

AS TALLINNA VESI

Consolidated Interim Report for the 1st quarter of 2020

24 April 2020



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

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Management report

Chairman's summary

The 1st quarter of 2020 has been difficult for the whole world and many businesses have had to make adjustments to their activities due to the spread of coronavirus. To limit the potential impact of the coronavirus, Tallinna Vesi has made considerable changes to its day to day operations, to ensure the continued health and welfare of employees and an uninterrupted service to customers. Despite the challenges, the operational and financial performance of the Company continues to be very good.

The Company's sales revenue decreased year-on-year due to the new lower tariffs applied since 1 December 2019, which also resulted in a lower profit figure. In comparison with the last year, the total water consumption was higher in the 1st quarter of 2020, however, since the middle of March, the coronavirus has been having an adverse impact on consumption. Since the emergency situation was declared, the consumption has risen among private customers, whereas, the commercial customer segment indicates a falling trend compared to the same period of 2019.

Tallinna Vesi's operational performance once again reflects the high standards achieved in the supply of pure drinking water to the inhabitants, treatment of wastewater and maintenance of the water and sewerage networks and good customer service.

Solid financial performance

The 22.6% lower sales revenue from private customers in the 1st quarter of 2020 was mainly attributable to the 27% reduction in the tariffs, whereas, the consumption of private customers increased. Higher consumption volume was brought about by the spread of coronavirus, because large number of people moved to home offices in March. The sales revenue from commercial customers dropped by 17.1% year-on-year. The tariffs for commercial customers fell by 15% starting from December 2019 and the consumption of commercial customers has also been decreasing since the middle of March.

At the same time, we had a significant growth of 87.4% in construction revenues, which resulted from winning large projects in various parts of Estonia in 2019.

The gross profit of the 1st quarter of 2020 was €6.06 million, showing a decrease of 26.7%, which was mainly related to lower water and wastewater revenues from the main service area, affected mostly by the new tariffs. The operating profit of Tallinna Vesi was €5.67 million and net profit €5.56 million. The positive impact on the operating and net profit in the 1st quarter of 2020 was induced by the €1.2 million change in the provision formed for the possible third-party claims.

Reliable water supply and wastewater service

The quality of tap water was 100% compliant with the requirements in the 1st quarter of 2020, which means that all water samples met the strict standards for drinking quality. A total of 825 samples were taken in the 1st quarter. In advance of corona restriction being lifted by the Estonian government, we are urging applicable customers, to thoroughly flush and rinse their private pipes when reopening businesses, and in particular schools, to ensure fresh and clean drinking water at the tap.

Also, the service reliability indicators of the Company remained excellent. The average water disruption time was 2 hours and 52 minutes and 96% of all interruptions to customers were less than 5 hours.

The level of leakages in our water network remains low (14.9%), although being slightly higher than the same period last year, which was an all time record.

In the 1st quarter of 2020, the final treated effluent at Paljassaare Wastewater Treatment Plant was compliant with all quality requirements.

In the 1st quarter of 2020, we reconstructed a large collector at Kadaka Blvd, which directs wastewater from Saku, Saue, Laagri and approximately half of the properties in Nõmme City District, to the wastewater treatment plant at Paljassaare. The reconstruction works were urgently required in order to ensure continued and uninterrupted service. This was a significant project, and was achieved with the longest over ground pumping line, ever to have been constructed in the Baltic States.

Raising environmental awareness and supporting the community

At the beginning of 2020, we carried out an awareness campaign “Myth Drowners” in TV and cinemas, with the aim to depict in a humorous way how much work the production of drinking water requires and why it is important to prevent trash from ending up in sewers.

Given the safety measures resulting from the emergency situation, we temporarily stopped making tours at our treatment plants and organising water classes for children. We also cancelled the Doors Open Day at our Water Treatment Plant for the same safety reasons. We hope to be able to continue those important activities, targeted to improve environmental awareness among people, after the virus outbreak.

OPERATIONAL INDICATORS FOR THREE MONTHS OF 2020

Indicator	Unit	2020	2019	2018
Compliance of water quality at the customers' tap	%	100.0	99.7	99.9
Water loss in the water distribution network	%	14.9	12.9	15.2
Average duration of water interruptions per property in hours	h	2.87	2.59	2.86
Number of sewer blockages	No	124	159	156
Number of sewer collapses	No	27	29	25
Wastewater treatment compliance with environmental standards	%	100.0	100.0	100.0
Number of customer complaints*	No	16	40	21
Number of customer contacts regarding water quality	No	64	27	14
Number of customer contacts regarding water pressure	No	64	54	37
Number of customer contacts regarding blockages and discharge of storm water	No	266	328	250
Responding written customer contacts within at least 2 workdays	%	100.0	100.0	100.0
Number of failed promises	No	0	0	3
Notification of unplanned water interruptions at least 1 h before the interruption	%	99.4	97.2	96.7



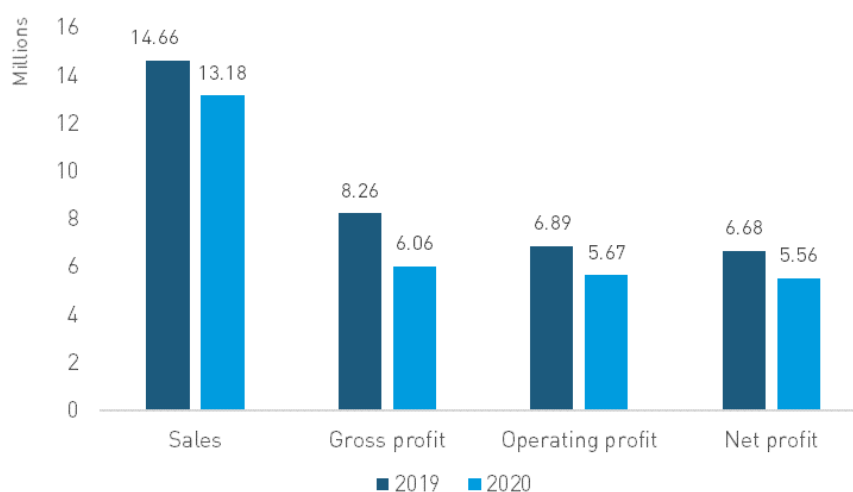
Karl Heino Brookes
Chairman of the Management Board

FINANCIAL HIGHLIGHTS FOR THE 1ST QUARTER OF 2020

Economic environment has significantly changed in the world and in Estonia resulting from ongoing coronavirus pandemic. State of emergency has been announced in Estonia on 12 March 2020, the quarantine requirements and the introduction of restrictions on gathering and on movement are affecting companies in all sectors. Hotels, restaurants, commercial and transport sector have suffered fastest. Bank of Estonia has estimated that every week that the state of emergency is extended in Estonia and the recovery in export markets is delayed will see the 2020 recession deepened by around 0.5%. There are significant uncertainties in further developments, including how long the emergency situation and restrictions on movement related to coronavirus will last and what would be the actual macroeconomic impacts. At the time of the preparing the report it was not possible to objectively predict the overall impact of the ongoing coronavirus outbreak on the Company's revenues and financial results.

As a vital service provider, Company has implemented measures to ensure the safety of its employees and customers during the global outbreak of the coronavirus. The company continues to provide uninterrupted water and wastewater services to its customers and can assure that there is currently no risk to the quality of the services provided. All the security measures are implemented in accordance with the governmental guidelines as well as advice provided by other responsible state authorities. Company ensures appropriate working regime in strategically important facilities, mainly Ülemiste Water Treatment Plant and Paljassaare Wastewater Treatment Plant as well as water and wastewater networks and pumping stations. Direct social interactions have been reduced within the organisation, as well as with our partners and customers to ensure their continuous well-being. The doors of our customer service office have been temporarily closed and no face-to-face meetings with partners are currently held. Company continues to respond to customers' inquiries by phone and e-mail and continues to carry out all unavoidable emergency works. Constant guidelines are provided to all our employees about latest recommendations to mitigate spreading of coronavirus.

The Group's sales revenues during the 1st quarter of 2020 were €13.18 million, being down by 10.1% or €1.48 million compared to the same period in 2019.



The gross profit in the 1st quarter of 2020 was €6.06 million, showing a decrease of 26.7% or €2.20 million. Decrease in gross profit was related to lower water and wastewater revenues from private and commercial customers within the service area been mostly affected by new tariffs from 1/12/2019, accompanied by higher staff costs and other costs of goods sold. The change from main service area revenues and costs were partly balanced by higher revenues from overpollution charges and main service area stormwater, which was accompanied by higher profit from construction services and lower electricity and chemicals costs.

The operating profit was €5.67 million, showing a decrease of 17.7% or €1.22 million. In addition to above-mentioned changes in gross profit, the operating profit was impacted by €1.20 million positive change in the provision formed for the possible third-party claims compared to no change in the comparative period of 2019 and were partly balanced by higher estimated expected losses from receivables. The operating profit for the 1st quarter of 2020 and 2019 before the impact resulted from the change of provision for the possible third-party claims was €4.47 million and €6.89 million, being lower by 35.2% or €2.43 million year-on-year.

The net profit for the 1st quarter of 2020 was €5.56 million, showing a decrease by 16.9% or €1.13 million. The net profit was mainly impacted by above-mentioned changes in the operating profit, accompanied by lower net financial expenses. The changes in the financial expenses were influenced by higher positive change in the fair value of swap contracts year-on-year and by lower interest expenses. The net profit for the 1st quarter of 2020 and 2019 without the impact resulted from the change of the fair value of swap contracts and the change of provision for the possible third-party claims was €4.29 million and €6.65 million respectively, being lower by 35.5% or €2.36 million year-on-year.

MAIN FINANCIAL INDICATORS

€ million, except key ratios	1 st quarter			Change 2020/ 2019
	2020	2019	2018	
Sales	13.18	14.66	14.08	-10.1%
Gross profit	6.06	8.26	8.32	-26.7%
Gross profit margin %	45.96	56.33	59.10	-18.4%
Operating profit before depreciation and amortisation	7.18	8.39	8.22	-14.5%
Operating profit before depreciation and amortisation margin %	54.48	57.24	58.40	-4.8%
Operating profit	5.67	6.89	6.80	-17.7%
Operating profit - main business	5.62	6.78	6.74	-17.0%
Operating profit margin %	43.02	47.01	48.29	-8.5%
Profit before taxes	5.56	6.69	6.53	-16.9%
Profit before taxes margin %	42.15	45.59	46.42	-7.5%
Net profit	5.56	6.68	6.53	-16.9%
Net profit margin %	42.15	45.58	46.42	-7.5%
ROA %	2.09	2.63	2.83	-20.3%
Debt to total capital employed %	54.81	57.78	60.56	-5.1%
ROE %	4.70	6.30	7.33	-25.5%
Current ratio	5.87	6.28	6.98	-6.5%
Quick ratio	5.83	6.24	6.93	-6.6%
Investments into fixed assets	3.59	3.41	0.85	5.2%
Payout ratio %	na	na	na	0.0%

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

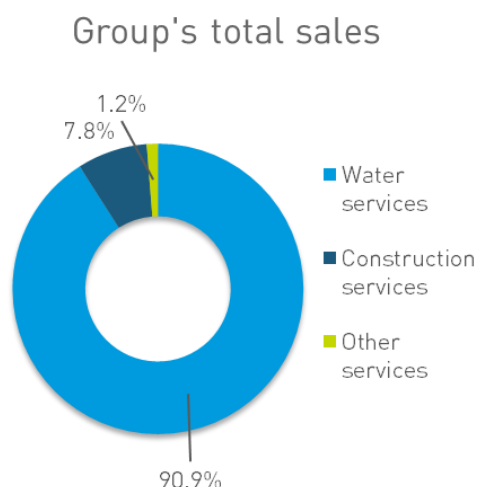
Main business – water services related activities, excl. connections profit and government grants, construction services, doubtful debt

FINANCIAL RESULTS FOR THE 1st QUARTER OF 2020

Statement of comprehensive income

SALES

As on 18/10/2019 the Competition Authority approved the tariffs of the Company and new tariffs were applicable starting from 1/12/2019, the changes in the 1st quarter of 2020 from main activities revenues, i.e. from sales of water and wastewater services, were mainly driven by lower tariffs from main service area, accompanied by changes in consumption with no considerable seasonality. In the long-term future, the Company does not expect significant changes in the consumption as there has been incremental increase in consumption in the past. Because of current emergency situation and according to Estonia's macroeconomic forecast, we expect a decrease in our water services consumption in short-term.



In the 1st quarter of 2020, the **Group's total sales** were €13.18 million, showing a decrease by 10.1% or €1.48 million year-on-year. 90.9% of sales comprise of water services within and outside of the service area, 7.8% from construction services and 1.2% from other services. The construction services sales are more seasonal, and the Company continues to seek possibilities to keep and to grow these services revenues.

€ thousand	1 st quarter			Variance 2020/2019	
	2020	2019	2018	€	%
Water supply service	2,020	3,567	3,532	-1,547	-43.4%
Wastewater disposal service	3,006	2,924	2,896	82	2.8%
Total from private customers	5,026	6,491	6,428	-1,465	-22.6%
Water supply service	2,025	2,734	2,784	-709	-25.9%
Wastewater disposal service	2,124	2,268	2,358	-144	-6.3%
Total from commercial customers	4,149	5,002	5,142	-853	-17.1%
Water supply service	380	385	334	-5	-1.3%
Wastewater disposal service	856	815	688	41	5.0%
Storm water disposal service	108	146	90	-38	-26.0%
Total from outside service area customers	1,344	1,346	1,112	-2	-0.1%
Storm water treatment and disposal and fire hydrants service	1,186	944	796	242	25.6%
Overpollution charges and discharging	282	229	212	53	23.1%
Total from water services	11,987	14,012	13,690	-2,025	-14.5%
Construction services	1,029	549	275	480	87.4%
Other services	164	103	112	61	59.2%
TOTAL REVENUE	13,180	14,664	14,077	-1,484	-10.1%

Sales from water services were €11.99 million, showing a 14.5% or €2.02 million decrease compared to the 1st quarter of 2019, resulting from the changes in the tariff and sales volumes as described below:

- There has been a decrease in **private customers'** sales of 22.6% to €5.03 million, driven mainly by on average 27% lower tariffs from 1/12/2019. The decrease from tariff was partly balanced by higher customer consumption volumes from apartment blocks, which is our biggest private customer group, and private houses segment. The total impact from change of tariffs was -€1.82 million and from consumption +€0.36 million. Part of higher consumption from private customers was related to coronavirus outbreak as approximately 1/3 of Estonian are in home offices starting from mid of March.
- Sales to **commercial customers** within the service area decreased by 17.1% to €4.15 million, driven also mainly by on average 15% lower tariffs from 1/12/2019. The decrease from tariff was accompanied by lower consumption in the leisure and other commercial customer segment, balanced slightly by higher consumption by industries. The total impact from change of tariffs was -€0.70 million and from consumption -€0.15 million. The commercial customer sales were also impacted by coronavirus as hotels, spas, sporting facilities, theatres, cinemas were closed and offices were almost empty from mid of March.
- Sales to **customers outside the main service area** were at the same level as in comparative period 2019, amounting to €1.34 million. It was impacted by an increase in wastewater services sales, balanced almost fully by decrease in stormwater sales from different areas. The total impact from change of tariffs was -€0.13 million and from consumption +€0.13 million.
- Sales from the **operation and maintenance of the main service area storm water and fire hydrant system** amounted to €1.19 million, showing an increase of 25.6% or €0.24 million compared to the same period in 2019, driven mainly by 38.9% higher storm water volumes, balanced partly by lower cost per stormwater m³.

- **Overpollution charges and discharging** revenues received have increased by 23.1% to €0.05 million.

Sales of **construction services** were €1.03 million, increasing by 87.4% or €0.48 million year-on-year. The increase was mainly related to higher pipe construction services revenues, accompanied by higher road construction and supervision revenues. The increase came from some big projects won by the Company in 2019 in Tallinn and other parts of Estonia.

COST OF GOODS AND SERVICES SOLD AND GROSS PROFIT

The cost of goods and services sold amounted to €7.12 million in the 1st quarter of 2020, increasing by 11.2% or €0.72 million compared to the equivalent period in 2019. The increase was influenced by higher staff and construction services related costs, accompanied by higher other costs of goods and services sold. It was partly balanced by lower electricity and chemicals costs.

€ thousand	1 st quarter			Variance 2020/2019	
	2020	2019	2018	€	%
Water abstraction charges	-312	-292	-291	-20	-6.8%
Chemicals	-378	-405	-435	27	6.7%
Electricity	-970	-1,004	-759	34	3.4%
Pollution tax	-363	-367	-277	4	1.1%
Total direct production costs	-2,023	-2,068	-1,762	45	2.2%
Staff costs	-1,803	-1,645	-1,593	-158	-9.6%
Depreciation and amortisation	-1,320	-1,340	-1,283	20	1.5%
Construction services	-851	-437	-241	-414	-94.7%
Other costs of goods/services sold	-1,126	-914	-878	-212	-23.2%
Other costs of goods/services sold total	-5,100	-4,336	-3,995	-764	-17.6%
Total cost of goods/services sold	-7,123	-6,404	-5,757	-719	-11.2%

Total direct production costs (water abstraction charges, chemicals, electricity and pollution tax expenses) amounted to €2.02 million, showing a 2.2% or €0.05 million decrease compared to the equivalent period in 2019. 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:

- **Water abstraction charges** increased by 6.8% to €0.31 million, driven mainly by 8.1% higher abstracted water volumes to water treatment process.
- **Chemicals** costs decreased by 6.7% to €0.38 million, driven mainly by on average 34% lower price of methanol, accompanied by lower usage of methanol in wastewater treatment to remove Nitrogen, worth +€0.04 million and +€0.02 million respectively. Lower costs from wastewater treatment were partly balanced by higher usage of coagulant and 8.1% higher treated water volumes in water treatment process, worth -€0.02 million and -€0.01 million respectively.
- **Electricity** costs decreased by 3.4% to €0.97 million, driven mainly by on average 10% lower average price of electricity, worth +€0.11 million. Lower costs from prices were partly balanced 22.3% higher wastewater volumes in wastewater treatment process and pumping stations, accompanied by 8.1% higher treated water volumes in water treatment process, worth -€0.05 million and -€0.02 million respectively.
- **Pollution tax** expenses were at the same level as in comparative period 2019, amounting to €0.36 million.

Other costs of goods sold (staff costs, depreciation, construction services related costs and other costs of goods sold) amounted to €5.10 million, having increased by 17.6% or €0.76 million. The increase came from construction services related costs and staff costs, accompanied by higher other costs of goods and services sold and balanced slightly by lower depreciation by following reasons:

- **Staff costs** increased by 9.6% to €1.80 million. It was driven by higher number of staff (FTE 15 employees higher than in 1st quarter of 2019) and change of salaries from the beginning of the year for all employees by CPI.
- **Depreciation** costs decreased slightly by 1.5% to €1.32 million, being mainly impacted by lower accelerated depreciation costs.
- **Construction services costs** increased by 94.7% to €0.85 million, mainly due to higher construction services revenues mentioned earlier.
- **Other costs of goods/services sold** increased by 23.2% to €1.13 million, mainly because of higher assets maintenance and repairs costs, accompanied by higher sludge disposal costs and ordering catchment area water quality survey, worth by -€0.11, -€0.04 million million and -€0.02 million respectively.

As a result of all above the **Group's gross profit** for the 1st quarter of 2020 was €6.06 million, showing a decrease of 26.7% or €2.20 million, compared to the gross profit of €8.26 million for the comparative period of 2019.

ADMINISTRATIVE AND MARKETING EXPENSES, OTHER INCOME AND EXPENSES

Administrative and marketing expenses amounted to €1.41 million, having increased by 2.8% or €0.04 million. The higher costs were mainly related to €0.05 million higher salary costs by change of salaries from the beginning of the year for all employees by CPI.

Other income and expenses amounted to net income of €1.03 million, compared to net income of €0.01 million in comparative period. The change was mostly impacted by €1.2 million positive change in provision for third party claims compared to no change in 2019, balanced by higher estimated losses from receivables and lower penalty income received. The third-party provision takes into account difference in between the tariffs approved by the City of Tallinn in 2010 and the tariffs based on the Company's estimation, with the reservation to the possible fluctuation, regarding past 33 months (as of 31 December 2019: 36 months), being the approximate remaining unexpired term of potential claims. Still, the Company does not consider itself liable to customers for any claims related to the tariffs applied until the new tariffs were approved by the CA. See additional information in Note 6 to the abbreviated accounts. Higher estimated losses from receivables is partly provisional and takes into account the possible credit loss from accounts receivables based on the best available information about past events, current conditions and forecasts of macroeconomic conditions related to coronavirus outbreak. The possible actual expense might be different and may differ in nearest future depending on the pandemic impact to Estonian economy. See additional information in Note 2 to the abbreviated accounts.

OPERATING PROFIT

As a result of the factors listed above the Group's **operating profit** for the 1st quarter of 2020 amounted to €5.67 million, being 17.7% or €1.22 million lower than in the corresponding period of 2019. The Group's operating profit from main business was €5.62 million, being 17.0% or €1.15 million lower compared to 2019. Eliminating the effect of the change of provision for the possible third-party claims the operating profit for the 1st quarter of 2020 and 2019 would have been €4.42 million and €6.78 million, being lower by 34.8% or €2.36 million year-on-year.

FINANCIAL EXPENSES

The Group's net financial income and expenses have resulted a net expense of €0.12 million, compared to net expense of €0.21 million in the 1st quarter of 2019. The decrease was impacted lower interest costs and by higher positive change in the fair value of the swap contracts year-on-year, worth €0.07 million and €0.02 million respectively. Lower interest costs were related to lower interest margin of 2019 NIB loan agreement.

The standalone swap agreements have been signed to mitigate the long-term floating interest risk. The interest swap agreements are signed for €37.5 million and will end in November 2020, €55.7 million are with floating interest rate. At this point in time the estimated fair value of the swap contracts is negative, amounting to €0.16 million. Effective interest rate of loans (incl. swap interests) in the 1st quarter of 2020 was 0.78%, amounting to interest costs of €0.18 million, compared to the effective interest rate of 1.05% and the interest costs of €0.25 million in the 1st quarter of 2019.

PROFIT BEFORE TAXES AND NET PROFIT

The Group's **profit before taxes and net profit** for the 1st quarter of 2020 was €5.56 million, being 16.9% or €1.13 million lower than for the comparative period of 2019. The decrease in net profit was mainly impacted by changes in operating profit, balanced slightly by lower net financial expenses mentioned above, worth -€1.22 million and +€0.09 million respectively. Eliminating the effects of the change of the fair value of swap contracts and the change of provision for the possible third-party claims, the Group's net profit for the 1st quarter of 2020 and 2019 would have been €4.29 million and €6.65 million respectively, showing a decrease of 35.5% or €2.36 million year-on-year.

Statement of financial position

In the three months of 2020 **the Group invested into fixed assets** €3.59 million. As of 31/03/2020, non-current tangible assets amounted to €191.73 million and total non-current assets amounted to €192.40 million (31/03/2020: €181.84 million and €182.46 million respectively).

Compared to the year end of 2019 **the trade receivables, accrued income and prepaid expenses** have shown a decrease in the amount of €0.96 million to €6.28 million. Decrease mainly derives from lower water and construction services related trade receivables, balanced partly by higher accrued income and prepaid expenses, by -€0.75, -€0.53 million, +€0.25 and +€0.18 million respectively. The collectability rate continues to be high at 99.74% level, which is at the same level as of March 2019.

Current liabilities have decreased by €0.38 million to €12.86 million compared to the year end of 2019, mainly deriving from lower prepayments for connections and derivatives, by -€0.33 million and -€0.06 million.

Deferred income from connection fees has grown compared to the end of 2019 by €0.83 million to €31.90 million.

Provision for possible third-party claims has decreased compared to the end of 2019 by €1.20 million to €13.24 million by changes mentioned in the section of 1st quarter Other income and expenses results. Additionally, more detailed information about the provision is in Note 6 to the financial statements.

The Group's **loan balance** has been stable, being €91.36 million. In May 2019 the Company started to pay back old NIB loan with 11 equal semi-annual repayments. The weighted average loan interest risk margin is 0.66%.

The Group has a **Total debt to assets** level of 54.81%, in range of 55%-65%, reflecting the Group's equity profile. In comparative period of 2019, the total debt to assets ratio was 57.78%.

Cash flow

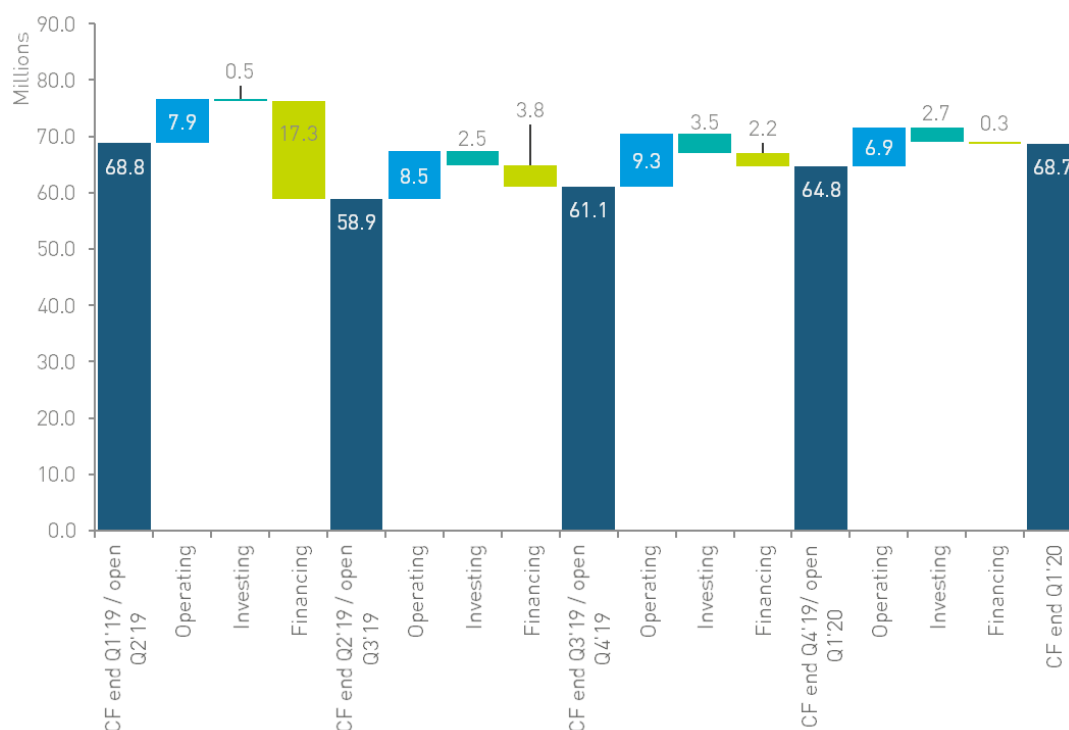
As of 31/03/2020, the cash position of the Group is strong. At the end of March 2020, the cash balance of the Group stood at €68.66 million, which is 25.6% of the total assets (31/03/2019: €68.83 million, forming 26.6% of the total assets).

The biggest contribution to the cash flows comes from main operations. During the three months of 2020, the Group generated €6.88 million of **cash flows from operating activities**, a decrease of €1.41 million compared to the corresponding period in 2019. Underlying operating profit continues to be the main contributor to operating cash flows.

In the three months of 2020 the result of **net cash flows from investing activities** was a cash outflow of €2.67 million, an increase of €1.80 million compared to the cash outflow of €0.87 million in the three months of 2019. This is made up as follows:

- The cash outflows from investments in fixed assets have increased by €1.32 million compared to 2019 amounting to €2.99 million.
- The compensations received for the construction of pipelines were €0.28 million, showing a decrease of €0.51 million compared to the same period of 2019.

In the three months of 2020 **cash outflow from financing activities** amounted to €0.33 million, decreasing by €0.03 million compared to the same period in 2019. The change was mainly related to lower interest payments, balanced by higher lease payments, +€0.08 million and -€0.05 million respectively.



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 opportunities and channels of communication, such as regular staff meetings with the management, information boards, intranet, informative letters, team events and a quarterly internal newsletter. Estonian is not a communication language for quite a number of our staff. Therefore, we organize Estonian classes at the Company's expense to make the staff, whose mother tongue is not Estonian, also feel as part of our unified team. At the same time, we provide the majority of important information also in Russian.

We have described our human resource policies. We follow equality principles in selecting and managing people, which translates into providing, when feasible, equal opportunities to everyone. 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.

At the end of the 1st quarter of 2020, the total number of employees was 329 compared to 314 at the end of the same period in 2019. The full time equivalent (FTE) was respectively 315 in 2020 compared to the 299 in 2019. Average number of employees during the three months was 327 in 2020 and 314 in 2019 respectively.

By gender, employee allocation was as follows:

	As of 31/03/2020			As of 31/03/2019		
	Women	Men	Total	Women	Men	Total
Group	88	241	329	91	223	314
Management Team	11	17	28	14	14	28
Executive Team	5	5	10	4	4	8
Management Board	1	2	3	1	2	3
Supervisory Board	1	8	9	1	8	9

The total salary costs were €2.50 million for the 1st quarter of 2020, including €0.08 million paid to Management and Supervisory Council members (excluding social taxes). The off-balance sheet potential salary liability could be up to €0.09 million should the Council want to replace the current Management Board members.

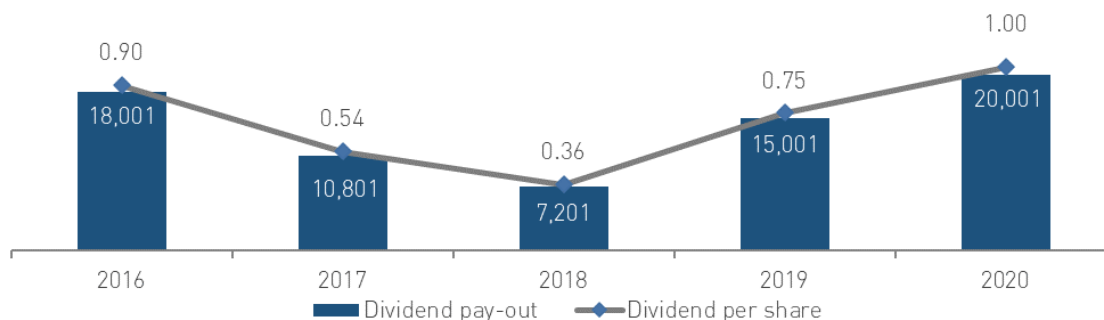
DIVIDENDS

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 voting to the Annual General Meeting of shareholders, considering all circumstances. The Supervisory Council decided in its meeting held on 23/04/2020 to make a proposal to Annual General Meeting to pay out €1.00 per A share and €600 per B share from the 2019 profits. The pay-out is equal to 72.0% of earnings per share in 2019.

The Annual General Meeting of shareholders will be held on 28/05/2020.

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



SHARE PERFORMANCE

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

As of 31/03/2020, AS Tallinna Vesi shareholders, with a direct holding over 5%, were:

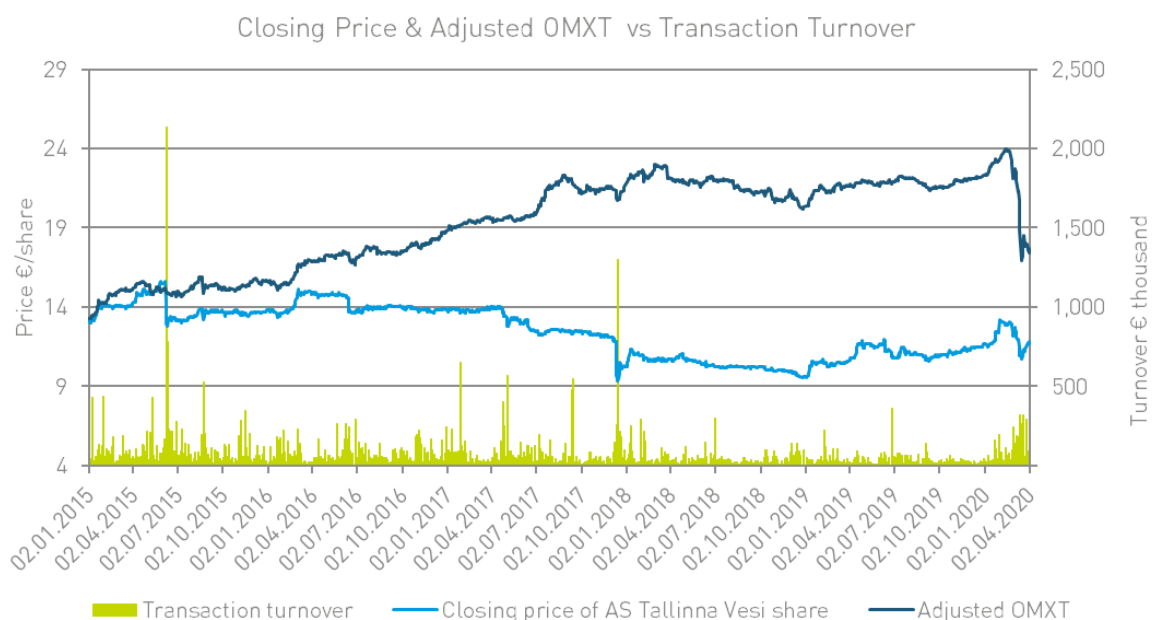
- United Utilities (Tallinn) BV (35.3%)
- City of Tallinn (34.7%)

During the three months of 2020 the shareholder structure has been relatively stable compared to the end of 2019. At the end of the 1st quarter of 2020 the pension funds shareholding has slightly decreased, being 0.89% of the total shares compared to 0.97% at the end of 2019.

As of 31/03/2020, the closing price of AS Tallinna Vesi share was €11.65, which is 0.43% (2019: +10.42%) lower compared to the closing price of €11.70 at the beginning of the quarter. During the 1st quarter the OMX Tallinn index decreased by 20.80% (2019: +6.50%).

In three months of 2020, 5,332 deals with the Company's shares were concluded (2019: 794 deals) during which 464 thousand shares or 2.3% of total shares exchanged their owners (2019: 166 thousand shares or 0.8%).

The turnover of the transactions was €3.74 million higher than in 2019 comparative period, amounting to €5.45 million.



CORPORATE STRUCTURE

As of 31/03/2020, the Group consisted of 2 companies. The subsidiary Watercom OÜ is wholly owned by AS Tallinna Vesi and consolidated to the results of the Company.

CORPORATE GOVERNANCE

SUPERVISORY COUNCIL

Supervisory Council plans and organises the management of the Company and supervises the activities of the Management Board. According to AS Tallinna Vesi articles of association Supervisory Council consists of 9 members, who are appointed for two years. There were following changes in the Supervisory Council members in the 1st quarter of 2020: Mr Keith Haslett' term as a Supervisory Council member was extended (until 23/01/2022).

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

More information about the Supervisory Council and committees can be found in the note 15 to the financial statements as well as from the Company's webpage:

[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 the Articles of Association. The Management Board must act economically in the most efficient way taking into consideration the interest of the Company and its shareholders and 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 and Supervisory Boards shall extensively collaborate. Meetings of Management Board and Supervisory Council members are held 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 fulfilment of the Company's short and long-term goals are being discussed and the risks impacting them. For every meeting of the Management Board prepares report and submits the report in advance with the sufficient time for the Supervisory Council to study it.

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

Starting from 1/01/2020 there are 3 members of the Management Board of AS Tallinna Vesi: Karl Heino Brookes (Chairman of the Board, with the powers of the Management Board Member until 22/03/2023), Aleksandr Timofejev (with the powers of the Management Board Member until 29/10/2021) and Kristi Ojakäär (with the powers of the Management Board Member until 1/01/2023).

Additional information on the members of the Management Board can be found from the Company's website:

[About us > Management board](#)

Additional information:

Karl Heino Brookes

Chairman of the Management Board

+372 62 62 200

karl.brookes@tvesi.ee

MANAGEMENT CONFIRMATION

The Management Board has prepared AS Tallinna Vesi (the Company) and its subsidiary company OÜ Watercom (together Group) consolidated interim accounts in the form of consolidated condensed financial statements for the 3 months period of financial year 2020 ended on 31 March 2020. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended on 31 March 2020 have been prepared following the accounting policies and the manner of presenting the information in line with the International Financial Reporting Standards as adopted by the EU. The condensed financial statements provide a fair presentation of the assets, liabilities, financial position and result of the operations and the cash flows of the Group.

The interim report gives a fair presentation of the main events that occurred during the 3 months of the financial year and of their effect to 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 up to the completion of the consolidated financial statements on 24 April 2020 have been considered in preparing the financial statements.

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

Karl Heino Brookes

Chairman of the Management Board
Chief Executive Officer

Aleksandr Timofejev

Member of the Management Board
Chief Operating Officer

Kristi Ojakäär

Member of the Management Board
Chief Financial Officer

24 April 2020

Introduction and photos of the Management Board members are published at company's web page.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand			as of 31 March	as of 31 December
ASSETS	Note	2020	2019	2019
CURRENT ASSETS				
Cash and cash equivalents	3	68,658	68,828	64,775
Trade receivables, accrued income and prepaid expenses		6,277	7,390	7,239
Inventories		602	537	504
TOTAL CURRENT ASSETS		75,537	76,755	72,518
NON-CURRENT ASSETS				
Property, plant and equipment	4	191,732	181,835	189,627
Intangible assets	5	666	623	710
TOTAL NON-CURRENT ASSETS		192,398	182,458	190,337
TOTAL ASSETS		267,935	259,213	262,855
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Current portion of long-term lease liabilities		362	421	352
Current portion of long-term loans		3,631	3,631	3,631
Trade and other payables		6,721	5,694	6,718
Derivatives		158	139	221
Prepayments		1,990	2,334	2,323
TOTAL CURRENT LIABILITIES		12,862	12,219	13,245
NON-CURRENT LIABILITIES				
Deferred income from connection fees		31,902	25,792	31,070
Leases		1,231	1,138	964
Loans		87,597	91,299	87,592
Derivatives		0	201	0
Provision for possible third party claims	6	13,238	19,068	14,442
Other payables		26	46	18
TOTAL NON-CURRENT LIABILITIES		133,994	137,544	134,086
TOTAL LIABILITIES		146,856	149,763	147,331
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		83,067	71,438	77,512
TOTAL EQUITY		121,079	109,450	115,524
TOTAL LIABILITIES AND EQUITY		267,935	259,213	262,855

Notes to the consolidated financial statements on pages 6 to 15 form an integral part of the condensed financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand		Quarter 1	for the year ended 31 December	
	Note	2020	2019	2019
Revenue	7	13,180	14,664	63,423
Cost of goods and services sold	9	-7,123	-6,404	-29,470
GROSS PROFIT		6,057	8,260	33,953
Marketing expenses	9	-117	-112	-390
General administration expenses	9	-1,295	-1,261	-5,689
Other income (+)/expenses (-)	10	1,025	6	4,201
OPERATING PROFIT		5,670	6,893	32,075
Financial income	11	12	8	38
Financial expenses	11	-127	-216	-809
PROFIT BEFORE TAXES		5,555	6,685	31,304
Income tax on dividends	12	0	0	-3,544
NET PROFIT FOR THE PERIOD		5,555	6,685	27,760
COMPREHENSIVE INCOME FOR THE PERIOD		5,555	6,685	27,760
Attributable profit to:				
Equity holders of A-shares		5,554	6,684	27,759
B-share holder		0.60	0.60	0.60
Earnings per A share (in euros)	13	0.28	0.33	1.39
Earnings per B share (in euros)	13	600	600	600

Notes to the consolidated financial statements on pages 6 to 15 form an integral part of the condensed financial statements.

CONSOLIDATED CASH FLOWS STATEMENT

€ thousand			3 months	for the year ended 31 December
	Note	2020	2019	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		5,670	6,893	32,075
Adjustment for depreciation/amortisation	4,5,9,10	1,510	1,502	6,109
Adjustment for revenues from connection fees	10	-111	-86	-389
Other non-cash adjustments	6	-1,204	0	-4,624
Profit (-)/loss (+) from sale of property, plant and equipment, and intangible assets		-11	-5	138
Change in current assets involved in operating activities		865	208	391
Change in liabilities involved in operating activities		162	-224	318
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		6,881	8,288	34,018
CASH FLOWS USED IN INVESTING ACTIVITIES				
Acquisition of property, plant and equipment, and intangible assets		-2,986	-1,670	-10,441
Compensations received for construction of pipelines, incl connection fees		275	787	3,010
Proceeds from sale of property, plant and equipment, and		28	7	24
Interest received		11	7	36
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-2,672	-869	-7,371
CASH FLOWS USED IN FINANCING ACTIVITIES				
Interest paid and loan financing costs, incl swap interests		-173	-258	-1,056
Lease payments		-153	-102	-404
Received loans		0	0	37,500
Repayment of loans		0	0	-41,136
Dividends paid	12	0	0	-14,965
Withheld income tax paid on dividends	12	0	0	-36
Income tax paid on dividends		0	0	-3,544
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-326	-360	-23,641
CHANGE IN CASH AND CASH EQUIVALENTS		3,883	7,059	3,006
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	64,775	61,769	61,769
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	68,658	68,828	64,775

Notes to the consolidated financial statements on pages 6 to 15 form an integral part of the condensed financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
as of 31 December 2018	12,000	24,734	1,278	64,753	102,765
Dividends	0	0	0	-15,001	-15,001
Comprehensive income for the period	0	0	0	27,760	27,760
as of 31 December 2019	12,000	24,734	1,278	77,512	115,524
as of 31 December 2018	12,000	24,734	1,278	64,753	102,765
Comprehensive income for the period	0	0	0	6,685	6,685
as of 31 March 2019	12,000	24,734	1,278	71,438	109,450
as of 31 December 2019	12,000	24,734	1,278	77,512	115,524
Comprehensive income for the period	0	0	0	5,555	5,555
as of 31 March 2020	12,000	24,734	1,278	83,067	121,079

Notes to the consolidated financial statements on pages 6 to 15 form an integral part of the condensed financial statements.

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING PRINCIPLES

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed interim financial statements do not contain all the information presented in the annual financial statements and should be read in conjunction with the Group's latest published annual financial statements as at and for the year ended 31 December 2019. 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 2019, except for estimates addressed below:

- Management has developed estimates on the expected credit losses of trade receivables based on the best available information about past events, current conditions and forecasts of macroeconomic conditions related to Covid-19 outbreak. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 March 2020, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of Estonia in which it sells its goods and services to be the most relevant factors, and has accordingly adjusted the historical loss rates based on expected changes in these factors. As at 31 March 2020, Management of the Group has assessed the expected credit loss related to Covid-19 outbreak to be €127 thousand. Estimated credit loss as at 31 March 2020 is provisional and to be revised as events unfold and further information becomes available on the level of disruption created by the Covid-19 outbreak in the longer term.
- Management has made an estimate with regards to possible third-party claims based on the maximum difference between revenues calculated with the tariffs established by the City of Tallinn in 2010 and the tariffs calculated according to the principles of methodology of tariffs approved on 18 October 2019 by the Competition Authority with the reservation to the possible fluctuation. The Company has acted in good faith and in reliance on promises by the previous regulator. Therefore, the Company does not consider itself liable to the customers for any claims related to the tariffs, which were applied before the new tariffs approved by the Competition Authority became effective on 1 December 2019.

The potential undiscounted payments by the Company in the future, if potential claims from customers were recognised by the courts, would amount to €33.1 million (as of 31 December 2019: €36.1 million). This estimate marks the maximum difference in between the tariffs approved by the City of Tallinn in 2010 and the tariffs based on the Company's estimation, with the reservation to the possible fluctuation, regarding past 33 months (as of 31 December 2019: 36 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 €13.2 million (as of 31 December 2019: €14.4 million). As of 31 March 2020, no substantiated claims have been submitted. The Company will monitor the situation and thus adjusts the relevant provision on a rolling basis.

NOTE 3. CASH AND CASH EQUIVALENTS

	as of	
	as of 31 March	31 December
€ thousand	2020	2019
Cash in hand and in bank	38,948	53,828
Short-term deposits	29,710	15,000
Total cash and cash equivalents	68,658	68,828

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 2018							
Acquisition cost	26,500	215,059	49,933	3,199	0	0	294,691
Accumulated depreciation	-7,114	-70,993	-37,399	0	0	0	-115,506
Net book value	19,386	144,066	12,534	3,199	0	0	179,185
Transactions in the period 1 January 2019 - 31 December 2019							
Reclassification on 1 January 2019 (IFRS 16)	0	0	-823	-26	1,525	26	702
Acquisition in book value	0	0	0	15,606	0	237	15,843
Write off and sale of property, plant and equipment in residual value	-7	-130	-20	0	-37	0	-194
Reclassification	245	14,829	1,245	-16,323	262	-262	-4
Depreciation	-321	-3,342	-1,870	0	-372	0	-5,905
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 March 2020							
Acquisition in book value	0	0	0	3,145	0	430	3,575
Write off and sale of property, plant and equipment in residual value	0	0	0	0	-17	0	-17
Reclassification	4	1,593	101	-1,698	430	-430	0
Depreciation	-74	-830	-454	0	-95	0	-1,453
as of 31 March 2020							
Acquisition cost	26,692	230,791	48,513	3,903	2,869	1	312,769
Accumulated depreciation	-7,459	-74,605	-37,800	0	-1,173	0	-121,037
Net book value	19,233	156,186	10,713	3,903	1,696	1	191,732

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.

As at 31 March 2020 the Group had entered into the lease agreements, which take effect during the remaining 9 months of the financial year 2020, in the total amount of €445 thousand.

NOTE 5. INTANGIBLE ASSETS

€ thousand	Acquired licenses and other intangible assets	Unfinished intangible assets	Total intangible assets
as of 31 December 2018			
Acquisition cost	4,206	50	4,256
Accumulated depreciation	-3,591	0	-3,591
Net book value	615	50	665
Transactions in the period 1 January 2019 - 31 December 2019			
Acquisition in book value	0	249	249
Reclassification	288	-288	0
Depreciation	-204	0	-204
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 March 2020			
Acquisition in book value	0	13	13
Reclassification	3	-3	0
Depreciation	-57	0	-57
as of 31 March 2020			
Acquisition cost	4,466	21	4,487
Accumulated depreciation	-3,821	0	-3,821
Net book value	645	21	666

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 between the company and the City of Tallinn. From now on, the tariffs will be regulated by the Competition Authority in line with the methodology.

According to the law the tariffs established by the City of Tallinn are in force until the Competition Authority approves the new tariffs and the Company has implemented these tariffs in line with the law. The Company has acted in good faith and in reliance on promises by the previous regulator. 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 are 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 €33.1 million (as of 31 December 2019: €36.1 million). This estimate marks the maximum difference in between the tariffs approved by the City of Tallinn in 2010 and the tariffs based on the Company's estimation, with the reservation to the possible fluctuation, regarding past 33 months (as of 31 December 2019: 36 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 €13.2 million (as of 31 December 2019: €14.4 million). As of 31 March 2020, no substantiated claims have been submitted. The Company will monitor the situation and thus adjusts the relevant provision on a rolling basis.

NOTE 7. SEGMENT REPORTING

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

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

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

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

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

€ thousand	Water services	Const- ruction services	Other services	Inter- segment transactions	Total segments
1 January 2020 - 31 March 2020					
External revenue	11,987	1,029	164	0	13,180
Inter-segment revenue	1	936	771	-1,708	0
Total segment revenue	11,988	1,965	935	-1,708	13,180
Segment's gross profit	5,801	86	318	-148	6,057
Unallocated expenses:					
Marketing and Administrative expenses					-1,412
Other income/expenses					1,025
Operating profit					5,670
1 January 2019 - 31 March 2019					
	Water services	Const- ruction services	Other services	Inter- segment transactions	Total segments
External revenue	14,012	549	103	0	14,664
Inter-segment revenue	0	407	693	-1,100	0
Total segment revenue	14,012	956	796	-1,100	14,664
Segment's gross profit	8,143	7	220	-110	8,260
Unallocated expenses:					
Marketing and Administrative expenses					-1,373
Other income/expenses					6
Operating profit					6,893

AS TALLINNA VESI

CONSOLIDATED UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE 3 MONTHS PERIOD OF FINANCIAL YEAR 2020 ENDED 31 MARCH 2020

Revenue by activities

€ thousand	Quarter 1		for the year ended
	2020	2019	31 December 2019
Water services			
Water supply service	2,020	3,567	13,781
Wastewater disposal service	3,006	2,924	11,719
Total from private customers	5,026	6,491	25,500
Water supply service	2,025	2,734	11,482
Wastewater disposal service	2,124	2,268	9,317
Total from corporate customers	4,149	5,002	20,799
Water supply service	380	385	1,622
Wastewater disposal service	856	815	3,193
Storm water disposal service	108	146	426
Total from outside service area customers	1,344	1,346	5,241
Storm water treatment and disposal service and fire hydrants service	1,186	944	4,002
Overpollution charges and discharging	282	229	1,324
Total from water services	11,987	14,012	56,866
Construction services	1,029	549	5,960
Other services	164	103	597
Total revenue	13,180	14,664	63,423

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

NOTE 8. STAFF COSTS

€ thousand	Quarter 1		for the year ended
	2020	2019	31 December 2019
Salaries and wages	-1,868	-1,702	-6,762
Social security and unemployment insurance tax	-631	-575	-2,286
Staff costs total	-2,499	-2,277	-9,048
 Average number of employees during the reporting period	 327	 314	 321

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

€ thousand	Quarter 1 2020	2019	for the year ended 31 December 2019
Cost of goods and services sold			
Water abstraction charges	-312	-292	-1,219
Chemicals	-378	-405	-1,664
Electricity	-970	-1,004	-3,566
Pollution tax	-363	-367	-1,089
Staff costs	-1,803	-1,645	-6,602
Depreciation and amortization	-1,320	-1,340	-5,420
Construction services	-851	-437	-5,096
Other costs	-1,126	-914	-4,814
Total cost of goods and services sold	-7,123	-6,404	-29,470
Marketing expenses			
Staff costs	-92	-88	-318
Other marketing expenses	-25	-24	-72
Total marketing expenses	-117	-112	-390
Administrative expenses			
Staff costs	-604	-544	-2,128
Depreciation and amortization	-87	-83	-335
Other general administration expenses	-604	-634	-3,226
Total administrative expenses	-1,295	-1,261	-5,689

NOTE 10. OTHER INCOME/EXPENSES

€ thousand	Quarter 1 2020	2019	for the year ended 31 December 2019
Connection fees	111	86	389
Depreciation of single connections	-103	-79	-354
Doubtful receivables expenses (-)/ expense reduction (+)	-132	3	20
Provision for possible third party claims (Note 6)	1,204	0	4,626
Other income (+)/expenses (-)	-55	-4	-480
Total other income / expenses	1,025	6	4,201

NOTE 11. FINANCIAL INCOME AND EXPENSES

	Quarter 1		for the year ended
€ thousand	2020	2019	31 December 2019
Interest income	12	8	38
Interest expense, loan	-123	-188	-714
Interest expense, swap	-61	-62	-230
Increase (+)/decrease (-) of fair value of swap	63	40	159
Other financial income (+)/expenses (-)	-6	-6	-24
Total financial income / expenses	-115	-208	-771

NOTE 12. DIVIDENDS

€ thousand	for the year ended 31 December 2019
Dividends declared during the period	15,001
Dividends paid during the period	14,965
Withheld income tax on dividends	36
Income tax on dividends paid	3,544
Dividends declared per shares:	
Dividends per A-share (in euros)	0.75
Dividends per B-share (in euros)	600

Dividend income tax rate in 2020 is 20/80 (in 2019: 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

	Quarter 1		for the year ended
€ thousand	2020	2019	31 December 2019
Net profit minus B-share preferred dividend rights	5,554	6,684	27,759
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20,000,000	20,000,000	20,000,000
Earnings per A share (in euros)	0.28	0.33	1.39
Earnings per B share (in euros)	600	600	600

Diluted earnings per share for the periods ended 31 March 2020 and 2019 and 31 December 2019 was equal to earnings per share figures stated above.

NOTE 14. RELATED PARTIES

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

Shareholders having the significant influence

Balances recorded on the statement of financial position of the Group

€ thousand	as of 31 March 2020	as of 31 December 2019	2019
Accounts receivable	97	3	531
Trade and other payables	201	181	184

Transactions

€ thousand	Quarter 1 2020	for the year ended 31 December 2019	2019
Revenue	1,186	944	4,002
Purchase of administrative and consulting services	268	243	991

Fees to the Group's Management and Supervisory Board members

€ thousand (excluding social tax)	Quarter 1 2020	for the year ended 31 December 2019	2019
Fees for Management Board	75	76	213
Supervisory Board fees	8	8	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 3 (three) years and Supervisory Board members for 2 (two) years. Stock exchange announcement is published about the change in Management and Supervisory Board.

The potential salary liability would be up to €93 thousand (excluding social tax) if the Supervisory Board would replace all Management Board members.

Company shares belonging to the Management Board and Supervisory Board members

As of 31 March 2020, the members of the Supervisory Council and the Management Board did not own any shares in the company (as of 31 March and 31 December 2019: Riina Käi owned 100 shares).

NOTE 15. LIST OF SUPERVISORY BOARD MEMBERS

Simon Roger Gardiner	Chairman of the Supervisory Board
Keith Haslett	Member of the Supervisory Board
Martin Benjamin Padley	Member of the Supervisory Board
Brendan Francis Murphy	Member of the Supervisory Board
Priit Rohumaa	Member of the Supervisory Board
Katrin Kendra	Member of the Supervisory Board
Toivo Tootsen	Member of the Supervisory Board
Allar Jõks	Member of the Supervisory Board
Priit Lello	Member of the Supervisory Board

Introduction of Supervisory Board members is published at company's web page.
<https://tallinnavesi.ee/en/ettevõtte/management-board/supervisory-council/>