

# AS TALLINNA VESI

Consolidated Interim Report for the 2<sup>nd</sup> quarter of 2023

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

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# MANAGEMENT REPORT

## Executive Summary

In the second quarter of 2023, we continued to provide high-quality water and wastewater services, carried out large-scale reconstruction projects and renewed our financing structure. AS Tallinna Vesi's sales grew to €15.41 million euros in the second quarter, the increase in sales resulted from tariff increase due to higher production costs in the fourth quarter of 2022.

### Sales from water services have increased

Sales from water service sold to commercial customers in the second quarter of this year in the main service area of Tallinna Vesi was €4.42 million euros, which is 4.1% more than last year. Sales from water services provided to private customers in the second quarter has increased 23.2% compared to the same period last year and totaled €6.15 million. The increase in sales in both private and commercial customer segments is due to the adjustment of price for water services in the last quarter of the previous year.

The Company's operating profit was €4.13 million in the second quarter. Operating profit grew by €1.05 million compared to the second quarter of last year. The operating profit for the six months of 2023 was €8.20 million, showing an increase of €2.11 million compared to the previous year, due to the adjustment of price for water services and the stabilization of energy prices.

The recovery in operating profit was driven by sales, which reflected the increase in direct production costs. The Company's net profit was €2.31 million in the second quarter of 2023, which is €1.36 million more than in the same period last year.

### High quality water and wastewater services

**During the six months of 2023, we continued to provide reliable water and wastewater services**, as reflected by the steadily high level of quality indicators. During the six months and second quarter of this year, the quality of tap water was excellent, meeting 100% of all quality requirements. Clean tap water has been ensured by an efficient water treatment process, regular monitoring and ongoing preventative maintenance work on the water network. From the beginning of 2023, we clean water pipes using also the ice pigging technique and in six months we have washed 73 km of water network with ice. Ice pigging is a pipe cleaning technology that is currently unique in the Nordic countries, in which an ice slurry made of water and table salt is pumped through the pipeline. In addition, water quality is supported by the investments in water pumping stations made in recent years, enabling additional chlorination in various parts of the city. Additional chlorination will ensure that the requirements set for tap water quality are met at various points across the city, where chlorine levels in the water are normally very low.

We also provided clean drinking water at the XIII Youth Song and Dance Festival "Püha on maa" ("Sacred is the land"), by taking more than 100,000 litres of pure drinking water to the festival rehearsals and performances, thereby preventing the spending of resources related to the production, transport and handling of more than 200 thousand plastic bottles. At the XIII Youth Song and Dance Festival, water was provided from drinking water taps set up at the Tallinn Song Festival Grounds and Kalev Stadium, these taps are stationary and serve the people of Tallinn and its visitors also now that the song and dance festival is over.

**In the first six months of 2023, wastewater treated at the Wastewater Treatment Plant at Paljassaare met all the established requirements.** Pollutant parameters that are significantly lower than the limits required by law is the proof of the excellent level of treated effluent. In the six months of 2023, we have taken 355 tons of debris, 89 ton of grit, 938 tons of nitrogen and 126 tons of phosphorus out of the wastewater.

### Rehabilitation of water networks and the treatment plants

**The level of water loss in the water network has remained low in the second quarter of the year, remaining also lower than in the same period last year (13.62%).** The leakage rate for the first six months of 2023 is 15.14%. The improved performance is mainly due to the increased number of specialists detecting leaks every day and to the reconstruction of critical sections of the water network.

**By the end of the second quarter of 2023, we had reconstructed 14 kilometres of networks.** In the first six months of 2023, major reconstruction works have been carried out on Jõe and Pronksi Street, Vana-Kalamaja Street, Rahvakooli Road, E. Vilde and Akadeemia Road, Pärna, Reinvaldi and Kuhlbarsi Street. In the second

quarter of 2023, we started reconstruction work on the supply pipeline of the Lasnamäe booster pumping station at the intersection of Punane and Smuuli Streets. The reconstruction of wastewater pipeline in Mustamäe district using no-dig method has started off successfully with more than half of the works already being completed.

**One of the major projects for 2023 include the reconstruction of digesters at the Wastewater Treatment Plant**, including the repair of concrete parts of the digesters, replacing any equipment in need of modernization, installing new power and weak current installations, upgrading automation, creating parallel operation capability and installing an anti-foaming agent sprinkler system, while keeping the running digester in operation. The reconstruction of digesters is the first stage in a major investment that will enable to increase the biogas production in digesters, allowing Tallinna Vesi to produce all the heat energy needed from the biogas. Construction works are currently underway at the Wastewater Treatment Plant at Paljassaare for the construction of a cogeneration plant, which will enable to generate electricity needed in the wastewater treatment process in addition to heat energy in the future. The cogeneration plant is scheduled to be launched in the fourth quarter.

**AS Tallinna Vesi entered into loan agreements totalling €131 million.** The loan agreement with the maturity date of 09/06/2038, in the amount of €40 million, was signed with the Nordic Investment Bank. Syndicated loan agreement with the maturity date of 15/05/2028, in the amount of €91 million, was signed with the following banks: AS SEB Pank, Swedbank AS and OP Corporate Bank plc Eesti. AS Tallinna Vesi and its lenders will define the key performance indicators of the green loan in the near future.

The loan agreements concluded will facilitate AS Tallinna Vesi's capital investment program during 2023-2025. In 2023, the Company will invest €35 million to meet the Company's strategy and the objectives set out in the Public Water Supply and Sewerage System Development Plan adopted by the City. The loan agreements will facilitate the following major projects: reconstruction of digesters and construction of a combined heat and power plant at the Wastewater Treatment Plant, reconstruction of filters and clarifiers at the Water Treatment Plant and investments to the reconstruction and construction of networks.

**In the second quarter of 2023, we completed our existing management systems (ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, EMAS) with an information security management system that complies with the requirements of ISO/IEC 27001:2013.** The very first certification took place on 17-19 May and the certificate issued certifies that our information security management system complies with the requirements of ISO/IEC 27001:2013. The certificate issued to AS Tallinna Vesi is valid until 26.06.2026.



Aleksandr Timofejev  
Chairman of the Board  
Chief Executive Officer

## SUMMARY OF 2023 OPERATIONAL RESULTS FOR THE SIX MONTHS AND THE 2<sup>nd</sup> QUARTER OF THE YEAR

**In the second quarter of 2023, the Company pumped nearly 7.1 million m<sup>3</sup> of clean water into the water network and treated nearly 10.4 million m<sup>3</sup> of wastewater.**

**During the six months of second quarter of this year, the quality of tap water was excellent, meeting 100% of all quality requirements.** This means that all water samples taken complied with the strict standards set for water quality. In the six months of 2023, 1,572 water samples were taken. Clean tap water has been ensured by an efficient water treatment process, regular monitoring and ongoing preventative maintenance work on the water network. Starting from this year, we have been cleaning water pipes using also the ice pigging technique and in six months we have washed 73 km of water network with ice. In addition, water quality is supported by the investments in water pumping stations made in recent years, enabling additional chlorination in various parts of the city. This will ensure that the requirements set for tap water quality are met at various points across the city, where chlorine levels in the water are normally very low.

One of our goals is to notify our customers about water interruptions well in advance. **In the second quarter of 2023, we managed to notify our customers in 99.5% of the cases at least 1 hour before an unplanned water interruption took place.** During the first six months of the year, we notified almost all customers affected by an interruption (99.8%) at least one hour in advance. For customers who had a water interruption in the second quarter, it lasted an average of 2 hours and 29 minutes, which is somewhat less than in the same period last year. As for the first six months of the year, the average duration of the water interruption was half an hour shorter. To reduce the inconvenience caused by water interruptions, we continue installing additional isolation valves on the water network. In six months, 15 additional isolation valves have been installed.

**By the end of the second quarter of 2023, we had installed smart meters for 19% of customers.** The pace of installation has mainly been influenced by the shortage of supply of meters. In addition, a number of customers had to modernize their water metering units. The main advantage of smart meters is the speed and accuracy of data transmission, as well as security and reliability. In addition to consumption data, the smart meters also communicate information about any failures and water losses. This allows the Company to monitor its water network more efficiently and detect leaks, which in turn helps to save clean water and the resources it takes to treat water. The Company aims to replace water meters for all customers in its service area with smart meters by the end of 2026 at the latest.

**The level of water loss in the water network was low in the second quarter of 2023, remaining also lower than in the same period last year (13.62%).** The leakage rate for the first six months of 2023 is 15.14%. The improved performance is mainly due to the increased number of specialists detecting leaks every day and to the reconstruction of critical sections of the water network.

In addition to providing high-quality domestic water service, one of our most important tasks is to ensure the reliability and sustainability of the wastewater service. We continuously assess the efficiency of the wastewater treatment process and the quality of the treated effluent by monitoring the amounts of pollutants in the wastewater received at the treatment plant and in the effluent leaving the treatment plant. **In the first six months of 2023, wastewater treated at the Wastewater Treatment Plant at Paljassaare met all the established requirements.** Pollutant parameters that are significantly lower than the limits required by law is the proof of the excellent level of treated effluent. In the six months of 2023, we have taken 355 tons of debris, 89 ton of grit, 938 tons of nitrogen and 126 tons of phosphorus out of the wastewater.

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 second quarter of 2023, we responded to written contacts within 2 days in 100% of cases, a better result than in the same period a year ago.**

From the beginning of 2022, we treat as complaints any notifications received from customers that indicate dissatisfaction with the company's activities or the quality of the services provided. The aim of this is to gain a better understanding of the causes of customer dissatisfaction and to prevent complaints more efficiently.

In the second quarter of 2023, we received a total of 323 customer complaints. **In the second quarter of 2023, we did not fail to keep any of our promises to customers.**

**Major projects for 2023 include** the reconstruction of digesters and construction of a combined heat and power plant at the Wastewater Treatment Plant, reconstruction of filters and clarifiers at the Water Treatment Plant and investments to the reconstruction and construction of networks.

**By the end of the second quarter of 2023, we had reconstructed 14 kilometres of networks.** In the first six months of 2023, major reconstruction works have been carried out on Jõe and Pronksi Street, Vana-Kalamaja Street, Rahvakooli Road, E. Vilde and Akadeemia Road, Pärna, Reinvaldi and Kuhlbari Street. In the second quarter of 2023, we started reconstruction work on the supply pipeline of the Lasnamäe booster pumping station at the intersection of Punane and Smuuli Streets. The reconstruction of wastewater pipeline in Mustamäe district using no-dig method has started off successfully with more than half of the works already being completed.

**We continued to work on investment projects at our treatment plants,** such as reconstructing the substation switchyard and renovating the filters that form part of the water treatment process at the Water Treatment Plant. We have also started preparations for two major projects in the coming years. One involves modernizing and reconstructing the production of ozone used in water treatment and the other involves replacing suspended-layered clarifiers with flotators. These projects are designed to ensure efficient water treatment. At the Wastewater Treatment Plant, reconstruction of digesters has started, which will go on for several years. The works are also about to start to reconstruct the suction pool at the main pumping works and the biological treatment stage at the treatment plant.

OPERATIONAL PERFORMANCE DURING THE SIX MONTHS AND SECOND QUARTER OF 2023

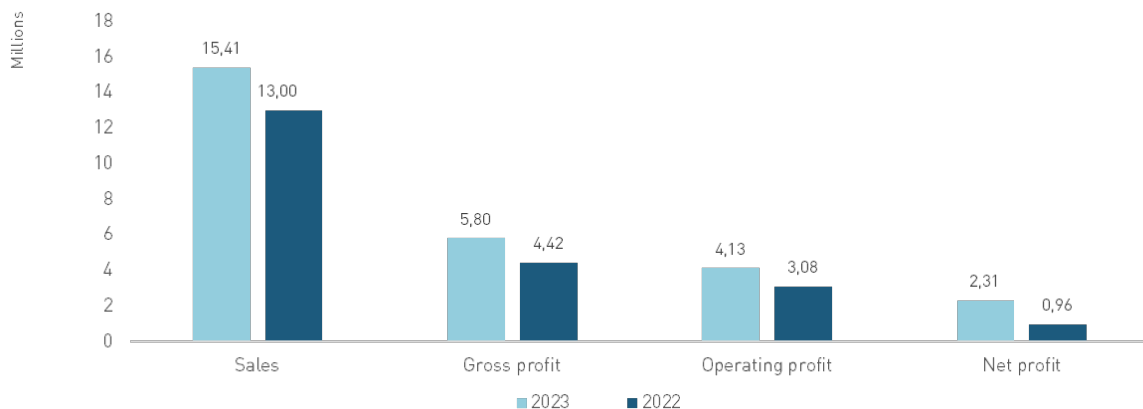
Indicator	Unit	6 months of 2023	6 months of 2022	Quarter 2 of 2023	Quarter 2 of 2022
<b>Drinking water</b>					
Compliance of water quality at the customer's tap	%	100%	100%	100%	100%
Water loss in the water distribution network	%	15.14%	17.67%	13.62%	14.30%
Average duration of water interruption per property	h	2.97	3.46	2.48	3.51
<b>Wastewater</b>					
Number of sewer blockages	no	329	341	153	169
Number of sewer collapses	no	39	39	17	12
Compliance of treated effluent with environmental requirements	%	100%	100%	100%	100%
<b>Customer service</b>					
Number of customer complaints	no	671	550	323	295
Number of customer contacts regarding water quality	no	170	105	93	50
Number of customer contacts regarding water pressure	no	133	97	49	62
Number of customer contacts regarding blockages and leading off stormwater	no	412	437	163	214
Responding to written customer contacts within at least 2 working days	%	97,5%	99,6%	100%	99,2%
Number of failed promises	no	0	1	0	1
Notification of unplanned water interruptions at least 1 h before the interruption	%	99.8%	99.5%	99.5%	99%

## FINANCIAL RESULTS OF THE 2<sup>nd</sup> QUARTER OF 2023

The latest economic forecast from Eesti Pank finds that the Estonian economy is doing satisfactorily overall, though the crises have hit different sectors quite differently. The picture of the state of the economy varies a lot depending on whether the impact of inflation is taken into account in the calculation of economic growth or not. The Estonian economy measured in euros, or GDP at current prices, has grown by around 30% over the past two years, but at real values, or GDP at constant prices, the Estonian economy has been shrinking steadily for more than a year. A downturn in the economy generally causes unemployment to rise and wage growth to fall, but the labour market has been resilient so far and unemployment is close to 5% while wage growth exceeds 10%.

Economic growth should start to recover in the second half of the year. Inflation will continue its current downwards trajectory. It was down to close to 11% in May, which is mainly a consequence of the leap in the first half of last year. Inflation will be drawn downwards by falling prices for energy and the gradual pass-through of lower prices for food commodities into retail prices, but market prices for commodities could be shaped by the progress of the war in Ukraine.

The falling tendency of consumer and energy prices have immediate results on the Company's net profit, which has increased by €1.36 million in the 2nd quarter of 2023 compared to 2022 and the total revenue has increased by €2.40 million or 18.5%, whereas the revenues from water services have increased by 14.7% compared to the same period in 2022.





## Main financial indicators

€ million except key ratios	Quarters 2			Variance 2023/ 2022	6 months			Variance 2023/ 2022
	2023	2022	2021		2023	2022	2021	
Sales	15.41	13.00	12.97	18.5%	30.01	25.05	24.75	19.8%
Gross profit	5.80	4.42	5.23	31.3%	11.52	8.80	10.41	30.8%
Gross profit margin %	37.66	33.98	40.34	10.8%	38.38	35.12	42.07	9.3%
Operating profit before depreciation and amortisation	6.10	4.69	6.80	29.9%	12.11	9.34	13.03	29.8%
Operating profit before depreciation and amortisation margin %	39.57	36.09	52.44	9.6%	40.37	37.26	52.63	8.4%
Operating profit	4.13	3.08	5.20	34.0%	8.20	6.09	9.86	34.7%
Operating profit - main business	3.81	2.83	4.96	34.9%	7.73	5.74	9.46	34.5%
Operating profit margin %	26.79	23.70	40.09	13.1%	27.33	24.29	39.83	12.5%
Profit before taxes	3.41	2.98	5.11	14.5%	6.93	5.88	9.68	17.9%
Profit before taxes margin %	22.12	22.88	39.40	-3.3%	23.11	23.48	39.10	-1.6%
Net profit	2.31	0.96	3.07	141.8%	5.81	3.84	7.62	51.6%
Net profit margin %	15.02	7.36	23.70	104.1%	19.37	15.31	30.80	26.6%
ROA %	0.90	0.38	1.21	137.4%	2.27	1.52	2.22	48.8%
Debt to total capital employed %	57.66	57.09	57.20	1.0%	57.66	57.09	57.20	1.0%
ROE %	2.06	0.85	2.75	142.0%	5.26	3.46	5.27	52.1%
Current ratio	1.31	1.81	2.75	-27.6%	1.31	1.81	2.75	-27.6%
Quick ratio	1.24	1.75	2.69	-29.1%	1.24	1.75	2.69	-29.1%
Investments into fixed assets	5.77	2.85	5.57	16.6%	10.44	7.73	5.63	35.1%
Payout ratio %	-	78.52	80.42		-	78.52	80.42	

*Gross profit margin – Gross profit / Net sales*

*Operating profit margin – Operating 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*

*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*

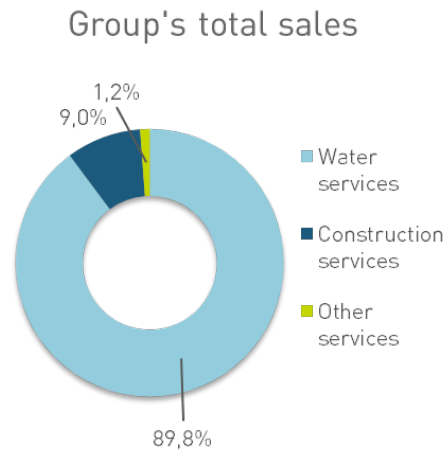
*Payout ratio – Total Dividends per annum/ Total Net Income per annum*

*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 2nd quarter of 2023 were impacted by higher tariffs. Given Estonia's macroeconomic forecast, we don't expect an increase in the consumption of our water services in current year. In the long run, we do not expect significant changes in the use of water services.



In the 2nd quarter of 2023, the **Group's total sales** were €15.41 million, showing an increase of 18.5% or €2.40 million year-on-year. 89.8% of sales comprise of water services within and outside the service area, 9.0% from construction services and 1.2% from other services.

€ thousand	Quarter 2			Variance 2023/2022	
	2023	2022	2021	€	%
Water supply service	2,494	2,010	2,044	484	24.1%
Wastewater disposal service	3,658	2,984	3,011	674	22.6%
<b>Total from private customers</b>	<b>6,152</b>	<b>4,993</b>	<b>5,056</b>	<b>1,159</b>	<b>23.2%</b>
Water supply service	2,211	2,130	1,709	81	3.8%
Wastewater disposal service	2,207	2,112	1,749	95	4.5%
<b>Total from commercial customers</b>	<b>4,418</b>	<b>4,242</b>	<b>3,458</b>	<b>176</b>	<b>4.1%</b>
Water supply service	447	402	418	45	11.2%
Wastewater disposal service	1,013	896	862	117	13.1%
Storm water disposal service	36	42	57	-6	-14.3%
<b>Total from outside service area customers</b>	<b>1,496</b>	<b>1,340</b>	<b>1,337</b>	<b>156</b>	<b>11.6%</b>
Storm water treatment and disposal and fire hydrants service	1,406	1,145	1,009	261	22.8%
Overpollution charges and discharging	365	337	298	28	8.3%
<b>Total from water services</b>	<b>13,836</b>	<b>12,058</b>	<b>11,158</b>	<b>1,778</b>	<b>14.7%</b>
Construction services	1,390	694	1,573	696	100.3%
Other services	179	250	236	-71	-28.4%
<b>TOTAL REVENUE</b>	<b>15,405</b>	<b>13,002</b>	<b>12,968</b>	<b>2,403</b>	<b>18.5%</b>

**Sales from water services** were €13.84 million, showing a 14.7% or €1.77 million increase compared to the 2nd quarter of 2022, resulting mainly from tariff increase effective from 1 October 2022. The water tariffs increased on average by 23% for private customers and 4% for commercial customers. The difference in price increase by customer group was due to the gradual price equalization between private and commercial customers, a requirement of the Public Water Supply and Sewerage Act.

There has been an increase of 23.2% or €1.16 million to €6.15 million in the sales to **private customers within the service area**, driven mainly by 23% higher water tariffs effective from 1 October 2022.

Sales to **commercial customers within the service area** increased by 4.1% to €4.42 million driven also by higher water tariffs effective from 1 October 2022. The impact from tariff change on revenues from commercial customers was +€0.17 million.

**Sales from the operation and maintenance of the stormwater and fire hydrant system in the main service area** amounted to €1.41 million, showing an increase of 22.8% or €0.26 million compared to the same period in 2022.

**Sales from construction services** were €1.39 million, increasing by 100.3% or €0.69 million year-on-year. The increase in sales resulted from road and pipe construction projects that were started last year.

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

**The cost of goods and services sold** amounted to €9.60 million in the 2nd quarter of 2023, being higher by €1.02 million compared to the equivalent period in 2022. The changes were influenced by higher chemical costs, staff costs, costs related to construction services and depreciation costs.

€ thousand	Quarter 2		Variance 2023/2022		
	2023	2022	2021	€	%
Water abstraction charges	-326	-322	-317	-4	-1.2%
Chemicals	-735	-487	-413	-248	-50.9%
Electricity	-1,477	-1,801	-901	324	18.0%
Pollution tax	-164	-214	-202	50	23.4%
<b>Total direct production costs</b>	<b>-2,702</b>	<b>-2,824</b>	<b>-1,833</b>	<b>122</b>	<b>4.3%</b>
Staff costs	-2,521	-2,125	-1,861	-396	-18.6%
Depreciation and amortisation	-1,705	-1,395	-1,404	-310	-22.2%
Construction services	-1,024	-474	-1,279	-550	-116.0%
Other costs of goods/services sold	-1,651	-1,765	-1,361	114	6.5%
<b>Other costs of goods/services sold total</b>	<b>-6,901</b>	<b>-5,759</b>	<b>-5,905</b>	<b>-1,142</b>	<b>-19.8%</b>
<b>Total cost of goods/services sold</b>	<b>-9,603</b>	<b>-8,583</b>	<b>-7,737</b>	<b>-1,020</b>	<b>-11.9%</b>

**Total direct production costs** (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €2.70 million, showing a 4.3% or €0.12 million increase compared to the equivalent period in 2022. Changes in direct production costs resulted from a combination of changes in prices and in treated volumes as follows:

- **Costs of chemicals** increased by 50,9% to €0.74 million, driven mainly by higher usage and higher price of methanol and polymer used in wastewater treatment process. The effect of price increase and higher dosage is worth €0.06 and €0.11 million respectively. The chemical price increase is mainly caused by the geopolitical situation in Eastern Europe.

**Other costs of goods/services sold** (staff costs, depreciation, costs related to construction services and other costs of goods/services sold) amounted to €6.90 million, having increased by 19.8% or €1.14 million. The increase was mainly due to the following factors:

- **Staff costs** have increased by 18.6% to €2.52 million due to an average 9.5% salary increase and hiring of new employees.
- **Depreciation costs** increased by 22.2% or €0.31 million due to 35.1% more investments made in 2023 than in 2022.
- **Construction services** costs have increased by 116.0% or €0.55 million to €1.02 million, related directly to 100.3% higher construction revenue.

As a result of all above, the **Group's gross profit** for the 2nd quarter of 2023 was €5.80 million, showing an increase of 31.3% or €1.38 million, compared to the gross profit of €4.42 million for the comparative period in 2022.

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

**Administrative and marketing expenses** increased by 18.6% or €0.24 million compared to the 2nd quarter of 2022, amounting to €1.52 million. The change is mainly due to higher salary costs and increase in professional services that are bought from outside the Group.

**Other income and expenses** amounted to net loss of €0.15 million, compared to net loss of €0.05 million in comparative period in 2022.

### *OPERATING PROFIT*

As a result of the factors listed above the **Group's operating profit** for the 2nd quarter of 2023 amounted to €4.13 million, being 34.0% or €1.05 million higher than in the same period in 2022.

### *FINANCIAL EXPENSES*

**The Group's net financial income and expenses** have resulted in a net expense of €0.72 million, compared to €0.62 million lower expense in the 2nd quarter of 2022. The change was caused by the increased interest costs of loans linked to Euribor.

In May 2023, AS Tallinna Vesi and AS SEB Pank, together with Swedbank AS and OP Corporate Bank plc Estonian branch, signed a syndicated loan agreement for a total amount of €91 million. Within this loan contract the Group refinanced OP Corporate Bank loan in the amount of €37.5 million.

In June 2023, a loan agreement between AS Tallinna Vesi and Nordic Investment Bank was concluded in the amount of €40 million. From this sum, the amount of €8 million was withdrawn in June 2023.

As at the end of the 2nd quarter of 2023, the whole loan amount of €86.64 million was bearing a floating interest rate. In the 2nd quarter of 2023, the effective interest rate of loans was 3.47%, amounting to the interest costs of €0.72 million, compared to the effective interest rate of 0.39% and the interest costs of €0.09 million in the 2nd quarter of 2022.

### *NET PROFIT*

**The Group's net profit** for the 2nd quarter of 2023 was €2.31 million, being €1.36 million higher than for the comparative period in 2022. The increase in net profit was impacted by changes in operating profit and net financial expenses described above, and the income tax on dividends in the amount of €1.09 million, which is €0.92 million less compared to 2022 due to the smaller dividend payment.

## FINANCIAL RESULTS FOR THE SIX MONTHS OF 2023

### SALES

During the six months of 2023 the **Group's total sales** were €30.01 million, showing an increase of 19.8% or €4.95 million year-on-year. **Sales from water services** for six months of 2023 were €27.49 million, increasing by 16.6% or €3.92 million year-on-year. 91.6% of sales comprise of sales of water services within and outside of the service area, 7.3% of construction services and 1.1% of other services.

€ thousand	6 months			Variance 2023/2022	
	2023	2022	2021	€	%
Water supply service	4,935	3,982	4,099	953	23.9%
Wastewater disposal service	7,258	5,916	6,068	1,342	22.7%
<b>Total from private customers</b>	<b>12,193</b>	<b>9,899</b>	<b>10,166</b>	<b>2,294</b>	<b>23.2%</b>
Water supply service	4,229	3,994	3,286	235	5.9%
Wastewater disposal service	4,459	4,090	3,430	369	9.0%
<b>Total from commercial customers</b>	<b>8,688</b>	<b>8,084</b>	<b>6,717</b>	<b>604</b>	<b>7.5%</b>
Water supply service	852	778	814	74	9.5%
Wastewater disposal service	2,108	1,767	1,706	341	19.3%
Storm water disposal service	124	128	141	-4	-3.1%
<b>Total from outside service area customers</b>	<b>3,084</b>	<b>2,673</b>	<b>2,660</b>	<b>411</b>	<b>15.4%</b>
Storm water treatment and disposal and fire hydrants service	2,811	2,319	1,881	492	21.2%
Overpollution charges and discharging	718	602	579	116	19.3%
<b>Total from water services</b>	<b>27,494</b>	<b>23,577</b>	<b>22,004</b>	<b>3,917</b>	<b>16.6%</b>
Construction services	2,194	1,060	2,338	1,134	107.0%
Other services	317	417	410	-100	-24.0%
<b>TOTAL REVENUE</b>	<b>30,005</b>	<b>25,054</b>	<b>24,752</b>	<b>4,951</b>	<b>19.8%</b>

During the six months of 2023 there has been an increase in **sales to private customers within the service area** by 23.2% to €12.19 million that is related to the tariff change in the 4<sup>th</sup> quarter of 2022.

**Sales to commercial customers** within the service area has increased by 7.5% to €8.68 million. The increase is related to the slight increase of 3.1% in consumption and to the tariff change.

Sales to **customers outside the main service area** increased by 15.4% to €3.08 million, being mainly impacted by an increase in the wastewater disposal service revenues.

**Sales from the operation and maintenance of the storm water and fire hydrants system within the main service area** in the six months of 2023 amounted to €2.81 million, showing an increase of 21.2% or €0.49 million year-on-year.

**Sales from construction services** were €2.19 million, increasing by 107.0% or €1.13 million year-on-year. The increase resulted from road and pipe construction projects that were started last year.

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

€ thousand	6 months			Variance 2023/2022	
	2023	2022	2021	€	%
Water abstraction charges	-645	-645	-624	0	0.0%
Chemicals	-1,353	-1,020	-859	-333	-32.6%
Electricity	-3,186	-3,512	-1,795	326	9.3%
Pollution tax	-469	-487	-435	18	3.7%
<b>Total direct production costs</b>	<b>-5,653</b>	<b>-5,664</b>	<b>-3,714</b>	<b>11</b>	<b>0.2%</b>
Staff costs	-4,872	-4,131	-3,697	-741	-17.9%
Depreciation and amortisation	-3,388	-2,821	-2,771	-567	-20.1%
Construction services	-1,646	-765	-1,885	-881	-115.2%
Other costs of goods/services sold	-2,931	-2,873	-2,272	-58	-2.0%
<b>Other costs of goods/services sold total</b>	<b>-12,837</b>	<b>-10,590</b>	<b>-10,625</b>	<b>-2,247</b>	<b>-21.2%</b>
<b>Total cost of goods/services sold</b>	<b>-18,490</b>	<b>-16,254</b>	<b>-14,340</b>	<b>-2,236</b>	<b>-13.8%</b>

During the six months of 2023, **the cost of goods and services sold** amounted to €18.49 million, increasing by 13.8% or €2.24 million compared to the equivalent period in 2022. **Total direct production costs** (water abstraction charges, chemicals, electricity and pollution tax expenses) amounted to €5.65 million, remaining on a same level compared to the equivalent period in 2022. The increase in chemical costs was balanced by the decrease in electricity costs.

- **Costs of chemicals** increased by 32.6% to €1.35 million, driven mainly by on average 13.3% higher price and 27.6% higher dosage of methanol, accompanied by higher usage of polymer used in wastewater treatment process, each worth -€0.12 million. Expenses of wastewater treatment process were further increased by higher price of coagulant used in water treatment process, worth -€0.05 million.
- **Costs of electricity** decreased by 9.3% or €0.33 million resulting in costs worth of €3.18 million due to on average 9.5% lower electricity price.

**Other costs of goods/services sold** (staff costs, depreciation, construction and asphaltting services costs and other costs) amounted to €12.84 million, having increased by 21.2%. The increase in other costs of goods/services sold were mainly driven by 17.9% or €0.74 million higher staff cost and 115.2% or €0.88 million higher expenses related to construction services, as described in the 2nd quarter results above.

The **Group's gross profit** for the six months of 2023 was €11.52 million, showing an increase of 30.8% or €2.71 million compared to the comparative period in 2022. The **Group's operating profit** for the six months of 2023 recovered to €8.20 million, being 34.7% or €2.11 million higher than in the same period in 2022, being mainly impacted by stabilized electricity price and tariff change in October 2022.

### FINANCIAL EXPENSES

**The Group's net financial income and expenses** have resulted in a net expense of €1.26 million, compared to net expense of €0.20 million in the six months of 2022. The increase was mainly impacted by higher interest cost on loans.

### PROFIT BEFORE TAXES AND NET PROFIT

The **Group's profit before taxes** for the six months of 2023 was €6.93 million, being 17.9% or €1.05 million higher than for the same period in 2022. The **Group's net profit** for the six months of 2023 was €5.81 million, being 51.6% or €1.98 million higher than for the equivalent period in 2022, impacted by the €0.92 million lower income tax expense due to the smaller dividend payment.

## Statement of financial position

In the first 6 months of 2023 **the Group invested into fixed assets** €10.44 million. As of 30/06/2023, non-current tangible assets amounted to €236.26 million, the majority of which in the amount of €188.28 million was an investment in pipelines (31/12/2022: €186.7 million). Total non-current assets amounted to €237.08 million (31/12/2022: €230.55 million).

Compared to the year end of 2022, **the trade receivables, accrued income and prepaid expenses** have shown a slight decrease in the amount of €0.39 million to €8.60 million. The decrease mainly results from €0.46 million lower receivables from water and construction services. The collectability rate continues to be high at 99.78% compared to June 2022 when the collectability rate was 99.79%.

**Current liabilities** have decreased by €1.05 million to €17.44 million compared to the end of second quarter of 2022, mainly resulting from investments related decrease in trade payables.

**Deferred income from connection fees** has increased compared to the end of 2022 by €2.04 million to €41.19 million.

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

**The Group's loan balance** of €86.63 million has increased (31/12/2022: €80.45 million). Changes in loan structure are described above in the 2nd quarter results.

One NIB loan is being returned in 11 equal semi-annual payments. The weighted average loan interest as of 30/06/2023 is 4.7%.

The Group has **total debt to assets** level of 57.66%, which falls in the range of 54%-65%, reflecting the Group's equity profile. In the comparative period in 2022, the total debt to assets ratio was 57.09%.

## EMPLOYEES

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

As a socially responsible company, we value and develop our employees, by offering them new challenges, whilst also implementing succession planning activities. In 2023, Tallinna Vesi has continued with the Scholarship Program for Students launched in autumn 2021. Through this program, we want to keep motivating students with good results. At the same time, this will give us a chance to promote water sector and attract specialists with fresh expertise to join the Company. In 2023, we also continue to work with three trade schools and three universities. In autumn 2022, we launched a Scholarship Program for Employees of Tallinna Vesi to recognize and motivate the employees within the Company who invest in their development by studying at a trade school or university, thereby creating added value for both the Company and society. Understanding and appreciating the diversity of our staff, we ensure that everyone, be it an existing or potential employee, is treated fairly and equally, and they have access to the same opportunities as is reasonable and feasible in the particular situation. We aim to ensure that no employees are discriminated against due to their age, gender, religion, cultural or ethnic origin, disability, sexual orientation or marital status, or any other factors.

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 the 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 2nd quarter of 2023, the total number of employees in the Group was 375 compared to 343 at the end of the same period in 2022. The full time equivalent (FTE) was 361 and 328 respectively. Average number of employees during the six months was 363 in 2023 and 336 in 2022 respectively.

By gender, employee allocation was as follows:

	As of 30/06/2023			As of 30/06/2022		
	Women	Men	Women	Men	Women	Men
<b>Group</b>	<b>112</b>	<b>263</b>	<b>375</b>	<b>98</b>	<b>245</b>	<b>343</b>
Management Team	11	18	29	13	18	31
Executive Team	5	5	10	4	7	11
Management Board	0	3	3	0	3	3
Supervisory Board	1	8	9	0	9	9

The total salary costs were €3.51 million for the 2nd quarter of 2023, including €0.09 million paid to the Management Board and Supervisory Council members (excluding social taxes). The contingent liability in case the Council should want to replace the current Management Board members is €0.17 million.



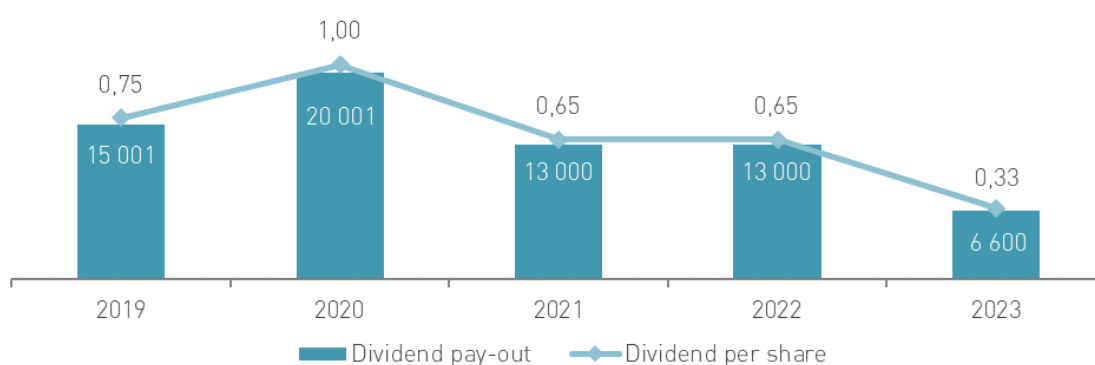
## DIVIDENDS

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

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

In the Annual General Meeting held on 01/06/2023, the Supervisory Council proposed to pay out €0.33 per share from the 2022 profits. The pay-out is equal to 78% of earnings in 2022. The proposal was approved by the Annual General Meeting and the dividend pay-out was made on 28/06/2023.

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



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

## SHARE PERFORMANCE

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

As of 30/06/2023, AS Tallinna Vesi's shareholders, with a direct holding over 5%, were:

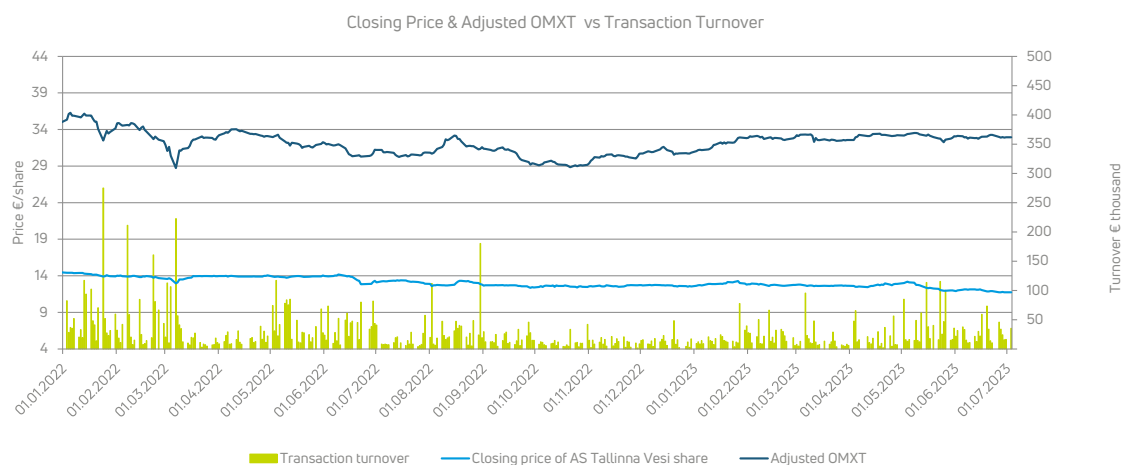
- City of Tallinn (55.06%)
- OÜ Utilitas (20.36%)

During the 6 months of 2023 the local retail investors have increased their shareholdings by 0.08%, while local institutional investors have reduced their shareholdings by 0.09%.

As of 30/06/2023, the closing price of AS Tallinna Vesi share was €11.75, which is 7.04% (2022: -4.59%) lower compared to the closing price of €12.64 at the end of the previous quarter. During the 2nd quarter of 2023, the OMX Tallinn index outperformed AS Tallinna Vesi's share price by increasing 1.13% (2022: -5.33%). Compared to the end of last year the AS Tallinna Vesi's share price was lower by 6.30% (2022: -8.15%) and OMX Tallinn index outperformed it by increasing 6.88% (2022: -10.56%).

In 6 months of 2023, 10,045 transactions were made with the Company's shares (2022: 11,366 transactions) during which 242 thousand shares or 1.2% of all shares changed owners (2022: 364 thousand shares or 1.8%).

The turnover of transactions in 6 months of 2023 amounted to €3.01 million, being €2.02 million lower than in the comparative period in 2022.



## CORPORATE STRUCTURE

As of 30/06/2023, the Group consisted of 3 companies. The subsidiaries OÜ ASTV Green Energy and Watercom OÜ are wholly owned by AS Tallinna Vesi and consolidated into the results of the Company.

## CORPORATE GOVERNANCE

### SUPERVISORY COUNCIL

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

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

Due to the expiry of the 10-year term of office the Annual General Meeting of Shareholders of AS Tallinna Vesi recalled the independent Board Member Allar Jõks from the Supervisory Council. His term as a Member of the Audit Committee of the Company ended on 01/06/2023. As of 02/06/2023 Gerli Kivisoo is replacing Allar Jõks.

Further information about the Supervisory Council and committees is available in 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 the 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 30/06/2023, there are 3 members in the Management Board of AS Tallinna Vesi: Aleksandr Timofejev (with the powers of a Chairman of the Management Board until 30/10/2026), Tarvi Thomberg (with the powers of a Member of the Management Board until 08/11/2026) and Taavi Gröön (with the powers of a Member of the Management Board until 23/05/2027).

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

#### Additional information:

Aleksandr Timofejev  
Chairman of the Board  
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Tarvi Thomberg  
Member of the Management Board  
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Taavi Gröön  
Member of the Management Board  
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## 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 6 months period of financial year 2023 ended on 30 June 2023. The interim accounts have not been reviewed by the auditors.

The condensed financial statements as at 30 June 2023 have been prepared using accounting policies and presentation that are consistent with International Financial Reporting Standards as adopted by the European Union, and provide a true and fair overview of the assets, liabilities, financial position, performance and cash flows of the Company.

The interim management report provides a true and fair overview of the significant events that took place during the 6 months of the financial year and their impact on the condensed financial statements, and includes a description of the main risks and concerns that, according to the best of Management Board's knowledge, may affect the Company during the remaining 6 months of the reporting 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 July 2023 have been considered in preparing the financial statements.

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

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

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

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

28 July 2023

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand		As of 30 June		As of 31 December
ASSETS	Note	2023	2022	2022
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	3	12,952	23,541	12,650
Trade receivables, accrued income and prepaid expenses		8,601	6,643	8,989
Inventories		1,246	982	1,197
<b>TOTAL CURRENT ASSETS</b>		<b>22,799</b>	<b>31,166</b>	<b>22,836</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant, and equipment	4	236,263	215,830	229,869
Intangible assets	5	817	637	688
<b>TOTAL NON-CURRENT ASSETS</b>		<b>237,080</b>	<b>216,467</b>	<b>230,557</b>
<b>TOTAL ASSETS</b>		<b>259,879</b>	<b>247,633</b>	<b>253,393</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Leases		955	662	883
Loans		3,615	3,630	3,630
Trade and other payables		9,555	9,665	10,225
Prepayments		3,313	3,296	3,749
<b>TOTAL CURRENT LIABILITIES</b>		<b>17,438</b>	<b>17,253</b>	<b>18,487</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred income from connection fees		41,190	38,130	39,150
Leases		2,105	1,063	1,607
Loans		82,739	78,540	76,708
Provision for possible third-party claims	6	6,018	6,018	6,018
Deferred tax liability		264	303	496
Other payables		84	70	101
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>132,400</b>	<b>124,124</b>	<b>124,080</b>
<b>TOTAL LIABILITIES</b>		<b>149,838</b>	<b>141,377</b>	<b>142,567</b>
<b>EQUITY</b>				
Share capital		12,000	12,000	12,000
Share premium		24,734	24,734	24,734
Statutory legal reserve		1,278	1,278	1,278
Retained earnings		72,029	68,244	72,814
<b>TOTAL EQUITY</b>		<b>110,041</b>	<b>106,256</b>	<b>110,826</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>259,879</b>	<b>247,633</b>	<b>253,393</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	Quarter 2		6 months		For the year ended
		2023	2022	2023	2022	31 December
						2022
Revenue	7	15,405	13,002	30,005	25,054	54,558
Cost of goods and services sold	9	-9,603	-8,583	-18,490	-16,254	-37,660
<b>GROSS PROFIT</b>		<b>5,802</b>	<b>4,419</b>	<b>11,515</b>	<b>8,80</b>	<b>16,898</b>
Marketing expenses	9	-205	-189	-419	-388	-703
General administration	9	-1,317	-1,094	-2,620	-2,225	-4,399
Other income (+)/ expenses (-)	10	-153	-55	-275	-102	-476
<b>OPERATING PROFIT</b>		<b>4,127</b>	<b>3,081</b>	<b>8,201</b>	<b>6,085</b>	<b>11,320</b>
Financial income	11	26	1	36	3	8
Financial expenses	11	-747	-108	-1,302	-205	-682
<b>PROFIT BEFORE TAXES</b>		<b>3,406</b>	<b>2,974</b>	<b>6,935</b>	<b>5,883</b>	<b>10,646</b>
Income tax	12	-1,093	-2,017	-1,121	-2,047	-2,240
<b>NET PROFIT FOR THE PERIOD</b>		<b>2,313</b>	<b>957</b>	<b>5,814</b>	<b>3,836</b>	<b>8,406</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>2,313</b>	<b>957</b>	<b>5,814</b>	<b>3,836</b>	<b>8,406</b>
Attributable profit to:						
Equity holders of	A-shares	2,313	957	5,814	3,836	8,406
Earnings per A-share (in euros)	13	0,12	0,05	0,29	0,19	0,42

## CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand		6 months		For the year ended 31 December
	Note	2023	2022	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating profit		8,200	6,085	11,320
Adjustment for depreciation/amortisation	4,5,9,10	3,914	3,250	6,817
Adjustment for revenues from connection fees	10	-292	-269	-544
Other non-monetary adjustments	6	-157	0	0
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets		-22	-12	-32
Change in current assets involved in operating activities		343	-271	-2,841
Change in liabilities involved in operating activities		-526	-485	309
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>11,460</b>	<b>8,298</b>	<b>15,029</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Acquisition of property, plant, and equipment, and intangible assets		-10,495	-7,351	-20,701
Compensations received for construction of pipelines, incl. connection fees		1,724	1,215	1,593
Proceeds from sale of property, plant and equipment, and intangible assets		24	13	53
Interest received		36	3	9
<b>TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>-8,711</b>	<b>-6,120</b>	<b>-19,046</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>				
Interest paid and loan financing costs, incl. swap interests		-1,243	-218	-616
Lease payments		-593	-230	-524
Received loans		45,500	0	0
Repayment of loans		-39,318	-1,818	-3,636
Dividends paid	12	-6,515	-12,835	-12,835
Withheld income tax paid on dividends	12	-278	-95	-165
Income tax paid on dividends	12	0	0	-2116
<b>TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>-2,447</b>	<b>-15,196</b>	<b>-19,892</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>302</b>	<b>-13,018</b>	<b>-23,909</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>12,650</b>	<b>36,559</b>	<b>36,559</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>12,952</b>	<b>23,541</b>	<b>12,650</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
<b>As of 31 December 2021</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>77,408</b>	<b>115,420</b>
Dividends	0	0	0	-13,000	-13,000
Comprehensive income for the period	0	0	0	8,406	8,406
<b>As of 31 December 2022</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>72,814</b>	<b>110,826</b>
<b>As of 31 December 2021</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>77,408</b>	<b>115,420</b>
Dividends	0	0	0	-13,000	-13,000
Comprehensive income for the period	0	0	0	3,836	3,836
<b>As of 30 June 2022</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>68,244</b>	<b>106,256</b>
<b>As of 31 December 2022</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>72,814</b>	<b>110,826</b>
Dividends	0	0	0	-6,600	-6,600
Comprehensive income for the period	0	0	0	5,814	5,814
<b>As of 30 June 2023</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>72,028</b>	<b>110,040</b>

## NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

### NOTE 1. ACCOUNTING PRINCIPLES

The 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 consolidated interim financial statements do not contain all the information presented in the annual financial statements and should be read in conjunction with the Group's latest published annual financial statements as at and for the year ended 31 December 2022. Selected notes are included in interim financial statements to explain events and transactions that are significant to understand the changes in the Group's financial position and performance since the last annual financial statements.

### NOTE 2. CRITICAL ACCOUNTING ESTIMATES

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

- Management has developed estimates on the expected credit losses of trade receivables based on the best available information about past events, current conditions and forecasts of macroeconomic conditions. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2023, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has



identified the GDP and the unemployment rate of Estonia in which it sells its goods and services to be the most relevant factors and has accordingly adjusted the historical loss rates based on expected changes in these factors. As at 30 June 2023, Management of the Group has assessed the expected credit loss related to macroeconomic conditions to be €234 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 based on the Company's estimation, with the reservation to the possible fluctuation. According to the law, the tariffs established based on the Services Agreement were in force until the Competition Authority approved the new tariffs and the Company implemented these tariffs in line with the law. The Company has acted in good faith and in reliance to the applicable legal acts. Thus, the Company does not consider itself liable to the customers for any claims related to the tariffs applied until the new tariffs approved by the Competition Authority were duly implemented.

As of 30 June 2023, claims totalling €13.6 million have been filed within four applications. The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6.0 million (as of 31 December 2022: €6.0 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 June		As of 31 December
	2023	2022	2022
Cash in hand and in bank	12,952	23,541	12,650
<b>Total cash and cash equivalents</b>	<b>12,952</b>	<b>23,541</b>	<b>12,650</b>

### NOTE 4. PROPERTY, PLANT AND EQUIPMENT

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

<b>As of 31 December 2022</b>							
Acquisition cost	27,618	269,144	54,526	6,151	3,433	0	360,872
Accumulated depreciation	-8,262	-82,445	-38,660	0	-1,636	0	-131,003
<b>Net book value</b>	<b>19,356</b>	<b>186,699</b>	<b>15,866</b>	<b>6,151</b>	<b>1,797</b>	<b>0</b>	<b>229,869</b>

<b>Transactions in the period 1 January 2023 - 30 June 2023</b>							
Acquisition in book value	0	0	0	9,216	0	915	10,131
Write off and sale of property, plant, and equipment in residual value	0	-2	0	0	-1	0	-3
Reclassification	20	3,658	1,829	-6,257	1,665	-915	0
Depreciation	-159	-2,066	-1,239	0	-271	0	-3,735

<b>As of 30 June 2023</b>							
Acquisition cost	27,638	272,562	55,876	9,110	4,844	0	370,030
Accumulated depreciation	-8,421	-84,273	-39,419	0	-1,654	0	-133,767
<b>Net book value</b>	<b>19,217</b>	<b>188,289</b>	<b>16,457</b>	<b>9,110</b>	<b>3,190</b>	<b>0</b>	<b>236,263</b>

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

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

#### **NOTE 5. INTANGIBLE ASSETS**

€ thousand	Acquired licenses and other intangible assets	Unfinished intangible assets	Total intangible assets
<b>As of 31 December 2021</b>			
Acquisition cost	4,831	89	4,920
Accumulated depreciation	-4,191	0	-4,191
<b>Net book value</b>	<b>640</b>	<b>89</b>	<b>729</b>
<b>Transactions in the period 1 January 2022 - 31 December 2022</b>			
Acquisition in book value	0	205	205
Reclassification	203	-203	0
Depreciation	-246	0	-246
<b>As of 31 December 2022</b>			
Acquisition cost	5,023	91	5,114
Accumulated depreciation	-4,426	0	-4,426
<b>Net book value</b>	<b>597</b>	<b>91</b>	<b>688</b>
<b>Transactions in the period 1 January 2023 - 30 June 2023</b>			
Acquisition in book value	0	308	308
Reclassification	19	-19	0
Depreciation	-179	0	-179
<b>As of 30 June 2023</b>			

Acquisition cost	5,041	380	5,421
Accumulated depreciation	-4,604	0	-4,604
<b>Net book value</b>	<b>437</b>	<b>380</b>	<b>817</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 privatization of the Company. From then on, the tariffs are regulated by the Competition Authority.

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

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

As of 30 June 2023, claims totalling €13.6 million have been filed within four applications. The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6 million (as of 31 December 2022: €6 million) and has suspended the reduction of the provision pursuant to the principle of conservatism. The Company has always acted legitimately by applying fair tariffs imposed in accordance with the law in force, and the Company believes there are no grounds for submitting the claims. Therefore, the Company does not admit any liability and fully rejects it.

#### NOTE 7. SEGMENT REPORTING

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

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

**Construction services:** construction services provided by Watercom OÜ. Construction services have been identified as a reportable segment because its revenues make up 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 constitute 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.

€ thousand	Water services	Const- ruction services	Other services	Inter- segment transactions	Total segments
<b>1 January 2023 – 30 June 2023</b>					
External revenue	27,493	2,194	318	0	30,005
Inter-segment revenue	0	1,312	2,648	-3,960	0
<b>Total segment revenue</b>	<b>27,493</b>	<b>3,506</b>	<b>2,966</b>	<b>-3,960</b>	<b>30,005</b>
<b>Segment's gross profit</b>	<b>10,799</b>	<b>287</b>	<b>742</b>	<b>-312</b>	<b>11,516</b>
<b>Unallocated expenses:</b>					
Marketing and Administrative expenses					-3,040
Other income/expenses					-275
<b>Operating profit</b>					<b>8,201</b>
<b>1 January 2022 – 30 June 2022</b>					
External revenue	23,577	1,060	417	0	25,054
Inter-segment revenue	1	778	2,299	-3,078	0
<b>Total segment revenue</b>	<b>23,578</b>	<b>1,838</b>	<b>2,716</b>	<b>-3,078</b>	<b>25,054</b>
<b>Segment's gross profit</b>	<b>8,10</b>	<b>260</b>	<b>780</b>	<b>-340</b>	<b>8,80</b>
<b>Unallocated expenses:</b>					
Marketing and Administrative expenses					-2,613
Other income/expenses					-102
<b>Operating profit</b>					<b>6,085</b>

## Revenue by activities

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

€ thousand	Quarter 2		6 months		For the year ended 31
	2023	2022	2023	2022	December 2022
<b>Water services</b>					
Water supply service	2,494	2,010	4,935	3,983	8,380
Wastewater disposal service	3,658	2,984	7,258	5,916	12,406
<b>Total from private customers</b>	<b>6,152</b>	<b>4,994</b>	<b>12,193</b>	<b>9,899</b>	<b>20,786</b>
Water supply service	2,211	2,130	4,229	3,994	8,260
Wastewater disposal service	2,207	2,112	4,459	4,090	8,480
<b>Total from corporate customers</b>	<b>4,418</b>	<b>4,242</b>	<b>8,688</b>	<b>8,084</b>	<b>16,740</b>
Water supply service	447	402	852	778	1,599
Wastewater disposal service	1,013	896	2,108	1,767	3,525
Storm water disposal service	36	42	124	128	193
<b>Total from outside service area customers</b>	<b>1,496</b>	<b>1,340</b>	<b>3,084</b>	<b>2,673</b>	<b>5,317</b>
Storm water treatment and disposal service and fire hydrants service	1,405	1,145	2,811	2,319	4,643
Over pollution charges and discharging	365	337	718	602	1,403
<b>Total from water services</b>	<b>13,836</b>	<b>12,058</b>	<b>27,494</b>	<b>23,577</b>	<b>48,889</b>
<b>Construction services</b>	<b>1,390</b>	<b>694</b>	<b>2,194</b>	<b>1,060</b>	<b>4,809</b>
<b>Other services</b>	<b>179</b>	<b>250</b>	<b>317</b>	<b>417</b>	<b>860</b>
<b>Total revenue</b>	<b>15,405</b>	<b>13,002</b>	<b>30,005</b>	<b>25,054</b>	<b>54,558</b>

## NOTE 8. STAFF COSTS

€ thousand	Quarter 2		6 months		For the year ended 31
	2023	2022	2023	2022	December 2022
Salaries and wages	-2,631	-2,205	-5,096	-4,343	-8,499
Social security and unemployment insurance tax	-876	-746	-1,710	-1,468	-2,873
<b>Staff costs total</b>	<b>-3,507</b>	<b>-2,951</b>	<b>-6,806</b>	<b>-5,811</b>	<b>-11,372</b>
<b>Average number of employees during the reporting period</b>	<b>356</b>	<b>340</b>	<b>348</b>	<b>336</b>	<b>342</b>

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

€ thousand	Quarter 2		6 months		For the year ended
	2023	2022	2023	2022	31 December
					2022
<b>Cost of goods and services sold</b>					
Water abstraction charges	-326	-322	-645	-645	-1,288
Chemicals	-735	-487	-1 353	-1 020	-2,238
Electricity	-1,477	-1,801	-3,186	-3,512	-9,234
Pollution tax	-164	-214	-469	-487	-823
Staff costs	-2,521	-2,125	-4,872	-4,131	-8,229
Depreciation and amortization	-1,705	-1,395	-3,388	-2,821	-5,930
Construction services	-1,024	-474	-1,646	-765	-3,802
Other costs	-1,651	-1,765	-2,931	-2,873	-6,116
<b>Total cost of goods and services sold</b>	<b>-9,603</b>	<b>-8,583</b>	<b>-18,490</b>	<b>-16,254</b>	<b>-37,660</b>
<b>Marketing expenses</b>					
Staff costs	-188	-174	-375	-348	-625
Depreciation and amortization	-1	-1	-2	-3	-5
Other marketing expenses	-16	-14	-42	-37	-73
<b>Total marketing expenses</b>	<b>-205</b>	<b>-189</b>	<b>-419</b>	<b>-388</b>	<b>-703</b>
<b>Administrative expenses</b>					
Staff costs	-798	-652	-1,559	-1,332	-2,518
Depreciation and amortization	-125	-88	-251	-175	-375
Other general administration expenses	-394	-354	-810	-718	-1,506
<b>Total administrative expenses</b>	<b>-1,317</b>	<b>-1,094</b>	<b>-2,620</b>	<b>-2,225</b>	<b>-4,399</b>

**NOTE 10. OTHER INCOME/EXPENSES**

€ thousand	Quarter 2		6 months		For the year ended 31 December
	2023	2022	2023	2022	2022
Connection fees	148	136	292	269	544
Depreciation of single connections	-138	-127	-273	-251	-507
Doubtful receivables expenses (-)/ expense reduction (+)	-50	35	-74	47	-15
Other income (+)/expenses (-)	-113	-99	-220	-167	-498
<b>Total other income / expenses</b>	<b>-153</b>	<b>-55</b>	<b>-275</b>	<b>-102</b>	<b>-476</b>

**NOTE 11. FINANCIAL INCOME AND EXPENSES**

€ thousand	Quarter 2		6 months		For the year ended 31 December
	2023	2022	2023	2022	2022
Interest income	26	1	36	3	8
Interest expense, loan	-718	-99	-1,266	-186	-650
Other financial income (+)/expenses (-)	-29	-9	-36	-19	-32
<b>Total financial income / expenses</b>	<b>-721</b>	<b>-107</b>	<b>-1,266</b>	<b>-202</b>	<b>-674</b>

**NOTE 12. DIVIDENDS**

€ thousand	Quarter 2		6 months		for the year ended 31 December
	2023	2022	2023	2022	2022
Dividends declared during the period	6,600	13,000	6,600	13,000	13,000
Dividends paid during the period	6,515	12,835	6,515	12,835	12,835
Withheld income tax on dividends	85	95	85	165	165
Income tax on dividends	1,352	2,116	1,352	2,116	2,116
Dividends declared per shares:					
Dividends per share (in euros)	0,33	0,65	0,33	0,65	0,65

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

### NOTE 13. EARNINGS PER SHARE

€ thousand	Quarter 2		2023	6 months		For the year ended 31
	2023	2022		2022	December	2022
Net profit	2,313	957	5,814	3,836		8,406
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20,000,000	20,000,000	20,000,000	20,000,000		20,000,000
Earnings per share (in euros)	0,12	0,05	0,29	0,19		0,42

Diluted earnings per share for the periods ended 30 June 2023 and 2022 and 31 December 2022 was equal to earnings per share figures stated above.

### NOTE 14. RELATED PARTIES

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

#### Shareholders having the significant influence

Balances recorded on the statement of financial position of the Group	As of 30 June		As of 31 December
	2023	2022	2022
€ thousand			
Accounts receivable	724	112	1,309
Trade and other payables	1	1	61

Transactions	Quarter 2		Quarter 2		For the year ended
	2023	2022	2023	2022	31 December
€ thousand					2022
Revenue	1,673	1,151	3,467	4,484	5,791
Purchase of thermal energy	16	23	71	79	126
Purchase of legal service	16	0	28	13	54



Fees to the Group's Management and Supervisory Board members	Quarter 2		Quarter 2		For the year ended 31 December
	2023	2022	2023	2022	2022
€ thousand (excluding social tax)					
Fees for Management Board	76	59	191	170	313
Supervisory Board fees	10	10	20	20	38

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

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

The potential salary liability would be up to €169 thousand (excluding social tax) if the Supervisory Board were to replace all Management Board members.

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

As of 30 June 2023 and 2022 and 31 December 2022, the members of the Supervisory Council and the Management Board did not own any shares in the Company.

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

Priit Koit	Chairman of the Supervisory Council
Priit Lello	Vice Chairman of the Supervisory Council
Robert Kitt	Member of the Supervisory Council
Gerli Kivisoo	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/>.