

# AS TALLINNA VESI

Consolidated Interim Report for the 1<sup>st</sup> quarter of 2022

29 April 2022



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

**AS Tallinna Vesi's sales revenue increased by 2.3% in the first quarter of 2022 compared to the previous year and reached €12.05 million. The sales revenue growth was attributable to the commercial customers' increased consumption of water services.**

#### Increase in commercial consumption

AS Tallinna Vesi's sales from water services sold to commercial customers reached €3.84 million in the first quarter of 2022, showing a 18% increase on the same period last year. The main factor behind the growth of sales revenue was the easing of the restrictions resulting from the slowdown in the spread of the coronavirus, which enabled the full reopening of the capital's hospitality sector. As a result, the occupancy rates improved, and the volume of water services consumed by commercial customers increased.

AS Tallinna Vesi's sales from water services sold to private customers decreased 4% compared to the first quarter of last year, reaching €4.9 million. The decline in consumption volumes for private customers was also linked to the easing of restrictions for preventing the spread of the coronavirus, which resulted in our customers spending more time outside the home than before.

AS Tallinna Vesi's gross profit for the first quarter of 2021 was €4.38 million, showing a decrease of 15.4% over the year. The decrease in gross profit is mainly related to the growth in direct operational costs, including costs of chemicals and electricity, which increased 51% compared to the same period last year. The Company's operating profit was €3 million in the first quarter, showing a decrease of €1.66 million compared to the same period last year.

The Company's net profit was €2.88 million in the first quarter of 2022, which is €1.67 million less than in the same period of 2021. The decrease in net profit was influenced by changes in operating profit and net financial costs.

According to AS Tallinna Vesi's dividends policy the Company aims to distribute 50-80% of the Company's annual profit as dividends to its shareholders. On 28 April, the Company's Supervisory Council approved the Board's dividend proposal to the general meeting of shareholders to pay the shareholders a dividend of €0.65 per share of the annual profit in 2021. The payout is equal to 80% of the net profit for 2021.

#### Ongoing investment projects

In the first three months of the year, the Company reconstructed nearly 600 meters of water pipes and more than 2600 meters of sewers. In 2022, we aim to renovate at least 16 kilometers of water pipes and sewers. Currently, arrangements have already been made for the renovation of 17 kilometres of pipes. Extensive renovation work will take place this year on Järvevana Road and Tulika, Kotka, Sõle and Lõime Streets. The sewer pipes will also be renovated in Astangu area. In cooperation with the energy group Utilitas, pipes will be renovated in Kesk-Luha, Uue-Maailma, Õllepruuli and Tuvi Streets.

We work closely with the City of Tallinn in preparing a public water supply and sewerage development plan for the next 12-year period. The plan will be completed in the summer of 2022, and it will serve as a basis for preparing the development and investment plan of the Company, to develop Tallinn's water and sewerage network in co-operation with the City of Tallinn.

AS Tallinna Vesi started and continued with investment projects, which will ensure the sustainability of water and sewerage services. Such as the renovation of the main pumping station shaft, the effluent outlet tower, and the aeration tanks in Paljassaare that are part of the wastewater treatment process. At the water treatment side, renovation works are carried out on the filters that are part of the treatment process and at the water pumping station in Rummu Street.

#### High-quality water and wastewater service

The quality indicators of Tallinna Vesi in the first quarter of 2022 were at a very good level - the company provided a reliable and high-quality water and wastewater service. The quality of tap water provided by AS

Tallinna Vesi was at an excellent level in the first quarter of 2022, being 100% compliant with all quality requirements. During the first three months of the year, the Company took 842 water samples.

Treated wastewater also fully compliant with all regulations and standards. Treated wastewater is discharged from the wastewater treatment plant into the Baltic Sea, in which it directly affects the marine environment. Significantly lower levels of nitrogen and phosphorus in the effluent discharged into the sea is a proof of the excellent level of treated effluent.

Snowy winter and cold weather conditions in the first months of the year as usually affected the level of water loss and the number of sewer collapses. Although the parameters were slightly higher in the first quarter, they showed a decrease due to the milder weather conditions in March. Despite the increase, customers were guaranteed a continuous and high-quality water and wastewater service in the first quarter.



Aleksandr Timofejev  
Chairman of the Board  
Chief Executive Officer

## SUMMARY OF OPERATIONAL PERFORMANCE DURING THE 1ST QUARTER OF 2022

**In the first quarter of 2022, the company pumped 7.1 million m<sup>3</sup> of clean water to the water network and treated 14.4 million m<sup>3</sup> of wastewater.**

**The quality of tap water was excellent in the first quarter of 2022 and met 100% all quality requirements.** This means that all water samples taken met the strict standards set for water quality. A total of 842 water samples were taken in the first quarter. Excellent water quality has been ensured by an efficient water treatment process, preventive maintenance on the water network and low raw water temperatures.

We are committed to informing our customers about water disruptions as early as possible. **In the first quarter of 2022, we notified customers at least 1 hour before an unplanned water interruption in 100% of cases.** The average duration of water interruption was 3 hours and 25 minutes, which is similar to a year ago. To minimise the effect of water interruptions on customers, we continue the additional valve installation project.

The level of water loss in the water network (20.99%) and number of collapses on sewerage network has increased, mainly due to snowy winter and cold weather, which in turn has prevented rapid detection of leaks and access to networks. In March, the level of water loss in the network has decreased.

In addition to providing high-quality water service, our aim is to keep the wastewater service reliable and sustainable. 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 discharged into the sea directly affects the marine environment, and during the first three months of the year it was 100% in line with all requirements and standards.** Significantly lower levels of nitrogen and phosphorus in the effluent discharged into the sea is a proof of the excellent level of treated effluent.

The company has taken aim at providing a reliable service to its customers and ensuring that the questions from customers are answered. 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, regardless of whether Tallinna Vesi reacted in a timely manner or whether the failure to provide a high-quality service was caused by the activity of Tallinna Vesi. We decided to implement the new methodology in order 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 255 customer complaints in the first quarter of 2022, mainly related to the sewer blockages (204 complaints). According to the definition of complaints implemented in 2021, the number of complaints would have been 11, which would remain at the same level as in 2021.

**During this year, we have not failed any promises given to customers and written contacts have always been answered in due course.** In order to provide customers with additional value through digitalisation, the company aims to install smart water meters to at least 20 percent of customers this year. Smart water meters allow to release customers from the obligation to report their water readings and make water measurement more accurate. Installing smart water meters allows us to detect water losses and their area quicker. The entire service area is planned to be covered by smart water meters by 2026.

To ensure a reliable water and wastewater service for our customers and consumers, extensive pipeline renovations were started on Rannamõisa Road, Raba Street, Öismäe Road and Lemmiku Street. We have already completed works on the two latter sites. **In total, nearly 600 meters of water pipes and about 2600 meters of sewers were renovated during the 1st quarter.**

In the first quarter of 2022, investment projects such as the renovation of main pumping station shaft, the effluent outlet tower and the aeration tanks continued in Paljassaare. Renovation works are also being done on filters at the water treatment plant, and Rummu pumping station. The investments will ensure high-quality service and continuity of infrastructure.

## OPERATIONAL INDICATORS FOR THE 1st QUARTER OF 2022

Indicator	Unit	3 months of 2022	3 months of 2021
<b>Drinking water</b>			
Compliance of water quality at the customer's tap	%	100%	100%
Water loss in the water distribution network	%	20.99%	15.46%
Average duration of water interruption per property	h	3.41	3.32
<b>Wastewater</b>			
Number of sewer blockages	no	172	143
Number of sewer collapses	no	27	19
Compliance of treated effluent with environmental requirements	%	100%	100%
<b>Customer service</b>			
Number of customer complaints	no	255 (* 11)	* 8
Number of customer contacts regarding water quality	no	70	42
Number of customer contacts regarding water pressure	no	51	51
Number of customer contacts regarding blockages and leading off stormwater	no	324	244
Responding to written customer contacts within at least 2 working days	%	100%	99.7%
Number of failed promises	no	0	1
Notification of unplanned water interruptions at least 1 h before the interruption	%	100%	99.8%

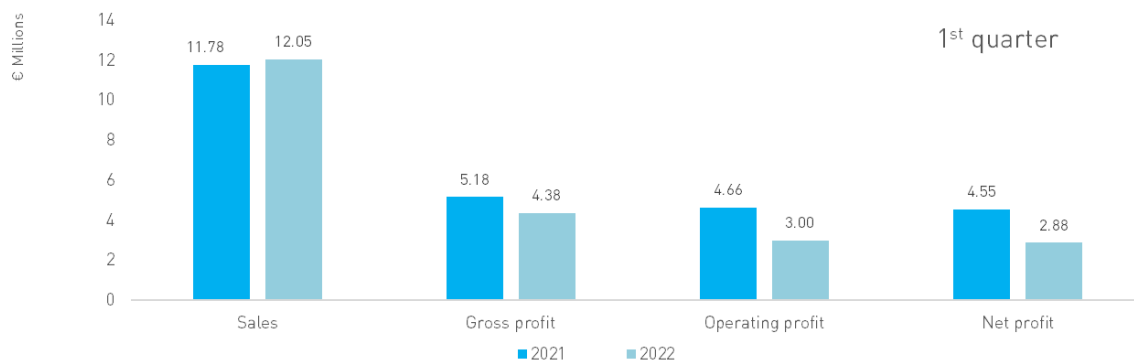
*\* From the first quarter of 2022, we introduced a new methodology for defining customer complaints. The number marked with an asterisk indicates the number of complaints by the old definition.*

## FINANCIAL RESULTS OF THE 1<sup>st</sup> QUARTER OF 2022

The latest **economic forecast** from Eesti Pank expects that the Estonian economy will grow strongly this year by over 9% in euros at current prices, but the counter effect of inflation means real growth in the economy will probably be close to zero or even slightly negative. The Estonian economy had reached close to its limit of production capacity by the end of last year, and earlier forecasts already expected growth to slow sharply. The changed geopolitical circumstances and their economic impact will darken the outlook even further, and for this year as a whole it is expected that growth will be zero or that the economy will shrink a little in size at constant prices, which show the nominal size of the economy minus inflation. The reason for growth stopping will be the fall in trade in goods, the decline in purchasing power because inflation is higher than expected, increased uncertainty, and the discontinuation of large one-off transactions.

High inflation should start to come down in the coming years as commodities prices stop rising. The consumer basket can be expected to rise in price by around 10% this year, with the lion's share of that rise coming from higher energy prices. It is currently very difficult to forecast what the prices of gas, electricity and motor fuels will be in the near future. Inflation in Estonia is among the highest in the euro area, and a part of the upward pressure on prices comes from causes within Estonia.

The increase in energy prices has direct impact on the company's net profit, which has decreased by 36.7% compared to 2021 even though the total revenue has increased by 2.3%, whereas the revenues from water services has increased by 6.2% compared to the same period of 2021.



## Main financial indicators

€ million, except key ratios	1st quarter			Change 2022/ 2021
	2022	2021	2020	
Sales	12.05	11.78	13.18	2.3%
Gross profit	4.38	5.18	6.06	-15.4%
Gross profit margin %	36.36	43.97	45.96	-17.3%
Operating profit before depreciation and amortisation	4.64	6.23	7.18	-25.4%
Operating profit before depreciation and amortisation margin %	38.53	52.83	54.48	-27.1%
Operating profit	3.00	4.66	5.67	-35.5%
Operating profit - main business	2.92	4.50	5.62	-35.2%
Operating profit margin %	24.92	39.55	43.02	-37.0%
Profit before taxes	2.91	4.57	5.56	-36.4%
Profit before taxes margin %	24.13	38.78	42.15	-37.8%
Net profit	2.88	4.55	5.56	-36.7%
Net profit margin %	23.88	38.59	42.15	-38.1%
ROA %	1.12	1.77	2.09	-36.7%
Debt to total capital employed %	54.17	54.83	54.81	-1.2%
ROE %	2.46	3.97	4.70	-38.0%
Current ratio	3.20	4.48	5.87	-28.6%
Quick ratio	3.13	4.42	5.83	-29.2%
Investments into fixed assets	2.78	2.28	3.59	21.9%
Payout ratio %	na	na	na	

*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*

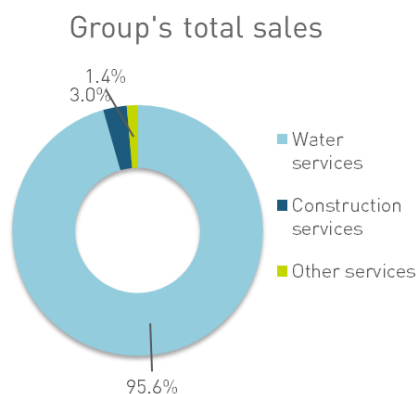
*Main business – water services related activities, excl. connections profit and government grants, construction services, doubtful receivables*



## Statement of comprehensive income

### SALES

The revenues from the main activities, i.e. sales of water and wastewater services, in the 1st quarter of 2022 were impacted by changes in the consumption of water services resulting from the ongoing coronavirus outbreak and related governmental restrictions in 1<sup>st</sup> quarter. 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 1st quarter of 2022, the **Group's total sales** were €12.05 million, showing an increase of 2.3% or €0.27 million year-on-year. 95.6% of sales comprise of water services within and outside the service area, 3.0% from construction services and 1.4% from other services. The sale of construction services is more seasonal, the Company is expecting an increase of the sale of construction services during next months.

€ thousand	1st quarter			Difference 2022/2021	
	2022	2021	2020	€	%
Water supply service	1,972	2,054	2,020	-81	-3.9%
Wastewater disposal service	2,932	3,057	3,006	-125	-4.1%
<b>Total from private customers</b>	<b>4,904</b>	<b>5,111</b>	<b>5,026</b>	<b>-207</b>	<b>-4.1%</b>
Water supply service	1,864	1,577	2,025	287	18.2%
Wastewater disposal service	1,977	1,682	2,124	295	17.5%
<b>Total from commercial customers</b>	<b>3,841</b>	<b>3,259</b>	<b>4,149</b>	<b>582</b>	<b>17.9%</b>
Water supply service	376	396	380	-20	-5.1%
Wastewater disposal service	872	844	856	28	3.3%
Storm water disposal service	86	83	107	3	3.6%
<b>Total from outside service area customers</b>	<b>1,334</b>	<b>1,323</b>	<b>1,344</b>	<b>11</b>	<b>0.8%</b>
Storm water treatment and disposal and fire hydrants service	1,174	872	1,186	302	34.6%
Overpollution charges and discharging	266	281	282	-15	-5.3%
<b>Total from water services</b>	<b>11,519</b>	<b>10,846</b>	<b>11,987</b>	<b>673</b>	<b>6.2%</b>
Construction services	366	765	1,030	-399	-52.2%
Other services	168	173	164	-5	-2.9%
<b>TOTAL REVENUE</b>	<b>12,053</b>	<b>11,784</b>	<b>13,180</b>	<b>269</b>	<b>2.3%</b>

**Sales from water services** were €11.52 million, showing a 6.2% or €0.67 million increase compared to the 1st quarter of 2021, resulting from the changes in the sales volumes as described below:

- There has been a decrease of 4.1% or €0.21 million to €4.90 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 17.9% to €3.84 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 open, and less people were working at home. In addition the water consumption in hotels and rental services has increased due to accommodation of Ukraine refugees in March. The impact from consumption on revenues from commercial customers was +€0.58 million.
- Sales to **customers outside the main service area** increased by 0.8% to €1.33 million, which was also impacted by a change in the consumption of all services. The total impact from changes in consumption was +€0.01 million.
- Sales from the **operation and maintenance of the stormwater and fire hydrant system in the main service area** amounted to €1.17 million, showing an increase of 34.6% or €0.30 million compared to the same period in 2021, driven by 36.7% higher stormwater volumes.
- **Overpollution charges and discharging** revenues decreased by 5.3% or €0.01 million to €0.26 million.

Sales of **construction services** were €0.37 million, decreasing by 52.2% or €0.40 million year-on-year. The decrease was mainly related to weather conditions in 1<sup>st</sup> quarter of 2022, that made the construction works challenging.

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

**The cost of goods and services sold** amounted to €7.67 million in the 1st quarter of 2022, being higher by €1.06 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	1st quarter			Difference 2022/2021	
	2022	2021	2019	€	%
Water abstraction charges	-323	-307	-312	-16	-5.2%
Chemicals	-533	-447	-379	-86	-19.2%
Electricity	-1,711	-894	-970	-817	-91.4%
Pollution tax	-273	-233	-363	-40	-17.2%
<b>Total direct production costs</b>	<b>-2,840</b>	<b>-1,881</b>	<b>-2,023</b>	<b>-959</b>	<b>-51.0%</b>
Staff costs	-2,006	-1,837	-1,803	-169	-9.2%
Depreciation and amortisation	-1,426	-1,368	-1,320	-58	-4.2%
Construction services	-291	-607	-851	316	52.1%
Other costs of goods/services sold	-1,107	-910	-1,127	-197	-21.6%
<b>Other costs of goods/services sold total</b>	<b>-4,830</b>	<b>-4,722</b>	<b>-5,101</b>	<b>-108</b>	<b>-2.3%</b>
<b>Total cost of goods/services sold</b>	<b>-7,670</b>	<b>-6,603</b>	<b>-7,123</b>	<b>-1,067</b>	<b>-16.2%</b>

**Total direct production costs** (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €2.84 million, showing a 51.0% or €0.96 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 19.2% to €0.53 million, driven mainly by on average 93.1% higher price of polymer and 31.1% higher price of methanol used in wastewater treatment process, the effect of price increase is worth €0.04 million each. The chemicals price increase is mainly deriving from the Russian military aggression against Ukraine. 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 39.9%, worth €0.01 million due to 47.4% lower dosages.
- **Electricity** costs increased by 91.4% to €1.71 million, driven by 81.7% higher electricity price. Compared to same period in 2021, the electricity expense in wastewater treatment process was higher by 109,5% and 124.8% higher in the main pumping station, worth €0.33 million and €0.15 million respectively. The electricity expense in water treatment plant has increased by 86.8% worth €0.18 million.
- **Other costs of goods sold** (staff costs, depreciation, construction services related costs and other costs of goods sold) amounted to €4.83 million, having increased by 2.3% or €0.11 million. The increase was mainly influenced by higher staff costs related to salary increase of every staff member by CPI and other costs worth +€0.17 million and +€0.20 million accordingly, balanced by lower costs related to construction services due to lower revenues from construction revenues worth -€0.32 million.

As a result of all above, the **Group's gross profit** for the 1st quarter of 2022 was €4.38 million, showing a decrease of 15.4% or €0.80 million, compared to the gross profit of €5.18 million for the comparative period of 2021.

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

**Administrative and marketing expenses** decreased by 20.5% or €0.34 million amounting to €1.33 million, compared to 1st quarter of 2021, related to lower level of professional outsourced services.

**Other income and expenses** amounted to net loss of €0.05 million, compared to net income of €1.15 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 1st quarter of 2022 amounted to €3.00 million, being 35.5% or €1.66 million lower than in the corresponding period of 2021. Eliminating the effect of the change of provision for possible third-party claims, the operating profit for the 1st quarter of 2021 would have been €3.46 million, being lower by 13.1% or €0.45 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 6.7% lower expense in the 1st quarter of 2021. The numbers derived from reduced interest costs due to a lower interest margin of 2019 Nordic Investment Bank and OP Corporate Bank loan agreements and negative accrued interest on bank accounts.

In the 1st quarter of 2022, the whole loan amount of €84.09 million was bearing a floating interest rate. The effective interest rate of loans in the 1st quarter of 2022 was 0.3%, amounting to the interest costs of €0.09 million, compared to the effective interest rate of 0.42% and the interest costs of €0.09 million in the 1st quarter of 2021.

#### *NET PROFIT*

The Group's **net profit** for the 1st quarter of 2022 was €2.88 million, being €1.67 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 1st quarter of 2021 would have been €3.34 million, showing a decrease of €0.47 million year-on-year.

## Statement of financial position

In the three months of 2022 **the Group invested into fixed assets** €2.78 million. As of 31/03/2022, non-current tangible assets amounted to €212.77 million, the majority of which in the amount of €167.51 was an investment in pipes (31/12/21 €167.61). Total non-current assets amounted to €213.42 million (31/12/2021: €212.27 million).

Compared to the year end of 2021 **the trade receivables, accrued income and prepaid expenses** have shown a slight decrease in the amount of €0.41 million to €6.23 million. Decrease mainly derives by €0.65 million lower trade receivables related to water services. The collectability rate continues to be high at 99.72% compared to March 2021 when the collectability rate was 99.20%.

**Current liabilities** have decreased by €1.51 million to €13.98 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 €0.49 million to €37.73 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 €84.09 million has remained the same 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 0.36%.

The Group has **total debt to assets** level of 54.17%, 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 54.83%.

## Cash flow

As of 31/03/2022, the cash position of the Group is rather good. At the end of March 2022, the cash balance of the Group stood at €37.57 million, which is 14.6% of the total assets (31/12/2021: €36.56 million, forming 14.3% of the total assets).

The largest contribution to the cash flows continues to be the main activities. During the three months of 2022, the Group generated €3.89 million of **cash flows from operating activities**, a decrease of €1.35 million compared to the corresponding period in 2021. Underlying operating profit continues to be the main contributor to operating cash flows.

In the three months of 2022 the result of **net cash flows from investing activities** was a cash outflow of €2.66 million and increase of €0.24 million compared to the cash outflow of €2.41 million in the three months of 2021. This is made up as follows:

- The cash outflows from investments in fixed assets have increased by €0.40 million compared to 2021, amounting to €3.33 million.
- The compensations received for pipe construction were €0.66 million, showing an increase of €0.16 million compared to the same period of 2021.

In the three months of 2022 **cash outflow from financing activities** amounted to €0.22 million being on the same level compared the Q1 2021.

## 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. Multiple locations have been installed 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 avoid larger get-togethers and 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 1st quarter of 2022, the total number of employees was 340 compared to 330 at the end of the same period in 2021. The full time equivalent (FTE) was 324 and 313 respectively. Average number of employees during the three months was 332 in 2022 and 331 in 2021 respectively.

By gender, employee allocation was as follows:

	As of 31/03/2022			As of 31/03/2021		
	Women	Men	Total	Women	Men	Total
<b>Group</b>	<b>96</b>	<b>244</b>	<b>340</b>	<b>89</b>	<b>241</b>	<b>330</b>
Management Team	12	16	28	15	18	33
Executive Team	4	6	10	4	5	9
Management Board	0	2	2	1	2	3
Supervisory Board	0	9	9	1	8	9

The total salary costs were €2.86 million for the 1st quarter of 2022, including €0.12 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 €0.11 million.

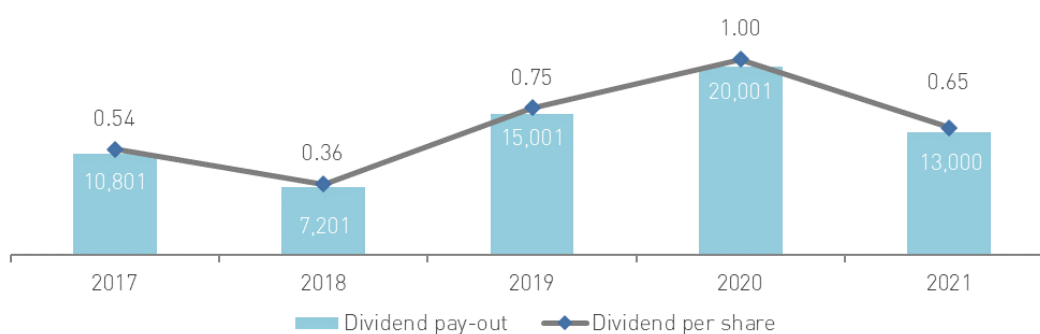
## DIVIDENDS

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. The Supervisory Council decided in its meeting held on 28/04/2022 to approve the Management Board proposal to make a proposal to Annual General Meeting to pay out €0.65 per share from the 2021 profits. The pay-out is equal to 80% of earnings in 2021.

The Annual General Meeting of shareholders is scheduled for 03/06/2022.

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 31/03/2022, 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.

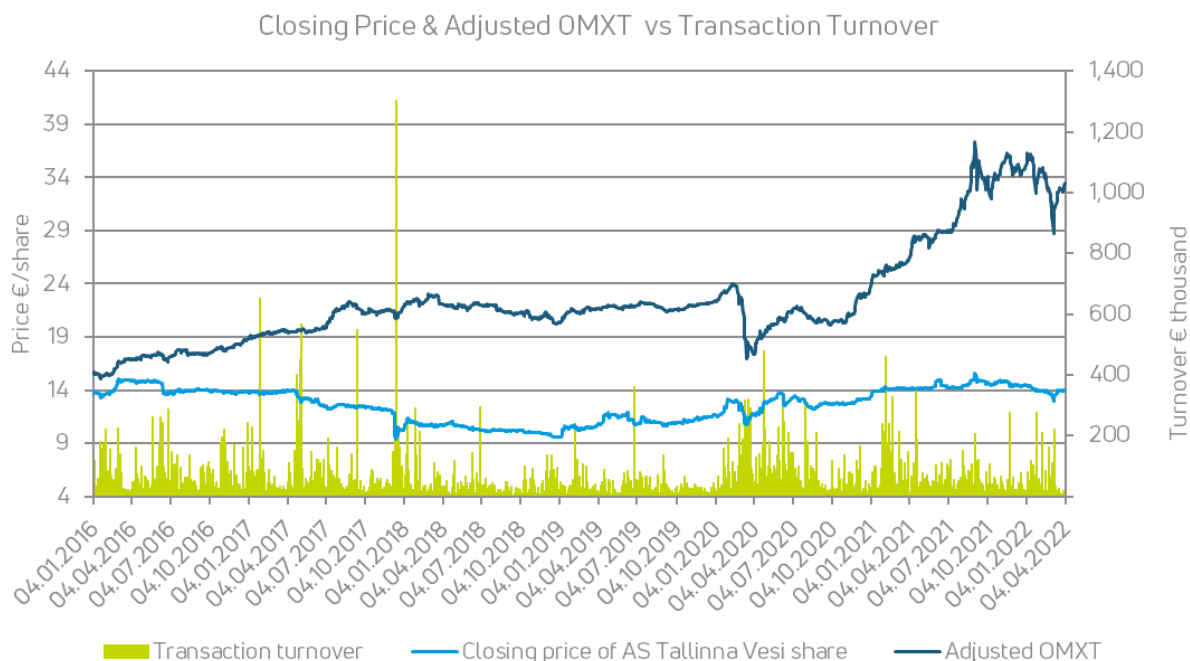
As a result of the mandatory offer for acquiring the Shares of Tallinna Vesi, the shareholders of ASTV who accepted the offer decided to sell 1,083,834 A-shares of ASTV, which equals to approximately 5.42% of all A-shares of ASTV.

During the three months of 2022 the shareholder structure has been relatively stable compared to the end of 2021. The foreign institutional investors have reduced their shareholdings by 0.04% and local retail investors have increased their shareholdings by 0.05%. By the end of the 1st quarter of 2022, the pension funds shareholding has remained to 0.10% of the total shares compared to the end of 2021.

As of 31/03/2022, the closing price of AS Tallinna Vesi share was €13.94, which is 3.73% (2021: +6.79%) lower compared to the closing price of €14.48 at the end of the previous quarter. During the 1st quarter, the OMX Tallinn index decreased by 5.53% (2021: +11.72%).

In three months of 2022, 6,992 deals were concluded with the Company's shares (2021: 5,662 deals) during which 214 thousand shares or 1.1% of all shares changed owners (2021: 351 thousand shares or 1.8%).

The turnover of transactions amounted to €2.97 million, being €1.99 million lower than in the comparative period of 2021.



## CORPORATE STRUCTURE

As of 31/03/2022, 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.

- On 13 January 2022 Ms Katrin Kendra was recalled from the Supervisory Council of the Company. The term of Ms Katrin Kendra expired.
- Mr Silver Tamm was elected as a member of the Supervisory Council of the Company from 14 January 2022 for the term set out in the Articles of Association of the Company.

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

Further information about the Supervisory Council and committees 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 31/03/2022, there are 2 members in the Management Board of AS Tallinna Vesi: Aleksandr Timofejev (with the powers of a Chairman of the Board until 30/10/2026) and Tarvi Thomberg (with the powers of a Management Board Member until 08/11/2026).

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

[About us > Management board](#)

#### Additional information:

Aleksandr Timofejev  
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Tarvi Thomberg  
Member of the Management Board  
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[tarvi.thomberg@tvesi.ee](mailto:tarvi.thomberg@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 3 months period of financial year 2022 ended 31 March 2022. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 31 March 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 3 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 April 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

29 April 2022

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand		as of 31 March		as of 31 December
ASSETS	Note	2022	2021	2021
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	3	37,570	47,122	36,559
Trade receivables, accrued income and prepaid expenses		6,228	6,514	6,637
Inventories		922	809	702
<b>TOTAL CURRENT ASSETS</b>		<b>44,720</b>	<b>54,445</b>	<b>43,898</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant, and equipment	4	212,732	203,516	211,546
Intangible assets	5	690	634	629
<b>TOTAL NON-CURRENT ASSETS</b>		<b>213,422</b>	<b>204,150</b>	<b>212,275</b>
<b>TOTAL ASSETS</b>		<b>258,142</b>	<b>258,595</b>	<b>256,173</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Current portion of long-term lease liabilities		464	393	421
Current portion of long-term loans		3,630	3,630	3,630
Trade and other payables		6,587	5,943	7,835
Prepayments		3,302	2,182	3,604
<b>TOTAL CURRENT LIABILITIES</b>		<b>13,983</b>	<b>12,148</b>	<b>15,490</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred income from connection fees		37,727	35,611	37,241
Leases		1,297	1,331	1,236
Loans		80,348	83,966	80,336
Provision for possible third-party claims	6	6,018	8,424	6,018
Deferred tax liability		402	276	372
Other payables		68	35	60
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>125,860</b>	<b>129,643</b>	<b>125,263</b>
<b>TOTAL LIABILITIES</b>		<b>139,843</b>	<b>141,791</b>	<b>140,753</b>
<b>EQUITY</b>				
Share capital		12,000	12,000	12,000
Share premium		24,734	24,734	24,734
Statutory legal reserve		1,278	1,278	1,278
Retained earnings		80,287	78,792	77,408
<b>TOTAL EQUITY</b>		<b>118,299</b>	<b>116,804</b>	<b>115,420</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>258,142</b>	<b>258,595</b>	<b>256,173</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	Quarter 1		for the year ended
		2022	2021	31 December
		2022	2021	2021
Revenue	7	12,053	11,784	53,294
Cost of goods and services sold	9	-7,670	-6,603	-32,715
<b>GROSS PROFIT</b>		<b>4,383</b>	<b>5,181</b>	<b>20,579</b>
Marketing expenses	9	-199	-121	-462
General administration expenses	9	-1,131	-1,551	-4,438
Other income (+)/ expenses (-)	10	-48	1,151	3,099
<b>OPERATING PROFIT</b>		<b>3,005</b>	<b>4,660</b>	<b>18,778</b>
Financial income	11	1	5	8
Financial expenses	11	-97	-95	-387
<b>PROFIT BEFORE TAXES</b>		<b>2,909</b>	<b>4,570</b>	<b>18,399</b>
Income tax	12	-30	-21	-2,234
<b>NET PROFIT FOR THE PERIOD</b>		<b>2,879</b>	<b>4,549</b>	<b>16,165</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>2,879</b>	<b>4,549</b>	<b>16,165</b>
Attributable profit to:				
Equity holders of				
A-shares		2,879	4,548	16,165
B-share holder		0	0,60	0
Earnings per A share (in euros)	13	0,14	0,23	0,81
Earnings per B share (in euros)		0	600	0

## CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand		3 months		for the year ended
	Note	2022	2021	31 December 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating profit		3,005	4,660	18,778
Adjustment for depreciation/amortisation	4,5,9,10	1,639	1,567	6,520
Adjustment for revenues from connection fees	10	-134	-125	-510
Other non-cash adjustments	6	0	-1,204	-3,610
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets		-3	0	-29
Change in current assets involved in operating activities		202	402	380
Change in liabilities involved in operating activities		-811	-54	938
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>3,898</b>	<b>5,246</b>	<b>22,467</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Acquisition of property, plant, and equipment, and intangible assets		-3,327	-2,923	-13,734
Compensations received for construction of pipelines, incl connection fees		665	508	2,892
Proceeds from sale of property, plant and equipment, and intangible assets		3	0	29
Interest received		1	1	11
<b>TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>-2,658</b>	<b>-2,414</b>	<b>-10,802</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>				
Interest paid and loan financing costs, incl swap interests		-117	-121	-460
Lease payments		-112	-102	-408
Repayment of loans		0	0	-3,636
Dividends paid	12	0	-0	-12,842
Withheld income tax paid on dividends	12	0	0	-158
Income tax paid on dividends	12	0	0	-2,116
<b>TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>-229</b>	<b>-223</b>	<b>-19,620</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>1,011</b>	<b>2,609</b>	<b>-7,955</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>3</b>	<b>36,559</b>	<b>44,514</b>	<b>44,514</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>3</b>	<b>37,570</b>	<b>47,123</b>	<b>36,559</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
<b>as of 31 December 2020</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>74,243</b>	<b>112,255</b>
Dividends	0	0	0	-13,000	-13,000
Comprehensive income for the period	0	0	0	16,165	16,165
<b>as of 31 December 2021</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>77,408</b>	<b>115,420</b>
<b>as of 31 December 2020</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>74,243</b>	<b>112,255</b>
Comprehensive income for the period	0	0	0	4,549	4,549
<b>as of 31 March 2021</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>78,792</b>	<b>116,804</b>
<b>as of 31 December 2021</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>77,408</b>	<b>115,420</b>
Comprehensive income for the period	0	0	0	2,879	2,879
<b>as of 31 March 2022</b>	<b>12,000</b>	<b>24,734</b>	<b>1,278</b>	<b>80,287</b>	<b>118,299</b>

## 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 related to Covid-19 outbreak. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 March 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 31 March 2022, Management of the Group has assessed the expected credit loss related to Covid-19 outbreak to be €136 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 €9.1 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 9 months (as of 31 December 2021: 12 months), being the approximate remaining unexpired term of potential claims.

As of date of publishing this report, claims totalling €8.5 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 31 March		as of 31 December
	2022	2021	2021
Cash in hand and in bank	37,570	23,122	36,559
Short-term deposits	0	24,000	0
<b>Total cash and cash equivalents</b>	<b>37,570</b>	<b>47,122</b>	<b>36,559</b>

### NOTE 4. PROPERTY, PLANT AND EQUIPMENT

€ thousand	Land and buildings	Facilities	Machinery and equipment	Construction in progress	Right-of-use assets	Right-of-use assets in progress	Total property, plant and equipment
<b>as of 31 December 2020</b>							
Acquisition cost	26,875	239,412	49,029	8,799	2,793	0	326,908
Accumulated depreciation	-7,677	-76,843	-38,558	0	-1,028	0	-124,106
<b>Net book value</b>	<b>19,198</b>	<b>167,569</b>	<b>11,144</b>	<b>8,799</b>	<b>1,765</b>	<b>0</b>	<b>202,802</b>
<b>Transactions in the period 1 January 2021 - 31 December 2021</b>							
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
<b>Net book value</b>	<b>19,065</b>	<b>167,615</b>	<b>11,144</b>	<b>12,052</b>	<b>1,670</b>	<b>0</b>	<b>211,546</b>

#### Transactions in the period 1 January 2022 - 31 March 2022

Acquisition in book value	0	0	0	2,548	0	218	2,766
Reclassification	0	813	195	-1,008	218	-218	0
Depreciation	-73	-920	-481	0	-106	0	-1,580

#### as of 31 March 2022

Acquisition cost	27,033	248,374	50,843	13,592	3,139	0	342,981
Accumulated depreciation	-8,041	-80,866	-39,985	0	-1,357	0	-130,249
<b>Net book value</b>	<b>18,992</b>	<b>167,508</b>	<b>10,858</b>	<b>13,592</b>	<b>1,782</b>	<b>0</b>	<b>212,732</b>

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

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

## NOTE 5. INTANGIBLE ASSETS

€ thousand	Acquired licenses and other intangible assets	Unfinished intangible assets	Total intangible assets
<b>as of 31 December 2020</b>			
Acquisition cost	4,582	30	4,612
Accumulated depreciation	-3,983	0	-3,983
<b>Net book value</b>	<b>599</b>	<b>30</b>	<b>629</b>

#### 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
<b>Net book value</b>	<b>640</b>	<b>89</b>	<b>729</b>

#### Transactions in the period 1 January 2022 - 31 March 2022

Acquisition in book value	0	20	20
Reclassification	3	-3	0

Depreciation	-59	0	-59
<b>as of 31 March 2022</b>			
Acquisition cost	4,835	106	4,941
Accumulated depreciation	-4,251	0	-4,251
<b>Net book value</b>	<b>584</b>	<b>106</b>	<b>690</b>

#### **NOTE 6. PROVISION FOR POSSIBLE THIRD-PARTY CLAIMS**

On 12 December 2017, the Supreme Court made a decision on AS Tallinna Vesi's cassation in the tariff dispute with the Estonian Competition Authority. The court stated that the Competition Authority is not bound by the agreement on the water tariffs contained in the Services Agreement, which was executed upon privatisation of the company. From now on, the tariffs will be regulated by the Competition Authority in line with the methodology.

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

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

The potential undiscounted payments by the Company in the future, if potential claims from customers were recognised by the courts, would amount to €9.1 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 9 months (as of 31 December 2021: 12 months), being the approximate remaining unexpired term of potential claims.

As of date of publishing this report, claims totalling €8.5 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 on the basis of its revenue (external and inter-segment revenue) and gross profit. The inter-segment transactions are carried out on market terms.

€ thousand	Water services	Const- ruction services	Other services	Inter- segment transactions	Total segments
<b>1 January 2022 - 31 March 2022</b>					
External revenue	11,519	366	168	0	12,053
Inter-segment revenue	1	238	981	-1,220	0
<b>Total segment revenue</b>	<b>11,520</b>	<b>604</b>	<b>1,149</b>	<b>-1,220</b>	<b>12,053</b>
<b>Segment's gross profit</b>	<b>4,219</b>	<b>59</b>	<b>255</b>	<b>-150</b>	<b>4,383</b>
<b>Unallocated expenses:</b>					
Marketing and Administrative expenses					-1,330
Other income/expenses					-48
<b>Operating profit</b>					<b>3,005</b>
<b>1 January 2021 - 31 March 2021</b>					
External revenue	10,846	765	173	0	13,180
Inter-segment revenue	1	133	798	-1,708	0
<b>Total segment revenue</b>	<b>10,847</b>	<b>898</b>	<b>971</b>	<b>-1,708</b>	<b>13,180</b>
<b>Segment's gross profit</b>	<b>4,955</b>	<b>7,797</b>	<b>318</b>	<b>-148</b>	<b>6,057</b>
<b>Unallocated expenses:</b>					
Marketing and Administrative expenses					-1,412
Other income/expenses					1,025
<b>Operating profit</b>					<b>5,670</b>

**Revenue by activities**

€ thousand	Quarter 1		for the year ended
	2022	2021	31 December
<b>Water services</b>			<b>2021</b>
Water supply service	1,972	2,054	8,097
Wastewater disposal service	2,932	3,057	12,000
<b>Total from private customers</b>	<b>4,904</b>	<b>5,111</b>	<b>20,097</b>
Water supply service	1,864	1,577	7,115
Wastewater disposal service	1,977	1,682	7,299
<b>Total from corporate customers</b>	<b>3,841</b>	<b>3,259</b>	<b>14,414</b>
Water supply service	376	396	1,631
Wastewater disposal service	872	844	3,422
Storm water disposal service	86	83	256
<b>Total from outside service area customers</b>	<b>1,334</b>	<b>1,323</b>	<b>5,309</b>
Storm water treatment and disposal service and fire hydrants service	266	281	4,010
Over pollution charges and discharging	1,174	872	1,225
<b>Total from water services</b>	<b>11,519</b>	<b>10,846</b>	<b>45,055</b>
<b>Construction services</b>	<b>366</b>	<b>765</b>	<b>7,328</b>
<b>Other services</b>	<b>168</b>	<b>173</b>	<b>911</b>
<b>Total revenue</b>	<b>12,053</b>	<b>11,784</b>	<b>53,294</b>

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

**NOTE 8. STAFF COSTS**

€ thousand	Quarter 1		for the year ended
	2022	2021	31 December
			<b>2021</b>
Salaries and wages	-2,137	-1,911	-7,381
Social security and unemployment insurance tax	-723	-646	-2,496
<b>Staff costs total</b>	<b>-2,860</b>	<b>-2,557</b>	<b>-9,877</b>
<b>Average number of employees during the reporting period</b>	<b>332</b>	<b>331</b>	<b>333</b>

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

€ thousand	Quarter 1		for the year ended
	2022	2021	31 December
			2021
<b>Cost of goods and services sold</b>			
Water abstraction charges	-323	-307	-1,281
Chemicals	-533	-447	-1,822
Electricity	-1,711	-894	-4,612
Pollution tax	-273	-233	-894
Staff costs	-2,006	-1,837	-7,243
Depreciation and amortization	-1,426	-1,368	-5,725
Construction services	-291	-607	-5,988
Other costs	-1,107	-910	-5,150
<b>Total cost of goods and services sold</b>	<b>-7,670</b>	<b>-6,603</b>	<b>-32,715</b>
<b>Marketing expenses</b>			
Staff costs	-174	-99	-398
Depreciation and amortization	-1	0	0
Other marketing expenses	-24	-22	-64
<b>Total marketing expenses</b>	<b>-199</b>	<b>-113</b>	<b>-462</b>
<b>Administrative expenses</b>			
Staff costs	-680	-621	-2,236
Depreciation and amortization	-87	-82	-320
Other general administration expenses	-364	-848	-1,882
<b>Total administrative expenses</b>	<b>-1,131</b>	<b>-1,551</b>	<b>-4,438</b>

## NOTE 10. OTHER INCOME/EXPENSES

€ thousand	Quarter 1		for the year ended
	2022	2021	31 December
			2021
Connection fees	134	125	510
Depreciation of single connections	-125	-117	-475
Doubtful receivables expenses (-)/expense reduction (+)	12	2	-84
Provision for possible third-party claims (Note 6)	0	1,204	3,610
Other income (+)/expenses (-)	-69	-63	-462
<b>Total other income / expenses</b>	<b>-48</b>	<b>1,151</b>	<b>3,099</b>

## NOTE 11. FINANCIAL INCOME AND EXPENSES

€ thousand	Quarter 1		for the year ended
	2022	2021	31 December
Interest income	1	5	8
Interest expense, loan	-88	-89	-360
Other financial income			
(+)/expenses (-)	-9	-6	-27
<b>Total financial income / expenses</b>	<b>-96</b>	<b>-90</b>	<b>-379</b>

## NOTE 12. DIVIDENDS

€ thousand	for the year ended
	31 December
	<b>2021</b>
Dividends declared during the period	13,000
Dividends paid during the period	12,842
Withheld income tax on dividends	158
Income tax on dividends paid	2,116
Dividends declared per shares:	
Dividends per A-share (in euros)	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, 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 1		for the year ended
	2022	2021	31 December
Net profit minus B-share preferred dividend rights	2,879	4,548	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
Earnings per A share (in euros)	0,14	0,23	0,81
Earnings per B share (in euros)	0	600	0

Diluted earnings per share for the periods ended 31 March 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

<b>Balances recorded on the statement of financial position of the Group</b>		<b>as of 31 March</b>		<b>as of 31 December</b>
<b>€ thousand</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>	
Accounts receivable	8,866	707	129	
Prepayments for services	0	0	575	
Trade and other payables	22	0	24	

<b>Transactions</b>		<b>Quarter 1</b>		<b>for the year ended 31 December</b>
<b>€ thousand</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>	
Revenue	1,519	872	4,855	
Purchase of thermal energy	56	0	37	
Purchase of administrative and consulting services	0	583	583	

<b>Fees to the Group's Management and Supervisory Board members</b>		<b>Quarter 1</b>		<b>for the year ended 31 December</b>
<b>€ thousand (excluding social tax)</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>	
Fees for Management Board	111	83	220	
Supervisory Board fees	10	8	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 €111 thousand (excluding social tax) if the Supervisory Board would replace all Management Board members.

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

As of 31 March 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
Mart Mägi	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
Priit Lello	Member of the Supervisory Council
Niall Patrick Mills	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/ettevõtte/management-board/supervisory-council/>.