AS Tallinna Vesi

Results of operations – for the 3rd quarter of 2015

Currency	Thousand euros
Start of reporting period	1 January 2015
End of reporting period	30 September 2015
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Field of activity	Production, treatment and distribution of water; storm and wastewater disposal and treatment

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MANAGEMENT REPORT

Contractual Highlights

- Tariffs of AS Tallinna Vesi 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 unilateral breach of privatization agreement by the 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 using 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, and should the contract not be honoured, the company will have a claim against the Estonian state.
- 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 over the lifetime of the international privatisation contract up to 2020. The claim estimation includes future volumes and expectations for consumer price index (CPI). As the CPI has been recently lower than at the time of submitting the estimated, the estimated undiscounted value of the claim is around 74 million euros compared to over the 90 million euros submitted. The Court decided to stay the claim proceeding until the main tariff dispute is resolved.
- In 2015, there has been three hearings in the local court as regards to the tariff dispute. On 5th of June, the Tallinn Administrative Court dismissed the Company's complaint in tariff dispute providing no reasoning behind the decision.
- Tallinn Administrative Court released the reasoning of the dismissal of AS Tallinna Vesi's complaints on 12th of October 2015. Tallinn Administrative Court formed an opinion that the tariffs part of the Services Agreement, which has been deemed to be as a public law contract by the Estonian Courts in 2012, is not binding on the Competition Authority. AS Tallinna Vesi finds the opinion formed by the Court to be unfounded. AS Tallinna Vesi will prepare and file the appeal to the next court instance latest by 11th of November 2015.
- In October 2014, in parallel to the local dispute about tariffs 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.
- On 17th of June 2015, the timetable of the International Arbitration Proceedings was determined, with the final hearing set for November 2016. Procedural orders and decisions issued during the arbitration process, subject to the redaction of the confidential information, are available on the ICSID website.
- International Arbitration Proceedings are being held in parallel and separately from local Court dispute.
- 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.
- 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.

Financial highlights of 3rd quarter 2015

The Group's sales revenues during the 3rd quarter of 2015 was 14.08 mln euros, being up by 6.3% or 0.83 mln euros compared to the same period in 2014.

The gross profit in the 3rd quarter of 2015 was 7.99 mln euros, showing an increase by 1.1% or 0.08 mln euros. Increase in gross profit is mainly related to higher revenues from construction and asphalting.

The operating profit was 5.92 mln euros, showing a decrease by 6.8% or 0.43 mln euros. The operating profit was impacted by the increased staff costs due to higher number of people employed as well as slightly higher salaries and increased legal costs related to tariff dispute.

The net profit for the 3rd quarter of 2015 was 5.10 mln euros, being down by 12.5% or 0.73 mln euros, mainly due to mentioned increase in staff and legal expenses but also by the negative change in fair value of swap contracts in the 3rd quarter in 2015 by 0.44 mln euros, which was partly balanced by the decrease in interest costs. The net profit for the 3rd quarter of 2015 and 2014 without the impact that resulted from the change of the fair value of swap contracts was respectively 5.54 mln euros and 5.67 mln euros, being 2.4% or 0.13 mln euros lower than in the comparative period last year.

mln €	**3 Q 2013**	**3 Q 2014**	**3 Q 2015**	**Change 15/14**	**9 months 2013**	**9 months 2014**	**9 months 2015**	**Change 15/14**
Sales	13.12	13.25	14.08	6.3%	39.31	39.93	41.39	3.7%
Gross profit	7.44	7.90	7.99	1.1%	22.29	22.90	24.07	5.1%
Gross profit margin %	56.71	59.64	56.72	-4.9%	56.70	57.34	58.15	1.4%
Operating profit	6.31	6.35	5.92	-6.8%	18.21	18.22	18.83	3.3%
Operating profit - main business	6.11	6.34	5.77	-9.0%	17.95	17.97	18.60	3.5%
Operating profit margin %	48.07	47.91	42.02	-12.3%	46.31	45.64	45.50	-0.3%
Profit before taxes	5.80	5.83	5.10	-12.5%	18.37	16.44	18.12	10.2%
Net profit	5.80	5.83	5.10	-12.5%	13.74	11.66	13.62	16.9%
Net profit margin %	44.16	43.97	36.22	-17.6%	34.96	29.19	32.91	12.7%
ROA %	2.95	2.92	2.51	-14.3%	6.99	5.84	6.69	14.5%
Debt to total capital employed	58.81	59.46	59.35	-0.2%	58.81	59.46	59.35	-0.2%
ROE %	7.15	7.21	6.16	-14.5%	16.96	14.41	16.46	14.2%
Current ratio	3.79	4.13	4.26	3.3%	3.79	4.13	4.26	3.3%

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 3rd QUARTER 2015

Profit and Loss Statement

3rd 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 3rd quarter of 2015 the Group's total sales was 14.08 mln euros, showing an increase by 6.3% or 0.83 mln euros year on year. 85.9% of sales comprise of sales of water and wastewater services to domestic and commercial customers within and outside of the service area. 5.9% of sales are the fees received from the City of Tallinn for operating and maintaining the storm water system and fire hydrants and 8.2% from other works and services.

Revenues from main operating activities (th. €)	**Quarter 3**			**Variance 15/14**	
	2015	**2014**	**2013**	**€**	**%**
Private clients, incl:	5 938	5 967	5 770	-29	-0.5%
Water supply service	3 267	3 283	3 176	-16	-0.5%
Wastewater disposal service	2 671	2 684	2 594	-13	-0.5%
Corporate clients, incl:	4 852	4 780	4 683	72	1.5%
Water supply service	2 723	2 706	2 654	17	0.6%
Wastewater disposal service	2 129	2 074	2 029	55	2.7%
Outside service area clients, incl:	1 117	1 118	1 030	-1	-0.1%
Water supply service	316	296	286	20	6.8%
Wastewater disposal service	721	738	665	-17	-2.3%
Storm water disposal service	80	84	79	-4	-4.8%
Over pollution fee	191	216	185	-25	-11.6%
Storm water treatment and disposal service and fire hydrant service	837	739	853	98	13.3%
Construction service, design and asphalting	1 020	289	420	731	252.9%
Other works and services	128	144	181	-16	-11.1%

Sales from water and wastewater services was 12.10 mln euros, showing a slight 0.1% increase compared to the 3rd quarter of 2014, resulting from the changes in sales volumes as described below:

- There has been a slight decrease in all residential customer groups in the 3rd quarter in 2015 compared to the same time in 2014 resulting a total decrease from private customers of 0.5% to 5.94 mln euros.
- Sales to commercial customers within the service area has increased by 1.5% to 4.85 mln euros, being mostly supported by the increase in industrial customer segment.
- Sales to customers outside of the main service area has been relatively stable showing a slight decrease by 0.1% to 1.12 mln euros. Wastewater revenues decrease by 2.3% to 0.72 mln euros was balanced by an increase in water sales by 6.8% to 0.32 mln euros.
- Over pollution fees received have decreased by 11.6% to 0.19 mln euros.

The sales from the operation and maintenance of the storm water and fire-hydrant system in the main service area was 0.84 mln euros, showing an increase by 13.3% in the 3rd quarter of 2015 compared to the same period in 2014.

The sales of construction, design and asphalting services was 1.02 mln euros, having increased by 0.73 euros or 252.9% year on year. Main contribution to increase was related to start of providing asphalting services for outside the Group customers, but also higher pipe construction revenues.

Cost of Goods Sold and Gross profit

The cost of goods sold amounted to 6.10 mln euros in the 3rd quarter of 2015, showing 13.9% or 0.75 mln euros increase compared to the equivalent period in 2014. The cost increase is mainly influenced by higher staff costs and increased construction and asphalting services costs, which are related to extra construction and asphalting revenues.

Cost of goods sold (th.€)	**Quarter 3**			**Variance 15/14**	
	2015	**2014**	**2013**	**€**	**%**
Water abstraction charges	-272	-265	-246	-7	-2.6%
Chemicals	-395	-433	-464	38	8.8%
Electricity	-713	-723	-775	10	1.4%
Pollution tax	-233	-209	-513	-24	-11.5%
Total direct production costs	**-1 613**	**-1 630**	**-1 998**	**17**	**1.0%**
Staff costs	-1 338	-1 181	-1 165	-157	-13.3%
Depreciation and amortization	-1 423	-1 408	-1 265	-15	-1.1%
Construction service, design and asphalting	-868	-281	-343	-587	-208.9%
Other costs of goods sold	-853	-849	-909	-4	-0.5%
Other costs of goods sold total	**-4 482**	**-3 719**	**-3 682**	**-763**	**-20.5%**
Total cost of goods sold	**-6 095**	**-5 349**	**-5 680**	**-746**	**-13.9%**

Total direct production costs (water abstraction charges, chemicals, electricity and pollution taxes) were 1.61 mln euros, showing 1.0% or 0.02 mln euros decrease year on year. Biggest decrease came from chemical costs. Other changes in direct production costs 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 by 2.6% to 0.27 mln euros, driven mainly by increase in treated volumes and on average 2.0% raise in tax rates.
- Chemicals costs decreased by 8.8% to 0.40 mln euros. In wastewater treatment process less chemicals were used to remove pollutants in wastewater. Lower usage was balanced by the increase in methanol price.
- Electricity costs decreased by 1.4% to 0.71 mln euros. Lower electricity costs were mostly derived from the decreased electricity prices, worth 0.023 mln euros. Effects of decreased prices were slightly reduced by the increase of treated volumes and usage of electricity per m^3 in water treatment as a result of the quality of raw water, worth 0.013 mln euros.
- In the 3rd quarter the pollution tax expense increased by 11.5% to 0.23 mln euros. The main contribution to increased pollution tax costs came from increased tax rates in the amount of 0.028 mln euros.

Other costs of goods sold (staff costs, depreciation, construction and asphalting services costs and other costs of goods sold) amounted to 4.48 mln euros, having increased by 20.5% or 0.76 mln euros. Most of the increase came from higher staff costs and costs related to construction and asphalting services. Staff cost increase of 13.3% to 1.34 mln euros was mainly related to the higher headcount in order to provide more efficient and broader range of insourced services and increase externally too. Increase in construction and asphalting services costs by 208.9% to 0.87 mln euros was related to increased construction and asphalting revenue.

As a result of all above the Group's gross profit for the 3rd quarter of 2015 was 7.99 mln euros, showing an increase of 1.1% or 0.08 mln euros, compared to the gross profit of 7.90 mln euros for the comparative period of 2014.

Administrative and marketing expenses

Administrative and marketing expenses were 2.05 mln euros, showing an increase by 39.8% or 0.58 mln euros. Increase in other operating costs were mostly related to consultation and legal fees related to tariff dispute. The legal and consultation fees continue to be at the high level during the time the Company has ongoing local and international disputes.

Operating profit

As a result of the factors listed above the Group's operating profit for the 3rd quarter of 2015 totalled 5.92 mln euros, being 6.8% or 0.43 mln euros lower than in the corresponding quarter of 2014. The Group's operating profit from main business was 9.0% or 0.57 mln euros lower compared to 2014.

Financial expenses

The Group's net financial income and expenses have resulted a net expense of 0.82 mln euros, compared to net expense of 0.52 mln euros in the 3rd quarter of 2014. It is mainly impacted by a negative change of the fair value of the swap contracts year on year (-0.59 mln euros) and decrease in the interest costs (+0.37 mln euros).

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 0.87 mln euros. Effective interest rate of loans (incl. swap interests) in the 3rd quarter of 2015 was 1.62%, amounting in the interest costs of 0.39 mln euros, compared to the effective interest rate of 3.12% and the interest costs of 0.76 mln euros in the 3rd quarter of 2014.

Profit Before and After Tax

The Group's profit before taxes and net profit for the 3rd quarter of 2015 was 5.10 mln euros, being 12.5% or 0.73 mln euros lower than for the 3rd quarter of 2014, resulting mainly from increased revenues, balanced by the increased legal costs and net financial expenses as described above. Eliminating the influence of the derivatives fair value, the Group's profit before taxes and net profit for the 3rd quarter of 2015 would have been 5.54 mln euros, showing a decrease by 2.4% or 0.13 mln euros compared to the relevant period in 2014.

Results for the nine months of 2015

During the nine months of 2015 the Group's total sales were 41.39 mln euros, showing an increase by 3.7% or 1.46 mln euros year on year. Sales from water and wastewater services were 36.75 mln euros, increasing 1.4% or 0.49 mln euros compared to the nine months of 2014.

During the nine months of 2015 there has been a 0.9% or 0.16 mln euros increase in the sales to residential customers and 1.3% or 0.18 mln euros increase in the sales to the commercial clients within the service area. Increase in the sales to residential customers comes mainly from the apartment blocks which is the biggest private customer group for the Group. The sales increase in commercial customers is mostly related to industrial clients. The sales revenues from outside service area clients for water, wastewater and storm water services have increased 6.2% or 0.21 mln euros compared to the nine months of 2014.

The sales from the operation and maintenance of the storm water and fire-hydrant system in the main service area in the nine months of 2015 were 2.56 mln euros, showing an increase of 3.1% or 0.08 mln euros.

The sales of construction, design and asphalting services was 1.68 mln euros, having increased by 0.97 million euros or 135.9% year on year. In 2014 the Group started with insourcing asphalting and did not provide almost any service for external clients. During the nine months of 2015 the Group has provided asphalting services to clients for 0.4 million euros. Reminder of the increase is related to higher pipe construction revenues.

Total direct production costs (water abstraction charges, chemicals, electricity and pollution taxes) were 5.01 mln euros, showing a decrease by 19.3% or 1.20 mln euros year on year. Biggest decrease came from the decrease in pollution tax and chemicals costs, balanced slightly by the increase in water abstraction costs as described below:

- Water abstraction charges increased by 3.7% to 0.82 mln euros, driven mainly by average 3.2% raise in tax rates.
- Total chemical costs decreased by 12.5% to 1.13 mln euros. In wastewater treatment process less chemicals were used in removing pollutants in wastewater (worth 0.13 mln euros), lower usage was accompanied by a better methanol price (worth 0.05 mln euros). Chemicals costs were slightly higher in water treatment mainly due to raw water quality being worse than last year same time.
- In the nine months of 2015 electricity costs were almost at the same level as in 2014 amounting to 2.29 mln euros.
- Pollution tax expense decreased by 58.1% to 0.77 mln euros. The decrease is influenced by the change of the water permit at the end of 2013 which was in effect also during the first two quarters in 2014. In the changed water permit the allowed concentration for heavy metals was decreased by 400 times. Previously applicable concentration limits were re-established starting from the 3rd quarter 2014, after which the pollution tax costs stabilised at the normal level. Eliminating the one-off influences the pollution tax expenses have increased by 12.6% or 0.09 mln euros year on year.

Other cost of goods sold (staff costs, depreciation, construction services and other cost of goods sold) amounted to 12.32 mln euros, being higher by 13.7% or 1.49 mln euros compared to same period in 2014. Main increase is related to the higher construction, designing and asphalting services costs related to the increased asphalting and construction revenues. Higher staff costs were mainly related to the Group having a higher headcount to provide more efficient and broader range of services internally and externally.

The gross profit for nine months of 2015 was 24.07 mln euros, by being 5.1% or 1.18 mln euros higher compared to the same period in 2014. The operating profit was 18.83 mln euros, showing an increase by 3.3% or 0.61 mln euros during the nine months of 2015.

The Group’s net financial income and expenses have resulted a net expense of 0.71 mln euros, compared to net expense 1.78 mln euros in the nine months of 2014. It is mainly 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 2015 expenses is 0.97 mln euros (2014: positive impact 0.09 mln euros).

The Group’s profit before taxes for the nine months of 2015 was 18.12 mln euros, showing a 10.2% increase compared to the relevant period in 2014. The Group’s net profit for the nine months of 2015 was 13.62 mln euros, which is 1.97 mln euros higher than the net profit for equivalent period in 2014.

Balance sheet

In the nine months of 2015 the Group invested 6.52 mln euros into fixed assets. As of 30 September 2015 non-current tangible assets amounted to 159.45 mln euros and total non-current assets amounted to 160.47 mln euros (30. September 2014: 154.66 mln euros and 155.54 mln euros respectively).

Compared to the year end of 2014 there has been a reduction in receivables and prepayments in the amount of 0.85 mln euros to 7.41 mln euros which is mainly related to collection of money for network extension program.

The increase of current liabilities of 1.30 mln euros to 10.12 mln euros compared to the year end of 2014 is mainly related to the accounts payables for the ongoing investments.

The Group’s loan balance has remained stable at 95 mln euros. The weighted average interest risk margin for the total loan facility is 0.95%.

The Group has a Total debt/Total assets level as expected of 59.3%, 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 59.5%.

Deferred income from connection fees have grown compared to the end of 2014 by 1.48 mln euros to 14.05 mln euros.

Contingent liability regarding the tariff risk

In the 4th quarter of 2011 the Group evaluated and noted an exceptional off-balance sheet 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. The re-evaluation is made annually at the end of the year.

Cash flows

As of 30 September 2015 the cash position of the Group is strong. At the end of September 2015 the cash balance of the Group stood at 35.29 mln euros, which is 17.3% of the total assets (30. September 2014: 31.95 mln, forming 16.0% of the total assets).

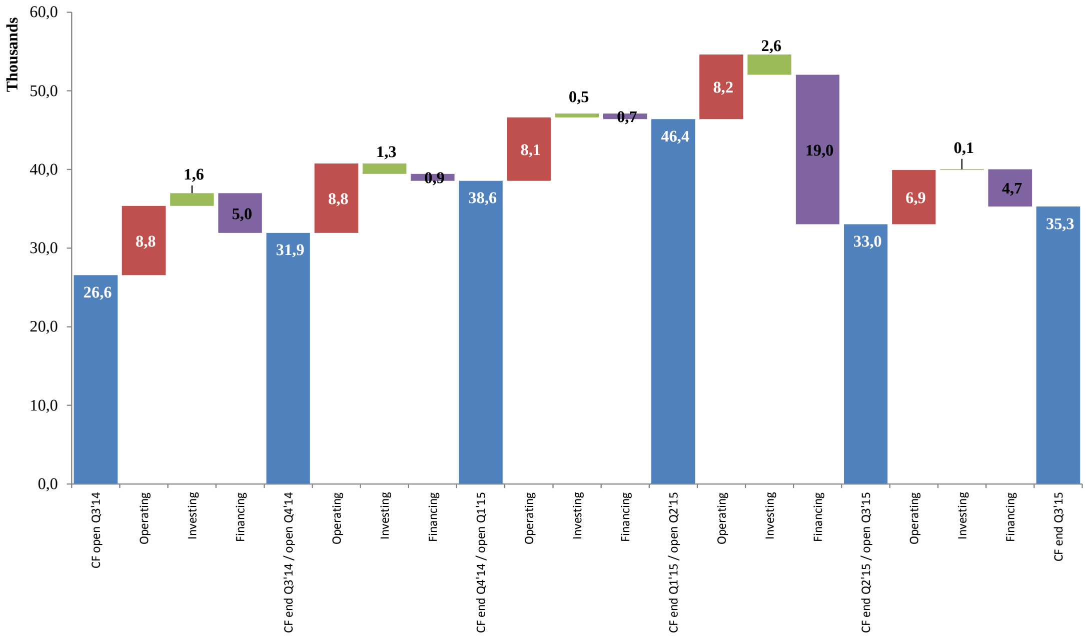
The biggest contribution to the cash flows comes from main operations. During the nine months of 2015, the Group generated 23.17 mln euros of cash flows from operating activities, an increase of 0.53 mln euros compared to the corresponding period in 2014.

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

In the nine months of 2015 the result of net cash flows from investing activities was a cash outflow of 1.98 mln euros, a decrease of 4.61 mln euros compared to the inflow of 2.64 mln euros in the nine months of 2014. This is made up as follows:

- In the nine months of 2015 the investments in fixed assets have increased by 2.04 mln euros compared to 2014 amounting to 8.02 mln euros.
- The compensations received for the construction of pipelines were 5.94 mln euros in the nine months of 2015, showing a decrease of 2.29 mln euros compared to same period of 2014.

In the nine months of 2015, cash outflow from financing amounted to 24.46 mln euros, decreasing by 0.66 mln euros compared to the same period in 2014. The reduction in interest payments by 0.44 million euros is mostly related to the renewal of swap contracts covered above. In addition despite of the same dividend payment, the dividend income tax was lower by 0.29 mln euros less as there was a change in income tax rate.



Employees

At the end of the 3rd quarter of 2015, the total number of employees was 325 compared to 312 at the end of the 3rd quarter of 2014. The full time equivalent (FTE) was respectively 314 in 2015 compared to the 298 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

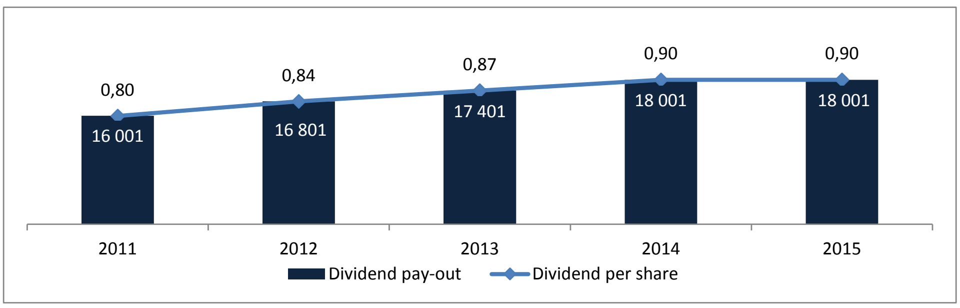
Dividend allocation to the shareholders is recorded as a liability in the financial statement of the Company at the time when the profit allocation and dividend payment is confirmed by the annual general meeting of shareholders.

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.

In the annual general meeting of shareholders held on 27th of May 2015, 90 cents dividends per share and the total dividend pay-out from the profit of 2014 net income in the amount of 18.0 mln euros was approved. It is in accordance with the Company's dividend policy. Compared to 2014 dividends of 90 cents per share there was no change.

Dividends were paid out on 19th of June 2015.

Dividend pay-outs in last five 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 30 September 2015 AS Tallinna Vesi shareholders, with a direct holding over 5%, were:

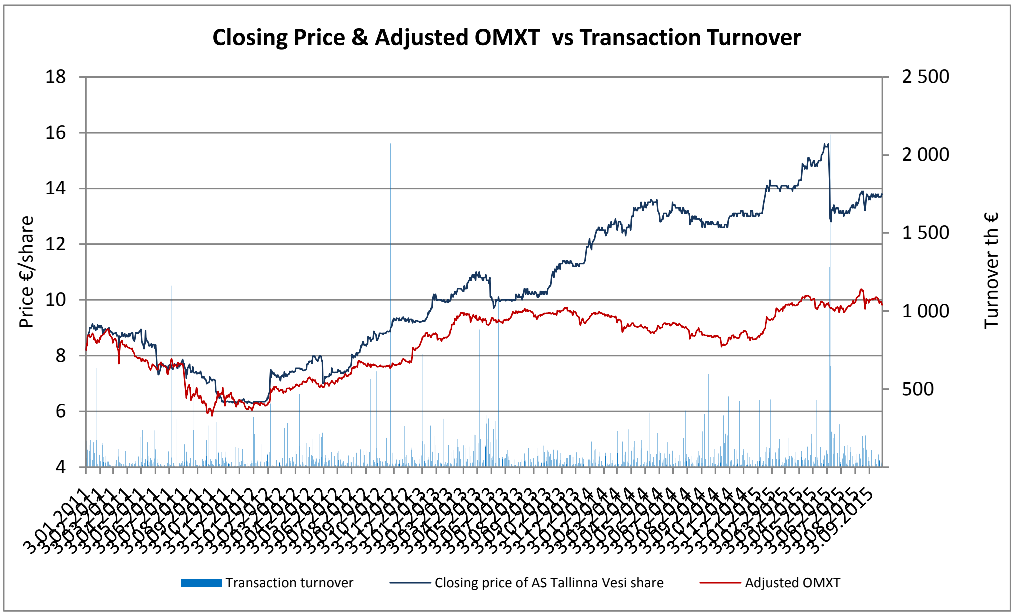
United Utilities (Tallinn) BV	35.3%
City of Tallinn	34.7%

During the nine months of 2015 the shareholder structure has been relatively stable compared to the end of 2014. At the end of 3rd quarter 2015 the pension funds owned 1.88% of the total shares compared to 1.54% at the end of 4th quarter 2014.

As of 30th September 2015, the closing price of the AS Tallinna Vesi share was 13.80 euros, which is a 5.3% increase (2014: -3.8%) 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 2.2% (2014: -4.6%).

In the nine months of 2015, 6 472 deals with the Company's shares were concluded (2014: 3 840 deals) during which 1 329 thousand shares or 6.6% exchanged their owners (2014: 913 thousand shares or 4.6%).

The turnover of the transactions was 6 566 thousand euros higher than in 2014, amounting to 18 325 thousand euros.



Operational performance

Our first priority is to provide our customers with high-quality drinking water, reliable water supply and wastewater discharge services. Similar to previous years, the nine months of 2015 can be characterised with excellent quality levels of our services. We will continue to focus on maintaining and improving all our key performance indicators so our consumers can rely on the service they receive. The nine months of the year confirm the quality of drinking water in Tallinn that has been excellent already for years, thus, we keep encouraging people to prefer tap water for drinking water. Low leakage level reducing on a quarterly basis is another positive sign of the Company's excellent performance.

We continue to commit to the improvement of customer service and focus on activities that will increase the environmental awareness of the community. We also carry out initiatives that have a significant long-term positive effect on our environment. One of such initiatives was a recently completed extensive project of building fish passes at three dams of the reservoirs in Ülemiste catchment area delivered in cooperation with the Environmental Investments Centre.

Operational indicators for the nine months of 2015

Indicator	2014 9 months	2015 9 months
Drinking water		
Compliance of water quality at the customers' tap	99.77%	99.86%
Water loss in the water distribution network	16.33%	14.58%
Average duration of water interruptions per property in hours	2.96 h	3.20 h
Wastewater		
Number of sewer blockages	582	583
Number of sewer bursts	95	91
Wastewater treatment compliance with environmental standards	100%	100%
Customer Service		
Number of written complaints	51	57
Number of customer contacts regarding water quality	129	81
Number of customer contacts regarding water pressure	273	226
Number of customer contacts regarding blockages and discharge of storm water	788	855
Responding written customer contacts within at least 2 work days	98.9%	99.0%
Number of failed promises	42	9
Notification of unplanned water interruptions at least 1 h before the interruption	96.8%	98.9%

Corporate structure

As of 30 September 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. There has been no changes in Supervisory Council members in the 3rd quarter of 2015.

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 2018) and Riina Käi (with the powers of the Management Board Member until 29 October 2018).

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 related with the 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 will keep the investment community informed of all relevant developments of the tariff dispute, both locally as well as internationally. AS Tallinna Vesi has published all relevant materials on its website (http://www.tallinnavesi.ee/en/Investor/Regulation) and to the Tallinn Stock.

At this point in time the Company will not speculate on future developments, possible outcomes or timing of the proceedings.

Additional information:
Karl Heino Brookes
Chairman of the Management Board
+372 6262 201
karl.brookes@tvesi.ee

MANAGEMENT CONFIRMATION

The Management Board has prepared AS Tallinna Vesi (the Company) and its subsidiary company OÜ Watercom (together Group) consolidated interim accounts in the form of consolidated condensed financial statements for the 9 months period of financial year 2015 ended 30 September 2015. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 30 September 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 9 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 3 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 29 October 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 October 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)

ASSETS	Note	as of 30 September 2015	as of 30 September 2014	as of 31 December 2014
CURRENT ASSETS				
Cash and cash equivalents	2	35 290	31 946	38 560
Trade receivables, accrued income and prepaid expenses		7 414	11 584	8 261
Inventories		429	395	412
TOTAL CURRENT ASSETS		**43 133**	**43 925**	**47 233**
NON-CURRENT ASSETS				
Other long-term receivables		0	6	0
Derivatives		239	0	0
Property, plant and equipment	3	159 454	154 656	157 481
Intangible assets	3	776	882	862
TOTAL NON-CURRENT ASSETS		**160 469**	**155 544**	**158 343**
TOTAL ASSETS		**203 602**	**199 469**	**205 576**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Current portion of long-term borrowings		322	164	261
Trade and other payables		6 837	5 345	4 855
Derivatives		513	1 370	1 078
Prepayments		2 449	3 764	2 631
TOTAL CURRENT LIABILITIES		**10 121**	**10 643**	**8 825**
NON-CURRENT LIABILITIES				
Deferred income from connection fees		14 052	11 102	12 567
Borrowings		96 057	95 974	96 250
Derivatives		591	859	761
Other payables		11	28	23
TOTAL NON-CURRENT LIABILITIES		**110 711**	**107 963**	**109 601**
TOTAL LIABILITIES		**120 832**	**118 606**	**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		44 758	42 851	49 138
TOTAL EQUITY		**82 770**	**80 863**	**87 150**
TOTAL LIABILITIES AND EQUITY		**203 602**	**199 469**	**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 3		9 months		for the year ended 31 December
	Note	**2015**	**2014**	**2015**	**2014**	**2014**
Revenue	4	14 083	13 253	41 394	39 931	53 241
Costs of goods/services sold	6	-6 095	-5 349	-17 322	-17 036	-22 399
GROSS PROFIT		**7 988**	**7 904**	**24 072**	**22 895**	**30 842**
Marketing expenses	6	-78	-78	-318	-351	-456
General administration expenses	6	-1 971	-1 388	-4 843	-4 287	-5 517
Other income (+)/ expenses (-)	7	-21	-89	-78	-34	-41
OPERATING PROFIT		**5 918**	**6 349**	**18 833**	**18 223**	**24 828**
Financial income	8	18	241	78	467	432
Financial expenses	8	-835	-762	-790	-2 249	-2 532
PROFIT BEFORE TAXES		**5 101**	**5 828**	**18 121**	**16 441**	**22 728**
Income tax on dividends	9	0	0	-4 500	-4 785	-4 785
NET PROFIT FOR THE PERIOD		**5 101**	**5 828**	**13 621**	**11 656**	**17 943**
COMPREHENSIVE INCOME FOR THE PERIOD		**5 101**	**5 828**	**13 621**	**11 656**	**17 943**
Attributable profit to:						
Equity holders of A-shares		5 100	5 827	13 620	11 655	17 942
B-share holder		0,60	0,60	0,60	0,60	0,60
Earnings per A share (in euros)	10	0,26	0,29	0,68	0,58	0,90
Earnings per B share (in euros)	10	600	600	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	9 months 2015	9 months 2014	for the year ended 31 December 2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		18 833	18 223	24 828
Adjustment for depreciation/amortisation	6	4 628	4 406	5 851
Adjustment for revenues from connection fees	7	-142	-109	-143
Other non-cash adjustments		-11	28	-33
Profit (-) /loss (+) from sale and write off of property, plant and equipment, and intangible assets		-4	42	145
Change in current assets involved in operating activities		-1 118	-224	1 165
Change in liabilities involved in operating activities		983	275	-364
Total cash flow from operating activities		**23 169**	**22 641**	**31 449**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment, and intangible assets		-8 015	-5 972	-9 646
Compensations received for construction of pipelines		5 942	8 228	10 523
Proceeds from sale of property, plant and equipment, and intangible assets		14	3	13
Interest received		83	379	432
Total cash flow used in/from investing activities		**-1 976**	**2 638**	**1 322**
CASH FLOWS FROM FINANCING ACTIVITIES				
Received loans		0	20 000	20 000
Repayment of loans		0	-20 000	-20 000
Interest paid and loan financing costs, incl swap interests		-1 738	-2 182	-2 995
Repayment of finance lease		-224	-151	-216
Dividends paid	9	-18 001	-18 001	-18 001
Income tax on dividends	9	-4 500	-4 785	-4 785
Total cash flow used in financing activities		**-24 463**	**-25 119**	**-25 997**
Change in cash and cash equivalents		**-3 270**	**160**	**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	**35 290**	**31 946**	**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**
Dividends	0	0	0	-18 001	-18 001
Comprehensive income for the period	0	0	0	11 656	11 656
as of 30 September 2014	**12 000**	**24 734**	**1 278**	**42 851**	**80 863**
as of 31 December 2014	**12 000**	**24 734**	**1 278**	**49 138**	**87 150**
Dividends	0	0	0	-18 001	-18 001
Comprehensive income for the period	0	0	0	13 621	13 621
as of 30 September 2015	**12 000**	**24 734**	**1 278**	**44 758**	**82 770**

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 30 September		as of 31 December
	2015	**2014**	**2014**
Cash in hand and in bank	11 988	7 154	13 358
Short-term deposits	23 302	24 792	25 202
Total cash and cash equivalents	**35 290**	**31 946**	**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		
	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**	**Total property, plant and equipment and 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 - 30 September 2015									
Acquisition in book value	0	0	0	0	5 282	1 114	119	0	6 515
Write off and sale of property, plant and equipment, and intangible assets in residual value	0	0	-9	-1	0	0	0	0	-10
Reclassification	29	2 724	1 022	26	-2 255	-1 536	-140	140	10
Depreciation	-242	-2 146	-1 977	-58	0	0	0	-205	-4 628
as of 30 September 2015									
Acquisition cost	25 677	183 889	47 293	1 384	3 715	849	54	5 153	268 014
Accumulated depreciation	-6 141	-62 681	-33 497	-1 034	0	0	0	-4 431	-107 784
Net book value	**19 536**	**121 208**	**13 796**	**350**	**3 715**	**849**	**54**	**722**	**160 230**

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 30 September 2015 the book value of the assets (Machinery and equipment) leased under financial lease is 1 502 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 3 2015	Quarter 3 2014	9 months 2015	9 months 2014	for the year ended 31 December 2014
Total water supply and waste water disposal service, incl:	12 098	12 081	36 751	36 258	48 598
Private clients, incl:	5 938	5 967	18 175	18 016	24 154
Water supply service	3 267	3 283	9 998	9 914	13 303
Wastewater disposal service	2 671	2 684	8 177	8 102	10 851
Corporate clients, incl:	4 852	4 780	14 416	14 238	19 085
Water supply service	2 723	2 706	8 010	7 983	10 664
Wastewater disposal service	2 129	2 074	6 406	6 255	8 421
Outside service area clients, incl:	1 117	1 118	3 563	3 356	4 520
Water supply service	316	296	939	833	1 153
Wastewater disposal service	721	738	2 251	2 216	2 957
Storm water disposal service	80	84	373	307	410
Over pollution fee	191	216	597	648	839
Storm water treatment and disposal service and fire hydrants service	837	739	2 556	2 480	3 073
Construction service, design and asphalting	1 020	289	1 687	715	943
Other works and services	128	144	400	478	627
Total revenue	**14 083**	**13 253**	**41 394**	**39 931**	**53 241**

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

NOTE 5. STAFF COSTS

	Quarter 3 2015	Quarter 3 2014	9 months 2015	9 months 2014	for the year ended 31 December 2014
Salaries and wages	-1 393	-1 234	-4 410	-3 987	-5 255
Social security and unemployment insurance taxation	-464	-411	-1 470	-1 329	-1 750
Staff costs total	**-1 857**	**-1 645**	**-5 880**	**-5 316**	**-7 005**
Number of employees at the end of reporting period			**325**	**312**	**321**

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

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

	Quarter 3		9 months		for the year ended 31 December
Cost of goods/services sold	**2015**	**2014**	**2015**	**2014**	**2014**
Water abstraction charges	-272	-265	-819	-790	-1 057
Chemicals	-395	-433	-1 131	-1 293	-1 737
Electricity	-713	-723	-2 288	-2 289	-3 032
Pollution tax	-233	-209	-768	-1 835	-2 163
Staff costs	-1 338	-1 181	-4 122	-3 723	-4 880
Depreciation and amortization	-1 423	-1 408	-4 253	-4 027	-5 370
Construction service, design and asphalting	-868	-281	-1 447	-611	-784
Other costs of goods sold	-853	-849	-2 494	-2 468	-3 376
Total cost of goods/services sold	**-6 095**	**-5 349**	**-17 322**	**-17 036**	**-22 399**
Marketing expenses					
Staff costs	-67	-63	-270	-253	-340
Depreciation and amortization	-3	-6	-10	-57	-63
Other marketing expenses	-8	-9	-38	-41	-53
Total marketing expenses	**-78**	**-78**	**-318**	**-351**	**-456**
Administrative expenses					
Staff costs	-452	-401	-1 488	-1 340	-1 785
Depreciation and amortization	-78	-61	-232	-218	-287
Other general administration expenses	-1 441	-926	-3 123	-2 729	-3 445
Total administrative expenses	**-1 971**	**-1 388**	**-4 843**	**-4 287**	**-5 517**

NOTE 7. OTHER INCOME / EXPENSES

	Quarter 3		9 months		for the year ended 31 December
	2015	**2014**	**2015**	**2014**	**2014**
Connection fees	49	37	142	109	143
Depreciation of single connections	-46	-36	-133	-104	-131
Doubtful receivables expenses (-) / expense reduction (+)	-3	3	-2	148	141
Other income / expenses (-)	-21	-93	-85	-187	-194
Total other income / expenses	**-21**	**-89**	**-78**	**-34**	**-41**

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

NOTE 8. FINANCIAL INCOME AND EXPENSES	**Quarter 3**		**9 months**		**for the year ended 31 December**
	2015	**2014**	**2015**	**2014**	**2014**
Interest income	18	86	78	374	432
Interest expense, loan	-234	-282	-749	-866	-1 137
Interest expense, swap	-158	-476	-1 003	-1 355	-1 846
Increase (+) /decrease (-) of fair value of swap	-439	155	974	93	483
Other financial income (+)/ expenses (-)	-4	-4	-12	-28	-32
Total financial income / expenses	**-817**	**-521**	**-712**	**-1 782**	**-2 100**

NOTE 9. DIVIDENDS	**Quarter 3**		**9 months**		**for the year ended 31 December**
	2015	**2014**	**2015**	**2014**	**2014**
Dividends declared during the period	0	0	18 001	18 001	18 001
Dividends paid during the period	0	0	18 001	18 001	18 001
Income tax on dividends paid	0	0	-4 500	-4 785	-4 785
Income tax accounted for	**0**	**0**	**-4 500**	**-4 785**	**-4 785**
Paid-up dividends per shares:					
Dividends per A-share (in euros)	0,00	0,00	0,90	0,90	0,90
Dividends per B-share (in euros)	600	600	600	600	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 3		**9 months**		**for the year ended 31 December**
	2015	**2014**	**2015**	**2014**	**2014**
Net profit minus B-share preferred dividend rights	5 100	5 827	13 620	11 655	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	20 000 000	20 000 000
Earnings per A share (in euros)	0,26	0,29	0,68	0,58	0,90
Earnings per B share (in euros)	600	600	600	600	600

Diluted earnings per share for the periods ended 30 September 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 30 September**		**as of 31 December**
	2015	**2014**	**2014**
Accounts receivable	3	3	503
Accrued income	0	4 587	1 577
Trade and other payables	197	216	199

Transactions	**Quarter 3**		**9 months**		**for the year ended 31 December**
	2015	**2014**	**2015**	**2014**	**2014**
Revenue	837	739	2 556	2 480	3 073
Purchase of administrative and consulting services	271	252	803	768	1 041
Financial income	0	67	14	293	327
Fees for Management Board (excluding social tax)	40	31	116	149	170
Supervisory Board fees (excluding social tax)	8	10	24	30	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 9 months of 2015, management board members were not paid any leaving compensation (in the first 9 months 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 30 September 2015 from all Supervisory Council and Management Board members Riina Käi owned 100 shares (as of 30 September and 31 December 2014: Riina Käi owned 100 shares).

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

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.