

AS TALLINNA VESI

Annual Report 2025

Tallinna Vesi



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MANAGEMENT REPORT

CHAIRMAN'S STATEMENT

For our company, 2025 marked a busy period, with a focus on development, that was crowned by the "Green Company of the Year" award. This reassures us that we are on the right track in our efforts to protect the environment and reduce our customers' environmental footprint.

Sustainability and environment protection are integrated into everything we do. As the largest water company in Estonia, our business affects more than a third of the population. We recognise this and provide services that meet all requirements, taking into account the impact of our business on the surrounding living and natural environment. **The tap water we produce meets all the applicable drinking water standards and the quality of the treated effluent even outperforms the applicable standards.**

Significant progress has been made in handling customer enquiries over the year. There has been a gradual improvement in customer satisfaction and feedback, particularly with regard to contracts, billing and water meter replacement. **Customer focus is and will remain one of our key priorities.** We are continuing to develop ways to communicate with customers promptly and ensure a smooth exchange of information at all times.

Investments were made to ensure environment 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 producing environmentally friendly heat and electricity from biogas generated during the wastewater treatment process, renovating pipes using no-dig methods, and installing remote reading water meters.

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. At our wastewater treatment plant, we treat nearly 40% of all municipal wastewater in Estonia. We do this with the utmost care and efficiency, going above and beyond what is required to keep the Baltic Sea clean. A combined heat and power generation plant has been successfully commissioned at the wastewater treatment plant. In 2025, it produced all the heat and more than half of the electricity required for the treatment processes.

On the last day of 2025, an exceptional natural phenomenon – frazil ice – put our crisis plan to the test. Fortunately, the team resolved the resulting disruptions quickly. Although the drop in water pressure affected consumers in several districts of the city, the usual water supply was restored to all consumption points during New Year's Eve. We are analysing technologies to mitigate the impact of similar natural phenomenon and improve customer notification systems based on this event. We will also continue investments that improve the sustainability of the city's water and sewer networks. In 2026, we will continue to construct more borehole pumping stations in the Lasnamäe area.

To ensure that the water services we provide are of a high standard, it is important to involve interest groups in our processes. A good example of cooperation is the pipe work we carry out in the city during the summer months. We are increasingly carrying out these projects jointly with the city and other utility owners. This minimises disruption for residents and the city. The year 2025 was significant for us as we laid and reconstructed 45.1 kilometres of pipes, 49% of which were constructed using environmentally friendly no-dig methods.

In 2025, major pipe construction work took place on Kolde Avenue as part of the development of a strategic stormwater receiving system for the North Tallinn area, on Peterburi Road in cooperation with the City of Tallinn, and on Retke Road in cooperation with Utilitas. Pipe construction also continued on Paljassaare Road. The construction of the Nõlvaku collector is in its final stages, with work to upgrade the ventilation systems in progress. Work started on the reconstruction of water and sewer pipes in Lauteri Street and at the intersection of Endla and Tehnika streets. The renovation of the water pipes in Bornhöhe Road and the construction work in Tuukri and Uus-Sadama Streets, which form part of the extension to the stormwater collector starting from Reidi Road, have now been completed. In cooperation with the City of Tallinn and Utilitas, the renovation of Värvi and Mustjõe streets was completed.

The construction of separate stormwater systems is an important contribution to the development of urban areas, as it helps to reduce the risk of flooding during periods of heavy rainfall.

INVESTING FOR THE FUTURE

In 2025, Tallinna Vesi continued to install smart water meters at a rapid pace. This will free our customers from the obligation of submitting their water meter readings every month. More than 80% of customers already have new smart meters, and the plan is to cover the entire service area with remote reading water meters by the end of 2026. Also, the verification period has been extended from five to ten years. This means that the water meter can remain in operation at the customer's premises for ten years. This helps to keep the cost of water services affordable for consumers while improving the customer experience.

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 to protect the environment and minimise the risk of property damage caused by water accidents.

In 2025, Tallinna Vesi invested €56 million in its fixed assets. This exceeded the amount invested in the previous year. These investments ensure the continuity of water services in our service area, improve customer experience and enhance service quality.

The investment plan for the coming years is based on the Tallinn Public Water Supply and Sewerage Development Plan for 2023–2034. It aims to reduce the environmental impact of water use and ensure the continuity of services and sustainable urban development. These and future investments will ensure that our customers continue to receive high-quality drinking water and help keep nature clean. Using modern technologies and materials will increase the average lifespan of pipes and improve the efficiency of treatment systems. Thanks to effective investment, the number of blockages decreased by 18% in 2025, while the number of water emergencies fell by 23%, improving the quality of water services.

MODERN TECHNOLOGIES

In 2025, investment projects continued at the treatment plants. These included the renovation of clarifiers and filters at the Ülemiste Water Treatment Plant, as well as preparations for large-scale projects. One of these projects involves modernising and reconstructing the ozone production process used in water treatment. These projects aim to reduce energy consumption, improve the reliability of the treatment plant and increase its production capacity.

The major projects at the Paljassaare Wastewater Treatment Plant in 2025 included modernising the mechanical screens and sludge treatment and reconstructing the secondary clarifiers. Over the next three years, we will reconstruct 12 secondary clarifiers, which will further enhance our biological treatment. Primary screens have been installed at the main pumping station to enhance the mechanical treatment process and, consequently, the entire wastewater treatment process.

Another important project that has started in Paljassaare is the construction of Utilitas' wastewater and seawater heat pump plant. By early 2026, the plant will start supplying heat produced from wastewater and seawater to the district heating network in Tallinn.

Our subsidiary Watercom continued to expand the use of ice-pigging technology for cleaning water pipes, which was launched in 2023. Ice-pigging is many times more efficient, faster and better for the environment than any other method of maintenance used to date. The service has got off to a good start and has attracted interest from a number of companies using the pipe systems as part of their core business. In 2025, the company started to reconstruct sewer pipes using a trenchless, or no-dig, method. This approach to pipe construction is more environmentally friendly and causes minimal disruption to urban spaces.

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 – 99.5% of the tap water samples taken in 2025 met all the strict quality standards for drinking water.

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, an efficient water treatment, regular monitoring, and continuous preventive maintenance of the water network. Over 90% of Tallinners get their drinking water from Lake Ülemiste, a surface water source that is environmentally friendly and quickly renewing.

Over 165 km of the water network was cleaned using the ice-pigging method in 2025. 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. In the past three years, over 450 km of the water network has been cleaned using this method.

In 2025, we took out over 1,150 tonnes of debris, 200 tonnes of grit, 1,940 tonnes of nitrogen and 240 tonnes of phosphorus from the wastewater. Throughout the year, the treated effluent from the Paljassaare Wastewater Treatment Plant met all applicable standards and even outperformed them for many parameters.

CONTRIBUTION TO THE COMMUNITY

Throughout the summer, 60 public water taps were available across Tallinn, providing clean drinking water for all. 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. We were also present at the major event of 2025, the Song and Dance Celebration "Iseoma" ("Kinship"), and provided fresh tap water to all participants.

In August, the company took part in the Opinion Festival, chairing a discussion on Estonia as a small country with big initiatives on the "Energetic Economy" stage. Also in that month, the 53rd annual run around Lake Ülemiste, hosted by Tallinna Vesi, took place at Ülemiste. We contributed to Impact Day, a sustainability festival promoting environmental education, and community events, such as Tallinn Old Town Days, summer days for large families in Tallinn and Harju County, Kalamaja Days, Tallinn Urban Space Festival, and KopliFest.

As a supporter of the Estonian Paralympic Committee, the company contributed to the preparations of Estonian para-athletes for both smaller competitions and for the 2026 Winter Paralympic Games.

We provided our support to organizations that do commendable work helping those in need, such as the Estonian Agrenska Foundation, the Autismikool Charity Fund, the cancer treatment foundation The Gift of Life, the Tallinn Women's Crisis Centre, the 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 organised open days and guided tours at the Ülemiste Water Treatment Plant and the Paljassaare Wastewater Treatment Plant, held discussion groups on water and environment-related topics, and participated in the Baltic-wide conference organised by the Estonian Waterworks Association. These initiatives attracted a total of more than 3,000 participants. For the second year in a row, we carried out a cooperation project with students from the Estonian Academy of Arts, who came up with design solutions for selected water pumping stations and decorated the facades of these buildings with eye-catching street art.

OUTLOOK FOR 2026

As we enter the next year, we will carry on with our planned investments to secure and develop the vital water services that we provide. A number of projects mentioned above, involving the reconstruction of pipes – in cooperation with other utility owners and the City of Tallinn – and the construction of stormwater systems, will continue. We are moving forward with the ozonation project at the water treatment plant, renovating the secondary clarifiers at the wastewater treatment plant, and reconstructing the wet well at the main pumping station. We are also optimising the wastewater treatment process, using artificial intelligence and smart technologies to reduce variable costs in wastewater treatment.

We believe it is important to contribute to the Estonian water industry as a whole. To this end, we participate in working groups organised by both the Estonian Waterworks Association and the European Federation of National Associations of Water Services (EUREAU). We also contribute our expertise to the preparations for the water reform.

We are also continuing to work towards meeting our legal obligation to harmonise service prices for private and business customers, while maintaining the investment capacity necessary to ensure clean drinking water, a safe environment and the continuity of the services we provide. In order to harmonise prices, a change needs to be introduced in the main areas of Tallinn and Saue by the summer of 2026. The timing of the change is subject to the decision by the Competition Authority.

With the succession planning in mind, we will continue to reach out to young people and offer scholarships and internship opportunities. We will also maintain our focus on workplace safety. This is a topic that we drew attention to in 2025 with our internal campaign, "Safety starts with me!".

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

Aleksandr Timofejev
Chairman of the Board



OUR COMPANY

We are the largest water utility in Estonia, providing water and wastewater services to about a third of the population. We serve approximately 25,000 private and business customers and about 500,000 end-consumers in Tallinn and the surrounding municipalities. AS Tallinna Vesi's are listed on the Nasdaq Baltic Main List. As at 31 December 2025, the company had 360 employees.



Ülemiste Water Treatment Plant (left) and Paljassaare Wastewater Treatment Plant (right)

The company has two treatment plants: Ülemiste Water Treatment Plant and Paljassaare Wastewater Treatment Plant. Every day, we pump an average of 68,800 m³ of drinking water to the distribution network and treat 143,000 m³ of wastewater. Tallinna Vesi also has accredited water and wastewater laboratories.

The public water supply system includes more than 1,210 km of water pipes, 22 water pumping stations and 49 groundwater pumping stations with a total of 91 borewells. The surface water catchment system in Harju and Järva counties spans an area of around 1,800 km². The public sewerage system comprises over 1,200 km of wastewater pipes and 520 km of stormwater pipes, as well as 181 wastewater and stormwater pumping stations, located throughout the service area.

Tallinna Vesi was privatised in 2001. The service agreement concluded with the City of Tallinn at the time of privatisation was in effect until 30 November 2022. A new administrative contract was signed with the city for the period 01/12/2022–30/01/2032. Alongside 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 comprises the parent company, AS Tallinna Vesi, and its subsidiaries, Watercom OÜ and ASTV Green Energy OÜ (in liquidation). Established in 2010, Watercom aims to provide services to the parent company, expand the range of services offered, and develop non-regulated services. Watercom OÜ is wholly owned by AS Tallinna Vesi, and its results are consolidated with those of the group.

The group's structure has remained largely unchanged in recent years. Tallinna Vesi's shares are listed on the Nasdaq Baltic Main List. As at 31 December 2025, shareholders with direct holdings of more than 5% were OÜ Utilitas and the City of Tallinn.

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 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.

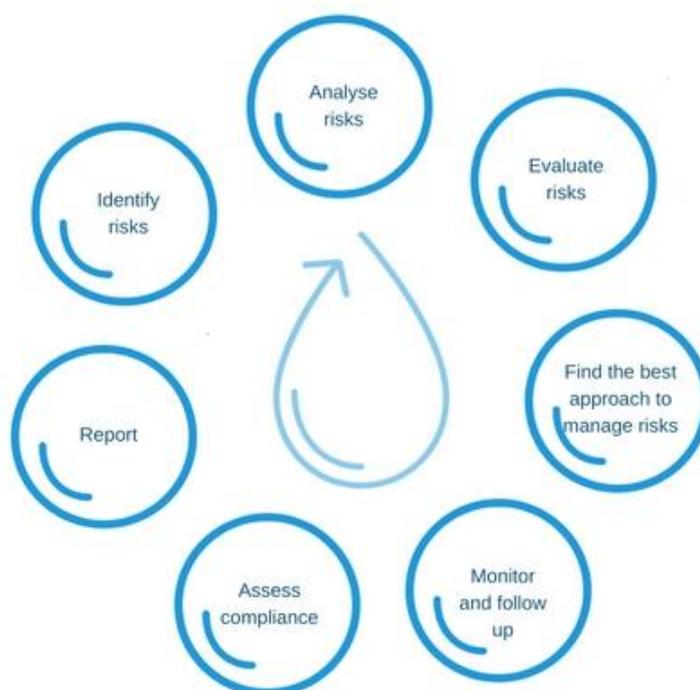
The activities of the subsidiary Watercom are certified according to the quality standards ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018, and the scope of standards covers the following areas of activity:

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

Risk management

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 objectives and targets. 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 targets. 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 materialised, could jeopardise the company's performance, the achievement of its targets 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 co-operation with stakeholders,
- data loss, information system failures / alarm time.

In the risk management process, the company's risks are categorised according to their area of impact as follows:

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

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 THE SERVICE

Extreme rainfall increases the risk of flooding in the lower areas of Tallinn (such as Ahtri, Tuukri and Endla streets, Pelgulinn and the Song Festival area) due to the combined sewer system becoming overloaded, 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 construct separate sewer systems to help further minimise these risks.

BREAKDOWN OF FACILITIES OF STRATEGIC IMPORTANCE

A collapse of a major collector or a major failure at a pumping station could result in a disruption to services in 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 the Tallinn and/or Harju County area could lead to the complete shutdown of the wastewater treatment plant, disruption to the company's information systems, flooding and environmental pollution, and, in the worst case, a disruption to the drinking water supply in the Tallinn and Saue service areas and neighbouring municipalities. To manage this risk, the company has prepared a comprehensive contingency plan, set up a combined heat and power plant at the wastewater treatment plant, and purchased 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 water services contained in the Services Agreement concluded between the company and the City of Tallinn at the time of privatisation, and that the Competition Authority would regulate water service prices in future.

In accordance with the law, the prices for water services established under the Services Agreement remained in effect until the Competition Authority established new prices for water services, which the company then implemented in accordance with the law. The company has acted in good faith and in accordance with the law. Therefore, the company does not consider itself liable to customers for any claims relating 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 water services came into effect from 1 December 2019. 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 at 31 December 2025, 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 2024: €6 million) and has decided to suspend the reduction of the provision for reasons of prudence. As at 31/12/2025, one case was pending in the court of second instance, while the other four were pending in the court of first instance or had been reviewed. No final judgement has yet been issued in any of these cases. 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 company's opinion, there is no basis for filing claims. Therefore, the company does not accept any liability and rejects all the claims in full.

Our main products and services



Collection, treatment and supply of water



Collection, leading off and treatment of wastewater and stormwater



Design services



Owner supervision and project management



Water and wastewater services



Laboratory services



Pipe construction



Transport services and road construction

OUR MISSION AND VISION

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 clean water!

MISSION

We connect people to the vital cycle of water.

HIGHLIGHTS FROM 2025

WE ARE THE GREEN COMPANY OF THE YEAR

We were awarded the Green Company of the Year title at the Estonian Successful Companies Awards organised by the business daily Äripäev. This shows that our actions have an impact and that we are doing meaningful work. Sustainability is integrated into our daily work and strategic decisions. Our focus is on implementing energy-efficient solutions and ensuring sustainability. We construct climate-resilient infrastructure and rehabilitate water and sewer networks with minimal environmental impact.

WE INVESTED IN IMPROVEMENTS TO WASTEWATER TREATMENT

The reconstruction of the existing screens at the wastewater treatment plant has now been completed. In addition, new screens were installed in the main pumping station. This improves the capability to remove debris in the first treatment stage and makes the entire treatment process more efficient.

WE PRODUCE ELECTRICITY AND HEAT FROM WASTEWATER

Following a successful test period, the combined heat and power (CHP) plant has begun operating at full capacity. Set up on the territory of the Paljassaare Wastewater Treatment Plant, the CHP plant produces energy in a most environmentally friendly way, upcycling a by-product of wastewater treatment – sewage sludge – for biogas production. The CHP plant and existing technologies have made it possible to fully cover the heat demand of the Paljassaare Wastewater Treatment Plant and nearly half of its electricity demand. This is an excellent example of applying the principles of circular economy in practice.

WE CONSTRUCT STORMWATER SYSTEMS TO MITIGATE FLOODING

Extensive work was carried out in 2025 to construct strategic stormwater receiving systems. These are prerequisites for a separate sewer system that helps alleviate flooding and reduce the load on the wastewater treatment plant. Major construction work was completed in Kopli Street, Paljassaare Road, in the areas of Lahepea Street and Kolde Boulevard, as well as in Tuukri and Uus-Sadama streets.

WE ARE CONSTRUCTING THE CAPITAL'S FIRST COASTAL STORMWATER DETENTION POND

We are constructing a coastal detention pond in the Lahepea Street area in North Tallinn, to prevent flooding and keep the Baltic Sea clean. A detention pond is one of the solutions that helps to cope with increased rainfall and treat stormwater before releasing it into the sea. The detention pond is expected to be completed in the first half of 2026.

WATERCOM SUCCESSFULLY LAUNCHED A NEW SERVICE

Watercom introduced a no-dig method for reconstructing sewer pipes using CIPP (cured-in-place pipe) technology. Last year, around 6 km of gravity sewer pipes were reconstructed without digging up the streets and using the new equipment instead.

TALLINNA VESI'S EFFORTS WERE RECOGNISED

The year 2025 brought us several recognitions. We received the silver label of the "Supporter of National Defenders" award, presented by the Minister of Defence, in recognition of companies and organisations that have excelled in supporting national defence. The Estonian Waterworks Association recognised two of our long-standing employees and named the CHP plant at Paljassaare the Water Achievement of the Year.

In June, we were once again recognised with a Corporate Social Responsibility Certificate and gold level quality label, which is an important recognition for us and something we have worked towards together as a company. Receiving the highest level quality label for the third time demonstrates our commitment to responsibility and consistency in our actions.

TALLINNA VESI 20 YEARS ON THE STOCK EXCHANGE

In the summer of 2025, we reached an important milestone – 20 years on the stock exchange. As the largest water utility in Estonia, we have played an important role in developing the water sector and fostering cooperation between companies in this field. We hope that this is a meaningful investment for our investors. Just as it is meaningful work for us.

WE OPENED THE SUMMER SEASON OF PUBLIC DRINKING WATER TAPS WITH A TAP RUNNING EVENT

In spring, we opened 60 public water points in Tallinn so that everyone has access to clean drinking water during the summer season. The opening of the taps was celebrated for the first time with a running event, which attracted dozens of running enthusiasts.

In preparation for the summer events season, we made the drinking water taps at the Song Festival Grounds more visible by marking them.

WE TOOK A RECORD AMOUNT OF FRESH WATER TO THE SONG AND DANCE CELEBRATION

Tallinna Vesi provided tens of thousands of participants at the Song and Dance Celebration with fresh drinking water. Our statistics show that around 3 million litres of water were used from taps and tanks at both celebration and accommodation venues. This means that using refillable water bottles and free water points prevented the production of over 230,000 plastic

water bottles. The company has been supplying water to this large-scale event for several decades.

TALLINNA VESI AND EKA STUDENTS DECORATED THE PUMPING STATIONS WITH STREET ART

In the summer of 2025, Tallinna Vesi and the Estonian Academy of Arts (EKA) continued a cooperation project. As a result, four pumping stations in Tallinn were decorated with works by young artists. Now in its second year, this project aims to enrich urban spaces with street art created by young artists, providing them with an outlet for their creativity. This time, four pumping stations received a fresh look: Ehte 7b, Paldiski Road 80d, Vinkli 2 and Sõle 39b.

WE OFFER SCHOLARSHIPS TO SUCCESSFUL STUDENTS

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, active students and to promote the vital water sector. At the same time, we want to attract professionals who have up-to-date knowledge to join the company. In 2025, we awarded scholarships at TalTech, Tallinn University of Applied Sciences, Estonian University of Life Sciences, Tallinn Industrial Education Centre, Techno TLN (Tallinn Technology College) and Tallinn Applied College.

CONTRIBUTING TO THE LOCAL COMMUNITY

In 2025, Tallinna Vesi was present at a number of community and sports events, such as the Song and Dance Celebration, and IRONMAN Tallinn — just to name those with the largest number of visitors — providing fresh water from tanks.

In spring, we discussed crisis resilience in the water sector at the Baltic Water Works conference, as well as the challenges posed by climate change at the annual Natural Resources conference. In July, we took part in a panel discussion on dividend stocks at the Investment Festival. In August, we

chaired a discussion on Estonia as a small country with big initiatives on the "Energetic Economy" stage at the Opinion Festival.

Also in that month, the 53rd annual run around Lake Ülemiste, hosted by Tallinna Vesi, took place at Ülemiste. We contributed to Impact Day, a sustainability festival promoting environmental education, and community events, such as Tallinn Old Town Days, summer days for large families in Tallinn and Harju County, Tallinn Movement Festival, Kalamaja Days, the Kopli Lines Run, Tallinn Urban Space Festival, and KopliFest.

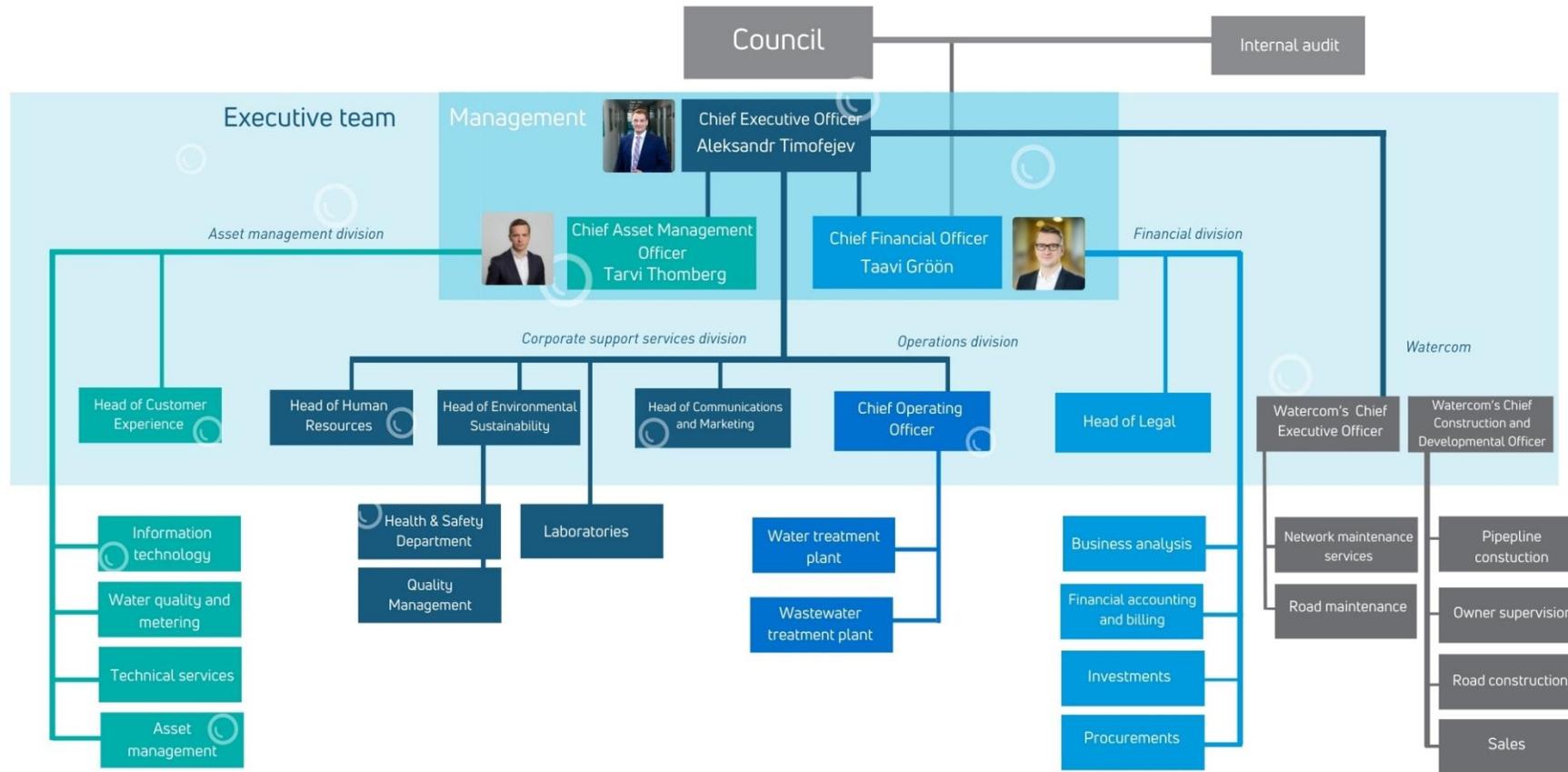
We organised open days and guided tours at the Ülemiste Water Treatment Plant and the Paljassaare Wastewater Treatment Plant, held discussion groups on water and environment-related topics.

WE HELPED PEOPLE WITH FEWER OPPORTUNITIES

We supported the Kindergarten Õunake and the Ristiku Primary School in Tallinn, the Estonian Agrenska Foundation, the Tallinn Children's Hospital Foundation, the Autismikool Charity Fund, the cancer treatment fund The Gift of Life, the North Estonian Association of the Blind, the Tallinn Women's Crisis Centre and the Food Bank.

As a supporter of the Estonian Paralympic Committee, the company contributed to the preparations of Estonian para-athletes for both smaller competitions and for the 2026 Winter Paralympic Games.

Company structure

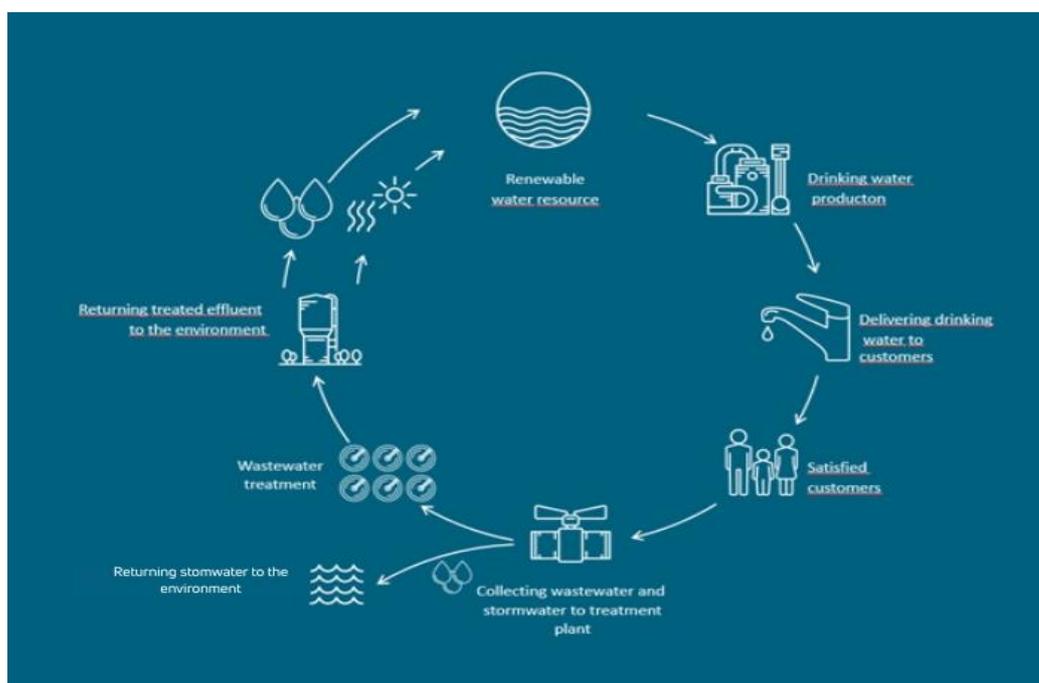


STRATEGY

HOW WE CREATE VALUE

We are committed to creating a better life with clean water. We work tirelessly and passionately to achieve the objectives and targets 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, co-operation 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.



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 environment 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 a vital service, we impact the daily lives of about one third of the population. We recognise 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 the 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, digitalisation 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	Performance 2025	Target 2028
Sustainable urban development	Quality of drinking water	100%	100%
	Number of flooded locations (vs 2023)	-17%	-25%
	Excellent customer experience (TRI*M Index score)	53	> 65
Reducing environmental impact	Compliance with environmental permit requirements	100%	100%
	Quality of treated effluent	100%	100%
	Scope 1 and 2 emissions (vs 2020)	-43%	-48%
Ensuring continuity	Water loss rate lower than EU average	-20%	< 10%
	Number of water bursts (vs 2020–2022 average)	-24%	-10%
	Number of sewer blockages (vs 2020–2022 average)	-39%	-25%
Affordable prices	Water costs as % of household income ¹	0.6%	≤ 2.5%
Employee satisfaction and strong shareholder relations	Number of workplace accidents	3	0
	Voluntary staff turnover	5.7%	< 7%
	Dividend policy, net profit distributed	80%	50–80%

¹ Subject to the prices for water services approved by the Competition Authority.

Stakeholder expectations

Stakeholder	Expectation	Stakeholder engagement	Relation to strategy
Customers	<ul style="list-style-type: none"> • High-quality drinking water • Functioning of public sewer system • Affordable and lawful prices for services • Prompt and appropriate exchange of information • High level of customer service • Smooth billing and information transfer 	<ul style="list-style-type: none"> • Customer satisfaction surveys (1x per year) • Providing information by e-mail (interruptions, quarterly newsletter) • Public events 	<ul style="list-style-type: none"> • Sustainable urban development • Affordable prices • Ensuring continuity
Employees	<ul style="list-style-type: none"> • Modern working environment • A professional and diverse team • Competitive salary • A stable job • Development and training opportunities • Information flow 	<ul style="list-style-type: none"> • Employee satisfaction surveys (1x per year) • Intranet, e-mails • Open management meetings (1x per month) 	<ul style="list-style-type: none"> • Employee satisfaction and strong shareholder relations
Shareholders	<ul style="list-style-type: none"> • Sustainable business model • Good reputation • Steady dividend stream • Transparency in management and reporting 	<ul style="list-style-type: none"> • Interim and annual reports • Press releases • Quarterly investor webinars 	<ul style="list-style-type: none"> • Employee satisfaction and strong shareholder relations
Policymakers and supervisory authorities	<ul style="list-style-type: none"> • Conducting business in compliance with legal requirements • Reducing environmental and climate impacts • Continuity of vital services • Providing high-quality services • Safe working environment • Employment • Transparent and timely reporting 	<ul style="list-style-type: none"> • Participation in the process of drafting legislative intents and bills through professional associations • Membership of relevant national and local government working groups related to business • Active participation in the activities of 	<ul style="list-style-type: none"> • Ensuring continuity • Affordable prices • Reducing environmental impact

		professional associations	
Wider public and community	<ul style="list-style-type: none"> Reducing environmental impact Sponsorship Environmental education 	<ul style="list-style-type: none"> Public events Annual environmental and ESG reports 	<ul style="list-style-type: none"> Sustainable urban development Reducing environmental impact Ensuring continuity
Suppliers	<ul style="list-style-type: none"> Procurement transparency Clear rules for carrying out the work Safe working environment Timely payments 	<ul style="list-style-type: none"> Supplier satisfaction surveys Information days 	<ul style="list-style-type: none"> Ensuring continuity
Financial institutions	<ul style="list-style-type: none"> A stable revenue base Sustainable and ethical business practices Transparent and detailed reporting 	<ul style="list-style-type: none"> Regular reports and statements 	<ul style="list-style-type: none"> Reducing environmental impact
Educational institutions	<ul style="list-style-type: none"> Co-operation projects Availability of traineeships Innovativeness 	<ul style="list-style-type: none"> Guided tours organised by the company Taking on trainees Scholarship programme 	<ul style="list-style-type: none"> Sustainable urban development Reducing environmental impact

FINANCIAL RESULTS FOR 2025

Economic environment

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

The economic forecast from Eesti Pank finds that the Estonian economy has been moving in the direction of improvement for around a year. The GDP data do not directly reflect it, but industrial output, exports and retail sales have all been growing since 2024. That the economy is recovering is also shown by a notable increase in borrowing activity, which has been encouraged further by cuts to interest rates and improved access to loans. Bank loans are an important source of funding for investment, and so companies may be expected to increase their purchases of fixed assets in the near term, and so give a boost to productivity growth, which has been weak of late. Productivity can be improved quickly in the near future because a large part of the equipment used by companies and some of their staff are underutilised or underemployed and can be quickly brought into action as demand and the economy bounce back.

Growth in the Estonian economy will be given a strong helping hand in 2026. The government has decided to increase spending on defence, flatten out the tax-free income threshold, and cancel the security tax, and this together will substantially increase the budget deficit while providing fiscal stimulus. Recovery in the economy will lead employment to grow and unemployment to fall. Companies tried to avoid redundancies and keep their staff on the payroll even when there was little activity, and so in return the reaction of the labour market to the improvement in the economy may be slow and only modest.

High inflation will come down. Tax rises and higher production costs in 2025 will mean that inflation will be higher but will then fall in the second half of 2026 to close to 2%. The impact of the motor vehicle tax will disappear from the inflation indicators at the start of 2026, and it will be followed in the middle of the year by the effect of the rise in VAT and higher prices for administratively regulated medical services. Price pressures will be eased by growth in wages slowing, the euro appreciating, oil being cheaper than before, and prices for food commodities rising more moderately or even falling. The cost of living rising more slowly will combine with changes in the income tax law to give a strong lift to the real purchasing power of people, and the positive impact of this will be passed through consumption into the whole of the economy.

Changes in CPI and construction price index have direct impact on both operating and capital expenditures of Tallinna Vesi. According to Statistics Estonia, the construction price index increased by 1.5% in 2025 compared to the average for 2024 (2024: 6.1%) and the consumer price index by 4.8% (2024: 3.5%).

Main financial indicators of Tallinna Vesi

Main financial indicators				
€ million, except key ratios and share data	2025	2024	2023	2023
Sales	72.48	65.08	61.75	55.10
Gross profit	29.52	26.71	24.11	16.94
Operating profit before depreciation and amortisation (EBITDA)	30.95	27.51	25.40	18.14
Operating profit	21.22	18.98	17.35	11.32
Profit before taxes	17.43	14.78	14.21	10.65
Net profit	14.24	13.28	12.84	8,41
Gross profit margin %	40.73	41.04	39.04	30.74
EBITDA margin %	42.70	42.27	41.13	32.92
Operating profit margin %	29.27	29.17	28.10	20.54
Profit before taxes margin %	24.05	22.71	23.01	19.32
Net profit margin %	19.69	20.41	20.80	15.26
ROA %	4.21	4.46	4.80	3.30
Debt to total assets %	66.02	61.71	58.47	56.26
ROE %	11.70	11.20	11.27	7.43
Current ratio	0.93	0.76	1.30	1.24
Number of employees, at the end of the year	360	366	356	318
Share price, at the end of the year	11.00	10.20	10.60	12.54
Share capital	12.00	12.00	12.00	12.00
Earnings per share	0.71	0.66	0.64	0.42
Dividend per share	n/a*	0.53	0.51	0.33
Cash balance, at the end of the year	11.29	3.59	14.74	12.65
Investments to fixed assets	55.74	49.53	34.93	25.13

EBITDA: Operating profit + depreciation and amortisation

Gross profit margin: $\text{Gross profit} / \text{Sales}$

EBITDA margin: $\text{EBITDA} / \text{Sales}$

Operating profit margin: $\text{Operating profit} / \text{Sales}$

Profit before taxes margin: $\text{Profit before taxes} / \text{Sales}$

Net profit margin: $\text{Net profit} / \text{Sales}$

ROA: $\text{Net profit} / \text{Average Total assets for the period}$

Debt to Total capital employed: $\text{Total liabilities} / \text{Total capital employed}$

ROE: $\text{Net profit} / \text{Average Total equity for the period}$

Current ratio: $\text{Current assets} / \text{Current liabilities}$

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

**Dividends for 2025 have not been declared at the time of issuing the report.*

Statement of comprehensive income

Sales

The Group's sales for 2025 were €72.48 million. Compared to the same period last year, sales increased by 11.4%, or €7.40 million. **Sales from water services** for the twelve months of 2025 were €62.31 million, which is a year-on-year increase of 6.9% or €4.02 million. Sales from water services inside and outside the main service area accounted for 86.0% of the group's total revenue. Construction services accounted for 11.7% of sales, other services for 1.3%, and construction of individual connections for 1.1%.

€ thousand	12 months			Variance 2025/2024	
	2025	2024	2023	€	%
Water supply service	15,638	11,714	9,861	3,924	33.5%
Wastewater collection service	16,197	15,207	14,508	990	6.5%
Total from private customers	31,835	26,921	24,369	4,914	18.3%
Water supply service	7,353	8,245	8,514	-892	-10.8%
Wastewater collection service	9,412	8,988	9,087	424	4.7%
Total from business customers	16,765	17,233	17,601	-468	-2.7%
Water supply service	2,110	1,733	1,670	377	21.8%
Wastewater collection service	5,562	4,874	4,236	688	14.1%
Stormwater collection service	38	168	260	-130	-77.4%
Total from outside service area customers	7,710	6,775	6,166	935	13.8%
Stormwater collection and fire hydrants service	4,355	5,848	6,011	-1,493	-25.5%
Excess pollution fee and sewage discharge	1,645	1,514	1,476	131	8.7%
Total from water services	62,310	58,291	55,624	4,019	6.9%
Construction services	8,457	5,220	4,775	3,237	62.0%
Individual connections' construction	770	701	604	69	9.8%
Other services	944	866	742	78	9.0%
TOTAL REVENUE	72,481	65,078	61,745	7,403	11.4%

In 2025, **sales to private customers in the main service area** increased by 18.3% to €31.84 million, driven by an increase in consumption, as well as changes in tariffs that took effect on 01/07/2024, 01/11/2024, and 01/05/2025.

Sales to business customers decreased by 2.7% to €16.76 million, also as a result of changes in consumption and in tariffs. This decrease in sales was due to the reduction in water tariff rates for business customers, which came into effective on 01/07/2024 and further on 01/05/2025, in accordance with the statutory obligation to harmonise water prices for private and business customers.

Sales to **customers outside the main service area** increased by 13.8% to €7.71 million. This was mainly due to an increase in revenues from wastewater collection and water supply services.

Sales from the operation and maintenance of the stormwater system and fire hydrants in the main service area amounted to €4.35 million by the end of 2025, showing a decrease of 25.5% or €1.50 million compared to the same period in 2024. According to the new regulated pricing principles, which came into effect on 1 July 2024, the entire revenue from the combined sewer system is now reflected in the sales from wastewater collection and treatment services, which explains the decrease in sales. Previously, part of the revenue from the combined sewer system was also included in the stormwater service. From 1 July onwards, sales from stormwater collection services consist solely of revenue related to the separate stormwater service.

Sales from construction services were €8.46 million, increasing by €3.24 million compared to the previous year. This growth in revenue was mainly due to an increase in the turnover from pipe construction and external road construction services.

COST OF GOODS AND SERVICES SOLD AND GROSS AND OPERATING PROFITS

€ thousand	12 months			Variance 2025/2024	
	2025	2024	2023	€	%
Water abstraction charges	-1,261	-1,282	-1,271	-21	-1.6%
Chemicals	-3,030	-2,865	-2,742	165	5.8%
Electricity	-4,367	-4,690	-6,408	-323	-6.9%
Pollution tax	-1,244	-1,025	-1,005	219	21.4%
Total direct production costs	-9,902	-9,861	-11,426	41	0.4%
Staff costs	-11,448	-10,718	-9,684	730	6.8%
Depreciation and amortisation	-9,075	-8,108	-7,566	967	11.9%
Construction services	-7,128	-4,084	-3,481	3,044	74.5%
Other costs	-5,404	-5,592	-5,480	-188	-3.4%
Other costs of goods and services sold total	-33,055	-28,502	-26,211	4,553	16.0%
Total cost of goods and services sold	-42,958	-38,364	-37,638	4,594	12.0%

In 2025, **the cost of goods and services sold** amounted to €42.96 million, which was €4.59 million higher than in the same period in 2024. **Total direct production costs** (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €9.90 million, remaining at the same level as the previous year. Direct production costs were mainly affected by:

- **chemicals**, the cost of which increased by 5.8% or €0.16 million, mainly due to a 14.3% increase in the price of methanol used in the wastewater treatment process;
- **costs of electricity** that decreased by 6.9% or €0.32 million resulting in costs worth of €4.37 million. Electricity costs decreased mainly due to electricity produced for own consumption at the combined heat and power plant, which resulted in lower purchased volumes;
- **pollution charges**, which have increased by 21.4% due to higher tax rates and increased usage volumes.

Other costs of goods and services sold (staff costs, depreciation and amortisation, construction services and other costs) amounted to €33.05 million, an increase of 16.0%. These costs were most affected by a 6.8% or €0.73 million increase in staff cost and a 74.5% or €3.04 million increase in construction services costs.

The **group's gross profit** for 2025 was €29.52 million, which is an increase of 10.5% or €2.81 million compared to 2024. The **group's operating profit** for 2025 was €21.22 million, which is 11.8% or €2.23 million higher than in 2024. This increase was mainly due to the optimisation of electricity costs following the launch of the combined heat and power plant.

FINANCIAL EXPENSES

The group's net financial income and expenses have resulted in a net expense of €3.78 million (2024: €4.20 million). This decrease was mainly due to the lower Euribor rate.

PROFIT BEFORE TAXES AND NET PROFIT

The **group's profit before taxes** for 2025 was €17.43 million, an increase of 18.0%, or €2.65 million, on 2024. The **group's net profit** for 2025 was €14.24 million, which was 7.2% or €0.96 million higher than in 2024. Net profit was affected by an increase in the income tax rate on dividend payments.

Statement of financial position

In 2025, **the group invested into fixed assets** €55.74 million. As at 31/12/2025, non-current tangible assets amounted to €338.65 million, the majority of which in the amount of €253.04 million were pipes (31/12/2024: €231.78 million). Total non-current assets amounted to €341.35 million (31/12/2024: €298.33 million).

The trade receivables, accrued income, and prepaid expenses amount to €10.76 million at the end of 2025. The collectability rate remains high at 99.68%, similar to 99.62% at the end of December 2024.

Current liabilities have increased by €4.35 million to €24.89 million compared to the end of 2024, mainly due to liabilities related to investments.

Deferred income from connection fees has increased by €2.01 million compared to the end of 2024, reaching €52.11 million.

Provision for possible third-party claims is of the same size as at the end of December 2024, i.e. €6.02 million. More detailed information about the provision is presented in Note 3.

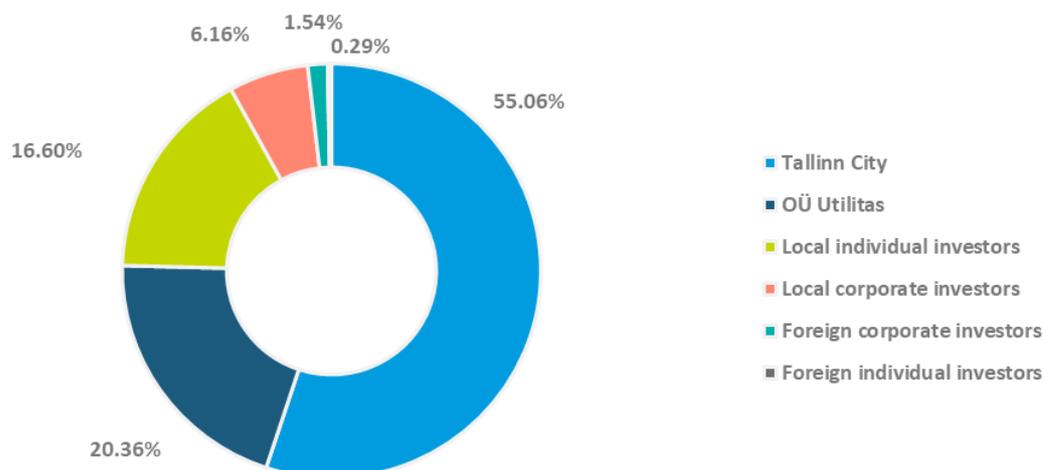
The group’s outstanding loans amount to €160 million (31/12/2024: €118 million). The average interest rate on outstanding loans as at 31/12/2025 is 3.24%. In December, an additional loan agreement for €25 million was signed with the Nordic Investment Bank (hereinafter NIB). The loan agreement has a term of 15 years and is part of the financing agreement concluded in 2023. In December, €5 million was drawn down under the NIB agreement. In 2025, €40 million was drawn down under the syndicated loan agreement.

The group's **total debt to assets ratio** is 66.02%. In 2024, this ratio was 61.71%.

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.

Shareholders by type as at 31 December 2025



DISTRIBUTION OF SHARE CAPITAL BY SIZE OF SHARE OWNERSHIP AS AT 31 DECEMBER 2025

	Number of shareholders 2025 (2024)	Shareholders % 2025 (2024)	Number of shares 2025 (2024)	% of share capital 2025 (2024)
1–100	8,055 (8,413)	68.6% (69.4%)	229,199 (239,298)	1.1% (1.2%)
101–200	1,318 (1,345)	11.2% (11.1%)	197,499 (201,930)	1.0% (1.0%)
201–300	598 (597)	5.1% (4.9%)	153,278 (153,233)	0.8% (0.8%)

301–500	584 (579)	5.0% (4.8%)	236,300 (234,458)	1.2% (1.2%)
501–1000	556 (553)	4.7% (4.6%)	413,448 (407,077)	2.1% (2.0%)
1001–5000	513 (510)	4.4% (4.2%)	1,104,419 (1,110,003)	5.5% (5.6%)
5001–10 000	67 (70)	0.6% (0.6%)	476,080 (507,093)	2.4% (2.5%)
10 001–50 000	51 (45)	0.4% (0.4%)	998,118 (905,611)	5.0% (4.5%)
50 000 +	8 (9)	0.1% (0.1%)	16,191,659 (16,241,297)	81.0% (81.2%)
TOTAL 2025	11,750	100.0%	20,000,000	100.0%
TOTAL 2024	12,121	100.0%	20,000,000	100.0%

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.

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.

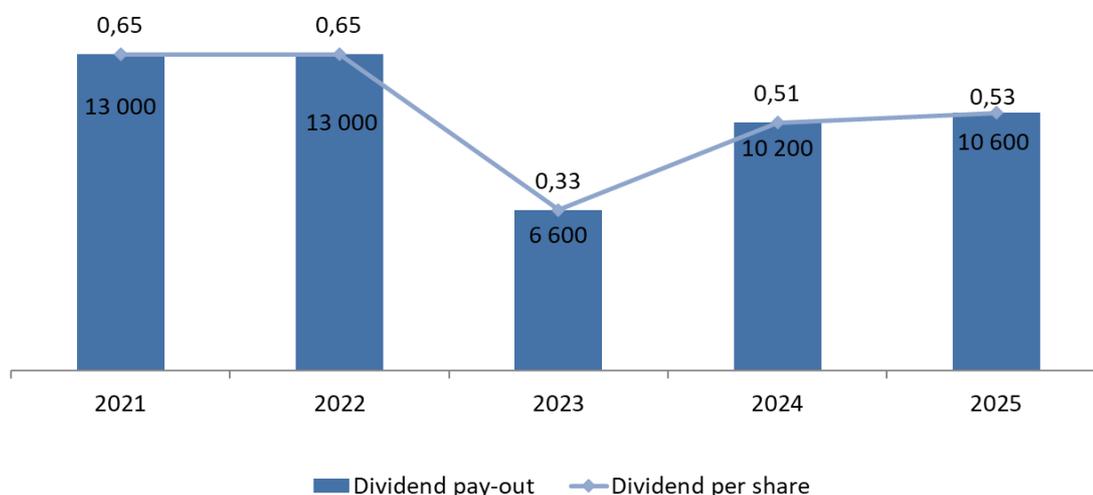
DIVIDENDS

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 22/05/2025, the Supervisory Council proposed to pay out €0.53 per share from the 2024 profits. The pay-out is equal to 80% of earnings in 2024. The proposal was approved by the Annual General Meeting and the dividend pay-out was made on 17/06/2025.

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



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

SHARE PERFORMANCE

Tallinna Vesi is listed on Nasdaq Baltic Main List with trading code TVE1T and ISIN EE3100026436.

As at 31/12/2025, Tallinna Vesi’s shareholders, with a direct holding over 5%, were:

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

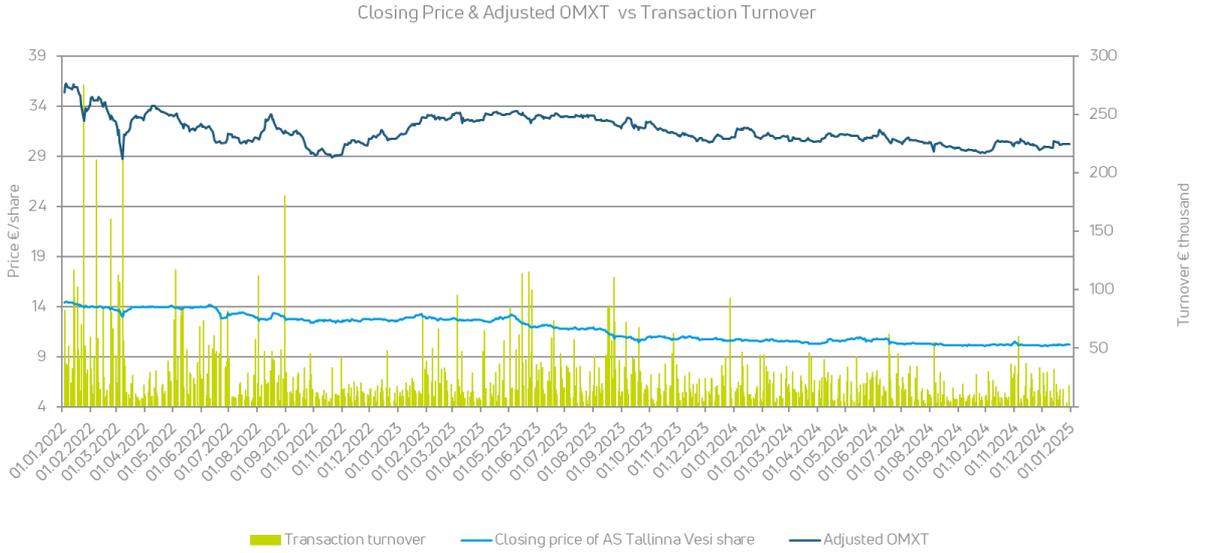
The number of shareholders decreased by 3.1% or 371 shareholders in 2025, including a 4.3% decrease in the number of foreign investors and a 3.0% decrease in the number of local investors. Over the year, local retail investors have increased their shareholdings by 0.28%, while the proportion held by local institutional investors has fallen by 0.26%. Meanwhile, the proportion of foreign institutional investors remained unchanged, while the proportion of foreign retail investors decreased by 0.02%.

As at 31/12/2025, the closing price of Tallinna Vesi’s share was €11.00, which is 7.84% higher compared to the price of €10.20 at the beginning of the year (in 2024, share price dropped by 3.77%). The OMX Tallinn stock index was up 18.42% in the fourth quarter of 2025 (2024: down -2.01%).

During the twelve months of 2025, 13,204 transactions were made with the company’s shares (2024: 15,515 transactions), during which 471 thousand shares or 2.4% of all shares changed hands (2024: 382 thousand shares or 1.9%).

The turnover of transactions was €5.03 million, increasing by €1.1 million compared to the same period in 2024.

CLOSING PRICE AND ADJUSTED OMXT VS TRANSACTIONS TURNOVER



SHARE PRICE STATISTICS

€	2025	2024	2023	2022	2021
Share price, open	10.20	10.60	12.58	14.48	13.25
Share price, at the end of the year	11.00	10.20	10.60	12.54	14.48
Share price, lowest	10.00	10.00	10.40	12.32	13.25
Share price, highest	11.75	10.95	13.30	14.50	15.98
Share price, average	10.60	10.36	11.80	13.30	14.39
Traded volume, thousand	470	382	504	542	947
Turnover, € million	5.03	3.96	5.90	7.30	13.59
Capitalisation, € million	220	204	212	251	290
Earnings per share	0.71	0.66	0,64	0.42	0.81
Dividend per share	n/a*	0.53	0.51	0.33	0.65
Dividend / net profit	n/a*	80%	79%	79%	80%
P/E	15.49	15.46	16.56	29.86	17.88
P/BV	1.8	1.7	1.8	2.3	2.5

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

Capitalisation = share price at the end of the year * number of shares

In 2005, the listing price was €9.25.

*Dividends for 2025 have not been declared at the time of issuing the report.

ACTIVITIES OF THE SUBSIDIARY WATERCOM OÜ

Watercom was established by AS Tallinna Vesi in 2010.

From the outset, Watercom's core activities have centred on the maintenance and construction of water and wastewater pipes, as well as related operations, and in recent years, also on the road construction. Watercom's activities support the operations of Tallinna Vesi, its main client, on a daily basis. In addition to Tallinna Vesi, the company's clients include several local authorities, 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:

- pipe construction,
- road construction,
- road maintenance services,
- pipe maintenance services,
- owner supervision.

WATERCOM'S MAIN GOALS AND GROWTH DIRECTIONS IN 2026

2025 was a successful year for Watercom. Thanks to the ongoing recovery in the economy and construction sector, and several projects won in the pipe and road construction market in the second half of 2024 and throughout 2025, the year ended with record turnover and profits for the company. Pipe construction made the largest contribution to achieving the set targets for the year. At the end of 2024, new equipment was purchased to enable the renovation of sewer pipes using the no-dig method. In 2025, the company focused on developing a comprehensive service for this method, investing in additional equipment and expanding the range of services offered. Additionally, the company won projects in the construction market last year, enabling it to expand its services to include other areas related to infrastructure construction. The company is working to ensure its continued success in tenders and procurements in 2026. The outlook for 2026 is positive, and the company's goal is to identify new opportunities to increase turnover and profits from services that can be won in the marketplace. Additional growth opportunities are being sought through the development and launch of new services.

PIPE AND ROAD CONSTRUCTION

Watercom's main activity in 2025 was the construction of water and wastewater pipes for developers, infrastructure construction companies, general contractors, and water companies. In addition to installing water and wastewater pipes, the company undertook construction work for the City of Tallinn at the Värvi-Mustjõe site, including replacing heating pipes. As in previous years, the focus remained on feasible construction projects and procurements in Tallinn and the wider Harjumaa area. The main clients for road construction services were general contractors, road construction companies, and local authorities.

Thanks to the recovering economy, 2025 was a better year for the construction sector than 2024. This contributed to growth in sales of both external and internal construction services. However, due to intense competition and rising input prices in both service markets, maintaining profit margins in construction activities remained challenging in 2025. Although profit from these activities increased compared to the previous year, the profit margin remained lower.

OTHER SERVICES

Pipe maintenance and road maintenance services are mainly provided within the group, but are also available to external clients. To maintain the quality of drinking water in Tallinna Vesi's networks, the company cleaned a record 165 km of pipes per year using the ice pigging method. Thanks to a preventive jet washing programme, the number of sewer pipe blockages decreased significantly compared to previous years. Sales were also positively influenced by the sale of water and wastewater network maintenance services provided to external clients.

The development of new services within and outside the group will continue in 2026.

Targets: financial performance

FINANCIAL TARGETS FOR 2025	
Earnings before amortisation (EBITA) from Watercom's market-acquired contracts \geq €0.8 million	Achieved
Group's budgeted EBITDA	Achieved
FINANCIAL TARGETS FOR 2026	
Earnings before amortisation (EBITA) from Watercom's market-acquired contracts	\geq Budgeted value
Group's budgeted EBITDA	\geq Budgeted value

CORPORATE GOVERNANCE

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 2025. This report covers the data and principles applied as at 31 December 2025.

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 and targets 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 are available on Tallinna Vesi's website in the [About us > Principles of governance > Corporate Governance Report](#) section. The Corporate Governance 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.

Resolutions of the General Meetings and Management Board presentations are published shortly after the meeting via Nasdaq Tallinn Stock Exchange. Finalised and approved 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 with existing and potential investors outside of General Meetings. This includes meetings at the company, investor presentations, conferences and webinars, as well as responding to ongoing investor queries via the company's contact channels.

Tallinna Vesi organises quarterly investor webinars, using the Nasdaq webinar service. Webinar is a virtual conference, in which the company representatives provide information about the company's 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 three 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 held on 22 May 2025 (AGM) approved the annual report and profit distribution for 2024, and appointed PricewaterhouseCoopers, who had been selected through a public tender organised by the company, as the company's auditor for the next three financial years. 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 2025 AGM, nor were any additional items proposed.

The Chairman of an AGM is an independent person. In 2025, 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 2025, all members of the Management Board of AS Tallinna Vesi participated in the AGM.

In 2025, AGM Tallinna Vesi allowed its shareholders who did not want to appear in person to vote in the General Meeting 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.

None of the shareholders have shares that would grant 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, on 13/01/2025 the shareholders of Tallinna Vesi resolved, without convening a General Meeting, to extend the term of office of Mr Silver Tamm, a member of the Supervisory Council, for the next statutory three-year term.

SUPERVISORY COUNCIL

The Supervisory Council plans the activities of Tallinna Vesi, organises 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 2025, five regular Supervisory Council meetings were held. The Supervisory Council pre-approved the 2024 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 2026. 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, 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, regulatory and legal issues, matters regarding finances, communication, human resources, health and safety, quality, and non-regulated business;

- major projects and issues;
- financing decisions and policies;
- ad hoc decisions.

As at 31 December 2025, 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 13/01/2028



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 that fall 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 a subcommittee to the Supervisory Council, overseeing financial reporting, audit processes, systems of internal controls, risk management and assessment, and compliance with 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 functions 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 analyse 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 analyse 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 2025, external auditor provided also other services to the group outside the scope of the annual audit for financial accounts (participation in financial conference).

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 put to a vote at the General Meeting of Shareholders. For the audit of the periods ending 31 December 2025, 31 December 2026 and 31 December 2027, a tender was carried out in 2025, which resulted in the award of a contract for the provision of external audit services to AS PricewaterhouseCoopers, and a proposal to this effect was approved by the General Meeting of Shareholders on 22/05/2025. In 2025, the amount of audit fee according to invoices received for annual report was 50 thousand euros, 3 thousand euros was for the auditing of subsidiary's annual report, and 500 euros for other services. According to Tallinna Vesi's corporate governance principles, the lead auditor must be replaced every five years. This aligns with the guidelines issued by the Financial Supervision Authority on 1 November 2003. Tallinna Vesi has adhered to this principle, with Eva Jansen-Diener currently serving as lead auditor.

Based on the report by the Audit Committee, the Supervisory Council evaluates the quality of the work of external auditor annually during the approval of the annual report, and discloses the summary of such evaluation in the AGM notice. The external auditor attends the AGM and presents when necessary.

NOMINATION AND REMUNERATION COMMITTEE

In 2025, 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 depend on the annual financial and operational performance of the company. 80% of the performance pay to be paid out for 2025 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 2025, 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 described 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, organising 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 that fall outside the ordinary course of business and/or the price list.

According to the Articles of Association of Tallinna Vesi, the Chairman of the Management Board 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 authorised 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 their 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 2025, 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 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 chairmen of supervisory boards 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 2025, 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).”

In accordance with the resolution of the General Meeting of Shareholders held on 30/05/2024, the remuneration of the Chairman of the Supervisory Council is €2,000 per month and the remuneration of a member of the Supervisory Council is €1,000 per month. 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 2025.

“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 2025, four Supervisory Council meetings were held (06/02, 24/04, 31/07 and 30/10). Niall Patrick Mills was the only Supervisory Council member absent from more than half of Board meetings (three out of four).

“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 2025. 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 2025. 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 managers, 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 managers, 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.

Tallinna Vesi's employees, partners and third parties have the opportunity to raise concerns or report incidents of unethical behaviour through various channels. All such reports will be analysed 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 2025, Tallinna Vesi did not identify any confirmed cases of corruption or fraud.

CO-OPERATION PARTNERS

We strive to do more than we are expected by legislative and contractual requirements. To serve that purpose, we focus on dialogue and co-operation, 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 co-operation and actively participate in the drafting and amending of legislation 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.

CO-OPERATION 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 co-operation partners can be divided into three larger groups: suppliers of goods, services and construction work.

Our suppliers are mostly based in Estonia, but we also carry out international tenders. We choose high-quality products and invest in the modernisation 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 example, we outsource advertising, cleaning, security and many other specific services.

We mainly sign long-term framework agreements to retain our suppliers and to ensure good and reliable co-operation. 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 co-operation with the current partners are equally important to us. We consistently and systematically assess our co-operation 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 co-operation with the suppliers, aiming to be a better partner.

OUR PRINCIPLES AND MEMBERSHIP IN ORGANISATIONS

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 and legislative drafting in areas related to our business. 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 organisations.

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.

SUSTAINABILITY STATEMENT

Tallinna Vesi



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 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
Head of Water Treatment	Responsible for the production of clean drinking water
Head of Wastewater Treatment	Responsible for 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 providing information
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 Environment and Sustainability	Responsible for environmental compliance, sustainability reporting, and ensuring employee awareness of environmental issues
Head of Legal	Responsible for ensuring that the company's business complies with applicable legislation, 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 and reviewed in 2025. 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 co-operation 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).²

The material topics were analysed 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 1.³ 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

² Due to the timeframe of the materiality assessment, the August 2023 version of the EFRAG guidelines was used as a basis.

³ ESRS 1, AR 16 "Sustainability matters to be included in the materiality assessment".

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,⁴ 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.

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 the environmental management standard 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 following 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,

⁴ EFRAG IG 1 Materiality Assessment Implementation Guidance:
https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/IG%201%20Materiality%20Assessment_final.pdf

- critically important.

Based on the Sustainability Reporting Standard ESRS 1, the likelihood of impacts was not considered for impacts on human rights.⁵ 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 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 analysed. Both aspects were evaluated on a 4-point scale:

- low risk,
- medium risk,
- serious risk,
- high risk.

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 targets. 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 takes 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 depends on the nature of the project:

- for the activities planned in the operating expenses budget, as part of the monthly budget control;

⁵ ESRS 1, 3.4 "Impact materiality".

- 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.

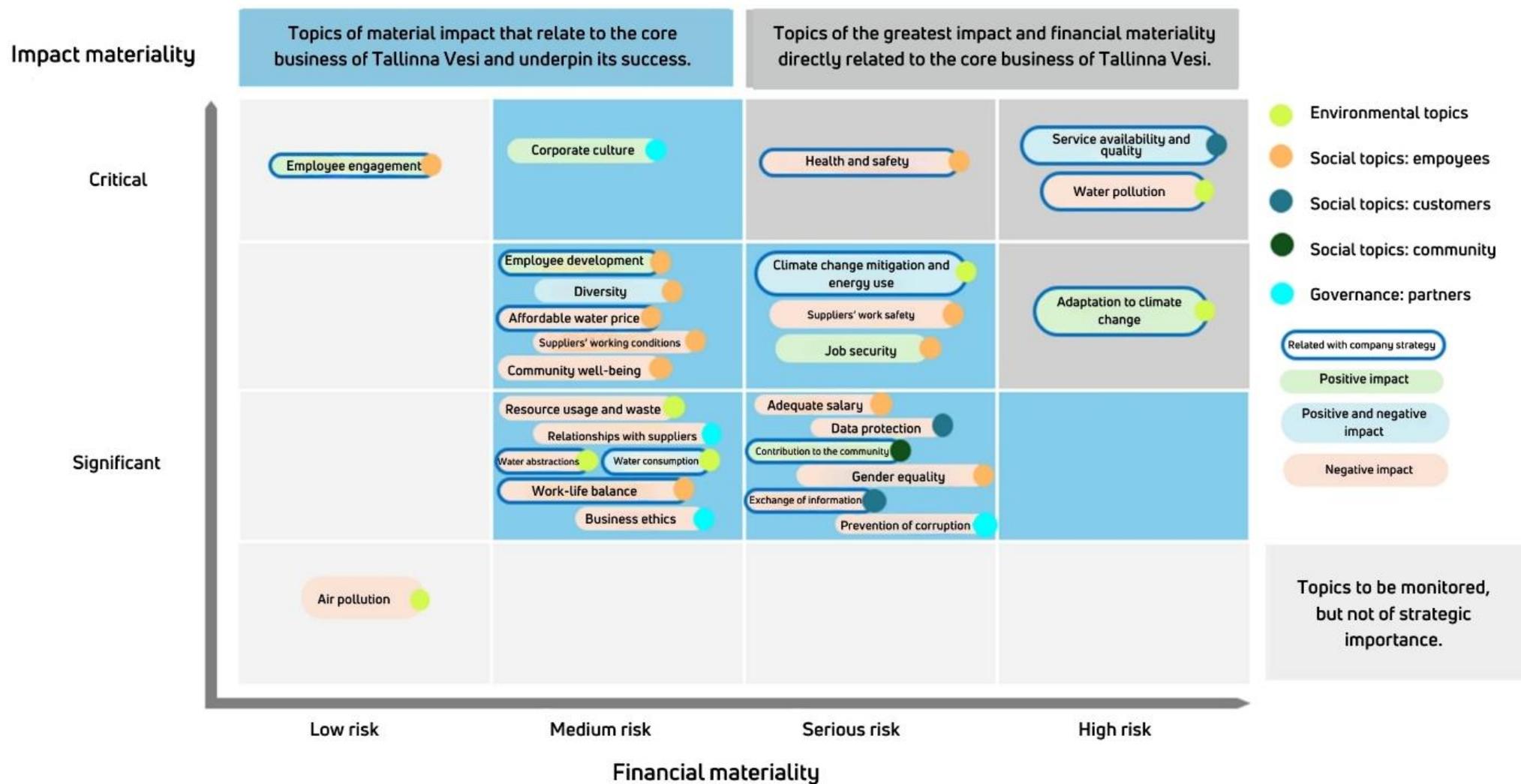
Results of the impact materiality and financial materiality assessment

The following figure 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 THE 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 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.

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 targets and goals to improve environmental performance.

The assessment of material impacts, risks and opportunities 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 organisation's guiding principles on the environment cover its own activities, and all employees, including the Management Board, are responsible for implementing them in their work. 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 facilitated the financing of the investments the company planned for 2023–2025. In 2025, the company's investments reached up to approximately €56 million. The total planned investment in 2026 is up to €60 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) (2025: 22,291,603 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) (2025: 22.2 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) (2025: 8,045 m³; 2024: 245,168 m³)

Climate change

ESRS	Sub-topic	Positive impact	Negative impact	Risks	Opportunities
E1 Climate change	Climate Change Adaption	Increasing the percentage of separate stormwater systems help reduce discharges of untreated wastewater into the environment	Sudden intense downpours can lead to discharges of untreated wastewater into the environment	Unpredictable weather conditions, more frequent storm events, rising costs	Construct separate stormwater systems On-site treatment and reuse of stormwater in cooperation with local authorities
	Climate change mitigation	Reduced GHG emissions	GHG emissions from wastewater treatment GHG emissions from sludge treatment		Optimise the wastewater treatment Find alternative ways to treat sewage sludge
	Energy	The company produces heat and electricity from renewable sources	Use of fossil fuels leads to GHG emissions The company has high energy consumption	Energy crisis (high dependence on external energy sources)	Use even more renewable sources to generate electricity and heat Use more efficient equipment

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 PRINCIPLE: 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 target 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. We assess climate risks every three years.

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.

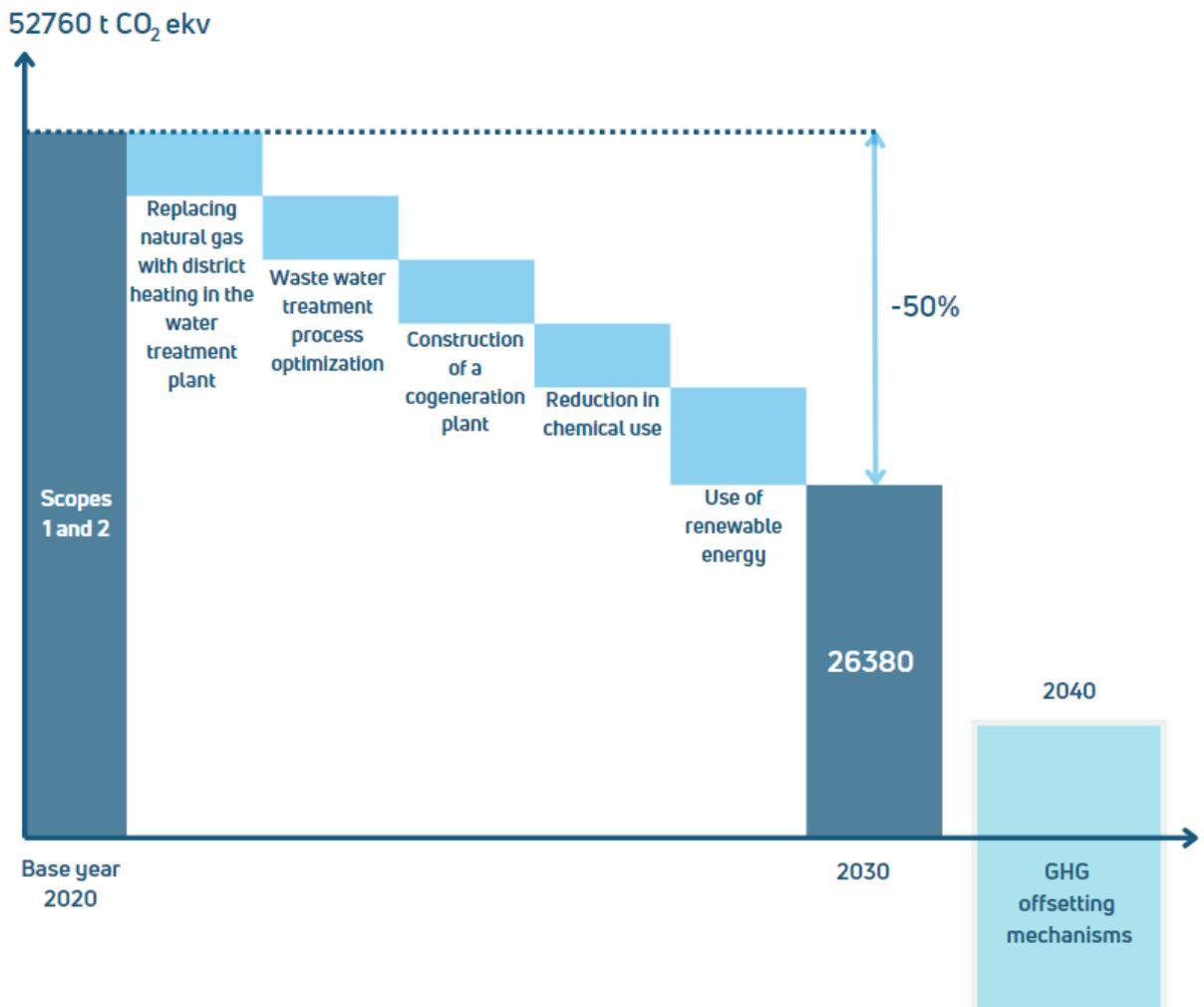
- **We have reduced our heat and electricity consumption by at least 10% by 2030** compared to 2020.

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 also has an impact on the services we provide. Of all the climate changes, we are most affected by prolonged droughts, intense rainfall and more frequent storm events.

The company produces over 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 elevation. 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 our customers 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, which can cause flooding when 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.

2025 TARGET: Constructing three strategic stormwater receiving systems.

PERFORMANCE: Target achieved.

2026 TARGET: Constructing two strategic stormwater receiving systems, in the City Centre and the North Tallinn area.

ENERGY USE AND ENERGY CONSUMPTION OVERVIEW

Most of the electricity we consume is used to run our core business, i.e. the 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.

The following table shows energy consumption, including electricity, heat and fuels from both fossil and renewable sources. Fossil energy consumption includes 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 stabilising 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 in Ädala Street, we use district heating, which is produced from natural gas.

Since 2020, we have reduced our energy consumption by 2.9%. Compared to 2020, the proportion of renewable sources in total energy consumption has increased from 23% to 87%.

Energy consumption and mix	2025	2024	2023
Fuel consumption from coal and coal products (MWh)	0	0	0
Petrol fuel consumption, MWh	425	455	396
Diesel fuel consumption, MWh	2,778	2,276	2,963
Total fuel consumption from crude oil and petroleum products (MWh)	3,203	2,731	3,359
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)	4,644	4,301	4,584
Consumption of purchased/generated or acquired electricity and heat from fossil sources (MWh)	4,644	4,301	4,584
Total fossil energy consumption (MWh)	7,847	7,032	7,943
Proportion of fossil sources in total energy consumption (%)	13	11	13
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)	42,177	43,334	42,034
Consumption of self-generated non-fuel renewable energy (biogas) (MWh)	11,014	11,761	11,082
Total renewable energy consumption (MWh)	53,191	55,095	53,116
Proportion of renewable sources in total energy consumption (%)	87	89	87

Energy consumption and mix	2025	2024	2023
Total energy consumption (MWh)	61,038	62,126	61,059

In 2025, we moved closer to achieving our targets through a series of actions. 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. We also started replacing presses in sludge treatment, a process which will continue in 2026.

In 2025, a total of 9,987 MWh of electricity and 6,933 MWh of heat were produced at the combined heat and power plant. Additionally, 4,081 MWh of heat was produced from biogas in boiler houses. **The electricity produced accounted for 43.8% of the wastewater treatment plant and main pumping station's annual consumption.** Not only does the combined heat and power plant reduce electricity costs, it also increases the reliability of the treatment plant in the event of a power outage.

ELECTRICITY CONSUMPTION IN 2023–2025, MWH

Business unit	2025	2024	2023
Water Treatment	11,163	11,401	10,895
Wastewater Treatment	22,779	23,748	23,055
Network pumping stations, incl. Maardu	7,542	7,519	7,622
Other	693	664	889
TOTAL	42,177	43,332	42,461

HEAT CONSUMPTION IN 2023–2025, MWH

Business unit	2025	2023	2022
Water Treatment	3,343	3,035	3,202
Wastewater Treatment	11,083	11,810	10,765
incl. heat from biogas	11,014	11,761	10,655
Office in Ädala Str	1,232	1,217	1,272
TOTAL	15,658	16,062	15,239

In the longer term, the plan is to further increase our power generation capacity by installing solar panels at both the wastewater and water treatment plants. The real-time optimisation of the wastewater treatment process is making progress and is expected to reduce greenhouse gas emissions by up to 10%.

GREENHOUSE GAS EMISSIONS

Our climate targets focus primarily on processes with the most significant impact within the company, where greenhouse gas (GHG) emissions are high and where we have the greatest potential to reduce them directly and significantly. We assess the effectiveness of the planned actions in reducing total GHG emissions annually, adjusting the actions and approach if necessary.

One ongoing project is the real-time optimisation of the wastewater treatment process, which will continue through to 2026. This will help control the treatment process more efficiently, reducing the amount of energy and chemicals used. It is estimated that optimisation could reduce greenhouse gas emissions by up to 10%.

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

GHG REPORTING

The N₂O sensors installed in 2024 were calibrated in 2025. We intend to use the measured results for the 2026 GHG calculations. The principles of GHG reporting are described in more detail in our Climate Impact Reduction Plan. Previously, all of Watercom's emissions were included in scope 3. However, from 2025 onwards, we have included Watercom's emissions according to their respective scope (scopes 1, 2 and 3). In the 2025 report, we have revised the location-based emissions for the 2020 base year.

	Retrospective				Milestones and target years			
	Base year 2020	2024	2025	% 2025/2024	2025	2030	2050	Annual target (%) / Base year
Scope 1 GHG emissions								
Gross scope 1 GHG emissions (tCO ₂ eq) *	29,996	29,131	29,627	1.70%	-1.23%	-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)	22,763	15,610*	14,533*	-6.90%	36.16%	N/A	N/A	N/A
Gross market-based scope 2 GHG emissions (tCO ₂ eq)	22,763	234	469	100.43%	-97.94%	-50%	-100%	N/A
Significant scope 3 GHG emissions								
Total gross scope 3 GHG emissions (tCO ₂ eq)	8,459	7,214	6,415	-11.08%	-24.16%	N/A	N/A	N/A
1. Purchased goods and services	5,636	4,891	4,238	-13.35%	-24.80%	N/A	N/A	N/A
2. Capital goods (fixed assets)	14	41	29	-29.27%	107.14%	N/A	N/A	N/A
3. Fuel- and energy-related activities (not included in scope 1 or scope 2).	1,920	1,520	1,126	-25.92%	-41.35%	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	501	764	52.50%	17.54%	N/A	N/A	N/A
6. Business travel	4	28	26	-7.14%	550.00%	N/A	N/A	N/A

7. Employee commuting	232	232	232	0,00%	0.00%	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								
Gross market-based scope 1 and 2 GHG emissions (tCO ₂ eq)	52,759	29,365	30,096	2.49%	-42.96%	-50%	-100%	
Total GHG emissions (location-based) (tCO ₂ eq)	61,217	51,955	50,575	-2.66%	-17.38%			
Total GHG emissions (market-based) (tCO ₂ eq)	61,217	36,578	36,511	-0.18%	-40.36%		100%	

**The calculation was based on the total amount of CO₂ emissions from electricity consumption in Estonia in 2024 (437.24 g CO₂/kWh).*

Given that the company is not subject to sustainability reporting requirements, we have not reported GHG intensity based on net revenue in the 2025 report.

Pollution

ESRS	Sub-topic	Positive impact	Negative impact	Risks	Opportunities
E2 Pollution	Pollution of water	Releasing treated effluent into the environment reduces the risk of pollution	Discharges of untreated wastewater into the environment impair the water quality of receiving waters and cause eutrophication Releasing stormwater into the environment can impair water quality	Discharges of untreated wastewater into the environment due to a pipe emergency or wastewater treatment plant failure Opening of the overflows	Work with local authorities to develop nature-based stormwater treatment systems Real-time monitoring of wastewater and stormwater
	Discharges of substances of high concern into the environment	Effluent quality meets the limit values	Discharges of pollutants into the environment that are not currently regulated		Monitoring of the unregulated pollutants Make the treatment process more efficient

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 PRINCIPLE: We are working hard to improve the water status of the Baltic Sea, which is particularly vulnerable to human impact. 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 organisation's guiding principles on the environment cover its own activities, and all employees, including the Management Board, are responsible for implementing them in their work. 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, as well as from the release of untreated wastewater into the environment when existing processes fail to remove pollutants from the water.

Wastewater discharged from Tallinn and its surroundings is treated at the Paljassaare Wastewater Treatment Plant. Wastewater treatment is one of the most important activities for preventing pollution and is one of the two core functions of the water company — ensuring that wastewater is treated and returned safely to the environment. The quality of treated effluent released 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 minimising negative environmental impacts, maintaining high quality and achieving results that outperform the quality standards for treated effluent released to the Baltic Sea.

The goal of properly treating wastewater and releasing effluent that meets all limit values at all times is threatened by a number of risks, which are described below.

- In the event of heavy downpours, when the treatment plant receives more water than it can treat, we are forced to open the emergency outlets and release diluted wastewater (four parts stormwater to one part wastewater) that has not been treated.
- The operation of sewer network and wastewater pumping stations carries the risk of a pump or pipe emergency that could result in the release of untreated wastewater into the environment. This could be caused by a breakdown, collapse or blockage in the sewer system, resulting in wastewater entering a separate stormwater network, the soil, a ditch or a river, and 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 level of the European Union, a new Urban Waste Water Treatment Directive was adopted in 2024. This requires larger wastewater treatment plants, including the Paljassaare plant, to establish a fourth treatment stage. According to the directive, at least 80% of the costs of constructing and operating the fourth treatment stage must be covered by manufacturers of products that end up in wastewater.

Environmental risks, their impacts and opportunities are assessed annually by a working group of managers and specialists from various departments. The working group maps the risks that, if realised, 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. It is of the utmost importance to us that all our air and water emissions are in line with the conditions set out in the permits issued to us. While compliance with permit conditions remains paramount, there have been incidents in recent years that, while not in breach of permit conditions, have resulted in pollution that we would have liked to avoid. 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.

2025 TARGET: All environmental permits are in place and our actions or inactions have not caused any environmental pollution.

PERFORMANCE: In 2025, it had gone unnoticed that the water abstraction volumes from one of the boreholes had increased, while no environmental permit had been obtained for this. Once the error was identified, the abstracted water volumes were declared as activity without a permit, and the process of applying for the environmental permit was initiated.

2026 TARGET: All environmental permits and registrations are in place 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/329766	unlimited validity	Stormwater discharge from Reidi Road Stormwater discharge into receiving waters via the Pikksilma, Russalka I, and Russalka II outlets.

L.VV/332366	unlimited validity	Stormwater discharge in the North Tallinn area Stormwater discharge into receiving waters via the Vesilennuki outlet.
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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.
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** Environmental permits in place as at 31/12/2025. More detailed information on the content and background of environmental permits, including the environmental impact assessments 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 bar.*

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 release 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 2025, separate stormwater system schemes were completed for the eastern part of the City Centre, the Katusepapi area, and the Ülemiste area. In spring 2026, a scheme for the Mustamäe area will be completed, and a scheme for the Lasnamäe area will be prepared. These will form the basis for further design and construction work to reduce the load on the combined sewer system. **In 2025, we built 7.1 km of separate stormwater systems** (2024: 6.4 km).

In addition to the construction of pipes, we have started developing green stormwater solutions that are suitable for urban environments, in co-operation with the City of Tallinn. The Tondimõisa project, which began in 2023, is one such solution. It uses a regulated water intake to divert some of the stormwater collected from the streets to a nature-based treatment and buffer zone in Tondimõisa Park. This prevents flooding and improves the quality of water that reaches the Baltic Sea. The planned diversion and treatment of excess stormwater in the park is designed to have minimal environmental impact on the Tondimõisa and Pardiitiigi areas. This project will also provide visitors to Tondimõisa Park with an additional educational experience, offering them the opportunity to observe the treatment of stormwater. The collected stormwater will be channelled to the edge of the park through a pipe running under Tammsaare Road. There, it will flow out of the pipe to form a water curtain as it cascades down the natural stone retaining wall into the ponds. Extending the water's residence time reduces the amounts of suspended solids, macronutrients and other pollutants released with the stormwater. To assess the effectiveness of this nature-based treatment method, we plan to install online monitoring systems at the inlet and outlet to measure water quality parameters. Construction started in spring 2025 and reach completion in the first half of 2026.

MIXTURE OF WASTEWATER AND STORMWATER RELEASED TO THE ENVIRONMENT VIA OVERFLOWS IN 2023–2025

	2025	2024	2023
Mixture of wastewater and stormwater released, m ³	216,459	211,649	211,127

Metric: Mixture of wastewater and stormwater released to the environment via overflows (m³), 2025: 216,459 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 2025, we rehabilitated and built 23.6 kilometers of sewer pipes** (2024: 16 km).

The condition of the sewer network is characterised by the number of blockages. Blockages are primarily caused by sediment build-up in the pipes or by consumers using the sewer system improperly. As the pipes 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 2025, the total number of blockages was 363.** A number of preventive actions, such as preventive jet washing, have helped to keep the number of blockages in the pipes low. Jet washing involves creating a high-velocity flow in the pipes to push all the accumulated sediments to the nearest collection chamber. These sediments are then collected in a tanker and taken to the Paljassaare Wastewater Treatment Plant.

Wastewater and stormwater are pumped through the pipes by means of pumps. Emergencies can occur in both pipes 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.

In 2025, a significant incident occurred in the municipality of Saue, where wastewater escaped into the soil due to a leak in the wastewater system. The company responded quickly to the notification about the suspected pollution, detected and repaired the leak, and as a follow-up measure, cleaned up the ditch in the area and declared a pollution charge. The leak in question was not caused by anyone's actions or inaction.

NUMBER OF SEWER BLOCKAGES IN 2023–2025

	2025	2024	2023
Number of sewer blockages, pc	363	441	533

2025 TARGET: Reduce the number of sewer blockages by 4% compared to the 2020–2022 average (<510).

2025 PERFORMANCE: Target achieved (number of blockages: 363).

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. The integrated permit sets quality limits for the treated effluent, which is returned to the environment via a deep-sea outlet operated by the treatment plant.

A new Urban Wastewater Treatment Directive was adopted at the end of 2024, complementing the existing wastewater regulations and introducing requirements for an additional treatment stage and monitoring of additional pollutants. For instance, current environmental permits do not limit levels of micropollutants such as microplastics and pharmaceuticals, the removal of which requires a fourth treatment stage. We started monitoring levels of pharmaceuticals in wastewater and treated effluent in 2023.

Studies on microplastics⁶ show that, although wastewater treatment plants are a significant pathway for microplastics entering the marine environment, they also act as a significant barrier. In many studies, they trap 70–99% of the microplastics that reach the treatment plant, and most of these are likely to be retained in the sewage sludge. Our first analysis of microplastics in influent, effluent and sludge was 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 2025, the effluent from the Paljassaare Wastewater Treatment Plant met all requirements.

AVERAGE POLLUTANT CONCENTRATIONS IN TREATED EFFLUENT FROM THE PLANT IN 2023–2025, COMPARED TO LIMIT VALUES SET OUT IN LAW

	2025	2024	2023	Permitted limit value
Biochemical oxygen demand (BOD ₇), mg/l	3.5	3.4	3.5	15
Chemical oxygen demand (COD), mg/l	36	36	33.6	125
Suspended solids, mg/l	6	6.6	9	15

⁶ Sources and pathways of microplastic in the Estonian coastal sea, potential impact to pelagic and benthic organisms. Tallinn University of Technology 2020.

Total Phosphorus (P _{Total}), mg/l	0.33	0.33	0.35	0.5
Total nitrogen (N _{Total}), mg/l	6.3	6.1	5.7	10
Oil products, mg/l	0.01	0.01	0.02	1
Nickel (Ni), µg/l	3.35	3.25	3.8	34
Copper (Cu), µg/l	3.12	3.69	2.3	15
Zinc (Zn), µg/l	27.66	25.67	30,4	50
Lead (Pb), µg/l	0.11	0.10	0.11	15
Chromium (Cr), µg/l	0.98	0.83	0.71	50

In 2025, a total of 52.1 million m³ of wastewater was treated at the Paljassaare Wastewater Treatment Plant.

AMOUNTS OF WASTEWATER TREATED IN 2023–2025

	2025	2024	2023
Amount of treated wastewater, mln m ³	52.1	51.5	53.1

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. We also adhere to the polluter-pays principle. In 2025, we took a total of 1,586 wastewater samples (2024: 1,047) to determine the pollution load from sites, and 296 stormwater and other monitoring samples (2024: 223). The increased number of wastewater samples is related to the implementation of a new pricing methodology for pollution exceeding the limit values. This methodology will come into force in mid-2026, in line with [the rules for connecting to and using the public water supply and sewerage system in Tallinn](#).

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 wastewater in the sewer network helps ensure that wastewater discharged into the sewer meets the set limits, does not damage the sewer system and can be treated at the treatment plant so that the treated effluent released into the Baltic Sea meets all the requirements.

In the event of elevated pollution levels, customers are charged for pollution exceeding the limit values, in line with the polluter-pays principle. These controls have a disciplinary effect and encourage customers to better control the quality of their wastewater, as many pollutants are best removed at source. Polar

hydrocarbons and fats are examples of this. When discharged into the sewer, they often cause blockages and, in the worst case, can lead to wastewater being released into the environment.

The monitoring of stormwater discharges to the environment is carried out in accordance with the conditions and frequency specified in the environmental permit. On average, this is done 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. Discharges of wastewater 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 out in the environmental permit, we installed the first quality sensor in 2025 as part of a pilot project to detect pollution in real time. The plan is to expand the monitoring network once the pilot tests have been completed.

AVERAGE POLLUTANT CONCENTRATIONS FROM LARGER STORMWATER OUTLETS IN 2023–2025, MG/L

	2025	2024	2023	Permitted limit value
BOD ₇	2.1	3.3	2.1	15
COD	18.2	21.9	19.0	125
Oil products	0.03	0.1	0.04	5
N _{Total}	3.2	3.4	3.7	45
P _{Total}	0.2	0.2	0.2	1
pH	7.8	7.8	7.8	6-9
Suspended solids	9.5	13.9	9.2	40

PREVENTING POLLUTION IN CONSTRUCTION WORK

We organise tenders for contractors to renovate and develop our infrastructure. In the tender specifications, we 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 fines have not yet been necessary, the fact that this option exists demonstrates how seriously we take environmental matters at our construction sites.

From February 2024, we require our contractors to provide an environmental plan before they start work. This plan must cover aspects relating to waste management, safeguarding nature, and environmental disturbance, as well as the actions to be taken to minimise the resulting impacts and risks, and to ensure compliance.

Starting from 2025, we carry out random inspections of environmental requirements in accordance with environmental plans at our own construction and emergency sites, as well as at those of our contractors.

Water and marine resources

ESRS	Sub-sub-topic	Positive impact	Negative impact	Risks	Opportunities
E3 Water and marine resources	Water consumption (water consumption in our processes)	Real-time monitoring of water loss			Introduce smart meters Reduce water consumption in our networks and at the plants
		Reduced water abstractions	Water losses lead to waste of resources	Major leaks can cause water outages and disrupt living environments	
	Water abstractions	Raising consumer awareness of topics related to water consumption	Reduced surface water resources	Impaired surface water quality / pollution	Use of process water
		Surface water abstractions reduce groundwater consumption	Reduced groundwater resources	Water resources not recovering quickly enough, resulting in water shortages Reduced raw water quality	

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 the ["Pollution"](#) section).

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 co-operation.

The availability and quality of the raw water in Lake Ülemiste are essential for providing a sustainable service. At Tallinna Vesi, water is constantly moving through the treatment process and the networks, and is not stored permanently. Water needed to supply drinking water to Tallinners is drawn from the natural environment. Therefore, we believe it is important to use water resources sparingly and continuously improve water efficiency.

GUIDING PRINCIPLE: 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](#).

All employees, including the Management Board, are responsible for implementing this policy in their work. 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. This is why we are committed to reducing water consumption, both directly through our own operations and indirectly by raising awareness among water users.

WATER ABSTRACTIONS AND WATER USE

92% 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 Tallinners, the natural catchment area of the lake itself is small. To increase the volume of water and meet the needs of the city of Tallinn, a water catchment system has been established. This system is formed of hydraulic units built on rivers, 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, spanning an area of approximately 1,800 km². The main reservoir is Lake Ülemiste, which has a capacity of 15.8 million m³. Additional water resources are collected in the Paunküla reservoir (9.9 million m³) upstream of the Pirita River and the Soodla reservoir (7.4 million m³) formed on the Soodla River. These resources are used to replenish Lake Ülemiste and reduce the risk of it running dry. These water resources can also be used to improve the poor water quality of Lake Ülemiste if necessary. The amount of water available in the 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 OF WATER NO KL-506050 IN 2023–2025, MLN M³

	2025	2024	2023
Surface water use from Lake Ülemiste	25.93	26.65	26.34
Water abstraction limit 47.6 million m ³ /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 2025 was 2,661,700 m³ (2024: 2,646,400 m³). Our approach of using significantly less groundwater than permitted by our environmental permit ensures that groundwater reserves will last also for future generations.

GROUNDWATER USE IN 2023–2025, COMPARED TO THE WATER ABSTRACTION LIMITS ALLOWED IN THE PERMITS FOR SPECIAL USE OF WATER, THOUSAND M³

Water permit no	Abstraction limit	2025	2024	2024
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Tallinn (permit no KL-506050)	7749.80	2302.5	2305.7	2294.7
Saue (permit no L.VV/331954)	445	358.9	340.5	359.3
Maardu (permit no L.VV/328349)	720	0.3	0.2	1.8

2025 TARGET: All environmental permits are in place and our actions or inactions have not caused any environmental pollution.

PERFORMANCE: In 2025, it went unnoticed that the amount of water being extracted from one borehole had increased without an environmental permit being applied for. Once this error was identified, the additional water abstractions were declared an unauthorised activity, and an application for an environmental permit was submitted.

2026 TARGET: All environmental permits are in place and our actions or inactions have not caused any environmental pollution.

REDUCING WATER CONSUMPTION IN OUR PROCESSES

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

WATER CONSUMPTION IN OUR PROCESSES 2023–2025, THOUSAND M³

	2025	2024	2023
Water consumption in our processes	2,255	2,624	2,601

WATER LOSS IN DISTRIBUTION NETWORK

One of our key targets 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.

2025 TARGET: We keep the water loss rate in the distribution network below 14%.

PERFORMANCE: Target achieved (water loss rate 13.01%).

2026 TARGET: We keep the water loss rate in the distribution network below 14%.

WATER LOSS RATES IN 2023–2025

	2025	2024	2023
Water loss rate	13.01%	13.67%	12.94%

Resource use and circular economy

ESRS	Sub-topic	Positive impact	Negative impact	Risks	Opportunities
E5 Resource use and circular economy	Waste	<p>Recycling sewage sludge and grit trap sediments reduces the amount of waste that is landfilled</p> <p>Use of biogas produced from sewage sludge</p> <p>Using no-dig methods reduces construction waste</p> <p>Reuse of milled asphalt</p>	<p>Landfilling of screenings and construction waste</p>	<p>The sewage sludge does not meet the requirements of the regulation</p>	<p>Alternative uses for sewage sludge</p> <p>Recycle fatty waste</p> <p>Expand the use of the no-dig methods in pipe construction</p> <p>Recycle construction waste</p>
	Chemicals		<p>Production of chemicals is a resource-intensive activity</p>	<p>Chemical leaks</p> <p>Chemical supply problems, decline in quality</p>	<p>Use chemicals that have a lower environmental impact</p> <p>Optimise the use of chemicals</p>
	Pipe construction materials		<p>Production of construction materials is a resource-intensive activity</p>		<p>Use pipe materials that have a lower environmental impact</p>

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 PRINCIPLE: We find ways to implement circular economy principles, reduce waste generation and maximise 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

Sewage sludge is a valuable source of nutrients that can be used in agriculture and landscaping, provided certain conditions are met. It is an inevitable by-product of the treatment process and accounts for the majority of waste generated by the company. Rather than storing it in landfills, we treat the sludge so that the nutrients it contains can be reused. To this end, the sludge is first digested in an anaerobic environment

(methane tanks, also known as digesters), and then mixed with milled peat for aerobic digestion in windrows. It is important that the composted sludge leaving the plant is safe to use and complies with the Regulation No 29 of the Minister of the Environment of 31 July 2019. We therefore take regular samples (at least four times per year) and test them 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 2025, 36,093 tons of stabilised and composted sewage sludge were given out to those interested (2024: 42,773). This sludge complied with the conditions of both the applicable regulations and the integrated environmental permit no KKL-509326 issued to the company.

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 the following.

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

We also require chemicals at the Ülemiste Water Treatment Plant in order to produce high-quality drinking water. The chemicals we use for this process include the following.

- Chlorine: chlorine is an effective disinfectant that has a long-lasting effect. It has a strong oxidising effect and is highly toxic to aquatic microorganisms. 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 oxidising agent that effectively breaks down organic matter and microorganisms in raw water and improves the colour of the water.
- Coagulants and polymers: coagulants and polymers are chemicals that are used in large quantities in the treatment process, in the form of aqueous solutions.
- Sodium hypochlorite (NaOCl): NaOCl is a highly effective chemical that has a long-lasting effect. It is mainly used during the summer months to provide additional disinfection of drinking water at water pumping stations.

In 2025, we used a total of 6,189 tons (2024: 5,999 tons) of various chemicals in water and wastewater treatment and had no chemical accidents that could have harmed human health or the natural environment.

SOCIAL INFORMATION

OWN WORKFORCE

ESRS	Sub-topic	Positive impact	Negative impact	Risks	Opportunities
S1 Own workforce		Secure job	Health damage and working time lost due to work-related accidents	Work-related accidents	Prevent accidents at work and improve the effectiveness of instruction and training
		Supplementary health insurance	Impaired health due to working arrangements	Employee burnout and other mental health problems	Improve work-life balance
		Employee engagement	Reduced quality of work due to incompetent staff	Competent staff leaving	
		Decent wages			
	Working conditions	Scholarships for employees			
	Equal treatment and equal opportunities for all	Training and developing staff to work more effectively		Competent staff leaving Lack of diversity	Training of staff Training of managers

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 specialised 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 minimises the above risks and impacts through annual action plans. Responsibility for the implementation of the human resources policy lies with the organisation'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 organisation employs an optimum number of motivated, competent and skilled people who fit into the team and contribute to the long-term success of the organisation.
- **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 their 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 factors.

CHANNELS FOR EMPLOYEE ENGAGEMENT AND REMEDYING NEGATIVE IMPACTS

CHANNELS FOR EMPLOYEE ENGAGEMENT

Channel for engagement	Description, examples	Regularity	Feedback collection
Organisation-wide satisfaction surveys	Employee satisfaction surveys are carried out to find out what is going well in the company and which 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.
Organisation-wide communication channels	Monthly newsletter, organisation-wide emails, intranet, digital screens, website, social media channels	As appropriate	Currently, collecting immediate feedback and organising 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

There are many ways for employees to voice their concerns and observations, which are described below.

- 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 in 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.

While the process following the receipt of a concern or observation may vary depending on the nature of the observation, all notifications are initially dealt with by line managers or 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 organisation'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 organisation 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 organise **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 **health insurance**, which allow compensation through the employer for the services of private medical institutions and public hospitals. In order to make 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 parents **balance work and family life**, we give those with children entering grades 1–4 a day off on the first day of school in September. We also offer our employees paid days off to complete their studies and to celebrate their children's graduations from kindergarten, basic school, secondary school and post-secondary education. Additionally, we offer an extra day off for family events such as marriage, bereavement, and 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 organised 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 organise 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

	2025	2024	2023
Number of participants in training	419	391	357
...male	301	265	241
...female	118	126	116
...managers	80	77	72
...specialists	188	194	177
...skilled workers	143	120	108
Number of staff participating in regular performance review	n/a	n/a	n/a
...male	n/a	n/a	n/a
...female	n/a	n/a	n/a
Percentage of total workforce participating in training	100%	100%	99%
Average number of training days per employee	4.96	4.90	4.2

WORK-LIFE BALANCE AND REMUNERATION METRICS

	2025	2024	2023
Number of staff entitled to parental leave, including gender breakdown, as a percentage of total workforce	20	26	N/A
...male	11	15	N/A
...as a percentage of the workforce	3.1%	4%	N/A
...female	9	11	N/A
...as a percentage of the workforce	2.5%	3%	N/A

Number of staff on parental leave, including gender breakdown, as a percentage of total workforce	2	5	8
...male	0	0	2
...as a percentage of the workforce	0%	0.0%	0.5%
...female	2	5	6
...as a percentage of the workforce	0.6%	1.4%	1.6%
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 (excl. the highest-paid employee)	2.96	3.37	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 programme for our own employees and this programme is ongoing. In 2025, we hosted 25 trainees (12 female and 13 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 recognised in several categories, and the award is accompanied by a monetary reward. In addition, through the company's intranet, all employees can recognise and thank their colleagues, who will receive a thank you card and a chocolate bar from the company.

EMPLOYEE SATISFACTION METRICS

	Performance 2025	Target
Employee satisfaction based on TRI*M survey, on a 100-point scale	72 points	69 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 factors.

WORKFORCE DIVERSITY METRICS

	2025	2024	2023
Gender breakdown of the Executive Team	11	11	11
...male	6	6	6
...percentage of male	55%	55%	55%
...female	5	5	5
...percentage of female	45%	45%	45%
Age breakdown of employees	360	362	364
...under 30 years old	53	49	46
... percentage	15%	14%	13%
...31-50 years old	184	187	187
...percentage	51%	52%	52%
...over 50 years old	123	126	129
...percentage	34%	35%	36%
Number of employees with disability	4	3	5
...male	3	2	3
...female	1	1	2

WORK-RELATED INCIDENTS, COMPLAINTS AND SEVERE HUMAN RIGHT IMPACTS

Metric	2025	2024	2023	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 2025

	Performance 2025	Target
Number of work-related accidents	3	0
Workplace safety (measured with TR Indicator until March and ClickUp starting from April) on the sites of Tallinna Vesi and Watercom	99.52%	≥ 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 637 safety inspections were carried out in 2025. In 2025, there were three work-related accidents that resulted in employees (3) being off work for 95 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 2025, 153 observations were received from managers who carried out inspections using the ClickUp application, and 32 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 2025, 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 working in confined spaces, and a study trip by the Work Environment Council and Commissioners to the Rudus safety training park in Ämmassuo (Espoo), Finland.

HEALTH AND SAFETY METRICS

	2025	2024	2023	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	3	1	1	0
Rate of recordable work-related accidents	N/A	N/A	N/A	
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	95	25	15	0

EMPLOYEE-RELATED METRICS

	2025	2024	2023
Number of employees	360	362	364
...male	254	258	258
...female	106	104	106
...under 30 years old	53	49	48
...31–50 years old	184	187	187
...over 50 years old	123	126	129
Number of full-time employees (FTE)	350	350.70	350.75
Voluntary staff turnover rate	5.68%	6,3%	7,9%
Total employee turnover without trainees	11,64%	14,1%	15%
Employee turnover rate (total turnover, incl. trainees)	17.01%	20.10%	19.8%
Percentage of employees covered by collective bargaining agreements	100%	100%	100%

Workers in the value chain

ESRS	Sub-topic	Positive impact	Negative impact	Risks	Opportunities
S2 Workers in the value chain	Working conditions	Compliance with health & safety and environmental requirements on sites	Health damage and loss of working time due to work-related accidents	Work-related accidents	Enhance checks on safety and working conditions

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 published by the Labour Inspectorate of Estonia in 2024, construction is the fourth 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 likelihood of getting into accident. The construction sector is also characterised 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 work contracted by Tallinna Vesi and Watercom. Major work-related accidents mainly cause damage to reputation. To minimise 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 co-operation partners. In order to ensure that our co-operation 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 co-operation 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 co-operation 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, listed below, to minimise negative impacts on our construction sites.

- We carry out safety inspections on the contractor's site. We carry out inspections at all construction work 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 co-operation 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 analysing data over a longer period of time. It helps to monitor safety trends and identify potential risk areas, allowing continuous safety improvement. Starting from April 2025, a new workplace safety assessment application called ClickUp has been introduced to ensure that work sites comply with workplace safety requirements. The assessment is based on specific criteria, each of which carries a certain percentage weighting. The final result is determined by how many of the criteria are met: failing to meet a requirement reduces the overall assessment by the corresponding percentage. The occupational safety indicator for construction sites carried out by contractors was 96.64% in 2025 (2024: 98.1%).

WORKPLACE SAFETY TARGET

	Performance 2025	Target
Workplace safety (measured with TR Indicator + ClickUp) on construction sites of contractors	96.64%	≥ 96%

NUMBER OF SAFETY INSPECTIONS RELATED TO WORKERS IN THE VALUE CHAIN

	2025	2024	2023
Number of inspections using TR Indicator + ClickUp	637	137	112

AFFECTED COMMUNITIES

ESRS	Sub-topic	Positive impact	Negative impact	Risks	Opportunities
S3 Affected communities	Communities' economic, social and cultural rights	Participation in community events Promoting environmental education Scholarships for (university) students	Odour nuisances in networks and at the wastewater treatment plant	Negative media coverage	Contribute to community events Contribute to sponsorship Find alternative ways to treat sewage sludge

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 emphasise 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, which are following.

- **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. In 2025, we received two complaints about odours from the wastewater treatment plant.

Targets and metrics

Tallinna Vesi mainly supports initiatives related to environmental education and aimed at the local community or people with fewer opportunities. In 2025, we contributed to Impact Day, an environmental sustainability festival promoting environmental education, and the Investment Festival, as well as to community events such as Song and Dance Celebration, Tallinn Old Town Days, Tallinn Movement Festival, summer days for large families in Tallinn and Harju County, Tallinn Maritime Days, Kalamaja Days, Tallinn Urban Space Festival and KopliFest. We also took part in the Opinion Festival, chairing a panel discussion on Estonia as a small country with big initiatives on the "Energy Economy" stage. We also supported a number of sporting events, such as the 53rd edition of the Run around Lake Ülemiste, hosted by Tallinna Vesi, the Kopli Lines Run, IRONMAN Tallinn and the Kõrvemaa Cycling Marathon. In 2025, we supported the Kindergarten Õunake and Ristiku Primary School in Tallinn, the Estonian Paralympic Committee, the Estonian Agrenska Foundation, the Autismikool Charity Fund, the cancer treatment foundation The Gift of Life, the North Estonian Association of the Blind, the Tallinn Women Crisis Centre, the Tallinn Children's Hospital Foundation and the Estonian Food Bank.

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 provides free teaching materials on environment-related topics on its website and runs discussion groups on water-related topics in schools and kindergartens, and in businesses. Tallinna Vesi supports sports and community events by providing water tanks for free. The company also organises tours and open days at its treatment plants to raise environmental awareness among community members. **In 2025, we aimed to reach at least 1,100 people a year through our discussion groups.**

NUMBER OF PEOPLE ATTENDING GUIDED TOURS AND DISCUSSION GROUPS ON WATER-RELATED TOPICS

	Performance 2025	Target
Number of people attending discussion groups on water-related topics	1,136	1,100
Number of people attending guided tours organised by Tallinna Vesi	1,950	N/A

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 in both outdoor and indoor locations throughout the city since 2021. In 2025, seven new water taps were added, which were installed along cycle and pedestrian paths and health trails. By the end of 2025, a total of 60 public drinking water taps had been installed across the capital.

NUMBER OF PUBLIC WATER TAPS AND WATER TANK RENTALS

	Performance 2025
Number of public water taps	60
Number of water tank rentals	40

Consumers and end-users

ESRS	Sub-topic	Positive impact	Negative impact	Risks	Opportunities
S4 Consumers and end-users	Personal safety of consumers and/or end-users	Promises to customer	Poor quality of drinking water reduces the reliability of tap water and increases health risks	Non-compliances in drinking water quality	Upgrades to water treatment technology
		High-quality drinking water		Service disruptions	Increase the reliability of tap water
	Investment in infrastructure				
Information-related impacts for consumers and/or end-users	Information-related impacts for consumers and/or end-users	Newsletters to customers		Data leaks	
		Proactive notification of water outages			
Social inclusion of consumers and/or end-users	Social inclusion of consumers and/or end-users	Affordable water price			

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 Estonian 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, digitalisation 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 Tallinners. 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 personalised 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 Executive Officer at board level.

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 how well the enquiry was handled. On average, we ask 700 customers every month, and around 13% of them respond to the survey.	Monthly	If a customer provides feedback that they were not satisfied with the way their enquiry was handled or were rather satisfied (scores 1–3), we will analyse the background to each feedback in depth. We will then draw conclusions and find ways to improve the results to avoid similar issues recurring.
Customer satisfaction survey	<p>The main goal 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 apartment associations, 150 other business customers, 50 key customers.</p> <p>End-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 analyse 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	
	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. Possible channels include e-mails, SMS notifications, quarterly newsletters, press releases and news on the company's website.	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 analyse 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 analyse 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.

Tallinna Vesi employs a Key Account Manager who works with the company's 53 key customers and is responsible for managing customer relationships and customer enquiries from these customers. This allows us to provide our key customers with a personalised, high-quality service.

The Service Quality Manager analyses the root causes of enquiries, particularly complaints, in co-operation with the area representatives. Where necessary, the Service Quality Manager contacts customers to clarify the reasons for their dissatisfaction and to obtain direct feedback. The analysis will lead to agreements on improvements to working procedures and systems.

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 programmes 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 test results are public and can be found in the Health Board's information system. Additionally, results of tests on drinking water leaving the water 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 drinking water produced from surface 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 co-operation 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 the existing mobile generators are unable to meet the energy requirements of all pumping stations, we have identified 27 key sites where stationary generators were purchased in 2025. Installation of the generators will be completed in the first half of 2026. Solar power plants are also planned for both treatment plants.

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. With smart meters, customers no longer need to submit 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 minimise its impact. We are also required to submit a risk analysis and continuity plans for a vital service to the local government and update them every two years. 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 2025, we held one regular crisis training session for all the crisis team members and seven crisis exercises.

EXCHANGE OF INFORMATION

We follow a service standard for communicating with customers and end-consumers, and a set of guidelines on working procedures, 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 2025, we added the option to view invoice-related payments to our [self-service portal](#), updated contract information, and enabled key customers to download their smart meter consumption data via an application programming interface (API).

To share information more quickly, we also started sending text messages (SMS) to notify customers when planned work was completed. We had already been doing this when emergency work was completed.

DATA PROTECTION

We only collect customer data to the extent necessary for the performance of our contracts with customers, and we process it in a way that prevents any unauthorised use. Tallinna Vesi does not profile its customers or process their personal data automatically. When transferring customer data to third parties to ensure the performance of contracts, we disclose these companies as authorised 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

	2025	2024	2023	Target for 2025
Number of customer complaints	531	832	1,070	< 830
Number of customer contacts regarding water quality issues	331	401	497	401
Number of customer contacts regarding water pressure	219	302	327	302
Number of customer contacts regarding blockages and stormwater collection	505	631	823	631
Rate of written contacts responded within a required deadline	99.7%	99.6%	97.9%	100%
Number of failed promises	0	1	2	≤ 3
Results of the customer satisfaction survey (TRI*M Index)	53	n/a*	51	> 55
Improved customer satisfaction based on monthly contact-based surveys	4.2	4.1	3.9	≥ 4.2

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

GOVERNANCE INFORMATION

Business conduct

ESRS	Sub-topic	Positive impact	Negative impact	Risks	Opportunities	
G1 Business conduct	Corporate culture	Code of Conduct			Continue to implement ESG topics	
	Protection of whistle-blowers	Whistle-blowing hotline		Persecution of whistle-blowers		
	Political engagement	Monitoring of legislation			Possible violations of law resulting from ignorance	(Even closer) co-operation with authorities and professional associations
		Legal clarity (our contribution to legislative drafting)			Too little time to adapt to legal changes	
	Relationships with suppliers, including payment practices	Credit policy for payments to suppliers				
		Inclusive procurement				
Corruption	Prevention of corruption			Financial and reputational risks associated with corruption Corrupt use of inside information Conflict of interests	Consistent awareness raising	

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 analyse the impacts, risks and opportunities identified in the company’s materiality assessment that are related to strengthening organisational 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 co-operation.

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

The company's internal rules of business ethics are summarised in the Tallinna Vesi Group's Code of Conduct, approved by the Management Board on 11/12/ 2024, which can be found on the website under the [Business ethics](#) section. 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.

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 construction work.

Tallinna Vesi expects its suppliers and co-operation 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 hotline. The most recent internal training on this subject was conducted in late October 2025. The trainings are followed by a test where group employees have to demonstrate their knowledge of business ethics.

All employees of the company are required to avoid conflicts of interest between their personal interests and those of the company. For example, all persons involved in the procurement process must promptly inform the company's Management 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.

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. During the reporting period, one notification was received. This was investigated internally, and the appropriate measures were taken.

Preventing litigation and keeping the number of supervisory proceedings initiated by authorities within the required limits was set as an individual target for 2025 for the members of the Management Board and the Head of Legal.

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 co-operation partners.

POLICY MAKING

Lobbying activities related to legislative initiatives of importance for water business is only carried out in co-operation 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 co-operation 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 co-operation with existing partners. We consistently and systematically evaluate our co-operation with suppliers, which allows for two-way communication with existing co-operation 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 co-operation 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 2025, 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 2025 were evaluated. The sample included 101 contracts and 57 different suppliers. Ratings were given in six categories on a five-point scale.

No	Category	Average rating
1.	Reliability – meeting contract deadlines and conditions	4.51
2.	Correctness of the administration – efficiency of the contact person's work, correctness of prepared documentation	4.39
3.	Quality – absence of errors, availability and correctness of the required documentation	4.55
4.	Willingness to co-operate, proactiveness – availability of a contact person, willingness to solve problems, effective and operative action. Contractor making suggestions for a better organisation/flow of the work (construction). Ability to anticipate obstacles that may arise.	4.72
5.	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	4.80
6.	Environment protection – occurrence of environmental non-compliances, and environmental safety and -friendliness	4.91

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

- 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 2024, the ratings in the categories of reliability and correctness of the administration have remained the same. Ratings in quality and willingness to co-operate have increased by 0.1 points on average, and in the category of safety at workplace and environment protection, the ratings are 0.17 points higher than in 2024.

The companies selected in the sample of suppliers rated the organisational culture of Tallinna Vesi in eight categories. Out of the 60 suppliers selected in the sample, 30 companies provided their rating. Ratings were given in eight categories on a six-point scale.

No	Category	Average rating
1.	The importance of the partner	5.53
2.	Is Tallinna Vesi showing interest in long-term co-operation?	5.50
3.	Does Tallinna Vesi ask for suggestions and, if possible, take them into account?	5.10
4.	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?	5.23
5.	Is Tallinna Vesi actively looking for new opportunities, promoting and implementing new ways of working and being open to innovative ideas?	5.07
6.	Are the structure and processes of Tallinna Vesi efficient and easier to work with than with those of other partners?	4.77
7.	Is the staff of Tallinna Vesi open and interested in finding solutions that best serve the strategic business needs of both companies?	5.37
8.	Is Tallinna Vesi addressing issues and problems thoroughly?	5.30

In 2025, Tallinna Vesi carried out 90 procurements above the public procurement threshold. Of the contracts

awarded as a result of procurement, 44% were for construction work, 46% for services and 10% for goods. Each procurement received 3.4 tenders on average. In addition, Tallinna Vesi carried out more than 105 small procurements, i.e. procurements below the threshold for the network sector established in the Public Procurement Act, 19 mini-competitions based on framework agreements, and 104 restricted procurement procedures for the construction of connection points.

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 66 of the procurements carried out in 2025, we implemented green measures to reduce the environmental impact of construction work and prevent pollution. We have also emphasised 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 2025, we updated the terms and conditions of our contracts to include a requirement to adhere to ethical business practices when performing the contract, including avoiding conflicts of interest and corruption risks, and complying with the company's guiding principles on business ethics, which can be found on our [website](#).

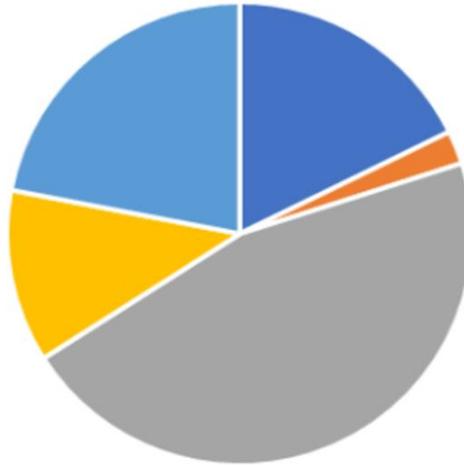
TARGET: In 2026, we plan to continue implementing green requirements and introducing strategic principles for public procurement.

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.

Indicator	2025	2024	2023	Target
Average time* to pay a purchase invoice, in number of days	16	16	16	Purchase invoices are paid according to the terms of payment agreed in the contract
Invoices up to €1,000	14 days	14 days	14 days	
Invoices €1,001 – 14,999	21 days	21 days	21 days	
Invoices over €15,000	28 days	28 days	28 days	
Payments aligned with standard terms, %	99%	99%	99%	
Number of legal proceedings currently outstanding for late payments	0	0	0	

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

Terms of payment for purchase invoices



■ 7 days ■ 10 days ■ 14 days ■ 21 days ■ 28 days

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 (in liquidation), 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 2025 on pages 110-156.

To the best of the company management's knowledge, the consolidated financial statements as at 31 December 2025, 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 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 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 16 March 2026 have been considered in preparing the financial statements.

The Management Board of Tallinna Vesi considers the group to be going concern entity.

Name	Position	Signature	Date
Aleksandr Timofejev	Chief Executive Officer, Chairman of the Management Board		16 March 2026
Taavi Gröön	Chief Financial Officer, Member of the Management Board		16 March 2026
Tarvi Thomberg	Chief Asset Management Officer, Member of the Management Board		16 March 2026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December, € thousand	Note	2025	2024
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	11,294	3,589
Trade receivables, accrued income, and prepaid expenses	6	10,762	10,746
Inventories		1,163	1,180
TOTAL CURRENT ASSETS		23,219	15,515
NON-CURRENT ASSETS			
Property, plant, and equipment	7	338,654	296,264
Intangible assets	8	2,699	2,062
TOTAL NON-CURRENT ASSETS		341,353	298,326
TOTAL ASSETS		364,572	313,841
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Leases	9	765	875
Bank loans	9	3,742	3,441
Trade and other payables	10	17,604	13,581
Prepayments	12	2,781	2,646
TOTAL CURRENT LIABILITIES		24,892	20,543
NON-CURRENT LIABILITIES			
Deferred income from connection fees		52,112	50,106
Leases	9	1,502	2,178
Bank loans	9	155,391	114,241
Provision for possible third-party claims	13	6,018	6,018
Deferred tax liability		697	494

Other payables		165	108
TOTAL NON-CURRENT LIABILITIES		215,885	173,145
TOTAL LIABILITIES		240,777	193,688
EQUITY			
Share capital	14	12,000	12,000
Share premium		24,734	24,734
Statutory legal reserve		1,278	1,278
Retained earnings		85,783	82,141
TOTAL EQUITY		123,795	120,153
TOTAL LIABILITIES AND EQUITY		364,572	313,841

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December, € thousand	Note	2025	2024
Revenue	2,15	72,481	65,078
Costs of goods and services sold	2,17	-42,958	-38,364
GROSS PROFIT		29,523	26,714
Marketing expenses	17	-974	-908
Administrative expenses	17	-6,770	-6,261
Other income and expenses	2, 18	-562	-563
OPERATING PROFIT		21,217	18,982
Financial income	19	106	191
Financial expenses	19	-3,889	-4,394
PROFIT BEFORE TAXES		17,434	14,779
Income tax	20	-3,192	-1,496
NET PROFIT FOR THE PERIOD		14,242	13,283
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		14,242	13,283
Attributable profit to:			
Equity holders of A shares		14,242	13,283
Earnings per A share (in euros)	21	0.71	0.66

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December, € thousand	Note	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		21,217	18,982
Adjustment for depreciation/amortisation		9,735	8,526
Adjustment for revenues from connection fees	15	-770	-701
Other non-cash adjustments		28	32
Profit (-) / loss (+) from sale of property, plant and equipment, and intangible assets		-115	-62
Change in current assets involved in operating activities		2	-2,182
Change in liabilities involved in operating activities		730	1,652
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		30,827	26,247
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment, and intangible assets		-53,231	-42,730
Proceeds from targeted funding of property, plant, and equipment		5,869	0
Compensations received for construction of pipe, incl. connection fees		1,975	1,996
Proceeds from sale of property, plant and equipment, and intangible assets		130	111
Interest received		106	191
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-45,151	-40,432
CASH FLOWS USED IN FINANCING ACTIVITIES			
Interest paid and loan financing costs		-4,934	-5,506
Lease payments		-876	-1,144
Received loans		45,000	25,000
Repayment of loans		-3,571	-3,604
Dividends paid	20	-10,600	-10,069

Withheld income tax paid on dividends	20	0	-131
Income tax on dividends	20	-2,990	-1,508
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		22,029	3,038
CHANGE IN CASH AND CASH EQUIVALENTS		7,705	-11,147
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	3,589	14,736
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	11,294	3,589

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
As at 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 at 31 December 2024	12,000	24,734	1,278	82,141	120,153
Dividends (Note 20)	0	0	0	-10,600	-10,600
Comprehensive income for the period (Note 21)	0	0	0	14,242	14,242
As at 31 December 2025	12,000	24,734	1,278	85,783	123,795

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, whose main areas of activity are services related to water business, and owner supervision and construction services related to water and wastewater.

ASTV Green Energy OÜ (Subsidiary in liquidation) is a company acquired by the parent company in 2021, whose main activity is gas production. It is a company in liquidation 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 (in liquidation)
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 6262 200	+372 6262 620	+372 6262 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 based on the historical cost convention.

The Management Board of AS Tallinna Vesi authorized these consolidated financial statements for issue on 16 March 2026. 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 one.

The preparation of financial statements in conformity with IFRS requires the use of certain critical 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.

CHANGE IN PRESENTATION OF CONNECTION FEE INCOME AND EXPENSES

Starting from 2025, the Group has changed its presentation in order to provide a better representation of the revenues from individual connections and the depreciation of connection fees.

Changes in consolidated statement of comprehensive income and notes for reference period of year 2024 are presented in the following table.

For the year ended on 31 December 2024, € thousand	Balance before the change	Impact of the change	Balance after the change
Consolidated statement of comprehensive income			
Revenue	64,377	701	65,078
Cost of goods and services sold	-37,705	-659	-38,364
Gross profit	26,672	42	26,714
Other income and expenses	-521	-42	-563
Note 15 "Segment reporting"			
Other services – external revenue	866	701	1,567
Other services – total segment revenue	7,137	701	7,838
Other services – segment's gross profit	2,365	42	2,407
Note 15, table "Revenue by activities"			
Revenue from connection fees	0	701	701
Note 17, table "Cost of goods and services sold"			
Depreciation and amortisation	-7,449	-659	-8,108

Note 18 “Other income and expenses”

Connection fees	701	-701	0
Depreciation of single connections	-659	659	0

ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

New standards, revisions to standards, or interpretations that the Group has adopted for the first time for the reporting period beginning 1 January 2025, do not have a material impact on the Group.

- Among the new or amended standards and interpretations that are not yet effective, the new standard IFRS 18 may have a significant impact. It will apply to reporting periods beginning on or after 1 January 2027, and it must also be applied to comparative information. The key new concepts introduced in IFRS 18 relate to:
 - the structure of the statement of profit or loss;
 - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity’s financial statements (that is, management-defined performance measures); and
 - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its ‘operating profit or loss’.

The Group is currently evaluating the impact of the standards below:

- Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7. On 30 May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to:
 - clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
 - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
 - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
 - update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

- Annual Improvements to IFRS Accounting Standards

IFRS 1 was clarified that a hedge should be discontinued upon transition to IFRS Accounting Standards if it does not meet the ‘qualifying criteria’, rather than ‘conditions’ for hedge accounting, in order to resolve a potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9. IFRS 7 requires disclosures about a gain or loss on derecognition relating to financial assets in which the entity has a continuing involvement, including whether fair value measurements included ‘significant unobservable inputs’. This new phrase replaced

reference to 'significant inputs that were not based on observable market data'. The amendment makes the wording consistent with IFRS 13. In addition, certain IFRS 7 implementation guidance examples were clarified and text added that the examples do not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7. IFRS 16 was amended to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9 guidance to recognise any resulting gain or loss in profit or loss. This clarification applies to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment. In order to resolve an inconsistency between IFRS 9 and IFRS 15, trade receivables are now required to be initially recognised at 'the amount determined by applying IFRS 15' instead of at 'their transaction price (as defined in IFRS 15)'. IFRS 10 was amended to use less conclusive language when an entity is a 'de-facto agent' and to clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de-facto agent. IAS 7 was corrected to delete references to 'cost method' that was removed from IFRS Accounting Standards in May 2008 when the IASB issued amendment 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'.

- The standard IFRS 19 Subsidiaries without Public Accountability: Disclosures has no material impact on Group reporting.

No other new or revised standards or interpretations that are not yet effective are not expected to have a significant 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 unrealised gains on transactions between Group companies are eliminated; unrealised 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 2025 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 recovered or within 12 months of the end of the next financial year or during the normal operating cycle of the Group are considered as current. Liabilities that are due in the next financial year after the reporting date or are likely to be settled in the next financial year or during the normal operating cycle of the Group are classified as current liabilities. All other assets and liabilities are classified 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 amortised cost 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 recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised 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 any transaction costs directly attributable to acquiring the asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the financial asset and the cash flow characteristics of the asset.

All Group's debt instruments have been classified in the amortised cost 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 amortised 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 recognised 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 2025 and 2024 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 amortised 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 recognised 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 recognised as an intangible asset. Development costs of computer software are recognised 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. Capitalisable 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 recognised 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 capitalised if it is possible to estimate the future economic benefits attributable to these assets. Other intangible assets are amortised on a straight-line basis over the estimated useful lifetime, the duration of which does not exceed 10 years.

Acquisition cost

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 capitalised 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 capitalised 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 recognised 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 derecognised. 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/amortisation rates per annum are following:

- buildings 1.25–2.00%;
- facilities 1.00–8.33%;
- machinery and equipment 3.33–50.00%;
- acquired licenses and other intangible assets 10.00–33.00%.

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.

Targeted funding

Assets acquired through targeted funding are recognised in the balance sheet at their net acquisition cost, i.e. the acquisition cost of the asset less the amount of targeted funding received for the acquisition of the asset. Targeted funding is recognised when it is certain that the Group has fulfilled the conditions related to targeted funding and that targeted funding will be received. Assets funded by government grants are depreciated on a straight-line basis over their useful lives, using the net acquisition cost (i.e., the cost of the asset less the related government grant).

Payments related to the acquisition of property, plant and equipment, as well as receipts related to targeted funding are recognised separately in the cash flow statement.

Financial liabilities

Financial liabilities are classified into the following categories: (a) financial liabilities recognised at fair value through profit or loss (derivatives); (b) financial liabilities recognised at amortised 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 recognised at fair value, net of transaction cost. Subsequently, financial liabilities are carried at the amortised cost.

Amortised 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 amortised cost of long-term financial liabilities, these are initially recognised 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 current Income Tax Act, resident legal entities only pay income tax on distributed profits. 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. In 2025, the rate was 22/78 on the amount of the dividends payable.

The contingent tax liability that would occur if all distributable retained earnings were paid out as dividends is not recognised 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 retained earnings 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 recognised 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 recognised 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 recognised 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 realisation. Guarantee provisions have been recognised based on 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 realisation 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.

The reserve capital may be used to cover the loss that cannot be covered from the Group's free equity, as well as to increase the Group's share capital, by resolution of the General Meeting of Shareholders. The reserve capital cannot be distributed to the shareholders.

LEASES

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 recognise 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 recognised 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 recognises 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 recognised in the accounting period in which the services are rendered based on the units delivered.

When connecting to the water systems, 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 recognised 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 recognised 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 recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised 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 recognised 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 2025, 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 2025, the Group's management has assessed the expected credit loss related to macroeconomic conditions to be €94 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 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. As at 31 December 2025, claims totalling €14.67 million had been brought in five actions (plus requests for a late payment penalty in the amount of €6.3 million brought in two actions). The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6 million (as at 31 December 2024: €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. See also Note 13.
- The Group's management has estimated the useful lifetime of property, plant and equipment and intangible assets. The results of the estimates are disclosed in the "Property, plant and equipment, and intangible assets" section in Note 2 and the information about the carrying amounts is disclosed in Notes 7 and 8. As at 31 December 2025, Group owned property, plant and equipment, and intangible assets with a net book value of €339 million (31 December 2024: €296 million) and annual depreciation was €9.3 million (2024: €8.2 million). If the depreciation rates decreased/increased by 5%, the depreciation expense would increase/decrease by €464 thousand respectively (2024: €412 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 co-operation with the Group's operating units.

MARKET RISK

FOREIGN EXCHANGE RISK

Foreign exchange risk arises when future commercial transactions or recognised 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 2025 was 0.0% (2024: 0.0%). Because of the small proportion of transactions in foreign currencies the Group has not taken any special actions to reduce this risk.

As at 31 December 2025, the Group's bank accounts balances totalled €11,294 thousand (31 December 2024: €3,589 thousand). All funds are in euros. No other significant foreign exchange risks arose from the Group's other financial assets and 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 change.

Borrowings issued at variable interest rates (Note 9) expose the Group to cash flow interest rate risk. The Management 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:

Balance on 31 December, € thousand	2025	2024
Net exposure to cash flow interest rate risk in case Euribor > 0	160,890	120,202
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 changes in interest rates.

Impact on profit, € thousand	2025	2024
Interest rates – Increase by 50 basis points*	-695	-526
Interest rates – Decrease by 50 basis points*	695	526

* Holding all other variables constant

As all instruments are carried at amortised 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 at 31 December 2025 and 2024, the Group had no fixed-term deposits.

The Group is also monitoring European Banking Authority's recommendations regarding banks' recapitalisation needs and fixed-term deposits are opened only in banks with no capitalisation 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 2025, 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 2025 was calculated as follows:

future due date	0.2%
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1 to 90 days past due date	0.2%
over 90 days past due date	100%

Also cash and cash equivalents are subject to the impairment requirements of IFRS 9. No impairment loss was identified as at 31 December 2025.

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 at the end of December 2025 there were no customers (31 December 2024: 1 customer) with receivable (Note 6) exceeding 5% of total trade receivables.

Financial assets € thousand	Balance	Not due	Overdue		Impairment
			Up to 90 days	More than 90 days	
As at 31 December 2025					
Cash and cash equivalents (Note 5)	11,294				
Trade receivables (Note 6)	8,602	8,315	145	143	-171
Business customers	3,852	3,665	86	102	-121
Private customers	4,750	4,650	59	41	-50
Total	19,896	8,315	145	143	-171
As at 31 December 2024					
Cash and cash equivalents (Note 5)	3,589				
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	9,107	208	225	-196

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 realises 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 by due dates* € thousand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
As at 31 December 2025						
Trade and other payables (Note 10)	17,175	0	429	0	0	17,604
Bank loans and interest	403	878	7,830	124,414	47,124	180,649
Leases	66	131	568	1,502	0	2,267
Total	17,644	1,009	8,827	125,916	47,124	200,520
As at 31 December 2024						
Trade and other payables (Note 10)	13,225	0	356	0	0	13,581
Bank loans and interest	544	771	7,395	130,273	4,155	143,137
Finance leases	64	127	538	1,917	0	2,646
Total	13,833	898	8,289	132,190	4,155	159,364

* All amounts are undiscounted

In liquidity risk management the Group has taken a prudent view, maintaining sufficient cash balance and short-term deposits to be able to fulfil its financial liabilities at every moment of time. Continuous cash flow forecasting and control are essential tools in the day-to-day liquidity risk management of the Group.

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 maintains a low level of cash and cash equivalents to optimise capital efficiency. Liquidity is ensured through the available long-term loan facility, which provides a sufficient buffer to cover operating and investment needs. As of 31.12.2025 the loan undrafted was in amount of €28.5 million (31.12.2024 €48.5 million)

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 plus net debt, as shown in the consolidated statement of financial position.

As at 31 December, € thousand	2025	2024
Borrowings	161,400	120,735
Cash	-11,294	-3,589

Net debt	150,106	117,146
Equity	123,795	120,153
Total capital	273,901	237,299
Net debt to total capital ratio	54.8%	49.4%
Total assets	364,572	313,841
Proportion of equity from total assets	34.0%	38.3%

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 realisation will take place within 12 months or these were recognised 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 is the current bid price. As at 31 December 2025 and 2024, 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 of 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 at 31 December 2025, 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 3.45% (2024: 4.33%) and are within level 3 of the fair value hierarchy. As at 31 December 2025, the fair value of the Group's long-term borrowings was €1,570 thousand higher than their carrying amount (31 December 2024: €7,552 thousand higher).

NOTE 5. CASH AND CASH EQUIVALENTS

As at 31 December, € thousand	2025	2024
Cash and bank accounts (Note 4)	11,294	3,589
Total cash and cash equivalents	11,294	3,589

NOTE 6. TRADE RECEIVABLES, ACCRUED INCOME AND PREPAID EXPENSES

As at 31 December, € thousand	2025	2024
Accounts receivable	8,602	9,539
Including receivables from related parties (note 23)	823	1,305
Allowance for doubtful receivables	-171	-196
Total trade receivables	8,431	9,343

Allowance for doubtful receivables at the beginning of the period	-196	-473
Non-collectible receivables written off	3	305
Allowance for doubtful receivables recognised during the period / reversal of allowances (-/+)	22	-28
Allowance for doubtful receivables at the end of the period	-171	-196

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

As at 31 December, € thousand	2025	2024
Other accrued income	585	270
Prepaid expenses	1,746	1,133
Total accrued income and prepaid expenses	2,331	1,403
Total trade receivables, accrued income and prepaid expenses	10,762	10,746

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 at 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 at 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	19,464	231,783	23,740	17,581	3,696	0	296,264
Transactions in the period 1 January 2025 – 31 December 2025							
Acquisition in book value	0	0	0	57,337	0	89	57,426
Write off and sale of property, plant and equipment in residual value	0	0	-15	0	0	0	-15
Targeted financing	0	-2,830	0	-2,908	0	0	-5,738
Reclassification	1,080	29,117	11,663	-41,852	81	-89	0
Depreciation	-557	-5,032	-3,159	0	-535	0	-9,283

As at 31 December 2025

Acquisition cost	28,916	346,830	73,975	30,158	4,985	0	484,864
Accumulated depreciation	-8,929	-93,792	-41,746	0	-1,743	0	-146,210
Net book value	19,987	253,038	32,229	30,158	3,242	0	338,654

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

In 2025, The Group received targeted financing of stormwater infrastructure developments in amount of €5,738 thousand, of which €2,908 thousand for unfinished projects as of 31 December 2025. Targeted financing reduces acquisition cost of assets.

As at 31 December 2025, The Group's assets are not pledged or carry mortgage due to signing new loan contracts and changes made to existing loan contracts.

During the year, the Group has capitalised borrowing costs amounting to €1,140 thousand (2024: €911 thousand) on qualifying assets, note 22.

As at 31 December 2025, no significant capital expenditure had been contracted for at the end of the reporting period but not recognised as liabilities (2024: €4,700 thousand).

NOTE 8. INTANGIBLE ASSETS

€ thousand	Acquired licenses and other intangible assets	Unfinished intangible assets	Total intangible assets
As at 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 1 January – 31 December 2024			
Acquisition in book value	0	1,039	1,039
Reclassification	1,455	-1,455	0
Amortisation	-271	0	-271
As at 31 December 2024			
Acquisition cost	6,856	98	6,954
Accumulated amortisation	-4,892	0	-4,892

Net book value	1,964	98	2,062
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Transactions in the period 1 January – 31 December 2025

Acquisition in book value	0	1,220	1,220
Targeted financing	-131	0	-131
Reclassification	88	-88	0
Amortisation	-452	0	-452

As at 31 December 2025

Acquisition cost	3,357	1,230	4,587
Accumulated amortisation	-1,888	0	-1,888
Net book value	1,469	1,230	2,699

In 2025, The Group received targeted financing of stormwater infrastructure developments in amount of €131 thousand, reducing acquisition cost of assets.

As at 31 December 2025, no significant capital expenditure had been contracted for at the end of the reporting period but not recognised as liabilities (31 December 2024: €440 thousand).

NOTE 9. BORROWINGS

As at 31 December, € thousand

Current liabilities

	2025	2024
Current portion of long-term leases	765	875
Current portion of long-term loans	3,742	3,441

Non-current liabilities

Leases	1,502	2,178
Loans	155,391	114,241

Liabilities as at 31 December 2025

€ thousand

	Balance	Effective interest rate
Lease liabilities	2,267	1.10%–6.88%
Bank loans at floating interest rate (based on 6-month Euribor)	159,133	2.92%–3.40%

Liabilities as at 31 December 2024
€ thousand

	Balance	Effective interest rate
Lease liabilities	3,053	1.70%–6.88%
Bank loans at floating interest rate (based on 6-month Euribor)	117,682	3.66%–4.40%

The Group's loan agreements, valid as at 31 December 2025, mature as follows:

- first loan agreement in the amount of €82.5 million has maturity date in 2028;
- second loan agreement in the amount of €32.1 million will be repaid in equal semi-annual repayments from 2026 to 2034;
- the third loan agreement in the amount of €40 million will be repaid in equal semi-annual repayments from 2027 to 2038;
- the fourth loan agreement in the amount of €5 million will be repaid in equal semi-annual repayments from 2026 to 2040.

The loans are not pledged. The breakdown of loans in terms of payment is described in Note 4.

Net debt reconciliation

Net debt

As at 31 December, € thousand	2025	2024
Cash and cash equivalents	11,294	3,589
Borrowings	-159,133	-117,682
Lease liabilities	-2,267	-3,053
Total net debt	-150,106	-117,146
Cash and cash equivalents	11,294	3,589
Gross debt - variable interest rates	-161,400	-120,735
Total net debt	-150,106	-117,146

€ thousand	Liabilities from financing activities			Other assets	
	Borrowings	Leases	Subtotal	Cash and cash equivalents	Total
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
Cash flows	-41,429	876	-40,553	7,705	-32,848
Acquisitions – leases	0	-90	-90	0	-90
Other changes	-22	0	-22	0	-22
Net debt as at 31 December 2025	-159,133	-2,267	-161,400	11,294	-150,106

NOTE 10. TRADE AND OTHER PAYABLES

As at 31 December, € thousand	2025	2024
Trade payables – operating expenditures	2,760	2,596
Trade payables – capital expenditures	8,673	5,393
Payables to related parties (Note 23)	62	59
Payables to employees	2,610	2,211
Interest payable	429	356
Other accrued expenses	1,047	816
Warranty reserve	67	79
Taxes payable incl.:	1,956	2,071
Income tax	380	387
VAT	203	330
Water abstraction charges	320	322
Pollution taxes	345	332
Social security tax	638	636
Other	70	64
Total trade and other payables	17,604	13,581

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,

interest 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 2025 amounted to €85,783 thousand (31 December 2024: €82,141 thousand). Consequently, if retained earnings were fully distributed as dividends, the maximum possible tax liability would be €24,195 thousand, applying tax rate 22/78. See also Note 2.

NOTE 12. PREPAYMENTS

As at 31 December, € thousand	2025	2024
Prepayments for water and wastewater services	175	173
Prepayments for connection fee	2,606	2,473
Total prepayments	2,781	2,646

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 at 31 December 2025, claims totalling €14.67 million had been brought in five actions against the company (plus requests for a late payment penalty in the amount of €6.3 million brought in two actions). 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 at 31 December 2025.

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 at 31 December 2025, 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 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 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 at 31 December 2025, 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 at 31 December 2025.

As at 31 December 2025, the members of Management Board, Aleksandr Timofejev, Taavi Gröön and Tarvi Thomberg, owned 200, 600 and 1,000 shares in AS Tallinna Vesi, respectively.

As at 31 December 2024, the members of Management Board, Aleksandr Timofejev, Taavi Gröön and Tarvi Thomberg, owned 200, 400 and 800 shares in AS Tallinna Vesi, respectively.

As at 31 December 2024 and 2025, none of the members of the Supervisory Council owned any shares in AS Tallinna Vesi (Note 23).

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 highest corporate decision-making level for the purposes of making strategic decisions. The highest corporate decision-making level monitors the Group's operations by activities. Three segments are distinguished: water services, construction and other services.

Water services: water supply, stormwater and wastewater collection and treatment, fire hydrants service, excess pollution fee and sewage discharge.

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 washing 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 highest corporate decision-making level 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	Const- ruction services	Other services	Inter- segment transactions	Total segments
1 January – 31 December 2025					
External revenue	62,310	8,457	1,714	0	72,481
Inter-segment revenue	2	5,066	6,302	-11,370	0
Total segment revenue	62,312	13,523	8,016	-11,370	72,481
Segment's gross profit	26,482	1,018	3,192	-1,169	29,523
Unallocated expenses:					
Marketing and administrative expenses					-7,744
Other income and expenses					-562
Operating profit					21,217

1 January – 31 December 2024

External revenue (Note 2)	58,291	5,220	1,567	0	65,078
Inter-segment revenue	4	3,403	6,271	-9,678	0
Total segment revenue	58,295	8,623	7,838	-9,678	65,078
Segment's gross profit	24,773	646	2,407	-1,112	26,714
Unallocated expenses:					
Marketing and administrative expenses					-7,169
Other income and expenses (Note 2)					-563
Operating profit					18,982

Revenue by activities

For the year ended 31 December, € thousand	2025	2024
Water services		
Water supply service	15,638	11,714
Wastewater collection and treatment service	16,197	15,207
Total from private customers	31,835	26,921
Water supply service	7,353	8,245
Wastewater collection and treatment service	9,412	8,988
Total from business customers	16,765	17,233

Water supply service	2,110	1,733
Wastewater collection and treatment service	5,562	4,874
Stormwater collection service	38	168
Total from outside service area customers	7,710	6,775
Stormwater collection and treatment service and fire hydrants service (Note 23)	4,355	5,848
Excess pollution fee and sewage discharge	1,645	1,514
Total from water services	62,310	58,291
Other services		
Construction services	8,457	5,220
Connection fees (see Note 2)	770	701
Other services	944	866
Total from other services	10,171	6,787
Total revenue	72,481	65,078

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

NOTE 16. STAFF COSTS

For the year ended 31 December, € thousand	2025	2024
Salaries and wages (Note 17)	-12,195	-11,392
Social security and unemployment insurance taxation (Note 17)	-4,056	-3,740
Total staff costs	-16,251	-15,132
The average number of employees	357	368

NOTE 17. COST OF GOODS AND SERVICES SOLD, MARKETING AND ADMINISTRATIVE EXPENSES

For the year ended 31 December, € thousand	2025	2024
Cost of goods and services sold		
Water abstraction charges	-1,261	-1,282
		142

Chemicals	-3,030	-2,865
Electricity	-4,367	-4,690
Pollution tax	-1,244	-1,025
Staff costs (Note 16)	-11,448	-10,718
Depreciation and amortisation (Note 2, 7, 8)	-9,075	-8,108
Construction services	-7,129	-4,084
Other costs of goods and services sold	-5,404	-5,592
Total cost of goods and services sold	-42,958	-38,364

Marketing expenses

Staff costs (Note 16)	-891	-825
Depreciation and amortisation (Note 7 and 8)	-1	-1
Other marketing expenses	-82	-82
Total marketing expenses	-974	-908

Administrative expenses

Staff costs (Note 16)	-3,912	-3,589
Depreciation and amortisation (Note 7 and 8)	-659	-418
Other administrative expenses	-2,199	-2,254
Total administrative expenses	-6,770	-6,261

NOTE 18. OTHER INCOME AND EXPENSES

For the year ended 31 December, € thousand	2025	2024
Doubtful receivables expenses (-) / expense reduction (+)	22	-30
Other income and expenses	-584	-533
Total other income and expenses	-562	-563

NOTE 19. FINANCIAL INCOME AND EXPENSES

For the year ended 31 December, € thousand	2025	2024
Interest income	106	191

Interest expenses, loans and leases	-3,773	-4,311
Other financial income and expenses	-116	-83
Total financial income and expenses	-3,783	-4,203

NOTE 20. DIVIDENDS

For the year ended 31 December, € thousand	2025	2024
Dividends declared during the period	10,600	10,200
Dividends paid during the period	10,600	10,069
Withheld income tax on dividends	0	131
Income tax on dividends paid	2,990	1,508
Dividends declared and paid per shares (in euros)	0.53	0.51

Dividend income tax rate in 2025 was 22/82 (2024: 20/80).

As at 31 December 2025, deferred income tax expense and liability is €697 thousand (31 December 2024: €494 thousand) and is calculated based on total distributable profits of the subsidiary.

NOTE 21. EARNINGS PER SHARE

	2025	2024
Net profit for the reporting year (€ thousand)	14,242	13,283
Weighted average number of ordinary shares for the purposes of basic earnings per share (in thousand pieces)	20,000	20,000
Earnings per share (in euros)	0.71	0.66

Diluted earnings per share for the periods ended 31 December 2025 and 2024 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 2025, lease payments amounted to €876 thousand (in 2024: €1,144 thousand). Interest expenses from lease agreements amounted to €104 thousand (in 2024: €163 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.

In 2025, the Group had entered into the lease agreements in the total amount of €89 thousand (in 2024: €1,609 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 2025 was €82 thousand (in 2024: €111 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 the Group's statement of financial position

As at 31 December, € thousand	2025	2024
Accounts receivable (Note 6)	823	1,305
Trade and other payables (Note 10)	62	59

Transactions

For the year ended 31 December, € thousand	2025	2024
Revenue	8,396	7,586
Purchase of heat energy	381	180
Investment acquisition	0	250
Targeted funding received	5,416	0

Fees to the Group's Management Board and Supervisory Council members (excluding social tax)

For the year ended 31 December, € thousand	2025	2024
Management Board members	403	380
Supervisory Council members	72	56

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 €193 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.

Information on the shares in the Group held by related parties is provided in Note 14.

NOTE 24. SUBSIDIARIES

Subsidiary	Location	Activity	Holding (%) as at 31 December	
			2025	2024
Watercom OÜ	Tallinn, Estonia	Provision of construction and other non-regulated services	100	100
ASTV Green Energy OÜ (in liquidation)	Tallinn, Estonia	-	100	100

NOTE 25. SUPPLEMENTARY DISCLOSURES ON THE GROUP'S PARENT COMPANY

Pursuant to the Accounting Act of the Republic of Estonia, information on the unconsolidated financial statements (initial reporting) on the consolidating entity (Parent Company) must be disclosed in the notes to the consolidated financial statements. In preparing the initial reporting on 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 initial reporting disclosed as supplementary information in the Annual Report in conjunction with IAS 27 *Consolidated and Separate Financial Statements*.

In the separate initial reporting on the Parent Company, included as a note to these consolidated financial statements (supplementary disclosures), investments in shares of subsidiaries, joint ventures and associates are recognised at cost less any impairment recognised.

THE SEPARATE REPORTING ON THE PARENT COMPANY

According to the Accounting Act, the amount which can be distributed to the shareholders is calculated as follows: adjusted unconsolidated equity less share capital, share premium and reserves.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December, € thousand	2025	2024
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ASSETS

CURRENT ASSETS

Cash and cash equivalents	9,788	2,556
Trade receivables, accrued income and prepaid expenses	9,026	8,065
Receivables from parent company	495	923
Receivables from subsidiary	34	38
Inventories	1,032	1,072
TOTAL CURRENT ASSETS	20,375	12,654

NON-CURRENT ASSETS

Investment in subsidiary	527	527
Property, plant and equipment	345,837	302,338
Intangible assets	2,699	2,062
TOTAL NON-CURRENT ASSETS	349,063	304,927
TOTAL ASSETS	369,438	317,581

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Leases	200	208
Bank loans	3,742	3,441
Trade and other payables	15,185	11,309
Payables to parent company	62	59
Payables to subsidiary	1,699	1,349
Prepayments	2,758	2,624
TOTAL CURRENT LIABILITIES	23,646	18,990

NON-CURRENT LIABILITIES

Deferred income from connection fees	52,112	50,106
Leases	262	406
Bank loans	155,391	114,241
Provision for possible third party claims	6,018	6,018
Other payables	110	17

TOTAL NON-CURRENT LIABILITIES	213,893	170,788
TOTAL LIABILITIES	237,539	189,778
EQUITY		
Share capital	12,000	12,000
Share premium	24,734	24,734
Statutory legal reserve	1,278	1,278
Retained earnings	93,887	89,791
TOTAL EQUITY	131,899	127,803
TOTAL LIABILITIES AND EQUITY	369,438	317,581

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December, € thousand	2025	2024
Revenue	63,891	59,681
Cost of goods and services sold	-35,840	-34,227
GROSS PROFIT	28,051	25,454
Marketing expenses	-974	-908
Administrative expenses	-6,302	-5,813
Other income and expenses	-530	-473
OPERATING PROFIT	20,245	18,260
Interest expenses	-3,694	-4,183
Other financial income and expenses	881	1,582
PROFIT BEFORE TAXES	17,432	15,659
Income tax on dividends	-2,736	-1,205
NET PROFIT FOR THE PERIOD	14,696	14,454
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14,696	14,454
Attributable profit to:		
Equity holders of A shares	14,696	14,454
Earnings per A share (in euros)	0.73	0.72

UNCONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December, € thousand

CASH FLOWS FROM OPERATING ACTIVITIES	2025	2024
Operating profit	20,245	18,260
Adjustment for depreciation/amortisation	9,376	8,210
Adjustment for revenue from connection fees	-770	-701
Other non-cash adjustments	12	39
Profit (-) / loss (+) from sale of property, plant and equipment, and intangible assets	-45	-41
Change in current assets involved in operating activities	-489	-1,157
Change in liabilities involved in operating activities	970	746
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	29,299	25,356
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, and intangible assets	-54,002	-43,841
Proceeds from targeted financing of property, plant and equipment	5,869	0
Compensations received for construction of pipes, incl. connection fees	1,975	1,996
Proceeds from sale of property, plant and equipment, and intangible assets	50	63
Interest received	97	166
TOTAL CASH USED IN INVESTING ACTIVITIES	-46,011	-41,616
CASH FLOWS USED IN FINANCING ACTIVITIES		
Interest paid and loan financing costs	-4,819	-5,379
Lease payments	-230	-274
Repayment of loans	-3,571	-3,604
Loans received	45,000	25,000
Dividends received	900	1,500
Dividends paid	-10,600	-10,069
Withheld income tax paid on dividends	0	-131
Income tax on dividends	-2,736	-1,205

TOTAL CASH USED IN FINANCING ACTIVITIES	23,944	5,838
CHANGE IN CASH AND CASH EQUIVALENTS	7,232	-10,422
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,556	12,978
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	9,788	2,566

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
As at 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 at 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 at 31 December 2024					127,276
As at 31 December 2024	12,000	24,734	1,278	89,791	127,803
Dividends	0	0	0	-10,600	-10,600
Comprehensive income for the period	0	0	0	14,696	14,696
As at 31 December 2025	12,000	24,734	1,278	93,887	131,899
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 at 31 December 2025					131,372

REMUNERATION REPORT

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 2021–2025, 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 are approved every year by the Supervisory Council. The remuneration policy applicable at the time of preparing the 2025 report was approved in January 2025. 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 basic salary and the proportion of 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 GENERAL 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 responsibility 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 Tallinna Vesi's 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 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 above. 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 2025:

Manager	Position	Date of appointment	Basic salary, € thousand	Performance pay, € thousand	Total, € thousand	Basic salary as % of total remuneration	Performance pay as % of total remuneration
Aleksandr Timofejev	Chairman of the Management Board, Chief Executive Officer	30/10/2012	122	26	148	83%	17%
Taavi Gröön	Member of the Management Board, Chief Financial Officer	23/05/2022	106	22	128	83%	17%
Tarvi Thomberg	Member of the Management Board, Chief Asset Management Officer	08/11/2021	106	22	128	83%	17%

Reporting year	2025	2024	2023	2022	2021
Change in fees paid to A. Timofejev	+5.7%	+8.4%	+3.3%	+9.9%	+1.8%
Change in fees paid to T. Gröön	+6.4%	+9.2%	+99.9%	-	-
Change in fees paid to T. Thomberg	+6.4%	+14.8%	+12.8%	+595.5%	-
Change in fees paid to K. Ojakäär	-	-	-	-61.3%	+24.0%
Change in average fee paid to full-time company employees*	+9.1%	+11.1%	+12.5%	+7.8%	+4.3%

Change in the company performance (net profit)	+7.2%	+6.6%	+56.7%	-46.3%	-5.5%
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** 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 2025 was based on meeting the company's targets for 2024, such as earnings before depreciation and amortisation (EBIDTA), water quality in the water network, customer satisfaction, employee satisfaction. The performance pay to a member of the Management Board for 2025 also depended on meeting the individual targets for 2024 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 16 March 2026. 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 16 March 2026 by its minuted resolution for submission to the General Meeting of Shareholders.

Name	Position	Signature
Aleksandr Timofejev	Chairman of the Management Board	
Taavi Gröön	Member of the Management Board	
Tarvi Thomberg	Member of the Management Board	



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 2025, 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 16 March 2026.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2025;
- 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 (Estonia) (ISAs (EE)). 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 ethical requirements of Regulation (EU) No 537/2014 that are relevant to audits of financial statements of public interest entities, and Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) as adopted by Auditing Activities Oversight Board (Code of Ethics (Estonia)), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the ethical requirements of the Regulation (EU) No 537/2014 and the Code of Ethics (Estonia).

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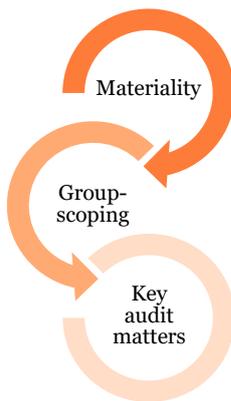
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To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its subsidiaries within the European Union are in accordance with the applicable law and regulations in the Republic of Estonia and 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 and its subsidiaries in the period from 1 January 2025 to 31 December 2025 are disclosed in the Management report.

Our audit approach

Overview



- Overall Group materiality is EUR 871 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.

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Overall Group materiality	EUR 871 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.

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>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).</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, third-party compensation claims have been issued and are in various procedural stages.</p> <p>As at 31 December 2025, the provision has been recognised in respect of potential claims from the customers in the amount of EUR 6 million (31 December 2024: EUR 6 million).</p> <p>As of 31 December 2025, 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 with the Group’s management and management’s external legal counsels. We have read the minutes of meetings of the Management and Supervisory Board where status of claims were discussed.</p> <p>At year-end we received overview from the Management that there are five claims with total amount of EUR 14,67 million, plus interest.</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 in the financial statements regarding the dispute and resulting provision.</p>

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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).

In 2025, 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 57 million.

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.

We assessed whether the Group’s accounting policies in relation to the capitalisation of expenditures are in compliance with IFRS and have obtained an understanding on related management estimates and controls.

We obtained a listing of capital expenditures incurred during the year and, on a sample basis, checked underlying source documents to determine whether the 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 (in liquidation) 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 Sustainability statement and the Remuneration 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.

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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.

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 (EE) 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.

As part of an audit in accordance with ISAs (EE), we exercise professional judgment 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

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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.

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 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 2025 (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 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.

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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 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.

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 are independent of the Group in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) as adopted by Auditing Activities Oversight Board (Code of Ethics (Estonia)), and we have fulfilled our other ethical responsibilities in accordance with Code of Ethics (Estonia).

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;

Translation note:

This version of the report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

This independent auditor's report (translation of the Estonian original) should only be used with the original document submitted in machine-readable .xhtml format that is submitted to the Tallinn Stock Exchange (Link: <https://nasdaqbaltic.com/statistics/en/instrument/EE3100026436/reports>).



- 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.

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 18 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.

On behalf of AS PricewaterhouseCoopers

Original report is signed in Estonian language

Eva Jansen-Diener
Certified auditor in charge, auditor's certificate no. 501

16 March 2026
Tallinn, Estonia

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