about all significant issues in Company's business operations, the meetings discuss delivery of the Company's short and long-term goals as well as the risks that may impact the delivery. Management Board prepares a management report for every Supervisory Council meeting and submits it in advance with sufficient time for the Supervisory Council to study it.

According to the Articles of Association the Management Board consists of 2 or 3 members, who are elected for 5 years.

As of 31/12/2022, there are 3 members in the Management Board of AS Tallinna Vesi: Aleksandr Timofejev (with the powers of a Chairman of the Board until 30/10/2026), Tarvi Thomberg (with the powers of a

Management Board Member until 08/11/2026) and Taavi Gröön (with the powers of a Management Board Member until 23/05/2027).

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

**Additional information:**

Aleksandr Timofejev  
Chairman of the Board  
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Tarvi Thomberg  
Member of the Management Board  
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Taavi Gröön  
Member of the Management Board  
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[taavi.groon@tvesi.ee](mailto:taavi.groon@tvesi.ee)

## MANAGEMENT CONFIRMATION

The Management Board has prepared the consolidated interim accounts of AS Tallinna Vesi (the Company) and its subsidiaries OÜ Watercom and OÜ ASTV Green Energy (together the Group) in the form of consolidated condensed financial statements for the 3 months period of financial year 2022 ended 31 March 2023. The interim accounts have not been reviewed by the auditors.

To the best of Management's knowledge, the condensed set of financial statements as at 31 March 2023, prepared in accordance with applicable International Financial Reporting Standards, provide a true and fair view of the Company's assets, liabilities, financial position, profits and cash flows.

The interim 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 interim accounts.

Any subsequent events that materially affect the valuation of assets and liabilities and have occurred until the completion of the consolidated financial statements on 28 April 2023 have been considered in preparing the financial statements.

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

**Aleksandr Timofejev**  
**Member of the Management Board**  
**Chief Executive Officer**



**Taavi Gröön**  
**Member of the Management Board**  
**Chief Financial Officer**



**Tarvi Thomberg**  
**Member of the Management Board**  
**Chief Asset Management Officer**



**28 April 2023**

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand		as of 31 March		as of 31 December
ASSETS	Note	2023	2022	2022
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	3	12,889	37,570	12,650
Trade receivables, accrued income and prepaid expenses		7,679	6,228	8,989
Inventories		1,319	922	1,197
<b>TOTAL CURRENT ASSETS</b>		<b>21,887</b>	<b>44,720</b>	<b>22,836</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant, and equipment	4	232,513	212,732	229,869
Intangible assets	5	765	690	688
<b>TOTAL NON-CURRENT ASSETS</b>		<b>233,278</b>	<b>213,422</b>	<b>230,557</b>
<b>TOTAL ASSETS</b>		<b>255,165</b>	<b>258,142</b>	<b>253,393</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Leases		963	464	883
Loans		3,630	3,630	3,630
Trade and other payables		7,752	6,587	10,225
Prepayments		2,596	3,302	3,749
<b>TOTAL CURRENT LIABILITIES</b>		<b>14,941</b>	<b>13,983</b>	<b>18,487</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred income from connection fees		40,950	37,727	39,150
Leases		1,60	1,297	1,607
Loans		76,716	80,348	76,708
Provision for possible third-party claims	6	6,018	6,018	6,018
Deferred tax liability		523	402	496
Other payables		89	68	101
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>125,899</b>	<b>125,860</b>	<b>124,080</b>
<b>TOTAL LIABILITIES</b>		<b>140,840</b>	<b>139,843</b>	<b>142,567</b>
<b>EQUITY</b>				
Share capital		12,000	12,000	12,000
Share premium		24,734	24,734	24,734
Statutory legal reserve		1,278	1,278	1,278
Retained earnings		76,313	80,287	72,814
<b>TOTAL EQUITY</b>		<b>114,325</b>	<b>118,299</b>	<b>110,826</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>255,165</b>	<b>258,142</b>	<b>253,393</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	Quarter 1		for the year ended
		2023	2022	31 December
		2023	2022	2022
Revenue	7	14,599	12,053	54,558
Cost of goods and services sold	9	-8,887	-7,670	-37,660
<b>GROSS PROFIT</b>		<b>5,712</b>	<b>4,383</b>	<b>16,898</b>
Marketing expenses	9	-215	-199	-703
General administration expenses	9	-1,303	-1,131	-4,399
Other income (+)/ expenses (-)	10	-122	-48	-476
<b>OPERATING PROFIT</b>		<b>4,072</b>	<b>3,005</b>	<b>11,320</b>
Financial income	11	10	1	8
Financial expenses	11	-555	-97	-682
<b>PROFIT BEFORE TAXES</b>		<b>3,527</b>	<b>2,909</b>	<b>10,646</b>
Income tax	12	-28	-30	-2,240
<b>NET PROFIT FOR THE PERIOD</b>		<b>3,499</b>	<b>2,879</b>	<b>8,406</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>3,499</b>	<b>2,879</b>	<b>8,406</b>
Attributable profit to:				
Equity holders of A-shares		3,499	2,879	8,406
Earnings per A-share (in euros)	13	0,17	0,14	0,42

## CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand		3 months		for the year ended
	Note	2023	2022	31 December 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating profit		4,072	3,005	11,320
Adjustment for depreciation/amortisation	4,5,9,10	1,945	1,639	6,817
Adjustment for revenues from connection fees	10	-145	-134	-544
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets		0	-3	-32
Change in current assets involved in operating activities		1,191	202	-2,841
Change in liabilities involved in operating activities		-1,357	-811	309
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>5,706</b>	<b>3,898</b>	<b>15,029</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Acquisition of property, plant, and equipment, and intangible assets		-5,304	-3,327	-20,701
Compensations received for construction of pipelines, incl connection fees		288	665	1,593
Proceeds from sale of property, plant and equipment, and intangible assets		0	3	53
Interest received		10	1	9
<b>TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>-5,006</b>	<b>-2,658</b>	<b>-19,046</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>				
Interest paid and loan financing costs, incl swap interests		-258	-117	-616
Lease payments		-203	-112	-524
Repayment of loans		0	0	-3,636
Dividends paid	12	0	0	-12,835
Withheld income tax paid on dividends	12	0	0	-165
Income tax paid on dividends	12	0	0	-2,116
<b>TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>-461</b>	<b>-229</b>	<b>-19,892</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>239</b>	<b>1,011</b>	<b>-23,909</b>
<b>CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>3</b>	<b>12,650</b>	<b>36,559</b>	<b>36,559</b>
<b>CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>3</b>	<b>12,889</b>	<b>37,570</b>	<b>12,650</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
<b>as of 31 December 2021</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>77,408</b>	<b>115,420</b>
Dividends	0	0	0	-13,000	-13,000
Comprehensive income for the period	0	0	0	8,406	8,406
<b>as of 31 December 2022</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>72,814</b>	<b>110,826</b>
<b>as of 31 December 2021</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>77,408</b>	<b>115,420</b>
Comprehensive income for the period	0	0	0	2,879	2,879
<b>as of 31 March 2022</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>80,287</b>	<b>118,299</b>
<b>as of 31 December 2022</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>72,814</b>	<b>110,826</b>
Comprehensive income for the period	0	0	0	3,499	3,499
<b>as of 31 March 2023</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>76,313</b>	<b>114,325</b>

## NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

### NOTE 1. ACCOUNTING PRINCIPLES

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed interim financial statements do not contain all the information presented in the annual financial statements and should be read in conjunction with the Group's latest published annual financial statements as at and for the year ended 31 December 2022. Selected notes are included in interim financial statements to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

### NOTE 2. CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of material misstatements to the carrying amounts of assets and liabilities were the same as described in the last annual financial statements as at and for the year ended 31 December 2022, except for estimates addressed below:

- Management has developed estimates on the expected credit losses of trade receivables based on the best available information about past events, current conditions and forecasts of macroeconomic conditions. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 March 2023, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of Estonia in which it sells its goods and services to be the most relevant factors and has accordingly adjusted the historical loss rates based on expected changes in these factors. As at 31 March 2023, Management of the Group has assessed the expected

credit loss related to macroeconomic conditions to be €194 thousand. Estimated credit loss is being revised according to further developments.

- Management has made an estimate with regards to possible third-party claims based on the maximum difference between revenues calculated with tariffs established based on the Services Agreement and 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. Thus, the Company does not consider itself liable to the customers for any claims related to the tariffs applied until the new tariffs approved by the Competition Authority were duly implemented.

As of 31 March 2023, claims totalling €13.6 million have been filed within four applications. The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6 million (as of 31 December 2022: €6 million) and has suspended the reduction of the provision pursuant to the principle of conservatism. The Company has always acted legitimately by applying fair tariffs imposed in accordance with the law in force, and the Company believes there are no grounds for submitting the claims. Therefore, the Company does not admit any liability and fully rejects it.

### NOTE 3. CASH EQUIVALENTS

	as of 31 March		as of 31 December
€ thousand	2023	2022	2022
Cash in hand and in bank	12,889	37,570	12,650
<b>Total cash and cash equivalents</b>	<b>12,889</b>	<b>37,570</b>	<b>12,650</b>

### NOTE 4. PROPERTY, PLANT AND EQUIPMENT

€ thousand	Land and buildings	Facilities	Machinery and equipment	Construction in progress	Right-of-use assets	Right-of-use assets in progress	Total property, plant and equipment
<b>as of 31 December 2021</b>							
Acquisition cost	27,033	247,613	50,819	12,052	2,950	0	340,467
Accumulated depreciation	-7,968	-79,998	-39,675	0	-1,280	0	-128,921
<b>Net book value</b>	<b>19,065</b>	<b>162,615</b>	<b>11,144</b>	<b>12,052</b>	<b>1,670</b>	<b>0</b>	<b>211,546</b>
<b>Transactions in the period 1 January 2022 - 31 December 2022</b>							
Acquisition in book value	0	0	0	24,361	0	560	24,921
Write off and sale of property, plant, and equipment in residual value	0	0	-21	0	-6	0	-27
Reclassification	584	22,973	6,705	-30,262	560	-560	0
Depreciation	-293	-3,889	-1,962	0	-427	0	-6,571
<b>as of 31 December 2022</b>							
Acquisition cost	27,618	269,144	54,526	6,151	3,433	0	360,872

Accumulated depreciation	-8,262	-82,445	-38,660	0	-1,636	0	-131,003
<b>Net book value</b>	<b>19,356</b>	<b>186,699</b>	<b>15,866</b>	<b>6,151</b>	<b>1,797</b>	<b>0</b>	<b>229,869</b>

**Transactions in the period 1 January 2023 - 31 March 2023**

Acquisition in book value	0	0	0	4,340	0	157	4,497
Reclassification	0	2,247	218	-3,216	908	-157	0
Depreciation	-79	-1,032	-610	0	-133	0	-1,854

**as of 31 March 2023**

Acquisition cost	27,618	271,272	54,590	7,275	4,337	0	365,092
Accumulated depreciation	-8,341	-83,358	-39,115	0	-1,765	0	-132,579
<b>Net book value</b>	<b>19,277</b>	<b>187,914</b>	<b>15,475</b>	<b>7,275</b>	<b>2,572</b>	<b>0</b>	<b>232,513</b>

Property, plant and equipment and intangible assets are written off, if the conditions of the asset do not enable its further usage for production purposes.

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

**NOTE 5. INTANGIBLE ASSETS**

€ thousand	Acquired licenses and other intangible assets	Unfinished intangible assets	Total intangible assets
<b>as of 31 December 2021</b>			
Acquisition cost	4,831	89	4,920
Accumulated depreciation	-4,191	0	-4,191
<b>Net book value</b>	<b>640</b>	<b>89</b>	<b>729</b>
<b>Transactions in the period 1 January 2022 - 31 December 2022</b>			
Acquisition in book value	0	205	205
Reclassification	203	-203	0
Depreciation	-246	0	-246
<b>as of 31 December 2022</b>			
Acquisition cost	5,023	91	5,114
Accumulated depreciation	-4,426	0	-4,426
<b>Net book value</b>	<b>597</b>	<b>91</b>	<b>688</b>
<b>Transactions in the period 1 January 2023 - 31 March 2023</b>			
Acquisition in book value	0	169	169
Reclassification	19	-19	0
Depreciation	-92	0	-92
<b>as of 31 March 2023</b>			
Acquisition cost	5,041	241	5,282
Accumulated depreciation	-4,517	0	-4,517
<b>Net book value</b>	<b>524</b>	<b>241</b>	<b>765</b>

## NOTE 6. PROVISION FOR POSSIBLE THIRD-PARTY CLAIMS

On 12 December 2017, the Supreme Court made a decision on AS Tallinna Vesi's cassation in the tariff dispute with the Estonian Competition Authority. The court stated that the Competition Authority is not bound by the agreement on the water tariffs contained in the Services Agreement, which was executed upon privatisation of the company. From then on, the tariffs are 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 the customers for any claims related to the tariffs applied until the new tariffs approved by the Competition Authority were duly implemented.

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

As of 31 March 2023, claims totalling €13.6 million have been filed within four applications. The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6 million (as of 31 December 2022: €6 million) and has suspended the reduction of the provision pursuant to the principle of conservatism. The Company has always acted legitimately by applying fair tariffs imposed in accordance with the law in force, and the Company believes there are no grounds for submitting the claims. Therefore, the Company does not admit any liability and fully rejects it.

## NOTE 7. SEGMENT REPORTING

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

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

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

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

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

	Water services	Const- ruction services	Other services	Inter- segment transactions	Total segments
€ thousand					
<b>1 January 2023 - 31 March 2023</b>					
External revenue	13,656	804	139	0	14,599
Inter-segment revenue	1	288	1,138	-1,427	0
<b>Total segment revenue</b>	<b>13,657</b>	<b>1,092</b>	<b>1,277</b>	<b>-1,427</b>	<b>14,599</b>
<b>Segment's gross profit</b>	<b>5,432</b>	<b>64</b>	<b>333</b>	<b>-117</b>	<b>5,712</b>
<b>Unallocated expenses:</b>					
Marketing and Administrative expenses					-1,518
Other income/expenses					-99
<b>Operating profit</b>					<b>4,095</b>
<b>1 January 2022 - 31 March 2022</b>					
External revenue	11,519	366	168	0	12,053
Inter-segment revenue	1	238	981	-1,220	0
<b>Total segment revenue</b>	<b>11,520</b>	<b>604</b>	<b>1,149</b>	<b>-1,220</b>	<b>12,053</b>
<b>Segment's gross profit</b>	<b>4,219</b>	<b>59</b>	<b>255</b>	<b>-150</b>	<b>4,383</b>
<b>Unallocated expenses:</b>					
Marketing and Administrative expenses					-1,330
Other income/expenses					-48
<b>Operating profit</b>					<b>3,005</b>

## Revenue by activities

€ thousand	Quarter 1		for the year ended
	2023	2022	31 December
			2022
<b>Water services</b>			
Water supply service	2,441	1,972	8,380
Wastewater disposal service	3,599	2,932	12,406
<b>Total from private customers</b>	<b>6,040</b>	<b>4,904</b>	<b>20,786</b>
Water supply service	2,018	1,864	8,260
Wastewater disposal service	2,252	1,977	8,480
<b>Total from corporate customers</b>	<b>4,270</b>	<b>3,841</b>	<b>16,740</b>
Water supply service	405	376	1,599
Wastewater disposal service	1,094	872	3,525
Storm water disposal service	89	86	193
<b>Total from outside service area customers</b>	<b>1,588</b>	<b>1,334</b>	<b>5,317</b>
Storm water treatment and disposal service and fire hydrants service	1,405	1,174	4,643
Over pollution charges and discharging	353	266	1,403
<b>Total from water services</b>	<b>13,656</b>	<b>11,519</b>	<b>48,889</b>
<b>Construction services</b>	<b>804</b>	<b>366</b>	<b>4,809</b>
<b>Other services</b>	<b>139</b>	<b>168</b>	<b>860</b>
<b>Total revenue</b>	<b>14,599</b>	<b>12,053</b>	<b>54,558</b>

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

## NOTE 8. STAFF COSTS

€ thousand	Quarter 1		for the year ended
	2023	2022	31 December
			2022
Salaries and wages	-2,466	-2,137	-8,499
Social security and unemployment insurance tax	-834	-723	-2,873
<b>Staff costs total</b>	<b>-3,300</b>	<b>-2,860</b>	<b>-11,372</b>
<b>Average number of employees during the reporting period</b>	<b>342</b>	<b>332</b>	<b>342</b>

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

€ thousand	Quarter 1		for the year ended
	2023	2022	31 December
			2022
<b>Cost of goods and services sold</b>			
Water abstraction charges	-319	-323	-1,288
Chemicals	-618	-533	-2,238
Electricity	-1,709	-1,711	-9,234
Pollution tax	-305	-273	-823
Staff costs	-2,351	-2,006	-8,229
Depreciation and amortization	-1,683	-1,426	-5,930
Construction services	-622	-291	-3,802
Other costs	-1,280	-1,107	-6,116
<b>Total cost of goods and services sold</b>	<b>-8 887</b>	<b>-7,670</b>	<b>-37,660</b>
<b>Marketing expenses</b>			
Staff costs	-187	-174	-625
Depreciation and amortization	-1	-1	-5
Other marketing expenses	-27	-24	-73
<b>Total marketing expenses</b>	<b>-215</b>	<b>-199</b>	<b>-703</b>
<b>Administrative expenses</b>			
Staff costs	-762	-680	-2,518
Depreciation and amortization	-126	-87	-375
Other general administration expenses	-415	-364	-1,506
<b>Total administrative expenses</b>	<b>-1,303</b>	<b>-1,131</b>	<b>-4,399</b>

## NOTE 10. OTHER INCOME/EXPENSES

€ thousand	Quarter 1		for the year ended
	2023	2022	31 December
			2022
Connection fees	145	134	544
Depreciation of single connections	-135	-125	-507
Doubtful receivables expenses (-)/expense reduction (+)	-24	12	-15
Other income (+)/expenses (-)	-108	-69	-498
<b>Total other income / expenses</b>	<b>-122</b>	<b>-48</b>	<b>-476</b>

## NOTE 11. FINANCIAL INCOME AND EXPENSES

€ thousand	Quarter 1		for the year ended
	2023	2022	31 December
			2022
Interest income	10	1	8
Interest expense, loan	-548	-88	-650
Other financial income			
(+)/expenses (-)	-7	-9	-32
<b>Total financial income / expenses</b>	<b>-545</b>	<b>-96</b>	<b>-674</b>

## NOTE 12. DIVIDENDS

€ thousand	for the year ended
	31 December
	2022
Dividends declared during the period	13,000
Dividends paid during the period	12,835
Withheld income tax on dividends	165
Income tax on dividends paid	2,116
Dividends declared per shares:	
Dividends per share (in euros)	0.65

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

## NOTE 13. EARNINGS PER SHARE

€ thousand	Quarter 1		for the year ended
	2023	2022	31 December
			2022
Net profit dividend rights	3,522	2,879	8,406
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20,000,000	20,000,000	20,000,000
Earnings per share (in euros)	0,17	0,14	0,42

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

#### NOTE 14. RELATED PARTIES

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

#### Shareholders having the significant influence

<b>Balances recorded on the statement of financial position of the Group</b>	<b>as of 31 March</b>		<b>as of 31 December</b>
<b>€ thousand</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>
Accounts receivable	811	8,866	1,309
Trade and other payables	27	22	61

<b>Transactions</b>	<b>Quarter 1</b>		<b>for the year ended 31 December</b>
<b>€ thousand</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>
Revenue	1,797	1,519	5,791
Purchase of thermal energy	56	56	126
Purchase of legal service	12	0	54

<b>Fees to the Group's Management and Supervisory Board members</b>	<b>Quarter 1</b>		<b>for the year ended 31 December</b>
<b>€ thousand (excluding social tax)</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>
Fees for Management Board	115	111	313
Supervisory Board fees	10	10	38

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

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

The potential salary liability would be up to €168 thousand (excluding social tax) if the Supervisory Board would replace all Management Board members.

#### Company shares belonging to the Management Board and Supervisory Board members

As of 31 March 2023 and 2022 and 31 December 2022, the members of the Supervisory Council and the Management Board did not own any shares in the company.

## NOTE 15. LIST OF SUPERVISORY BOARD MEMBERS

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

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

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