

AS TALLINNA VESI

Consolidated Interim Report for the 2nd quarter of 2021

30 July 2021



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

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MANAGEMENT REPORT

CEO's summary

Tallinna Vesi continued to provide customers and consumers with high-quality water supply and wastewater services during the 2nd quarter of 2021. Due to the easing of COVID-19 restrictions, the commercial consumption started to pick up again in the 2nd quarter of 2021, resulting in higher revenues and operating profit than in the same period last year. According to macroeconomic forecasts, the impact of pandemic will gradually start to reverse as the vaccine rollout progresses. We are therefore optimistic that consumption will also revert to pre-pandemic volumes in the longer term.

End of restrictions resulted in higher commercial consumption

The Company's sales revenue for the 2nd quarter of 2021 increased compared to the same period in 2020, resulting mainly from the relaxing of Covid restrictions that caused the growth in consumption among commercial customers. Sales revenue for the 2nd quarter of 2021 was €12.97 million, being 7.3% or €0.88 million higher compared to the same period in 2020.

Sales to private customers were €5.05 million, showing a decrease of 0.9%. This variance was driven by the easing of virus restrictions at the end of April when people returned from working remotely to working at the offices. The end of restrictions also reflects in 17.2% growth in sales to commercial customers with the impact of +€0.51 million being a consequence of the reopening of a number of hospitality businesses in the end of April.



The gross profit for the 2nd quarter of 2021 was €5.23 million, showing an increase of 10.5% due to higher sales revenue. The operating profit grew by 13.2% or €0.61 million, amounting to €5.20 million.

The net profit for the 2nd quarter of 2021 was €3.07 million, which was €2.92 million more than in the same period last year. Besides the above, €2.1 million lower income tax on dividends was another contributing factor to the increase in the net profit for the 2nd quarter of 2021 year on year.

Reliable water and wastewater service and high-quality customer operations

The quality of tap water was very good in the 2nd quarter of 2021 – 99.7% compliant with the requirements. Tap water met the strict standards for drinking water quality also during the first half of the year (99.87%). Hot weather in summer can be a challenge in terms of ensuring water quality in the water network. To make sure that consumers have high-quality drinking water in their taps at all times, the company carries out proactive maintenance of the water network, such as additional flushing of pipes as necessary. A total of 1,596 water samples were taken from customer taps during the first six months of 2021.

Higher temperatures have the impact also on the level of leakages in the water network. Water loss for the first six months of the year was 15.01% which was higher than in the same period last year (13.91%). The average water disruption time in the 2nd quarter was 2 hours and 51 minutes which was less than in the same period last year.



We notify our customers of interruptions to water supply as early as possible. During the first six months of 2021, in 98.9% of cases the customers received notices of unplanned interruptions at least 1 hour before. To minimise the effect of water interruptions on customers, the company is planning to install at least 20 additional valves in the water network this year.

The number of sewer collapses has been gradually reducing year on year. During the first half of 2021, we had 5 sewer collapses less than in the same period last year. Slight increase in the number of sewer blockages was also attributable to the dry and warm weather.

The major project of reconstructing the mechanical treatment stage at Paljassaare Wastewater Treatment Plant has continued, with the completion of building works scheduled for the end of July. The testing and optimisation of the new system will commence in August.

The company had reconstructed 4,200 m of water pipes and 4,100 m of sewers by the end of the 2nd quarter of 2021. Reconstruction works were done on Poska and Roosikrantsi Streets as well as on Kadaka Road.

Providing customers and consumers with high-quality and reliable water and wastewater services at all times, whilst maintaining very high standards in customer service, is crucial for Tallinna Vesi. In the 2nd quarter of 2021, the company received 9 customer complaints which were mainly related to blockages, low water pressure or water interruptions. We have seen a gradual decline in the number of customer complaints year on year, which is a positive trend and demonstrates stable improvement in the quality of service.

Supporting the community and raising environmental awareness

One of our goals is improving environmental awareness among the population to help consumers make environmentally friendly decisions. In the 2nd quarter of 2021, we continued to encourage people to drink tap water with our outreach campaign “Veendumus”, which calls on students in schools to create ad campaigns promoting tap water. 336 students participated and 58 projects were submitted to the competition. High interest in the campaign is a testament to the environmental mindset of our school students and their motivation to make smart consumer choices.

Tallinna Vesi supports the community by delivering drinking water tanks to public events in its service area to help people cool down on hot summer days. We can see a positive trend year on year in the growing number of organisers of environmentally friendly events and increasing interest in providing tap water at events.



In the 2nd quarter of 2021, Tallinna Vesi joined the environmental initiative Green Tiger (Rohetiiger) aimed at enhancing the awareness of people about pure water as one of the most important natural resources. We also continue to focus on environmental ways of using natural resources in our daily operations as a company.

OPERATIONAL INDICATORS FOR SIX MONTHS OF 2021

Indicator	Unit	2021	2020	2019
Compliance of water quality at customer taps	%	99.87	100.0	99.46
Water loss in the water distribution network	%	15.01	13.91	12.19
Average duration of water interruptions per property	h	3.10	3.05	2.63
Number of sewer blockages	No	294	227	302
Number of sewer collapses	No	36	41	59
Compliance of treated effluent with environmental standards	%	100.0	100.0	100.0
Number of customer complaints	No	17	28	81
Number of customer contacts regarding water quality	No	72	164	172
Number of customer contacts regarding water pressure	No	137	149	154
Number of customer contacts regarding blockages and drainage of stormwater	No	495	473	542
Responding to written customer contacts within at least 2 working days	%	99.2	100.0	100.0
Number of cases of failed promises	No	1	0	2
Notification of unplanned water interruptions at least 1 h before	%	98.9	99.2	97.7

Aleksandr Timofejev
Member of the Management Board
 Chief Executive Officer

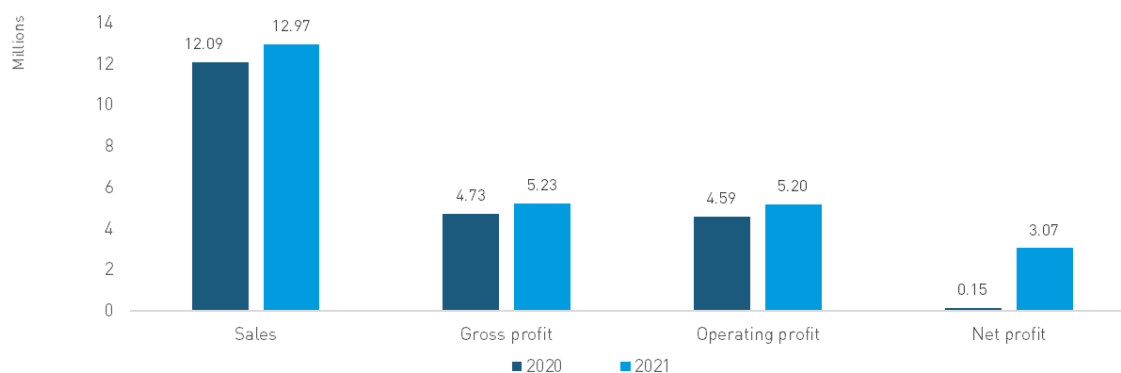
FINANCIAL HIGHLIGHTS OF THE 2nd QUARTER OF 2021

The latest **economic forecast** from Eesti Pank predicts that the removal of restrictions will be followed by rapid growth in the economy in the second half of the year, as recovery is expected in export markets, while growth in Estonia will be given a short-term boost as the savings built up during the pandemic and the funds withdrawn from the second pension pillar are directed to consumption. Driven mainly by growth in private consumption, growth in the economy is expected to be in the magnitude of 5-8% this year and 4-5% next year. The speed of growth this year will depend very much on how much of their savings people choose to direct into consumption. Around 1.3 billion euros will be withdrawn from the second pillar, which is about 4.5% of the size of the economy. If more savings are directed to consumption than expected, there will be a danger of overheating in the economy that will hinder its recovery to a stable path of growth.

As production volumes cannot keep up with global demand, the prices of many commodities will rise in the short term, and this will be passed on after a lag to consumers. Consumer prices in Estonia will be raised by 2.5–2.7% this year and 2.8–3.3% next year because of the blockages that appeared in supply chains during the pandemic, some shortages of products, the recovery of services from their trough, and growth in labour costs. For the same reason inflation will rise temporarily throughout the euro area, but if inflation remains persistently higher in the euro area, the European Central Bank will be able to react by tightening monetary policy, which will also slow price rises in Estonia.

The removal of restrictions has had a positive impact on AS Tallinna Vesi's financial results, reflecting in slight increase of revenues and profit compared to the same period in 2020.

The Group's sales revenues during the 2nd quarter of 2021 were €12.97 million, being higher by 7.3% or €0.88 million compared to the same period in 2020.



The gross profit in the 2nd quarter of 2021 was €5.23 million, showing an increase of 10.5% or €0.50 million. The increase in gross profit was fully related to higher revenues as the total cost of goods and services sold was higher than in the comparative period. The revenues were mainly impacted by increase in water and wastewater revenues from commercial customers within the service area, which were mostly affected by the pandemic-related restrictions cancellations and increased consumption of commercial customers.

The operating profit was €5.20 million, showing an increase of 13.2% or €0.61 million. In addition to the above-mentioned changes in gross profit, the operating profit both in the 2nd quarter of 2021 and in the 2nd quarter of 2020 was impacted by €1.20 million positive change in the provision formed for possible third-party claims. The operating profit for the 2nd quarter of 2021 before the impact resulting from the change of provision formed for possible third-party claims was €4.00 million, compared to €3.39 million operating profit in the 2nd quarter of 2020, being 17.9% or €0.61 million higher year-on-year.

The net profit for the 2nd quarter of 2021 was €3.07 million, showing an increase of €2.92 million. The net profit was mainly impacted by the above-mentioned changes in the revenue and operating profit and by income tax expense. The changes in the financial expenses were influenced by expiration of swap contracts in the middle of the 4th quarter of 2020. The net profit for the 2nd quarter of 2021 without the impact resulting

from the change of provision for possible third-party claims was €1.87 million compared to €1.14 million net loss in the 2nd quarter of 2020 without the impact resulting from the change of provision for possible third-party claims and financial expense from swap contracts, being €3.01 million higher year-on-year.

MAIN FINANCIAL INDICATORS

€ million, except key ratios	2 nd quarter			Change 2021/ 2020	6 months			Change 2021/ 2020
	2021	2020	2019		2021	2020	2019	
Sales	12.97	12.09	16.15	7.3%	24.75	25.27	30.81	-2.0%
Gross profit	5.23	4.73	8.79	10.5%	10.41	10.79	17.05	-3.5%
Gross profit margin %	40.34	39.16	54.44	3.0%	42.07	42.70	55.34	-1.5%
Operating profit before depreciation and amortisation	6.80	6.14	8.07	10.8%	13.03	13.32	16.46	-2.2%
Operating profit before depreciation and amortisation margin %	52.44	50.76	49.96	3.3%	52.63	52.70	53.43	-0.1%
Operating profit	5.20	4.59	6.60	13.2%	9.86	10.26	13.49	-3.9%
Operating profit - main business	4.96	4.32	6.40	15.0%	9.46	9.94	13.18	-4.8%
Operating profit margin %	40.09	37.99	40.88	5.5%	39.83	40.61	43.79	-1.9%
Profit before taxes	5.11	4.51	6.34	13.4%	9.68	10.06	13.02	-3.8%
Profit before taxes margin %	39.40	37.29	39.23	5.7%	39.10	39.82	42.25	-1.8%
Net profit	3.07	0.15	2.79	1909.2%	7.62	5.71	9.48	33.5%
Net profit margin %	23.70	1.27	17.29	1772.8%	30.80	22.59	30.75	36.3%
ROA %	1.21	0.06	1.09	1950.1%	3.02	2.22	3.78	35.7%
Debt to total capital employed %	57.20	59.63	61.32	-4.1%	57.20	59.63	61.32	-4.1%
ROE %	2.75	0.14	2.70	1896.8%	6.96	5.27	9.48	32.1%
Current ratio	2.75	3.23	3.90	-14.9%	2.75	3.23	3.90	-14.9%
Quick ratio	2.69	3.18	3.87	-15.4%	2.69	3.18	3.87	-15.4%
Investments into fixed assets	3.35	4.27	2.70	-21.5%	5.63	7.85	6.11	-28.3%
Payout ratio %	na	77.70	72.05		na	77.70	72.05	

Gross profit margin – Gross profit / Net sales

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

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

Operating profit margin – Operating profit / Net sales

Net profit margin – Net profit / Net sales

ROA – Net profit / Average Total assets for the period

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

ROE – Net profit / Average Total equity for the period

Current ratio – Current assets / Current liabilities

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

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

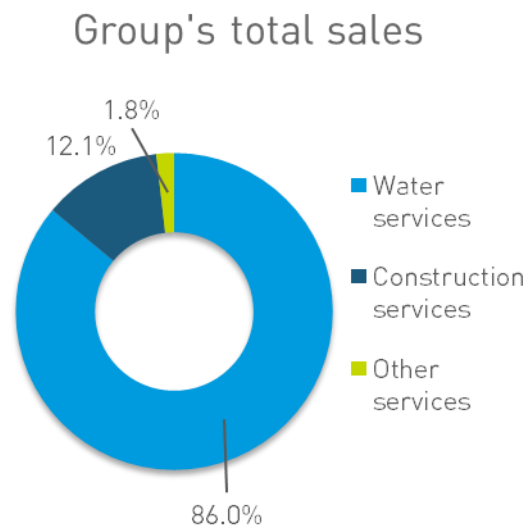
Main business – water services related activities, excl. connections profit and government grants, construction services, doubtful receivables

FINANCIAL RESULTS FOR THE 2nd QUARTER OF 2021

Statement of comprehensive income

SALES

The changes in the revenues from the main activities, i.e. sales of water and wastewater services, in the 2nd quarter of 2021 were driven by changes in the consumption of water services resulting from the coronavirus outbreak. Given Estonia's macroeconomic forecast and developments of the pandemic, we expect a slight increase in the consumption of our water services during the next quarters. In the long run, we do not expect any significant changes in the use of water services.



In the 2nd quarter of 2021, the **Group's total sales** were €12.97 million, showing an increase of 7.3% or €0.88 million year-on-year. 86.0% of sales comprise of water services within and outside the service area, 12.1% from construction services and 1.8% from other services. The sale of construction services is more seasonal, and the Company continues to seek possibilities to grow the revenues from these services.

€ thousand	2 nd quarter			Variance 2021/2020	
	2021	2020	2019	€	%
Water supply service	2,044	2,055	3,595	-10	-0.5%
Wastewater disposal service	3,011	3,047	2,936	-36	-1.2%
Total from private customers	5,055	5,102	6,531	-47	-0.9%
Water supply service	1,709	1,450	3,011	259	17.9%
Wastewater disposal service	1,749	1,500	2,364	249	16.6%
Total from commercial customers	3,458	2,950	5,375	508	17.2%
Water supply service	418	402	431	16	4.0%
Wastewater disposal service	862	778	770	84	10.8%
Storm water disposal service	57	52	63	5	9.6%
Total from outside service area customers	1,337	1,232	1,264	105	8.5%
Storm water treatment and disposal and fire hydrants service	1,009	1,241	1,017	-232	-18.7%
Overpollution charges and discharging	299	251	365	48	19.1%
Total from water services	11,158	10,776	14,552	382	3.5%
Construction services	1,574	1,176	1,445	398	33.8%
Other services	236	137	152	99	72.3%
TOTAL REVENUE	12,968	12,089	16,149	879	7.3%

Sales from water services were €11.16 million, showing a 3.5% or €0.38 million increase compared to the 2nd quarter of 2020, resulting from the changes in the sales volumes as described below:

- There has been a slight decrease of 0.9% to €5.06 million in the sales to **private customers**, driven mainly by lower consumption volumes in apartment blocks, which is our biggest private customer group. The total impact from consumption is -€0.05 million. Lower consumption of private customers was mainly related to easement of coronavirus restrictions at the end of April as people were returning from working remotely to working at offices.
- Sales to **commercial customers** within the service area increased by 17.2% to €3.46 million driven by higher consumption of water services. The sales to commercial customers were impacted by slight relaxation of the pandemic related restrictions as hotels and spas and entertainment facilities were opened in June, and less people were working at home. The impact from consumption on revenues from commercial customers was +€0.51 million.
- Sales to **customers outside the main service area** increased by 8.5% to €1.34 million, which was also impacted by a change in the consumption of water and stormwater services. The total impact from changes in consumption was +€0.11 million.
- Sales from the **operation and maintenance of the stormwater and fire hydrant system in the main service area** amounted to €1.00 million, showing a decrease of 18.7% or €0.23 million compared to the same period in 2020, driven by 7.2% higher stormwater volumes, balanced by lower cost per m3.
- **Overpollution charges and discharging** revenues increased by 19.1% or €0.05 million to €0.30 million.

Sales of **construction services** were €1.57 million, increasing by 33.8% or €0.40 million year-on-year. The increase was mainly related to ongoing pipe and road construction projects, won from the tenders carried out during 2020 and the first half of 2021, continuing to produce revenues also in the coming months.

COST OF GOODS AND SERVICES SOLD AND GROSS PROFIT

The **cost of goods and services sold** amounted to €7.74 million in the 2nd quarter of 2021, being higher by €0.38 million compared to the equivalent period in 2020. The changes were influenced by higher costs of electricity and higher costs related to construction services accompanied by lower other costs of goods.

€ thousand	2 nd quarter		Variance 2021/2020		
	2021	2020	2019	€	%
Water abstraction charges	-317	-300	-303	-17	-5.7%
Chemicals	-413	-385	-429	-28	-7.3%
Electricity	-901	-805	-817	-96	-11.9%
Pollution tax	-202	-221	-226	19	8.6%
Total direct production costs	-1,833	-1,711	-1,775	-122	-7.1%
Staff costs	-1,861	-1,862	-1,704	1	0.1%
Depreciation and amortisation	-1,403	-1,356	-1,297	-47	-3.5%
Construction services	-1,279	-949	-1,237	-330	-34.8%
Other costs of goods/services sold	-1,361	-1,477	-1,345	117	7.9%
Other costs of goods/services sold total	-5,904	-5,644	-5,583	-259	-4.6%
Total cost of goods/services sold	-7,737	-7,355	-7,358	-382	-5.2%

Total direct production costs (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €1.83 million, showing a 7.1% or €0.12 million increase compared to the equivalent period in 2020. Changes in direct production costs came from a combination of changes in prices and in treated volumes as follows:

- **Chemicals** costs increased by 7.3% to €0.41 million, driven mainly by on average 70.8% higher price of methanol at the same time 26% lower usage of methanol in wastewater treatment process, the combined effect of price and usage is worth €0.02 million. The expense of aerotech that is used to dissipate the foam in wastewater treatment has increased by 60.5%, worth €0.01 million. Chemicals cost increase is also related to 5.6% higher usage of coagulant worth €0.01 million in water treatment at the same time coagulant used in wastewater treatment to remove sludge and phosphorus was used 31.0% less, worth €0.02 million.
- **Electricity** costs increased by 11.9% to €0.96 million, driven mainly by 4.89% higher electricity price. Compared to same period in 2020, the electricity expense in wastewater treatment process was lower by 19.4% and 5.7% higher in the main pumping station, worth €0.02 million and €0.05 million respectively.
- **Pollution Tax** cost has decreased by 8.6% and €0.02 million to €0.20 million mainly due to lower tax expense on stormwater outlets worth €0.02 million.

Other costs of goods sold (staff costs, depreciation, construction services related costs and other costs of goods sold) amounted to €5.91 million, having increased by 4.6% or €0.26 million. The increase was mainly influenced by higher costs related to construction services accompanied by lower other costs of goods/services sold:

- **Construction services costs** increased by 34.8% to €1.28 million due to higher revenues from construction services mentioned earlier.

- **Other costs of goods/services sold** decreased by 7.9% to €1.36 million, mainly because of lower asset maintenance costs.

As a result of all above, the **Group's gross profit** for the 2nd quarter of 2021 was €5.23 million, showing an increase of 10.5% or €0.50 million, compared to the gross profit of €4.73 million for the comparative period of 2020.

ADMINISTRATIVE AND MARKETING EXPENSES, OTHER INCOME AND EXPENSES

Administrative and marketing expenses decreased by 17.1% or €0.23 million amounting to €1.10 million, compared to 2nd quarter of 2020, related to less services bought.

Other income and expenses amounted to net income of €1.06 million, compared to net income of €1.18 million in comparative period, derived from higher revenues from connection fees and higher expense of doubtful receivables.

OPERATING PROFIT

As a result of the factors listed above the Group's **operating profit** for the 2nd quarter of 2021 amounted to €5.20 million, being 13.2% or €0.61 million higher than in the corresponding period of 2020. Eliminating the effect of the change of provision for possible third-party claims, the operating profit for the 2nd quarter of 2021 and 2020 would have been €4.00 million and €3.39 million, being higher by 17.9% or €0.61 million year-on-year.

FINANCIAL EXPENSES

The **Group's net financial income and expenses** have resulted in a net expense of €0.09 million, compared to 7.1% lower expense in the 2nd quarter of 2020. The numbers derived from reduced interest costs due to a lower interest margin of 2019 NIB loan agreement and expiry of SWAP agreements in the last quarter of 2020 that had positive fair value in 2020 2nd quarter.

The standalone swap agreements were signed to mitigate the long-term floating interest risk. The interest swap agreements were signed for €37.5 million and ended in November 2020, loans €50.22 million were with floating interest rate. In the 2nd quarter of 2021, the whole loan amount of €85.91 million was bearing a floating interest rate. The effective interest rate of loans in the 2nd quarter of 2021 was 0.40%, amounting to the interest costs of €0.09 million, compared to the effective interest rate of 0.78% (incl SWAP interests) and the interest costs of €0.12 million in the 2nd quarter of 2020.

PROFIT BEFORE TAXES AND NET PROFIT

The Group's **net profit** for the 2nd quarter of 2021 was €3.07 million, being €2.92 million higher than for the comparative period of 2020. The increase in net profit was mainly impacted by changes in operating profit and net financial expenses and in income tax expense on dividends. Eliminating the effects of the change of the fair value of swap contracts in 2020 and the change of provision for possible third-party claims, the Group's net profit for the 2nd quarter of 2021 would have been €1.87 million compared to net loss of €1.14 million in 2020, showing an increase of €3.01 million year-on-year.

FINANCIAL RESULTS FOR THE SIX MONTHS OF 2021

Statement of comprehensive income

SALES

During the six months of 2021 the **Group's total sales** were €24.75 million, showing a decrease by 2.0% or €0.52 million year-on-year. **Sales from water services** for six months of 2021 were 22.00 million, decreasing by 3.3% or €0.76 million year-on-year. 88.9% of sales comprise of sales of water services within and outside of the service area, 9.4% from construction services and 1.7% from other services.

€ thousand	6 months			Variance 2021/2020	
	2021	2020	2019	€	%
Water supply service	4,098	4,075	7,161	23	0.6%
Wastewater disposal service	6,068	6,053	5,860	15	0.2%
Total from private customers	10,166	10,128	13,021	38	0.4%
Water supply service	3,287	3,475	5,745	-188	-5.4%
Wastewater disposal service	3,430	3,624	4,631	-194	-5.4%
Total from commercial customers	6,717	7,099	10,376	-382	-5.4%
Water supply service	814	782	816	32	4.1%
Wastewater disposal service	1,706	1,635	1,585	71	4.3%
Storm water disposal service	140	159	210	-19	-11.3%
Total from outside service area customers	2,660	2,576	2,611	84	3.3%
Storm water treatment and disposal and fire hydrants service	1,882	2,427	1,961	-545	-22.5%
Overpollution charges and discharging	579	533	594	46	8.6%
Total from water services	22,004	22,763	28,563	-759	-3.3%
Construction services	2,338	2,205	1,995	133	6.0%
Other services	410	301	255	109	36.2%
TOTAL REVENUE	24,752	25,269	30,813	-517	-2.0%

During the six months of 2021 there has been a slight increase in **sales to private customers** by 0.4% to €10.16 million that is related to the increase in consumption. 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.

The **sales to commercial customers** within the service area has decreased by 5.4% to €6.72 million. The decrease is related to the decrease in consumption due to coronavirus outbreak as substantial part of population was working from home and several facilities were operating with lower number of visitors.

Sales to **customers outside the main service area** increased by 3.3% to €2.66 million, being impacted by a increase in the wastewater and water supply service revenues.

Sales from the operation and maintenance of the main service area storm water and fire hydrants system in the six months of 2021 amounted to €1.88 million, showing a decrease of 22.5% or €0.55 million year-on-year, driven mainly by averagely 31% lower storm water volumes.

Overpollution charges and discharging revenues received have increased by 8.6% to €0.56 million.

Sales of **construction services** were €2.34 million, increasing by 6.0% or €0.13 million year-on-year. The increase was related to several substantial projects won that are mentioned in the 2nd quarter results.

COST OF GOODS AND SERVICES SOLD AND GROSS AND OPERATING PROFITS

€ thousand	12 months			Variance 2021/2020	
	2021	2020	2019	€	%
Water abstraction charges	-625	-611	-594	-14	-2.3%
Chemicals	-859	-764	-834	-95	-12.4%
Electricity	-1,795	-1,775	-1,821	-20	-1.1%
Pollution tax	-435	-584	-594	149	25.5%
Total direct production costs	-3,714	-3,734	-3,843	20	0.5%
Staff costs	-3,697	-3,665	-3,349	-32	-0.9%
Depreciation and amortisation	-2,771	-2,675	-2,638	-96	-3.6%
Construction services	-1,885	-1,800	-1,674	-85	-4.7%
Other costs of goods/services sold	-2,273	-2,604	-2,258	331	12.7%
Other costs of goods/services sold total	-10,626	-10,744	-9,919	118	1.1%
Total cost of goods/services sold	-14,340	-14,478	-13,762	138	1.0%

During the six months of 2021 **the cost of goods and services sold** amounted to €14.34 million, decreasing by 1.0% or €0.14 million compared to the equivalent period in 2020. **Total direct production costs** (water abstraction charges, chemicals, electricity and pollution tax expenses) amounted to €3.71 million, showing a 0.5% or €0.02 million decrease compared to the equivalent period in 2020. Changes in direct production costs came from a combination of changes in prices and in treated volumes that affected the cost of goods sold together with the following additional factors:

- **Chemicals** costs increased by 12.4% to €0.86 million, driven mainly by on average 57.4% higher price of methanol, accompanied by 43.3% higher usage of aerotech to remove foam in wastewater treatment, worth -€0.07 million and -€0.02 million respectively. Higher costs from wastewater treatment were partly balanced by lower usage of polymer, worth +€0.01 million.
- Expenses for **Electricity** increased by 1.1% or €0.02 million resulting in costs worth of €1.79 million mainly due to averagely 2.9% higher price and 6% higher usage of electricity in wastewater treatment plant.
- **Pollution Tax** cost has decreased by 25.5% or €0.15 million mainly due to lower concentration of Nitrogen and BOD7 in wastewater treatment process, worth €0.07 million and €0.02 million accordingly.

Other costs of goods sold (staff costs, depreciation, construction and asphaltting services costs and other costs of goods sold) amounted to €10.63 million, having decreased by 1.1% or €0.12 million. The decrease in other costs of goods sold were mainly driven by 12.7% lower other costs of goods and services sold which amounted to €2.27 million and 0.9% higher staff costs amounting to €3.70 million. In addition, the expenses related to construction services were higher by 4.7% amounting to €1.88 million.

The **Group's gross profit** for the six months of 2021 was €10.41 million, showing a decrease of 3.5% or €0.38 million compared to the comparative period of 2020. The **Group's operating profit** for the six months of 2021 amounted to €9.86 million, being 3.9% or €0.40 million lower than in the corresponding period of 2020, being mainly impacted by lower water services revenues from main service area because of lower commercial customer consumption, change of provision for the possible third-party claims mentioned in the 2nd quarter results. Eliminating the effect of the change of provision for the possible third-party claims the operating profit for 2021 and 2020 would have been €7.45 million and €7.86 million, being lower by 5.1% or €0.4 million year-on-year.

FINANCIAL EXPENSES

The **Group's net financial income and expenses** have resulted a net expense of €0.18 million, compared to net expense of €0.20 million in the six months of 2020. The decrease was impacted by lower interest costs on loans taken and no expense on SWAP contracts that ended in November 2020.

PROFIT BEFORE TAXES AND NET PROFIT

The **Group's profit before taxes** for the six months of 2021 were €9.68 million, being 3.8% or €0.38 million higher than for the relevant period of 2020. The **Group's net profit** for the six months of 2021 were €7.62 million, being 33.5% or €1.92 million higher than for the equivalent period of 2020. Eliminating the effects of the change of the derivatives fair value in 2020 and the change of provision for the possible third-party claims the Group's net profit for the six months of 2021 would have been €5.22 million, showing an increase by 65.6% or €2.07 million year-on-year.

Statement of financial position

In the first six months of 2021 **the Group invested into fixed assets** €5.63 million. As of 30/06/2021, non-current tangible assets amounted to €205.3 million, the majority of which in the amount of €162.7 was an investment in pipes (31/12/20 €162.6). Total non-current assets amounted to €205.88 million (31/12/2020: €203.43 million).

Compared to the year end of 2020 **the trade receivables, accrued income and prepaid expenses** have shown a decrease in the amount of €1.03 million to €5.99 million. Decrease mainly derives from lower trade receivables related to water services and lower other receivables, by €1.03 million and €0.32 million respectively. The collectability rate continues to be high at 99.78% compared to June 2020 when the collectability rate was 99.75%.

Current liabilities have decreased by €2.41 million to €15.97 million compared to the end of 2020, mainly deriving from investments related trade payables.

Deferred income from connection fees has increased compared to the end of 2020 by €1.42 million to €35.99 million.

Provision for possible third-party claims has decreased compared to the end of 2020 by €2.41 million to €7.22 million. More detailed information about the provision is presented in Note 6 to the financial statements.

The Group's **loan balance** of €85.91 million has decreased by the amount of NIB loan repayment of €1.82 million compared to the end of 2020. In May 2019, the Company started to return the previous NIB loan in 11 equal semi-annual payments. The weighted average loan interest risk margin is 0.66%.

The Group has a **total debt to assets** level of 57.2%, in range of 54%-65%, reflecting the Group's equity profile. In the comparative period of 2020, the total debt to assets ratio was at the same level, being 59.6%.

Cash flow

As of 30/06/2021, the cash position of the Group is rather good. At the end of June 2021, the cash balance of the Group stood at €37.01 million, which is 14.8% of the total assets (31/12/2020: €44.51 million, forming 17.4% of the total assets).

The largest contribution to the cash flows comes from the main activities. During the first six months of 2021, the Group generated €11.39 million of **cash flows from operating activities**, an increase of €0.26 million compared to the corresponding period in 2020. Underlying operating profit continues to be the main contributor to operating cash flows.

In the six months of 2021 the result of **net cash flows from investing activities** was a cash outflow of €3.72 million and decrease of €0.95 million compared to the cash outflow of €4.67 million in the first six months of 2020. This is made up as follows:

- The cash outflows from investments in fixed assets have decreased by €0.37 million compared to 2020, amounting to €5.08 million.
- The compensations received for pipe construction were €1.35 million, showing an increase of €0.63 million compared to the same period of 2020.

In the six months of 2021 **cash outflow from financing activities** amounted to €15.17 million, decreasing by €7.24 million compared to the same period in 2020. The change was mainly related to lower interest payments, and less dividends paid compared to 2020, €0.20 million and €12.84 million.

EMPLOYEES

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

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.

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 so (listed above). In addition to the traditional channels of information, we have also prepared a video in both Estonian and Russian about the related rearrangements in the company and distributed it among the staff.

The corona crisis has significantly changed the daily working arrangements in our company, and many employees began to perform their tasks remotely. Currently, working from home 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". Corona crisis has also changed ways of working of skilled workers, many of them now work temporarily in shifts until to end of corona crisis to ensure the safety of people and uninterrupted work process.

At the end of the 2nd quarter of 2021, the total number of employees was 335 compared to 333 at the end of the same period in 2020. The full time equivalent (FTE) was 318 and 320 respectively. Average number of employees during the six months was 331 in 2021 and 328 in 2020 respectively.

By gender, employee allocation was as follows:

	As of 30/06/2021			As of 30/06/2020		
	Women	Men	Total	Women	Men	Total
Group	93	242	335	91	242	333
Management Team	15	16	31	14	18	32
Executive Team	4	4	8	5	5	10
Management Board	1	1	2	1	2	3
Supervisory Board	1	8	9	1	8	9

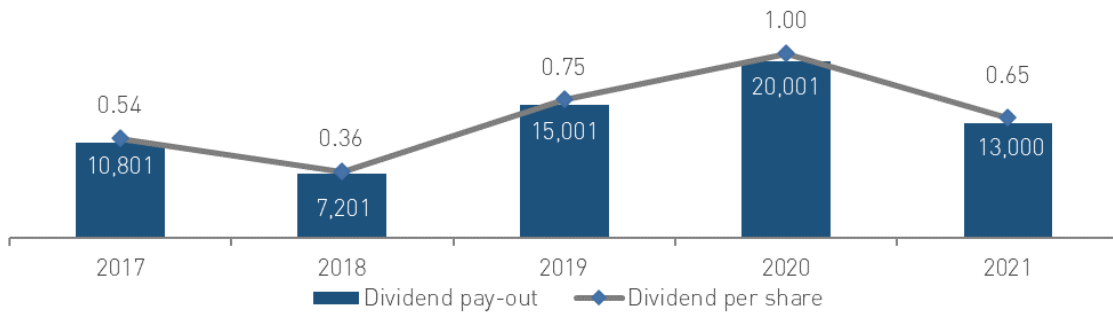
The total salary costs were €1.92 million for the 2nd quarter of 2021, including €0.06 million paid to the Management Board and Supervisory Council members (excluding social taxes). The contingent liability in case the Council should want to replace the current Management Board members is €0.10 million.

DIVIDENDS

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

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

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



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

SHARE PERFORMANCE

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

As of 01/07/2021, AS Tallinna Vesi's shareholders, with a direct holding over 5%, were:

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

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

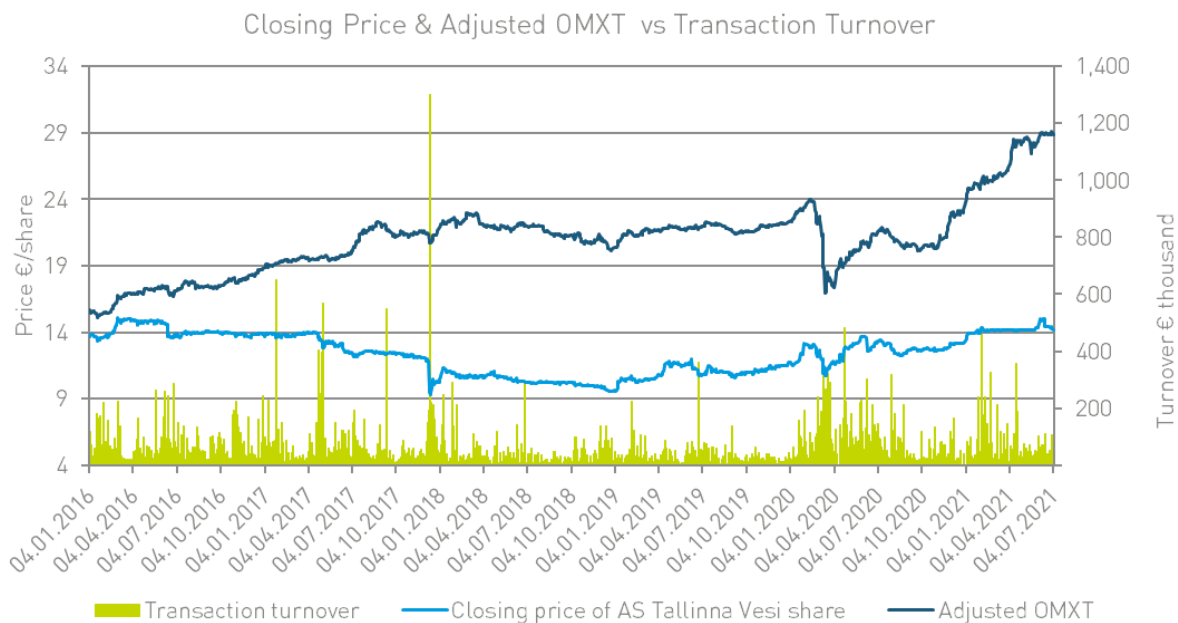
As a result of the mandatory offer for acquiring the Shares of Tallinna Vesi, the shareholders of ASTV who accepted the offer decided to sell 1,083,834 A-shares of ASTV, which equals to approximately 5.42% of all A-shares of ASTV.

During the six months of 2021 the foreign institutional investors have reduced their shareholdings by 2.90%, local retail investors have reduced their shareholdings by 2.18% and local institutional investors and foreign retail investors have decreased their shareholdings by 0.30% and 0.04% respectively. By the end of the 2nd quarter of 2021, the pension funds shareholding has decreased to 0.10% of the total shares.

As of 30/06/2021, the closing price of AS Tallinna Vesi share was €14.26, which is 0.78% (2020: +13.30%) higher compared to the closing price of €14.15 at the end of the previous quarter. During the 2nd quarter, the OMX Tallinn index increased by 10.34% (2020: +20.37%).

In six months of 2021, 10,748 deals were concluded with the Company's shares (2020: 12,087 deals) during which 575 thousand shares or 2.9% of all shares changed owners (2020: 961 thousand shares or 4.8%).

The turnover of transactions amounted to €8.16 million, being €3.68 million lower than in the comparative period of 2020.



CORPORATE STRUCTURE

As of 30/06/2021, the Group consisted of 3 companies. The subsidiaries OÜ ASTV Green Energy and Watercom OÜ are wholly owned by AS Tallinna Vesi and consolidated into the results of the Company.

CORPORATE GOVERNANCE

SUPERVISORY COUNCIL

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

At the Annual General Meeting of Shareholders, the extension of the terms of office of the following members of Supervisory Council was decided:

- Mr Allar Jõks' term was extended from 03/06/2021 for a term of three (3) years,
- Mr Priit Rohumaa's term was extended from 03/06/2021 for a term of three (3) 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 amended Articles of Association the Management Board consists of 2 or 3 members, who are elected for 5 years.

Starting from 01/04/2020, there are 2 members in the Management Board of AS Tallinna Vesi: Aleksandr Timofejev (with the powers of a Management Board member until 30/10/2026) and Kristi Ojakäär (with the powers of a Management Board Member until 01/01/2023).

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

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

[About us > Management board](#)

Additional information:

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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 2021 ended 30 June 2021. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 30 June 2021 have been prepared following the accounting policies and the manner of presenting the information in line with the International Financial Reporting Standards as adopted by the EU. The condensed financial statements provide a fair presentation of the assets, liabilities, financial position and result of the operations and the cash flows of the Group.

The interim report gives a fair presentation of the main events that occurred during the 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 6 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 30 July 2021 have been considered in preparing the financial statements.

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

Aleksandr Timofejev

Member of the Management Board

Chief Executive Officer

Kristi Ojakäär

Member of the Management Board

Chief Financial Officer

30 July 2021

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	2021	2020	2020
CURRENT ASSETS				
Cash and cash equivalents	3	37,011	48,826	44,514
Trade receivables, accrued income and prepaid expenses		5,990	6,081	7,019
Inventories		835	742	701
TOTAL CURRENT ASSETS		43,836	55,649	52,234
NON-CURRENT ASSETS				
Property, plant and equipment	4	205,295	194,467	202,802
Intangible assets	5	583	629	629
TOTAL NON-CURRENT ASSETS		205,878	195,096	203,431
TOTAL ASSETS		249,714	250,745	255,665
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Current portion of long-term lease liabilities		390	493	393
Current portion of long-term loans		3,630	3,630	3,630
Trade and other payables		9,067	10,828	7,085
Derivatives		0	70	0
Prepayments		2,880	2,233	2,445
TOTAL CURRENT LIABILITIES		15,967	17,254	13,553
NON-CURRENT LIABILITIES				
Deferred income from connection fees		35,988	32,865	34,564
Leases		1,277	1,552	1,400
Loans		82,154	85,785	83,978
Provision for possible third party claims	6	7,221	12,035	9,628
Deferred tax liability		195	0	255
Other payables		34	23	32
TOTAL NON-CURRENT LIABILITIES		126,869	132,260	129,857
TOTAL LIABILITIES		142,836	149,514	143,410
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		68,866	63,219	74,243
TOTAL EQUITY		106,878	101,231	112,255
TOTAL LIABILITIES AND EQUITY		249,714	250,745	255,665

Notes to the consolidated financial statements on pages 21 to 29 form an integral part of the condensed financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	Quarter 2		6 months		for the year ended
		2021	2020	2021	2020	31 December
						2020
Revenue	7	12,968	12,089	24,752	25,269	51,717
Cost of goods and services sold	9	-7,737	-7,355	-14,340	-14,478	-29,491
GROSS PROFIT		5,231	4,734	10,412	10,791	22,226
Marketing expenses	9	-104	-109	-224	-226	-433
General administration expenses	9	-992	-1,213	-2,544	-2,508	-4,576
Other income (+)/ expenses (-)	10	1,064	1,180	2,215	2,205	4,567
OPERATING PROFIT		5,199	4,592	9,859	10,262	21,784
Financial income	11	2	12	7	24	31
Financial expenses	11	-91	-96	-187	-223	-473
PROFIT BEFORE TAXES		5,110	4,508	9,679	10,063	21,342
Income tax	12	-2,036	-4,355	-2,056	-4,355	-4,610
NET PROFIT FOR THE PERIOD		3,074	153	7,623	5,708	16,732
COMPREHENSIVE INCOME FOR THE PERIOD		3,074	153	7,623	5,708	16,732
Attributable profit to:						
Equity holders of A-shares		3,074	152	7,623	5,707	16,731
B-share holder		0	0,60	0	0,60	0,60
Earnings per A share (in euros)	13	0,15	0,01	0,38	0,29	0,84
Earnings per B share (in euros)	13	0	600	0	600	600

Notes to the consolidated financial statements on pages 21 to 29 form an integral part of the condensed financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand	Note	6 months		for the year ended 31
		2021	2020	December 2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		9,859	10,262	21,784
Adjustment for depreciation/amortisation	4,5,9,10	3,168	3,054	6,283
Adjustment for revenues from connection fees	10	-251	-225	-542
Other non-cash adjustments	6	-2,407	-2,407	-4,814
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets		0	-11	-14
Change in current assets involved in operating activities		892	938	140
Change in liabilities involved in operating activities		126	-481	-215
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		11,387	11,130	22,622
CASH FLOWS USED IN INVESTING ACTIVITIES				
Acquisition of property, plant and equipment, and intangible assets		-5,084	-5,450	-15,682
Compensations received for construction of pipelines, incl connection fees		1,351	718	1,998
Proceeds from sale of property, plant and equipment, and intangible assets		0	28	32
Interest received		9	30	35
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-3,724	-4,674	-13,617
CASH FLOWS USED IN FINANCING ACTIVITIES				
Interest paid and loan financing costs, incl swap interests		-204	-367	-719
Lease payments		-205	-259	-555
Received loans		0	0	0
Repayment of loans		-1,818	-1,818	-3,636
Dividends paid	12	-12,841	-19,888	-19,888
Withheld income tax paid on dividends	12	0	0	-113
Income tax paid on dividends		-98	-73	-4 355
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-15,166	-22,405	-29,266
CHANGE IN CASH AND CASH EQUIVALENTS		-7,503	-15,949	-20,261
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	44,514	64,775	64,775
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	37,011	48,826	44,514

Notes to the consolidated financial statements on pages 21 to 29 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
as of 31 December 2019	12,000	24,734	1,278	77,512	115,524
Dividends	0	0	0	-20,001	-20,001
Comprehensive income for the period	0	0	0	16,732	16,732
as of 31 December 2020	12,000	24,734	1,278	74,243	112,255
as of 31 December 2019	12,000	24,734	1,278	77,512	115,524
Dividends	0	0	0	-20,001	-20,001
Comprehensive income for the period	0	0	0	5,708	5,708
as of 30 June 2020	12,000	24,734	1,278	63,219	101,231
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

Notes to the consolidated financial statements on pages 21 to 29 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 2020. Selected notes are included in interim financial statements to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES

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

- Management has developed estimates on the expected credit losses of trade receivables based on the best available information about past events, current conditions and forecasts of macroeconomic conditions related to Covid-19 outbreak. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2021, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the

customers to settle the receivables. The Group has identified the GDP and the unemployment rate of Estonia in which it sells its goods and services to be the most relevant factors, and has accordingly adjusted the historical loss rates based on expected changes in these factors. As at 30 June 2021, Management of the Group has assessed the expected credit loss related to Covid-19 outbreak to be €122 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 €18.1 million (as of 31 December 2020: €24.1 million). This estimate marks the maximum difference in between the tariffs approved based on the Services Agreement and the tariffs based on the Company's estimation, with the reservation to the possible fluctuation, regarding past 18 months (as of 31 December 2020: 24 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 €7.2 million (as of 31 December 2020: €9.6 million). As of 30 June 2020, claims totalling €1.5 million have been filed within two applications. 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
	2021	2020	2020
Cash in hand and in bank	37,011	32,926	20,514
Short-term deposits	0	15,900	24,000
Total cash and cash equivalents	37,011	48,826	44,514

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
€ thousand							
as of 31 December 2019							
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
Net book value	19,303	155,423	11,066	2,456	1,378	1	189,627
Transactions in the period 1 January 2020 - 31 December 2020							
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
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	162,569	10,471	8,799	1,765	0	202,802
Transactions in the period 1 January 2021 - 30 June 2021							
Acquisition in book value	0	0	0	5,477	0	95	5,572
Reclassification	0	2,018	159	-2,177	95	-95	0
Depreciation	-146	-1,839	-895	0	-183	0	-3,063
as of 30 June 2021							
Acquisition cost	26,875	241,343	49,028	12,099	2,810	0	332,155
Accumulated depreciation	-7,823	-78,595	-39,293	0	-1,149	0	-126,860
Net book value	19,052	162,748	9,735	12,099	1,661	0	205,295

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 2019			
Acquisition cost	4,463	11	4,474
Accumulated depreciation	-3,764	0	-3,764
Net book value	699	11	710
Transactions in the period 1 January 2020 - 31 December 2020			
Acquisition in book value	0	138	138
Reclassification	119	-119	0
Depreciation	-219	0	-219
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 - 30 June 2021			
Acquisition in book value	0	59	59
Depreciation	-105	0	-105
as of 30 June 2021			
Acquisition cost	4,582	89	4,671
Accumulated depreciation	-4,088	0	-4,088
Net book value	494	89	583

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 €18.1 million (as of 31 December 2020: €24.1 million). This estimate marks the maximum difference in between the tariffs approved based on the Services Agreement and the tariffs based on the Company's estimation, with the reservation to the possible fluctuation, regarding past 18 months (as of 31 December 2020: 24 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 €7.2 million (as of 31 December 2019: €9.6 million). As of 30 June 2021, claims totalling €1.5 million have been filed within two applications. 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.

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

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

	Water services	Const- ruction services	Other services	Inter- segment transactions	Total segments
€ thousand					
1 January 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
1 January 2020 - 30 June 2020					
External revenue	22,763	2,205	301	0	25,269
Inter-segment revenue	1	1,568	1,695	-3,264	0
Total segment revenue	22,764	3,773	1,996	-3,264	25,269
Segment's gross profit	10,316	194	559	-278	10,791
Unallocated expenses:					
Marketing and Administrative expenses					-2,734
Other income/expenses					2,205
Operating profit					10,262

Revenue by activities

€ thousand	Quarter 2		6 months		for the year ended
	2021	2020	2021	2020	31 December 2020
Water services					
Water supply service	2,044	2,055	4,098	4,075	8,106
Wastewater disposal service	3,011	3,047	6,068	6,053	12,048
Total from private customers	5,055	5,102	10,166	10,128	20,154
Water supply service	1,709	1,450	3,287	3,475	7,209
Wastewater disposal service	1,749	1,500	3,430	3,624	7,417
Total from corporate customers	3,458	2,950	6,717	7,099	14,626
Water supply service	418	402	814	782	1,593
Wastewater disposal service	862	778	1,706	1,635	3,298
Storm water disposal service	57	52	140	159	291
Total from outside service area customers	1,337	1,232	2,660	2,576	5,182
Storm water treatment and disposal service and fire hydrants service	1,009	1,241	1,882	2,427	4,588
Overpollution charges and discharging	299	251	579	533	1,250
Total from water services	11,158	10,776	22,004	22,763	45,800
Construction services	1,574	1,176	2,338	2,205	5,222
Other services	236	137	410	301	695
Total revenue	12,968	12,089	24,752	25,269	51,717

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
	2021	2020	2021	2020	31 December 2020
Salaries and wages	-1,889	-1,908	-3,798	-3,775	-7,417
Social security and unemployment insurance tax	-638	-645	-1,285	-1,276	-2,509
Staff costs total	-2,527	-2,553	-5,083	-5,051	-9,926
Average number of employees during the reporting period	331	329	331	328	332

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

€ thousand	Quarter 2		6 months		for the year ended
	2021	2020	2021	2020	31 December
					2020
Cost of goods and services sold					
Water abstraction charges	-317	-300	-625	-611	-1,237
Chemicals	-413	-385	-859	-764	-1,567
Electricity	-901	-805	-1,795	-1,775	-3,256
Pollution tax	-202	-221	-435	-584	-989
Staff costs	-1,861	-1,862	-3,697	-3,665	-7,247
Depreciation and amortization	-1,403	-1,356	-2,771	-2,675	-5,521
Construction services	-1,279	-949	-1,885	-1,800	-4,256
Other costs	-1,361	-1,477	-2,273	-2,604	-5,418
Total cost of goods and services sold	-7,737	-7,355	-14,340	-14,478	-29,491
Marketing expenses					
Staff costs	-92	-97	-190	-188	-370
Other marketing expenses	-12	-12	-34	-38	-63
Total marketing expenses	-104	-109	-224	-226	-433
Administrative expenses					
Staff costs	-574	-594	-1,196	-1,198	-2,309
Depreciation and amortization	-80	-83	-162	-170	-333
Other general administration expenses	-338	-536	-1,186	-1,140	-1,934
Total administrative expenses	-992	-1,213	-2,544	-2,508	-4,576

NOTE 10. OTHER INCOME/EXPENSES

€ thousand	Quarter 2		6 months		for the year ended
	2021	2020	2021	2020	31 December
					2020
Connection fees	127	114	251	225	542
Depreciation of single connections	-118	-106	-235	-209	-429
Doubtful receivables expenses (-)/ expense reduction (+)	-60	50	-58	-82	-64
Provision for possible third party claims (Note 6)	1,204	1,204	2,407	2,407	4,814
Other income (+)/expenses (-)	-89	-82	-150	-136	-296
Total other income / expenses	1,064	1,180	2,215	2,205	4,567

NOTE 11. FINANCIAL INCOME AND EXPENSES

€ thousand	Quarter 2		6 months		for the year ended 31 December
	2021	2020	2021	2020	2020
Interest income	2	12	7	24	31
Interest expense, loan	-85	-124	-174	-247	-487
Interest expense, swap	0	-54	0	-116	-185
Increase (+)/decrease (-) of fair value of swap	0	88	0	151	221
Other financial income (+)/expenses (-)	-6	-6	-13	-11	-22
Total financial income / expenses	-89	-84	-180	-199	-442

NOTE 12. DIVIDENDS

€ thousand	Quarter 2		6 months		for the year ended 31 December
	2021	2020	2021	2020	2020
Dividends declared during the period	13,000	20,001	13,000	20,001	20,001
Dividends paid during the period	12,842	19,888	12,842	19,888	19,888
Withheld income tax on dividends	158	113	158	113	113
Income tax on dividends paid	2,116	4,355	2,116	4,355	-4,355
Dividends declared per shares:					
Dividends per A-share (in euros)	0,65	0,75	0,65	0,75	0,75
Dividends per B-share (in euros)	0	600	0	600	600

Dividend income tax rate in 2021 is 20/80 (in 2020: 20/80), but for dividend payments in the amount of up to the average taxed dividend payment during the three preceding years, the income tax rate 14/86 is applied. When calculating the average dividend payment of the three preceding years, 2018 is the first year to be taken into account. In addition, for dividends payable to natural persons, income tax at a rate of 7% is withheld on dividends taxed with a lower income tax rate.

NOTE 13. EARNINGS PER SHARE

€ thousand	Quarter 2		6 months		for the year ended
	2021	2020	2021	2020	31 December
Net profit minus B-share preferred dividend rights	3,074	152	7,623	5,707	16,731
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Earnings per A share (in euros)	0,15	0,01	0,38	0,29	0,84
Earnings per B share (in euros)	0	600	0	600	600

Diluted earnings per share for the periods ended 30 June 2021 and 2020 and 31 December 2020 was equal to earnings per share figures stated above.

NOTE 14. RELATED PARTIES

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

Shareholders having the significant influence

Balances recorded on the statement of financial position of the Group

€ thousand	as of 30 June		as of 31 December
	2021	2020	2020
Accounts receivable	101	6	1,390
Trade and other payables	0	186	186

Transactions	Quarter 2		6 months		for the year ended
	2021	2020	2021	2020	31 December
Revenue	1,206	1,241	2,078	2,427	4,588
	2	0	2	0	0
Purchase of administrative and consulting services	0	257	583	526	736

Fees to the Group's Management and Supervisory Board members

€ thousand (excluding social tax)	Quarter 2		6 months		for the year ended
	2021	2020	2021	2020	31 December
Fees for Management Board	44	50	127	124	213
Supervisory Board fees	13	8	21	16	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 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 €104 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 2021 and 2020 and 31 December 2020, the members of the Supervisory Council and the Management Board did not own any shares in the company.

NOTE 15. LIST OF SUPERVISORY BOARD MEMBERS

Priit Koit	Chairman of the Supervisory Council
Priit Lello	Vice Chairman of the Supervisory Council
Allar Jõks	Member of the Supervisory Council
Katrin Kendra	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

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

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