Vilniaus vandenys

THE COMPANY’S MANAGEMENT REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

Photo by Gabrielius Jauniškis

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MESSAGE FROM THE CHAIR OF THE BOARD

JURGITA PETRAUSKIENĖ
Chair of the Board of Vilniaus Vandenys

In 2024, the Company achieved a qualitative breakthrough by acting in line with shareholders' expectations: delivering quality and timely services, intently implementing the infrastructure development projects to support urban and regional development and quality of life planned for 10 years ahead, with the aim and need to act more efficiently and be ready for future more stringent environmental requirements.

In keeping with good governance practices and meeting stakeholder expectations, the Board focused its efforts on the stakeholders in 2024. Much attention was paid to the cooperation with Vilniaus Vandenys' shareholders through meetings that transformed into a new shareholder's letter of expectations. The directions outlined in this document have been reflected in the updated Vilniaus Vandenys Strategy 2025-2034, prepared by the Company's Board and management. In addition to the core areas of the strategy, i.e. environmentally sustainable activities, effective customer experience, innovation, increased efficiency and financial sustainability, a caring organisation and engaged employees, the Strategy focused on reinforcing the Company's cyber and physical resilience.

Considering the new EU sustainability requirements, in 2024, the Board of Vilniaus Vandenys expanded the functions of the Audit and Risk Committee to become the Audit, Risk and Sustainability Committee. This has consolidated the development and monitoring of the sustainability area and prepared for the submission of the Company's Sustainability Report for 2024.

In 2024, the Board approved 3 new policies: the Sustainability Policy, the Equality and Diversity Policy and the General Manager Performance Appraisal and Development Policy, which, in line with good governance practices, established the principles and process for evaluation of keičiam į General Manager's performance. Furthermore, 13 policies of the Company were updated.

In 2024, the Company's financial performance showed sustained improvement. This created the potential for the Company to maintain the planned pace and volume of investments, with a strong focus on innovative technologies, process optimisation and efficiency improvement. All this reflected in customer ratings and employee engagement rates, which grew beyond expectations.

The Company's infrastructure has been expanded and modernised, the number of customers has increased, the time taken to connect them to Vilnius Vandenys' networks has been reduced, while the reliability of services has been improved.

In 2024, by adhering to the Nordic (HELCOM) environmental requirements, the Company upgraded two wastewater treatment plants in Vilnius and Švenčionys, treating 97% of the Company's total wastewater, or one third of Lithuania's wastewater. This development will be a major contribution to the protection of the River Neris and the Baltic Sea.

During the year we met all our environmental reduction targets, with less pollutants released into the environment and fewer greenhouse gas emissions. This shows we are on track to be climate-neutral by 2032.

In 2025, our focus remains on increasing the resilience of the business and its infrastructure, adapting to extreme climates and physical and cyber threats. We will continue to pursue ambitious Vilniaus Vandenys' strategy through a culture of continuous excellence, innovation and a strong focus on the environment and sustainability.

I would like to thank our shareholders and customers for their confidence and the team for the outstanding performance. I look forward to maintaining this momentum into 2025.

MESSAGE FROM THE GENERAL MANAGER

SAULIUS SAVICKAS
General Manager

2024 was a year of sustainable growth for Vilniaus Vandenys. The organisation continued to focus on an ambitious strategy with financial sustainability, energy independence, customer focus and environmental impact reduction at its core. In light of current concerns, additional attention was given to the areas of physical and cyber security, which we will continue to strengthening in 2025.

The Company's financial results in 2024 show steady growth after 2023, offsetting the loss in 2022 due to the sharp rise in energy prices. In 2024, the Company's earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 17.6 million, compared to an EBITDA of EUR 21 million in 2023 and only EUR 2.2 million in 2022 at the time of the energy crisis.

In 2024, the Company's net profit was EUR 5 million, compared to a net profit of EUR 10.2 million in 2023, reflecting the offset of a loss of EUR 6 million in 2022.

The results were mainly driven by growth in operating income, cost management and delivery of effective solutions. Sustainable financial performance transformed into more than EUR 26 million investments in quality of service, reliability of supply and environmental protection, which echoed in customer satisfaction with the services provided: In 2024, the Customer Satisfaction Index (GCSI) of Vilniaus Vandenys rose to 84 points, the highest in the market.

Another favourable impact on the Company's performance, was the connection of 6.4 thousand new households to the centralised networks in 2024, or as much as it would take to connect a city the size of Elektrėnai to the centralised network. The Company's customer base grew to 290.8 thousand. By focusing on improving the efficiency of the processes, the Company was able to reduce the time it took to connect new customers to its networks by 20% to 13.4 calendar days. The average time taken to resolve network accidents was reduced by 15%.

Much of the Company's investments have been spent on improving infrastructure, in particular on treating wastewater. In 2024, we completed the reconstruction of two wastewater treatment plants to Nordic standards (HELCOM). By finalising Stage 2 of the Vilnius Wastewater Treatment Plant, the largest in Lithuania, we have improved the treatment performance of the facility, which removes microparticles and is fit for the future. The Švenčionys Wastewater Treatment Plant has become the first to implement HELCOM-compliant solutions. Last year we laid the foundations for the future reconstruction of the remaining 4 treatment plants. We want to be prepared for future more stringent environmental requirements to perform our essential function of ensuring a quality water supply for society today and future generations which determines the quality of life and the attractiveness of Lithuania as a destination.

The Vilnius Wastewater Treatment Plant has been operating on circular economy principles for a decade, generating a quarter of the Company's electricity needs. Now that the reconstruction has been completed, we have started analysing new solutions that could further expand energy production. All this to strengthen the Company's energy resilience, which is critical in a geopolitical context, and to create value for the city and its customers.

To reduce water losses in apartment buildings, we further progressed the smart water project, with more than 70 thousand meters installed during the year. We will keep this momentum in 2025, reaching the halfway point of the project.

I am proud that by supplying clean and tasty water, managing wastewater in the cities where we have presence, and operating and maintaining our large infrastructure, we ended the year with one of our most important goals - to work safely with zero accidents. This was a particular focus in 2024.

Strengthening the organisation and the culture of continuous improvement was at the heart of the 2024 results. It makes employees feel more empowered and engaged, and the performance solutions they provide helps us to work more efficiently, effectively, and develop more robotic solutions.

Employee engagement and empowerment showed a steady increase over the year, with engagement rising by 8% to 75% and loyalty reaching 62 points. All this proves the success of our strategy and initiatives, which we are going to pursue and strengthen further.

I am grateful to the team for the results achieved, and to the Board for its trust and focused cooperation.

ABOUT THE COMPANY

Vilniaus Vandenys is the largest water management company in Lithuania, whose shares are owned by Vilnius City, and Vilnius, Švenčionys and Šalčininkai District Municipalities. The main management bodies of the Company are General Meeting of Shareholders, the Board elected by the General Meeting of Shareholders for a term of office of four years, the Audit, Risks and Sustainability Committee set up and functioning an advisory body to the Board, as well as General Manager, a head of the Company appointed by the Board.

The Company holds a drinking water supply and wastewater management licence issued by the National Energy Regulatory Council (NERC), and falls into the first category of companies essential to national security due to the specifics of its activities and the provision of strategically important public services. The Company is a public-interest entity. Vilniaus Vandenys have been appointed as a water supplier of last resort in Vilnius region.

Vilniaus Vandenys supplies drinking water and manages wastewater for almost 291 thousand customers. Key performance indicators are the volumes of drinking water sold and wastewater collected and treated, therefore principal (sale) revenue generated by Vilniaus Vandenys comprises revenue earned from the provision of services of drinking water supply and wastewater management.

The organisation carries out its activities focused on overarching objectives: to ensure the provision of drinking water and wastewater management services, to maintain high quality of supplied drinking water from underground boreholes and wastewater management in compliance with the highest environmental requirements.

Vilniaus Vandenys is a progressive, efficiently managed leader in water management sector providing quality and reliable services. The Company is one of the first in the region to install a unified smart water supply network, to implement a hydraulic modelling system in its activities. The Company is rapidly developing renewable energy projects with the aim of becoming an energetically independent company.

The Company has been certified to ISO 9001 and ISO 14001 since 2003, and to ISO 45001 from February 2023. The Company has been issued a certificate (in Lithuanian and English) of compliance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards. The scope of an integrated management system covers the following Company's operating activities: "Water abstraction, preparation and supply. Wastewater collection and treatment." The National Accreditation Bureau has granted the laboratory an accreditation certificate No LA.227-01, confirming the laboratory's wastewater sampling and testing compliance with the requirements of LST EN ISO/IEC 17025:2018.

Vilniaus Vandenys operate 33 wellfields, 6 wastewater treatment plants, approx. 1,969 water supply pipeline and 1,692 sewerage networks.

The Company attaches great importance to the development of organizational culture, invests in training of staff, offers internal career opportunities and additional benefits. The Survey carried out in 2024 showed a 75% achievement of employee engagement and an 83% achievement of empowerment in Vilniaus Vandenys. At the end of 2024, the Company had 588 employees.

291,000 customers

588 employees

33 wellfields

6 wastewater treatment plants

1,969 km water supply pipeline

1,692 km sewerage networks

MAIN SERVICES

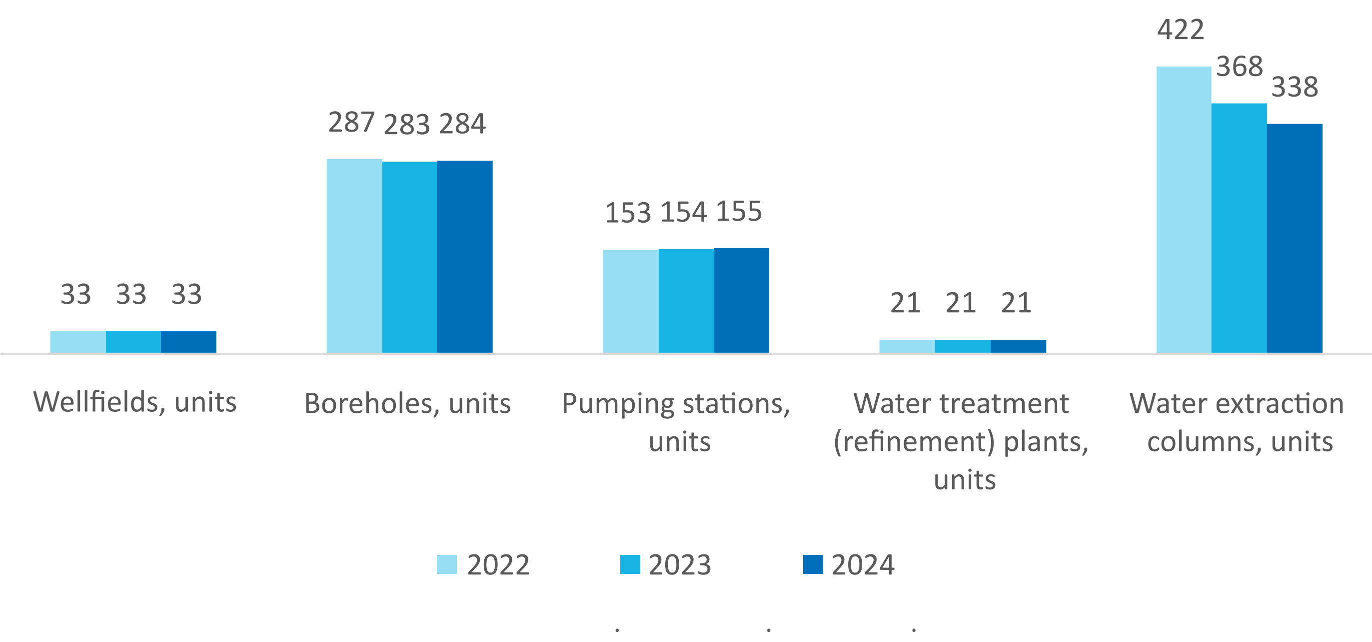
The main services provided by Vilniaus Vandenys include drinking water supply and wastewater management in the territory of Vilnius City Municipality, as well as in the municipal territories of Vilnius, Švenčionys, and Šalčininkai Districts.

DRINKING WATER SUPPLY

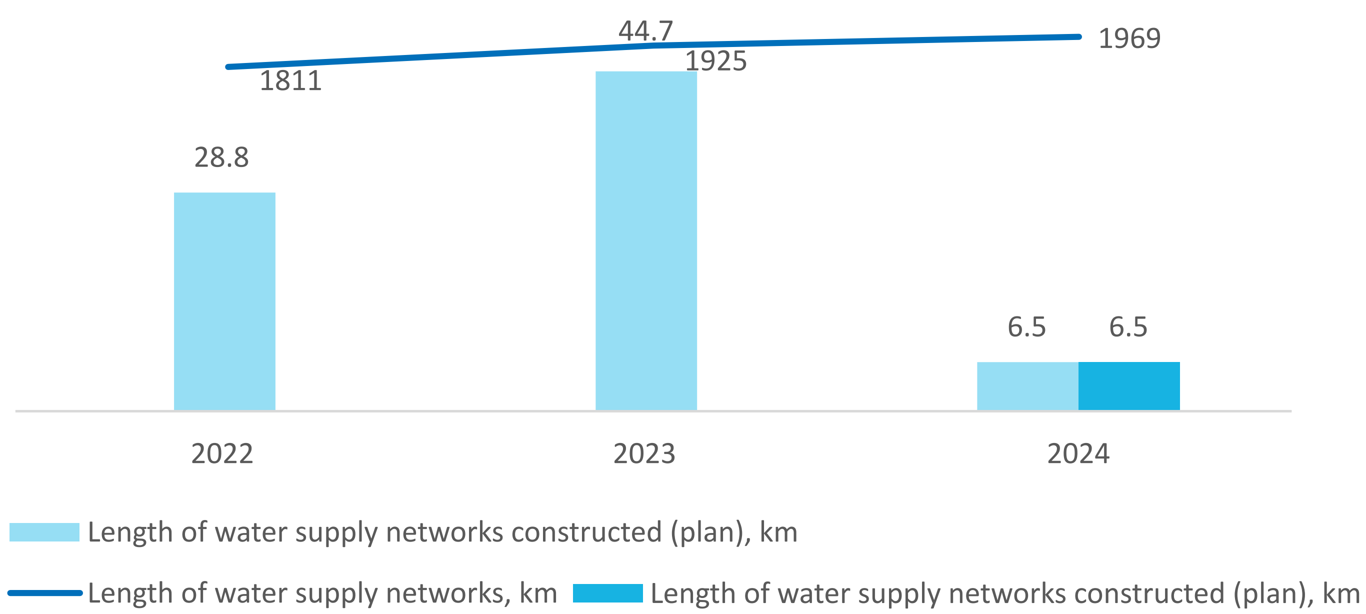
The operation and development of Vilniaus Vandenys' infrastructure is planned in accordance with the Infrastructure Operation and Development Planning Policy approved by the Board.

Vilniaus Vandenys supplies only groundwater boreholes with the depth of 40–245 meters. The groundwater, not many countries in the world can enjoy the same abundant resources of which, is saturated with various minerals useful to the human body and protected from external chemical and microbiological pollution. The infrastructure used for water abstraction, preparation and supply is renewed and extended annually through consistent investments. Construction work on the water improvement facilities in Šalčininkai started in 2024. These facilities will improve the quality of water supplied to 2,433 customers. The work is scheduled to be completed in 2025.

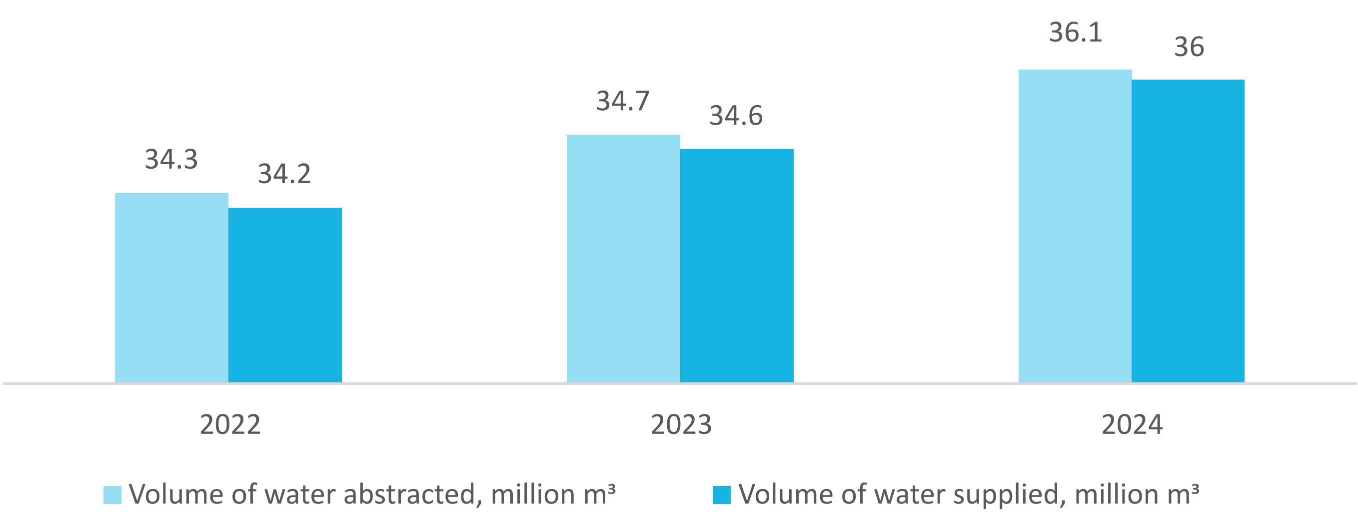
Infrastructure operated in the Company's drinking water supply process in 2022-2024



Length of water supply networks constructed and operated in 2022-2024 (km)



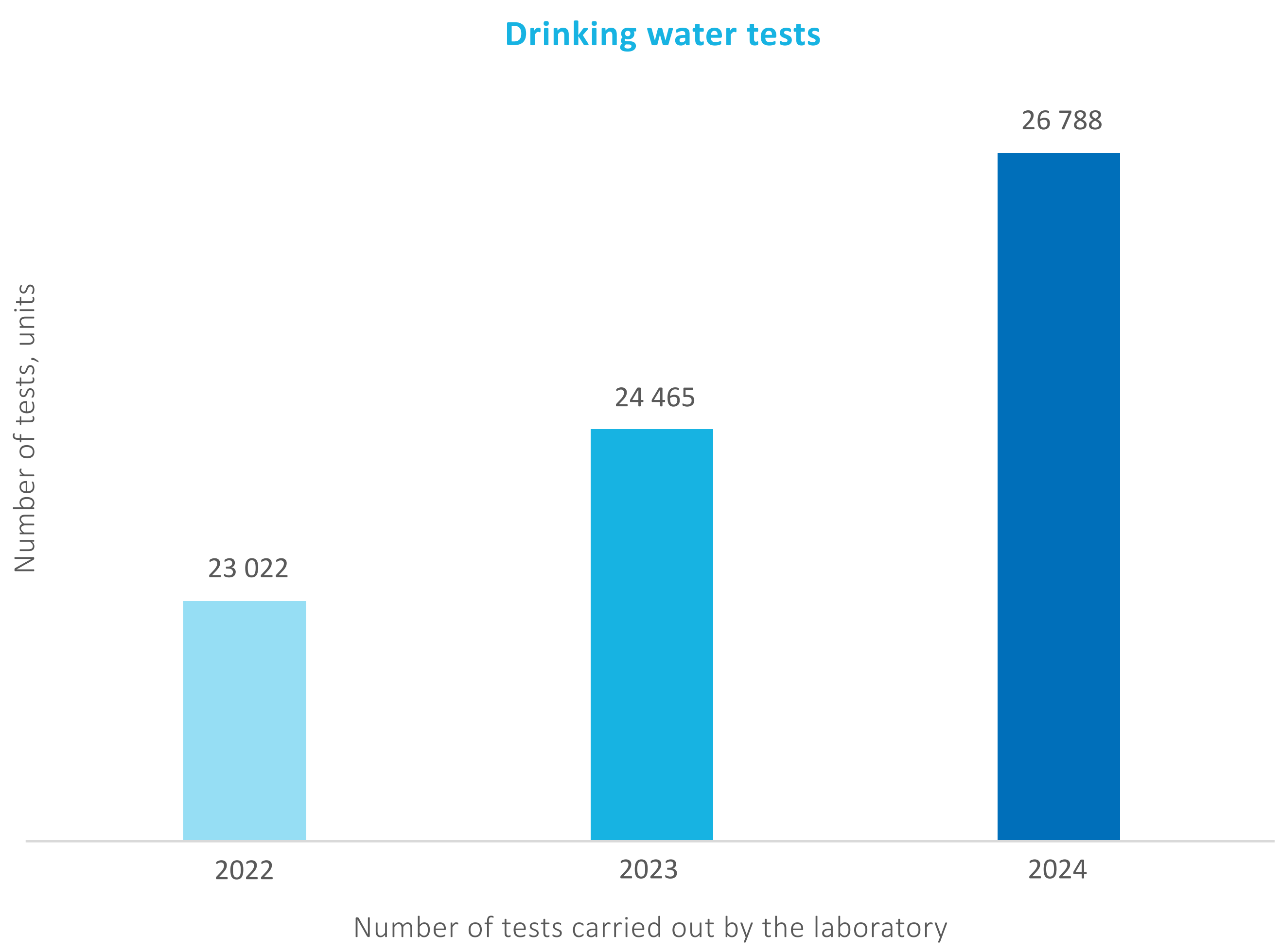
Volume of water abstracted and supplied in 2022-2024 (million m³)



Drinking Water Quality

To ensure drinking water quality, in 2024, 26,788 tests were carried out in Vilniaus Vandenys' laboratory, which is a 16% increase compared to 2023. The drinking water was tested against 41 quality indicator. With the aim to ensure that only high-quality and safe water is supplied, we carried out quality control tests at wellfields, network nodes and points of consumption. The increase in the number of tests carried out in 2024 was driven by the greater control of the water sourcing process and the requirements of the Lithuanian Hygiene Standard HN24:2023, extending the scope of tests.

The detailed information on the wellfields from which drinking water is supplied, and as well as on the microbiological, chemical and sensory parameters is updated on regular basis and published on the Company's website www.vv.lt (section Activities / Maps / Water quality map).



Water Supply Challenges: Response to and Prevention of Accidents

Vilnius Vandenys' water pipeline running across the capital and other cities, is maintained 24/7 to ensure an uninterrupted quality water supply for consumers in their homes. One of the key processes in the organisation's operations is efficient emergency response. Accidents in the water supply network are mostly caused by ageing networks (more than 60% of water and wastewater networks are more than 30 years old).

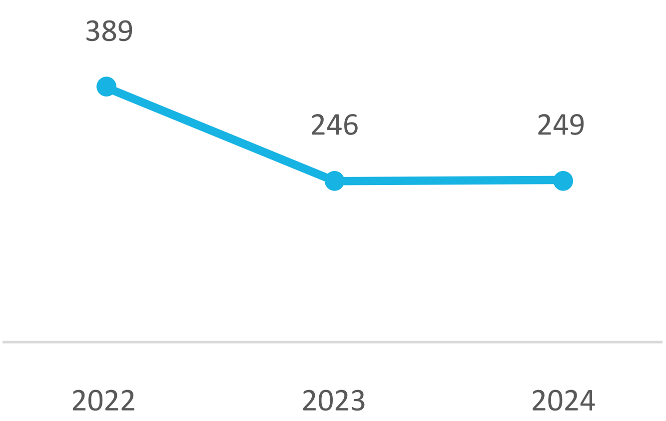
In 2024, the number of accidents in water supply networks was 249 and remained similar to 2023. This is explained by consistent scheduled network maintenance, involving network upgrades and improvements. The Company made every effort to minimise the service interruption time during accidents and to minimise the inconvenience to residents. In 2024, the average service interruption time was successfully reduced to 482 minutes: the service restoration time was on average 46 minutes shorter than in 2023. The change was driven by operational efficiency, process improvements and modern technologies.

Scheduled maintenance of the Company's infrastructure requires a temporary interruption of drinking water supply. The work is planned and coordinated in advance, and customers are notified before the start of the work. During the scheduled maintenance, the supply of drinking water was restored on average within 210 minutes or by 11 minutes faster than in 2023. The shorter interruption time was achieved by making the maintenance scheduling process more effective: efforts were made to perform several tasks during a single disconnection, water supply alternatives are explored to reduce the number of disconnected customers, and all decisions are made with a focus on minimising the duration and frequency of interruptions.

In 2024, Vilniaus Vandenys maintained a targeted focus on preventive maintenance of infrastructure networks and failure prevention: performing more frequent preventive infrastructure inspections, carrying out network flushing, and developing status-based network rankings, which made a base for network reconstructions.

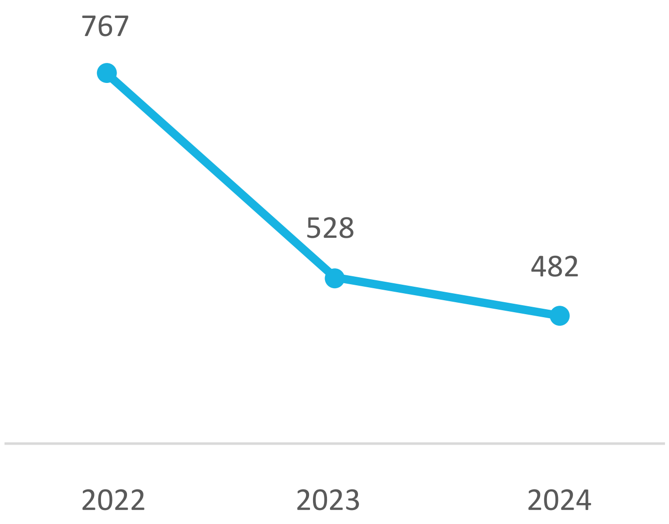
In 2024, the Company carried out the water supply network flushing based on both the current demand and a pre-defined plan. In 2024, a total of 50 km of water supply network was flushed. The Company monitored water quality from the water abstraction point to the "water tap": flushed main and block water supply networks. Inlets and stands inside the buildings were flushed to ensure excellent water quality.

Number of accidents in water supply networks in 2022-2024



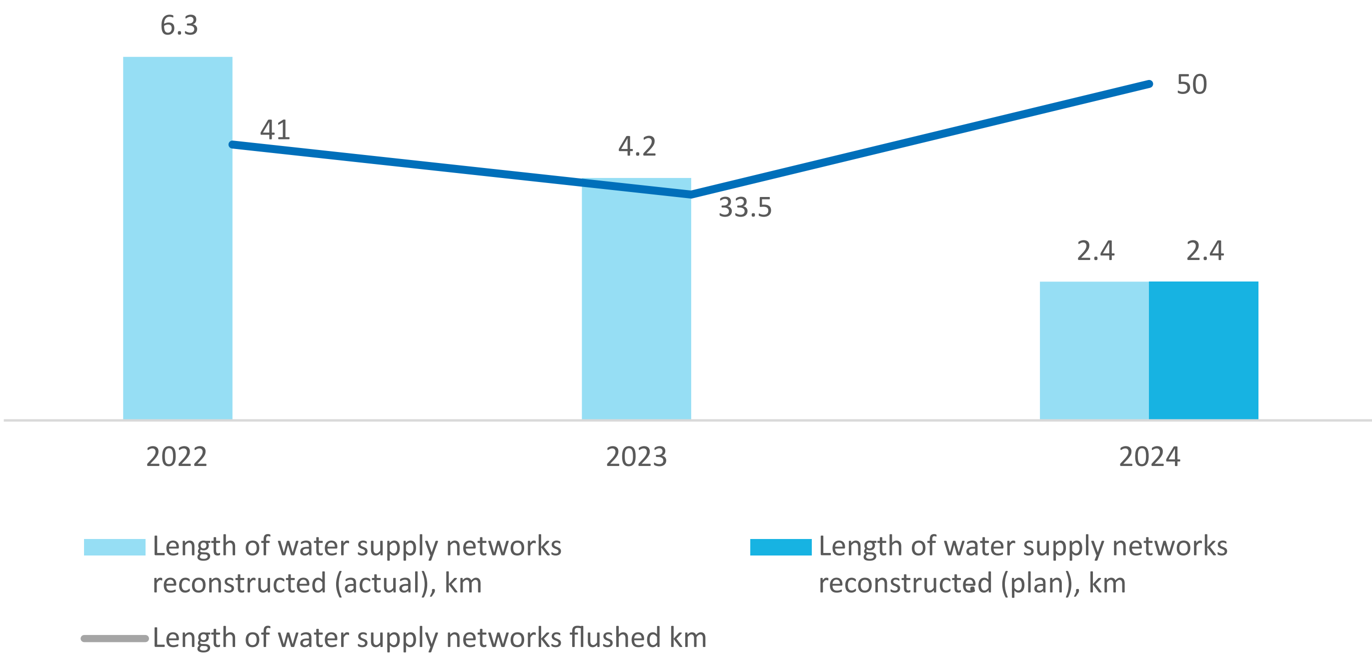
Accidents in water supply networks, units

Average time without water due to an accident in 2022-2024 (in minutes)



Average time without water due to an accident (min.)

Length of water supply networks reconstructed and flushed in 2022-2024 (km)



WASTEWATER COLLECTION AND MANAGEMENT

Vilniaus Vandenys collects and manages wastewater in accordance with the Wastewater Management Regulation approved by the Ministry of Environment of the Republic of Lithuania. The emission allowances have been issued to the Company's wastewater treatment plants. The Company's water supply and wastewater collection infrastructure (networks and pumping stations) are upgraded and extended on annual basis.

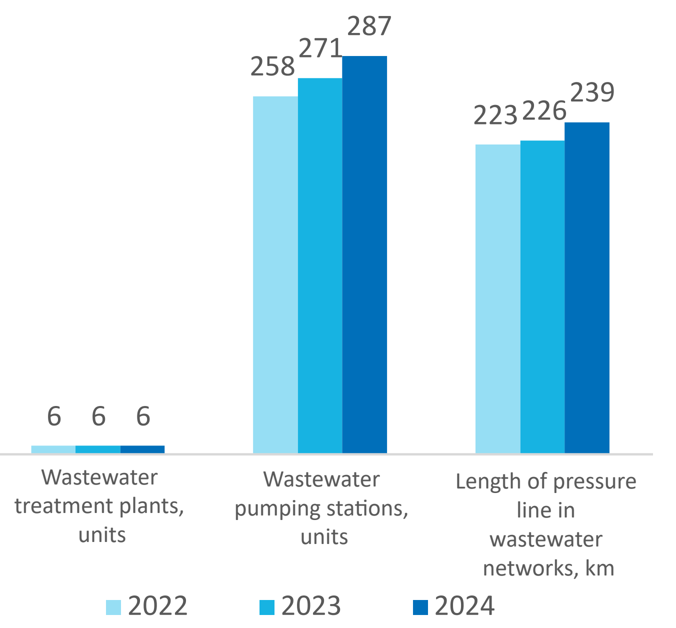
Vilniaus Vandenys' treatment plants also accept (delivered through pipelines) and treat wastewater collected by companies transporting wastewater.

During 2024, a significant change was achieved in wastewater treatment by expanding the Vilnius Wastewater Treatment Plant (which manages almost a one third of Lithuania's wastewater) and tailoring it to the needs of a growing capital. The reconstruction increased the plant's capacity by 30% and improved treatment rates by 60%. All this helps to further enhance the protection of the Neris river, and thus of the Baltic Sea. The upgraded plant will contain the smallest particles of up to 12 microns (5 times smaller than the diameter of a hair). The reconstruction of the Vilnius wastewater treatment plant in accordance with Nordic HELCOM standards, has made it the most modern in the Baltic States.

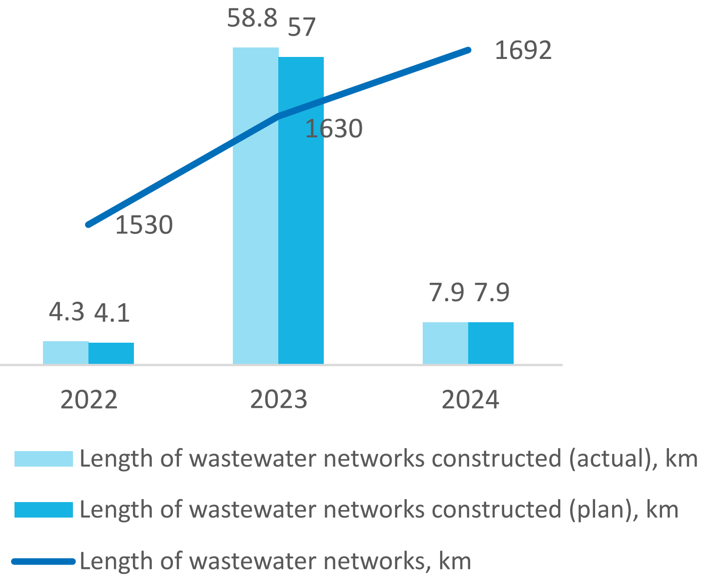
In 2024, Vilniaus Vandenys also introduced the Švenčionys wastewater treatment plant, upgraded to Nordic HELCOM standards. It ensures that the treated wastewater (nitrogen treatment rates have increased more than twofold and phosphorus treatment rates more than elevenfold) and the ecological state of the local stream meet the highest standards, with a positive impact on the protection of all rivers in the Nemunas Basin. Most of the plant's processes are automated, with remote monitoring of the quantitative performance of wastewater treatment.

The Company also accepts and treats wastewater delivered to wastewater reception facilities by companies transporting wastewater.

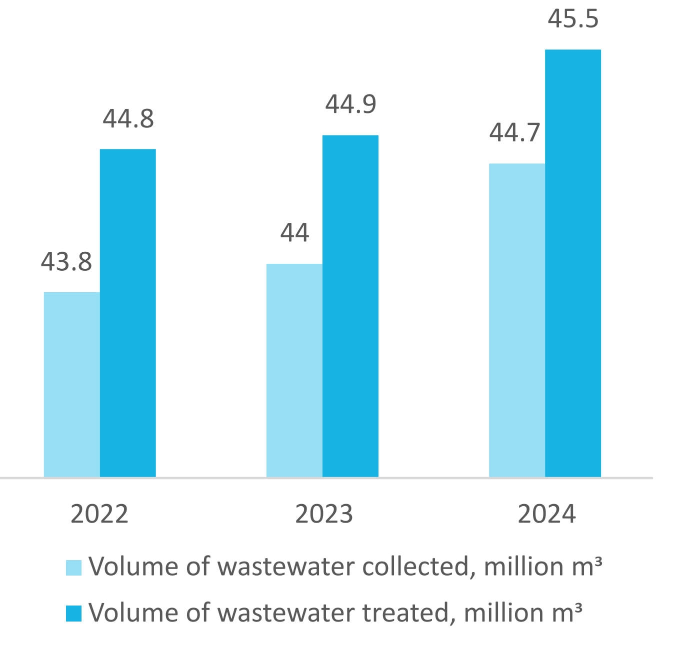
Infrastructure operated in the Company's wastewater management process in 2022-2024



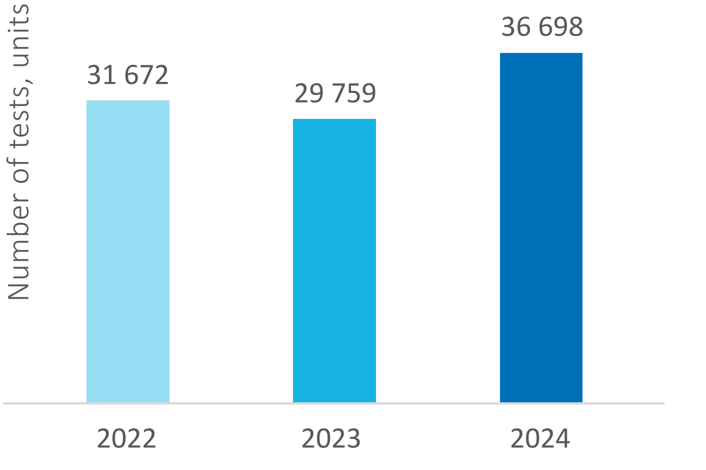
Length of wastewater networks constructed and operated in 2022-2024 (km)



Volume of wastewater collected and treated in 2022-2024 (million m³)



Wastewater, ground water and sludge tests



Number of tests carried out by the laboratory

Quality control development and laboratory accreditation

To meet excellent quality and environmental requirements, Vilniaus Vandenys' wastewater testing laboratory carries out testing against more than 43 wastewater treatment quality parameters. In 2024, 36,698 tests on wastewater, ground water and sludge were carried out in the laboratory, a 23% increase compared to 2023.

The year 2024 was marked by a significant milestone – the laboratory of Vilniaus Vandenys received accreditation. On 25 November 2024, the National Accreditation Bureau has granted the laboratory an accreditation certificate No LA.227-01, confirming the laboratory's wastewater sampling and testing compliance with the requirements of LST EN ISO/IEC 17025:2018. This is a significant evaluation of the accuracy and quality of the tests performed in the laboratory of Vilniaus Vandenys.

Wastewater Management and Response to Accidents

In its wastewater collection activities, the Company faces a number of key challenges: firstly, emergencies and failures caused by obsolescence of pipelines, and, secondly, blockage of pipes caused by discharged pollutants. In 2024, the Company removed 2,060 blockages in wastewater networks, 17% more than in 2023.

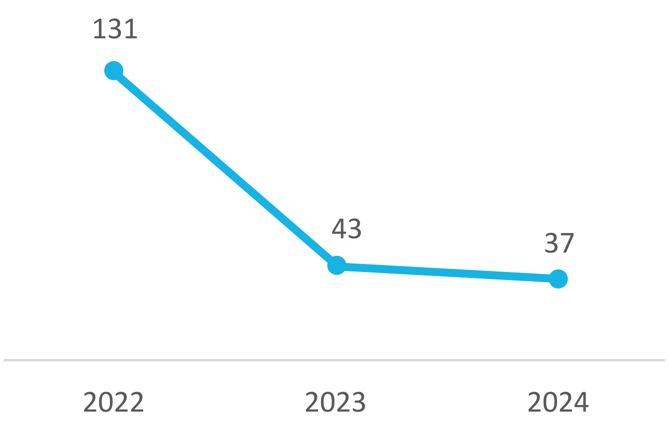
The Company aims to reduce the extent of the problem through educational initiatives and pollution control measures. Vilnius Vandenys' pollution control officers collect samples of the wastewater discharged into the wastewater networks, and the laboratory staff tests them for contamination.

Entities exceeding contamination thresholds are subject to an increased pollution tax and obligations to take action to reduce the contamination of industrial effluents. In 2024, more than EUR 1.87 million was collected from entities in respect of increased pollution tax. It should be noted that the primary objective of Vilniaus Vandenys is not to impose financial penalties on entities, but to prevent wastewater exceeding contamination standards from entering the wastewater network.

37 accidents in the wastewater network, were reported in 2024 a 14% decrease compared to 2023. In 2024, an average emergency response time in wastewater network was 2.9 hours, almost twice as long as the previous year. The longer response times was caused by the complexity and scale of the accidents.

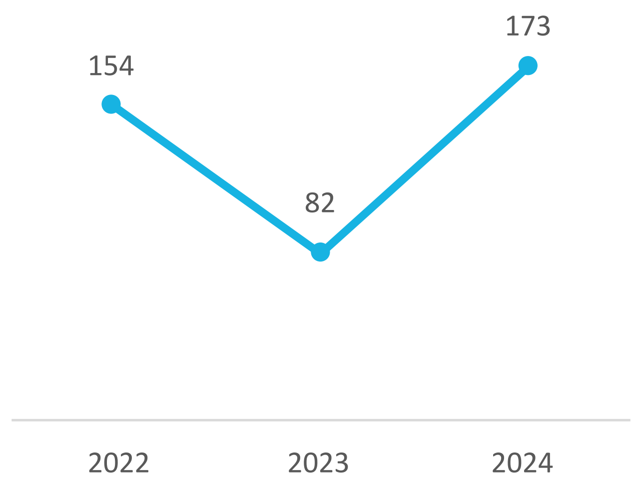
In 2024, the Company responded to a total of 327 accidents and 5,982 failures in its infrastructure with an average response time of 487 minutes, Meanwhile in 2023, Vilniaus Vandenys responded to 325 accidents and 5,285 failures with the total duration of accident response of 240 minutes. The longer response times for all incidents were affected by the higher number of landslides and other infrastructure malfunctions compared to 2023.

Number of accidents in wastewater networks in 2022-2024



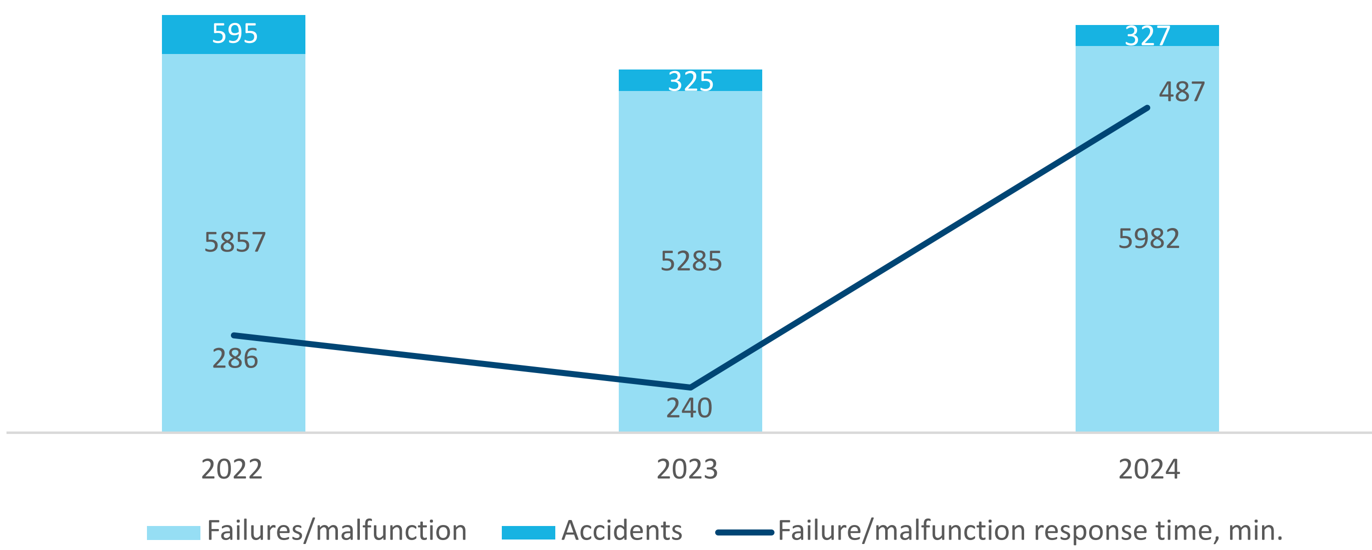
Number of accidents in wastewater networks, units

Average accident response time in wastewater networks in 2022-2024 (in minutes)



Average accident response time in wastewater networks (min.)

Total number of all accidents and average response time thereof in 2022-2024



COMPANY’S VALUES, STRATEGY, OBJECTIVES AND PERFORMANCE IMPROVEMENT

In December 2024, the Company's management approved the long-term business strategy of Vilniaus Vandenys for 2025-2034. The Company's strategy is updated annually for the ten year horizon to enable timely assessment of the impact of internal and external factors on the Company's performance, and identification of the necessary actions to align strategic objectives with execution capabilities. The strategy sets the long-term directions and objectives of the Company's activities, helps to keep employees focused on their achievement and to coordinate the actions across the Company's units, and enables the effective use of available resources to achieve these objectives. In response to the challenges of climate change, rising environmental standards and changing consumer needs, we are building a modern, advanced solution-based company.

The Company's purpose is to supply water for a full-fledged life, to protect life and nature.

The Company's mission is to ensure the supply of quality water customers and effective wastewater treatment. The quality water determines the Company's performance so that all customers are provided with a quality drinking water across the supply chain. The Company is continuously monitoring the impact of its activities on the environment and improving its performance not only to meet environmental requirements, but also to reduce environmental pollution.

The Company's vision is sustainable, environment-friendly water management service provider committed to the community. The vision highlights the Company's aim to maximise the benefit for the customers and the public by constantly reducing the negative impact of the organisation's operations on the environment to levels below those required by environmental legislation.

Fulfilment of the mission, aspiration towards the vision and the entire activity of Vilniaus Vandenys is built on the following values: responsibility, cooperation, professionalism.

The Company's strategic planning activities are guided by the Strategic Planning and Monitoring Policy, available at Strateginio planavimo ir stebėsenos politika.

THE COMPANY'S STRATEGIC DIRECTIONS AND OBJECTIVES

The strategy outlines the most important directions in which Vilniaus Vandenys pursues strategic goals consistent with the UN Sustainable Development Goals.

1. Environmentally sustainable activities. This direction establishes the organisation's willingness to carry out environmentally sustainable activities: not only to meet the ever stricter environmental requirements, but also the committed to the higher standards, to spare natural resources, to use renewable energy sources in business, prioritising the green energy production, continuously searching and purposefully investing in the implementation of environmentally friendly technologies in water management.

2. Effective customer experience management. For the implementation of this strategic direction, the Company draws on the experience and professionalism of its employees, the expertise of its partners, the latest technologies and financial resources in order to provide its clients with the highest quality of services, attentive customer service, efficient management and a positive client experience.

3. Innovation, efficiency and financial sustainability growth. Through smart digitalisation, the Company consistently improves the quality of its services. And by implementing best practices and introducing advanced technologies, it keeps pace with the evolving society, sets an example for other companies, while optimising the allocation of the Company's resources and reducing operating costs. The Company's financial sustainability and its ability to maintain a stable position are achieved through good governance practices, International Accounting Standards and International Financial Reporting Standards. Through investments, we aim to maximise value for the Company's customers and, by continuously improving our financial management, to increase the value for our shareholders.

4. Caring organisation and engaged employees. Employees are one of the most important components of the organisation's success. Respectful behaviour, value-based organisational culture that promotes engagement and diversity, attention to development, career opportunities, care and the Company's daily efforts to ensure safety conditions at work, to remind employees of the need to protect themselves and their colleagues, helps to increase employee engagement and motivation, and foster a mutual orientation towards results and consistent value creation for both the Company and its employees.

The Company's strategic directions and objectives

STRATEGIC DIRECTIONS	STRATEGIC OBJECTIVES
1 ENVIRONMENTALLY SUSTAINABLE ACTIVITIES	• Reduce environmental impact • Develop renewable energy and the circular economy
2 EFFECTIVE CUSTOMER EXPERIENCE MANAGEMENT	• Improve customer experience and service reliability
3 INNOVATION, EFFICIENCY AND FINANCIAL SUSTAINABILITY GROWTH	• Improve operational efficiency through financial resilience
4 CARING ORGANISATION AND ENGAGED EMPLOYEES	• Improve employee engagement and experience • Improve safe working environment

COMPANY'S BUSINESS STRATEGY MAP

When approving the long-term business strategy, the Company's Board sets strategic objectives and targets, taking into account the internal and external environmental factors affecting the Company's operations. The Company's management ensures consistent implementation of the strategic objectives. Each strategic target is broken down into specific action plans, to which responsible unit and clear deadlines are assigned. Management regularly carries out interim assessments, during both quarterly and monthly reviews, against performance indicators (KPIs) that allow real-time monitoring of progress towards targets. Particular attention is paid to risk management and prompt response to challenges.

Annual review of strategic objectives ensures their alignment not only with operational realities, but also with long-term market and environmental trends to ensure sustainable growth and operational efficiency.

In implementing the strategic objectives and targets, the Company set ambitious goals for 2024. Their achievement rate is 98.5%, i.e. 5 out of 6 strategic goals have been fully implemented (reducing environmental impact, developing renewable energy and the circular economy, improving customer experience and service reliability, improving operational efficiency through financial resilience, improving employee engagement and experience). In 2024, the repair of the installations generating electricity for own use (digester of the sludge collected from wastewater) ahead of schedule turned into the challenge, affecting the Company's electricity generation rates.

STRATEGIC DIRECTIONS	**COMPANY'S PURPOSE** – to supply water for a full-fledged life, to protect life and nature.							
	COMPANY'S MISSION – to ensure the supply of quality water customers and effective wastewater treatment.							
	COMPANY'S VISION – sustainable, environment-friendly water management service provider committed to the community.							
	Environmentally sustainable activities			Effective management of customer experience	Innovation, efficiency and financial sustainability growth		Caring organisation and engaged employees	
STRATEGIC OBJECTIVES	Emissions to water bodies t/m	GHG emissions (tCO2eq)	Share of electricity generated (%) in the total electricity consumed	Global Customer Satisfaction Index (GCSI)	Operating profit (EBITDA per employee) thous. EUR per employee	Net debt-to-EBITDA ratio (value set)	Employee engagement rate (%)	Accidents in the Company
2024	2797 t/m	13.1 thousand t	23,5 %	84	29,9	3,3	75	0
2025	2600 t/m	13.0 thousand t	26,7%	85	130,9	4,0	76	0
2029	2350 t/m	12.9 thousand t	48,7 %	85	66,4	3,1	78	0
2034	1500 t/m	10.8 thousand t	100%	≥85	101,3	≤4,5	80	0

COMPANY'S VALUES		
PROFESIONALISM	**COOPERATION**	**RESPONSIBILITY**

The Company's objectives and results in 2024

Strategic direction	Strategic objective	Indicator	Weight, %	Achievement result in 2023	Target value in 2024	Achieve-ment result in 2024	Achieve-ment rate in 2024	Achieve-ment rate by set weight in 2024
Environmentally sustainable activities.	Reduce environmental impact	Emissions to water (50% weight)	20%	3,095 t	3,400 t	2,797 t	>100%	10%
		CO2 emissions (50% weight)		4.0 thousand t	4.3 thousand t	4.1 thousand t	>100%	10%
	Develop renewable energy and the circular economy	Share of electricity generated (%) in the total electricity consumed	15%	25.9%	26.0%	23.5%	90%*	13.5%
Effective customer experience management.	Improve customer experience and service reliability	Customer Satisfaction and Corporate Assessment Index (GCSI)	15%	80	≥80	84	>100%	15%
Innovation, efficiency and financial sustainability growth	Improve operational efficiency through financial resilience	EBITDA (80% weight)	25%	EUR 20.5 million	EUR 14.0 million	EUR 17.6 million	>100%	20%
		Innovations (20% weight)		EUR 0.9 million	EUR 1.2 million	EUR 1.4 million	>100%	5%
A caring organisation and committed staff	Improve employee engagement and experience	Employee engagement	15%	67%	68%	75%	>100%	15%
	Improve safe working environment	Accidents in the Company	10%	1	0	0	100%	10%
Total:								**98.5%**

Note:
*A lower electricity generation rate than planned for 2024 due to equipment failure.

Objective 1: Reduce environmental impact.

Achievement of this goal is measured against two indicators: emissions to water and CO_2 emissions.

In 2024, the Company successfully completed Stage 2 of the reconstruction of the Vilnius Wastewater Treatment Plant ensuring a more efficient wastewater de-contamination at the plant in 2024, which was still under reconstruction.

CO_2 emissions (excluding electricity from renewable energy sources), are the sum of CO_2 emissions from the Company's operations (electricity, natural gas, heat, fuel).

Objective 2: Develop renewable energy and the circular economy.

In 2024, Vilniaus Vandenys generated 23.5% of the electricity internally to be used in all its operations. The Company aims to become more energy independent, resilient to energy price spikes and sustainable, therefore, it employs modern energy-saving technologies to make more efficient use of available resources and reduce environmental impact.

Objective 3: Improve customer experience and service reliability.

The Company carries out customer satisfaction survey on services provided and quality of service for the seven year in a row. Based on an international Global Customer Satisfaction Index (GCSI) methodology, the survey demonstrated further steady increase in the Company's customer satisfaction level in 2024, with a record score of 84.

Objective 4: Improve operational efficiency through financial resilience.

The achievement and implementation of this goal the Company measures against EBITDA (earnings before interest, taxes, depreciation, impairment and write-offs). The better-than-expected result was due to the Company's performance improvement activities, cost management, execution of procurement plans and lower-than-forecast electricity prices.

Objective 5: Improve employee engagement and experience

Vilniaus Vandenys assesses the level of employee engagement on annual basis. The level is assessed through an employee engagement survey based on the Utrecht Work Engagement Questionnaire. In 2024, employee engagement had risen to 75%. Creating a proper organizational, technological and emotional environment is measured using the Employee Net Promoter Score (eNPS). During the year, this score increased by as much as 14 points to 62.

Objective 6: Improve safe working environment.

To achieve this goal, the Company aims to create a healthy working environment with zero accidents. As the Company's operations involve a large number of health and life-threatening work activities, and still occurring violations and incidents result in a high risk of accidents, we pay particular attention to the safety of our employees, recognising the importance of this area and managing the risks. For this objective, we employ continuous improvement of the safe working environment through employee education, application of individual and collective occupational safety and health measures, workplace inspections, etc.

OBJECTIVES AND PLANS FOR 2025

Following the update of the Company's long-term business strategy for 2025-2034, the values for indicators of strategic goals for 2025 were set. The indicators for strategic goals were set by assessing the external and internal environmental factors influencing the Company's performance over a ten-year horizon.

The strategic goal of reducing the environmental impact includes a steady reduction of emissions to water. In 2024, we completed Stage 2 of the reconstruction of Vilnius Wastewater Treatment Plant, the largest in Lithuania, resulting in better treatment of pollutants and a significant contribution to the protection of the Neris and the Baltic Sea. The remaining four wastewater treatment plants in the Company's service area are scheduled to be reconstructed by 2028 to bring the Company's operations in line with the requirements of the European Council Directive 91/271/EEB concerning urban waste-water treatment (hereinafter the "Urban Wastewater Treatment Directive"), which will come into force in the next decade. Some of the requirements of the Directive have not yet been transposed into national law, but it is key for an infrastructure company to know and prepare for future requirements as early as possible, therefore the Strategy for 2025-2034 also takes into account future requirements of the Directive.

In 2025, Vilniaus Vandenys committed to introducing broader sustainability indicators. In line with international practices and the European Green Deal, the Company has decided to shift from CO_2 emission reduction targets to a more comprehensive management of greenhouse gas (GHG) emissions reduction. This change allows a comprehensive assessment and control of the Company's environmental impact, covering all primary and indirect sources of emissions, including energy use, wastewater treatment processes and supply chain activities.

The new strategy provides for a comprehensive GHG emissions inventory and transparent reporting on progress. This will include introducing cutting-edge technological solutions, upgrading infrastructure and increasing the use of renewable energy across operational processes. This transition will not only reinforce the role of the Company's responsibility in combating climate change but will also ensure a full alignment of its operations with the sustainability goals that are important to both local communities and the global environmental movement.

In addition to improving operational resilience to avoid the negative impacts of climate change, the Company also contributes to solving the root cause, i.e. climate neutrality and climate change mitigation. This goal is achieved through the development of a circular economy and renewable energy. The Urban Wastewater Treatment Directive obliges water management companies to use circular measures to generate energy internally, in wastewater and sludge management processes. The energy price crisis in 2022 highlighted the need for Vilniaus Vandenys to set a more ambitious goal, and go beyond partial generation of electricity internally (i.e. to produce electricity not only for the operation of the wastewater treatment plant, as required by the Urban Waste Water Treatment Directive) to fully ensure the Company's resilience to external energy price spikes.

In 2025, the goal to improve the customer experience and service reliability will challenge the Company to maintain or improve the exceptionally high 84-point Customer Satisfaction Index (GCSI) achieved in 2024. The population in Vilnius City and Vilnius District is growing every year, which means that the Company needs to ensure the availability (connection to centralized networks) and reliability of its services (uninterrupted provision of services 24/7) to a growing number of customers in different locations. Availability of services means, on the one hand, affordability and, on the other hand, accessibility of centrally supplied services for customers in remote locations. The reconstruction of existing and construction of new networks, and the buying out of networks are planned for 2024, as required by the Law on Drinking Water Supply and Wastewater Management of the Republic of Lithuania.

The Company strives to continuously improve and enhance its performance. Digital technology investments ensure continuity of services for customers and cost-effective operations. Smart water meters installed for water loss reduction not only help to minimise the Company's resource waste (when underground water extracted, treated and supplied is not metered), but also contribute to a more efficient use of the underground water resources through more accurate and faster leakage detection.

Retaining a professional, committed workforce, improving workplace safety, and planning the succession are essential to maintain and improve performance.

Values of strategic indicators for 2025-2034

Area	Strategic direction	Goal	Goal's indicator	Indicator value 2025	Indicator value 2029	Indicator value 2034
Environment	**Environmentally sustainable activities**	Reduce environmental impact	Emissions to water bodies (t/m)	2600	2350	1500
			GHG emissions (tCO_2eq)	13,3	12,9	10,8
		Develop renewable energy and the circular economy	Share of electricity generated (%) in the total electricity consumed	26,2	48,7	100
Customers	**Effective management of customer experience**	Improve customer experience and service reliability	Global Customer Satisfaction Index (GCSI)	85	85	≥85
Finances and processes	**Innovation, efficiency and financial sustainability growth**	Improve operational efficiency through financial resilience	Operating profit (EBITDA per employee) thous. EUR per employee	30,9	66,4	101,3
			Net debt-to-EBITDA ratio (value set) (%)	4,0	3,1	≤4,5
Employees	**Caring organisation and engaged employees**	Improve employee engagement and experience	Employee engagement (%)	76	79	80
		Improve safe working environment	Accidents in Company	0	0	0

INCREASING THE COMPANY'S OPERATIONAL EFFICIENCY

In 2024, the Company continued to develop the Culture of Continuous Excellence through the methods of the operational excellence management system. This operational management system aims to actively involve employees in increasing operational efficiency and problem solving, streamlining business processes, improving the quality of the functions performed, and thereby meeting the needs of customers and other stakeholders more effectively.

Main achievements of the Culture of Continuous Excellence in 2024:

- 750 performance improvement (KAIZEN) recommendations were made by employees, of which 692 were implemented (464 recommendations were implemented in 2023).
- Employee engagement in implementing performance improvement recommendations exceeded 58%, with 358 employees having implemented at least one improvement recommendation in 2024 (compared to 35.6% in 2023).
- 144 process walks (GEMBA) were carried out on site (2023: 100 process walks).
- 95% of all units in the organisation hold daily accountability (ASAICHI) meetings to discuss departmental indicators, ensure rapid dissemination of information and respond to issues. In 2024, the quality of these meetings improved from 47% (2023) to 73%.
- Generally, in terms of financial benefits, the operational excellence methods led to savings of EUR 880 thousand in 2024, including wasted time reductions by 7,600 working hours (time, errors, redundant processes, etc.).

To measure the progress and financial benefits of developing the culture of continuous excellence, Vilniaus Vandenys uses the ROI indicator of the Culture of Continuous Excellence, which shows the extent to which the benefits of this project outweigh its costs. This indicator is measured from the beginning of H2 2021. At the end of 2024, this indicator exceeded 6.3, compared to 3.5 at the end of 2023. The Culture of Continuous Excellence will be further successfully implemented.

> Generally, in terms of financial benefits, the operational excellence methods led to savings of **Eur 880 thousand** in 2024, including wasted time reduction by **7,600 working hours** (time, errors, redundant processes, etc.).

IT SOLUTIONS AND INNOVATION FOR THE COMPANY'S DAILY OPERATIONS

In 2024, a major focus was on strengthening collaboration between IT and different units of the organisation to achieve more effective partnerships. It followed the updates of IT management principles and the refinement of the strategic IT development directions:

- Ensuring Cybersecurity
- Ensuring IT infrastructure reliability
- Effective maintenance and development of information systems (IS)
- IS consolidation

As the Company continues on its digitalisation journey (one of the strategic IT objectives), new initiatives have been launched: GIS Utility Network IS rollout, Human Resource Management IS rollout, Risk Management IS development, Occupational Safety Electronic Account Management IS development, Occupational Health and Safety Management IS rollout.

Following the best practices of ITIL (Information Technology Infrastructure Library, a business management framework focused on optimising work and ensuring the quality of IT services in companies), key IT processes were updated: IT incident response, IT request management, and the structure of the IT unit was changed to focus on teamwork.

As in previous years, the development and design of new robotic solutions, Robotic Process Automation (RPA), continued in 2024, with 5 new RPA processes saving the Company around 1,900 working hours.

Having regard to one of the Company's strategic directions, "Innovation, Efficiency and Financial Sustainability Growth", in 2024, the Company continued to create the conditions for innovation.

Innovation at Vilniaus Vandenys goes beyond the introduction of technological solutions, with a particular focus on strategic commitment to environmental protection, sustainability and operational efficiency. We strive to develop solutions that both optimise our operations and contribute to long-term environmental protection and responsible use of resources. By innovating, we address key challenges in water resource management: from reducing pollution to improving energy efficiency and digitising business processes.

In its activities, the Company is guided by the Innovation Policy (Inovaciju-politika.pdf), which was updated in 2024. Innovation sessions were held across the units in the organisation to identify issues and find innovative solutions, the partnerships was established with Lithuanian high schools, and 9 visits were made to international companies in Lithuania and abroad. These looked at good practices of other organisations in the areas of water quality, wastewater treatment, digitalisation and circular economy.

In 2024, the Company successfully continued the innovations initiated in previous years and implemented new ones. These innovations have not only helped to address key operational challenges, but have also significantly increased process efficiency, optimising the use of resources and improving service quality. Vilniaus Vandenys' investments in innovations totalled EUR 13 million.

Among the Company's key innovations, the successful completion of the second stage of the reconstruction of the Vilnius Wastewater Treatment Plant led to a significant breakthrough in the quality of wastewater treatment: the plant treats the smallest particles of pollutants and meets the strict HELCOM recommendations, thus contributing to the protection of the Neris River and the Baltic Sea.

Last year, the FAVAKA project designed to increase organisational effectiveness was also pursued further. During this project, the implemented information system will increase efficiency and accelerate business processes.

In 2024, the Smart Water Supply project continued with the introduction of ultrasonic metering devices with remote reading function in the homes of Vilnius residents. This innovation enables more accurate water metering and helps reduce water losses in apartment buildings.

In 2024, 12 innovation projects were approved, most of which have already been launched:

- To efficiently identify increased pollution, a remote smart wastewater quality monitoring system was purchased to integrate with the smart automatic management system at the Vilnius Wastewater Treatment Plant. This innovation will be operational in 2025.
- Following the successful completion of a pilot project at the wastewater reception facility in Kalvarijų st., a colorimetric video system for wastewater monitoring was purchase to more quickly detect cases of increased pollution in wastewater entering the Company's networks. This equipment was installed at the wastewater reception facilities in Liepto st. and Titnago st.
- The Company is digitising its networks to respond more quickly to failures, to plan network and well reconstruction. In 2024, the equipment was purchased for scanning and 3D photo-fixing in water and wastewater wells.
- Video diagnostic equipment for boreholes was acquired to identify the causes of failure and assess the need for repair or upgrade of boreholes.
- Deep well pumps with permanent magnet motors were also acquired. They will ensure continuity and safety by completely eliminating the losses of rotor in the permanent magnet machines and increasing efficiency.
- Cooling equipment on vehicles was acquired for transporting the samples for the laboratory tests. It has improved the sample cold-chain storage performance.
- A microwave mineraliser was acquired for laboratory analysis using the Directed Multimode Cavity (DMC) technology. It addresses the issue of increased sample volumes and compliance of tests with the requirements of LST EN ISO/IEC 17025.
- To prevent incidents and accidents at work, dash cameras (20 units) were acquired to ensure safety at work, allowing real-time monitoring of the work of the crews and the recording of work safety violations.
- To strengthen information security, the solution to securely exchange large files with third parties was acquired. The implemented technology provides convenient email protection by allowing encryption of email content, subject line and attachments, and the integration functionality with existing email infrastructure allows to archive the files sent.
- The Privileged Access Management (PAM) system was acquired. It is a set of security solutions that will help secure, manage and monitor access to critical IT systems and equipment by privileged users (internal IT administrators or contractors).
- The services for the deployment and maintenance of a customer self-service system. The new solutions will help save customers' time spent on the Company's digital channels.

In addition to the innovations implemented, new pilot projects were launched in 2024:

- To ensure the excellent quality of the water supplied, the Production Service of Vilniaus Vandenys tested an innovation for flushing drinking water pipes with the Ice Pigging™ method. This is a pipeline cleaning process utilising a two-phase ice and liquid slurry which forms a semi-solid plug within the pipe known as the Ice Pig™.
- In cooperation with ID Vilnius, a pilot test was carried out to obtain a 3D model of the buildings and site at Kirtimų st. 6A Vilnius by using a drone. Drone technology will also be used to assess the technical condition of buildings in the future.
- The first odour-trapping filter with permanent filter medium made by a German company was installed in the wastewater well in Vilnius Old Town's heritage area. This innovation aims to find and consolidate modern solutions suitable for the Company's infrastructure, which is located in a strictly regulated heritage area.

OVERVIEW OF ACTIVITIES

SCOPE OF SERVICE PROVISION

The key performance indicators, i.e. the volume of drinking water sold and the volume of collected and treated wastewater, distributed unevenly through the activities of the Company in 2024. Compared to 2023, water sales increased by 4%, and wastewater treatment services by 3%. The volume of drinking water sold and wastewater collected and treated increased mainly due to growing customer number driven by infrastructure development projects and residential development.

In 2024, Vilniaus Vandenys extracted 36.1 million m^3 of drinking water, and supplied 36.0 million m^3 of water 1.8 million m^3 of water were consumed for technical purposes in the processes of water refinement and supply, wastewater collection and treatment, and sludge treatment. In 2024, the Company treated more wastewater than sold wastewater treatment services due to rainwater infiltration in the wastewater collection system, i.e. 45.5 million m3 of treated wastewater was accounted for in wastewater treatment plans, and 34 million m3 of wastewater treatment services were sold.

Company's performance indicators and their change in 2022-2024

Performance indicators, thousand m^3	2022	2023	2024	2024 plan	Changes compared to plan 2024, %	Changes compared to 2023, %
Drinking water sold, thousand m^3	29,008	29,871	**31,257**	30,515	**2%**	**4%**
To natural persons (consumption), thousand m^3	14,594	14,767	**15,446**	15,020	**3%**	**4%**
To legal persons (subscribers), thousand m^3	14,414	15,104	**15,811**	15,495	**2%**	**4%**
Wastewater treatment service sales, thousand m^3	32,518	33,026	**34,038**	34,317	**-1%**	**3%**
To natural persons (consumption), thousand m^3	14,360	14,438	**15,140**	14,676	**3%**	**5%**
To legal persons (subscribers), thousand m^3	18,157	18,589	**18,899**	19,641	**-4%**	**2%**

SALES OF SERVICES

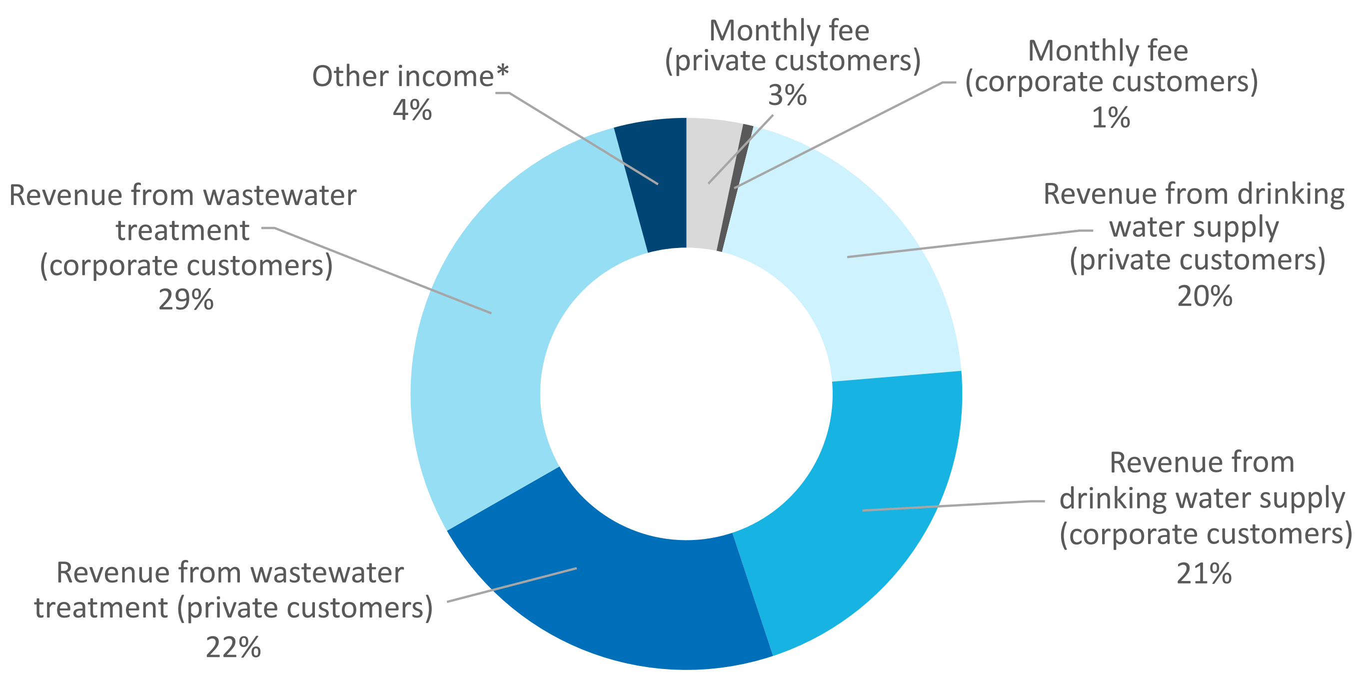
The revenue from operating activities comprises revenue earned from the provision of drinking water supply and wastewater treatment services. The Company generated EUR 59.5 million from regulated activity services sold in 2024. Compared to 2023, revenue from regulated activities in 2024 increased by EUR 2.8 million. This was influenced by approx. 0.03 EUR/m^3 higher service prices effective from February 2024, increased number of services provided to customers and growing customer number.

In 2024, the Company's revenue increased from EUR 59.1 million to EUR 62.1 million or by 5% compared to 2023. This increase was driven by a higher tariff for basic service prices effective from February 2024 and a growing number of customers, which led to increase in the volume of drinking water sold and the volume of wastewater collected and treated. Other operating income in 2024 were EUR 0.2 million higher than in 2023, driven by an increase in revenue from a basket of services.

The Company's sales revenue from the corporate customer segment* accounted for about 51%, from the private customer segment** for 45%, and other income for 4% of the total Company's revenue.

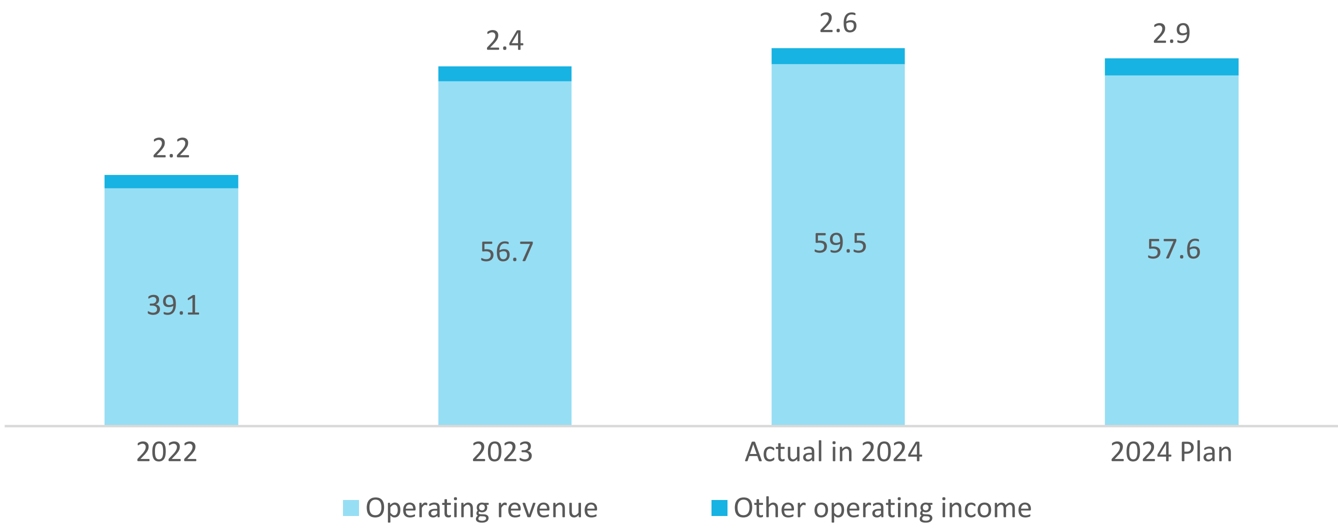
In terms of percentage, the Company's revenue from different activities remained similar in 2024. In the revenue structure, revenue from drinking water supply accounted for 43%, revenue from wastewater management for 53%, and revenue from the monthly fee for 4% of the Company's total principal operational revenue.

Revenue breakdown in 2024

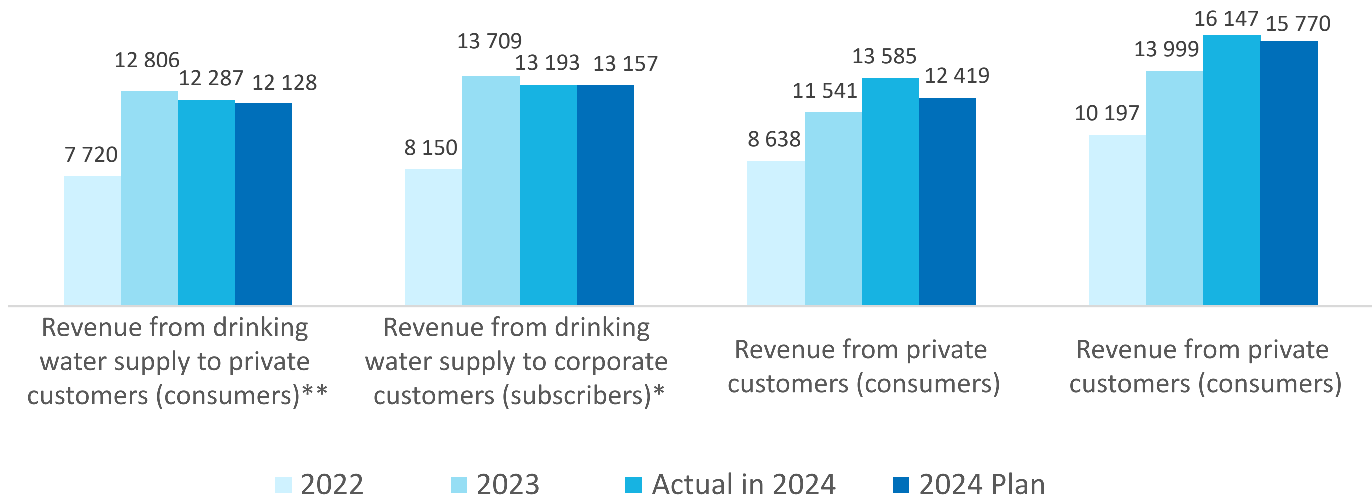


Other income comprise income from unregulated activities, assets received free of charge, assets disposed, as well as rental and other income.

Revenue structure in 2022-2024 (EUR million)



Sales revenue from water supply and wastewater treatment in 2024 (EUR thousand)



** The term "corporate customer" used in the Company's annual report corresponds to the term "subscribers" used in the Law on Drinking Water Supply and Wastewater Management of the Republic of Lithuania.*
*** The term "private customers" used in the Company's annual report corresponds to the term "consumers" used in the Law on Drinking Water Supply and Wastewater Management of the Republic of Lithuania.*

OPERATING EXPENSES (OPEX)

In 2024, operating expenses of Vilniaus Vandenys amounted to EUR 57.8 million. In 2023, these expenses amounted to EUR 49.2 million.

In 2024, the Company's payroll and related tax expenses made up the major share of operating expenses (32%).

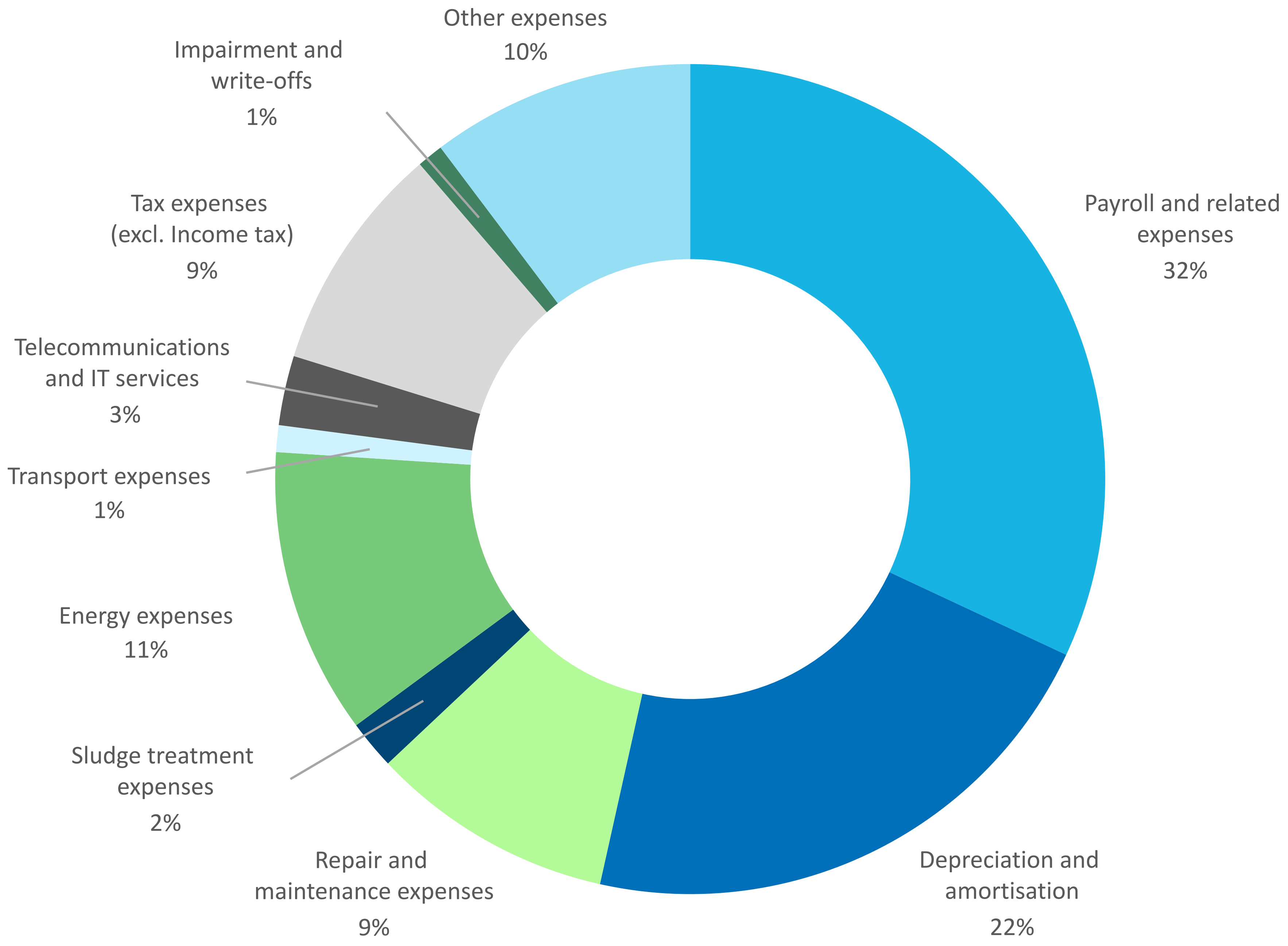
In 2024, payroll expenses were higher by EUR 1.9 million compared to 2023. In 2024, depreciation and amortisation expenses of non-current assets were higher by EUR 1.8 million compared to 2023. This was due to growing volumes of investments, which accounted for 22% of the Company's total operating expenses.

In 2024, energy expenses amounted to EUR 6.4 million, which accounts for 11% of the total operating expenses, and were EUR 1.2 million higher than in 2023.

Tax expenses (other than payroll and income tax-related) accounted for approx. 9% of the Company's total operating expenses. These costs were by EUR 1 million higher than in 2023. This change was driven by a higher pollution tax due higher volume of wastewater treated, higher concentrations of pollutants (grease, copper, aluminium) in the wastewater discharged and a higher indexation factor.

In 2024, Vilniaus Vandenys paid EUR 17,7 million in taxes to the State Tax Inspectorate and the State Social Insurance Fund Board, representing approx. 31% of the Company's total expenses.

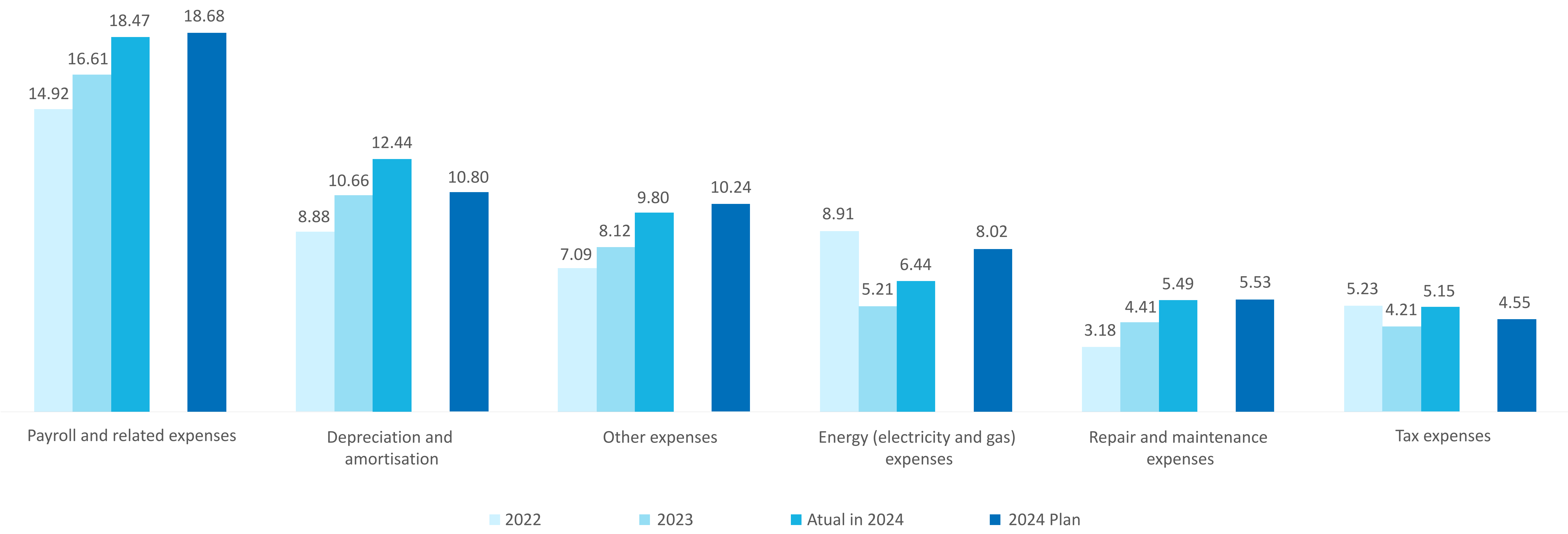
OPEX structure in 2024



In 2024, repair and maintenance expenses that comprise of technical materials and consumables, network diagnostics, cleaning and repair, dug-hole restoration after emergencies, equipment servicing, etc. accounted for 9% of the Company's operating expenses. These costs were by EUR 1.1 million higher than in 2023.

Other expenses include sludge treatment, telecommunications, IT, transport, occupational safety, heating, waste collection, premise cleaning, landscaping, insurance, promotion and advertising, legal services, etc. In 2024, they made up 10% of the Company's total operating expenses. These costs were by EUR 1.4 million higher than in 2023.

OPEX in 2022-2024 (EUR thousand)



KEY FINANCIAL INDICATORS

Company's key financial indicators and their change in 2022-2024

Key financial indicators	2022	2023	2024	Plan 2024	Changes compared to 2023, %	Changes compared to plan 2024, %
Profit or loss statement indicators, EUR million						
Total income	41.25	59.04	62.10	60.53	5%	3%
Operating income (sales)	40.99	58.62	61.77	59.94	5%	3%
OPEX APM	39.06	38.00	44.49	46.55	17%	-4%
EBITDA APM	2.19	21.04	17.61	13.98	-16%	26%
Net profit (loss)	-6.00	10.17	5.03	0.13	-51%	3857%
CAPEX APM	50.98	50.65	26.43	24.17	-48%	9%
Indicators of assets, equity and liabilities, EUR million						
Total assets	211.20	254.05	265.80	255.15	5%	4%
Equity	139.92	159.76	168.10	154.06	5%	9%
Non-current liabilities	40.44	72.96	75.31	74.99	3%	0%
Current liabilities	30.84	21.32	22.38	26.11	5%	-14%
Profitability indicators						
EBITDA margin APM	5%	36%	28%	23%	-20%	23%
Net profit margin APM	-14%	17%	8%	0.2%	-53%	3713%
Return on assets (ROA) APM	-3%	4%	2%	0.0%	-53%	3698%
Return on equity (ROE) APM	-4%	6%	3%	0.1%	-53%	3526%
Return on investment (ROI) APM	-3%	4%	2%	0.1%	-53%	3613%
Other financial indicators						
Equity ratio APM	66%	63%	63%	60%	1%	5%
Debt to equity ratio APM	0.29	0.46	0.46	0.50	-1%	-8%
Current ratio APM	0.61	1.56	1.30	0.90	-17%	44%
Critical liquidity coefficient APM	0.87	1.53	1.25	0.78	-18%	61%
Net debt-to-EBITDA ratio APM	12.85	2.35	3.29	4.80	40%	-31%
Assets turnover ratio APM	0.20	0.23	0.23	0.24	1%	-2%
Equity turnover ratio, times APM	0.29	0.37	0.37	0.39	0%	-6%

APM - *The methodology for Alternative Performance Measures (APM) is available on the Company's web (in Lithuanian).*

In 2024, Vilniaus Vandenys' EBITDA (earnings before interest, taxes, depreciation and amortisation) amounted to EUR 17.6 million, EUR 3.4 million less than in 2023. In 2023, this measure was largely impacted by the increase in revenues resulting from higher average service prices. The main reason for the price change in 2023: in line with the statutory cost-recovery principle, the prices for 2023 included the Company's loss incurred in 2022 due to a significant increase in electricity prices. In 2024, the prices of services slightly increased due to inflation-led growth in prices of goods and services, borrowing costs, and more costly investments necessary for the development of water supply and wastewater management infrastructure, leading to a higher revenue. In 2024, the Company was profit making, net profit amounted EUR 5 million.

At the end of 2024, the Company's assets totalled EUR 266 million, i.e. increased by 5% compared to 2023. This increase was driven by large-scale investments, mainly drifted towards development of networks, renovation of operated networks and stations, renovation of wellfields, repair of wells, reconstruction of the Vilnius city Wastewater Treatment Plant, upgrades of sludge treatment equipment, replacement of water metering devices, acquisition of electricity generators, and implementation of the FAVAKA information system installation project.

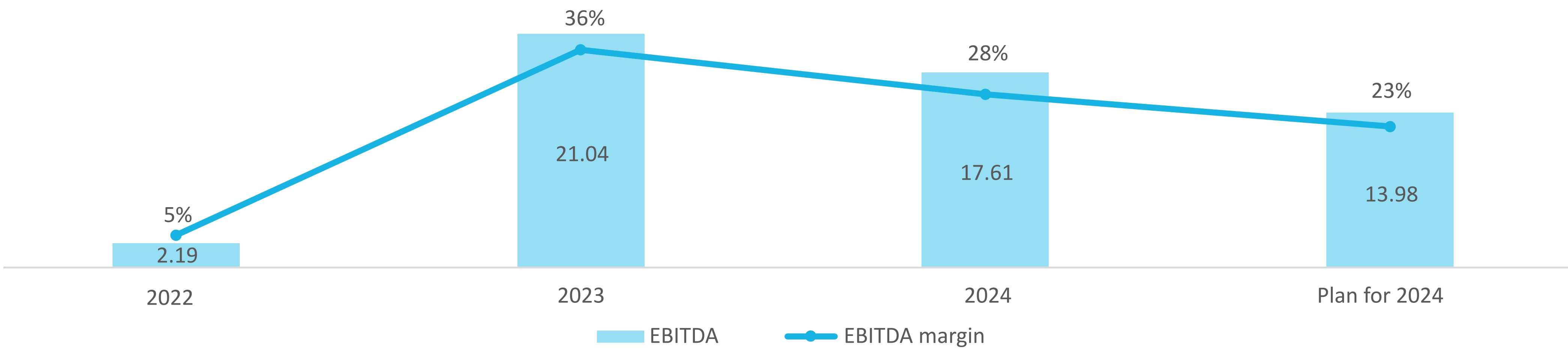
Compared to 2023, the Company's current assets decreased by 13% at the end of 2024. The main reason for this was the decrease in the cash balance. Grow in the Company's equity in 2024 resulted from increase in issued capital: In 2024, equity of Vilniaus Vandenys accounted for 63% of its total assets.

The Company had no overdue trade payables at the end of 2024.

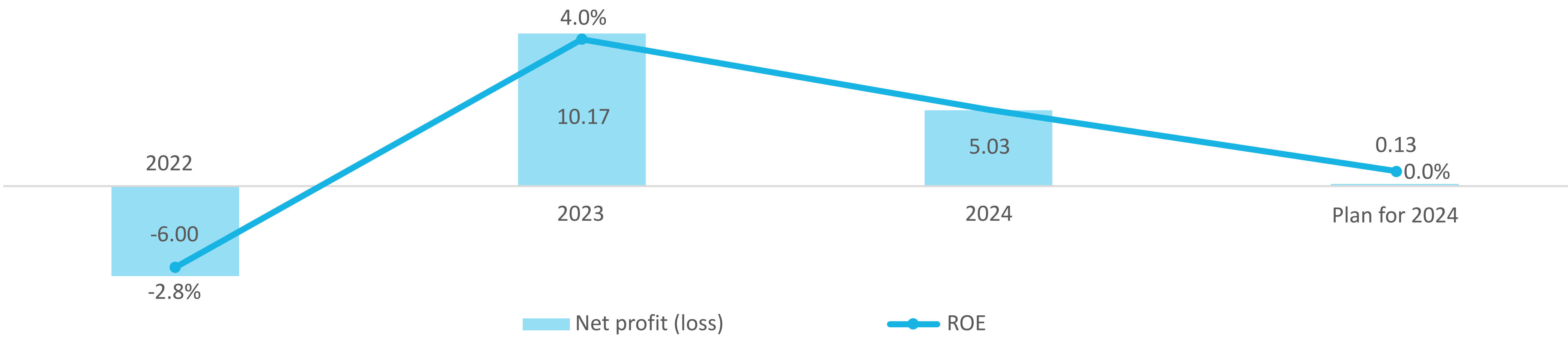
In 2024, the investment volumes of Vilniaus Vandenys were lower compared to 2023, however, the Company continued to consistently implement the strategic and infrastructure investment projects or stages thereof, due to take place in 2024, as provided for in the Company's Strategy.

In 2025, the Company plans to continue to increase its capital investments by implementing all planned strategic projects. In 2025, the Company planned to spend EUR 39.5 million on investments. The largest part of the investments will be allocated to the implementation of the project on ultrasonic metering devices with remote reading function (EUR 5.5 million), the reconstruction of the Šalčininkai wellfield and the construction of water improvement plants (EUR 3.5 million), the development of mains in Kalnėņai (EUR 0.8 million), the implementation of the FAVAKA information system installation project (EUR 2.2 million) and other infrastructure projects.

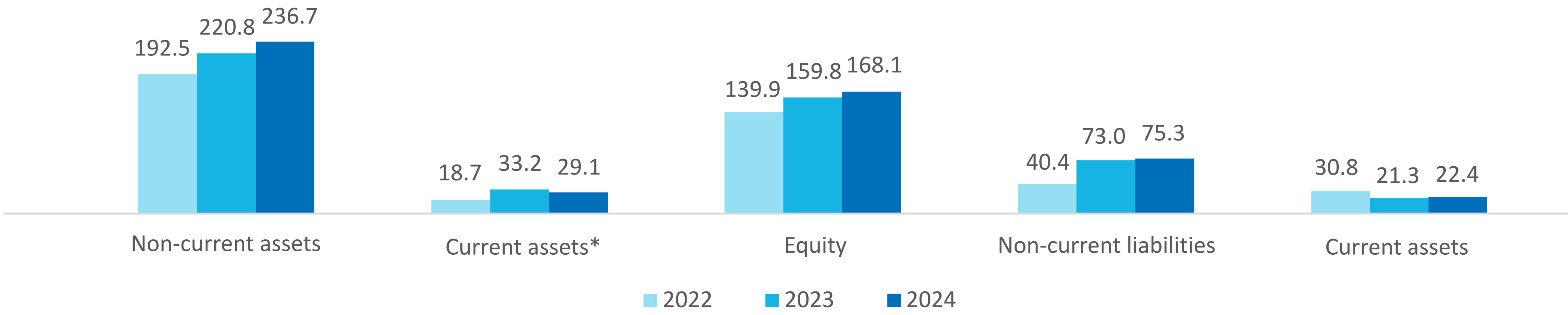
Change in EBITDA[APM] (EUR million) ratio and EBITDA marginAPM (%) in 2022–2024



Change in net profit/loss (EUR million) and ROE[APM] (%) in 2022–2024



Changes in key balance sheet line items in 2022-2024 (EUR million)



**Together with the assets held-for-sale*

PUBLIC PROCUREMENT

Public procurement of UAB Vilniaus Vandenys is arranged and carried out in compliance with the Viešųjų pirkimų politika (approved by the Board), legal acts regulating water management activities and public procurement.

Company's goal and direction, in public procurement

The Company is a professional and responsible contracting entity

↔

The Company conducts public procurement in open, transparent, simple (standardised) and sustainable manner

Company's procurement according price and quality criterion in 2022-2024

Contracting entity	Value of procurement procedures according to price and quality criterion or cost criterion, % (in the total value of procurement)			
	2022	2023	Target for 2024	Actual 2024
Vilniaus Vandenys	50%	76,70%	70%	73.6%

In 2024, Vilniaus Vandenys set and successfully achieved the target to execute at least 70% of public procurements according to price and quality criterion or cost criterion.

In 2024, Vilniaus Vandenys conducted 667 procurement procedures for more than EUR 64 million.

In 2024, the Company continued standardising and reviewing its public procurement processes and relied more on dynamic purchasing systems. Given changes in the legal framework and the process oversight, the standard forms of public procurement contracts, templates for initiation documents were updated, and the Rules of Procedure of the Public Procurement Commissions were amended to optimise the number of decisions to be taken by the Public Procurement Commission.

Vilniaus Vandenys achieved the 100% Green Procurement target. To reduce negative environmental impacts, priority is given to suppliers that meet high environmental standards. As part of environmental objectives, the requirements for waste management, energy efficiency and sustainable production practices prevail in the procurement. Furthermore, suppliers must ensure conformance of their products and services comply to green certificates and eco-friendly principle, thereby contributing to the development of sustainable and responsible practices.

Although Vilniaus Vandenys has remained for a number of years the largest contracting authority among other companies owned by municipalities, the above factors led to greater efficiency and a reduction in the time spent per procurement, with the number of procurements almost doubling by 2024. One of the reasons for the increase in the number of purchases was that, by a decision of the Vilnius City Council, Vilniaus Vandenys became a sectoral central procurement organisation and carries out the procurement delegated to it by other contracting organisations or contracting entities.

RISK AND NON-COMPLIANCE MANAGEMENT

RISK MANAGEMENT

Risk management has been a cornerstone of Vilniaus Vandenys' strategic planning for years. In its activities, the Company is guided by the Risk Management Policy approved by the Board. When managing risks, the Company adheres to the requirements of the international standard ISO 31000:2018 Risk Management. The main objective of the organisation is to minimise potential risks and to prepare to act and ensure going concern even in the event of *force majeure*. A formalistic approach to risk management may possibly turn into costly lessons, therefore the Company carefully analyses the root causes of the risks, determines the potential scale of the consequences based on financial losses, health problems, time perspective, reputational effects.

Critical and high risks identified in 2024 and their management measures

Risk description	Planned risk management measures
Disruption of wastewater management infrastructure in the Vilnius Wastewater Treatment Plant due to heavy rainfall or snow melt	Installation of balance tanks in the Vilnius Wastewater Treatment Plant
Discharges to the environment exceed the legal requirements	Remote smart wastewater quality monitoring system
Ageing wastewater infrastructure	Gradually increase the volume of wastewater infrastructure reconstruction
Environmental damage due to insufficient capacity of the Studentai Wastewater Pumping Station	Installation of the third pressure line from the Studentai Wastewater Pumping Station
Fatal accident / Accident at work	Reconstruction of well covers or raised fire hydrants. Continuous practical raining of employees on occupational safety
Damage to the Company's property and/or injured employees in a fire	To insure the Company's movable and immovable property in stages, depending on the level of risk.
Improper emergency response	Existing risk management measures continue to be implemented
Entry of wastewater of higher/unusual pollution into the wastewater collection system and treatment plant without a permit from the Company	pH identification at the wastewater reception facilities / Wastewater network pollution sensors by zone
Unreliable laboratory test results / Laboratory activities contradict the principles of impartiality, objectivity and transparency	Maintain accredited assessment body status in 2024 (wastewater treatment activities), acquisition of additional laboratory equipment
Use of the EU funds	Regular monitoring of the EU projects (connection of residents to the Vilnius Vandenys network) and timely decision-making to manage risks
Third parties/suppliers information security risks	Incorporating security requirements for third parties into security specifications / Third-party selection process and periodic audits
NIS/NIS2 and cybersecurity law violations	Develop an action plan and implement a project in 2025 for the compliance with of NIS2/ISO27001 requirements
Software failure / IT equipment failure / Telecommunications failure	Various IT and cyber security measures
Electricity supply interruption / Accident at Ostrovets NPP / Contamination of a wellfield by micro-organisms/ pathogens / Failure of a wastewater pumping station due to an extreme event / Failure of a water supply station due to an extreme event / Disruption to wastewater treatment at a wastewater treatment plant due to an extreme event / Failure to manage interruption of operation / Inaccessibility of IT infrastructure / Impact of macroeconomic and geopolitical factors on the Company's financial position / Improperly managed emergency / Terrorist acts/military/hybrid actions	Various IT and cyber security measures / A group of high risks with maximum impact but low probability. Various preventive measures are in place, as well as measures to reduce the potential exposure.

Following a risk reassessment in 2024, the Company identified 6 critical, 22 high, 68 medium and 48 low risks – a total of 144 risks. Risks of a very high importance and priority were related to environmental pollution, occupational safety and health, cybersecurity and the stable operation of IT systems.

Critical and high risks were included in the Company's Plan of Risk Management Measures for 2024, the risk management measures of which are designed to mitigate critical and high risks. In addition, the Plan of Risk Management Measures for 2025 was drawn up in the middle of the year, containing measures to manage critical and high risks.

In 2024, the Company successfully implemented 93% of planned risk management measures designed to mitigate risks in 2024.

Risk management actions in 2024:

- The Company's annual risk assessment was conducted. During this stage of the process, changes in external and internal factors, the weakest links between processes were analysed by taking into account complaints/service interruption/incidents that have been recorded in recent years, as well as anticipated future developments.
- Risk assessment of processes. In October 2024, the Company's Board approved the Company's risk assessment and Plan of Risk Management Measures for 2025.
- In August 2024, information security risks were reviewed and reassessed to meet the requirements of ISO 27001.

In 2024, the Company's risk management process was improved through the following actions:

- Risk management activities were integrated with Business Continuity activities. The processes are interlinked and run in parallel. The risk assessment identified business continuity vulnerabilities, therefore business continuity tasks were added to the Plan of Risk Management Measures for 2024.
- In September 2024, the Key Risk Indicators (KRIs) were updated and supplemented with KRIs for risks under further scrutiny. Each month, KRIs are presented to the Management Council and the Audit, Risk and Sustainability Committee, together with the financial results, and to the Board together with the relevant events.

The risk management process is planned to be further enhanced in 2025 through the following actions:

- Updating the Risk Appetite Statement and the Risk Management Policy
- Performing risk (re)assessment and developing the Plan of Risk Management Measures
- Updating the Description of the Risk Management Procedures
- Digitalising risk management process

The Company's Risk Management Policy defines the risk management objective, sets the main principles of risk management and clearly defines risk management responsibilities. The Company manages risks in accordance with the best practices in the world and the guidelines of the group of ISO 31000 standards. Not only the Company's employees, but also the Board and the Audit, Risk and Sustainability Committee are involved in the risk management process.

Continuous communication, rigorous control of risk management plans, regular risk monitoring, evaluation of the effectiveness of risk management measures, adoption of solutions for new management measures, sharing of good practices have been and still are the key activities to ensure an appropriate response to events, i.e. cases that may have a negative impact on the achievement of the Company's objectives.

In 2024, only one risk in the category of the critical and high risks materialised four times: Environmental damage due to accidents/failures at the Studentai Wastewater Pumping Station. Additional reconstruction and development works were scheduled to eliminate this risk.

BUSINESS CONTINUITY MANAGEMENT

The Company launched a business continuity process that is an important step in ensuring the long-term stability and resilience of the Company in the event of unplanned malfunctions, incidents and disruptions that may affect its day-to-day operations. This process allows us to respond more effectively to challenges, minimise potential disruptions and ensure service delivery even in extreme and uncertain conditions. In business continuity management, the Company is guided by the international standard EN ISO 22301:2019 Security and resilience — Business continuity management systems — Requirements, and the Business Continuity Policy, which was approved by the Board, setting out the principles of business continuity management.

Business continuity activities are integrated with Risk Management activities in the Company: the Plan of Risk Management Measures for 2025 provides for business continuity objectives as risk management measures.

In 2024, three Business Continuity exercises for three critical processes, i.e. water abstraction, wastewater collection, wastewater treatment, were carried out, resulting in a review and update of the Business Continuity Plans based on the exercise results. 6 new Business Continuity Plans created for critical processes.

The tasks were assigned in the Plan of Risk Management Measures for 2025 to develop business continuity plans for additional 10 processes with the lowest maximum tolerable period of disruption based on the results of the business impact analysis, and to test them (during tabletop exercises and functional exercises (at least 2 functional exercises in 2025)). For the remaining processes, the Business Continuity Plans will be developed and tested as early as 2026, and will include more functional exercises.

Business continuity management is identified as a separate process.

NON-COMPLIANCE MANAGEMENT

The Company's legal compliance is ensured in accordance with the principles set out in the Compliance Policy approved by the Board. The Company has a compliance management process in place, and assesses effectiveness of its compliance system. The Company aims to ensure that all non-conformities identified in its operations are recorded, their causes addressed as soon as possible and sustainable solutions adopted to prevent their recurrence.

In 2024, 7 inspections were carried out to verify the legal compliance of Vilniaus Vandenys' activities, with a priority focus on the Law on Legal Protection of Personal Data. 3 findings were provided to process owners to ensure compliance with the legislation.

In 2024, the Company investigated 69 non-compliances in various areas of the Company's operations: customer service, environment, occupational health and safety, etc. At the beginning of 2024, the most recurrent non-conformities in 2023, i.e. in occupational health and safety and health data protection processes, were assessed, plans were drawn up to address the recurrent non-compliances and measures were implemented which led to a 25% reduction in their recurrence.

In 2024, the Company investigated
69 non-compliances –
25 % reduction in their recurrence.

ENSURING PHYSICAL AND CIVIL SECURITY

Due to the specifics of its activities and the provision of strategically important public services, Vilniaus Vandenys falls into the first category of companies essential to national security.

The Company has 462 protected facilities, which are divided into three levels of physical protection based on their significance to the Company's activities and potential risks: high, medium and acceptable risk facilities. In 2024, a physical security audit in Vilniaus Vandenys found that most of the physical control measures implemented or to be implemented in the Company comply with basic security requirements.

As of December 2024, a new Order of the Minister of the Environment of the Republic of Lithuania No D1-423 of 3 December 2024 On the Approval of the Requirements for Physical and Operational Protection of the Infrastructure of Drinking Water Supply and/or Wastewater Management Important for National Security of the Public Drinking Water Suppliers and/or Wastewater Managers or Owned by Public Drinking Water Suppliers and/or Wastewater Managers by the Right of Ownership or Managed and/or Used Otherwise came into force. It sets out specific requirements for security measures for water supply and wastewater treatment facilities: perimeter security, access control, security measures, lighting, building security and others. The implementation of the measures regulated by the above-mentioned legal act will strengthen the resilience of Vilnius Vandenys' facilities to potential external and internal threats.

In 2024, the Regulation on Physical and Operational Safety was implemented through the following actions:

- Continuous inspection of physical security measures, identification of deficiencies and response control. During the reporting period, 100 inspections were carried out on the Company's protected facilities.
- Ensuring the uninterrupted provision of physical and electronic security services.
- Performing physical security audit.
- Performing employee briefings on the use security alarm systems. Upgrading and installing modern security alarm systems in the Company's facilities.

In addition, the following actions were taken to increase security:

- Screening of personnel, contractors and suppliers having the direct access to the Company's information systems, databases, networks and other important information technologies and resources. Screening 41 person at government-authorised institutions.
- Identifying exclusion zones over high-risk areas for unmanned aircraft systems.
- Checking response of physical safety services provided in the Company's facilities. Imposing three fines on the service provider for inadequate response.

In 2024, Vilniaus Vandenys implemented the following actions to strengthen civil security:

- Potential hazard and emergency risk analysis was carried out and approved.
- The Regulations of the Emergency Operations Centre were updated and approved.
- The Company's Emergency Management Plan was updated, coordinated with the Fire and Rescue Department and approved.
- The list of the Company's Civilian Mobilisation Personnel Reserve List was updated and coordinated with the Department of Mobilisation and Civil Resistance under the Ministry of National Defence.
- The Civil Protection Complex Exercise Preparedness of the Civil Protection System Entities in Vilnius City for Mass Evacuation of the Population in the Event of War and Mobilisation organised by Vilnius City Municipality was attended in September 2024.
- Tabletop exercises were carried out on the topic Illegal Entry of Natural Persons into a Wellfield Causing an Emergency.

ENSURING CYBERSECURITY

One of the main objectives of Vilniaus Vandenys is to ensure cyber security and continuity of the Company's information systems. In the context of geopolitical warfare, cyber-attacks becoming a growing concern around the world. In its cybersecurity activities, the Company is guided by the Information Security Policy and the Confidential Information Management Policy approved by the Board.

In 2024, Vilniaus Vandenys implemented a series of organisational and technical measures to strengthen the organisation's cybersecurity:

- In the Company's Strategy 2025-2034, cybersecurity is identified as one of the key challenges being addressed at the strategic level of the organisation's business planning. An environmental analysis (PESTAT) provides for the deployment of proactive cybersecurity solutions as an impact management measure.
- All the recommendations of the National Cyber Security Centre (NCSC) on the resilience of the system (SCADA) used to monitor and control technological processes in wellfields were implemented in 2024.
- The cooperation was set up with NCSC's Regional Cyber Defence Centre, daily and weekly cyber threat reports are obtained.
- The projects of the junior professionals program "Create for Lithuania" were attended: "Cyber Security: How the State could Help to Ensure the Management of Third Parties (Contractors)" and "Building a Cyber Security Community: the Cyber Campus Concept".
- Best practices were exchanged with the cyber security representatives of UAB Ignitis Group.
- Active participation in the in-person threat intelligence sharing meeting for Lithuanian SOC, CERT, CSIRT and related cybersecurity organisations, organised by the Vilnius City Municipality Administration and NRD Cyber Security.
- A shared engagement in the project to develop a sectoral Security Operations Centre (SOC) together with members of the Association Vandens Jėga and the NCSC.
- Two-factor authentication (2FA) is enabled for all employees.
- Information security risks were re-assessed in line with the Company's Risk Assessment Methodology. Key Risk Indicators (KRIs) were set for medium, high and critical risks.
- An independent intrusion testing service was implemented.
- A strong focus was placed on raising the information security awareness among the organisation's employees through training, exercises and social engineering testing.
- Analysis and preparatory work on the requirements of the NIS2 Directive were launched.

PROJECT MANAGEMENT

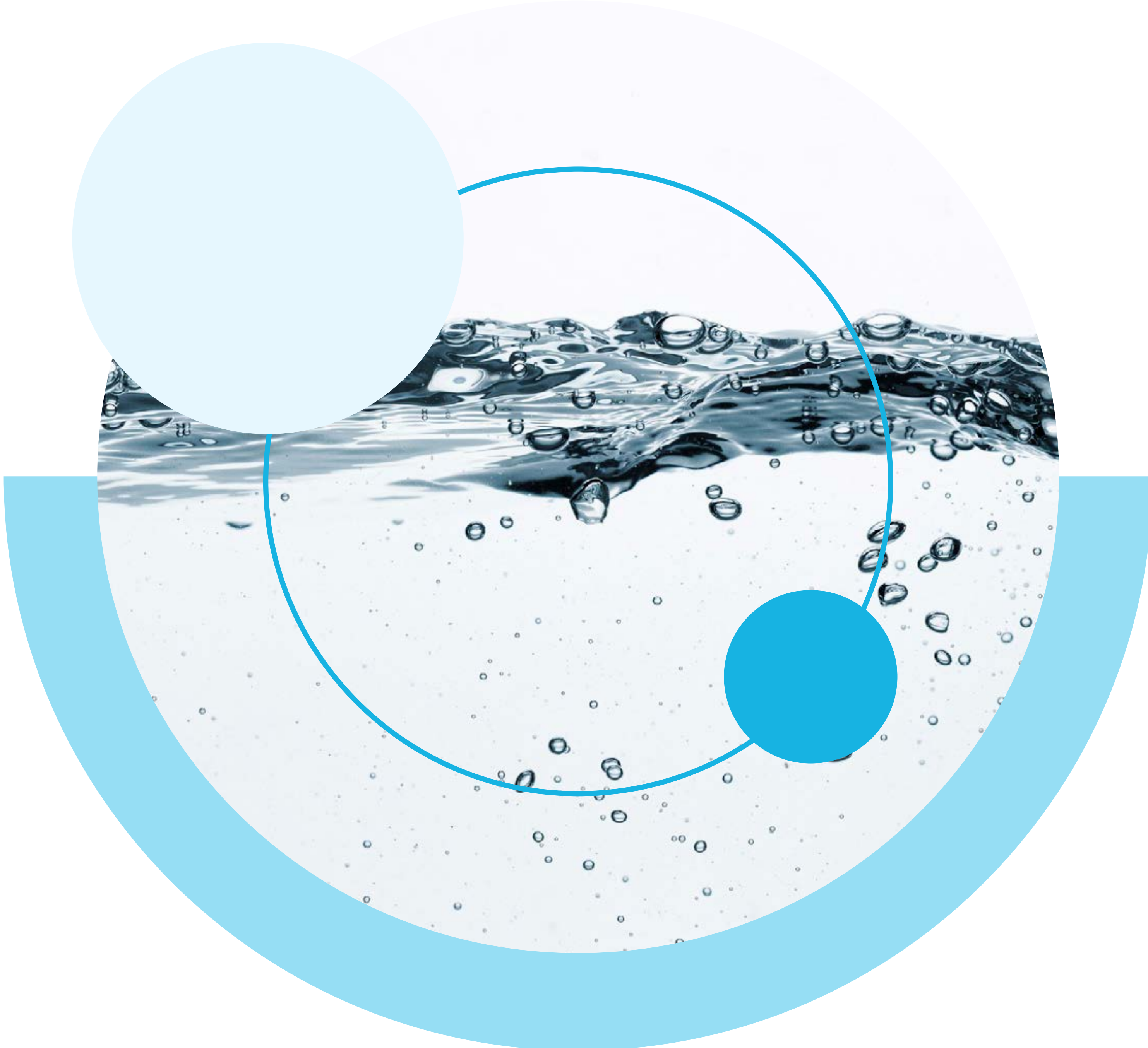
Management of all projects in the Company is guided by the Project Management Policy: a single project management methodology is used to ensure systematic and standardised project management, involving management structure, roles of participants, phases, decision-making points and documentation. Projects are managed and implemented in line with the planned schedule, scope and budget.

In 2024, changes were made to the Project Management Policy to further elaborate the responsibilities of the Project Owner, Senior Project Manager, to clarify the requirements for reporting to the Board on re-procurement, to clarify the process and actions for monitoring project progress and the project portfolio, and to increase focus on the identification and management of risks to project benefits realisation. The project management initiation phase was also revised and streamlined.

COMPANY'S PROJECT PORTFOLIO

At the end of 2024, Vilniaus Vandenys project portfolio contained a total of 40 projects (2022: 62, 2023: 55) with the overall budget of EUR 232 million, with separate project implementation stages planned and recorded for each project, to be achieved during 2024. At the beginning of 2024, the Company also set the target to implement as much as 98% (96% in 2022, and 98% in 2023) of the projects within the timeframe set in the project implementation plans.

In 2024, as many as 39 projects out of 40 projects were implemented in accordance with the planned project implementation deadlines, and only 1 project was implemented in deviation from the planned deadlines. The project implementation rate was 95% in 2024.



In 2024, Vilniaus Vandenys progressed with the implementation of 10 strategic projects with a total budget of EUR 208 million in the period 2020-2029.

The Company's key strategic projects, the implementation of which was started/continued/completed in 2024:

Strategic project	Project budget	Project goal	Final project outcome	Progress in 2024
Reconstruction of Vilnius city wastewater treatment facilities (Stage 1)	EUR 37.4 million	To increase the quality of the wastewater treatment services provided to Vilnius City and Vilnius District by ensuring that the average annual concentrations of pollutants in discharged wastewater meet the requirements of legal acts.	Reconstruction of the wastewater treatment facilities, expanding the treatment plant to meet the needs of a growing city and increasingly stricter environmental requirements. The reconstruction increased the plant's capacity by 60%: it is able to receive 160 thousand m3 of wastewater and treat up to 82 tons of pollutants per day.	In 2024, the defect elimination phase took place.
Reconstruction of Vilnius city wastewater treatment facilities (Stage 2)	EUR 15.3 million	To increase the quality of the wastewater treatment services provided to Vilnius City and Vilnius District by ensuring that the average annual concentrations of pollutants in discharged wastewater meet the Nordic standards (HELCOM).	Reconstruction of wastewater treatment facilities was completed, previously unused technologies (tertiary treatment circuit) were deployed to facilitate removal of phosphorus from wastewater and prevent plastic particles from entering the treated wastewater.	In 2024, the construction of the tertiary treatment plant, the drainage pumping station, the local wastewater pumping station and the local wastewater pressure line was completed, achieving the contractually agreed treatment rates.
Reconstruction of the Šalčininkai wastewater treatment facilities	EUR 5.2 million	Reconstruct the wastewater treatment plant to ensure that the average annual concentrations in wastewater do not exceed the requirements.	The treatment rates required by the EU Directive were achieved.	In 2024, a contract was signed for the acquisition of consultancy services for the evaluation of the reconstruction of wastewater treatment plant processes, structures and equipment, which will form the basis of the plant reconstruction.

Strategic project	Project budget	Project goal	Final project outcome	Progress in 2024
Smart network management: Installation of digital ultrasonic metering devices with remote reading function	EUR 30 million	To accurately account for the amount of water supplied and consumed, to eliminate inaccurate water meter readings, to identify in a timely manner the emergency situations occurring between the building's inlet metering device and apartment, and emergency situations occurring outside the metering device located in the apartment.	Installation of more than 360 thousand units of digital ultrasonic metering devices with remote reading function.	In 2024, 70,000 ultrasonic metering devices were planned to be installed, and we installed 71,812 units.
Project for installation of the financial accounting, management accounting and customer accounting system (FAVAKA)	EUR 4.3 million	To optimise the processes of financial accounting, management accounting, customer servicing and the provision of all services, as well as billing for services by acquiring a tool that will allow the activities to be organised more efficiently.	Introduction of a solution for financial accounting, management accounting, customer servicing and provision of services to customers.	In 2024, the design and programming of the FAVAKA system was carried out. Data migration testing was carried out.
Reconstruction of the Eišiškės wastewater treatment facilities	EUR 5.2 million	Reconstruct the wastewater treatment plant to ensure that the average annual concentrations in wastewater do not exceed the requirements.	The treatment rates required by the EU Directive were achieved.	In 2024, a contract was signed for the acquisition of consultancy services for the evaluation of the reconstruction of wastewater treatment plant processes, structures and equipment, which will form the basis of the plant reconstruction.
Reconstruction of Nemenčinė wastewater treatment facilities	EUR 5.2 million	To design new wastewater treatment facilities to achieve the wastewater treatment rates specified in the EIA screening and the Wastewater Management Regulation.	The project will reconstruct the Nemenčinė wastewater treatment facilities by installing automated control, bringing wastewater treatment in line with environmental requirements, increasing the volume of wastewater received, increasing the de-contamination capacity and preventing odour release to the environment.	A design contract was signed in 2024.

Strategic project	Project budget	Project goal	Final project outcome	Progress in 2024
Project for the installation of a sludge mono-incineration plant	88.7 thousand EUR	To carry out the feasibility assessment of a sludge mono-incineration plant as a potentially most efficient way of sludge management.	Transition from natural gas, contribute to GHG reduction, generate 15% more electricity internally, and ensure the achievement of the Company's long-term business strategy objectives.	The action plan for sludge treatment was developed in 2024.
Wastewater flow equalization tank (balancing tank) at the Vilnius Wastewater Treatment Plant	EUR 6.2 million	To adjust the flow of wastewater at the Vilnius Wastewater Treatment Plant and to ensure the smooth operation of the technological process and the infrastructure of the plant during heavy rain and/or snow melt.	Wastewater flow equalization tank was installed at the Vilnius Wastewater Treatment Plant to adjust the flow of wastewater and to ensure the smooth operation of the technological process and the infrastructure of the plant during heavy rain and/or snow melt.	In 2024, the study ion the balancing tank was prepared, which will allow for the selection of the most appropriate solution for wastewater flow adjustment.
Reconstruction of the Švenčionėliai wastewater treatment plant	EUR 5.0 million	Reconstruct the wastewater treatment plant to ensure that the average annual concentrations in wastewater do not exceed the requirements.	The treatment rates required by the EU Directive were achieved.	In 2024, a contract was signed for the acquisition of consultancy services for the evaluation of the reconstruction of wastewater treatment plant processes, structures and equipment, which will form the basis of the plant reconstruction.

In addition to very important strategic projects, Vilniaus Vandenys also pays great attention to the projects of digitization of operations and renewable energy.

Key digitization and renewable energy projects ongoing/completed in 2024

Project	Project goal	Project benefit	Progress in 2024
Installation of solar power plants	To generate part of the electricity required for the needs of the Company by installing solar power plants on the roofs of the Company's stations and within its territories.	Use of natural resources for energy recovery, reduction of the Company's costs, storage of natural resources, reduction of fossil fuel and CO2 emissions.	In 2024, 4 solar power plants with a total capacity of 186 kW were installed. In total, the Company operated 18 solar power plants with a total capacity of 2,346 kW in 2024.
Smart wastewater management system	The aim of the project is to manage wastewater flows at the Vilnius Wastewater Treatment Plant by using artificial intelligence.	Adjusting wastewater flows at the Vilnius Wastewater Treatment Plant to ensure adequate treatment of wastewater up to the limits set event at the time of snow melt.	The system was installed in 2024, and it is in the process of being commissioned and deployed.
Remote smart wastewater quality monitoring system (sensors)	The aim of the system installed is to measure the variation in total nitrogen, ammonium nitrogen, total phosphorus and chemical oxygen at the entry and exit before and after the wastewater treatment process.	The data on pollution indicators will allow the operation of the wastewater treatment plant to be regulated.	In 2024, sensors were installed at 10 facilities of the Company: 6 sensors at wastewater pumping stations in Vilnius and 4 sensors at wastewater treatment plants in Vilnius, Nemenčinė, Švenčionėliai and Šalčininkai.

COMPANY’S CUSTOMERS

In 2024, the number of Vilniaus Vandenys' customers increased by 6.4 thousand to 290.8 thousand. The main reason for the continuous increase in the customer base is the network and urban district development projects. Customers' in Vilnius city account for the majority of the Company's customer base.

Dynamics of the Company's customers in 2022-2024 (as at the reporting date)

Customer type	2022	2023	2024
Private	**269,153**	**275,381**	**281,495**
In apartment buildings (settlement based on meter readings)	243,330	247,731	252,097
In apartment buildings (settlement based on the feed-in point)	71	41	41
In single-family houses	25,752	27,609	29,357
Business	**8,751**	**9,051**	**9,335**
Total customers	**277,904**	**284,432**	**290,830**

Breakdown of customers (natural persons) by service areas in 2022-2024 (as at the reporting date)

Area	2022	2023	2024
Vilnius city	259,741	265,868	271,596
Vilnius District	2,288	2,262	2,321
Šalčininkai district	3,184	3,277	3,381
Švenčionys district	3,940	3,974	4,197

CUSTOMER SATISFACTION

In 2024, Vilniaus Vandenys made targeted efforts to improve high indicators of customer experience and satisfaction with the quality of services provided. The Company continued to invest in key customer service areas: cutting red tape, shortening and streamlining processes, and implementing smart solutions that allowed customers to access the services they need faster, easier, and in line with "one-stop-shop" principle.

According to the Company's customer experience surveys, in 2024, the Company was well rated by its customers for a clear information in payment notices, convenient bill payment and submission of meter readings, advance notification of preventive maintenance. In 2024, Vilniaus Vandenys paid great attention to the customer query management, therefore, the results of existing studies show the satisfaction of customers who contacted the Company regarding complaints grew over the year. In 2024, the Company's corporate customers, as the best aspects of the Company's services, identified not only a clear and convenient procedure for invoicing, settlement and meter reading submission, but also advance notification of the planned works.

In 2024, Vilniaus Vandenys conducted a customer's satisfaction survey for the eighth time. It was based on the GCSI (Global Customer Satisfaction Index) methodology, which is recognised globally and suits the public sector and monopolistic markets. More than 2,000 private and 500 business customers were interviewed during the survey.

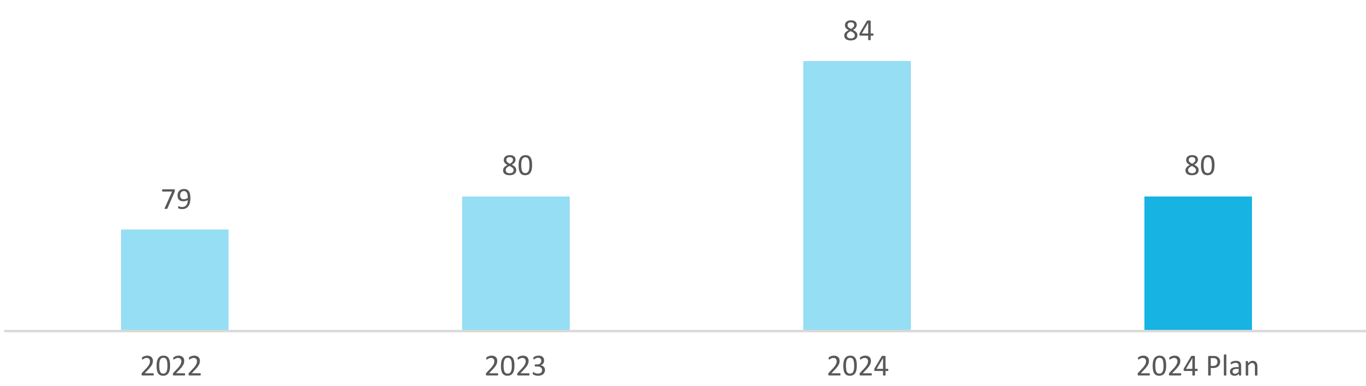
The survey showed that, in 2024, the satisfaction level of Vilniaus Vandenys' customers increased from 80 points in 2023 to 84 points in 2024. During the year, the Company successfully improved in all the aspects of the survey: overall satisfaction, compliance with expectations and comparison with the imagined ideal company. The overall customer satisfaction with the Company's services was as much as 13 points higher than the average rating of utilities provided in Lithuania.

The overall average of the quality and service aspects of the services (private customers- 20 aspects, business customers- 21 aspect) on the 10-point scale was 8.6. The survey showed that Vilniaus Vandenys' customers notice and appreciate the actions and efforts to improve the quality of services and servicing. The private customer complaint handling rating (5 points) and the business customer complaint handling rating (17 points) improved significantly over the year, indicating that both private and business customers have a better appreciation of how complaints are handled.

To improve customer experience and the Company's rating, in 2024, Vilniaus Vandenys implemented the following initiatives to increase customer satisfaction:

- Improved the Self-Service website login page, updated video instructions to further facilitate the use of Self-Service, and improved the functionality of the mobile version.
- Following the installation of a water meters, updated the information texts in payment notices and provided clarifications on smart water meter readings in the FAQ section of the website.
- Categorised customer queries according to urgency (e.g. accidents).
- Supplemented an automated response to the customer with a preliminary response time. Developed information notice templates for use in interim responses to lengthy queries.
- Set up a register to monitor and control customer claims.
- Organised campaigns to promote pure tap water, education campaigns on sustainable wastewater management, and excursions.
- Introduced a new type of drinking fountains tailored for business customers and office buildings.
- Implemented training programmes for employees and contractors to improve professional expertise, customer service and other competences.

GCSI (Global Customer Satisfaction Index) survey results 2022-2024 (scores)

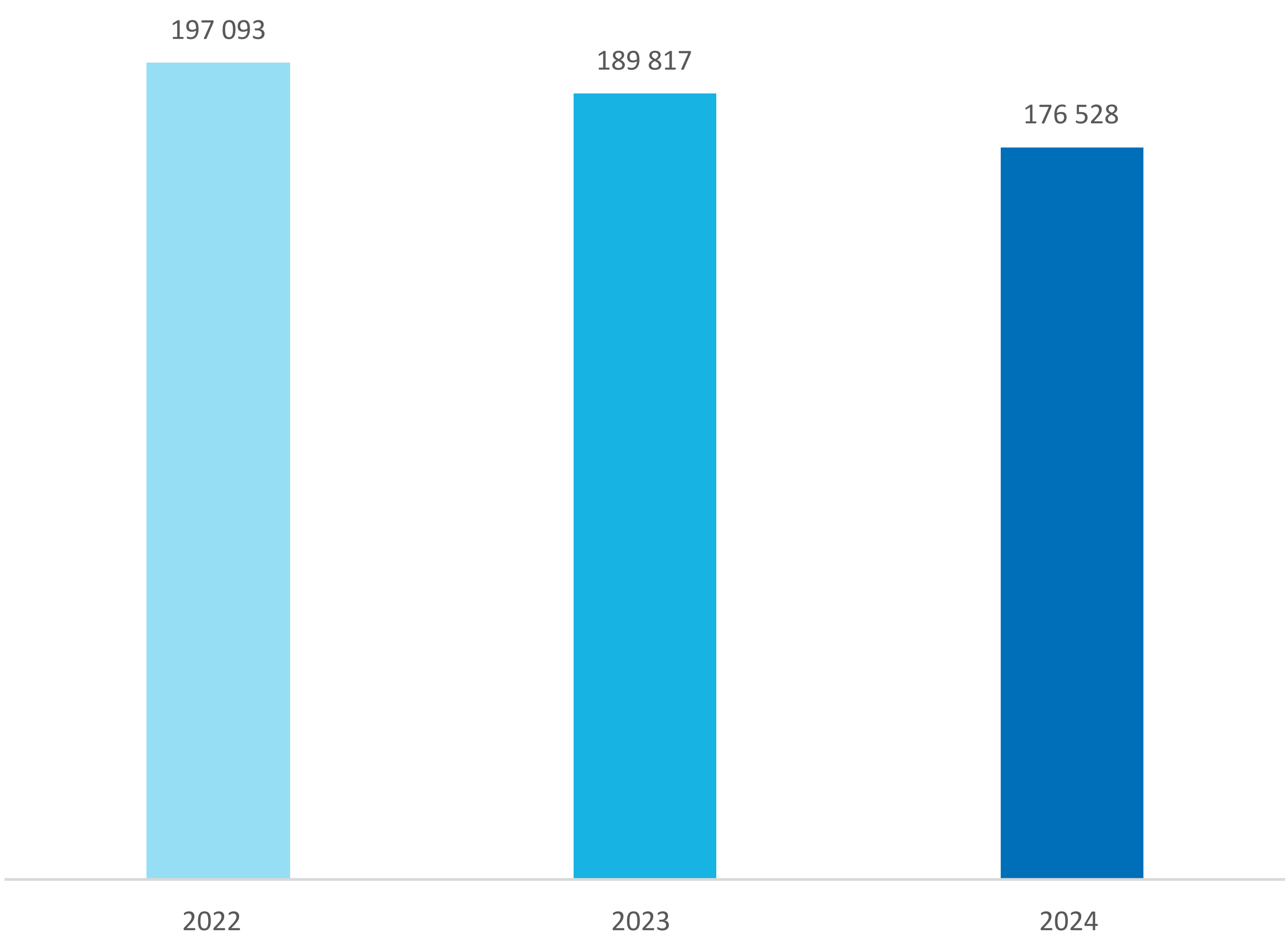


CUSTOMER QUERIES

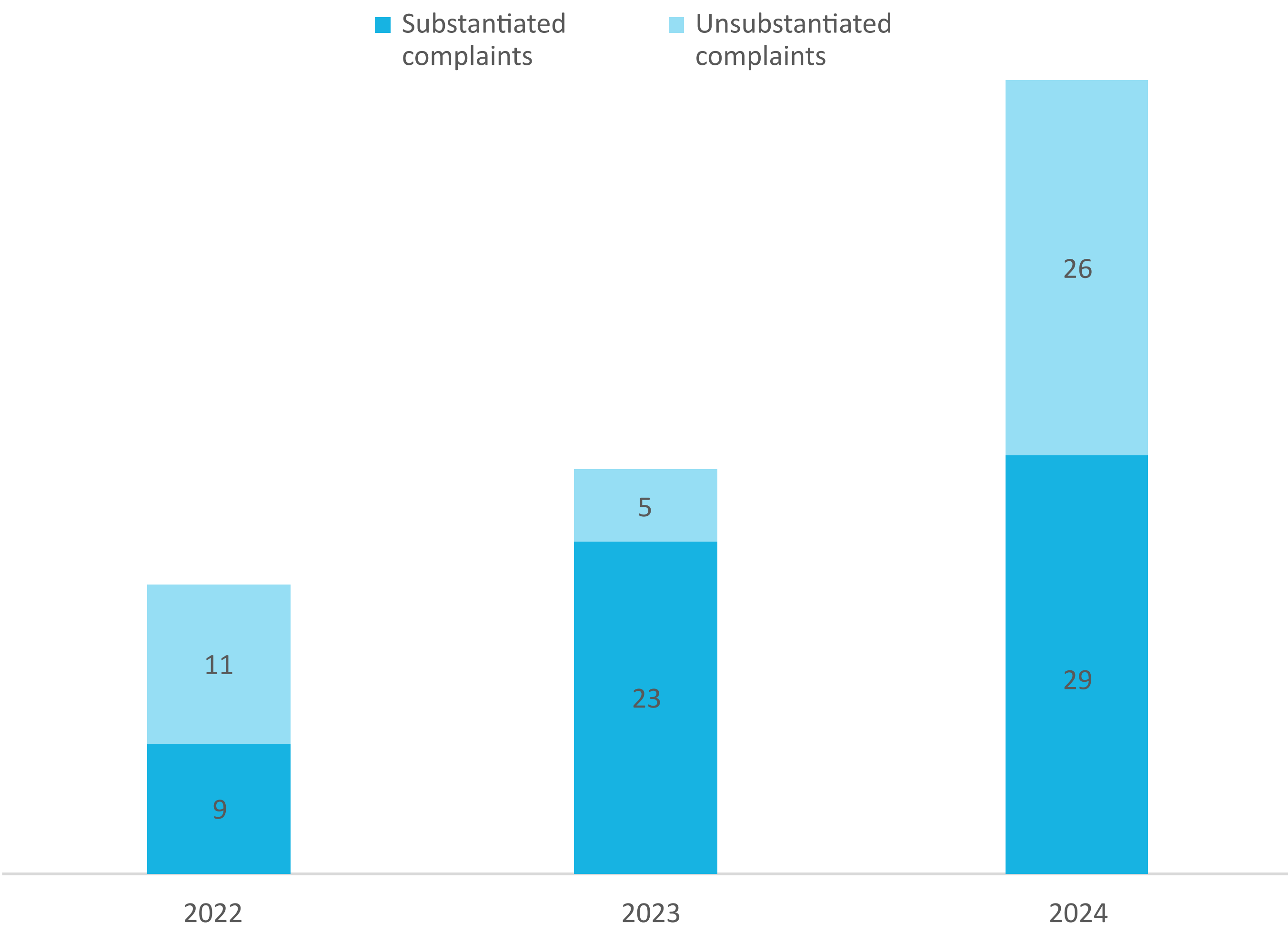
In 2024, Vilniaus Vandenys received 176,528 customer inquiries in writing, e-mail, by phone and in customer service centres. The number of inquiries decreased by 7% during the year. The main reasons for the decrease in inquiries: the elimination of redundant steps and modifications in the Company's processes for monitoring initial and recurring inquiries automating the allocation of queries, supplementing information on the website, in e-self-service and in communications, allowing customers to obtain relevant information without further contact with the Company.

In 2024, the Company received a total of 55 customer complaints, by 27 complaints more than in 2023, but, due to efforts in increasing efficiency of the process, the time taken to resolve complaints in 2024 was reduced on average to 4 calendar days, one day faster than in 2023. The increase in the number of complaints is attributed to the new complaint registration procedure adopted to improve the customer experience and to include more queries of a negative nature in the complaint handling process.

Dynamics of the Company's customer queries in 2022-2024



Customer complaint distribution in 2022-2024



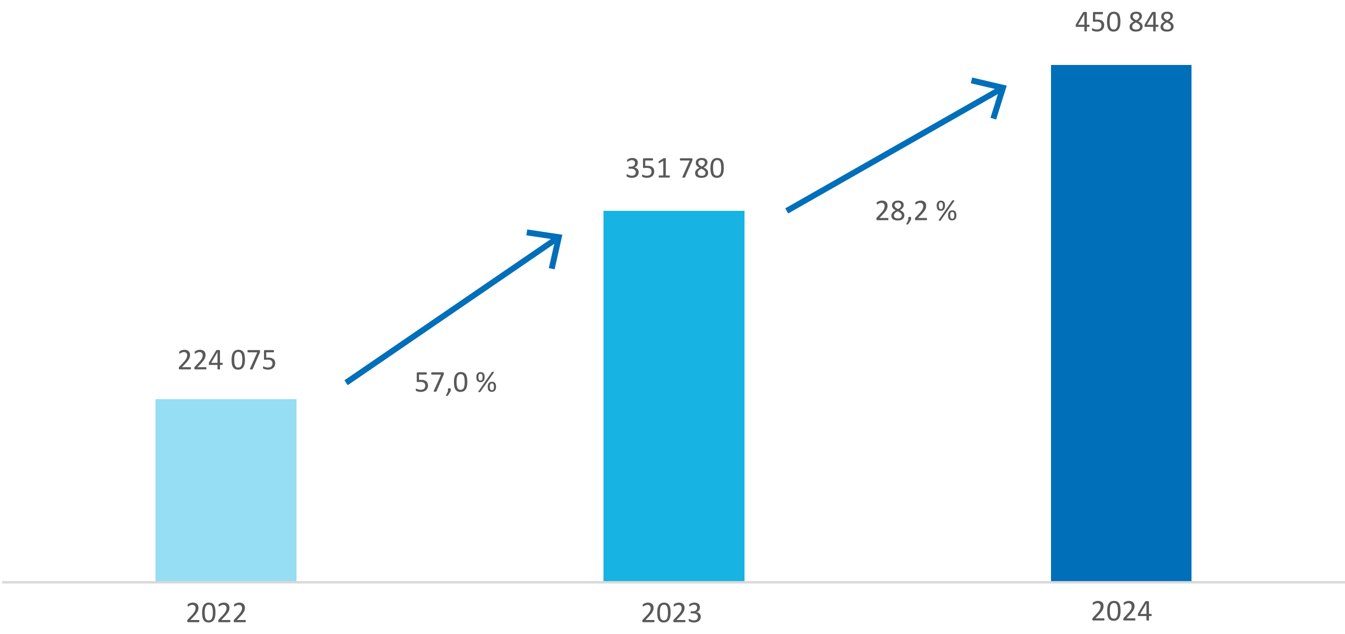
CUSTOMER SELF-SERVICE SYSTEM

In 2024, the Company placed major emphasis on installation of user-friendly solution in customer self-service website. Taking into account customer expectations, the following functionalities and system improvements were introduced:

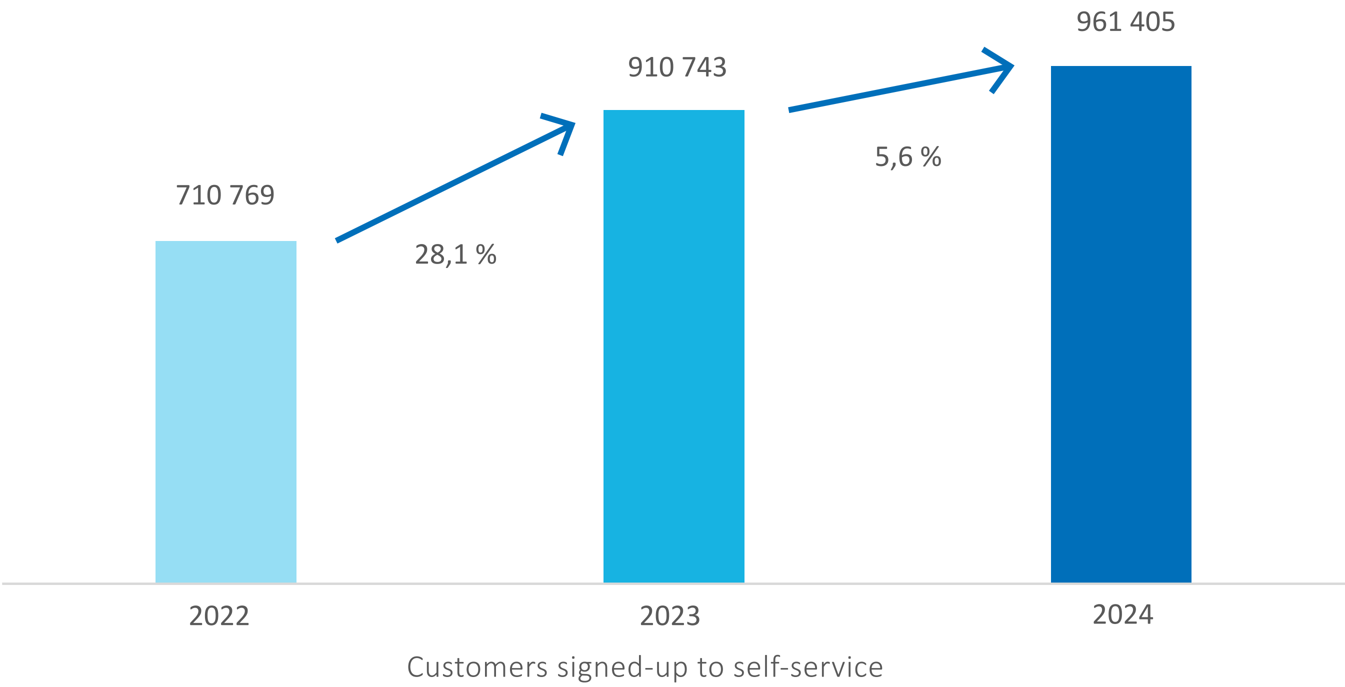
- The possibility was created to re-send unsigned Drinking Water Supply and Wastewater Management Contracts to customers and to sign them with a non-qualified signature in the easiest way possible- by clicking on "sign" in the letter, with the access to such contracts through the self-service portal.
- Self-service users are provided with the possibility to see more detailed information in the self-service login window about the Company's contact options, as well as with an easier access to video instructions on how to use self-service.
- The various text elements are accompanied by hints to help users better understand the information provided in the self-service portal.
- Updates to the mobile version include: the ability for customers to see the address of their property on the homepage of their account, as well as other improvements to the mobile version of the self-service that make it more user-friendly.

Improvements to the self-service system during the year helped increase the number of customers using the system, with a 6% increase in the number of visits compared to 2023, and a 28% increase the number of payments for services in 2024, compared to 2023.

Change in payments for services through the self-service in 2022-2024



Change in number of customers signed-up to self-service in 2022-2024



WATER METERING DEVICES AND READING CONTROL

In 2024, the Company inspected 21,938 objects aimed at verifying the correctness of water meter readings submitted and, in case of inaccuracies, to correct the data. Customers who do not submit their meter readings are charged and billed for services based on the average consumption during the last 12 months (average volume of consumed drinking water per capita per month during the last 12 months). In 2024, he customers not submitting their water readings accounted for 13.64%, whereas in 2023 and 2022 they accounted for 17.51%. .

In 2024, Vilniaus Vandenys maintained 370,366 water meters.

The service area for these devices comprised Vilnius, Nemenčinė, Pabradė, Švenčionys, Švenčionėliai, Šalčininkai and Eišiškės. At the end of 2024, in the territory serviced by Vilniaus Vandenys, there were 95% water meters owned by the Company. In 2024, a total of 74,165 metering devices were replaced, of which 73,721 were smart ultrasonic meters. These meters were installed as part of one of the most important strategic projects "Installation of Smart Water Supply Network".

Smart meters are rolled out in stages, according to the date of metrological inspection of mechanical metering devices, and their roll out will continue until all metering devices maintained by the Company are replaced with smart metering devices. The difference between smart ultrasonic meters differ and mechanical meters is that the smart meters remotely transmit reading to the information system, where they are collected and transmitted to the Company's internal systems, so that the Company can plan its operations more efficiently, and customers no longer have to submit their readings, as they are sent via narrowband IoT to the Company's data centre. This innovation helps to reduce water losses and locate emergencies in the internal networks of apartment buildings more quickly, and to eliminate the need for meter check, as the data is received automatically.

In 2024, a total of
74,165 metering devices were replaced,
of which **73,721 were smart ultrasonic meters.**

WASTEWATER CONTAMINATION CONTROL

In 2024, a total of 3,154 samples were collected during the inspections to check the level of contamination of wastewater discharged into the Company's networks (of which 314 samples were collected from wastewater carriers). This is an increase of 10% compared to 2023.

In 2024, Vilniaus Vandenys carried out 40 non-routine wastewater contamination control checks. The majority of non-routine queries were from customers declaring completion of decontamination actions and requesting a re-inspection of the wastewater contamination/determination of contamination parameters. The sample analyses identified 743 cases of above-normal contamination, but the levels were on average 10% lower than in 2023.

As part of the active wastewater contamination control efforts, in 2024, the Company collected EUR 1.87 million of charges on the increased and specific emission loads from companies and carriers. In 2023, the Company collected EUR 2,07 million of charges, and, in 2022, EUR 2,255 million. The data show a positive development – a reduction in the contamination of wastewater discharged to the Company's networks by industrial businesses.

CONNECTING NEW CUSTOMERS TO THE WATER SUPPLY AND WASTEWATER NETWORKS

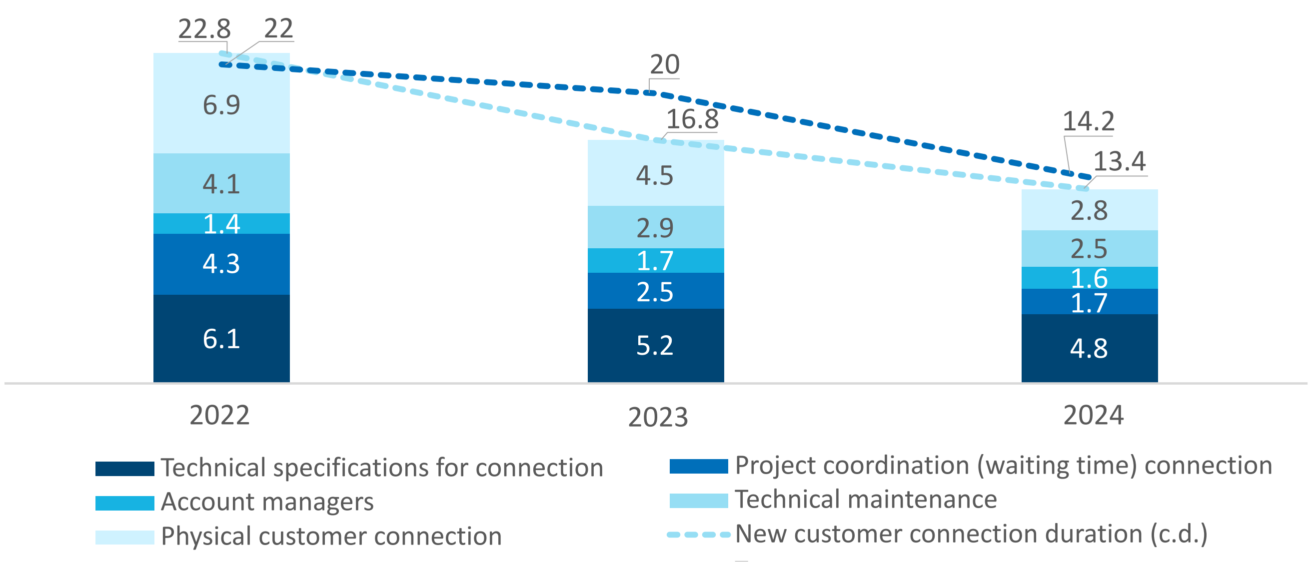
In 2024, the Company continued to work in this direction to ensure higher quality of service and faster deadlines for the completion of works. In 2024, the total time of new customer connection, excluding the duration of the actions to be carried out by the customer himself, was reduced by 20% compared to 2023, i.e. by 3.4 calendar days to 13.4 calendar days.

To improve the connection of new customers to its networks, in 2024, Vilniaus Vandenys took the following actions:

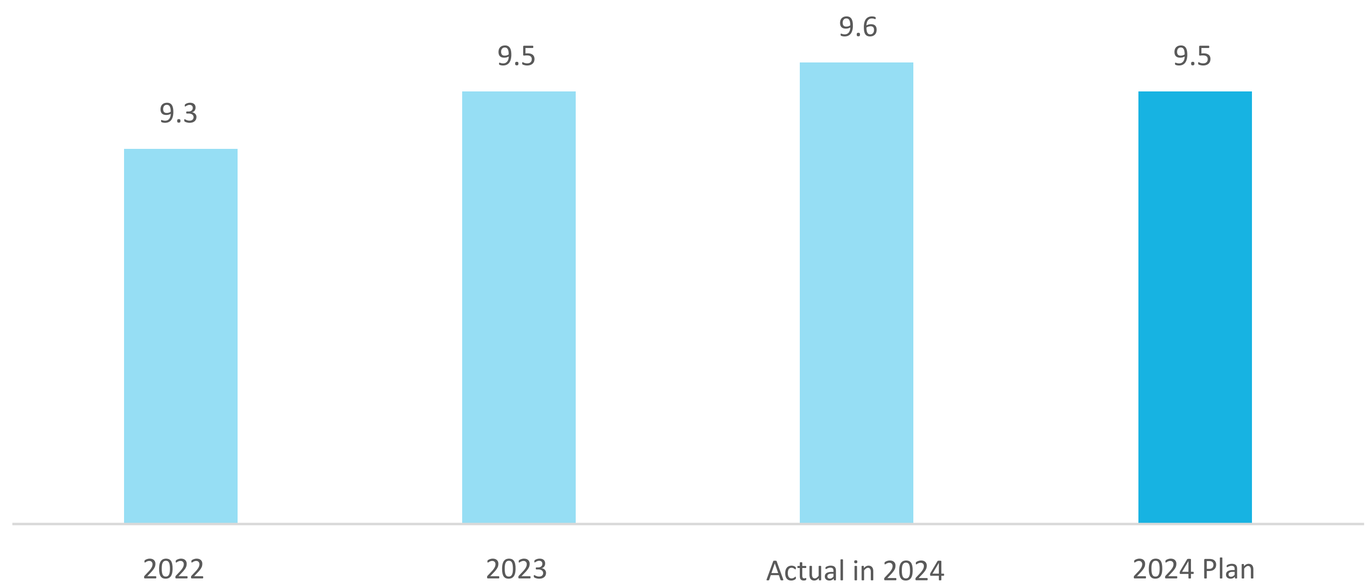
- The time to register projects for coordination reduced by 32% to 1.7 calendar days. In 2023, this time was 2.5 calendar days.
- The waiting time for the specialist employees of Vilniaus Vandenys reduced: maintenance engineers arrived at calls 15% faster and connection teams arrived in 38% less time compared to 2023.
- Call out for the Company's specialist employees to accept works and connect to the network is arranged during the first contact via telephone.

Effective management of customer expectations and reduced connection times led to an increase in new customer satisfaction scores. In 2024, Vilniaus Vandenys conducted the New Customer Connection Survey to measure the experience of a new customer when connecting to the Company's networks. The survey identifies, in real time, problem areas for customers that require improvement. By the efforts of the Company, the customer rating in 2024 was very good – 9.6 points out of a possible 10, an increase of 0.1 points compared to 2023.

Dynamics of new customer connection time in 2022-2024 (in calendar days)



Results of the New Customer Connection Survey in 2022-2024



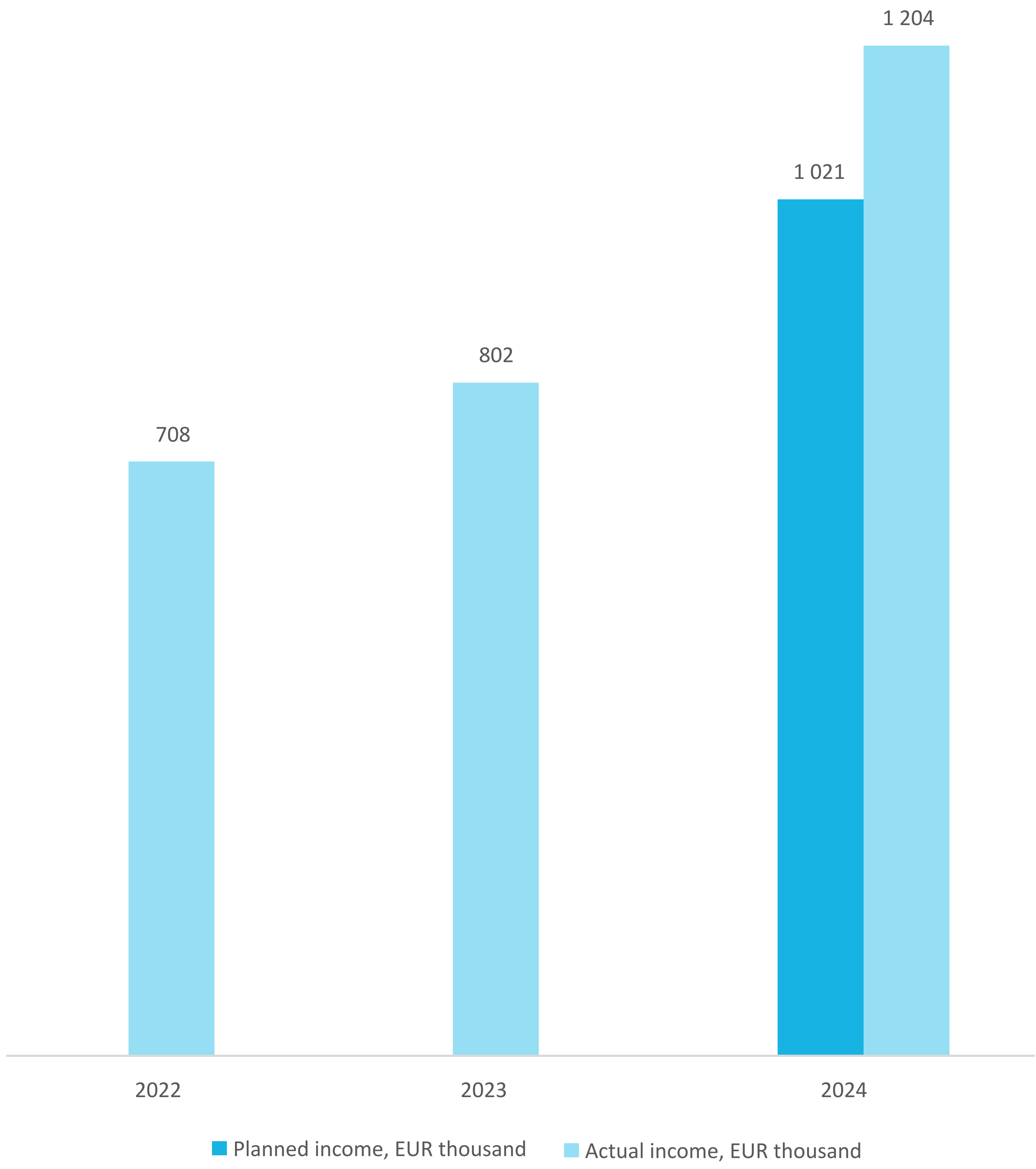
SERVICE PACKAGE

Vilniaus Vandenys offers a wide range of additional services to existing and new customers. In 2024, the Company's package of commercial services offered to private and corporate customers consisted of:

- Design of water supply and wastewater networks.
- Installation of water supply and wastewater networks.
- Preparation of a control geodesic picture.
- Water delivery.
- Wastewater transport with/without flushing.
- Hydraulic testing of water supply networks.
- Disinfection of water supply networks combined with water testing.
- Additional works in networks.
- TV diagnostics of wastewater networks.
- Water testing.
- Wastewater, ground water, sludge and soil testing.
- Transmission of water meter readings collected remotely.
- Non-routine metrological inspection of drinking water meters.
- Drinking water disconnection.
- Lease of mobile columns-drinking fountains.
- Lease of fog system.
- Lease of outdoor columns-drinking fountains.
- Lease of indoor columns-drinking fountains.

The Company's constantly expands and improves the basket of additional services to meet customer needs. In 2024, five commercial services were revised and updated (laboratory water and wastewater testing services, wastewater removal service (for businesses), water delivery service, water shut-off service).

Company's income from commercial services in 2022-2024 (EUR thousand)

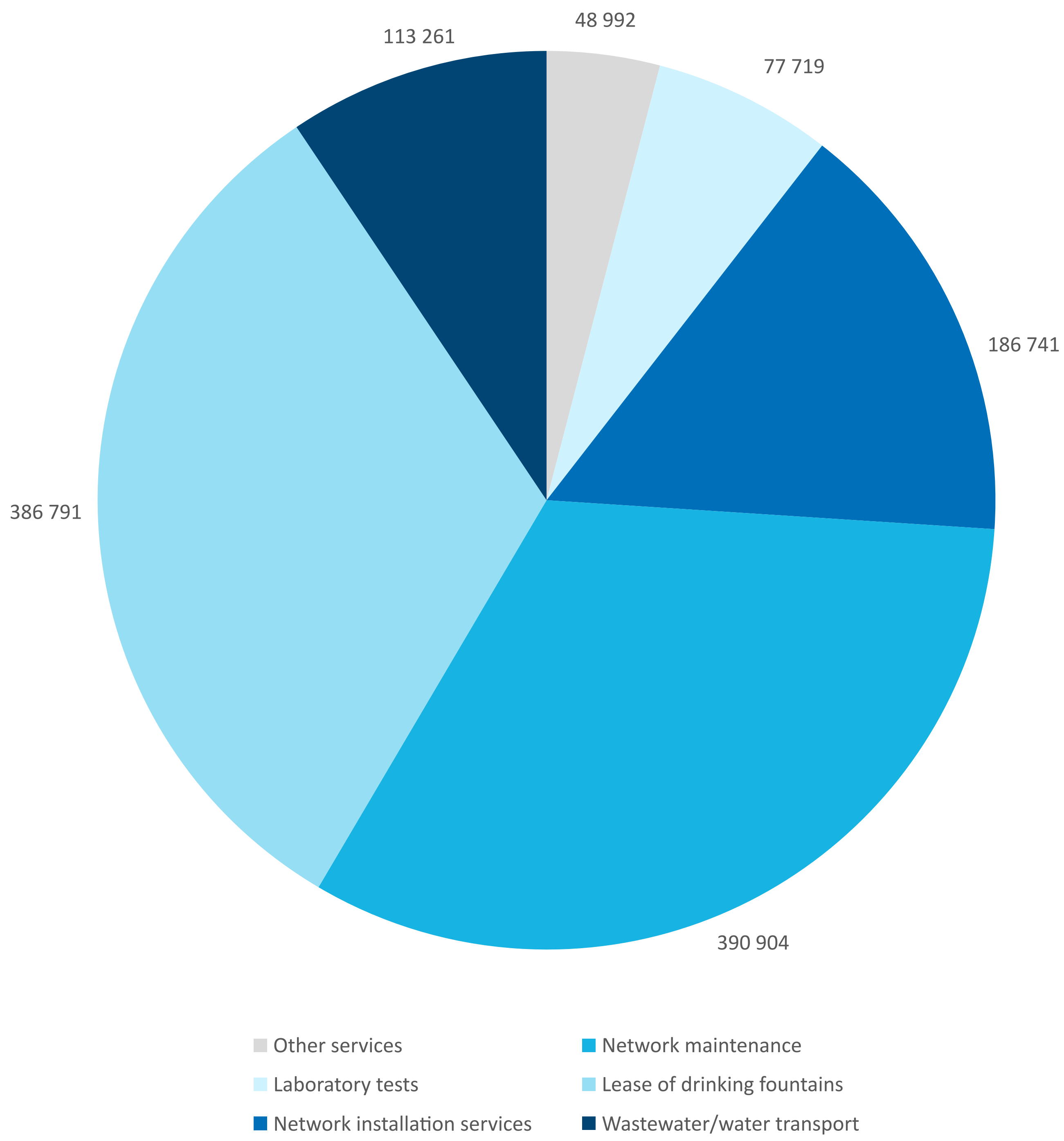


The main objectives of the Strategy for the Development of the Commercial Services Basket are closely linked to the Company's long-term strategy and are focused on ensuring high quality of service. Continuous monitoring of processes and the search for optimisation opportunities, as well as the analysis of the Company's other processes, systems and technologies, allows for changes creating value for the customers. The development of the basket of services also looks for innovative solutions that can improve the customer experience, reduce environmental impact, improve work productivity, and thus provide a more convenient, faster and higher quality services to customers. Innovation is pursued in both new and existing services, and across the service process, through new technologies and process optimisation.

The Company conducts surveys of customers who order commercial services to understand their opinion and expectations, and to ensure a high quality of services. It provides a real time guidance on a customer's experience with a particular service and prospects for its improvement. All this enables Vilniaus Vandenys to respond promptly and to adapt to customers' needs. The overall annual rating of the Company's auxiliary services offered in 2024 was 9.6 (out of a possible 10), whereas in 2022 and 2023 it scored 9.4.

The revenue from the basket of services is diversified, which minimises dependence on one or more services and reduces financial risk, while ensuring stability of revenue even in times of market volatility or seasonal changes. A wide range of services enables to adapt more effectively to changing market conditions, spread risks across different activities and maintain financial stability. In addition, a wide range of services contributes to customer satisfaction: by providing a wide range of services, the Company offers solutions that respond better to the customer needs.

Breakdown of the Company's annual income from commercial services (EUR)



CORPORATE GOVERNANCE REPORT

According to the Company's Articles of Association (publicly available on the Company's website under About us/Management/Corporate Governance Documentation), the Company's governing bodies are the General Meeting of Shareholders, the Board, a collegial governing body, and the General Manager, a single-person governing body. Vilnius City, Vilnius District, Švenčionys District and Šalčininkai District Municipalities are the shareholders of the Company.

In applying good governance practices, the Company is guided by Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 On the Approval of the Guidelines for Ensuring the Transparency of Activities of the State- owned Enterprises and Appointment of the Coordinating Authority (hereinafter the "Transparency Guidelines"). The Company publishes information on its website www.vv.lt in accordance with Chapter II of the Transparency Guidelines, and prepares and publishes reports, other documents relevant to the Company, as required by Chapter III of the Transparency Guidelines.

The Governance Policy of Vilniaus Vandenys approved by the Board sets out the Company's governance principles, defines the competences of the Company's bodies in dealing with corporate governance matters, and establishes the forms of cooperation between the governance bodies.

GENERAL MEETING OF SHAREHOLDERS, THE COMPANY'S BOARD AND AUDIT, RISK AND SUSTAINABILITY COMMITTEE

The General Meeting of Shareholders is the supreme management body of the Company. The General Meeting of Shareholders consists of representatives delegated by the municipalities of Vilnius City (ownership interest – 87.05% as of 31 December 2024), Vilnius District (5.10%), Švenčionys District (5.98%), and Šalčininkai District (1.87%).

The general meeting of shareholders has the exclusive right to elect members of the subsidiary body and to revoke its members. In 2024, six General Meetings of Shareholders were conveyed. The rights of the General Meeting of Shareholders are prescribed by the Company's Articles of Association, which are published on the Company's website under About us/Management/Management structure. There are no special rights or voting restrictions. The Company's Board consists of 7 members elected by the General Meeting of Shareholders for a term of office of four years. The Board elects its Chairman from among its members.

In performing its activities, the Company's Board is guided by the Law on Companies of the Republic of Lithuania and other legal acts, the Company's Articles of Association and the Rules of Procedure of the Board (document published on the Company's website, under About Us/Management/Corporate Governance Documentation/Operational Plans).

The general meeting of shareholders has the following core competences: the right to decide on the amendment of the Company's Articles of Association, elect members of the Management Board, elect and dismiss the audit firm, decide on the distribution of profit (loss), decide on the formation, use, reduction and elimination of reserves, decide on the increase of the issued capital and the right to make other decisions as provided for in the legal acts regulating the competence of the General Meeting of Shareholders.

On 28 April 2023, a new Board of Vilniaus Vandenys was elected (5 out of 7 members). The remaining members of the Board were elected on 23 April 2024 and 3 December 2024. The Board is composed of 29% women and 71% men, and 57% of the Board is made up of independent Board members.

Jurgita Petrauskienė

Chair, independent member of the Board

Other positions held

- Member of the Supervisory Board at AS Eco Baltia
- Member of the Board at Ecoservice (part of Eco Baltia Group)
- Member of the Board at Vilniaus Vystymo Kompanija

Education

- Vilnius Gediminas Technical University, Bachelor's degree in Transport Economics and Management
- Vilnius Gediminas Technical University, Master's degree in Business Management
- Baltic Institute of Corporate Governance, Board member education program (certificate)
- Baltic Institute of Corporate Governance, Board chair education program (certificate)
- ecoDa, European Board Diploma (certificate)

Rytis Ambrazevičius

Independent member of the Board

Other positions held

- President at Baltic Institute of Corporate Governance
- Chair of the Board at European Confederation of Directors' Associations (ecoDa)

Education

- Kaunas University of Technology, Bachelor's degree in Engineering
- Vilnius University's Vilnius International School, Master in Business Administration, International Trade, Marketing
- Baltic Institute of Corporate Governance, Board member education program (certificate)
- Baltic Institute of Corporate Governance, Board chair education program (certificate)
- Swiss Board School, University of St Gallen, Effective Direction and Control of International Companies and Organisations

Robertas Šerėnas

Independent member of the Board

Other positions held

- Director/partner at LEANERS
- Member of the Board at Vilniaus Viešasis Transportas
- Member of the Board at Vilniaus Atliekų Sistemos Administratorius (VASA)

Education

- Vilnius Gediminas Technical University, Bachelor's degree in Management
- Vilnius Gediminas Technical University, Master's degree in Management and Business Administration
- International Consortium for Agile (ICAgile), ICAgile Certified Professional

Vitalijus Orlovas

Independent member of the Board

Other positions held

- Director at Affidea Lietuva
- Member of the Board at Vilniaus Šilumos Tinklai
- Member of the Board at Association of Lithuanian Private Health Care Organisations

Education

- Vilnius University's Life Sciences Centre, Bachelor's degree in Biology
- Vilnius University's Vilnius International School, Bachelor's degree in International Business Management
- Vilnius University's Vilnius International School, Master's degree in International Business Management
- The London School of Economics and Political Science (LSE), Leadership Academy Program in Health Economics
- Harvard Business School Executive Education, Leading High Performance Healthcare Organizations

Lina Koriznienė

Member
of the Board

Other positions held

- Head of HR Department of the Vilnius City Municipality Administration
- Lecturer at VU Business School
- Member of the Board of Lithuanian Diversity Charter Association

Education

- Mykolas Romeris University, Law and Management, Master in Law
- Academy of Psychology, Practical Psychology (certificate)
- Baltic Institute of Corporate Governance, Board member education program (certificate)
- ecoDa, European Board Diploma (certificate)

Laurynas Jakubauskas

Member
of the Board

Other positions held

- Head of the Service Division at Vilnius City Municipality

Education

- Vilnius University, Business Management and Administration
- ISM University of Management and Economics, Executive MBA degree

Vytautas Palevičius

Member
of the Board

Other positions held

- Senior Advisor to Vilnius District Municipality Administration
- Associate Professor at Vilnius Gediminas Technical University, Faculty of Environmental Engineering, Department of Roads
- Assistant at Vilnius Gediminas Technical University, Faculty of Environmental Engineering, Department of Roads

Education

- Vilnius Gediminas Technical University, Bachelor's degree in Civil Engineering
- Master's degree in Urban Engineering Information Systems
- Vilnius Gediminas Technical University, PhD in Technological Sciences Vilnius Gediminas Technical University
- Technological Sciences, title of Associate Professor (Certificate of Associated Professor)

Members of the Board declare their interests in accordance with the procedure laid down by the Law on the Adjustment of Public and Private Interests of the Republic of Lithuania.

Candidates for independent board members meet the independence criteria established in the Description of Selection of the Candidates for the Collegial Supervisory or Management Body of a State or Municipal Enterprise, a State-Owned or Municipally-Owned Company or its Subsidiary approved under the Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015.

Elected Board members are engaged in the governance of the Company in accordance with the Board Set-Up and Board Member Engagement Policy, which is aimed at providing a new Board member with all the necessary information about the Company to enable the member to take-up his/her duties promptly and effectively from the moment of election, and defining the key principles and recommendations for the engagement of the Company and the existing Board in the process of selecting a new Board, or an individual Board member.

The key competences of the Board: elect and remove the Company's Chief Executive Officer; decide on the appointment and dismissal of the Company's head of internal audit, the setting of the remuneration of the head of internal audit, the approval of the internal audit work plan; consider and approve the Company's business strategy, the Company's objectives and indicators, the budget, the Company's annual report, the Company's management structure and the job positions of its employees, the agenda for the Company shareholders' meeting and the draft resolutions on the agenda, the Company's policies and codes; analyse and evaluate the organisation of the Company's activities, its financial position, information on the progress of the Company's business strategy, and carry out other functions established in the legal acts.

The Board has formed an Audit, Risk and Sustainability Committee from among its members by appointing three independent members of the Board.

The Company's Internal Audit Function is directly accountable the Board. The Internal Audit Division plans and coordinates its activities with the Board of the Company and the Audit, Risk and Sustainability Committee.

Board attendance in 2024

Member	Number of meetings*
Rytis Ambrazevičius	15/15
Robertas Šerėnas	15/15
Jurgita Petrauskienė	15/15
Vitalijus Orlovas	15/15
Lina Koriznienė	14/15
Laurynas Jakubauskas	9/9
Vytautas Palevičius	1/1

**Actual attendance/number of meetings to be attended by a member of the Board*

SUMMARY OF THE BOARD'S ACTIVITY REPORT FOR 2024

In 2024, 15 meetings of the Board took place in the Company.

The Board has implemented all the measures provided for in the Preliminary Action Plan 2024:

1. Setting and approval of the Company's long-term business strategy for 2025-2034.
2. Consideration of the Company's operational objectives.
3. Consideration and approval of the Company's annual budget;
4. Monitoring the implementation of the Company's Plan of Risk Management Measures and approval.
5. Analysis and evaluation of the Company's annual report, profit/loss distribution project and submission to the General Meeting of Shareholders together with feedback and proposals thereon and the Company's annual report.
6. Monitoring the implementation of the Company's most important ongoing projects.
7. Supervision and control of implementation of policies approved by the Board, supervision and control of implementation of other documents approved by the Board. Approval of policies.
8. Review of the Company's organizational structure.
9. Approval of procurement and monitoring of the procurement process parameters.
10. Monitoring of the Company's business strategy, performance plan and financial indicators.
11. Monitoring of the activities of the Audit, Risk and Sustainability Committee.
12. Monitoring the implementation of internal audit activities and recommendations.
13. Review and approval of the annual internal audit plan.

The monthly remuneration of the members of the Board is set as follows: the monthly remuneration of a civil servant serving as a member of the Board of Vilniaus Vandenys amounts to 1/4 of the average monthly remuneration set for the General Manager's of Vilniaus Vandenys; the monthly remuneration of an independent member of the Board serving as a member of the Board of Vilniaus Vandenys amounts to 1/3 of the average monthly remuneration set for the General Manager of Vilniaus Vandenys.

The Board has implemented all the measures provided for in the Preliminary Action Plan 2024

Estimated remuneration of the members of the Board during 2022-2024 for carrying out duties as the members of the Board

Member of the Board*	Date of signature of the performance agreement by the member of the Board	End of term of office	Remuneration in 2022, EUR	Remuneration in 2023, EUR	Remuneration in 2024, EUR
Miroslav Romanovski*	06/09/2019	19/04/2023	23226.53	8218.26	
Rytis Ambrazevičius	06/12/2019	19/04/2023	26859.43	10956.47	
Rytis Ambrazevičius	28/04/2023			27659.83	54506.40
Jurgita Petrauskienė	06/12/2019	19/04/2023	26859.43	10956.47	
Jurgita Petrauskienė	28/04/2023			27659.83	54506.40
Robertas Šerėnas	06/12/2019	19/04/2023	26859.43	10956.47	
Robertas Šerėnas	28/04/2023			27659.83	54506.40
Ilja Karužis*	18/11/2022	19/04/2023	3281.35	8218.26	
Vitalijus Orlovas	18/11/2022	19/04/2023	4374.65	10956.47	
Vitalijus Orlovas	28/04/2023			27659.83	54506.40
Lina Koriznienė	28/04/2023			20746.42	40879.80
Laurynas Jakubauskas	23/04/2024				29447.23
Vytautas Palevičius	03/12/2024				3538.71
			159705.26	**199866.40**	**291891.34**

** The members of the Board who are civil servants were not paid remuneration for carrying out duties as the members of the Board. Remuneration (before taxes) for carrying out duties as the member of the Board was paid to the relevant municipalities until 04/08/2022. As from 05/08/2022, civil servants receive remuneration in person in accordance with the amended Resolution of the Government of the Republic of Lithuania "On approval of the description of the procedure for payment of remuneration to members of collegial bodies of state and municipally owned enterprises".*

OPERATING POLICIES APPROVE BY THE BOARD

In carrying out its activities and implementing the objectives raised by the shareholders, the Company has established the basic operating principles and rules applicable in certain areas, which are defined in the Company's policies. All together they contribute to consistent and transparent operation of the Company, targeted and operational workforce and successful implementation of projects providing benefits to its customers and wider society.

Taking into account adopted policies in force, the Company's internal processes are continuously reviewed and improved, the policy implementation is being monitored, i.e. the Company's Management Council, Audit, Risk and Sustainability Committee and the Board are periodically made aware of matters relating to implementation of policies.

Company's policies approved by the Board and effective in 2024

Company operating policy	Policy objective	Policy implementation in 2024
Vilniaus Vandenys Policy for Occupational Safety and Health: Zero-Tolerance for Accidents at Work (updated on 18/08/2022) Darbuotoju-saugos-ir-sveikatos-nulines-tolerancijos-nelaimingiems-atsitikimams-darbe-politika.pdf (vv.lt)	The Policy is intended to ensure safe and healthy working conditions for employees in their workplaces, to prevent work-related injuries and occupational diseases of employees and to develop a global culture of fostering a safe and healthy environment in the Company, obliging every employee to pursue and contribute to this.	In 2024, the Policy implementation involved the following: • Attention was paid to training and incident prevention: 1,189 employees were trained, 415 of whom received practical training (the number of participants is not unique, as an employee may have attended more than one training session). • A whistleblowing system has been put in place, all incidents and accidents are promptly investigated to determine the root cause of the incident. • The control system is reinforced, with regular sobriety checks. • The external audit concluded that the maturity of the Company's Safety Policy and procedures and the overall maturity of the Company's safety culture is close to proactive, which means a mature organisational approach to implementing safety requirements beyond the obligations imposed by legal requirements. • The Company had undergone a scheduled inspection by the Lithuanian State Labour Inspectorate, which found no violations.
UAB Vilniaus Vandenys' Policy for the Management of Transactions with Related Parties (approved on 18/03/2025) Sandorių su susijusiomis šalimis valdymo politika.pdf (vv.lt)	The Policy is intended to govern the procedures for concluding, supervising and disclosing the Company's transactions with related parties, which would allow to properly assess the information provided by the Company in the financial statements and other reports, as well as conflicts of interest related to such transactions, and minimize the potential adverse effect of such transactions on the Company and its shareholders and parties unrelated to the transaction.	In 2024, the Policy was implemented in accordance with international accounting standards: IAS 1 Presentation of Financial Statements, IAS 24 Related Party Disclosures, and the Law on Financial Statements of Entities of the Republic of Lithuania. As part of this Policy, related party relationships and transactions are identified at the reporting date and disclosed in the notes to the financial statements.
Vilniaus Vandenys' Anti-Corruption Policy (updated on 17/08/2023) Antikorupcine-politika.pdf (vv.lt)	The Policy is intended to establish the main principles and requirements for corruption prevention and sets guidelines for ensuring compliance with them, thereby creating the prerequisites and conditions for the implementation of the highest standards of responsible and transparent conduct.	In 2024, the Policy implementation involved the following: • Updating Vilniaus Vandenys' Conflicts of Interest Management Policy. • Preparing the order provide examples of potential corruption risks that may occur in the structural units and/or the Company. • Updating the list of job positions for which a request is made to the Special Investigation Service of the Republic of Lithuania to provide information on a person seeking or holding a position in Vilniaus Vandenys. • Recording 15 (un)legitimate gifts received in the Registers of Gifts and Illicit Rewards, 10 of which were returned to their source or destroyed. • Updating the information on the Company's measures to create a corruption-proof environment, presented in the section on the Company's website "Creating an Anti-Corruption Environment in the Company".

Company operating policy	Policy objective	Policy implementation in 2024
Vilniaus Vandenys' Sustainability Policy (approved on 29/10/2024) Tvarumo politika.pdf (vv.lt)	The Policy is intended to set out the sustainability principles and guidelines for Vilniaus Vandenys, which will guide the design and development of sustainable operations.	The Sustainability Policy was adopted on 29 October 2024. Its implementation included: • Development of the methodology for calculating GHG emissions. • Double materiality assessment to clarify which sustainability topics are the most material for the Company. To ensure smooth and accurate disclosure of the indicators in line with the European Sustainability Reporting Standard, in 2024, these indicators were monitored on a monthly basis and reported to the Audit, Risk and Sustainability Committee on a quarterly basis. • Assessment of compliance with the EU Taxonomy Regulation.
UAB Vilniaus Vandenys' Compliance Policy (updated on 11/04/2024) Atitikties užtikrinimo politika.pdf (vv.lt)	This Policy is set to establish the compliance guidelines and direction, to define the compliance objectives, key principles, parts (components) and participants of the compliance system, and their functions and responsibilities, ensuring that all employees and stakeholders comply with applicable laws, rules, standards and internal regulations, promoting transparency, accountability and trust both within the Company and among stakeholders, contributing to the long-term success and sustainability of the business.	To ensure compliance, in 2024, the Company adhered to the following Policy principles: • Non-compliances are recorded and addressed in an updated centralised register, with the main objective of identifying and addressing the causes. • Compliance is part of the Company's business processes: it is assessed across all processes, continuously improved and enhanced. • Compliance is ensured though the Three Lines Model and the four-eyes principle. The Company's compliance is arranged in such a way that the resources allocated in a particular area are adequate to the risks arising and are directed first to the most important and priority areas.
Vilniaus Vandenys' Project Management Policy (updated on 23/01/2025) Projektu-valdymo-politika.pdf (vv.lt)	This Policy is aimed at standardising the Company's project management principles, ensuring effective monitoring and control of the projects implemented, timely decision-making and implementation of projects within the set time limits and budget, and achieving economic or other benefits.	In 2024, the Policy implementation involved the following: • Building the Company's project portfolio of 40 projects for 2024, conducting continuous monitoring of and reporting on the project portfolio performance to the Board for information. The portfolio implementation rate in 2024 was 95%. . • Changes were made to the Policy to further elaborate the responsibilities of the Project Owner, Senior Project Manager, to clarify the requirements for reporting to the Board on re-procurement, to clarify the process and actions for monitoring project progress and the project portfolio, and to increase focus on the identification and management of risks to project benefits realisation. The project management initiation phase was also revised and streamlined.

Company operating policy	Policy objective	Policy implementation in 2024
Vilniaus Vandenys' Human Resources Policy (updated on 21/11/2024) [Personalo-valdymo-politika.pdf (vv.lt)]	The Policy is intended to define the objectives and general principles guiding the Company in the field of people management by designing, maintaining and continuously improving the value and governance-based organization to ensure the implementation of strategic directions while maintaining sustainable key performance and efficiency indicators.	In 2024, the Policy implementation involved the following: • Reviewing and updating the Human Resources Policy. • Updating the Rules of Procedure. • Updating the staffing table. • Updating the Company's remuneration bands. • Extending the Collective Agreement. • Performing annual review of employee remuneration. • Expanding recruitment channels. • Signing agreements with high schools to implement apprenticeships. • Updating the onboarding of new employees and onboarding tools for new recruits.
Vilniaus Vandenys' Abuse and Harassment Prevention Policy (approved on 17/08/2023) Smurto-ir-priekabiavimo-politika.pdf (vv.lt)	The Policy is intended to ensure active involvement of the Company's employees in creating a friendly and human dignity respecting working environment that ensures equality and non-discrimination, to provide and implement effective prevention measures, and to help employees to understand the potential manifestations of violence and harassment in the workplace, to recognise their signs and to be aware of the legal remedies.	In 2024, the Policy implementation involved the following: • Employees received various training on the risks of violence and harassment and prevention measures.
Vilniaus Vandenys' Supplier Code of Conduct (updated on 29/10/2024) Tiekeju-elgesio-kodeksas.pdf	The Code is intended to define the general conduct of suppliers of Vilniaus Vandenys, the observance of which creates the preconditions and conditions for the implementation of the highest standards of responsible business conduct in the socially responsible supply chain (from raw materials to settlement).	In implementing the provisions of this Code, the Company ensures: Suppliers' commitment to environmental sustainability, human rights, occupational safety and sustainable business ethics. In 2024, the provisions of the Code were implemented by: • Setting environmental and sustainability requirements for providers in the Company's procurement procedures. • Communicating the rules on conflicts of interest management of Vilniaus Vandenys, advising partners on compliance with occupational health and safety requirements in their work and verifying their compliance.

Company operating policy	Policy objective	Policy implementation in 2024
Vilniaus Vandenys' Code of Ethics (approved on 16/06/2022) www.vv.lt/wp-content/uploads/2024/01/Etikos-kodeksas.pdf	The Code is intended to provide uniform general guidelines for the conduct of all employees, to outline the norms and principles of professional ethics of employees, to promote respect for the Company's values, to enable them to carry out their duties in a transparent manner and thereby promoting public confidence in the Company, and to enhance the Company's reputation and value.	To implement the provisions of the Code, in 2024, five internal legal acts were updated: • Vilniaus Vandenys' Personal Data Processing and Security Policy • Vilniaus Vandenys' Conflicts of Interest Management Policy • Vilniaus Vandenys Gender Equality and Diversity Policy • Vilniaus Vandenys' Confidential Information Management Policy • Vilniaus Vandenys' Sustainability Policy
Vilniaus Vandenys' Budget and financial accounting guidelines (updated on 15/02/2024) Biudzeto-ir-finansines-apskaitos-gaires.pdf (vv.lt)	The Policy is intended establish guidelines for Vilniaus Vandenys to maintain open, honest and constructive dialogue with stakeholders and to regularly submit reports on financial and non-financial activities, and to plan, control and use the Company's financial resources in rational manner.	In 2024, the Policy implementation involved the following: • The annual financial statements prepared for the year ended 31 December 2023 present fairly, in all material respects, the financial position of the Company as of 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union. • The updated long-term business strategy for 2025-2034 was approved by the Board at its meeting in December 2024. • The Operational and Development Plan for 2023-2027 was updated in Q1 2024 and approved by the Board. • In 2024, budget execution reports were submitted to the Management Council, presented to the Audit, Risk and Sustainability Committee, and budget execution indicators were presented to the Board. • The budget approved by the Board for 2024 was executed.
Vilniaus Vandenys' Confidential Information Management Policy (updated on 22/08/2024) www.vv.lt/wp-content/uploads/2025/01/KONFIDENCIALIOS-INFORMACIJOS-VALDYMO-POLITIKA.docx	The Policy is intended to establish a system for the identification, use and protection of confidential information, ensure the protection of information by establishing principles of confidential information protection, concepts used in the Policy and other documents ensuring the protection of confidential information, the system of management of information protection.	In 2024, the Policy implementation involved the following: • Periodic "clean desk and screen" and confidential information checks. • Periodic verification of assignment of user and administrator rights. • Periodic testing of and training on information security.
UAB Vilniaus Vandenys' Personal Data Processing and Security Policy (updated on 11/09/2024) Politika_VTA-I24-214-1.pdf	The Policy is intended to ensure the security and proper processing of personal data and the Company's compliance with the provisions of GDPR, the law and other regulations laying down the requirements for personal data processing and security, and to establish transparent and clear guidelines, responsibilities and accountability.	In 2024, the Policy implementation involved the following: • Approving Vilniaus Vandenys' Annual Plan for Compliance with Personal Data Security Requirements in 2024 and conducting personal data security checks. • Providing employees with the training on data security.

Company operating policy	Policy objective	Policy implementation in 2024
Vilniaus Vandenys' Policy for Operation of Infrastructure and Development Planning (updated on 21/06/2023) Infrastrukturos-eksploatavimo-ir-pletros-planavimo-politika.pdf (vv.lt)	This Policy is designed to develop guidelines for the efficient management of infrastructure in order to ensure the safe and uninterrupted provision of services.	In 2024, the Policy implementation involved the following: • Rating the status of the existing infrastructure in an asset management system (AMS) for drawing up investment plans for infrastructure reconstruction/modernisation.
Vilniaus Vandenys' Procurement Policy (updated on 25/02/2025) Viesuju-pirkimu-politika-2022-1.pdf (vv.lt)	The Policy aims at establishing the basic mandatory guidelines for the organising and conducting public procurement in the Company in accordance with the law and other regulations, and achieving the Company's strategic objectives.	In 2024, the Policy implementation involved the following: • Increasing efficiency and standardization of the procurement process. • Conducting transaction screening to ensure compliance with the requirements for infrastructure of strategic importance. • The application of the price-quality criterion resulted in 73.6% of the total value of purchases based on price-quality ratio. • Selecting and thoroughly verifying 13 public procurement contracts based on materiality criteria to ensure preventive procurement contract performance monitoring.
Vilniaus Vandenys Quality Management Policy (updated on 11/04/2024) Kokybes-vadybos-politika.pdf (vv.lt)	The Policy defines the purpose, principles and responsibilities of the Company's quality management to ensure the proper functioning of the quality management system.	In 2024, the Policy implementation involved the following: • In 2024, the Company continued to develop the Culture of Continuous Excellence based on the LEAN management system. • On a periodic basis, the Company sets objectives and targets delivering on the principles of quality management, delegated from the top management to each employee and reflected in their annual goals. Annual goals for all employees were set in Q1 2024 and reviewed from July to August, and their performance will be assessed in Q1 2025. • Conducting the ISO 9001, 14001 and 45001 audit, which found the management system to be fully effective according to the requirements of the standard. • Documents of 64 processes were updated in 2024.
Vilniaus Vandenys' Environmental Protection Policy (updated on 23/01/2025) Aplinkos-apsaugos-politika.pdf (vv.lt)	The Policy defines the purpose, principles and responsibilities of the Company's environmental protection to ensure the proper functioning of the environmental protection system.	In 2024, the Policy implementation involved the following: • Following the inspections, the controlling institutions issued conclusions on the conformity of the Company's activities with the established requirements, i.e. that compliance is ensured. • Following the external audit of the Company's management system against the requirements of ISO 14001:2015, a summary assessment was obtained confirming effectiveness of the Company's management system and compliance with the applicable requirements. • By focusing on improving the efficiency of the wastewater treatment process, in 2024, emissions into the environment were reduced by 298 t. • The Company observed the principles set out in the Policy, and its decisions consistently reduced negative environmental impacts.

Company operating policy	Policy objective	Policy implementation in 2024
Vilniaus Vandenys' Conflicts of Interest Management Policy (updated on 21/11/2024) www.vv.lt/wp-content/uploads/2024/11/Interesu-konfliktu-valdymo-politika.docx	The Policy is aimed at creating consistent and good practice-embedded framework for management of interests in the Company to ensure disclosure of the private interests of persons declaring their interests, objectivity and impartiality of the decision-making process, prevent conflicts of interest and the spread of corruption, as well as create an environment that is resilient to corruption and builds trust in the Company.	In 2024, the Policy implementation involved the following: • Updating the Company's Conflicts of Interest Management Policy. • Updating the list of job positions for which the declaration of private interests is required. • Four employee recusals from the preparation, consideration or adoption of a decision and six written prior recommendations on recusals. • The Company's website was updated with information on the measures implementing the Law on the Harmonisation of Public and Private Interests, as well as information on the recusal of the Company's General Manager.
Vilniaus Vandenys' Risk Management Policy (updated on 18/03/2025) Rizikų valdymo politika.pdf (vv.lt)	The Policy is aimed at defining the principles and responsibilities of the Company's risk management, and maintaining a unified risk management system.	In 2024, the Policy implementation involved the following: • Risk management activities were integrated with Business Continuity activities. The processes are interlinked and run in parallel. The risk assessment identified business continuity vulnerabilities, therefore business continuity tasks were added to the Plan of Risk Management Measures for 2025. • In May-June 2024, all the Company's risks were reassessed and a Plan on Risk Management Measures for 2025 was prepared and approved by the Board of Directors at its meeting on 29 October 2024. • In September 2024, KRIs were updated and supplemented with KRIs for risks under further scrutiny. Each month, KRIs are presented to the Management Council and the Audit, Risk and Sustainability Committee, together with the financial results, and to the Board together with the relevant events. • Quarterly monitoring of the Plan on Risk Management Measures is communicated to both the Management Council and the Audit, Risk and Sustainability Committee.
Vilniaus Vandenys' Information Security Policy (updated on 14/09/2023) Informacijos saugumo politika.pdf (vv.lt)	The Policy is aimed at establishing the principles of the Company's information security management, identifying effective directions for ensuring security to manage information security risks, and to ensure compliance with the NIS2 Directive and other the EU and Lithuanian legislation.	In 2024, the Policy implementation involved the following: • Attending the national cyber security exercises PhishEx and OpEx of the Cyber Shield 2024. Testing for intrusions into the Company's infrastructure. • Performing assessment of gaps (deficiencies) between NIS2 Directive and ISO 27001. • Conducting the information security risk assessment. Selecting additional risk management tools for critical and high risks, and starting measuring KRI's. • Conducting social engineering campaigns using different methods: phishing, vishing, smishing. All employees and the Board members of the Company took part in the tests. • Organising mandatory cybersecurity training. • The Board gave its consent to create of a new job position of a Head of Cybersecurity.

Company operating policy	Policy objective	Policy implementation in 2024
Vilniaus Vandenys' Innovation policy (updated on 19/03/2024) Inovaciju-politika.pdf (vv.lt)	The Policy is aimed at setting the innovation direction and guidelines to follow when establishing and developing innovative activities of Vilniaus Vandenys, and defining the functional roles and responsibilities of the persons involved in innovation processes.	In 2024, the Policy implementation involved the following: • The Company approved EUR 2 million investments into new innovation projects. • Investments in technological innovations amounted to approx. EUR 13 million, including investments in the reconstruction of the Vilnius Wastewater Treatment Plant. • Pilot projects: testing the application of ice-pigging method in pipe flushing, using drones to inspect and assess building roofs and exteriors, using filters with permanent filter medium to trap odours from wastewater wells, etc.
Vilniaus Vandenys' Dividend Policy (updated on 29/10/2024) Dividendu-politika.pdf (vv.lt)	The aim of the Policy is to have a clear dividend calculation mechanism, to maintain the balance between the shareholders' goal to maximise returns and the Company's sustainable grow, ensuring the implementation of set strategic goals and the provision of services of the highest quality and of optimal price.	In 2024, the following were undertaken: • Updating the Company's Dividend Policy. It was supplemented by the provisions requiring the proposal on dividends to take into account profit from non-regulated activities, NERC's resolutions, the shareholders' letter of expectations, a minimum equity ratio of 2% or more, and the allocation of 50–75% of the distributable profit to dividends. • No dividends were paid in 2024 for the results of 2023. There was no possibility to distribute dividends due to the priority given to delivering the significant investments foreseen in the Company's long-term strategy for 2024-2033 and to rebalancing the borrowing appetite.
Vilniaus Vandenys' Governance Policy (updated on 11/09/2024) Valdysenos-politika.pdf (vv.lt)	The Policy is intended to set out the principles of governance, to define the competence of the Company's bodies in dealing with corporate governance matters in accordance with the Lithuanian legislation, the Company's internal legislation and the good governance practices, to achieve the Company's sustainable objectives.	In 2024, the Policy implementation involved the following: • In 2024, sessions to update the Company's strategy were held and attended by all Board members. • In 2024, meetings were held between the Company's Board and management and shareholders to present the Company's activities and discuss shareholders' expectations. • The Governance Coordination Centre (GCC) carried out a Good Governance Assessment of Vilniaus Vandenys for 2022-2023. The Company received A+ rating. • Conducting the annual Board self-assessment to identify areas for improvement and agree actions for the Board's performance improvement. • In 2024, the Board assessed the implementation of the Company's policies, with 16 policies being updated during its meetings.

Company operating policy	Policy objective	Policy implementation in 2024
Vilniaus Vandenys' Stakeholder Relations Management Policy (approved on 05/07/2022) Suinteresuotu-saliu-santykiu-valdymo-politika.pdf (vv.lt)	The Policy is intended to define the principles for building and maintaining the relationship between stakeholders and the Company, the key actions for the relationship management, and to determine the employees responsible for managing this relationship within the Company.	In 2024, the Policy implementation involved the following: • Developing and implementing the stakeholder management plan. • The Company's Corporate Reputation Index survey for 2024, conducted the independent valuers: During the year, the reputation of Vilniaus Vandenys improved by 15 points to 19. The survey involved some community interest groups (decision-makers from the public and business sector, opinion leaders from various industries.
Vilniaus Vandenys' Investment Policy (approved on 18/03/2025) Investiciju-politika.pdf (vv.lt)	The Policy is intended to govern the fundamental principles for selecting, managing the Company's investments and monitoring their performance for financial, social and economic or other benefit (e.g. protecting environment, maintaining business continuity, attracting funding, improving the Company's image, increasing municipal involvement).	In 2024, the Policy implementation involved the following: • The implementation of the policy (selection and management of investments, monitoring and the benefits achieved) was presented to the Board.
Vilniaus Vandenys' Business Continuity Policy (updated on 21/06/2023) Veiklos-testinumo-politika.pdf (vv.lt)	The Policy is intended to define the principles and responsibilities of the business continuity management system of Vilniaus Vandenys to develop relevant business continuity plans ensuring uninterrupted provision of services.	In 2024, the Policy implementation involved the following: i: • Business continuity activities were integrated with risk management activities. • The risk assessment includes an annual Business Impact Analysis (how long the business can continue without specific processes and the time required to recover processes during interruption). Last year (2024), the analysis was carried out in June. The results of the Business Impact Analysis are almost the same as in 2023 (when comparing critical processes with a recovery time of less than or equal to one day). Few additional processes were assessed, but they fall outside the scope critical processes. • The first three Business Continuity Plans for critical processes (water abstraction, wastewater collection, wastewater treatment) were developed and approved. The plans are tested in a table-top exercise. After the testing, the plans were updated and coordinated. • Based on the results of the Business Impact Analysis, the development of Business Continuity Plans and the updating of existing documents for critical processes were planned. Additional six plans have already been developed and are being coordinated. • Heads of the units concerned received training on business continuity plans.

Company operating policy	Policy objective	Policy implementation in 2024
Vilniaus Vandenys' Policy for Strategic Planning and Monitoring (updated on 19/03/2024) Strateginio-planavimo-ir-stebesenos-politika-.pdf (vv.lt)	The Policy is intended to define the main phases of strategic planning and monitoring of Vilniaus Vandenys, to determine the parties involved and their responsibilities, the main deadlines and frequency for preparation of planning and monitoring documents, the content requirements, and the management and monitoring measures.	In 2024, the Policy implementation involved the following: • Tracking progress towards strategic goals and targets on monthly basis (using the Hoshin Kanri X-Matrix method). • The Company's strategy is updated annually on a 10-year rolling basis to anticipate and prepare properly for future changes. In December 2024, the Board approved an updated strategy for 2025-2034.
General Manager's Performance And Development Policy (approved on 19/03/2024) GENERALINIO-DIREKTORIAUS-VEIKLOS-VERTINIMO-IR-TOBULINIMO-POLITIKA.docx	The Policy is intended to set basic principles and process for evaluating General Manager's performance to identify areas for improvement in the organisation of the Company's work and to establish measures for improving General Manager's performance.	In 2024, the Policy implementation involved the following: • Evaluation of General Manager's performance. • Assessment of General Manager's management, leadership and leadership competences. • Drawing up General Manager's performance improvement plan for 2024.
Equal Opportunity and Diversity Policy (approved on 19/03/2024) www.vv.lt/wp-content/uploads/2024/03/Lygiu-galimybiu-ir-ivairoves-politika.pdf	The Policy is intended to regulate the principles of promotion, implementation and enforcement of equal opportunity and diversity and the main measures for the implementation of these principles at the Company.	In 2024, the Policy implementation involved the following: • Various training sessions on equal opportunities and diversity awareness were organised for employees. • In May 2024, Vilniaus Vandenys joined DUOday, the Europe-wide job shadowing initiative, where the Company opened its doors to people with disabilities, inviting them to try out new professions and job roles. • In September 2024, the Equal Opportunity Ruler, an equal opportunities and diversity survey, was carried out on the Company's initiative. The survey scored at 7.7.
Vilniaus Vandenys' Board Set-Up and Board Member Engagement Policy (updated on 08/05/2024) VTA-I24-110.pdf	To actively contribute to the selection process for Board members carried out by the shareholders and to ensure that the Board's composition and performance best meet shareholders' expectations and the long-term objectives of the Company, and that new Board members are provided with all the necessary information about the Company to enable them to take up their duties as quickly and effectively as possible, this Policy sets out the key principles and guidelines, and provides recommendations for the selection and engagement of the Board members.	In 2024, the Policy implementation involved the following: • The shareholders' meetings elected two new Board members. The Board member selection procedures followed the principles set out in the Policy. The elected Board members were: • provided with information about the Company's activities; • provided with information about the operating procedures of the Board; • provided with information about units of the Company, their functions and responsibilities.

*** Article 33(5) of the Law on Companies of the Republic of Lithuania: The board shall perform its functions for the period laid down in the articles of association or until a new board is elected and commences its activities, but not for longer than an annual general meeting of shareholders to be convened during the final year of its term of office.*

AUDIT, RISK AND SUSTAINABILITY COMMITTEE

By the Board decision of 12 June 2024, the functions of the Audit and Risk Committee were expanded and the name of the Committee was changed to the Audit, Risk and Sustainability Committee, and the Terms of Reference of the Committee were approved, supplemented by sustainability reporting oversight functions (document published on the Company's www.vv.lt, under About Us/Management/Members of the Audit, Risk and Sustainability Committee). The Audit, Risk and Sustainability Committee reports to the Company's Board, the term of office of the Board members coincides with that of the Company's Board.

As of 31 December 2024, the Audit, Risk and Sustainability Committee of Vilnius Vandenys consisted of the following members:

1. Rytis Ambrazevičius, an independent member of the Board, a chair of the Audit, Risk and Sustainability Committee.
2. Jurgita Petrauskienė, an independent member of the Board, a member of the Company's Audit, Risk and Sustainability Committee.
3. Robertas Šerėnas, an independent member of the Board, a member of the Company's Audit, Risk and Sustainability Committee.

The Company's Audit, Risk and Sustainability Committee has developed guidelines for the evaluation of its activities to keep them in line with good governance practices and the highest standards of corporate governance. The guidelines aim to identify areas for improvement by organising the work of the Audit, Risk and Sustainability Committee and to identify actions for improving the efficiency of its work.

SUMMARY OF THE AUDIT, RISK AND SUSTAINABILITY COMMITTEE'S ACTIVITIES IN 2024

The Audit, Risk and Sustainability Committee held 12 meetings in 2024, one of which was devoted to the self-assessment of activities in 2023. All three members of the Audit, Risk and Sustainability Committee were in attendance in all meetings, the quorum was present. The notice of the meetings being convened and agendas were submitted to the members of the Audit, Risk and Sustainability Committee in writing. All meetings were convened by the decision of Rytis Ambrazevičius, a chair of the Audit, Risk and Sustainability Committee.

In implementing Action Plan for 2024, the Audit, Risk and Sustainability Committee achieved the following objectives:

Monitoring of the Company's business planning and financial position.

Monitoring of the Company's business planning and financial position involved:

- Consulting the Company's financial and operational reports on regular basis, discussing deviations from plans and reason thereof, forecasts for future periods, compliance with financial covenants, key financial risks and expected management measures.
- Reading the draft Dividend Policy Amendment, providing suggestions for improving the policy, discussing dividend payment practices in state- and municipal-owned enterprises, and the need to ensure stable dividend yields and changes in the regulatory environment.
- To facilitate the coordination of the Company's budget in the Board in 2025, supervising the preparation process and discussing budgeting assumptions, risks and their management.
- Reading the draft Sustainability Policy and making suggestions for additions to the provisions.
- Discussing the updated Company's Operational and Development Plan for 2023-2027, its differences from the original version, the relevance of the plan in the context of the discussions with NERC on the amount of the investment price component, the Company's borrowing capacity, the preliminary targeted financing structure for investments, and the impact on the price of services.
- Presenting the report on the verification of regulated activities for FY 2023 and discussing the added value of these verifications for the Company.

Monitoring the financial and sustainability reporting and audit processes

Monitoring of the financial and sustainability reporting and audit process involved:

- Presenting the set of the financial statements for the year ended 31 December 2023, discussing with the audit firm Ernst & young Baltic UAB the financial statements for the year ended 31 December 2023 and the drafts of the auditor's opinion, the audit process, auditor's independence, audit materiality, issues raised.
- Discussing the plan for the audit of the financial statements for 2024 with the representatives of Ernst & Young Baltic UAB and the Company, and answering the questions raised by the auditors.
- Monitoring of the Company's preparations for sustainability reporting, discussing with the Company's representatives the quarterly sustainability reporting results, plans for sustainability reporting in 2024 and 2025, and the double materiality assessment.
- Reviewing the procurement material for the selection of the auditor for the Company's sustainability reporting for 2024, discussing with the Company's representatives the applicable requirements, the proposed provisional prices, the estimated timeframes for the procurement procedures and the provision of the services.
- Reviewing information on the planned procurement of audit services for financial and sustainability reporting for the period 2025-2026, discussing the market of the audit of the financial statements and the limited assurance engagements on sustainability reporting, the requirements for potential suppliers and the criteria for evaluating proposals.

Monitoring the effectiveness of the Company's internal control and risk management systems

Monitoring of the Company's internal control and risk management system effectiveness involved:

- Monitoring the implementation of the Plan of Risk Management Measures on periodic bases, and discussing the risk assessment and updates to the plan for risk management measures with the Company's representatives. Improving the system for monitoring risk exposure through KRIs, in line with the suggestions of the Audit, Risk and Sustainability Committee.
- Monitoring the implementation of the recommendations of the National Cyber Security Centre, discussing additional information security measures with the Company's representatives, conducting social engineering tests, educating employees on information security issues, testing for intrusions, and making preparations for the implementation of the NIS2 Directive.
- Discussing the corruption risks' assessment, the regulation of the Company's anti-corruption environment, the planned cooperation of the Anti-Corruption Environment Specialist with the Internal Audit Department in assessing processes, sustainability reporting indicators in the area of corruption, and presenting the recommendations on the risk formulation and other aspects of the assessment.
- Reading an overview of the Trust Line reports, and discussing the Trust Line administration issues and the actions taken to address them.
- Reviewing the draft updates of the Confidential Information Management Policy and Conflicts of Interest Management Policy and making suggestions made on their content.
- Discussing with the external expert the results of the external evaluation of the occupational health and safety system, the maturity assessment, the expert's suggestions, the measures to be implemented, and the performance monitoring indicators.
- Reviewing with the implementation of the Business Continuity Policy, the development and testing of Business Continuity Plans. Highlighting the need for exercises on the operation of functional business continuity plans.
- Discussing with the responsible process owners the management of assets, business processes, processes for ensuring physical security, compliance, personal data protection requirements and other processes, and exploring the possibilities and planned actions to improve the performance of the Meter Reading Division, Emergency Response Department, the Laboratory, the Company's property management and other activities. Members of the Audit, Risk and Sustainability Committee made proposals, within their field of competence, to improve the internal control and risk management systems in the areas discussed.
- Discussing the indicators of the pollution remediation in the reconstructed Vilnius and Švenčionys wastewater treatment facilities, technological problems and the need for additional actions.
- Reviewing the Company's existing and planned insurance products, and discussing the need and conditions for acquiring the insurance.

Estimated remuneration of the members of the Audit, Risk and Sustainability Committee during 2022-2024 for the performance of the duties of the members of the Audit, Risk and Sustainability Committee was as follows:

Audit, Risk and Sustainability Committee*	Date of signature of the performance agreement by the member of the Committee	End of term of office	Remuneration in 2022, EUR	Remuneration in 2023, EUR	Remuneration in 2024, EUR
Laura Joffė	13/12/2019	06/05/2022	3381.82		
Rytis Ambrazevičius	13/12/2019	19/04/2023	20880.00	9732.63	
Rytis Ambrazevičius	05/05/2023			22158.73	36988.00
Jurgita Petrauskienė	13/12/2019	19/04/2023	16866.00	7303.11	
Jurgita Petrauskienė	05/05/2023			16626.86	27748.67
Robertas Šerėnas	03/06/2022	19/04/2023	12866.80	7303.11	
Robertas Šerėnas	05/05/2023			16626.86	27748.67
			53994.62	**79751.30**	**92485.34**

** The remuneration of the members of the Audit, Risk and Sustainability Committee is determined by the decision of the Board (Min. No PR-V23-6 of 13/04/2023, Par. 3.8).*

Assessment of the efficiency of the internal audit process

Monitoring of the effectiveness of the internal audit process involved:

- Coordinating the assessment of the objective achievement for 2023, objectives and budget of the Internal Audit Function for 2024, and the Internal Audit Action Plan for 2025, before submitting to the Board for approval.
- Monitoring the implementation of the Internal Audit Action Plan for 2024, discussing the results of internal audits conducted, and recommendation implementation plans with the Company's representatives.
- Discussing changes to the Description of the Internal Audit Procedure before submitting to the Board for approval.
- Reviewing the results of the survey on the internal control elements. Proposing to re-perform the survey next year to assess progress.

Effective functioning of the Audit, Risk and Sustainability Committee

In ensuring the effective functioning of the Audit, Risk and Sustainability Committee, the action plan for improving performance was drawn up during the self-assessment session on 10 January 2024. When implementing the plan:

- The knowledge of the water management was reinforced by obtaining understanding of the Company's processes during the internal meetings and further engaging in the experience exchange activities with other utility companies (e.g. a visit to Aarhus Vand's water and wastewater treatment plant in Denmark. The visit included sharing good practices, monitoring water supply and wastewater treatment processes).
- To improve the knowledge of risk management and oversight, during its meeting, the Audit, Risk and Sustainability Committee discussed the implementation of the Risk Management Plan, read the risk monitoring reports, discussed the identification of KRIs, reviewed the risk reassessment results, discussed the risk management tools, and consulted the Head of Internal Audit for conducting external risk management audit in 2025.
- To improve a culture of information security risk management, the meetings focused more on the identification, assessment and management of these risks.

ORGANISATIONAL STRUCTURE OF THE COMPANY

ORGANISATIONAL STRUCTURE OF THE COMPANY

General Manager acts as a single-person management body of the Company, elected, recalled and dismissed by the Board of the Company.

On 12 May 2022, Saulius Savickas (assumed the duties from 13 May 2022) was elected and appointed as General Manager of the Company by decision of the Board.

Saulius Savickas, General Manager of the Company, also serves as a member of the Board at Water Management Association Vandens Jėga. General Manager of the Company graduated from Vilnius Gediminas Technical University with a Master's degree in Management.

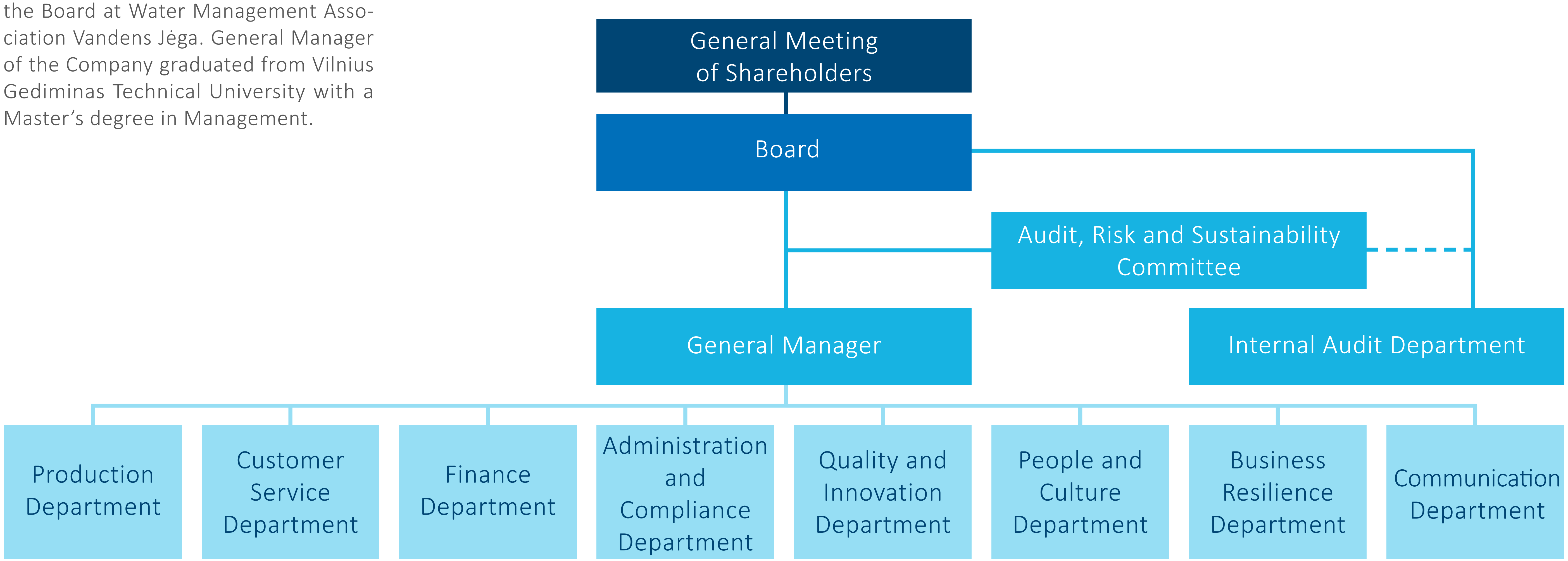
The Company's new organisational structure became operational on 1 June 2024. The structural changes were made with a focus on implementing the Company's strategy and restructuring the functions across the divisions. The decision aims to increase operational efficiency.

The following structural units of the Company are directly subordinate to the General Manager: Customer Function, Production Function, Finance Function, Operations and Compliance Function, Quality and Innovation Function, People and Culture Function, Business Resilience Function, and Communications Function.

The Internal Audit Function, directly accountable to the Board.

The Company operates in all geographical territories indicated in the licence issued by the National Energy Regulatory Council, but it does not have any independent divisions and branches.

The Company's new organisational structure effective from 1 June 2024:



As of 31 December 2024, the Company's management consisted of the following members:

Saulius Savickas
General Manager

Simonas Klimavičius
Director of Finance

Viktoras Matonis
Director of Production

Martynas Augaitis
Director of Customer Service

Egidijus Anulis
Director of Administration and Compliance

Brigita Gudonė
Director of Quality and Innovation Function

Aistė Petrauskaitė-Orševskienė
Head of People and Culture

Tomas Mačiulis
Head of Operational Resilience

Paulė Pupinytė-Bružienė
Head of Communications

Kęstutis Zimba
Head of Internal Audit

AUDIT OF FINANCIAL STATEMENTS

Each year, after the end of the reporting year period (reporting period runs from 1 January to 31 December), the Company conducts audit of its financial statements in accordance with the procedure established by laws, attaining a high level of transparency. For the purpose of audit, each year the Company appoints independent audit firm, selected through public procurement procedure. The appointment of an audit firms is subject to the approval of the General Meeting of Shareholders.

In 2022, following the end of the contract with the firm providing financial audit services, a new procurement for selection of the contractor providing financial audit services was held (the procurement of financial audit services was announced on 17/11/2021).

In the context of the procurement of financial audit services, the Procurement Commission decided, in 2022.02.11, to determine Ernst & Young Baltic as a successful tenderer and to award a contract for a maximum of EUR 111,000.00 (excl. VAT) (The subject of the contract is audit of financial statements of Vilniaus Vandenys for the financial years ended 31 December 2022, 31 December 2023, and 31 December 2024, prepared in accordance with International Financial Reporting Standards approved by the International Accounting Standards Board.) Audit will be accompanied by all other services specified in the requirements of the technical specification and provided for each reporting period.

No other services were acquired under this contract from the audit firm Ernst & Young Baltic in 2024.

CREATING A CORRUPTION-RESILIENT ENVIRONMENT IN THE COMPANY

In carrying out its activities and providing public services to residents, the Company attains a high level of transparency and attaches great importance to the creation of a corruption-resilient environment. In its activities, the Company is guided by the Law on Prevention of Corruption, the Law on the Adjustment of Public and Private Interests, the Law on Whistleblower Protection, and the Company's fundamental principles and requirements set out in the Anti-Corruption Policy, the Conflict of Interest Management Policy and the Code of Ethics.

In 2024, Vilniaus Vandenys implemented the following anti-corruption measures:

- To assess the implementation of the Company's resilience to corruption requirements, the measures introduced and applied to build a corruption-resilient environment were assessed in accordance with the Methodology for Determining the Corruption Resilience Level recommended (but not approved) by the Government of the Republic of Lithuania, by looking at their quantity and quality, practical applicability (through interviews with employees), and their performance (by assessing the number of reports received and infringements detected). Based on these elements, the Company's level of resilience to corruption scored at 0.88, which is considered to be a very high achievement.
- The Company's Corruption Risk Register was updated by adding new corruption risk factors (based on the assessment of seven business processes) to ensure a continuous and effective assessment of corruption risks and their factors in the Company.
- To ensure transparency and preventive control of the Company's public procurement, the Company verified seven public procurement documents with a value exceeding EUR 1,000,000.00 (excluding VAT), including single-source procurements, and conducted the anti-corruption assessment of the Company's internal legislation regulating the activities of the public procurement commission, the public procurement practice and contract monitoring, with comments and proposals for improving the legal framework.

Increasing anti-corruption awareness:

- Transparency Afternoon with Coffee live meetings were organised for the employees of the Company's structural units to present the Company's anti-corruption activities and the measures in place to create a corruption-proof environment, the role of the employees in their implementation, as well as their responsibilities in managing conflicts of interest and the implementation of the zero-gifts policy. The employees are also informed where and how to report any violation that is occurring, occurred or is under threat of occurring in the Company. 91 employees from 6 units attended the meetings.
- To enhance the knowledge and competences of the Company's Board members and management in the field of corruption prevention, an event Conflict of Interest Management and Gift Policy: a Guarantee of Company Transparency was organised, where a representative of the Special Investigation Service and a mentor of the Skaidrumo Akademija (en. Transparency Academy) initiative presented the theoretical and practical aspects of the conflict of interest management and gift policy. The meeting was attended by 78% of the Company's Board members and management members.

Ensuring reliability in the workplace:

- To assess the risk factors of corruption that would arise and/or arise when a person holds a position in the Company, to make informed and motivated decisions regarding staffing in the Company, the Special Investigation Service was contacted to provide information on 17 persons applying for positions that are included in the list of positions to be subjected to mandatory screening.

Dynamics of the Company's corruption resilience level (CRL) in 2022-2024 (as at the reporting date)

Elements assessed	2022	2023	2024
CRL survey form result	0.9	0.9	0.8
CRL questionnaire result	0.7	0.8	0.9
Number of violations detected	0	0	0
Number of reports received through internal channels	0	3	13
Actual number of employees (excl. workers)	388	386	388
CRL result (very high if 0.8 and more)	0.8	0.85	0.88

Other legally defined activities or measures to build a corruption-proof environment or increase resilience to corruption:

- In accordance with the Law on the Harmonisation of Public and Private Interests of the Republic of Lithuania and the Company's Conflicts of Interest Management Policy, the declarations of private interests submitted by 261 heads of the Company's structural units and employees were verified, with no violations detected. 37 consultations were given to employees on the harmonisation of public and private interests and the management of conflicts of interest, and 42 reminders were issued on the timely submission of declarations of private interests.

- As part of the implementation of the Law on Whistleblower Protection of the Republic of Lithuania, the Company's internal and external communication channels were used to inform employees about the internal whistleblowing channel and to encourage them to report violation that may be known. In 2024, 13 reports of potential violations in the Company were received through the internal whistleblowing channel. The investigations did not reveal any violations of corruption character, but additional preventive measures were taken by including the identified corruption risk factors in the Corruption Risk Register, suggesting improvements to the legal regulation of the process and conducting preventive interviews with the Company's employees.

Other anti-corruption activities:

- Guided by the principle of involvement set out in the Law on Prevention of Corruption of the Republic of Lithuania and seeking to involve civil society in the prevention of corruption and to encourage them to contribute to the creation of an anti-corruption environment, the Company provided an opportunity to submit opinions and suggestions on the creation of a corruption-proof environment via the Company's email prevencija@vv.lt, and by publishing a notice on its website.

- To implement the Anti-Corruption Policy, the Company has communicated (via email, the Company's self-service portal and information board) it Gift Policy to all employees, customers and suppliers and has encouraged them to report any actual or potential violations, and has prepared a Gift Policy Memo.

- The Company's employee responsible for building a corruption-resilient environment has become a mentor in the Skaidrumo akademija initiative, sharing his experience with the participants in the initiative to help build a corruption-resilient environment.

- In 2024, 45 reports were received through Trust Line, of which 2 related to potential violations of corruption character, 40 related to the activities of the Company's structural units, and the remaining 3 were not investigated. Verification of information on potential violations of corruption character did not confirm the information, but additional preventive measures were taken by including the identified corruption risk factors in the Corruption Risk Register and conducting preventive interviews with the Company's employees. Other units, after verifying the information falling within their competence, detected 4 violations and took action through fines and preventive interviews.

To ensure transparency and preventive control of the Company's public procurement, the Company verified **7 public procurement documents** with a value exceeding **EUR 1,000,000.00** (excluding VAT).

REGULATORY ENVIRONMENT, SERVICE PRICES AND BUSINESS ENVIRONMENT TRENDS

SETTING SERVICE PRICES

The prices for the Company's main drinking water supply and wastewater treatment services are set in accordance with the Methodology for Setting Prices of Drinking Water Supply and Wastewater Treatment Services approved by the National Energy Regulatory Authority (NERC), and the principles of non-discrimination, cost recovery and the "polluter pays" principle. The prices of drinking water supply and wastewater treatment services are calculated on the basis of costs for separate parts of the drinking water supply and wastewater treatment activities, in accordance with approved drinking water supply and wastewater management infrastructure development plans and plans of operations of drinking water suppliers and wastewater managers. The calculation of prices considers the estimated necessary service provisions costs, the value of the assets used in the licensed activity, the return on investment that corresponds to the criterion of reasonableness, the necessary costs of implementation of the plan of operations and the influence thereof on price increase.

On 27 October 2022, the Parliament of the Republic of Lithuania adopted a new wording of the Law on Drinking Water Supply and Wastewater Management of the Republic of Lithuania, which entered into force on 16 November 2022. From 16 November 2022, NERC sets basic/recalculated basic prices of the drinking water supply and wastewater management services, which enter into force not earlier than 30 calendar days after their publication and apply from the first day of the following month (following the month in which the prices enter into force). The basic prices are set for a five-year regulatory period and are recalculated each year. The prices equal to base prices are applied in the first year of validity of base prices. If drinking water suppliers ensuring the supply of drinking water supply and wastewater management services that meet safety and quality requirements lack the funds for the investments necessary to provide quality eligible drinking water supply and wastewater management services, an additional investment component of the price of drinking water supply and wastewater management services may be set.

Changes in prices of main services in 2024

On 25 November 2022, the National Energy Regulatory Council (NERC) set the recalculated prices of drinking water supply and wastewater treatment services of Vilniaus Vandenys, with effect from 1 January 2023 to 31 January 2024. On 1 January 2023, the price of drinking water supply and wastewater treatment services were recalculated due to a significant increase in electricity prices in 2022 and the resulting increase in electricity costs necessary for the provision of drinking water supply and wastewater treatment services. After recalculation of service prices, the amount paid by consumers for drinking water supply and wastewater management services in the apartments accounted for 0.65% of the average family income, i.e. did not exceed 4.0% of the average family income.

On 21 December 2023, the National Energy Regulatory Council (NERC) set the recalculated prices of drinking water supply and wastewater treatment services of Vilniaus Vandenys, with effect from 1 February 2024. The Company's customers paid EUR 0.03 before VAT per cubic metre more for the supply of drinking water and wastewater treatment. Despite the decrease in energy prices in 2023, the prices of services slightly increased due to inflation-led growth in prices of goods and services, borrowing costs, and more costly investments necessary for the development of water supply and wastewater management infrastructure. After recalculation of service prices by NERC, the amount paid by consumers for drinking water supply and wastewater management services in the apartments accounted for 0.60% of the average family income, i.e. did not exceed 4.0% of the average family income.

On 20 December 2024, the National Energy Regulatory Council (NERC) set the prices of drinking water supply and wastewater treatment services of Vilniaus Vandenys, with effect from 1 February 2025. The tariff for drinking water supply and wastewater management in apartments increased by EUR 0.12 per cubic metre (excluding VAT), while the tariff for residents of single-family homes, hot water suppliers and other business customers increased by EUR 0.11 per cubic metre (excluding VAT). The main contributors to the change in prices were increases in the prices of goods, services and works due to inflation in previous years, and the cost of borrowed capital. For the first time, the change in the service tariff included an investment component, which will amount EUR 10.1 million in 2025 and will be targeted to accelerate the modernisation and development of drinking water supply and wastewater management infrastructure. After recalculation of service prices by NERC, the amount paid by consumers for drinking water supply and wastewater management services in the apartments will account for 0.57% of the average family income, i.e. will not exceed 4.0% of the average family income.

Change in prices of the Company's services, approved by NERC

Prices of drinking water supply and wastewater treatment services, Eur/m³ (excl. VAT)	Until 31/07/2022	From 01/08/2022	From 01/01/2023	From 01/02/2024	From 01/02/2025
Apartments	1.09	1.20	1.67	1.70	1.82
Private homes	1.07	1.18	1.65	1.68	1.79
Hot water suppliers	1.05	1.16	1.63	1.66	1.77
Business customers	1.13	1.24	1.71	1.74	1.85
Average price	**1.16**	**1.27**	**1.74**	**1.77**	**1.89**

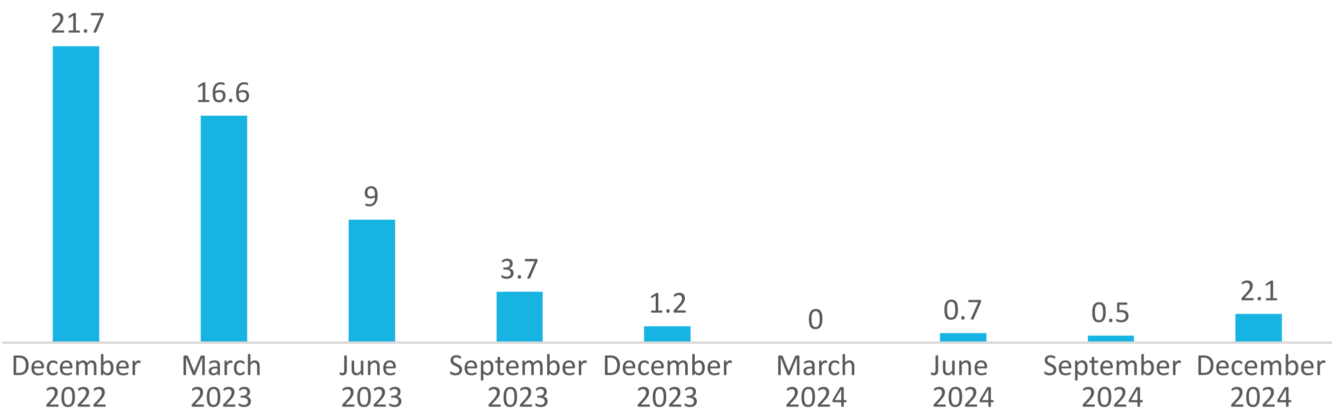
IMPACT OF GEOPOLITICAL AND MACROECONOMIC ENVIRONMENT, BUSINESS AND TRENDS

In 2024, the Company's business environment stabilised after a complex macroeconomic situation, sharp increases in electricity prices, the negative impact of tax (tax on natural resources and pollution tax) indexing and record-high inflation rates in the country in 2022.

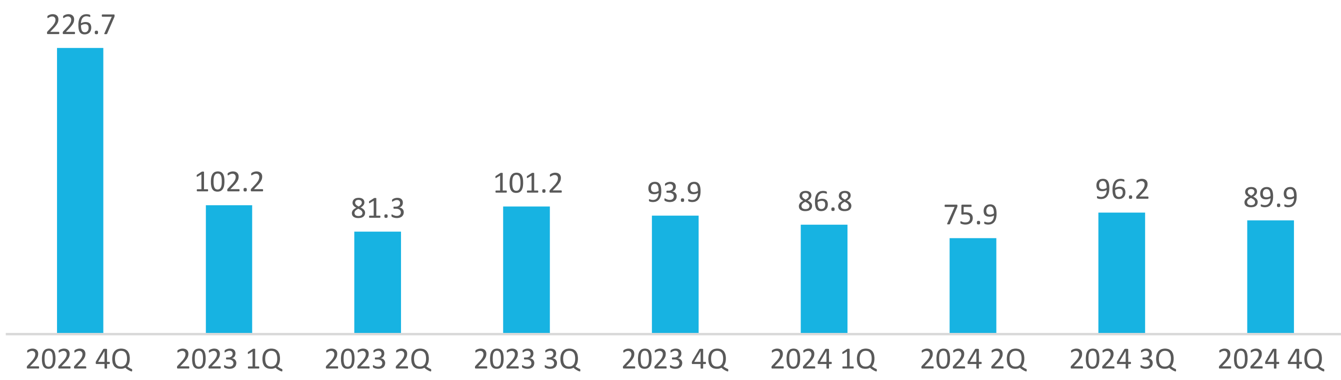
Annual inflation steadily declined to 1.2% at the end of 2023, and 2.1% at the end of 2024. The main reasons for the decline in inflation were lower prices for electricity, raw materials and tightening monetary policy. In the prior periods, the unpredictably high inflation in the country undoubtedly contributed to the increase in the Company's costs for goods and services, and value of investment projects. All this had an impact on the Company's results for 2024, annual inflation, albeit significantly declining, did not turn negative and did not create a cheapening effect, which would reduce expenditure and investment costs.

Another important factor that can affect both inflation and the Company's future costs is the situation in labour market. In 2024 Q3, the average monthly gross salary in the country was 10.9% higher than in the same period a year earlier. This change was to a large degree due to the increase in the minimum monthly salary at the beginning of the year, as well as employers' decisions to retain employees through higher salary. Rising salaries in the market also affected the Company's situation: Vilniaus Vandenys hired, on average, 16% more expensive staff than planned. The remuneration of existing employees was also reviewed. With market salary increases projected to be in the range of 10% in 2025, next year the Company may face challenges, both in terms of the increase in the cost of services related to market salary increases, and in terms of the retention of its existing employees. In the long term, the Company's strategic goal is to ensure adequate and fair remuneration for the Company's employees to attract, retain and motivate competent and engaged employees, therefore the Company will strive to bring the financial reward of its employees to the median salary in the market region of Vilnius by 2033.

Changes in consumer prices compared to the equivalent period of last year (%)



Average electricity price on Nordpool Exchange, EUR/MWh



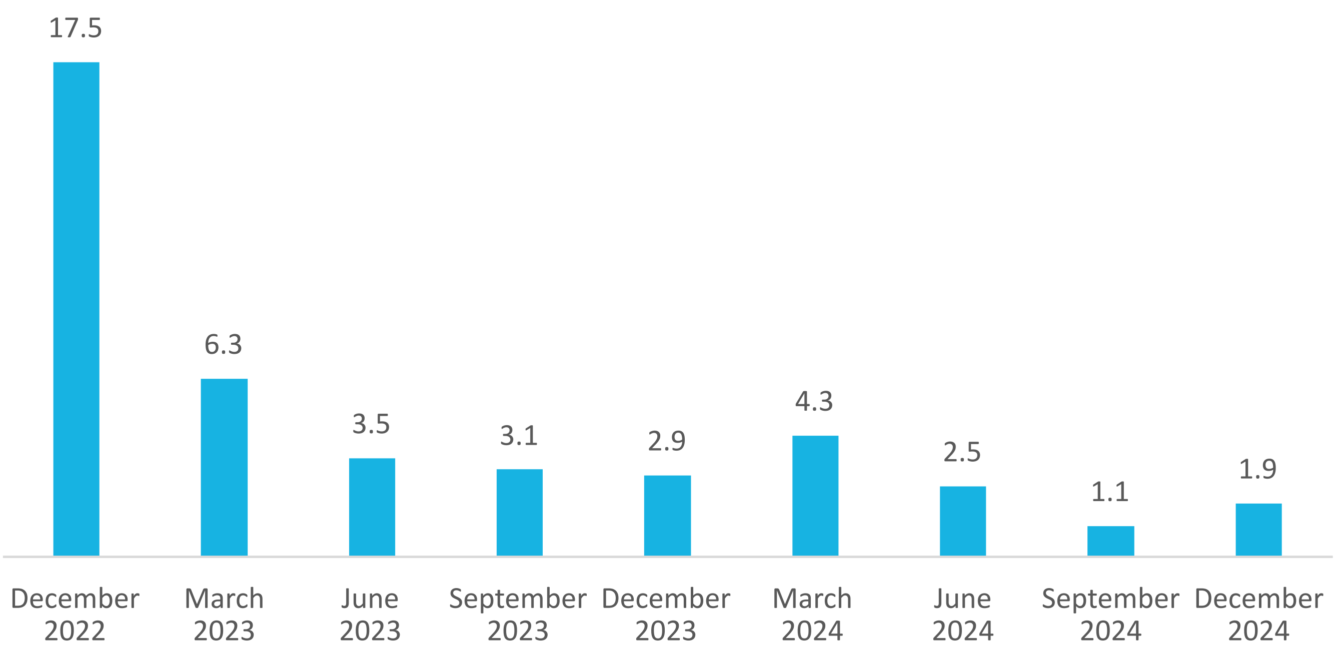
In 2024, the construction input prices increased by 1.9%. This was driven by an increase in wages and overheads (11.4%). During the year, the most significant price decreases were recorded for pipes (4.9%), metal (3.7%), wood products (3.9%) and concrete and mixtures (3.2%). The cost of construction works and materials has a direct impact on the Company's investment costs. Although the growth of construction input prices has not been as significant as in 2022 and 2023, the upward trend in the prices continues.

The Governing Council of the European Central Bank maintained the Eurosystem's tight monetary policy in 2023 to contain inflation in the euro area. The European Central Bank's key interest rates increased 6 times in 2023, by a total of 2 pp (from 2% to 4%). ECB cut interest rates four times in 2024 (in June, September, October and December) by 0.25 percentage points (from 4% to 3%). Increasing interest rates, in particular the 6-month EURIBOR, have an impact on the interest paid by the Company on loans. In 2023, the Company had difficulties in meeting the interest coverage ratio implicit in the agreement with the European Investment Bank. The Company has renegotiated the interest coverage ratio with the bank at the end of 2023, therefore, the situation is currently stable. The decrease in the 6-month EURIBOR from 3.861% to 2.56% during 2024 improved the Company's final performance by EUR 163 thousand.

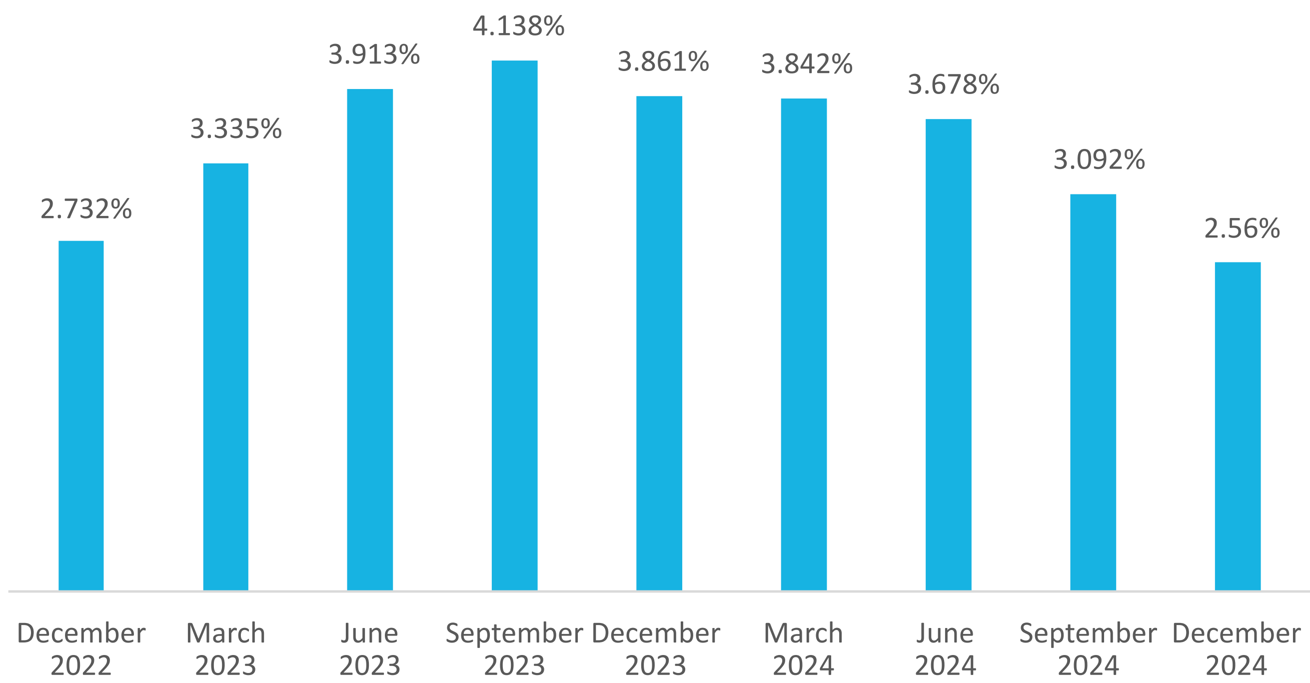
On 24 February 2022, Russian Federation started the invasion to Ukraine Republic. Shortly, the European Union and rest of the world, including global bodies, took measures to respond to the aggression of the Russian Federation against the Republic of Ukraine. The Company's management assessed whether the introduced restrictions could affect the Company's ability to continue as going concern. Following this, the Company assessed that these restrictive sanctions will not have a significant impact on the Company's ability to continue as a going concern, since the sanctions imposed does not have a direct adverse effect on the Company. In addition, the Company assesses risks originated from geopolitical factors and threats, prepares business continuity plans, and takes various preventive and mitigating measures, with a particular focus on ensuring cybersecurity.

Although the business environment and market situation in 2024 is relatively stable compared to the maximum negative indicators in 2022, there is still a possibility that the identified reasons could have some negative impact on the Company's performance in 2025.

Changes in construction input prices compared to the equivalent period of last year (%)



6-month EURIBOR, %



INVESTMENTS

In order to ensure availability of water supply and wastewater treatment services to residents as well as their compliance with quality, environmental and health requirements, Vilniaus Vandenys constantly invests in the development and modernisation of infrastructure.

The objects to be modernized are selected in accordance with the Company's Methodology for Rating Objects of Reconstruction of Water Supply, Wastewater Networks and Stations. The development of block networks/mains is carried out in accordance with the Methodology for Ranking Infrastructure Development Objects.

In 2022-2024, investment projects implemented by Vilniaus Vandenys amounted to EUR 128 million. In 2023, the Company started to implement a new Operational and Development Plan approved for the period 2023-2027, with investments of EUR 77 million made in two years (2023-2024).

Investment projects (EUR thousand) implemented by the Company in 2022-2024

Strategic direction	Strategic objective	2022	2023	Budget for 2024	Actual outcome in 2024	2022-2024 TOTAL
Environmentally sustainable activities.	Reduce environmental impact	26,228	24,789	5,110	8,471	59,488
	Develop renewable energy and the circular economy	1,034	277	875	1,278	2,589
Innovation, efficiency and financial sustainability growth	Improve operational efficiency through financial resilience	4,700	5,055	6,023	4,981	14,736
Effective customer experience management.	Improve customer experience and service reliability	19,023	20,528	12,160	11,697	51,248
	VISO	**50,985**	**50,649**	**24,167**	**26,427**	**128,061**

In 2024, Vilniaus Vandenys implemented network development projects based on the Methodology for Ranking Infrastructure Development Objects and other projects provided for in the Operational and Development Plan.

In 2024, the Company completed infrastructure development projects with a total length of 6.5 km of water supply networks and 7.9 km of wastewater collection networks. 134 households were connected to the new water supply networks, and 218 households were connected to the wastewater collection networks. Furthermore, 9 outdoor drinking fountains were installed in 2024.

For the modernisation of the existing water supply and wastewater networks in 2024, the Company allocated EUR 0.2 million of investments. In 2024, the Company completed reconstruction projects, which upgraded 2.4 km of water supply networks and 0.5 km of wastewater networks.

Vilniaus Vandenys invests in water improvement facilities to provide consumers only with a superior quality water. In 2024, the Company launched the reconstruction of the Šalčininkai wellfield.

In 2024, Vilniaus Vandenys completed Stage 2 of reconstruction of the Vilnius Wastewater Treatment plant. At this stage, the investments amounted to EUR 15.3 million. The Company also keeps strong focus on small wastewater treatment plants it operates. Design work for the Nemenčinė Wastewater Treatment Plant was launched in 2024. Also in 2024, a consultancy contract was signed for the wastewater treatment plants in Švenčionėliai, Šalčininkai and Eišiškės to assess the scope of the reconstruction of the treatment installations' technological processes, structures and equipment.

Striving to provide the highest quality of services, meet the highest environmental standards and enable even more residents to join the newly established networks, the Company makes considerable efforts to ensure that the financial burden of projects does not fall on residents and businesses. Therefore, Vilniaus Vandenys is constantly looking for solutions and calls on public authorities to support the implementation of its projects through EU structural funds.

In 2024, funding was approved for the network development in Grigaičiai (EUR 0.5 million). The Company has also applied for EUR funding for the Šalčininkai wellfield project. In addition to European Union funds, the Company is actively seeking favourable financing opportunities from banks and other financial institutions for the smooth implementation of its investments.

In 2024, the Company continued to successfully implement the financing agreements signed with the Environmental Project Management Agency for the financing of a smart automatic control system and the third co-generation unit of the Vilnius Wastewater Treatment Plant.

The Company continued its project to install solar photovoltaic plants on the roofs and near its buildings in 2024, with a total investment of EUR 0.5 million in 2024.

In 2024, the Company completed infrastructure development projects with a total length of

6.5 km of water supply networks and

7.9 km of wastewater collection networks

In 2024, Vilniaus Vandenys completed Stage 2 of reconstruction of the Vilnius Wastewater Treatment plant. At this stage, the investments amounted to

EUR 15,3 million.

SHARES AND CAPITAL MANAGEMENT

As of 31 December 2024, the issued capital of the Company comprised of 5,123,063 ordinary shares with the nominal value of EUR 28.96 each.

The issued capital of the Company was fully paid as of 31 December 2024. The Company did not hold its own shares.

The primary objective of the capital management is to ensure that the Company maintains a strong credit health and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages the capital structure and make adjustments to it in the light of changes in economic conditions and the operating risks. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using capital concentration ratio, which is calculated as ratio between equity and total assets (after eliminating advances received) of the Company. Equity includes ordinary shares, reserves, retained earnings or accumulated loss. The Company's management seeks the capital concentration ratio to be no lower than 50%.

Vilniaus Vandenys is obliged to keep its shareholders' equity ratio not less than 50% of its authorised share capital, as imposed by the Law on Companies of Republic of Lithuania. The Company meets the requirements of equity by the Law on Companies of Republic of Lithuania. There were no other externally imposed capital requirements on the Company.

The Dividend Policy (a publicly available document approved by the Board in 2024, available on the Company's website www.vv.lt under About Us/Management /Corporate Governance Documentation) is one of the tools for capital risk management.

The Company's Dividend Policy sets out the criteria and basic provisions followed by the Board in preparing proposals to the Company's General Meeting of Shareholders for dividend payment for the financial year. The Policy lays down the rules for determining the amount of dividends (share of profit allocated to dividends) and their payment.

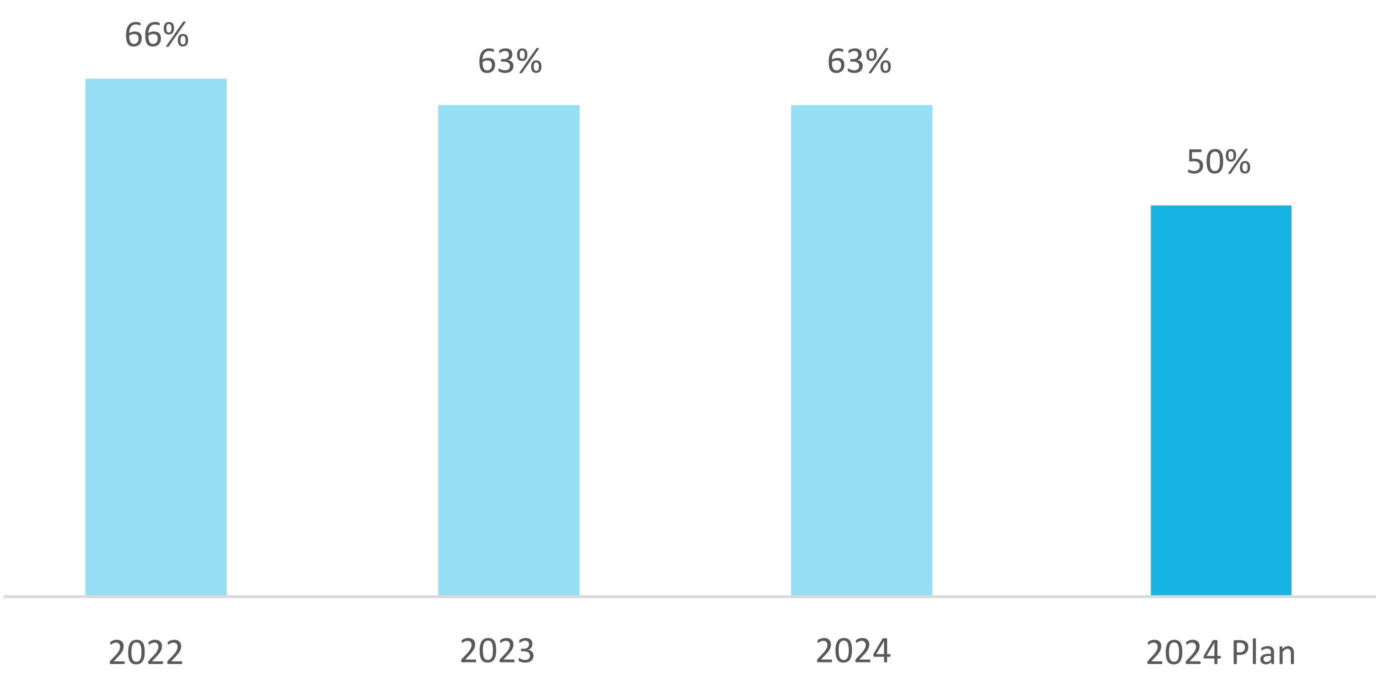
The policy determines that depending on return on equity, the Company allocates 60-85% of distributable profit to dividends. The amount of dividends may be adjusted according to the financial situation of the Company, the balance of funds in bank accounts, the covenants and other commitments.

No dividend for shareholders was declared in 2024, 2023, and 2022.

Breakdown of the Company's shares by shareholder

Shareholder	Number of shares	Share value	%
Vilnius City Municipality	4,459,526	129,147,872.96	87.05
Vilnius District Municipality	261,181	7,563,801.76	5.10
Švenčionys District Municipality	306,383	8,872,851.68	5.98
Šalčininkai District Municipality	95,973	2,779,378.08	1.87
Total:	**5,123,063**	**148,363,904.48**	**100**

Company's equity in 2022-2024



MOST SIGNIFICANT EVENTS

1 FEBRUARY 2024

A new tariff set by the National Energy Regulatory Council for services provided by the Company became effective.

1 FEBRUARY 2024

Average volume of consumed drinking water per capita per month (2.51 m3) was changed for customers who do not have individual meters in the territory served by the Company.

26 MARCH 2024

The Švenčionys wastewater treatment plant, upgraded to Nordic HELCOM standards, was introduced.

23 APRIL 2024

Laurynas Jakubauskas was elected as a new member of the Board.

1 JULY 2024

The recalculated fee for the acquisition, installation and operation of drinking water metering devices and wastewater metering devices set by the National Energy Regulatory Council for Vilniaus Vandenys became effective. It was approved by the Company's Board on 18 May 2024.

18 SEPTEMBER 2024

The second stage of the reconstruction of the Vilnius Wastewater Treatment Plant was completed, adapting the plant to the future needs of a rapidly growing city and to the increasingly stringent environmental requirements. The plant treats wastewater according to the highest Nordic standards (HELCOM).

14 OCTOBER 2024

The National Energy Regulatory Council renewed the drinking water supply and wastewater management licence of the Company.

25 NOVEMBER 2024

The National Accreditation Bureau has granted the laboratory of Vilniaus Vandenys an accreditation certificate No LA.227-01, confirming the laboratory's ground water, wastewater, sludge testing and sampling compliance with the requirements of LST EN ISO/IEC 17025:2018.

3 DECEMBER 2024

Vytautas Palevičius was elected as a new member of the Board.

20 DECEMBER 2024

The National Energy Regulatory Council set the recalculated prices of drinking water supply and wastewater treatment services, effective from 1 February 2025, which, for the first time, include investment component.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

15 JANUARY 2025

A new version of the Articles of Association became effective, the Company's issued capital increased to EUR 149,664,903.52.

1 FEBRUARY 2025

A new tariff set by NERC for services provided by the Company became effective.

14 FEBRUARY 2025

A new version of the Articles of Association became effective, the Company's issued capital increased to EUR 150,078,539.20.

SUSTAINABILITY REPORT

Company's activities

Activities of the Company of Vilniaus Vandenys are indissociable from the nature: The Company extracts a vital resource – water – from underground and supplies it to the public, collects wastewater, treats and discharges back to the environment so that it can continue to participate in its regenerative cycle. By treating the collected wastewater, the Company produces biogas and electricity from the sludge and returns the treated sludge to the environment to restore damaged layers of soil. In this way, the loop of circular economy closes in Vilniaus Vandenys. The Company aims to act in harmony with the surrounding environment, therefore it is implementing technologies that reduce pollution and conserve natural resources, consistently increases the use of renewable resources in its activities, applies modern human resource management, supports or initiates transparent, ethical and responsible business initiatives.

In its activities, the Company is guided by the Sustainability Policy approved by the Board.

Preparation of the sustainability report

This Sustainability Report has been prepared in accordance with the EU Corporate Sustainability Reporting Directive (CSRD) and the requirements of the European Sustainability Reporting Standard (ESRS). The Sustainability report includes the assessment of compliance with the EU Taxonomy Regulation.

The Report has been prepared on an individual basis. The Company did not use the option to omit a specific piece of information corresponding to intellectual property, know-how, etc. (in accordance with Section 7.7 of ESRS 1, as well as Article 5(e) of BP-1) and did not deviate from the timeframes recommended by ESRS.

When preparing the Sustainability Report 2024, the following amendments were made:

- Improved structure of the report in line with ESRS requirements.
- The double materiality assessment was carried out, the outcome and further details are disclosed in the Dual Materiality Assessment section of this Report.
- The changes were made in disclosed metrics, with the Report 2024 disclosing those required by ESRS.
- Changes were made in the methodology for calculating greenhouse gas (GHG) emissions. In previous reporting periods, the Company calculated CO_2 emissions from the combustion of fossil fuels used in the Company's stationary and mobile emission sources. In 2024, the GHG emission methodology was developed in line with the requirements of the Greenhouse Gas Protocol A Corporate Accounting and Reporting Standart, covering CO_2, CH_4 and N_2O emissions, and some of the emission factors used were changed. Based on this methodology, emissions for 2023 were recalculated. For more information, see the Climate Change section of this Report.
- No material errors detected in the previous report.

Other information

The Company has been certified to ISO 9001 and ISO 14001 since 2003, and to ISO 45001 from February 2023. The Company has been issued a certificate (in Lithuanian and English) of compliance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards. The scope of an integrated management system covers the following Company's operating activities: "Water abstraction, preparation and supply. Wastewater collection and treatment."

Reporting period

The Sustainability Report covers the period from 1 January 2024 to 31 December 2024.

SUSTAINABILITY GOVERNANCE

On 12 June 2024, the Board of the Company approved the Terms of Reference of the Audit, Risk and Sustainability Committee (hereinafter the "Committee"). They define the Committee's rights, duties, functions and tasks.

The Committee is assigned the following functions in the area of sustainability:

- Participate in the development of guidelines, policies and targets related to sustainable practices.
- Oversee the double materiality assessment process.
- Oversee the assessment of impacts, risks and opportunities
- Monitor the Company's sustainability reporting process and make recommendations to ensure its credibility.

To enhance knowledge of the Company's Board members and senior management in the field of sustainability, training The Importance of Sustainability and the Role of Boards was organised in 2024.

Targets related to material impacts, risks and opportunities are identified as part of the development of the Company's long-term business strategy. For more information, see next section of the Governance Report, The Company's Strategic Direction and Objectives, page 14.

In 2024, the Committee addressed the following sustainability matters:

- Reading the draft Sustainability Policy and making suggestions for additions to the provisions.
- Monitoring of the Company's preparations for sustainability reporting. Discussing with the Company's representatives the quarterly sustainability reporting results, plans for sustainability reporting in 2024 and 2025, and the double materiality assessment.

The following information is incorporated by cross-reference to other parts of the Management Report:

- The Governance Report, under the heading "General Meeting of Shareholders, the Company's Board and Audit, Risk and Sustainability Committee", describes in more detail the composition and diversity of the management and oversight bodies, pages 57-59.
- The Governance Report under the heading "Audit, Risk and Sustainability Committee" contains information in accordance with Article 22(a) of ESRS 2 GOV-1, page 73.
- The Management Report under the heading "Company's Business Strategy Map" contains information in accordance with Article 22(d) of ESRS 2 GOV-1, page 15.

Integration of sustainability-related performance in incentive schemes

The Company's strategic objectives, including those related to Company's material sustainability topics, are consistently integrated into the management annual objectives, ensuring clear direction and accountability. Cascading objectives allows the Company to align its priorities with the management responsibilities, promoting their effective implementation. In addition to their individual goals, management personnel acts as leaders in the implementation of the strategy, engaging their teams in the common goals of the organisation.

For more information on how sustainability-related targets and performance are incorporated into the remuneration policy, see the social responsibility section Remuneration", page 134.

Sustainability reporting risks

Risks related to sustainability reporting and internal control are identified through a risk management process. For more information on this process, see section "Risk and Non-Compliance Management" of the Management Report, pages 32-34.

In 2024, the risk assessment identified emerging risk of distortion of sustainability data, which can be caused by human error and inadequate collection of data for sustainability reporting.

Current risk management measures:

A description of procedures will be adopted in 2025 to regulate the processes related to sustainability reporting. The description will cover the organisation, execution, purpose of the processes involved, roles, responsibilities, course of action and administrative procedures.

To ensure smooth and accurate disclosure of metrics required by the ESRS, in 2024, these indicators were monitored on a monthly basis and reported to the Audit, Risk and Sustainability Committee on a quarterly basis. Training and consultations with external experts were organised to improve understanding of the ESRS requirements and to ensure proper compliance.

STATEMENT ON DUE DILIGENCE

The table below provides information on how the Company applies the core elements of due diligence and where they are disclosed in the Sustainability Report.

Core elements of due diligence	Paragraphs in the sustainability report	Disclosures that relate to impacts on the environment or people
Embedding due diligence in governance, strategy and business model	ESRS 2 GOV-2, page 100	Environment and people
	ESRS 2 GOV-3, pages 100, 134	Environment and people
	ESRS 2 SBM-3, pages 108-110	Environment and people
Engaging with affected stakeholders in all key steps of the due diligence	ESRS 2 GOV-2, page 100	Environment and people
	ESRS 2 SBM-2, pages 104-105, 107	Environment and people
	ESRS 2 IRO-1, pages 106-107	Environment and people
	ESRS 2 MDR-P:	
	E1-2, page 114	Environment
	S1-1, pages 129, 131	People
	S2-1, page 137	People
	ESRS S2-2, page 137	People
	ESRS S2-4, page 137	People
	ESRS S4-2, page 138	People
	ESRS S4-3, page 139	People
Identifying and assessing adverse impacts	ESRS 2 IRO-1, pages 106-107	Environment and people
	ESRS 2 SBM-3, pages 108-110	Environment and people
	ESRS 2 SBM-3 (Climate change), page 117	Environment
	ESRS 2 SBM-3 (Pollution), page 121	Environment
	ESRS 2 SBM-3 (Water and marine resources), page 124	Environment

Identifying and assessing adverse impacts	ESRS 2 SBM-3 (Resource use and circular economy), page 126	Environment
	ESRS 2 SBM-3 (Own workforce), page 129	People
	ESRS 2 SBM-3 (Workers in the value chain), page 137	People
	ESRS 2 SBM-3 (Consumers and end-users), page 138	People
	ESRS E1-1, page 117	Environment
Taking actions to address those adverse impacts	ESRS 2 MDR-A:	
	E1-3, page 117	Environment
	E2-2, page 122	Environment
	E3-2, page 124	Environment
	E5-2, pages 126-127	Environment
	S1-4, pages 130-132	People
	S2-4, page 137	People
	S4-4, pages 8, 38, 138	People
Tracking the effectiveness of these efforts and communicating	ESRS 2 MDR-T:	
	E1-4, page 120	Environment
	E1-6, pages 119-120	Environment
	E2-3, page 122	Environment
	E3-3, page 125	Environment
	S1-5, page 132	People
	S4-5, page 139	People
	ESRS 2 MDR-M:	
	E1-5, pages 118-119	Environment
	E2-4, E2-5, page 137	Environment
	E3-4, page 125	Environment
	E5-5, page 127	Environment
	S1-6, pages 133, 136	People
	Own workers, page 133	People

STRATEGY, BUSINESS MODEL AND VALUE CHAIN

Information on the Company's strategy and business model is provided in section "Company's Values, Strategy, Objectives and Performance Improvement" of the Management Report, page 17.

The Sustainability Report 2024 provided a limited analysis of the value chain, therefore did not disclose its description.

STAKEHOLDERS AND THEIR EXPECTATIONS

The Stakeholder Management Plan is part of the Company's Stakeholder Relations Management Policy, which was adopted in 2022.

The Stakeholder Management Plan provides principles and guidelines for the development of the Company's stakeholder relations, ensuring the ability to identify key issues relevant to the stakeholders in the Company's sustainable business development.

Stakeholders and their expectations for the Company

Stakeholder	Stakeholder business-related goals, expectations	Communication channels and frequency
1. Shareholders, members of collegial bodies	Operational, financial stability and profitability. Sustainable business, innovation development, openness, transparency, security, good governance	Periodic meetings, sessions, daily written communication. They inform the Board about the issues and needs of priority stakeholders.
2. State, municipal and regulatory authorities	Compliance, partnership, sharing of expertise, shaping market regulation practices, contribution to the objectives of international institutions (EU, EC, etc.): ensuring the interests of national security, implementing projects of strategic importance, creating value for the State and regions	Regular meetings and inter-institutional cooperation.
3. Employees and their representative organizations	Company's financial stability, workplace safety, opportunity to improve level of competences and qualifications, fair remuneration and transparent remuneration arrangements, working processes and procedures	Daily communication to staff on the intranet and bulletin boards. Daily Asaichi meetings. Periodic organisation-wide meetings, newsletters, information and cultural events. Periodic regular cooperation with the Work Council

4. Partners Business partners Financial partners	Operational innovation and digital transformation, operational reliability and security, high standards of business ethics implemented throughout supply chain (from raw materials to billing)	Targeted cooperation with contractors and business partners through periodic meetings and daily communication. Communication with financial partners on demand, regular reporting.
5. Customers	Quality services, consistently increasing reliability and availability of services, attentive, professional service, short, flexible service procedures (for connection of new customers)	A system of different customer-friendly integrated channels (customer service centres, hotlines, a self-service website, web enquiries, and the ability to interact with the Company via social networks). Customer experience is measured through transactional and annual surveys, the most important of which is the Global Customer Satisfaction Index survey.
6. Influencers, media and public	Open, transparent, easily accessible information about the Company, professional and timely communication, prompt response to inquiries, quality of the Company's services, continuous, socially responsible activities	Relevant information is published regularly on the Company's website, Facebook, Instagram and LinkedIn, periodic communications to national and regional media. An organisation that is accessible to customers, communicating with them through digital (email, website enquiries, Facebook enquiry channel) and traditional channels (telephone and customer service centres).
7. Communities	Quality services, socially responsible activities, contribution to the general well-being, ensuring continuous dialogue, open communication, prompt problem solving	Communication on demand, both directly during meetings and through digital channels (email, social networks, phone)

In 2024, all stakeholders were involved in a double materiality assessment process. For more information, see the section “Double Materiality Assessment” in this Report.

DOUBLE MATERIALITY ASSESSMENT

General information

In 2024, the Company performed a double materiality assessment in respect of material sustainability topics based on the Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards (ESRS) and the Materiality Assessment Implementation Guidance issued by the European Financial Reporting Advisory Group (EFRAG).

The assessment was carried out using the LEAP method (locate, evaluate, assess, prepare):

1. We located where in its own operations and along the value chain the interface with nature takes place.
2. We assessed dependencies and impacts.
3. We assessed material risks and opportunities.
4. We prepared and reported the results of the materiality assessment.

Double materiality assessment methodology

Assessment scope and assumptions

This year, the assessment was largely carried out at the Company level. Information on the value chain has been included to a limited extent, focusing on the safety and health of workers in the value chain (i.e. contractors working on the Company's site), as well as on the climate change issue. This choice of the scope of the assessment was influenced by the lack of information on the value chain.

The Company will perform the double materiality assessment at least every two years or when there is a significant change in business processes.

Assessment methodology and process

The assessment is performed to evaluate the Company's impact on the environment and people, and the impact of emerging sustainability risks or opportunities on the Company's financial stability. In line with the Materiality Assessment Implementation Guidance issued by EFRAG, we have performed this year's assessment according to the following methodology and steps.

Step 1: Draw up a list of topics

Identifying and reviewing the company's value chain, analysing all available data relating to the supply chain, the company's own operations and downstream value chain. Drawing up a list of sustainability topics, which will form the basis for further assessment. This stage also includes an assessment of all available information relating to stakeholders' expectations for the company.

Step 2: Assessment of material impacts

Based on the list of sustainability topics, impacts on the environment and people, arising from the company's operations are refined and assessed in the short-, medium- or long-term (time intervals as set out in ESRS 1, Art. 77). This stage of the assessment involves different working groups with experts in their respective fields. The impact materiality is assessed on a five-point scale and the results are recorded in a tool to calculate the impact materiality.

The scale, scope, and irremediable character of actual positive or negative impact were taken into account in assessing it severity. They are defined as follows:

Scale: how grave the impact is (i.e., extent of infringement of access to basic life necessities or freedoms (e.g., education, livelihood etc.)

Scope: how widespread the impact is (i.e., number of individuals affected or the extent of the environmental damage)

Irremediable character: the extent to which the impact can be remediated (e.g., through compensation or restitution; whether the people affected can be restored to their exercise of the right in question)

In assessing the materiality of a potential positive or negative impact, we have additionally taken into account the likelihood of the impact, except for impacts on human rights.

Step 3: Assessment of risks and opportunities

Based on the list of the company's impacts defined in the previous step, any risks (physical or transition) or opportunities related to the impacts are identified. The assessment is made in the short-, medium- or long-term (time intervals as set out in ESRS 1, Art. 77).

This step is associated with the annual risk assessment process of the Company. It involves all units of the Company. The assessment assigns related risks and/or assesses new risks or opportunities for each of the identified impacts. The financial materiality is assessed on a five-point scale and the results are recorded in a tool to calculate the impact materiality.

The assessment of risks or opportunities took into account their financial impact on the company and their likelihood. The financial impact is subject to a quantitative assessment, or a qualitative assessment, if not practical due to lack of information.

Step 4: Stakeholder survey and results

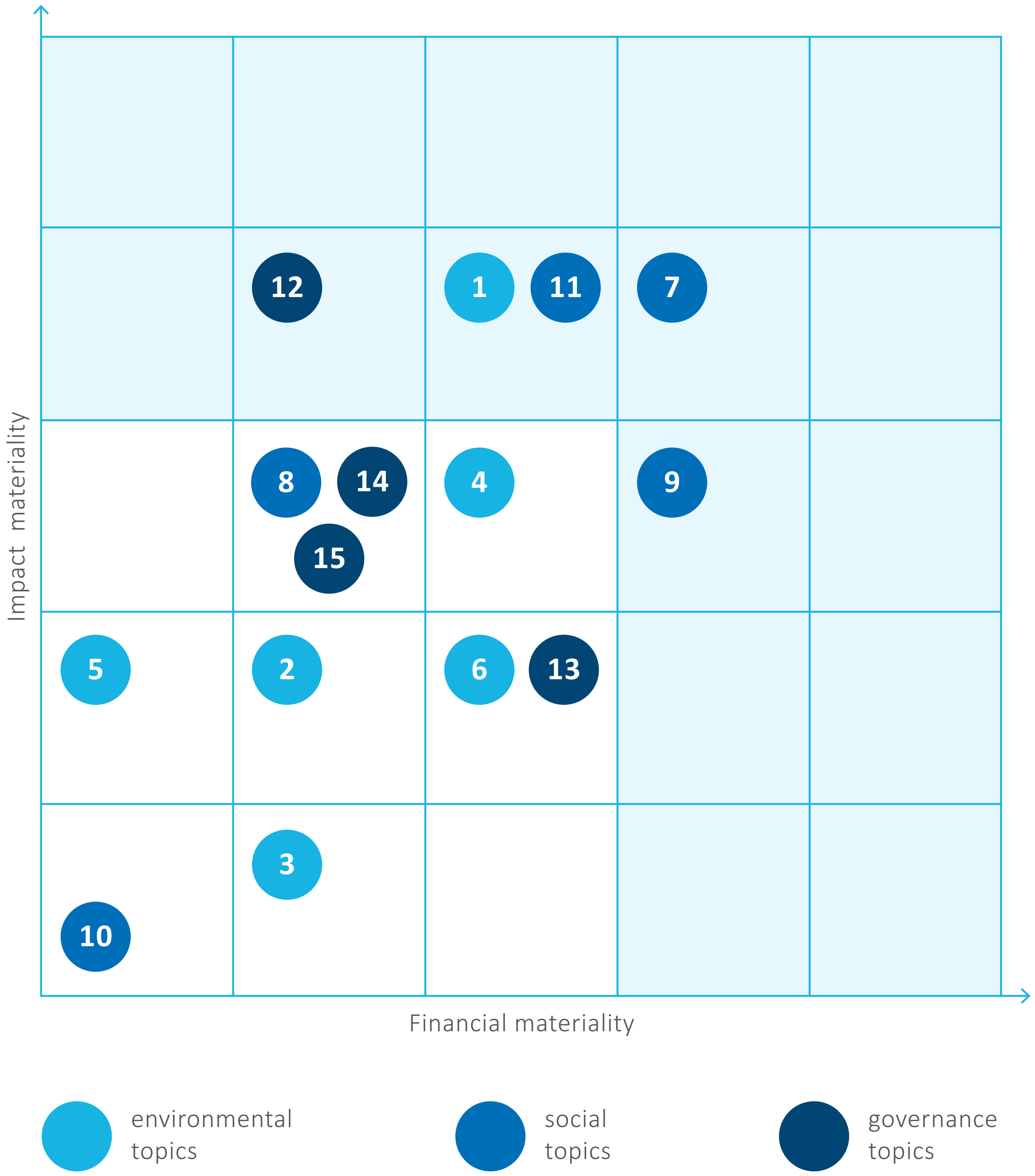
The results of the previous stages of the assessment are discussed with senior management and the Company's Audit, Risk and Sustainability Committee. A stakeholder survey was then carried out, during which all parties were provided with questionnaires. The consolidated results of the Company's assessment and the stakeholder survey were further reviewed by senior management and the Audit, Risk and Sustainability Committee.

Results of double materiality assessment

The results of double materiality assessment are provided in a matrix and a table. The Company's key topics of sustainability are adequate and safe working conditions for employees (ESRS S1), working conditions and safety for workers in the value chain (ESRS S2)*, consumers and end-users (ESRS S4), climate change (ESRS E1) and prevention of corruption and bribery (ESRS G1).

The table below provides further information on each of the impacts that are material to the Company.

Double materiality assesment



Topics:

1. Climate change
2. Pollution of air
3. Pollution of soil
4. Pollution of water and resources
5. Biodiversity and ecosystems
6. Circular economy
7. Adequate and safe working conditions for employees
8. Diversity, equal opportunities and human rights
9. Working conditions and safety for workers in the value chain
10. Affected communities
11. Consumers and end-users
12. Corruption and bribery
13. Management of relationships with suppliers
14. Business conduct and corporate culture
15. Protection of whistle-blowers

** During the double materiality assessment, the topic on the workers in the value chain was found to be material from the perspective of occupational health and safety of partner workers on the Company's site.*

		Value chain			
		Supply chain	Own operations	Downstream value chain	Time horizon
GHG emissions Negative impacts on the environment Greenhouse gas emissions contribute to climate change	Identified potential risks	✓	✓		Medium- and long-term
Development of renewable energy Positive impacts on the environment Increased use of renewable energy in the Company's operations reduces GHG emissions	Identified actual opportunity		✓		Medium- and long-term
Air pollution by other gases (other than GHG) Negative impacts on people In addition to GHG emissions, other air pollutants generate from the Company's operations	Identified potential risks		✓		Short-term
Pollution of soil with chemicals Negative impacts on the environment The Company uses chemicals potentially polluting soil	Identified potential risks		✓		Short-term
Pollution of surface water bodies Negative impacts on the environment Under various circumstances, untreated or inadequately treated wastewater can enter the natural environment, polluting water bodies. The treated wastewater is contaminated with priority substances and microplastics.	Identified potential risks		✓		Short- and medium-term
Consumption of groundwater Negative impacts on the environment Unsustainable use of groundwater resources can lead to their depletion	Identified potential risks		✓		Short-, medium- and long-term
Impact on biodiversity and aquatic ecosystems Negative impacts on the environment			✓		Short- and medium-term
Sewage sludge production and reuse Negative impacts on the environment	Identified potential risks and opportunities		✓		Short-, medium- and long-term

Waste generation in the Company's activities (excluding sewage sludge) Negative impacts on the environment Poor waste management increases the amount of non-recycled waste	Identified potential risks		√		Short-term
Unsafe working conditions Negative impacts on people Unsafe working conditions contribute to accidents and injuries if safety is not a priority	Identified potential risks	√	√		Short- and medium-term
Human rights violations Negative impacts on people Failure to guarantee human rights can cause material or psychological harm to certain individuals or groups of individuals, or restrict the rights of groups of individuals	Identified potential risks		√		Short- and medium-term
Failure to guarantee equal opportunities to employees Negative impacts on people Impacts can arise for workers when equal opportunities are not guaranteed (e.g. during wage-pay setting, recruitment, etc.). This impact can also affect human rights violations	Identified potential risks		√		Short-term
Employee engagement and diversity Positive impacts on people The Company promotes employee engagement and diversity through a range of measures. An engaging working environment improves employee well-being and job satisfaction	Identified potential risks and opportunities		√		Short- and medium-term
Supplying quality drinking water Positive impacts on people Centralised water supply can ensure water quality, which contributes to improving human health	Identified potential opportunities		√		Short-, medium- and long-term
Failure to ensure the quality of services Negative impacts on people Various circumstances can lead to a deterioration in the quality of service or a short interruption in water supply	Identified potential risks			√	Short-term
Privacy and data protection violations Negative impacts on people Employee error or inadequate security of IT systems could lead to the disclosure of customers' personal data	Identified potential risks			√	Short-, medium- and long-term

Prevention of corruption and bribery Positive impacts on people	Identified potential risks		√		Short- and medium-term
Sustainable supply chain management Positive impacts on the environment and people	Identified potential opportunities	√			Short-, medium- and long-term
Building a corporate culture promoting excellence Positive impacts on people Building a corporate culture that promotes excellence increases employee engagement, well-being at work, productivity and efficiency	Identified potential opportunities		√		Short-, medium- and long-term
Ensuring protection of whistle-blowers Positive impacts on people Ensuring protection improves employees' emotional well-being and confidence in the organisation.	Identified potential risks		√		Short-, medium- and long-term

For further information on the impacts, risks and opportunities that are material to the Company, see relevant sections of this Report. In 2024, the Company has decided to phase-in ESRS and this year to omit the information specified in ESRS E4 due to lack of information. Information relating to pollution of surface waters bodies that may affect the aquatic ecosystem is disclosed in the "Pollution" section of this Report.

During the double materiality assessment, the following topics were identified as not material:

- The topic on resource use and the circular economy is considered partially material to the Company. The assessment identified material impacts on the environment related to the generation and management of waste and therefore the topic "Resource inflows" is considered not material.
- The topic "Affected communities" is not material as the assessment did not identify any impacts related to economic, social, cultural or other rights of communities. Communities are also one of the Company's stakeholders, and information on their engagement is provided in the SBM-2 disclosure requirement.
- The topic "Business conduct" is partly material. The assessment did not identify any material impacts, risks or opportunities on the topics of political influence and lobbying and payment practices, and therefore this information is not disclosed in the Report.

ENVIRONMENTAL PROTECTION

CLIMATE CHANGE

Assessment of economic activities' alignment with the taxonomy regulation

The European Union (EU) Taxonomy Regulation (EU) 2020/852 and the delegated acts adopted pursuant to it (hereinafter "the Taxonomy") is a framework for classifying environmentally sustainable economic activities. The EU taxonomy is a key tool for achieving the European Green Deal goals of a climate-neutral and sustainable economy.

In line with the EU Taxonomy 2024, we took the following steps:

- We have analysed our activities and identified which economic activities fall within the scope of the EU Taxonomy (hereinafter the "Taxonomy-eligible activities").
- We have assessed whether the activities covered by the EU Taxonomy meet the substantial contribution and do no significant harm criteria (hereinafter the "Technical criteria").
- We performed an assessment of compliance with minimum safeguards requirements, in line with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The assessment shows that the Company has these measures in place.
- We calculated KPIs for Taxonomy-eligible activities (turnover, CapEx and OpEx).

Most of the Taxonomy-eligible activities currently carried out by the Company only partially comply with the Technical criteria and, therefore are assessed as the Taxonomy non-aligned activities. To contribute to the goal of a climate-neutral and sustainable economy, we will take into account the Technical criteria set out in the EU Taxonomy when planning future investments.

The economic activities carried out by the Company that fall within the scope of the EU Taxonomy:

- Electricity generation using solar photovoltaic technology (code: CCM 4.1)
- Installation, maintenance, and repair of renewable energy technologies (code: CCM 7.6)
- Cogeneration of heat/cool and power from bioenergy (code: CCM 4.20)
- Construction, extension and operation of water collection, treatment and supply systems (code: CCM 5.1)
- Construction, extension and operation of wastewater collection and treatment (code: CCM 5.3)
- Renewal of wastewater collection and treatment (code: CCM 5.4)
- Collection and transport of non-hazardous waste in source segregated fractions (code: CCM 5.5)
- Anaerobic digestion of sewage sludge CCM 5.6)
- Water supply (code: TVJINA 2.1)
- Urban waste water treatment (code: TVJINA 2.2)
- Renovation of existing buildings (code: CCM 7.2 and CCE 3.2)
- Installation, maintenance and repair of energy efficiency equipment (code: KKŠ 7.3)
- Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings (code: KKŠ 7.5)

- Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) (code: KKŠ 7.4)
- Demolition and wrecking of buildings and other structures (code: CCE 3.3)
- Provision of IT/OT data-driven solutions for leakage reduction (code: TVJINA 4.1)
- Acquisition and ownership of buildings (code: KKŠ 7.7)
- Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems (code: TVJINA 1.1)
- Transport by motorbikes, passenger cars and light commercial vehicles (code: KKŠ 6.5)
- Freight transport services by road (code: KKŠ 6.6)

Double counting

All reported Taxonomy KPIs avoid double counting, as each numerator was allocated to different activities. In the case of overlapping activities, the numerator was not duplicated. The Company selected the most appropriate activity based on its description and objective to which it makes substantial contribution, and attributed the related turnover and OpEx and CapEx to that activity only.

Overlapping activities:

<table>
<tr><td>Electricity generation using solar photovoltaic technology</td><td rowspan="2">In 2024, the Company incurred expenses related to the installation of solar power plants, therefore decided to charge the related capital expenditure to the activity: Electricity generation using solar photovoltaic technology</td></tr>
<tr><td>Installation, maintenance, and repair of renewable energy technologies</td></tr>
<tr><td>Construction, extension and operation of water collection, treatment and supply systems</td><td rowspan="2">Both activities include water abstraction, treatment and supply. In view of the fact that the activity “Water supply” contributes substantially to the sustainable use and protection of water and marine resources, the Company decided to allocate the related turnover and OpEx and CapEx to the following activities</td></tr>
<tr><td>Water supply</td></tr>
<tr><td>Construction, extension and operation of wastewater collection and treatment</td><td rowspan="3">Using its accounting systems, the Company can separately report the turnover, CapEx and OpEx related to the treatment and collection of urban wastewater. For this reason, all turnover and expenses incurred in connection with the treatment of urban waste water were attributed to the activity “Urban waste water treatment”.</td></tr>
<tr><td>Renewal of wastewater collection and treatment</td></tr>
<tr><td>Urban waste water treatment</td></tr>
</table>

The following information on KPIs for Taxonomy-eligible activities is disclosed in accordance with Annex II of Commission Delegated Regulation (EU) 2021/2178.

Turnover

Financial year 2024	Year			Substantial contribution criteria						DNSH criteriai									
Economic activities (1)	Code (2)	Turnover, EUR (3)	Proportion of Turnover, 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or-eligible (A.1.2.) turnover, N-1 year (18)	Category enabling activity (19)	Category transitional activity (20)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.00%																
Of which enabling		0	0.00%																
Of which transitional		0	0.00%																
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
Water supply	TVJINA 2.1	28,271,644.91	45.53%	N/A	N/A	N	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	-		
Urban waste water treatment	TVJINA 2.2	18,844,311.83	30.35%	N/A	N/A	Y	N/A	N/A	N/A	N	Y	Y	Y	Y	Y	Y	-		
Renewal of wastewater collection and treatment	CCM 5.4	12,727,436.33	20.50%	N	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Freight transport services by road	CCM 6.6	113,261.00	0.18%	N	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	N	N	Y	Y	-		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		59,956,654.07	96.55%																
A. Turnover of Taxonomy eligible activities (A.1+A.2)		**59,956,654.07**	**96.55%**																
B. Taxonomy-non-eligible activities																			
Turnover of taxonomy-non-eligible activities		**2,140,384.55**	**3.45%**																
TOTAL		**62,097,038.62**	**100%**																

Explanation of the abbreviations: Y- Yes, Taxonomy eligible and aligned activity; N- No, Taxonomy eligible but not aligned activity; N/A- not applicable

CapEx

Financial year 2024	Year			Substantial contribution criteria						DNSH criteriai									
Economic activities (1)	Code (2)	CapEx, EUR (3)	Proportion of CapEx, 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or-eligible (A.1.2.) CapEx, N-1 year (18)	Category enabling activity (19)	Category transitional activity (20)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation using solar photovoltaic technology	CCM 4.1	459,504.95	1.74%	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	-	-	-
CapEx of invenronmentally sustainable activities (Taxonomy-aligned) (A.1)		459,504.95	1.74%																
Of which enabling			0.00%																
Of which transitional			0.00%																
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
Cogeneration of heat/cool and power from bioenergy	CCM 4.20	730,995.43	2.76%	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	N	Y	Y	Y	-		
Renewal of wastewater collection and treatment	CCM 5.4	4,670,568.29	17.64%	N	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	-		
Anaerobic digestion of sewage sludge	CCM 5.6	505,256.69	1.91%	N	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	-		
Water supply	TVJINA 2.1	4,728,942.92	17.86%	N/A	N/A	N	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	-		
Urban waste water treatment	TVJINA 2.2	5,039,835.36	19.03%	N/A	N/A	Y	N/A	N/A	N/A	N	Y	Y	Y	Y	Y	Y	-		
Renovation of existing buildings	CCM 7.2/CCE 3.2	403,785.99	1.52%	N	N/A	N/A	N/A	N	N/A	Y	Y	N	N	N	Y	Y	-		
Freight transport services by road	CCM (6.6)	666,631.41	2.52%	N	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	N	N	Y	Y	-		
Taxonomy Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned 16 746 016,09 activities) (A.2)		16 746 016,09	63.24%																
A. CapEx of Taxonomy eligible activities (A.1+A.2)		**17,205,521.04**	**64.98%**																
B. Taxonomy-non-eligible activities																			
CapEx of Taxonomy-non-eligible activities		**9,274,151.64**	**35.02%**																
TOTAL		**26,479,672.68**	**100%**																

Explanation of the abbreviations: Y- Yes, Taxonomy eligible and aligned activity; N- No, Taxonomy eligible but not aligned activity; N/A- not applicable

OpEx

2024 finansiniai metai	Metai			Svaraus prisidėjimo kriterijai						Reikšmingos žalos nedarymo kriterijai									
Economic activities (1)	Code (2)	OpEx, EUR (3)	Proportion of OpEx, 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or-eligible (A.1.2.) OpEx, N-1 year (18)	Category enabling activity (19)	Category transitional activity (20)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.00%																
Of which enabling		0	0.00%																
Of which transitional		0	0.00%																
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
Cogeneration of heat/cool and power from bioenergy	CCM (4.20)	201,924.33	1.93%	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	N	Y	Y	Y	-		
Renewal of wastewater collection and treatment	CCM (5.4)	289,894.95	2.77%	N	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	-		
Anaerobic digestion of sewage sludge	CCM (5.6)	1,084,219.26	10.36%	N	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	-		
Water supply	TVJINA 2.1	166,680.27	1.59%	N/A	N/A	N	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	-		
Urban waste water treatment	TVJINA 2.2	388,762.33	3.71%	N/A	N/A	Y	N/A	N/A	N/A	N	Y	Y	Y	Y	Y	Y	-		
Renovation of existing buildings	CCM 7.2/CCE 3.2	44,347.93	0.42%	N	N/A	N/A	N/A	N	N/A	Y	Y	N	N	N	Y	Y	-		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM (6.5)	80,410.89	0.77%	N	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	N	N	Y	Y	-		
Freight transport services by road	CCM (6.6)	88,945.63	0.85%	N	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	N	N	Y	Y	-		
Taxonomy OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned 2 345 185,60 activities) (A.2)		2,345,185.60	22.41%																
A. OpEx of Taxonomy eligible activities (A.1+A.2)		**2,345,185.60**	**22.41%**																
B. Taxonomy-non-eligible activities																			
OpEx of Taxonomy-non-eligible activities8 121 107,18		**8,121,107.18**	**77.59%**																
TOTAL		**10,466,292.78**	**100%**																

Explanation of the abbreviations: Y- Yes, Taxonomy eligible and aligned activity; N- No, Taxonomy eligible but not aligned activity; N/A- not applicable

Transition plan for climate change mitigation

The Company does not currently have an approved transition plan for climate change mitigation, and actions to contribute to climate change mitigation are set out in its long-term business strategy for 2025-2034. For more information, see section "Company's Values, Strategy, Objectives and Performance Improvement" of the Management Report, page 12.

In 2024, the Company has calculated Scope 1 and Scope 2 GHG emissions. Scope 1 GHG emissions relevant to Vilniaus Vandenys relate to the use of natural gas, fuel consumption in vehicles, and wastewater treatment and sludge treatment processes. For more information on GHG emissions, the goals set and planned activities, see section "Contribution to climate change mitigation".

DOUBLE MATERIALITY ASSESSMENT

CLIMATE CHANGE

Negative impacts:
Actual. Greenhouse Gas Emissions

Positive impacts:
Actual. Development of renewable energy

Risks:
Potential. Pricing of fossil fuels (Transition risk)
Potential. Heatwaves (Physical risk)
Potential. Heavy precipitation (Physical risk)

Opportunities:
Actual. Use of renewable energy in operations

For more information on the Company's materiality assessment, see section "Double materiality assessment" of the Sustainability report.

Policy

Vilniaus Vandenys' Sustainability Policy

The Policy is available here: [Sustainability Policy.]

This policy defines the sustainability principles and guideline, which will guide the design and development of sustainable operations. In the Policy, the Company is committed to contributing to the European Green Deal and the Paris Agreement.

We calculate GHG emissions from our operations in accordance with the GHG Protocol standards, and have set and annually review emission reduction targets and measures. For more information on the Company's GHG emissions, calculation principles, see section "Contribution to climate change mitigation" of this Report.

The principles and commitments set out in the Policy are applied on the company-wide basis. The responsibility for monitoring compliance with the sustainability principles lies with the company's General Manager and Heads of Functions. The Policy is reviewed at least once every three years or more frequently in response to changes in the Company's strategic objectives and directions.

Actions

Development of renewable energy:

- In 2024, Vilniaus Vandenys continued to invest in renewable energy solutions and expanded its rooftop photovoltaic plant network on its buildings and in wellfields. During the reporting period, 4 solar power plants with a total capacity of 186 kW were installed. In total, the Company operates 18 solar power plants.
- A project to install the third co-generation unit of the Vilnius Wastewater Treatment Plan is underway (increased installed capacity, generation of electricity and heat from biogas).
- Feasibility study on Investing in renewable energy was conducted.

Climate change adaptation

The double materiality assessment identified two physical risks of climate change: heat waves and heavy precipitation. In 2024, to adapt to climate change, causing more frequent and heavy rainfall, the Company took the following actions:

- A study for a wastewater flow equalisation tank was conducted. The installation of this tank at the Vilnius Wastewater Treatment Plant would allow for the adjustment of the wastewater flow and ensure a smooth technological process during heavy rainfall and/or snow melt.
- A smart wastewater management system was installed at the Vilnius Wastewater Treatment Plant, the installation thereof was launched. This system will help to adjust the flow of wastewater to ensure adequate wastewater treatment during heavy rainfall or snow melt.

Energy consumption

We are working to reduce the consumption of non-renewable energy resources in our operations. In 2024, the share of renewable energy sources in total energy consumption was 84.39%. Further information is provided in the table.

Targets

Target	Target indicator 2024	Target indicator 2025	Target indicator 2029	Target indicator 2034
Share of electricity generated from solar, wind, hydro power and sludge mono-incineration out of total electricity demand	23.5	26.7	48.7	100.0

Energy consumption and mix	2023 year	2024 year
(1) Fuel consumption from coal and coal products (MWh)	0	0
(2) Fuel consumption from crude oil and petroleum products (MWh)	0	0
(3) Fuel consumption from natural gas (MWh)	14,783	15,974
(4) Fuel consumption from other fossil sources (MWh)	0	0
(5) Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)	2,403	1,359
(6) Total fossil energy consumption (MWh) (calculated as the sum of lines 1 to 5)	**17,186**	**17,333**
Share of fossil sources in total energy consumption (%)	15.94	15.60
(7) Consumption from nuclear sources (MWh)	71	18
Share of nuclear sources in total energy consumption (%)	0.066	0.016
(8) Fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.) (MWh)	43,179	36,757
(9) Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	35,098	43,656
(10) The consumption of self-generated non-fuel renewable energy (MWh)	12,303	13,372
(11) Total renewable energy consumption (MWh) (calculated as the sum of lines 8 to 10)	**90,580**	**93,785**
Share of renewable sources in total energy consumption (%)	84.00	84.39
Total energy consumption (MWh) (calculated as the sum of lines 6, and 10)	**107,837**	**111,136**

Energy intensity based on net revenue	2024 year
Total energy consumption from activities in high climate impact sectors per net revenue from activities in high climate impact sectors (MWh/Monetary unit)	0.0019

The net revenue used to calculate energy intensity cannot be directly linked to the line item in the financial statement, therefore the data reconciliation is provided below.

Net revenue from activities in high climate impact sectors used to calculate energy intensity	59,462,590.07
Net revenue (other)	2,634,448.55
Total net revenue (Financial statements)	62,097,038.62

Substantial contribution to climate change mitigation

The Company's GHG emissions were carried calculated in accordance with the requirements of The Greenhouse Gas Protocol A Corporate Accounting and Reporting Standard (hereinafter the "GHG Protocol"). GHG emissions include CO2, CH4 and N2O emissions. Other greenhouse gas (HFCs, PFCs, SF6) emissions are not accounted for as there are no identified significant sources of these gases in the Company's operations.

The control approach to consolidate GHG emissions is used in calculations.

Scope 1 inventory

GHG emissions relevant to Vilniaus Vandenys relate to the natural gas consumption, fuel consumption in vehicles, and wastewater treatment and biogas generation processes.

The values of the emission factors for Scope 1 emissions from stationary and mobile sources (fuels: natural gas, diesel, petrol) and emissions from biogas leakage are derived from the National Inventory Report submitted to the Secretariat of the United Nations Framework Convention on Climate Change.

Due to specific nature of the Company's operations, GHG emissions occur not only from fuel combustion but also from business operations. The calculation of GHG emissions related to wastewater management is guided by the methodology set out in the Intergovernmental Panel on Climate Change's Guidelines for the Preparation of National GHG Inventories/Reports, Volume 5, Waste1. Wastewater treatment emits methane and nitrous oxide. Carbon dioxide is also emitted during this process, but is not included in the Company's GHG emissions due to its biogenic origin.

Scope 2 inventory

This inventory covers GHG emissions related to the consumption of energy purchased from networks outside the Company. The Company purchases electricity from renewable and non-renewable sources and uses district heating.

The emission factor required to calculate GHG emissions from electricity consumption using the location-based method is provided in the European Residual Mix Report by AIB. The emission factor for "green" electricity purchased using the market-based method is 0.

The emission factor for thermal power is provided in the Order of the Minister of Environment of the Republic of Lithuania On the Approval of the Building Technical Regulation STR 2.01.02:2016 Design and certification of energy performance of buildings.

Scope 3 inventory

The company has decided to phase-in ESRS and to omit this requirement in 2024.

	Retrospective			Milestones and target years		
	2023 (Base year)	2024	Change, %	2025	2029	2050
Scope 1 GHG emissions						
Gross Scope 1 GHG emissions (tCO_2eq)	13,110.84	13,018.37	- 1.0%	13,000	12,900	No target
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	n/a	n/a	n/a	n/a	n/a	n/a
Scope 2 GHG emissions						
Gross location-based Scope 2 GHG emissions (tCO_2eq)	20,503.54	25,597.90	24.9%	No target	No target	No target
Gross market-based Scope 2 GHG emissions (tCO_2eq)	274.58	146.58	- 46.6%	No target	No target	No target
Significant scope 3 GHG emissions						
No Scope 3 emissions were calculated for 2024, are planned to be reported in the Sustainability Report 2025.						
Total GHG emissions (Scope 1 and 2)						
Total GHG emissions (location-based) (tCO_2eq)	33,614.38	38,616.27	14.9%	No target	No target	No target
Total GHG emissions (market-based) (tCO_2eq)	13,385.42	13,164.95	- 1.6%	No target	No target	No target
GHG emissions intensity ($kgCO_2e$/EUR million)	Not calculated in 2023	0.22	-	No target	No target	No target

The net revenue used to calculate GHG intensity cannot be directly linked to the line item in the financial statement, therefore the data reconciliation is provided below.

Net revenue used to calculate GHG intensity	60,667,000.00
Net revenue (other)	1,430,038.62
Total net revenue (Financial statements)	62,097,038.62

In 2024, the Company did not have any GHG removals projects.

Anticipated financial effects from material climate-related physical and transition risks

The Company has decided to phase-in ESRS and, in 2024, to omit the information specified in ESRS E1-9 due to lack of information.

POLLUTION

DOUBLE MATERIALITY ASSESSMENT

POLLUTION

Negative impacts:
Actual. Air pollution by other gases (other than GHG) and odours;
Potential. Pollution of soil with chemicals;
Potential. Pollution of surface water bodies (due to increased pollution from treated wastewater);
Actual. Pollution of surface water bodies (by priority substances and microplastics).

Risks:
Exceeding the limit values related to odour pollution;
Exceeding the limit values related to air pollution by other gases (ammonia and VOC) (other than GHGs);
Pollution of soil with chemicals.

Potential. Violations of environmental protection requirements*
Potential. Exceeding the limit values related to pollution by priority hazardous substances and/or microplastics

* Discharges of untreated wastewater or wastewater of increased pollution level into the natural environment, whether due to an accident or other causes.

For more information on the Company's materiality assessment, see section "Double materiality assessment" of the Sustainability report.

Policy related to pollution

Vilniaus Vandenys' Environmental Protection Policy

SThe Policy is available here: [Environmental Policy]

The Policy aims to mitigate the impacts of air, water and soil pollution in line with the principles of pollution prevention. The Company takes responsibility for the impacts on the environment of its activities and is committed to continuously upgrading and modernising its infrastructure to reduce pollution and achieve continuous improvement in environmental performance.

This Policy is intended to manage the impacts on the environment of the Company's activities, reduce risks and pursue opportunities to reduce pollution of air, water and soil. The Policy applies to all areas of the Company's operations and to all types of pollution related to its activities.

The Policy aims to prevent incidents and emergencies and, when they do occur, to effectively control and limit the impacts on people and the environment. For this purpose, the Company implements modern preventive measures, strictly adheres to safety standards, conducts regular audits of its operations and risk assessments. It also ensures preparedness for the effective response to potential incidents, including appropriate employee training and cooperation with relevant authorities.

This policy applies to a wide range of pollutants, including:

- Air pollutants: emissions of Ammonia (NH_3); Sulphur dioxide (SO_2); Carbon monoxide; Hydrogen sulphide; Oxides of nitrogen (NO_x); VOC; Nitrogen oxides.
- Water pollutants: BODS7, CHDS, NH_4, Nb, Pb, NO_2, NO_3, Oil, Grease, Suspended solids, Detergents, Heavy metals , PPM, Microplastics.
- Soil pollutants: Pollutants in wastewater (in case of spills of wastewater).

This Policy contributes to the EU Action Plan: "Towards Zero Pollution for Air, Water and Soil". The Company assesses the impact of the EU Action Plan and the revision of the existing directives on its activities, and is working to reduce its emissions footprint. This includes targeted emission reductions by transitioning to cleaner production and transport technologies, contributing to the EU's overall emission reduction targets.

The Company regularly monitors and audits its environmental performance and makes this information publicly available to ensure transparency and accountability. This not only helps to maintain high environmental standards, but also to meet stakeholders' expectations.

The principles and commitments set out in the Policy are applied on the company-wide basis. The responsibility for monitoring compliance with the principles of environmental protection lies with the Company's General Manager and Heads of Functions. The Policy is reviewed at least once every three years or more frequently in response to changes in the Company's strategic objectives and directions.

Pollution reduction-related actions

Reconstruction of wastewater plants

Two projects were completed in 2024: Reconstruction of the Švenčionėliai Wastewater Treatment Plant and the Vilnius Wastewater Treatment Plant, as well as installation of the tertiary treatment plant. The projects were implemented to contribute to reducing pollution of surface water bodies.

The Vilnius Wastewater Treatment Plant, which manages one third of Lithuania's wastewater, is able to receive 160 thousand cubic metres of wastewater and treat 97 tons of pollutants per day. The upgraded treatment plant operates in accordance with the Nordic HELCOM environmental standards, which ensure even greater protection of the Neris River and the Baltic Sea. The plant is equipped with the most advanced technology to trap and remove the smallest particles of pollutants and plastics.

Wastewater treated at the Švenčionys wastewater treatment facilities are drained into the Mera-Kūna River. After the reconstruction, the wastewater treatment facilities comply with the applicable standards and the quality of the treated wastewater meets the requirements of the wastewater management regulation for treated wastewater, thereby significantly enhancing the good status of the Mera-Kūna River compared to that before the reconstruction. To ensure the good status of the Mera-Kūna River, additional wastewater treatment measures have been implemented at the Švenčionys Wastewater Treatment Plant to improve the removal of nitrogen and phosphorus pollutants.

Installation of the remote smart wastewater quality monitoring system

The system will help to measure the variation in total nitrogen, ammonium nitrogen, total phosphorus and chemical oxygen at the entry and exit before and after the wastewater treatment process. The data on pollution indicators will aid in regulating the operation of the Vilnius Wastewater Treatment Plant to achieve even better wastewater treatment rates.

Other pollution reduction measures:

In 2024, the wastewater treatment process was further improved, resulting in 298 t less discharged pollutants during the reporting period than in the previous period.

Targets

Target	Target indicator	Target indicator 2024	Target indicator 2025	Target indicator 2029	Target indicator 2034
Improving the efficiency of wastewater treatment	Discharges of priority hazardous substances listed in Annex 1 of the Waste Water Management Regulation in waste water, tons/year	0.017	0.015	0.015	0.000
	Planned discharge of pollution in wastewater- BOD7, tons/year	120	120	140	140
	Planned discharge of pollution in wastewater- total nitrogen (Nb), tons/year	376	370	270	190
	Planned discharge of pollution in wastewater- total phosphorus (Pb), tons/year	24	23	24	10

Indicators

Indicator	2023	2024	Change
Releases to air by the Company in accordance with Annex II of Regulation No 166/2006, t/year	184.90	102.14	-86.56
Microplastics* formed and/or released, mp/l	Not assessed in 2023	average annual value - 135	-
Volume of substances of concern or very high concern generated or used (discharged in wastewater), t.	0.011	0.016	+0.005

**Microplastics: wastewater treatment facilities are not designed to fully remove microplastic particles, which enter surface waters with the treated wastewater. The following microplastics are found in treated wastewater discharges: polyethylene (PE), polyester (PES), rubber, polypropylene (PP).*

Contextual information

Emissions and/or discharges are monitored on the basis of a monitoring programme developed and agreed with the Environmental Protection Agency, which specifies the pollutants to be measured, the sampling frequency and the measurement methods. Quarterly and annual monitoring reports are made public on the Company's website.

This monitoring is essential to ensure that emissions and discharges stay within permitted limits, thus protecting the environment and public health. Regular and systematic sampling allows for a continuous assessment of the environmental impact and timely response if deviations from the established standards are observed. The data collected is carefully recorded and analysed, resulting in a comprehensive assessment of the accounting of discharges.

The current monitoring system not only ensures compliance but also contributes to the Company's commitment to sustainability. The data and findings from this monitoring are documented in protocols, which form the basis for further assessment of environmental performance.

In line with the legislation in force, the Company submits annual reports on accounting of wastewater treatment to the Environmental Protection Agency each year.

Anticipated financial effects from material pollution-related risks

The Company has decided to phase-in ESRS and, in 2024, to omit the information specified in ESRS E2-6 due to lack of information.

WATER AND MARINE RESOURCES

DOUBLE MATERIALITY ASSESSMENT

WATER AND MARINE RESOURCES

Negative impacts:
Actual. Consumption of groundwater

Risks:
Potential. Reduction in drinking water resources
Potential. Contamination of groundwater
Potential. Stringent regulation (Transition risk*)

Dependencies:
Underground freshwater resources

*Water is one of the resources that could be severely affected by climate change. This could lead to stringent regulations covering water consumption, abstraction and losses.

For more information on the Company's materiality assessment, see section "Double materiality assessment" of the Sustainability report.

Policy related to water and marine resources

Vilniaus Vandenys' Environmental Protection Policy

The Policy is available here: [Environmental Policy]

The Company ensures a resource-efficient use of the underground drinking water it supplies. This is achieved through continuous upgrading of infrastructure and network renewal to reduce water losses and improve resource efficiency.

Vilniaus Vandenys does not have a policy on sustainable use of oceans and seas in place, as it does not directly operate in marine or ocean areas, however, the Company's Environmental Policy promotes broader protection of aquatic ecosystems, including preventive measures against pollution that can also affect marine waters. The Company adheres to international environmental standards and contributes to initiatives to protect water bodies.

The Company's Environmental Policy not only defines the Company's commitment to the sustainable use of water resources, but also to educate the public and other stakeholders on the sustainable use of water resources.

The principles and commitments set out in the Policy are applied on the company-wide basis. The responsibility for monitoring compliance with the sustainability principles lies with the company's General Manager and Heads of Functions. The Policy is reviewed at least once every three years or more frequently in response to changes in the Company's strategic objectives and directions.

Actions

The Company continued to implement its digitisation projects. In 2024, the Company launched intensive roll out of smart meters in residential houses, thus facilitating the procedure for submitting meter readings of consumed services for customers and contributing to the conservation of water resources. 71,812 units were installed during the year. These devices will allow for even more accurate metering of customers' water consumption and timely identification of emergency situations occurring between the building's inlet metering device and apartment.

Targets

Target	Target indicator	Target indicator 2024	Target indicator 2025	Target indicator 2029	Target indicator 2034
Water loss reduction	Overall loss (%)	13.5	13	13	9
	Water losses in apartment buildings (%)	10.5	10	5	2
	Water losses in networks (%)	9.4	11	10	7

Indicators

Indicator	2023	2024	Change
Total water consumption (own use) (m^3)	107,430	162,231	+54,801
Total water recycled and reused in m^3	-	78,584	-
Water consumption intensity (total water consumption in its own operations (m^3) per million EUR net revenue)	Not calculated in 2023	150,957	-
Water withdrawals and water discharges (m^3)*	34 680 328	36,133,979	+1,453,651

**Volume of water abstracted and supplied to the network*

Contextual information

The value of the indicator "Total water consumption in areas at water risk, including areas of high-water stress" is not reported because the Company's activities are not located in these areas, and due to lack of information, it was not examined whether the Company's upstream value chain is located in the areas at water risk.

The Company stores water in tanks to ensure the reliable supply of water at any times, and, given that it is constantly changing, its storage does not have an impact on quality, therefore no value is provided for the indicator "Total water stored and changes in storage".

Anticipated financial effects from material pollution-related risks

The Company has decided to phase-in ESRS and, in 2024, to omit the information specified in ESRS E3-5 due to lack of information.

RESOURCE USE AND CIRCULAR ECONOMY

DOUBLE MATERIALITY ASSESSMENT

RESOURCE USE AND CIRCULAR ECONOMY

Negative impacts:
Potential. Sewage sludge production and reuse
Potential. Waste generation in the Company's activities

Risks:
Non-compliance with waste management legislation
Stringent requirements for the use of sewage sludge (Transition risk*)

Opportunities:
Potential. Use of sewage sludge in electricity generation

* To minimise pollution, the requirements for the use of sewage sludge in agriculture or other land-based applications may become stringent.

For more information on the Company's materiality assessment, see section "Double materiality assessment" of the Sustainability report.

Policy

Vilniaus Vandenys' Environmental Protection Policy

The Policy is available here: Environmental Policy

The Company's policy promotes the transitioning away from use of virgin resources and the use of secondary (recycled) resources. The Company adheres to circular economy principles and promotes recycling and reuse of raw materials.

Adhering to waste hierarchy principles

The Company prioritises the avoidance and minimisation of waste. The aim is to reduce waste and promote its rational management through pollution prevention measures.

To promote recycling and waste minimisation, sludge is drained and dried at the Vilnius Wastewater Management Plant. Drained and dried sludge can be used for the reclamation of abandoned quarries, landfill closure, restoration of disturbed areas, energy forestry, restoration of green areas and agriculture, in accordance with the requirements for the use of sewage sludge.

Circular economy models

The Company develops circular economy projects, including recycling waste, using it as a source of energy or for other purposes.

The principles and commitments set out in the Policy are applied on the company-wide basis. The responsibility for monitoring compliance with the sustainability principles lies with the company's General Manager and Heads of Functions. The Policy is reviewed at least once every three years or more frequently in response to changes in the Company's strategic objectives and directions.

Actions

The Company manages the sludge produced in the wastewater treatment process in several ways. One method is composting, which takes place at a sludge composting site within the Company's operations. The resulting compost is used for restoring abandoned land, fertilising urban green spaces or consolidating and planting roadsides.

The sludge composting contractor has been selected through a public procurement procedure. The sludge recycling process is subject to a rigorous control, therefore the contractor must present qualitative compost tests and sludge disposal certificates

In addition to composting, the sludge produced at the Vilnius Wastewater Treatment Plant is dried. The dried sludge is used to fertilise energy crops, while the gases from the drying process are used to generate electricity. The dried sludge resulting from the wastewater treatment process was supplied to Akmenė Cement AB. and used as alternative fuels in the cement industry instead of non-renewable fuels (coal).

This action seeks to manage the sewage sludge in a sustainable and efficient way, through multiple recycling methods and strict process control.

Targets

No waste management targets were identified for 2024.

Resource outflows (waste)

Waste reduction and management strategy

The Vilnius Wastewater Treatment Plant aims to reduce waste generation and optimise waste management.

The strategy includes the following:

- Improving the efficiency of wastewater treatment processes to reduce sludge production.
- Recycling and reusing sludge, for example for biomethane production or as fertiliser in agriculture.
- Focusing on the control of materials entering the wastewater system to prevent hazardous waste generation.

The Company has a complete picture of its waste management processes from wastewater collection to final treatment and disposal. Waste reduction measures are based on the principles of sustainability and the circular economy.

Key products and materials that can be adapted to the circular economy:

- Sewage sludge: suitable for recycling into biomethane or for use as fertiliser. Sludge is durable and can be recycled for several cycles if the quality requirements are fulfilled.
- Waste from desanding: some of the waste can be recycled as raw material for building materials.

Waste streams: sewage sludge (biomass-based), residues of sand and particles.

Materials in the waste: biomass (organic components), sand and minerals, traces of metals, if present in the wastewater.

Contextual information

A large amount of sludge is sent for recycling due to local legal requirements that encourage recycling and prohibit the disposal in landfills. Sludge is processed into biomethane according to industry standards that encourage the development of renewable energy sources.

Data on the volume and composition of waste is sourced from direct measurements. The Vilnius Wastewater Treatment Plant relies on the automated systems and data from waste operators, confirmed by waste transfer notes.

Anticipated financial effects from material pollution-related risks

The Company has decided to phase-in ESRS and, in 2024, to omit the information specified in ESRS E5-6 due to lack of information.

Indicators

Indicator	2023	2024	Change
Total amount of waste generated (t)	10,256.26	10,308.66	+52.40
Total amount by weight diverted from disposal, with a breakdown between hazardous waste and non-hazardous waste and a breakdown by the recovery operation types (preparation for reuse, recycling, other recovery operations) (t)	Not calculated in 2023	Amount of non-hazardous waste- 8,762.10 Amount of hazardous waste- 1.35	-
Total amount by weight directed to disposal, with a breakdown between hazardous waste and non-hazardous waste and a breakdown by the recovery operation types (incineration, landfill, other disposal operations) (t)	Not calculated in 2023	Amount of non-hazardous waste- 1,540.74 Amount of hazardous waste- 3.48	-
Total amount and percentage of non-recycled waste (%)	Not calculated in 2023	14.98	-

SOCIAL AREA

OWN WORKFORCE

DOUBLE MATERIALITY ASSESSMENT

OWN WORKFORCE

Negative impacts:

Potential. Failure to ensure safe working conditions;
Potential. Human rights violations;
Potential. Failure to guarantee equal opportunities to employees.

Positive impacts:

Actual. Promoting employee engagement and diversity.

Risks:

Accident due to unsafe working conditions;
Fire
Lack of communication between business units;
Inappropriate development of employees;
Violation of equal opportunities and diversity;
Physical or psychological violence, harassment or abuse against employees.

Opportunities:

Increasing employee engagement

For more information on the Company's materiality assessment, see section "Double materiality assessment" of the Sustainability report.

Equal opportunity and human rights

Policies

Vilniaus Vandenys' Equal Opportunities and Diversity Policy and Abuse and Harassment Prevention Policy

The policies are available here:
[Equal Opportunities and Diversity Policy]
[Abuse and Harassment Prevention Policy]

The Company is an equal opportunity employer, ensuring equal opportunities and a supportive environment for all employees, regardless of gender, age, background, disability or other personal identity.

The Policy covers the principles of promoting equal opportunities and diversity (including the avoidance of discrimination on grounds of racial and ethnic origin, colour, sexual orientation, gender identity, disability, age, religion, political opinion, national extraction or social origin, or other forms of discrimination covered by Union regulation and national law), the principles of implementation and enforcement, and the main measures for the implementation of these principles at the Company.

We respect core international human and labour rights standards, as enshrined in the International Bill of Human Rights, the International Labour Organisation (ILO) Declaration of Fundamental Principles and the Right at Work, and comply with the OECD Guidelines for Multinational Enterprises; this commitment enshrined in our Sustainability Policy.

Our Abuse and Harassment Prevention Policy ensures active involvement of the Company's employees in creating a friendly and human dignity respecting working environment that ensures equality and non-discrimination, provides effective prevention measures and helps employees to understand the potential manifestations of violence and harassment in the workplace, to recognise their signs and to be aware of the legal remedies.

To prevent discrimination, the Company raises awareness of employees on equal opportunities and diversity, and has established channels for reporting and procedures for addressing violations.

The Company aims to provide a safe and healthy working environment for every employee, where everyone respects each other and ensures that no one is subjected to humiliating, aggressive, abusive or otherwise offensive behaviour by ensuring the equality of individuals, prohibiting discrimination of any kind, and promoting behaviour that is in line with the organisation's values and ethical principles.

To promote awareness and zero tolerance of any misconduct or discriminatory practices, employees are encouraged to report violations related to non-compliance with laws, discrimination or other unethical behaviour through established channels. Reports are investigated and processed in accordance with the procedures laid down in internal legislation.

The principles and commitments set out in the Policy are applied on the company-wide basis. The responsibility for monitoring compliance with the principles of above policies lies with the company's General Manager and Heads of Functions. The policies are reviewed at least once every three years or more frequently in response to changes in the Company's strategic objectives and directions.

Actions

At the end of 2024, the Equal Opportunities Ruler, a situation assessment tool developed by the Equal Opportunities Ombudsperson, was organised to assess the progress in fostering work environment open to diversity and to identify areas for improvement. The survey helped to self-assess the organisation's progress in creating and fostering an open and inclusive working environment, applying the principles of implementing, promoting and monitoring equal opportunities and diversity, and to identify areas for improvement.

Based on the data collected, the Office of the Equal Opportunities Ombudsperson (OEOO) gave a score of 7.7 on a ten-point scale, as well as a detailed report and recommendations on how to ensure equal opportunities in the workplace. Given the results and the recommendations made by the Equal Opportunities Ombudsperson, actions will be identified to improve areas for improvement.

Raising employee awareness of equal opportunities and diversity, and of the prevention of violence and harassment, through training on these topics:

- Discrimination revisited: sources, practices and opportunities for change;
- Preventing discrimination and ensuring equal opportunities in the workplace;
- How to build personal psychological safety and stress resilience;
- Recognising and acting constructively on manipulation.

Other ongoing actions are set out in Part Four of the Equal Opportunities and Diversity Policy and Part Seven of the Abuse and Harassment Prevention Policy.

Employee education and engagement

Engagement-related actions

A caring organisation and engaged employees is one of the Company's strategic directions, to which the Company pays particular targeted attention.

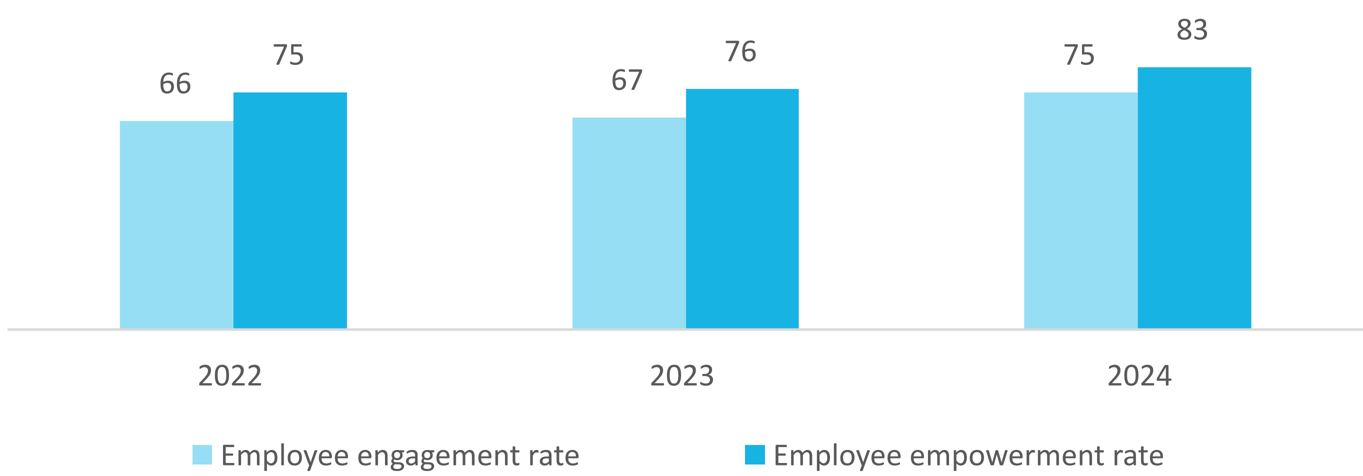
To this end, the Company conducts an annual employee engagement survey. The survey shows the Company's employee engagement (the proportion of employees demonstrating dedication and willingness to go beyond their scope of work) and empowerment (the proportion of employees who feel trusted, having autonomy and responsibility, and therefore are able to achieve the highest level of performance).

In 2024, the employee engagement survey was attended by 90% of all the Company's employees. The survey showed that 75% of employees are engaged and 83% of employees feel empowered.

Also, eNPS (Employee Net Promoter Score) was used in this survey to measure the loyalty by asking employees if they would recommend the organisation as an employer to others. In 2024, the survey showed the growth of this score by 14% during the year to 62%. In 2024, this score was significantly higher than the average of all Lithuanian companies (6%) and Lithuanian utility companies (7%).

In 2024, based on the good practice of other organizations and the Company's increasing attention to employees' emotional health, the Company conducted a survey of psychosocial risks and stress at work. The survey showed that the employees feel good in the organisation: pleasant communication at work, no psychological violence between colleagues, each employee feels respected and his/her contribution to the Company's activities is valued. According to the results of the study, the stress factor in the Company is 82%, indicating that the Company has a good emotional atmosphere, a cooperation-supporting microclimate. In 2024, this score was significantly higher than the average of all Lithuanian companies (67%) and Lithuanian utility companies (68%).

Employee engagement and empowerment rates in 2022-2024 (%)



Employee development-related actions

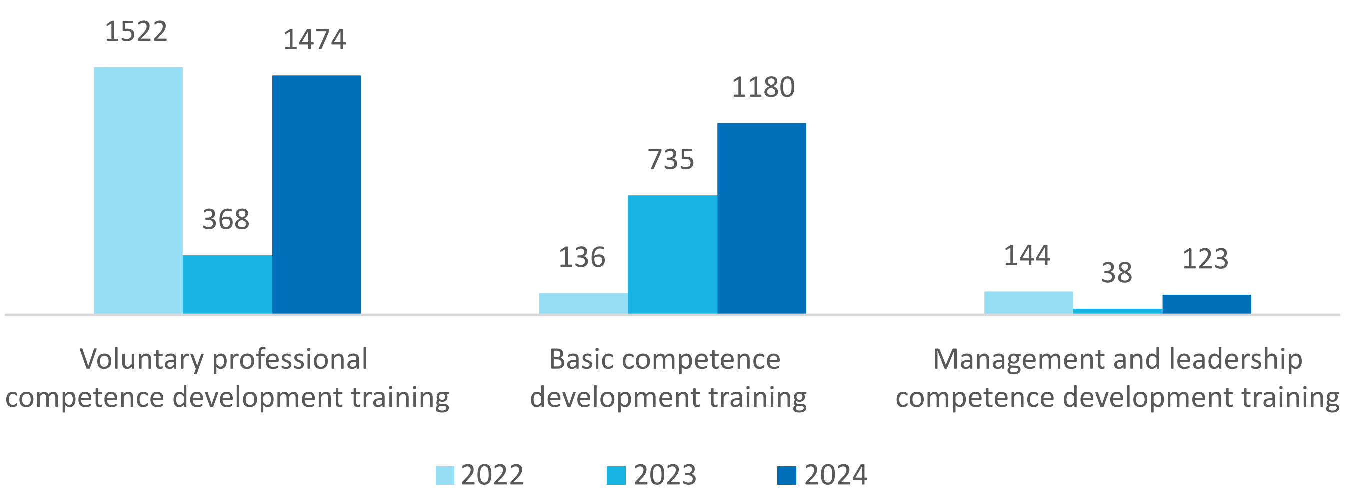
In line with the principles set out in the Human Resources Policy, the Company believes that required competencies of employees – professional, basic, leadership and management – allow to achieve the highest performance results.

We promote continuous employee development and upskilling, offer in-house and external training. Employees are given the opportunity to develop their professional skills according to their individual needs. The organisation ensures that employees have all the statutory certificates required for the job, and finances training for its employees, not only related to their direct job functions, but also to the development of soft skills: offers a range of training in general, professional and leadership competences.

Online presentations on emotional health and soft skills were delivered to improve the well-being and skills of employees. The presentations were open to all employees, and the topics discussed promoted self-knowledge, stress management, effective and tolerant communication and cooperation within the organisation. The initiative was well attended and positively received by employees.

Strengthening leadership and management skills, with a particular focus on the learning and development of managers at all levels. Based on the recommendations of the 360 feedback survey, an integrated development programme for managers was developed and launched in October 2024. The programme consists of contact sessions led by lecturers, e-learning integrated into the programme in a targeted manner, and on-the-job application of the knowledge gained. The leadership development program covers the following areas: decision-making, change management, delegation and enforcement, employee development and motivation, feedback and conflict resolution.

Number of the Company's employees who attended trainings in 2024



The "Training" section represents the total number of participants, i.e. some employees may have taken part in trainings more than once.

A two-day procurement training session was organised for 72 of the Company's employees involved in procurement processes. The training covered the importance of market research, the process of initiating a procurement, the principles of qualification requirement establishment and the criteria for assessing economic advantage, the process of evaluating tenders, and the possibility of modifying public procurement contracts.

The Company also maintains a strong focus on in-house training on the culture of continuous excellence, sustainability, cybersecurity, personal data protection, etc.

In 2024, the Company also hosted Newcomer Days, which became a tradition, and is aimed at new employees. The event provided participants with an overview of the Company's main business activities, values, strategic objectives and organisational culture. To ensure a smooth onboarding, newcomers had the opportunity to take part in interactive sessions, discussions, practical activities and a tour. There was also a strong emphasis on teamwork, fostering cooperation and building relationships with colleagues from different units.

Health and safety

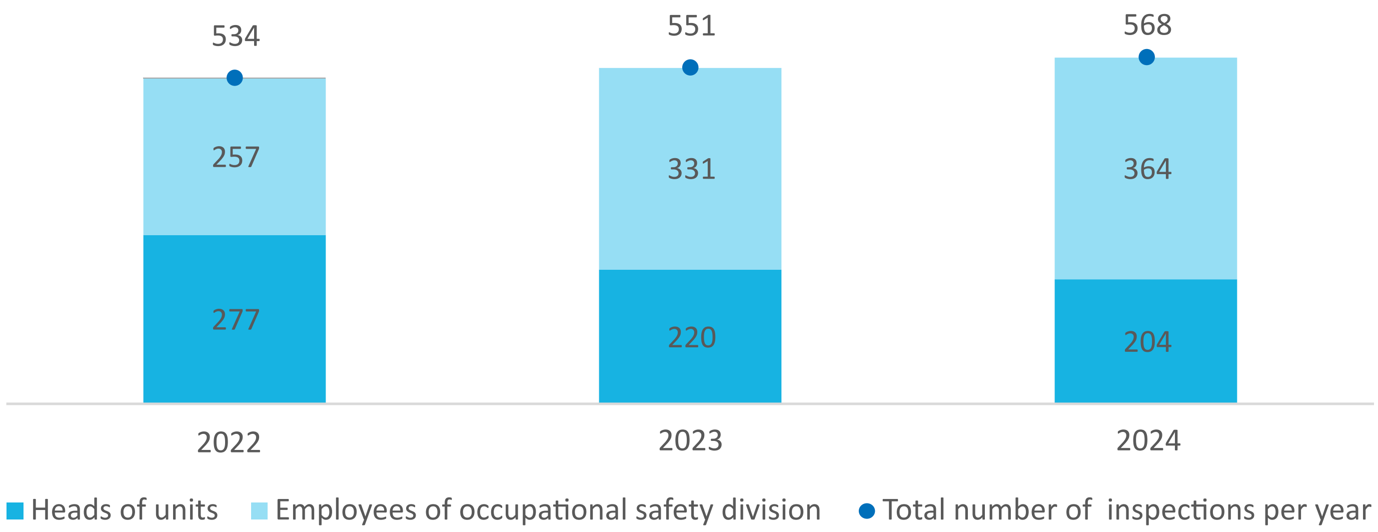
Policy

In line with the principles of the Policy for Occupational Safety and Health: Zero-Tolerance for Accidents at Work, the Company aims to ensure safe and healthy working conditions for employees in their workplaces, to prevent work-related injuries and occupational diseases of employees and to develop a global culture of fostering a safe and healthy environment in the Company, obliging every employee to pursue and contribute to this.
Seeking to enhance the Company's culture of occupational safety and health, the Company assigns the highest priority to ensuring proper work organisation and work safety. In 2024, the Company set the ambitious goal: to develop value-based organizational culture – 0 accidents. The Company expects that each employee will follow the rule: "I am responsible not only for my own safety, but also for the safety of my colleagues around me!", because every employee is responsible for ensuring a healthy and safe working environment.

Actions

We consistently build a culture of occupational safety and health in our organisation. The highest priority was given to employee engagement in improving own and others' working environment, and in ensuring the proper organisation and safe execution of work. In 2024, the Company

Number of occupational health and safety inspections in the workplace of employees in 2022-2024



carried out a comprehensive assessment of the implementation of occupational safety and health requirements, which identified the maturity of the Company's safety culture. The assessment showed that occupational safety and health is considered an important value in the Company, with clear safety policies and procedures in place, and that the Company promotes active employee engagement in safety activities.

In 2024, the Company identified and managed the fatal accident risk, with particular focus on:

- continuous professional development of employees who carry out and manage hazardous work;
- practical employee raining, emergency planning and response (to accidents at work) drills;
- reviewing and standardising production processes, including safety aspects;
- communicating the importance of occupational safety and security. The installation of additional communication channels such as scoreboards (displays) in structural units was launched.
- The system for reporting unsafe work locations was installed.

Other actions:

- In 2024, 568 workplace inspections were carried out.
- The inspections identified quantitative and qualitative occupational safety and health compliance indicators in the annual/quarterly targets of managers/employees.
- In 2024, the Company continued employee sobriety checks using stationary and portable breathalysers before and after the work every working day (shift) to ensure compliance with the principles of occupational safety.
- In April-June 2024, external experts carried out an extended assessment of the Company's occupational health and safety performance to determine the compliance of the Company's occupational health and safety policy and procedures with the legislation of the Republic of Lithuania and the maturity of the Company's safety culture.

Work council

The Work Council Election Committee of the Company (hereinafter the "Election Committee"), which was set son 12 August 2024, initiated the elections of a new Work Council, which took place from 17 to 24 September 2024.

The Company's employees nominated 12 candidates for the Work Council to the Election Commission, from which 9 mem-

Targets

Target	Target indicator	Target indicator 2024	Target indicator 2025	Target indicator 2029	Target indicator 2034
Ensuring competitive remuneration	Compa-Ratio (%)	88	90	97	100
Creating the appropriate organisational, technological and emotional environment within the Company	eNPS*	62	63	67	70
Enhancing a safe working culture	Occupational health and safety violations	8	6	3	0
	Incidents	3	2	2	2

**eNPS score is obtained from the answers to the question "Would you recommend to work for this company?"*

bers of the Work Council were elected. The Work Council elections, which took place from 17 to 24 September 2024, were held with a turnout of more than 50% of eligible employees, resulting in a successful election of the Work Council and the election of 9 members (6 men and 3 women), the list of which was communicated through internal channels on 26 September 2024. On 3 October 2024, the Work Council held its first meeting, at which the Chair and the Secretary of the Work Council were elected, and, as of that date, the Work Council began to exercise its functions under the labour legislation.

Characteristics of employees

A caring organisation and engaged employees is one of the Company's strategic directions, to which the Company consistently devotes great attention. As of 31 December 2024, the Company's personnel consisted of 43% employees in Production Service, 32% in Customer Service, and the remaining 25% provided supporting functions of the Company's main activities.

In 2024, the Company employed 7% of administrative and middle managers, 59% of specialists and senior specialists, and 34% of workers.

The number of the employees on payroll is given for the last day of 31 December 2024.

A breakdown of employees by country and by contract type, broken down by region, is not provided, as all the Company's employees work in Lithuania.

Some employees work part-time or on fixed-term contracts for the following reasons: combining work and studies, working only on a specific project, personal reasons, retirement age (to ensure the continuity and delivery of particular job functions, we allow/accept an employee's willingness to work less than full time).

Women	Men	Other*	Not disclosed	Total
Number of payroll employees (head count)				
204	384	-	-	588
Number of permanent employees (head count)				
195	381	-	-	576
Number of temporary employees (head count)				
9	3	-	-	12
Number of non-guaranteed hours employees (head count)				
-	-	-	-	-
Number of full-time employees (head count)				
204	381	-	-	585
Number of part-time employees (head count)				
0	3	-	-	3
Total number of employees who have left the Company during the reporting period (head count)				
37	78	-	-	115

**Gender as specified by the employees themselves.*

In 2024, the Company's did not have non-employees.

Collective bargaining coverage and social dialogue

The Collective Agreement, signed in 2021 between the employer and the trade union, was applicable in the Company in 2024 (the Collective Agreement was extended by agreement of the parties until 1 January 2026). The purpose of the collective agreement is to ensure an adequate mutual balance between rights and obligations, to specify the legal rules established by the state, to promote value-based employee behaviour, and to maintain the best employees by promoting additional benefits.

The signed Collective Agreement provides for various benefits, paid additional leave days and other additional benefits for employees.

Collective bargaining coverage and social dialogue		
Coverage rate	Employees – EEA	Employees – Non-EEA
0–19%		Not applicable. The Company does not have non-EEA employment
20–39%		
40–59%		
60–79%		
80–100%	Lithuania	

Remuneration structure:

Financial remuneration	• PRC is a principal (fixed) remuneration component. Remuneration is set according to position level, an employee's experience and competence. PRC is the monthly salary specified in the employment contract.
	• VRC- we apply the variable remuneration component to all employees. Variable remuneration component is conditional upon the Company's performance and personal achievements
	  • Workers - 10% (quarterly reference period)
	  • Specialists, Senior Specialists- 10% (yearly reference period)
	  • Middle and Administrative Managers- from 15 to 30% (yearly reference period)

Additional financial pay	• Additional pay for overtime, work during personal or public holidays, work at night, is paid in accordance with the Labour Code of the Republic of Lithuania and the collective agreement; • Premiums and incentive bonuses • Fringe benefits and other benefits
Non-financial pay (other benefits)	Additional benefits are aimed at promoting employee satisfaction with the Company, their social responsibility, and creating opportunities for self-realization and career development.

Remuneration

Bendrovėje siekiama, jog darbuotojams The Company aims to ensure the remuneration paid to employees for work is not only compliant with the highest transparency requirements, but also objective, and motivates to collectively achieve the organisation's goals. This is accomplished by creating a transparent and competitive remuneration system. In view of the economic, environmental and social aspects of its activities, Vilniaus Vandenys maintains and continuously improves a remuneration system corresponding to both internal equity and external competitiveness.

The Company's remuneration system is based on the Korn Ferry (Hay Group) methodology, which ensures an objective evaluation of positions according to the competencies required, the complexity of the issues and the level of responsibility. This evaluation allows for objective, transparent and fair remuneration for the work performed, maintaining internal equity and competitive remuneration in the market.

Principal remuneration component (PRC) is set and reviewed once a year, during the annual remuneration review. The outcome of the PRC review depends on the financial capacity of the Company, the employee's professional competence,

Increase in average monthly remuneration (AMR) in 2022-2024 (%)

Job title	2022		2023		2024	
	Number of employees	Average remuneration	Number of employees	Average remuneration	Number of employees	Average remuneration
Top management	5	6,975	6	8,617	6	10,054
Mid-level executives	33	3,662	35	4,555	34	5,204
Senior specialists	95	2,526	107	2,883	107	3,229
Specialists	247	1,774	239	2,039	241	2,259
Workers	241	1,432	223	1,608	200	1,715

performance, the employee's remuneration situation according to the remuneration bands set for the position.

In 2024, the Company reviewed remuneration of its employees, which took effect from June 2024. Based on the remuneration review and the decisions made, a total of 483 (85%) employees received a remuneration increase and the average increase per employee was 10%.

The remuneration of General Manager consists of:

- Principal remuneration component, which is of a monthly remuneration (before taxes) of EUR 12,450.
- A variable component of up to 30%, calculated on the basis of the salary estimated for accounting period (the Company's financial year) and paid once a year. The variable component is dependent on achievement of objectives in previous years.

**General Manager's remuneration is set by the Company's Board.*

Indicators

Indicator	2023	2024	Change
Rate of employee turnover, %	10.6%	19.4%	+8.8%
The gender distribution in number and percentage at top management level	7 men 3 women 70% men 30% women	7 men 3 women 70% men 30% women	No changes
The distribution of employees by age group: under 30 years old; 30-50 years old; over 50 years old (number and %)	Under 30 years – 34 employees From 30 to 50 years – 244 employees Over 50 years – 332 employees	Under 30 years – 34 employees From 30 to 50 years – 249 employees Over 50 years – 305 employees	The number of employees under 30 years remained stable, the number of employees aged between 30 and 50 years increased by five and the number of employees over 50 years decreased by 27.
Employees with disabilities	12	12	No changes
Percentage of employees that participated in regular performance and career development reviews, broken down by gender (%)	100% men 100% women	99.7% men 100% women	-0.3% (men)
The average number of training hours per employee and by gender	54.5 h/women 26.2 h/men	75 h/women 39.8 h/men	+20.5 h/women +13.6 h/men
People in its own workforce who are covered by the undertaking's health and safety management system based on legal requirements and/or recognised standards or guidelines (%)	100 %	100 %	No changes
The number of fatalities as a result of work-related injuries and work-related ill health (including value chain workers working on the Company's sites)	0	0	No changes
Number and rate of recordable work-related accidents	1 (minor)	2 (minor)	+1
With regard to the Company's employees, the number of cases of recordable work-related ill health	2	3	+1
With regard to the Company's employees, the number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health	This indicator was not tracked in 2023	78	-

Percentage of employees entitled to take family-related leave, and percentage of entitled employees that took family-related leave, and a breakdown by gender	This indicator was not tracked in 2023	Employees entitled to take: 100% Entitled employees that took: 3.1% of men and 11.8% ow women	-
Basic gender pay gap by categories: 1. Workers 2. Specialists, Senior specialists; 3. Middle-level managers. The indicator is defined as the difference of basic pay levels between female and male employees, expressed as percentage of the basic pay level of male employees	1. Category of workers: Basic gender pay gap is 15% Men's basic pay is 15% higher than women's. 2. Category of Specialists, Senior specialists: Basic gender pay gap is-6% Minus sign- women's basic pay is 6% higher than men's 3. Category of middle-level managers: Basic gender pay gap is 3%	1. Category of workers: Basic gender pay gap is 9% Men's basic pay is 9% higher than women's. 2. Category of Specialists, Senior specialists: Basic gender pay gap is-5% Minus sign - women's basic pay is 5% higher than men's 3. Category of middle-level managers: Basic gender pay gap is 8%	-
Annual total remuneration ratio of the highest paid individual to the median annual total remuneration for all employees (excluding the highest-paid individual)	1.03%	1.00%	-0.03%
Total number of incidents of discrimination, including harassment, reported in the reporting period	0	0	No changes
Number of complaints filed through channels for people in own workforce to raise concerns (including grievance mechanisms), and total amount of fines, penalties and compensation for damages	0	0	No changes
Number of severe human rights incidents connected to the undertaking's workforce in the reporting period, and total amount of fines, penalties and compensation for damages	0	0	No changes

All employees are paid an adequate wage and are covered by social protection against loss of income due to major life events.

Contextual information

The number and distribution of employees is given for the last day of 31 December 2024 or 31 December 2023, respectively.

Basic pay (BA) is the sum of basic payments and fixed payments. Basic pays is composed of: Basic payments for work performed under the contract (not including variable remuneration components). Fixed payments (annual amounts) paid at the same rate regardless of the performance of the individual, unit or the Company.

WORKERS IN THE VALUE CHAIN

DOUBLE MATERIALITY ASSESSMENT

WORKERS IN THE VALUE CHAIN

Negative impacts:
Potential. Unsafe working conditions for partners' workers

Risks:
Potential. Accidents to employees of partners, contractors working on the Company's sites

For more information on the Company's materiality assessment, see section "Double materiality assessment" of the Sustainability report.

During the double materiality assessment, the topic on the workers in the value chain was found to be material from the perspective of occupational health and safety. In this context, the following disclosures are only relevant to the impacts and risks identified.

Policy

The Company's main provisions relating to workers in the value chain are set out in the Supplier Code of Conduct (hereinafter the "Code"). The observance of Code creates the preconditions and conditions for the implementation of the highest standards of responsible business conduct in the socially responsible supply chain (from raw materials to settlement). The Supplier Code of Conduct reflects the Company's commitment towards strengthening sustainable cooperation with the suppliers by promoting legal, professional and fair business practices that incorporate respect for human rights, business ethics and environmental objectives.

This Code sets out the Company's expectations of its suppliers in the following areas: environmentally sustainable activities, social responsibility, sustainable development and business ethics. It describes the oversight, responsibility and communication of the Code, the main roles and responsibilities of suppliers, and the Company's commitment to suppliers.

Actions

To ensure the safety of workers in the value chain and to reduce the risk of accidents, we conduct regular checks on contractors. In 2024, 18 checks of contractors were conducted to ensure the proper and safe organisation and execution of works, as well as, this year, a safety and health construction coordinator conducted weekly checks of contractors and sub-contractors at the Vilnius City Wastewater Treatment Plant under the reconstruction. Any violations detected are reported to the contractors concerned, requesting to rectify the deficiencies or non-conformities.

Targets

The Company does not currently have any targets related to workers in the value chain.

Recorded contractor deficiencies/non-conformities

CONSUMERS AND END-USERS

DOUBLE MATERIALITY ASSESSMENT

CONSUMERS AND END-USERS

Negative impacts:
Potential. Failure to ensure the quality of services
Potential. Privacy and data protection violations

Positive impacts:
Actual. Supplying quality drinking water

Risks:
Leaked personal data of customers
Improperly managed interruption of operation
Late or poor quality service

Opportunities:
Supply of quality drinking water can increase the number of customers (households connecting to the centralised water supply)

For more information on the Company's materiality assessment, see section "Double materiality assessment" of the Sustainability report. Given the impact on end-users, the emerging risks are of equal importance to the Company irrespective of the individual customer groups.

Customers

Vilniaus Vandenys supplies drinking water and manages wastewater in the municipality of Vilnius City and the municipalities of Vilnius, Švenčionys and Šalčininkai districts. In 2024, the Company had 290.8 thousand of customers.

For a more extensive description of the Company's customers and services, see "Company's Customers" section of the Management Report, page 46.

Policy

Vilniaus Vandenys' Personal Data Processing and Security Policy

The Policy is available here: Asmens duomenų tvarkymo ir saugumo politika

The Policy is intended to ensure the security and proper processing of personal data and the Company's compliance with the provisions of GDPR, the law and other regulations laying down the requirements for personal data processing and security, and to establish transparent and clear guidelines, responsibilities and accountability.

The following information is incorporated by cross-reference to other parts of the Management Report:

For information on the actions relating to privacy and data protection, see "Ensuring Cybersecurity" section of the Management Report, page 38.

For information on the actions relating to the quality of the water supply, see "Main Services. Drinking Water Quality" section of the Management Report, page 8.

For information on customer engagement in addressing impact issues and quality assurance, see "Customer Satisfaction" and "Customer Queries" section of the Management Report, pages 47-48.

Channels for raising concerns

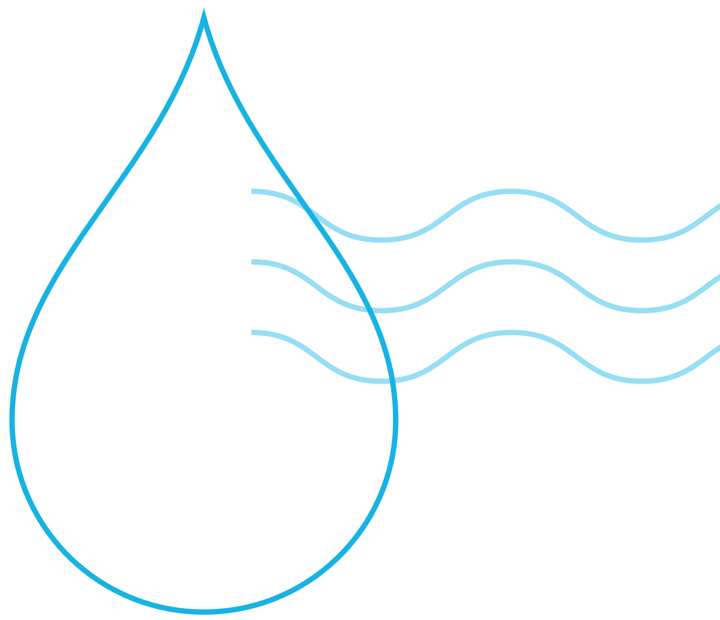
The Company aims to provide high-quality services and to conduct its business in accordance with the highest ethical standards and principles, and provides an opportunity for interested parties to raise concerns or needs.

The Trust Line and the internal whistleblowing channel can be used to report violations in respect of occupational safety, ethics and conduct, personal data protection, the Law on the Harmonisation of Public and Private Interests, transactions, accounting and other violations (intoxicated employees, etc.), acceptance of gifts, irresponsible use of the Company's property, illegal or non-transparent use of public funds or property, potentially non-transparent procurement, improper behaviour of the Company's or contractor's employees (fraud, abuse of office, corruption), etc. Information submitted to the Trust Line is received directly by the Chair of the Company's Audit, Risk and Sustainability Committee and the Business Resilience Unit, and through an internal whistleblowing channel - by a person designated by the Business Resilience Unit.

Violations can be reported:

- By phone 19118, +370 687 62057
- By visiting the Company's Business Resilience Unit
- By filling in the violation report form
- By email at pasitikejimolinija@vv.lt and pranesk@vv.lt

For more information, see the Company's website (links: Pasitikėjimo linija and Pranešėjų apsauga)



Targets

Target	Target indicator	Target indicator 2024	Target indicator 2025	Target indicator 2029	Target indicator 2034
To provide services through "one-stop shop"	Average customer enquiry resolution time (c.d.)	1.5	1.9	1.4	0.9
Ensuring water quality	Water quality index (number compliant tests to the total number of tests carried out) (%)	98.4	99.6	99.8	100.0
Increasing access to services	Length of constructed networks	14	82	125	372

GOVERNANCE

BUSINESS CONDUCT

DOUBLE MATERIALITY ASSESSMENT

BUSINESS CONDUCT

Positive impacts:
Potential. Prevention of corruption and bribery
Potential. Sustainable supply chain management
Actual. Building the culture promoting excellence
Actual. Ensuring protection of whistle-blowers

Risks:
Potential. Manifestation of corruption
Potential. Insufficient confidentiality of whistleblowers

Opportunities:
Reducing the risk of uninterrupted supply of goods
Building a culture of continuous excellence

For more information on the Company's materiality assessment, see section "Double materiality assessment" of the Sustainability report.

Policy

Prevention of corruption and bribery

Vilniaus Vandenys' Anti-Corruption Policy

The Policy is available here: Anti-Corruption Policy

In carrying out its activities and providing public services to residents, the Company attains a high level of transparency and attaches great importance to the creation of a corruption-resilient environment. In its activities, the Company is guided by the Law on Prevention of Corruption, the Company's key principles and requirements set out in the Anti-Corruption Policy, such as zero-tolerance for corruption, avoidance of nepotism and conflicts of interest, zero-tolerance for unlawful lobbying, disclosure of information and transparency of activities, zero gifts policy and encouragement to report on any observed or suspected non-compliance with the Policy or any other violations of the Policy. These requirements and principles apply to all employees and members of the Board, contractors, including engaged consultants, intermediaries and other persons acting on behalf of the Company, regardless of the form of their relationship with the Company or the nature of their remuneration.

Vilniaus Vandenys' Conflicts of Interest Management Policy

The Policy is available here: Interesų konflikto valdymo politika

The Policy applies not only to the Company's employees, but also to the business partners of the Company. It provides a unified and best practice framework for managing conflicts of interest to ensure disclosure of the private interests of persons declaring their interests, objectivity and impartiality of the decision-making process, prevent conflicts of interest and the spread of corruption, as well as create an environment that is resilient to corruption and builds trust.

The framework for managing conflicts of interest comprise such measures as communicating the requirements applicable to declaring persons, counselling, declaring private interests, providing prior recommendations, abstention/recusal, and training on conflicts of interest management, publishing data on cases of violation of the Policy and on the recusal of the Company's Board members and/or General Manager on the Company's website, and controlling and monitoring the practice of declaring and harmonising private interests and public-private interests.

For descriptions of all actions implemented in 2024 relating to the prevention of corruption and bribery, the building a culture of excellence, and the protection of whistleblowers, see other sections of the Management Report.

Disclosures of actions relating to the prevention of corruption and bribery, the protection of whistleblowers, and other disclosures in accordance with disclosure requirements G1-1 and G1-3, see "Creating a Corruption-Resilient Environment in the Company" section of the Management Report, pages 82-83.

For information on the actions related to the building a culture of excellence, see "Increasing the Company's Operational Efficiency" section of the Management Report, page 20.

For information on the relationships with suppliers, see "Public Procurement" section of the Management Report, page 31.

Prevention of corruption and bribery

The table below provides information about the training on anti-corruption and bribery topics.

	At-risk functions	Managers	Administrative supervisory and management bodies	Other own workers
Training coverage (number of attendants)	0	30	5	100
Delivery method and duration				
Classroom training	0	1 training, attended by 30 managers (2 h) 1 conference, attended by 1 manager (4 h)	2 hours	6 meetings for 1 hour each (attended by 91 employee) 2 conferences, total 12 hours (attended by 1 employee)
Computer-based training	0	0	0	5 training sessions for 2 hour each (attended by 1 employee) 4 training sessions for 2 hour each (attended by 8 employees)
Voluntary computer-based training	0	0	0	1 training sessions for 1 hour each (attended by 1 employee)
Frequency				
How often training is required	On demand	At least once every 2 years for existing employees and within 30 days of starting work for new recruits		

Topics covered				
Conflict of interest management and gift policy: a guarantee of company transparency		✓	✓	
Building anti-corruption environment in Vilniaus Vandenys				✓
Conflict of interest management, declaration of private interests, development of prior recommendations				✓
Global Ethical Economy: Advancing Business Integrity and Its Leaders				✓
ISO 37001- Anti-bribery management systems				✓
Protection of whistle-blowers				✓
Concept of Corruption, probability of corruption manifestation				✓

Indicators

Indicator	2023	2024	Change
The number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws	0	0	No changes
The total number and nature of confirmed incidents of corruption or bribery	0	0	No changes
The number of confirmed incidents in which own workers were dismissed or disciplined for corruption or bribery-related incidents	0	0	No changes
The number of confirmed incidents relating to contracts with business partners that were terminated or not renewed due to violations related to corruption or bribery	0	0	No changes

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ESRS 2 - GOV 1 - G1	Role of administrative, supervisory and management bodies	57
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ESRS 2 - IRO 1 - G1	Description of the processes to identify and assess material business conduct-related impacts, risks and opportunities	141
G1-1	Business conduct policies and corporate culture	20, 82-83, 141-142
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LIST OF DATAPOINTS IN CROSS-CUTTING AND TOPICAL STANDARDS

Disclosure Requirement ESRS 2, Appendix B

Disclosure Requirement and related datapoint	SFDR[1] reference	Pillar[2] reference	Benchmark Regulation[3] reference	EU Climate Law[4] reference	Material/ Not Material	Page in this Report
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex 1		Delegated Regulation (EU) 2020/181627, Annex II		Material	57
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		Material	57
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex 1				Material	101-102
ESRS 2 SBM-1 Involvement in activities related to fossil activities paragraph 40 (d) i	Indicator number 4 of Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 (28) Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		Non-material	
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		Non-material	

ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 of Table #1 of Annex 1		Delegated Regulation (EU) 2020/181829, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Non-material	
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Non-material	
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	Material	117
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (e)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article12.1 (d) to (g), and Article 12.2		Non-material	
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book-Climate Change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		Material	120
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1				Material	118
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex 1				Material	118
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex 1				Material	118

ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)		Material	120
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicator number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book-Climate Change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		Material	120
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	Material	120
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		Non-material	
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book-Climate change physical risk: Exposures subject to physical risk.			Non-material	
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34;Template 2: Banking book-Climate Change transition risk: Loans collateralised by immovable property- Energy efficiency of the collateral			Non-material	

ESRS E1-9 Degree of exposure of the portfolio to climate- related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		Non-material	
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1				Material	123
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex 1				Material	124
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table #2 of Annex 1				Non-material	
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1				Non-material	
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex 1				Material	125
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex 1				Material	125
ESRS 2- IRO 1- E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex 1				Material	No disclosures in the Sustainability report 2024
ESRS 2- IRO 1- E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex 1				Non-material	

ESRS 2- IRO 1- E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex 1				Non-material	
ESRS E4-2 sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex 1				Non-material	
ESRS E4-2 sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex 1				Non-material	
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex 1				Non-material	
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex 1				Material	127
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex 1				Material	127
ESRS 2- SBM 3- S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				Non-material	
ESRS 2- SBM 3- S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				Non-material	
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				Material	129
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		Material	129

ESRS S1-1 processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I				Non-material	
ESRS S1-1 workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				Material	131
ESRS S1-3 grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				Material	139
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Material	135
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I				Material	135
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Material	136
ESRS S1-16 Excessive General Manager pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I				Non-material	
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I				Material	136
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 104 (a)	Indicator number 10 Table #1 and Indicator number 14 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Material	136
ESRS 2- SBM 3- S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I				Non-material	

ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				Non-material	
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator number 11 and n. 4 Table #3 of Annex 1				Material	137
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Non-material	
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		Non-material	
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex 1				Non-material	
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1				Non-material	
ESRS S3-1 non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Non-material	
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex 1				Non-material	

ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				Non-material	
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Non-material	
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex 1				Non-material	
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex 1				Material	82-83
ESRS G1-1 Protection of whistle-blowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex 1				Material	83
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		Material	143
ESRS G1-4 Standards of anti- corruption and anti- bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex 1				Material	143

[1] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosures Regulation) (OJ L 317, 9.12.2019, p. 1).

[2] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation "CRR") (OJ L 176, 27.6.2013, p. 1).

[3] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

[4] Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

COMPANY DETAILS AND CUSTOMER SERVICE DIVISIONS

Company name	Private limited liability company Vilniaus Vandenys
Legal form	Limited liability company
Registration date	27 March 1991
Name of Register of Legal Entities	State Enterprise Centre of Registers
Company code:	120545849
Registered address:	Spaudos st. 8-1, LT-01517, Vilnius, Lithuania
Telephone	19118 (a general service centre for customers of Vilnius City) +370 5 266 4455 (for calls from abroad) 0 800 10880 (free emergency telephone)
E-mail	Info@vv.lt
Website:	www.vv.lt

Company's Customer Service Divisions:

Spaudos st. 8-1, Vilnius	Konstitucijos ave. 3, Vilnius
I–V 8.00 a.m. – 5.00 p.m.	I–IV 8.00 a.m. – 5.00 p.m. V 8.00 a.m. – 3.45 p.m.

Vilniaus vandenys

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2024

CONTENT

These financial statements were approved and signed on 26 March 2025.

Saulius Savickas	Simonas Klimavičius	Zina Chmieliauskienė
General Manager	Director of Finance	Head of the Accounting Department

INDEPENDENT AUDITOR’S REPORT

UAB „Ernst & Young Baltic“
Aukštaičių g. 7
LT-11341 Vilnius
Lietuva
Tel.: +370 5 274 2200
Vilnius@lt.ey.com
www.ey.com

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
Aukštaičių St. 7
LT-11341 Vilnius
Lithuania
Tel.: +370 5 274 2200
Vilnius@lt.ey.com
www.ey.com

Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

To the Management of UAB Vilniaus Vandenys

Ernst & Young Baltic UAB has performed an audit of the financial statements of UAB Vilniaus Vandenys (hereinafter the Company) for the year ended 31 December 2024 prepared in the Lithuanian language. In this letter we have included a translation of our opinion from the original, which was prepared in the Lithuanian language. The Management of the Company is responsible for the translation of financial statements. 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.

"INDEPENDENT AUDITOR'S REPORT

To the shareholders of UAB Vilniaus Vandenys

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of UAB Vilniaus Vandenys (hereinafter the Company), which comprise the statement of financial position as of 31 December 2024, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the Financial Statements and Other Assurance Services of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the Financial Statements and Other Assurance Services of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters	How the matter was addressed in the audit
1. Contingent liabilities and provisions relating to legal matters As it is disclosed in Note 28 of these financial statements, the Company is involved in legal proceedings and is exposed to potential claims, including a material one. This matter is significant to our audit because an adverse outcome of these claims and litigations could have a material adverse effect on the financial position, results of operations and cash flows of the Company and it involves significant management's judgement to assess the probable outcomes of the uncertainties and consequently the amount of provisions to be recorded and/or contingent liabilities to be disclosed in the financial statements.	Our audit procedures included, among others, the following: - we have obtained understanding of the process how management performs assessment of legal matters, measurement of provisions and/or disclosures of potential obligations for each of the material contingencies; - discussions with the management and the Company's internal legal counsel of the basis underlying the management's assessment of the potential outcome of the claims and litigations; - we also obtained a letter from the external legal counsel of the Company outlining the material contingencies and key fact pattern of the legal proceedings in order to evaluate the judgement made by the management; - we inspected relevant legal correspondence, meeting minutes of the Board and Shareholders and other relevant information to support individual facts and circumstances underlying the management's judgement on provisions and contingent liabilities, as per criteria set in IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Furthermore, we have reviewed the adequacy of the disclosure in the financial statements on this matter (Note 28).

Shape the future with confidence

2. Impairment assessment of trade receivables

As of 31 December 2024, the Company had current trade receivables balance amounting to EUR 8,369 thousand reported in the statement of financial position, part of which was overdue as disclosed in Note 13 of the financial statements.

The determination as to whether a trade receivable is collectable involves management's judgement. Specific factors management considers include the age of the various receivable balances, recent historical payment patterns as well as forward looking information. This matter is significant to our audit due to materiality of the amounts, as these trade receivables constitute over 20% of the total current assets of the Company in the statement of financial position as of 31 December 2024, and high level of management judgement involved in impairment allowance calculation.

Our audit procedures included, among others, the following:

- we have obtained understanding of the process (including assumptions and methods) how management performs impairment assessment of trade receivables;
- we reviewed the management's assumptions used in the impairment assessment of trade receivables, including the historical default rate information used, by agreeing on a sample basis information used by the management with the supporting evidence;
- we also considered forward-looking information used in the impairment estimation by comparing the management's estimate with the publicly available reputable sources of information (e.g. Bank of Lithuania);
- additionally, we tested the correctness of aging of the receivables data by obtaining sale documents for a selected samples and comparing that with the information included in the ageing report. In addition, we reviewed clerical accuracy of the calculation of impairment recorded for the customer groups based on their ageing.

Furthermore, we have reviewed the adequacy of the disclosure in the financial statements on this matter (Note 13).

Other information

Other information consists of the information included in the Company's management report, including the requirements for the information on corporate governance matters, management remuneration and sustainability matters, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection to our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We also have to evaluate, if the financial information included in the Company's management report, corresponds to the financial statements for the same financial year and if the Company's management report, including the requirements for the information on corporate governance matters and management remuneration and excluding the requirements for the information on sustainability matters, has been prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The financial information included in the Company's management report, corresponds to the financial information included in the financial statements for the same year; and
- The Company's management report, including the requirements for the information on corporate governance matters and management remuneration, excluding the requirements for the information on sustainability matters, has been prepared in accordance with the requirements of the Law on Reporting by Undertakings and Groups of Undertakings of the Republic of Lithuania.

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Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management'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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 to 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 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

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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

Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Appointment and approval of the auditor
In accordance with the decision made by the shareholders, we have been chosen to carry out the audit of the Company's financial statements for the first time on 14 November 2016. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, is nine years.

Consistency with the audit report submitted to the audit committee
We confirm that our opinion in the section *Opinion* is consistent with the additional Audit report which we have submitted to the Company and the Audit, Risk and Sustainability Committee.

Non audit services
We confirm that to the best of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Throughout our audit engagement period we have provided to the Company non-audit services, comprising translation of financial statements.

The partner in charge of the audit resulting in this independent auditor's report is Inga Gudinaitė.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Inga Gudinaitė
Auditor's licence
No 000366

26 March 2025"

Inga Gudinaitė
Partner
16 May 2025

(ALL AMOUNTS ARE IN EUR THOUSAND UNLESS OTHERWISE STATED)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	01/01/2024 31/12/2024	01/01/2023 31/12/2023
Revenue			
Revenue from contracts with customers	**4**	61,765	58,618
Other income	**4**	332	425
Total revenue:		**62,097**	**59,043**
Payroll and related expenses	**5**	(18,472)	(16,606)
Depreciation and amortisation	**11,12**	(12,444)	(10,660)
Repair and maintenance expenses	**6**	(5,488)	(4,410)
Sludge treatment expenses		(1,814)	(1,948)
Electricity expenses		(5,730)	(4,273)
Transportation expenses		(602)	(855)
Telecommunication and IT services		(1,567)	(1,297)
Tax expenses (excl. Income tax)	**7**	(5,153)	(4,207)
Impairment (loss) and reversal of impairment loss from contracts with customers	**13**	(257)	(236)
Impairment/(reversal of impairment) of non-current assets		134	-
Non-current assets write-off expenses		(467)	(165)
Other expenses	**8**	(5,938)	(4,557)
Total expenses:		**(57,798)**	**(49,214)**
Operating profit		**4,299**	**9,829**
Finance income	**9**	717	366
Finance costs	**9**	(1,916)	(1,201)
Net financial result		**(1,199)**	**(835)**
Profit before taxes		**3,100**	**8,994**
Income tax benefit	**10**	1,925	1,175
NET PROFIT (LOSS)		**5,025**	**10,169**
Other comprehensive income (expenses)			
Items that will be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		**-**	**-**
Total other comprehensive income (expenses)		**-**	**-**
TOTAL COMPREHENSIVE INCOME (EXPENSES)		**5,025**	**10,169**

The accompanying notes on pages 167 to 190 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	31/12/2024	31/12/2023
ASSETS			
Non-current assets			
Property, plant and equipment	**11**	228,620	214,989
Intangible assets	**12**	3,177	2,462
Right-of-use assets	**11**	1,198	1,404
Deferred tax assets	**10**	3,608	1,683
Non-current portion of trade and other receivables	**13**	109	181
Other assets		-	85
Total non-current assets		236,712	220,804
Current assets			
Inventories		1,083	538
Trade and other receivables	**13**	7,712	7,495
Prepayments and deferred expenses	**14**	1,138	506
Cash and cash equivalents	**15**	19,142	24,695
Total current assets		29,075	33,234
Assets held-for-sale		10	10
TOTAL ASSETS		**265,797**	**254,048**
EQUITY AND LIABILITIES			
Equity			
Issued capital	**16**	148,364	145,159
Legal reserves	**17**	1,718	1,210
Other reserves	**17**	9,661	-
Accrued profit		8,361	13,391
Total equity		168,104	159,760
Non-current liabilities			
Loans	**18**	72,805	70,126
Lease liabilities	**19**	995	1,226
Employee benefits		820	587
Grants		178	-
Other non-current liabilities	**21**	512	1,025
Total non-current liabilities		75,310	72,964
Current payables and liabilities			
Loans	**18**	3,033	2,473
Current portion of lease liabilities	**19**	274	255
Trade and other payables	**20**	7,309	6,285
Contract liabilities – advances received		1,012	1,025
Provisions	**27**	722	821
Other current liabilities	**21**	10,033	10,465
Total current liabilities		22,383	21,324
TOTAL EQUITY AND LIABILITIES		**265,797**	**254,048**

(ALL AMOUNTS ARE IN EUR THOUSAND UNLESS OTHERWISE STATED)

STATEMENT OF CHANGES IN EQUITY

	Notes	Issued capital	Legal reserve	Other reserves	Retained earnings/ accrued deficit	Total equity
Balance as at 01 January 2023		**135,492**	**1,210**	**6,260**	**(3,038)**	**139,924**
Comprehensive income						
Net profit		-	-	-	10,169	10,169
Total comprehensive income		**-**	**-**	**-**	**10,169**	**10,169**
Increase in issued share capital by in-kind and cash contributions	**16**	9,667	-	-	-	9,667
Transfer from reserves	**17**	-	-	(6,260)	6,260	-
Balance as at 31 December 2023		**145,159**	**1,210**	**-**	**13,391**	**159,760**
			-			
Balance as at 01 January 2024		**145,159**	**1,210**	**-**	**13,391**	**159,760**
Comprehensive income (expenses)						
Net profit (loss)		-	-	-	5,025	5,025
Total comprehensive income (expenses)		-	-	-	5,025	5,025
Increase in issued share capital by in-kind and cash contributions	**16**	3,205	-	-	-	3,205
Transfer to reserves	**17**	-	508	9,661	(10,169)	-
Recalculation of real estate tax for prior periods to retained earnings		-	-	-	114	114
Balance as at 31 December 2024		**148,364**	**1,718**	**9,661**	**8,361**	**168,104**

STATEMENT OF CASH FLOWS

	Note	01/01/2024 31/12/2024	01/01/2023 31/12/2023
Cash flows from operating activities			
Net profit (loss)		5,025	10,169
Adjustments to non-cash items:			
Depreciation and amortisation	**11, 12**	17,282	14,130
Change of deferred income tax	**10**	(1,925)	(1,175)
Grants (amortisation)	**11, 12**	(4,838)	(3,470)
(Grain)/loss on disposal/write off of property, plant and equipment and assets held for sale		484	(147)
Impairment/(reversal of impairment) of non-current assets		(134)	-
Change in impairment loss arising from contracts with customers	**13**	257	236
Change in allowance for inventories		(104)	30
Change in provisions		133	(62)
Interest expenses	**9**	1,911	1,201
Financial income recognised in the statement of profit or loss and other comprehensive income	**9**	(712)	(366)
		17,379	20,546
Working capital changes:			
(Increase)/decrease in inventories, prepayments and deferred expenses		(978)	(446)
(Increase)/decrease in trade and other receivables	**13**	(317)	(2,271)
Increase/(decrease) in trade and other payables		(606)	(1,665)
Net cash flows from operating activities		**15,478**	**16,164**
Cash flows used in investing activities			
(Purchase) of property, plant and equipment and intangible assets		(25,111)	(60,387)
Proceeds from disposal of property, plant and equipment and assets held for sale		14	322
Interest received		588	85
Net cash flows used in investing activities		**(24,509)**	**(59,980)**
Cash flows from/used in financing activities			
Proceeds from borrowings	**18**	5,000	34,105
(Repayment) of loans	**18**	(1,724)	(688)
Repayment of lease liabilities		(262)	(249)
Payment of interest and similar expenses		(2,581)	(1,019)
Grants received	**11**	248	18,581
Grants (repaid)		(23)	(185)
Received contributions to issue capital	**16**	2,800	5,578
Penalties and default interest received		25	93
Penalties and default interest (paid)		(5)	-
Net cash flows from financing activities		**3,478**	**56,216**
Net (decrease) increase in cash flows		**(5,553)**	**12,400**
Cash and cash equivalents at the beginning of the year	**15**	**24,695**	**12,295**
Cash and cash equivalents at the end of the year	**15**	**19,142**	**24,695**

(ALL AMOUNTS ARE IN EUR THOUSAND UNLESS OTHERWISE STATED)

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND OTHER NOTES

1. General information

Vilniaus Vandenys (hereinafter "the Company") was registered on 27 March 1991, the company code is 120545849. The registered office address is Spaudos st. 8-1, LT-01517, Vilnius, Lithuania.

The principal activities of the Company are the supply of water and wastewater treatment services. Vilniaus Vandenys UAB is the largest water management company in Lithuania. It operates water supply and waste water assets in Vilnius City, Šalčininkai, Švenčionys and Vilnius District. As of 31 December 2024, the number of consumers of Vilniaus Vandenys was 281.50 thousand (as of 31 December 2023 – 275.38 thousand), subscribers accounted for 9.34 thousand (as of 31 December 2023 – 9.05 thousand). Consumers and subscribers are treated as defined in the Law on Drinking Water Supply and Wastewater Management of the Republic of Lithuania and the Methodology for Pricing Drinking Water Supply and Wastewater Treatment Services.

As of 31 December 2024 and 2023, the shareholders of the Company were as follows:

	31/12/2024		31/12/2023	
	Number of shares held	Ownership interest, %	Number of shares held	Ownership interest, %
Vilnius City Municipality	4,459,526	87.05	4,459,526	88.97
Vilnius District Municipality	261,181	5.10	225,542	4.50
Švenčionys District Municipality	306,383	5.98	231,358	4.62
Šalčininkai District Municipality	95,973	1.87	95,973	1.91
	5,123,063	**100.00**	**5,012,399**	**100.00**

During 2024, the Company's issued capital was increased by cash and in-kind contributions from Vilnius District Municipality in the amount of EUR 1,032 thousand, cash and in-kind contributions from Švenčionys District Municipality in the amount of EUR 2,173 thousand (Note 16).

During 2023, the Company's issued capital was increased by cash and in-kind contributions from Vilnius City Municipality in the amount of EUR 6,132 thousand, cash and in-kind contributions from Vilnius District Municipality in the amount of EUR 1,037 thousand, cash contributions from Šalčininkai District Municipality in the amount of EUR 361 thousand, and cash contributions from Švenčionys District Municipality in the amount of EUR 2,137 thousand (Note 16).

As of 31 December 2024, the number of employees of the Company was 951 (as of 31 December 2023, 610), an average list number of employees during 2023 was 591 (2023: 617).

In accordance with the Law on Companies of the Republic of Lithuania, the annual financial statements are prepared by the Management and should be approved by the General Shareholders' meeting. The shareholders hold the right to approve the annual financial statements or not to approve the annual financial statements and request new financial statements to be prepared.

2. Application of new and amended International Financial Reporting Standards

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

On 1 January 2024, the following new and/or amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations became effective:

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**
- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures - Supplier Finance Arrangements (Amendments)**

The newly adopted IFRS and/or amendments to IFRS and IFRIC interpretations did not have a material impact on the Company's accounting policies.

The standards/amendments that are not yet effective, but they have been endorsed by the European Union

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments).**

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

In the opinion of the Company's management, these Amendments will not have an impact on the financial statements.

Standards issued but not yet effective and not early adopted

New standards, amendments and interpretations that are not yet effective in the reporting period beginning on or after 1 January 2025 and have not been early adopted when preparing these financial statements are presented below:

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption of amendments related to the classification of financial assets and the related disclosures is permitted, with the option to apply the other amendments at a later date. The amendments clarify that a financial liability is derecognised on the 'settlement date', when the obligation is discharged, cancelled, expired, or otherwise qualifies for derecognition. They introduce an accounting policy option to derecognise liabilities settled via electronic payment systems before the settlement date, subject to specific conditions. They also provide guidance on assessing the contractual cash flow characteristics of financial assets with environmental, social, and governance (ESG)-linked features or other similar contingent features. Additionally, they clarify the treatment of non-recourse assets and contractually linked instruments and require additional disclosures under IFRS 7 for financial assets and liabilities with contingent event references (including ESG-linked) and equity instruments classified at fair value through other comprehensive income. The amendments have not yet been endorsed by the EU. The Company's management has not yet evaluated the impact of the implementation of these amendments on the financial statements.

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. The amendments include clarifying the application of the ‚own-use' requirements, permitting hedge accounting if contracts in scope of the amendments are used as hedging instruments, and introduce new disclosure requirements to enable investors to understand the impact of these contracts on a company's financial performance and cash flows. The clarifications regarding the ‚own-use' requirements must be applied retrospectively, but the guidance permitting hedge accounting have to be applied prospectively to new hedging relationships designated on or after the date of initial application. The amendments have not yet been endorsed by the EU. The Company's management has not yet evaluated the impact of the implementation of these amendments on the financial statements.

- **IFRS 18 Presentation and Disclosure in Financial Statements.**

IFRS 18 introduces new requirements on presentation within the statement of profit or loss. It requires an entity to classify all income and expenses within its statement of profit or loss into one of the five categories: operating; investing; financing; income taxes; and discontinued operations. These categories are complemented by the requirements to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards. IFRS 18 is effective for reporting periods beginning on or after January 1, 2027, with earlier application permitted. Retrospective application is required in both annual and interim financial statements. The standard has not yet been endorsed by the EU. Management will analyse the requirements of this newly issued standard and assess its impact on the financial statements in the future reporting periods.

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures.**

IFRS 19 permits subsidiaries without public accountability to use reduced disclosure requirements if their parent company (either ultimate or intermediate) prepares publicly available consolidated financial statements in compliance with IFRS accounting standards. These subsidiaries must still apply the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards.

IFRS 19 is effective for reporting periods beginning on or after January 1, 2027, with early application permitted. The standard has not yet been endorsed by the EU. Management estimates that these amendments are not relevant to the Company.

- **Annual Improvements to IFRS Accounting Standards – Volume 11**

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards — Volume 11. An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. The Annual Improvements to IFRS Accounting Standards - Volume 11, includes amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7. These amendments aim to clarify wording, correct minor unintended consequences, oversights, or conflicts between requirements in the standards. The standard has not been endorsed by the EU. Management will analyse the requirements of these amendments and assess its impact on the financial statements.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management estimates that these amendments are not relevant to the Company.

3. Accounting Policies

3.1. Statement of Compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), interpretations approved by the International Financial Reporting Interpretations Committee as adopted by the EU, and in accordance with accounting and financial reporting legislation of the Republic of Lithuania.

3.2. Basis of Preparation

These financial statements have been prepared on a historical cost basis.

Financial statements are presented in euros and all values are rounded to the nearest thousand (EUR'000), unless stated otherwise.

Rounding may result in minor inconsistencies in figures in the disclosures of the financial statements.

3.3. Property, plant and equipment

Property, plant and equipment acquired or constructed by the Company is recognised at acquisition (construction) cost and subsequently carried at cost method. By selecting the acquisition cost method, property, plant and equipment is recorded in accounting at cost and reported in the financial statements at acquisition cost less accumulated depreciation and accumulated impairment loss.

If the property, plant and equipment is received in the form of in kind contributions (increasing the share capital), the acquisition cost includes assets value set by real estate appraisers and all of its registration and preparation related costs.

The acquisition cost of property, plant and equipment received (donated) free of charge comprises the value of the asset confirmed in the contract of gift or other similar document, which may not exceed the fair value, and the costs related to the acquisition and preparation for use. The value of networks reconstructed, newly built and registered on behalf of the Company at the expense of real estate builders, when these networks are reconstructed/constructed after obtaining the Company's consent to relocate/dismantle old networks owned by the Company and issuing new terms for connection, is determined based on the real estate registry central database.

Assets received from shareholders free of charge and not transferred as in kind contribution are accounted as a grant related to an asset in the statement of financial position.

The acquisition value includes the cost of replacing a part of property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Replaced parts of property, plant and equipment are written-off. All other repair and maintenance costs are recognised in profit or loss as incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

When property is retired or otherwise disposed of, the cost and related accumulated depreciation are derecognised and any related gain or loss is included in the statement of profit (loss) and other comprehensive income. Gain or loss on disposal of property, plant and equipment is calculated on the basis of the income received less the carrying amount of the assets sold.

Depreciation rates

Depreciation is calculated on a straight-line basis over the useful life of the assets as follows:

Buildings	50	years
Structures	35–50	years
Transmission devices	10–50	years
Plant and equipment	2–30	years
Vehicles	8–10	years
Other property, plant and equipment	5–25	years

The useful lives of assets are reviewed and, if needed, adjusted prospectively during or at the end of each reporting period.

Construction in progress is transferred to appropriate categories of property, plant and equipment when it is completed and ready for its intended use.

Borrowing costs directly attributable to the acquisition, construction, reconstruction or production of a qualifying asset (taking at least 6 months for completion) over the period of investment project and incurred before the start of the use/commissioning of the asset, are capitalised in the cost of the asset (Note 3.16).

3.4. Intangible assets

Computer software, licenses and acquired rights

The costs of acquisition of new computer software are capitalised and recognised as an intangible asset if these costs are not an integral part of the hardware. Software is amortised within 3–8 years.

Servitudes and protection zones

The category of the Company's intangible assets "Servitudes and protection zones" includes the Company's rights to use the land plots owned by third persons on the basis of contractual servitudes and/or special conditions on land use. Statutory servitudes on water and/or waste water networks are not established by the Law on Drinking Water Supply and Wastewater Management of the Republic of Lithuania and other regulations, therefore the Company's servitudes comprise contractual servitudes and, in particular cases, servitudes established by administrative acts. Contractual servitudes are recognised initially at the amount of the liability. The useful life of an intangible asset is indefinite, therefore, these assets are not subject to amortisation. Useful life of intangible assets are indefinite since the right to use the land is granted for an indefinite period of time according to the conditions of agreements for compensation for servitudes as well as provisions of the Civil code. It implies that, irrespective of the condition of the Company's property, plant and equipment, the right to use designated land plot is retained and (after the physical condition of the property is restored or a new property is developed), the land plot will continue to be used for indefinite time.

Provision for protection zone registration is established in accordance with IAS 37 (Note 3.13). The accounting policies applied for protection zones are similar to those applied for servitudes.

The amounts of servitudes and protection zones are disclosed in Note 12.

Gain or loss on disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the statement of profit or loss and other comprehensive income when the asset is disposed.

Costs incurred in order to restore or maintain the Company's intangible assets are recognised as an expense when the restoration or maintenance work is carried out.

3.5. Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets, and right-of-use assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For the purpose of impairment testing, assets are grouped together into the smallest group of assets for which there are separately identifiable cash flows (cash-generating units).

At the end of each reporting period, and whenever there is an indication that the asset may be impaired, the Company reviews the carrying amounts of its intangible assets with indefinite useful lives and intangible assets not yet available for use.

The recoverable amount of cash-generating units is determined based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next five years and steady growth of terminal value, and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

3.6. Financial instruments: initial and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.6.1. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (PL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. These assets, except for trade receivables that do not have a significant financing component, are initially measured by the Company at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. Trade receivables that do not have a significant financing component are measured at the transaction price identified under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This measurement is referred to as the SPPI test and is performed at a financial instrument level.

The Company's financial asset management model indicates how the Company manages its financial assets to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling this financial asset or by using both options.

A regular way purchases or sales of financial assets are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

After initial recognition, the Company measures financial assets at amortised cost (debt instruments).

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortized cost, if the two conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method, less impairment loss. Gain or loss is recognised in the statement of comprehensive income when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade, other current and non-current receivables, loans granted and contract assets.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the financial asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

(a) the Company has transferred substantially all the risks and rewards of the asset, or
(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement with a third party, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When the Company neither transfers nor retains substantially all the risks and rewards of the asset nor transfers control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In this case, the Company also recognizes the associated liability. The transferred asset and associated liability are measured based on the rights and obligations retained by the Company.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower amount of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay (the amount of the guarantee).

Impairment of financial assets

Other disclosures related to impairment of financial assets are also presented in the following Notes:

- Significant assessments and used assumptions are disclosed in Note 3.19;
- Trade receivables, including contract assets, are disclosed in Note 13.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the impairment loss is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECLs).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises an impairment loss based on lifetime ECLs at each reporting date. The Company builds the expected loss rate matrix which is based on historical credit loss analysis and adjusted to reflect future factors specific to borrowers and the economic environment.

The Company considers a financial asset in default when indications exist that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. A financial asset is derecognised when there is no reasonable expectation to recover contractual cash flows.

3.6.2. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans received and other payables. All financial liabilities are recognised initially at fair value and, in the case of loans received and other payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans received, including bank loans for working capital purposes, and lease liabilities.

Subsequent measurement

After initial recognition, loans and other payables, including lease liabilities, are subsequently measured at amortised cost using the EIR method. Gain and loss is recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income. For more information please refer to Notes 18, 19 and 20.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the respective balances is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is an enforceable right to settle the amounts recognized and is intended to be settled net, i.e. to realize the assets and fulfil their obligations at the same time.

3.7. Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined by the first-in, first-out (FIFO) method. Unrealisable inventories are fully written-off.

The 100% allowance is established based on the list of inventories no longer suitable for use prepared during the inventory counting process. In addition, in the reporting period a 100% allowance for slow moving inventories that have not been consumed for more than 1 year from their acquisition date, which is calculated from the end of the respective financial year, is established as of 31 December.

3.8. Cash and cash equivalents

Cash includes cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Such investments mature in less than three months and are subject to insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank account as well as deposits in bank with the term of three months or less.

3.9. Lease

The Company as lessee

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

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial measurement of the lease liability, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Right-of-use assets are subject to the same methods of useful life identification and useful life that apply to the Company's property, plant and equipment (Note 3.3).

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 3.5 "Impairment of non-financial assets".

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the estimates of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company is a lessor

Income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

3.10. Grants

Grants are not recognised until there is a reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Grants received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as grants related to assets. Grants related to assets reduce cost of acquisition associated tangible assets and recognised as income (respectively reducing related expenses – depreciation of property plant and equipment) in the periods and in the proportions, which correspond the Company assets' useful life.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The grants related to income are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

3.11. Employee benefits

Social security contributions

The Company pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements.

Defined contribution plan is a plan under which the Company pays fixed contributions to the Fund and have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employees all benefits related to their work in the current and previous periods. Social security contributions are recognised as expenses on an accrual basis and are included in staff costs. The Company's social security contributions were charged at a rate of 2.09% in 2024, and at 2.17% in 2023.

Accrued employee benefit obligations

The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. Any gain or loss appearing as a result of curtailment and/or settlement is recognised in the statement of profit or loss and other comprehensive income as incurred. The past service costs are recognised in the statement of profit or loss and other comprehensive income as incurred.

The above-mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. The obligation is recognised in the statement of financial position in non-current payables and liabilities and current payables and liabilities, and reflects the present value of these benefits on the date of the statement of financial position.

Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and loss are recognised in the statement of profit or loss and other comprehensive income.

3.12. Contingencies

Contingent liabilities are not recognised in the financial statements. They need to be disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements.

3.13. Provisions

Provision is recognised when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

3.14. Income Tax

Income tax expense represents the sum of the current tax and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period. The standard income tax rate in Lithuania for the Company in the years ended 31 December 2024 and 31 December 2023 was 15%. On 1 January 2025, amendments to the Law on Corporate Income Tax of the Republic of Lithuania came into force, increasing the corporate income tax rate to 16%. The new corporate income tax rate will be applied for the calculation of income tax for 2025 and subsequent years.

For companies operating in Lithuania tax losses can be carried forward for indefinite period, except for the loss incurred as a result of disposal of securities and/or derivatives. Tax losses carried forward cannot exceed 70% of current year taxable profit. Such carrying forward is disrupted if the Company changes its activities due to which these loss was incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The loss from disposal of securities and/or derivatives not designated for hedge can be carried forward for five consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. As of 31 December 2024, the Company's tax loss carry forward amounted to EUR 1,796 thousand, and, as of 31 December 2023, amounted to EUR 3,099 thousand (Note 10).

Deferred tax

Deferred tax is recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities
are recognised for all temporary differences, whereas deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are not recognised when temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available for the Company to realise these assets up to an amount that is likely to reduce taxable profit in the future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.15. Revenue Recognition

Revenue from contracts with customers

The principal activities of the Company are the supply of water and wastewater treatment services.

Revenue from contracts with customers is recognised when control of the services or goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for goods or services rendered. The Company controls goods or services before it transfers them to the customer, therefore, the Company acts as a principal.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.19.

The Company provides its services that are either sold separately (only water supply or wastewater services) or bundled together. Contracts for bundled services are comprised of several performance obligations because the promises to transfer different services are capable of being distinct and separately identifiable. Accordingly, the Company allocates the transaction price based on the relative stand-alone selling prices of the separate services (including selling (fixed subscription) price).

The Company recognises revenue from water supply and waste water management services over time, using a delivery method (used cubic meters by the customer) to measure provision of the services, because the customer simultaneously receives and consumes the benefits provided by the Company. Other incidental revenue from the sale of buildings, plant, equipment or inventory is recognised at a point in time, generally when the rewards and risks of ownership are transferred to the customer.

In-kind income from equipment relocation/restoration from third parties are recognised at cost determined in accordance with the real estate registry central database and accounted for as a revenue at a point in time in the statement of profit or loss and other comprehensive income in the period, when the asset has been received, because the performance obligation is satisfied when customer is connected to the network.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). The Company typically provides maintenance services for general repairs of defects as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, however, the Company did not provide any warranties that would comply with IAS 37 as of 31 December 2024 and 2023. No other promises in the contracts exist that could be treated as a separate performance obligation.

In determining the transaction price, the Company considers the effects of variable consideration. Accrued revenue is recorded and recognised based on variable units of output used by the consumer. In order to fully account for the Company's income for services provided, at the end of reporting period on 31 December, income for the last month of the reporting year that was received for providing water and/or wastewater management and maintenance services is accrued, but the meter readings for these services have not been submitted by customers and, therefore, these services are unbilled.

In addition, the management considers the effect of other matters to the revenue recognition such as the existence of significant financing components, non-cash consideration, and consideration payable to the customer. None of these are present in the Company's contracts with the costumers.

Transaction price allocated to the remaining performance obligation is not disclosed because the Company has the right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets (Note 3.6).

Contract liabilities: prepayments received

A contract liability is the obligation to transfer goods or services to a customer for which the Company has already received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Company performs under the contract.

3.16. Borrowing costs

The Company capitalises borrowing costs that are attributable to the acquisition, construction, reconstruction or production of a qualifying asset (taking at least 6 months to complete) over the period of investment project and are incurred before the start of the use/commissioning of the asset. These costs are included in the cost of the asset (Note 3.3). Interest on loans granted for specific investment projects referred to in loan contracts are capitalised if the value of the specific investment project is not less than EUR 100,000. Interest on other loans are capitalised if the value of the investment project planned is not less than EUR 300,000. In such a case, the capitalisation rate is the weighted average of the borrowing costs related to the Company's debts that remain outstanding during that period, excluding borrowing for specific investment projects. All other borrowing costs are expensed in the period they occur.

3.17. Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable by the entity or the counterparty in the normal course of business and in the event of default, insolvency or bankruptcy.

3.18. Regulated activity

Profitability of the Company's regulated services is regulated by the National Energy Regulatory Council under the approved Methodology for Pricing Drinking Water Supply and Wastewater Treatment and Surface Wastewater Treatment Services (hereinafter "the Pricing Methodology"). The prices of drinking water supply and wastewater treatment services are set in accordance with the Pricing Methodology effective at that date, based on which the prices are included in necessary costs and normative profit. Necessary costs are determined based on the actual costs of the basic year, long-term operating and development plan and other reasons influencing change in the level of service and costs, and water suppliers benchmarking indicators. If drinking water suppliers ensuring the supply of drinking water supply and wastewater management services that meet safety and quality requirements lack the funds for the investments necessary to provide quality eligible drinking water supply and wastewater management services, an additional component of the price of drinking water supply and wastewater management services may be set.

Due to the specifics of price regulation, differences in actual costs in the current period are not reported under the assets or liabilities, but are recognised in the future when the regulator includes these costs in calculation of the prices of services and when the services are provided at these prices.

On 21 December 2023, the National Energy Regulatory Council set the prices of drinking water supply and wastewater treatment services, which were recalculated by the Company due to inflation leading to increase in the prices of goods and services, increase in debt capital costs, and more costly investments necessary for the development of water supply and wastewater management infrastructure. The recalculated price is effective for the period from 1 February 2024 to 1 February 2025.

On 20 December 2024, the National Energy Regulatory Council set the prices of drinking water supply and wastewater treatment services, which will effective from 1 February 2025. The main contributors to the change in prices were increases in the prices of goods, services and works due to inflation in previous years, and the cost of borrowed capital. For the first time, the change in the service tariff includes an investment component, which will be targeted to accelerate the modernisation and development of drinking water supply and wastewater management infrastructure.

3.19. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management of the Company to make judgements, estimates and assumptions that affects the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities, at the reporting date. The uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. The significant areas of estimation used in the preparation of the financial statements are discussed below.

Useful life of property, plant and equipment

The key assumptions concerning determination the useful life of property, plant and equipment are as follows: expected usage of the asset, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in the services, legal or similar limits on the use of the asset, such as the expiry dates of related leases.

Provision for registration of protection zones

The Lithuanian Republic Law on Special Conditions on Land Use came into effect on 1 January 2020 introducing obligation for the Company to register special protection conditions (protection zones) of a land owned or near the Company's infrastructure in the state real estate registry and pay compensations to land owners for the land covered by the protection zones. The Company recorded a provision for protection zone establishment and registration costs as at 31 December 2024 and 2023 (Note 27).

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

• Identifying performance obligations in a bundled sale of different services

The Company provides water supply and waste water management services that are either sold separately or bundled together. The Company determined that both the water supply and waste water management are capable of being distinct. These services are not highly interdependent or highly interrelated, because the Company would be able to provide waste water management if the customer declined water supply and vice versa.

Consequently, the Company allocated a portion of the transaction price (including selling (fixed subscription) price) to the different services based on relative stand-alone selling prices.

• Determining the timing of operational obligations for water supply and wastewater management services

The Company recognises revenue from water supply and waste water management services over time, using a delivery method (used cubic meters by the customer) to measure provision of the services, because the customer simultaneously receives and consumes the benefits provided by the Company. The consumption made by the customer can be reliably measured by the Company. In order to fully account for the Company's income for services provided, at the end of reporting period on 31 December, income for the last month of the reporting year that was received for providing water and/or wastewater management and maintenance services is accrued, but the meter readings for these services have not been submitted by customers and, therefore, these services are unbilled.

Accounted revenue based on average consumption

The Company provides services to existing customers uninterruptedly, regardless of whether they submit meter readings or not. In order to represent the Company's revenue as accurately as possible for the services provided and the water consumed, an average consumption for the customers that do not submit meter readings for the ongoing month is calculated on the basis of water and/or wastewater volumes calculated in previous reporting periods.

Impairment allowance for trade receivables

The Company uses a provision matrix to calculate the expected credit loss (ECL) for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (by the type of customer).

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The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (GDP and unemployment rate) are expected to deteriorate/slow-down, which can lead to an increased number of defaults, the historical default rates are adjusted to reflect forward-looking estimates. At every reporting date, the historical observed default rates and changes in the forward-looking estimates are reviewed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant judgement and estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The information about the ECLs on the Company's trade receivables is disclosed in Note 12.

For the purpose of the estimation of doubtful amounts receivable, private customers' (PC) and legal entities' (LE) debts are grouped by overdue period. The expected credit loss rates used to calculate the ECLs as of 31 December 2024 and 2023 are provided below:

Overdue period	2024		2023	
	Expected credit loss rates PC, %	Expected credit loss rates LE, %	Expected credit loss rates PC, %	Expected credit loss rates LE, %
Less than 1 month	1.00%	0.52%	1.00%	0.48%
1–2 months	8.00%	4.00%	8.00%	4.00%
2–3 months	20.00%	11.00%	20.00%	10.00%
3–4 months	32.00%	16.00%	32.00%	16.00%
4–5 months	44.00%	20.00%	43.00%	20.00%
5–6 months	57.00%	25.00%	55.00%	25.00%
6–7 months	67.00%	30.00%	64.00%	31.00%
7–8 months	75.00%	39.00%	73.00%	41.00%
8–9 months	82.00%	56.00%	80.00%	62.00%
9–10 months	88.00%	73.00%	86.00%	82.00%
10–11 months	95.00%	87.00%	93.00%	91.00%
More than 11 months	100.00%	100.00%	98.00%	100.00%

The Company builds the expected loss rate matrix which is based on historical credit loss analysis and adjusted to reflect future factors specific to borrowers and the economic environment.

For some customers of the Company, an individual assessment of impairment of receivables can be performed based on the decision of the Company's management. In 2024 and 2023, an individual impairment assessment was not applied.

Impairment of property, plant and equipment

Each year, the Company, based on the assumptions, assesses whether there is any indication that any item of property, plant and equipment may be impaired and requires impairment testing. As at 31 December 2024 and 2023, the Company's assessment of its property, plant and equipment for impairment did not identify any indications of impairment.

Tax incentive for investment project

The Company applies a tax incentive for new infrastructure network development projects in accordance with Article 46(1) of the Law on Corporate Income Tax of the Republic of Lithuania. The development of water supply and wastewater network takes place by expanding the geography of consumers and connecting new consumers to water supply and/or wastewater networks. The investment projects for the development of the infrastructure network run between one to three years. As of 31 December 2024, the Company had unused tax credits in the amount of EUR 32,165 thousand (31 December 2023: EUR 17,217 thousand) related to the capital investments made in 2020–2024. The Company's management estimates that, based on taxable profit forecasts, the Company will be able to use this tax incentive, as the tax incentive application period was extended to 2028.

4. Revenue

	01/01/2024 31/12/2024	01/01/2023 31/12/2023
Water supply	25,461	26,668
Wastewater treatment	30,017	26,400
Meter maintenance fee	2,430	2,236
Drainage	1,554	1,377
In-kind income from equipment relocation	839	897
Income from commercial work and services	1,464	1,040
Net gain on disposal of non-current assets	7	312
Income from sale of inventory	305	108
Other income	20	5
Total:	**62,097**	**59,043**

In 2024, the Company attributed income from water supply, wastewater treatment services, meter maintenance fee, drainage, in-kind income from equipment relocation and commercial work and services to revenue from contracts with customers, the total amount of which was EUR 61,765 thousand (2023: EUR 58,618 thousand). In 2024, other operating income comprised income from disposal of assets, sale of inventories and raw materials, and other income, the total amount of which was EUR 332 thousand (2023: EUR 425 thousand).

In 2024, revenue recognised as contract liabilities, i.e. advances received as of 31 December 2023, amounted to EUR 430 thousand. In 2023, revenue recognised as contract liabilities, i.e. advances received, as of 31 December 2022, amounted to EUR 379 thousand.

100% of the Company's revenue was earned in the Republic of Lithuania.

In-kind income from equipment relocation earned in 2024 and 2023 is comprised of the average market value of networks reconstructed, newly built and registered on behalf of the Company funded by real estate developers. The average market value is based on the extracts from the central database of the real estate register.

(ALL AMOUNTS ARE IN EUR THOUSAND UNLESS OTHERWISE STATED)

5. Payroll and related expenses

	01/01/2024 31/12/2024	01/01/2023 31/12/2023
Wages and salaries	18,012	16,119
Change in vacation reserve	(22)	18
Social security contributions	370	347
Change in accrued liabilities to employees	112	122
Total:	**18,472**	**16,606**

6. Repair and maintenance expenses

	01/01/2024 31/12/2024	01/01/2023 31/12/2023
Technological materials	1,771	1,457
Equipment servicing	959	447
Digging recovery	633	562
System diagnostics and repair works	563	443
Maintenance materials expenses	488	603
Construction repairs	447	416
Laboratory services (monitoring)	301	169
System cleaning	239	224
Repair of tools and equipment	44	46
Topo geodesic photos and legal registration	43	43
Total:	**5,488**	**4,410**

7. Tax expenses

	01/01/2024 31/12/2024	01/01/2023 31/12/2023
Tax on natural resources	2,626	2,460
Pollution tax	2,158	1,384
Real estate tax	46	99
National Energy Regulatory Council	157	105
Land lease	5	3
Other fees and taxes	161	156
Total:	**5,153**	**4,207**

8. Other expenses

	01/01/2024 31/12/2024	01/01/2023 31/12/2023
Customer service expenses	954	922
Insurance	453	436
Commercial service costs	407	250
Promotion and commerce	299	198
Cost of disposal of current assets	291	103
Water expenses for technology and own use	288	307
Provision for pensions	245	171
Cleaning of premises	240	264
Consultations	236	138
Garbage collection	213	153
Rent of collectors	176	176
Events to employees	170	179
Occupational safety and special clothing	131	158
Trainings	157	77
Heating	128	212
Legal services	83	72
Certificate of Centre of registers and cadastral cases	65	141
Provisions for claims	-	(15)
Other expenses	1,402	615
Total:	**5,938**	**4,557**

The fee for the audit of the financial statements conducted by ERNST & YOUNG BALTIC UAB was EUR 38 thousand in 2024, and EUR 37 thousand in 2023.

9. Finance income and costs

	01/01/2024 31/12/2024	01/01/2023 31/12/2023
Finance income		
Interest income	545	131
Penalties and default interest received	172	235
Total:	**717**	**366**
Finance expenses		
Interest (expenses)	(1,911)	(1,201)
Penalties and default interest (paid)	(5)	-
Total:	**(1,916)**	**(1,201)**
Finance income/(expenses), net	**(1,199)**	**(835)**

(ALL AMOUNTS ARE IN EUR THOUSAND UNLESS OTHERWISE STATED)

10. Income Tax

In 2024 and 2023, income tax expenses (benefit) were as follows:

	01/01/2024 31/12/2024	01/01/2023 31/12/2023
Income tax expense		
Deferred income tax benefit (expenses)	1,925	1,175
Income tax benefit (expenses) recorded in the statement of profit or loss and other comprehensive income	**1,925**	**1,175**

Change in deferred tax asset and liabilities during 2024 and 2023:

	01/01/2023	Income tax (expenses) benefit through profit or loss	31/12/2023	Income tax (expenses) benefit through profit or loss	31/12/2024
Accumulated losses	1,278	(813)	465	(178)	287
Accrual for vacation reserve	208	3	211	10	221
Allowance for accounts receivable	153	35	188	54	242
Employee benefits	252	44	296	77	373
Allowance for inventories	11	5	16	(16)	-
Provisions accrued for boreholes liquidation	4	(4)	-	-	-
Provisions for cadastral measurement and cases registration	3	(3)	-	-	-
Unused tax incentive for investment project	-	2,582	2,582	2,515	5,097
Provision for protection zone establishment and registration	77	(21)	56	(4)	52
Lease liabilities	247	(36)	211	(8)	203
Deferred tax assets	**2,233**	**1,792**	**4,025**	**2,450**	**6,475**

	01/01/2023	Income tax (expenses) benefit through profit or loss	31/12/2023	Income tax (expenses) benefit through profit or loss	31/12/2024
Financial and tax differences for investment incentive using II method until 2002	(692)	29	(663)	(14)	(677)
Differences of property, plant and equipment financial and tax depreciation	(786)	(682)	(1,468)	(530)	(1,998)
Right-of-use assets	(247)	36	(211)	19	(192)
Deferred tax liability	**(1,725)**	**(617)**	**(2,342)**	**(525)**	**(2,867)**
Deferred tax liability	**(1,725)**	**(617)**	**(2,342)**	**(525)**	**(2,867)**

Presented in the statement of financial position as follows:

	31/12/2024	31/12/2023
Deferred tax assets	3,608	1,683

As of 31 December 2024, the deferred tax was calculated at the corporate income tax rate of 16%, as of 31 December 2023, at the rate of 15%.

As at 31 December 2024 and 2023, the deferred tax asset is recognised in the statement of financial position to the extent that the Company's management expects it to be realised until 2028 based on taxable profit forecasts.

Income tax expense disclosed in the statement of profit or loss and other comprehensive income relating to the result of the year may be reconciled to income tax expense that would arise using an enacted income tax rate of 15% applicable to profit before income tax:

	01/01/2024 31/12/2024	01/01/2023 31/12/2023
Profit (loss) before tax	3,100	8,994
Income tax expenses calculated at statutory tax rate	465	1,349
Non-taxable income	(160)	(180)
Expenses not deductible for income tax	362	586
Tax incentive for investment project	(2,592)	(2,930)
Income tax (benefit) expenses recorded in the statement of profit or loss and other comprehensive income	**(1,925)**	**(1,175)**

(ALL AMOUNTS ARE IN EUR THOUSAND UNLESS OTHERWISE STATED)

11. Property, Plant and Equipment and Right-of-Use Asset

	Buil-dings	Structu-res	Transmis-sion devi-ces	Plant and equipment	Vehicles	Other property, plant and equip-ment	Cons-truc-tion-in-progress	Pre-pay-ments	Total
Acquisition cost									
Balance as of 1 January 2023	**32,715**	**48,820**	**194,456**	**44,010**	**5,433**	**15,152**	**25,154**	**604**	**366,344**
Acquisitions	28	42	4,825	280	47	212	31,357	56	36,847
Disposals and write-offs	(152)	(836)	(738)	(5,786)	(115)	(1,191)	-	-	(8,818)
Reclassifica-tions from CIP	1,736	4,567	16,234	7,953	-	6,307	(36,181)	(616)	-
Reclassified to assets held for sale	-	-	-	(78)	(618)	-	-	-	(696)
Reclassifica-tions to/from grants	(12)	(95)	32	(51)	-	(5)	-	-	(131)
Balance as of 31 December 2023	**34,315**	**52,498**	**214,809**	**46,328**	**4,747**	**20,475**	**20,330**	**44**	**393,546**
Balance as of 1 January 2024	**34,315**	**52,498**	**214,809**	**46,328**	**4,747**	**20,475**	**20,330**	**44**	**393,546**
Acquisitions	-	7	1,927	650	224	313	22,822	283	26,226
Disposals and write-offs	(557)	(854)	(1,171)	(777)	(134)	(3,357)	(32)	-	(6,882)
Reclassifica-tions from CIP	1,974	681	6,587	3,030	-	5,997	(18,026)	(243)	-
Reversal of impairment	5	129	-	-	-	-	-	-	134
Balance as of 31 December 2024	**35,737**	**52,461**	**222,152**	**49,231**	**4,837**	**23,428**	**25,094**	**84**	**413,024**

	Buil-dings	Structu-res	Transmis-sion devi-ces	Plant and equipment	Vehicles	Other property, plant and equip-ment	Cons-truc-tion-in-progress	Pre-pay-ments	Total
Accumulated depreciation									
Balance as of 1 January 2023	**13,164**	**31,516**	**92,414**	**27,762**	**3,182**	**9,580**	**-**	**-**	**177,618**
Depreciation for the year	881	917	4,202	2,137	495	1,552	-	-	10,184
Disposals and write-offs	(151)	(835)	(515)	(5,774)	(112)	(1,162)	-	-	(8,549)
Reclassified to assets held for sale	-	-	-	(78)	(618)	-	-	-	(696)
Balance as of 31 December 2023	**13,894**	**31,598**	**96,101**	**24,047**	**2,947**	**9,970**	**-**	**-**	**178,557**
Balance as of 1 January 2024	**13,894**	**31,598**	**96,101**	**24,047**	**2,947**	**9,970**	**-**	**-**	**178,557**
Depreciation for the year	573	889	4,979	3,081	505	1,913	-	-	11,940
Disposals and write-offs	(552)	(708)	(851)	(744)	(130)	(3,108)	-	-	(6,093)
Balance as of 31 December 2024	**13,915**	**31,779**	**100,229**	**26,384**	**3,322**	**8,775**	**-**	**-**	**184,404**
Net book value as of 31 December 2023	**20,421**	**20,900**	**118,708**	**22,281**	**1,800**	**10,505**	**20,330**	**44**	**214,989**
Net book value as of 31 December 2024	**21,822**	**20,682**	**121,923**	**22,847**	**1,515**	**14,653**	**25,094**	**84**	**228,620**

(ALL AMOUNTS ARE IN EUR THOUSAND UNLESS OTHERWISE STATED)

	Right-of-use assets
Acquisition cost	
Balance as of 1 January 2023	**2,645**
Acquisitions	11
Balance as of 31 December 2023	**2,656**
Balance as of 1 January 2024	**2,656**
Acquisitions	53
Balance as of 31 December 2024	**2,709**
Accumulated depreciation	
Balance as of 1 January 2023	**999**
Depreciation for the year	253
Balance as of 31 December 2023	**1,252**
Balance as of 1 January 2024	**1,252**
Depreciation for the year	259
Balance as of 31 December 2024	**1,511**
Net book value as of 31 December 2023	**1,404**
Net book value as of 31 December 2024	**1,198**

As of 31 December 2024, property, plant and equipment cost was reduced by received grants, related to the assets, which cost was EUR 179,831 thousand as of 31 December 2024 (as of 31 December 2023 – EUR 179,844 thousand), and net book value of such assets was EUR 123,073 thousand as of 31 December 2024 (as of 31 December 2023 – EUR 127,816 thousand).

The grants consist of financing received from the EU Structural Funds for the infrastructure development, from the state budget for the projects aimed at reducing environmental impact and developing renewable energy, and assets received free of charge from municipalities. In 2024, the asset-related grants amounted to EUR 62 thousand (2023: EUR 18,413 thousand).

In 2024, grants amortisation expenses were EUR 4,789 thousand (2023: EUR 3,457 thousand).

In 2024, in-kind contributions to the issued capital from municipalities amounted to EUR 405 thousand (2023: EUR 4,089 thousand) (Note 16).

As of 31 December 2024, the Company's debt for the acquisition of property, plant and equipment amounted to EUR 3,918 thousand (as of 31 December 2023, EUR 2,986 thousand).

In 2024, the amount of in-kind income received from third parties for equipment relocation, which was accounted for as income in the statement of profit or loss and other comprehensive income, amounted to EUR 839 thousand (2023: EUR 897 thousand).

As of 31 December 2024, property, plant and equipment of the Company with net book value* of EUR 32,287 thousand (31 December 2023: EUR 33,297 thousand) was pledged to banks as a collateral for the loans (Note 18).

As of 31 December 2024, the Company's property, plant and equipment with an acquisition cost* of EUR 47,354 thousand was fully depreciated (31 December 2023: EUR 54,353 thousand), but still in use.

As of 31 December 2024, the impairment of the property, plant and equipment not used in the Company's activity amounted to EUR 30 thousand (as of 31 December 2023, EUR 164 thousand).

In 2024, the Company's borrowing interest capitalised attributable to the acquisition, construction, reconstruction or production of a qualifying asset over the period of investment project amounted to EUR 633 thousand (2023: EUR 337 thousand).

As of 31 December 2024 and 2023, the Company's property, plant and equipment with inventory performed, but legally not registered, as well as property, plant and equipment with inventory not performed and legally not registered was as follows:

	PPE with inventory procedures performed, but legally not registered		PPE with inventory procedures not performed and legally not registered	
	Net book value*, thousand EUR	Amount of PPE items	Net book value*, thousand EUR	Amount of PPE items
Net book value as of 31 December 2023	5,823	63	1,445	23
Net book value as of 31 December 2024	180	20	71	9

These assets are accounted for in the Company's property, plant and equipment accounts as the Company bears significant risks and rewards related to the respective assets.

Right-of-use assets

A long-term office lease agreement effective until 2026 was recognised in the right of use asset.

Lease agreements with lease term from 20 to 99 years were also accounted for in the right-of-use asset (Note 18).

	Buildings	Land lease	Total
01/01/2023	1,157	489	1,646
Additions	-	11	11
Depreciation expenses	(243)	(10)	(253)
31/12/2023	**914**	**490**	**1,404**
01/01/2024	**914**	**490**	**1,404**
Additions	**-**	**53**	**53**
Depreciation expenses	(251)	(8)	(259)
31/12/2024	**663**	**535**	**1,198**

** All values are shown before offsetting with grants received.*

(ALL AMOUNTS ARE IN EUR THOUSAND UNLESS OTHERWISE STATED)

12. Intangible assets

	Software and acquired rights	Servitudes and protection zones	Projects in progress	Total
Acquisition cost				
Balance as of 1 January 2023	**2,551**	**426**	**198**	**3,175**
Acquisitions	7	21	1,336	1,364
Reclassifications from projects in progress	340	-	(340)	-
Write-offs (-)	(1)	-	-	(1)
Balance as of 31 December 2023	**2,897**	**447**	**1,194**	**4,538**
Balance as of 1 January 2024	**2,897**	**447**	**1,194**	**4,538**
Acquisitions	110	-	850	960
Reclassifications from projects in progress	92	-	(92)	-
Write-offs (-)	(66)	-	-	(66)
Balance as of 31 December 2024	**3,033**	**447**	**1,952**	**5,432**
Accumulated amortisation				
Balance as of 1 January 2023	**1,853**	**-**	**-**	**1,853**
Amortisation charge for the year	223	-	-	223
Balance as of 31 December 2023	**2,076**	**-**	**-**	**2,076**
Balance as of 1 January 2024	**2,076**	**-**	**-**	**2,076**
Amortisation charge for the year	245	-	-	245
Write-offs (-)	(66)	-	-	(66)
Balance as at 31 December 2024	**2,255**	**-**	**-**	**2,255**
Net book value as of 31 December 2023	**821**	**447**	**1,194**	**2,462**
Net book value as of 31 December 2024	**778**	**447**	**1,952**	**3,177**

As of 31 December 2024 and 2023, the cost of intangible assets was reduced by received asset-related grants, the cost of which was EUR 213 thousand as of 31 December 2024 and 2023, and net book value of such assets was EUR 133 thousand as of 31 December 2024 and EUR 182 thousand as of 31 December 2023.

As of 31 December 2024, the expenses such as financial accounting, management accounting, customer servicing and provision of services to customers, including the billing for services, the installation of the FAVAKA information system were recoded under projects in progress at the amounts of EUR 1,573 thousand (2023: EUR 1,194 thousand).

In 2024, grants amortisation expenses were EUR 49 thousand (2023: EUR 13 thousand). The part of the Company's intangible assets with acquisition cost of EUR 1,205 thousand as of 31 December 2024 (EUR 758 thousand as of 31 December 2023) was fully amortised but still in use.

13. Trade and other receivables

	31/12/2024	31/12/2023
Non-current portion of trade and other receivables		
Trade receivables	109	181
Total:	**109**	**181**

The non-current portion of receivables comprised the debt for movable and immovable property in the town of Pabradė sold to Švenčionys District Municipality in 2022. Under the signed finance lease agreement, lease payments are made each year in two instalments until 2027.

	31/12/2024	31/12/2023
Current trade and other receivables		
Trade receivables	8,369	7,826
Accrued income	827	922
Other receivables	28	2
	9,224	8,750
Less: allowance for doubtful trade receivables	(1,512)	(1,255)
Total:	**7,712**	**7,495**

Trade receivables are non-interest bearing and are generally settled on up to 30 calendar days terms if no separated arrangements for the deferred payment exist.

Trade receivables also include fee receivable for water and/or wastewater management and maintenance services rendered, the meter readings for which were not submitted in the last month of the reporting period and, therefore, not billed. As of 31 December 2024, such accrued income due from the legal persons decreased by EUR 82 thousand to EUR 355 thousand (as of 31 December 2023, EUR 437 thousand), whereas the accrued income due from the natural persons increased by EUR 32 thousand to EUR 472 thousand (as of 31 December 2023, EUR 440 thousand).

Change in impairment loss from contracts with customers in 2024 and 2023 was as follows:

	31/12/2024	31/12/2023
Balance at the beginning of the year	**1,255**	**1,019**
Impairment for the year	348	254
Impairment reversal	-	-
Write-off to bad debts	(91)	(18)
Balance at the year-end	**1,512**	**1,255**

(ALL AMOUNTS ARE IN EUR THOUSAND UNLESS OTHERWISE STATED)

The ageing analysis of trade receivables of the Company as of 31 December 2024 was as follows:

		Trade receivables past due and impaired					
	Not past due	Less than 30 days	31–90 days	91–180 days	181–365 days	More than 365 days	Total
Natural persons	2,624	*249*	*155*	*95*	*100*	*700*	*3,923*
Impairment	26	20	38	51	88	693	916
Legal persons	*3,328*	*302*	*141*	*127*	*262*	*395*	*4,555*
Impairment	16	12	18	30	129	391	596
Total impairment	**42**	**32**	**56**	**81**	**217**	**1,084**	**1,512**

The ageing analysis of trade receivables of the Company as of 31 December 2023 was as follows:

		Trade receivables past due and impaired					
	Not past due	Less than 30 days	31–90 days	91–180 days	181–365 days	More than 365 days	Total
Natural persons	2,435	*263*	*149*	*86*	*295*	*487*	*3,715*
Impairment	24	20	35	44	266	463	852
Legal persons	*3,345*	*243*	*135*	*120*	*367*	*82*	*4,292*
Impairment	14	9	16	28	256	80	403
Total impairment	**38**	**29**	**51**	**72**	**522**	**543**	**1,255**

14. Prepayments and deferred expenses

	31/12/2024	31/12/2023
Prepayments	76	55
Deferred expenses	1,062	451
	1,138	**506**

15. Cash and cash equivalents

	31/12/2024	31/12/2023
Cash at bank	19,032	24,436
Cash in transit	110	259
	19,142	**24,695**

As of 31 December 2024 and 2023, the funds and future income in the bank account and future inflows to bank accounts were not pledged.

16. Issued capital

	31/12/2023		Increase in issued capital			31/12/2024	
	Number of shares held	Value of shares held	Increase in the value of shares	Cash contri-butions	In-kind contri-butions	Number of shares held	Value of shares held
Vilnius City Mun.	4,459,526	129,148	-	-	-	4,459,526	129,148
Vilnius District Mun.	225,542	6,532	35,639	1,000	32	261,181	7,564
Švenčionys District Mun.	231,358	6,700	75,025	1,800	373	306,383	8,873
Šalčininkai District Mun.	95,973	2,779	-	-	-	95,973	2,779
	5,012,399	**145,159**	**110,664**	**2,800**	**405**	**5,123,063**	**148,364**

	31/12/2022		Increase in issued capital			31/12/2023	
	Number of shares held	Value of shares held	Increase in the value of shares	Cash contri-butions	In-kind contri-butions	Number of shares held	Value of shares held
Vilnius City Mun.	4,247,773	123,016	211,753	2,080	4,052	4,459,526	129,148
Vilnius District Mun.	189,735	5,495	35,807	1,000	37	225,542	6,532
Švenčionys District Mun.	157,572	4,563	73,786	2,137	-	231,358	6,700
Šalčininkai District Mun.	83,508	2,418	12,465	361	-	95,973	2,779
	4,678,588	**135,492**	**333,811**	**5,578**	**4,089**	**5,012,399**	**145,159**

The Company's issued capital is made up of ordinary shares with the nominal value of EUR 28.96 each.

As of 31 December 2024 and 2023, the issued capital of the Company was fully paid. The Company did not hold its own shares.

No dividends for shareholders were declared in 2024 and 2023.

(ALL AMOUNTS ARE IN EUR THOUSAND UNLESS OTHERWISE STATED)

17. Reserves

Legal reserves

The legal reserve is mandatory under the legislation of the Republic of Lithuania. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. During 2024, EUR 508 thousand were transferred to the legal reserve. In FY 2022, the Company's activities were loss-making, therefore no transfers to the legal reserve were made in 2023. As of 31 December 2024, the legal reserve was not fully established and amounted to EUR 1,718 thousand (as of 31 December 2023, EUR 1,210 thousand).

Other reserves

Other reserves are created from the profit available for appropriation and designated for the specific purposes of a Company. They may be used for offsetting the Company's losses incurred or for increasing the issued capital. In 2024, when distributing net profit of 2023, the reserve of EUR 9,661 thousand was set for the Company's investments scheduled in the Operational and Development Plan for 2023–2027.

The EUR 6,260 thousand reserve set for the Company's investments scheduled in the investment plan for 2020–2022 was reversed on the shareholder's decision in 2023.

18. Loans

	31/12/2024	31/12/2023
Non-current loans		
Non-current loans	72,805	70,126
	72,805	70,126
Current loans		
Current portion of non-current loans	2,321	1,724
Accrued interest payable	712	749
Total:	**75,838**	**72,599**

Non-current and current loans of the Company include:

Lender	Annual interest rate, %	Loan currency	Total amount of the loan	Repayment date	31/12/2024	31/12/2023
Ministry of Finance of the Republic of Lithuania	1.611%	EUR	19,400	04/10/2040	12,453	13,225
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2%	EUR	2,500	15/01/2040	2,216	2,341
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2%	EUR	894	15/01/2040	718	759
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2%	EUR	6,176	15/12/2040	4,701	4,949
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2%	EUR	6,058	15/11/2041	5,615	5,874
European Investment Bank	floating*	EUR	50,000	30/11/2043	50,135	45,451
		Less:		current portion	(2,321)	(1,724)
				accrued interest payable	(712)	(749)
				Non-current loans, net of current portion	**72,805**	**70,126**

The terms of repayment of non-current and current loans are as follows:

	31/12/2024	31/12/2023
Within 1 year	3,033	2,472
From 1 to 5 years	16,425	14,083
After five years	56,380	56,044
Total:	**75,838**	**72,599**

To secure the fulfilment of financial liabilities to the creditor, the Company's property, plant and equipment with the net book value of EUR 32,287 thousand as of 31 December 2024 has been pledged (31 December 2023: EUR 33,297 thousand) (Note 11).

On 31 March 2021, the agreement was signed with the European Investment Bank (EIB) for the loan of EUR 20 million to finance the investment projects in 2020-2024. On 31 March 2022, another agreement was signed with the EIB for the loan of EUR 30 million. The loans are granted for a period of 20 years with a floating annual interest rate. The floating interest rate is calculated for periods of six months. In 2024, EUR 5,000 thousand were received under the signed loan agreements (2023: EUR 25,000 thousand); EUR 286 thousand were repaid.

** Interest rate as of 31 December 2024 set for different portions of the loan range from 3.207% to 3.938%.*

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In 2020-2021, the agreements signed with Viešųjų Investicijų Plėtros Agentūra UAB for funding of the development of drinking water supply and wastewater collection networks in Vilnius City, Vilnius District, Švenčionėliai, Šalčininkai and Eišiškės agglomerations, amounted to EUR 15,628 thousand. Loans are granted with fixed annual interest rate of 2%, the loan maturity term is 240 months following the date of entry into force of the loan agreements. In 2024, EUR 663 thousand were repaid under these loan agreements with VIPA (2023: EUR 64 thousand).

In 2018, the Company signed an agreement with the Ministry of Finance of the Republic of Lithuania that entitles the Ministry of Finance of the Republic of Lithuania to provide an EUR 19,400 thousand loan to fund an investment project „Provision of drinking water and wastewater treatment system renovation and development in Vilnius City", including a separate project activity "Reconstruction of Vilnius City Wastewater Treatment Plant". The loan agreement is concluded for a period of 18 years with a fixed annual interest rate of 1,611% and maturity until 2040. In 2024, EUR 775 thousand were repaid under this agreement with the Ministry of Finance (2023: EUR 623 thousand).

19. Lease liabilities

The Company's lease liabilities consist of liabilities under a long-term office lease agreement with Duetto UAB and lease liabilities under long-term land lease agreements with the Vilnius City Municipality, the Vilnius District and the Švenčionys District Municipality. Lease liabilities are equal to the present value of the future lease payments discounted at a borrowing rates from 6.09% to 6.21% applied to the lease agreements concluded in 2024 (3.69% in 2023).

	31/12/2024	31/12/2023
Non-current liabilities		
Lease liabilities	995	1,226
	995	1,226
Current payables and liabilities		
Current portion of lease liabilities	274	255
Total:	**1,269**	**1,481**

The maturity analysis of lease liabilities is disclosed in Note 23.

The Company applies the lease recognition exemptions for short-term leases of vehicles and leases with a value of EUR 6 thousand or less throughout a contract life.

Costs incurred under collector lease agreement are also recognised in profit or loss, because the lease of these assets does not meet the criteria for identified assets set out in IFRS 16.

The following are the amounts recognized in profit or loss:

	01/01/2024 31/12/2024	01/01/2023 31/12/2023
Depreciation expense of right-of-use assets	259	253
Lease liability interest expenses	30	35
Expenses relating to short-term leases (included in other expenses in profit or loss)	4	52
Expenses relating to leases of low-value assets (included in other expenses in profit or loss)	42	33
Rent of collectors (Note 8)	176	176
Total amount recognised in profit or loss	**511**	**549**

20. Trade and other payables

	31/12/2024	31/12/2023
Trade payables for services	2,381	1,366
Trade payables for repairs	90	87
Trade payables for constructions in progress and reconstruction	3,978	2,476
Trade payables for contractual works in EU-funded projects	24	445
Trade payables for non-current assets	220	77
Trade payables for inventories	616	1,834
Total	**7,309**	**6,285**

21. Other liabilities

	31/12/2024	31/12/2023
Other non-current liabilities		
Non-current portion of security deposits received	512	940
Guaranteed supply contributions	-	85
Total	**512**	**1,025**

(ALL AMOUNTS ARE IN EUR THOUSAND UNLESS OTHERWISE STATED)

	31/12/2024	31/12/2023
Other current liabilities		
Taxes payable, other than income tax	5,170	3,176
Vacation pay accrual	1,381	1,403
Accrued variable component of remuneration	1,208	1,096
Current portion of accrued pension liabilities	304	292
Taxes, salaries and social security	383	363
Accrued expenses	202	236
Liabilities to shareholders for contributions to issued capital	400	2,800
Other liabilities	985	1,099
Total	**10,033**	**10,465**

As of 31 December 2024, liabilities to shareholders for contributions to issued capital comprise the EUR 400 thousand contribution to issued capital from Vilnius District Municipality; in 2023, cash contributions to issued capital received from Vilnius and Švenčionys District Municipalities totalled EUR 2,800 thousand.

Other payables are non-interest bearing.

22. Additional information on cash flows

	Assets	Lease liabilities		Loans		
	Cash and cash equivalents	Long-term lease liabilities	Current portion of lease liabilities	Non-current loans	Current portion of non-current loans	Total
Balance as of 01 January 2024	**24,695**	**1,226**	**255**	**70,126**	**2,473**	**98,775**
Cash changes						
Change in cash and cash equivalents	(5,553)	-	-	-	-	(5,553)
Loans received	-	-	-	5,000	-	5,000
Loans (repaid)	-	-	-	-	(1,724)	(1,724)
Lease payments	-	-	(262)	-		(262)
Interest paid	-	-	(30)	-	(2,551)	(2,581)
Non-cash changes						
Interest charges	-	-	30	-	2,551	2,581
Accrued interest payable	-	-	-	-	(37)	(37)
Lease contracts concluded	-	50	-	-	-	50
Reclassifications between items	-	(281)	281	(2,321)	2,321	-
Balance as of 31 December 2024	**19,142**	**995**	**274**	**72,805**	**3,033**	**96,249**
Balance as of 01 January 2023	**12,295**	**1,471**	**248**	**37,551**	**1,112**	**52,677**
Cash changes						
Change in cash and cash equivalents	12,400	-	-	-	-	12,400
Loans received	-	-	-	34,105	-	34,105
Loans (repaid)	-	-	-	-	(688)	(688)
Lease payments	-	-	(249)	-		(249)
Interest paid	-	-	(35)	-	(984)	(1,019)
Non-cash changes						
Interest charges	-	-	35	-	984	1,019
Accrued interest payable	-	-	-	-	519	519
Lease contracts concluded	-	11	-	-	-	11
Reclassifications between items	-	(256)	256	(1,530)	1,530	-
Balance as of 31 December 2023	**24,695**	**1,226**	**255**	**70,126**	**2,473**	**98,775**

23. Financial Risk Management Objectives and Policies

The Company's principal financial liabilities comprise bank loans, advances received and trade payables. The Company has various financial assets such as trade and other receivables and cash, which arise directly from its operations.

The principal financial risks to which the Company is exposed are those of interest rate, liquidity and credit risks. The Company's management reviews and agrees policies for managing each of these risks, which are summarised below. Due to the fact that liabilities of the Company are not affected by other currencies, thus risk of foreign exchange rates is not applicable.

Interest rate risk

The Company's income, expenses and operating cash flows are substantially independent of changes in market interest rates, therefore are not linked to the interest rates risk. However, the Company has long-term loans that are necessary for the implementation of the investment projects provided for in the Operating and Development Plans.

The Company's long-term loans consist of long-term loans with fixed interest rates (EUR 25,412 thousand as of 31 December 2024, and EUR 26,850 thousand as of 31 December 2023), and long-term loans with floating interest rates (EUR 49,714 thousand as of 31 December 2024, and EUR 45,000 thousand as of 31 December 2023).

In 2024, the variable rate interest on loans amounted to EUR 2,037 thousand, and, in 2023, to EUR 1,157 thousand. The Company did not have any interest rate hedge transactions and did not use any interest rate risk management measures. The exposure to interest rate risk is assessed based on the Company's sensitivity to interest rate changes. The effect of interest rate changes on profit before tax:

	31/12/2024		31/12/2023	
	EURIBOR increase/ decrease, pp	Impact on profit before tax	EURIBOR increase/ decrease, pp	Impact on profit before tax
EUR	0.5	235	0.5	147
EUR	(0.5)	(235)	(0.5)	(147)

There is no impact on the Company's equity, other than current year profit impact.

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of loans for working capital purposes and credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Company's current liquidity (total current assets/total current payables and liabilities) and quick ((total current assets – inventories)/total current payables and liabilities) ratios as of 31 December 2024 were 1.30 and 1.25, respectively (1.56 and 1.53 as of 31 December 2023).

The management reviews the Company's liquidity risks on a monthly, particularly during the planning process, and ad hoc basis. The report considers the cash flow forecast for at least five years ahead and allows the management to effectively plan cash injection if needed. The Company monitors regularly its risk to a shortage of funds using a standard monthly report on the cash flows with a liquidity projection for the future periods.

In 2024, the Company's cash flows from operating activities were EUR 15,478 thousand (2023: EUR 16,164 thousand). The Company managed to ensure going concern – to cover obligations to suppliers, employees, and to pay taxes. The management believes that positive operating cash flows (the 0.02 Eur/m^3 higher price for drinking water supply and wastewater management came into force from 1 January 2024, the 0.12 Eur/m^3 higher price for drinking water supply and wastewater management for consumers in multi-family homes came into force from 1 January 2025, and the 0.11 Eur/m^3 higher price for consumers in single-family homes and business customers) are sufficient to ensure adequate funding for the activities of the Company, therefore the Company will be able to continue to operate for at least 12 months after the authorisation of the financial statements for issue.

The tables below summarise the maturity profile of the Company's financial liabilities as at 31 December 2024 and 2023 based on contractual undiscounted payments.

	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years	Total
Interest bearing loans	-	877	3,712	25,070	68,231	97,890
Lease liabilities	-	76	227	575	999	1,877
Trade and other payables	-	7,309	-	-	-	7,309
Other liabilities	-	50	1,537	512	-	2,099
Balance as of 31 December 2024	**-**	**8,312**	**5,476**	**26,157**	**69,230**	**109,175**

	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years	Total
Interest bearing loans	-	783	3,527	23,512	70,756	98,578
Lease liabilities	-	71	214	809	918	2,012
Trade and other payables	-	6,285	-	-	-	6,285
Other liabilities	-	9	4,125	1,026	-	5,160
Balance as of 31 December 2023	**-**	**7,148**	**7,866**	**25,347**	**71,674**	**112,035**

Credit risk

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 20.

Trade receivables are distributed among many customers, so credit risk is diversified. Credit risk, or the risk of counterparties defaulting, is controlled by the Company using the control procedures. Due to the Company's business specifics deposit or prepayment of the customers are not required.

In order to diversify the credit risk, the Company's cash resources are held in a number of financial institutions, which or whose parent companies have at least A- by Fitch Ratings agency (or other equivalent rating agency) long-term debt credit rating.

(ALL AMOUNTS ARE IN EUR THOUSAND UNLESS OTHERWISE STATED)

Fair Value of Financial Instruments

The Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, non-current and current borrowings.

Fair value is supported by quoted market prices, discounted cash flow models or options pricing models depending on the circumstances.

The fair value of the Company's financial assets and current financial liabilities approximates their carrying amounts as of 31 December 2024 and 2023 (Level 3).

As of 31 December 2024, the fair value of non-current borrowings with fixed interest rates was EUR 4,831 thousand less than their carrying amount:

Lender	Fixed annual interest rate	Loan balance as of 31/12/2024	Fair value of loans of 31 December 2024
Ministry of Finance of the Republic of Lithuania	1.61%	12,405	10,125
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2.00%	2,136	1,743
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2.00%	707	577
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2.00%	4,567	3,676
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2.00%	5,597	4,460
Total:		**25,412**	**20,581**

As of 31 December 2023, the fair value of non-current borrowings with fixed interest rates was EUR 5,621 thousand less than their carrying amount:

Lender	Fixed annual interest rate	Loan balance as of 31/12/2023	Fair value of loans of 31 December 2023
Ministry of Finance of the Republic of Lithuania	1.61%	13,180	10,407
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2.00%	2,256	1,818
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2.00%	747	602
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2.00%	4,806	3,809
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2.00%	5,861	4,593
Total:		**26,850**	**21,229**

The fair value of borrowings was calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of loans and other financial assets was calculated using the market interest rate.

The following methods and assumptions are used to determine the fair value of each class of financial assets and liabilities:

(a) The carrying amount of current trade amounts receivable, current trade accounts payable and current borrowings approximates fair value due to their short maturities (Level 3).

(b) The fair value of non-current borrowings is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile (Level 3).

Categories of financial instruments:

	31/12/2024	31/12/2023
Financial assets		
Cash and cash equivalents	19,142	24,695
Trade and other receivables	7,821	7,676
Financial liabilities		
Carried at amortised cost	84,416	80,365

Capital management

The primary objective of the Company's capital management is to ensure that the Company complies with external capital requirements for management of changes in shareholders' equity and maintains capital ratio (at least 50% of the Company's total assets), to support its business and maximise shareholder value.

The Company estimates that the capital is equal to its equity, which amounted to EUR 168,104 thousand as of 31 December 2024 (EUR 159,760 as of 31 December 2023).

The Company manages the capital structure and make adjustments to it in the light of changes in economic conditions and the operating risks. To maintain or adjust the capital structure, the Company may issue new shares, return capital to shareholders. To declare dividends to shareholders, the Company must obtain written permission from the European Investment Bank, one of its main creditors.

The Company's dividend policy setting out the principles for the payment of dividends is approved by the Company's Board. Dividend policy is one of the Company's capital risk management tools for planning the distribution of dividends in view of the ratio of return on equity and net profit earned.

The dividend policy provides that appropriation of profit for the payment of dividends for the financial year depends on the profit from non-regulated activities for the reporting period, the resolutions of the State Energy Regulatory Council regulating the restrictions on the rate of return on investments, the objectives and expectations set for the Company in the Shareholders' Letter of Expectations. The return on equity should be at least 2%, and between 50% and 75% of distributable profit should be appropriated for the payment of dividends. The dividend policy provides that the dividends may be reduced if, following payment of dividends, the Company fails to meet its obligations under financing agreements or other obligations, there would be a significant change in the Company's financial position or the results would significantly deviate from the forecasts, as well as the payment of dividends would result in the Company's cash balance in bank accounts being less than the Company's total average costs for two months. The Company is not obliged to distribute dividends only when it incurs net loss.

Dividends will not be paid if the Company's equity (after the payment of dividends) becomes lower than the sum of its share capital, legal reserve, revaluation reserve and reserve for acquisition of own shares; if it has outstanding obligations fallen due at the time of the decision, as well as the value of Company's current (current assets/current liabilities) and quick ratios ((current assets- inventory)/current liabilities) is lower than 1 at the end of the year. The Company is obliged to keep its shareholders' equity ratio not less than 50% of its authorised share capital, as imposed by the Law on Companies of Republic of Lithuania. The Company meets the requirements of equity by the Law on Companies of Republic of Lithuania. There were no other externally imposed capital requirements on the Company.

(ALL AMOUNTS ARE IN EUR THOUSAND UNLESS OTHERWISE STATED)

The Company monitors capital using capital concentration ratio, which is calculated as ratio between equity and total assets (after eliminating advances received) of the Company. Equity includes ordinary shares, reserves, retained earnings or accumulated loss. The Company's management seeks the capital concentration ratio to be no lower than 50%:

	31/12/2024	31/12/2023
Company's assets	265,797	254,048
Contract liabilities: advances received	(1,012)	(1,025)
	264,785	253,023
Equity	**168,104**	**159,760**
Capital concentration ratio	63.49%	63.14%

24. Related Party Transactions

Parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions.

The Company's transactions with related parties in 2024 and year-end balances were as follows:

	Sales to related parties	Purchases from related parties	Receivables from related parties	Accounts payable to other related parties
Shareholders	2,349	20	256	400
Entities controlled by shareholders	11,669	289	1,266	43
Total	**14,018**	**309**	**1,522**	**443**

As of 31 December 2024, the amount payable to the shareholders comprised the cash contribution to issued capital of EUR 400 thousand received from Vilnius District Municipality. Sales to Vilniaus Šilumos Tinklai AB in 2024 amounted to EUR 10,056 thousand.

The Company's transactions with related parties in 2023 and year-end balances were as follows

	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to other related parties
Shareholders	2,211	24	336	2,801
Entities controlled by shareholders	11,190	525	1,161	87
Total	**13,401**	**549**	**1,497**	**2,888**

As of 31 December 2023, the payable to shareholders consisted of cash contributions from shareholders to issued capital: EUR 1,000 thousand from Vilnius City Municipality, and EUR 1,800 thousand from Švenčionys District Municipality. Sales to Vilniaus Šilumos Tinklai AB in 2023 amounted to EUR 9,701 thousand.

Services to shareholders and to entities controlled by shareholders are provided at market prices.

25. Transactions with key management personnel and their close family members

The Company's key management personnel includes the Company's General Manager, directors of units and members of the Board. The Board of 7 members is elected by the General Meeting of Shareholders for a term of office of four years. As of 31 December 2024 and 2023, the management of the Company consisted of 6 people.

In 2024, there were the following transactions with the Company's key management personnel and their related parties:

	Wages and salaries, soc. ins. contributions	Fixed reimbursement of transport expenses	Car rental	Business trip expenses	Trainings	Purchases
Executives	735	81	2	11	13	-
Board members	292	-	-	4	7	-
Related parties	-	-	-	-	-	13
Total	**1,027**	**81**	**2**	**15**	**20**	**13**

In 2023, there were the following transactions with the Company's key management personnel and their related parties:

	Wages and salaries, soc. ins. contributions	Fixed reimbursement of transport expenses	Car rental	Business trip expenses	Trainings	Purchases
Executives	605	-	24	7	-	-
Board members	200	-	-	2	-	-
Related parties	-	-	-	-	-	1
Total	**805**	**-**	**24**	**9**	**-**	**1**

(ALL AMOUNTS ARE IN EUR THOUSAND UNLESS OTHERWISE STATED)

26. Non-Cash Transactions

	01/01/2024 31/12/2024	01/01/2023 31/12/2023
Property, plant and equipment received from shareholders as capital contribution	405	4,089
In-kind income from equipment relocation from third parties	853	1,196

27. Provisions

	31/12/2023	Accrued 01/01/2024 31/12/2024	Used 01/01/2024 31/12/2024	31/12/2024
Provisions for trial claims	46	-	-	46
Provisions for environmental damage	87	-	-	87
Provisions for protection zone establishment and registration	688	-	99	589
Total	**821**	**-**	**99**	**722**

For more details on significant provisions, see Note 28.

28. Off-balance sheet liabilities and contingencies

Litigations

The Company has received claims for material damages from:

- On 19 May 2017, the Environmental Project Management Agency under the Ministry of Environment of the Republic of Lithuania (EPMA) informed the Company about undertaken investigations into alleged infringements of the non-compliance with monitoring (result) rates during the period from 2007 to 2013 while performing projects funded by the European Union. The non-compliance with monitoring (result) can modify the amounts of expenses suitable for funding from 5 to 20% of the funded amount. In September 2017, the Minister of the Environment of the Republic of Lithuania has issued the following orders: No D1-448; No D1-497; No D1-499 and the orders No D1-752; No D1-739; No D1-735 on application of financial corrections, under which the funded amounts to be repaid totalled EUR 4,021,761.

  Vilniaus Vandenys appealed the orders to Vilnius Regional Administrative Court on 2 October 2017. The Court of first instance did not uphold the Company's appeal, therefore, appeals have been filed to the Supreme Administrative Court of Lithuania on 9 July 2018. On 14 October 2020, the Supreme Administrative Court of Lithuania partially uphold the Company's appeal to annul the decisions of the Minister of the Environment of the Republic of Lithuania No D1-752, D1-739 and D1-735 on application of financial corrections and refer the matter regarding the adoption of the decision back to the defendant, the Ministry of Environment of the Republic of Lithuania, for reconsideration.

  The Environmental Project Management Agency under the Ministry of Environment of the Republic of Lithuania reconsidered the infringement and, on 1 July 2022, submitted the findings of the infringement investigation by which it designates the Company as having committed the infringement (performing below the project targets), and adopted the decision On the Infringements Detected by the Environmental Project Management Agency and Proposed Solutions (amounts of financial corrections) on 6 September 2022 (No D8(E)-4250), on the basis of which the Minister of Environment of the Republic of Lithuania issued orders No D1-310, D1-311, and D1-312 dated 22 September 2022, under which the funded amounts to be repaid totalled EUR 750,299.

  On 16 September 2022, the Company filed an appeal with the Vilnius Regional Administrative Court, and the amended appeal on 6 October 2022 by including the Ministry of Environment of the Republic of Lithuania as a defendant for the annulment of the decisions adopted. On 22 January 2025, the Vilnius Regional Administrative Court decided to hear the case on 3 March 2025.

  At the reporting date, the court's decision was pending, however, the Company's management believes that it achieved project targets and, therefore, considers that the outcome of the legal proceedings is more likely to be favourable, therefore no provision for this amount was made.

- On 24 September 2020, the Company received the claim from EPD under the Ministry of Environment for damages in the amount of EUR 82,710. The Company does not agree with the claim of EPD. As at 31 December 2024 and 2023, the provision made for the repayment of the damages indicated in the claim amounted to EUR 82,710 (Note 27).

- There is a civil case in Vilnius District Court based on Gooliver UAB action, which seeks that the Company be ordered to pay debt of EUR 46,280 (excl. VAT) for services rendered but not accepted. On 17 January 2025, the Vilnius Regional Court delivered a judgement upholding the in full. In 17 February 2025, the Company appealed against the judgment. The court set the time-limit for submission of the response to the appeal. Given the factual circumstances, the provision of EUR 46,280 was formed for this claim as of 31 December 2024 and 2023.

Provision for special conditions on land use (protection zones)

On 1 January 2020, the Law on Special Conditions on Land Use of the Republic of Lithuania came into force introducing the obligation for the Company to register in the State Real Property Register special protection conditions (protection zones) of a land which will fall within the boundaries of the protection zones of the Company's water supply and wastewater collection infrastructure and pay compensations for them. The provisions of this law should have been implemented by 31 December 2024, but with the Ministry of Environment of the Republic of Lithuania more than a year late in coordinating the submitted plans for the establishment of the protection zones, the registration of the protection zones in the Real Estate Register of the State Enterprise Centre of Registers has not been completed.

The Company has made provisions for the establishment and registration of special protection conditions (protection zones) of a land in the Real Estate Register (Note 27).

In the light of the interpretation of the Law on Special Land Use Conditions of the Republic of Lithuania, the compensations for the use of special land is paid to the owners of the land when the owners of the land are no longer able to carry out their activities due to the establishment of the protection zones, or when they are not able to carry out the construction in accordance with existing designs for new buildings. In management's opinion, no compensation should be paid to the owners of lands for the establishment of the protection zones, as the Company has no objection to the activities already taking place or the construction of structures in the protection zones established and registered.

Other off-balance sheet commitments and uncertainties

As of 31 December 2024 and 2023, the Company had legally unregistered assets (Note 11), and to the date of approval of these financial statements the Company has not received any claims from the third parties. The Company bears all the risks and rewards related to these assets.

29. Events after the Reporting Period

In January 2025, the Company's issued capital was increased by the EUR 1,300 thousand in-kind contribution from Vilnius District Municipality, in February 2025, by the EUR 14 thousand in-kind contribution from the Vilnius City Municipality, and the EUR 400 thousand cash contribution from Vilnius District Municipality.

On 25 March 2025, a hearing took place in the case with EPMA, but it does not change the decision handed down by the court. The Company intends to appeal against this decision.