

# AS TALLINNA VESI

Consolidated Interim Report for the 4<sup>th</sup> quarter of 2021

28 January 2022



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

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## MANAGEMENT REPORT

### CEO's Summary

**In 2021 Tallinna Vesi's total sales revenue increased by 3% to €53.29 million. Sales revenue also showed increase in the 4th quarter, resulting mainly from the growth in consumption among commercial customers and higher sales of construction services.**

#### Increase in the total sales revenue

AS Tallinna Vesi's sales revenue in the 4th quarter, were €14.93 million, showing an increase of 13.4% or €1.76 million to the same period in 2020. The increase in the sales revenue was driven by higher consumption in commercial customers and higher sales of construction services, which was related to pipe and road construction projects.

Sales to commercial customers increased by 1.5% to €3.87 million. The sales to commercial services were impacted by the slight increase in water consumption in Tallinn's hospitality and entertainment businesses. The revenue from construction services increased over the year, as a number of large pipe and road construction projects were carried out.

Private customers' sales were €5.03 million, showing a slight decline of 1.8%. Decrease was mainly caused by lower consumption volumes in apartment blocks, which is our biggest private customer group. Lower consumption of private customers was mainly related to people returning to their offices after working from home.

The company's gross profit for the 4th quarter of 2021 was €4.8 million, showing a decrease of 14.7% compared to the same period in 2020. The decrease in gross profit was related to higher cost of goods and services that were 34.4% more expensive than in the comparative period of last year. The biggest impact came from the increase in the market price for electricity and the electricity costs, increasing by 139.1% due to that.

AS Tallinna Vesi's operating profit for the 4th quarter of the year was €3.42 million, showing a decrease of €2.34 million compared to the same period in 2020. The operating profit for 2021 amounted to €18.8 million, being 13.8% lower than in the same period of 2020. In addition to the increased electricity costs, the decrease in commercial profit was attributed to the retaining of the provision for potential third-party claims at the third quarter end level.

Net profit for the 4th quarter of 2021 was €3.21 million, showing a decrease of €2.18 million. The net profit for 2021 was €16.2 million, whereas in 2020 the same figure stood at €16.7 million.

In terms of the full year of 2021, the Company's total sales revenue was €53.29 million, showing an increase by 3.0% or €1.58 million year-on-year.

The sale of construction services provided by the subsidiary Watercom grew 110.8% or 1.4 million euros in the 4th quarter compared to the previous year. The sales from construction services for 2021 totalled 7.3 million euros, growing 40.3% or 2.1 million euros compared to the same period the year before. The growth in revenue is mainly attributable to the pipe and road construction projects won in the procurements that were carried out in 2020 and 2021.

#### Large investments in the networks

The quality of drinking water in Tallinn remains high – water samples taken from customers' taps during 2021 were 99.6% compliant with all requirements. A total of 3058 water samples were taken from customers' taps last year and only 12 did not meet the requirements. The service reliability indicators also remain high. In 2021, the average water disruption per property lasted 3 hours and 19 minutes.

We have increased investments in fixed assets to secure sustainable infrastructure and continuity of its service. Investments in pipes increased significantly already in 2021, when a total of nearly 16 km of water and sewage pipes were reconstructed. The volume of investments in fixed assets planned for 2022 amounts to €25 million.

Over the next years, the investments will be planned based on the public water supply and sewerage development plan for the next 12 years, to be completed in cooperation with the City of Tallinn this year, and the pipe reconstruction program prepared in cooperation with the Tallinn Technical University. The investments made and forthcoming will help us to secure high-quality drinking water for the people of Tallinn, but also keep the natural environment around us cleaner.

In 2021, the number of sewer collapses decreased by 11.3% compared to a year ago. The number of sewer collapses has shown improvement due to continuous reconstruction work. Over the year, the number of sewer blockages has somewhat increased. The number of sewer collapses has decreased due to the consistent reconstruction work that the company carried out in 2021, using mostly environment-friendly no-dig methods and thereby not having to dig up the roads.

Last year saw the completion of the largest project of the decade, during which the facilities and equipment of the first and most important, i.e. the mechanical treatment stage were renewed at the wastewater treatment plant in Paljassaare. The investment allows us to remove 20% more grit from the treatment process and thereby keep the quality of the treated effluent discharged to the sea at an excellent level, to keep the Baltic Sea cleaner and to ensure reliable and efficient wastewater treatment for Tallinners. In addition to this major project, a number of other investments were carried out, such as the installation of a new pump in the main pumping station and the reconstruction of the effluent outlet tower.

### Satisfied customers and community

Tallinna Vesi aims to provide reliable, high-quality service to its customers and consumers at all times. To do this, we regularly measure the satisfaction of our customers and monitor compliance with the promises we have made to them. In 2021, the Company failed to deliver on the promises made to customers on three occasions. In the event of a failure to keep the promise, we apologize and pay compensation to our customers, as well as learn from the process to avoid such failures in the future.

In 2021, the Company showed an excellent improvement in terms of the decrease in the number of customer complaints – 22.5% less complaints were received compared to the last year. We are also constantly monitoring the speed at which the customers receive answers to their questions. In the nine months of 2021, we responded to written inquiries within at least 2 working days in 98.8% of cases.

To provide additional value to customers through digitalization, we have started installing remote water meters in 2021. With smart meters, water metering becomes more accurate and there is no longer need for reporting the water meter readings. In the future, we will be able to proactively inform customers about water leaks. Also, remote water meters will allow to notify our customers when water leaks occur in their buildings. The plan is to cover the entire service area with remote water meters by 2026.

In addition to investments in the water and sewage network, we have started to reduce our environmental impact, by mapping its CO2 footprint last year. To reduce that footprint, 100% of the energy used in our facilities and in the treatment process is now generated from renewable energy resources. We also plan to set up a cogeneration unit in the wastewater treatment plant in Paljassaare, to allow the use of biogas from the wastewater treatment process to generate 30% of electricity and 100% of heat energy needed to run the treatment plant.

Last year, Tallinna Vesi also contributed to the welfare of its community by supporting a total of ca 40 events with water tanks for free as well as the addition of 12 public water taps across the capital city. In addition, a number of activities were carried out to increase the environmental awareness among society and to reduce waste generation by promoting tap water drinking. Among other things, a scholarship program was launched to attract new generation of talents to the water industry.

## OPERATIONAL INDICATORS FOR TWELVE MONTHS OF 2021

Indicator	Unit	2021	2020	2019
Compliance of water quality at customer taps	%	99.6	99.7	99.0

Water loss in the water distribution network	%	15.0	12.4	13.0
Average duration of water interruptions per property	h	3.31	2.93	2.99
Number of sewer blockages	No	524	463	532
Number of sewer collapses	No	71	80	103
Compliance of treated effluent with environmental standards	%	100.0	100.0	100.0
Number of customer complaints	No	31	40	41
Number of customer contacts regarding water quality	No	317	323	508
Number of customer contacts regarding water pressure	No	363	359	478
Number of customer contacts regarding blockages and drainage of stormwater	No	948	864	1047
Responding to written customer contacts within at least 2 working days	%	98.8	100.0	100.0
Number of cases of failed promises	No	3	1	7
Notification of unplanned water interruptions at least 1 h before	%	98.7	98.9	96.2

Aleksandr Timofejev  
Chairman of the Board  
Chief Executive Officer

## FINANCIAL RESULTS OF THE 4<sup>th</sup> QUARTER OF 2021

The latest **economic forecast** from Eesti Pank expects that the economy will grow by 8% in 2021, but that growth will slow to below 3% next year. Growth is being reduced by extraordinarily high inflation, which ought to start to come down in the second half of next year. Inflation may remain high for longer in Estonia though for several local reasons.

The recovery from the crisis in Estonia has been one of the fastest in Europe, but the rapid growth seen so far is easing. Growth is being hindered by global supply problems, but the biggest hindrance to further development in most sectors is the shortage of available labour. Equally, the utilisation of existing production capacity is already at its highest ever level. This means that further growth in the economy will be harder to achieve, and the rate of growth in the economy will be reduced next year by extraordinarily high inflation.

The recovery of economy has had a positive impact on the company's sales revenue, which increased by 3.0% or 1.58 million euros compared to 2020 to 53.29 million euros. The increase in sales revenue was due to the construction services segment, where sales revenue increased by 40.3% or 2.11 million euros in 2021, reaching 7.33 million euros.

### Main financial indicators

€ million, except key ratios	4th quarter			Change 2021/ 2020	12 months			Change 2021/ 2020
	2021	2020	2019		2021	2020	2019	
Sales	14.93	13.17	16.12	13.4%	53.29	51.72	63.42	3.0%
Gross profit	4.80	5.64	7.98	-14.7%	20.58	22.23	33.95	-7.4%
Gross profit margin %	32.17	42.78	49.49	-24.8%	38.61	42.97	53.53	-10.1%
Operating profit before depreciation and amortisation	5.10	7.41	12.72	-31.1%	25.30	28.07	38.18	-9.9%
Operating profit before depreciation and amortisation margin %	34.17	56.23	78.86	-39.2%	47.47	54.27	60.21	-12.5%
Operating profit	3.42	5.76	11.06	-40.6%	18.78	21.78	32.08	-13.8%
Operating profit - main business	2.91	5.51	10.82	-47.2%	17.52	20.88	31.19	-16.1%
Operating profit margin %	22.89	43.71	68.61	-47.6%	35.23	42.12	50.57	-16.3%
Profit before taxes	3.31	5.64	10.95	-41.3%	18.40	21.34	31.30	-13.8%
Profit before taxes margin %	22.19	42.85	67.93	-48.2%	34.52	41.27	49.36	-16.3%
Net profit	3.21	5.39	10.95	-40.5%	16.17	16.73	27.76	-3.4%
Net profit margin %	21.47	40.91	67.93	-47.5%	30.33	32.35	43.77	-6.2%
ROA %	1.26	2.12	4.21	-40.5%	6.32	6.45	10.83	-2.1%
Debt to total capital employed %	54.94	56.09	56.05	-2.1%	54.94	56.09	56.05	-2.1%
ROE %	2.82	4.92	9.95	-42.7%	14.20	14.69	25.43	-3.3%
Current ratio	2.83	3.85	5.48	42.3%	2.83	3.85	5.48	-26.5%
Quick ratio	2.79	3.80	5.44	43.2%	2.79	3.80	5.44	-26.6%
Investments into fixed assets	5.43	5.65	5.33	-3.9%	15.38	19.42	16.09	-20.8%
Payout ratio %	na	77.70	72.05		na	77.70	72.05	

*Gross profit margin – Gross profit / Net sales*

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

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

*Operating profit margin – Operating profit / Net sales*

*Net profit margin – Net profit / Net sales*

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

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

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

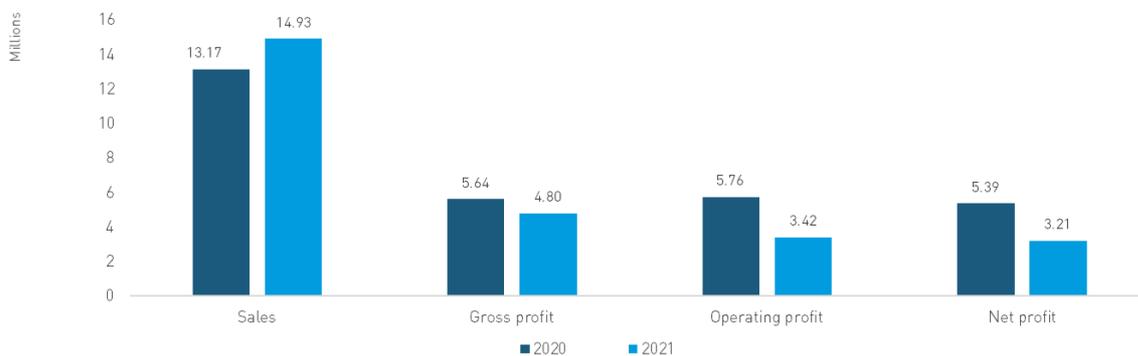
*Current ratio – Current assets / Current liabilities*

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

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

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

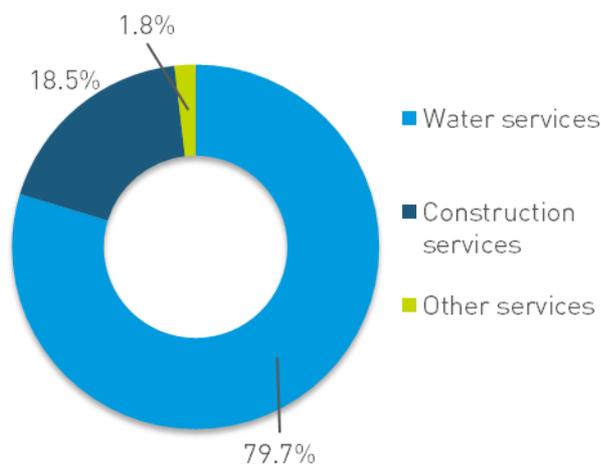
## Statement of comprehensive income



### SALES

The revenues from the main activities, i.e. sales of water and wastewater services, in the 4th quarter of 2021 were impacted by changes in the consumption of water services resulting from the ongoing coronavirus outbreak. Given Estonia's macroeconomic forecast and developments of the pandemic, we expect a slight increase in the consumption of our water services during the next year. In the long run, we do not expect any significant changes in the use of water services.

### Group's total sales



In the 4th quarter of 2021, the **Group's total sales** were €14.93 million, showing an increase of 13.4% or €1.76 million year-on-year. 79.7% of sales comprise of water services within and outside the service area, 18.5% from construction services and 1.8% from other services. The sale of construction services is more seasonal, and the Company continues to seek possibilities to grow the revenues from these services.

€ thousand	4th quarter			Variance 2021/2020	
	2021	2020	2019	€	%
Water supply service	2,025	2,061	3,083	-35	-1.7%
Wastewater disposal service	3,010	3,066	2,965	-56	-1.8%
<b>Total from private customers</b>	<b>5,035</b>	<b>5,127</b>	<b>6,049</b>	<b>-92</b>	<b>-1.8%</b>
Water supply service	1,901	1,882	2,728	20	1.1%
Wastewater disposal service	1,970	1,932	2,403	38	2.0%
<b>Total from commercial customers</b>	<b>3,871</b>	<b>3,814</b>	<b>5,131</b>	<b>57</b>	<b>1.5%</b>
Water supply service	414	414	392	0	0.0%
Wastewater disposal service	903	840	842	63	7.5%
Storm water disposal service	77	74	148	3	4.1%
<b>Total from outside service area customers</b>	<b>1,394</b>	<b>1,328</b>	<b>1,382</b>	<b>66</b>	<b>5.0%</b>
Storm water treatment and disposal and fire hydrants service	1,257	1,016	1,153	241	23.7%
Overpollution charges and discharging	340	367	319	-27	-7.4%
<b>Total from water services</b>	<b>11,897</b>	<b>11,652</b>	<b>14,033</b>	<b>246</b>	<b>2.1%</b>
Construction services	2,759	1,309	1,899	1,450	110.8%
Other services	275	211	191	64	30.3%
<b>TOTAL REVENUE</b>	<b>14,931</b>	<b>13,172</b>	<b>16,123</b>	<b>1,759</b>	<b>13.4%</b>

**Sales from water services** were €11.89 million, showing a 2.1% or €0.25 million increase compared to the 4th quarter of 2020, resulting from the changes in the sales volumes as described below:

- There has been a decrease of 1.8% or €0.09 million to €5.03 million in the sales to **private customers**, driven mainly by lower consumption volumes in apartment blocks, which is our biggest private customer group. Lower consumption of private customers was mainly related to easement of coronavirus restrictions, as people were returning from working remotely to working at offices.
- Sales to **commercial customers** within the service area increased by 1.5% to €3.87 million driven by higher consumption of water services. The sales to commercial customers were impacted by slight relaxation of the pandemic related restrictions as hotels and spas and entertainment facilities were opened in June, and less people were working at home. The impact from consumption on revenues from commercial customers was +€0.06 million.
- Sales to **customers outside the main service area** increased by 5.0% to €1.39 million, which was also impacted by a change in the consumption of water, wastewater and stormwater services. The total impact from changes in consumption was -€0.06 million.

- Sales from the **operation and maintenance of the stormwater and fire hydrant system in the main service area** amounted to €1.26 million, showing an increase of 23.7% or €0.24 million compared to the same period in 2020, driven by 20.6% higher stormwater volumes.
- **Overpollution charges and discharging** revenues decreased by 7.4% or €0.03 million to €0.34 million.

Sales of **construction services** were €2.76 million, increasing by 110.8% or €1.45 million year-on-year. The increase was mainly related to ongoing pipe and road construction projects, won from the tenders carried out during 2020 and 2021, continuing to produce revenues also in the upcoming months.

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

The **cost of goods and services sold** amounted to €10.13 million in the 4th quarter of 2021, being higher by €2.59 million compared to the equivalent period in 2020. The changes were influenced by higher costs of electricity and higher costs related to construction services balanced slightly by lower staff costs.

€ thousand	4th quarter			Variance 2021/2020	
	2021	2020	2019	€	%
Water abstraction charges	-327	-318	-314	-9	-2.8%
Chemicals	-506	-414	-409	-93	-22.5%
Electricity	-1,802	-754	-972	-1,049	-139.1%
Pollution tax	-297	-198	-302	-99	-50.0%
<b>Total direct production costs</b>	<b>-2,932</b>	<b>-1,683</b>	<b>-1,997</b>	<b>-1,249</b>	<b>-74.2%</b>
Staff costs	-1,918	-1,933	-1,707	15	0.8%
Depreciation and amortisation	-1,482	-1,457	-1,470	-25	-1.7%
Construction services	-2,234	-1,068	-1,654	-1,166	-109.2%
Other costs of goods/services sold	-1,561	-1,395	-1,315	-166	-11.9%
<b>Other costs of goods/services sold total</b>	<b>-7,195</b>	<b>-5,853</b>	<b>-6,146</b>	<b>-1,342</b>	<b>-22.9%</b>
<b>Total cost of goods/services sold</b>	<b>-10,127</b>	<b>-7,537</b>	<b>-8,143</b>	<b>-2,590</b>	<b>-34.4%</b>

**Total direct production costs** (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €2.93 million, showing a 74.2% or €1.25 million increase compared to the equivalent period in 2020. Changes in direct production costs came from a combination of changes in prices and in treated volumes as follows:

- **Chemicals** costs increased by 22.5% to €0.51 million, driven mainly by on average 95.4% higher price of methanol used in wastewater treatment process, the effect of price increase is worth €0.08 million. The expense of aerotech that is used to dissipate the foam in wastewater treatment has decreased by 42.5%, worth €0.01 million due to 47.0% lower dosages.
- **Electricity** costs increased by 139.1% to €1.80 million, driven by 130.3% higher electricity price. Compared to same period in 2020, the electricity expense in wastewater treatment process was lower by 150.8% and 121.8% higher in the main pumping station, worth €0.39 million and €0.13 million respectively. The electricity expense in water treatment plant has increased by 160.5% worth €0.30 million.
- **Pollution Tax** cost has increased by 50.0% and €0.09 million to €0.29 million mainly due to higher usage of Nitrogen and BOD7 in water treatment process worth €0.04 million and €0.02 million accordingly.

**Other costs of goods sold** (staff costs, depreciation, construction services related costs and other costs of goods sold) amounted to €7.19 million, having increased by 22.9% or €1.34 million. The increase was

mainly influenced by higher costs related to construction services due to higher revenues from construction revenues. Construction services costs increased by 109.2% or €1.17 million to €2.23 million.

As a result of all above, the **Group's gross profit** for the 4th quarter of 2021 was €4.80 million, showing a decrease of 14.7% or €0.83 million, compared to the gross profit of €5.64 million for the comparative period of 2020.

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

**Administrative and marketing expenses** increased by 11.2% or €0.12 million amounting to €1.17 million, compared to 4th quarter of 2020, related to higher electricity expense and higher level of professional outsourced services.

**Other income and expenses** amounted to net income of €0.21 million, compared to net income of €1.18 million in comparative period, derived from freezing the change of provision for the possible third-party claims.

#### *OPERATING PROFIT*

As a result of the factors listed above the Group's **operating profit** for the 4th quarter of 2021 amounted to €3.42 million, being 40.6% or €2.34 million lower than in the corresponding period of 2020. Eliminating the effect of the change of provision for possible third-party claims, the operating profit for the 4th quarter of 2021 and 2020 would have been €3.42 million and €4.55 million, being lower by 24.9% or €1.14 million year-on-year.

#### *FINANCIAL EXPENSES*

**The Group's net financial income and expenses** have resulted in a net expense of €0.11 million, compared to 7.1% higher expense in the 4th quarter of 2020. The numbers derived from reduced interest costs due to a lower interest margin of 2019 Nordic Investment Bank and OP Corporate Bank loan agreements and expiry of SWAP agreements in the last quarter of 2020 that had positive fair value in 2020 4th quarter.

The standalone swap agreements were signed to mitigate the long-term floating interest risk. The interest swap agreements were signed for €37.5 million and ended in November 2020, loans of €50.22 million were with floating interest rate. In the 4th quarter of 2021, the whole loan amount of €84.09 million was bearing a floating interest rate. The effective interest rate of loans in the 4th quarter of 2021 was 0.4%, amounting to the interest costs of €0.09 million, compared to the effective interest rate of 0.65% (incl SWAP interests) and the interest costs of €0.11 million in the 4th quarter of 2020.

#### *NET PROFIT*

The Group's **net profit** for the 4th quarter of 2021 was €3.21 million, being €2.18 million lower than for the comparative period of 2020. The decrease in net profit was mainly impacted by changes in operating profit and net financial expenses. Eliminating the effects of the change of the fair value of swap contracts in 2020 and the change of provision for possible third-party claims in 2020, the Group's net profit for the 4th quarter of 2020 would have been €4.16 million, showing a decrease of €0.95 million year-on-year.

## FINANCIAL RESULTS FOR THE TWELVE MONTHS OF 2021

### Statement of comprehensive income

#### SALES

During the twelve months of 2021 the **Group's total sales** were €53.29 million, showing an increase by 3.0% or €1.58 million year-on-year. **Sales from water services** for twelve months of 2021 were €45.05 million, decreasing by 1.6% or €0.74 million year-on-year. 84.5% of sales comprise of sales of water services within and outside of the service area, 13.8% from construction services and 1.7% from other services.

€ thousand	12 months			Variance 2021/2020	
	2021	2020	2019	€	%
Water supply service	8,097	8,106	13,781	-9	-0.1%
Wastewater disposal service	12,000	12,048	11,719	-48	-0.4%
<b>Total from private customers</b>	<b>20,097</b>	<b>20,154</b>	<b>25,500</b>	<b>-57</b>	<b>-0.3%</b>
Water supply service	7,115	7,209	11,482	-94	-1.3%
Wastewater disposal service	7,299	7,417	9,317	-118	-1.6%
<b>Total from commercial customers</b>	<b>14,414</b>	<b>14,626</b>	<b>20,799</b>	<b>-212</b>	<b>-1.4%</b>
Water supply service	1,631	1,593	1,622	38	2.4%
Wastewater disposal service	3,422	3,298	3,192	124	3.8%
Storm water disposal service	256	291	426	-35	-12.0%
<b>Total from outside service area customers</b>	<b>5,309</b>	<b>5,182</b>	<b>5,241</b>	<b>128</b>	<b>2.5%</b>
Storm water treatment and disposal and fire hydrants service	4,010	4,588	4,002	-577	-12.6%
Overpollution charges and discharging	1,225	1,250	1,324	-25	-2.0%
<b>Total from water services</b>	<b>45,055</b>	<b>45,800</b>	<b>56,866</b>	<b>-745</b>	<b>-1.6%</b>
Construction services	7,328	5,222	5,960	2,106	40.3%
Other services	911	695	597	216	31.1%
<b>TOTAL REVENUE</b>	<b>53,294</b>	<b>51,717</b>	<b>63,423</b>	<b>1,577</b>	<b>3.0%</b>

During the twelve months of 2021 there has been a slight decrease in **sales to private customers** by 0.3% to €20.10 million that is related to the decrease in consumption. Lower sales in domestic customer consumption volumes came mainly from apartment blocks, which is also our biggest private customer group.

The **sales to commercial customers** within the service area has decreased by 1.4% to €14.41 million. The decrease is related to the changes in consumption of entertainment segment.

Sales to **customers outside the main service area** increased by 2.5% to €5.31 million, being impacted by an increase in the wastewater and water supply service revenues.

**Sales from the operation and maintenance of the main service area storm water and fire hydrants system** in the twelve months of 2021 amounted to €4.01 million, showing a decrease of 12.6% or €0.57 million year-on-year, driven mainly by averagely 14.0% lower storm water volumes.

**Overpollution charges and discharging** revenues received have decreased by 2.0% to €1.23 million.

Sales of **construction services** were €7.33 million, increasing by 40.3% or €2.11 million year-on-year. The increase was related to several substantial projects won that are mentioned in the 4th quarter results.

### *COST OF GOODS AND SERVICES SOLD AND GROSS AND OPERATING PROFITS*

€ thousand	12 months			Variance 2021/2020	
	2021	2020	2019	€	%
Water abstraction charges	-1,281	-1,237	-1,219	-44	-3.6%
Chemicals	-1,822	-1,567	-1,664	-255	-16.3%
Electricity	-4,612	-3,256	-3,566	-1,356	-41.6%
Pollution tax	-894	-989	-1,089	96	9.7%
<b>Total direct production costs</b>	<b>-8,609</b>	<b>-7,049</b>	<b>-7,538</b>	<b>-1,560</b>	<b>-22.1%</b>
Staff costs	-7,243	-7,247	-6,602	4	0.1%
Depreciation and amortisation	-5,725	-5,521	-5,421	-205	-3.7%
Construction services	-5,988	-4,256	-5,096	-1,731	-40.7%
Other costs of goods/services sold	-5,150	-5,418	-4,814	268	4.9%
<b>Other costs of goods/services sold total</b>	<b>-24,106</b>	<b>-22,442</b>	<b>-21,933</b>	<b>-1,664</b>	<b>-7.4%</b>
<b>Total cost of goods/services sold</b>	<b>-32,715</b>	<b>-29,491</b>	<b>-29,471</b>	<b>-3,224</b>	<b>-10.9%</b>

During the twelve months of 2021 **the cost of goods and services sold** amounted to €32.72 million, increasing by 10.9% or €3.22 million compared to the equivalent period in 2020. **Total direct production costs** (water abstraction charges, chemicals, electricity and pollution tax expenses) amounted to €8.61 million, showing a 22.1% or €1.56 million increase compared to the equivalent period in 2020. Changes in direct production costs came from a combination of changes in prices and in treated volumes that affected the cost of goods sold together with the following additional factors:

- **Chemicals** costs increased by 16.3% to €1.82 million, driven mainly by on average 75.3% higher price of methanol, accompanied by 4.3% higher expense of coagulant in water treatment, worth -€0.22 million and -€0.02 million respectively.
- Expenses for **Electricity** increased by 41.6% or €1.35 million resulting in costs worth of €4.61 million mainly due to averagely 42.0% higher price and 4.2% higher usage of electricity.
- **Pollution Tax** cost has decreased by 9.7% or €0.09 million mainly due to lower concentration of Nitrogen in wastewater treatment process, worth €0.06 million.

**Other costs of goods sold** (staff costs, depreciation, construction and asphaltting services costs and other costs of goods sold) amounted to €24.11 million, having increased by 7.4% or €1.66 million. The increase in other costs of goods sold were mainly driven by 40.7% or €1.73 million higher expenses related to construction services that were balanced by €0.27 million lower expense of other cost of goods and services derived from asset maintenance cost.

The **Group's gross profit** for the twelve months of 2021 was €20.58 million, showing a decrease of 7.4% or €1.65 million compared to the comparative period of 2020. The **Group's operating profit** for the twelve months of 2021 amounted to €18.78 million, being 13.8% or €3.01 million lower than in the corresponding period of 2020, being mainly impacted by higher direct production costs on electricity and chemicals and by freezing change of provision for the possible third-party claims in Q4. Eliminating the effect of the change of provision for the possible third-party claims the operating profit for 2021 and 2020 would have been €15.17 million and €16.97 million, being lower by 10.6% or €1.80 million year-on-year.

### *FINANCIAL EXPENSES*

**The Group's net financial income and expenses** have resulted a net expense of €0.38 million, compared to net expense of €0.44 million in the twelve months of 2020. The decrease was impacted by lower interest costs on loans taken and no expense on SWAP contracts that ended in November 2020.

## PROFIT BEFORE TAXES AND NET PROFIT

The **Group's profit before taxes** for the twelve months of 2021 were €18.40 million, being 13.8% or €2.94 million lower than for the relevant period of 2020. The **Group's net profit** for the twelve months of 2021 were €16.17 million, being 3.4% or €0.57 million lower than for the equivalent period of 2020. Eliminating the effects of the change of the derivatives fair value in 2020 and the change of provision for the possible third-party claims the Group's net profit for the twelve months of 2021 would have been €12.56 million, showing an increase by 7.3% or €0.86 million year-on-year.

## Statement of financial position

In the twelve months of 2021 **the Group invested into fixed assets** €15.38 million. As of 31/12/2021, non-current tangible assets amounted to €211.55 million, the majority of which in the amount of €167.6 was an investment in pipes (31/12/20 €162.6). Total non-current assets amounted to €212.28 million (31/12/2020: €203.43 million).

Substantial investments in 2021 were:

- The reconstruction of Öismäe pumping station, 2021 investment worth €0.39 million, total investment worth €0.42 million.
- The reconstruction of mechanical treatment stage, 2021 investment worth €1.11, total investment worth €7.77 million, planned additional investment €0.82 million.
- Main pumping station 4 pumps replacements, 2021 investment worth €0.47 million, total investment worth €1.14.
- Shorewell 2021 investment worth €0.75 million, total investment worth €1.06 million, planned additionally €0.28 million.
- Kohila street water and wastewater network total investment €0.56 million, additionally planned €0.21 million.

Compared to the year end of 2020 **the trade receivables, accrued income and prepaid expenses** have shown a slight decrease in the amount of €0.38 million to €6.64 million. Decrease mainly derives from lower trade receivables related to water services and lower other receivables, by €0.57 million and €0.32 million respectively. The collectability rate continues to be high at 99.72% compared to December 2020 when the collectability rate was 99.96%.

**Current liabilities** have increased by €1.94 million to €15.49 million compared to the end of 2020, mainly deriving from investments related trade payables.

**Deferred income from connection fees** has increased compared to the end of 2020 by €2.68 million to €37.24 million.

**Provision for possible third-party claims** has decreased compared to the end of 2020 by €3.61 million to €6.02 million. More detailed information about the provision is presented in Note 6 to the financial statements.

The Group's **loan balance** of €84.09 million has decreased by the amount of NIB loan repayment of €3.63 million compared to the end of 2020. In May 2019, the Company started to return the previous NIB loan in 11 equal semi-annual payments. The weighted average loan interest risk margin is 0.36%.

The Group has a **total debt to assets** level of 54.94%, in range of 54%-65%, reflecting the Group's equity profile. In the comparative period of 2020, the total debt to assets ratio was at the same level, being 56.09%.

## Cash flow

As of 31/12/2021, the cash position of the Group is rather good. At the end of December 2021, the cash balance of the Group stood at €36.56 million, which is 14.3% of the total assets (31/12/2020: €44.51 million, forming 17.4% of the total assets).

The largest contribution to the cash flows comes from the main activities. During the twelve months of 2021, the Group generated €22.47 million of **cash flows from operating activities**, a decrease of €0.15 million compared to the corresponding period in 2020. Underlying operating profit continues to be the main contributor to operating cash flows.

In the twelve months of 2021 the result of **net cash flows from investing activities** was a cash outflow of €10.80 million and decrease of €2.82 million compared to the cash outflow of €13.62 million in the twelve months of 2020. This is made up as follows:

- The cash outflows from investments in fixed assets have decreased by €1.95 million compared to 2020, amounting to €15.68 million.
- The compensations received for pipe construction were €2.89 million, showing an increase of €0.89 million compared to the same period of 2020.

In the twelve months of 2021 **cash outflow from financing activities** amounted to €19.62 million, decreasing by €9.65 million compared to the same period in 2020. The change was mainly related to lower interest payments, and less dividends paid compared to 2020, €0.26 million and €7.04 million accordingly.

## EMPLOYEES

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

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

As of autumn 2021, we have started awarding the scholarships in universities and vocational schools to promote the water supply and engineering studies among students and to train the new generation of professionals for the Company. We have described our human resource policies. We follow equality principles in selecting and managing people, which translates into providing, when feasible, everyone with equal opportunities. Understanding and appreciating the diversity of our staff, we ensure, that everyone is treated fairly and equally, and they have access to the same opportunities as is reasonable and practicable. We aim to ensure, that no employees are discriminated against due to, but not exclusive to age, gender, religion, cultural or ethnic origin, disability, sexual orientation or marital status.

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

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

At the end of the 4th quarter of 2021, the total number of employees was 331 compared to 333 at the end of the same period in 2020. The full time equivalent (FTE) was 313 and 318 respectively. Average number of employees during the twelve months was 333 in 2021 and 332 in 2020 respectively.

By gender, employee allocation was as follows:

	As of 31/12/2021			As of 31/12/2020		
	Women	Men	Total	Women	Men	Total
<b>Group</b>	<b>92</b>	<b>239</b>	<b>331</b>	<b>92</b>	<b>241</b>	<b>333</b>
Management Team	13	17	30	14	18	32
Executive Team	5	6	11	4	5	9
Management Board	1	2	3	1	2	3
Supervisory Board	1	8	9	1	8	9

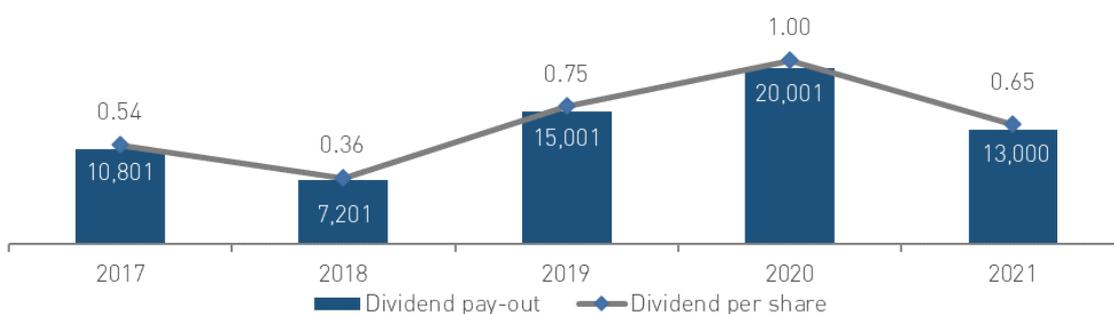
The total salary costs were €2.58 million for the 4th quarter of 2021, including €0.06 million paid to the Management Board and Supervisory Council members (excluding social taxes). The contingent liability in case the Council should want to replace the current Management Board members is €0.16 million.

## DIVIDENDS

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

Every year the Supervisory Council evaluates the proposal of the dividends to be paid out to the shareholders and approves it to be presented to the Annual General Meeting of shareholders for voting, considering all circumstances. In the Annual General Meeting held on 03/06/2021, the Supervisory Board proposed to pay out €0.65 per share from the 2020 profits. The pay-out is equal to 78% of earnings per share in 2020. The proposal was approved by Annual General Meeting and the dividend pay-out was made on 29/06/2021.

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



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

## SHARE PERFORMANCE

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

As of 31/12/2021, AS Tallinna Vesi's shareholders, with a direct holding over 5%, were:

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

As of 08/04/2021, AS Tallinna Vesi acquired one B share with the nominal value of €60 from the City of Tallinn.

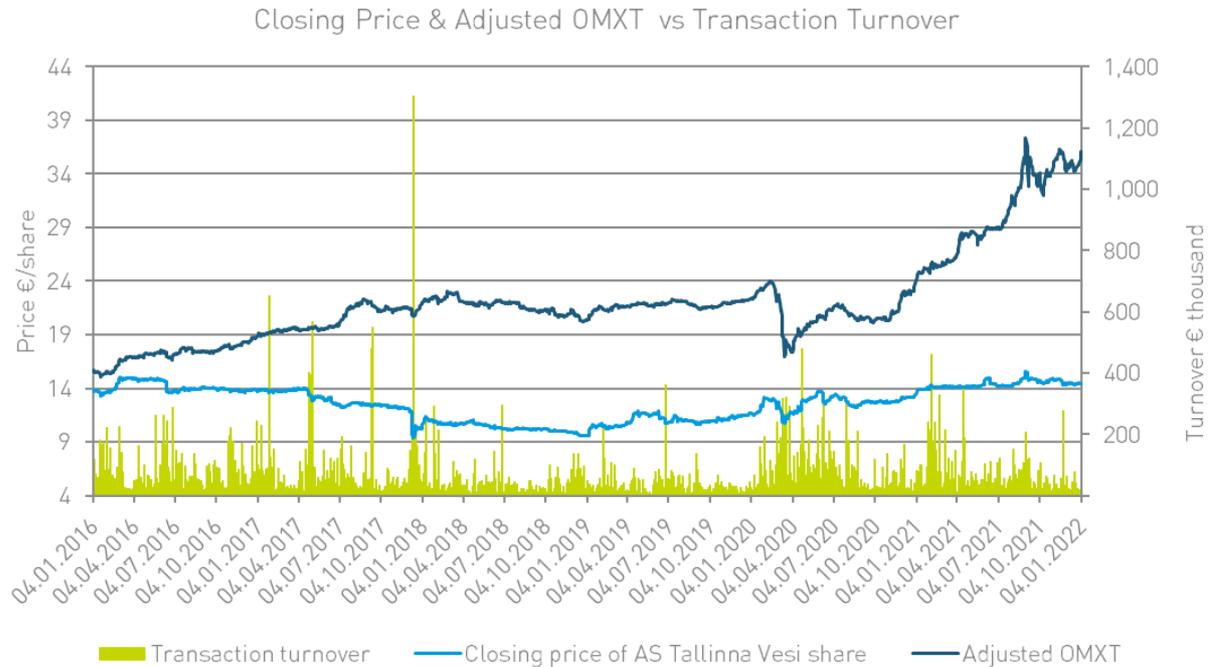
As a result of the mandatory offer for acquiring the Shares of Tallinna Vesi, the shareholders of ASTV who accepted the offer decided to sell 1,083,834 A-shares of ASTV, which equals to approximately 5.42% of all A-shares of ASTV.

During the twelve months of 2021 the foreign institutional investors have reduced their shareholdings by 3.03%, local retail investors have reduced their shareholdings by 1.85% and local institutional investors and foreign retail investors have decreased their shareholdings by 0.48% and 0.05% respectively. By the end of the 4th quarter of 2021, the pension funds shareholding has decreased to 0.10% of the total shares.

As of 31/12/2021, the closing price of AS Tallinna Vesi share was €14.48, which is 0.82% (2020: +4.33%) lower compared to the closing price of €14.60 at the end of the previous quarter. During the 4th quarter, the OMX Tallinn index increased by 3.55% (2020: +16.15%).

In twelve months of 2021, 22,333 deals were concluded with the Company's shares (2020: 22,812 deals) during which 947 thousand shares or 4.7% of all shares changed owners (2020: 1.403 million shares or 7.0%).

The turnover of transactions amounted to €13.59 million, being €3.90 million lower than in the comparative period of 2020.



## CORPORATE STRUCTURE

As of 31/12/2021, the Group consisted of 3 companies. The subsidiaries OÜ ASTV Green Energy and Watercom OÜ are wholly owned by AS Tallinna Vesi and consolidated into the results of the Company.

## CORPORATE GOVERNANCE

### SUPERVISORY COUNCIL

Supervisory Council organises and arranges the management of the Company and supervises the activities of the Management Board. After the change in ownership of AS Tallinna Vesi, the amendment to the Articles of Association of AS Tallinna Vesi was approved by shareholders on 01/04/2021 without convening a general meeting. According to the amended Articles of Association the Supervisory Council members of AS Tallinna Vesi are elected or appointed for three years.

- The extension of the terms of office of Supervisory Council member and Vice Chairman Mr Priit Lello was extended from 16/11/2021 until 15/11/2024.
- Ms Katrin Kendra was recalled from the Supervisory Council of the Company. The term of Ms Katrin Kendra expired on 13 January 2022.
- Mr Silver Tamm was elected as a member of the Supervisory Council of the Company from 14 January 2022 for the term set out in the Articles of Association of the Company.

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

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

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

[About us > Audit committee](#)

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

## MANAGEMENT BOARD

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

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

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

Starting from 08/11/2021, there are 3 members in the Management Board of AS Tallinna Vesi: Aleksandr Timofejev (with the powers of a Chairman of the Board until 30/10/2026), Kristi Ojakäär (with the powers of a Management Board Member until 01/01/2023) and Tarvi Thomberg (with the powers of a Management Board Member until 08/11/2026).

On 17 May 2021, the Supervisory Council of AS Tallinna Vesi appointed Aleksandr Timofejev as the new Chief Executive Officer of the company. Mr Timofejev has been a member of the Management Board since 2012, serving as the Chief Operating Officer of AS Tallinna Vesi.

Further information on the members of the Management Board is available on the Company's website:

[About us > Management board](#)

### Additional information:

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Chairman of the Board  
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Tarvi Thomberg  
Member of the Management Board  
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## MANAGEMENT CONFIRMATION

The Management Board has prepared the consolidated interim accounts of AS Tallinna Vesi (the Company) and its subsidiaries OÜ Watercom and OÜ ASTV Green Energy (together the Group) in the form of consolidated condensed financial statements for the 12 months period of financial year 2021 ended 31 December 2021. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 31 December 2021 have been prepared following the accounting policies and the manner of presenting the information in line with the International Financial Reporting Standards as adopted by the EU. The condensed financial statements provide a fair presentation of the assets, liabilities, financial position and result of the operations and the cash flows of the Group.

The interim report gives a fair presentation of the main events that occurred during the 12 months of the financial year and of their effect on the condensed financial statements. It includes the description of the main risks and unclear aspects that can, based on the sensible judgement of the Management Board, have an impact on the Company.

The significant transactions with related parties are disclosed in the interim accounts.

Any subsequent events that materially affect the valuation of assets and liabilities and have occurred until the completion of the consolidated financial statements on 28 January 2022 have been considered in preparing the financial statements.

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

**Aleksandr Timofejev**

Member of the Management Board

Chief Executive Officer

**Kristi Ojakäär**

Member of the Management Board

Chief Financial Officer

**Tarvi Thomberg**

Member of the Management Board

Chief Asset Management Officer

28 January 2022

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand

as of 31 December

ASSETS	Note	2021	2020
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	36,559	44,514
Trade receivables, accrued income and prepaid expenses		6,637	7,019
Inventories		702	701
<b>TOTAL CURRENT ASSETS</b>		<b>43,898</b>	<b>52,234</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant, and equipment	4	211,546	202,802
Intangible assets	5	729	629
<b>TOTAL NON-CURRENT ASSETS</b>		<b>212,275</b>	<b>203,431</b>
<b>TOTAL ASSETS</b>		<b>256,173</b>	<b>255,665</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Current portion of long-term lease liabilities		421	393
Current portion of long-term loans		3,630	3,630
Trade and other payables		7,835	7,085
Prepayments		3,604	2,445
<b>TOTAL CURRENT LIABILITIES</b>		<b>15,490</b>	<b>13,553</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income from connection fees		37,241	34,564
Leases		1,236	1,400
Loans		80,336	83,978
Provision for possible third-party claims	6	6,018	9,628
Deferred tax liability		372	255
Other payables		60	32
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>125,263</b>	<b>129,857</b>
<b>TOTAL LIABILITIES</b>		<b>140,753</b>	<b>143,410</b>
<b>EQUITY</b>			
Share capital		12,000	12,000
Share premium		24,734	24,734
Statutory legal reserve		1,278	1,278
Retained earnings		77,408	74,243
<b>TOTAL EQUITY</b>		<b>115,420</b>	<b>112,255</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>256,173</b>	<b>255,665</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	Quarter 4		for the year ended 31 December	
		2021	2020	2021	2020
Revenue	7	14,931	13,172	53,294	51,717
Cost of goods and services sold	9	-10,127	-7,537	-32,715	-29,491
<b>GROSS PROFIT</b>		<b>4,804</b>	<b>5,635</b>	<b>20,579</b>	<b>22,226</b>
Marketing expenses	9	-130	-113	-462	-433
General administration expenses	9	-1,047	-945	-4,438	-4,576
Other income (+)/ expenses (-)	10	-209	1,180	3,099	4,567
<b>OPERATING PROFIT</b>		<b>3,418</b>	<b>5,757</b>	<b>18,778</b>	<b>21,784</b>
Financial income	11	1	3	8	31
Financial expenses	11	-104	-116	-387	-473
<b>PROFIT BEFORE TAXES</b>		<b>3,315</b>	<b>5,644</b>	<b>18,399</b>	<b>21,342</b>
Income tax	12	-108	-255	-2,234	-4,610
<b>NET PROFIT FOR THE PERIOD</b>		<b>3,207</b>	<b>5,389</b>	<b>16,165</b>	<b>16,732</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>3,207</b>	<b>5,389</b>	<b>16,165</b>	<b>16,732</b>
Attributable profit to:					
Equity holders of					
A-shares		3,207	5,388	16,165	16,731
B-share holder		0	0,60	0	0,60
Earnings per A share (in euros)	13	0,16	0,27	0,81	0,84
Earnings per B share (in euros)	13	0	600	600	600

## CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand		for the year ended 31 December	
	Note	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit		18,778	21,784
Adjustment for depreciation/amortisation	4,5,9,10	6,520	6,283
Adjustment for revenues from connection fees	10	-510	-542
Other non-cash adjustments	6	-3,610	-4,814
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets		-29	-14
Change in current assets involved in operating activities		380	140
Change in liabilities involved in operating activities		938	-215
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>22,467</b>	<b>22,622</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Acquisition of property, plant, and equipment, and intangible assets		-13,734	-15,682
Compensations received for construction of pipelines, incl connection fees		2,892	1,998
Proceeds from sale of property, plant and equipment, and intangible assets		29	32
Interest received		11	35
<b>TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>-10,802</b>	<b>-13,617</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Interest paid and loan financing costs, incl swap interests		-460	-719
Lease payments		-408	-555
Repayment of loans		-3,636	-3,636
Dividends paid	12	-12,842	-19,888
Withheld income tax paid on dividends	12	-158	-113
Income tax paid on dividends	12	-2,116	-4 355
<b>TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>-19,620</b>	<b>-29,266</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>-7,955</b>	<b>-20,261</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>3</b>	<b>44,514</b>	<b>64,775</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>3</b>	<b>36,559</b>	<b>44,514</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
<b>as of 31 December 2019</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>77,512</b>	<b>115,524</b>
Dividends	0	0	0	-20,001	<b>-20,001</b>
Comprehensive income for the period	0	0	0	16,732	<b>16,732</b>
<b>as of 31 December 2020</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>74,243</b>	<b>112,255</b>
Dividends	0	0	0	-13,000	<b>-13,000</b>
Comprehensive income for the period	0	0	0	16,165	<b>16,165</b>
<b>as of 31 December 2021</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>77,408</b>	<b>115,420</b>

## NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

### NOTE 1. ACCOUNTING PRINCIPLES

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed interim financial statements do not contain all the information presented in the annual financial statements and should be read in conjunction with the Group's latest published annual financial statements as at and for the year ended 31 December 2020. Selected notes are included in interim financial statements to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

### NOTE 2. CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of material misstatements to the carrying amounts of assets and liabilities were the same as described in the last annual financial statements as at and for the year ended 31 December 2020, except for estimates addressed below:

- Management has developed estimates on the expected credit losses of trade receivables based on the best available information about past events, current conditions and forecasts of macroeconomic conditions related to Covid-19 outbreak. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2021, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of Estonia in which it sells its goods and services to be the most relevant factors and has accordingly adjusted the historical loss rates based on expected changes in these factors. As at 31 December 2021, Management of the Group has assessed the expected credit loss related to Covid-19 outbreak to be €148 thousand. Estimated credit loss is being revised according to further developments.
- Management has made an estimate with regards to possible third-party claims based on the maximum difference between revenues calculated with tariffs established based on the Services Agreement and the tariffs based on the Company's estimation, with the reservation to the possible

fluctuation. According to the law, the tariffs established based on the Services Agreement were in force until the Competition Authority approved the new tariffs and the Company implemented these tariffs in line with the law. The Company has acted in good faith and in reliance to the applicable legal acts. Thus, the Company does not consider itself liable to the customers for any claims related to the tariffs applied until the new tariffs approved by the Competition Authority were duly implemented.

The potential undiscounted payments by the Company in the future, if potential claims from customers were recognised by the courts, would amount to €15.1 million (as of 31 December 2020: €24.1 million). This estimate marks the maximum difference in between the tariffs approved based on the Services Agreement and the tariffs based on the Company's estimation, with the reservation to the possible fluctuation, regarding past 12 months (as of 31 December 2020: 24 months), being the approximate remaining unexpired term of potential claims. As of 31 December 2021, claims totalling €8.5 million have been filed within three applications. The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6.0 million (as of 31 December 2020: €9.6 million) and has suspended the reduction of the provision pursuant to the principle of conservatism. The Company has always acted legitimately by applying fair tariffs imposed in accordance with the law in force, and the Company believes there are no grounds for submitting the claims. Therefore, the Company does not admit any liability and fully rejects it.

### NOTE 3. CASH AND CASH EQUIVALENTS

	as of 31 December	
€ thousand	2021	2020
Cash in hand and in bank	36,559	20,514
Short-term deposits	0	24,000
<b>Total cash and cash equivalents</b>	<b>36,559</b>	<b>44,514</b>

### NOTE 4. PROPERTY, PLANT AND EQUIPMENT

€ thousand	Land and buildings	Facilities	Machinery and equipment	Construction in progress	Right-of-use assets	Right-of-use assets in progress	Total property, plant and equipment
<b>as of 31 December 2019</b>							
Acquisition cost	26,688	229,228	48,552	2,456	2,493	1	309,418
Accumulated depreciation	-7,385	-73,805	-37,486	0	-1,115	0	-119,791
<b>Net book value</b>	<b>19,303</b>	<b>155,423</b>	<b>11,066</b>	<b>2,456</b>	<b>1,378</b>	<b>1</b>	<b>189,627</b>
<b>Transactions in the period 1 January 2020 - 31 December 2020</b>							
Acquisition in book value	0	0	0	18,336	0	951	19,287
Write off and sale of property, plant, and equipment in residual value	0	0	0	0	-23	0	-23
Reclassification	191	10,682	1,418	-11,993	629	-952	-25
Depreciation	-296	-3,536	-2,013	0	-219	0	-6,064
<b>as of 31 December 2020</b>							
Acquisition cost	26,875	239,412	49,029	8,799	2,793	0	326,908

Accumulated depreciation	-7,677	-76,843	-38,558	0	-1,028	0	-124,106
<b>Net book value</b>	<b>19,198</b>	<b>167,569</b>	<b>11,144</b>	<b>8,799</b>	<b>1,765</b>	<b>0</b>	<b>202,802</b>

#### Transactions in the period 1 January 2021 - 31 December 2021

Acquisition in book value	0	0	0	14,782	0	289	15,071
Write off and sale of property, plant, and equipment in residual value	0	0	0	0	-16	0	-16
Reclassification	158	8,846	2,252	-11,529	289	-289	0
Depreciation	-291	-3,800	-1,852	0	-368	0	-6,311

#### as of 30 31 December 2021

Acquisition cost	27,033	247,613	50,819	12,052	2,950	0	340,467
Accumulated depreciation	-7,968	-79,998	-39,675	0	-1,280	0	-128,921
<b>Net book value</b>	<b>19,065</b>	<b>162,615</b>	<b>11,144</b>	<b>12,052</b>	<b>1,670</b>	<b>0</b>	<b>211,546</b>

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

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

#### NOTE 5. INTANGIBLE ASSETS

€ thousand	Acquired licenses and other intangible assets	Unfinished intangible assets	Total intangible assets
<b>as of 31 December 2019</b>			
Acquisition cost	4,463	11	4,474
Accumulated depreciation	-3,764	0	-3,764
<b>Net book value</b>	<b>699</b>	<b>11</b>	<b>710</b>
<b>Transactions in the period 1 January 2020 - 31 December 2020</b>			
Acquisition in book value	0	138	138
Reclassification	119	-119	0
Depreciation	-219	0	-219
<b>as of 31 December 2020</b>			
Acquisition cost	4,582	30	4,612
Accumulated depreciation	-3,983	0	-3,983
<b>Net book value</b>	<b>599</b>	<b>30</b>	<b>629</b>
<b>Transactions in the period 1 January 2021 - 31 December 2021</b>			
Acquisition in book value	0	309	309
Reclassification	250	-250	0
Depreciation	-209	0	-209
<b>as of 31 December 2021</b>			
Acquisition cost	4,831	89	4,920
Accumulated depreciation	-4,191	0	-4,191
<b>Net book value</b>	<b>640</b>	<b>89</b>	<b>729</b>

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

On 12 December 2017, the Supreme Court made a decision on AS Tallinna Vesi's cassation in the tariff dispute with the Estonian Competition Authority. The court stated that the Competition Authority is not bound by the agreement on the water tariffs contained in the Services Agreement, which was executed upon privatisation of the company. From now on, the tariffs will be regulated by the Competition Authority in line with the methodology.

According to the law the tariffs established based on the Services Agreement were in force until the Competition Authority approved the new tariffs and the Company implemented these tariffs in line with the law. The Company has acted in good faith and in reliance to the applicable legal acts. Thus, the Company does not consider itself liable to the customers for any claims related to the tariffs applied until the new tariffs approved by the Competition Authority were duly implemented.

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

The potential undiscounted payments by the Company in the future, if potential claims from customers were recognised by the courts, would amount to €12.0 million (as of 31 December 2020: €24.1 million). This estimate marks the maximum difference in between the tariffs approved based on the Services Agreement and the tariffs based on the Company's estimation, with the reservation to the possible fluctuation, regarding past 12 months (as of 31 December 2020: 24 months), being the approximate remaining unexpired term of potential claims.

As of 31 December 2021, claims totalling €8.5 million have been filed within three applications. The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6.0 million (as of 31 December 2020: €9.6 million) and has suspended the reduction of the provision pursuant to the principle of conservatism. The Company has always acted legitimately by applying fair tariffs imposed in accordance with the law in force, and the Company believes there are no grounds for submitting the claims. Therefore, the Company does not admit any liability and fully rejects it.

## **NOTE 7. SEGMENT REPORTING**

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

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

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

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

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

	Water services	Const- ruction services	Other services	Inter- segment transactions	Total segments
€ thousand					
<b>1 January 2021 - 31 December 2021</b>					
External revenue	45,056	7,327	911	0	53,294
Inter-segment revenue	2	1,672	3,633	-5,307	0
<b>Total segment revenue</b>	<b>45,058</b>	<b>8,999</b>	<b>4,544</b>	<b>-5,307</b>	<b>53,294</b>
<b>Segment's gross profit</b>	<b>18,945</b>	<b>626</b>	<b>1,570</b>	<b>-562</b>	<b>20,579</b>
<b>Unallocated expenses:</b>					
Marketing and Administrative expenses					-4,900
Other income/expenses					3,099
<b>Operating profit</b>					<b>18,778</b>
<b>1 January 2020 - 31 December 2020</b>					
External revenue	45,800	5,222	695	0	51,717
Inter-segment revenue	1	3,481	3,421	-6,903	0
<b>Total segment revenue</b>	<b>45,801</b>	<b>8,703</b>	<b>4,116</b>	<b>-6,903</b>	<b>51,717</b>
<b>Segment's gross profit</b>	<b>19,614</b>	<b>409</b>	<b>2,768</b>	<b>-565</b>	<b>22,226</b>
<b>Unallocated expenses:</b>					
Marketing and Administrative expenses					-5,325
Other income/expenses					4,567
<b>Operating profit</b>					<b>21,468</b>

#### Revenue by activities

€ thousand	Quarter 4		for the year ended 31 December	
	2021	2020	2021	2020
<b>Water services</b>				
Water supply service	2,025	2,061	8,097	8,106
Wastewater disposal service	3,010	3,066	12,000	12,048
<b>Total from private customers</b>	<b>5,035</b>	<b>5,127</b>	<b>20,097</b>	<b>20,154</b>
Water supply service	1,901	1,882	7,115	7,209
Wastewater disposal service	1,970	1,932	7,299	7,417
<b>Total from corporate customers</b>	<b>3,871</b>	<b>3,814</b>	<b>14,414</b>	<b>14,626</b>
Water supply service	414	414	1,631	1,593
Wastewater disposal service	903	840	3,422	3,298
Storm water disposal service	77	74	256	291
<b>Total from outside service area customers</b>	<b>1,394</b>	<b>1,328</b>	<b>5,309</b>	<b>5,182</b>
Storm water treatment and disposal service and fire hydrants service	1,257	1,016	4,010	4,588
Over pollution charges and discharging	340	367	1,225	1,250

<b>Total from water services</b>	11,897	11,652	45,055	45,800
<b>Construction services</b>	2,759	1,309	7,328	5,222
<b>Other services</b>	275	211	911	695
<b>Total revenue</b>	<b>14,931</b>	<b>13,172</b>	<b>53,294</b>	<b>51,717</b>

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

#### NOTE 8. STAFF COSTS

€ thousand	Quarter 4		for the year ended 31 December	
	2021	2020	2021	2020
Salaries and wages	-1,931	-1,986	-7,381	-7,417
Social security and unemployment insurance tax	-653	-672	-2,496	-2,509
<b>Staff costs total</b>	<b>-2,584</b>	<b>-2,658</b>	<b>-9,877</b>	<b>-9,926</b>
<b>Average number of employees during the reporting period</b>	<b>334</b>	<b>335</b>	<b>333</b>	<b>332</b>

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

€ thousand	Quarter 4		for the year ended 31 December	
	2021	2020	2021	2020
<b>Cost of goods and services sold</b>				
Water abstraction charges	-327	-318	-1,281	-1,237
Chemicals	-506	-414	-1,822	-1,567
Electricity	-1,802	-754	-4,612	-3,256
Pollution tax	-297	-198	-894	-989
Staff costs	-1,918	-1,933	-7,243	-7,247
Depreciation and amortization	-1,482	-1,457	-5,725	-5,521
Construction services	-2,234	-1,068	-5,988	-4,256
Other costs	-1,561	-1,395	-5,150	-5,418
<b>Total cost of goods and services sold</b>	<b>-10,127</b>	<b>-7,537</b>	<b>-32,715</b>	<b>-29,491</b>
<b>Marketing expenses</b>				
Staff costs	-112	-100	-398	-370
Other marketing expenses	-18	-13	-64	-63
<b>Total marketing expenses</b>	<b>-130</b>	<b>-113</b>	<b>-462</b>	<b>-433</b>
<b>Administrative expenses</b>				
Staff costs	-554	-625	-2,236	-2,309
Depreciation and amortization	-81	-82	-320	-333
Other general administration expenses	-412	-238	-1,882	-1,934
<b>Total administrative expenses</b>	<b>-1,047</b>	<b>-945</b>	<b>-4,438</b>	<b>-4,576</b>

**NOTE 10. OTHER INCOME/EXPENSES**

€ thousand	Quarter 4		for the year ended 31 December	
	2021	2020	2021	2020
Connection fees	131	201	510	542
Depreciation of single connections	-121	-112	-475	-429
Doubtful receivables expenses (-)/ expense reduction (+)	-14	7	-84	-64
Provision for possible third-party claims (Note 6)	0	1,204	3,610	4,814
Other income (+)/expenses (-)	-205	-120	-462	-296
<b>Total other income / expenses</b>	<b>-209</b>	<b>1,180</b>	<b>3,099</b>	<b>4,567</b>

**NOTE 11. FINANCIAL INCOME AND EXPENSES**

€ thousand	Quarter 4		for the year ended 31 December	
	2021	2020	2021	2020
Interest income	1	3	8	31
Interest expense, loan	-96	-112	-360	-487
Interest expense, swap	0	-27	0	-185
Increase (+)/decrease (-) of fair value of swap	0	28	0	221
Other financial income (+)/expenses (-)	-9	-5	-27	-22
<b>Total financial income / expenses</b>	<b>-104</b>	<b>-113</b>	<b>-379</b>	<b>-442</b>

**NOTE 12. DIVIDENDS**

€ thousand	for the year ended 31 December	
	2021	2020
Dividends declared during the period	13,000	20,001
Dividends paid during the period	12,842	19,888
Withheld income tax on dividends	158	113
Income tax on dividends paid	2,116	4,355
Dividends declared per shares:		
Dividends per A-share (in euros)	0,64	0,75
Dividends per B-share (in euros)	0	600

Dividend income tax rate in 2021 is 20/80 (in 2020: 20/80), but for dividend payments in the amount of up to the average taxed dividend payment during the three preceding years, the income tax rate 14/86 is applied. When calculating the average dividend payment of the three preceding years, 2018 is the first year to be taken

into account. In addition, for dividends payable to natural persons, income tax at a rate of 7% is withheld on dividends taxed with a lower income tax rate.

#### NOTE 13. EARNINGS PER SHARE

€ thousand	Quarter 4		for the year ended 31 December	
	2021	2020	2021	2020
Net profit minus B-share preferred dividend rights	3,207	5,388	16,165	16,731
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20,000,000	20,000,000	20,000,000	20,000,000
Earnings per A share (in euros)	0,16	0,27	0,81	0,84
Earnings per B share (in euros)	0	600	0	600

Diluted earnings per share for the periods ended 31 December 2021 and 2020 was equal to earnings per share figures stated above.

#### NOTE 14. RELATED PARTIES

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

##### Shareholders having the significant influence

Balances recorded on the statement of financial position of the Group	as of 31 December	
€ thousand	2021	2020
Accounts receivable	129	1,390
Prepayments for services	575	0
Trade and other payables	24	186

Transactions	Quarter 4		for the year ended 31 December	
	2021	2020	2021	2020
Revenue	1,607	1,016	4,855	4,588
Purchase of thermal energy	32	0	37	0
Purchase of administrative and consulting services	0	-56	583	736

Fees to the Group's Management and Supervisory Board members	Quarter 4		for the year ended 31 December	
€ thousand (excluding social tax)	2021	2020	2021	2020
Fees for Management Board	47	43	220	213
Supervisory Board fees	9	8	37	32
				30

The Group's Management Board and Supervisory Board members are considered as key management personnel for whom the contractual salary payments have been accounted for as disclosed above. In addition to this one Board Member has also received direct compensations from the companies belonging to the group of United Utilities (Tallinn) B.V. as overseas secondees. Such compensations are recorded on the line 'Purchase of administrative and consulting services'.

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

The potential salary liability would be up to €150 thousand (excluding social tax) if the Supervisory Board would replace all Management Board members.

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

As of 31 December 2021 and 2020, the members of the Supervisory Council and the Management Board did not own any shares in the company.

#### **NOTE 15. LIST OF SUPERVISORY BOARD MEMBERS**

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

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

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