

Tallinna Vesi



AS Tallinna Vesi
Results of operations – for the 4th quarter of 2014

Currency	Thousand euros
Start of reporting period	1 January 2014
End of reporting period	31 December 2014
Address	Tallinn, Ädala 10
Chairman of the Management Board	Karl Heino Brookes
Commercial register number	10 257 326
Telephone	+372 62 62 200
Telefax	+372 62 62 300
E-mail	tvesi@tvesi.ee
Web page	www.tallinnavesi.ee
Field of activity	Production, treatment and distribution of water; storm and wastewater disposal and treatment

CONTENTS

	Page
MANAGEMENT REPORT	3
MANAGEMENT CONFIRMATION	15
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	16
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	17
CONSOLIDATED CASH FLOW STATEMENTS	18
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	19
NOTES TO THE ACCOUNTS	
NOTE 1. ACCOUNTING PRINCIPLES	20
NOTE 2. CASH AND CASH EQUIVALENTS	20
NOTE 3. PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS	21
NOTE 4. REVENUE	22
NOTE 5. STAFF COSTS	22
NOTE 6. COST OF GOODS SOLD, MARKETING AND GENERAL ADMINISTRATIONS EXPENSES	23
NOTE 7. OTHER INCOME AND EXPENSES	23
NOTE 8. FINANCIAL INCOME AND EXPENSES	24
NOTE 9. DIVIDENDS	24
NOTE 10. EARNINGS PER SHARE	24
NOTE 11. RELATED PARTIES	25
NOTE 12. LIST OF SUPERVISORY BOARD MEMBERS	26
NOTE 13. CONTINGENT LIABILITY REGARDING THE TARIFF RISK	26

MANAGEMENT REPORT

Contractual Highlights

- AS Tallinna Vesi tariffs continue to be on the same level based on temporary injunction granted by the Court for the period of court proceedings to protect the Company from the unilateral breach of privatization agreement by Estonian Authorities.
- AS Tallinna Vesi would like all its shareholders to be fully aware of the facts that the Company was privatised in 2001 with the full support and knowledge of the Estonian national government, with written confirmations from the Prime Minister and the Minister of Finance regarding the key terms of the agreements, and utilising the expertise and guidance of the European Bank for Reconstruction and Development (EBRD).
- At the end of May 2012 the District Court ruled that AS Tallinna Vesi's Services Agreement, that was part of the international privatisation, is a public law contract. AS Tallinna Vesi firmly believes that the terms and conditions of the international privatisation contract that has been deemed a public law contract should not be broken simply by transferring the duties of the regulator from one state institution (the City of Tallinn) to a different state institution (the Competition Authority). A public law contract should enjoy the protection of the Estonian legal system, should the contract not be honoured, then the company will have a claim against the Estonian state.
- In addition, two experts that were included in the dispute, presented their independent expert opinions which were of the view that the tariff regulation methodology chosen in the Services Agreement, is an internationally recognised tariff methodology and complied with the PWSSA in force at the time of the privatisation. AS Tallinna Vesi hopes that the expert opinions facilitate swifter resolution of the complaints submitted by the Company against the Competition Authority since 1st of June 2011.
- The date of local court hearing took place in 28 January 2015.
- In May 2014, AS Tallinna Vesi submitted a claim against the Competition Authority to the Tallinn Administrative Court to avoid the expiry of monetary claims. The Company claims compensation for potential damages of over 90 million euros for total losses over the lifetime of the international privatisation contract up to 2020. The total compensation claim applies when the tariffs will remain unchanged till 2020. Of this amount, around 50 million euros has been already caused by the Competition Authority's refusal to approve tariff increases in the period of 2011 – 2013. The Court decided to stay the claim proceeding until the main tariff dispute is resolved.
- AS Tallinna Vesi has continuously stated its belief in fully transparent regulation and its willingness to enter into **meaningful and evidence-based dialogue** that takes into account the privatization contract signed in 2001.
- It has been three years already during which the Company has made intensive effort in trying to agree a solution in order to get the tariff dispute solved. Regretfully it has not been achieved.
- In October 2014, AS Tallinna Vesi and its shareholder United Utilities (Tallinn) B.V have commenced international arbitration proceedings against the Republic of Estonia for breaching the international treaty and more specifically "*the fair and equitable treatment*" requirement by changes to the law and activities of the public authorities which have deprived AS Tallinna Vesi from tariffs approved according to the Services Agreement concluded as part of the privatisation in 2001. The arbitration will be carried out through the International Centre for the Settlement of Investment Disputes (ICSID), which is part of the World Bank Group.
- Average real return on capital invested at privatization is still 6.2% since 2001.

Financial highlights of 4th quarter 2014

The Group's sales revenues during the 4th quarter 2014 have been in decline, being down 3.4% to 13.31 mln euros compared to the same period in 2013. The sales for 12 months in 2014 are slightly up compared to the sales in 2013, increasing 0.3% to 53.24 mln euros.

The gross profit in the 4th quarter of 2014 has decreased 4.2% or -0.35 mln euros. Decrease in gross profit is mainly related to lower storm water and construction service revenues compared to the comparative period in 2013.

As mentioned already with our 3rd quarter results, the problems with the allowed concentrations of heavy metals reported in previous quarters have been resolved, with the issuance of the new revised water permit. In the 1st and 2nd quarter of 2014 the Group had higher pollution tax costs as concentrations limits for heavy metals in treated effluent were reduced 400 times, due to which the Group was not technically able to meet the limit requirements, despite of the fact that the efficiency in treating the effluent continued to be high. In the revised water permit the concentration limits for heavy metals have been removed.

The operating profit from Group's main activities has increased 0.1% to 6.56 mln euros, mainly due to the lower costs related to the construction activities as the revenues from the construction activities were also down, but also due to lower administrative costs. The operating profit from main activities for 12 months in 2014 is at the same level with the operating profit for the comparative period in 2013.

The net profit for the 4th quarter without the additional exceptional changes that affected the pollution tax in 2013 and 2014 and impact that resulted from the change of the fair value of swap contracts was 5.1% or 0.29 mln euros higher than in the comparative period last year.

<i>mln €</i>	4 Q 2012	4 Q 2013	4 Q 2014	Change 14/13	12 months 2012	12 months 2013	12 months 2014	Change 14/13
Sales	13,7	13,78	13,31	-3,4%	52,92	53,09	53,24	0,3%
Gross profit	8,4	8,29	7,95	-4,2%	32,59	30,58	30,84	0,9%
Gross profit margin %	61,2	60,20	59,71	-0,8%	61,57	57,61	57,93	0,6%
Operating profit	8,6	6,55	6,61	0,8%	28,77	24,76	24,83	0,3%
Operating profit - main business	6,9	6,55	6,56	0,1%	26,82	24,51	24,54	0,1%
Operating profit margin %	62,5	47,55	49,62	4,4%	54,36	46,63	46,63	0,0%
Profit before taxes	8,7	6,19	6,29	1,5%	27,07	24,56	22,73	-7,5%
Net profit	8,7	6,19	6,29	1,5%	22,60	19,94	17,94	-10,0%
Net profit margin %	63,2	44,95	47,24	5,1%	42,70	37,55	33,70	-10,3%
ROA %	4,3	3,05	3,06	0,1%	11,26	9,83	8,73	-11,2%
Debt to total capital employed	57,8	56,98	57,61	1,1%	57,82	56,98	57,61	1,1%
ROE %	10,2	7,10	7,22	1,6%	26,69	22,86	20,59	-9,9%
Current ratio	4,3	5,13	5,35	4,4%	4,31	5,13	5,35	4,4%

Gross profit margin – Gross profit / 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 / Total equity

Current ratio – Current assets / Current liabilities

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

RESULTS OF OPERATIONS - FOR THE 4th QUARTER 2014

Profit and Loss Statement

4th quarter 2014

Sales

As the Company's tariffs are frozen at the 2010 tariff level, the changes in the revenues from main activities i.e. from sales of water and wastewater services are fully driven by consumption.

In the 4th quarter of 2014 the Group's total sales decreased, year on year, by 3.4% to 13.31 mln euros. 92.7% of sales comprise of sales of water and treatment of wastewater to domestic and commercial customers within and outside of the service area, 4.5% of sales are the fees received from the City of Tallinn for operating and maintaining the storm water system and fire hydrants and 2.8% from other works and services.

Sales of water and wastewater services were 12.34 mln euros, a 1.9% increase compared to the 4th quarter of 2013, resulting from the changes in sales volumes as described below.

Within the service area, sales to residential customers were at 6.14 mln euros, showing a 1.9% increase year on year, as revenues from apartment blocks form the biggest share of our residential sales, the biggest increase came also from this client group. Sales to commercial customers increased by 1.5% to 4.85 mln euros. Sales to customers outside of the main service area has remained stable. 30.4% or 0.05 mln euros decrease in stormwater revenues were compensated by higher water and wastewater sales. Over pollution fees received were 0.19 mln euros, a 30.6% increase compared to the 4th quarter of 2013.

Revenues from main operating activities	Quarter 4			Variance 14/13	
	2014	2013	2012	€	%
<u>Private clients, incl:</u>	<u>6 139</u>	<u>6 026</u>	<u>6 016</u>	<u>113</u>	<u>1,9%</u>
Water supply service	3 390	3 329	3 320	61	1,8%
Wastewater disposal service	2 749	2 697	2 696	52	1,9%
<u>Corporate clients, incl:</u>	<u>4 848</u>	<u>4 776</u>	<u>4 802</u>	<u>72</u>	<u>1,5%</u>
Water supply service	2 681	2 640	2 613	41	1,6%
Wastewater disposal service	2 167	2 136	2 189	31	1,5%
<u>Outside service area clients, incl:</u>	<u>1 163</u>	<u>1 163</u>	<u>1 282</u>	<u>0</u>	<u>0,0%</u>
Water supply service	319	294	264	25	8,5%
Wastewater disposal service	741	721	698	20	2,8%
Storm water disposal service	103	148	320	-45	-30,4%
<u>Over pollution fee</u>	<u>190</u>	<u>146</u>	<u>274</u>	<u>44</u>	<u>30,1%</u>
Storm water treatment and disposal service and fire hydrant service	593	980	983	-387	-39,5%
Construction service and design	228	437	160	-209	-47,8%
Other works and services	149	250	192	-101	-40,4%

The sales from the operation and maintenance of the storm water and fire-hydrant system in the main service area have decreased by 39.5% to 0.59 mln euros in the 4th quarter of 2014 due to lower volumes compared to the same period in 2013.

The sales of construction activities and design services have decreased by 47.8% to 0.23 mln euros in the 4th quarter of 2014 compared to 4th quarter in 2013.

Cost of Goods Sold and Gross profit

The cost of goods sold for the main operating activity was 5.36 mln euros in the 4th quarter of 2014, showing 0.12 mln euros or 2.2% decrease compared to the equivalent period in 2013. The cost decrease is mainly influenced by the construction services costs decrease and balanced by the increased pollution tax costs in the 4th quarter of 2014.

Cost of goods sold	Quarter 4			Variance 14/13	
	2014	2013	2012	€	%
Water abstraction charges	-267	-257	-236	-10	-3,9%
Chemicals	-444	-424	-419	-20	-4,7%
Electricity	-743	-826	-964	83	10,0%
Pollution tax	-328	-58	-180	-270	-465,5%
Total direct production costs	-1 782	-1 565	-1 799	-217	-13,9%
Staff costs	-1157	-1 202	-1 256	45	3,7%
Depreciation and amortization	-1342	-1 266	-1 302	-76	-6,0%
Construction service and design	-173	-357	-75	184	51,5%
Other costs of goods sold	-909	-1 094	-893	185	16,9%
Other costs of goods sold total	-3 581	-3 919	-3 526	338	8,6%
Total cost of goods sold	-5 363	-5 484	-5 325	121	2,2%

Total direct production costs (water abstraction charges, chemicals, electricity and pollution taxes) increased by 0.22 mln euros or 13.9% year on year. Biggest increase came from the increase in pollution tax. Other changes came from a combination of increase in prices and tax rates and movements in treatment volumes that affected the costs of goods sold together with the following additional factors:

- Water abstraction charges increased only by 0.01 mln euros or 3.9% to 0.27 mln euros in the 4th quarter of 2014, driven mainly by 5% raise in tax rates (worth 0.01 mln euros).
- Total chemical costs remained broadly flat, increasing 0.02 mln euros or 4.7% to 0.44 mln euros in the 4th quarter of 2014. Costs change was mainly influenced by the increase in dosage used in sewage treated, which was balanced by decrease in treated volumes and chemicals price. Chemical costs were lower also in water treatment due to the better raw water quality.
- Electricity costs decreased by 0.08 mln euros or 10.0% in the 4th quarter of 2014 compared to the 4th quarter of 2013. Lower electricity costs are mostly derived from the decrease in electricity price and used volumes, worth 0.17 mln euros. Positive effects are reduced slightly by increased used unit costs in treatment plants worth 0.08 mln euros.
- In the 4th quarter of 2014 the pollution tax expense increased by 0.27 mln euros or 465.5%. The increase is related to the incident in one of the pumping stations in the 4th quarter of 2014 and insurance premium received in the 4th quarter of 2013. Eliminating the one-off influences the pollution tax expenses had been stable increasing only by 0.001 mln euros or 0.6% in the 4th quarter of 2014 compared to relevant period in 2013.

Without the mentioned influences in both years, the main contribution to increased pollution tax costs came from increased pollution load in the amount of 0.01 mln euros and increased tax rates in the amount of 0.03 mln euros, balanced by the decreased volumes treated in the amount of 0.04 mln euros.

Other cost of goods sold (staff costs, depreciation, construction services and other cost of goods sold) in the main operating activity decreased by 0.34 mln euros or 8.6%. Most of the decrease came from decrease in construction services costs due to the lower construction activities and other costs, balanced by the increase in depreciation costs.

In 2014 the construction services projects came to an end earlier than in 2013, lowering the costs related to construction in the 4th quarter compared to the same period in 2013. In 2014 the external constructions have been less profitable than in 2013. Decreased staff costs by 3.7% or 0.05 mln euros mainly relate to performance related payments being lower than last year, while in general the group has higher headcount to provide more efficient and broader range of insourced services and higher staff costs related to that. Decrease in other costs were related to the less maintenance works.

As a result of all of the above the Group's gross profit for the 4th quarter of 2014 was 7.95 mln euros, which is a decrease of 0.35 mln euros, or 4.2%, compared to the gross profit of 8.29 mln euros for the 4th quarter of 2013.

Other Operating Costs

General administration expenses decreased in total 0.21 mln euros or 14.7%. The consultation and legal fees and their timing continue to have an impact on the administrative expenses. For the full year the administrative costs were 9.0% or 0.46 million euros higher.

Other net income/expenses

Other net costs resulted a net expense of 0.01 mln euros, compared to 0.15 mln euros net expense in the 4th quarter of 2013. The result in the 4th quarter of 2014 has been influenced by lower amount of doubtful receivables than in the 4th quarter of 2013.

Operating profit

As a result of above factors the Group's operating profit for the 4th quarter of 2014 totalled 6.61 mln euros compared to 6.55 mln euros in the corresponding quarter in 2013, which shows an increase of 0.05 mln euros or 0.8%. Removing the impact of pollution tax in relevant periods the Group's operating profit had been 5.1% or 0.32 mln euros higher.

Financial expenses

The Group's net financial expenses have been relatively stable amounting to 0.32 mln euros in the 4th quarter of 2014, which is a positive change of 0.04 mln euros compared to 0.36 mln euros financial expense in the 4th quarter of 2013. The difference is a result of positive change of the fair value of the swap contracts and which is balanced by a negative decline from interest income.

The standalone swap agreements have been signed to mitigate the majority of the long term floating interest risk, the interest swap agreements are signed for 75 mln euros and 20 mln euros are still with floating interest rate. At this point in time the estimated fair value of the swap contracts is negative, totalling 1.84 mln euros. Effective interest rate (incl. swap interests) in the 4th quarter of 2014 was 3.14%, amounting in the interest costs of 0.76 mln euros, compared to the effective interest rate of 3.18% and the interest costs of 0.77 mln euros into the 4th quarter of 2013.

Interest income has decreased in the 4th quarter of 2014 by 0.04 mln euros or 40.8%.

Profit Before and After Tax

The Group's profit before and after taxes for the 4th quarter of 2014 was 6.29 mln euros, which is 0.10 mln euros or 1.5% higher than the profit before taxes of 6.19 mln euros for the 4th quarter of 2013, resulting

mainly from decreased revenues, increased pollution tax costs and an decrease in professional fees and other income/expenses as described above.

Results for the twelve months of 2014

During the twelve months of 2014 the Group's total sales increased, year on year, by 0.3% to 53.24 mln euros. Sales of water and wastewater treatment were 48.60 mln euros, a 1.8% increase compared to the twelve months of 2013.

The movements in sales are mostly similar to the movements in the 4th quarter described above. There has been a slight 0.51 mln euros or 2.2% increase in the sales to residential customers and 0.03 mln euros or 0.2% increase in the sales to the commercial clients. The sales revenues from outside service area clients for water, wastewater and storm water services has also been relatively stable showing an increase of 0.21 mln euros or 4.9% compared to twelve months in 2013.

The revenues from storm water treatment and fire hydrants services in the twelve months of 2014 have decreased 0.35 mln euros or 10.3% compared to twelve months in 2013.

Total direct production costs (water abstraction charges, chemicals, electricity and pollution taxes) decreased by 0.01 mln euros or 0.1% year on year. Biggest decrease came from the decrease in electricity costs, balanced by the increase in pollution tax costs as described below.

- Water abstraction charges increased only by 0.06 mln euros or 6.0% to 1.06 mln euros during 12 months in 2014, driven mainly by 5% raise in tax rates (worth 0.05 mln euros).
- Total chemical costs remained broadly flat, increasing 0.01 mln euros or 0.2% to 1.74 mln euros in the 12 months in 2014. Costs change was mainly influenced by the increase in dosage used in sewage treated, which was balanced by increase in treated volumes and chemicals price. Chemical costs were lower in water treatment due to the better raw water quality resulting in lower dosage used.
- Electricity costs decreased by 0.36 mln euros or 10.6% during the 12 months in 2014 compared to the same period in 2013. Lower electricity costs are mostly derived from the decrease in electricity price and used unit costs, worth 0.26 mln euros.
- In the 12 months of 2014 the pollution tax expense increased by 0.29 mln euros or 15.5%. The slight increase is masked by the incidents in the wastewater treatment plant in the twelve months of 2013. Eliminating the one-off influences the pollution tax expenses have increased by 1.19 mln euros or 159.1% in the twelve months of 2014 compared to relevant period in 2013.

The problems with the allowed concentrations of heavy metals reported in the 1st and 2nd quarters have been resolved, with the issuance of the new revised water permit. In the 1st and 2nd quarter of 2014 the Group had higher pollution tax costs as limit concentrations of heavy metals in treated effluent were reduced 400 times, due to which the Group was not technically able to meet the limit values, although nothing was changed in the efficiency of Group's operations

Other cost of goods sold (staff costs, depreciation, construction services and other cost of goods sold) in the main operating activity decreased by 0.10 mln euros or 0.7%. Most of the decrease came from lower construction services costs and other costs, as construction profitability has not been that high and there have been less maintenance works than in the relevant period in 2013. Decrease has been balanced by increased depreciation costs and staff costs.

Due to the increased revenues and broadly flat expenses the gross profit for 12 months in 2014 has improved by 0.26 mln euros or 0.9% compared to the same period in 2013. The operating profit remained also fairly stable increasing by 0.3% to 24.83 mln euros during the twelve months of 2014 compared to the twelve months of 2013. The increase in the operating profit of 0.07 mln euros was very much influenced by

increased administration costs, which in itself were highly impacted by higher legal charges related to ongoing tariff dispute.

Net financial expenses increased by 1.90 mln euros or 971.4%. Almost fully influenced by the non-monetary impact of the change in the fair value of the swap contracts the Company has entered. The positive non-monetary impact for 2014 expenses is 0.48 mln euros (2013: positive impact 2.25 mln euros).

The Group's profit before taxes for the twelve months of 2014 was 22.73 mln euros, which is a 7.5% decrease compared to the relevant period in 2013. The Group's net profit for the twelve months of 2014 was 17.94 mln euros, which is 1.99 mln euros lower than the net profit of 19.94 mln euros in the equivalent period in 2013.

Balance sheet

In the twelve months of 2014 the Group invested 11.07 mln euros into fixed assets. As of 31 December 2014 non-current fixed assets amounted to 157.48 mln euros and total non-current assets amounted to 158.34 mln euros. (31. December 2013: 152.25 mln euros and 155.50 mln euros respectively).

The reduction in receivables and prepayments of 6.75 mln euros to 8.26 mln euros is mainly related to collection of the money for extension program.

Compared to the year end of 2013 the current liabilities have decreased by 2.39 mln euros to 8.83 mln euros. The movement is mainly related to the decrease in Current portion of long-term borrowings in the amount of 1.98 mln euros. As a result of the refinancing of 20 mln euro loan the current portion of the loan balance was reclassified to the long term liabilities. The liabilities were also affected by the change of the fair value of derivatives having an impact on the current liabilities in the amount of 0.74 mln euros.

The Group's loan balance has remained stable at 95 mln euros. As mentioned before in May 2014, the Company replaced its loan from NIB with the new loan in the amount of 20 mln euros. In December 2014 the Company amended two loans, extending the maturity date from 2015 to 2020. The weighted average interest risk margin for the total loan facility is 1.04%.

The Group has a Total debt/Total assets level as expected of 57.6%, in range of 55%-65%, reflecting the Group's equity profile. This level is consistent with the same period in 2013 when the total debt/total assets ratio was 57.0%.

Biggest share of the rest of the long term liabilities is deferred income from connection fees amounting to 12.57 mln euros (2013: 10.14 mln euros).

In the 4th quarter of 2011 the Group recorded and noted an exceptional contingent liability, which could cause an outflow of economic benefits of up to 36.0 mln euros. In the 4th quarter of 2014 the Group re-evaluated the liability, which now stands at 40.1 mln euros, as per note 13 to the accounts.

Cash flow

As of 31 December 2014 the cash position of the Group is strong. At the end of December 2014 the cash balance of the Group stood at 38.56 mln euros, which is 18.8% of the total assets (2013: 31.79 mln, which is 15.7% of the total assets).

The biggest contribution to the cash flows comes from main operations. During the twelve months of 2014, the Group generated 31.45 mln euros of cash flows from operating activities, an increase of 1.65 mln euros compared to the corresponding period in 2013.

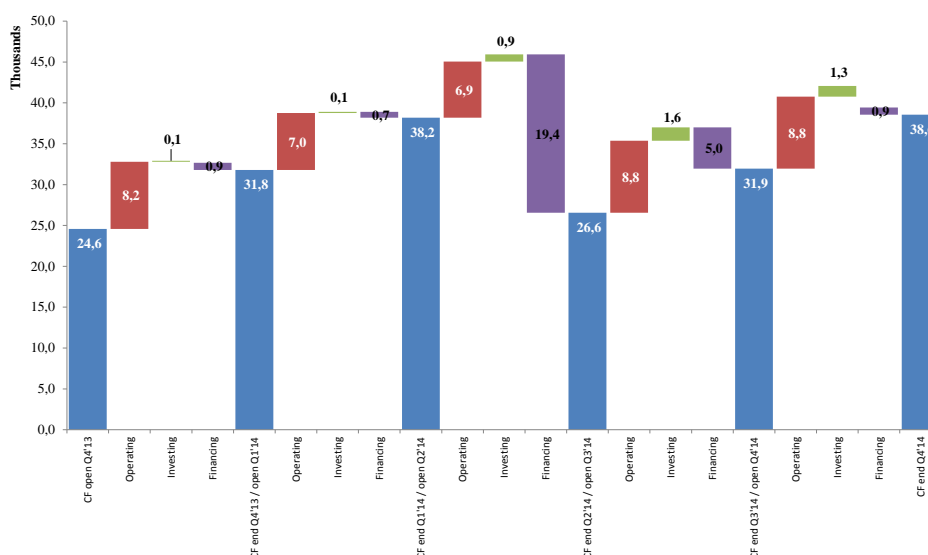
2014 operating cash flows were above 2013 cash flows due to a change in working capital. Underlying operating profit still continues to be the main contributor to operating cash flows. The collection of receivables is continuously strong.

The Group's cash flows from investing activities have also been positive for past two years. In the twelve months of 2014 net cash flows from investing activities resulted in a cash inflow of 1.32 mln euros, a decrease of 2.05 mln euros compared to an inflow of 3.37 mln euros in the twelve months of 2013. This is made up as follows:

In the twelve months of 2014 the investments in fixed assets have increased 0.46 mln euros compared to 2013 amounting to 9.65 mln euros.

The compensations received for the construction of pipelines were 10.52 mln euros in the twelve months of 2014, an increase of 2.64 mln euros compared to same period in 2013. Most of the cash collected for pipes is related to the sewage network extension program which was ended in 2012. The collections will still continue till March 2015. In 2013 the loan from Maardu Vesi was collected in full. The Group has not given out any new loans.

In the twelve months of 2014, cash outflow from financing amounted to 26.00 mln euros, which is 0.68 mln euros more than in the same period of 2013, mainly due to increased dividend payment and dividend income tax payment by 0.76 mln euros, balanced slightly by lower interest and financing costs by 0.08 mln euros.



Employees

At the end of the 4th quarter of 2014, the total number of employees was 321 compared to 304 at the end of the 4th quarter of 2013. The full time equivalent (FTE) was respectively 307 in 2014 compared to the 293 in 2013. The management continues to work actively for the efficiencies in processes to balance the increase in individual salaries and cost pressure from the market with more productive company structure.

Dividends

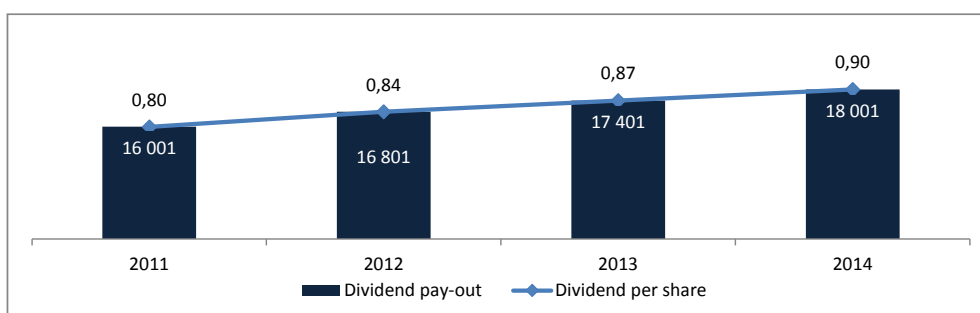
Dividend allocation to the shareholders is recorded as the liability in the financial statement of the Company at the time when the profit allocation and dividend payment is confirmed by the annual general meeting of shareholders.

According to the dividend policy, which is also published on Company's website, the Company will maintain dividends to shareholders at the same amount in real terms, i.e. dividends will increase in line with inflation each year.

On the annual general meeting of shareholders held on 20th May 2014, 90 cents dividends per share and the total dividend pay-out from the profit of 2013 net income in the amount of 18.00 mln euros was approved. It is in accordance with the Company's dividend policy. Compared to 2013 dividends of 87 cents per share, the increase is equal to the inflation.

Dividends were paid out on 13th of June 2014.

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



Share performance

AS Tallinna Vesi is listed on NASDAQ OMX Main Baltic Market with trading code TVEAT and ISIN EE3100026436.

As of 31 December 2014 AS Tallinna Vesi shareholders, with a direct holding over 5%, were:

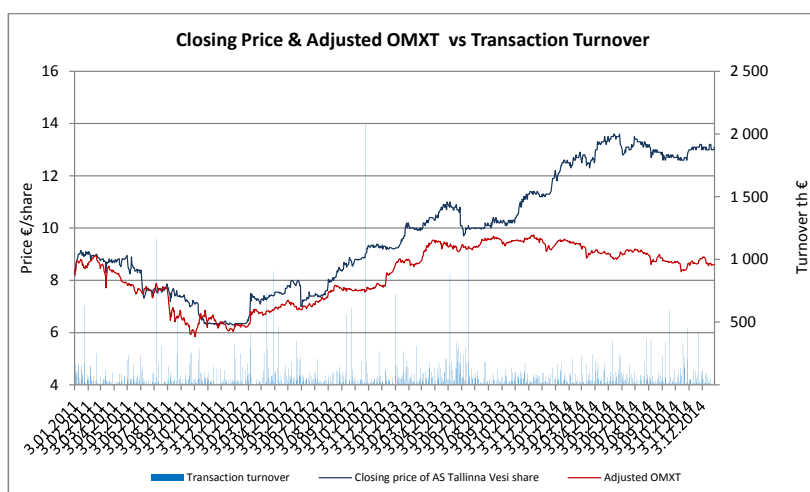
United Utilities (Tallinn) BV	35.3%
City of Tallinn	34.7%

Pension funds holdings in the Company shares dropped in the 4th quarter of 2014, after Nordea bank acquired Ergo Life insurance and liquidated its holdings in companies listed on the Baltic market. At the end of 2014 the pension funds owned 1.54% of the total shares compared to 2.56% at the end of 4th quarter 2013.

As of 31 December 2014, the closing price of the AS Tallinna Vesi share was 13.10 euros, which is a 3.2% (2013: 15.5%) increase compared to the closing price of 12.70 euros at the beginning of the quarter. During the same period the OMX Tallinn index decreased by -1.3% (2013: -2.3%).

In the twelve months of 2014 4 962 deals with the Company's shares were concluded (2013: 5 469 deals) during which 1 239 thousand shares or 6.2% exchanged their owners (2013: 1 853 thousand shares or 9.3%).

The turnover of the transactions was 3 192 thousand euros lower than in 2013 amounting to 15 947 thousand euros. The share price has shown an increase despite of the on-going contractual debate.



Operational performance

Similarly to previous years, in 2014 can be characterized by permanently high quality levels. Above all, it gives security to our consumers that they are provided with a high-quality drinking water. Low leakage level is another positive sign of the Company's excellent performance. We continue to commit to the improvement of customer service and focus on our activities in increasing the environmental awareness of the community. Operational indicators in 2014 are as follows:

Indicator	2014 12 months	2013 12 months
Drinking water		
Compliance of water quality at the customers tap	99.80%	99.70%
Water loss in the water distribution network	16.14%	16.98%
Average duration of water interruptions per property	3.15 h	3.46 h
Wastewater		
Number of sewer blockages	757	762
Number of customer contacts regarding flooding, blockages and storm water	1 060	1 405
Wastewater treatment compliance with environmental standards	100%	100%
Customer Service		
Number of written complaints	76	118
Number of customer contacts regarding water quality	152	252
Number of customer contacts regarding water pressure	380	576
Responding written customer contacts within at least 2 work days	99.1%	99.1%
Number of failed promises	54	117
Notification of unplanned water interruptions at least 1h before the interruption	95.00%	96.90%

Corporate structure

At the end of the quarter, 31 December 2014, 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.

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

More information about the Supervisory Council and committees can be found in the note 12 to the financial statements as well as from the Company's webpage:

<http://tallinnavesi.ee/en/Investor/Corporate-Governance/Supervisory-Board>

<http://tallinnavesi.ee/en/Investor/Corporate-Governance/Audit-Committee>

<http://tallinnavesi.ee/en/Investor/Corporate-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 and Supervisory Board 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 Board 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 2nd of June 2014 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 20 March 2017), Aleksandr Timofejev (with the powers of the Management Board Member until 29 October 2015) and Riina Käi (with the powers of the Management Board Member until 29 October 2015).

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

<http://tallinnavesi.ee/en/Investor/Corporate-Governance/Management-Board>

Future actions & risks

Legal claim for breach of international treaty

In May 2014, the Supervisory Council of the Company gave notice of potential international arbitration proceedings against the Republic of Estonia for breaching the undertakings it is required to abide by in the bilateral investment treaty.

In October 2014 AS Tallinna Vesi and its shareholder United Utilities (Tallinn) B.V have commenced international arbitration proceedings against the Republic of Estonia for breach of the Agreement on the Encouragement and Reciprocal Protection of Investments between the Kingdom of The Netherlands and the Republic of Estonia.

The claim was filed as three years of intensive negotiation to try and reach an amicable settlement that has not happened.

Additional details surrounding this claim can be found via the following links:

<https://newsclient.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=609264&messageId=754811>

<https://newsclient.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=627851&messageId=779161>

Disclosure of relevant papers and perspectives

The Company has published its tariff application and all relevant correspondence with the CA on its website (<http://www.tallinnavesi.ee/?op=body&id=728>) and to the Tallinn Stock Exchange and will keep its investors informed of all future developments regarding the further key developments regarding the processing of the tariff application.

In opposite to the Company the CA has requested the Court procedures to be closed. Based on misleading information submitted by the CA the Court approved the CA's request. ASTV has reapplied for open proceedings.

At this point in time the Company is unable to say what is going to happen to the tariffs before Court judgments and outcome of an arbitration. The outcome and lengths of the Court proceedings and arbitration is outside the control of the Company.

Additional information:

Karl Heino Brookes

Chairman of the Management Board

+372 6262 201

karl.brookes@tvesi.ee

AS TALLINNA VESI

Consolidated Unaudited Interim Condensed Financial Statements
for the 12 months period of financial year 2014 ended 31 December 2014

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 12 months period of financial year 2014 ended 31 December 2014. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 31 December 2014 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 true and fair view of the assets, liabilities, financial position and profit of the company. During the preparation of condensed financial statements, the Management has made no changes in critical estimates that would have cast a significant impact on the results.

The interim report gives a true and fair view of the main events that occurred during the 12 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.

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 29 January 2015 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

Riina Käi

Member of the Management Board
Chief Financial Officer

29 January 2015

Introduction and photos of the Management Board members are published at company's web page.
<http://www.tallinnavesi.ee/en/Investor/Corporate-Governance/Management-Board>

AS TALLINNA VESI

Consolidated Unaudited Interim Condensed Financial Statements
for the 12 months period of financial year 2014 ended 31 December 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (thousand EUR)

ASSETS	Note	2014	as of 31 December 2013
CURRENT ASSETS			
Cash and cash equivalents	2	38 560	31 786
Trade receivables, accrued income and prepaid expenses		8 261	15 010
Inventories		412	429
TOTAL CURRENT ASSETS		47 233	47 225
NON-CURRENT ASSETS			
Other long-term receivables		0	2 213
Property, plant and equipment	3	157 481	152 246
Intangible assets	3	862	1 037
TOTAL NON-CURRENT ASSETS		158 343	155 496
TOTAL ASSETS		205 576	202 721
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current portion of long-term borrowings		261	2 146
Trade and other payables		4 855	4 761
Derivatives		1 078	1 816
Prepayments		2 631	2 490
TOTAL CURRENT LIABILITIES		8 825	11 213
NON-CURRENT LIABILITIES			
Deferred income from connection fees		12 567	10 143
Borrowings		96 250	93 618
Derivatives		761	507
Other payables		23	32
TOTAL NON-CURRENT LIABILITIES		109 601	104 300
TOTAL LIABILITIES		118 426	115 513
EQUITY			
Share capital		12 000	12 000
Share premium		24 734	24 734
Statutory legal reserve		1 278	1 278
Retained earnings		49 138	49 196
TOTAL EQUITY		87 150	87 208
TOTAL LIABILITIES AND EQUITY		205 576	202 721

Notes to the consolidated financial statements on pages 6 to 12 form an integral part of the condensed financial statements.

AS TALLINNA VESI

Consolidated Unaudited Interim Condensed Financial Statements
for the 12 months period of financial year 2014 ended 31 December 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousand EUR)

		Quarter 4		for the year ended 31 December	
	Note	2014	2013	2014	2013
Revenue	4	13 310	13 778	53 241	53 087
Costs of goods sold	6	-5 363	-5 484	-22 399	-22 505
GROSS PROFIT		7 947	8 294	30 842	30 582
Marketing expenses	6	-106	-152	-456	-690
General administration expenses	6	-1 229	-1 440	-5 517	-5 060
Other income (+)/ expenses (-)	7	-7	-151	-41	-75
OPERATING PROFIT		6 605	6 551	24 828	24 757
Financial income	8	58	98	432	681
Financial expenses	8	-375	-456	-2 532	-877
PROFIT BEFORE TAXES		6 288	6 193	22 728	24 561
Income tax on dividends	9	0	0	-4 785	-4 625
NET PROFIT FOR THE PERIOD		6 288	6 193	17 943	19 936
COMPREHENSIVE INCOME FOR THE PERIOD		6 288	6 193	17 943	19 936
Attributable profit to:					
Equity holders of A-shares		6 287	6 192	17 942	19 935
B-share holder		0,60	0,60	0,60	0,60
Earnings per A share (in euros)	10	0,31	0,31	0,90	1,00
Earnings per B share (in euros)	10	600	600	600	600

Notes to the consolidated financial statements on pages 6 to 12 form an integral part of the condensed financial statements.

AS TALLINNA VESI

Consolidated Unaudited Interim Condensed Financial Statements
for the 12 months period of financial year 2014 ended 31 December 2014

CONSOLIDATED CASH FLOW STATEMENT

(thousand EUR)

		for the year ended 31 December	
	Note	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		24 828	24 757
Adjustment for depreciation/amortisation	6	5 851	5 809
Adjustment for profit from government grants and revenues from connection fees		-150	-117
Other non-cash adjustments		-33	11
Profit/loss(+) from sale and write off of property, plant and equipment, and intangible assets		145	-138
Change in current assets involved in operating activities		1 165	-433
Change in liabilities involved in operating activities		-357	-92
Total cash flow from operating activities		31 449	29 797
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loan		0	3 814
Acquisition of property, plant and equipment, and intangible assets		-9 646	-9 187
Compensations received for construction of pipelines		10 523	7 885
Proceeds from sale of property, plant and equipment, and intangible assets		13	165
Interest received		432	693
Total cash flow used in investing activities		1 322	3 370
CASH FLOWS FROM FINANCING ACTIVITIES			
Received loans		20 000	0
Repayment of loans		-20 000	0
Interest paid and loan financing costs, incl swap interests		-2 995	-3 154
Repayment of finance lease		-216	-136
Dividends paid	9	-18 001	-17 401
Income tax on dividends	9	-4 785	-4 625
Total cash flow used in financing activities		-25 997	-25 316
Change in cash and cash equivalents		6 774	7 851
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		31 786	23 935
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		38 560	31 786
	2		

Notes to the consolidated financial statements on pages 6 to 12 form an integral part of the condensed financial statements.

AS TALLINNA VESI

Consolidated Unaudited Interim Condensed Financial Statements
for the 12 months period of financial year 2014 ended 31 December 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousand EUR)

	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
as of 31 December 2012	12 000	24 734	1 278	46 661	84 673
Dividends	0	0	0	-17 401	-17 401
Comprehensive income for the period	0	0	0	19 936	19 936
as of 31 December 2013	12 000	24 734	1 278	49 196	87 208
Dividends	0	0	0	-18 001	-18 001
Comprehensive income for the period	0	0	0	17 943	17 943
as of 31 December 2014	12 000	24 734	1 278	49 138	87 150

Notes to the consolidated financial statements on pages 6 to 12 form an integral part of the condensed financial statements.

AS TALLINNA VESI

Consolidated Unaudited Interim Condensed Financial Statements

for the 12 months period of financial year 2014 ended 31 December 2014

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS (thousand EUR)

NOTE 1. ACCOUNTING PRINCIPLES

The interim accounts have been prepared according to International Financial Reporting Standards as adopted by the EU. The same accounting policies are followed in the interim financial statements as in the most recent annual financial statements. The interim report is prepared in accordance with IAS 34 Interim Financial Reporting.

NOTE 2. CASH AND CASH EQUIVALENTS

	as of 31 December	
	2014	2013
Cash in hand and in bank	13 358	3 295
Short-term deposits	25 202	28 491
Total cash and cash equivalents	38 560	31 786

AS TALLINNA VESI

Consolidated Unaudited Interim Condensed Financial Statements
for the 12 months period of financial year 2014 ended 31 December 2014

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

(thousand EUR)

NOTE 3. PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

	Property, plant and equipment				Assets in progress		Intangible assets		Total property, plant and equipment and intangible assets
	Land and buildings	Facilities	Machinery and equipment	Other equipment	Construction in progress	Unfinished intangible assets	Acquired licenses and other intangible assets		
as of 31 December 2012									
Acquisition cost	24 793	167 389	44 018	1 302	2 258	1 040	25	5 899	246 724
Accumulated depreciation	-5 384	-55 543	-29 611	-862	0	0	0	-4 770	-96 170
Net book value	19 409	111 846	14 407	440	2 258	1 040	25	1 129	150 554
Transactions in the period 01 January 2013 - 31 December 2013									
Acquisition in book value	0	0	0	0	6 127	2 103	421	0	8 651
Write off and sale of property, plant and equipment, and intangible assets in residual value	0	0	-7	-8	0	-99	0	1	-113
Reclassification	58	7 724	2 030	52	-7 808	-2 056	-419	419	0
Depreciation	-278	-2 717	-2 195	-80	0	0	0	-539	-5 809
as of 31 December 2013									
Acquisition cost	24 851	175 032	44 874	1 321	577	988	27	5 517	253 187
Accumulated depreciation	-5 662	-58 179	-30 639	-917	0	0	0	-4 507	-99 904
Net book value	19 189	116 853	14 235	404	577	988	27	1 010	153 283
Transactions in the period 01 January 2014 - 31 December 2014									
Acquisition in book value	0	0	0	0	8 428	2 475	166	0	11 069
Write off and sale of property, plant and equipment, and intangible assets in residual value	0	-7	-47	0	-17	-87	0	0	-158
Reclassification	839	6 544	2 961	61	-8 300	-2 105	-118	118	0
Depreciation	-279	-2 760	-2 389	-82	0	0	0	-341	-5 851
as of 31 December 2014									
Acquisition cost	25 689	181 365	47 206	1 359	688	1 271	75	5 013	262 666
Accumulated depreciation	-5 940	-60 735	-32 446	-976	0	0	0	-4 226	-104 323
Net book value	19 749	120 630	14 760	383	688	1 271	75	787	158 343

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.

As of 31 December 2014 the book value of the assets (Machinery and equipment) leased under financial lease is 1 664 thousand euros (31 December 2013: 861 thousand euros).

AS TALLINNA VESI

Consolidated Unaudited Interim Condensed Financial Statements
for the 12 months period of financial year 2014 ended 31 December 2014

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

(thousand EUR)

NOTE 4. REVENUE	Quarter 4		for the year ended 31 December	
	2014	2013	2014	2013
Revenues from main operating activities				
Total water supply and waste water disposal service, incl:	12 340	12 111	48 598	47 737
<u>Private clients, incl:</u>	<u>6 139</u>	<u>6 026</u>	<u>24 154</u>	<u>23 642</u>
Water supply service	3 390	3 329	13 303	13 022
Wastewater disposal service	2 749	2 697	10 851	10 620
<u>Corporate clients, incl:</u>	<u>4 848</u>	<u>4 776</u>	<u>19 085</u>	<u>19 053</u>
Water supply service	2 681	2 640	10 664	10 585
Wastewater disposal service	2 167	2 136	8 421	8 468
<u>Outside service area clients, incl:</u>	<u>1 163</u>	<u>1 163</u>	<u>4 520</u>	<u>4 308</u>
Water supply service	319	294	1 153	1 095
Wastewater disposal service	741	721	2 957	2 730
Storm water disposal service	103	148	410	483
<u>Over pollution fee</u>	<u>190</u>	<u>146</u>	<u>839</u>	<u>734</u>
Storm water treatment and disposal service and fire hydrants service	593	980	3 073	3 424
Construction service and design	228	437	925	1 146
Other works and services	149	250	645	780
Total revenue	13 310	13 778	53 241	53 087

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

NOTE 5. STAFF COSTS	Quarter 4		for the year ended 31 December	
	2014	2013	2014	2013
Salaries and wages	-1 267	-1 326	-5 255	-5 233
Social security and unemployment insurance taxation	-422	-442	-1 750	-1 744
Staff costs total	-1 689	-1 768	-7 005	-6 977

Number of employees at the end of reporting period	321	304
---	------------	------------

AS TALLINNA VESI

Consolidated Unaudited Interim Condensed Financial Statements
for the 12 months period of financial year 2014 ended 31 December 2014

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

(thousand EUR)

NOTE 6. COST OF GOODS SOLD, MARKETING AND ADMINISTRATIVE EXPENSES

Cost of goods sold	Quarter 4		for the year ended 31 December	
	2014	2013	2014	2013
Water abstraction charges	-267	-257	-1 057	-997
Chemicals	-444	-424	-1 737	-1 734
Electricity	-743	-826	-3 032	-3 392
Pollution tax	-328	-58	-2 163	-1 872
Staff costs	-1 157	-1 202	-4 880	-4 833
Depreciation and amortization	-1 342	-1 266	-5 370	-5 115
Construction service and design	-173	-357	-775	-947
Other costs of goods sold	-909	-1 094	-3 385	-3 615
Total cost of goods sold	-5 363	-5 484	-22 399	-22 505
Marketing expenses				
Staff costs	-87	-94	-340	-375
Depreciation and amortization	-7	-41	-63	-244
Other marketing expenses	-12	-17	-53	-71
Total marketing expenses	-106	-152	-456	-690
Administrative expenses				
Staff costs	-445	-472	-1 785	-1 769
Depreciation and amortization	-69	-90	-287	-339
Other general administration expenses	-715	-878	-3 445	-2 952
Total administrative expenses	-1 229	-1 440	-5 517	-5 060

NOTE 7. OTHER INCOME / EXPENSES

	Quarter 4		for the year ended 31 December	
	2014	2013	2014	2013
Connection fees	34	32	143	117
Depreciation of single connections	-27	-31	-131	-111
Doubtful receivables expenses (-) / expense reduction (+)	-7	-79	141	45
Other income / expenses (-)	-7	-73	-194	-126
Total other income / expenses	-7	-151	-41	-75

AS TALLINNA VESI

Consolidated Unaudited Interim Condensed Financial Statements
for the 12 months period of financial year 2014 ended 31 December 2014

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

(thousand EUR)

NOTE 8. FINANCIAL INCOME AND EXPENSES

	Quarter 4		for the year ended 31 December	
	2014	2013	2014	2013
Interest income	58	98	432	681
Interest expense, loan	-270	-276	-1 137	-1 087
Interest expense, swap	-491	-495	-1 846	-2 024
Increase (+) /decrease (-) of fair value of swap	390	319	483	2 255
Other financial income (+)/ expenses (-)	-4	-4	-32	-21
Total financial income / expenses	-317	-358	-2 100	-196

NOTE 9. DIVIDENDS

	for the year ended 31 December	
	2014	2013
Dividends declared during the period	18 001	17 401
Dividends paid during the period	18 001	17 401
Income tax on dividends paid	-4 785	-4 625
Income tax accounted for	-4 785	-4 625
<i>Paid-up dividends per shares:</i>		
Dividends per A-share (in euros)	0,90	0,87
Dividends per B-share (in euros)	600	600

Income tax rates in 2014 and 2013 were 21/79.

NOTE 10. EARNINGS PER SHARE

	Quarter 4		for the year ended 31 December	
	2014	2013	2014	2013
Net profit minus B-share preferred dividend rights	6 287	6 192	17 942	19 935
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
Earnings per A share (in euros)	0,31	0,31	0,90	1,00
Earnings per B share (in euros)	600	600	600	600

Diluted earnings per share for the periods ended 31 December 2014 and 2013 are equal to earnings per share figures stated above.

AS TALLINNA VESI

Consolidated Unaudited Interim Condensed Financial Statements
for the 12 months period of financial year 2014 ended 31 December 2014

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

(thousand EUR)

NOTE 11. 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 in working capital on the statement of financial position of the Group**

	as of 31 December			
			2014	2013
Accounts receivable			503	550
Accrued income			1 576	8 154
Other long-term receivables			0	2 161
Trade and other payables			199	197
Transactions		Quarter 4	for the year ended 31 December	
	2014	2013	2014	2013
Revenue	593	980	3 073	3 424
Purchase of administrative and consulting services	273	260	1 041	1 020
Financial income (+)/ decrease (-) of financial income	34	76	327	434
Fees for Management Board (excluding social tax)	60	65	304	294
Supervisory Board fees (excluding social tax)	9	10	39	40

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 some Board Members have 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".

Company'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.

38 thousand euros were paid to the Management Board members as termination fees in the year that ended on 31 December 2014 (in the year that ended on 31 December 2013: 18 thousand euros). The off balance sheet potential salary liability would be up to 61,5 thousand euros (excluding social tax) if the Supervisory Board would want to replace all Management Board members.

Company shares belonging to the Management Board and Supervisory Board members

As of 31 December 2014 from all Supervisory Council and Management Board members Riina Käi owned 100 shares (As of 31 December 2013: Riina Käi owned 100 shares).

AS TALLINNA VESI

Consolidated Unaudited Interim Condensed Financial Statements
for the 12 months period of financial year 2014 ended 31 December 2014

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

NOTE 12. LIST OF SUPERVISORY BOARD MEMBERS

Simon Roger Gardiner	Chairman of the Supervisory Board
Steven Richard Fraser	Member of the Supervisory Board
Martin Padley	Member of the Supervisory Board
Brendan Francis Murphy	Member of the Supervisory Board
Toivo Tootsen	Member of the Supervisory Board
Mart Mägi	Member of the Supervisory Board
Rein Ratas	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 and introduction with photos in 2013 Yearbook.

<http://www.tallinnavesi.ee/en/Investor/Corporate-Governance/Supervisory-Board>

http://tallinnavesi.ee/images/stories/dokumendid/Investor/tv_ar_2013_eng.pdf

NOTE 13. CONTINGENT LIABILITY REGARDING THE TARIFF RISK

On 10th October 2011 the Estonian Competition Authority (CA) issued a prescript for the Company to reduce the tariffs of water and sewerage services in Tallinn by 29%. The Company disagrees with the position of the CA and has turned to the Estonian Administrative Court disputing the prescription that seeks to break the privatization contract without any evidence to support its view that privatization contract should not be honoured. The court has granted an injunction to stop the prescription from taking effect. The length of the court process and the decision are not within the Company's control and the end of the proceedings cannot be estimated.

The management has evaluated the potential claims against the Company, if the Court ruling would support the CA's position. As result of this, it is possible that the Company could potentially suffer an outflow of economic benefits of up to 40,1 mln euros – the part that CA considers to be excessively charged from the clients going back three years from time of the final judgment.