AS Tallinna Vesi
Results of operations – for the 1st quarter of 2015

Currency	Thousand euros
Start of reporting period	1 January 2015
End of reporting period	31 March 2015
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Field of activity	Production, treatment and distribution of water; storm and wastewater disposal and treatment

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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.
- In 2015, there has been three hearings in the local court as regards to the tariff dispute. The decision from the Administrative court is expected in May 2015. At the same time, the Company would like to stress that this decision will not likely to be final, as both parties may appeal it to the next degree of jurisdiction.
- 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.
- 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 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.
- 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.
- Average real return on capital invested at privatization is still 6.2% since 2001.

Financial highlights of 1st quarter 2015

The Group's sales revenues during the 1st quarter 2015 have increased, being up 2.0% to 13.57 mln euros compared to the same period in 2014.

The gross profit in the 1st quarter of 2015 has increased 11.2% or 0.81 mln euros. Increase in gross profit is mainly related to lower pollution tax costs compared to the comparative period in 2014.

The pollution tax has been lower in 1st quarter of 2015 compared to the same period last year as at the beginning of 2014 the Group had problems with 400 times lowered allowed concentrations of heavy metals in the treated effluent, compared to the previous water permit limits. The problem was resolved with the issuance of the revised water permit in September 2014. In the revised water permit the concentration limits for heavy metals have been removed. The revised water permit is valid till the end of 1st quarter 2018.

The operating profit from Group's main activities has increased 18.3% to 6.66 mln euros, mainly due to the lower pollution tax costs, but also due to lower administrative costs.

The net profit for the 1st quarter without the additional exceptional changes that affected the pollution tax in 2014 and impact that resulted from the change of the fair value of swap contracts was 1.4% or 0.08 mln euros higher than in the comparative period last year.

mln €	**1 Q 2013**	**1 Q 2014**	**1 Q 2015**	**Change 15/14**
Sales	12,69	13,31	13,57	2,0%
Gross profit	7,52	7,26	8,07	11,2%
Gross profit margin %	59,28	54,59	59,51	9,0%
Operating profit	6,16	5,68	6,68	17,6%
Operating profit - main business	6,14	5,63	6,66	18,3%
Operating profit margin %	48,50	42,71	49,26	15,3%
Profit before taxes	6,21	5,06	6,38	26,1%
Net profit	6,21	5,06	6,38	26,1%
Net profit margin %	48,96	38,03	47,04	23,7%
ROA %	3,01	2,42	3,01	24,3%
Debt to total capital employed	55,94	55,81	55,85	0,1%
ROE %	6,84	5,49	6,82	24,4%
Current ratio	5,42	4,60	6,81	48,1%

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 1st QUARTER 2015

Profit and Loss Statement

1st quarter 2015

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 1st quarter of 2015 the Group's total sales increased, year on year, by 2.0% to 13.57 mln euros. 90.4% of sales comprise of sales of water and wastewater services to domestic and commercial customers within and outside of the service area. 6.2% of sales are the fees received from the City of Tallinn for operating and maintaining the storm water system and fire hydrants and 3.4% from other works and services.

Sales of water and wastewater services were 12.26 mln euros, a 1.8% increase compared to the 1st quarter of 2014, resulting from the changes in sales volumes as described below.

Within the service area, sales to residential customers were at 6.15 mln euros, showing a 1.8% 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 0.4% to 4.67 mln euros. Sales to customers outside of the main service area has increased by 9.1% to 1.25 mln euros. 38.8% or 0.05 mln euros increase in stormwater revenues were accompanied by higher water and wastewater sales respectively 0.04 mln euros and 0.02 mln euros. Over pollution fees received were 0.19 mln euros, a 5.2% decrease compared to the 1st quarter of 2014.

	Quarter 1			Variance 15/14	
Revenues from main operating activities (th.€)	**2015**	**2014**	**2013**	**€**	**%**
Private clients, incl:	6 154	6 047	5 932	107	1,8%
Water supply service	3 386	3 327	3 264	59	1,8%
Wastewater disposal service	2 768	2 720	2 668	48	1,8%
Corporate clients, incl:	4 672	4 654	4 606	18	0,4%
Water supply service	2 569	2 580	2 509	-11	-0,4%
Wastewater disposal service	2 103	2 074	2 097	29	1,4%
Outside service area clients, incl:	1 249	1 145	1 002	104	9,1%
Water supply service	292	255	253	37	14,5%
Wastewater disposal service	771	756	661	15	2,0%
Storm water disposal service	186	134	88	52	38,8%
Over pollution fee	184	194	179	-10	-5,2%
Storm water treatment and disposal service and fire hydrant service	844	991	726	-147	-14,8%
Construction service and design	342	130	98	212	163,1%
Other works and services	123	146	150	-23	-15,8%

The sales from the operation and maintenance of the storm water and fire-hydrant system in the main service area have decreased by 14.8% to 0.84 mln euros in the 1st quarter of 2015 compared to the same period in 2014.

The sales of construction activities and design services have increased by 163.1% to 0.34 mln euros in the 1st quarter of 2015 compared to 1st quarter of 2014.

Cost of Goods Sold and Gross profit

The cost of goods sold for the main operating activity was 5.49 mln euros in the 1st quarter of 2015, showing 0.55 mln euros or 9.1% decrease compared to the equivalent period in 2014. The cost decrease is mainly influenced by lower pollution tax costs, which is balanced by the increased construction services costs in the 1st quarter of 2015.

Cost of goods sold (th.€)	Quarter 1			Variance 15/14	
	2015	**2014**	**2013**	**€**	**%**
Water abstraction charges	-270	-264	-246	-6	-2,3%
Chemicals	-360	-412	-420	52	12,6%
Electricity	-828	-837	-935	9	1,1%
Pollution tax	-300	-1 076	-216	776	72,1%
Total direct production costs	**-1 758**	**-2 589**	**-1 817**	**831**	**32,1%**
Staff costs	-1 348	-1 228	-1 216	-120	-9,8%
Depreciation and amortization	-1 394	-1 298	-1 299	-96	-7,4%
Construction service and design	-308	-87	-86	-221	-254,0%
Other costs of goods sold	-686	-841	-751	155	18,4%
Other costs of goods sold total	**-3 736**	**-3 454**	**-3 352**	**-282**	**-8,2%**
Total cost of goods sold	**-5 494**	**-6 043**	**-5 169**	**549**	**9,1%**

Total direct production costs (water abstraction charges, chemicals, electricity and pollution taxes) decreased by 0.83 mln euros or 32.1% year on year. Biggest decrease came from pollution tax. Other changes came from a combination of changes in prices and tax rates and movements in treatment volumes that affected the cost of goods sold together with the following additional factors:

- Water abstraction charges increased slightly by 0.01 mln euros or 2.3% to 0.27 mln euros in the 1st quarter of 2015, driven mainly by 5% raise in tax rates.
- Total chemicals costs decreased by 0.05 mln euros or 12.6% to 0.36 mln euros in the 1st quarter of 2015. Costs change were mainly influenced by the decrease in dosage used and chemicals price in sewage treated, which was balanced by increase in treated volumes. Chemicals costs were higher in water treatment mainly due to raw water quality.
- Electricity costs decreased by 0.01 mln euros or 1.1% in the 1st quarter of 2015 compared to the 1st quarter of 2014. Lower electricity costs were mostly derived from the decrease in electricity price and unit costs used, worth 0.04 mln euros. Positive effects were slightly reduced by increased volumes in treatment plants, worth 0.03 mln euros.
- In the 1st quarter of 2015 the pollution tax expense were lower by 0.78 mln euros or 72.1%. Lower costs are related to the change in the allowed concentration of heavy metals in treated effluent in the changed water permit effective in the first two quarters in 2014. Eliminating the one-off impact, the pollution tax expenses have been stable increasing only by 0.03 mln euros or 12.7% in the 1st quarter of 2015 compared to the relevant period in 2014.

  Without the above mentioned influence, the main contribution to increased pollution tax costs came from increased volumes treated in the amount of 0.05 mln euros and increased tax rates in the amount of 0.21 mln euros, balanced by the decreased pollution load in the amount of 0.23 mln euros.

Other costs of goods sold (staff costs, depreciation, construction services and other cost of goods sold) in the main operating activity increased by 0.28 mln euros or 8.2%. Most of the increase came from increase in construction services and depreciation costs, balanced by the decrease in other costs.

In 2015 the construction activities have been started earlier than in 2014 due to favourable weather conditions, increasing the costs related to construction in the 1st quarter compared to the same period in 2014. Increased staff costs by 9.8% or 0.12 mln euros are mainly related to the Group having a higher headcount to provide more efficient and broader range of insourced services. Decrease in other costs were related to less maintenance works.

As a result of all above the Group's gross profit for the 1st quarter of 2015 was 8.07 mln euros, which is increased by 0.81 mln euros or 11.2%, compared to the gross profit of 7.26 mln euros for the 1st quarter of 2014.

Other Operating Costs

General administration expenses decreased in total 0.15 mln euros or 11.1%. The consultation and legal fees and their timing continue to have an impact on the administrative expenses.

Other net income/expenses

Other net costs resulted a net expense of 0.04 mln euros, compared to 0.05 mln euros net expense in the 1st quarter of 2014. The results in the 1st quarters have mainly been influenced by the change in amount of doubtful receivables.

Operating profit

As a result of the factors listed above the Group's operating profit for the 1st quarter of 2015 totalled 6.68 mln euros compared to 5.68 mln euros in the corresponding quarter in 2014, which shows an increase of 1.00 mln euros or 17.6%. Removing the pollution tax impact in relation to the concentration limits for heavy metals, the Group's operating profit had been 3.0% or 0.19 mln euros higher.

Financial expenses

The Group's net financial expenses have decreased 0.32 euros or 51.6% amounting to 0.30 mln euros in the 1st quarter of 2015. It is mainly impacted by a positive change of the fair value of the swap contracts. Positive impact is balanced by a decline in 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 1.43 mln euros. Effective interest rate (incl. swap interests) in the 1st quarter of 2015 was 3.13%, amounting in the interest costs of 0.74 mln euros, compared to the effective interest rate of 3.07% and the interest costs of 0.73 mln euros into the 1st quarter of 2014. In April 2015, the Company signed 4 SWAP contracts in the notional amount of 45 mln euros. The contracts will become effective from the 1st of June 2015 after the existing contracts have finished. The interest rates fixed in the new contracts are on average 2.9% lower than for the contracts that will come to an end.

Profit Before and After Tax

The Group's profit before and after taxes for the 1st quarter of 2015 was 6.38 mln euros, which is 1.32 mln euros or 26.1% higher than the profit before taxes of 5.06 mln euros for the 1st quarter of 2014, resulting mainly from increased revenues and lower pollution tax costs, professional fees and net financial expenses as described above. Eliminating the influence of the pollution tax and derivatives fair value, the Group's profit before and after taxes for the 1st quarter of 2015 would have been 5.97 mln euros, which is 1.4% or 0.08 mln euros increase compared to the relevant period in 2014.

Balance sheet

In the three months of 2015 the Group invested 1.53 mln euros into fixed assets. As of 31 March 2015 non-current tangible assets amounted to 157.51 mln euros and total non-current assets amounted to 158.35 mln euros. (31. March 2014: 152.41 mln euros and 153.41 mln euros respectively).

Compared to the year end of 2014 there has been a reduction in receivables and prepayments in the amount of 1.53 mln euros to 6.73 mln euros which is mainly related to collection of money for network extension program.

Compared to the year end of 2014 the current liabilities have decreased by 0.97 mln euros to 7.86 mln euros. The movement is mainly related to the decrease in the fair value of the derivatives in the amount of 0.40 mln euros and change in prepayments in the amount of 0.65 mln euros.

The Group's loan balance has remained stable at 95 mln euros. 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 55.9%, in range of 55%-65%, reflecting the Group's equity profile. This level is consistent with the same period in 2014 when the total debt/total assets ratio was 55.8%.

Biggest share of the rest of the long term liabilities is deferred income from connection fees amounting to 13.54 mln euros (2014: 10.35 mln euros).

In the 4^{th} 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 4^{th} 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 flows

As of 31 March 2015 the cash position of the Group is strong. At the end of March 2015 the cash balance of the Group stood at 46.39 mln euros, which is 21.9% of the total assets (2014: 38.19 mln, which was 18.3% of the total assets).

The biggest contribution to the cash flows comes from main operations. During the three months of 2015, the Group generated 8.06 mln euros of cash flows from operating activities, an increase of 1.09 mln euros compared to the corresponding period in 2014.

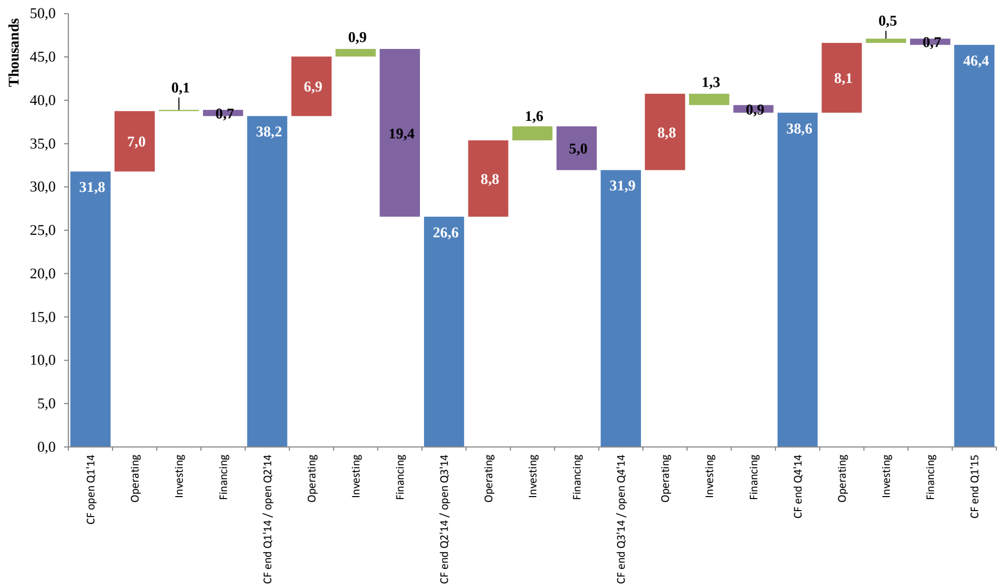
In 2015 the operating cash flows were above 2014 cash flows due to a change in operating profit and working capital. Underlying operating profit still continues to be the main contributor to operating cash flows. The collection of receivables is continuously strong.

The Group's cash flows from investing activities have also been positive for past two years. In the three months of 2015 the result of net cash flows from investing activities was a cash inflow of 0.48 mln euros, an increase of 0.34 mln euros compared to the inflow of 0.14 mln euros in the three months of 2014. This is made up as follows:

In the three months of 2015 the investments in fixed assets have increased 0.35 mln euros compared to 2014 amounting to 1.86 mln euros.

The compensations received for the construction of pipelines were 2.29 mln euros in the three months of 2015, an increase of 0.76 mln euros compared to same period of 2014. Most of the cash collected for pipes is related to the sewage network extension program which was ended in 2012. The collection for extension program ended in March 2015.

In the three months of 2015, cash outflow from financing amounted to 0.71 mln euros, which is on the same level compared to previous year.



Employees

At the end of the 1st quarter of 2015, the total number of employees was 313 compared to 304 at the end of the 1st quarter of 2014. The full time equivalent (FTE) was respectively 302 in 2015 compared to the 291 in 2014. 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

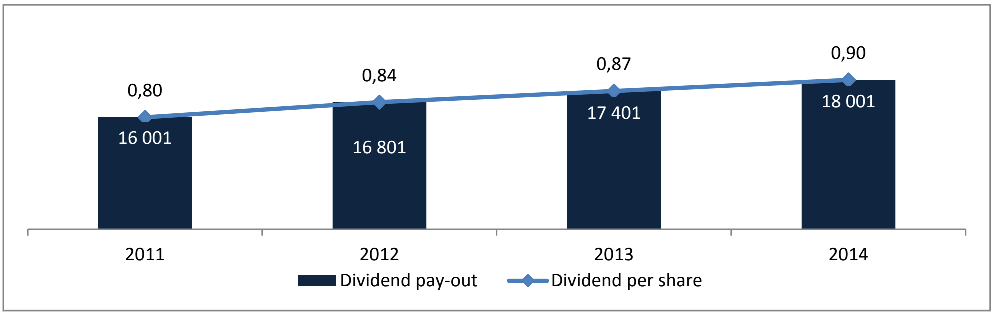
Dividend allocation to the shareholders is recorded as a liability in the financial statement of the Company at the time when the profit allocation and dividend payment is confirmed by the annual general meeting of shareholders.

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 on 27th of May 2015 the matter of dividend pay-out will be voted on. It will be in accordance with the Company's dividend policy.

Dividends will be paid out in June 2015.

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 March 2015 AS Tallinna Vesi shareholders, with a direct holding over 5%, were:

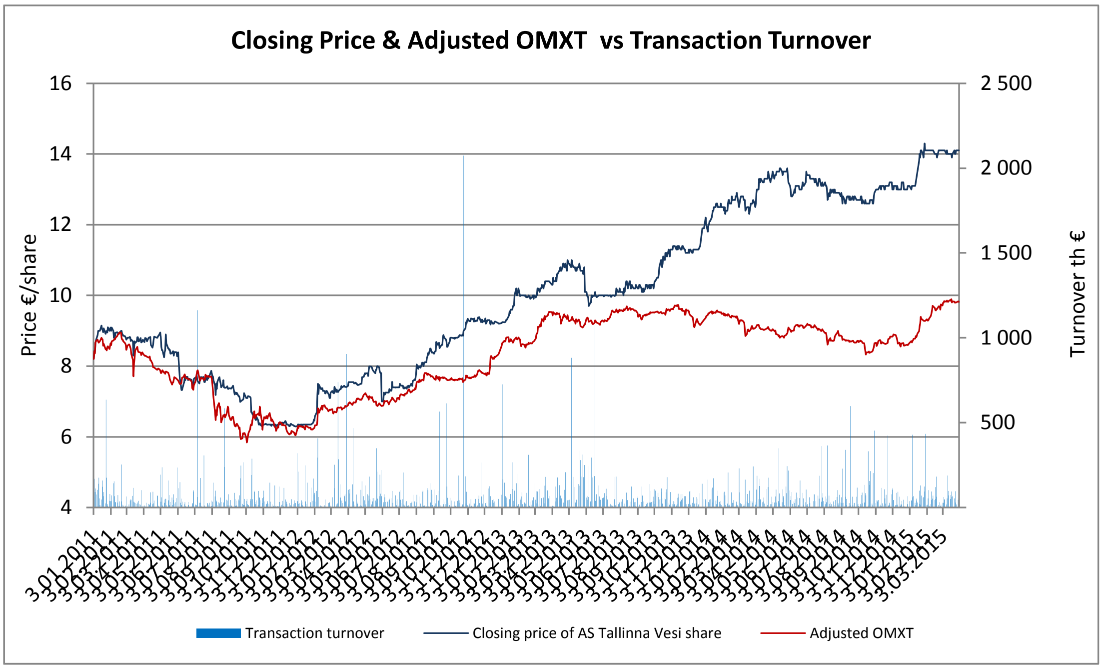
United Utilities (Tallinn) BV	35.3%
City of Tallinn	34.7%

During the three months of 2015 the shareholder structure has been relatively stable compared to the end of 2014. At the end of 1st quarter 2015 the pension funds owned 1.65% of the total shares compared to 1.54% at the end of 4th quarter 2014.

As of 31st March 2015, the closing price of the AS Tallinna Vesi share was 14.10 euros, which is a 7.6% (2014: 5.9%) increase compared to the closing price of 13.10 euros at the beginning of the quarter. During the same period the OMX Tallinn index increased by 14.3% (2014: -2.6%).

In the three months of 2015 1 324 deals with the Company's shares were concluded (2014: 1 255 deals) during which 309 thousand shares or 1.5% exchanged their owners (2014: 263 thousand shares or 1.3%).

The turnover of the transactions was 1 005 thousand euros lower than in 2014 amounting to 4 277 thousand euros. The share price has shown an increase despite of the on-going contractual debate.



Operational performance

Similarly to previous years, the first quarter of 2015 can be characterised by stability. Above all, it gives security to all consumers that they are provided with a high-quality drinking water, stable water supply and wastewater discharging service. In addition to the quality of service, we also concentrate on being a good partner for our customers. The feedback from the customers has become more and more positive, but despite of that we aim to continue making efforts to meet and exceed the customers' expectations.

Operational indicators for the 1st quarter of 2015

Indicator	2014 Q1	2015 Q1
Drinking water		
Compliance of water quality at the customers' tap	100%	100%
Water loss in the water distribution network	17.73 %	14.64%
Average duration of water interruptions per property in hours	2.29	3.05
Wastewater		
Number of sewer blockages	231	220
Number of sewer bursts	42	36
Number of customer contacts regarding blockages and storm water discharge	268	307
Wastewater treatment compliance with environmental standards	100 % (except for Zn and Cu)	100%
Customer Service		
Number of written complaints	15	21
Number of customer contacts regarding water quality	27	27
Number of customer contacts regarding water pressure	72	79
Responding written customer contacts within at least 2 work days	99.4%	99.1%
Number of failed promises	4	4
Notification of unplanned water interruptions at least 1 h before the interruption	97.4%	98.1%

Corporate structure

At the end of the quarter, 31 March 2015, 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/en/Investor/Regulation) 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:
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Chairman of the Management Board
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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 2015 ended 31 March 2015. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 31 March 2015 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 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 23 April 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

23 April 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousand EUR)

		as of 31 March		as of 31 December
ASSETS	**Note**	**2015**	**2014**	**2014**
CURRENT ASSETS				
Cash and cash equivalents	2	46 393	38 185	38 560
Trade receivables, accrued income and prepaid expenses		6 730	16 853	8 261
Inventories		406	371	412
TOTAL CURRENT ASSETS		**53 529**	**55 409**	**47 233**
NON-CURRENT ASSETS				
Other long-term receivables		0	36	0
Property, plant and equipment	3	157 510	152 410	157 481
Intangible assets	3	835	964	862
TOTAL NON-CURRENT ASSETS		**158 345**	**153 410**	**158 343**
TOTAL ASSETS		**211 874**	**208 819**	**205 576**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Current portion of long-term borrowings		286	2 146	261
Trade and other payables		4 915	5 545	4 855
Derivatives		678	1 793	1 078
Prepayments		1 980	2 566	2 631
TOTAL CURRENT LIABILITIES		**7 859**	**12 050**	**8 825**
NON-CURRENT LIABILITIES				
Deferred income from connection fees		13 535	10 345	12 567
Borrowings		96 175	93 584	96 250
Derivatives		750	551	761
Other payables		23	20	23
TOTAL NON-CURRENT LIABILITIES		**110 483**	**104 500**	**109 601**
TOTAL LIABILITIES		**118 342**	**116 550**	**118 426**
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		55 520	54 257	49 138
TOTAL EQUITY		**93 532**	**92 269**	**87 150**
TOTAL LIABILITIES AND EQUITY		**211 874**	**208 819**	**205 576**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (thousand EUR)

		Quarter 1		for the year ended 31 December
	Note	**2015**	**2014**	**2014**
Revenue	4	13 568	13 307	53 241
Costs of goods/services sold	6	-5 494	-6 043	-22 399
GROSS PROFIT		**8 074**	**7 264**	**30 842**
Marketing expenses	6	-137	-167	-456
General administration expenses	6	-1 214	-1 365	-5 517
Other income (+)/ expenses (-)	7	-40	-49	-41
OPERATING PROFIT		**6 683**	**5 683**	**24 828**
Financial income	8	36	134	432
Financial expenses	8	-337	-756	-2 532
PROFIT BEFORE TAXES		**6 382**	**5 061**	**22 728**
Income tax on dividends	9	0	0	-4 785
NET PROFIT FOR THE PERIOD		**6 382**	**5 061**	**17 943**
COMPREHENSIVE INCOME FOR THE PERIOD		**6 382**	**5 061**	**17 943**
Attributable profit to:				
Equity holders of A-shares		6 381	5 060	17 942
B-share holder		0,60	0,60	0,60
Earnings per A share (in euros)	10	0,32	0,25	0,90
Earnings per B share (in euros)	10	600	600	600

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

CONSOLIDATED CASH FLOW STATEMENT (thousand EUR)

	Note	3 months 2015	3 months 2014	for the year ended 31 December 2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		6 683	5 683	24 828
Adjustment for depreciation/amortisation	6	1 516	1 454	5 851
Adjustment for revenues from connection fees	7	-45	-35	-143
Other non-cash adjustments		-4	0	-33
Profit (-) /loss (+) from sale and write off of property, plant and equipment, and intangible assets		-2	3	145
Change in current assets involved in operating activities		-407	-813	1 165
Change in liabilities involved in operating activities		323	679	-364
Total cash flow from operating activities		**8 064**	**6 971**	**31 449**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment, and intangible assets		-1 856	-1 511	-9 646
Compensations received for construction of pipelines		2 285	1 522	10 523
Proceeds from sale of property, plant and equipment, and intangible assets		12	0	13
Interest received		40	127	432
Total cash flow from investing activities		**481**	**138**	**1 322**
CASH FLOWS FROM FINANCING ACTIVITIES				
Received loans		0	0	20 000
Repayment of loans		0	0	-20 000
Interest paid and loan financing costs, incl swap interests		-631	-671	-2 995
Repayment of finance lease		-81	-39	-216
Dividends paid	9	0	0	-18 001
Income tax on dividends	9	0	0	-4 785
Total cash flow used in financing activities		**-712**	**-710**	**-25 997**
Change in cash and cash equivalents		**7 833**	**6 399**	**6 774**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**38 560**	**31 786**	**31 786**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2	**46 393**	**38 185**	**38 560**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousand EUR)

	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
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**
as of 31 December 2013	**12 000**	**24 734**	**1 278**	**49 196**	**87 208**
Comprehensive income for the period	0	0	0	5 061	5 061
as of 31 March 2014	**12 000**	**24 734**	**1 278**	**54 257**	**92 269**
as of 31 December 2014	**12 000**	**24 734**	**1 278**	**49 138**	**87 150**
Comprehensive income for the period	0	0	0	6 382	6 382
as of 31 March 2015	**12 000**	**24 734**	**1 278**	**55 520**	**93 532**

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

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 March		**as of 31 December**
	2015	**2014**	**2014**
Cash in hand and in bank	18 590	861	13 358
Short-term deposits	27 803	37 324	25 202
Total cash and cash equivalents	**46 393**	**38 185**	**38 560**

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	Construction in progress - unfinished pipelines	Unfinished intangible assets	Acquired licenses and other intangible assets	
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**
Transactions in the period 01 January 2015 - 31 March 2015									
Acquisition in book value	0	0	0	0	1 142	347	39	0	1 528
Write off and sale of property, plant and equipment, and intangible assets in residual value	0	0	-10	0	0	0	0	0	-10
Reclassification	0	1 501	190	1	-717	-975	-61	61	0
Depreciation	-70	-716	-643	-21	0	0	0	-66	-1 516
as of 31 March 2015									
Acquisition cost	25 689	182 866	47 386	1 360	1 113	643	53	5 074	264 184
Accumulated depreciation	-6 010	-61 451	-33 089	-997	0	0	0	-4 292	-105 839
Net book value	**19 679**	**121 415**	**14 297**	**363**	**1 113**	**643**	**53**	**782**	**158 345**

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 March 2015 the book value of the assets (Machinery and equipment) leased under financial lease is 1 593 thousand euros (31 December 2014: 1 664 thousand euros).

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

NOTE 4. REVENUE

Revenues from main operating activities	**Quarter 1 2015**	**Quarter 1 2014**	**for the year ended 31 December 2014**
Total water supply and waste water disposal service, incl:	12 259	12 040	48 598
Private clients, incl:	6 154	6 047	24 154
Water supply service	3 386	3 327	13 303
Wastewater disposal service	2 768	2 720	10 851
Corporate clients, incl:	4 672	4 654	19 085
Water supply service	2 569	2 580	10 664
Wastewater disposal service	2 103	2 074	8 421
Outside service area clients, incl:	1 249	1 145	4 520
Water supply service	292	255	1 153
Wastewater disposal service	771	756	2 957
Storm water disposal service	186	134	410
Over pollution fee	184	194	839
Storm water treatment and disposal service and fire hydrants service	844	991	3 073
Construction service and design	342	130	925
Other works and services	123	146	645
Total revenue	**13 568**	**13 307**	**53 241**

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

NOTE 5. STAFF COSTS

	Quarter 1 2015	**Quarter 1 2014**	**for the year ended 31 December 2014**
Salaries and wages	-1 484	-1 347	-5 255
Social security and unemployment insurance taxation	-493	-461	-1 750
Staff costs total	**-1 977**	**-1 808**	**-7 005**
Number of employees at the end of reporting period	**313**	**304**	**321**

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

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

	Quarter 1		for the year ended 31 December
Cost of goods/services sold	**2015**	**2014**	**2014**
Water abstraction charges	-270	-264	-1 057
Chemicals	-360	-412	-1 737
Electricity	-828	-837	-3 032
Pollution tax	-300	-1 076	-2 163
Staff costs	-1 348	-1 228	-4 880
Depreciation and amortization	-1 394	-1 298	-5 370
Construction service and design	-308	-87	-775
Other costs of goods sold	-686	-841	-3 385
Total cost of goods/services sold	**-5 494**	**-6 043**	**-22 399**
Marketing expenses			
Staff costs	-112	-103	-340
Depreciation and amortization	-3	-41	-63
Other marketing expenses	-22	-23	-53
Total marketing expenses	**-137**	**-167**	**-456**
Administrative expenses			
Staff costs	-517	-477	-1 785
Depreciation and amortization	-76	-81	-287
Other general administration expenses	-621	-807	-3 445
Total administrative expenses	**-1 214**	**-1 365**	**-5 517**

NOTE 7. OTHER INCOME / EXPENSES

	Quarter 1		for the year ended 31 December
	2015	**2014**	**2014**
Connection fees	45	35	143
Depreciation of single connections	-43	-34	-131
Doubtful receivables expenses (-) / expense reduction (+)	-11	8	141
Other income / expenses (-)	-31	-58	-194
Total other income / expenses	**-40**	**-49**	**-41**

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

NOTE 8. FINANCIAL INCOME AND EXPENSES	Quarter 1		for the year ended 31 December
	2015	**2014**	**2014**
Interest income	36	134	432
Interest expense, loan	-263	-291	-1 137
Interest expense, swap	-481	-440	-1 846
Increase (+) /decrease (-) of fair value of swap	411	-22	483
Other financial income (+)/ expenses (-)	-4	-3	-32
Total financial income / expenses	**-301**	**-622**	**-2 100**

NOTE 9. DIVIDENDS	for the year ended 31 December
	2014
Dividends declared during the period	18 001
Dividends paid during the period	18 001
Income tax on dividends paid	-4 785
Income tax accounted for	**-4 785**
Paid-up dividends per shares:	
Dividends per A-share (in euros)	0,90
Dividends per B-share (in euros)	600

Dividend income tax rate in 2015 is 20/80. In 2014 dividend income taxe rate was 21/79.

NOTE 10. EARNINGS PER SHARE

	Quarter 1		for the year ended 31 December
	2015	**2014**	**2014**
Net profit minus B-share preferred dividend rights	6 381	5 060	17 942
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)	0,32	0,25	0,90
Earnings per B share (in euros)	600	600	600

Diluted earnings per share for the periods ended 31 March 2015 and 2014 and 31 December 2014 are equal to earnings per share figures stated above.

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 March**		**as of 31 December**
	2015	**2014**	**2014**
Accounts receivable	3	1 397	503
Accrued income	0	8 536	1 577
Trade and other payables	201	229	199

Transactions	**Quarter 1**		**for the year ended 31 December**
	2015	**2014**	**2014**
Revenue	844	991	3 073
Purchase of administrative and consulting services	266	256	1 041
Financial income	14	100	327
Fees for Management Board (excluding social tax)	46	87	170
Supervisory Board fees (excluding social tax)	8	10	39

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”.

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.

In the first quarters of 2015, management board members were not paid any leaving compensation (in the first quarters of 2014 and throughout the year ending on 31 December 2014, a total of 38 thousand euros were paid). The off balance sheet potential salary liability would be up to 69 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 March 2015 from all Supervisory Council and Management Board members Riina Käi owned 100 shares (As of 31 March and 31 December 2014: Riina Käi owned 100 shares).

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.