

AS TALLINNA VESI

Consolidated Interim Report for the 2nd quarter of 2022

29 June 2022



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Address	Ädala Str 10, Tallinn, Estonia
Members of the Management Board	Aleksandr Timofejev, Tarvi Thomberg, Taavi Gröön
Commercial register number	10257326
Telephone	+372 62 62 200
Fax	+372 62 62 300
E-mail	tvesi@tvesi.ee
Website	www.tallinnavesi.ee
Field of activity	Production, treatment and distribution of water, storm and wastewater disposal and treatment

Contents

MANAGEMENT REPORT	3
MANAGEMENT CONFIRMATION	19
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	20
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	21
CONSOLIDATED CASH FLOW STATEMENT	22
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	23
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	26
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

CEO's Summary

In the second quarter of 2022, AS Tallinna Vesi's net sales grew to €13 million, the increase in net sales was mainly due to increased consumption of water services among commercial customers. We continued to provide high-quality water and wastewater services, carried out a number of large-scale reconstruction projects and signed a contract for the installation of smart water meters.

Increased water consumption among commercial customers

AS Tallinna Vesi's sales from water services provided to commercial customers in the second quarter of this year were €4.24 million, which is about 23% more than last year. The consumption of water services among commercial customers mainly increased in the hospitality and entertainment sector, such as hotels and spas, restaurants, cultural institutions, and in the transport sector.

Sales from water services provided to private customers in the second quarter fell 1.2% to €4.99 million as a result of the decline in consumption of the largest private customer group – apartment buildings and private houses.

AS Tallinna Vesi's gross profit for the second quarter of 2022 was €4.42 million. The Company's gross profit for six months fell by 15% due to an increase in operational costs. Rising costs of chemicals, electricity and gas had the biggest impact on cost growth. To minimise this impact, we seek to reduce the amount of chemicals used in treatment processes and, if possible, consume electricity smartly by monitoring the electricity exchange price and timing consumption accordingly.

The Company's operating profit for the second quarter was €3.1 million. Operating profit fell by €2.12 million compared to the second quarter of last year. The operating profit for the six months of 2022 was €6.1 million, showing a decrease of €3.77 million compared to the previous year, and this is due to higher electricity costs and the retaining of the provision for potential third-party claims at the level of the third quarter of 2021. When eliminating the impact of the change in operating profit resulting from the provision for potential third-party claims, the Company's operating profit would have been €4 million in the second quarter of 2021. Operating profit for the second quarter of 2022 would be 22.9% or €0.91 million lower compared to the same period last year.

The Company's net profit for the second quarter of 2022 was €0.96 million, showing a decrease of €2.12 million compared to the same period last year. The decrease in net profit was affected by changes in operating profit and net financial costs.

Renovations in the water network and at the treatment plants

In the first half of 2022, we renovated nearly 10,000 metres of pipelines. Extensive reconstruction work is ongoing on Järvevana Road, Sõle, Kolde, Ehte and Sitsi Streets, Astangu area and Ussimäe Road. In Astangu area, large-scale renovation works on the sewer system are carried out using eco-friendly no-dig methods that do not require digging up the roads and also cause less disturbance to residents and the traffic.

In order to ensure the continuity of the service provided by the Company and the sustainability of its processes, we continued with several large projects in the second quarter, including the renovation of the water pumping station in Rummu Road to ensure high-quality drinking water to Lasnamäe and Pirita city districts, and the renovation of the filters that are part of the water treatment process. At the wastewater treatment plant, work continues on strategically important projects such as renovating the main pumping station shaft and the effluent outlet tower, the first of which plays an important role in receiving the wastewater at the treatment plant and the second in discharging treated effluent into the sea.

In May, we signed a contract with Telia Eesti AS to install smart water meters for all our customers by 2026. The first 260 smart water meters have already been installed and a larger number of new meters will be delivered this August, after which these will be installed following the regular verification program. Smart water meters have been long expected by our customers, which is why I am glad we have found the best way to deliver this solution and make monthly invoicing process more convenient. In addition, by installing smart

meters the Company's processes will become more digital, monitoring of water network will be more efficient and detection of water leaks will become faster.

High-quality water and wastewater services

Over the six months of 2022, we have continued to provide reliable and high-quality water and wastewater services, as reflected in the very high level of quality indicators. In the first half of the year, the quality of tap water was excellent – 100% in line with all quality requirements. Excellent quality of tap water has been ensured with an effective water treatment process, ongoing preventative maintenance work on the water network and investments in water pumping stations made in recent years that created a secondary chlorination facility across the various city districts. This allows to keep the sanitary status of treated water in the water network and maintain the excellent quality of tap water with hot weather as well.

Also, the wastewater treated at the wastewater treatment plant met all the strict requirements throughout the first half of 2022. The quality of treated effluent directly affects the marine environment, which is why we monitor the amounts of pollutants in wastewater received at the treatment plant and in effluent leaving the treatment plant. Pollutant parameters that are significantly lower than the limits required by law is a proof of the excellent level of treated effluent.

The level of water loss in the water network remained low in the second quarter – 14.3%, similarly to the previous year. In the half-year view, the level of water loss is somewhat higher than last year because of the snowy and cold winter that made it difficult to detect leaks and access pipelines in the first quarter.



Aleksandr Timofejev
Chairman of the Board
Chief Executive Officer

SUMMARY OF OPERATIONAL PERFORMANCE DURING THE FIRST SIX MONTHS AND 2nd QUARTER OF 2022

In the second quarter of 2022, the Company directed nearly 6.3 million m³ of clean water into the water network and treated nearly 11.7 million m³ of wastewater.

During the 6 months and the 2nd quarter of this year, the quality of tap water was at an excellent level, meeting 100% of all quality requirements. This means that all water samples taken met the strict standards set for water quality. A total of 1,681 water samples were taken during six months of 2022. Excellent water quality has been ensured by efficient water treatment process, continuous preventive maintenance on the water network and investments made in recent years in the pumping stations, creating the possibility of secondary chlorination in different parts of the city. This enables to disinfect tap water at different points throughout the city, ensuring high-quality drinking water everywhere.

One of our objectives is to inform our customers about water interruptions in a timely manner. In the second quarter of 2022, we notified customers at least 1 hour before an unplanned water interruption in 99.0% of cases. During the first half of the year, we notified almost all customers (99.5%) affected by the water interruption at least an hour in advance. For customers who had a water interruption in the second quarter, the average duration of the interruption was 3 hours and 31 minutes, which is slightly longer than the same period last year. In a first half year view, the average duration of the water interruption was at a similar level to the quarterly result, which is due to a higher number of water emergencies that required repair by carrying out excavation works. In order to reduce the inconvenience caused by water interruptions, we install additional valves to the water network.

The level of water loss in the water network has remained low in the second quarter of the year, being at a similar level to the same period last year (14.3%). In the view of first half of 2022, the level of water losses is somewhat higher (17.67%). This was affected by a higher percentage of leakages at the beginning of the year, which was due to a snowy and cold winter, complicating the detection of leakages and access to pipelines.

In addition to providing high-quality water service, our one of the most important aims is to ensure reliable and sustainable wastewater service. We continuously assess the efficiency of the wastewater treatment process and the quality of the treated effluent by monitoring the concentration of pollutants in wastewater entering the plant and in effluent leaving the plant. The quality of treated effluent in Paljassaare was in compliance with all requirements established during 2nd quarter and first half of 2022. Significantly lower levels of pollutants are a proof of the excellent level of treated effluent.

We want to provide our customers and consumers a reliable service, which also includes the availability of important information about the service and the speed of answering enquires. In the 2nd quarter of 2022, we responded to written contacts within 2 days in 99.2% of cases, which is a somewhat better result than in the same period a year ago.

At the beginning of 2022, we introduced a new definition of complaints, according to which every notice received from a customer about a failure to provide a high-quality service will be treated as a complaint. The aim of this is to further improve the quality of the service and to prevent complaints from occurring more effectively. According to the new methodology, we received a total of 169 customer complaints in the 2nd quarter of 2022. According to the definition of complaints implemented in 2021, the number of complaints would have been 14, which would have remained at the same level as in 2021. In the 2nd quarter of 2022, we failed to keep a promise to one customer related to planned works on the pipeline, which resulted in the water interruption lasting longer than promised.

In the 2nd quarter of the year, we signed a contract with Telia Eesti AS for the supply of smart water meters and the transmission of data via the Telia's network. By installing smart meters, we are taking a big step towards digitalizing our processes and making monthly billing significantly more convenient for our customers. With smart meters, we can monitor our water network and detect water leaks more effectively. First 260 smart meters have already been installed. A larger quantity of new meters will be delivered in this August, after which we will start installing those following the regular verification program. The plan is to cover the entire service area with smart water meters by 2026.

By the end of 2nd quarter of 2022 we had renovated 10 000 meters of pipeline. To ensure a reliable water and wastewater service for our customers and consumers, extensive pipeline renovations were started on Järvevana Road, Sõle, Kolde, Ehte, Kotka and Sitsi Streets, Astangu area and Ussimäe Road.

We continued to work on investment projects in at our water and wastewater treatment plants, such as reconstruction of the water pumping station in Rummu Road and filters that are part of the water treatment process. At the wastewater treatment plant, works continue on the reconstruction of the main pumping station shaft and the effluent outlet tower. Both, larger and day-to-day investments ensure high-quality service and increase reliability.

OPERATIONAL PERFORMANCE DURING THE FIRST SIX MONTHS AND 2nd QUARTER OF 2022

Indicator	Unit	6 months of 2022	6 months of 2021	Q2 2022	Q2 2021
Drinking water					
Compliance of water quality at the customer's tap	%	100%	100%	100%	99.7%
Water loss in the water distribution network	%	17.67%	15.01%	14.3%	14.6%
Average duration of water interruption per property	h	3.46	3.10	3.51	2.85
Wastewater					
Number of sewer blockages	no	341	294	169	151
Number of sewer collapses	no	39	36	12	17
Compliance of treated effluent with environmental requirements	%	100%	100%	100%	100%
Customer service					
Number of customer complaints	no	550 (*25)	*17	169 (*14)	151
Number of customer contacts regarding water quality	no	105	72	50 (**15)	30
Number of customer contacts regarding water pressure	no	97	137	62 (**16)	86
Number of customer contacts regarding blockages and leading off stormwater	no	437	495	214 (**101)	251
Responding to written customer contacts within at least 2 working days	%	99.6%	99.2%	99.2%	98.7%
Number of failed promises	no	1	1	1	0
Notification of unplanned water interruptions at least 1 h before the interruption	%	99.5%	98.9%	99.0%	98.3%

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

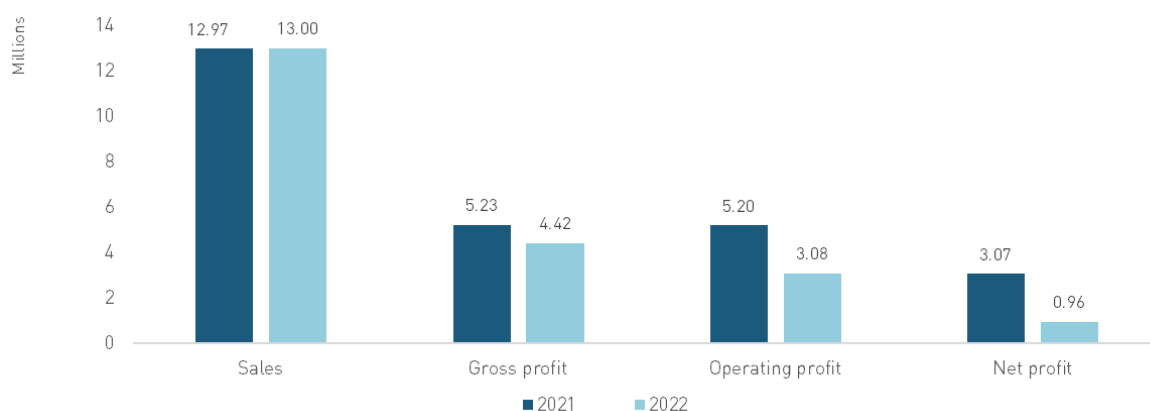
**Correction of 1st quarter

FINANCIAL RESULTS OF THE 2nd QUARTER OF 2022

According to the latest **economic forecast** from Eesti Pank the Estonian economy started the year in a very strong position, but growth in it will slow. Growth would have slowed substantially this year even without a new crisis. Production resources were already running at full capacity by the end of last year and deepening supply-side restrictions had started to get in the way of continued fast growth. The outbreak of war in February and the various impacts from it overshadow the outlook for the Estonian economy further, through the disappearance of some export markets, the interruptions to supply channels, and the rise in the price of commodities. While sanctions on Russia have already led to rapid price rises, the broader impact on the economy will only start to become apparent in the second half of the year.

Inflation is expected to be lower next year, but the price level will remain high. Inflation in Estonia has been the fastest in the euro area in recent months, mainly because of the major rise in energy prices. Higher energy costs will gradually be passed through into the prices of many other goods and services. As future transactions for gas, electricity and oil show no sign of prices falling soon, because of the geopolitical tensions, the price level of the consumer basket will remain high for a longer time than was earlier forecast.

Rise in energy prices and geopolitical tensions have immediate results on the company's net profit, which has decreased by 68.9% compared to 2021 even though the total revenue has increased by 0.3%, whereas the revenues from water services has increased by 8.1% compared to the same period of 2021.



Main financial indicators

€million, except key ratios	2nd quarter			Change 2022/ 2021	6 months			Change 2022/ 2021
	2022	2021	2020		2022	2021	2020	
Sales	13.00	12.97	12.09	0.3%	25.05	24.75	25.27	1.2%
Gross profit	4.42	5.23	4.73	-15.5%	8.80	10.41	10.79	-15.5%
Gross profit margin %	33.98	40.34	39.16	-15.8%	35.12	42.07	42.70	-16.5%
Operating profit before depreciation and amortisation	4.69	6.80	6.14	-31.0%	9.34	13.03	13.32	-28.3%
Operating profit before depreciation and amortisation margin %	36.09	52.44	50.76	-31.2%	37.26	52.63	52.70	-29.2%
Operating profit	3.08	5.20	4.59	-40.7%	6.09	9.86	10.26	-38.3%
Operating profit - main business	2.83	4.96	4.32	-43.1%	5.74	9.46	9.94	-39.3%
Operating profit margin %	23.70	40.09	37.99	-40.9%	24.29	39.83	40.61	-39.0%
Profit before taxes	2.98	5.11	4.51	-41.8%	5.88	9.68	10.06	-39.2%
Profit before taxes margin %	22.88	39.40	37.29	-41.9%	23.48	39.10	39.82	-40.0%
Net profit	0.96	3.07	0.15	-68.9%	3.84	7.62	5.71	-49.7%
Net profit margin %	7.36	23.70	1.27	-68.9%	15.31	30.80	22.59	-50.3%
ROA %	0.38	1.21	0.06	-68.7%	1.52	3.02	2.22	-49.5%
Debt to total capital employed %	57.09	57.20	59.63	-0.2%	57.09	57.20	59.63	-0.2%
ROE %	0.85	2.75	0.14	-69.0%	3.46	6.96	5.27	-50.3%
Current ratio	1.81	2.75	3.23	-34.2%	1.81	2.75	3.23	-34.2%
Quick ratio	1.75	2.69	3.18	-34.9%	1.75	2.69	3.18	-34.9%
Investments into fixed assets	2.85	5.57	2.52	-48.8%	5.63	7.85	6.11	-28.3%
Payout ratio %	na	80.42	77.70		na	80.42	77.70	

Gross profit margin – Gross profit / Net sales

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

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

Operating profit margin – Operating profit / Net sales

Net profit margin – Net profit / Net sales

ROA – Net profit / Average Total assets for the period

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

ROE – Net profit / Average Total equity for the period

Current ratio – Current assets / Current liabilities

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

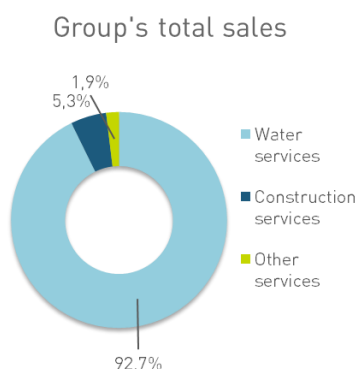
Payout ratio - Total Dividends per annum/ Total Net Income per annum

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

Statement of comprehensive income

SALES

The revenues from the main activities, i.e., sales of water and wastewater services, in the 2nd quarter of 2022 were impacted by higher consumption in commercial sector and lower consumption in private sector. Given Estonia's macroeconomic forecast, we expect a slight increase in the consumption of our water services in current year. In the long run, we do not expect any significant changes in the use of water services.



In the 2nd quarter of 2022, the **Group's total sales** were €13.0 million, showing an increase of 0.3% or €0.03 million year-on-year. 92.7% of sales comprise of water services within and outside the service area, 5.3% from construction services and 1.9% from other services. The sale of construction services is seasonal, the Company is expecting an increase of the sale of construction services during next months.

€ thousand	2nd quarter			Difference 2022/2021	
	2022	2021	2020	€	%
Water supply service	2,010	2,044	2,054	-33	-1.6%
Wastewater disposal service	2,984	3,011	3,047	-27	-0.9%
Total from private customers	4,994	5,055	5,102	-62	-1.2%
Water supply service	2,130	1,709	1,450	421	24.6%
Wastewater disposal service	2,112	1,749	1,500	363	20.8%
Total from commercial customers	4,242	3,458	2,950	784	22.7%
Water supply service	402	418	402	-16	-3.8%
Wastewater disposal service	896	862	778	34	3.9%
Storm water disposal service	42	57	52	-15	-26.3%
Total from outside service area customers	1,340	1,337	1,232	3	0.2%
Storm water treatment and disposal and fire hydrants service	1,145	1,009	1,241	136	13.5%
Overpollution charges and discharging	337	299	250	39	13.1%
Total from water services	12,058	11,158	10,776	900	8.1%
Construction services	694	1,574	1,176	-879	-55.9%
Other services	250	236	137	14	5.9%
TOTAL REVENUE	13,002	12,968	12,088	34	0.3%

Sales from water services were €12.05 million, showing a 8.1% or €0.90 million increase compared to the 2nd quarter of 2021, resulting mainly from the 22.7% increase of sales to **commercial customers** within the service area.

- There has been a slight decrease of 1.2% or €0.06 million to €4.99 million in the sales to **private customers**, driven mainly by lower consumption volumes in apartment blocks, which is our biggest private customer group. Lower consumption of private customers was mainly related to easement of coronavirus restrictions compared to Q1 of 2021, as people have returned from working remotely to working at offices.
- Sales to **commercial customers** within the service area increased by 22.7% to €4.24 million driven by higher consumption of water services. The impact from consumption on revenues from commercial customers was +€0.78 million.
- Sales from the **operation and maintenance of the stormwater and fire hydrant system in the main service area** amounted to €1.14 million, showing an increase of 13.5% or €0.14 million compared to the same period in 2021.
- Sales of **construction services** were €0.70 million, decreasing by 55.9% or €0.88 million year-on-year. The decrease was mainly related to postponed procurements from public sector due to uncertainty in the markets and high prices in road construction.

COST OF GOODS AND SERVICES SOLD AND GROSS PROFIT

The cost of goods and services sold amounted to €8.58 million in the 2nd quarter of 2022, being higher by €0.85 million compared to the equivalent period in 2021. The changes were influenced by higher costs of electricity and staff costs and other costs, balanced by lower costs related to construction services.

€ thousand	2nd quarter		Difference 2022/2021		
	2022	2021	2019	€	%
Water abstraction charges	-322	-317	-300	-5	-1.6%
Chemicals	-487	-413	-385	-74	-17.9%
Electricity	-1,801	-901	-805	-900	-99.9%
Pollution tax	-214	-202	-221	-12	-5.9%
Total direct production costs	-2,824	-1,833	-1,711	-991	-54.1%
Staff costs	-2,125	-1,861	-1,862	-264	-14.2%
Depreciation and amortisation	-1,395	-1,403	-1,356	9	0.6%
Construction services	-474	-1,279	-949	805	62.9%
Other costs of goods/services sold	-1,765	-1,361	-1,478	-404	-29.7%
Other costs of goods/services sold total	-5,759	-5,905	-5,645	146	2.5%
Total cost of goods/services sold	-8,583	-7,737	-7,355	-846	-10.9%

Total direct production costs (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €2.82 million, showing a 54.1% or €0.99 million increase compared to the equivalent period in 2021. Changes in direct production costs came from a combination of changes in prices and in treated volumes as follows:

- **Chemicals** costs increased by 17.9% to €0.48 million, driven mainly by on average 32.4% higher price of methanol and 79.6% higher dosage of polymer used in wastewater treatment process, the effect of price and dosage increase is worth €0.03 million each. The chemicals price increase is mainly deriving from the geopolitical situation in Eastern Europe. The increase in chemicals expense is balanced by the expense of aerotech that is used to dissipate the foam in wastewater treatment has decreased by 39.2%, worth €0.01 million due to 39.0% lower dosages.

- **Electricity** costs increased by 99.9% to €1.80 million, driven by averagely 95.6% higher electricity price. Compared to same period in 2021, the electricity expense in wastewater treatment process was higher by 123.1% and 121.7% higher in the water treatment plant, worth €0.40 million and €0.24 million respectively.
- **Other costs of goods sold** (staff costs, depreciation, construction services related costs and other costs of goods sold) amounted to €5.76 million, having decreased by 2.5% or €0.15 million. The decrease was mainly influenced by lower costs related to construction services due to lower revenues from construction revenues worth -€0.81 million.

As a result of all above, the **Group's gross profit** for the 2nd quarter of 2022 was €4.42 million, showing a decrease of 15.5% or €0.81 million, compared to the gross profit of €5.23 million for the comparative period of 2021.

ADMINISTRATIVE AND MARKETING EXPENSES, OTHER INCOME AND EXPENSES

Administrative and marketing expenses increased by 17.1% or €0.18 million amounting to €1.28 million, compared to 2nd quarter of 2021, related to higher salary costs.

Other income and expenses amounted to net loss of €0.05 million, compared to net income of €1.06 million in comparative period, derived from freezing the change of provision for the possible third-party claims in 2021 Q4.

OPERATING PROFIT

As a result of the factors listed above the Group's **operating profit** for the 2nd quarter of 2022 amounted to €3.08 million, being 40.7% or €2.12 million lower than in the corresponding period of 2021. Eliminating the effect of the change of provision for possible third-party claims in 2021, the operating profit for the 2nd quarter of 2021 would have been €4.00 million, 2022 operating profit being lower by 22.9% or €0.91 million year-on-year.

FINANCIAL EXPENSES

The Group's net financial income and expenses have resulted in a net expense of €0.11 million, compared to 17.8% lower expense in the 2nd quarter of 2021. The numbers derived from increased interest costs due to a higher interest margin of loan agreements and negative accrued interest on bank accounts.

As of the 2nd quarter of 2022, the whole loan amount of €82.27 million was bearing a floating interest rate. The effective interest rate of loans in the 2nd quarter of 2022 was 0.61%, amounting to the interest costs of €0.10 million, compared to the effective interest rate of 0.46% and the interest costs of €0.08 million in the 2nd quarter of 2021.

NET PROFIT

The Group's **net profit** for the 2nd quarter of 2022 was €0.96 million, being €2.12 million lower than for the comparative period of 2021. The decrease in net profit was impacted by changes in operating profit. Eliminating the effects of provision for possible third-party claims in 2021, the Group's net profit for the 2nd quarter of 2021 would have been €1.87 million, 2022 showing a decrease of €0.91 million year-on-year.

FINANCIAL RESULTS FOR THE SIX MONTHS OF 2022

Statement of comprehensive income

SALES

During the six months of 2022 the **Group's total sales** were €25.05 million, showing an increase of 1.2% or €0.30 million year-on-year. **Sales from water services** for six months of 2022 were 23.57 million, increasing by 7.1% or €1.57 million year-on-year. 94.1% of sales comprise of sales of water services within and outside of the service area, 4.2% from construction services and 1.7% from other services.

€ thousand	6 months			Variance 2022/2021	
	2022	2021	2020	€	%
Water supply service	3,983	4,098	4,075	-116	-2.8%
Wastewater disposal service	5,916	6,068	6,053	-152	-2.5%
Total from private customers	9,899	10,166	10,128	-267	-2.6%
Water supply service	3,994	3,286	3,475	708	21.5%
Wastewater disposal service	4,090	3,430	3,624	660	19.2%
Total from commercial customers	8,084	6,717	7,099	1,367	20.4%
Water supply service	778	814	782	-36	-4.4%
Wastewater disposal service	1,767	1,706	1,635	62	3.6%
Storm water disposal service	128	140	159	-13	-9.2%
Total from outside service area customers	2,673	2,660	2,576	14	0.5%
Storm water treatment and disposal and fire hydrants service	2,319	1,882	2,427	438	23.3%
Overpollution charges and discharging	602	579	533	23	4.0%
Total from water services	23,577	22,004	22,763	1,573	7.1%
Construction services	1,060	2,338	2,205	-1,278	-54.7%
Other services	417	410	301	8	2.0%
TOTAL REVENUE	25,054	24,752	25,269	302	1.2%

During the six months of 2022 there has been a decrease in **sales to private customers** by 2.6% to €9.89 million that is related to the decrease in consumption.

On the other hand the **sales to commercial customers** within the service area has increased by 20.4% to €8.08 million. The increase is related to the increase in consumption due to cancellation of restrictions related to coronavirus outbreak and due to multiple hotels accommodating Ukraine refugees on low season.

Sales to **customers outside the main service area** increased by 0.5% to €2.67 million, being impacted by a increase in the wastewater disposal service revenues.

Sales from the operation and maintenance of the main service area storm water and fire hydrants system in the six months of 2022 amounted to €2.32 million, showing an increase of 23,3% or €0.44 million year-on-year.

Sales of **construction services** were €1.06 million, decreasing by 54.7% or €1.27 million year-on-year. The decrease was related to postponed procurements from public sector due to uncertainty in the markets and high prices.

COST OF GOODS AND SERVICES SOLD AND GROSS AND OPERATING PROFITS

€ thousand	12 months			Variance 2022/2021	
	2022	2021	2020	€	%
Water abstraction charges	-645	-624	-612	-21	-3.4%
Chemicals	-1,020	-859	-764	-161	-18.7%
Electricity	-3,512	-1,795	-1,775	-1,717	-95.7%
Pollution tax	-487	-435	-584	-52	-12.0%
Total direct production costs	-5,664	-3,714	-3,734	-1,950	-52.5%
Staff costs	-4,131	-3,697	-3,665	-434	-11.7%
Depreciation and amortisation	-2,821	-2,771	-2,675	-50	-1.8%
Construction services	-765	-1,885	-1,800	1,120	59.4%
Other costs of goods/services sold	-2,873	-2,273	-2,604	-601	-26.5%
Other costs of goods/services sold total	-10,590	-10,625	-10,744	35	0.3%
Total cost of goods/services sold	-16,254	-14,340	-14,478	-1,914	-13.3%

During the six months of 2022 **the cost of goods and services sold** amounted to €16.25 million, increasing by 13.3% or €1.91 million compared to the equivalent period in 2021. **Total direct production costs** (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €5.66 million, showing a 52.5% or €1.9 million increase compared to the equivalent period in 2021. Changes in direct production costs came from a combination of changes in prices and in treated volumes that affected the cost of goods sold together with the following additional factors:

- **Chemicals** costs increased by 18.7% to €1.02 million, driven mainly by on average 31.7% higher price of methanol, accompanied by 101.4% higher usage of polymer used in wastewater treatment, worth -€0.08 million both. Higher costs from wastewater treatment were partly balanced by lower usage of aerotech, worth +€0.03 million.
- Expenses for **Electricity** increased by 95.7% or €1.72 million resulting in costs worth of €3.51 million due to averagely 92.0% higher electricity price.

Other costs of goods sold (staff costs, depreciation, construction and asphaltting services costs and other costs of goods sold) amounted to €10.59 million, having decreased by 0.3%. The decrease in other costs of goods sold were mainly driven by 59.4% or €1.12 million lower expenses related to construction services.

The **Group's gross profit** for the six months of 2022 was €8.80 million, showing a decrease of 15.5% or €1.61 million compared to the comparative period of 2020. The **Group's operating profit** for the six months of 2022 amounted to €6.09 million, being 38.3% or €3.77 million lower than in the corresponding period of 2021, being mainly impacted by higher electricity and chemicals cost and change of provision for the possible third-party claims that was frozen in Q4 2021. Eliminating the effect of the change of provision for the possible third-party claims the operating profit for 2021 would have been €7.45 million, that is 18.3% higher compared to same period 2022.

FINANCIAL EXPENSES

The Group's net financial income and expenses have resulted a net expense of €0.20 million, compared to net expense of €0.18 million in the six months of 2021. The increase was impacted by slightly higher interest expense on loans and negative interest received on bank accounts.

PROFIT BEFORE TAXES AND NET PROFIT

The **Group's profit before taxes** for the six months of 2022 were €5.88 million, being 39.2% or €3.80 million higher than for the relevant period of 2021. The **Group's net profit** for the six months of 2022 were €3.84 million, being 49.7% or €3.79 million lower than for the equivalent period of 2021. Eliminating the effects of the change of provision for the possible third-party claims the Group's net profit for the six months of 2021, the net profit for 2021 would have been €5.22 million, showing a decrease for 2022 by 26.5% or €1.38 million year-on-year.

Statement of financial position

In the six months of 2022 **the Group invested into fixed assets** €7.44 million. As of 30/06/2022, non-current tangible assets amounted to €215.8 million, the majority of which in the amount of €167.7 was an investment in pipes (31/12/21 €167.61). Total non-current assets amounted to €216.4 million (31/12/2021: €212.27 million). In the first six months of 2022 the pace of investment has been slower due to the timing of the development projects of City of Tallinn. The Management is expecting the growth of investments in the second half of the year.

Compared to the year end of 2021 **the trade receivables, accrued income and prepaid expenses** have shown a slight increase in the amount of €0.01 million to €6.64 million. An increase mainly derives by €0.44 million higher accrued income and prepayments made. The collectability rate continues to be high at 99.79% compared to June 2021 when the collectability rate was 99.78%.

Current liabilities have increased by €1.76 million to €17.25 million compared to the end of 2021, mainly deriving from investments related trade payables.

Deferred income from connection fees has increased compared to the end of 2021 by €0.89 million to €38.13 million.

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

The Group's **loan balance** of €82.27 million has decreased in repayment amount of €1.81 million compared to the end of 2021. In May 2019, the Company started to return the previous NIB loan in 11 equal semi-annual payments. The weighted average loan interest risk margin is 0.35%.

The Group has **total debt to assets** level of 57.09%, in range of 54%-65%, reflecting the Group's equity profile. In the comparative period of 2021, the total debt to assets ratio was at the same level, being 57.20%.

EMPLOYEES

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

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

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

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

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

At the end of the 2nd quarter of 2022, the total number of employees was 343 compared to 335 at the end of the same period in 2021. The full time equivalent (FTE) was 328 and 318 respectively. Average number of employees during the six months was 336 in 2022 and 331 in 2021 respectively.

By gender, employee allocation was as follows:

	As of 30/06/2022			As of 30/06/2021		
	Women	Men	Total	Women	Men	Total
Group	98	245	343	93	242	335
Management Team	13	18	31	15	16	31
Executive Team	4	7	11	4	4	8
Management Board	0	3	3	1	1	2
Supervisory Board	0	9	9	1	8	9

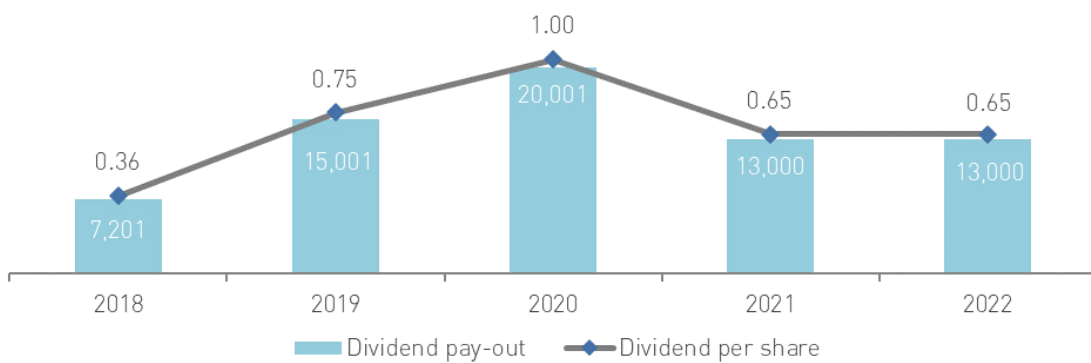
The total salary costs were €2.95 million for the 2nd quarter of 2022, including €0.07 million paid to the Management Board and Supervisory Council members (excluding social taxes). The contingent liability in case the Council should want to replace the current Management Board members is €0.16 million.

DIVIDENDS

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

Every year the Supervisory Council evaluates the proposal of the dividends to be paid out to the shareholders and approves it to be presented to the Annual General Meeting of shareholders for voting, considering all circumstances. In the Annual General Meeting held on 03/06/2022, the Supervisory Council proposed to pay out €0.65 per share from the 2021 profits. The pay-out is equal to 80% of earnings in 2021. The proposal was approved by Annual General Meeting and the dividend pay-out was made on 29/06/2022.

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



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

SHARE PERFORMANCE

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

As of 30/06/2022, AS Tallinna Vesi's shareholders, with a direct holding over 5%, were:

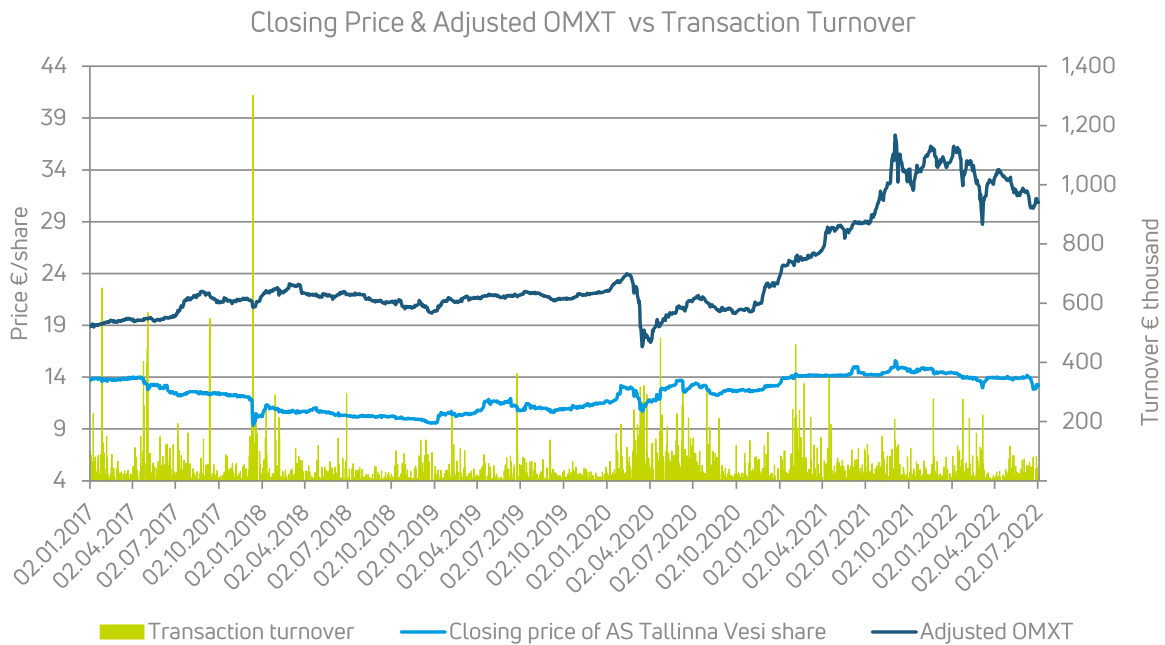
- City of Tallinn (55.06%)
- OÜ Utilitas (20.36%)

During the six months of 2022 the shareholder structure has been relatively stable compared to the end of 2021. The foreign retail investors have reduced their shareholdings by 0.12% and local retail investors have increased their shareholdings by 0.21%. By the end of the 2nd quarter of 2022, the pension funds shareholding has remained to 0.10% of the total shares compared to the end of 2021.

As of 30/06/2022, the closing price of AS Tallinna Vesi share was €13.30, which is 4.59% (2021: ++0.78%) lower compared to the closing price of €13.94 at the end of the previous quarter. During the 2nd quarter, the OMX Tallinn index decreased by 5.35% (2021: +10.34%).

In six months of 2022, 11,366 deals were concluded with the Company's shares (2021: 10,748 deals) during which 364 thousand shares or 1.8% of all shares changed owners (2021: 575 thousand shares or 2.9%).

The turnover of transactions amounted to €5.03 million, being €3.13 million lower than in the comparative period of 2021.



CORPORATE STRUCTURE

As of 30/06/2022, the Group consisted of 3 companies. The subsidiaries OÜ ASTV Green Energy and Watercom OÜ are wholly owned by AS Tallinna Vesi and consolidated into the results of the Company.

CORPORATE GOVERNANCE

SUPERVISORY COUNCIL

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

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

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

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

[About us > Audit committee](#)

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

MANAGEMENT BOARD

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

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

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

As of 30/06/2022, there are 3 members in the Management Board of AS Tallinna Vesi: Aleksandr Timofejev (with the powers of a Chairman of the Board until 30/10/2026), Tarvi Thomberg (with the powers of a Management Board Member until 08/11/2026) and Taavi Gröön (with the powers of a Management Board Member until 23/05/2027).

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

Additional information:

Aleksandr Timofejev
Chairman of the Board
+372 62 62 200

aleksandr.timofejev@tvesi.ee

Tarvi Thomberg
Member of the Management Board
+372 62 62 200

tarvi.thomberg@tvesi.ee

Taavi Gröön
Member of the Management Board
+372 62 62 200

taavi.groon@tvesi.ee

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 2022 ended 30 June 2022. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 30 June 2022 have been prepared following the accounting policies and the manner of presenting the information in line with the International Financial Reporting Standards as adopted by the EU. The condensed financial statements provide a fair presentation of the assets, liabilities, financial position and result of the operations and the cash flows of the Group.

The interim report gives a fair presentation of the main events that occurred during the 6 months of the financial year and of their effect on the condensed financial statements. It includes the description of the main risks and unclear aspects that can, based on the sensible judgement of the Management Board, have an impact on the Company during the remaining 9 months of the financial year.

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

Any subsequent events that materially affect the valuation of assets and liabilities and have occurred until the completion of the consolidated financial statements on 29 July 2022 have been considered in preparing the financial statements.

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

Aleksandr Timofejev

Member of the Management Board
Chief Executive Officer

Tarvi Thomberg

Member of the Management Board
Chief Asset Management Officer

Taavi Gröön

Member of the Management Board
Chief Financial Officer

29 July 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand		as of 30 June		as of 31 December
ASSETS	Note	2022	2021	2021
CURRENT ASSETS				
Cash and cash equivalents	3	23,541	37,011	36,559
Trade receivables, accrued income and prepaid expenses		6,643	5,990	6,637
Inventories		982	835	702
TOTAL CURRENT ASSETS		31,166	43,836	43,898
NON-CURRENT ASSETS				
Property, plant, and equipment	4	215,830	205,295	211,546
Intangible assets	5	637	583	729
TOTAL NON-CURRENT ASSETS		216,467	205,878	212,275
TOTAL ASSETS		247,633	249,714	256,173
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Current portion of long-term lease liabilities		662	390	421
Current portion of long-term loans		3,630	3,630	3,630
Trade and other payables		9,665	9,067	7,835
Prepayments		3,296	2,880	3,604
TOTAL CURRENT LIABILITIES		17,253	15,967	15,490
NON-CURRENT LIABILITIES				
Deferred income from connection fees		38,130	35,988	37,241
Leases		1,063	1,277	1,236
Loans		78,540	82,154	80,336
Provision for possible third-party claims	6	6,018	7,221	6,018
Deferred tax liability		303	195	372
Other payables		70	34	60
TOTAL NON-CURRENT LIABILITIES		124,124	126,869	125,263
TOTAL LIABILITIES		141,377	142,836	140,753
EQUITY				
Share capital		12,000	12,000	12,000
Share premium		24,734	24,734	24,734
Statutory legal reserve		1,278	1,278	1,278
Retained earnings		68,244	68,866	77,408
TOTAL EQUITY		106,256	106,878	115,420
TOTAL LIABILITIES AND EQUITY		247,633	249,714	256,173

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	Quarter 2		6 months		for the year ended
		2022	2021	2022	2021	31 December
						2021
Revenue	7	13,002	12,968	20,054	24,752	53,294
Cost of goods and services sold	9	-8,583	-7,737	-16,254	-14,340	-32,715
GROSS PROFIT		4,419	5,231	8,800	10,412	20,579
Marketing expenses	9	-189	-104	-388	-224	-462
General administration expenses	9	-1,094	-992	-2,225	-2,544	-4,438
Other income (+)/ expenses (-)	10	-55	1,064	-102	2,215	3,099
OPERATING PROFIT		3,081	5,199	6,085	9,859	18,778
Financial income	11	1	2	3	7	8
Financial expenses	11	-108	-91	-205	-187	-387
PROFIT BEFORE TAXES		2,974	5,110	5,883	9,679	18,399
Income tax	12	-2,017	-2,036	-2,047	-2,056	-2,234
NET PROFIT FOR THE PERIOD		957	3,074	3,836	7,623	16,165
COMPREHENSIVE INCOME FOR THE PERIOD		957	3,074	3,836	7,623	16,165
Attributable profit to:						
Equity holders of A-shares		957	3,074	3,836	7,623	16,165
Earnings per A share (in euros)	13	0,05	0,15	0,19	0,38	0,81

CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand		6 months		for the year ended
	Note	2022	2021	31 December
				2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		6,085	9,859	18,778
Adjustment for depreciation/amortisation	4,5,9,10	3,250	3,168	6,520
Adjustment for revenues from connection fees	10	-269	-251	-510
Other non-cash adjustments	6	0	-2,407	-3,610
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets		-12	0	-29
Change in current assets involved in operating activities		-271	892	380
Change in liabilities involved in operating activities		-485	126	938
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		8,298	11,387	22,467
CASH FLOWS USED IN INVESTING ACTIVITIES				
Acquisition of property, plant, and equipment, and intangible assets		-7,351	-5,084	-13,734
Compensations received for construction of pipelines, incl connection fees		1,215	1,351	2,892
Proceeds from sale of property, plant and equipment, and intangible assets		13	0	29
Interest received		3	9	11
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-6,120	-3,724	-10,802
CASH FLOWS USED IN FINANCING ACTIVITIES				
Interest paid and loan financing costs, incl swap interests		-218	-204	-460
Lease payments		-230	-205	-408
Repayment of loans		-1,818	-1,818	-3,636
Dividends paid	12	-12,835	-12,841	-12,842
Withheld income tax paid on dividends	12	0	0	-158
Income tax paid on dividends	12	-95	-98	-2,116
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-15,196	-15,166	-19,620
CHANGE IN CASH AND CASH EQUIVALENTS		-13,018	-7,503	-7,955
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	36,559	44,514	44,514
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	23,541	37,011	36,559

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
as of 31 December 2020	12,000	24,734	1,278	74,243	112,255
Dividends	0	0	0	-13,000	-13,000
Comprehensive income for the period	0	0	0	16,165	16,165
as of 31 December 2021	12,000	24,734	1,278	77,408	115,420
as of 31 December 2020	12,000	24,734	1,278	74,243	112,255
Dividends	0	0	0	-13,000	-13,000
Comprehensive income for the period	0	0	0	7,623	7,623
as of 30 June 2021	12,000	24,734	1,278	68,866	106,878
as of 31 December 2021	12,000	24,734	1,278	77,408	115,420
Dividends	0	0	0	-13,000	-13,000
Comprehensive income for the period	0	0	0	3,836	3,836
as of 30 June 2022	12,000	24,734	1,278	68,244	106,256

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING PRINCIPLES

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed interim financial statements do not contain all the information presented in the annual financial statements and should be read in conjunction with the Group's latest published annual financial statements as at and for the year ended 31 December 2021. Selected notes are included in interim financial statements to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of material misstatements to the carrying amounts of assets and liabilities were the same as described in the last annual financial statements as at and for the year ended 31 December 2021, except for estimates addressed below:

- Management has developed estimates on the expected credit losses of trade receivables based on the best available information about past events, current conditions and forecasts of macroeconomic conditions. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2022, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of Estonia in which it sells

its goods and services to be the most relevant factors and has accordingly adjusted the historical loss rates based on expected changes in these factors. As at 30 June 2022, Management of the Group has assessed the expected credit loss related to macroeconomic conditions to be €101 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 €6.1 million (as of 31 December 2021: €12.1 million). This estimate marks the maximum difference in between the tariffs approved based on the Services Agreement and the tariffs based on the Company's estimation, with the reservation to the possible fluctuation, regarding past 6 months (as of 31 December 2021: 12 months), being the approximate remaining unexpired term of potential claims.

As of 30 June 2022, claims totalling €12.8 million have been filed within three applications. The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6.0 million (as of 31 December 2021: €6 million) and has suspended the reduction of the provision pursuant to the principle of conservatism. The Company has always acted legitimately by applying fair tariffs imposed in accordance with the law in force, and the Company believes there are no grounds for submitting the claims. Therefore, the Company does not admit any liability and fully rejects it.

NOTE 3. CASH AND CASH EQUIVALENTS

€ thousand	as of 30 June		as of 31 December
	2022	2021	2021
Cash in hand and in bank	23,541	37,011	36,559
Total cash and cash equivalents	23,541	37,011	36,559

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
as of 31 December 2020							
Acquisition cost	26,875	239,412	49,029	8,799	2,793	0	326,908
Accumulated depreciation	-7,677	-76,843	-38,558	0	-1,028	0	-124,106
Net book value	19,198	167,569	11,144	8,799	1,765	0	202,802
Transactions in the period 1 January 2021 - 31 December 2021							
Acquisition in book value	0	0	0	14,782	0	289	15,071

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

as of 31 December 2021

Acquisition cost	27,033	247,613	50,819	12,052	2,950	0	340,467
Accumulated depreciation	-7,968	-79,998	-39,675	0	-1,280	0	-128,921
Net book value	19,065	167,615	11,144	12,052	1,670	0	211,546

Transactions in the period 1 January 2022 - 30 June 2022

Acquisition in book value	0	0	0	7,119	0	299	7,418
Write off and sale of property, plant, and equipment in residual value	0	0	0	0	-1	0	-1
Reclassification	0	1,989	427	-2,416	299	-299	0
Depreciation	-147	-1,831	-946	0	-209	0	-3,133

as of 30 June 2022

Acquisition cost	27,033	249,504	50,905	16,755	3,204	0	347,401
Accumulated depreciation	-8,115	-81,731	-40,280	0	-1,445	0	-131,571
Net book value	18,918	167,773	10,625	16,755	1,759	0	215,830

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

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

NOTE 5. INTANGIBLE ASSETS

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

Transactions in the period 1 January 2022 - 30 June 2022

Acquisition in book value	0	25	25
Reclassification	3	-3	0
Depreciation	-117	0	-117
as of 30 June 2022			
Acquisition cost	4,835	111	4,946
Accumulated depreciation	-4,309	0	-4,309
Net book value	526	111	637

NOTE 6. PROVISION FOR POSSIBLE THIRD-PARTY CLAIMS

On 12 December 2017, the Supreme Court decided 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 €6.1 million (as of 31 December 2021: €12.1 million). This estimate marks the maximum difference in between the tariffs approved based on the Services Agreement and the tariffs based on the Company's estimation, with the reservation to the possible fluctuation, regarding past 6 months (as of 31 December 2021: 12 months), being the approximate remaining unexpired term of potential claims.

As of 30 June 2022, claims totalling €12.8 million have been filed within three applications. The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6.0 million (as of 31 December 2021: €6 million) and has suspended the reduction of the provision pursuant to the principle of conservatism. The Company has always acted legitimately by applying fair tariffs imposed in accordance with the law in force, and the Company believes there are no grounds for submitting the claims. Therefore, the Company does not admit any liability and fully rejects it.

NOTE 7. SEGMENT REPORTING

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

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

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

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

The Group's chief operating decision maker assesses the performance of each operating segment based on 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
1 January 2022 - 30 June 2022					
External revenue	23,577	1,060	417	0	25,054
Inter-segment revenue	1	778	2,299	-3,078	0
Total segment revenue	23,578	1,838	2,716	-3,078	25,054
Segment's gross profit	8,100	260	780	-340	8,800
Unallocated expenses:					
Marketing and Administrative expenses					-2,613
Other income/expenses					-102
Operating profit					6,085
1 January 2021 - 30 June 2021					
External revenue	22,004	2,338	410	0	24,752
Inter-segment revenue	1	335	1,861	-2,197	0
Total segment revenue	22,005	2,673	2,271	-2,197	24,752
Segment's gross profit	9,832	71	726	-217	10,412
Unallocated expenses:					
Marketing and Administrative expenses					-2,768
Other income/expenses					2,215
Operating profit					9,859

Revenue by activities

€ thousand	Quarter 2		6 months		for the year ended
	2022	2021	2022	2021	31 December
Water services					2021
Water supply service	2,010	2,044	3,983	4,098	8,097
Wastewater disposal service	2,984	3,011	5,916	6,068	12,000
Total from private customers	4,994	5,055	9,899	10,166	20,097
Water supply service	2,130	1,709	3,994	3,287	7,115
Wastewater disposal service	2,112	1,749	4,090	3,430	7,299
Total from corporate customers	4,242	3,458	8,084	6,717	14,414
Water supply service	402	418	778	814	1,631
Wastewater disposal service	896	862	1,767	1,706	3,422
Storm water disposal service	42	57	128	140	256
Total from outside service area customers	1,340	1,337	2,673	2,660	5,309
Storm water treatment and disposal service and fire hydrants service	1,145	1,009	2,319	1,882	4,010
Overpollution charges and discharging	337	299	602	579	1,225
Total from water services	12,058	11,158	23,577	22,004	45,055
Construction services	694	1,574	1,060	2,338	7,328
Other services	250	236	417	410	911
Total revenue	13,002	12,968	25,054	24,752	53,294

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

NOTE 8. STAFF COSTS

€ thousand	Quarter 2		6 months		for the year ended
	2022	2021	2022	2021	31 December
Salaries and wages	-2,205	-1,889	-4,343	-3,798	-7,381
Social security and unemployment insurance tax	-746	-638	-1,468	-1,285	-2,496
Staff costs total	-2,951	-2,527	-5,811	-5,083	-9,877
Average number of employees during the reporting period	340	331	336	331	333

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

€ thousand	Quarter 2		6 months		for the year ended
	2022	2021	2022	2021	31 December
Cost of goods and services sold					2021
Water abstraction charges	-322	-317	-645	-625	-1,281
Chemicals	-487	-413	-1,020	-859	-1,822
Electricity	-1,801	-901	-3,512	-1,795	-4,612
Pollution tax	-214	-202	-487	-435	-894
Staff costs	-2,125	-1,861	-4,131	-3,697	-7,243
Depreciation and amortization	-1,395	-1,403	-2,821	-2,771	-5,725
Construction services	-474	-1,279	-765	-1,885	-5,988
Other costs	-1,765	-1,361	-2,873	-2,273	-5,150
Total cost of goods and services sold	-8,583	-7,737	-16,254	-14,340	-32,715
Marketing expenses					
Staff costs	-174	-92	-348	-190	-398
Depreciation and amortization	-1	0	-3	0	0
Other marketing expenses	-14	-12	-37	-34	-64
Total marketing expenses	-189	-104	-388	-224	-462
Administrative expenses					
Staff costs	-652	-574	-1,332	-1,196	-2,236
Depreciation and amortization	-88	-80	-175	-162	-320
Other general administration expenses	-354	-338	-718	-1,186	-1,882
Total administrative expenses	-1,094	-992	-2,225	-2,544	-4,438

NOTE 10. OTHER INCOME/EXPENSES

€ thousand	Quarter 2		6 months		for the year ended
	2022	2021	2022	2021	31 December
					2021
Connection fees	136	127	269	251	510
Depreciation of single connections	-127	-118	-251	-235	-475
Doubtful receivables expenses (-)/expense reduction (+)	35	-60	47	-58	-84
Provision for possible third party claims (Note 6)	0	1,204	0	2,407	3,610
Other income (+)/expenses (-)	-99	-89	-167	-150	-462
Total other income / expenses	-55	1,064	-102	2,215	3,099

NOTE 11. FINANCIAL INCOME AND EXPENSES

€ thousand	Quarter 2		6 months		for the year ended
	2022	2021	2022	2021	31 December
Interest income	1	2	3	7	8
Interest expense, loan	-99	-85	-186	-174	-360
Other financial income (+)/ expenses (-)	-9	-6	-19	-13	-27
Total financial income / expenses	-107	-89	-202	-180	-379

NOTE 12. DIVIDENDS

€ thousand	Quarter 2		6 months		for the year ended
	2022	2021	2022	2021	31 December
Dividends declared during the period	13,000	13,000	13,000	13,000	13,000
Dividends paid during the period	12,835	12,842	12,835	12,842	12,842
Withheld income tax on dividends	95	158	95	158	158
Income tax on dividends paid	2,116	2,116	2,116	2,116	2,116
Dividends declared per shares:					
Dividends per A-share (in euros)	0.65	0.65	0.65	0.65	0.65

Dividend income tax rate in 2022 is 20/80 (in 2021: 20/80), but for dividend payments in the amount of up to the average taxed dividend payment during the three preceding years, the income tax rate 14/86 is applied. When calculating the average dividend payment of the three preceding years, 2019 is the first year to be taken into account. In addition, for dividends payable to natural persons, income tax at a rate of 7% is withheld on dividends taxed with a lower income tax rate.

NOTE 13. EARNINGS PER SHARE

€ thousand	Quarter 2		6 months		for the year ended
	2022	2021	2022	2021	31 December
Net profit minus B-share preferred dividend rights	957	3,074	3,836	7,623	16,165
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Earnings per A share (in euros)	0,05	0,15	0,19	0,38	0,81

Diluted earnings per share for the periods ended 30 June 2022 and 2021 and 31 December 2021 was equal to earnings per share figures stated above.

NOTE 14. RELATED PARTIES

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

Shareholders having the significant influence

Balances recorded on the statement of financial position of the Group

	as of 30 June		as of 31 December
€ thousand	2022	2021	2021
Accounts receivable	112	101	129
Prepayments for services	0	0	575
Trade and other payables	1	0	24

Transactions	Quarter 2		6 months		for the year ended
	2022	2021	2022	2021	31 December
€ thousand	2022	2021	2022	2021	2021
Revenue	1,151	1,206	4,484	2,078	4,855
	23	2	79	2	37
Purchase of administrative and consulting services	0	0	583	583	583

Fees to the Group's Management and Supervisory Board members	Quarter 2		6 months		for the year ended
	2022	2021	2022	2021	31 December
€ thousand (excluding social tax)	2022	2021	2022	2021	2021
Fees for Management Board	59	44	170	127	220
Supervisory Board fees	10	13	20	21	37

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

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

The potential salary liability would be up to €159 thousand (excluding social tax) if the Supervisory Board would replace all Management Board members.

Company shares belonging to the Management Board and Supervisory Board members

As of 30 June 2022 and 2021 and 31 December 2021, the members of the Supervisory Council and the Management Board did not own any shares in the company.

NOTE 15. LIST OF SUPERVISORY BOARD MEMBERS

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

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

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