

AS TALLINNA VESI

Consolidated Interim Report for the 3rd quarter of 2022

28 October 2022



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MANAGEMENT REPORT

Executive Summary

AS Tallinna Vesi's sales revenue in the 3rd quarter of 2022 was €13 million. The decline in sales of construction services was offset by increased consumption of water services among commercial customers and an increase in stormwater service revenue. We continued to provide high-quality water and wastewater services and carried out a number of large-scale reconstruction projects.

Water Consumption by Commercial Customers Increased

AS Tallinna Vesi's sales from water services provided to commercial customers was €4.34 million in the 3rd quarter of this year, which is about 13% more than at the same time last year. The consumption of water services by commercial customers increased mainly in the leisure sector: hotels and spas, trade, and sports center, and in the rental services sector and port.

The sales from water services provided to private customers decreased in the 3rd quarter by 1.1% to €4.84 million, resulting from a drop in the consumption of the largest private customer group, the apartment buildings.

AS Tallinna Vesi's gross profit for the 3rd quarter of 2022 was €3.58 million. The Company's nine-month gross profit fell by 22% due to increasing operational costs. The main impacts came from the increase in electricity, salary, chemical and gas costs. To minimize the impact, we try to optimize the amount of chemicals used in treatment processes and, where possible, consume electricity smartly by closely monitoring electricity exchange prices and timing our consumption accordingly.

The Company's operating profit was €2.44 million in the 3rd quarter. Operating profit fell by €3.07 million compared to the 3rd quarter of last year. The nine-month operating profit for 2022 was €8.52 million, showing a decrease of €6.84 million compared to the previous year, driven by both sharp increase in electricity costs and the retaining of the provision for potential third-party claims at third-quarter levels of 2021. When eliminating the impact of the change in operating profit resulting from the provision for potential third-party claims, the Company's operating profit would have been €4.30 million in the 3rd quarter of 2021. Operating profit for the 3rd quarter of 2022 would be €1.86 million or 43.3% down from the same period last year.

The Company's net profit was €2.22 million in the 3rd quarter of 2022, which is €3.12 down from the same period last year. The decrease in net profit was affected by changes in operating profit and net financial costs.

In September, AS Tallinna Vesi and OP Corporate Bank plc Estonian Branch signed the amendments to the 28 September 2017 loan agreement. As a result of the amendments to the loan agreement, the previous loan repayment date of 28 September 2023 was changed to 28 September 2024. The amendment to the loan agreement has induced an increase in AS Tallinna Vesi's loan interest risk margin from 0.60% to 0.63%. The loan will still be repaid in one installment and all other terms of the loan agreement remain the same.

Modernization in Water Networks and at the Treatment Plants

Investments have significantly increased in 2022. In nine months, AS Tallinna Vesi invested €15.66 million in the fixed assets, the investments increased by €5.71 million compared to the same period last year. In the nine months of 2022, we rehabilitated nearly 17 kilometres of pipelines. Extensive reconstruction work is ongoing on the Street of Vana-Kalamaja, and Rannamõisa and Järvevana roads. On the Street of Vana-Kalamaja a total of 4 kilometers of pipes were installed.

In order to ensure the continuity of the services provided by the Company and the sustainability of its processes, AS Tallinna Vesi continued in the 3rd quarter with several large projects, including modernizing the Rummu Water Pumping Station, which will ensure high-quality drinking water in the Lasnamäe and Pirta areas, and the installation of UV equipment in various borehole pumping stations to create an additional microbiological treatment barrier. At the Wastewater Treatment Plant, work continues strategically important projects such as modernizing the shaft at the Main Pumping Station and the effluent outlet tower, the first of which plays an important role in receiving the wastewater at the treatment plant and the latter in discharging

treated effluent to the sea. We have also completed a new point of reception for sewage sludge from the septic trucks and have started preparations for the replacement of one of the large pumps at the Main Pumping Station. The pump replacement is scheduled for the 1st quarter in 2023.

Negotiations on a new Administrative Contract between the City of Tallinn and AS Tallinna Vesi for the period 01.12.2022-30.11.2032 are closing. At the same time, AS Tallinna Vesi has applied for its appointment as a water undertaker in the main service area of the public water supply and sewerage system with a term of administrative duty of 10 years, i.e., until 30.11.2032. The Administrative Contract currently awaits the resolution of the AS Tallinna Vesi's Supervisory Council on 01.11.2022 and the approval of the Tallinn City Council on 03.11.2022 and can then be found publicly in the document management system of Tallinn City Government and on the website of AS Tallinna Vesi.

The preparation of the Tallinn Public Water Supply and Sewerage Development Plan for the next 12 years is also currently under way. The aim of that document is to set a clear direction for the development of the water sector in Tallinn and it will also be the basis for the preparation of the Development and Investment Plan of AS Tallinna Vesi.

In August, we started with the installation of remote water meters. Due to the global supply shortage of chips, the start of mass installation has been delayed until November, the goal is to finish the installation work by 2026. By installing smart meters, the Company's processes become more digital, and it will become very convenient for our customers to report their water readings. In addition, monitoring of water network will be more efficient and detection of water leaks becomes faster.

High-quality Water and Wastewater Services

Over the nine months of 2022, the Company has continued to provide reliable and high-quality water and wastewater services, as reflected in the very high level of quality indicators. During the nine months of this year, the Company took 2,426 water samples, 99.8% of which met all quality requirements in full. The quality of tap water continues to be excellent despite high outdoor temperatures. The excellent quality of tap water has been ensured by an even more efficient water treatment process, preventative maintenance of water network and investments in water pumping stations. In the 4th quarter, we plan to introduce a new technology for cleaning water pipes, which works using the crushed ice pressure wash method. Today, the technology is widely used in the US and Japan, but still completely new to our region.

Also, the wastewater treated at the Wastewater Treatment Plant has met all the strict requirements throughout this year. The quality of treated effluent directly affects the marine environment, which is why we monitor the amounts of pollutants in the wastewater received at the treatment plant and in the effluent leaving the treatment plant. Pollutant parameters that are significantly lower than the limits required by law is the proof of the excellent level of treated effluent.

The level of water loss in the water network remained low in the 3rd quarter – 13.4%, similarly to the previous year. In the nine-month view, the level of water loss is somewhat higher than last year because of the snowy and cold winter that made it difficult to detect leaks and access pipelines in the 1st quarter, high outdoor temperatures and low soil water levels also had an impact.



Aleksandr Timofejev

Chairman of the Board

Chief Executive Officer

SUMMARY OF 2022 OPERATIONAL RESULTS FOR THE NINE MONTHS AND THE 3rd QUARTER OF THE YEAR

In the 3rd quarter of 2022, the Company gave nearly 7 million m³ of clean water to the water network and treated nearly 10 million m³ of wastewater.

During the nine months and the 3rd quarter of the current year, the quality of tap water was excellent, meeting 99.8% of all quality requirements. This means that only 4 water samples were not in line with the strict standards for the quality of water. 2,426 water samples were taken in the nine months of 2022. High-quality tap water has been ensured by an effective water treatment process, ongoing preventative maintenance of the water network and investments in water pumping stations made in recent years, creating a secondary chlorination option in various areas of the City. The latter allows disinfecting tap water at various points across the City, ensuring the availability of a high-quality drinking water everywhere.

One of our goals is to notify our customers about water interruptions well in advance. In the 3rd quarter of 2022, we notified our customers of the unplanned water interruption at least 1 hour before at 98.7% of cases. During the first half of the year, we notified almost all customers affected by the interruption (99.2%) at least an hour in advance. For customers who had a water interruption in the 3rd quarter, the interruption lasted an average of 2 hours and 53 minutes, which is less than the same period last year. In the nine-month view of the year, the average duration of the water interruption, similarly to the quarterly result, was higher, resulting from a larger number of water emergencies that needed excavation to repair. To reduce the inconvenience caused by water disruption, we keep installing additional closing elements in the water network.

The level of water loss in the water network remained low in the 3rd quarter – 13.4%, similarly to the previous year. 2022. In the nine-month view, the level of water loss is somewhat higher than last year (16.25%). This was affected by the higher water loss early in the year, caused by the snowy and cold winter that made it difficult to detect leaks and access pipelines.

In addition to providing high-quality domestic water service, one of our most important tasks is to ensure the reliability and sustainability of the wastewater service. We continuously assess the efficiency of the wastewater treatment process and the quality of the wastewater by monitoring the amounts of pollutants in the wastewater received at the treatment plant and in the effluent leaving the treatment plant. During both the nine months and the 3rd quarter of 2022, wastewater treated at the Wastewater Treatment Plant at Paljassaare met all the established requirements. Pollutant parameters that are significantly lower than the limits required by law is the proof of the excellent level of treated effluent.

We want to provide our customers and consumers with a reliable service, part of which is the availability of important information about the service and the speed at which their questions are answered. In the 3rd quarter of 2022, we responded to written contacts within 2 days at 98.7% of cases, which is somewhat better result than in the same period a year ago.

In early 2022, we started to implement a new definition of complaints, according to which any notification received from a customer about a failure in the quality of the service delivered is treated as a complaint. It aims to further improve the quality of service and to prevent complaints more effectively. According to the new methodology, we received a total of 322 customer complaints in the 3rd quarter of 2022. By the definition of complaints implemented back in 2021, the number of complaints would have been 16, which is somewhat more than in 2021. In the 3rd quarter of 2022, we failed to keep one of the promises to our customers, related to planned works on the network which caused an interruption in the water supply, where the customer did not receive notification in time.

In August, we started with the installation of remote water meters. Due to the global supply shortage of chips, the start of mass installation has been delayed until November. The goal is to finish the installation work by 2026.

By the end of the 3rd quarter of 2022, we had rehabilitated 17,000 meters of pipelines. In order to ensure reliable water and wastewater services to our customers and consumers, we started and continued extensive

reconstruction work on the Street of Vana-Kalamaja, and Rannamõisa and Järvevana roads. On Vana-Kalamaja Street, we will be laying nearly 4 kilometers of new pipes.

We continued work on investment projects in our water networks and at the treatment plants, including modernizing the Rummu Water Pumping Station, which will ensure high-quality drinking water in the Lasnamäe and Pirita areas, and the installation of UV equipment in various borehole pumping stations to create an additional microbiological treatment barrier. At the Wastewater Treatment Plant, work continues on strategically important projects such as modernizing the shaft at the Main Pumping Station and the effluent outlet tower, the first of which plays an important role in receiving the wastewater at the treatment plant and the latter in discharging treated effluent to the sea. We have also completed a new point of reception for sewage sludge from the septic trucks and have started preparations for the replacement of one of the large pumps at the Main Pumping Station. The pump replacement is scheduled for the 1st quarter in 2023.

OPERATIONAL PERFORMANCE DURING THE FIRST NINE MONTHS AND 3rd QUARTER OF 2022

Indicator	Unit	9 months of 2022	9 months of 2021	Q3 2022	Q3 2021
Drinking water					
Compliance of water quality at the customer's tap	%	99.8%	99.6%	99.5%	98.8%
Water loss in the water distribution network	%	16.25%	14.69%	13.41%	14.09%
Average duration of water interruption per property	h	3.23	3.13	2.83	3.18
Wastewater					
Number of sewer blockages	no	440	397	99	103
Number of sewer collapses	no	55	50	16	14
Compliance of treated effluent with environmental requirements	%	100%	100%	100%	100%
Customer service					
Number of customer complaints	no	872 (*41)	*24	322 (*16)	6
Number of customer contacts regarding water quality	no	213	238	108	166
Number of customer contacts regarding water pressure	no	160	262	63	125
Number of customer contacts regarding blockages and leading off stormwater	no	589	733	152	238
Responding to written customer contacts within at least 2 working days	%	99.3%	98.9%	98.7%	98.5%
Number of failed promises	no	2	3	1	2
Notification of unplanned water interruptions at least 1 h before the interruption	%	99.2%	98.6%	98.7%	98.2%

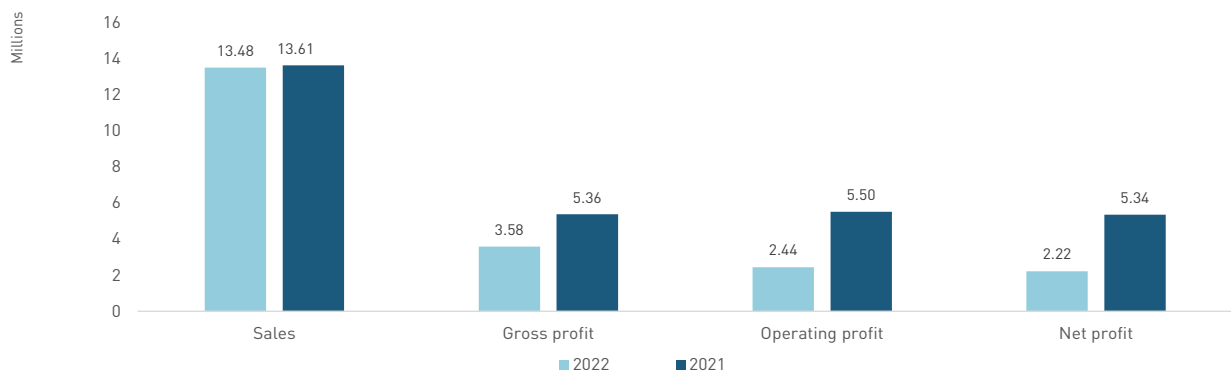
* From the first quarter of 2022, we introduced a new methodology for defining customer complaints. The number marked with an asterisk indicates the number of complaints by the old definition.

FINANCIAL RESULTS OF THE 3rd QUARTER OF 2022

According to the latest **economic forecast** from Eesti Pank the outlook for the Estonian economy depends above all on the future rate of inflation. Estonia has the highest inflation in the euro area, and so the rise in production costs and in the cost of living are putting notably heavier pressure on the resilience of the national economy. Eesti Pank is forecasting that inflation this year will be around 19%, mainly because of higher energy costs. Inflation is expected to fall to close to 7% next year, and to 2% in 2024. The inflation forecast takes account of the European Central Bank tightening monetary policy, which will make borrowing more expensive. The government is also planning to regulate energy prices, which will bring overall inflation down to some extent.

Inflation will affect growth in the Estonian economy more strongly in the second half of this year, when it will pull it into recession. The Estonian economy was performing better than expected in the first half of this year. The supply problems that were expected as a consequence of the sanctions imposed on Russia for its military aggression remained smaller than feared, and consumption increased despite the sharp rise in prices. Consumption has increased strongly because savings have been used to fund it, but savings will not be able to provide the same sort of support in the future. Consumption is consequently expected to decline in the near future. For the year as a whole the economy will probably shrink in size by 0.5%. It is expected to grow by around 1% next year though, and growth will then increase to some 3.5% in 2024. Geopolitical instability means that there is greater uncertainty than usual around the outlook for economic growth and for inflation.

Rise in energy prices and geopolitical tensions have immediate results on the company's net profit, which has decreased by 58.5% compared to 2021 and total revenue has decreased by 1.0%, whereas the revenues from water services have increased by 6.3% compared to the same period of 2021.



Main financial indicators

€million, except key ratios	3rd quarter			Change 2022/ 2021	9 months			Change 2022/ 2021
	2022	2021	2020		2022	2021	2020	
Sales	13.48	13.61	13.28	-1.0%	38.53	38.36	38.55	0.4%
Gross profit	3.58	5.36	5.80	-33.3%	12.38	15.78	16.59	-21.5%
Gross profit margin %	26.53	39.40	43.69	-32.7%	32.12	41.12	43.04	-21.9%
Operating profit before depreciation and amortisation	4.15	7.17	7.35	-42.1%	13.49	20.20	20.66	-33.2%
Operating profit before depreciation and amortisation margin %	30.80	52.67	55.33	-41.5%	35.00	52.64	53.60	-33.5%
Operating profit	2.44	5.50	5.77	-55.7%	8.52	15.36	16.03	-44.5%
Operating profit - main business	2.06	5.15	5.44	-59.9%	7.81	14.61	15.37	-46.6%
Operating profit margin %	18.07	40.42	43.43	-55.3%	22.12	40.04	41.58	-44.8%
Profit before taxes	2.32	5.41	5.64	-57.0%	8.21	15.09	15.70	-45.6%
Profit before taxes margin %	17.24	39.72	42.45	-56.6%	21.30	39.32	40.73	-45.8%
Net profit	2.22	5.34	5.64	-58.5%	6.05	12.96	11.34	-53.3%
Net profit margin %	16.44	39.21	42.45	-58.1%	15.70	33.78	29.43	-53.5%
ROA %	0.89	2.13	2.24	-58.0%	2.40	5.10	4.40	-53.0%
Debt to total capital employed %	56.37	55.54	57.73	1.5%	56.37	55.54	57.73	1.5%
ROE %	2.06	4.87	5.42	-57.6%	5.41	11.55	10.20	-53.2%
Current ratio	1.59	3.07	3.66	-48.2%	1.59	3.07	3.66	-48.2%
Quick ratio	1.52	3.01	3.62	-49.5%	1.52	3.01	3.62	-49.5%
Investments into fixed assets	7.93	4.32	5.91	83.6%	15.66	9.95	13.77	57.3%
Payout ratio %	na	80.42	77.70		na	80.42	77.70	

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

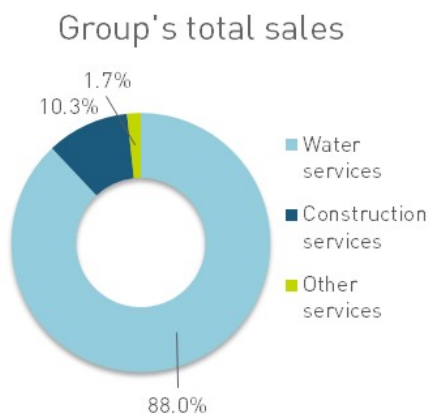
Payout ratio - Total Dividends per annum/ Total Net Income per annum

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 3rd quarter of 2022 were impacted by higher consumption in commercial sector and lower consumption in private sector. Given Estonia's macroeconomic forecast, we expect a slight increase in the consumption of our water services in current year. In the long run, we do not expect any significant changes in the use of water services.



In the 3rd quarter of 2022, the **Group's total sales** were €13.48 million, showing a decrease of 1.0% or €0.13 million year-on-year. 88.0% of sales comprise of water services within and outside the service area, 10.3% from construction services and 1.7% from other services. The sale of construction services is more seasonal, the Company is expecting an increase of the sale of construction services during next months.

€ thousand	3rd quarter			Difference 2022/2021	
	2022	2021	2020	€	%
Water supply service	1,952	1,972	1,971	-20	-1.0%
Wastewater disposal service	2,888	2,923	2,929	-35	-1.2%
Total from private customers	4,840	4,895	4,900	-55	-1.1%
Water supply service	2,184	1,927	1,853	257	13.3%
Wastewater disposal service	2,154	1,899	1,860	255	13.4%
Total from commercial customers	4,338	3,826	3,713	512	13.4%
Water supply service	393	403	396	-10	-2.5%
Wastewater disposal service	820	813	823	7	0.9%
Storm water disposal service	30	39	57	-9	-23.1%
Total from outside service area customers	1,243	1,255	1,276	-12	-1.0%
Storm water treatment and disposal and fire hydrants service	1,039	872	1,145	167	19.2%
Overpollution charges and discharging	399	305	351	94	30.8%
Total from water services	11,859	11,153	11,385	706	6.3%
Construction services	1,389	2,231	1,709	-842	-37.7%
Other services	231	227	182	4	1.8%
TOTAL REVENUE	13,479	13,611	13,276	-132	-1.0%

Sales from water services were €11.86 million, showing a 6.3% or €0.70 million increase compared to the 3rd quarter of 2021, resulting mainly from the 13.4% increase of sales to **commercial customers** within the service area.

There has been a slight decrease of 1.1% or €0.06 million to €4.84 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 is assumed to be related to easing of coronavirus restrictions compared to Q3 of 2021, as people have returned from working remotely to working at offices.

Sales to **commercial customers** within the service area increased by 13.4% to €4.34 million driven by higher consumption of water services. The impact from consumption on revenues from commercial customers was +€0.51 million.

Sales from the **operation and maintenance of the stormwater and fire hydrant system in the main service area** amounted to €1.04 million, showing an increase of 19.2% or €0.17 million compared to the same period in 2021.

Sales of **construction services** were €1.39 million, decreasing by 37.7% or €0.84 million year-on-year. The decrease was mainly related to postponed procurements from public sector due to uncertainty in the markets and delay of the road construction projects.

COST OF GOODS AND SERVICES SOLD AND GROSS PROFIT

The cost of goods and services sold amounted to €9.90 million in the 3rd quarter of 2022, being higher by €1.65 million compared to the equivalent period in 2021. The changes were influenced by higher costs of electricity and staff costs, balanced by lower costs related to construction services.

€ thousand	3rd quarter		Difference 2022/2021		
	2022	2021	2020	€	%
Water abstraction charges	-323	-330	-307	7	2.1%
Chemicals	-571	-457	-389	-114	-24.9%
Electricity	-3,050	-1,015	-727	-2,035	-200.5%
Pollution tax	-184	-161	-208	-23	-14.3%
Total direct production costs	-4,128	-1,963	-1,631	-2,165	-110.3%
Staff costs	-1,908	-1,628	-1,649	-280	-17.2%
Depreciation and amortisation	-1,493	-1,472	-1,389	-21	-1.4%
Construction services	-1,074	-1,868	-1,388	794	42.5%
Other costs of goods/services sold	-1,300	-1,317	-1,419	17	1.3%
Other costs of goods/services sold total	-5,775	-6,285	-5,845	510	8.1%
Total cost of goods/services sold	-9,903	-8,248	-7,476	-1,655	-20.1%

Total direct production costs (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €4.13 million, showing a 110.3% or €2.16 million increase compared to the equivalent period in 2021. Changes in direct production costs came from a combination of changes in prices and in treated volumes as follows:

- **Chemicals** costs increased by 24.9% to €0.57 million, driven mainly by higher usage of polymers and 30.8% higher price of methanol used in wastewater treatment process, the effect of price increase is worth €0.06 and €0.04 million accordingly. The chemicals price increase is mainly deriving from the geopolitical situation in Eastern Europe.

- **Electricity** costs increased by 200.5% to €3.05 million, driven by averagely 210.7% higher electricity price. Compared to same period in 2021, the electricity expense in wastewater treatment process was higher by 226.3% and 225.7% higher in the water treatment plant, worth €0.85 million and €0.61 million respectively.

Other costs of goods sold (staff costs, depreciation, construction services related costs and other costs of goods sold) amounted to €5.77 million, having decreased by 8.1% or €0.51 million. The decrease was mainly influenced by lower costs related to construction services due to lower revenues from construction revenues worth -€0.80 million.

As a result of all above, the **Group's gross profit** for the 3rd quarter of 2022 was €3.58 million, showing a decrease of 33.3% or €1.79 million, compared to the gross profit of €5.36 million for the comparative period of 2021.

ADMINISTRATIVE AND MARKETING EXPENSES, OTHER INCOME AND EXPENSES

Administrative and marketing expenses increased by 16.5% or €0.16 million amounting to €1.11 million, compared to 3rd quarter of 2021, related to higher salary costs.

Other income and expenses amounted to net loss of €0.02 million, compared to net income of €1.09 million in comparative period, derived from freezing the change of provision for the possible third-party claims in 2021 Q4.

OPERATING PROFIT

As a result of the factors listed above the Group's **operating profit** for the 3rd quarter of 2022 amounted to €2.44 million, being 55.7% or €3.07 million lower than in the corresponding period of 2021. Eliminating the effect of the change of provision for possible third-party claims in 2021, the operating profit for the 3rd quarter of 2021 would have been €4.30 million, 2022 operating profit being lower by 43.3% or €1.86 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 17.7% lower expense in the 3rd quarter of 2021. The numbers derived from increased interest costs due to higher interest of loan agreements.

As of the 3rd quarter of 2022, the whole loan amount of €82.27 million was bearing a floating interest rate. The effective interest rate of loans in the 3rd quarter of 2022 was 0.54%, amounting to the interest costs of €0.11 million, compared to the effective interest rate of 0.39% and the interest costs of €0.09 million in the 3rd quarter of 2021.

NET PROFIT

The Group's **net profit** for the 3rd quarter of 2022 was €2.22 million, being €3.12 million lower than for the comparative period of 2021. The decrease in net profit was impacted by changes in operating profit. Eliminating the effects of provision for possible third-party claims in 2021, the Group's net profit for the 3rd quarter of 2021 would have been €4.13 million, 2022 showing a decrease of €1.92 million year-on-year.

FINANCIAL RESULTS FOR THE NINE MONTHS OF 2022

SALES

During the nine months of 2022 the **Group's total sales** were €38.53 million, showing an increase of 0.4% or €0.17 million year-on-year. **Sales from water services** for nine months of 2022 were 35.44 million, increasing by 6.9% or €2.27 million year-on-year. 92.0% of sales comprise of sales of water services within and outside of the service area, 6.4% from construction services and 1.7% from other services.

€ thousand	9 months			Variance 2022/2021	
	2022	2021	2020	€	%
Water supply service	5,935	6,071	6,046	-136	-2.2%
Wastewater disposal service	8,803	8,990	8,982	-187	-2.1%
Total from private customers	14,738	15,061	15,028	-323	-2.1%
Water supply service	6,177	5,214	5,327	963	18.5%
Wastewater disposal service	6,244	5,329	5,485	915	17.2%
Total from commercial customers	12,421	10,543	10,812	1,878	17.8%
Water supply service	1,171	1,217	1,179	-46	-3.8%
Wastewater disposal service	2,588	2,519	2,458	69	2.7%
Storm water disposal service	158	180	216	-22	-12.2%
Total from outside service area customers	3,917	3,916	3,853	1	0.0%
Storm water treatment and disposal and fire hydrants service	3,359	2,753	3,572	606	22.0%
Overpollution charges and discharging	1,001	885	883	116	13.1%
Total from water services	35,436	33,158	34,148	2,278	6.9%
Construction services	2,449	4,569	3,914	-2,120	-46.4%
Other services	649	636	483	13	2.0%
TOTAL REVENUE	38,534	38,363	38,545	171	0.4%

During the nine months of 2022 there has been a decrease in **sales to private customers** by 2.1% to €14.74 million that is related to the decrease in consumption.

On the other hand, the **sales to commercial customers** within the service area has increased by 17.8% to €12.42 million. The increase compared to 9 months of 2021 is related to the increase in consumption due to cancellation of restrictions related to coronavirus outbreak and due to multiple hotels accommodating Ukraine refugees on hotel low season.

Sales to **customers outside the main service area** increased by 0.1% to €3.92 million, being impacted by a increase in the wastewater disposal service revenues.

Sales from the operation and maintenance of the main service area storm water and fire hydrants system in the nine months of 2022 amounted to €3.35 million, showing an increase of 22.0% or €0.61 million year-on-year.

Sales of **construction services** were €2.45 million, decreasing by 46.4% or €2.12 million year-on-year. The decrease was mainly related to postponed procurements from public sector due to uncertainty in the markets and delay in the start of projects in road construction.

COST OF GOODS AND SERVICES SOLD AND GROSS AND OPERATING PROFITS

€ thousand	9 months			Variance 2022/2021	
	2022	2021	2020	€	%
Water abstraction charges	-968	-954	-919	-14	-1.5%
Chemicals	-1,591	-1,317	-1,152	-274	-20.8%
Electricity	-6,562	-2,810	-2,502	-3,752	-133.5%
Pollution tax	-671	-597	-791	-74	-12.4%
Total direct production costs	-9,792	-5,678	-5,365	-4,114	-72.5%
Staff costs	-6,039	-5,325	-5,314	-714	-13.4%
Depreciation and amortisation	-4,314	-4,243	-4,064	-71	-1.7%
Construction services	-1,839	-3,753	-3,188	1,914	51.0%
Other costs of goods/services sold	-4,173	-3,589	-4,023	-584	-16.3%
Other costs of goods/services sold total	-16,365	-16,910	-16,589	545	3.2%
Total cost of goods/services sold	-26,157	-22,588	-21,954	-3,569	-15.8%

During the nine months of 2022 **the cost of goods and services sold** amounted to €26.15 million, increasing by 15.8% or €3.57 million compared to the equivalent period in 2021. **Total direct production costs** (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €9.79 million, showing a 72.4% or €4.11 million increase compared to the equivalent period in 2021. 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 20.8% to €1.59 million, driven mainly by on average 31.36% of higher price of methanol, accompanied by 106% higher usage of polymer used in wastewater treatment, worth -€0.11 million and -€0.14 million accordingly. Higher costs from wastewater treatment were partly balanced by 44.3% lower usage of aerotech, worth +€0.03 million.
- Expenses for **Electricity** increased by 133.5% or €3.75 million resulting in costs worth of €6.56 million due to averagely 133.2% higher electricity price.

Other costs of goods sold (staff costs, depreciation, construction and asphaltting services costs and other costs of goods sold) amounted to €16.36 million, having decreased by 3.2%. The decrease in other costs of goods sold were mainly driven by 51.0% or €1.91 million lower expenses related to construction services.

The **Group's gross profit** for the nine months of 2022 was €12.38 million, showing a decrease of 21.5% or €3.40 million compared to the comparative period of 2020. The **Group's operating profit** for the nine months of 2022 amounted to €8.52 million, being 44.5% or €6.84 million lower than in the corresponding period of 2021, being mainly impacted by higher electricity and chemicals cost and change of provision for the possible third-party claims that was frozen in Q4 2021. Eliminating the effect of the change of provision for the possible third-party claims the operating profit for 2021 would have been €11.75 million, that is 27.5% higher compared to same period 2022.

FINANCIAL EXPENSES

The Group's net financial income and expenses have resulted a net expense of €0.32 million, compared to net expense of €0.27 million in the nine months of 2021. The increase was impacted by slightly higher interest expense on loans and negative interest on bank accounts.

PROFIT BEFORE TAXES AND NET PROFIT

The **Group's profit before taxes** for the nine months of 2022 was €8.21 million, being 45.6% or €6.88 million lower than for the relevant period of 2021. The **Group's net profit** for the nine months of 2022 were €6.05 million, being 53.3% or €6.91 million lower than for the equivalent period of 2021. Eliminating the effects of the change of provision for the possible third-party claims the Group's net profit for the nine months of 2021, the net profit for 2021 would have been €9.35 million, showing a decrease for 2022 by 35.3% or €3.30 million year-on-year.

Statement of financial position

In the nine months of 2022 **the Group invested into fixed assets** €15.66 million. As of 30/09/2022, non-current tangible assets amounted to €222.3 million, the majority of which in the amount of €173.4 was an investment in pipes (31/12/21 €167.61). Total non-current assets amounted to €222.9 million (31/12/2021: €212.27 million). In the first nine months of 2022 the pace of investment was slower. The Management is expecting more growth of investments in the last quarter.

Compared to the year end of 2021 **the trade receivables, accrued income and prepaid expenses** have shown a slight increase in the amount of €1.2 million to €7.84 million. An increase mainly derives by €0.36 million higher receivables from water and construction services. The collectability rate continues to be high at 99.80% compared to September 2021 when the collectability rate was 99.73%.

Current liabilities have increased by €0.63 million to €16.12 million compared to the end of 2021, mainly deriving from investments related increase in prepayments of new connections.

Deferred income from connection fees has increased compared to the end of 2021 by €0.75 million to €38.00 million.

Provision for possible third-party claims is at the same level compared to the end of 2021 on €6.02 million. More detailed information about the provision is presented in Note 6 to the financial statements.

The Group's **loan balance** of €82.27 million has remained the same compared to the end of 2nd quarter of 2022. 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 1.08%.

The Group has **total debt to assets** level of 56.37%, in range of 54%-65%, reflecting the Group's equity profile. In the comparative period of 2021, the total debt to assets ratio was at the same level, being 55.54%.

EMPLOYEES

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

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

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 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 3rd quarter of 2022, the total number of employees was 344 compared to 336 at the end of the same period in 2021. The full time equivalent (FTE) was 330 and 319 respectively. Average number of employees during the nine months was 341 in 2022 and 333 in 2021 respectively.

By gender, employee allocation was as follows:

	As of 30/09/2022			As of 30/09/2021		
	Women	Men	Total	Women	Men	Total
Group	98	246	344	93	242	336
Management Team	14	17	31	14	16	30
Executive Team	5	6	11	4	4	8
Management Board	0	3	3	1	1	2
Supervisory Board	0	9	9	1	8	9

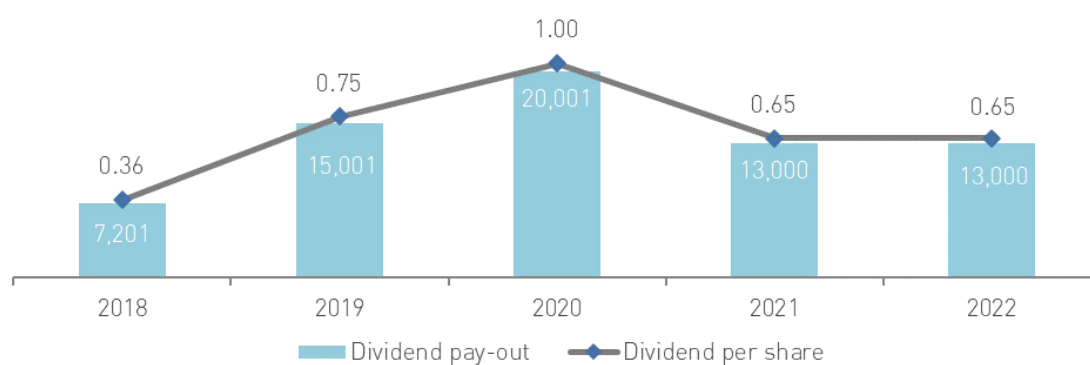
The total salary costs were €2.58 million for the 3rd quarter of 2022, including €0.08 million paid to the Management Board and Supervisory Council members (excluding social taxes). The contingent liability in case the Council should want to replace the current Management Board members is €0.15 million.

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 03/06/2022, the Supervisory Council proposed to pay out €0.65 per share from the 2021 profits. The pay-out is equal to 80% of earnings in 2021. The proposal was approved by Annual General Meeting and the dividend pay-out was made on 29/06/2022.

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 30/09/2022, AS Tallinna Vesi's shareholders, with a direct holding over 5%, were:

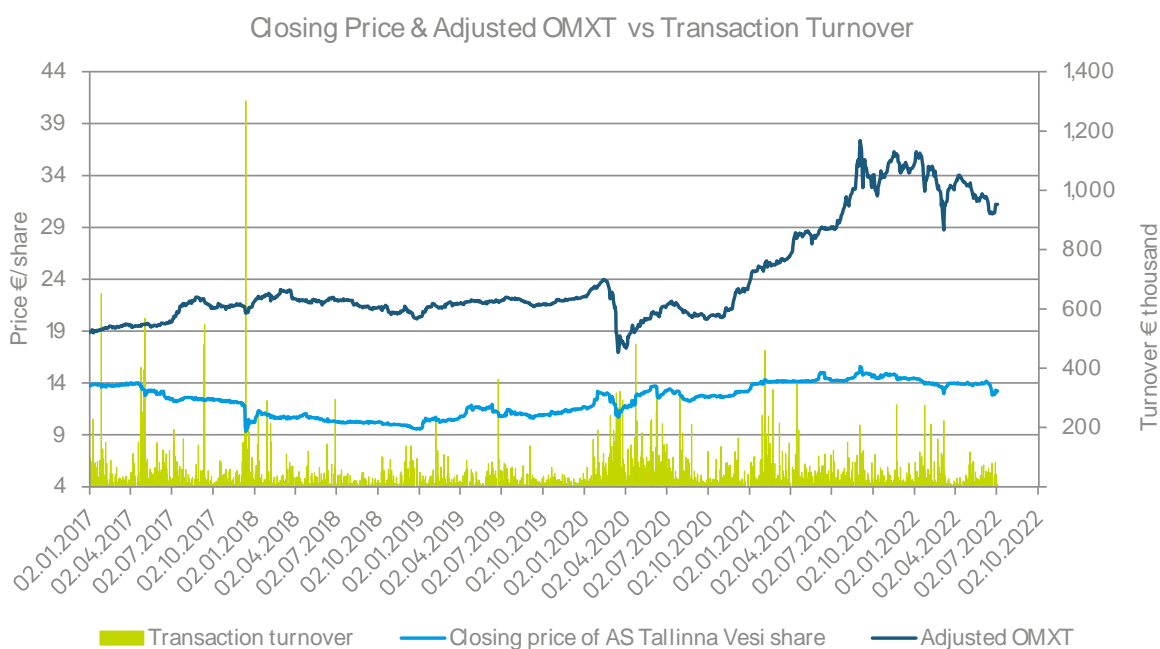
- City of Tallinn (55.06%)
- OÜ Utilitas (20.36%)

During the nine months of 2022 the shareholder structure has been relatively stable compared to the end of 2021. The foreign retail and both local and foreign institutional investors have reduced their shareholdings by 0.12%, 0.10% and 0.07% respectively, while the local retail investors have increased their shareholdings by 0.30%. By the end of the 3rd quarter of 2022, the pension funds shareholding has remained to 0.10% of the total shares compared to the end of 2021.

As of 30/09/2022, the closing price of AS Tallinna Vesi share was €12.40, which is 6.77% (2021: +2.38%) lower compared to the closing price of €13.30 at the end of the previous quarter. During the 3rd quarter, the OMX Tallinn index decreased by 6.01% (2021: +16.67%).

In nine months of 2022, 16,673 deals were concluded with the Company's shares (2021: 16,578 deals) during which 483 thousand shares or 2.4% of all shares changed owners (2021: 796 thousand shares or 4.0%).

The turnover of transactions amounted to €6.55 million, being €4.85 million lower than in the comparative period of 2021.



CORPORATE STRUCTURE

As of 30/09/2022, the Group consisted of 3 companies. The subsidiaries OÜ ASTV Green Energy and Watercom OÜ are wholly owned by AS Tallinna Vesi and consolidated into the results of the Company.

CORPORATE GOVERNANCE

SUPERVISORY COUNCIL

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

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

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

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

[About us > Audit committee](#)

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

MANAGEMENT BOARD

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

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

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

As of 30/09/2022, there are 3 members in the Management Board of AS Tallinna Vesi: Aleksandr Timofejev (with the powers of a Chairman of the Board until 30/10/2026), Tarvi Thomberg (with the powers of a Management Board Member until 08/11/2026) and Taavi Gröön (with the powers of a Management Board Member until 23/05/2027).

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

Additional information:

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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 9 months period of financial year 2022 ended 30 September 2022. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 30 September 2022 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 9 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 during the remaining 3 months of the financial year.

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 October 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



Tarvi Thomberg

Member of the Management Board
Chief Asset Management Officer



Taavi Gröön

Member of the Management Board
Chief Financial Officer



28 October 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 September	of	30	as of 31 December
ASSETS	Note	2022		2021	2021
CURRENT ASSETS					
Cash and cash equivalents	3	16,656		36,143	36,559
Trade receivables, accrued income and prepaid expenses		7,840		6,858	6,637
Inventories		1,153		849	702
TOTAL CURRENT ASSETS		25,649		43,850	43,898
NON-CURRENT ASSETS					
Property, plant, and equipment	4	222,332		208,002	211,546
Intangible assets	5	632		532	729
TOTAL NON-CURRENT ASSETS		222,964		208,534	212,275
TOTAL ASSETS		248,613		252,384	256,173
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Current portion of long-term lease liabilities		675		386	421
Current portion of long-term loans		3,630		3,630	3,630
Trade and other payables		7,958		7,182	7,835
Prepayments		3,862		3,096	3,604
TOTAL CURRENT LIABILITIES		16,125		14,294	15,490
NON-CURRENT LIABILITIES					
Deferred income from connection fees		37,996		36,226	37,241
Leases		952		1,185	1,236
Loans		78,550		82,144	80,336
Provision for possible third-party claims	6	6,018		6,018	6,018
Deferred tax liability		411		264	372
Other payables		90		38	60
TOTAL NON-CURRENT LIABILITIES		124,017		125,875	125,263
TOTAL LIABILITIES		140,142		140,169	140,753
EQUITY					
Share capital		12,000		12,000	12,000
Share premium		24,734		24,734	24,734
Statutory legal reserve		1,278		1,278	1,278
Retained earnings		70,459		74,203	77,408
TOTAL EQUITY		108,471		112,215	115,420
TOTAL LIABILITIES AND EQUITY		248,613		252,384	256,173

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	Quarter 3		9 months		for the year ended
		2022	2021	2022	2021	31 December
		2022	2021	2022	2021	2021
Revenue	7	13,479	13,611	38,534	38,363	53,294
Cost of goods and services sold	9	-9,903	-8,248	-26,157	-22,588	-32,715
GROSS PROFIT		3,576	5,363	12,377	15,775	20,579
Marketing expenses	9	-147	-108	-535	-332	-462
General administration expenses	9	-966	-847	-3,192	-3,390	-4,438
Other income (+)/ expenses (-)	10	-27	1,093	-129	3,308	3,099
OPERATING PROFIT		2,436	5,501	8,521	15,361	18,778
Financial income	11	1	1	4	8	8
Financial expenses	11	-113	-96	-319	-283	-387
PROFIT BEFORE TAXES		2,324	5,406	8,206	15,086	18,399
Income tax	12	-108	-70	-2,155	-2,126	-2,234
NET PROFIT FOR THE PERIOD		2,216	5,336	6,051	12,960	16,165
COMPREHENSIVE INCOME FOR THE PERIOD		2,216	5,336	6,051	12,960	16,165
Attributable profit to:						
Equity holders of A-shares		2,216	5,336	6,051	12,960	16,165
Earnings per A share (in euros)	13	0,11	0,28	0,30	0,65	0,81

CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand		9 months		for the year ended 31 December
	Note	2022	2021	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		8,521	15,361	18,778
Adjustment for depreciation/amortisation	4,5,9,10	4,965	4,837	6,520
Adjustment for revenues from connection fees	10	-406	-379	-510
Other non-cash adjustments	6	0	-3,610	-3,610
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets		-15	0	-29
Change in current assets involved in operating activities		-1,619	24	380
Change in liabilities involved in operating activities		-296	537	938
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		11,150	16,770	22,467
CASH FLOWS USED IN INVESTING ACTIVITIES				
Acquisition of property, plant, and equipment, and intangible assets		-14,968	-9,491	-13,734
Compensations received for construction of pipelines, incl connection fees		1,451	1,933	2,892
Proceeds from sale of property, plant and equipment, and intangible assets		17	0	29
Interest received		3	11	11
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-13,497	-7,547	-10,802
CASH FLOWS USED IN FINANCING ACTIVITIES				
Interest paid and loan financing costs, incl swap interests		-271	-353	-460
Lease payments		-351	-307	-408
Repayment of loans		-1,818	-1,818	-3,636
Dividends paid	12	-12,835	-12,841	-12,842
Withheld income tax paid on dividends	12	-165	-158	-158
Income tax paid on dividends	12	-2,116	-2,116	-2,116
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-17,556	-17,594	-19,620
CHANGE IN CASH AND CASH EQUIVALENTS		-19,903	-8,371	-7,955
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	36,559	44,514	44,514
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	16,656	36,143	36,559

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
as of 31 December 2020	12,000	24,734	1,278	74,243	112,255
Dividends	0	0	0	-13,000	-13,000
Comprehensive income for the period	0	0	0	16,165	16,165
as of 31 December 2021	12,000	24,734	1,278	77,408	115,420
as of 31 December 2020	12,000	24,734	1,278	74,243	112,255
Dividends	0	0	0	-13,000	-13,000
Comprehensive income for the period	0	0	0	12,960	12,960
as of 30 September 2021	12,000	24,734	1,278	74,203	112,215
as of 31 December 2021	12,000	24,734	1,278	77,408	115,420
Dividends	0	0	0	-13,000	-13,000
Comprehensive income for the period	0	0	0	6,051	6,051
as of 30 September 2022	12,000	24,734	1,278	70,459	108,471

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 2021. 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 2021, except for estimates addressed below:

- Management has developed estimates on the expected credit losses of trade receivables based on the best available information about past events, current conditions and forecasts of macroeconomic conditions. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 September 2022, 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 30 September 2022, Management of the Group has assessed the

expected credit loss related to macroeconomic conditions to be €41 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 €3.1 million (as of 31 December 2021: €12.1 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 3 months (as of 31 December 2021: 12 months), being the approximate remaining unexpired term of potential claims.

As of 30 September 2022, claims totalling €13.6 million have been filed within four applications. The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6 million (as of 31 December 2021: €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

€ thousand	as of 30 September		as of 31 December
	2022	2021	2021
Cash in hand and in bank	16,656	36,143	36,559
Total cash and cash equivalents	16,656	36,143	36,559

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

€ thousand	Land and buildings	Facilities	Machinery and equipment	Construc- tion in progress	Right- of-use assets	Right-of- use assets in progress	Total property, plant and equipment
as of 31 December 2020							
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
Net book value	19,198	167,569	11,144	8,799	1,765	0	202,802
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 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
Net book value	19,065	167,615	11,144	12,052	1,670	0	211,546

Transactions in the period 1 January 2022 - 30 September 2022

Acquisition in book value	0	0	0	15,254	0	323	15,577
Write off and sale of property, plant, and equipment in residual value	0	0	-1	0	-1	0	-2
Reclassification	0	8,647	4,046	-12,693	323	-323	0
Depreciation	-221	-2,822	-1,433	0	-313	0	-4,789

as of 30 September 2022

Acquisition cost	27,033	255,449	54,307	14,613	3,228	0	354,630
Accumulated depreciation	-8,189	-82,009	-40,551	0	-1,549	0	-132,298
Net book value	18,844	173,440	13,756	14,613	1,679	0	222,332

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
as of 31 December 2020			
Acquisition cost	4,582	30	4,612
Accumulated depreciation	-3,983	0	-3,983
Net book value	599	30	629
Transactions in the period 1 January 2021 - 31 December 2021			
Acquisition in book value	0	309	309
Reclassification	250	-250	0
Depreciation	-209	0	-209
as of 31 December 2021			
Acquisition cost	4,831	89	4,920
Accumulated depreciation	-4,191	0	-4,191
Net book value	640	89	729

Transactions in the period 1 January 2022 - 30 September 2022

Acquisition in book value	0	79	79
Reclassification	19	-19	0
Depreciation	-176	0	-176
as of 30 September 2022			
Acquisition cost	4,839	149	4,988
Accumulated depreciation	-4,356	0	-4,356
Net book value	483	149	632

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 €3.1 million (as of 31 December 2021: €12.1 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 3 months (as of 31 December 2021: 12 months), being the approximate remaining unexpired term of potential claims.

As of 30 September 2022, claims totalling €13.6 million have been filed within four applications. The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6 million (as of 31 December 2021: €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					
1 January 2022 - 30 September 2022					
External revenue	35,436	2,449	649	0	38,534
Inter-segment revenue	2	2,281	3,501	-5,784	0
Total segment revenue	35,438	4,730	4,150	-5,784	38,534
Segment's gross profit	11,324	1,379	261	-587	12,377
Unallocated expenses:					
Marketing and Administrative expenses					-3,727
Other income/expenses					-129
Operating profit					8,521
1 January 2021 - 30 September 2021					
External revenue	33,157	4,569	637	0	38,363
Inter-segment revenue	1	1,002	2,718	-3,721	0
Total segment revenue	33,158	5,571	3,355	-3,721	38,363
Segment's gross profit	14,767	233	1,129	-355	15,774
Unallocated expenses:					
Marketing and Administrative expenses					-3,722
Other income/expenses					3,308
Operating profit					15,361

Revenue by activities

€ thousand	Quarter 3		9 months		for the year
	2022	2021	2022	2021	ended 31 December 2021
Water services					
Water supply service	1,952	1,972	5,935	6,071	8,097
Wastewater disposal service	2,888	2,923	8,803	8,990	12,000
Total from private customers	4,840	4,895	14,738	15,061	20,097
Water supply service	2,184	1,927	6,177	5,214	7,115
Wastewater disposal service	2,154	1,899	6,244	5,329	7,299
Total from corporate customers	4,338	3,826	12,421	10,543	14,414
Water supply service	393	403	1,171	1,217	1,631
Wastewater disposal service	820	813	2,588	2,519	3,422
Storm water disposal service	30	39	158	180	256
Total from outside service area customers	1,243	1,255	3,917	3,916	5,309
Storm water treatment and disposal service and fire hydrants service	1,039	872	3,359	2,753	4,010
Overpollution charges and discharging	399	305	1,001	885	1,225
Total from water services	11,859	11,153	35,436	33,158	45,055
Construction services	1,389	2,231	2,449	4,569	7,328
Other services	231	227	649	636	911
Total revenue	13,479	13,611	38,534	38,363	53,294

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

NOTE 8. STAFF COSTS

€ thousand	Quarter 3		9 months		for the year
	2022	2021	2022	2021	ended 31 December 2021
Salaries and wages	-1,927	-1,651	-6,269	-5,450	-7,381
Social security and unemployment insurance tax	-651	-558	-2,119	-1,842	-2,496
Staff costs total	-2,578	-2,209	-8,388	-7,292	-9,877
Average number of employees during the reporting period	349	335	341	333	333

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

€ thousand	Quarter 3		9 months		for the year ended 31 December
	2022	2021	2022	2021	2021
Cost of goods and services sold					
Water abstraction charges	-323	-330	-968	-954	-1,281
Chemicals	-571	-457	-1,591	-1,317	-1,822
Electricity	-3,050	-1,015	-6,562	-2,810	-4,612
Pollution tax	-184	-161	-671	-597	-894
Staff costs	-1,908	-1,628	-6,039	-5,325	-7,243
Depreciation and amortization	-1,493	-1,471	-4,314	-4,243	-5,725
Construction services	-1,074	-1,868	-1,839	-3,753	-5,988
Other costs	-1,300	-1,317	-4,173	-3,589	-5,150
Total cost of goods and services sold	-9,903	-8,248	-26,157	-22,588	-32,715
Marketing expenses					
Staff costs	-128	-96	-475	-286	-398
Depreciation and amortization	-1	0	-4	0	0
Other marketing expenses	-18	-12	-56	-46	-64
Total marketing expenses	-147	-108	-535	-332	-462
Administrative expenses					
Staff costs	-542	-485	-1,874	-1,681	-2,236
Depreciation and amortization	-93	-77	-269	-239	-320
Other general administration expenses	-331	-285	-1,049	-1,470	-1,882
Total administrative expenses	-966	-847	-3,192	-3,390	-4,438

NOTE 10. OTHER INCOME/EXPENSES

€ thousand	Quarter 3		9 months		for the year ended 31 December
	2022	2021	2022	2021	2021
Connection fees	136	128	406	379	510
Depreciation of single connections	-127	-119	-378	-354	-475
Doubtful receivables expenses (-)/expense reduction (+)	57	-12	104	-70	-84
Provision for possible third party claims (Note 6)	0	1,203	0	3,610	3,610
Other income (+)/expenses (-)	-93	-107	-261	-257	-462
Total other income / expenses	-27	1,093	-129	3,308	3,099

NOTE 11. FINANCIAL INCOME AND EXPENSES

€ thousand	Quarter 3		9 months		for the year ended 31 December
	2022	2021	2022	2021	2021
Interest income	1	1	4	8	8
Interest expense, loan	-106	-90	-293	-264	-360
Other financial income (+)/ expenses (-)	-7	-6	-26	-19	-27
Total financial income / expenses	-112	-95	-315	-275	-379

NOTE 12. DIVIDENDS

€ thousand	Quarter 3		9 months		for the year ended 31 December
	2022	2021	2022	2021	2021
Dividends declared during the period	0	0	13,000	13,000	13,000
Dividends paid during the period	0	0	12,835	12,842	12,842
Withheld income tax on dividends	0	0	165	158	158
Income tax on dividends paid	0	0	2,116	2,116	2,116
Dividends declared per shares: Dividends per A-share (in euros)	0	0	0.65	0.65	0.65

Dividend income tax rate in 2022 is 20/80 (in 2021: 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, 2019 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 3		9 months		for the year ended 31 December
	2022	2021	2022	2021	2021
Net profit minus B-share preferred dividend rights	2,216	5,335	6,051	12,960	16,165
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	20,000,000
Earnings per A share (in euros)	0,11	0,27	0,30	0,65	0,81

Diluted earnings per share for the periods ended 30 September 2022 and 2021 and 31 December 2021 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 30 September 2022			as of 30 September 2021	
€ thousand	2022	2021	2022	2021	2021
Accounts receivable	112	131		129	
Prepayments for services	0	0		575	
Trade and other payables	6	2		24	
					for the year ended 31 December
Transactions	Quarter 3		9 months		2021
€ thousand	2022	2021	2022	2021	2021
	1,33				
Revenue	5	1,170	4,198	3,247	4,855
	6	3	85	5	37
Purchase of administrative and consulting services	0	0	0	583	583
					for the year ended 31 December
Fees to the Group's Management and Supervisory Board members	Quarter 3		9 months		2021
€ thousand (excluding social tax)	2022	2021	2022	2021	2021
Fees for Management Board	72	46	242	173	220
Supervisory Board fees	10	13	30	34	37

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 during 2021 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 €152 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 30 September 2022 and 2021 and 31 December 2021, the members of the Supervisory Council and the Management Board did not own any shares in the company.

NOTE 15. LIST OF SUPERVISORY BOARD MEMBERS

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

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

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