

# AS TALLINNA VESI

Consolidated Interim Report for the 4<sup>th</sup> quarter of 2020

29 January 2021



Currency	Thousand euros
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Field of activity	Production, treatment and distribution of water; storm and wastewater disposal and treatment

## Contents

	Page
MANAGEMENT REPORT	3
MANAGEMENT CONFIRMATION	18
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	19
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	20
CONSOLIDATED CASH FLOW STATEMENT	21
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	22
NOTES TO THE ACCOUNTS	
NOTE 1. ACCOUNTING PRINCIPLES	22
NOTE 2. CRITICAL ACCOUNTING ESTIMATES	23
NOTE 3. CASH AND CASH EQUIVALENTS	24
NOTE 4. PROPERTY, PLANT AND EQUIPMENT	24
NOTE 5. INTANGIBLE ASSETS	25
NOTE 6. PROVISION FOR POSSIBLE THIRD-PARTY CLAIMS	26
NOTE 7. SEGMENT REPORTING	27
NOTE 8. STAFF COSTS	28
NOTE 9. COST OF GOODS/SERVICES SOLD, MARKETING AND ADMINISTRATIVE EXPENSES	29
NOTE 10. OTHER INCOME / EXPENSES	29
NOTE 11. FINANCIAL INCOME AND EXPENSES	30
NOTE 12. DIVIDENDS	30
NOTE 13. EARNINGS PER SHARE	30
NOTE 14. RELATED PARTIES	31
NOTE 15. LIST OF SUPERVISORY BOARD MEMBERS	32

## MANAGEMENT REPORT

### Chairman's summary

2020 was an extraordinary year due to the COVID-19 pandemic and caused Tallinna Vesi to make changes in its working arrangements, to ensure the continued safety of staff and uninterrupted services to our customers. This ensured we maintained high standards in the quality of both drinking water and final treated effluent, as well as improved network reliability. A number of quality parameters showed a record performance in 2020.

Due to the reduced tariffs applicable since the end of last year, and decreased commercial consumption driven by the virus restrictions, the Company's revenues and profits for the fourth quarter and 12 months of 2020 were lower in comparison with the same period last year. According to external forecasts, the impact of the pandemic will gradually start to reverse as the vaccine is implemented. We are therefore optimistic that consumption will also revert back to pre-pandemic volumes in the longer term.

#### Financial performance reflects the impacts of Coronavirus

The Company's sales revenue for the 4th quarter of 2020 decreased compared to the same period in 2019, resulting mainly from the reductions in tariffs effective from 1 December 2019 and lower consumption of commercial customers, due to the COVID-19 pandemic. Sales revenue for the 4th quarter of 2020 was €13.17 million, reduced by 18.3%, or €2.95 million compared to the same period in 2019.

Sales to private customers were €5.13, showing a decrease by 15.2%, due to the reduced tariffs mentioned previously. Sales to commercial customers reduced by 25.7% to €3.81 million, which is a consequence of lower tariffs, as well as 16% lower consumption by businesses. The hospitality sector has seen the greatest impact from the pandemic.

The gross profit for the 4th quarter of 2020 was €5.64 million, showing a reduction of 29.4%, which is attributable to the lower sales revenue. The operating profit was €5.76 million, which is a reduction of €5.31 million or 48.0% compared to the previous year. Besides the negative changes in tariffs and consumption, the operating profit was positively impacted by the €1.2 million reduction in the provision associated with third-party claims as was also done in the previous quarters.

The net profit for the 4th quarter of 2020 was €5.39 million, showing a decrease of 50,8% compared to the same period last year. In terms of the full year of 2020, the Company's total sales revenue was €51.72 million, which represents an 18.5% decrease year-on-year. Considering the imminent roll out of the coronavirus vaccinations, we remain optimistic that consumption will revert back to pre-pandemic volumes, as the hospitality sector starts to recover in Tallinn.

#### Reliable water and wastewater service

In 2019, the water samples taken from customer's taps were 99.0% compliant with all quality requirements, in 2020 this same parameter reached 99.7%. This is a result of further investments into the network and enhanced maintenance regimes, which were introduced following the introduction of a more sensitive water quality test into Estonia

The Company has made great efforts to reduce leakages in the water network, and the all-time low record of 12.42% in leakage rate that the Company achieved in 2020, is a testament to that work. The leakage rate for 2019 was 12.97%.

Similar to previous years, the final treated effluent at Paljassaare Wastewater Treatment Plant was 100% compliant with all quality requirements in 2020.

We work hard to limit interruptions in the water network and minimise their duration when they occur. During 2020, the average water disruption time remained stable at 2 hours and 56 minutes per property compared to 2 hours and 59 minutes in 2019.

The number of sewer blockages and sewer collapses showed a significant improvement in comparison with 2019, reducing by 13% and 22% respectively.

In terms of enhancing the reliability of water supply service to customers, the largest project delivered was on Punane Street, where the water main supplying 100,000 residents in Lasnamäe and Maardu, was reconstructed. Another key project related to a section of the water pipe on Järvevana Rd, improving the security of water supply for residents and companies in the Mustamäe and Õismäe districts of Tallinn. Also, the pumping stations on Jääraku Str in Pirita-Kose and on Kolde Blvd in Northern Tallinn received investments related to new technology and telemetry.

Tallinna Vesi commenced the reconstruction of the mechanical treatment stage at Paljassaare wastewater treatment plant – one of largest projects of the past decade for the company. This major project will continue throughout 2021. During 2020, we reconstructed a large collector at Kadaka Blvd, which directs wastewater from Saku, Saue, Laagri and approximately half of the properties in Nõmme District, to the Company’s wastewater treatment plant at Paljassaare.

Our aim is to provide a high-quality and uninterrupted service to our customers. To ensure that, we consistently monitor our performance in terms of keeping our promises made to customers, giving swift responses and reducing the likelihood of complaints. We managed to maintain high standards in keeping our promises, and only had one failure in 2020. In 2020, we had approximately 24% less inquiries from our customers in connection with the most frequent subjects, such as water quality, pressure and sewer blockages, which is a positive trend.

In 2020, we carried on supporting the initiatives that help to resolve some of the issues in the community We continued to provide free drinking water to community events. Due to the spread of coronavirus, we had to postpone the open-door days at our treatment plants, but we will continue with these at the first opportunity. We will also be developing digital educational videos aimed at promoting environmental awareness among children and young people.

## OPERATIONAL INDICATORS FOR TWELVE MONTHS OF 2020

Indicator	Unit	2020	2019	2018
Compliance of water quality at the customers’ tap	%	99.7	99.0	99.9
Water loss in the water distribution network	%	12.4	13.0	13.7
Average duration of water interruptions per property in hours	h	2.93	2.99	3.27
Number of sewer blockages	No	463	532	603
Number of sewer collapses	No	80	103	88
Wastewater treatment compliance with environmental standards	%	100.0	100.0	100.0
Number of customer complaints (*/**)	No	40*/ 181**	41/ 167	44/ 158
Number of customer contacts regarding water quality	No	323	508	258
Number of customer contacts regarding water pressure	No	359	478	439
Number of customer contacts regarding blockages and discharge of storm water	No	864	1,047	1,043
Responding written customer contacts within at least 2 workdays	%	100.0	100.0	100.0
Number of failed promises cases	No	1	7	4
Notification of unplanned water interruptions at least 1 h before	%	98.9	96.2	95.2

*\*Since 2020, only the cases in the water company’s control are classified as complaints.*

*\*\*In 2019 and before, all critical inquiries were classified as complaints.*

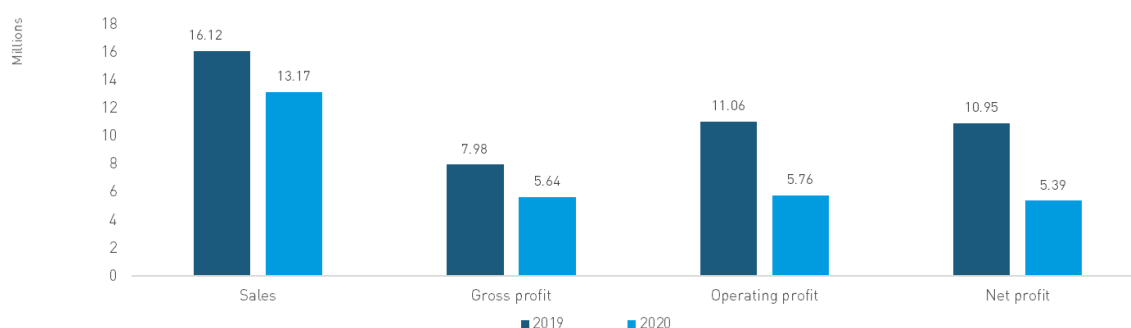


Karl Heino Brookes  
Chairman of the Management Board

## FINANCIAL HIGHLIGHTS OF THE 4<sup>th</sup> QUARTER OF 2020

**Economic environment** has significantly changed in the world and in Estonia resulting from ongoing coronavirus pandemic. The virus started to spread again more actively at the end of 3<sup>rd</sup> quarter, which made it necessary to control it with additional restrictions. The extent of the new outbreak of the virus and the associated economic impact are difficult to predict, the latest economic forecast from the Bank of Estonia published in December indicates that in 2020 the economy contracted by 2.5%. This is a much softer decline than was predicted when the coronavirus crisis broke out and is also one of the smallest in Europe. The relatively gentle setback could mean that exiting the crisis will be easier. If vaccination will be successful and the spread of the virus will be brought under the control in the first half of 2021, the economy is expected to start growing again in the second quarter of 2021 and GDP is expected to grow by 2.9% compared to 2020. Pandemic has among other factors impacted the Company's financial results, due to which the Company's revenues and profit are lower compared to the same period in 2019.

**The Group's sales revenues** during the 4<sup>th</sup> quarter of 2020 were €13.17 million, being down by 18.3% or €2.95 million compared to the same period in 2019.



**The gross profit** in the 4<sup>th</sup> quarter of 2020 was €5.64 million, showing a decrease of 29.4% or €2.35 million. The decrease in gross profit was fully related to lower revenues as the total cost of goods and services sold was lower than in comparative period. The revenues were mainly impacted by decrease in water and wastewater revenues from private and commercial customers within the service area, which were mostly affected by new lower tariffs from 1/12/2019, accompanied by decrease in consumption of commercial customers, which was related to pandemic.

**The operating profit** was €5.76 million, showing a decrease of 48.0% or €5.31 million. In addition to above-mentioned changes in gross profit, the operating profit in the 4<sup>th</sup> quarter of 2020 was impacted by €1.20 million positive change in the provision formed for the possible third-party claims. The operating profit for the 4<sup>th</sup> quarter of 2020 before the impact resulted from the change of provision formed for the possible third-party claims was €4.55 million, compared to €6.44 million operating profit in the 4<sup>th</sup> quarter of 2019, being lower by 29.3% or €1.88 million year-on-year.

**The net profit** for the 4<sup>th</sup> quarter of 2020 was €5.39 million, showing a decrease of 50.8% or €5.56 million. The net profit was mainly impacted by above-mentioned changes in the operating profit, accompanied deferred tax expense of €0.25 million and by lower net financial expenses. The changes in the financial expenses were influenced by lower interest expense and expiring of swap contracts in the middle of 4<sup>th</sup> quarter. The net profit for the 4<sup>th</sup> quarter of 2020 without the impact resulted from the change of the fair value of swap contracts and the change of provision for the possible third-party claims was €4.16 million compared to €6.23 million net profit in 2019, being lower by 33.2% or €2.07 million year-on-year.

## MAIN FINANCIAL INDICATORS

€ million, except key ratios	4 <sup>th</sup> quarter			Change 2020/ 2019	12 months			Change 2020/ 2019
	2020	2019	2018		2020	2019	2018	
Sales	13.17	16.12	16.23	-18.3%	51.72	63.42	62.78	-18.5%
Gross profit	5.64	7.98	8.38	-29.4%	22.23	33.95	34.19	-34.5%
Gross profit margin %	42.78	49.49	51.61	-13.6%	42.97	53.53	54.45	-19.7%
Operating profit before depreciation and amortisation	7.41	12.72	6.82	-41.7%	28.07	38.18	32.73	-26.5%
Operating profit before depreciation and amortisation margin %	56.23	78.86	42.01	-28.7%	54.27	60.21	52.13	-9.9%
Operating profit	5.76	11.06	5.29	-48.0%	21.78	32.08	26.94	-32.1%
Operating profit - main business	5.51	10.82	5.07	-49.1%	20.88	31.19	26.22	-33.0%
Operating profit margin %	43.71	68.61	32.61	-36.3%	42.12	50.57	42.91	-16.7%
Profit before taxes	5.64	10.95	5.01	-48.5%	21.34	31.30	25.95	-31.8%
Profit before taxes margin %	42.85	67.93	30.88	-36.9%	41.27	49.36	41.33	-16.4%
Net profit	5.39	10.95	5.01	-50.8%	16.73	27.76	24.15	-39.7%
Net profit margin %	40.91	67.93	30.88	-39.8%	32.35	43.77	38.47	-26.1%
ROA %	2.12	4.21	2.03	-49.7%	6.45	10.83	10.10	-40.4%
Debt to total capital employed %	56.09	56.05	58.85	0.1%	56.09	56.05	58.85	0.1%
ROE %	4.92	9.95	5.00	-50.6%	14.69	25.43	25.61	-42.2%
Current ratio	3.85	5.48	5.36	-2.2%	3.85	5.48	5.36	-29.7%
Quick ratio	3.80	5.44	5.33	-2.0%	3.80	5.44	5.33	-30.1%
Investments into fixed assets	5.65	5.33	3.04	6.0%	19.42	16.09	10.40	20.7%
Payout ratio %	na	72.05	62.11		na	72.05	62.11	

*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 debt*

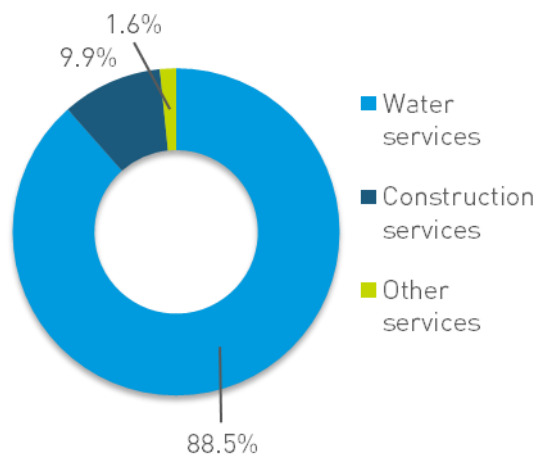
## FINANCIAL RESULTS FOR THE 4<sup>th</sup> QUARTER OF 2020

### Statement of comprehensive income

#### SALES

On 18/10/2019 the Competition Authority approved the tariffs of the AS Tallinna Vesi and new tariffs were applicable starting from 1/12/2019, the changes in the 4<sup>th</sup> quarter of 2020 from main activities revenues, i.e. from sales of water and wastewater services, were driven by lower tariffs from main service area, accompanied by changes in water services consumption related to coronavirus outbreak. According to Estonia's macroeconomic forecast, we expect a short-term a decrease in our water services consumption also in first half of the next year. In the long-term future, the Company does not expect significant changes in the water services consumption.

#### Group's total sales



In the 4<sup>th</sup> quarter of 2020, the **Group's total sales** were €13.17 million, showing a decrease by 18.3% or €2.95 million year-on-year. 88.5% of sales comprise of water services within and outside of the service area, 9.9% from construction services and 1.6% from other services. The construction services sales are more seasonal, and the Company continues to seek possibilities to grow these services revenues.

€ thousand	4 <sup>th</sup> quarter			Variance 2020/2019	
	2020	2019	2018	€	%
Water supply service	2,061	3,083	3,600	-1,022	-33.1%
Wastewater disposal service	3,066	2,966	2,987	100	3.4%
<b>Total from private customers</b>	<b>5,127</b>	<b>6,049</b>	<b>6,587</b>	<b>-922</b>	<b>-15.2%</b>
Water supply service	1,882	2,728	2,898	-846	-31.0%
Wastewater disposal service	1,932	2,403	2,401	-471	-19.6%
<b>Total from commercial customers</b>	<b>3,814</b>	<b>5,131</b>	<b>5,299</b>	<b>-1,317</b>	<b>-25.7%</b>
Water supply service	414	392	380	22	5.6%
Wastewater disposal service	840	841	749	-1	-0.1%
Storm water disposal service	74	148	111	-74	-50.0%
<b>Total from outside service area customers</b>	<b>1,328</b>	<b>1,381</b>	<b>1,240</b>	<b>-53</b>	<b>-3.8%</b>
Storm water treatment and disposal and fire hydrants service	1,016	1,153	1,078	-137	-11.9%
Overpollution charges and discharging	367	318	227	49	15.4%
<b>Total from water services</b>	<b>11,652</b>	<b>14,032</b>	<b>14,431</b>	<b>-2,380</b>	<b>-17.0%</b>
Construction services	1,309	1,899	1,615	-590	-31.1%
Other services	211	191	183	20	10.5%
<b>TOTAL REVENUE</b>	<b>13,172</b>	<b>16,122</b>	<b>16,229</b>	<b>-2,950</b>	<b>-18.3%</b>

**Sales from water services** were €11.65 million, showing a 17.0% or €2.38 million decrease compared to the 4<sup>th</sup> quarter of 2019, resulting from the changes in the tariff and sales volumes as described below:

- There has been a decrease in **private customers'** sales of 15.2% to €5.13 million, driven mainly by on average 27% lower tariffs from 1/12/2019. The decrease from tariff was partly balanced by higher customer consumption volumes from apartment blocks, which is our biggest private customer group, and private houses segment. The total impact from change of tariffs was -€1.22 million and from consumption +€0.32 million. Higher consumption from private customers was mainly related to coronavirus outbreak as substantial part of population is working from home.
- Sales to **commercial customers** within the service area decreased by 25.7% to €3.81 million driven by on average 15% lower tariffs from 1/12/2019 and on average 16.9% lower consumption of water services. The commercial customer sales were impacted by pandemic as hotels and spas and entertainment facilities were operating with lower number of visitors and less people were working in offices. The impact on commercial customers revenues from change of tariffs was -€0.45 million and from consumption -€0.84 million.
- Sales to **customers outside the main service area** decreased by 3.8% to €1.33 million, which was also impacted by change of tariffs from 1/12/2019, balanced partly by an increase in water and stormwater services consumption. The total impact from change of tariffs was -€0.07 million and from consumption +€0.01 million.
- Sales from the **operation and maintenance of the main service area storm water and fire hydrant system** amounted to €1.02 million, showing a decrease of 11.9% or €0.14 million compared to the same period in 2019, driven mainly by 32.2% lower storm water volumes.
- **Overpollution charges and discharging** revenues received have increased by 15.4% to €0.37 million.



Sales of **construction services** were €1.31 million, decreasing by 31.1% or €0.59 million year-on-year. The decrease was mainly related to lower pipe construction services revenues, balanced slightly by higher road construction revenues. The change is partly impacted by coronavirus pandemic caused delays in new developments in Tallinn.

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

The **cost of goods and services sold** amounted to €7.54 million in the 4<sup>th</sup> quarter of 2020, being lower by €0.61 million compared to the equivalent period in 2019. The changes were influenced by higher staff and other purchase costs for goods and services, whilst construction services related costs and electricity and pollution tax costs were lower.

€ thousand	4 <sup>th</sup> quarter		Variance 2020/2019		
	2020	2019	2018	€	%
Water abstraction charges	-318	-314	-294	-4	-1.3%
Chemicals	-414	-408	-495	-6	-1.5%
Electricity	-754	-972	-767	218	22.4%
Pollution tax	-198	-302	-248	104	34.4%
<b>Total direct production costs</b>	<b>-1,684</b>	<b>-1,996</b>	<b>-1,804</b>	<b>312</b>	<b>15.6%</b>
Staff costs	-1,933	-1,707	-1,606	-226	-13.2%
Depreciation and amortisation	-1,457	-1,470	-1,366	13	0.9%
Construction services	-1,068	-1,655	-1,370	587	35.5%
Other costs of goods/services sold	-1,395	-1,315	-1,708	-80	-6.1%
<b>Other costs of goods/services sold total</b>	<b>-5,853</b>	<b>-6,147</b>	<b>-6,050</b>	<b>294</b>	<b>4.8%</b>
<b>Total cost of goods/services sold</b>	<b>-7,537</b>	<b>-8,143</b>	<b>-7,854</b>	<b>606</b>	<b>7.4%</b>

**Total direct production costs** (water abstraction charges, chemicals, electricity and pollution tax expenses) amounted to €1.68 million, showing a 15.6% or €0.31 million decrease compared to the equivalent period in 2019. 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 decreased by 1.5% to €0.41 million, driven mainly by on average 2% lower price and 49% lower usage of coagulant worth €0.02 million, accompanied by 29% lower usage of methanol in wastewater treatment. Lower costs from wastewater treatment were partly balanced by 2.5% higher usage of chlorine and coagulant in water treatment process.
- **Electricity** costs decreased by 22.4% to €0.75 million, driven mainly by 17.8% lower price and 23.8% lower usage of electricity in wastewater treatment process and 16.5% lower usage in water treatment area, worth €0.08 million, €0.04 million respectively.
- **Pollution Tax** cost has decreased by 34.4% to €0.20 million, due to new Water permit from 2019 Q4, that has changed the calculation method for pollution tax to be calculated quarterly instead of annually.

**Other costs of goods sold** (staff costs, depreciation, construction services related costs and other costs of goods sold) amounted to €5.85 million, having decreased by 4.8% or €0.29 million. The decrease was influenced by lower construction services related costs and balanced by higher staff expense due following reasons:

- **Staff costs** increased by 13.2% to €1.93 million. It was driven by higher number of staff (8 employees more than in the 4<sup>th</sup> quarter of 2019) and change of salaries from the beginning of the year for all employees by CPI.

- **Construction services costs** decreased by 35.5% to €1.07 million, mainly due to lower construction services revenues mentioned earlier.
- **Other costs of goods/services sold** increased by 6.1% to €1.39 million, mainly because of higher asset maintenance costs.

As a result of all above the **Group's gross profit** for the 4<sup>th</sup> quarter of 2020 was €5.64 million, showing a decrease of 29.4% or €2.35 million, compared to the gross profit of €7.98 million for the comparative period of 2019.

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

**Administrative and marketing expenses** decreased by 23.0% or €0.31 million amounting to €1.06 million, compared to 4<sup>th</sup> quarter of 2019.

**Other income and expenses** amounted to net income of €1.18 million, compared to net income of €4.46 million in comparative period. The change was mostly impacted by positive change in provision formed for potential third party claims in 2019 in amount of €4.63 million compared to €1.20 million in 2020. The provision takes into account 24 months (in 2019 yearend 3 years or 36 months) of possible difference in the prices between the tariffs approved by the City of Tallinn in 2010 and the best understanding of CA methodology. Still, the Company does not consider itself liable to customers for any claims related to the tariffs applied until the new tariffs were approved by the CA. See additional information in Note 6 to the abbreviated accounts.

#### *OPERATING PROFIT*

As a result of the factors listed above the Group's **operating profit** for the 4<sup>th</sup> quarter of 2020 amounted to €5.76 million, being 48.0% or €5.31 million lower than in the corresponding period of 2019. Eliminating the effect of the change of provision for the possible third-party claims the operating profit for the 4<sup>th</sup> quarter of 2020 and 2019 would have been €4.55 million and €6.44 million, being lower by 29.3% or €1.88 million year-on-year.

#### *FINANCIAL EXPENSES*

**The Group's net financial income and expenses** have resulted a net expense of €0.11 million, compared to the same level of net expense in the 4<sup>th</sup> quarter of 2019. The numbers were derived from lower interest costs that were related to lower interest margin of 2019 NIB loan agreement at the same time SWAP agreements providing positive fair value.

The standalone swap agreements were signed to mitigate the long-term floating interest risk. The interest swap agreements were signed for €37.5 million and ended in November 2020, €50.22 million are with floating interest rate. By the end of 4<sup>th</sup> quarter 2020, the whole loan amount of €87.72 million is bearing a floating interest rate. Effective interest rate of loans (incl. swap interests) in the 4<sup>th</sup> quarter of 2020 was 0.65%, amounting to interest costs of €0.14 million, compared to the effective interest rate of 0.90% and the interest costs of €0.15 million in the 4<sup>th</sup> quarter of 2019.

#### *PROFIT BEFORE TAXES AND NET PROFIT*

The Group's **net profit** for the 4<sup>th</sup> quarter of 2020 was €5.39 million, being 50.8% or €5.56 million lower than for the comparative period of 2019. The decrease in net profit was mainly impacted by changes in operating profit and net financial expenses. Eliminating the effects of the change of the fair value of swap contracts and the change of provision for the possible third-party claims, the Group's net profit for the 4<sup>th</sup> quarter of 2020 would have been €4.16 million compared to net profit of €6.23 million in 2019, showing a decrease of 33.2% or €2.07 million year-on-year.

## FINANCIAL RESULTS FOR THE TWELVE MONTHS OF 2020

### Statement of comprehensive income

#### SALES

During the twelve months of 2020 the **Group's total sales** were €51.72 million, showing a decrease by 18.5% or €11.71 million year-on-year. **Sales from water services** for twelve months of 2020 were 45.80 million, decreasing by 19.5% or €11.07 million year-on-year. 88.6% of sales comprise of sales of water services within and outside of the service area, 10.1% from construction services and 1.3% from other services.

€ thousand	12 months			Variance 2020/2019	
	2020	2019	2018	€	%
Water supply service	8,106	13,781	14,179	-5,675	-41.2%
Wastewater disposal service	12,048	11,719	11,586	329	2.8%
<b>Total from private customers</b>	<b>20,154</b>	<b>25,500</b>	<b>25,765</b>	<b>-5,346</b>	<b>-21.0%</b>
Water supply service	7,209	11,482	11,733	-4,273	-37.2%
Wastewater disposal service	7,417	9,317	9,513	-1,900	-20.4%
<b>Total from commercial customers</b>	<b>14,626</b>	<b>20,799</b>	<b>21,246</b>	<b>-6,173</b>	<b>-29.7%</b>
Water supply service	1,593	1,622	1,465	-29	-1.8%
Wastewater disposal service	3,298	3,193	2,893	105	3.3%
Storm water disposal service	291	426	322	-135	-31.7%
<b>Total from outside service area customers</b>	<b>5,182</b>	<b>5,241</b>	<b>4,680</b>	<b>-60</b>	<b>-1.1%</b>
Storm water treatment and disposal and fire hydrants service	4,588	4,002	3,562	586	14.6%
Overpollution charges and discharging	1,250	1,324	960	-74	-5.6%
<b>Total from water services</b>	<b>45,800</b>	<b>56,866</b>	<b>56,213</b>	<b>-11,066</b>	<b>-19.5%</b>
Construction services	5,222	5,960	5,950	-738	-12.4%
Other services	695	597	617	98	16.4%
<b>TOTAL REVENUE</b>	<b>51,717</b>	<b>63,423</b>	<b>62,780</b>	<b>-11,706</b>	<b>-18.5%</b>

During the twelve months of 2020 there has been a decrease in **sales to private customers** by 21.0% to €20.15 million that is mainly related to the 27% lower water services tariffs from 1/12/2019, accompanied by 5.2% increase in consumption, worth -€6.67 million and +€1.33 million respectively. Higher sales in domestic customer consumption volumes came mainly from apartment blocks, which is also our biggest private customer group, and were accompanied by individual houses.

Also the **sales to commercial customers** within the service area has decreased by 29.7% to €14.63 million. The decrease is related to the 15% lower water services tariffs from 1/12/2019, accompanied by 18.5% decrease in consumption, worth -€2.31 million and -€3.86 million respectively. Lower sales in commercial customers is related to decrease in the sales of all commercial customer segments by reasons mentioned the in the 4<sup>th</sup> quarter results.

Sales to **customers outside the main service area** decreased by 1.1% to €5.18 million, being impacted by a decrease in the sales of water and storm water services and water supply services and were partly balanced by higher wastewater service revenues, being also mainly impacted by changes of tariffs, balanced by higher water and stormwater volumes.

**Sales from the operation and maintenance of the main service area storm water and fire hydrants system** in the twelve months of 2020 amounted to €4.58 million, showing an increase of 14.6% or €0.58 million year-on-year, driven mainly by averagely 10% higher storm water volumes, balanced by lower cost per m3.

**Overpollution charges and discharging** revenues received have decreased by 5.6% to €1.25 million.

Sales of **construction services** were €5.22 million, decreasing by 12.4% or €0.74 million year-on-year. The decrease was mainly related to lower pipe construction service as the Company continued some major projects in Tallinn and other parts of Estonia, won in 2019, and had a setback in revenues in the 4<sup>th</sup> quarter of 2020 because of reasons mentioned in the 4<sup>th</sup> quarter results.

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

€ thousand	12 months			Variance 2020/2019	
	2020	2019	2018	€	%
Water abstraction charges	-1,237	-1,219	-1,187	-18	-1.5%
Chemicals	-1,567	-1,664	-1,744	97	5.8%
Electricity	-3,256	-3,566	-2,849	310	8.7%
Pollution tax	-989	-1,089	-963	100	9.2%
<b>Total direct production costs</b>	<b>-7,049</b>	<b>-7,538</b>	<b>-6,743</b>	<b>489</b>	<b>6.5%</b>
Staff costs	-7,247	-6,602	-6,283	-645	-9.8%
Depreciation and amortisation	-5,521	-5,420	-5,177	-101	-1.9%
Construction services	-4,256	-5,096	-5,204	840	16.5%
Other costs of goods/services sold	-5,418	-4,814	-5,187	-604	-12.5%
<b>Other costs of goods/services sold total</b>	<b>-22,442</b>	<b>-21,932</b>	<b>-21,851</b>	<b>-510</b>	<b>-2.3%</b>
<b>Total cost of goods/services sold</b>	<b>-29,491</b>	<b>-29,470</b>	<b>-28,594</b>	<b>-21</b>	<b>-0.1%</b>

During the twelve months of 2020 **the cost of goods and services sold** amounted to €29.49 million, decreasing by 0.1% or €0.02 million compared to the equivalent period in 2019. **Total direct production costs** (water abstraction charges, chemicals, electricity and pollution tax expenses) amounted to €7.05 million, showing a 6.5% or €0.49 million decrease compared to the equivalent period in 2019. 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:

- **Water abstraction charges** increased by 1.5% to €1.24 million, driven mainly by higher abstracted water volumes to water treatment process.
- **Chemicals** costs decreased by 5.8% to €1.57 million, driven mainly by on average 28% lower price of methanol, accompanied by lower usage of methanol and polymer in wastewater treatment to remove Nitrogen and Phosphorus, worth €0.13 million and €0.03 million respectively. Lower costs from wastewater treatment were partly balanced by higher usage of coagulant in water treatment process, worth -€0.07 million.
- Expenses for **Electricity** dropped by 8.7% or €0.31 million resulting in costs worth of €3.25 million mainly due to 9.2% lower price and lower usage of electricity in wastewater treatment plant.

**Other costs of goods sold** (staff costs, depreciation, construction and asphaltting services costs and other costs of goods sold) amounted to €22.44 million, having increased by 2.3% or €0.51 million. The increase in other costs of goods sold were mainly driven by 12.5% higher other costs of goods and services sold which amounted to €5.42 million and 9.8% higher staff costs amounting to €7.25 million by the same reasons mentioned in the

4<sup>th</sup> quarter results. In addition, it was accompanied by 16.5% lower construction services related costs amounting to €4.25 million.

The **Group's gross profit** for the twelve months of 2020 was €22.23 million, showing a decrease of 34.5% or €11.73 million compared to the comparative period of 2019. The **Group's operating profit** for the twelve months of 2020 amounted to €21.78 million, being 32.1% or €10.29 million lower than in the corresponding period of 2019, being mainly impacted by lower water services revenues from main service area because of new tariff valid from 1/12/2019 and lower commercial customer consumption, change of provision for the possible third-party claims mentioned in the 4<sup>th</sup> quarter results and lower tariff dispute related legal costs resulting from the ICSID award in June 2019 according to which the Company was liable to pay for 25% of Estonian legal costs related to this matter. Eliminating the effect of the change of provision for the possible third-party claims the operating profit for 2020 and 2019 would have been €16.97 million and €27.45 million, being lower by 38.2% or €10.48 million year-on-year.

### *FINANCIAL EXPENSES*

The **Group's net financial income and expenses** have resulted a net expense of €0.44 million, compared to net expense of €0.77 million in the twelve months of 2019. The decrease was impacted by lower interest costs and higher positive change in the fair value of the swap contracts year-on-year, worth €0.48 million and €0.18 million respectively.

### *PROFIT BEFORE TAXES AND NET PROFIT*

The **Group's profit before taxes** for the twelve months of 2020 were €21.34 million, being 31.8% or €9.96 million lower than for the relevant period of 2019. The **Group's net profit** for the twelve months of 2020 were €16.73 million, being 39.7% or €11.03 million lower than for the equivalent period of 2019. Eliminating the effects of the change of the derivatives fair value and the change of provision for the possible third-party claims the Group's net profit for the twelve months of 2020 would have been €11.70 million, showing a decrease by 49.1% or €11.28 million year-on-year.

### *Statement of financial position*

In the twelve months of 2020 **the Group invested into fixed assets** €19.42 million. As of 31/12/2020, non-current tangible assets amounted to €201.07 million and total non-current assets amounted to €203.43 million (31/12/2019: €189.63 million and €190.34 million respectively).

Compared to the year end of 2019 **the trade receivables, accrued income and prepaid expenses** have shown a decrease in the amount of €0.22 million to €7.02 million. Decrease mainly derives from lower water and construction services related trade receivables and lower accrued income, by €0.44 million and €0.06 million respectively. The collectability rate continues to be high at 99.55% level, as of December 2019 the collectability rate was 99.73%.

**Current liabilities** have increased by €0.31 million to €13.55 million compared to the year end of 2019, mainly deriving from investments related trade payables.

**Deferred income from connection fees** has grown compared to the end of 2019 by €3.49 million to €34.56 million.

**Provision for possible third-party claims** has decreased compared to the end of 2019 by €4.81 million to €9.63 million by changes mentioned in the section of 4<sup>th</sup> quarter Other income and expenses results. More detailed information about the provision is presented in Note 6 to the financial statements.

The Group's **loan balance** has decreased, being €87.72 million. In May 2019 the Company started to return the old NIB loan with 11 equal semi-annual payments. The weighted average loan interest risk margin is 0.66%.

The Group has a **Total debt to assets** level of 56.09%, in range of 55%-65%, reflecting the Group's equity profile. In comparative period of 2019, the total debt to assets ratio was 56.05%.

**Deferred Tax Liability** is recorded according to International Financial Reporting Standards (IFRS) Interpretation Committee agenda decision in June 2020, according to which deferred tax shall be recognized for all taxable differences associated with investments in subsidiaries unless it is probable that the profits will not be distributed in the foreseeable future (IAS 12.39-40). AS Tallinna Vesi has assessed the impact of the IFRS Interpretation Committee agenda decision and has reached a conclusion of the amount not being

material, therefore no correction into previous reporting periods is made and the total impact of deferred tax amount is recognized in financial statements for the year 2020.

## Cash flow

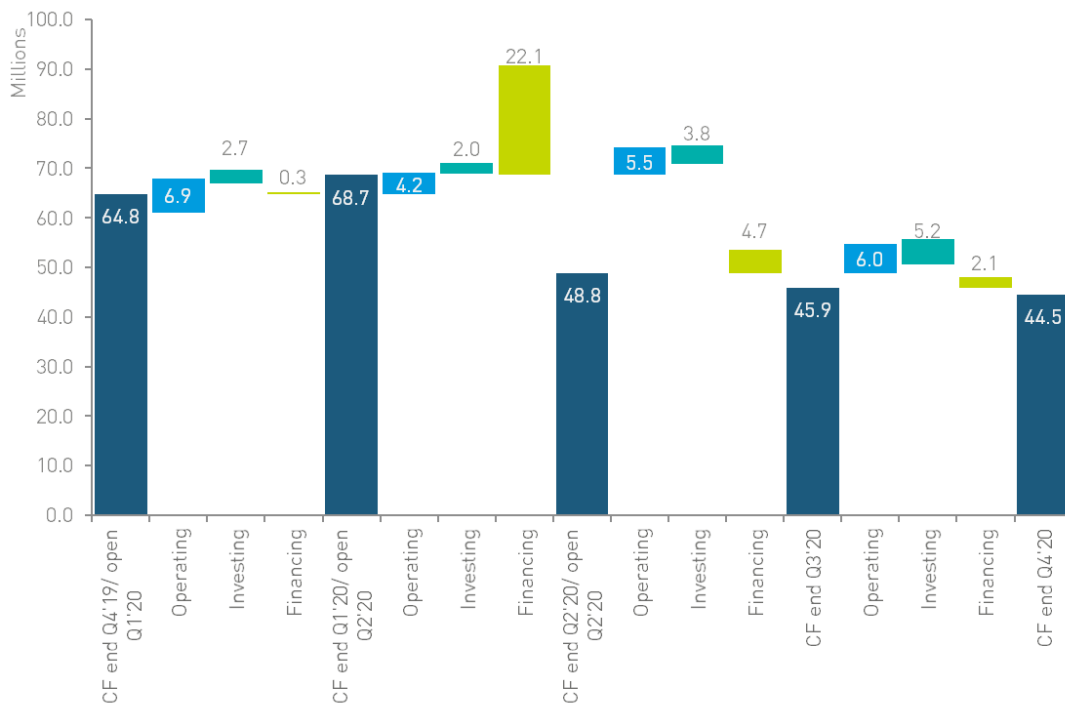
As of 31/12/2020, the cash position of the Group is strong. At the end of December 2020, the cash balance of the Group stood at €44.51 million, which is 17.4% of the total assets (31/12/2019: €64.78 million, forming 24.6% of the total assets).

The biggest contribution to the cash flows comes from main operations. During the twelve months of 2020, the Group generated €22.62 million of **cash flows from operating activities**, a decrease of €11.40 million compared to the corresponding period in 2019. Underlying operating profit continues to be the main contributor to operating cash flows.

In the twelve months of 2020 the result of **net cash flows from investing activities** was a cash outflow of €13.62 million, an increase of €6.25 million compared to the cash outflow of €7.37 million in the twelve months of 2019. This is made up as follows:

- The cash outflows from investments in fixed assets have increased by €5.24 million compared to 2019 amounting to €15.68 million.
- The compensations received for pipe construction were €1.99 million, showing a decrease of €1.01 million compared to the same period of 2019.

In the twelve months of 2020 **cash outflow from financing activities** amounted to €29.26 million, increasing by €5.62 million compared to the same period in 2019. The change was mainly related to higher dividend payment, balanced partly by lower interest payments, by +€4.92 million and -€0.34 million respectively.



## EMPLOYEES

We believe it is important to treat our employees equally, involve them in the decision-making process and to inform them regularly. We consider the involvement of our staff in the decision-making process instrumental for them to understand and be able to support the Company in its pursuits. Our staff can vary to a large degree in age, nationality, nature of work and in many other aspects. This requires us to be resourceful and flexible in our communication with the staff in order to involve, engage and listen to them. This is done using several means and channels of communication, such as regular staff meetings with the management, bulletin boards, intranet, informative letters, team events and a quarterly internal newsletter. Estonian is not

the communication language for quite a number of our staff. Therefore, we have organized Estonian language classes at the Company's expense to make the staff, whose mother tongue is not Estonian, also feel as part of our unified team. At the same time, we provide the majority of important information also in Russian.

We have described our human resource policies. We follow equality principles in selecting and managing people, which translates into providing, when feasible, equal opportunities to everyone. 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.

Considering the spread of coronavirus, it is even more important than usual for us to keep our employees informed about developments in the company. We use various channels for doing that (listed above). In addition to the traditional channels of information, we also prepared a video in both Estonian and Russian about the related rearrangements in the company and distributed it among the staff. Also, a virtual appreciation gala was organised to appraise our best employees of the 2020 at Tallinna Vesi and Watercom.

The corona crisis has significantly changed the daily working arrangements in our company, and many employees began to perform their tasks remotely. Currently, working remotely has become a part of our daily lives. To support our employees, we have put in place the "Remote Working Rules" summarising the key topics. Another document "Risk Assessment for Remote Working" has been prepared as a tool used in assessing the risks at the place where remote work is performed. Both documents are reviewed and discussed with managers as well as signed by each employee working remotely. Furthermore, various useful documents of supporting information are available in the company's Intranet under the section "Remote Work". The implementation of remote working in the company was also one of the key subjects raised in the 2020 Employee Satisfaction Survey. Corona crisis has also changed skills workers ways of working, many of them work now temporally in shifts until to end of corona crisis to ensure the safety of people and an uninterrupted work process.

At the end of the 4<sup>th</sup> quarter of 2020, the total number of employees was 333 compared to 325 at the end of the same period in 2019. The full time equivalent (FTE) was 318 and 314 respectively. Average number of employees during the twelve months was 332 in 2020 and 321 in 2019 respectively.

By gender, employee allocation was as follows:

	As of 31/12/2020			As of 31/12/2019		
	Women	Men	Total	Women	Men	Total
<b>Group</b>	<b>92</b>	<b>241</b>	<b>333</b>	<b>89</b>	<b>236</b>	<b>325</b>
Management Team	14	18	32	13	16	29
Executive Team	4	5	9	5	4	9
Management Board	1	2	3	1	2	3
Supervisory Board	1	8	9	1	8	9

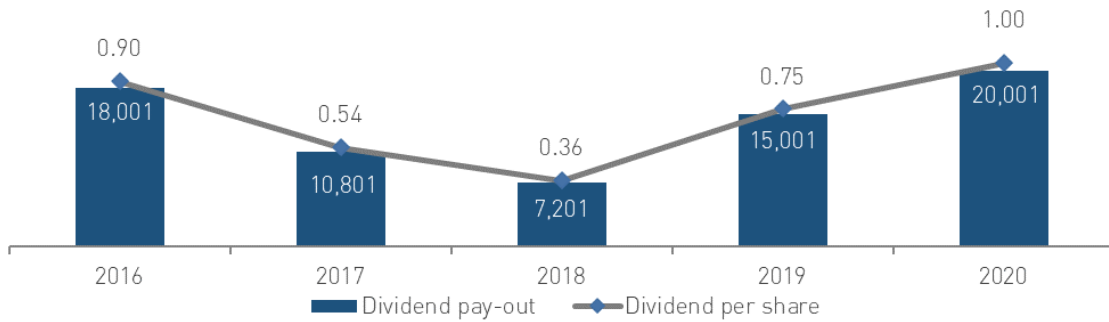
The total salary costs were €2.66 million for the 4<sup>th</sup> quarter of 2020, including €0.05 million paid to Management and Supervisory Council members (excluding social taxes). The contingent liability in case the Council should want to replace the current Management Board members is €0.09 million.

## 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 voting to the Annual General Meeting of shareholders, considering all circumstances. In the Annual General Meeting held on 28/05/2020, the Supervisory Board proposed to pay out €1.00 per A-share and €600 per B-share, which is equal to 72.0% of earnings per share in 2019. The proposal was approved by Annual General Meeting and the dividend payout was made on 26/06/2020.

Dividend payouts in last five years have been as follows:



## Dividend policy

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

## SHARE PERFORMANCE

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

As of 31/12/2020, AS Tallinna Vesi shareholders, with a direct holding over 5%, were:

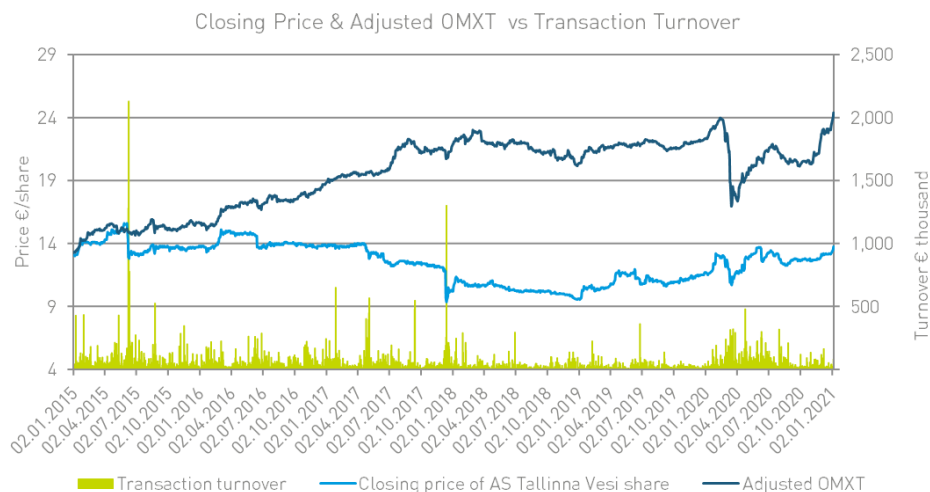
- United Utilities (Tallinn) BV (35.3%)
- City of Tallinn (34.7%)

During the twelve months of 2020 the shareholder structure has been relatively stable compared to the end of 2019. At the end of the 4<sup>th</sup> quarter of 2020, the pension funds shareholding has slightly decreased, being 0.69% of the total shares compared to 0.97% at the end of 2019.

At 31/12/2020, the closing price of AS Tallinna Vesi share was €13.25, which is 4.33% (2019: +7.83%) higher compared to the closing price of €12.70 at the end of the previous quarter. During the 4<sup>th</sup> quarter the OMX Tallinn index increased by 16.15% (2019: +3.60%).

In twelve months of 2020, 22,812 deals with the Company's shares were concluded (2019: 3,996 deals) during which 1.403 million shares or 7.0% of total shares exchanged their owners (2019: 595 thousand shares or 3.0%).

The turnover of the transactions was €11.01 million higher than in 2019 comparative period, amounting to €17.49 million.





## CORPORATE STRUCTURE

As of 31/12/2020, the Group consisted of 2 companies. The subsidiary Watercom OÜ is 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 AS Tallinna Vesi's articles of association Supervisory Council consists of 9 members, who are elected or appointed for two years. The following change took place in the Supervisory Council members in 2020: On 1/09/20, Mr Thomas Wright Lissett was appointed as a member of Supervisory Council with the term until 1/09/22 due to ended term of Supervisory Council member Mr Keith Haslett.

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

Further information about the Supervisory Council and committees can be found in the note 15 to the financial statements as well as on the Company's webpage:

[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 and Supervisory Boards are collaborating extensively. Meetings of Management Board and Supervisory Council members are held 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 fulfilment of the Company's short and long-term goals is discussed and the risks impacting them. 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 2-5 members, who are elected for 3 years.

Starting from 1/01/2020, there are 3 members in the Management Board of AS Tallinna Vesi: Karl Heino Brookes (Chairman of the Board, with the powers of the Management Board Member until 21/03/2023), Aleksandr Timofejev (with the powers of the Management Board Member until 29/10/2021) and Kristi Ojakäär (with the powers of the Management Board Member until 1/01/2023).

Further information on the members of the Management Board can be found on the Company's website:

[About us > Management board](#)

#### Additional information:

Karl Heino Brookes

Chairman of the Management Board

+372 62 62 200

[karl.brookes@tvesi.ee](mailto:karl.brookes@tvesi.ee)

## MANAGEMENT CONFIRMATION

The Management Board has prepared the consolidated interim accounts of AS Tallinna Vesi (the Company) and its subsidiary OÜ Watercom (together the Group) in the form of consolidated condensed financial statements for the 12 months period of financial year 2020 ended 31 December 2020. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 31 December 2020 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.

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 29 January 2021 have been considered in preparing the financial statements.

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

**Karl Heino Brookes**

Chairman of the Management Board  
Chief Executive Officer

**Aleksandr Timofejev**

Member of the Management Board  
Chief Operating Officer

**Kristi Ojakäär**

Member of the Management Board  
Chief Financial Officer

29 January 2021

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand		as of 31 December	
ASSETS	Note	2020	2019
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	44 514	64 775
Trade receivables, accrued income and prepaid expenses		7 019	7 239
Inventories		701	504
<b>TOTAL CURRENT ASSETS</b>		<b>52 234</b>	<b>72 518</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	202 802	189 627
Intangible assets	5	629	710
<b>TOTAL NON-CURRENT ASSETS</b>		<b>203 431</b>	<b>190 337</b>
<b>TOTAL ASSETS</b>		<b>255 665</b>	<b>262 855</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Current portion of long-term lease liabilities		393	352
Current portion of long-term loans		3 630	3 631
Trade and other payables		7 084	6 717
Derivatives		0	221
Prepayments		2 445	2 323
<b>TOTAL CURRENT LIABILITIES</b>		<b>13 552</b>	<b>13 244</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income from connection fees		34 564	31 070
Leases		1 400	964
Loans		83 978	87 592
Provision for possible third party claims	6	9 628	14 442
Deferred tax liability		255	0
Other payables		32	18
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>129 857</b>	<b>134 086</b>
<b>TOTAL LIABILITIES</b>		<b>143 409</b>	<b>147 330</b>
<b>EQUITY</b>			
Share capital		12 000	12 000
Share premium		24 734	24 734
Statutory legal reserve		1 279	1 279
Retained earnings		74 243	77 512
<b>TOTAL EQUITY</b>		<b>112 256</b>	<b>115 525</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>255 665</b>	<b>262 855</b>

Notes to the consolidated financial statements on pages 5 to 15 form an integral part of the condensed financial statements.

AS TALLINNA VESI  
CONSOLIDATED UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE 12 MONTHS PERIOD OF FINANCIAL YEAR 2020 ENDED 31 DECEMBER 2020

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand		Quarter 4		for the year ended 31 December	
	Note	2020	2019	2020	2019
Revenue	7	13 172	16 122	51 717	63 423
Cost of goods and services sold	9	-7 537	-8 143	-29 491	-29 470
<b>GROSS PROFIT</b>		<b>5 635</b>	<b>7 979</b>	<b>22 226</b>	<b>33 953</b>
Marketing expenses	9	-113	-93	-433	-390
General administration expenses	9	-945	-1 281	-4 576	-5 689
Other income (+)/expenses (-)	10	1 180	4 457	4 567	4 201
<b>OPERATING PROFIT</b>		<b>5 757</b>	<b>11 062</b>	<b>21 784</b>	<b>32 075</b>
Financial income	11	3	8	31	38
Financial expenses	11	-116	-118	-473	-809
<b>PROFIT BEFORE TAXES</b>		<b>5 644</b>	<b>10 952</b>	<b>21 342</b>	<b>31 304</b>
Income tax	12	-255	0	-4 610	-3 544
<b>NET PROFIT FOR THE PERIOD</b>		<b>5 389</b>	<b>10 952</b>	<b>16 732</b>	<b>27 760</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>5 389</b>	<b>10 952</b>	<b>16 732</b>	<b>27 760</b>
Attributable profit to:					
Equity holders of A-shares		5 388	10 951	16 731	27 759
B-share holder		0,60	0,60	0,60	0,60
Earnings per A share (in euros)	13	0,27	0,55	0,84	1,39
Earnings per B share (in euros)	13	600	600	600	600

Notes to the consolidated financial statements on pages 5 to 15 form an integral part of the condensed financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand		for the year ended 31 December	
	Note	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit		21 784	32 075
Adjustment for depreciation/amortisation	4,5,9,10	6 283	6 109
Adjustment for revenues from connection fees	10	-542	-389
Other non-cash adjustments	6	-4 814	-4 624
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets		-14	138
Change in current assets involved in operating activities		140	391
Change in liabilities involved in operating activities		-215	318
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>22 622</b>	<b>34 018</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment, and intangible assets		-15 682	-10 441
Compensations received for construction of pipelines, incl connection fees		1 998	3 010
Proceeds from sale of property, plant and equipment, and intangible assets		32	24
Interest received		35	36
<b>TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>-13 617</b>	<b>-7 371</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Interest paid and loan financing costs, incl swap interests		-719	-1 056
Lease payments		-555	-404
Received loans		0	37 500
Repayment of loans		-3 636	-41 136
Dividends paid	12	-19 888	-14 965
Withheld income tax paid on dividends	12	-113	-36
Income tax paid on dividends		-4 355	-3 544
<b>TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>-29 266</b>	<b>-23 641</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>-20 261</b>	<b>3 006</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>3</b>	<b>64 775</b>	<b>61 769</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>3</b>	<b>44 514</b>	<b>64 775</b>

Notes to the consolidated financial statements on pages 5 to 15 form an integral part of the condensed financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
<b>as of 31 December 2018</b>	<b>12 000</b>	<b>24 734</b>	<b>1 279</b>	<b>64 753</b>	<b>102 766</b>
Dividends	0	0	0	-15 001	-15 001
period	0	0	0	27 760	27 760
<b>as of 31 December 2019</b>	<b>12 000</b>	<b>24 734</b>	<b>1 279</b>	<b>77 512</b>	<b>115 525</b>
Dividends	0	0	0	-20 001	-20 001
period	0	0	0	16 732	16 732
<b>as of 31 December 2020</b>	<b>12 000</b>	<b>24 734</b>	<b>1 279</b>	<b>74 243</b>	<b>112 256</b>

Notes to the consolidated financial statements on pages 5 to 15 form an integral part of the condensed financial statements.

## 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 2019. 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.

#### International Financial Reporting Standards (IFRS) Interpretation Committee agenda decision regarding deferred tax related to investments in subsidiaries

According to the paragraphs 52A and 57A of IAS 12 (International Accounting Standard 12), no current or deferred tax liability shall be recognised until a liability to pay dividends is recognised. In Estonia, such accounting principle has been applied consistently to all undistributed profits regardless of whether such profits arose in the parent or in a subsidiary. In June 2020, IFRS Interpretation Committee made an agenda decision where it concluded that the principle set out in the paragraphs 52A and 57A of the Standard IAS 12 only applies to undistributed profits accumulated in a parent company and does not apply to undistributed profits accumulated in the subsidiaries. Instead, the principles described in the paragraphs 39-40 of the Standard IAS 12 should be followed in respect of undistributed profits in subsidiaries, explaining that the deferred tax shall be recognized for all taxable differences associated with investments in subsidiaries unless it is probable that the profits will not be distributed in the foreseeable future.

AS Tallinna Vesi has assessed the impact of the IFRS Interpretation Committee agenda decision and has reached a conclusion of the amount not being material, therefore no correction into previous reporting periods is made and the total impact of deferred tax amount is recognized in financial statements for the year 2020. The Group presents the financial information in an interim report as described below.

## 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 2019, except for estimates addressed below:

- Management has developed estimates on the expected credit losses of trade receivables based on the best available information about past events, current conditions and forecasts of macroeconomic conditions related to Covid-19 outbreak. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2020, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of Estonia in which it sells its goods and services to be the most relevant factors, and has accordingly adjusted the historical loss rates based on expected changes in these factors. As at 31 December 2020, Management of the Group has assessed the expected credit loss related to Covid-19 outbreak to be €60 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 €24.1 million (as of 31 December 2019: €36.1 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 24 months (as of 31 December 2019: 36 months), being the approximate remaining unexpired term of potential claims. The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €9.6 million (as of 31 December 2019: €14.4 million). As of 31 December 2020, claims totalling €1.1 million have been filed within one application. The Company does not admit any liability and fully rejects it.

### NOTE 3. CASH AND CASH EQUIVALENTS

	as of 31 December	
€ thousand	2020	2019
Cash in hand and in bank	20 514	43 175
Short-term deposits	24 000	21 600
<b>Total cash and cash equivalents</b>	<b>44 514</b>	<b>64 775</b>

### NOTE 4. PROPERTY, PLANT AND EQUIPMENT

	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>€ thousand</b>							
<b>as of 31 December 2018</b>							
Acquisition cost	26 500	215 059	49 933	3 199	0	0	294 691
Accumulated depreciation	-7 114	-70 993	-37 399	0	0	0	-115 506
<b>Net book value</b>	<b>19 386</b>	<b>144 066</b>	<b>12 534</b>	<b>3 199</b>	<b>0</b>	<b>0</b>	<b>179 185</b>
<b>Transactions in the period 1 January 2019 - 31 December 2019</b>							
Reclassification on 1 January 2019 (IFRS 16)	0	0	-823	-26	1 525	26	702
Acquisition in book value	0	0	0	15 606	0	237	15 843
Write off and sale of property, plant and equipment in residual value	-7	-130	-20	0	-37	0	-194
Reclassification	245	14 829	1 245	-16 323	262	-262	-4
Depreciation	-321	-3 342	-1 870	0	-372	0	-5 905
<b>as of 31 December 2019</b>							
Acquisition cost	26 688	229 228	48 552	2 456	2 493	1	309 418
Accumulated depreciation	-7 385	-73 805	-37 486	0	-1 115	0	-119 791
<b>Net book value</b>	<b>19 303</b>	<b>155 423</b>	<b>11 066</b>	<b>2 456</b>	<b>1 378</b>	<b>1</b>	<b>189 627</b>
<b>Transactions in the period 1 January 2020 - 31 December 2020</b>							
Acquisition in book value	0	0	0	18 336	0	951	19 287
Write off and sale of property, plant and equipment in residual value	0	0	0	0	-23	0	-23
Reclassification	191	10 682	1 418	-11 993	629	-952	-25
Depreciation	-296	-3 536	-2 013	0	-219	0	-6 064
<b>as of 31 December 2020</b>							
Acquisition cost	26 875	239 412	49 029	8 799	2 793	0	326 908
Accumulated depreciation	-7 677	-76 843	-38 558	0	-1 028	0	-124 106
<b>Net book value</b>	<b>19 198</b>	<b>162 569</b>	<b>10 471</b>	<b>8 799</b>	<b>1 765</b>	<b>0</b>	<b>202 802</b>

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

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



## NOTE 5. INTANGIBLE ASSETS

€ thousand	Acquired licenses and other intangible assets	Unfinished intangible assets	Total intangible assets
<b>as of 31 December 2018</b>			
Acquisition cost	4 206	50	4 256
Accumulated depreciation	-3 591	0	-3 591
<b>Net book value</b>	<b>615</b>	<b>50</b>	<b>665</b>
<b>Transactions in the period 1 January 2019 - 31 December 2019</b>			
Acquisition in book value	0	249	249
Reclassification	288	-288	0
Depreciation	-204	0	-204
<b>as of 31 December 2019</b>			
Acquisition cost	4 463	11	4 474
Accumulated depreciation	-3 764	0	-3 764
<b>Net book value</b>	<b>699</b>	<b>11</b>	<b>710</b>
<b>Transactions in the period 1 January 2020 - 31 December 2020</b>			
Acquisition in book value	0	138	138
Reclassification	119	-119	0
Depreciation	-219	0	-219
<b>as of 31 December 2020</b>			
Acquisition cost	4 582	30	4 612
Accumulated depreciation	-3 983	0	-3 983
<b>Net book value</b>	<b>599</b>	<b>30</b>	<b>629</b>

## 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 €24.1 million (as of 31 December 2019: €36.1 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 24 months (as of 31 December 2019: 36 months), being the approximate remaining unexpired term of potential claims.

The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €9.6 million (as of 31 December 2019: €14.4 million). As of 31 December 2020, claims totalling €1.1 million have been filed within one application. 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.

€ thousand	Water services	Const- ruction services	Other services	Inter- segment transactions	Total segments
<b>1 January 2020 - 31 December 2020</b>					
External revenue	45 800	5 222	695	0	51 717
Inter-segment revenue	1	3 481	3 421	-6 903	0
<b>Total segment revenue</b>	<b>45 801</b>	<b>8 703</b>	<b>4 116</b>	<b>-6 903</b>	<b>51 717</b>
<b>Segment's gross profit</b>	<b>19 614</b>	<b>409</b>	<b>2 768</b>	<b>-565</b>	<b>22 226</b>
<b>Unallocated expenses:</b>					
Marketing and Administrative expenses					-5 325
Other income/expenses					4 567
<b>Operating profit</b>					<b>21 468</b>
<b>1 January 2019 - 31 December 2019</b>					
External revenue	56 866	5 960	597	0	63 423
Inter-segment revenue	1	2 740	3 399	-6 140	0
<b>Total segment revenue</b>	<b>56 867</b>	<b>8 700</b>	<b>3 996</b>	<b>-6 140</b>	<b>63 423</b>
<b>Segment's gross profit</b>	<b>32 982</b>	<b>329</b>	<b>1 253</b>	<b>-611</b>	<b>33 953</b>
<b>Unallocated expenses:</b>					
Marketing and Administrative expenses					-6 079
Other income/expenses					4 201
<b>Operating profit</b>					<b>32 075</b>

AS TALLINNA VESI

CONSOLIDATED UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE 12 MONTHS PERIOD OF FINANCIAL YEAR 2020 ENDED 31 DECEMBER 2020

### Revenue by activities

€ thousand	Quarter 4		for the year ended 31 December	
	2020	2019	2020	2019
<b>Water services</b>				
Water supply service	2 061	3 083	8 106	13 781
Wastewater disposal service	3 066	2 966	12 048	11 719
<b>Total from private customers</b>	<b>5 127</b>	<b>6 049</b>	<b>20 154</b>	<b>25 500</b>
Water supply service	1 882	2 728	7 209	11 482
Wastewater disposal service	1 932	2 403	7 417	9 317
<b>Total from corporate customers</b>	<b>3 814</b>	<b>5 131</b>	<b>14 626</b>	<b>20 799</b>
Water supply service	414	392	1 593	1 622
Wastewater disposal service	840	841	3 298	3 193
Storm water disposal service	74	148	291	426
<b>Total from outside service area customers</b>	<b>1 328</b>	<b>1 381</b>	<b>5 182</b>	<b>5 241</b>
Storm water treatment and disposal service and fire hydrants service	1 016	1 153	4 588	4 002
Overpollution charges and discharging	367	318	1 250	1 324
<b>Total from water services</b>	<b>11 652</b>	<b>14 032</b>	<b>45 800</b>	<b>56 866</b>
<b>Construction services</b>	<b>1 309</b>	<b>1 899</b>	<b>5 222</b>	<b>5 960</b>
<b>Other services</b>	<b>211</b>	<b>191</b>	<b>695</b>	<b>597</b>
<b>Total revenue</b>	<b>13 172</b>	<b>16 122</b>	<b>51 717</b>	<b>63 423</b>

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

### NOTE 8. STAFF COSTS

€ thousand	Quarter 4		for the year ended 31 December	
	2020	2019	2020	2019
Salaries and wages	-1 986	-1 735	-7 417	-6 762
Social security and unemployment insurance ta	-672	-587	-2 509	-2 286
<b>Staff costs total</b>	<b>-2 658</b>	<b>-2 322</b>	<b>-9 926</b>	<b>-9 048</b>
<b>Average number of employees during the reporting period</b>	<b>335</b>	<b>325</b>	<b>332</b>	<b>321</b>

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

€ thousand	Quarter 4		for the year ended 31 December	
	2020	2019	2020	2019
<b>Cost of goods and services sold</b>				
Water abstraction charges	-318	-314	-1 237	-1 219
Chemicals	-414	-408	-1 567	-1 664
Electricity	-754	-972	-3 256	-3 566
Pollution tax	-198	-302	-989	-1 089
Staff costs	-1 933	-1 707	-7 247	-6 602
Depreciation and amortization	-1 457	-1 470	-5 521	-5 420
Construction services	-1 068	-1 655	-4 256	-5 096
Other costs	-1 395	-1 315	-5 418	-4 814
<b>Total cost of goods and services sold</b>	<b>-7 537</b>	<b>-8 143</b>	<b>-29 491</b>	<b>-29 470</b>
<b>Marketing expenses</b>				
Staff costs	-100	-78	-370	-318
Other marketing expenses	-13	-15	-63	-72
<b>Total marketing expenses</b>	<b>-113</b>	<b>-93</b>	<b>-433</b>	<b>-390</b>
<b>Administrative expenses</b>				
Staff costs	-625	-537	-2 309	-2 128
Depreciation and amortization	-82	-86	-333	-335
Other general administration expenses	-238	-658	-1 934	-3 226
<b>Total administrative expenses</b>	<b>-945</b>	<b>-1 281</b>	<b>-4 576</b>	<b>-5 689</b>

## NOTE 10. OTHER INCOME/EXPENSES

€ thousand	Quarter 4		for the year ended 31 December	
	2020	2019	2020	2019
Connection fees	201	112	542	389
Depreciation of single connections	-112	-97	-429	-354
Doubtful receivables expenses (-)/ expense reduction (+)	7	-2	-64	20
Provision for possible third party claims (Note 6)	1 204	4 626	4 814	4 626
Other income (+)/expenses (-)	-120	-182	-296	-480
<b>Total other income / expenses</b>	<b>1 180</b>	<b>4 457</b>	<b>4 567</b>	<b>4 201</b>

## NOTE 11. FINANCIAL INCOME AND EXPENSES

€ thousand	Quarter 4		for the year ended 31 December	
	2020	2019	2020	2019
Interest income	3	8	31	38
Interest expense, loan	-112	-153	-487	-714
Interest expense, swap	-27	-56	-185	-230
Increase (+)/decrease (-) of fair value of swap	28	99	221	159
Other financial income (+)/expenses (-)	-5	-8	-22	-24
<b>Total financial income / expenses</b>	<b>-113</b>	<b>-110</b>	<b>-442</b>	<b>-771</b>

## NOTE 12. DIVIDENDS

€ thousand	for the year ended 31 December	
	2020	2019
Dividends declared during the period	20 001	15 001
Dividends paid during the period	19 888	14 965
Withheld income tax on dividends	113	36
Income tax on dividends paid	4 355	3 544
Dividends declared per shares:		
Dividends per A-share (in euros)	1,00	0,75
Dividends per B-share (in euros)	600	600

Dividend income tax rate in 2020 is 20/80 (in 2019: 20/80), but for dividend payments in the amount of up to the average taxed dividend payment during the three preceding years, the income tax rate 14/86 is applied. When calculating the average dividend payment of the three preceding years, 2018 is the first year to be taken into account. In addition, for dividends payable to natural persons, income tax at a rate of 7% is withheld on dividends taxed with a lower income tax rate.

## NOTE 13. EARNINGS PER SHARE

€ thousand	Quarter 4		for the year ended 31 December	
	2020	2019	2020	2019
Net profit minus B-share preferred dividend rights	5 388	10 951	16 731	27 759
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20 000 000	20 000 000	20 000 000	20 000 000
Earnings per A share (in euros)	0,27	0,55	0,84	1,39
Earnings per B share (in euros)	600	600	600	600

Diluted earnings per share for the periods ended 31 December 2020 and 2019 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

€ thousand	as of 31 December	
	2020	2019
Accounts receivable	1 390	531
Trade and other payables	185	184

Transactions € thousand	Quarter 4		for the year ended 31 December	
	2020	2019	2020	2019
Revenue	1 016	1 153	4 588	4 002
services	-56	249	736	991

#### Fees to the Group's Management and Supervisory Board members

€ thousand (excluding social tax)	Quarter 4		for the year ended 31 December	
	2020	2019	2020	2019
Fees for Management Board	43	57	213	213
Supervisory Board fees	8	8	32	32

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

The Group's Management Board members are elected for 3 (three) years and Supervisory Board members for 2 (two) years. Stock exchange announcement is published about the change in Management and Supervisory Board.

The potential salary liability would be up to €90 thousand (excluding social tax) if the Supervisory Board would replace all Management Board members.

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

As of 31 December 2020, the members of the Supervisory Council and the Management Board did not own any shares in the company (as of 31 December 2019: Riina Käi owned 100 shares).

## NOTE 15. LIST OF SUPERVISORY BOARD MEMBERS

Simon Roger Gardiner	Chairman of the Supervisory Board
Thomas Wright Lissett	Member of the Supervisory Board
Martin Benjamin Padley	Member of the Supervisory Board
Brendan Francis Murphy	Member of the Supervisory Board
Priit Rohumaa	Member of the Supervisory Board
Katrin Kendra	Member of the Supervisory Board
Toivo Tootsen	Member of the Supervisory Board
Allar Jõks	Member of the Supervisory Board
Priit Lello	Member of the Supervisory Board

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

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