

AS TALLINNA VESI

Consolidated Interim Report for the 3rd quarter of 2021

29 October 2021



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

Contents

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

MANAGEMENT REPORT

CEO's Summary

In the 3rd quarter of 2021 AS Tallinna Vesi's financial results were impacted by the changes in water consumption due to the spread of coronavirus. In the 3rd quarter, the company's sales revenue increased, resulting mainly from the growth in consumption among commercial customers and higher sales of construction services. Given Estonia's macroeconomic forecast and developments of the pandemic, we expect a slight increase in the consumption of our water services during the next quarter.

Commercial customers' consumption increased

AS Tallinna Vesi's sales revenue in the 3rd quarter, were €13.61 million, being higher by 2.5% or €0.34 million compared to the same period in 2020. The increase in the sales revenue was driven by higher consumption in commercial customers and higher sales of construction services.

Sales to commercial customers increased by 3.0% to €3.83 million. The sales to commercial services were impacted by reopening Tallin's hospitality businesses after the easing of coronavirus restrictions as well as an increase in the number of tourists visiting during the summer months.

Private customers' sales were €4.89 million, showing a slight decline of 0.1%. Decrease was mainly caused by lower consumption volumes in apartment blocks, which is our biggest private customer group. Lower consumption of private customers was mainly related to the alleviation of coronavirus restrictions as people were returning to their offices after working from home. Also, a large number of Tallinn citizens being away from the capital during the summer months had its effect.

The company's gross profit for the 3rd quarter of 2021 was €5.36 million, showing a decrease of 7.5% compared to the same period in 2020. The decrease in gross profit was related to higher cost of goods and services that were 10.3% more expensive than in the comparative period of last year.

AS Tallinna Vesi's operating profit for the 3rd quarter of the year was €5.50 million, showing a decrease of €0.26 million compared to the same period in 2020. The operating profit both in the 3rd quarter of 2021 and of 2020 was impacted by a positive €1.20 million change in the provision formed for possible third-party claims.

Net profit for the 3rd quarter of 2021 was €5.34 million, showing a decrease of €0.30 million. The fall in net profit was mainly impacted by changes in operating profit.

Increasing investments in the networks

The quality of tap water remained good, both in the third quarter and throughout the nine months of the current year. A total of 2,243 water samples have been collected this year, of which 99.6% met all the quality requirements. The service reliability indicators also remain high. During the first nine months of 2021, the average water disruption lasted for 3 hours and 8 minutes. Compared to the same period last year, the leakage rate was somewhat higher, influenced by a few emergency incidents.

In the first nine months of 2021 the company reconstructed 6,600 m of water pipes and 5,800 m of sewerage pipes. Reconstruction works were done in cooperation with the City of Tallinn and energy group Utilitas. Large-diameter and strategically essential pipelines' renovation has been completed on Kadaka Road and on-going on Kohila Street.

During the third quarter of 2021, 7% less blockages occurred in sewerage pipes than at the same time last year. Also, the number of collapses in sewerage pipelines have been positively satisfactory both during the nine months and in the third quarter of this year – in the last quarter, we had 26% less collapses in sewerage pipelines comparing to the same period last year. The reconstruction works on sewerage pipes have mainly been carried out by using environmental-friendly in no-dig methods, which allows to avoid excavating the roads.

The major project of reconstructing the mechanical treatment stage at Paljassaare Wastewater Treatment Plant was completed in September. With these large-scale construction works, the facilities and equipment of the first and most important stage of the wastewater treatment plant were renovated. It was the largest investment that the Company has made in the wastewater treatment plant during the past decade, with a

total cost of 7.8 million euros. This investment allows to maintain the excellent quality of effluent discharged to the sea, keeping the Baltic Sea clean, and ensuring resilient and efficient wastewater treatment for Tallinners. The renovation allows us to remove 20% more sand from the wastewater, already in the first treatment stage, which also has a positive effect on the efficiency for the rest of the treatment process.

Decreasing number of customer complaints

In addition to providing high-quality water and wastewater services, we also value the importance of maintaining a high level of customer service. We regularly measure the satisfaction of our customers and keep track of the promises made to them. Unfortunately, in the third quarter of 2021, we failed to keep two of the promises relating to informing customers. However, the number of customer complaints has decreased significantly both in the third quarter and during the first nine months of 2021. In the last nine months, the number of customer complaints has decreased 33% compared to the same period of last year.

In the first nine months of 2021, we responded to written requests within at least 2 working days in 98.9% of the time, which is a somewhat lower result than a year ago. Replies to written contacts have been delayed due to the construction activity that increased within the summer season. This increased the number of applications for technical specifications, project approvals and slowed down the speed of response time.

In the third quarter, we supported various events with our water tanks, helping to prevent unnecessary waste and improve environmental awareness among the community. In the 2021 summer season, the water tanks of AS Tallinna Vesi were present at about 40 events, including various sports, youth festivals and other public and community events, such as, Ironman Tallinn, weekly Stamina Health Run and lake runs. Also, The Investment festival, Gymnastics festival, musical production "Ocean", Tallinn Old Town Days, Sail Tallinn, etc. We will continue providing water tanks also next year.

OPERATIONAL INDICATORS FOR NINE MONTHS OF 2021

Indicator	Unit	2021	2020	2019
Compliance of water quality at customer taps	%	99.6	99.8	99.1
Water loss in the water distribution network	%	14.69	12.45	12.50
Average duration of water interruptions per property	h	3.13	2.99	2.83
Number of sewer blockages	No	397	338	397
Number of sewer collapses	No	50	61	82
Compliance of treated effluent with environmental standards	%	100.0	100.0	100.0
Number of customer complaints	No	24	36	123
Number of customer contacts regarding water quality	No	238	270	360
Number of customer contacts regarding water pressure	No	262	245	343
Number of customer contacts regarding blockages and drainage of stormwater	No	733	687	749
Responding to written customer contacts within at least 2 working days	%	98.9	100.0	100.0
Number of cases of failed promises	No	3	0	6
Notification of unplanned water interruptions at least 1 h before	%	98.6	99.2	96.9

A handwritten signature in blue ink, consisting of several overlapping, fluid strokes that form a stylized, abstract shape.

Aleksandr Timofejev

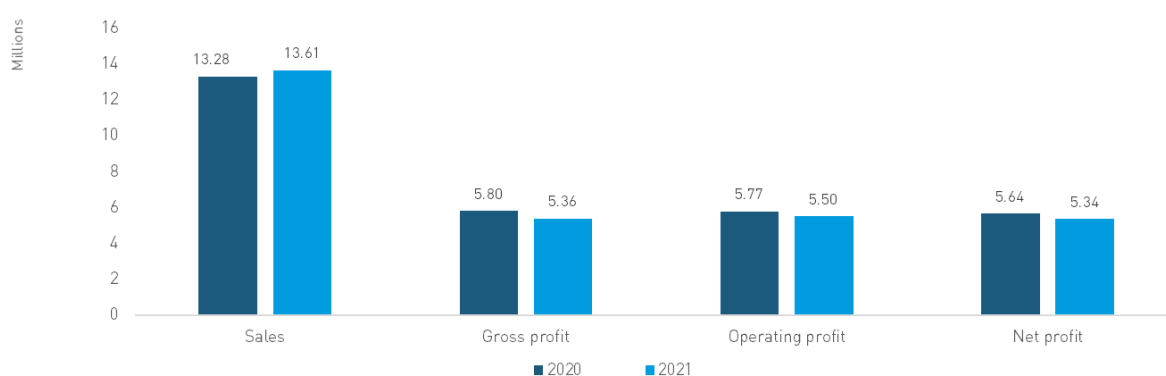
Member of the Management Board
Chief Executive Officer

FINANCIAL HIGHLIGHTS OF THE 3rd QUARTER OF 2021

The latest **economic forecast** from Eesti Pank finds that the Estonian economy has exited the crisis very powerfully. Although some sectors have not recovered yet, the economy as a whole has clearly returned to its pre-crisis level. The economy is forecasted to grow by 9.5% for the year as a whole. The total size of the economy declined by around 3% last year, but by now it is clearly larger than it was before the pandemic. This has been made possible because of very strong growth in the branches of the economy that coped best with the difficulties, like information and communications, transport, construction and various services, while the sectors that suffered most, like accommodation and food service, leisure, and administrative and support activities, have not yet returned to where they were before the pandemic.

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

The Group's sales revenues for the 3rd quarter of 2021 were €13.61 million, being higher by 2.5% or €0.34 million compared to the same period in 2020.



The gross profit in the 3rd quarter of 2021 was €5.36 million, showing a decrease of 7.5% or €0.44 million. The decrease in gross profit was related to higher cost of goods and services sold that were 10.3% higher than in the comparative period. The revenues were mainly impacted by increase in water and wastewater revenues from commercial customers within the service area, which were mostly affected by the pandemic-related restrictions cancellations and increased consumption of commercial customers.

The operating profit was €5.50 million, showing a decrease of 4.6% or €0.26 million. In addition to the above-mentioned changes in gross profit, the operating profit both in the 3rd quarter of 2021 and in the 3rd quarter of 2020 was impacted by €1.20 million positive change in the provision formed for possible third-party claims. The operating profit for the 3rd quarter of 2021 before the impact resulting from the change of provision formed for possible third-party claims was €4.30 million, compared to €4.56 million operating profit in the 3rd quarter of 2021, being 5.8% or €0.27 million lower year-on-year.

The net profit for the 3rd quarter of 2021 was €5.34 million, showing a decrease of €0.30 million. The net profit was mainly impacted by the above-mentioned changes in the revenue and operating profit and by lower financial expense. The changes in the financial expenses were influenced by expiration of swap contracts in the middle of the 4th quarter of 2020. The net profit for the 3rd quarter of 2021 without the impact resulting from the change of provision for possible third-party claims was €4.13 million compared to €4.39 million net profit in the 3rd quarter of 2020 without the impact resulting from the change of provision for possible third-party claims and financial expense from swap contracts, being €0.26 million lower year-on-year.

MAIN FINANCIAL INDICATORS

€ million, except key ratios	3rd quarter			Change 2021/ 2020	9 months			Change 2021/ 2020
	2021	2020	2019		2021	2020	2019	
Sales	13.61	13.28	16.49	2.5%	38.36	38.55	47.30	-0.5%
Gross profit	5.36	5.80	8.92	-7.5%	15.78	16.59	25.97	-4.9%
Gross profit margin %	39.40	43.69	54.12	-9.8%	41.12	43.04	54.91	-4.5%
Operating profit before depreciation and amortisation	7.17	7.35	9.01	-2.4%	20.20	20.66	25.47	-2.3%
Operating profit before depreciation and amortisation margin %	52.67	55.33	54.63	-4.8%	52.64	53.60	53.85	-1.8%
Operating profit	5.50	5.77	7.52	-4.6%	15.36	16.03	21.01	-4.2%
Operating profit - main business	5.15	5.44	7.19	-5.2%	14.61	15.37	20.37	-4.9%
Operating profit margin %	40.42	43.43	45.60	-6.9%	40.04	41.58	44.42	-3.7%
Profit before taxes	5.41	5.64	7.33	-4.1%	15.09	15.70	20.35	-3.9%
Profit before taxes margin %	39.72	42.45	44.47	-6.4%	39.32	40.73	43.03	-3.4%
Net profit	5.34	5.64	7.33	-5.3%	12.96	11.34	16.81	14.3%
Net profit margin %	39.21	42.45	44.47	-7.6%	33.78	29.43	35.53	14.8%
ROA %	2.13	2.24	2.89	-5.0%	5.10	4.40	6.64	16.0%
Debt to total capital employed %	55,54	57,73	59,29	-3.8%	55,54	57,73	59,29	-3.8%
ROE %	4.87	5.42	7.27	-10.0%	11.55	10.20	16.21	13.2%
Current ratio	3,07	3,66	5,14	-16.1%	3,07	3,66	5,14	-16.1%
Quick ratio	3,01	3,62	5,10	-16.9%	3,01	3,62	5,10	-16.9%
Investments into fixed assets	4.32	5.91	4.65	-27.0%	9.95	13.77	10.76	-27.7%
Payout ratio %	na	77.70	72.05		na	77.70	72.05	

Gross profit margin – Gross profit / Net sales

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

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

Operating profit margin – Operating profit / Net sales

Net profit margin – Net profit / Net sales

ROA – Net profit / Average Total assets for the period

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

ROE – Net profit / Average Total equity for the period

Current ratio – Current assets / Current liabilities

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

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

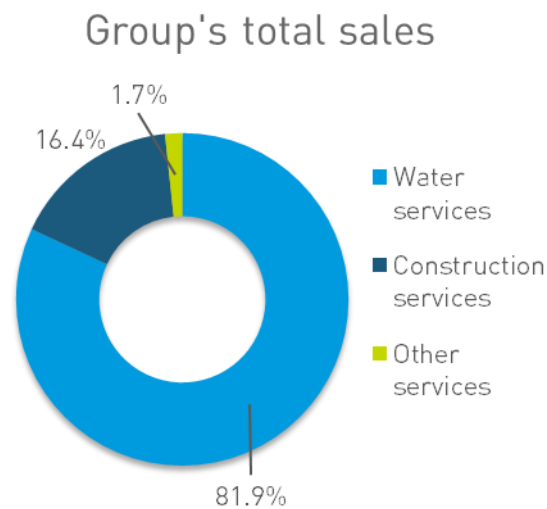
Main business – water services related activities, excl. connections profit and government grants, construction services, doubtful receivables

FINANCIAL RESULTS FOR THE 3rd QUARTER OF 2021

Statement of comprehensive income

SALES

The revenues from the main activities, i.e. sales of water and wastewater services, in the 3rd quarter of 2021 were impacted by changes in the consumption of water services resulting from the ongoing coronavirus outbreak. Given Estonia's macroeconomic forecast and developments of the pandemic, we expect a slight increase in the consumption of our water services during the next quarter. In the long run, we do not expect any significant changes in the use of water services.



In the 3rd quarter of 2021, the **Group's total sales** were €13.61 million, showing an increase of 2.5% or €0.34 million year-on-year. 81.9% of sales comprise of water services within and outside the service area, 16.4% from construction services and 1.7% from other services. The sale of construction services is more seasonal, and the Company continues to seek possibilities to grow the revenues from these services.

€ thousand	3rd quarter			Variance 2021/2020	
	2021	2020	2019	€	%
Water supply service	1,972	1,971	3,537	1	0.1%
Wastewater disposal service	2,923	2,929	2,893	-6	-0.2%
Total from private customers	4,895	4,900	6,430	-5	-0.1%
Water supply service	1,927	1,853	3,009	74	4.0%
Wastewater disposal service	1,899	1,860	2,282	39	2.1%
Total from commercial customers	3,826	3,713	5,291	113	3.0%
Water supply service	403	396	415	7	1.8%
Wastewater disposal service	813	823	766	-10	-1.2%
Storm water disposal service	39	57	67	-18	-31.6%
Total from outside service area customers	1,255	1,276	1,249	-21	-1.6%
Storm water treatment and disposal and fire hydrants service	872	1,145	888	-273	-23.8%
Overpollution charges and discharging	305	351	412	-46	-13.1%
Total from water services	11,153	11,385	14,270	-232	-2.0%
Construction services	2,231	1,709	2,067	522	30.5%
Other services	227	182	151	45	24.7%
TOTAL REVENUE	13,611	13,276	16,488	335	2.5%

Sales from water services were €11.15 million, showing a 2.0% or €0.23 million decrease compared to the 3rd quarter of 2020, resulting from the changes in the sales volumes as described below:

- There has been a slight decrease of 0.1% to €4.89 million in the sales to **private customers**, driven mainly by lower consumption volumes in apartment blocks, which is our biggest private customer group. Lower consumption of private customers was mainly related to easing of coronavirus restrictions at the end of April as people were returning from working remotely to working at offices.
- Sales to **commercial customers** within the service area increased by 3.0% to €3.83 million driven by higher consumption of water services. The sales to commercial customers were impacted by slight relaxation of the pandemic related restrictions as hotels and spas and entertainment facilities were opened in June, and less people were working at home. The impact from consumption on revenues from commercial customers was +€0.11 million.
- Sales to **customers outside the main service area** decreased by 1.6% to €1.26 million, which was also impacted by a change in the consumption of water, wastewater and stormwater services. The total impact from changes in consumption was -€0.02 million.
- Sales from the **operation and maintenance of the stormwater and fire hydrant system in the main service area** amounted to €0.87 million, showing a decrease of 23.8% or €0.27 million compared to the same period in 2020, driven by 45.3% lower stormwater volumes.
- **Overpollution charges and discharging** revenues decreased by 13.1% or €0.05 million to €0.30 million.

Sales of **construction services** were €2.23 million, increasing by 30.5% or €0.52 million year-on-year. The increase was mainly related to ongoing pipe and road construction projects, won from the tenders carried out during 2020 and the first nine months of 2021, continuing to produce revenues also in the upcoming months.

COST OF GOODS AND SERVICES SOLD AND GROSS PROFIT

The cost of goods and services sold amounted to €8.25 million in the 3rd quarter of 2021, being higher by €0.77 million compared to the equivalent period in 2020. The changes were influenced by higher costs of electricity and higher costs related to construction services balanced slightly by lower other costs of goods.

€ thousand	3rd quarter			Variance 2021/2020	
	2021	2020	2019	€	%
Water abstraction charges	-330	-307	-310	-23	-7.5%
Chemicals	-457	-389	-421	-68	-17.5%
Electricity	-1,015	-727	-773	-288	-39.6%
Pollution tax	-161	-208	-194	47	22.6%
Total direct production costs	-1,963	-1,631	-1,698	-332	-20.4%
Staff costs	-1,628	-1,649	-1,546	21	1.3%
Depreciation and amortisation	-1,472	-1,389	-1,313	-83	-6.0%
Construction services	-1,868	-1,388	-1,767	-480	-34.6%
Other costs of goods/services sold	-1,317	-1,419	-1,241	102	7.2%
Other costs of goods/services sold total	-6,285	-5,845	-5,867	-440	-7.5%
Total cost of goods/services sold	-8,248	-7,476	-7,565	-772	-10.3%

Total direct production costs (water abstraction charges, chemicals, electricity, and pollution tax expenses) amounted to €1.96 million, showing a 20.4% or €0.33 million increase compared to the equivalent period in 2020. Changes in direct production costs came from a combination of changes in prices and in treated volumes as follows:

- **Chemicals** costs increased by 17.5% to €0.46 million, driven mainly by on average 91.1% higher price of methanol at the same time 28.7% higher usage of methanol in wastewater treatment process, the combined effect of price and usage is worth €0.06 million. The expense of aerotech that is used to dissipate the foam in wastewater treatment has decreased by 59.5%, worth €0.01 million.
- **Electricity** costs increased by 39.6% to €1.02 million, driven by 41.57% higher electricity price. Compared to same period in 2020, the electricity expense in wastewater treatment process was higher by 42.2% and 42.3% higher in the main pumping station, worth €0.11 million and €0.05 million respectively. The electricity expense in water treatment plant has increased by 42.1% worth €0.08 million.
- **Pollution Tax** cost has decreased by 22.6% and €0.05 million to €0.16 million mainly due to lower usage of Nitrogen in water treatment process worth €0.03 million and lower tax expense on stormwater outlets worth €0.01 million.

Other costs of goods sold (staff costs, depreciation, construction services related costs and other costs of goods sold) amounted to €6.28 million, having increased by 7.5% or €0.44 million. The increase was mainly influenced by higher costs related to construction services balanced by lower other costs of goods/services sold:

- **Construction services costs** increased by 34.6% to €1.87 million due to higher revenues from construction services mentioned earlier.
- **Other costs of goods/services sold** decreased by 7.2% to €1.32 million, mainly because of lower asset maintenance costs.

As a result of all above, the **Group's gross profit** for the 3rd quarter of 2021 was €5.36 million, showing a decrease of 7.5% or €0.44 million, compared to the gross profit of €5.80 million for the comparative period of 2020.

ADMINISTRATIVE AND MARKETING EXPENSES, OTHER INCOME AND EXPENSES

Administrative and marketing expenses decreased by 21.5% or €0.26 million amounting to €0.95 million, compared to 3rd quarter of 2020, related to less services bought.

Other income and expenses amounted to net income of €1.09 million, compared to net income of €1.18 million in comparative period, derived from higher expense of doubtful receivables.

OPERATING PROFIT

As a result of the factors listed above the Group's **operating profit** for the 3rd quarter of 2021 amounted to €5.50 million, being 4.6% or €0.26 million lower than in the corresponding period of 2020. Eliminating the effect of the change of provision for possible third-party claims, the operating profit for the 3rd quarter of 2021 and 2020 would have been €4.30 million and €4,56 million, being lower by 5.8% or €0.27 million year-on-year.

FINANCIAL EXPENSES

The Group's **net financial income and expenses** have resulted in a net expense of €0.09 million, compared to 27.5% lower expense in the 3rd quarter of 2020. The numbers derived from reduced interest costs due to a lower interest margin of 2019 Nordic Investment Bank and OP Corporate Bank loan agreements and expiry of SWAP agreements in the last quarter of 2020 that had positive fair value in 2020 3rd quarter.

The standalone swap agreements were signed to mitigate the long-term floating interest risk. The interest swap agreements were signed for €37.5 million and ended in November 2020, loans €50.22 million were with floating interest rate. In the 3rd quarter of 2021, the whole loan amount of €85.91 million was bearing a floating interest rate. The effective interest rate of loans in the 3rd quarter of 2021 was 0.39%, amounting to the interest costs of €0.09 million, compared to the effective interest rate of 0.77% (incl SWAP interests) and the interest costs of €0.12 million in the 3rd quarter of 2020.

NET PROFIT

The Group's **net profit** for the 3rd quarter of 2021 was €5.34 million, being €0.30 million lower than for the comparative period of 2020. The decrease in net profit was mainly impacted by changes in operating profit and net financial expenses. Eliminating the effects of the change of the fair value of swap contracts in 2020 and the change of provision for possible third-party claims, the Group's net profit for the 3rd quarter of 2021 would have been €4.13 million compared to net profit of €4.39 million in 2020, showing a decrease of €0.26 million year-on-year.

FINANCIAL RESULTS FOR THE NINE MONTHS OF 2021

Statement of comprehensive income

SALES

During the nine months of 2021 the **Group's total sales** were €38.36 million, showing a decrease by 0.5% or €0.18 million year-on-year. **Sales from water services** for nine months of 2021 were €33.16 million, decreasing by 2.9% or €0.99 million year-on-year. 86.4% of sales comprise of sales of water services within and outside of the service area, 11.9% from construction services and 1.7% from other services.

€ thousand	9 months			Variance 2021/2020	
	2021	2020	2019	€	%
Water supply service	6 071	6 046	10 698	25	0.4%
Wastewater disposal service	8 990	8 982	8 753	8	0.1%
Total from private customers	15 061	15 028	19 451	34	0.2%
Water supply service	5 214	5 327	8 754	-114	-2.1%
Wastewater disposal service	5 329	5 485	6 914	-156	-2.8%
Total from commercial customers	10 543	10 812	15 668	-269	-2.5%
Water supply service	1 217	1 179	1 231	38	3.2%
Wastewater disposal service	2 519	2 458	2 351	61	2.5%
Storm water disposal service	180	216	277	-37	-16.7%
Total from outside service area customers	3 916	3 853	3 859	63	1.6%
Storm water treatment and disposal and fire hydrants service	2 753	3 572	2 849	-819	-22.9%
Overpollution charges and discharging	885	883	1 006	2	0.2%
Total from water services	33 158	34 148	42 833	-990	-2.9%
Construction services	4 569	3 914	4 062	655	16.7%
Other services	636	483	406	153	31.7%
TOTAL REVENUE	38 363	38 545	47 301	-182	-0.5%

During the nine months of 2021 there has been a slight increase in **sales to private customers** by 0.2% to €15.06 million that is related to the increase in consumption. Higher sales in domestic customer consumption volumes came mainly from apartment blocks, which is also our biggest private customer group, and were accompanied by individual houses.

The **sales to commercial customers** within the service area has decreased by 2.5% to €10.54 million. The decrease is related to the decrease in consumption due to coronavirus outbreak as substantial part of population was working from home and several facilities were operating with lower number of visitors.

Sales to **customers outside the main service area** increased by 1.6% to €3.92 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 the nine months of 2021 amounted to €2.75 million, showing a decrease of 22.9% or €0.82 million year-on-year, driven mainly by averagely 26% lower storm water volumes.

Overpollution charges and discharging revenues received have increased by 0.2% to €0.88 million.

Sales of **construction services** were €4.57 million, increasing by 16.7% or €0.65 million year-on-year. The increase was related to several substantial projects won that are mentioned in the 3rd quarter results.

COST OF GOODS AND SERVICES SOLD AND GROSS AND OPERATING PROFITS

€ thousand	9 months			Variance 2021/2020	
	2021	2020	2019	€	%
Water abstraction charges	-954	-919	-904	-35	-3,8%
Chemicals	-1 317	-1 152	-1 256	-165	-14,3%
Electricity	-2 810	-2 502	-2 593	-308	-12,3%
Pollution tax	-597	-792	-788	194	24,4%
Total direct production costs	-5 678	-5 364	-5 541	-314	-5,9%
Staff costs	-5 325	-5 314	-4 895	-11	-0,2%
Depreciation and amortisation	-4 243	-4 065	-3 951	-179	-4,4%
Construction services	-3 753	-3 189	-3 441	-565	-17,7%
Other costs of goods/services sold	-3 589	-4 023	-3 499	433	10,8%
Other costs of goods/services sold total	-16 910	-16 588	-15 786	-322	-1,9%
Total cost of goods/services sold	-22 588	-21 954	-21 327	-634	-2,9%

During the nine months of 2021 **the cost of goods and services sold** amounted to €22.59 million, increasing by 2.9% or €0.63 million compared to the equivalent period in 2020. **Total direct production costs** (water abstraction charges, chemicals, electricity and pollution tax expenses) amounted to €5.68 million, showing a 5.9% or €0.31 million increase compared to the equivalent period in 2020. Changes in direct production costs came from a combination of changes in prices and in treated volumes that affected the cost of goods sold together with the following additional factors:

- **Chemicals** costs increased by 14.3% to €1.32 million, driven mainly by on average 66.7% higher price of methanol, accompanied by 4.4% higher expense of coagulant in water treatment, worth -€0.14 million and -€0.02 million respectively.
- Expenses for **Electricity** increased by 12.3% or €0.31 million resulting in costs worth of €2.81 million mainly due to averagely 14.1% higher price and 6.8% higher usage of electricity.
- **Pollution Tax** cost has decreased by 24.4% or €0.19 million mainly due to lower concentration of Nitrogen and BOD7 in wastewater treatment process, worth €0.11 million and €0.03 million accordingly.

Other costs of goods sold (staff costs, depreciation, construction and asphaltting services costs and other costs of goods sold) amounted to €16.91 million, having increased by 1.9% or €0.32 million. The increase in other costs of goods sold were mainly driven by 17.7% or €0.56 million higher expenses related to construction services that were balanced by €0.43 million lower expense of other cost of goods and services derived from asset maintenance cost.

The **Group's gross profit** for the nine months of 2021 was €15,78 million, showing a decrease of 4.9% or €0.82 million compared to the comparative period of 2020. The **Group's operating profit** for the nine months of 2021 amounted to €15.36 million, being 4.2% or €0.67 million lower than in the corresponding period of 2020, being mainly impacted by lower water services revenues from main service area because of lower commercial customer consumption, change of provision for the possible third-party claims mentioned in the 3rd quarter results. Eliminating the effect of the change of provision for the possible third-party claims the operating profit for 2021 and 2020 would have been €11.75 million and €12.42 million, being lower by 5.4% or €0.67 million year-on-year.

FINANCIAL EXPENSES

The Group's net financial income and expenses have resulted a net expense of €0.27 million, compared to net expense of €0.33 million in the nine months of 2020. The decrease was impacted by lower interest costs on loans taken and no expense on SWAP contracts that ended in November 2020.

PROFIT BEFORE TAXES AND NET PROFIT

The **Group's profit before taxes** for the nine months of 2021 were €15.09 million, being 3.9% or €0.61 million higher than for the relevant period of 2020. The **Group's net profit** for the nine months of 2021 were €12.96 million, being 14.3% or €1.62 million higher than for the equivalent period of 2020. Eliminating the effects of the change of the derivatives fair value in 2020 and the change of provision for the possible third-party claims the Group's net profit for the nine months of 2021 would have been €9.35 million, showing an increase by 24.0% or €1.81 million year-on-year.

Statement of financial position

In the first nine months of 2021 **the Group invested into fixed assets** €9.95 million. As of 30/09/2021, non-current tangible assets amounted to €199.0 million, the majority of which in the amount of €162.7 was an investment in pipes (31/12/20 €162.6). Total non-current assets amounted to €208.53 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 €0.16 million to €6.86 million. Decrease mainly derives from lower trade receivables related to water services and lower other receivables, by €0.52 million and €0.31 million respectively. The collectability rate continues to be high at 99.73% compared to September 2020 when the collectability rate was 99.98%.

Current liabilities have decreased by €0.74 million to €14.29 million compared to the end of 2020, mainly deriving from investments related trade payables.

Deferred income from connection fees has increased compared to the end of 2020 by €1.66 million to €36.23 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 6 to the financial statements.

The Group's **loan balance** of €85.91 million has decreased by the amount of NIB loan repayment of €1.82 million compared to the end of 2020. In May 2019, the Company started to return the previous NIB loan in 11 equal semi-annual payments. The weighted average loan interest risk margin is 0.60%.

The Group has a **total debt to assets** level of 55.54%, 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 57.73%.

Cash flow

As of 30/09/2021, the cash position of the Group is rather good. At the end of September 2021, the cash balance of the Group stood at €36.14 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 first nine months of 2021, the Group generated €16.77 million of **cash flows from operating activities**, an increase of €0.10 million compared to the corresponding period in 2020. Underlying operating profit continues to be the main contributor to operating cash flows.

In the nine months of 2021 the result of **net cash flows from investing activities** was a cash outflow of €7.55 million and decrease of €0.83 million compared to the cash outflow of €8.37 million in the first nine months of 2020. This is made up as follows:

- The cash outflows from investments in fixed assets have decreased by €0.56 million compared to 2020, amounting to €9.50 million.
- The compensations received for pipe construction were €1.93 million, showing an increase of €0.33 million compared to the same period of 2020.

In the nine months of 2021 **cash outflow from financing activities** amounted to €17.59 million, decreasing by €9.55 million compared to the same period in 2020. The change was mainly related to lower interest payments, and less dividends paid compared to 2020, €0.16 million and €7.04 million accordingly.

EMPLOYEES

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

We have described our human resource policies. We follow equality principles in selecting and managing people, which translates into providing, when feasible, everyone with equal opportunities. Understanding and appreciating the diversity of our staff, we ensure, that everyone is treated fairly and equally, and they have access to the same opportunities as is reasonable and practicable. We aim to ensure, that no employees are discriminated against due to, but not exclusive to age, gender, religion, cultural or ethnic origin, disability, sexual orientation or marital status.

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

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

In July, the company's summer days took place, with a large proportion of staff taking part in. In addition, we encouraged teams to organise their own team events to keep up the team spirit and motivation.

At the end of the 3rd quarter of 2021, the total number of employees was 336 compared to 335 at the end of the same period in 2020. The full time equivalent (FTE) was 319 and 320 respectively. Average number of employees during the nine months was 333 in 2021 and 331 in 2020 respectively.

By gender, employee allocation was as follows:

	As of 30/09/2021			As of 30/09/2020		
	Women	Men	Total	Women	Men	Total
Group	93	242	336	91	244	335
Management Team	14	16	30	14	18	32
Executive Team	4	4	8	4	5	9
Management Board	1	1	2	1	2	3
Supervisory Board	1	8	9	1	8	9

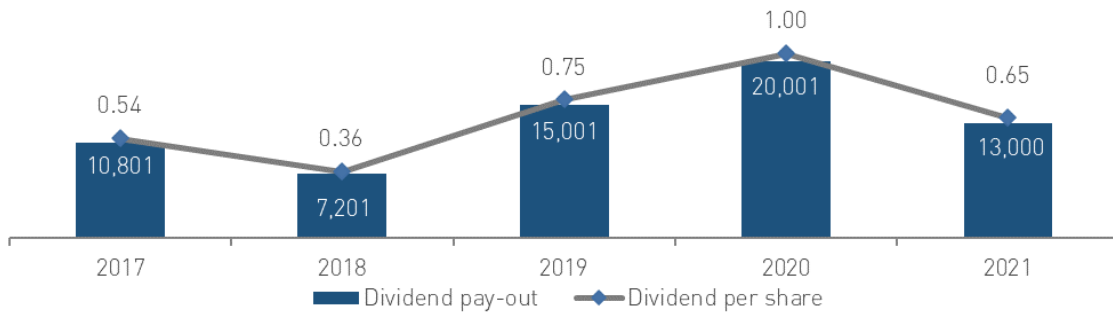
The total salary costs were €2.21 million for the 3rd quarter of 2021, including €0.06 million paid to the Management Board and Supervisory Council members (excluding social taxes). The contingent liability in case the Council should want to replace the current Management Board members is €0.10 million.

DIVIDENDS

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

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

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



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

SHARE PERFORMANCE

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

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

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

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

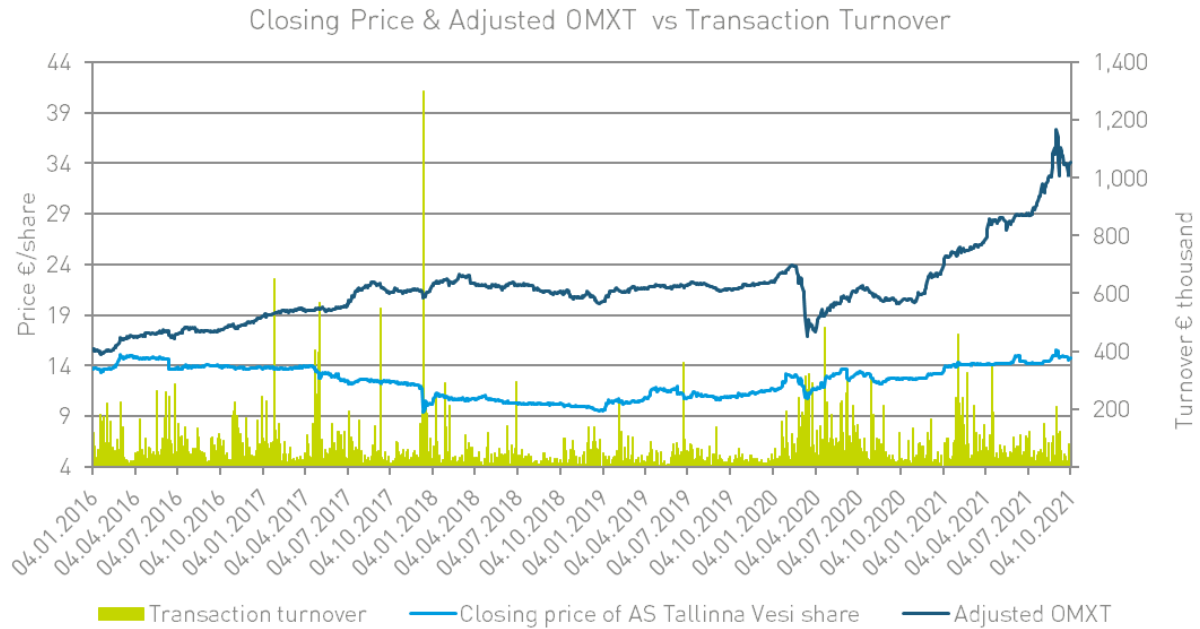
As a result of the mandatory offer for acquiring the Shares of Tallinna Vesi, the shareholders of ASTV who accepted the offer decided to sell 1,083,834 A-shares of ASTV, which equals to approximately 5.42% of all A-shares of ASTV.

During the nine months of 2021 the foreign institutional investors have reduced their shareholdings by 2.97%, local retail investors have reduced their shareholdings by 2.01% and local institutional investors and foreign retail investors have decreased their shareholdings by 0.40% and 0.04% respectively. By the end of the 3rd quarter of 2021, the pension funds shareholding has decreased to 0.10% of the total shares.

As of 30/09/2021, the closing price of AS Tallinna Vesi share was €14.60, which is 2.38% (2020: -3.79%) higher compared to the closing price of €14.26 at the end of the previous quarter. During the 3rd quarter, the OMX Tallinn index increased by 16.67% (2020: -5.17%).

In nine months of 2021, 16,578 deals were concluded with the Company's shares (2020: 18,094 deals) during which 796 thousand shares or 4.0% of all shares changed owners (2020: 1.213 million shares or 6.1%).

The turnover of transactions amounted to €11.40 million, being €3.66 million lower than in the comparative period of 2020.



CORPORATE STRUCTURE

As of 30/09/2021, the Group consisted of 3 companies. The subsidiaries OÜ ASTV Green Energy and Watercom OÜ are wholly owned by AS Tallinna Vesi and consolidated into the results of the Company.

CORPORATE GOVERNANCE

SUPERVISORY COUNCIL

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

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

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

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

[About us > Audit committee](#)

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

MANAGEMENT BOARD

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

To ensure that the Company's interests are met in the best way possible, the Management Board and Supervisory Council are collaborating extensively. Management Board and Supervisory Council hold a meeting together at least once a quarter. In those meetings the Management Board informs the Supervisory Council about all significant issues in Company's business operations, the meetings discuss delivery of the Company's

short and long-term goals as well as the risks that may impact the delivery. Management Board prepares a management report for every Supervisory Council meeting and submits it in advance with sufficient time for the Supervisory Council to study it.

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

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

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

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

[About us > Management board](#)

Additional information:

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MANAGEMENT CONFIRMATION

The Management Board has prepared the consolidated interim accounts of AS Tallinna Vesi (the Company) and its subsidiaries OÜ Watercom and OÜ ASTV Green Energy (together the Group) in the form of consolidated condensed financial statements for the 9 months period of financial year 2021 ended 30 September 2021. The interim accounts have not been reviewed by the auditors.

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

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

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

Any subsequent events that materially affect the valuation of assets and liabilities and have occurred until the completion of the consolidated financial statements on 29 October 2021 have been considered in preparing the financial statements.

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

Aleksandr Timofejev

Member of the Management Board

Chief Executive Officer

Kristi Ojakäär

Member of the Management Board

Chief Financial Officer

29 October 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand		as of 30 September		as of 31 December
ASSETS	Note	2021	2020	2020
CURRENT ASSETS				
Cash and cash equivalents	3	36,143	45,868	44,514
Trade receivables, accrued income and prepaid expenses		6,858	6,827	7,019
Inventories		849	695	701
TOTAL CURRENT ASSETS		43,850	53,390	52,234
NON-CURRENT ASSETS				
Property, plant, and equipment	4	208,002	198,839	202,802
Intangible assets	5	532	598	629
TOTAL NON-CURRENT ASSETS		208,534	199,437	203,431
TOTAL ASSETS		252,384	252,827	255,665
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Current portion of long-term lease liabilities		386	397	393
Current portion of long-term loans		3,630	3,631	3,630
Trade and other payables		7,182	7,757	7,085
Derivatives		0	28	0
Prepayments		3,096	2,757	2,445
TOTAL CURRENT LIABILITIES		14,294	14,570	13,553
NON-CURRENT LIABILITIES				
Deferred income from connection fees		36,226	33,278	34,564
Leases		1,185	1,465	1,400
Loans		82,144	85,791	83,978
Provision for possible third-party claims	6	6,018	10,832	9,628
Deferred tax liability		264	0	255
Other payables		38	25	32
TOTAL NON-CURRENT LIABILITIES		125,875	131,391	129,857
TOTAL LIABILITIES		140,169	145,961	143,410
EQUITY				
Share capital		12,000	12,000	12,000
Share premium		24,734	24,734	24,734
Statutory legal reserve		1,278	1,278	1,278
Retained earnings		74,203	68,854	74,243
TOTAL EQUITY		112,215	106,866	112,255
TOTAL LIABILITIES AND EQUITY		252,384	252,827	255,665

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	Quarter 3		9 months		for the year ended
		2021	2020	2021	2020	31 December
						2020
Revenue	7	13,611	13,276	38,363	38,545	51,717
Cost of goods and services sold	9	-8,248	-7,476	-22,588	-21,954	-29,491
GROSS PROFIT		5,363	5,800	15,775	16,591	22,226
Marketing expenses	9	-108	-94	-332	-320	-433
General administration expenses	9	-847	-1,123	-3,390	-3,631	-4,576
Other income (+)/ expenses (-)	10	1,093	1,182	3,308	3,387	4,567
OPERATING PROFIT		5,501	5,765	15,361	16,027	21,784
Financial income	11	1	3	8	28	31
Financial expenses	11	-96	-113	-283	-357	-473
PROFIT BEFORE TAXES		5,406	5,635	15,086	15,698	21,342
Income tax	12	-70	0	-2,126	-4,355	-4,610
NET PROFIT FOR THE PERIOD		5,336	5,635	12,960	11,343	16,732
COMPREHENSIVE INCOME FOR THE PERIOD		5,336	5,635	12,960	11,343	16,732
Attributable profit to:						
Equity holders of						
A-shares		5,336	5,634	12,960	11,342	16,731
B-share holder		0	0,60	0	0,60	0,60
Earnings per A share (in euros)	13	0,27	0,28	0,65	0,57	0,84
Earnings per B share (in euros)	13	0	600	0	600	600

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31

€ thousand

	Note	9 months 2021	2020	December 2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		15,361	16,027	21,784
Adjustment for depreciation/amortisation	4,5,9,10	4,837	4,634	6,283
Adjustment for revenues from connection fees	10	-379	-341	-542
Other non-cash adjustments	6	-3,610	-3,610	-4,814
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets		0	-14	-14
Change in current assets involved in operating activities		24	221	140
Change in liabilities involved in operating activities		537	-249	-215
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		16,770	16,668	22,622
CASH FLOWS USED IN INVESTING ACTIVITIES				
Acquisition of property, plant, and equipment, and intangible assets		-9,491	-10,114	-15,682
Compensations received for construction of pipelines, incl connection fees		1,933	1,618	1,998
Proceeds from sale of property, plant and equipment, and intangible assets		0	32	32
Interest received		11	34	35
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-7,547	-8,430	-13,617
CASH FLOWS USED IN FINANCING ACTIVITIES				
Interest paid and loan financing costs, incl swap interests		-353	-519	-719
Lease payments		-307	-452	-555
Repayment of loans		-1,818	-1,818	-3,636
Dividends paid	12	-12,841	-19,888	-19,888
Withheld income tax paid on dividends	12	-159	-113	-113
Income tax paid on dividends	12	-2,116	-4,355	-4 355
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-17,594	-27,145	-29,266
CHANGE IN CASH AND CASH EQUIVALENTS		-8,371	-18,907	-20,261
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	44,514	64,775	64,775
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	36,143	45,868	44,514

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
as of 31 December 2019	12,000	24,734	1,278	77,512	115,524
Dividends	0	0	0	-20,001	-20,001
Comprehensive income for the period	0	0	0	16,732	16,732
as of 31 December 2020	12,000	24,734	1,278	74,243	112,255
as of 31 December 2019	12,000	24,734	1,278	77,512	115,524
Dividends	0	0	0	-20,001	-20,001
Comprehensive income for the period	0	0	0	11,343	11,343
as of 30 September 2020	12,000	24,734	1,278	68,854	112,255
as of 31 December 2020	12,000	24,734	1,278	74,243	106,866
Dividends	0	0	0	-13,000	-13,000
Comprehensive income for the period	0	0	0	12,960	12,960
as of 30 September 2021	12,000	24,734	1,278	74,203	112,215

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING PRINCIPLES

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed interim financial statements do not contain all the information presented in the annual financial statements and should be read in conjunction with the Group's latest published annual financial statements as at and for the year ended 31 December 2020. Selected notes are included in interim financial statements to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES

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

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

ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of Estonia in which it sells its goods and services to be the most relevant factors, and has accordingly adjusted the historical loss rates based on expected changes in these factors. As at 30 September 2021, Management of the Group has assessed the expected credit loss related to Covid-19 outbreak to be €134 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 €15.1 million (as of 31 December 2020: €24.1 million). This estimate marks the maximum difference in between the tariffs approved based on the Services Agreement and the tariffs based on the Company's estimation, with the reservation to the possible fluctuation, regarding past 15 months (as of 31 December 2020: 24 months), being the approximate remaining unexpired term of potential claims. The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6.0 million (as of 31 December 2020: €9.6 million). As of 30 September 2020, claims totalling €1.5 million have been filed within two applications. The Company does not admit any liability and fully rejects it.

NOTE 3. CASH AND CASH EQUIVALENTS

€ thousand	as of 30 September		as of 31 December
	2021	2020	2020
Cash in hand and in bank	36,143	45,868	20,514
Short-term deposits	0	0	24,000
Total cash and cash equivalents	36,143	45,868	44,514

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Facilities	Machinery and equipment	Construction in progress	Right-of-use assets	Right-of-use assets in progress	Total property, plant and equipment
€ thousand							
as of 31 December 2019							
Acquisition cost	26,688	229,228	48,552	2,456	2,493	1	309,418
Accumulated depreciation	-7,385	-73,805	-37,486	0	-1,115	0	-119,791
Net book value	19,303	155,423	11,066	2,456	1,378	1	189,627
Transactions in the period 1 January 2020 - 31 December 2020							
Acquisition in book value	0	0	0	18,336	0	951	19,287
Write off and sale of property, plant, and equipment in residual value	0	0	0	0	-23	0	-23
Reclassification	191	10,682	1,418	-11,993	629	-952	-25
Depreciation	-296	-3,536	-2,013	0	-219	0	-6,064
as of 31 December 2020							
Acquisition cost	26,875	239,412	49,029	8,799	2,793	0	326,908
Accumulated depreciation	-7,677	-76,843	-38,558	0	-1,028	0	-124,106
Net book value	19,198	162,569	10,471	8,799	1,765	0	202,802
Transactions in the period 1 January 2021 - 30 September 2021							
Acquisition in book value	0	0	0	9,795	0	102	9,897
Write off and sale of property, plant, and equipment in residual value	0	0	0	0	-16	0	-16
Reclassification	28	3,020	1,026	-4,074	102	-102	0
Depreciation	-219	-2,822	-1,365	0	-275	0	-4,681
as of 30 September 2021							
Acquisition cost	26,903	242,186	49,877	14,520	2,773	0	336,259
Accumulated depreciation	-7,896	-79,419	-39,745	0	-1,197	0	-128,257
Net book value	19,007	162,767	10,132	14,520	1,576	0	208,002

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

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

NOTE 5. INTANGIBLE ASSETS

€ thousand	Acquired licenses and other intangible assets	Unfinished intangible assets	Total intangible assets
as of 31 December 2019			
Acquisition cost	4,463	11	4,474
Accumulated depreciation	-3,764	0	-3,764
Net book value	699	11	710
Transactions in the period 1 January 2020 - 31 December 2020			
Acquisition in book value	0	138	138
Reclassification	119	-119	0
Depreciation	-219	0	-219
as of 31 December 2020			
Acquisition cost	4,582	30	4,612
Accumulated depreciation	-3,983	0	-3,983
Net book value	599	30	629
Transactions in the period 1 January 2021 - 30 September 2021			
Acquisition in book value	0	59	59
Depreciation	-156	0	-156
as of 30 September 2021			
Acquisition cost	4,581	89	4,670
Accumulated depreciation	-4,137	0	-4,138
Net book value	443	89	532

NOTE 6. PROVISION FOR POSSIBLE THIRD-PARTY CLAIMS

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

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

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

The potential undiscounted payments by the Company in the future, if potential claims from customers were recognised by the courts, would amount to €15.1 million (as of 31 December 2020: €24.1 million). This estimate marks the maximum difference in between the tariffs approved based on the Services Agreement and the tariffs based on the Company's estimation, with the reservation to the possible fluctuation, regarding

past 15 months (as of 31 December 2020: 24 months), being the approximate remaining unexpired term of potential claims.

The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be €6.0 million (as of 31 December 2020: €9.6 million). As of 30 September 2021, claims totalling €1.5 million have been filed within two applications. The Company does not admit any liability and fully rejects it.

NOTE 7. SEGMENT REPORTING

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

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

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

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

	Water services	Const- ruction services	Other services	Inter- segment transactions	Total segments
€ thousand					
1 January 2021 - 30 September 2021					
External revenue	33,157	4,569	637	0	38,363
Inter-segment revenue	1	1,002	2,718	-3,721	0
Total segment revenue	33,158	5,571	3,355	-3,721	38,363
Segment's gross profit	14,767	233	1,129	-355	15,774
Unallocated expenses:					
Marketing and Administrative expenses					-3,722
Other income/expenses					3,308
Operating profit					15,361
1 January 2020 - 30 September 2020					
External revenue	34,148	3,914	483	0	38,545
Inter-segment revenue	1	2,662	2,555	-5,218	0
Total segment revenue	34,149	6,579	3,038	-5,218	38,545
Segment's gross profit	14,559	330	2,105	-403	16,591
Unallocated expenses:					
Marketing and Administrative expenses					-3,951
Other income/expenses					3,387
Operating profit					16,027

Revenue by activities

€ thousand	Quarter 3		9 months		for the year ended
	2021	2020	2021	2020	31 December
Water services					2020
Water supply service	1,972	1,971	6,071	6,046	8,106
Wastewater disposal service	2,923	2,929	8,990	8,982	12,048
Total from private customers	4,895	4,900	15,061	15,028	20,154
Water supply service	1,927	1,853	5,214	5,327	7,209
Wastewater disposal service	1,899	1,860	5,329	5,485	7,417
Total from corporate customers	3,826	3,713	10,543	10,812	14,626
Water supply service	403	396	1,217	1,179	1,593
Wastewater disposal service	813	823	2,519	2,458	3,298
Storm water disposal service	39	57	180	216	291
Total from outside service area customers	1,255	1,276	3,916	3,853	5,182
Storm water treatment and disposal service and fire hydrants service	872	1,145	2,753	3,572	4,588
Over pollution charges and discharging	305	351	885	883	1,250
Total from water services	11,153	11,385	33,158	34,148	45,800
Construction services	2,231	1,709	4,569	3,914	5,222
Other services	227	182	636	483	695
Total revenue	13,611	13,276	38,363	38,545	51,717

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

NOTE 8. STAFF COSTS

€ thousand	Quarter 3		9 months		for the year ended
	2021	2020	2021	2020	31 December
Salaries and wages	-1,651	-1,656	-5,450	-5,431	-7,417
Social security and unemployment insurance tax	-558	-560	-1,842	-1,836	-2,509
Staff costs total	-2,209	-2,216	-7,292	-7,267	-9,926
Average number of employees during the reporting period	335	337	333	331	332

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

€ thousand	Quarter 3		9 months		for the year ended
	2021	2020	2021	2020	31 December
					2020
Cost of goods and services sold					
Water abstraction charges	-330	-307	-954	-919	-1,237
Chemicals	-457	-389	-1,317	-1,152	-1,567
Electricity	-1,015	-727	-2,810	-2,502	-3,256
Pollution tax	-161	-208	-597	-792	-989
Staff costs	-1,628	-1,649	-5,325	-5,314	-7,247
Depreciation and amortization	-1,472	-1,389	-4,243	-4,065	-5,521
Construction services	-1,868	-1,388	-3,753	-3,188	-4,256
Other costs	-1,317	-1,419	-3,589	-4,022	-5,418
Total cost of goods and services sold	-8,248	-7,476	-22,588	-21,954	-29,491
Marketing expenses					
Staff costs	-96	-81	-286	-269	-370
Other marketing expenses	-12	-13	-46	-51	-63
Total marketing expenses	-108	-94	-224	-320	-433
Administrative expenses					
Staff costs	-485	-486	-1,681	-1,684	-2,309
Depreciation and amortization	-77	-81	-239	-251	-333
Other general administration expenses	-285	-556	-1,470	-1,696	-1,934
Total administrative expenses	-847	-1,123	-3,390	-3,631	-4,576

NOTE 10. OTHER INCOME/EXPENSES

€ thousand	Quarter 3		9 months		for the year ended
	2021	2020	2021	2020	31 December
					2020
Connection fees	128	116	379	341	542
Depreciation of single connections	-119	-109	-354	-318	-429
Doubtful receivables expenses (-)/ expense reduction (+)	-12	10	-70	-72	-64
Provision for possible third-party claims (Note 6)	1,203	1,204	3,610	3,610	4,814
Other income (+)/expenses (-)	-107	-39	-257	-174	-296
Total other income / expenses	1,093	1,182	3,308	3,387	4,567

NOTE 11. FINANCIAL INCOME AND EXPENSES

€ thousand	Quarter 3		9 months		for the year ended
	2021	2020	2021	2020	31 December
Interest income	1	3	8	28	31
Interest expense, loan	-90	-128	-264	-375	-487
Interest expense, swap	0	-42	0	-159	-185
Increase (+)/decrease (-) of fair value of swap	0	42	0	193	221
Other financial income (+)/expenses (-)	-7	-5	-19	-16	-22
Total financial income / expenses	-96	-130	-275	-329	-442

NOTE 12. DIVIDENDS

€ thousand	Quarter 3		9 months		for the year ended
	2021	2020	2021	2020	31 December
Dividends declared during the period	0	0	13,000	20,001	20,001
Dividends paid during the period	0	0	12,842	19,888	19,888
Withheld income tax on dividends	0	0	158	113	113
Income tax on dividends paid	0	0	2,116	4,355	-4,355
Dividends declared per shares:					
Dividends per A-share (in euros)	0	0	0,65	0,75	0,75
Dividends per B-share (in euros)	0	0	0	600	600

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

NOTE 13. EARNINGS PER SHARE

€ thousand	Quarter 3		9 months		for the year ended
	2021	2020	2021	2020	31 December
Net profit minus B-share preferred dividend rights	5,335	5,634	12,960	11,342	16,731
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Earnings per A share (in euros)	0,27	0,28	0,65	0,57	0,84
Earnings per B share (in euros)	0	600	0	600	600

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

NOTE 14. RELATED PARTIES

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

Shareholders having the significant influence

Balances recorded on the statement of financial position of the Group		as of 30 September		as of 31 December	
€ thousand		2021	2020		2020
Accounts receivable		131	2		1,390
Trade and other payables		2	195		186

Transactions	Quarter 3		9 months		for the year ended
	2021	2020	2021	2020	31 December
€ thousand					2020
Revenue	1,170	1,145	3,247	3,572	4,588
Purchase of thermal energy	3	0	2	0	0
Purchase of administrative and consulting services	0	267	583	792	736

Fees to the Group's Management and Supervisory Board members		Quarter 3		9 months		for the year ended
€ thousand (excluding social tax)	2021	2020	2021	2020	2020	
Fees for Management Board	46	46	173	170	213	
Supervisory Board fees	13	8	34	24	32	

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

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

The potential salary liability would be up to €101 thousand (excluding social tax) if the Supervisory Board would replace all Management Board members.

Company shares belonging to the Management Board and Supervisory Board members

As of 30 September 2021 and 2020 and 31 December 2020, the members of the Supervisory Council and the Management Board did not own any shares in the company.

NOTE 15. LIST OF SUPERVISORY BOARD MEMBERS

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

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

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