AS TALLINNA VESI

Annual Report 2021

Tallinna Vesi

Translation of the company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Tallinn Stock Exchange and digitally signed (Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100026436/reports).

Tallinna Vesi
Loome puhta veega parema elu!

MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

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1. CHAIRMAN'S STATEMENT

In 2021, we increased investments in our fixed assets by reconstructing an all-time record volume of water and sewerage networks and by switching to electricity from renewable resources. Although the performance of the Company was still affected by the spread of COVID-19 last year, our professional and dedicated team has adapted to the changing circumstances and ensures a consistently high-quality and reliable service for our customers and consumers.

Increased level of investment

We aim to grow investments in fixed assets to secure sustainable infrastructure and continuity of the service. In 2021, we invested nearly €15 million in our assets, increasing, amongst other things, the volume of reconstructed water pipes and sewers to 16 kilometres.

We also implemented a number of investments in the wastewater treatment process, such as modernizing the mechanical treatment stage at the wastewater treatment plant, installing a new pump in the main pumping station and reconstructing the effluent outlet tower. We also made upgrades to maintain a persistently high quality of drinking water by renovating the water pumping station at Õismäe and a number of filters at the water treatment plant.

The investments made and forthcoming will help us to secure high-quality drinking water for all customers and keep the natural environment around us cleaner.

Green processes

In addition to investments in the water and sewage network, we have started to reduce our environmental impact, by mapping the Company's CO_2 footprint last year. To reduce that footprint, 100% of the energy used at our facilities and in the treatment process is now generated from renewable energy resources.

We also started preparations to set up a cogeneration unit at the wastewater treatment plant at Paljassaare in 2022, to allow the use of biogas from the wastewater treatment process to generate 30% of electricity and 100% of heat energy needed to run the treatment plant. In this way, we will improve the continuity of the plant in difficult conditions, as well as reduce the pressure on the environment and the costs of electricity.

To provide customers with additional value through digitalization, we started installing remote water meters in 2021. With smart meters, water metering becomes more accurate, there is no longer need for reporting the water meter readings and we can proactively inform customers about water leaks in the future. We plan to cover the entire service area with remote water meters by 2026.

Sustainable financial position

The activities of Tallinna Vesi highly depend on the surrounding environment. In 2021, the Company's performance was influenced both by the changed consumer behaviour due to continued spread of COVID-19 and the increased costs.

Compared to the last year, we earned a higher return on sales, but due to the increased costs, the net profit decreased. The biggest impact on costs came from the increase in the market price for

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electricity, which led to an increase in electricity costs. The increase in sales revenue resulted largely from the increase in sales of construction services provided by the subsidiary Watercom, as several large pipe and road construction projects were carried out. Compared to the year before, revenue from the sales of water services decreased in 2021, which was influenced both by the change in the volume of water consumption in hospitality and entertainment sectors and by the decreased consumption volumes of private customers. The decline in revenue was offset by cost savings where possible.

We will also continue with the established dividend policy.

Consistently high quality of drinking water and treated effluent

Also last year, the quality of drinking water in Tallinn remained stable at a high level – water samples taken from consumers' tap during 2021 were 99.6% compliant with all requirements. Last year, we took a total of 3 058 water samples from consumer's taps and only 12 of them did not meet the requirements. High-quality tap water is ensured with the continuous development and maintenance of the water network across the service area.

Wastewater treated at the wastewater treatment plant at Paljassaare also maintained a high level of quality last year, being again fully compliant with all the set requirements. In order to assess the efficiency of the treatment process and the quality of the treated effluent, the concentration of pollutants in wastewater entering the plant and in effluent leaving the plant is monitored. The exceptionally low levels of nitrogen and phosphorus in the effluent discharged into the sea in 2021 is a proof of the excellent level of treated effluent.

Outlook for 2022

In 2022, we aim at continuing to provide high-quality service to our customers and consumers, keeping the Company's sustainable financial position and increasing investments in our assets. Our aim is to increase investments in the reconstruction of pipelines and the use of renewable energy solutions to develop sustainable infrastructure and ensure continuity of the service.

In 2022, we aim to invest into fixed assets around €25 million. Over the next years, the investments will be planned based on the public water supply and sewerage development plan for the next 12 years, to be completed in cooperation with the City of Tallinn in 2022, and the pipe reconstruction program prepared in cooperation with the Tallinn Technical University.

This year, the focus will also be on process digitalization, especially through the installation of remote water meters for customers. A number of major investment projects are ongoing and about to start at the treatment plants and in the pipe reconstruction field in cooperation with other utility owners and the City of Tallinn to develop the water and sewerage network in Tallinn.

For Tallinna Vesi's subsidiary Watercom, 2021 was a very successful year in terms of volume and profit margin of services sold outside the Group. We are optimistic that this success will continue in the future, and we believe that Watercom also has the potential to develop both existing and new services.

I would like to thank the entire dedicated team in Tallinna Vesi and Watercom, colleagues from Utilitas and the City of Tallinn, and all our customers, consumers and cooperation partners for their long-term and professional cooperation.

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Aleksandr Timofejev

Chairman of the Management Board

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Tallinna Vesi

Loome puhta veega parema elu!

2. OUR COMPANY

Tallinna Vesi is the largest water utility in Estonia, providing drinking water and wastewater services to nearly one third of Estonian population. We serve over 23,900 private customers and businesses and approximately 470,000 end consumers in Tallinn and its surrounding areas: City of Maardu, City of Saue, Harku Small Town and Saku Municipality. As of 31 December 2021, Tallinna Vesi employed 336 people.

Ülemiste Water Treatment Plant (left) and Paljassaare Wastewater Treatment Plant (right).

We have two main treatment plants, Ülemiste Water Treatment Plant and Paljassaare Wastewater Treatment Plant. Every day, we treat and pump into the network an average of 68,000 m^3 of water and 133,000 m^3 of wastewater in our plants. Tallinna Vesi also has an accredited water laboratory and an accredited wastewater laboratory.

Tallinna Vesi was privatised in 2001 and based on the Services Agreement signed with the City of Tallinn upon privatisation, the Company is required to fulfil 97 levels of services. The current mandate is effective until 30 November 2025 as per the exclusive right to provide water and wastewater services in Tallinn.

The public water supply system includes more than 1,200 km of water pipes, 22 water pumping stations and 46 ground water pumping stations with 93 boreholes. The catchment area in Harju and Järva Counties covers around 1,800 km^2. The public sewerage system comprises more than 1,187 km of wastewater network, 520 km of stormwater network and 179 wastewater and stormwater pumping stations across the service area.

Tallinna Vesi Group consists of three companies. Tallinna Vesi is listed on Nasdaq Baltic market. As of 31 December 2021, Tallinna Vesi's shareholders, with a direct holding over 5% were OÜ Utilitas and the City of Tallinn.

Tallinna Vesi's subsidiary, Watercom was founded in 2010, aimed at providing services to the Company and to diversify the product range on offer and develop a non-regulated business.

Watercom OÜ is wholly owned by Tallinna Vesi and consolidated to the results of the Group (hereinafter referred to as Group). The Group structure has not significally changed in the past few years.

Tallinna Vesi also has a full shareholding in the company ASTV Green Energy OÜ (founded in 2021), which in the longer term intends to supply reusable resources, generated as a result of providing water services, as products in the green energy market.

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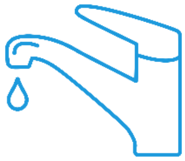
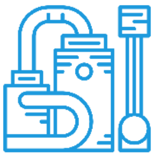
OUR MAIN PRODUCTS AND SERVICES

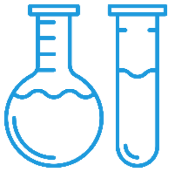

Collection, treatment and supply of water

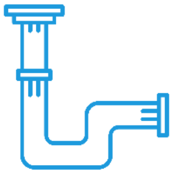

Collection, treatment and disposal of wastewater and stormwater

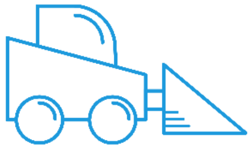

Design works


Owner supervision and project management


Water and wastewater services


Laboratory services


Pipe construction works


Transportation services and road construction

OUR MISSION AND VISION

We have the responsibility to supply high-quality drinking water to consumers, ensure a reliable service and collect and treat wastewater and stormwater in an environmentally conscious manner.

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3. HIGHLIGHTS OF THE 2021

CHANGES IN THE OWNERSHIP OF THE COMPANY

At the beginning of 2021, a contract was signed whereby the energy group Utilitas and the City of Tallinn acquired the shares of Tallinna Vesi owned by the former major shareholder United Utilities. This brought about changes and added a fresh perspective to the management of the Company, on the level of the Company's Supervisory Council and the Board. As of 31.12.2021, Tallinna Vesi's shareholders, with a direct holding over 5%, were the City of Tallinn (55.06%) and OÜ Utilitas (20.36%).

INVESTMENTS IN THE WASTE-WATER TREATMENT

2021 saw the completion of the largest project of the decade, during which the facilities and equipment of the first and most important, i.e. the mechanical treatment stage at the wastewater treatment plant at Paljassaare were modernized. This was the largest investment Tallinna Vesi has made at the wastewater treatment plant in recent years, totalling €8.5 million. The modernized equipment will ensure more reliable and efficient wastewater treatment for Tallinners and help to keep the Baltic Sea cleaner.

We also upgraded the most important point of the City's sewer system, the main pumping station, receiving all the wastewater generated in Tallinn. To reduce the operational risks of the plant, a new pump was installed at the main pumping station, allowing to receive 5-10% more wastewater.

RENOVATIONS ON THE WATER AND SEWER NETWORK

In 2021, we reconstructed 8.3 kilometres of water pipes and 7.6 kilometres of sewers. The extensive construction works were carried out on Poska, Sirbi and Erika streets and on Mustamäe, Kohila and Mustakivi roads. The renovations made will ensure a reliable water supply for many people in Tallinn.

The renovation works were also carried out at the pumping station at Õismäe, installing upgraded technology with the new pipes and collector system, adding the capacity to install UV equipment and improving the possibility for additional water chlorination on the water network.

SCHOLARSHIPS AT UNIVERSITIES AND VOCATIONAL SCHOOLS

In autumn 2021, we launched cooperation with three Estonian universities – Tallinn Technical University, TTK University of Applied Sciences and Estonian University of Life Sciences – and three vocational schools

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– Tallinn Industrial Education Centre, Lasnamäe Mechanic School and Kopli Vocational School.

Under this cooperation, we award scholarships to active students from specialities related to Company's core business to attract young and energetic new generation of talents to join the Company.

GREEN THINKING

In 2021, we carried out an outreach campaign "Veendumus ("Conviction"), during which the young students got the opportunity to create their own adverts to convince their parents, friends and fellow students that drinking tap water can bring benefits to the environment, one's own health and budget.

In addition, through various initiatives, we drew attention to water saving and, by opening new public drinking water taps, we made tap water even more accessible in urban areas. In cooperation with the City of Tallinn, 12 new public water taps were set up across Tallinn in 2021.

We have started to reduce our environmental impact, by mapping the Company's CO_2 footprint in 2021. Also, 100% of the energy used at our facilities and in the treatment process is now generated from renewable energy resources.

LOCAL COMMUNITY

Also in 2021, we continued to support the community by providing our support to several organisations and by participating in charity projects and good causes, such as:

- Years of cooperation with the Estonian Disabled Athlete Sports Association;
- Assistance to the Kindergarten Õunake in Tallinn for disabled children;
- A donation to SA Lapsepuue (Foundation for Disabled Children) and MTÜ Vaprusehelmed (NGO for Children with Chronic Diseases);
- Engagement with SPIN project which aims to develop and strengthen young people's social and self-management skills, and to provide young people with development opportunities and enjoyment through sports;
- Providing free drinking water at several sports and community events, including running and walking events organised by Stamina, the Gymnastics Festival, the Investment Festival, summer youth festivals organised by the Tallinn Sports and Youth Department, and many other events.

WATERCOM'S CONTINUED SUCCESS

The subsidiary of Tallinna Vesi Watercom achieved its highest turnover in 2021, while also improving the profitability of the services compared to the previous year. The growth of the company was ensured by the increased volume of road construction works – several procurements were won in the City of Tallinn – but also by holding an order book in the pipe construction that continues to be strong. Overall activity in the construction market allowed the full use of Watercom's resources and

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created conditions for the growth of external turnover and profit.

In 2021, preparations were launched for the implementation of several investment projects in 2022, the most important of which will be the purchase of the ice pigging equipment from the UK for cleaning the pipes.

HIGH-CLASS LABORATORIES

In 2021, we were once again assured that our laboratories provide a reliable and professional service. Tallinna Vesi's laboratories participate in several Estonian and international competency assessment tests for laboratories each year. In 2021, all 125 reported analytical results received positive assessment, i.e. were 100% successful.

Successful participation in competency assessment tests is the most objective and impartial way to demonstrate our analytical accuracy, quality and competence to customers and an accreditation body.

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4. STRATEGY

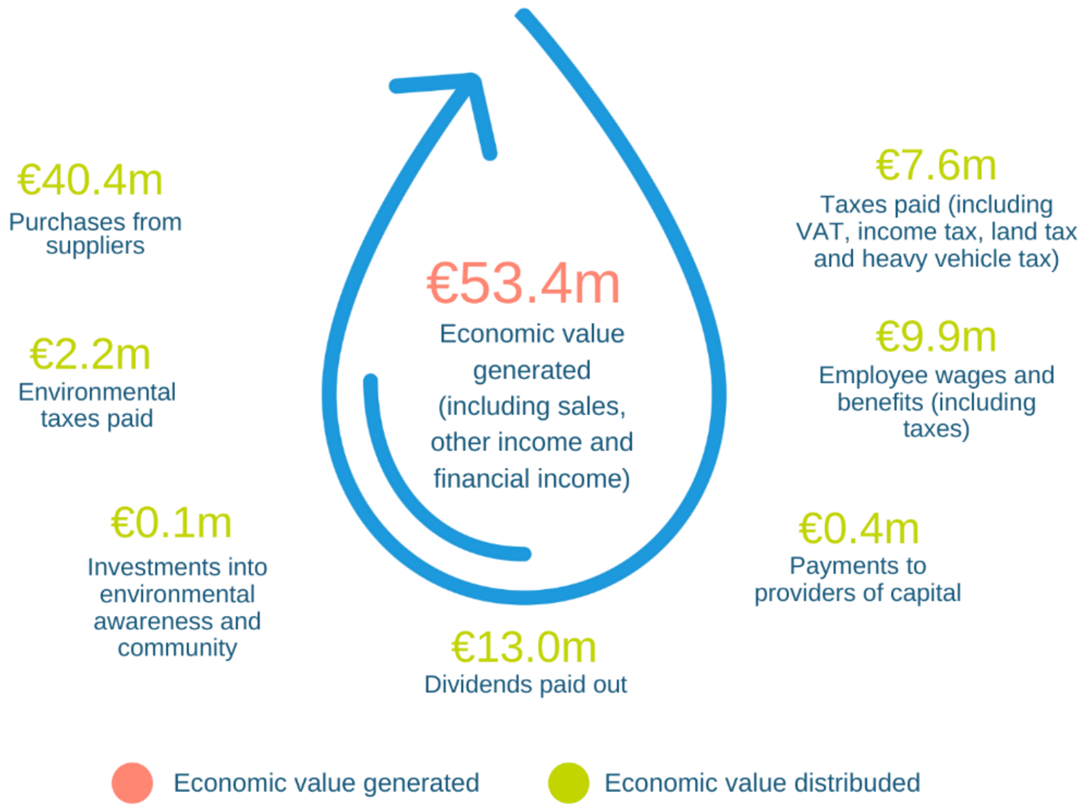
4.1 How we create value

We are committed to create a better life with pure water. We work tirelessly and passionately to achieve the Company's goals and objectives.

As a large company, Tallinna Vesi holds an important place in the community and has the responsibility to look out both for the employees, customers, consumers, investors, partners, the state and the environment. A large quantity of our economic value created is re-distributed.

In addition to providing a vital service, Tallinna Vesi gives back to the society through taxes, partnership with other organisations, investments into the infrastructure and dividends.

BREAKDOWN OF THE VALUE GENERATED AND DISTRIBUTED BY THE COMPANY



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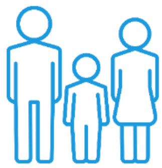
HOW WE DELIVER VALUE TO DIFFERENT STAKEHOLDERS

Main stakeholders of the Company are the customers, wider local community, employees, investors and partners.

DELIVERING SOCIAL VALUE

Customers



Our key priority is to provide our customers with a high-quality service, which they can rely on continuously, 24/7. We are fully aware of our responsibilities and deliver our promises.

- We anticipate our customers' needs before those become problems.
- We embrace the latest technology to enhance customer communications.
- We deliver our promises.

Employees

We value the contribution of our employees and seek to ensure their continued motivation and commitment.

We create a working environment that encourages everyone to innovate and deliver a high-quality service.

- Health and Safety is paramount in everything we do.
- We encourage continuous improvement and share best practice.
- We constantly train and develop our workforce.
- We live by our values: commitment, customer focus, teamwork, creativity, proactivity.

Community

We play an active part in local communities and seek to minimise our operational and environmental impact wherever possible.

DELIVERING ENVIRONMENTAL VALUE

Quality and environment

We value the natural environment we operate in and therefore use natural resources sparingly and continuously seek new ways for more sustainable operations.

- We continuously seek to improve our service, through improved productivity and by adopting the latest technology.
- We minimise our environmental footprint wherever possible.

Environmental awareness

We work with local communities to promote environmental thinking and awareness.

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- We are good corporate citizens and support local communities.
- We make efforts to raise public´s environmental awareness through seminars, field tours and campaigns.
- We support and cooperate with universities and research institutions.

DELIVERING ECONOMIC VALUE

Investors

We aim to be transparent and honest thorough our business activities, giving timely and accurate information to our shareholders. All stakeholders are treated equally, and we are focused on a path of continuous improvement, whilst ensuring continued sustainability.

- We spend and invest wisely.
- We seek opportunities for incremental growth.

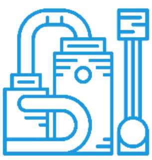
Partners

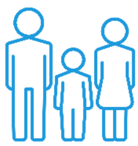
We build and develop strategic relationships with partners and suppliers to create additional efficiency and enhance customer service.

- We treat our partners fairly.
- Our ways of business are transparent and ethical.

4.2 Strategic objectives in 2018-2022

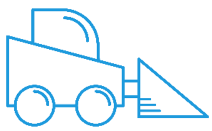
We have established five strategic objectives, which balance the expectations of our various stakeholders. Fundamental to the successful delivery of our strategic objectives is the need to work closely with all our stakeholders.


Operational Excellence


Satisfied Customers and Community


Professional and Committed Employees


Sustainable Financial Performance


Sustainable Growth of Watercom

OPERATIONAL EXCELLENCE

The Company's continued priority will be to provide a reliable and high-quality drinking water service to our customers, and to ensure that all our activities, from water catchment to wastewater treatment, are enacted in accordance with strict environmental legislation.

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With timely investments, we prevent bigger disruptions to our operational processes that may put our compliance at risk and cause significant reputational damage to the Company. Adoption of new technology and work methods will help us to operate in a more efficient and safer manner.

To achieve Operational Excellence, we need to:
- Invest into assets in a timely manner
- Adopt sustainable practices and best technologies

SATISFIED CUSTOMERS AND COMMUNITY

Tallinna Vesi provides vital services to the population within its service area. We are responsible for a continuous supply of high-quality drinking water, and a reliable wastewater service.

Great customer service relies on understanding our precise customer needs, anticipating problems and resolving complaints quickly and courteously. We want our customers to have trust in us and confidence in our service.

To keep our customers satisfied, we need to be able to communicate through a diverse range of media platforms.

To ensure the customers and community are satisfied, we need to:
- Deliver on our promises
- Simplify and reduce the need for interaction

PROFESSIONAL AND COMMITTED EMPLOYEES

Achieving operational excellence is not possible without the continued commitment of our workforce. We consider our people as our greatest asset, and we offer an environment where people with passion and commitment can work together, not only towards the achievement of corporate goals, but also towards personal career goals, supported by training and continuous development of staff.

Ensuring the continued health and safety of employees, and third parties who interface with the Company's activities, is of vital importance. It is central to everything we do and safety will never be compromised. We ensure a safe working environment, making sure that our facilities and equipment fulfil the relevant safety standards and legislation.

Considering the age profile in the Company it is of critical importance that we establish a systematic approach to succession planning. We believe it is advantageous to build teams with both new and experienced staff, to generate fresh and innovative ideas that are built on a solid base of practical experience.

We encourage our employees to continuously learn and develop themselves. We support the progression of staff internally and provide career development opportunities when possible.

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To ensure the commitment and professionalism of our employees, we need to:

- Create a positive health and safety culture
- Plan succession in a systematic manner
- Develop a motivating working environment

SUSTAINABLE FINANCIAL PERFORMANCE

We are committed to increasing shareholder value – delivering an appropriate rate of return, combining the distribution of dividends, whilst improving the share price.

A sustainable revenue stream with a high collectability rate is essential to providing sufficient cash flows to cover operating costs and finance sustainable investments, whilst ensuring an adequate rate of return to our investors.

A strong capital structure of the Company is essential to support the delivery of shareholder value and provide sufficient financing for investments.

To ensure the sustainability of the Company´s financial performance, we need to:

- Maintain a sustainable revenue stream
- Ensure strong capital structure
- Deliver shareholder value

SUSTAINABLE GROWTH

We keep looking for ways to increase shareholder value by ensuring the growth of Watercom and launching the ASTV Green Energy OÜ activity, which in the longer term intends to supply reusable resources, generated as a result of providing water services, as products in the green energy market.

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5. OPERATIONAL RESULTS OF 2021

5.1 Ensuring quality of our services

To ensure the best quality of service for our customers, besides legislative requirements, we are contractually required to comply with 97 levels of service. This responsibility stems from the Services Agreement concluded with the City of Tallinn in 2001. Our performance and compliance with the levels of service are reviewed annually by an independent monitoring unit – Supervisory Foundation for Water Companies in Tallinn – to whom we submit annual Levels of Service Reports.

In 2021, the Company delivered all contractual levels of service.

Besides the 97 levels of service, the Services Agreement requires us to comply with the following management systems:

- since 2001, ISO 17025 Quality Management System of Laboratories;
- since 2002, ISO 9001 Quality Management System;
- since 2003, ISO 14001 Environmental Management System.

Our environmental activity and environmental management system are in compliance with the requirements of the international environmental standard ISO 14001 and EU Eco Management and Audit Scheme (EMAS) Regulation. Doing business in an environment-friendly manner and the safety of our employees is fundamental to us, therefore we have voluntarily implemented the following management systems:

- since 2005, EMAS-compliant European Eco-Management and Audit Scheme;
- since 2007, OHSAS 18001 and since 2020, ISO 45001 Occupational Health and Safety Management System.

In recent years, the activity of the Company and its management systems fully complied with all applicable quality, environmental, occupational safety and working environment standards and systems as well as legal requirements. Such compliance is regularly monitored via internal audits and was confirmed via the external audit undertaken by AS Metrosert. A certificate of registration for Eco-Management and Audit Scheme EMAS was issued by the Environment Agency in 2020 for the following three years. According to AS Metrosert, the management systems have been appropriately developed and improved, and the Company's activity complies with the requirements set forth in the standards.

UNINTERRUPTED SERVICES

Our role is to ensure the availability of high-quality water services to our customers and community 24 hours a day and 365 days a year. Stringent control over drinking water and consistently high-quality levels in all segments of our products and services are fundamental to ensure the provision of uninterrupted services. Effective water treatment and functioning of the water network as well as prevention of problems through regular maintenance and efficient,

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prompt and smooth disposal of wastewater and treatment thereof in compliance with strict requirements contribute to the continuous availability of a stable service.

We are committed to notify our customers on time of the planned works that may impact the service. We give an advance notice to all customers affected by a planned interruption 5 days before it takes place. We managed to deliver that objective 100% in 2021.

To provide a reliable and uninterrupted service, we monitor the average duration of the water interruption. We make continuous efforts to provide uninterrupted services to our customers and minimise the duration of unplanned interruptions. In 2021 we had no unplanned interruptions lasting longer than 12 hours. The interruptions that last long cause more discomfort for customers, thus we strive to keep the interruptions as short as possible whilst repairing water bursts. Average duration of interruptions in 2021 was somewhat longer than in last year, 3 hours and 18 minutes (2 hours and 56 minutes in 2020), due to few large breakages in the network.

Interruptions entail unexpected discomfort, which is why we have prepared measures to alleviate the situation for our customers. To minimise the effect of water interruptions on customers, we continued the additional valve installation project also in 2021. Also, if needed, we provide our customers with temporary water tanks. Furthermore, we were able to notify the customers 1 hour in advance of any unplanned interruptions in 98.7% of the events (2020: 98.9%).

Stable high quality and economic sustainability of services is largely dependent on the planning of investments. Both the preventive maintenance and timely investments into the infrastructure are instrumental for the Company to be able to deliver its main duties. The investments made aim to secure sustainable infrastructure and continuity of the service. This has a direct impact on the key performance indicators of the Company such as customer satisfaction, level of leakages, sewer blockages and water bursts etc.

In 2021, the investments in our main water treatment infrastructure amounted to €967 thousand (€1,430 thousand in 2020), amongst which the largest projects were the reconstruction of Õismäe pumping station and renovation of the filters in Water Treatment Plant. €3,882 thousand was invested in wastewater treatment (€7,436 thousand in 2020), which mainly included ongoing projects from 2020, such as the reconstruction of mechanical treatment facilities, the effluent outlet tower, the replacement of a pump and civil reconstruction works in the main pumping station at Paljassaare and reconstruction of aeration basins. Key investments in water and wastewater networks were the reconstruction of pipes on Kadaka Blvd, Poska, Sirbi and Erika Str, Mustamäe, Kohila and Mustakivi Rd. The total level of investments in water and wastewater network was €6,442 thousand (€5,353 thousand in 2020). The cost of new connection points was €3,399 thousand in 2021 (€3,862 thousand in 2020).

DRINKING WATER QUALITY

3 GOOD HEALTH AND WELL-BEING

Tallinna Vesi provides water service to nearly one third of Estonian population. We recognise the significant responsibility we have to bring high-quality drinking water to each of our consumers. The quality of drinking water affects the quality of life and health of all our consumers, which makes ensuring the stable supply of high-quality water at the customer taps our highest priority. To achieve our water quality objective, we carry out the

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flushing programme, monitor the quality of water leaving the Water Treatment Plant and take regular samples from the customer taps.

The quality of drinking water is subject to strict legal requirements. The quality must comply with Regulation No 61 "Quality and control requirements and analysis methods for drinking water", issued by the Minister of Social Affairs on the basis of the Estonian Water Act and the European Drinking Water Directive 93/83/EC. The regulation was renewed in September 2019 and among other changes, the limit values of residual chlorine were increased to further safeguard the quality of water.

In addition to legislative requirements, we have also agreed upon additional quality standards in the Services Agreement concluded with the City of Tallinn. In terms of water quality, we have outperformed those requirements assuring a supply of good-quality drinking water to our customers. The results of all analyses are public and available on the Company website.

Water quality is inspected by following the drinking water monitoring programme approved by the Health Board. There are approximately 120 sampling points in Tallinn, including kindergartens, schools and other institutions, evenly spread out across the entire service area. The programme specifies the sampling points, sampling frequency and the parameters to be analysed. Samples are taken from raw water (Lake Ülemiste and its catchment area and from ground water), from the treatment process and from consumers' taps.

The quality of drinking water in Tallinn remains high – water samples taken from customers' taps during 2021 were 99.61% compliant with all requirements (2020: 99.71%) In 2021, we took a total of 3,058 samples across the service area (2020: 3,099). Consistently high quality of tap water is ensured with the development and maintenance of the water network across the service area.

We have a separate laboratory unit, which has been accredited by the Estonian Accreditation Centre since 2001. The laboratory unit consists of a water and microbiology laboratory at Ülemiste Water Treatment Plant and a wastewater laboratory at Paljassaare Wastewater Treatment Plant. Water analyses are made in our water and microbiology laboratory, which is also one of the largest laboratories in Estonia. The quality of analyses is guaranteed by the attested samplers, accredited quality management system (ISO 17025) and modern equipment, as well as the professional staff who enable us to offer a wide range of services also externally.

Every year our laboratories participate in several interlaboratory proficiency tests, both within Estonia and internationally. All 125 analysis results submitted in 2021 were positively evaluated by the organizers of the proficiency testing, i.e percentage of satisfactory analyses was 100%. Good results achieved in 2021 as well as in previous years is a confirmation to our customers that we provide reliable and professional laboratory service.

Water quality is independently monitored by the Northern Services of the Health Board and the Supervisory Foundation for Water Companies in Tallinn. Our laboratories are supervised by the Estonian Accreditation Centre.

Our water laboratory and wastewater laboratory conducts approximately 142,000 analyses per annum, out of which about 2/3 are chemical and microbiological analyses of drinking water and 1/3 is chemical analyses of wastewater.

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Water	2021	2020	2019	2018	2017
Compliance of water quality at the consumers' taps	99.61%	99.71%	99.04%	99.93%	99.93%
Leakages in the water network	15.00%	12.42%	12.97%	13.71%	13.82%
Average duration of water interruptions per property in hours	3.30	2.93	2.99	3.27	3.14

5.2 Environment

ENVIRONMENTAL COMPLIANCE

We provide pure drinking water to the network to supply our customers and safely collect, treat and recycle wastewater back to the environment. We rely directly on natural water resources, which we highly appreciate and care for. Thus, we do our best to employ these resources sustainably and contribute to the well-being of the environment.

We are the most regulated water company in Estonia. To ensure the fulfilment of environmental requirements set for water companies, we are required to comply with legislative acts issued by the European Union (EU) and the Parliament of Estonia as well as by the local governments. At the EU level, this means above all the compliance with the Water Framework Directive No 2000/60/EC of the EU Council. At national level, the Company is required to comply, amongst others, with the Water Act, the Public Water Supply and Sewerage Act, the General Part of the Environmental Code Act, the Environmental Liability Act, the Environmental Monitoring Act, the Waste Act, the Chemicals Act, the Atmospheric Air Protection Act and any regulations adopted on the basis thereof. At local level, the Company has to abide by various guidelines and regulations established by the local governments in Tallinn and neighbouring municipalities. Consequently, the environmental impact of our daily activities as a company is well mapped and managed.

We act in accordance with the requirements of the environmental permits issued to us and comply with the precepts issued by the Environmental Board. AS Tallinna Vesi has been granted 7 environmental permits, regulating the special use of water, emissions to air and waste management.

In order to keep our main activities operational, we must rely on resources that have an environmental impact. The Company's core activity is highly dependent on the use of electricity. We continue striving for higher efficiency in our electricity consumption. For instance, we are maximizing the use of biogas, which is a product of sludge digestion process, in local heat production. To reduce ambient air pollution, the Company is limiting the amount of pollutants emitted from Ülemiste and Paljassaare boiler houses, such as nitrogen dioxide, carbon monoxide, volatile organic compounds and CO_2 greenhouse gas emissions.

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As of October 2021, we are only using electricity produced from renewable energy sources, thereby significantly reducing the Company's carbon footprint. By the end of 2021, an audit of the Company's greenhouse gas footprint was completed, which will serve as a basis for a plan to further reduce environmental impacts that will be prepared by the end of 2022.

A more detailed overview of our environmental performance is provided in our environmental report. The environmental report is available for reading on Tallinna Vesi's website. The 2021 environmental report is due to be released in the first half of 2022 and will then be up on the Company website. In 2021, the Company did not have any non-compliances with the requirements of environmental permits.

SUSTAINABLE USE OF WATER

To provide a sustainable service, it is crucial to ensure the availability of sufficient quantity and quality of raw water in the lake. To provide drinking water to the citizens of Tallinn, we extract water from its natural environment. Tallinna Vesi supplies customers with drinking water extracted from both surface water resources in Lake Ülemiste and ground water sources. We are determined to use the water sustainably and continue to increase the efficiency of our water usage.

Ground water is a limited and slowly renewable natural resource, which is the reason why we have gradually been reducing the share of ground water in water treatment, thus serving the purpose of sustainable use of water. About 10% of consumers use regional ground water and 90% of drinking water is produced from surface water, with Lake Ülemiste as the main source for the residents of Tallinn, leading it to be declared a non-public water body.

Surface water: 25,850 th. m^3 (2020: 25,241 th. m^3)
Ground water: 2,954 th. m^3 (2020: 2,734 th. m^3)

Lake Ülemiste has an extensive surface water catchment system, serving also as a source for additional water during dry periods. The surface water catchment covers an area of approximately 1,800 km^2. In 2021, the Water Treatment Plant produced and pumped into the network an average of 68,000 m^3 of water per day (2020: 66,400 m^3). That quantity has been relatively stable over the years. We saw a slight increase in average water consumption per capita to 98,6 (2020: 98.2) litres per day in Tallinn and Saue (Tallinna Vesi's main service area). Compared to the pre-covid period, people spend more time spend their free time more at home. Commercial premises such as offices, hotels, spas and sports clubs use somewhat less water than before, so it can be said that the average water consumption per person has not changed significantly.

As part of our pursuit of a sustainable use of water, our actions are also targeted to reducing leakages in the water network. Higher level of leakages also means higher use of process water and energy for the Company with an effect on both the natural environment and the Company's profitability. Therefore, one of our main objectives is to keep leakages i.e. losses of pure water in the water network, at minimum. Lowering the level of leakages also diminishes the demand for water extraction as well as the risks of soil erosion. Besides the increased value the lower

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Loome puhta veega parema elu!

levels of leakages provide in terms of environmental sustainability, they also reduce our own costs due to smaller losses in treated water.

About 20 years ago the level of leakages exceeded 35%, while in 2021, the level of leakages was 15.00%. (2020: 12.42%). This was mainly caused by a large number of hidden leakages, which took longer to detect, and by exceptional weather conditions during the year. To achieve reducing leakages in the network, we have equipment for faster detection and enhanced remote inspection. Detecting and fixing leakages as fast as possible and regular preventive action continue to contribute further to the reduction in leakages levels.

WATER TREATMENT PROCESS AT ÜLEMISTE WATER TREATMENT PLANT

RAW WATER
Water from the lake is pumped into the plant.

MECHANICAL TREATMENT
Screens and microfilters separate garbage, algae and suspended solids from the lake water. Screens also keep fish from getting into the plant.

CHEMICAL TREATMENT
The applied chemical treatment with ozone and coagulant removes all harmful particles and microorganisms from water. Ozone kills the microorganisms and bacteria that are harmful to human health and improves the quality and taste of water. Ozone finally decomposes into normal oxygen. Coagulant has an effect of creating flocs by attracting particles in water, which allows the flocs to become heavy enough to sink to the bottom of clarifiers and are removed from water.

FILTRATION
Clarified water is filtered through carbon and sand filters that remove the fine particles. Clogged filters are washed with drinking water.

ADDING CHLORINE
Residual chlorine ensures the microbiological compliance of water and helps to retain the water quality throughout the water distribution network in the city. In small amounts chlorine is completely harmless to human health.

TREATED WATER
Drinking water gets pumped from the clean water basins into the water distribution network in the city.

EFFLUENT QUALITY

Besides a sustainable use of water, we also have an important role in improving the natural and living environment around the Baltic Sea. Therefore, we safely collect, treat and recycle wastewater back to the environment. We treat wastewater collected in Tallinn and its nearest surrounding areas. The treatment process in Paljassaare Wastewater Treatment Plant is based on the activated sludge method and it has three treatment stages: mechanical, biological and chemical treatment. Nitrogen removal efficiency has been improved with a biological filter, which is based on the activity of denitrification bacteria.

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The quality of the effluent discharged into the sea has a direct impact on the marine environment, and therefore, directly and/or indirectly constitutes an important aspect for all our stakeholders. We are committed to reducing the adverse environmental impact, maintaining high standards and achieving results that can outperform the standards that have been set for treated effluent discharged into the Baltic Sea.

In 2021 48.2 million m^3 of wastewater (2020: 52.5 million m^3) was treated and discharged into the Baltic Sea.

The quality of effluent discharged into the sea is established by legal acts and water permits. The concentration of pollutants in wastewater taken into the treatment plant and in the effluent leaving the plant are monitored to assess the efficiency of the treatment process and the quality of effluent. The wastewater laboratory carries out analyses at different wastewater treatment stages. Such results provide essential information allowing us to further improve the efficiency of the treatment processes and the quality of effluent.

Compared to regulatory requirements the treatment efficiency of Paljassaare Wastewater Treatment Plant outperformed all parameters in 2021:

	REQUIREMENT	2021	2020
Biological oxygen demand (BOD)	80%	98%	98%
Chemical oxygen demand (COD)	75%	92%	88%
Suspended solids	90%	97%	98%
Total nitrogen (N_{tot})	80%	87%	86%
Total phosphorus (P_{tot})	90%	94%	92%
Oil products	75%	98%	90%

Our work is largely dependent on the weather: for example, it affects the quality and quantity of water entering the plants, wastewater parameters as well as the amount of energy and chemicals required in the treatment processes. Therefore, extreme weather conditions pose a great challenge as they may have significant impact on our business. The strongest impact on the activities of the Company and its stakeholders (including employees, community, customers and the public) result from extreme weather events, such as heavy downpours. Heavy downpour and peaking quantities of stormwater may cause flooding and short-term inability of the sewage and stormwater network to take in such large amounts of water. Moreover, it may result in the incapacity of the Wastewater Treatment Plant to take in and/or fully treat such large amounts of sewage. Under such circumstances and to avoid major damages, we are, from time to time, forced to discharge sewage into the sea or to open emergency outlets to conduct highly diluted wastewater into the sea.

In 2021, we were compelled to open the emergency outlets in the main pumping station 7 times (2020: 6 times), all for a short period of time, to avoid major damages. A total of 288 thm^3 (2020:

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234 th m^3) of wastewater diluted by stormwater (dilution at least ¼) was discharged into the sea during those events.

An effective operation and minimization of the risks are fundamental in keeping such occurrences as rare as possible. Moreover, in cooperation with the local authorities the separate sewerage system continues to be developed further, allowing stormwater to be led straight to the receiving water and only wastewater is to be conducted to the Wastewater Treatment Plant.

A series of investments have been planned over the next years that will provide additional security and minimise the risk of any future pollution incidents. In 2021, we completed the reconstruction of the mechanical treatment stage at Paljassaare wastewater treatment plant. With these large-scale construction works the facilities and equipment of the first and most important stage of the wastewater treatment were renovated. It was the largest investment that we have made in wastewater treatment during the past decade. This will allow to maintain the excellent quality of effluent discharged to the sea, keep the Baltic Sea clean, and ensure resilient and efficient wastewater treatment for Tallinners.

WASTEWATER TREATMENT PROCESS AT PALJASSAARE WASTEWATER TREATMENT PLANT

MAIN PUMPING STATION

All wastewater collected via tunnel collectors is pumped into the wastewater treatment works using three pressure pipes.

MECHANICAL TREATMENT

The screens and grit traps remove garbage and grit from the influent wastewater. Those are followed by the primary sedimentation basins where sedimentation removes suspended solids (raw sludge) from wastewater and grease and oils floating on the surface are also removed there. Raw sludge is passed on to the sludge treatment process.

BIOLOGICAL AND CHEMICAL TREATMENT

Biological treatment is carried out by various bacteria (activated sludge) who survive on nutrients contained in wastewater. Biological treatment removes most of nitrogen and part of phosphorus from wastewater. The removal of phosphorus compounds is improved by injecting coagulant which settles dissolved phosphorus compounds. In secondary sedimentation basins, all sediments and activated sludge are removed from wastewater. Some of the sludge is redirected to the treatment process and the rest of it goes to sludge treatment process.

TREATED EFFLUENT PUMPING STATION

Treated effluent being a result of a thorough treatment process is then pumped via a deep-sea outlet 3 km away into the Bay of Tallinn.

SLUDGE TREATMENT

Raw sludge and activated sludge removed throughout treatment process is fermented in methane tanks. Sludge fermentation produces biogas that is used in the technological process and in heating the plant facilities. Fermented sludge is dewatered and used to produce a nutritious compost soil that can be used for planting green spaces.

Wastewater	2021	2020	2019	2018	2017
Number of sewer blockages	524	463	532	603	654
Number of sewer bursts	71	80	103	88	135
Compliance of effluent leaving Wastewater Treatment Plant	100%	100%	100%	100%	100%

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5.3 Objectives: operational performance

OPERATIONAL OBJECTIVES OF 2021	
Implementation of wastewater treatment investments (key projects: mechanical treatment, pump replacement, reconstruction of the main pumping shaft) on time and without pollution incidents. Indicator: 0 pollution incidents; key projects completed on time.	Achieved
Leakage level in the water network. Indicator: ≤13.00%	Not achieved
Cases of non-compliance with the requirements of environmental permits. Indicator: 0	Achieved
Water quality in the network. Indicator: ≥ 99.6%	Achieved

OPERATIONAL OBJECTIVES OF 2022	
Reduction in the amount of process water: 150 thousand m^3 less than in 2021	946 000 m^3
Pipeline reconstruction completed according to plan and within budget limits	≥16 km
Own power generation at the WWTP	CHP installed and operational latest by end of of Q4 2021
Water quality in the water network	≥99.6%

5.4 Our customers

We provide water supply and sewerage services to over 23,900 contractual customers and approximately 470,000 end consumers in Tallinn and surrounding areas. We are responsible for serving almost one third of the Estonian population with reliable and high-quality water supply and sewerage services. Over the years, the proportions of our customer groups have remained relatively stable.

Good customer service relies on understanding our customers' needs, anticipating problems and giving expert advice. It is also important to resolve complaints quickly and skilfully and to be an advisory partner to the customers in any situation. We want our customers to trust us and have confidence in our service.

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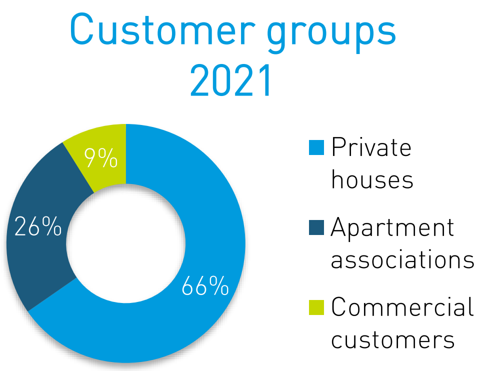

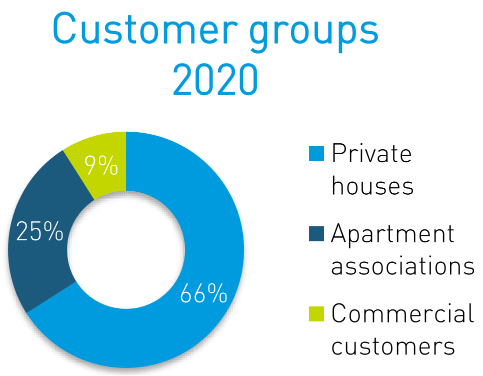

Our responsible customer service is primarily represented in three activities: proactive communication, consistent monitoring of complaints and issues and specific promises related to ensuring the availability of service and providing information. Our development policy also focuses on making our customers` life easier and more comfortable. In this regard, we wish to innovate and automate the current systems, but on the other hand to support customers who do not use IT tools and mobile phones.

To keep our customers satisfied, we always try to keep abreast of the latest technology and be available to communicate through a diverse range of media platforms. In 2021 we updated our self-service environment to make it even more convenient for customers to use. We also made preparations to shut down all other water meter reading channels other than our self-service environment to automate the water reading notification process and ensure quicker communication.

We have implemented a unique system of promises that provides for a payment of compensation to a customer for each promise we fail to deliver. In 2021, we had three failures, which affected 4 customers (2020: 2 customers). All failed promises were related to failing to recover drinking water service on-time after planned or unplanned service disruption.

We also started installing remote reading water meters in 2021. With smart meters, water metering becomes more accurate and there is no longer need for reporting the water meter readings. In the future, we will be able to proactively inform customers about water leaks. Also, remote water meters will allow to notify our customers when water leaks occur in their buildings. We plan to cover the entire service area with remote water meters by 2026.

OUR PROMISES TO CUSTOMERS:

We deliver high-quality water

We will respond to the issues you may have with water quality and pressure on the following working day at the latest.

We keep the environment safe

We will clear public sewer blockages within 12 hours at the latest.

We quickly respond to our customers' requests

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We will respond to the questions received via customer information line within 2 and those received by e-mail within 3 working days at the latest.

We are accurate in billing

If there are doubts about the accuracy of a water meter, we will carry out an extraordinary verification and notify you of the results within 2 working days. Should the bill prove to be inaccurate, we will issue a corrected bill on the next working day at the latest.

We keep to our agreements

In case of planned interruptions, we ensure the water supply by the promised time, or sooner. In case of unplanned interruptions due to emergency repair works, we will restore the water supply in 12 hours at the latest. If an appointment or a visit has been agreed by our specialist, we will arrive at the agreed time.

The number of customer contacts generally serves as an indicator of the quality of customer service provided by a company - in the case of a service that goes unnoticed by the customer, the need to contact the company is reduced. Compared to 2020, total number of customer inquiries concerning the most common issues in 2021 has been stable.

Customer Service	2021	2020	2019	2018	2017
Number of customer complaints*	31	40**/ (181*)	167*	158*	36
Number of customer contacts regarding water quality	317	323	508	258	219
Number of customer contacts regarding water pressure	363	359	478	439	298
Number of customer contacts regarding blockages and discharge of stormwater	948	864	1,047	1,043	1,111
% of written contacts answered in accordance to required deadline***	98.8%	100.0%	100.0%	100.0%	99.9%
Number of failed promises	3	2	141	33	5
Results of the annual customer satisfaction survey (TRI*M index)****	61	54	54	53	90
Number of contacts per customer	1.03	1.0	0.8	1.0	1.1
Notification of unplanned water interruptions at least 1 h before the interruption	98,70%	98.9%	96.2%	95.2%	98.2%

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**Until 2018, this figure included only the customer complaints received in writing and from customers in Tallinn. The number for 2018 includes the complaints received both in writing and by phone and from all our current service area.*
*** From 2020, only the cases in the Company's control are classified as complaints. Numbers with * are based on the same methodology.*
**** In 2013-2016 the numbers reflect the indicator „Responding to written customer contacts within 2 working days".*
***** From 2018, the methodology for calculating TRI*M index is different. Due to this, the results are not comparable to previous years.*

CUSTOMER SATISFACTION

Systematic and regular feedback from our customers and consumers is instrumental for us. It helps us to get a fair assessment of our activities and to understand our strengths, as well as our weaknesses, which we should address more in the future.

It is essential for us to have regular feedback on our service quality. Therefore, we ask our customers to rate our work on a monthly basis. In 2021, we achieved an average rating of 4.2 based on feedback from 1117 customers on a 5-point scale. This compares to average rating of 4.1 based on feedback from 1139 customers in 2020.

The proportion of satisfied customers in 2021 was 84%. In addition to overall rating, the monthly survey provides us a good source of information on critical cases. In 2021, we received 90 open questions or comments on the ratings. This provides us a valuable input for constant and everyday improvement of service quality and our business processes.

In addition to monthly survey, we perform an annual satisfaction survey. The main purpose of the survey was to map the changes in the strength of AS Tallinna Vesi's customer relationships as well as the factors shaping it and obtaining feedback on the effectiveness of our operations from our customers and consumers. 808 customers and 468 end consumers responded to the survey in 2021.

Satisfaction is measured using TRI*M method developed by the research company to characterise the strength of customer relationships and to allow benchmarking with other companies.

This model focuses on two elements:

• TRI*M index measures the strength of customer relationships and comprises, two elements – general satisfaction and the extent to which a company distinguishes from the other similar utility companies;

• TRI*M grid analysis to highlight the strengths and weaknesses of a company.

Compared to previous years, the ratings have increased in all customer segments and end consumers. As weighted average, the TRI*M index in 2021 annual survey was 61. The increase was partially caused by the fact that compared to other utility sectors like power and heating, the

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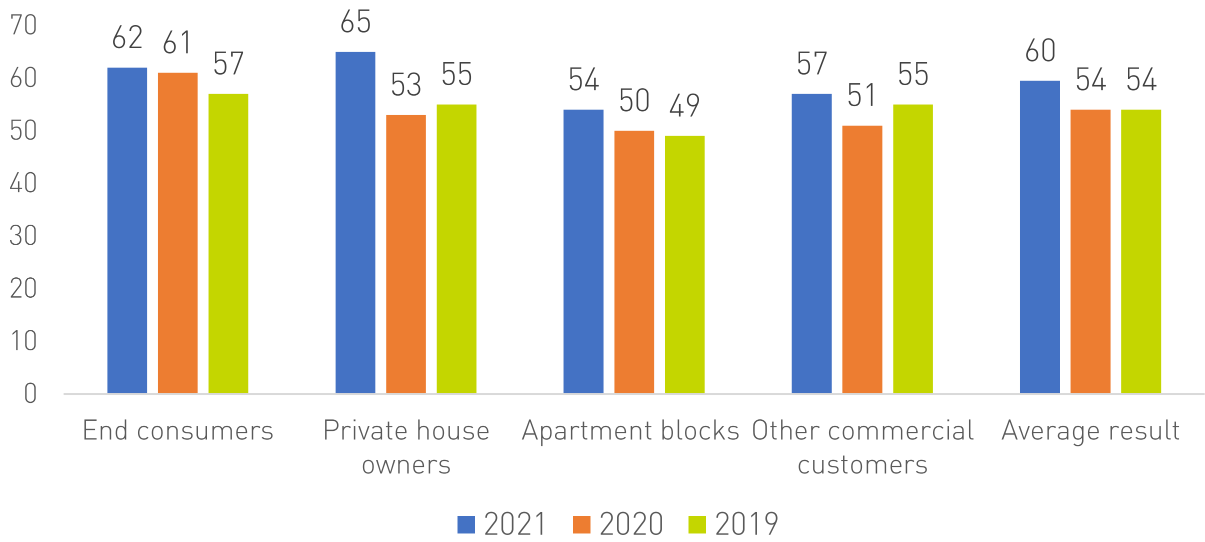
cost of water service at the moment causes remarkably less emotion. Overall satisfaction of customers has also increased to 83% (2020: 81%).

High-quality service and a guaranteed water supply lay the basis of a strong customer relationship. Ratings given to the quality of service are generally very high, especially by those, who drink tap water. The quality of water along with its clarity, taste and cleanliness of pipes also serve as the prioritised indicators that matter to our end consumers. Even though the customers' feedback to our services continues to be good, we need to continue making efforts in maintaining and increasing customer satisfaction through further improvements in the quality of services provided and in the quality of customer service itself.

SATISFACTION OF OUR CUSTOMERS AND END CONSUMERS IN 2019-2021



Similarly, to previous years, in 2021, our work was also affected by changes due to restrictions related to the coronavirus, when operations could be arranged in the most flexible way on digital channels. The changed situation affected more those customers who had previously been used to visiting our customer service front office in matters related to contracts and settlements. The Company sees problem handling and proactive communications to customers as our primary areas for further improvement.

We continue to issue our electronic customer information newsletter, in which we address matters that interest customers based on their regular feedback. We will also continue to develop digital communication and information channels for our customers. In 2021, several IT developments were completed, which further enhances the reliability and convenience of the self-service environment.

5.5 Objectives: customers

CUSTOMER SERVICE OBJECTIVES IN 2021	
≤900 repeated customer contacts	Achieved

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Average general customer satisfaction ≥81%	Achieved
≥77% of meter readings submitted via self-service channels	Not achieved
No of customer complaints ≤50	Achieved
CUSTOMER SERVICE OBJECTIVES IN 2022	
No of repeated customer contacts	≤850
Average customer satisfaction score *(based on annual satisfaction survey among extended sample of respondents by Kantar Emor)*	>81%
Share of customers with remote reading water meters	≥20%
Level of satisfaction among connecting customers *(based on monthly satisfaction survey by Kantar Emor among persons who have entered into a connection contract)*	>4,2

5.6 Community and public

The community we operate in and people whose lives our work impacts are of vital importance to us. Therefore, we consider it essential to actively engage in and support our community. Our aim is to distribute messages that help to improve the environmental awareness, and to provide environment themed educational study materials and programs for free.

SPONSORSHIP STRATEGY

Whilst making decisions about sponsorship projects, we keep in mind the following principles:

- Defined impact area. Tallinna Vesi´s sponsorship focuses on the main service area of the Company – Tallinn and surrounding areas.
- Projects closely linked to our main activities, i.e. providing local communities with water and wastewater services.
- Involvement of employees. Tallinna Vesi´s employees need to be aware of the Company´s sponsorship activities and should be involved in those as much as possible.
- Systematic approach and consistency. Tallinna Vesi supports the same areas from year to year to provide continuity and clarity in its approach to sponsorship. The decision-making process is clear to applicants.

Tallinna Vesi mainly supports initiatives that are related to environmental education or local community or people with fewer opportunities.

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ENVIRONMENTAL EDUCATION

Our business is closely related to one of the most important and valuable natural resources – water. We understand the impact we have on the natural environment and try to minimize our environmental footprint. In our sponsorship activities, we dedicate our efforts to educate the community on water-related environmental matters in order to improve the environmental awareness of the youth.

While approximately ten years ago in 2011, only 48% of people trusted to drink tap water, the number of people drinking tap water was 89% by the end of 2021 (2020: 91%).

In 2021, we carried out an outreach campaign "Veendumus ("Conviction"), during which the young students got the opportunity to create their own adverts to convince their parents, friends and fellow students that drinking tap water can bring benefits to the environment, one's own health and budget. Our aim was to raise the awareness of the reasons why to prefer tap water oved bottled water.

Tallinna Vesi produces and distributes educational materials for kindergartens and schools. Normally, each year our employees devote their time to hold water seminars in schools and kindergartens.

Due to the spread of COVID-19 we were unable to carry out as many initiatives promoting environmental awareness as we intended to in 2021. In 2021, we had managed to two virtual water seminars for 150 people. We were also present with educational materials in the Tallinn Old Town Days. We will continue our wide range of activities to promote environmental awareness as soon as it becomes possible again. In 2021, we also developed digital educational videos aimed at promoting environmental awareness among children and young people. We share these materials with kindergarten and schools for independent use in lessons.

Tallinna Vesi is also helping the event organisers encourage the use of tap water as drinking water by providing them with various posters and materials to spread the message

LOCAL COMMUNITY

Tallinna Vesi supports the community initiatives by providing water tanks at the events. In 2021, we continued to support sports and community events by providing free drinking water on site. We were present at more than 40 events, for example, Stamina running and walking events, Gymnastics Party, summer youth festivals organized by the Tallinn Sports and Youth Department, the Investment Festival and many other events.

Along with the City of Tallinn, we also set up public water taps both indoors and outdoors to improve the availability of tap water in public space. In 2021 we added 12 new water taps to the city, 6 of which were installed near the cycle and pedestrian pathways and health trails in Tallinn. The company has set a goal to install even more public water taps in the capital in the coming years to ensure the availability of tap water

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We have carefully chosen a few projects and organisations to donate to and we encourage active participation among our employees by allowing our teams to take a day off to attend charity initiatives.

During 2021, we also continued to support the wider community and provided support to several organisations, good causes and charities, including:

- Years of cooperation with and support to the Estonian Disabled Athlete Sports Association;
- Assistance to the Kindergarten Õunake for disabled children;
- A donation to SA Lapsepuue (Foundation for Disabled Children) and MTÜ Vaprusehelmed (NGO for Children with Chronic Diseases);
- Engagement with SPIN project which aims to develop and strengthen young people's social and self-management skills and to provide young people with development opportunities and enjoyment through sports.

5.7 Employees

Tallinna Vesi's mission is to create a better life with pure water. Each member of our staff follows this mission whilst carrying out their daily tasks. To enable our staff to successfully deliver our mission we create a supportive working environment and provide good working conditions. We value our people highly and aim to be a valued employer. Tallinna Vesi is a socially responsible company, appreciating the employees and developing them by offering new challenges, whilst also implementing a systematic approach to succession planning. The policies followed in the management of the Company are available on the Company website.

At the end of last year, a total of 331 people were working in Tallinna Vesi and its subsidiary Watercom (2020: 333), 96.7% of them worked full-time and 3.3% part-time (2020: 95.8% and 4.2% respectively). Majority of the employees were placed in Tallinn.

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 opportunities and channels of communication, such as regular staff meetings with the management, information boards, MS Teams meetings, intranet, informative letters, team events and internal quarterly newsletters.

Our employees are loyal to the Company. The person with the longest service has been with the Company for 57 years (2020: 56 years). The average number of years in the Company is 10.7 years (2020: 10.4 years). Our voluntary employee turnover increased in 2021 and reached 10.2% (2020: 5.7%). All the employees voluntarily leaving the Company are asked to give feedback on their reasons for leaving. Increased mobility of people, i.e. change of residence, commencing studies or receiving salary offers, is one frequently mentioned reason. The total employee turnover was 17.7% (2020: 12.3%).

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Although the number of our staff has been relatively stable in the last few years, the average age is quite high at 46 years also in 2021 (2020: 45 years). Therefore, we need to focus on employment as well as on succession planning. The age profile within the Group is as follows:

Groups of staff by age	<30 years		31-50 years		>50 years	
	2021	2020	2021	2020	2021	2020
Management Board	0	0	3	2	0	1
Executive Team*	0	0	10	8	0	1
Management Team	1	0	25	28	4	4
All staff	49	54	157	159	125	120

**Includes the Management Board*

Groups of staff by gender	Total number		Women		Men		Women/Men	
	2021	2020	2021	2020	2021	2020	2021	2020
Management Board	3	3	1	1	2	2	33%/67%	33%/67%
Executive Team*	11	9	5	4	6	5	44%/56%	44%/56%
Management Team	32	32	14	14	18	18	43%/57%	44%/56%
All staff	331	333	92	92	239	241	28%/72%	27%/73%

**Includes the Management Board*

Considering variations within the team, it is essential to follow equality principles both in selecting and managing people, which translates into providing, when feasible, equal opportunities to everyone. We assure 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. To ensure equal treatment, we have signed a collective agreement with the Trade Union of Water Supply and Sewerage Staff. Even though less than 10% of our staff belong to the trade union, the contractual obligations and benefits agreed upon in the agreement extend to all our employees.

Almost all members of staff have the opportunity to receive annual performance related pay (PRP), which is based on clear and transparent principles as well as the delivery of a balanced combination of personal and company objectives, which are set annually. Every year the corporate KPI targets are agreed, and in 2021, 80% (2020: 80%) of the total PRP was dependent on the fulfilment of corporate objectives and. 20% (2020:20%) of the PRP was dependent on the personal objectives of each employee.

The company has clear salary procedures and principles, which provide transparent and systematic approach in payment systems and increase the motivation of employees. In 2021, we

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took part in the Fontes General Compensation Survey to compare the salaries of our employees with those of other employees in a similar sector and similar positions. The results provide the company with a good input for setting the course.

COMMITMENT IN THE TEAM

Two-way interaction is of paramount importance in the teamwork and therefore, feedback from the employees plays an important role in the company culture. Similarly to previous years, also in 2021 we conducted an extensive employee satisfaction survey in cooperation with Kantar Emor to collect feedback from our employees. The survey reveals the level of job satisfaction of employees and the values of employees, where we are on good level within the company and which areas need development. The employee survey reveals the ratings on our approach to employee management and the working conditions provided.

In 2021, 91% (2020: 88%) of our employees participated in the survey, which shows that our employees understand the importance of their feedback. TRI*M index, which is used to measure the level of employee commitment, was at 61 in 2021. This is somewhat below the Estonian average (63).

DEVELOPMENT OF STAFF AND SUCCESSION PLANNING

Considering the age structure in the Company, it is critical for us to have a systematic approach and action plan for succession planning. To continue developing and improving our results, we need to maintain the company-specific knowledge but also bring new and fresh energy to the Company. We believe that the teams, containing both recently graduated and more experienced people of advanced age, make the strongest teams of all. The performance of the Company depends on the skills and professionalism of the staff.

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In 2021, Tallinna Vesi launched a scholarship program to attract young and energetic new generation of talents to join our professional and experienced staff. We award the scholarships to students from specialties related to Company's business. The scholarship program was conducted in three universities and three vocational schools. The schools and the specialties were selected based on the needs of the Company. We received a total of 20 applications from universities and 13 applications from vocational schools and awarded 8 scholarships to universities and 4 scholarships to vocational schools.

In 2021, we continued with our succession program for apprentices and trainees, which allows us to engage young people in the Company's activities already whilst they are studying. We provide them with valuable work experience and development opportunities. Through this program we had 8 young people who took part in the traineeship and 3 of them were employed after the traineeship period.

Also, each year every department identifies, based on their annual performance interviews, their high potential employees (talents) and various development activities are provided for them throughout the year. Talent management is aimed at motivating, engaging and retaining employees to incentivise them to perform even better.

2021 was a challenge for all of us due to the COVID-19 pandemic, including recruiting new staff. Compared to previous years, the number of candidates applying for various positions increased, but the number of suitable candidates decreased. Therefore, the recruitment process was often challenging due to the difficulties in finding suitable candidates. It is increasingly difficult to find people with engineering expertise as well as skilled workers for different positions in the labour market. The salary expectations of the candidates show upward trend and keep rising, making it difficult to attract external labour with new competence.

Even though all our vacancies are public, we always circulate the job offers internally as well. We support the development of staff internally, provide career opportunities within the Company. We inspire our staff to develop and rotate between different teams. As a positive trend, we see the growing numbers of in-house candidates applying and getting selected. In 2021, internal succession happened in 26 occasions (2020: 7), 9 of them moved to the position in the next level.

The discussion of the plans for professional development always constitutes a part of the annual performance interviews, which are held at the beginning of each calendar year with all employees (100%). Interim reviews are performed with specialists and managers also in July-August.

In 2021, most trainings concerned occupational safety - work environment and health, safety at various works, first aid and fire safety. Important trainings in the field of occupational safety included ATEX certification training in wastewater treatment and training on working in confined spaces for our staff who are required to work in confined spaces whilst performing their duties. The average number of training days in 2021 was 2.28 days per employee (2020: 1.48 days,). The trainings continued to be affected by the global situation, as due to the COVID-19 pandemic, the trainings have moved online, but are therefore more accessible to employees.

In 2021, we continued offering a series of short online training courses for managers discussing topics such as cyber security awareness, labour law, carrying out performance interviews, etc. We also focused on mental health, by providing trainings on how to prevent burnout and maintain

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good mental health. We also had training day for all the managers that has already become traditional, known as the Autumn School for Managers.

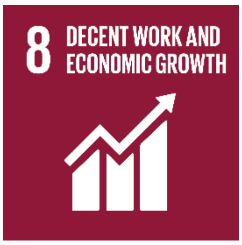
Additionally, we provide trainings and support to our managers to be able to effectively manage their teams. We have developed and established the Good Leadership Standard. For new employees and young managers, we offer the possibility to participate in the leadership development program and use either a coach or a mentor if needed. When organizing training days and planning training opportunities, decisions are made based on the training needs of the employees.

In 2021, we significantly supplemented our practice of collecting training needs by including in the process managers from all departments and dividing the trainings into three categories – company-wide trainings, department-based trainings, and individual trainings. Based on the input received, we prepared a training plan that was shared with all staff.

We also continue to employ the Good Retirement Practice, which means that all retirements are planned ahead to ensure the transfer of know-how from the more experienced staff to the young members and to thank the retirees for their commitment. In the positions, which require significant company-specific knowledge and skills, the employee who is about to retire and young specialist work alongside each other for 2-6 months. By providing such transfer of knowledge and experience to the learning employee, we value the experience of the retiring employee and contribute to the professionalism of the new employee. The Company also pays retirees a company benefit depending on the duration of employment. 3 employees retired during 2021 (2020: 3).

Also in 2021, we performed various supportive activities to maintain the health of our employees due to the spread of coronavirus. One of which is supporting remote working for office staff, when possible. Our good performance in implementing remote working was also recognized – in 2021, the Company was awarded the Remote Working Badge. In terms of skilled workers, some of them worked in shifts to stay healthy and ensure the service to our customers.

5.8 Occupational health and safety



Occupational safety is an inseparable part of our business, being central to everything we do - no work assignment is worth getting injured for. Safe and good working environment is a key focus for us as an employer in ensuring that our employees are cared for and do not risk their health or lives during work. In addition to the Working Environment Council of 8 members, the Company also has 8 working environment representatives elected by different units. Our Head of Occupational Health and Safety organises regular meetings with the working environment representatives to discuss all issues relating to the working environment in the Company. All actions along with the responsible persons, deadlines and targeted outcomes are entered into one table, which is available for all staff to read, and the delivery of those actions is constantly monitored. Overview of the issues raised by the representatives is also presented in the Working Environment Council meetings.

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Our Company's working environment performance is compliant with the requirements of both national legislation and international occupational health and safety management system standard ISO 45001:2018.

In 2021, the Health and Safety Team carried out 469 safety audits in total (2020: 427). Compliance of emergency and construction sites (target: 96.5% compliant sites) has also been set as the Company's overall objective. In 2021, 98.72% (2020: 98.08%) of the Company's audited sites met the safety requirements. In connection with the ongoing COVID-19 crisis, the Management decided in early November to suspend general internal working environment checks. Internal working environment checks could only be performed by members of the Health and Safety Team.

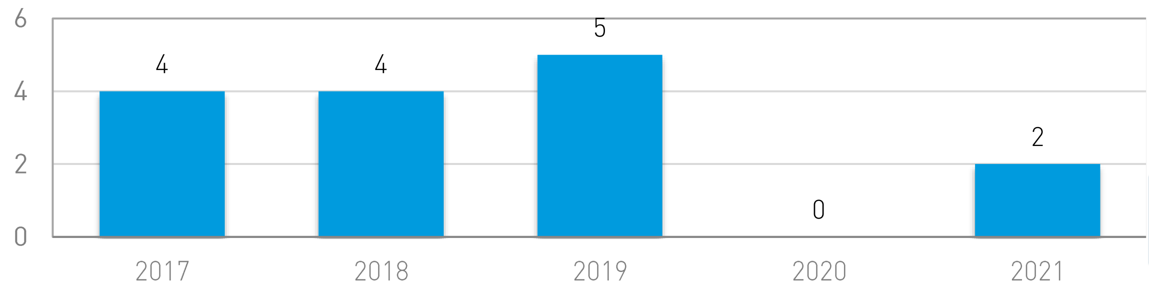
Furthermore, the Working Environment Council members and managers carry out additional safety audits on work sites and in operations units. Negative findings are dealt with by agreeing upon improvement actions and checking the delivery of those later. The actions can include an extra training course, guidance, purchase of safer tools/equipment or an additional sign.

To ensure the safety of our own employees, it is important that our subcontractors and cooperation partners also maintain high standards in occupational safety. Therefore, we also check the compliance with the safety requirements of our cooperation partners and subcontractors on a regular basis.

One of the main indicators for assessing our occupational health and safety performance is the accident frequency rate (AFR), which demonstrates how many work accidents with major injuries or with >3 days lost have there been per 100,000 working hours. AFR has been monitored in the Company since 2015 and it has also been one of the Company objectives. In 2021, the accident frequency rate was 0.4 (2020: 0).

TOTAL NUMBER OF WORK ACCIDENTS

In 2021, there were 2 accidents, where sick pay had to be paid for more than 3 workdays. We are continuously encouraging our staff including our managers to report safety related observations to prevent work accidents and pay attention to obtaining information on dangerous occurrences, safety observations and near misses from our staff. 2021 we logged total of such 277 observations reported by our staff and managers. Based on the information received from the employees we aim to make the improvements to prevent any possible accidents in the future.



Employees' safety awareness is the key aspect in creating and maintaining safe working environment and we continue contributing to the safety of our Company's working environment. Involvement of our staff in various working environment-related initiatives and activities is fundamental in improving the safety awareness. We organise informative meetings to give the

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staff an opportunity to share information. We improve the staff's awareness of safety issues also through discussions and different printed materials and safety videos. Systematic engagement of employees has resulted in considerably increased attention towards one's working environment, which is where the occupational safety starts in the first place.

We carry out working environment trainings on a regular basis. The list of topics addressed in 2021 amongst others was as follows:

- training and in-service training on first aid,
- fire safety training for the staff,
- hot works training,
- various trainings on safe handling of chemicals,
- confined space training,
- ATEX training.

All the initiatives above as well as several other actions help us to make our working environment safer and more comfortable for our employees.

5.9 Objectives: employees

EMPLOYEE RELATED OBJECTIVES OF 2021	
Work accidents frequency rate (excluding unavoidable accidents) ≤0,2	Not achieved
Compliance at Tallinna Vesi's and Watercom's sites according to safety audits ≥96.5%	Achieved
Number of safety observations (positive or negative) or near misses ≥ 200	Achieved
Employee commitment (according to annual employee satisfaction survey) ≥72	Not achieved
EMPOLOYEE RELATED OBJECTIVES OF 2022	
Number of work accidents	0
Compliance at Tallinna Vesi´s and Watercom´s sites according to safety audits	≥ 97%
Employee commitment *(based on annual employee satisfaction survey)*	> 3.9
Attractive employer *(based on employer reputation survey by Kantar Emor)*	Ranked among the first 25

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6. FINANCIAL RESULTS OF 2021

6.1 Economic environment

Given that Tallinna Vesi operates only in Estonia, our activities are mainly dependent on the trends in Estonian economy.

According to the Bank of Estonia economic review for 2021, the Estonian economy has recovered strongly from its slump during the crisis of the pandemic. GDP is some 5% at constant prices above its peak before the pandemic, and at current prices it is some 11% up, making for one of the fastest recoveries in Europe. Like elsewhere, growth in Estonia is driven by demand, which is reflected in the rapid growth in private consumption.

Once the spring restrictions on economic activity were lifted, employment grew strongly in the third quarter of 2021. Advance indications of the recovery in employment came in the first half of the year from increased hours worked per employee, an increase in job offers, and expectations of companies. Increased employment meant that the unemployment rate fell from 6.9% in the second quarter of 2021 to 5.7% in the third quarter. Registered unemployment also started to fall in the third quarter of 2021 and it was more than one percentage point down on its peak by the final quarter of 2021. The trend continued in the third and fourth quarters of fewer newly unemployed being added, while more people exited unemployment. Although the pandemic has raised the unemployment, for Tallinna Vesi the skilled staff is still rather difficult to find.

The declining amount of labour available in the market and the strong perception of labour shortages have boosted growth in the average wage. This increased from 7.3% in the second quarter to 7.8% in the third. Wages needed to be raised by more than the average in sectors where they had fallen because of the crisis. Changes in the average salaries affect both the operating and capital expenditures.

Inflation in Estonia has become faster and more broadly based this year. Yearly inflation reached 8.8% in November and 12.2% in December. Prices were mainly pushed up by a rise in the price of energy, which indirectly affects the cost of many other goods and services. Rapid inflation in the closed sector of the economy indicates that more and more companies are facing wage pressures caused by labour shortages.

Changes in CPI and construction price index have direct impact on both operating and capital expenditures of Tallinna Vesi. According to the Statistics Estonia, average construction price index increased compared to 2020 by 8.3% (2020: 0.4%). The strongest impact on the index came from 3.2% increase in salaries, accompanied by 0.9% increase in the construction machinery prices and 9.7% increase in construction material prices.

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MAIN FINANCIAL INDICATORS OF TALLINNA VESI

Main financial indicators € million, except key ratios and share data	PERFORMANCE 2021	2020	2019	2018	2017
Sales	53.29	51.72	63.42	62.78	59.82
Gross profit	20.58	22.23	33.95	34.19	34.09
Operating profit before depreciation and amortisation (EBITDA)	25.30	28.07	38.18	32.73	17.04
Operating profit	18.78	21.78	32.08	26.94	10.87
Operating profit - main business	17.52	21.32	31.19	26.22	10.25
Profit before taxes	18.40	21.34	31.30	25.95	9.92
Net profit	16.17	16.73	27.76	24.15	7.22
Gross profit margin %	38.61	42.98	53.53	54.45	56.99
EBITDA margin %	47.47	54.27	60.21	52.13	28.49
Operating profit margin %	35.24	42.12	50.57	42.91	18.16
Profit before taxes margin %	34.52	41.27	49.36	41.33	16.59
Net profit margin %	30.33	32.35	43.77	38.47	12.07
ROA %	6.32	6.45	10.83	10.10	3.27
Debt to total assets %	54.94	56.09	56.05	58.85	62.43
ROE %	14.20	14.69	25.43	25.61	8.24
Current ratio	2.83	3.85	5.48	5.36	5.51
Number of full-time equivalent employees, at the end of the year	333	332	314	296	300
Share price, at the end of the year	14.48	13.25	11.70	9.60	10.20
Share capital	12.00	12.00	12.00	12.00	12.00
Earnings per share	0.81	0.84	1.39	1.21	0.36
Dividend per share	n/a*	0.65	1.00	0.75	0.36
Cash balance, at the end of the year	36.56	44.51	64.78	61.77	44.97
Investments to fixed assets	15.38	19.42	16.09	10.40	9.47

EBITDA: Operating profit + depreciation and amortisation
Gross profit margin: Gross profit / Sales
EBITDA margin: EBITDA / Sales
Operating profit margin: Operating profit / Sales
Profit before taxes margin: Profit before taxes / Sales
Net profit margin: Net profit / 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
Main business: water services related activities, excl. connections profit and government grants, construction services, doubtful debt
**Dividends for 2021 have not been declared at the time of issuing the report.*

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6.2 Statement of comprehensive income

SALES

In 2021 the Group's total sales were €53.29 million, showing an increase by 3.0% or €1.58 million year-on-year. Sales from water services in 2021 were €45.05 million, decreasing by 1.6% or €0.74 million year-on-year. 84.5% of sales comprise of sales of water services within and outside of the service area, 13.8% from construction services and 1.7% from other services. The sale of construction services is more seasonal and despite excellent results the Group continues seeking possibilities to maintain and grow the revenues of these services.

	for the year ended 31 December			Variance 2021/2020	
€ thousand	2021	2020	2019	€	%
Water supply service	8,097	8,106	13,781	-9	-0.1%
Wastewater disposal service	12,000	12,048	11,719	-48	-0.4%
Total from private customers	20,097	20,154	25,500	-57	-0.3%
Water supply service	7,115	7,209	11,482	-94	-1.3%
Wastewater disposal service	7,299	7,417	9,317	-118	-1.6%
Total from commercial customers	14,414	14,626	20,799	-212	-1.4%
Water supply service	1,631	1,593	1,622	38	2.4%
Wastewater disposal service	3,422	3,298	3,192	124	3.8%
Stormwater disposal service	256	291	426	-35	-12.0%
Total from outside service area customers	5,309	5,182	5,241	127	2.5%
Stormwater treatment and disposal and fire hydrants service	4,010	4,588	4,002	-578	-12.6%
Overpollution charges and discharging	1,225	1,250	1,324	-25	-2.0%
Total from water services	45,055	45,800	56,866	-745	-1.6%
Construction services	7,328	5,222	5,960	2,106	40.3%
Other services	911	695	597	216	31.1%
TOTAL REVENUE	53,294	51,717	63,423	1,577	3.0%

There has been a slight decrease in sales to private customers by 0.3% to €20.10 million that is related to the decrease in consumption. Lower sales in domestic customer consumption volumes came mainly from apartment blocks, which is also our biggest private customer group.

The sales to commercial customers within the service area has decreased by 1.4% to €14.41 million.

Sales to customers outside the main service area increased by 2.5% to €5.31 million, being impacted by an 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 2021 amounted to €4.01 million, showing a decrease of 12.6% or €0.57 million year-on-year, driven mainly by averagely 14.0% lower storm water volumes.

Overpollution charges and discharging revenues received have decreased by 2.0% to €1.23 million.

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Sales of construction services were €7.33 million, increasing by 40.3% or €2.11 million year-on-year. The increase was related to several substantial projects won in 2020 and in the beginning of 2021.

COST OF GOODS AND SERVICES SOLD AND GROSS PROFIT

In 2021 the cost of goods and services sold amounted to €32.72 million, increasing by 10.9% or €3.22 million compared to 2020.

	for the year ended 31 December			Variance 2021/2020	
€ thousand	2021	2020	2019	€	%
Water abstraction charges	-1,281	-1,237	-1,219	-44	-3.6%
Chemicals	-1,822	-1,567	-1,664	-255	-16.3%
Electricity	-4,612	-3,256	-3,566	-1,356	-41.6%
Pollution tax	-894	-989	-1,089	96	9.7%
Total direct production costs	-8,609	-7,049	-7,538	-1,560	-22.1%
Staff costs	-7,243	-7,247	-6,602	4	0.1%
Depreciation and amortisation	-5,725	-5,521	-5,421	-204	-3.7%
Construction services	-5,988	-4,256	-5,096	-1,732	-40.7%
Other costs of goods sold	-5,150	-5,418	-4,814	268	4.9%
Total other costs of goods/services sold	-24,106	-22,442	-21,933	-1,664	-7.4%
Total cost of goods/services sold	-32,715	-29,491	-29,471	-3,224	-10.9%

Total direct production costs (water abstraction charges, chemicals, electricity and pollution tax expenses) amounted to €8.61 million, showing a 22.1% or €1.56 million increase compared to 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 16.3% to €1.82 million, driven mainly by on average 75.3% higher price of methanol, accompanied by 4.3% higher expense of coagulant in water treatment, worth -€0.22 million and -€0.02 million respectively.

Expenses for Electricity increased by 41,6% or €1.35 million resulting in costs worth of €4.61 million mainly due to averagely 42.0% higher price and 4.2% higher usage of electricity.

Pollution Tax cost has decreased by 9.7% or €0.09 million mainly due to lower concentration of Nitrogen in wastewater treatment process, worth €0.06 million.

Other costs of goods sold (staff costs, depreciation, construction and asphalting services costs and other costs of goods sold) amounted to €24.11 million, having increased by 7.4% or €1.66 million. The increase in other costs of goods sold were mainly driven by 40.7% or €1.73 million higher expenses related to construction services that were balanced by €0.27 million lower expense of other cost of goods and services derived from asset maintenance cost.

The Group's gross profit for the twelve months of 2021 was €20.58 million, showing a decrease of 7.4% or €1.65 million compared to 2020. The Group's operating profit 2021 amounted to €18.78 million, being 13.8% or €3.01 million lower than in the corresponding period of 2020, being mainly

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impacted by higher direct production costs on electricity and chemicals and by freezing change of provision for the possible third-party claims in Q4.

OTHER INCOME AND EXPENSES

Other income and expenses in 2021 amounted to a net income of €3.10 million compared to net income of €4.56 million in 2020. The change was mainly impacted by freezing the reversing of provision formed for possible third-party claims in 2019.

OPERATING PROFIT

As a result of the factors listed above, the Group's operating profit for 2021 amounted to €18.78 million, being 13.8% or €3.01 million lower than in the corresponding period of 2020, mainly influenced by lower revenues in main service area and decrease in consumption of both private and commercial customers.

FINANCIAL EXPENSES

The Group's net financial income and expenses have resulted a net expense of €0.38 million, compared to net expense of €0.44 million in 2020. The decrease was impacted by lower interest costs on loans taken and no expense on SWAP contracts that ended in November 2020.

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 of €50.22 million were with floating interest rate. In 2021, the whole loan amount of €84.09 million was bearing a floating interest rate. The effective interest rate of loans in 2021 was 0.40%, amounting to the interest costs of €0.36 million, compared to the effective interest rate of 0.76% (incl SWAP interests) and the interest costs of €0.67 million in 2020.

PROFIT BEFORE TAXES AND NET PROFIT

The Group's profit before taxes for 2021 were €18.40 million, being 13.8% or €2.94 million lower than for the relevant period of 2020. The Group's net profit for 2021 were €16.17 million, being 3.4% or €0.57 million lower 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 2021 would have been €12.56 million, showing an increase by 7.3% or €0.86 million year-on-year.

6.3 Statement of financial position

In 2021 the Group invested into fixed assets €15.38 million. As of 31/12/2021, non-current tangible assets amounted to €211.55 million, the majority of which in the amount of €167.6 million was an investment in pipes (31/12/20 €162.6 million). Total non-current assets amounted to €212.28 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 slight decrease in the amount of €0.38 million to €6.64 million. Decrease mainly derives from lower trade receivables related to water services and lower other receivables, by €0.57 million and €0.32 million respectively. The collectability rate continued to be high at 99.72% compared to December 2020 when the collectability rate was 99.96%.

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Current liabilities have increased by €1.94 million to €15.49 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 €2.68 million to €37.24 million.

Provision for possible third-party claims has decreased compared to the end of 2020 by €3.61 million to €6.02 million. More detailed information about the provision is presented in Note 14 to the financial statements.

The Group's loan balance of €84.09 million has decreased by the amount of NIB loan repayment of €3.63 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 0.4%.

The Group has a total debt to assets level of 54.94%, 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 56.09%.

6.4 Cash flow

As of 31/12/2021, the cash position of the Group is rather good. At the end of December 2021, the cash balance of the Group stood at €36.56 million, which is 14.3% 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 twelve months of 2021, the Group generated €22.47 million of cash flows from operating activities, a decrease of €0.15 million compared to the corresponding period in 2020. Underlying operating profit continues to be the main contributor to operating cash flows.

In 2021 the result of net cash flows from investing activities was a cash outflow of €10.80 million and decrease of €2.82 million compared to the cash outflow of €13.62 million in 2020. This is made up as follows:

- The cash outflows from investments in fixed assets have decreased by €1.95 million compared to 2020, amounting to €15.68 million.
- The compensations received for pipe construction were €2.89 million, showing an increase of €0.89 million compared to the same period of 2020.

In 2021 cash outflow from financing activities amounted to €19.62 million, decreasing by €9.65 million compared to the same period in 2020. The change was mainly related to lower interest payments, and less dividends paid compared to 2020, €0.26 million and €7.04 million accordingly.

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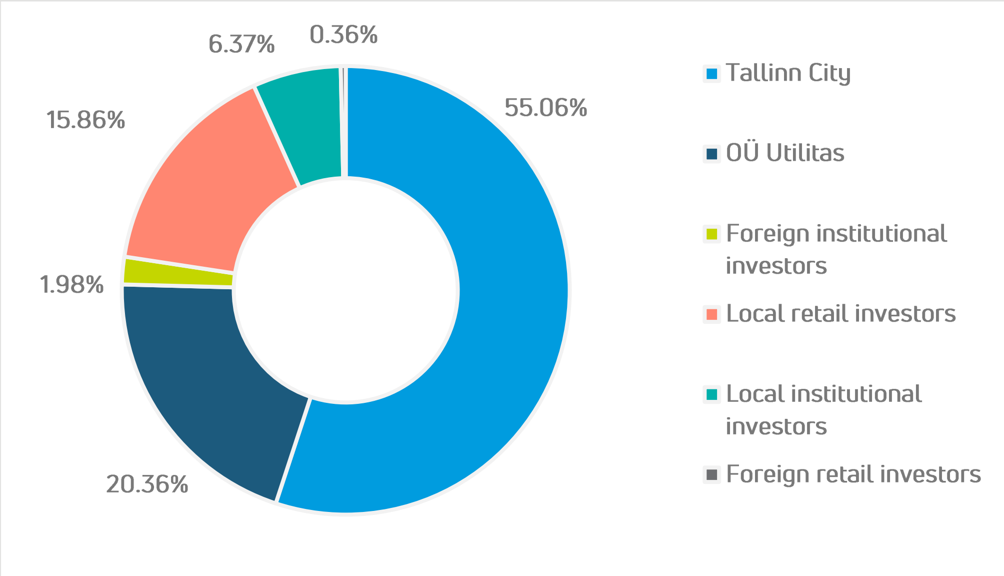
6.5 Investors

We aim to be transparent and honest through our business activities, giving timely and accurate information to our shareholders. We treat all our shareholders equally and are dedicated to efficiency while ensuring the sustainability of the Company.

Shareholders by type as of 31 December 2021



Distribution of share capital by size of share ownership as of 31 December 2021

	Share-holders 2021 (2020)	Shareholders % 2021 (2020)	No. of shares 2021 (2020)	% of share capital 2021 (2020)
1 - 100	7,014 (4,842)	67.7% (58.2%)	208,319 (174,694)	1.0% (0.9%)
101 – 200	1,110 (1,092)	10.7% (13.1%)	168,865 (167,914)	0.8% (0.8%)
201 – 300	536 (532)	5.2% (6.4%)	138,128 (137,315)	0.7% (0.7%)
301 - 500	524 (562)	5.1% (6.8%)	215,143 (232,736)	1.1% (1.2%)
501 - 1,000	533 (568)	5.1% (6.8%)	399,199(431,077)	2.0% (2.2%)
1,001 - 5,000	508 (571)	4.9% (6.9%)	1,100,532 (1,252,070)	5.5% (6.3%)
5,001 - 10,000	80 (77)	0.8% (0.9%)	591,102 (571,095)	3.0% (2.9%)
10,001 - 50,000	45 (57)	0.4% (0.7%)	911,055 (1,125,283)	4.6% (5.6%)
50,000 +	10 (19)	0.1% (0.2%)	16,267,657 (15,907,816)	81.3% (79.5%)
TOTAL 2021	10,360	100.0%	20,000,000	100.0%
TOTAL 2020	8,320	100.0%	20,000,000	100.0%

Investor communication

Tallinna Vesi is a listed company and its shares have been listed on Nasdaq Baltic market since 1 June 2005. A company's market value is a good indication of the overall value of the company and the investors' perceptions of its business prospects. Market value is affected not only by

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factors controlled by the Company but also by those, which cannot be controlled. Profitability and cost effectiveness are major influences on market value and can be controlled by the Management Board of the Company.

Continuing and transparent communication is one of the main factors in maintaining excellent investor relations. Therefore, we continue to regularly communicate our targets, strategy and performance to the investors as well as to all other stakeholders. Each quarter, we introduce the Company's quarterly financial results to the investors and take part in discussions on the webinars. Additionally, we hold regular meetings with key institutional shareholders and potential investors and the Company's Management Board. All shareholders are welcome to ask questions from the members of the Management Board and the Supervisory Board directly at the Annual General Meeting of Shareholders and at all times using e-mail or telephone.

We have worked hard on our investor relations programme since the listing of Tallinna Vesi on the Tallinn Stock Exchange and will continue to do so in the following years. To maintain the In transparency of our Management Board's activities to shareholders, we have reported good corporate governance recommendations on a regular basis since 2006.

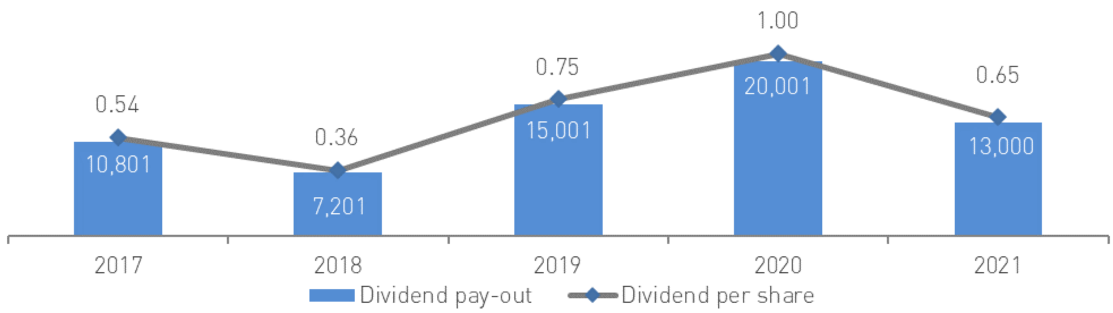
Our contribution to maintaining excellent investor relations has also been recognised externally.

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.

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SHARE PERFORMANCE

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

As of 31/12/2021, 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 of 03/06/2021 the B share is cancelled.

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 twelve months of 2021 the foreign institutional investors have reduced their shareholdings by 3.03%, local retail investors have reduced their shareholdings by 1.85% and local institutional investors and foreign retail investors have decreased their shareholdings by 0.48% and 0.05% respectively. By the end of the 4th quarter of 2021, the pension funds shareholding has decreased to 0.10% of the total shares.

As of 31/12/2021, the closing price of AS Tallinna Vesi share was €14.48, which is 9.28% (2020: +13.25%) higher compared to the closing price of €13.25 at the end of the previous year. During the 2021, the OMX Tallinn index increased by 48.92% (2020: +5.00%).In twelve months of 2021, 22,333 deals were concluded with the Company's shares (2020: 22,812 deals) during which 947 thousand shares or 4.7% of all shares changed owners (2020: 1.403 million shares or 7.0%).

The turnover of transactions amounted to €13.59 million, being €3.90 million lower than in the comparative period of 2020.

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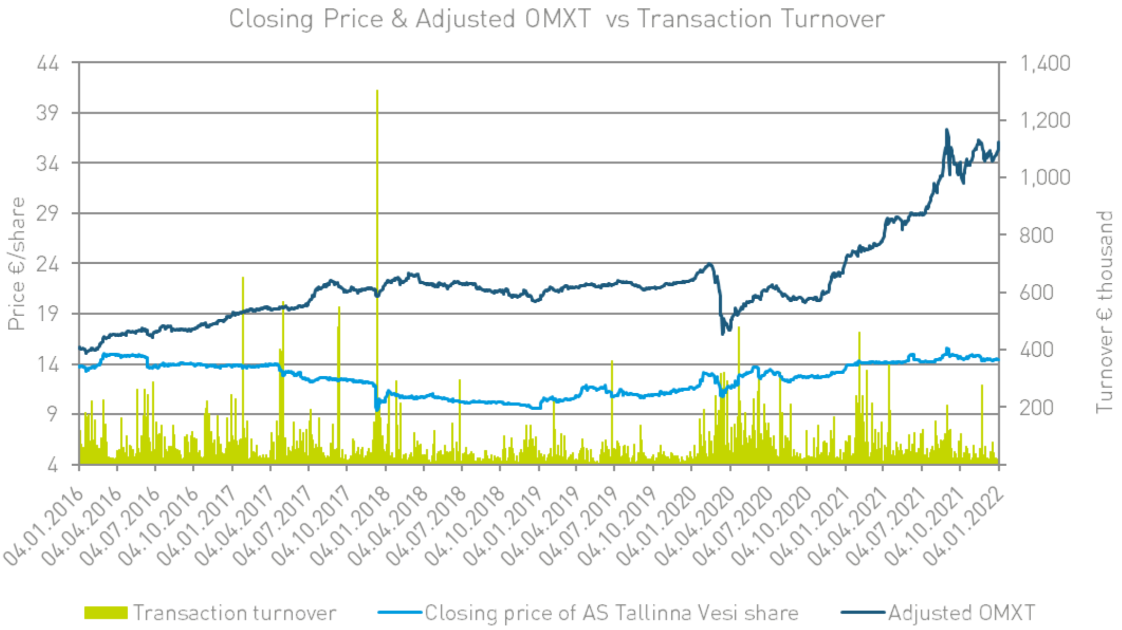
Tallinna Vesi
Loome puhta veega parema elu!

CLOSING PRICE AND ADJUSTED OMXT VS TRANSACTIONS TURNOVER



SHARE PRICE STATISTICS

€	2021	2020	2019	2018	2017
Share price, open	13.25	11.70	9.60	10.20	13.70
Share price, at the end of the year	14.48	13.25	11.70	9.60	10.20
Share price, low	13.50	10.70	9.54	9.54	8.52
Share price, high	15.60	13.70	11.95	11.35	14.00
Share price, average	14.39	12.64	10.98	10.39	12.81
Traded volume, thousand	947	1,403	595	765	1,346
Turnover, € million	13.59	17.49	6.48	7.95	16.48
Capitalisation, € million	290	265	234	192	204
Earnings per share	0.81	0.84	1.39	1.21	0.36
Dividend per share	n/a*	0.65	1.00	0.75	0.36
Dividend / net profit	n/a*	89%	72%	62%	100%
P/E	17.88	15.77	8.42	7.93	28.33
P/BV	2.5	2.4	2.0	1.9	2.4

P/E = share price at the end of the year / earnings per share
P/BV = share price at the end of the year / book value per share
*Capitalization = share price at the end of the year * No of shares*
In 2005 the listing price was €9.25
**Dividends for 2021 have not been declared at the time of issuance of the report.*

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6.6 Activities of the subsidiary Watercom OÜ

Watercom was established by Tallinna Vesi in 2010.

Watercom provides the following services:

- Pipe and Road construction services;
- Disinfection and design of pipes;
- Services related to road maintenance;
- Project management and owner's supervision;
- Jet washing and transportation.

Watercom is certified by the following standards: ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2015.

WATERCOM'S MAIN OBJECTIVES AND DEVELOPMENT TRENDS IN THE NEXT YEAR

2021 was an active and successful year for Watercom. The challenging target set for external profit was achieved and the biggest contribution earned in the history of Watercom. The growth is expected to continue also in 2022. In 2021, Watercom delivered also more external revenue than ever before. This has always been one of the main objectives of Watercom and we hope to maintain the same pace in 2022. The biggest contribution for growth came from Road Construction as Watercom won several City of Tallinn procurements and was able to increase revenues by more than two times.

Outlook for 2022 remains positive with expectations to find new opportunities to achieve the highest ever external sales and profit figures and the Company continues monitoring various possibilities of further development and launching new services to grow externally. Preparations have been started to launch new service of cleaning pipes using innovative ice pigging method.

PIPE AND ROAD CONSTRUCTION

In 2021, the construction of water and wastewater networks for developers, companies and individuals was Watercom's main activity. Similar to previous years, the focus was on feasible construction projects and procurements in Tallinn and elsewhere in Estonia. Also external road construction market was very active in 2021, and Watercom carried out several external works mainly in Tallinn. Watercom was able to win several procurements from the external market of both services.

2021 was a reasonably good year in the construction sector despite the pandemic – an increase in financing provided by the European Union Cohesion Fund and state funds was accompanied by rapid increase in real estate development in Tallinn and nearby areas as the start of some projects were postponed in 2020. Construction market is extremely competitive and therefore, efficient cost management is crucial in achieving sustainable profitability. In 2021, the construction margin was raised through the ongoing controls to manage costs more efficiently despite increase in construction prices which is expected to continue in 2022 for different reasons.

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OTHER SERVICES

During 2021, Watercom carried out several supervision contracts for the tender on public water supply and sewerage system with the biggest in Türisalu won from the market in 2020. Watercom is also concentrating on smaller external supervision projects in Tallinn and surrounding municipalities. In 2022, Watercom will continue to seek additional possibilities to retain and increase the sales of supervision services by participating in various procurements.

Jet washing and transportation services are mostly provided within the Group but are also available to external customers. Proactive jet washing program has helped to keep much better control on the number of sewer blockages.

6.7 Objectives: financial performance

FINANCIAL OBJECTIVES OF 2021	
Watercom's external profit ≥€0.6 million	Achieved
Stretch of ≥€0.5 million compared to budgeted EBITDA, excl. Covid-19 impacts and extraordinary costs	Achieved
FINANCIAL OBJECTIVES OF 2022	
Watercom's external profit	≥€0.8 million
Stretch compared to budgeted EBITDA, excl. Covid-19 impacts and extraordinary costs	≥€0.0 million

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7. CORPORATE GOVERNANCE

7.1 Corporate Governance Report

Corporate governance is a system of principles for the control and management of a company. These principles are regulated by law, by the Articles of Association and by the internal rules of a company. As of 1 January 2006, the companies listed on the Nasdaq Tallinn Stock Exchange have been encouraged to follow the Corporate Governance Recommendations issued by the Financial Supervision Authority. Tallinna Vesi is committed to following those recommendations and has acted accordingly throughout 2021.This report covers the principles applied as of 31 December 2021.

Tallinna Vesi is committed to high standards of corporate governance, for which the Management Board and the Supervisory Board are accountable to the shareholders. The corporate governance model and operational structure are designed to ensure that all employees work towards the common objectives of the Company. Good corporate governance, transparency, sustainability, internal controls and risk management are fundamental components to build and maintain the trust and credibility of all stakeholders of the Company and are also key elements to a successful business. Tallinna Vesi considers it crucial to be transparent in its methods of operation through its corporate disclosures and relations with stakeholders. Tallinna Vesi has received recognition for the best investor relations by Nasdaq Baltic on several occasions.

Since 2010, Tallinna Vesi has been a member of the Baltic Institute of Corporate Governance, which promotes the best practices of corporate governance in the region.

Investor Relations and Disclosure of Information

Corporate Governance Recommendations statements are available on Tallinna Vesi's website https://www.tallinnavesi.ee. The Corporate Governance Recommendations Report is an integral part of the Annual Report of Tallinna Vesi, which is prepared at the end of each financial year. Annual reports are made public on the Nasdaq Tallinn Stock Exchange and are also available on the Company's website.

Tallinna Vesi discloses the following year's financial calendar on the Nasdaq Tallinn Stock Exchange as well as on Tallinna Vesi's website prior to the end of each calendar year. Such information includes the release dates of quarterly as well as annual financial information and the date of Annual General Meeting (AGM) of Shareholders.

Additionally, prior to the AGM, Tallinna Vesi discloses the following information on its website:

- AGM notice;
- background information about the agenda, including the Annual Report to be approved, the Supervisory Board´s report and the Auditor´s report;
- information about the Supervisory Board member(s) to be elected and the auditor candidate;
- the total number of voting rights;
- procedure for adding items to the agenda and presenting draft resolutions;
- procedure for inquiring about the Company's activities from the Management Board;

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- the list of identification documents required for attending the general meeting, including the form for power of attorney.

Decisions of the General Meetings and Management Board presentations are being published shortly after the meeting via Nasdaq Tallinn Stock Exchange. Finalised and certified minutes of the General Meetings are published within seven days following the date of the General Meeting. All documents and information published via Nasdaq Tallinn Stock Exchange are available on Tallinna Vesi's website.

Tallinna Vesi holds regular discussions with its major shareholders and potential investors. To this end, the Company holds General Meetings for shareholders, not less than once a year, to keep shareholders informed and to provide them with an opportunity to question directly the Management Board and the Supervisory Board. The Management Board also meets both existing and potential investors outside of the General Meetings including but not limited to meetings on site, roadshows, by being present in conferences, through webinars and investor calls.

Tallinna Vesi organises quarterly investor webinars, using the Nasdaq webinar service. Webinar is a virtual conference, in which the Company representatives provide information about the Company and its performance. Webinar allows interactive communication and the possibility to ask questions and receive answers directly from the Management Board members of the Company. The webinar information is announced via the Nasdaq Tallinn Stock Exchange and is open to all interested parties. All webinar recordings and presentations are disclosed on the Nasdaq Tallinn Stock Exchange and Tallinna Vesi's website.

General Meeting of Shareholders

Tallinna Vesi is a public limited company, the management bodies of which are the General Meeting of Shareholders, the Supervisory Board and the Management Board. The General Meeting of Shareholders is Tallinna Vesi's highest management body.

In accordance with the Commercial Code and Corporate Governance Recommendations, Tallinna Vesi convenes both Annual General Meetings (AGM) and Extraordinary General Meetings (EGM) by notifying all of its shareholders via Nasdaq Tallinn Stock Exchange and by publishing information on its website and in one national daily newspaper at least 3 weeks in advance. Information related to General Meetings is disclosed in Estonian and English on the Company's website and in Stock Exchange announcements. The announcement in the daily newspaper is published only in Estonian.

The agendas of AGMs and EGMs of Tallinna Vesi are pre-approved by the Supervisory Board, who also put forward proposals that require attention and are subject to voting at the General Meeting. General Meeting's agenda items, Supervisory Board's proposals along with relevant comments about the agenda items, procedural instructions for participating in a General Meeting and procedure for proposing additional items to the agenda are disclosed along with the General Meeting notice.

Specific rights for adding agenda items granted to shareholders, whose shareholding represents at least 1/20 of the share capital, are described in the General Meeting notice, as well as on Tallinna Vesi's website. Voting rights are explained to the shareholders in the AGM notice on the Company's website as well as at the beginning of each General Meeting.

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On 3 June 2021, Tallinna Vesi held the Annual General Meeting (AGM) of its shareholders to approve the 2020 Annual Report, distribution of profit, amend the Articles of Association, to reduce the share capital due to the cancellation of one B share owned by the Company, to extend the authorities of two Supervisory Board members and elect an auditor. The Management Board made a presentation on the overall performance of the Company. No questions regarding the items in the 2021 AGM agenda were asked, nor were any additional agenda items proposed in 2021.

The Chairman of an AGM is an independent person. In 2021, the AGM was chaired by Mr. Risto Agur, who introduced the procedure for conducting the General Meeting, including the procedure for inquiring about Tallinna Vesi's activities from the Management Board.

All members of the Management Board participated in the 2021 AGM. When a Supervisory Board member or a lead auditor stands for election at the General Meeting, the candidate for the respective position usually participates in the Meeting with exception to extraordinary times like in 2020. Therefore, in order to avoid any unnecessary health risks to the shareholders, the Company's employees, the Management Board as well as to the Supervisory Board members, the Supervisory Board member candidates as well as a representative of the audit firm did not participate in the 2021 AGM.

In 2021, AGM Tallinna Vesi allowed its shareholders, who did not want to appear in person due to COVID-19 extraordinary situation, to vote in the General Meetings using electronic means. For electronic voting, a shareholder had to fill out the voting ballot and sign it digitally (using ID-card, digi-ID or Mobiil-ID) and e-mail the digitally signed ballot to Tallinna Vesi before the AGM day. The shareholders, who voted using electronic means, were deemed as having participated in the General Meeting and their votes represented by shares were counted in the quorum of the General Meeting. Electronic voting is allowed under the Articles of Association of the Company.

No shareholders have shares granting them the right for specific control. Tallinna Vesi is unaware of any shareholders having concluded any voting agreements.

As per the Articles of Association of Tallinna Vesi valid until 18/10/2021, Tallinna Vesi had one registered preferred share with a nominal value of €60 (B share). Due to sale of its shared by United Utilitas B.V to Tallinn City and OÜ Utilitas, this B-share was acquired by Tallinna Vesi and deleted afterwards upon the resolution of the General Meeting of 03/06/2021. The Article of Association of Tallinna Vesi valid from 18/10/2021 refer to only one type of shares. Tallinna Vesi has 20 million shares, every share gives one vote.

Supervisory Board

The Supervisory Board plans the activities of Tallinna Vesi, organises its management and supervises the activities of the Management Board. Pursuant to the Articles of Association of Tallinna Vesi, the Supervisory Board consists of nine members each with a term of two years. In 2021, five regular and one extraordinary Supervisory Board meetings were held. The Supervisory Board pre-approved the 2020 Annual Report and reviewed the dividend proposal, both of which were then presented to the Annual General Meeting for approval, and reviewed Tallinna Vesi's budget for 2022. Additionally, in its meetings, the Supervisory Board reviewed major risks that the Company faced, regulatory and legal issues, matters regarding operations, finances, reporting, investments, human resources, customer service as well as customer and employee

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satisfaction, health and safety, COVID-19 situation for the Company and other operational and business matters.

The following points are usually brought up at every Supervisory Board meeting:

- minutes of the previous meeting;
- information on issues dealt with by the Supervisory Board's committees as appropriate;
- the Management Board report covering the following areas: operational, legal and regulatory, financial, communication, human resources, health, safety and quality, non-regulated business;
- major projects and issues;
- financing decisions and policies;
- decisions on special cases.

As of 31/12/2021, Tallinna Vesi's Supervisory Board consisted of the following members:

Priit Koit (OÜ Utilitas)
Chairman of the Supervisory Board
until 12/04/2024

Robert Kitt (OÜ Utilitas)
Supervisory Board Member
until 01/04/2024

Niall Patrick Mills (OÜ Utilitas)
Supervisory Board Member
until 12/04/2024

Andrei Korobeinik (Tallinn City)
Supervisory Board Member
until 25/04/2024

Katrin Kendra (Tallinn City)
Supervisory Board Member
until 13/01/2022

Mart Mägi (Tallinn City)
Supervisory Board Member
until 01/04/2024

Priit Lello (Tallinn City)
Supervisory Board Member
until 15/11/2024

Priit Rohumaa (independent)
Supervisory Board Member
until 03/06/2024

Allar Jõks (independent)
Supervisory Board Member
until 03/06/2024

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Tallinna Vesi has not made any transactions outside ordinary course of business and price list with members of the Supervisory Board nor their related parties.

The Supervisory Board has formed three committees to advise the Supervisory Board on audit, on nomination and remuneration and on corporate governance matters as described below.

Audit Committee and Internal Audit

The Audit Committee is the subcommittee to the Supervisory Board, which provides an oversight of the financial reporting process, the audit process, the systems of internal controls, review of risk management and assessment and compliance with the laws and regulations. The Audit Committee follows the Auditors Activities Act and the guidelines issued by the Financial Supervision Authority regarding the composition and working processes of an Audit Committee.

The main responsibilities of the Audit Committee are:

- to review quarterly and annual financial statements, including reporting to the Supervisory Board on significant issues considered by the Audit Committee in relation to the financial statements and how those issues were addressed;
- to monitor and analyse the effectiveness of risk management systems and internal controls;
- to review the annual report and the scope, processes and results of the annual audit and to report to the Supervisory Board on the effectiveness of the audit process;
- to monitor and analyse the independence and objectivity of external auditors and the legality of their activity regarding Tallinna Vesi and how the objectivity has been safeguarded;
- to annually evaluate the work of external auditors and report to the Supervisory Board about the results of such evaluation;
- to make recommendations to the Supervisory Board for the appointment or reappointment of the external auditor and to be responsible for the tender of the external audit and agree on the fees paid to the auditor;
- to monitor the independence of the internal auditor;
- to review the scope effectiveness of the internal audit function, including reviewing and approving the annual audit plan.

At the time of compilation of this report, the Audit Committee consisted of the following members of the Supervisory Board:

Robert Kitt
Chairman of the Audit Committee

Mart Mägi
Member of the Audit Committee

Allar Jõks
Member of the Audit Committee

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Each Supervisory Board meeting, an internal audit report is presented to the Supervisory Board. In 2017-2021, the internal audit services were bought from Ernst & Young Baltics AS. The internal auditor of Tallinna Vesi reports directly to the Audit Committee.

Neither the appointed external financial auditor nor any member of the external audit team can provide any service outside the scope of annual audits without prior approval from the Audit Committee. In 2021, the external auditor did not provide any services to the Group outside the scope of the annual audit for financial accounts, except for external assurance provided on GRI Standard reporting referred to in GRI index for the period ended 31 December 2020. In 2021, the sustainability report will be also given an external assurance.

Pursuant to the Articles of Association of Tallinna Vesi, an external auditor, whose responsibility is to conduct the annual audit, is elected by the General Meeting of Shareholders. Tallinna Vesi chooses its external auditor through a procurement process, ensuring the best match of service quality and the price offered for the services. Qualification criteria are strict in order to get the best service in the market. The selected auditors are approved by the Audit Committee and the Supervisory Board before being voted by the General Meeting of Shareholders. The procurement for auditing the year ending 31 December 2021 was carried out in 2021. The result of the procurement applies also to the financial year 2022. AS PricewaterhouseCoopers will conduct the audits of the financial year 2021 and 2022. In 2021, the Group paid €28.1 thousand for the annual financial audits against the relevant invoices issued (€23.8 thousand in 2020) and €45.2 thousand for internal audit services against the relevant invoices issued (€39.0 thousand in 2020). According to the Good Corporate Governance principles of Tallinna Vesi, the lead auditor needs to be re-appointed at least every 5 years. The Company has also followed the Financial Supervision Authority guidelines dated 1 November 2013 "Rotation of the auditors of certain subjects of financial supervision by the state", which sets forth the requirement to rotate the lead auditor every 5 years. The lead auditor is currently Eva Jansen-Diener.

Based on the report of the Audit Committee, the Supervisory Board evaluates the quality of the work of the external auditor annually in the course of the approval of the Annual Accounts, and discloses the summary of such evaluation in the AGM notice. The external auditor is present at the AGM and participates where necessary.

Nomination and Remuneration Committee

In 2021, the Nomination and Remuneration Committee continued to advise the Supervisory Board on management remuneration issues and Management Board nominations.

At the time of compilation of this report, the Nomination and Remuneration Committee consisted of the following members of the Supervisory Board:

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Priit Koit
Chairman of the Nomination and Remuneration Committee

Priit Lello
Member of the Nomination and Remuneration Committee

Priit Rohumaa
Member of the Nomination and Remuneration Committee

The Supervisory Board approves the remuneration principles of the issuer's managers and appoints the Nomination and Remuneration Committee. The Nomination and Remuneration Committee recommends the remuneration principles for Tallinna Vesi and exercises due supervision to ensure that the principles approved by the Supervisory Board and the requirements of the Securities Market Act are being followed.

The Nomination and Remuneration Committee ensures that the remuneration principles proposed are based on the short-term and long-term objectives of Tallinna Vesi, taking into account the financial performance of Tallinna Vesi and the legitimate interests of investors. The Nomination and Remuneration Committee also ensures that the proportion of remuneration for the principal job and performance related pay (PRP) are in accordance with the duties of the Management Board Member and that the remuneration for the principal job forms a sufficient part of the total remuneration. According to the existing PRP principles, members of the Management Board are entitled to a maximum PRP of 25% of their annual gross salary. The PRP to be paid out for 2021 depends on the annual financial and operational performance of the Company, 80% of the PRP is related to Group objectives and 20% of PRP is related to specific individual objectives. If the annual results are worse than expected, a decision may be taken not to pay out any PRP.

The Nomination and Remuneration Committee ensures also that the selection of the Member of the Management Board members is appropriate, and that the candidate proposed to the Supervisory Council has a required background, education and experience.

Corporate Governance Committee

In 2021, the Corporate Governance Committee continued to advise the Supervisory Board on the improvement of corporate governance of Tallinna Vesi for the benefit of its Supervisory Board and shareholders.

As of 31/12/2021, the Corporate Governance Committee consisted of the following members:

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Allar Jõks
Chairman of the Corporate Governance Committee

Katrin Kendra
Member of the Corporate Governance Committee

Robert Kitt
Member of the Corporate Governance Committee

Kristi Ojakäär
Member of the Corporate Governance Committee

Aleksandr Timofejev
Member of the Corporate Governance Committee

Management Board

The Management Board is a management body that represents and manages the day-to-day business of Tallinna Vesi in accordance with the law and the Articles of Association of Tallinna Vesi. The Management Board is obliged to act in the most economically efficient manner. The Management Board may be composed of two to five members, in line with the Articles of Association effective as at the day of compilation of this report and is elected for a term of 5 years. The Management Board always prepares management reports for the Supervisory Board meetings and such reports are distributed to the Supervisory Board members 10 (ten) days in advance of the meeting, as required by the Supervisory Board. The Management Board also reports ad hoc to the Supervisory Board outside of meetings, when considered necessary, and if so requested by the Chairman of the Supervisory Board.

Both Management Board and Supervisory Board Members are deemed to be insiders who are aware of Tallinna Vesi's insider rules and, along with their related persons, are listed in the Group's insider list. Tallinna Vesi has had three Management Board members from 2 June 2014.

From 8 November 2021, the members are as follows:

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Aleksandr Timofejev
Chief Executive Officer,
Chairman of the Board
Member of the Management Board
until 30/10/2026

Kristi Ojakäär
Chief Financial Officer
Member of the Management Board
until 01/01/2023

Tarvi Thomberg
Chief Asset Management Officer
Member of the Management Board
until 08/11/2026

The Supervisory Board of Tallinna Vesi has appointed all Management Board members.

The responsibilities of all Management Board members are specified below.

The duties of the Chairman of the Management Board, Mr. Aleksandr Timofejev, are to, inter alia, fulfil the everyday obligations of the Chief Executive Officer (CEO) of Tallinna Vesi by leading and representing Tallinna Vesi, by ensuring its compliance with contracts and the law, by organizing the activities of the Management Board and by coordinating the preparation of strategies and ensuring the implementation thereof.

The duties of the member of the Management Board, Ms. Kristi Ojakäär are to, inter alia, fulfil the everyday obligations of the Chief Financial Officer (CFO) of Tallinna Vesi by managing and being responsible for the accounting and financial activities of Tallinna Vesi and the planning and delivery of long-term investments.

The duties of the member of the Management Board, Mr. Tarvi Thomberg, are to, inter alia, fulfil the everyday obligations of the Chief Asset Management Officer (CAMO) of Tallinna Vesi by managing and being responsible for Tallinna Vesi's water and sewerage underground networks' everyday operations, water metering, client services and administrative operations as well as the planning and delivery of investments into the assets of Tallinna Vesi.

Tallinna Vesi has signed service contracts with all members of the Management Board. Tallinna Vesi has not made any transactions with the members of the Management Board nor with any of their related parties outside the main services.

According to the Articles of Association of Tallinna Vesi, the Chairman of the Management Board has the sole representation right of Tallinna Vesi; other Management Board members can represent Tallinna Vesi only with one other Management Board member. In order to make daily decisions, the Management Board has approved the framework of principles, according to which certain Management Team members are authorized to conclude transactions of low value.

The Management Board of Tallinna Vesi also acts on behalf of Tallinna Vesi as the sole shareholder of Watercom.

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EQUAL OPPORTUNITIES AND DIVERSITY IN SELECTING MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

In selecting members to the Management and Supervisory Boards, Tallinna Vesi is committed to the principles of equality being adhered to. Nobody is discriminated against because of their age, gender, religion, ethnic origin or other characteristics. In selecting Management Board and Supervisory Board members, their experience in the business or area of expertise, education and background are considered to be the most important criteria, in order to provide an effective and balanced Board. The allocation between men and women in the Management Board is outlined in the Management Report. There is one woman in the Management Board and there was one woman in the Supervisory Board until 13/01/2022.

CONFORMITY WITH NASDAQ TALLINN STOCK EXCHANGE CORPORATE GOVERNANCE RECOMMENDATIONS

As of 1 January 2006, the companies whose shares have been admitted for trading on the regulated market operating in Estonia shall describe, in accordance with the 'Comply or Explain' principle, their management practices in a Corporate Governance report and confirm their compliance or non-compliance with the Corporate Governance Recommendations. If the issuer fails to comply with the Corporate Governance Recommendations, it shall explain the reasons for its non-compliance in the report.

DECLARATION OF CONFORMITY BY TALLINNA VESI

In 2021, Tallinna Vesi complied with the vast majority of the Corporate Governance Recommendations. However, Tallinna Vesi did not comply with certain recommendations, which are listed below along with the reasons for such non-compliance:

"2.2.7. Basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a Management Board member, as well as their essential features (incl. features based on comparison, incentives and risk) shall be published in clear and unambiguous form on the website of the Issuer and in the Corporate Governance Recommendations Report. Information published shall be deemed clear and unambiguous if it directly expresses the amount of expense to the Issuer or the amount of foreseeable expense as of the day of disclosure."

Tallinna Vesi discloses the overall Management Board remuneration in note 24 to the consolidated financial statements and in Remuneration report included to current Annual Report.

"3.2.2. At least half of the members of the Supervisory Board of the Issuer shall be independent. If the Supervisory Board has an odd number of members, then there may be one independent member less than the number of dependent members."

Pursuant to the Articles of Association of Tallinna Vesi, the Supervisory Board consists of nine members. Under the Shareholders Agreement, OÜ Utilitas. (hereinafter Utilitas) and the City of Tallinn have agreed that the division of seats in the Supervisory Board shall be such that, Utilitas shall have three seats, the City of Tallinn shall have four seats (both have the right to directly

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nominate two Supervisory Board members and the rest shall be proposed to the General Meeting of Shareholders) and two seats shall be reserved for independent members to be elected to the Supervisory Board as permitted by the Tallinn Stock Exchange on listing in June 2005.

INFORMATION DISCLOSURE

"2.2.2. The member of the Management Board shall not be at the same time a member of more than two management boards of an Issuer and shall not be the Chairman of the Supervisory Board of another Issuer. A member of the Management Board can be the Chairman of the Supervisory Board in a company belonging to same group as the Issuer."

The Management Board Members of Tallinna Vesi are not in the Management Boards and Supervisory Boards of other Issuers.

"2.3.2. The Supervisory Board shall approve the transactions which are significant to the Issuer and concluded between the Issuer and a member of its Management Board or another person connected/close to them and shall determine the terms of such transactions."

The Supervisory Board approves the remuneration principles of the Management Board. In 2021, the transactions between Tallinna Vesi and any members of the Management Board or any persons or companies related to them were carried out by the arm's length principle and are disclosed in Note 24 to the consolidated financial statements.

"3.2.5. The amount of remuneration of a member of the Supervisory Board shall be published in the Corporate Governance Recommendations Report, indicating separately, basic and additional payment (incl. compensation for termination of contract and other payable benefits)."

The Supervisory Board member's fee was determined by the General Meeting in 2005, at the time of the listing of the Company's shares on the Tallinn Stock Exchange. The remuneration of Supervisory Board members was set at €6,396 per year per person and has remained unchanged. The fee is subject to deduction and payment of applicable taxes and is payable on a monthly basis. The Supervisory Board members were not paid any additional benefits in 2021.

"3.2.6. If a member of the Supervisory Board has attended less than half of the meetings of the Supervisory Board, this shall be indicated separately in the Corporate Governance Recommendations Report."

In 2021, six Supervisory Board meetings were held as follows: 28 January 2021, 02 March 2021, 25 March 2021, 29 April 2021, 29 July 2021 and 28 October 2021.

"3.3.2. A Supervisory Board member candidate shall inform other members of the Supervisory Board about the existence of a conflict of interests before their election and immediately upon arising of it later. Members of the Supervisory Board shall promptly inform the Chairman of the Supervisory Board and Management Board regarding any business offer related to the business activity of the Issuer made to him, a person close to him or a person connected with him."

All Supervisory Board members are aware of this requirement and at minimum once a year, Tallinna Vesi requests all Supervisory Board members to update the record of their business interests. No business transactions outside of the main business took place between Tallinna

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Vesi and either any Supervisory Board member or any persons or companies related to them in 2021. Water and wastewater services were sold to the Supervisory Board members at a price those were sold to all the other customers.

The Management Report consisting of chapters "Chairman's statement", "Our company", "Highlights of the 2021", "Strategy", "Operational results of 2021", "Financial results of 2021" and "Corporate governance", is an integral part of the annual report of Tallinna Vesi for the financial year ended 31 December 2021. The Management Report gives a true and fair view of the trends and results of operations, main risks and doubts of Tallinna Vesi.

BUSINESS ETHICS

As a listed company, it is one of Tallinna Vesi's priorities to ensure that its activities and the conduct of its directors, officers, employees or any third parties acting on its behalf observe the highest standards of integrity. Tallinna Vesi is committed to be a reliable partner to all stakeholders in its activities and is committed to contributing to reliable business climate. Tallinna Vesi does not tolerate corruption in any shape or form. In order to prevent corruption Tallinna Vesi has worked out several procedures and rules which require all directors, officers, employees and everyone acting on behalf of the Company to act with high integrity. It is important that our activities at all levels are transparent, in accordance with the legal requirements and high business ethics. We introduce those principles to our employees and carry out a risk assessment about possible corruption and fraud at least once a year.

Tallinna Vesi has established its Code of Conduct and introduced the whistleblowing policy outlining the procedure for raising concerns and reporting incidents that are in conflict with the law, ethical standards or Tallinna Vesi's Code of Conduct.

The Code of Conduct sets forth the standards of business behaviour and ethics for all managers and employees of Tallinna Vesi. It lays the foundation for Tallinna Vesi's business operations, environmental issues, human rights and relations with the Company's personnel and stakeholders. The Code of Conduct has been introduced to each manager and employee of the Group, regardless of their term of employment. Trainings both have been carried out to ensure that people are familiar with the Code of Conduct principles and act accordingly. The Executive Team members of Tallinna Vesi have also participated in fraud and data protection related trainings.

Furthermore, within its sphere of influence, Tallinna Vesi encourages its contractors and other partners to adhere to similar high ethical principles as set forth in the Code of Conduct, which is the foundation of all business relationships. Tallinna Vesi is not planning any specific trainings for the partners in that regard but encourages them to acquaint themselves with the Company's policies. All related policies are publicly available on the Company´s website.

Any situation involving a potential violation of the Code of Conduct must be reported as soon as possible.

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The employees, partners and third parties of Tallinna Vesi have the opportunity to use various channels to raise concerns or report incidents of unethical behaviour. All such reports will be analysed by an independent partner of Tallinna Vesi. The system of reporting and processing the information ensures that the confidentiality and anonymity of the reporting party are retained if so requested. The incidents can be reported over the internet, by e-mail, using the hotline or by direct communication.

Tallinna Vesi did not identify any proven corruption or fraud incidents during 2021.

PARTNERS

We strive to do more than we are expected by legislative and contractual requirements. To serve that purpose, we focus on dialogue and cooperation, both within our team and with partners. Changes in applicable legislation are constantly monitored and communicated to the managers, whom those changes concern. On the other hand, we also value preventive cooperation and actively participate in the development and amending of legal acts primarily via Estonian Waterworks Association. We also cooperate with several quality-conscious companies that have high environmental awareness to promote doing business in an ethical and responsible way.

Cooperation with suppliers

Considering the nature of our activity as a water company, our supply chain includes other service providers and partners, who help us to guarantee the performance of our main operations and availability of services to the customers.

Unlike many other industries, our supply chain is relatively simple, because the Company produces and sells the service without having any external links within its supply chain and there have been no significant changes in the chain. Still, the Company itself is often an integral link in our customers' supply chain and therefore, it is very important that our service meets high quality standards. For this short but vital supply chain to work without any interruptions, we need our suppliers to be reliable. For this purpose, in several links of critical importance in the chain we have alternative suppliers in place, whom we can turn to should something happen to our main contract partner. We find our suppliers mostly through tenders or public procurements, which gives us the opportunity to set the criteria that we expect our suppliers to meet. We consider the environmental safety as well as the safety of our suppliers' employees very important.

Our cooperation partners can be divided into three larger groups: suppliers of goods, services and construction works.

Our suppliers are mostly based in Estonia, but we also carry out international tenders. We choose high-quality products and invest in the renovation of systems in order to ensure effective and sustainable operational activity. We outsource various support services so that our focus can remain on the main activity. For instance, we are outsourcing advertising, cleaning and security services and many other specific services.

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Mainly sign long-term framework agreements to retain our suppliers and to ensure good and reliable cooperation. We have, at any time, approximately 1,000 suppliers in our database with whom we have been in cooperation at least once a year.

Looking for new suppliers as well as monitoring and improving our cooperation with the current partners are equally important to us. We consistently and systematically assess our cooperation with suppliers, which allows us to have a two-way interaction with our current partners, create a reliable base of suppliers and employ suppliers' competencies in order to create additional value for the Company. Besides assessing the activity of suppliers, we also ask for feedback on our own activity in order to further develop our relations and cooperation with the suppliers, aiming to be a better partner.

OUR PRINCIPLES AND MEMBERSHIP IN ORGANISATIONS

We deem it important to be involved and express our opinion on the issues that are relevant in society and to contribute to the development of areas related to our activity and drafting of legal acts. To these purposes, we have joined and become a founder member of various associations. We are a founder member of Estonian Association of Environmental Management and Corporate Social Responsibility Forum in Estonia, a collective member of Association for Quality, a member of Estonian Waterworks Association, a member of Taxpayers Association, a member of Baltic Institute of Corporate Governance and other organisations.

We are responsible for providing consumers with a reliable supply of drinking water and for treating wastewater and stormwater, by using safe and environment-friendly technologies. To us it is key to bear this fact in mind, while acting consistently and systematically in making our management decisions and performing our daily business activities. Therefore, our management practices need to consider the impact we have on our surrounding environment and the expectations of various stakeholders. Our Management Board has approved the following policies and guiding principles that set the overall framework for acting in various areas.

The following policies are available at least in Estonian and English on our website:
- Environmental Policy;
- Quality Policy;
- Health and Safety Policy;
- Human Resource Policy;
- Principles of Responsible Business.

7.2 Risk management process

RISKS AND UNCERTAINTIES

In everyday operations any company is a subject to a variety of risks and uncertainties. Tallinna Vesi has defined a risk being anything that could have a material adverse effect on the achievement of Tallinna Vesi goals and objectives. Risks can be threats, uncertainties or lost opportunities relating to Tallinna Vesi's current or future operations or activities.

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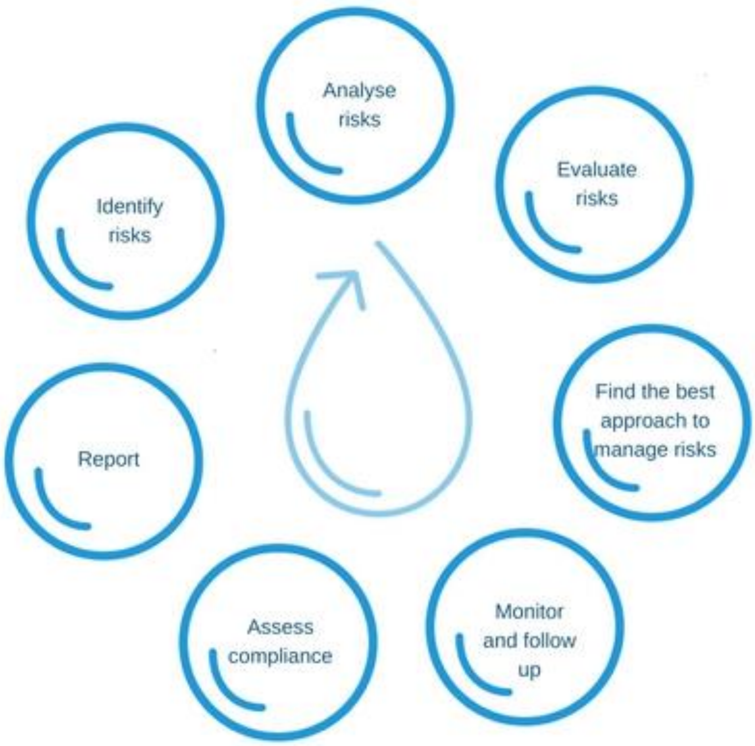
Risk management is a central part of any organisation's strategic management. As a precautionary approach, we constantly assess and monitor our operational and financial risks. Although risks cannot be entirely avoided, we have worked out an effective system to manage risks. The objective of our risk management process is to understand, assess and control the risks and uncertainties, to increase probability of success and minimise the probability of failure as well as the uncertainty of achieving the Company's overall objectives. Tallinna Vesi has defined the roles and responsibilities as well as the components of the risk management process, which is also in line with the Emergency Act.



Risk management process is something that is integrated and embedded in Tallinna Vesi's organisational culture and processes and supports the achievement of the Company's strategic objectives. Risk management process involves the strategic objectives along with efficient processes allowing the delivery thereof as well as the structures and recourses necessary for the achievement of goals and objectives.

CONTINUOUS MONITORING

The objective of the continuous risk management process is that all major risks, which may harm the achievement of Tallinna Vesi objectives, are regularly assessed, managed and monitored. Management Board ensures that awareness of risks is established among the employees and risks are considered in a daily decision-making process. Risk reporting is integrated into the business planning process and risks are reviewed regularly across the organisation.

The Audit Committee and the Supervisory Board receive and review, on a quarterly basis, the overview of the significant risks along with details of the current controls and any further actions that are planned, and potential financial impact when possible.

Tallinna Vesi has divided the risks into the following categories:

Financial risks	Operational risks	Reputational risks	Legal and Regulatory risks	Health and Safety risks	Environmental risks
Personell risks	IT risks	Organisational risks	Reporting risks	Going concern risks	

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MAJOR RISK AREAS

EFFECTIVE LAWS AND REGULATIONS AND CHANGES IN LAWS AND REGULATIONS

The Company's operations are subject to extensive regulation (price regulations, environmental, health and safety). Non-compliance with the existing laws and regulations might result in additional operational expenditures and extra workload. The Company consistently monitors the changes in laws and the development of draft laws, in order to plan its activities on time, as in many cases changes in the laws may require extensive capital investments and/or rise the operating costs significantly. Currently there is a new complete redaction of Public Water Supply and Sewerage Act processed by Riigikogu.

POSSIBLE THIRD-PARTY CLAIMS

On 12 December 2017, the Supreme Court made a decision on Tallinna Vesi's appeal in cassation with regard to the tariff dispute with the Estonian Competition Authority. The Court stated that the Competition Authority was not bound by the agreement on the water tariffs contained in the Services Agreement, which had been executed upon privatisation between the Company and the City of Tallinn. On 4 December 2018, the Competition Authority decided not to approve the tariff application the Company had submitted. On 22 October 2019, the Competition Authority approved the tariff application submitted by the Company, and the new tariffs, which were on average 20% lower than previous tariffs, became effective on 1 December 2019. The Company does not consider itself liable towards the consumers, because it has been acting on a legal basis and has not broken the law. As of 31 December 2021, three separate court proceedings have been initiated with claims totalling €8,4 million with the largest claim being €6,9 million. The Company does not admit any liability and fully rejects them.

The potential liability for third-party claims is described in the Note 14 to the consolidated financial statements.

DISEASE OUTBREAKS

Late in 2019, China was the first to report the cases of the novel coronavirus COVID-19. In 2020, the virus evolved to a pandemic and its negative impact gained momentum. Among other factors, the pandemic has also had a negative effect on the Group's revenues in 2021 due to a slight decrease in the consumption of water and wastewater services by the private sector and by the commercial sector. Compared to 2020, overall sales revenue increased in 2021 due to the increase of sales from construction services but did not reach the level of Group's revenues in pre-covid period, year 2019.

The Group has assessed and calculated the impact of the pandemic on the results for 2021 where reasonable, please see note 2.

FINANCIAL MARKET CONDITIONS AND INTEREST RATES

Changes in interest rates and EURIBOR might have an adverse impact on the Company's cash flows and results of operations. Information on financial risk management is presented in Note 5 to the consolidated financial statements.

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THREAT OF CYBERCRIME AND/OR TERRORISM

Our resources, assets and infrastructure are exposed to various threats (malicious or accidental), cyber-attacks or terrorism that might cause disruption to the operations. Regular reviews of the system security are carried out in order to identify risks and weaknesses and to take corrective measures when justified.

HEALTH AND SAFETY

Serious risks related to occupational health and safety are generally linked to excavation, construction and maintenance work. Depending on the circumstances, the Group could be fined for breaches of statutory obligations, be held liable to third parties and sustain reputational damage. The Group has worked out the full set of procedures and activities, which minimise the possibility of incidents in relation to health and safety.

INABILITY TO TREAT INCOMING WASTEWATER

In case of very heavy rainfall, there is a risk that the Wastewater Treatment Plant has difficulties to treat all incoming wastewater for a short period of time, which might result in pollution incidents. During last years, the risk has been lower. Additional capital investments into mechanical treatment have been made to further minimise the risk.

DETERIORATION OF RAW WATER QUALITY

The main source of drinking water is Lake Ülemiste and there are periods, when the raw water quality is lower than expected. Poorer raw water quality places high pressure on the treatment process. Besides the continued monitoring and adjustment of treatment process accordingly, some improvements are planned to maximize the possible use of alternative resources.

LEAK OF SENSITIVE, INSIDER OR PERSONAL INFORMATION

Tallinna Vesi is a listed company and although keeping confidential information protected and managing it in a responsible way is very important to any company, it is even more important for a listed company. The Company has mapped all the information it gathers, which qualifies as personal information under the GDPR, and has also identified insider information. There are several controls in place to manage sensitive information technologically, furthermore, the employees are regularly trained (ending with examination) in order to make sure that the information is properly handled and managed.

DRINKING WATER QUALITY

In 2019, a new water quality testing method Colilert-18 was implemented. This method is more sensitive than the membrane method used before, and in some instances, it may detect coliform bacteria, where it previously could not. The Company has been in very close communication with the Health Board and has also taken other measures in order to fully comply with all requirements. There has been no change in the drinking water quality compared to the previous years.

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8. MANAGEMENT CONFIRMATION

The Management Board hereby declares its responsibility for the preparation of the consolidated financial statements of AS Tallinna Vesi (the Company) and its subsidiaries OÜ Watercom and OÜ ASTV Green Energy (together the Group) for the financial year ended 31 December 2021 on pages 69 -109.

The financial statements have been prepared according to International Financial Reporting Standards as adopted by the European Union, and give a fair presentation of the financial position, results of operations and cash flows of the Group.

The preparation of the financial statements according to International Financial Reporting Standards involves estimates made by the Management Board of the Group's assets and liabilities as of 31 December 2021, and of income and expenses during the financial year. These estimates are based on current information about the Group and consider all plans and risks as of 31 December 2021. The actual results of these business transactions recorded may differ from such estimates.

Any subsequent events that materially affect the valuation of assets and liabilities and have occurred up to the completion of the financial statements on 15 March 2022 have been considered in preparing the financial statements.

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

Name	Position	Signature	Date
Aleksandr Timofejev	Chairman of the Management Board		15 March 2022
Kristi Ojakäär	Member of the Management Board		15 March 2022
Tarvi Thomberg	Member of the Management Board		15 March 2022

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9. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand		as of 31 December	
ASSETS	Note	2021	2020
CURRENT ASSETS			
Cash and cash equivalents	6	36,559	44,514
Trade receivables, accrued income and prepaid expenses	7	6,637	7,019
Inventories		702	701
TOTAL CURRENT ASSETS		43,898	52,234
NON-CURRENT ASSETS			
Property, plant and equipment	8	211,546	202,802
Intangible assets	9	729	629
TOTAL NON-CURRENT ASSETS		212,275	203,431
TOTAL ASSETS		256,173	255,665
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current portion of long-term lease liabilities	10	421	393
Current portion of long-term bank loans	10	3,630	3,630
Trade and other payables	11	7,835	7,085
Prepayments	13	3 604	2,445
TOTAL CURRENT LIABILITIES		15,490	13,553
NON-CURRENT LIABILITIES			
Deferred income from connection fees		37,241	34,564
Leases	10	1,236	1,400
Bank loans	10	80,336	83,978
Provision for possible third-party claims	14	6,018	9,628
Deferred tax liability		372	255
Other payables		60	32
TOTAL NON-CURRENT LIABILITIES		125,263	129,857
TOTAL LIABILITIES		140,753	143,410
EQUITY			
Share capital	15	12,000	12,000
Share premium		24,734	24,734
Statutory legal reserve		1,278	1,278
Retained earnings		77,408	74,243
TOTAL EQUITY		115,420	112,255
TOTAL LIABILITIES AND EQUITY		256,173	255,665

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10. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		for the year ended 31 December	
€ thousand	Note	2021	2020
Revenue	16	53,294	51,717
Costs of goods and services sold	18	-32,715	-29,491
GROSS PROFIT		20,579	22,226
Marketing expenses	18	-462	-433
General administration expenses	18	-4,438	-4,576
Other income (+)/ expenses (-)	19	3,099	4,567
OPERATING PROFIT		18,778	21.784
Financial income	20	8	31
Financial expenses	20	-387	-473
PROFIT BEFORE TAXES		18,399	21,342
Income tax	21	-2,234	-4,610
NET PROFIT FOR THE PERIOD		16,165	16,732
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		16,165	16,732
Attributable profit to:			
Equity holders of A shares		16,165	16,731
B share holder		0	0.60
Earnings per A share (in euros)	22	0.81	0.84
Earnings per B share (in euros)	22	0	600

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11. CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand	Note	2021	2020
		for the year ended 31 December	
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		18,778	21,784
Adjustment for depreciation/amortisation	8,9,18,19	6,520	6,283
Adjustment for revenues from connection fees	19	-510	-542
Other non-cash adjustments	14,19	-3,610	-4,814
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets		-29	-14
Change in current assets involved in operating activities		380	140
Change in liabilities involved in operating activities		938	-215
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		22,467	22,622
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment, and intangible assets		-13,734	-15,682
Compensations received for construction of pipelines, incl connection fees		2,892	1,998
Proceeds from sale of property, plant and equipment, and intangible assets		29	32
Interest received		11	35
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-10,802	-13,617
CASH FLOWS USED IN FINANCING ACTIVITIES			
Interest paid and loan financing costs, incl swap interests		-460	-719
Lease payments	10	-408	-555
Repayment of loans	10	-3,636	-3,636
Dividends paid	21	-12,842	-19,888
Withheld income tax paid on dividends	21	-158	-113
Income tax on dividends	21	-2,116	-4,355
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-19,620	-29,266
CHANGE IN CASH AND CASH EQUIVALENTS		-7,955	-20,261
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6	44,514	64,775
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	36,559	44,514

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12. 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 (Note 21)	0	0	0	- 20,001	-20,001
Comprehensive income for the period (Note 22)	0	0	0	16,732	16,732
as of 31 December 2020	12,000	24,734	1,278	74,243	112,255
Dividends (Note 21)	0	0	0	-13,000	-13,000
Comprehensive income for the period (Note 22)	0	0	0	16,165	16,165
as of 31 December 2021	12,000	24,734	1,278	77,408	115,420

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13. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

NOTE 1. GENERAL INFORMATION

AS Tallinna Vesi is the largest water utility in Estonia providing drinking water and wastewater disposal services to over 470,000 people in Tallinn and in several neighbouring municipalities of Tallinn. The Current Services Agreement is effective until 30 November 2025 as per the exclusive right to provide water and wastewater services in Tallinn.

Shareholders of AS Tallinna Vesi having a significant influence are the City of Tallinn with 55.05% and OÜ Utilitas with 20.3%, and the remaining shares are free floating on the Nasdaq Baltic, in which AS Tallinna Vesi was listed on 1 June 2005.

Watercom OÜ (Subsidiary) was founded in 2010 by the Company and its main areas of activity are services related to water business and owner supervision and construction services.

ASTV Green Energy OÜ (Subsidiary) is a company acquired by the Company in 2021, the main activity of which is gas production. It is a young company and had no active economic activity yet.

The Company and the Subsidiaries together form a group (Group).

Contacts:

Name	AS Tallinna Vesi	Watercom OÜ	ASTV Green Energy OÜ
Commercial register number	10257326	11944939	16101654
VAT identification number	EE100060979	EE101374619	-
Address	Ädala 10, 10614 Tallinn	Ädala 10, 10614 Tallinn	Ädala 10, 10614 Tallinn
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E-mail	tvesi@tvesi.ee	watercom@watercom.eu	greenenergy@tvesi.ee

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NOTE 2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements (hereinafter referred to as 'financial statements') are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU) (hereinafter IFRS).

The financial statements have been prepared under the historical cost convention, as modified by the accounting policy for derivatives, measured at fair value through profit and loss, as disclosed in the accounting policies below.

The Management Board of AS Tallinna Vesi authorised these consolidated financial statements for issue on 15 March 2022. Pursuant to the Commercial Code of the Republic of Estonia, the financial statements are subject to approval by the Supervisory Board of AS Tallinna Vesi and the General Meeting of Shareholders. Shareholders have the right not to approve the annual report prepared and approved by the Management Board, and request preparation of a new annual report.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Adoption of New or Revised Standards and Interpretations

There have been no new or revised standards or interpretations that have material impact and which the Group has applied for the first time for their annual reporting period beginning on 1 January 2021.

Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or

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an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

Principles of consolidation and subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

In the consolidated financial statements, the financial statements of the subsidiary are combined on a line-by-line basis. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Parent Company and its Subsidiary use uniform accounting policies. Where necessary, the accounting policies of the subsidiary have been changed to ensure consistency with the policies adopted by the Group.

Investment in Subsidiary is carried at cost (less any impairment losses) in the unconsolidated primary financial statements of the Company.

Foreign currency

Functional and presentation currency

Consolidated financial statements for the year ended 31 December 2021 have been presented in euros.

The financial statements have been presented in thousands of euros, unless stated otherwise.

Foreign currency transactions and balances

All other currencies except for the functional currency (the functional currency of the Parent Company and Subsidiary located in Estonia is Euro) constitute foreign currencies. Foreign currency transactions have been translated to functional currencies based on the foreign currency exchange rates of the European Central Bank prevailing on the transaction date. Monetary assets and liabilities denominated in a foreign currency (monetary receivables and loans) have been translated into functional currency based on the foreign currency exchange rates of the European Central Bank prevailing on the reporting date. Foreign exchange gains and losses are recognised in the statement of comprehensive income as income or expenses of that period.

Current and non-current distinction of assets and liabilities

Assets and liabilities are classified in the statement of financial position as current or non-current. Assets expected to be recovered of in the next financial year or during the normal operating cycle of the Group are considered as current. Liabilities whose due date is in the next 12 months or that is expected to be settled in the next financial year or during the normal

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operating cycle of the Group are considered as current. All other assets and liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and the cash flow statement comprise of cash on hand, cash in bank accounts and short-term, risk free, highly liquid bank deposits with original maturities of three months or less.

Cash flows from operating activities are reported using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Cash flows from investing and financing activities are reported using the direct method.

Financial assets

Classification

The Group's financial assets have been classified in the amortised cost measurement category. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. (Transaction costs of financial assets carried at FVPL are expensed in profit or loss.)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

All Group's debt instruments are classified in amortised cost measurement category.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in the statement of comprehensive income on the row 'Other income (+)/expenses(-)'. Impairment losses are also presented on the row 'Other income (+)/expenses(-)'. As at 31 December 2021 and 2020 all the Group's financial assets were classified in this category.

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Equity instruments

The Group has no investments in equity instruments.

Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables and contract assets without a significant financing component the Group applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. The Group uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

Inventories

Inventories are initially recorded at cost including purchase costs, non-refundable taxes and transportation and other costs directly connected with the acquisition, less allowances and discounts.

The FIFO method has been used to determine the cost of inventories. Inventories are carried in the statement of financial position at the lower of the cost and net realizable value. Net realizable value is the net selling price less estimated costs necessary to make the sale.

Non-current assets held for sale

Non-current assets held for sale are the property, plant and equipment items that are most probably sold within next 12 months and for which the management has begun sales activity and the assets are offered for sale for a reasonable price compared to their fair value.

Non-current assets held for sale are classified in the statement of financial position as current assets and depreciation ended at the moment of reclassification. Non-current assets held for sale are carried in the statement of financial position at the lower of at book value or fair value less costs to sell.

Property, plant and equipment, and intangible assets

Property, plant and equipment are tangible assets used in operating activities of the Group with an expected useful life of over one year. Property, plant and equipment are carried in the statement of financial position at historical cost less accumulated depreciation and any impairment losses.

Intangible assets are recognised in the statement of financial position only if the following conditions are met:

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- the asset is controlled by the Group;
- it is probable that the future economic benefits that are attributable to the asset will flow to the Group;
- the cost of the asset can be measured reliably.

Acquired licences

Acquired computer software that is not an integral part of the related hardware is recognised as an intangible asset. Development costs of computer software are recognised as intangible assets if these are directly related to the development of such software objects that are identifiable, controllable by the Group and that are expected to generate economic benefits beyond one year. Capitalizable development costs of computer software include staff costs and other expenses directly related to the development. Costs related to the day-to-day maintenance of computer software are recognised as expenses in the statement of comprehensive income. Costs of computer software shall be depreciated over the estimated useful lifetime, the duration of which is up to 10 years.

Other intangible assets

Expenses for acquiring patents, trademarks, licences and certificates are capitalized if it is possible to estimate the future economic benefits attributable to these assets. Other intangible assets are amortised on a straight line basis over the estimated useful lifetime, the duration of which does not exceed 10 years.

The cost of purchased property, plant and equipment and intangible assets comprises the purchase price, transportation costs, installation, and other direct expenses (incl. internal labour costs) related to the acquisition or implementation. Labour costs are capitalised with employee's hourly index applied to working hours which are needed for taking the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Hourly rate is calculated individually for each employee and includes other direct expenses connected with the employee in addition to salary expense.

If an item of property, plant and equipment consists of components with different useful lives, these components are depreciated as separate items.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Subsequent expenditures are added to the carrying amount of the item of property, plant and equipment or are recognised as a separate asset only when it is probable that future economic benefits related to the assets will flow to the Group and the cost of the asset can be measured reliably. A replaced component or proportion of the replaced item of property, plant and equipment is derecognised. Costs related to ongoing maintenance and repairs are charged to the statement of comprehensive income.

Land is not depreciated. Depreciation of other property, plant and equipment is calculated on a straight-line basis on cost over the estimated useful life of the asset.

Applicable depreciation/amortisation rates:

- buildings 1.25-2.0% per annum;
- facilities 1.0-8.33% per annum;

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- machinery and equipment 3.33-50% per annum;
- instruments and other equipment etc. 10-20% per annum;
- acquired licenses and other intangible assets 10-33% per annum.

In exceptional circumstances rates may differ from the above ranges if it is evident that the estimated useful life of the asset varies materially from the ranges of rates assigned to the respective category.

The expected useful lives of items of property, plant and equipment are reviewed during the annual stocktaking, in recognising subsequent expenditures and in case of significant changes in development plans. When the estimated useful life of an asset differs significantly from the previous estimate it is treated as a change in the accounting estimate and the remaining useful life of the asset is changed as a result of which the depreciation charge of the following periods also changes. Assets are written down to their recoverable amount when the recoverable amount is less than the carrying amount. To determine profits and losses from the sale of property, plant and equipment the book value of the sold assets is subtracted from the proceeds. The respective profits and losses are reported in the line 'Other income (+) /expenses (-)'.

Impairment of assets

Assets that are subject to depreciation/amortisation and property, plant and equipment with unlimited useful lives (land) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable value of intangible assets in progress is tested annually, by comparing their recoverable amount with the carrying amount.

Assets are written down to their recoverable amount in case the latter is lower than the carrying amount. The recoverable amount of the assets is the higher of the:

- fair value less costs to sell and
- value in use.

In case it is not possible to determine the fair value of assets less costs to sell, the asset's value in use is considered to be its recoverable value. The value in use is calculated as the present value of the estimated future cash flows generated by the assets.

The impairment of assets may be assessed either for an individual asset or a group of assets (cash-generating unit). For the purposes of assessing impairment, the Group is considered to be a single cash-generating unit as it is the lowest level for which there are separately identifiable cash flows. The impairment loss is immediately recognised in the statement of comprehensive income. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

If based on the results of the assessment it appears that the recoverable amount of an asset or the cash-generating unit has increased, the earlier impairment is reversed up to the amount that would for the asset in prior years. The reversal of impairment loss is recorded in the statement of comprehensive income of the period as a decrease in impairment loss.

Financial liabilities

Financial liabilities have the following measurement categories: (a) recognised at fair value through profit or loss (derivatives), (b) recognised at amortised cost.

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Financial liabilities include trade payables, accrued expenses, loans payable and other short term and long-term financial liabilities and derivatives. Financial liabilities (except derivatives) are initially recognised at fair value net of transaction cost. Subsequently financial liabilities are carried at the amortised cost.

Amortised cost of short-term financial liabilities is usually equal to their nominal value, thus they are carried on statement of financial position at the amount payable. For calculating the amortised cost of long-term financial liabilities, these are initially recognized at fair value of amount received (less transaction costs), interest expense is calculated from the liability using the effective interest method subsequently.

Liabilities are classified as current liabilities, unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

Derivatives

With regard to derivatives, the Group uses interest rate swap contracts, in order to mitigate risks related to fluctuations in interest rates. Such derivatives are initially recognised at their fair value at the date of entering into the contract and are subsequently carried at fair value with changes recognised in profit or loss. If fair value is positive, the derivative is recognised as an asset, if negative, as a liability. Derivatives are classified as a current asset or liability if expected to be settled within 12 months; otherwise, they are classified as non-current.

Gains and losses attributable to changes in the fair value of derivatives are recognised in the statement of comprehensive income of the reporting period. Gains and losses from the disposal of derivatives are also recognised in the statement of comprehensive income.

Income tax on dividends in Estonia

According to the Estonian Income Tax Act the accrued profit of a resident legal entity is not subject to tax, as tax is charged only on dividend distributions. Pursuant to the Income Tax Act, resident legal entities are liable to income tax on all dividends paid and other profit distributions irrespective of the recipient. In 2021, the rate was 20/80 on the amount of the dividends payable (in 2020: 20/80). Moreover, from 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average taxed dividend payment during the three preceding years. When calculating the average dividend payment of three preceding years, 2019 is the first year to be taken into account.

The contingent tax liability that would occur if all distributable retained earnings were paid out as dividends is not recognized in the statement of financial position. The income tax due on dividend distribution is recorded as a liability and as a tax expense in the statement of comprehensive income during the same period as the dividend is declared regardless of the actual payment date or the period for which dividends are declared. Income tax liability is due on the 10th date of the month following the dividend payment.

Deferred Income Tax

Deferred income tax liability arises for the Group from subsidiaries in Estonia. As there is no fixed policy relating to dividend payments from subsidiaries, the Group has decided to measure the deferred tax liability on potential dividends to the extent of accumulated profits of subsidiaries at the reporting date. The Group measures deferred income tax liability using the tax rates valid on the reporting date.

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Employee benefits

Employee short-term benefits

Employee short-term benefits include wages and salaries as well as social security taxes, benefits related to the temporary halting of the employment contract (holiday pay or other similar pay) when it is assumed that the temporary halting of the employment contract will occur during 12 months after the end of the period in which the employee worked, and other benefits payable within 12 months after the end of the period during which the employee worked. Social security tax payments include contribution to state pension funds. The Group has no legal or constructive obligation to make pension or similar payments beyond social security tax.

Termination benefits

Termination benefits are benefits which are payable after the Group decides to terminate the employment relationship with the employee before the normal retirement date or when the employee decides to leave voluntarily or when the employee and employer have an agreement, in exchange for the benefits outlined. The Group recognises termination benefits as liabilities and expenses only when the Group is obliged to offer termination benefits in order to encourage voluntary leaving.

Provisions and contingent liabilities

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

The provisions include provision for the possible third-party claims (Note 14) and the guarantee the Group has given to the construction services provided by the Group itself, which is necessary to meet the warranty obligation for services sold by the reporting date. The amount of provision for construction services guarantees is recognised in the statement of financial position as a current and non-current liability, depending on the length of the guarantee period and possible time of its realisation. Guarantee provisions have been recognised based on of the best estimates of the Group's Management Board and the actual costs of these transactions can differ from the provided estimates.

Commitments and other possible and existing liabilities, the realization of which is unlikely or the amount of accompanying costs cannot be assessed with sufficient reliability but which can become liabilities on certain terms in the future, are disclosed as contingent liabilities in the notes to the financial statements.

Share capital

Shares are recorded within the equity capital. Pursuant to the Group's Articles of Association, the Group has one class of shares: the A Shares, with a nominal value of €0.60 each.

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Statutory reserve capital

Pursuant to the requirements of the Commercial Code the statutory reserve capital is set up comprising of the allocations from net profits. The annual allocation must be at least 5% of the net profit of the accounting year until the reserve capital is equal to 10% of paid-up share capital. As the Group's reserve capital has reached the required level, the reserve capital is no longer increased from net profit.

At the decision of the General Meeting of the Shareholders the reserve capital can be used for the covering of loss in case it is not possible to cover it from the Group's available shareholders' equity, also for increasing the Group's share capital. The reserve capital cannot be distributed to the shareholders.

Leases

Accounting principles – the Group as the lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. A lessee reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee; and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

Initial measurement

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability. At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are recorded within the line 'Property, plant and equipment' in the statement

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of financial position.

At the commencement date, the lessee measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with the average interest margin of the industry adjusted with the credit risk of the Group;
- makes adjustments specific to the lease, e.g. lease term, country, currency and security.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as EURIBOR) or payments that vary to reflect changes in market rental rates;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

A contract may contain a lease component and one or more additional non-lease components. As a practical expedient, the Group has elected, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Subsequent measurement

After the commencement date, a lessee measures the right-of-use asset applying a cost model. To apply a cost model, a lessee measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset

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from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

After the commencement date, a lessee shall measure the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, a lessee recognises in profit or loss interest on the lease liability and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

If there are changes in lease payments, there may be need to remeasure the lease liability. A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

A lessee shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- there is a change in the lease term. A lessee shall determine the revised lease payments on the basis of the revised lease term; or
- there is a change in the assessment of an option to purchase the underlying asset. A lessee shall determine the revised lease payments to reflect the change in amounts payable under the purchase option.

A lessee shall remeasure the lease liability by discounting the revised lease payments, if either:

- there is a change in the amounts expected to be payable under a residual value guarantee. A lessee shall determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review. The lessee shall remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect). A lessee shall determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. The lessee shall use an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates.

A lessee shall account for a lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

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- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The Group has elected not to apply the requirements of IFRS 16 to short-term leases (except for long-term lease arrangements of vehicles with maturity less than 12 months) and leases for which the underlying asset is of low value. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of real estate.

Revenue from contracts with customers

Revenue is income arising in the course of the Group's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring control over promised services to a customer, excluding the amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer.

The Group provides water, wastewater, stormwater, fire hydrants and other associated services under fixed-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered based on the units delivered.

When connecting to the water services network, the customers must pay a connection fee based on the actual costs of infrastructure to be built in order to connect them to the network. The management has concluded that the connection fees do not represent a separate performance obligation from providing the ongoing water service, and thus the revenue from connection fees is deferred and recognised as Other income over the estimated average useful lives of assets providing the service, being 75 years. Connection fees received from customers are carried in the statement of financial position as 'Deferred revenue from connection fees' within non-current liabilities.

Revenue from construction services is recognised over time based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The constructed assets have generally no alternative use for the Group due to contractual restrictions. Enforceable right to payment arises during the construction before legal title has passed to the customer.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the statement of profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

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If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

The contract asset and contract liability arising from the same contract are presented net in the financial statements.

If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such consideration.

Financing component

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

Earnings per share

Earnings per share are calculated by dividing the net profit of the accounting year with the weighted average number of issued shares of the period. The Group has no instruments that would have a diluting effect on the earnings per share.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the Management Board of the Group to assess its performance and for which discrete financial information is available. Reportable segments are identified and segment information is reported on the same principle as the Group's structural units are grouped for internal accounting and reporting purposes.

NOTE 3. EFFECTS OF COVID-19

Late in 2019, China was the first to report the cases of the novel coronavirus COVID-19. In 2020, the virus evolved to a pandemic and its negative impact gained momentum. Among other factors, the pandemic has also had a negative effect on the Group's revenues in 2021, with consumption being decreased in both the private and the business sectors due to people moving back to office while restrictions on the leisure sector are still being applied. Revenue from construction activities has increased, but the increase in construction revenues cannot be attributed to pandemics.

According to external forecasts, the impact of the pandemic will gradually start to reverse. We are therefore optimistic that consumption will also revert to pre-pandemic volumes in the longer term.

The Group has assessed and calculated the impact of the pandemic on the results for 2021 where reasonable:

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- Due to the decrease in consumption of commercial and private customers, the Group's sales revenue from water services is lower by €0.74 million.
- Specific expenses incurred to make pandemic-related changes in the workflow and working environment and to ensure the safety of the employees amounted to €28 thousand.

COVID-19 impact on Trade Receivables credit losses is evaluated to €148 thousand.

NOTE 4. 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 within the next financial year are addressed below:

- Management has developed estimates on the expected credit losses of trade receivables based on the best available information about past events, current conditions and forecasts of macroeconomic conditions related to Covid-19 outbreak. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 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 of 31 December 2021, Management of the Group has assessed the expected credit loss related to Covid-19 outbreak to be €148 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 €12.0 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 12 months (as of 31 December 2020: 24 months), being the approximate remaining unexpired term of potential claims. As of 31 December 2021, claims totalling €8.5 million have been filed within three applications, in one case claim of interest in amount of €3.2 million has been filed in addition to the claim. 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 2020: €9.6 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. See also Note 14.

- Management has estimated the useful lifetime of property, plant and equipment and intangible assets. The results of the estimates are disclosed in the note 2 in section 'Property, plant and equipment, and intangible assets' and the information about the carrying amounts is disclosed in notes 8 and 9.

  As of 31 December 2021, Group owns property, plant and equipment, and intangible assets with a net book value of €212 million (31 December 2020: €203 million) and annual depreciation was €6.5 million (2020: €6.3 million). If the depreciation/amortisation rates decreased/increased by 5%, the depreciation/ amortisation expense would increase/decrease by €325 thousand respectively (2020: €315 thousand).

NOTE 5. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

In its business activities the Group is exposed to different financial risks: market risk (including currency risk, price risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's financial risks are managed under the control and supervision of the Management Board by the financial department. Financial department identifies, evaluates and manages financial risks in co-operation with the Group's operating units.

Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group's foreign exchange risk is related to purchases done and amounts owned in foreign currencies.

Majority of Group's purchases are made in euros. The proportion of purchases in other currencies in 2021 was 0.0% (2020: 0.0%). Because of the small proportion of transactions in foreign currencies the Group has not taken any special activities to reduce this risk.

On 31 December 2021 the Group's bank accounts balances (including deposits) totalled €36,559 thousand (31 December 2020: €44,514 thousand) from which no sums were in foreign currencies (31 December 2020: no foreign currencies). There were no other significant exposures to foreign currencies arising from Group's other financial assets and financial liabilities.

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Due to the above the Group considers its currency risk level to be low.

Price risk

The Group has no price risk regarding financial instruments because it has no investments into equity instruments.

Cash flow interest rate risk and fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of financial instruments will fluctuate in the future due to changes in market interest rates. Cash flows interest rate risk is the risk that financial expenses arising from financial liabilities with floating interest rate will increase when interest rates on the market change.

Borrowings issued at variable interest rates (Note 10) expose the Group to cash flow interest rate risk. In order to mitigate the cash flow interest rate risk, the Group concluded floating-to-fixed interest rate swap contracts. The swap contracts ended in November 2020 and the Group did not sign any new swap contracts.

The Group's interest rate risk arises from long-term borrowings and, with EURIBOR being below zero, from the ineffectiveness of swap contracts as hedging instruments.

At the end of reporting period, the Group had the following variable rate borrowings:

	31 December 2021		31 December 2020	
	Effective interest rate	Balance € thousand	Effective interest rate	Balance € thousand
Long-term borrowings	0.40%	84,091	0.453%	87,727
Net exposure to cash flow interest rate risk in case Euribor>0		46,591		50,227
Net exposure to cash flow interest rate risk in case Euribor<0		37,500		37,500

The Group's profit is sensitive to higher/lower borrowings and interest rate swaps interest expenses as a result of changes in interest rate.

	Impact on profit	
€ thousand	2021	2020
Interest rates- Increase by 50 basis points*	-191	-141
Interest rates- Decrease by 50 basis points*	42	-46

**Holding all other variables constant*

As all instruments are carried at amortised cost, the change in market interest rates would not have an effect on the financial statements of the Group.

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Credit risk

Credit risk expresses potential loss that can arise if counterparty fails to fulfil its contractual obligations. Cash in bank accounts and deposits, financial assets at fair value through profit and loss, trade and other receivables are exposed to credit risk.

According to the Group's risk management policies the Group's short-term resources can be deposited only in accounts, overnight deposits and fixed term deposits opened in credit institutions. For cash in banks and short-term depositing counterparties with at least a long-term Baa1 rating (by Moody's) is used. As of December 31, 2021, the Group did not have any fixed-term deposits. As of December 31, 2020, 100% of the Group's fixed-term deposits were deposited with a counterparty with a rating higher than A3.

The Group is also monitoring European Banking Authority's recommendations regarding banks' recapitalization needs and fixed term deposits are opened only in banks with no capitalization shortfall.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2019, 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 accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis described above, the loss allowance as at 31 December 2021:

not due	0.15%.
1 to 30 days over due date	59.53%
31 to 60 days over due date	87.89%
61 to 90 days over due date	100%;
91 to 180 days over due date	100%;
181 to 360 days over due date	100%;
over 360 days over due date	100%.

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss as of 31 December 2021 was not identified.

Sales of Group's products and services is done in compliance with internal procedures. To reduce credit risk related to accounts receivable the customers' payment discipline is consistently observed. In the case of overdue debt, the customers are contacted by billing group. As of the end of December 2021 there was 1 customer (31 December 2020: 1 customer) with receivable (Note 7) exceeding 5% of total trade receivables. The receivable has been paid before the date of completion of these financial statements.

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Financial assets € thousand	Balance	Not due	Overdue Up to 60 days	More than 60 days	Impairment
as of 31 December 2021					
Cash and cash equivalents (Note 6)	36 559	36 559	0	0	0
Trade receivables (Note 7)	6,341	5,766	95	480	-536
Commercial customers	3,466	2,980	62	423	-459
Private customers	2,875	2,785	33	57	-78
Total	42,900	48,090	95	480	-536
as of 31 December 2020					
Cash and cash equivalents (Note 6)	44,514	44,514	0	0	0
Trade receivables (Note 7)	6,848	5,905	518	896	-471
Commercial customers	3,965	3,090	488	815	-428
Private customers	2,883	2,815	30	81	-43
Accrued income	3	3	0	0	0
Total	51,365	50,422	518	896	-471

The Group's maximum credit risk is equal to the carrying amount of the financial assets and is considered to be low.

Liquidity risk

Liquidity risk is the risk that the Group is unable to fulfil its financial obligations due to insufficient cash funds or inflows. This risk realizes when the Group does not have enough funds to serve its loans, to fulfil its working capital needs, to invest and/or to make declared dividend payments.

Financial liabilities in terms of payment* € thousand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
as of 31 December 2021						
Trade and other payables (Note 11)	4 129	107	4	0	0	4,239
Bank loans	0	0	3,636	55,455	25,000	84,091
Leases	37	72	323	1,423	0	1,855
Total	4 166	179	3,963	56,878	25,000	90,185
as of 31 December 2020						
Trade and other payables (Note 11)	2,321	1,185	0	213	0	3,719
Bank loans	0	0	3,636	55,520	28,571	87,727
Finance leases	35	76	294	1,409	0	1,814
Total	2,356	1,261	3,930	57,142	28,571	93,260

**All amounts above are undiscounted*

In liquidity risk management the Group has taken a prudent view, maintaining sufficient cash balance and short-term deposits to be able to fulfil its financial liabilities at every moment of

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time. Continuous cash flow forecasting and control are essential tools in the day-to-day liquidity risk management of the Group.

Capital management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern, to be in accordance with Business Plan's capital structure approved by Supervisory Board and the long-term borrowing contracts that limit the Group's equity ratio to a minimum of 35% of the total assets.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (Note 10; including 'current and non-current borrowings' as shown in the consolidated Statement of financial position) less cash and cash equivalents (Note 6). Total capital is calculated as 'equity' as shown in the consolidated Statement of financial position plus net debt.

	as of 31 December	
€ thousand	2021	2020
Borrowings	85,623	89,402
Cash	-36,559	-44,514
Net debt	49,064	44,888
Equity	115,420	112,255
Total capital	164,484	157,144
Net debt to total capital ratio	29,8%	28,5%
Total assets	256,173	255,665
Proportion of equity from total assets	45,1%	43,9%

Fair value estimation

Fair values of cash and cash equivalents, trade receivable, other long-term receivables, short-term borrowings and trade payable do not vary significantly from their carrying amount because their realization will take place within 12 months or these were recognised close to the reporting date.

To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. As of 31 December 2021 and 2020, the Group did not have any financial instruments of level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As of 31 December 2021, all Group's long-term borrowings had floating interest rates. The fair values of long-term borrowings are based on discounted cash flows using the borrowing rate of 0.45% (2020: 1.02%) and are within level 3 of the fair value hierarchy. As of 31 December 2021, the fair value of the Group's long-term borrowings was €775 thousand lower than their carrying amount (31 December 2020: €2,994 thousand lower).

NOTE 6. CASH AND CASH EQUIVALENTS

	as of 31 December	
€ thousand	2021	2020
Cash and bank accounts	36,559	20,514
Short-term deposits	0	24,000
Total cash and cash equivalents	36.559	44,514

NOTE 7. TRADE RECEIVABLES, ACCRUED INCOME AND PREPAID EXPENSES

	as of 31 December	
€ thousand	2021	2020
Accounts receivable	6,341	6,848
Allowance for doubtful receivables	-536	-471
Total trade receivables	5,805	6,377
Allowance for doubtful receivables at the beginning of the period	-471	-428
Proceeds from doubtful receivables during the period	23	22
Allowance for doubtful receivables recognised during the period	-88	-65
Allowance for doubtful receivables at the end of the period	-536	-471

Impairment losses recognised during the period are reported in profit or loss as 'Other income (+)/expenses (-)'. For further information on ageing of receivables (including overdue receivables), please see note 5.

	as of 31 December	
€ thousand	2021	2020
Accrued interest	0	3
Other accrued income	523	368
Prepaid expenses	309	271
Total accrued income and prepaid expenses	832	642
Total trade receivables, accrued income and prepaid expenses	6,637	7,019

The Company's current assets (incl. trade receivables, accruals and inventory) in the amount of € 6,058 thousand (31 December 2020: € 7,240 thousand) have been pledged as a security for the bank loans (Note 10), as a part of commercial pledge.

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NOTE 8. PROPERTY, PLANT AND EQUIPMENT

€ thousand	Land and buildings	Facilities	Machinery and equipment	Construction in progress	Right-of-use assets	Right-of-use assets in progress	Total property, plant and equipment
as of 31 December 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 - 31 December 2021							
Acquisition in book value	0	0	0	14,782	0	289	15,071
Write off and sale of property, plant and equipment in residual value	0	0	0	0	-16	0	-16
Reclassification	158	8,846	2,252	-11,529	289	-289	0
Depreciation	-291	-3,800	-1,852	0	-368	0	-6,311
as of 31 December 2021							
Acquisition cost	27,033	247,613	50,819	12,052	2,950	0	340,467
Accumulated depreciation	-7,968	-79,998	-39,675	0	-1,280	0	-128,921
Net book value	19,065	162,615	11,144	12,052	1,670	0	211,546

Property, plant and equipment are written off if the condition of the asset does not enable further usage for production purposes. In comparison with the previous annual report, the Group has made a change in presenting information in the Note 'Property, plant and equipment'. The column 'Other equipment', which stood as a separate column, is now included in the column 'Machinery and equipment'. By nature the right-of-use assets comply with the asset class of machinery and equipment.

The Group's non-current assets in the book value amount of €11,084 thousand (31 December 2020: €10,585 thousand) have been pledged as a security for the bank loans (Note 10), as a part of

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commercial pledge. A mortgage for the Group's non-current assets (land, buildings and facilities) in the book value amount of €29,133 thousand (31 December 2020: €29,730 thousand) serves as a security to the bank loans (Note 10).

During the year, the Group has capitalised borrowing costs amounting to €32 thousand (2020: €23 thousand) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 0.40% (2020: 0.45%).

NOTE 9. 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 amortisation	-3,764	0	-3,764
Net book value	699	11	710
Transactions in the period 01 January 2020 - 31 December 2020			
Acquisition in book value	0	138	138
Reclassification	119	-119	0
Amortisation	-219	0	-219
as of 31 December 2020			
Acquisition cost	4,582	30	4,612
Accumulated amortisation	-3,983	0	-3,983
Net book value	599	30	629
Transactions in the period 01 January 2021 - 31 December 2021			
Acquisition in book value	0	309	309
Reclassification	250	-250	0
Amortisation	-209	0	-209
as of 31 December 2021			
Acquisition cost	4,831	89	4,920
Accumulated amortisation	-4,191	0	-4,191
Net book value	640	89	729

NOTE 10. BORROWINGS

€ thousand		as of 31 December
Current liabilities	2021	2020
Current portion of long-term leases	421	393
Current portion of long-term loans	3,630	3,630
Non-current liabilities		
Leases	1,236	1,400
Loans	80,336	83,978

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Liabilities at 31 December 2021 € thousand	Balance	Effective interest rate
Lease liabilities	1,657	1.11%-1,86%
Bank loans at floating interest rate (based on 6-month Euribor)	83,966	0.07%-0.95%

Liabilities at 31 December 2020 € thousand	Balance	Effective interest rate
Lease liabilities	1,793	1.08%-1,77%
Bank loans at floating interest rate (based on 6-month Euribor)	87,608	0.11%-0.95%

The Group's loan agreements, valid as of 31 December 2021, mature as follows. One loan agreement in the amount of €37.5 million, with the maturity date in September 2022, will be refinanced for new investments. The second loan agreement in the amount of €20 million continues to be repaid in eleven equal semi-annual repayments from May 2019 to May 2024. The third loan agreement in the amount of €37.5 million will be repaid in 21 equal semi-annual repayments from November 2024 to November 2034.

Net debt reconciliation

Net debt € thousand	as of 31 December 2021	2020
Cash and cash equivalents	36,559	44,514
Borrowings	-83,966	-87,608
Lease liabilities	-1,657	-1,793
Total net debt	-49,064	-44,888
Cash and cash equivalents	36,559	44,514
Gross debt - variable interest rates	-85,623	-89,401
Total net debt	-49,064	-44,888

	Liabilities from financing activities			Other assets	
€ thousand	Borrowings	Leases	Subtotal	Cash and cash equivalents	Total
Net debt as at 1 January 2020	-91,223	-1,316	-92,539	64,775	-27,764
Cash flows	3,636	555	4,191	-20,261	-16,070
Acquisitions - leases	0	-1,037	-1,037	0	-1,037
Other changes	-22	5	-17	0	-17
Net debt as at 31 December 2021	-87,609	-1,793	-89,402	44,514	-44,888
Cash flows	3,636	408	4,044	-7,955	-3,911
Acquisitions – leases	0	-288	-288	0	-288
Other changes	7	16	23	0	23

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Net debt as at 31 December 2021	-83,966	-1,657	-85,623	36,559	-49,064

Other changes include non-cash movements, including loan financing costs that are recognised as financial cost over the entire loan period and early termination of lease agreements.

Collateral of loans and pledged assets € thousand		Collateral at book value as of 31 December	
Type of collateral	Specification and location of collateral	2021	2020
Commercial pledge	Movables of the Company (Note 7, 8)	17,142	17,825
Mortgage	Real Estates located at Paljassaare põik 14 and Järvevana tee 3, Tallinn, Estonia (Note 8)	29,133	29,730

NOTE 11. TRADE AND OTHER PAYABLES

€ thousand	for the year ended 31 December 2021	2020
Trade payables - operating expenditures	2,876	1,666
Trade payables - capital expenditures	2,007	1,502
Payables to related parties (Note 25)	24	185
Payables to employees	1,360	1,521
Interest payable	48	66
Other accrued expenses	67	114
Warranty reserve	36	213
Taxes payable incl:		
Income tax	215	206
VAT	105	634
Water abstraction charges	327	318
Pollution taxes	300	202
Social security tax	415	402
Other	55	56
Total trade and other payables	7,835	7,085

NOTE 12. OTHER CONTINGENT LIABILITIES

Tax authority have got the right to review to the Group's tax accounting within 5 years after the term for the submission of tax declaration and when mistakes are detected to impose an additional amount of tax, interests and fines. According to the Group's Management Board there are no circumstances as a result of which tax authority could impose a significant additional amount of tax to the Group.

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The Group's distributable retained earnings as at 31 December 2021 amounted to €77,408 thousand (31 December 2020: €74,243 thousand). Consequently, if retained earnings were fully distributed as dividends and the lower tax rate that may be applicable from 2019 to dividend payments was applied, the maximum possible tax liability which would be €18,327 thousand (2020: €17,334 thousand). See also note 2.

NOTE 13. PREPAYMENTS

€ thousand	as of 31 December 2021	2020
Prepayments for water and sewerage services	739	91
Prepayments for connection fee	2,865	2,354
Total prepayments	3,604	2,445

NOTE 14. 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 €12.0 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 12 months (as of 31 December 2020: 24 months), being the approximate remaining unexpired term of potential claims.

As of 31 December 2021, claims totalling €8.5 million have been filed within three applications, in one case claim of interest in amount of €3.2 million has been filed in addition to the claim. 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 2020: €9.6 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.

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NOTE 15. SHARE CAPITAL

As of 31 December 2021, the nominal value of the share capital was €12,000,000 (twelve million euros), composed of 20,000,000 (twenty million) shares with the nominal value of €0.60 (sixty eurocents) per share. Each share grants its holder 1 (one) vote at the General Meeting of the Shareholders of the Company and the right to participate in the General Meetings of the Shareholders of the Company and in the distribution of profits and in the distribution of the remaining assets upon dissolution of the Company, as well as any other rights set forth in the law and in the articles of association of the Company.

The General Meeting of the Shareholders has the authority to decide the emission and buyback of the shares, following the principles established in the Articles of Association. The Management Board does not have any respective authorities.

As of 31 December 2021, OÜ Utilitas owned 4,072,352 (20.3%) shares and the City of Tallinn owned 11,011,482 (55,05%) shares, with 4,916,166 shares in free float. Other direct shareholders each owned less than 5% of the shares as of 31 December 2021.

As of 31 December 2021, and 2020, the members of the Supervisory Council and the Management Board did not own any shares in the company.

Dividends declared and paid are disclosed in note 21.

Contingent income tax on the dividend payments from retained earnings is described in note 11.

NOTE 16. SEGMENT REPORTING

According to the principles of the standard IFRS 8 Operating Segments, an entity shall report separately information about an operating segment if either its reported revenue, profit or loss, or assets account for 10 per cent or more of the particular combined measure of all operating segments.

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.

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€ thousand	Water services	Const-ruction services	Other services	Inter-segment transactions	Total segments
1 January 2021 - 31 December 2021					
External revenue	45,056	7,327	911	0	53,294
Inter-segment revenue	2	1,672	3,633	-5,307	0
Total segment revenue	45,058	8,999	4,544	-5,307	53,294
Segment's gross profit	18,945	626	1,570	-562	20,579
Unallocated expenses:					
Marketing and Administrative expenses					-4,900
Other income/expenses					3,099
Operating profit					18,778
1 January 2020 - 31 December 2020					
External revenue	45,800	5,222	695	0	51,717
Inter-segment revenue	1	3,481	3,421	-6,903	0
Total segment revenue	45,801	8,703	4,116	-6,903	51,717
Segment's gross profit	19,614	409	2,768	-565	22,226
Unallocated expenses:					
Marketing and Administrative expenses					-5,009
Other income/expenses					4,567
Operating profit					21,784

Revenue by activities

€ thousand	for the year ended 31 December 2021	2020
Water services		
Water supply service	8,097	8,106
Wastewater disposal service	12,000	12,048
Total from private customers	20,097	20,154
Water supply service	7,115	7,209
Wastewater disposal service	7,299	7,417
Total from commercial customers	14,414	14,626
Water supply service	1,631	1,593
Wastewater disposal service	3,422	3,298
Stormwater disposal service	256	291
Total from outside service area customers	5,309	5,182
Stormwater treatment and disposal service and fire hydrants service	4,010	4,588

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Overpollution charges and discharging	1,225	1,250
Total from water services	45,055	45,800
Construction services	7,328	5,222
Other services	911	695
Total revenue	53,294	51,717

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

NOTE 17. STAFF COSTS

	for the year ended 31 December	
€ thousand	2021	2020
Salaries and wages (Note 18)	-7,381	-7,417
Social security and unemployment insurance taxation (Note 18)	-2,496	-2,509
Total staff costs	-9,877	-9,926
The average number of employees	333	332

NOTE 18. COST OF GOODS AND SERVICES SOLD, MARKETING AND ADMINISTRATIVE EXPENSES

	for the year ended 31 December	
€ thousand	2021	2020
Cost of goods and services sold		
Water abstraction charges	-1,281	-1,237
Chemicals	-1,822	-1,567
Electricity	-4,612	-3,256
Pollution tax	-894	-989
Staff costs (Note 17)	-7,243	-7,247
Depreciation and amortisation	-5,725	-5,521
Construction service	-5,988	-4,256
Other costs of goods and services sold	-5,150	-5,418
Total cost of goods and services sold	-32,715	-29,491
Marketing expenses		
Staff costs (Note 17)	-398	-370
Other marketing expenses	-64	-63
Total marketing expenses	-462	-433
Administrative expenses		
Staff costs (Note 17)	-2,236	-2,309
Depreciation and amortisation	-320	-333
Other general administration expenses	-1,882	-1,934
Total administrative expenses	-4,438	-4,576

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NOTE 19. OTHER INCOME/EXPENSES

€ thousand	for the year ended 31 December 2021	2020
Connection fees	510	542
Depreciation of single connections	-475	-429
Doubtful receivables expenses (-)/expense reduction (+)	-84	-64
Provision for possible third party claims (Note 14)	3,610	4,814
Other income (+)/expenses (-)	-462	-296
Total other income/expenses	3,099	4,567

NOTE 20. FINANCIAL INCOME AND EXPENSES

€ thousand	for the year ended 31 December 2021	2020
Interest income	8	31
Interest expense, loan and lease	-360	-487
Interest expense, swap	0	-185
Increase (+)/decrease (-) of fair value of swap	0	221
Other financial income (+)/expenses (-)	-27	-22
Total financial income/expenses	-379	-442

NOTE 21. DIVIDENDS AND INCOME TAX

€ thousand	for the year ended 31 December 2021	2020
Dividends declared during the period	13,000	20,001
Dividends paid during the period	12,842	19,888
Withheld income tax on dividends	158	113
Income tax on dividends paid	2,116	4,355
Dividends declared per shares:		
Dividends per A share (in euros)	0.65	1.00
Dividends per B share (in euros)	0	600

Dividend income tax rate was 2021 is 20/80 (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, 2019 is the first year to be taken into account. In addition, for dividends payable to natural persons, income tax at a rate of 7% is withheld on dividends taxed with a lower income tax rate.

Deferred income tax expense and liability for 2021 is €117 thousand and is calculated based on total distributable profits of the subsidiary as of 31 December 2021, (2020: €255 thousand).

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NOTE 22. EARNINGS PER SHARE

	for the year ended 31 December 2021	2020
Net profit minus B share preferred dividend rights (€ thousand)	16,165	16,731
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20,000,000	20,000,000
Earnings per A share (in euros)	0.81	0.84
Earnings per B share (in euros)	0	600

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

NOTE 23. LEASES

The lease agreements, in which the Group is a lessee, are leases of vehicles, property and IT equipment. The underlying currency of all lease contracts is euro. Leased assets have not been sublet.

€ thousand	for the year ended 31 December 2021	2020
Interest expense on lease liabilities	23	24
Expense relating to short-term leases	6	10
Expense relating to leases of low-value assets	1	1

The total cash outflow for leases in 2021 was €437 thousand (in 2020: €589 thousand).

For information about depreciation charge for right-of-use assets, additions to right-of-use assets and the carrying amount of right-of-use assets, please see note 8. The maturity analysis of lease liabilities is disclosed in note 5.

As of 31 December 2021 the Group had entered into the lease agreements, which take effect in 2022, in the total amount of €1,061 thousand (as at 2020: €926 thousand).

The lease agreements, in which the Group is a lessor, are all leases of property. All these are operating leases. The underlying currency of all lease contracts is euro. The Group's consolidated income from operating lease in 2021 was €149 thousand (in 2020: €140 thousand). The Group considers the income from leasing and the assets held for leasing in proportion of all assets insignificant.

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NOTE 24. RELATED PARTIES

Transactions with related parties are considered to be transactions with members of the Group's 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.

Note: During 1 January – 31 March 2021 the related party was United Utilities (Tallinn) B.V. that was replaced by Utilitas OÜ starting on 1 April 2021. The amounts in transactions are recorded accordingly.

Dividend payments are indicated in the Statement of Changes in Equity.

Shareholders having the significant influence

Balances recorded in on the statement of financial position of the Group	as of 31 December	
€ thousand	2021	2020
Accounts receivable	129	1,390
Prepayments for services	575	0
Trade and other payables (Note 11)	24	186

Transactions	for the year ended 31 December	
€ thousand	2021	2020
Revenue (Note 16)	4,855	4,588
Purchase of thermal energy	37	0
Purchase of administrative and consulting services	583	736

Fees to the Group's Management and Supervisory Board members	for the year ended 31 December	
€ thousand (excluding social tax)	2021	2020
Management Board members	220	213
Supervisory Board members	37	32

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

The potential salary liability would be up to €150 thousand (excluding social tax) if the Supervisory Board would want to replace all Management Board members.

The Group's Management Board or Supervisory Board members do not have more than 5% shareholding in any of the companies having important business or cooperation relations with the Group.

The information about AS Tallinna Vesi shares belonging to the related parties is disclosed in notes 15 and 26. Paid-up dividends are described in note 21.

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NOTE 25. SUBSIDIARIES

			Holding (%) as of 31 December	
Subsidiary	Location	Activity	2021	2020
Watercom OÜ	Tallinn, Estonia	Provision of construction and other services related to water business	100	100
AS Tallinna Vesi registered Watercom OÜ on 25 May 2010.				
ASTV Green Energy OÜ	Tallinn, Estonia	Gas production	100	0

AS Tallinna Vesi acquired ASTV Green Energy OÜ on 28 January 2021. The company is dormant, no difference between acquisition price and assets acquired exists.

NOTE 26. SUPPLEMENTARY DISCLOSURES ON THE PARENT COMPANY OF THE GROUP

Pursuant to the Accounting Act of the Republic of Estonia, information of the unconsolidated financial statements (primary statements) of the consolidating entity (Parent Company) shall be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the Parent Company the same accounting policies have been used as in preparing the consolidated financial statements. The accounting policy for reporting subsidiaries has been amended in the separate primary financial statements disclosed as supplementary information in the Annual Report in conjunction with IAS 27, Consolidated and Separate Financial Statements.

In the parent separate primary financial statements, disclosed to these consolidated financial statements (Supplementary disclosures), investments into the shares of subsidiaries are accounted for at cost less any impairment recognised.

The separate reports on the Parent Company

According to the Estonian Accounting Law, the amount which can be distributed to the shareholders is calculated as follows: adjusted unconsolidated equity less share capital, share premium and reserves.

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STATEMENT OF FINANCIAL POSITION

€ thousand	as of 31 December	
ASSETS	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	34,907	42,878
Trade receivables, accrued income and prepaid expenses	5,203	6,195
Receivables from parent company	127	316
Receivables from subsidiary	52	49
Inventories	676	680
TOTAL CURRENT ASSETS	40,965	50,118
NON-CURRENT ASSETS		
Investment in subsidiary	527	527
Property, plant and equipment	217,448	208,060
Intangible assets	639	597
TOTAL NON-CURRENT ASSETS	218,614	209,184
TOTAL ASSETS	259,579	259,302
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current portion of long-term lease liabilities	182	169
Current portion of long-term bank loans	3,630	3,630
Trade and other payables	6,333	5,676
Payables to parent company	24	0
Payables to subsidiary	990	1,092
Prepayments	3,558	2,443
TOTAL CURRENT LIABILITIES	14,717	13,010
NON-CURRENT LIABILITIES		
Deferred income from connection fees	37,241	34,564
Leases	320	301
Bank loans	80,336	83,978
Provision for possible third party claims	6,018	9,628
Other payables	17	14
TOTAL NON-CURRENT LIABILITIES	123,932	128,485
TOTAL LIABILITIES	138,649	141,495
EQUITY		
Share capital	12,000	12,000
Share premium	24,734	24,734
Statutory legal reserve	1,278	1,278
Retained earnings	82,918	79,795
TOTAL EQUITY	120,930	117,807
TOTAL LIABILITIES AND EQUITY	259,579	259,302

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STATEMENT OF COMPREHENSIVE INCOME

€ thousand	for the year ended 31 December 2021	2020
Revenue	45,676	46,300
Cost of goods and services sold	-26,206	-24,788
GROSS PROFIT	19,470	21,512
Marketing expenses	-462	-433
General administration expenses	-4,262	-4,345
Other income (+)/expenses (-)	3,157	4,585
OPERATING PROFIT	17,903	21,319
Financial income	580	30
Financial expenses	-341	-5
PROFIT BEFORE TAXES	18,142	21,344
Income tax on dividends	-2,019	-4,282
NET PROFIT FOR THE PERIOD	16,123	17,062
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	16,123	17,062
Attributable profit to:		
Equity holders of A shares	16,123	17,061
B share holder	0	0.60
Earnings per A share (in euros)	0,81	0,85
Earnings per B share (in euros)	0	600

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STATEMENT OF CASH FLOWS

€ thousand	for the year ended 31 December	
CASH FLOWS FROM OPERATING ACTIVITIES	2021	2020
Operating profit	17,903	21,319
Adjustment for depreciation/amortisation	6,343	6,109
Adjustment for revenue from connection fees	-510	-542
Other non-cash adjustments	-3,610	-4,814
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets	-21	0
Change in current assets involved in operating activities	1,236	-527
Change in liabilities involved in operating activities	714	20
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	22,055	21,565
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, and intangible assets	-14,259	-16,059
Compensations received for construction of pipelines	2,878	1,998
Proceeds from sale of property, plant and equipment, and intangible assets	23	0
Interest received	11	35
TOTAL CASH USED IN INVESTING ACTIVITIES	-11,347	-14,026
CASH FLOWS USED IN FINANCING ACTIVITIES		
Interest paid and loan financing costs, incl swap interests	-403	-736
Lease payments	-222	-167
Repayment of loans	-3,636	-3,636
Dividends received	600	450
Dividends paid	-12,841	-19,888
Withheld income tax paid on dividends	-158	-113
Income tax on dividends	-2,019	-4,282
TOTAL CASH USED IN FINANCING ACTIVITIES	-18,679	-28,372
CHANGE IN CASH AND CASH EQUIVALENTS	-7,971	-20,833
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	42,878	63,711
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	34,907	42,878

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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	82,734	120,746
Dividends	0	0	0	-20,001	-20,001
Comprehensive income for the period	0	0	0	17,062	17,062
as of 31 December 2020	12,000	24,734	1,278	79,795	117,807
Carrying amount of investments under control and significant influence	0	0	0	0	-527
Value of investments under control and significant influence using the equity method	0	0	0	0	0
Adjusted unconsolidated equity as of 31 December 2020	12,000	24,734	1,278	79,795	117,280
as of 31 December 2020	12,000	24,734	1,278	79,795	117,807
Dividends	0	0	0	-13,000	-13,000
Comprehensive income for the period	0	0	0	16,123	16,123
as of 31 December 2021	12,000	24,734	1,278	82,918	120,930
Carrying amount of investments under control and significant influence	0	0	0	0	-527
Value of investments under control and significant influence using the equity method	0	0	0	0	0
Adjusted unconsolidated equity as of 31 December 2021	12,000	24,734	1,278	82,918	120,403

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14. CONFIRMATION OF THE MANAGEMENT AND SUPERVISORY BOARDS

The Management Board has prepared the management report and the financial statements of AS Tallinna Vesi on 15 March 2022. The Supervisory Board of AS Tallinna Vesi has reviewed the annual report, prepared by the Management Board, consisting of Management Report, the financial statements and the independent auditors' report, and has on 15 March 2022 in its minuted decision approved the annual report for presentation on the Shareholders' General Meeting.

Name	Position	Signature
Aleksandr Timofejev	Chairman of the Management Board	
Tarvi Thomberg	Member of the Management Board	
Kristi Ojakäär	Member of the Management Board	

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15.REMUNERATION REPORT

Introduction

The remuneration statement of AS Tallinna Vesi (hereinafter ASTV or Company), covering the calculated fees to the Management Board members of ASTV in 2017-2021, has been prepared in accordance with the requirements set out in § 135^3 of the Securities Market Act and in the light of ASTV's Remuneration Policy, prepared in accordance with the requirements of § 135^2 of the Securities Market Act.

The Remuneration Policy for the Management Board members of AS Tallinna Vesi has been prepared in 2021 and approved by Supervisory Council in January 2022. The general principles of remuneration are based on ASTV's long-term objectives, taking account of the Company's economic performance and the legitimate interests of investors and creditors, as well as the duties of a particular member of the Management Board, his/her performance in the position, the performance of the entire Management Board, as well as ASTV's future prospects and the general situation in the labour market with regard to the remuneration of managers. The Remuneration Policy aims to help implement the Company's strategy and ensure the sustainability of its long-term interests.

Prior to the approval of the Remuneration Policy at the meeting of the Supervisory Council in January 2022, the remuneration of the Management Board was based on § 314 (1) of the Commercial Code, stipulating that the amount of remuneration payable to a member of the management board and the procedure for payment shall be determined by a resolution of the supervisory board.

Pursuant to subsection (2) of the same section, upon determining the remuneration procedure of a management board member and the amount of fees and other benefits, and upon entry into a contract with a management board member, the supervisory board must ensure that the total amount of the payments to be made by ASTV to the management board member reasonably complies with the duties of the management board member and the economic situation of ASTV.

Pursuant to subsection 314 (3) of the CC, if the economic situation of ASTV significantly deteriorates and further payment to a management board member of the fees established for or agreed upon with the member, or further allowing of other benefits to the member would be extremely unfair to ASTV, ASTV may require the decrease of the fees and other benefits. If decrease of fees or other benefits is required, the management board member has the right to extraordinary cancellation of the contract entered into with him or her upon one month's advance notice of cancellation.

A three-member Nomination and Remuneration Committee has been established within the Supervisory Council to ensure that the Remuneration Policy proposed is based on the short- and long-term objectives of AS Tallinna Vesi, taking account of the financial performance of AS Tallinna Vesi and the legitimate interests of investors.

Pursuant to the procedure for supervisory board committees, the Remuneration and Nomination Committee (hereinafter the Committee) makes a proposal to the supervisory board for determining the remuneration and other financial advantages of management board members, considering that ASTV remunerates management board members in a fair and

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responsible manner, taking into account the criteria set out in the Remuneration Principles. The Committee reviews the grounds of remuneration of the management board at least once a year.

The Nomination and Remuneration Committee shall ensure that the proportion of the fixed salary and the performance-related pay (PRP) are in accordance with the duties of a Management Board member and that the fixed salary represents a sufficiently high proportion of the total remuneration.

The bases and principles of remuneration

The general remuneration principles proceed from the long-term goals of ASTV, considering thereby the performance results of ASTV and the legitimate interests of investors and creditors as well as the duties of a particular management board member, his or her activities at the position, the activities of the management board as a whole, as well as the future plans of ASTV and the labour and salary market conditions of executives on the labour market.

The bases and principles for establishing the remuneration of a Management Board member

- The share of the basic salary in the remuneration reasonably complies with the duties of the management board member;
- The basic salary forms a sufficiently large share of the total remuneration, which makes it possible not to determine or pay the performance pay, as appropriate;
- The basic salary is such that motivates a management board member to act in the best interests of ASTV and as a result of which the management board member refrains from acting in his or her own interests or in the interests of third persons;
- The basic salary of a management board member is determined taking into consideration the previous work experience of the management board member as well as the remuneration of chief executives of a similar position and liability on the labour market;
- The basic salary of a management board member is determined in the contract of the management board member, and it is paid monthly.
- The input to amending the basic salary is the situation on the labour and salary market. After the resolution of the supervisory board adopted on the proposal of the Committee, the basic salary may be adjusted according to the situation on the labour and salary market within a calendar year as of the agreed date.
- If the circumstances set out in the introduction of the Remuneration Principles exist, the salary of a management board member is reduced on the basis of a resolution of the supervisory board adopted on the proposal of the Committee. The resolution must be substantiated.

The bases and principles for establishing the performance pay of a Management Board member

- The share of the performance pay reasonably complies with the duties of the management board member;
- The maximum amount of the performance pay forms 25% of the annual gross basic salary of the management board member.
- The performance pay is such that motivates a management board member to act in the best interests of ASTV and as a result of which the management board refrains from acting in his or her own interests or in the interests of third persons;

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- Performance pay is paid on the basis of the results of the calendar year preceding its payment and as an incentive pay of the next calendar year, except if the performance pay is paid to a resigning management board member. The payment is made after the results of the financial year have been approved, as a rule in the middle of March.
- The performance pay of a management board member is calculated being guided:
  - to the extent of 80% by the financial and production results of the year preceding the payment of the performance pay, the goals established to the management board member by the supervisory board of ASTV and the achievement thereof;
  - to the extent of 20% by the achievement of personal goals of the management board member.

Respective goals are reviewed in January and approved by the Committee.

Payment of the performance pay is decided by the Committee. The payment is made in March. If the results specified in this clause do not achieve the goals established, the Committee may decide not to pay the performance pay to a management board member.

Grounds and principles of determining benefits and other advantages related to work of management board member

- Company car

- Severance pay:
  - The amount of the severance pay of a management board member is his or her basic salary of six months if the management board member is removed for reasons independent of him or her or if the management board member wants to resign due to a breach of the contract by ASTV who has not eliminated the breach within reasonable time after receiving a corresponding notice.
  - No severance pay is paid if a management board member is removed due to his or her breach of the contract, incl. he or she has either caused damage or loss to ASTV, is no longer trustworthy or is punished pursuant to criminal procedure.
  - The amount of the severance pay of a management board member is his or her basic salary of three months if he or she is removed due to his or her state of health, where he or she has been unable to perform his or her duties for three months or more.
  - Upon expiry of the contract of a management board member, the amount subject to payment is the performance pay specified in section of "The bases and principles for establishing the performance pay of a Management Board member" of the Remuneration Principles. The rules applicable are those set out in the section stated before.The performance pay of a resigning management board member is calculated in proportion to the time during which he or she worked in the last calendar year.

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The bases and principles for remuneration of a Management Board member with shares, share options or other similar rights

The Company shall not offer any remuneration with shares, share options or other similar rights (e.g. long-term bonus schemes, etc.) to a Management Board member.

The calculated fees in 2021:

Manager	Position	Date of appointment	Fixed salary '000 EUR	Performance pay '000 EUR	Total '000 EUR	Share of fixed salary in total remuneration %	Share of performance pay in total remuneration %
Aleksandr Timofejev	Chairman of the Management Board, Chief Executive Officer	09 September 2007	93.59	20.11	113.70	82.3%	17.7%
Kristi Ojakäär	Member of the Management Board, Chief Financial Officer	01 January 2020	86.18	20.11	106.28	81.1%	18.9%
Tarvi Thomberg	Member of the Management Board, Chief Asset Management Officer	08 November 2021	13.30	0.00	13.30	100.0%	0.0%

Reporting Year	2017	2018	2019	2020	2021
Change in A. Timofejev remuneration	-6.5%	+5.3%	+6.7%	+9.5%	+1.8%
Change in K. Ojakäär remuneration	-	-	-	-	+24.0%
Change in T. Thomberg remuneration	-	-	-	-	-
Change in Riina Käi remuneration	-2.2%	+6.2%	+14.3%	-85.6%	-
Change in full time employees' average salary	0.1%	+5.9%	+3.6%	+2.6%	+3.8%
Change in the Company's outcome (Net profit)	-62.5%	+240.3%	+15.5%	-39.7%	-5.5%

Application of performance criteria and compatibility with the company's long-term objectives

The fixed salary and the PRP to the Members of the Management board are in line with the Company's Remuneration Policy described above and no exceptions to remuneration have been made.

The PRP payment to the Management Board members in 2020 was based on meeting the Company's objectives, such as earnings before depreciation and amortisation (EBIDTA), water quality in the water network, customer satisfaction, employee satisfaction. The PRP paid to a

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Management Board member in 2020 also depended on meeting the individual objectives set for a Management Board member by the Supervisory Council of the Company.

Each member of the Management Board has his/her own area of responsibility, based on which the individual objectives are set. The individual objectives set are both financial and non-financial, supporting the Company's long-term objectives and helping to ensure the results are being achieved. The financial objectives are set in line with the specific performance indicators of the Company. These indicators give shareholders a true and comprehensive view of the Company's position and development and provide an input to investment decisions.

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16. PRINCIPLES OF SUSTAINABILITY REPORTING

Our Sustainability and social responsibility report has been prepared according to the Sustainability Reporting Standard of Global Reporting Initiative (GRI Standards). The GRI Standard provides for a choice between "core" and "comprehensive" levels depending on the level of details of the report. Considering the Company's size and scope of operations in a global context, the most suitable of these two options is "core", which includes data about the Company's profile, stakeholders and principles, management approach and key performance indicators.

The Company continues to measure the impacts and performance of material topics through several various indicators. Compared to the 2020 Report, no significant changes have been made and the indicators introduced in 2020, are still used in the report. No major changes have occurred among the activities, impacts, practices or focuses of the Company compared to the previous report.

As in previous years, for some defined material topics disclosures provided by GRI Standard were insufficient to describe the performance of the Company. Thus, in addition to the GRI disclosures, few Company-specific indicators have been introduced in this report. In GRI Index those indicators are described without GRI codes.

Process for defining report content

In defining the report content, the principles of stakeholder inclusiveness, sustainability context, materiality and completeness were followed. In order to define the report content and identify material topics, several working groups, involving management team members, discussed the environmental, economic and social topics concerning the Company and to frame the topics, which are material for the Company in terms of sustainability and potential impact on stakeholders. This was done by keeping in mind the company values and objectives as well as external impacts stemming from legislation, market situation and natural environment. Feedback from small investors was also taken into consideration in defining the report content.

The materiality of the identified topics was assessed from the point of view of both the Company and its stakeholders, considering the information received from stakeholders, feedback from Company's employees and customers and direct communication with shareholders and partners. Having assessed the materiality, all identified subjects were aligned by the GRI Standard.

The identified material topics are as follows:

- Economic performance;
- Indirect economic impacts;
- Anti-corruption;
- Water [Tallinna Vesi: Sustainable use of water];
- Effluents and Waste [Tallinna Vesi: Effluent quality];
- Environmental compliance;
- Employment;
- Occupational health and safety;
- Training and education [Tallinna Vesi: Development of staff and succession planning];
- Local communities;
- Marketing and labelling [Tallinna Vesi: Responsible customer service];
- Socioeconomic compliance [Tallinna Vesi: Ensuring quality of our services]

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The impacts that make topics material are present both within the organisation as well as outside the Company, which is why all material topics simultaneously affect either directly or indirectly both the organisation and its stakeholders. The impacts and the management approach are described in more detail under the description of each topic. The effectiveness of the management approach is assessed against the Company's strategic and annual objectives. Moreover, we receive feedback through the employee and customer surveys, which also reflect the opinion on our management approach.

The report seeks to provide an overview of AS Tallinna Vesi's and Watercom's activities and performance in 2021 from the perspective of sustainable development in economic, environmental and social areas. In order to place our activities in a more wider context of sustainability, we will continue to link our activities to the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDG). AS Tallinna Vesi contributes to the achievement of the following SDGs:

To better illustrate how our activities contribute to the achievement of many of the SDGs, which are considered relevant in Estonia, we have related the relevant SDGs to our defined material topics. Each of the material topic in this report, which is accompanied by a SDG label, supports the accomplishment of the particular SDG. All the SDGs and their more specific targets can be found on a website www.un.org/sustainabledevelopment.

Stakeholder engagement

Our activity affects a large number of people. Our aim is to be a trusted partner to our customers, investors, employees and representatives of the community, therefore our management practices take into account the impact that we have on surrounding living environment and the association with the different stakeholder interests.

We understand the impact of our business on the surrounding natural habitat and therefore deem it important, that our activities engage with the interests of different stakeholders. Keeping in mind our development perspectives, we have mapped our stakeholders, who are most impacted by our activity and decisions. Our stakeholders' satisfaction is important for us and therefore it is essential to hold frequent contact and dialogue with them. The main stakeholders, whom we receive feedback from through surveys, direct communication and involvement, are our employees, customers, cooperation partners, shareholders and investors, but also local governments and community. Their feedback has had a strong impact on the contents of this report and our material topics, as well as serves as a basis for setting the objectives of the Company.

The Company gathers regular feedback from its customers through satisfaction surveys. Those surveys give us valuable input and knowledge about our customers' needs. We participate in community events to gather more useful information about these matters.

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With investors, face-to-face investor presentations are regularly being held. The company organises quarterly investor webinars to introduce our results and offer the investors a platform to ask their questions.

Internally, we gather feedback from our employees on a regular basis. This feedback is then used to make actual changes in the processes to further increase employee satisfaction.

We strive to be a reliable partner to our stakeholders; therefore, we regularly disclose information on our activity, financial and operational performance and financial position. It is instrumental for us to provide timely, reliable and clear information about our activities both pro-actively and when needed. Due to the strong impact of our activity on both the people and environment, responsible communication is fundamental to our stakeholders and ourselves. Given that our stakeholders have different expectations, it is vital to address all necessary aspects and balance those expectations. Reliable and transparent communication plays an important role in shaping the Company's reputation.

Cooperation with local municipalities and government

We aim at being good partners with national and municipality government institutions. We hold regular meetings with the City of Tallinn to discuss the problems and topics on the agenda to further improve the service provided to our customers and consumers in our main service area, seeking the most optimal solutions together. Furthermore, we intend to actively participate in the development of areas related to our activity as well as in the drafting of respective legislation. Our specialists and experts in their profession are always willing and prepared to consult and assist with sharing area-specific knowledge.

OPERATIONAL SITES OF TALLINNA VESI

Head office, customer service, support services and Watercom

Ädala 10, Tallinn

Ülemiste Water Treatment Plant, Water and Microbiological Laboratory

Järvevana tee 3, Tallinn

Paljassaare Wastewater Treatment Plant, Composting Fields and Wastewater Laboratory

Paljassaare põik 14, Tallinn

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Tallinna Vesi
Loome puhta veega parema elu!

Annex 1: GRI Index

Standard	Disclosure	Page number(s)
GENERAL DISCLOSURES		
GRI 102: General Disclosures 2016	Organisational profile	
	102-1 Name of the organisation	*AS Tallinna Vesi*
	102-2 Activities, brands, products, and services	*p. 7-8*
	102-3 Location of headquarters	*p. 118*
	102-4 Location of operations	*p. 7*
	102-5 Ownership and legal form	*p. 7*
	102-6 Markets served	*p. 7*
	102-7 Scale of the organization	*p. 7*
	102-8 Information on employees and other workers	*p. 32-36 Employees*
	102-9 Supply chain	*p. 63-64 Cooperation with suppliers*
	102-10 Significant changes to the organization and its supply chain	*p. 7, p. 66, p. 104*
	102-11 Precautionary Principle or approach	*p. 64-67 Risk management process*
	102-12 External initiatives	*p. 30-32 Community and public* *p. 64 Our principles and membership in organisations*
	102-13 Membership of associations	*p. 64 Our principles and membership in organisations*
	Strategy	
	102-14 Statement from senior decision-maker	*p. 4-6 Chairman's statement*
	Ethics and integrity	
	102-16 Values, principles, standards, and norms of behaviour	*p. 13-14 How we deliver value to different stakeholders* *p. 64 Our principles and membership in organisations*
	Governance	
	102-18 Governance structure	*p. 58-59 Management Board*
	Stakeholder engagement	
	102-40 List of stakeholder groups	*p. 12 How we create value to different stakeholders*
	102-41 Collective bargaining agreements	*p. 33*

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	102-42 Identifying and selecting stakeholders	*p. 117-118 Stakeholder engagement*
	102-43 Approach to stakeholder engagement	*p. 117-118 Stakeholder engagement* *No separate stakeholder engagement was undertaken specifically as part of the report preparation process, however the interests of different stakeholders were gathered throughout the year from different meetings and surveys.*
	102-44 Key topics and concerns raised	*p. 116-118 Principles of sustainability reporting* *Read more on p. 17-38 Operational Results*
	Reporting practice	
	102-45 Entities included in the consolidated financial statements	*p. 7*
	102-46 Defining report content and topic Boundaries	*p. 116-117 Process for defining report content*
	102-47 List of material topics	*p.116-117 Process for defining report content*
	102-48 Restatements of information	*p. 116-118 Principles of sustainability reporting*
	102-49 Changes in reporting	*p. 116-118 Principles of sustainability reporting*
	102-50 Reporting period	*01/01/2021-31/12/2021*
	102-51 Date of most recent report	*27 March 2021*
	102-52 Reporting cycle	*Annual reporting. We issue the report according to the GRI guideline annually since 2012. All reports are available on the website of Tallinna Vesi.*
	102-53 Contact point for questions regarding the report	*tvesi@tvesi.ee*
	102-54 Claims of reporting in accordance with the GRI Standards	*This report follows the Standard of the international Global Reporting Initiative (GRI) and is reported according to standards in accordance – core option.*
	102-55 GRI content index	*Appendix 1*

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	102-56 External assurance	*See INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT ON THE SUSTAINABILITY REPORT. External assurance to the report has been provided by PricewaterhouseCoopers in accordance with International Standard on Assurance Engagement ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". The Auditing Company has performed a limited assurance engagement.*
MATERIAL TOPICS		
Material topic: Economic performance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	*p. 12-16 Strategy*
	103-2 The management approach and its components	*p. 12-16 Strategy*
	103-3 Evaluation of the management approach	*p. 12-16 Strategy*
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	*Economic value generated: €53.4m* *Purchases from suppliers €40.4m* *Environmental taxes €2.2m* *Investments into environmental awareness and community €0.1m* *Taxes paid €7.6m* *Employee wages and benefits (incl taxes) €9.9m* *Dividends paid out €13.0m* *Payments to providers of capital €0.4m* *p. 12 Breakdown of the value generated and distributed by the company*
Material topic: Indirect economic impacts		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	*p. 12-16 Strategy* *p. 17-18 Uninterrupted services*
	103-2 The management approach and its components	*p. 12-16 Strategy* *p. 17-18 Uninterrupted services*
	103-3 Evaluation of the management approach	*p. 12-16 Strategy* *p. 17-18 Uninterrupted services*

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GRI 203: Indirect economic impacts 2016	203-1 Infrastructure investments and services supported	*Water treatment: €967 thousand* *Wastewater treatment: €3,882 thousand* *Networks total: €6,442thousand* *Read more on p. 17-18 Uninterrupted services*
Material topic: Anti-corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	*p. 12-16 Strategy* *p. 62-64 Business ethics*
	103-2 The management approach and its components	*p. 12-16 Strategy* *p. 62-64 Business ethics*
	103-3 Evaluation of the management approach	*p. 12-16 Strategy* *p. 62-64 Business ethics*
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	*In 2021, AS Tallinna Vesi did not identify any proven corruption or fraud incidents.* *p. 62-64 Business ethics*
Material topic: Water [ASTV: Sustainable use of water]		
	SD Goal 6: Ensure access to water and sanitation for all and sustainable management of water resources	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	*p. 21-22 Sustainable use of water*
	103-2 The management approach and its components	*p. 21-22 Sustainable use of water*
	103-3 Evaluation of the management approach	*p. 21-22 Sustainable use of water*
GRI 303: Water 2016	303-1 Water withdrawal by source	*Surface water: 25,850 th m^3* *Ground water: 2,954 th m^3* *p. 21-22 Sustainable use of water*
not applicable	Water loss in the water networks i.e. leakages (%)	*15.00%* *p. 21-22 Sustainable use of water*
Material topic: Effluents and Waste [ASTV: Effluent quality]		

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	SD **Goal 13:** Take urgent action to combat climate change and its impacts	
	SD Goal 14: Conserve and sustainably use the oceans, seas and marine resources	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	*p. 22-24 Effluent quality*
	103-2 The management approach and its components	*p. 22-24 Effluent quality*
	103-3 Evaluation of the management approach	*p. 22-24 Effluent quality*
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	*Destination: Baltic Sea* *Treated wastewater: 48 200 th m^3* *Diluted wastewater: 288 th m^3* *Treatment efficiency:* *Biological oxygen demand (BOD) 98%,* *Chemical oxygen demand (COD) 92%,* *Suspended solids 97%,* N_{tot} *87%,* P_{tot} *94%,* *Oil products 98%* *p. 22-24 Effluent quality*
not applicable	Using the emergency outlet	*7 times* *p. 22-24 Effluent quality*
Material topic: Environmental Compliance		
	SD Goal 12: Ensure sustainable consumption and production patterns	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	*p. 20-21 Environmental Compliance*
	103-2 The management approach and its components	*p. 20-21 Environmental Compliance*

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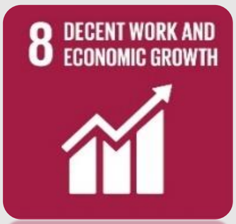
	103-3 Evaluation of the management approach	*p. 20-21 Environmental Compliance*
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	***In 2021, the Company identified 0 non-compliance with environmental laws or regulations.*** *p. 20-21 Environmental Compliance*
Material topic: Employment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	*p. 32-36 Employees*
	103-2 The management approach and its components	*p. 32-36 Employees*
	103-3 Evaluation of the management approach	*p. 32-36 Employees*
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	***Voluntary turnover 10.2%*** ***Total turnover 17.7%*** *p. 32-36 Employees*
not applicable	Employee commitment (TRI*M index), part of GRI 102-44	***Employee commitment (TRI*M index) 61*** *p. 34 Commitment in the team*
Material topic: Occupational health and safety		
	SD **Goal 8:** Promote inclusive and sustainable economic growth, employment and decent work for all	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	*p. 36-38 Occupational health and safety*
	103-2 The management approach and its components	*p. 36-38 Occupational health and safety*
	103-3 Evaluation of the management approach	*p. 36-38 Occupational health and safety*
GRI 403: Occupational health and safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	***AFR 0.4*** ***Total number of accidents: 2*** *p. 36-38 Occupational health and safety*
not applicable	Safety audits	***In 2021, total of 469 safety audits were held.*** ***98.72% of audited sites met all the safety requirements.*** *p. 36-38 Occupational health and safety*
Material topic: Training and education [ASTV: Development of staff and succession planning]		

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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	*p. 34-36 Development of staff and succession planning*
	103-2 The management approach and its components	*p. 34-36 Development of staff and succession planning*
	103-3 Evaluation of the management approach	*p. 34-36 Development of staff and succession planning*
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	***2.28 (8-hour) training days*** *p. 34-36 Development of staff and succession planning*
	404-2 Programs for upgrading employee skills and transition assistance programs	*p. 34-36 Development of staff and succession planning*
	404-3 Percentage of employees receiving regular performance and career development reviews	***100%*** *p. 34-36 Development of staff and succession planning*
Material topic: Local communities		
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	SD Goal 12: Ensure sustainable consumption and production patterns	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	*p. 30-32 Community and public*
	103-2 The management approach and its components	*p. 30-32 Community and public*
	103-3 Evaluation of the management approach	*p. 30-32 Community and public*
not applicable	Community members who drink tap water (%)	*p. 31 Environmental education **(89%)***
	Number of children participated in water and environment related classes	*p. 31 Environmental education **(0 children)***
	Number of excursions held in WTP and WWTP (excl. open doors day)	*p. 31 Environmental education **(0)***
Material topic: Marketing and labelling [ASTV: Responsible customer service]		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	*p. 25-30 Our customers*
	103-2 The management approach and its components	*p. 25-30 Our customers*
	103-3 Evaluation of the management approach	*p. 25-30 Our customers*

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GRI 417: Marketing and labelling 2016	417-2 Incidents of non-compliance concerning product and service information and labelling	*3 incidents of non-compliance with voluntary codes (our promises to customers)* *p. 27 Our customers*
not applicable	Written customer complaints	*Total number of complaints: 31* *p. 27 Our customers*
not applicable	Customer satisfaction TRI*M index and customer monthly feedback results (5 point scale), part of GRI 102-44	*TRI*M: 61* *Monthly feedback result: 4.2* *p. 28-29 Customer satisfaction*
not applicable	Provision of information about unplanned water interruptions to the service (% of all unplanned interruptions)	*Information provided in 98.70% of the occasions* *p. 27 Our customers*
Material topic: Socioeconomic compliance [Ensuring quality of our services]		
	SD Goal 3: Ensure healthy lives and promote well-being for all at all ages	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	*p. 17-20 Ensuring quality of services*
	103-2 The management approach and its components	*p. 17-20 Ensuring quality of services*
	103-3 Evaluation of the management approach	*p. 17-20 Ensuring quality of services*
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	*In 2021 the organization has not identified any non-compliance with laws and/or regulations.* *p. 17-20 Ensuring quality of services*
not applicable	Water quality (% of samples taken from customers taps, which meet all drinking water quality requirements)	*99.61%* *p. 18-20 Drinking water quality*
not applicable	Non-compliances with the Services Agreement (incl. interruptions to service lasting longer than 12 hours)	*0 non-compliance* *p. 17-18 Uninterrupted services*
not applicable	Average duration of an interruption	*On average the water interruption lasted 3.30 hours (3 hours and 18 minutes)* *p. 17-18 Uninterrupted services*

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Independent auditor's report

To the Shareholders of AKTSIASELTS TALLINNA VESI

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AKTSIASELTS TALLINNA VESI (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2021, and the Group´s consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 15 March 2022.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59^1 of the Auditors Activities Act of the Republic of Estonia.

The non-audit services that we have provided to the Group in the period from 1 January 2021 to 31 December 2021 are disclosed in the management report.

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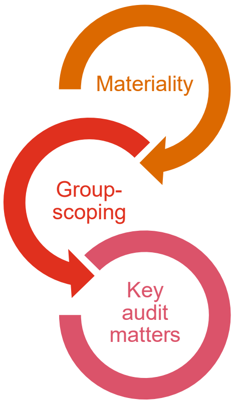
Our audit approach

Overview



- Overall group audit materiality is EUR 920 thousand, which represents approximately 5% of profit before tax.

- The audit team performed a full audit of the Group's parent company AKTSIASELTS TALLINNA VESI and its subsidiary Watercom OÜ. At the Group level we also audited the consolidation process to obtain evidence that there were no material misstatements of the consolidated financial information.

- Provision relating to the potential consequences of tariff dispute with the Estonian Competition Authority.
- Estimates involved in capitalisation of capital expenditures and determining their useful lives.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group audit materiality	EUR 920 thousand
How we determined it	Approximately 5% of profit before tax
Rationale for the materiality benchmark applied	We have applied this benchmark, as profit before tax is the key measure used both internally by management and, we believe, externally by shareholders in evaluating the performance of the Group.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Provision relating to the potential consequences of the legal dispute with the Estonian Competition Authority (refer to Notes 4 "Critical accounting estimates" and 14 "Provision for possible third-party claims" for further details). The Group was involved in a lawsuit with the Estonian Competition Authority over the tariffs of water and sewage services. As a result of the outcome of the lawsuit, potential third-party compensation claims have been issued and could arise. As at 31 December 2021, the provision has been recognised in respect of potential claims from the customers in the amount of EUR 6 million (31 December 2020: EUR 9.6 million), calculated by management as approximately 40% of the maximum difference between the tariffs approved by the service contract and the tariffs based on Company's estimation, regarding past 12 months (31 December 2020: 24 months). As of 31 December 2021, claims in the amount of EUR 8.5 million have been filed within three applications. One application also includes claim of interest in amount of EUR 3.2 million. We have considered the assessment of this provision to be a key audit matter given the potential magnitude and uncertainty in estimating the timing and amount of possible outflow of economic benefits.	We have discussed the status of third-party claims and potential claims with the Group management and the Audit Committee. We have read the minutes of meetings of the Management and Supervisory Board where claims were discussed. We also obtained confirmations from the Group's internal and external legal counsels in order to compare their expert opinions to management's position on the provision. We discussed with the management the inputs and assumptions used to estimate the amount of potential outflows of economic benefits as a basis of provision. We read the disclosures regarding the dispute and resulting provision.
Estimates involved in capitalisation of capital expenditures and determining their useful lives (refer to Note 2 "Accounting policies", Note 4 "Critical accounting estimates" and Note 8 "Property, plant and equipment" for further details). In 2021, the Group capitalised additions to property, plant and equipment (PPE), mainly	We assessed whether the Group's accounting policies in relation to the capitalisation of expenditures are in compliance with IFRS. We obtained a listing of capital expenditures incurred during the year and, on a sample basis, checked whether the projects were undertaken based on internal purchase order that had been properly approved by the responsible individuals

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related to the construction of water and wastewater network and new customer pipeline connections, in the amount of EUR 15.1 million.

Expenditures are capitalised if they create new or enhance the existing assets, and expensed if they relate to repair or maintenance of the assets. Classification of the expenditures involves judgment.

The useful lives of PPE items are based on management's estimates regarding the period during which the asset or its significant components will be used. The estimates are based on historical experience and market practice and take into consideration the physical condition of the assets.

Capital expenditure is not considered to be an area of significant risk for our audit but as it requires considerable time and resource to audit due to its magnitude, it is considered to be a key audit matter.

with such authority.

We inspected a sample of contracts and underlying invoices to determine whether the classification between capital and operating expenditure was appropriate.

We evaluated whether the useful lives determined and applied by the management were in line with historical experience and the market practice.

We checked whether the depreciation of PPE items was commenced timely, by comparing the date of the reclassification from construction in progress to finished projects, with the date of the act of completion of the work.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises of three entities: AKTSIASELTS TALLINNA VESI and its subsidiaries Watercom OÜ and ASTV Green Energy OÜ all located in Estonia. The group audit team performed full scope audit procedures on the financial statements of AKTSIASELTS TALLINNA VESI and Watercom OÜ. We also audited the consolidation process to obtain evidence that there were no material misstatements of the consolidated financial information.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises the Management report, the Remuneration Report, Principles of Sustainability Reporting and Annex 1:GRI Index (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act.

In accordance with the Securities Market Act with respect to the Remuneration Report, our responsibility is to consider whether the Remuneration Report includes the information in accordance with the requirements of Article 135^3 of the Securities Market Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the consolidated financial statements; and
- the Management report has been prepared in accordance with the requirements of the Accounting Act;
- the Remuneration Report has been prepared in accordance with Article 135^3 of the Securities Market Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged by the Management Board of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of AKTSIASELTS TALLINNA VESI for the year ended 31 December 2021 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Management Board of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and the Supervisory Board

The Management Board of the Company is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Members of the Supervisory Board are responsible for overseeing the financial reporting process, which should also be understood as the preparation of financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 (R) - 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (ISAE 3000(R)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000(R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Control (Estonia) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

Appointment and period of our audit engagement

We were first appointed as auditors of AKTSIASELTS TALLINNA VESI, as a public interest entity, for the financial year ended 31 December 2008. Our appointment has been renewed by tenders and shareholder resolutions in the intermediate years, representing the total period of our uninterrupted engagement appointment for AKTSIASELTS TALLINNA VESI, as a public interest entity, of 14 years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of AKTSIASELTS TALLINNA VESI can be extended for up to the financial year ending 31 December 2027.

AS PricewaterhouseCoopers

/digitally signed/

Eva Jansen-Diener
Certified auditor in charge, auditor's certificate no.501

/digitally signed/

Peep Kivistik
Auditor's certificate no.732

15 March 2022
Tallinn, Estonia

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Independent Limited Assurance Report

To the Management Board of AKTSIASELTS TALLINNA VESI:

Introduction

We have been engaged by the Management Board of AKTSIASELTS TALLINNA VESI to provide limited assurance on the selected information described below and included in the Annual Report of AKTSIASELTS TALLINNA VESI (the "Company") for the year ended 31 December 2021 (the "Annual Report"). The Annual Report represents information related to the Company and its subsidiaries (together the "Group").

Selected Information

We assessed the quantitative and qualitative information, that is disclosed in the Annual report and referred to or included in the GRI Index (the "Selected Information"). The Selected Information has been prepared in accordance with GRI Sustainability Reporting Standards (Core option) (the "GRI Standards") published by the Global Reporting Initiative (GRI).

The scope of our limited assurance procedures was limited to the Selected Information for the year ended 31 December 2021. We have not performed any procedures with respect to earlier periods or any other items (including the company-specific indicators, which are described without GRI codes in the GRI Index) included in the Annual Report and, therefore, do not express any conclusion thereon.

Reporting Criteria

We assessed the Selected Information using relevant criteria, including reporting principles and requirements, in the GRI Standards (the "Reporting Criteria"). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

Responsibilities of the Management Board of the Group

The Management Board of the Group is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing internal methodology and guidelines for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparing, measuring and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness and presentation of the Selected Information.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Company's Management Board.

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This report, including our conclusion, has been prepared solely for the Management Board of the Company in accordance with the agreement between us, to assist the Management Board in reporting on the Group's sustainability performance and activities. We permit this report to be disclosed in the Annual Report, which will be published on the Company's website[1], to assist the Management Board in responding to their governance responsibilities by obtaining an independent limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management Board of the Company for our work or this report except where the respective terms are expressly agreed in writing and our prior consent in writing is obtained.

Professional standards applied and level of assurance

We performed the limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance engagements other than audits or reviews of historical financial information" issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of the Group's management, including the Sustainability Reporting (SR) team and those with responsibility for SR management and group reporting;
- conducted interviews of personnel responsible for the preparation of the Annual Report and collection of underlying data;
- performed analysis of the relevant internal methodology and guidelines, gaining an understanding and evaluating the design of the key structures, systems, processes and controls for managing, recording, preparing and reporting the Selected Information;
- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported; and
- reviewed the Selected Information for compliance of the disclosures with the relevant requirements of the Reporting Criteria.

[1] The maintenance and integrity of the Company's website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company's website.

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Reporting and measurement methodologies

Under the GRI Standards there is a range of different, but acceptable measurement and reporting techniques. The techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Selected Information should therefore be read in conjunction with the methodology used by Management Board as described in the Annual Report, and for which the Group is solely responsible.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

AS PricewaterhouseCoopers

/signed digitally/	/signed digitally/
Eva Jansen-Diener Certified auditor in charge, auditor’s certificate no.501	Peep Kivistik Auditor`s certificate no. 732

15 March 2022

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