AS Tallinna Vesi

Results of operations – for the 1st half-year of 2014

Currency	Thousand euros
Start of reporting period	1 January 2014
End of reporting period	30 June 2014
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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

- 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, the Minister of Finance, and the Competition Authority itself 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.
- Following their investigation, the European Commission announced in May 2014 that it has decided not to proceed with the Company's complaints in relation to the anti-monopoly bill. The European Commission did not assess the lawfulness of the application of the amendments made to the Anti-Monopoly Bill adopted in 2010 as regards to the Company and it also did not assess or comment upon the water tariffs of AS Tallinna Vesi. In its letter the European Commission was explicit about leaving the legal opinion on the impact on the Company for the court to decide.
- 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, over 50 million euros has been already caused by the Competition Authority's refusal to approve tariff increases in the period of 2011 – 2013.
- The date of the next local court hearing is not set.
- AS Tallinna Vesi has continuously stated its belief in fully transparent regulation and its willingness to enter into **meaningful and evidence-based dialogue** that takes into account the privatization contract signed in 2001.
- It has been three years already during which the Company has made intensive effort in trying to agree a solution in order to get the tariff dispute solved. Regretfully it has not been achieved, the Supervisory Council of AS Tallinna Vesi has decided to give notice of potential international arbitration proceedings against the Republic of Estonia for breaching the undertakings it is required to abide by in a bilateral investment treaty, i.e. the obligation of ensuring the fair and equitable treatment of investments protected by this treaty. AS Tallinna Vesi requests that the Republic of Estonia complies with its obligations under the Treaty. In the event that Estonia is unable or unwilling to do so, AS Tallinna Vesi reserves the right to commence international arbitration proceedings against Estonia, on the terms which the parties agreed in the Treaty.
- Average real return on capital invested at privatization is still 6.2% since 2001.

Financial highlights of 2nd quarter 2014

The Group's sales revenues during the 2nd quarter 2014 have been relatively stable being slightly down compared to the same period in 2013, decreasing 0.9% to 13.37 mln euros. The sales for 6 months in 2014 are in line with the sales in 2013.

The gross profit in the 2nd quarter of 2014 has increased 5.6% or 0.41 mln euros. Increase in gross profit is mainly related to lower pollution tax costs compared to the comparative period in 2013. Although the pollution tax expenses were also elevated in the 2nd quarter 2014 in the relation with heavy metals, still the change is mainly impacted by the incident in wastewater treatment plant in the 2nd quarter 2013, during which the plant could not treat extremely high volumes, causing extra pollution tax of 0.91 mln euros.

The pressure on pollution tax expenses in 2014 is related to the change of the water abstraction permit issued by the Environmental Board at the end of December 2013, the former limit concentrations of heavy metals in treated effluent were reduced 400 times, due to which the Company was not technically able to meet the limit values, although nothing has changed in the efficiency of Company's operations.

Due to the decrease of the allowed concentration limits the Company has recognised pollution tax on a prudent principle and hence extra pollution tax expenses of 0.35 mln euros were faced in the 2nd quarter of 2014.

In July 2014 the environmental department has issued the draft change of the water permit in which the allowed concentrations have been increased to the currently achievable levels and starting from the 3rd quarter 2014, if the new water permit has been confirmed, we expect to have the pollution tax at the normal level.

The operating profit from Group's main activities has increased 5.9% to 6.04 mln euros, mainly due to the lower variable costs, which are in more detailed described below. The operating profit for 6 months in 2014 is at the same level with the operating profit for the comparative period in 2013.

The net profit for the 2nd quarter without the extra pollution tax impact in 2013 and 2014 and swap costs impact was 25.3% or 0.39 mln euros lower than in the comparative period last year.

mln €	**2 Q 2012**	**2 Q 2013**	**2 Q 2014**	**Change 14/13**	**6 months 2012**	**6 months 2013**	**6 months 2014**	**Change 14/13**
Sales	13,15	13,49	13,37	-0,9%	26,14	26,19	26,68	1,9%
Gross profit	7,81	7,32	7,73	5,6%	16,05	14,85	14,99	1,0%
Gross profit margin %	59,44	54,26	57,80	6,5%	61,39	56,69	56,20	-0,9%
Operating profit	6,29	5,74	6,19	7,8%	13,24	11,90	11,87	-0,2%
Operating profit - main business	6,39	5,76	6,04	5,9%	13,21	11,92	11,73	-1,6%
Operating profit margin %	47,83	42,56	46,30	8,8%	50,63	45,43	44,51	-2,0%
Profit before taxes	5,62	6,36	5,55	-12,7%	11,92	12,57	10,61	-15,6%
Net profit	1,15	1,73	0,77	-55,7%	7,46	7,95	5,83	-26,7%
Net profit margin %	8,76	12,84	5,74	-55,3%	28,53	30,35	21,85	-28,0%
ROA %	0,61	0,88	0,39	-55,9%	3,96	4,05	2,96	-27,0%
Debt to total capital employed	63,07	61,65	61,91	0,4%	63,07	61,65	61,91	0,4%
ROE %	1,66	2,30	1,02	-55,6%	10,73	10,57	7,77	-26,5%
Current ratio	2,57	2,31	2,89	24,9%	2,57	2,31	2,89	24,9%

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 2nd QUARTER 2014

Profit and Loss Statement

2nd quarter 2014

Sales

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

In the 2nd quarter of 2014 the Group's total sales decreased, year on year, by 0.9% to 13.37 mln euros. 90.8% of sales comprise of sales of water and treatment of wastewater to domestic and commercial customers within and outside of the service area, 5.6% of sales are the fees received from the City of Tallinn for operating and maintaining the storm water system and fire hydrants and 3.6% from other works and services.

Sales of water and wastewater services were 12.14 mln euros, a 0.8% decrease compared to the 2nd quarter of 2013, resulting from the changes in sales volumes as described below.

Within the service area, sales to residential customers were at 6.00 mln euros, showing a 1.5% 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 decreased by 3.7% to 4.80 mln euros, mainly coming from the sales in industrial sector. Sales to customers outside of the main service area decreased by 1.7% to 1.10 mln euros in the 2nd quarter of 2014. It was mostly affected by wastewater, which in itself is affected by the lower storm water sales. The sales of water was stable. Over pollution fees received were 0.24 mln euros, a 6.2% increase compared to the 2nd quarter of 2013.

	Quarter 2			Variance 14/13	
Revenues from main operating activities	**2014**	**2013**	**2012**	**€**	**%**
Private clients, incl:	6 001	5 913	5 936	88	1,5%
Water supply service	3 303	3 253	3 265	50	1,5%
Wastewater disposal service	2 698	2 660	2 671	38	1,4%
Corporate clients, incl:	4 804	4 988	4 778	-184	-3,7%
Water supply service	2 697	2 782	2 621	-85	-3,1%
Wastewater disposal service	2 107	2 206	2 157	-99	-4,5%
Outside service area clients, incl:	1 095	1 114	1 044	-19	-1,7%
Water supply service	283	263	254	20	7,6%
Wastewater disposal service	722	683	622	39	5,7%
Storm water disposal service	90	168	168	-78	-46,4%
Over pollution fee	238	224	150	14	6,3%
Storm water treatment and disposal service and fire hydrant service	750	864	972	-114	-13,2%
Construction service and design	285	186	44	99	53,2%
Other works and services	198	204	221	-6	-2,9%

Outside service area sales volumes were 0.23 mln m^3 or 13.9% lower than in the 2nd quarter of 2013. As already mentioned before the main factor in this decrease came from lower storm water volumes.

The sales from the operation and maintenance of the storm water and fire-hydrant system in the main service area have decreased by 13.3% to 0.75 mln euros in the 2nd quarter of 2014 due to lower volumes compared to the same period in 2013. According to the terms and conditions of the contract revenues reflect actual volumes treated and costs for treating the storm water, therefore this cost pass through has no impact on profits.

The sales of construction activities and design services have increased by 53.2% to 0.29 mln euros in the 2nd quarter of 2014 compared to 2nd quarter in 2013, mostly due to mild spring of 2014 allowing construction works to be started earlier.

Cost of Goods Sold and Gross profit

The cost of goods sold for the main operating activity was 5.64 mln euros in the 2nd quarter of 2014, showing 0.53 mln euros or 8.6% decrease compared to the equivalent period in 2013. The cost decrease is mainly influenced by the pollution tax decrease in the 2nd quarter of 2014 as described below.

Cost of goods sold	**Quarter 2**			**Variance 14/13**	
	2014	**2013**	**2012**	**€**	**%**
Water abstraction charges	-261	-248	-236	-13	5,2%
Chemicals	-448	-426	-380	-22	5,2%
Electricity	-729	-855	-899	126	-14,7%
Pollution tax	-550	-1 086	-227	536	-49,4%
Total direct production costs	**-1 988**	**-2 615**	**-1 742**	**627**	**-24,0%**
Staff costs	-1 314	-1 250	-1 258	-64	5,1%
Depreciation and amortization	-1 321	-1 285	-1 294	-36	2,8%
Construction service and design	-237	-149	-69	-88	59,1%
Other costs of goods sold	-783	-873	-969	90	-10,3%
Other costs of goods sold total	**-3 655**	**-3 557**	**-3 590**	**-98**	**2,8%**
Total cost of goods sold	**-5 643**	**-6 172**	**-5 332**	**529**	**-8,6%**

Total direct production costs (water abstraction charges, chemicals, electricity and pollution taxes) decreased by 0.63 mln euros or 24.0% year on year. Biggest decrease came from the decrease in pollution tax. Other changes came from a combination of increase in prices and tax rates and movements in treatment volumes that affected the costs of goods sold together with the following additional factors:

- Water abstraction charges increased only by 0.01 mln euros or 5.2% to 0.26 mln euros in the 2nd quarter of 2014, driven mainly by 5% raise in tax rates (worth 0.01 mln euros).
- Total chemical costs remained broadly flat, increasing 0.02 mln euros or 5.2% to 0.45 mln euros in the 2nd quarter of 2014. Costs change was mainly influenced by the increase in dosage used in sewage treated and chemicals price, which was balanced by decrease in treated.
- Electricity costs decreased by 0.13 mln euros or 14.7% in the 2nd quarter of 2014 compared to the 2nd quarter of 2013. Lower electricity costs are mostly derived from the decrease in electricity price, used volumes and used unit costs, worth 0.17 mln euros. Positive effects are reduced slightly by increased unit costs in waste water treatment plant worth 0.05 mln euros.
- In the 2nd quarter of 2014 the pollution tax expense decreased by 0.54 mln euros or 49.4%. The decrease is related to the incident in the wastewater treatment plant in the 2nd quarter of 2013. Eliminating the one-off influence the pollution tax expenses have increased by 0.37 mln euros or 200.8% in the 2nd quarter of 2014 compared to relevant quarter in 2013.

  Similarly to the 1st quarter in 2014 the increase is related to the change in the allowed concentration of heavy metals in treated effluent in the changed water permit issued by the Environmental Board at the end of December 2013. The former limit concentrations of heavy metals in treated effluent were reduced 400 times, due to which the Company was not technically able to meet the limit values, although nothing has changed in the efficiency of Company's operations.

  Due to non-compliance with the amounts allowed the Company accounted for excessive pollution tax costs. The Company has declared and accounted for the pollution tax based on the prudent principles. The Company has recognised losing 0.5 coefficient and accounted for 100 times penalties for heavy metals concentration and associated tax. Due to the new limits 0.35 million euros extra pollution tax expenses occurred. If there had not been the change in the allowed concentrations, the pollution tax expenses would have increased only by 10.9% or 0.02 mln euros.

In July 2014 the environmental department has issued the draft change of the water permit in which the allowed concentrations have been increased to the achievable levels and starting from the 3rd quarter 2014, if the new water permit has been confirmed, we expect to have the pollution tax at the normal level.

Other cost of goods sold (staff costs, depreciation, construction services and other cost of goods sold) in the main operating activity increased by 0.10 mln euros or 2.8%. Most of the increase in costs came from increased costs in construction services provided to outside customers in relation to the higher construction revenues. The profit from construction revenues has remained relatively stable.

Increased construction costs were balanced by the decrease in repair and maintenance costs carried out in the 2nd quarter of 2014. Increased staff costs by 5.1% or 0.06 mln euros mainly relate to higher headcount to provide the construction and asphalting services.

As a result of all of the above the Group's gross profit for the 2nd quarter of 2014 was 7.73 mln euros, which is an increase of 0.41 mln euros, or 5.6%, compared to the gross profit of 7.32 mln euros for the 2nd quarter of 2013.

Other Operating Costs

General administration expenses increased in total 0.18 mln euros or 13.6%, mainly because of higher consultation and legal fees related to the tariff dispute, and also higher advertising fees.

Other net income/expenses

Other net income increased to a net income of 0.10 mln euros, compared to 0.05 mln euros net expenses in the 2nd quarter of 2013. The result in the 2nd quarter has been influenced by collecting the doubtful receivables.

Operating profit

As a result of above factors the Group's operating profit for the 2nd quarter of 2014 totalled 6.19 mln euros compared to 5.74 mln euros in the corresponding quarter in 2013, which shows an increase of 0.45 mln euros or 7.8%. Removing the impact of pollution tax in relevant periods the Group's operating profit had been 1.6% or 0.11 mln euros lower.

Financial expenses

The Group's net financial expenses amounted to 0.64 mln euros in the 2nd quarter of 2014, which is a negative change of 1.26 mln euros compared to 0.62 mln euros financial income in the 2nd quarter of 2013. The major reason for the decline comes from difference of the change of the fair value of the swap contracts as described below.

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 2.38 mln euros. Effective interest rate (incl. swap interests) in the 2nd quarter of 2014 was 3.05%, amounting in the interest costs of 0.73 mln euros, compared to the effective interest rate of 3.24% and the interest costs of 0.78 mln euros into the 2nd quarter of 2013.

Other influences for change in financial expenses has been decrease in interest income by 0.14 mln euros or 48.4%.

Profit Before and After Tax

The Group's profit before taxes for the 2nd quarter of 2014 was 5.55 mln euros, which is 0.81 mln euros or 12.7% lower than the profit before taxes of 6.36 mln euros for the 2nd quarter of 2013, resulting mainly from the impact of the change of the fair value of the swap contracts and also due to decreased pollution tax costs and an increase in professional fees as described above. The profit before taxes for the 2nd quarter without the decreased pollution tax and swap costs impact was 3.7% or 0.23 mln euros lower than in the comparative period last year.

The year on year increase in dividend payment by 0.6 mln euros increased also the income tax on dividends by 0.16 mln euros. The Group's profit after taxes for the 2nd quarter of 2014 was 0.77 mln euros, which is 0.97 mln euros lower than the profit after taxes of 1.73 mln euros for the 2nd quarter of 2013.

Results for the six months of 2014

During the six months of 2014 the Group's total sales increased, year on year, by 1.9% to 26.68 mln euros. Sales of water and wastewater treatment were 24.18 mln euros, a 0.9% increase compared to the six months of 2013.

The movements in sales are mostly similar to the movements in the 2nd quarter described above. There has been a slight 0.20 mln euros or 1.7% increase in the sales to residential customers and 0.14 mln euros or 1.4% of decrease in the sales to the commercial clients. The sales revenues from outside service area clients for water and wastewater services has also been relatively stable showing an increase of 0.12 mln euros or 5.8% compared to six months in 2013.

Due to less rainfall in 2013, the revenues from storm water treatment in the first half of 2014 remain 0.12 mln euros or 9.5% higher than in the comparative period in 2013.

The operating profit remained fairly stable decreasing by 0.2% to 11.87 mln euros during the six months of 2014 compared to the six months of 2013. As revenues have been relatively flat, increasing only 1.9% or 0.49 mln euros, then the main reason for a decline comes from the rise in pollution tax expenses (0.32 mln euros year on year), further influenced by the increase in professional services (0.29 mln euros year on year). Pollution tax increase is influenced by two factors: first the pollution tax expenses in 2013 were impacted by the incidents at the wastewater treatment plant in the first part of the year (worth 0.91 mln euros) and by the non-compliance with the heavy metals concentration in six months of 2014 (worth 1.15 mln euros).

Net financial expenses increased by 1.94 mln euros or 286.8%. Mainly influenced by the non-monetary impact of the change in the fair value of the swap contracts the Company has entered. The negative non-monetary impact for 2014 expenses is 0.06 mln euros (2013: positive impact 1.65 mln euros).

The Group's profit before taxes for the six months of 2014 was 10.61 mln euros, which is a 15.6% decrease compared to the relevant period in 2013. The Group's net profit for the six months of 2014 was 5.83 mln euros, which is 2.12 mln euros lower than the net profit of 7.95 mln euros in the equivalent period in 2013.

Balance sheet

In the six months of 2014 the Group invested 4.06 mln euros into fixed assets. As of 30 June 2014 non-current fixed assets amounted to 153.53 mln euros and total non-current assets amounted to 154.47 mln euros. (30. June 2013: 150.15 mln euros and 159.49 mln euros respectively).

The reduction in long-term receivables compared to year end by 2.19 mln euros to 0.02 mln euros is mainly related to the reclassification of long term receivable to short term.

Compared to the year end the current liabilities have increased by 3.51 mln euros to 14.73 mln euros in the six months. The movement is mainly related to increased tax liabilities in the amount of 4.82 mln euros, mostly related to the dividend income tax payable in July and Trade payables by 0.53 mln euros, balanced by the decrease in Current portion of long-term borrowings in the amount of 1.98 mln euros.

The Group's loan balance has remained stable at 95 mln euros. In May 2014, the Company replaced its loan from NIB with the new loan in the amount of 20 mln euros. The weighted average interest margin for the total loan facility is 1.04%.

The Group has a Total debt/Total assets level as expected of 61.9%, in range of 55%-65%, reflecting the Group's equity profile. This level is consistent with the same period in 2013 when the total debt/total assets ratio was 61.7%.

Biggest share of the rest of the long term liabilities is deferred income from connection fees amounting to 10.75 mln euros (2013: 8.33 mln euros).

In the 4th quarter of 2011 the Group recorded and noted an exceptional contingent liability, which could cause an outflow of economic benefits of up to 36.0 mln euros. In the 3rd quarter of 2013 the Group re-evaluated the liability, which now stands at 34.0 mln euros, as per note 13 to the accounts.

Cash flow

As of 30 June 2014 the cash position of the Group is strong. The cash flows of the Group has continued to be rather stable. At the end of June 2014 the cash balance of the Group stood at 26.57 mln euros, which is 13.5% of the total assets (2013: 20.89 mln, which is 10.7% of the total assets).

The biggest contribution to the cash flows comes from main operations. During the six months of 2014, the Group generated 13.84 mln euros of cash flows from operating activities, a decrease of 1.44 mln euros compared to the corresponding period in 2013.

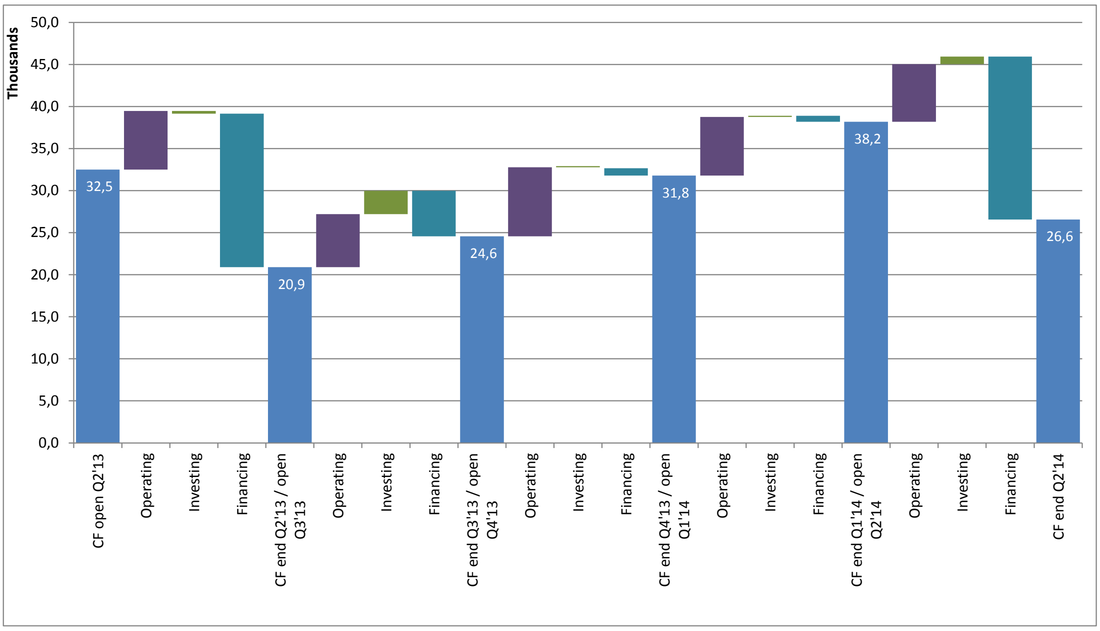
2014 operating cash flows were below 2013 cash flows due to a change in working capital. Underlying operating profit still continues to be the main contributor to operating cash flows.

The Group's cash flows from investing activities have also been positive for past two years. In the six months of 2014 net cash flows from investing activities resulted in a cash inflow of 1.02 mln euros, an increase of 0.31 mln euros compared to an inflow of 0.71 mln euros in the six months of 2013. This is made up as follows:

In the six months of 2014 the investments in fixed assets had increased 0.17 mln euros compared to 2013 amounting to 3.62 mln euros.

The compensations received for the construction of pipelines were 4.34 mln euros in the six months of 2014, an increase of 0.79 mln euros compared to same period in 2013. Most of the cash collected for pipes is related to the sewage network extension program which was ended in 2012. The collections will still continue till March 2015. Interests received have also decreased by 0.29 mln euros compared to same period in 2013.

In the six months of 2014, cash outflow from financing amounted to 20.07 mln euros, which is 1.05 mln euros more than in the same period of 2013, mainly due to increased dividend payment and dividend income tax payment by 1.11 mln euros, balanced slightly by lower interest and financing costs by 0.08 mln euros.



Employees

At the end of the 2nd quarter of 2014, the total number of employees was 317 compared to 309 at the end of the 2nd quarter of 2013. The full time equivalent (FTE) was respectively 304 in 2014 compared to the 296 in 2013. The management continues to work actively for the efficiencies in processes to balance the increase in individual salaries and cost pressure from the market with more productive company structure.

Dividends

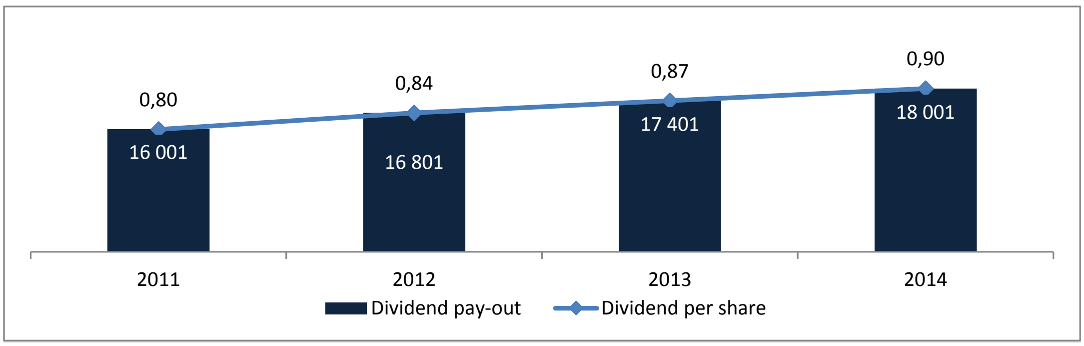
Dividend allocation to the shareholders is recorded as the liability in the financial statement of the Company at the time when the profit allocation and dividend payment is confirmed by the annual general meeting of shareholders.

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

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

Dividends were paid out on 13th of June 2014.

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



Share performance

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

As of 30 June 2014 AS Tallinna Vesi shareholders, with a direct holding over 5%, were:

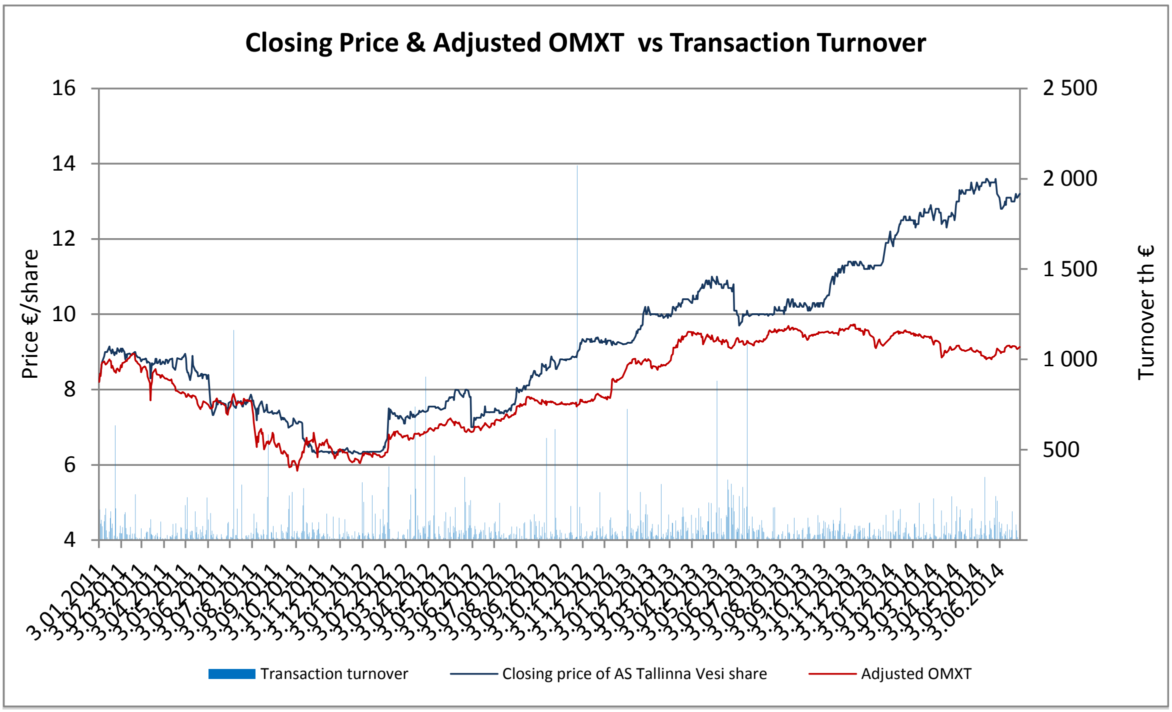
United Utilities (Tallinn) BV	35.3%
City of Tallinn	34.7%

Pension funds have continued to hold the share in their portfolios during the 2nd quarter of 2014, owning 2.57% of the total shares compared to 2.47% at the end of 2nd quarter 2013.

As of 30 June 2014, the closing price of the AS Tallinna Vesi share was 13.20 euros, which is a 4.8% (2013: -3.9%) increase compared to the closing price of 12.60 euros at the beginning of the quarter. During the same period the OMX Tallinn index increased by 0.7% (2013: -3.04%).

In the six months of 2014 2 519 deals with the Company's shares were concluded (2013: 3 261 deals) during which 581 thousand shares or 2.9% exchanged their owners (2013: 1 290 thousand shares or 6.5%).

The turnover of the transactions was 5 667 thousand euros lower than in 2013 amounting to 7 485 thousand euros. The share price has shown an increase despite of the on-going contractual debate.



Operational performance

Similarly to previous years, the 6 months in 2014 can be characterized by stability. Above all, it gives security to our consumers that they are provided with a high-quality drinking water, stable water supply and service of wastewater discharge. In addition to the quality of service, we also concentrate on being a good partner for our customers. The feedback from our customers has become more positive, but despite that we aim to continue making efforts to fulfil customers' expectations. Operational indicators for 6 months in 2014:

Indicator	2013 6 months	2014 6 months
Drinking water		
Compliance of water quality at the customers tap	99.80%	99.86%
Water loss in the water distribution network	16.64%	16.38%
Average duration of water interruptions per property	3.53 h	2.80 h
Wastewater		
Number of sewer blockages	478	434
Number of sewer bursts	74	175
Number of customer contacts regarding flooding, blockages and storm water	866	529
Wastewater treatment compliance with environmental standards	100%	100% (excl. Zn and Cu)
Customer Service		
Number of written complaints	73	32
Number of customer contacts regarding water quality	90	65
Number of customer contacts regarding water pressure	326	144
Responding written customer contacts within at least 2 work days	98.6%	99.0%
Number of failed promises	9	21
Notification of unplanned water interruptions at least 1h before the interruption	97.1%	97.4%

Corporate structure

At the end of the quarter, 30 June 2014, the Group consisted of 2 companies. The subsidiary Watercom OÜ is wholly owned by AS Tallinna Vesi and consolidated to the results of the Company.

Corporate Governance

Supervisory Council

Supervisory Council plans and organises the management of the Company and supervises the activities of the Management Board. According to AS Tallinna Vesi articles of association Supervisory Council consists of 9 members who are appointed for two years.

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

More information about the Supervisory Council and committees can be found in the note 12 to the financial statements as well as from the Company's webpage:
http://tallinnavesi.ee/images/stories/2013_ar_astv_eng.pdf
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 about 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

Potential legal claim for breach of international treaty

The Supervisory Council of the Company has given 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. This follows three years of intensive negotiation to try and reach an amicable settlement, which so far has not been forthcoming.

Additional details surrounding this claim can be found via the following link: https://newsclient.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=609264&messageId=754811

Disclosure of relevant papers and perspectives

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

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

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

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 6 months period of financial year 2014 ended 30 June 2014. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 30 June 2014 have been prepared following the accounting policies and the manner of presenting the information in line with the International Financial Reporting Standards as adopted by the EU. The condensed financial statements provide a true and fair view of the assets, liabilities, financial position and profit of the company. During the preparation of condensed financial statements, the Management has made no changes in critical estimates that would have cast a significant impact on the results.

The interim report gives a true and fair view of the main events that occurred during the 6 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 6 months of the financial year.

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

Any subsequent events that materially affect the valuation of assets and liabilities and have occurred up to the completion of the consolidated financial statements on 24 July 2014 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
Asset Operations Director

Riina Käi
Member of the Management Board
Chief Financial Officer

24 July 2014

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 30 June		as of 31 December
ASSETS	**Note**	**2014**	**2013**	**2013**
CURRENT ASSETS				
Cash and cash equivalents	2	26 566	20 892	31 786
Trade receivables, accrued income and prepaid expenses		15 526	15 378	15 010
Inventories		441	391	429
TOTAL CURRENT ASSETS		**42 533**	**36 661**	**47 225**
NON-CURRENT ASSETS				
Other long-term receivables		22	8 396	2 213
Property, plant and equipment	3	153 526	150 146	152 246
Intangible assets	3	919	949	1 037
TOTAL NON-CURRENT ASSETS		**154 467**	**159 491**	**155 496**
TOTAL ASSETS		**197 000**	**196 152**	**202 721**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Current portion of long-term borrowings		169	149	2 146
Trade and other payables		9 947	11 458	4 761
Derivatives		1 764	1 883	1 816
Prepayments		2 846	2 366	2 490
TOTAL CURRENT LIABILITIES		**14 726**	**15 856**	**11 213**
NON-CURRENT LIABILITIES				
Deferred income from connection fees		10 752	8 333	10 143
Borrowings		95 846	95 680	93 618
Derivatives		620	1 040	507
Other payables		21	24	32
TOTAL NON-CURRENT LIABILITIES		**107 239**	**105 077**	**104 300**
TOTAL LIABILITIES		**121 965**	**120 933**	**115 513**
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		37 023	37 207	49 196
TOTAL EQUITY		**75 035**	**75 219**	**87 208**
TOTAL LIABILITIES AND EQUITY		**197 000**	**196 152**	**202 721**

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 2		6 months		for the year ended 31 December
	Note	**2014**	**2013**	**2014**	**2013**	**2013**
Revenue	4	13 371	13 493	26 678	26 186	53 087
Costs of goods sold	6	-5 643	-6 172	-11 686	-11 341	-22 505
GROSS PROFIT		**7 728**	**7 321**	**14 992**	**14 845**	**30 582**
Marketing expenses	6	-106	-175	-273	-399	-690
General administration expenses	6	-1 535	-1 351	-2 900	-2 479	-5 060
Other income (+)/ expenses (-)	7	104	-53	55	-70	-75
OPERATING PROFIT		**6 191**	**5 742**	**11 874**	**11 897**	**24 757**
Financial income	8	154	1 395	288	2 237	681
Financial expenses	8	-793	-779	-1 549	-1 562	-877
PROFIT BEFORE TAXES		**5 552**	**6 358**	**10 613**	**12 572**	**24 561**
Income tax on dividends	9	-4 785	-4 625	-4 785	-4 625	-4 625
NET PROFIT FOR THE PERIOD		**767**	**1 733**	**5 828**	**7 947**	**19 936**
COMPREHENSIVE INCOME FOR THE PERIOD		**767**	**1 733**	**5 828**	**7 947**	**19 936**
Attributable profit to:						
Equity holders of A-shares		766	1 732	5 827	7 946	19 935
B-share holder		0,60	0,60	0,60	0,60	0,60
Earnings per A share (in euros)	10	0,04	0,09	0,29	0,40	1,00
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	6 months 2014	6 months 2013	for the year ended 31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		11 874	11 897	24 757
Adjustment for depreciation/amortisation	6	2 895	2 963	5 809
Adjustment for profit from government grants and revenues from connection fees		-72	0	-117
Other non-cash adjustments		24	-48	11
Profit/loss(+) from sale and write off of property, plant and equipment, and intangible assets		3	-20	-138
Change in current assets involved in operating activities		-1 592	-864	-433
Change in liabilities involved in operating activities		703	1 348	-92
Total cash flow from operating activities		**13 835**	**15 276**	**29 797**
CASH FLOWS FROM INVESTING ACTIVITIES				
Repayment of loan		0	0	3 814
Acquisition of property, plant and equipment, and intangible assets		-3 618	-3 445	-9 187
Compensations received for construction of pipelines		4 340	3 551	7 885
Proceeds from sale of property, plant and equipment, and intangible assets		1	20	165
Interest received		296	583	693
Total cash flow used in investing activities		**1 019**	**709**	**3 370**
CASH FLOWS FROM FINANCING ACTIVITIES				
Received loans		20 000	0	0
Repayment of loans		-20 000	0	0
Interest paid and loan financing costs, incl swap interests		-1 486	-1 563	-3 154
Repayment of finance lease		-82	-64	-136
Dividends paid	9	-18 001	-17 401	-17 401
Income tax on dividends	9	-505	0	-4 625
Total cash flow used in financing activities		**-20 074**	**-19 028**	**-25 316**
Change in cash and cash equivalents		**-5 220**	**-3 043**	**7 851**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**31 786**	**23 935**	**23 935**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2	**26 566**	**20 892**	**31 786**

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 2012	**12 000**	**24 734**	**1 278**	**46 661**	**84 673**
Dividends	0	0	0	-17 401	-17 401
Comprehensive income for the period	0	0	0	19 936	19 936
as of 31 December 2013	**12 000**	**24 734**	**1 278**	**49 196**	**87 208**
as of 31 December 2012	**12 000**	**24 734**	**1 278**	**46 661**	**84 673**
Dividends	0	0	0	-17 401	-17 401
Comprehensive income for the period	0	0	0	7 947	7 947
as of 30 June 2013	**12 000**	**24 734**	**1 278**	**37 207**	**75 219**
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	5 828	5 828
as of 30 June 2014	**12 000**	**24 734**	**1 278**	**37 023**	**75 035**

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 June		as of 31 December
	2014	**2013**	**2013**
Cash in hand and in bank	794	1 481	3 295
Short-term deposits	25 772	19 411	28 491
Total cash and cash equivalents	**26 566**	**20 892**	**31 786**

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 2012									
Acquisition cost	24 793	167 389	44 018	1 302	2 258	1 040	25	5 899	246 724
Accumulated depreciation	-5 384	-55 543	-29 611	-862	0	0	0	-4 770	-96 170
Net book value	**19 409**	**111 846**	**14 407**	**440**	**2 258**	**1 040**	**25**	**1 129**	**150 554**
Transactions in the period 01 January 2013 - 31 December 2013									
Acquisition in book value	0	0	0	0	6 127	2 103	421	0	8 651
Write off and sale of property, plant and equipment, and intangible assets in residual value	0	0	-7	-8	0	-99	0	1	-113
Reclassification	58	7 724	2 030	52	-7 808	-2 056	-419	419	0
Depreciation	-278	-2 717	-2 195	-80	0	0	0	-539	-5 809
as of 31 December 2013									
Acquisition cost	24 851	175 032	44 874	1 321	577	988	27	5 517	253 187
Accumulated depreciation	-5 662	-58 179	-30 639	-917	0	0	0	-4 507	-99 904
Net book value	**19 189**	**116 853**	**14 235**	**404**	**577**	**988**	**27**	**1 010**	**153 283**
Transactions in the period 01 January 2014 - 30 June 2014									
Acquisition in book value	0	0	0	0	3 586	387	89	0	4 062
Write off and sale of property, plant and equipment, and intangible assets in residual value	0	0	0	0	0	-5	0	0	-5
Reclassification	22	940	1 079	33	-1 442	-632	-56	56	0
Depreciation	-140	-1 365	-1 143	-41	0	0	0	-206	-2 895
as of 30 June 2014									
Acquisition cost	24 874	175 972	45 953	1 354	2 721	737	59	5 574	257 244
Accumulated depreciation	-5 801	-59 545	-31 783	-956	0	0	0	-4 714	-102 799
Net book value	**19 073**	**116 427**	**14 170**	**398**	**2 721**	**737**	**59**	**860**	**154 445**

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 June 2014 the book value of the assets (Machinery and equipment) leased under financial lease is 357 thousand euros (31 December 2013: 861 thousand euros).

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

NOTE 4. REVENUE	**Quarter 2**		**6 months**		**for the year ended 31 December**
Revenues from main operating activities	**2014**	**2013**	**2014**	**2013**	**2013**
Total water supply and waste water disposal service, incl:	12 138	12 239	24 178	23 958	47 737
Private clients, incl:	6 001	5 913	12 048	11 846	23 642
Water supply service	3 303	3 253	6 630	6 517	13 022
Wastewater disposal service	2 698	2 660	5 418	5 329	10 620
Corporate clients, incl:	4 804	4 988	9 459	9 594	19 053
Water supply service	2 697	2 782	5 278	5 291	10 585
Wastewater disposal service	2 107	2 206	4 181	4 303	8 468
Outside service area clients, incl:	1 095	1 114	2 239	2 115	4 308
Water supply service	283	263	538	515	1 095
Wastewater disposal service	722	683	1 478	1 344	2 730
Storm water disposal service	90	168	223	256	483
Over pollution fee	238	224	432	403	734
Storm water treatment and disposal service and fire hydrants service	750	864	1 741	1 590	3 424
Construction service and design	285	186	415	284	1 146
Other works and services	198	204	344	354	780
Total revenue	**13 371**	**13 493**	**26 678**	**26 186**	**53 087**

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

NOTE 5. STAFF COSTS	**Quarter 2**		**6 months**		**for the year ended 31 December**
	2014	**2013**	**2014**	**2013**	**2013**
Salaries and wages	-1 396	-1 326	-2 751	-2 673	-5 233
Social security and unemployment insurance taxation	-467	-445	-921	-895	-1 744
Staff costs total	**-1 863**	**-1 771**	**-3 672**	**-3 568**	**-6 977**
Number of employees at the end of reporting period			**304**	**309**	**304**

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

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

	Quarter 2		6 months		for the year ended 31 December
Cost of goods sold	**2014**	**2013**	**2014**	**2013**	**2013**
Water abstraction charges	-261	-248	-525	-494	-997
Chemicals	-448	-426	-860	-846	-1 734
Electricity	-729	-855	-1 566	-1 790	-3 392
Pollution tax	-550	-1 086	-1 626	-1 302	-1 872
Staff costs	-1 314	-1 250	-2 543	-2 466	-4 833
Depreciation and amortization	-1 321	-1 285	-2 618	-2 584	-5 115
Construction service and design	-237	-149	-324	-235	-947
Other costs of goods sold	-783	-873	-1 624	-1 624	-3 615
Total cost of goods sold	**-5 643**	**-6 172**	**-11 686**	**-11 341**	**-22 505**
Marketing expenses					
Staff costs	-87	-80	-190	-196	-375
Depreciation and amortization	-10	-81	-51	-162	-244
Other marketing expenses	-9	-14	-32	-41	-71
Total marketing expenses	**-106**	**-175**	**-273**	**-399**	**-690**
Administrative expenses					
Staff costs	-462	-441	-939	-906	-1 769
Depreciation and amortization	-76	-83	-157	-164	-339
Other general administration expenses	-997	-827	-1 804	-1 409	-2 952
Total administrative expenses	**-1 535**	**-1 351**	**-2 900**	**-2 479**	**-5 060**

NOTE 7. OTHER INCOME / EXPENSES

	Quarter 2		6 months		for the year ended 31 December
	2014	**2013**	**2014**	**2013**	**2013**
Connection fees	37	28	72	56	117
Depreciation of single connections	-35	-26	-69	-53	-111
Doubtful receivables expenses (-) / expense reduction (+)	137	4	145	5	45
Other income / expenses (-)	-35	-59	-93	-78	-126
Total other income / expenses	**104**	**-53**	**55**	**-70**	**-75**

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

NOTE 8. FINANCIAL INCOME AND EXPENSES	**Quarter 2**		**6 months**		**for the year ended 31 December**
	2014	**2013**	**2014**	**2013**	**2013**
Interest income	154	298	288	582	681
Interest expense, loan	-293	-269	-584	-538	-1 087
Interest expense, swap	-440	-510	-879	-1 016	-2 024
Increase (+) /decrease (-) of fair value of swap	-40	1 093	-62	1 655	2 255
Other financial income (+)/ expenses (-)	-20	4	-24	-8	-21
Total financial income / expenses	**-639**	**616**	**-1 261**	**675**	**-196**

NOTE 9. DIVIDENDS	**Quarter 2**		**6 months**		**for the year ended 31 December**
	2014	**2013**	**2014**	**2013**	**2013**
Dividends declared during the period	18 001	17 401	18 001	17 401	17 401
Dividends paid during the period	18 001	17 401	18 001	17 401	17 401
Income tax on dividends paid	-4 785	-4 625	-4 785	-4 625	-4 625
Income tax accounted for	**-4 785**	**-4 625**	**-4 785**	**-4 625**	**-4 625**
Paid-up dividends per shares:					
Dividends per A-share (in euros)	0,90	0,87	0,90	0,87	0,87
Dividends per B-share (in euros)	600	600	600	600	600

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

NOTE 10. EARNINGS PER SHARE

	Quarter 2		**6 months**		**for the year ended 31 December**
	2014	**2013**	**2014**	**2013**	**2013**
Net profit minus B-share preferred dividend rights	766	1 732	5 827	7 946	19 935
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20 000 000	20 000 000	20 000 000	20 000 000	20 000 000
Earnings per A share (in euros)	0,04	0,09	0,29	0,40	1,00
Earnings per B share (in euros)	600	600	600	600	600

Diluted earnings per share for the periods ended 30 June 2014 and 2013 and 31 December 2013 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 June**		**as of 31 December**
	2014	**2013**	**2013**
Accounts receivable	1 570	2 003	550
Accrued income	6 117	7 155	8 154
Other long-term receivables	0	4 635	2 161
Trade and other payables	186	183	197

Transactions	**Quarter 2**		**6 months**		**for the year ended 31 December**
	2014	**2013**	**2014**	**2013**	**2013**
Revenue	749	863	1 741	1 590	3 424
Purchase of administrative and consulting services	260	242	517	485	1 020
Financial income	125	202	225	392	434
Fees for Management Board (excluding social tax)	58	90	186	161	294
Supervisory Board fees (excluding social tax)	10	10	20	20	40

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

Company's Management Board members are elected for 3 (three) years and Supervisory Board members for 2 (two) years. Stock exchange announcement is published about the change in Management and Supervisory Board.

38 thousand euros were paid to the Management Board members as termination fees in the first 6 months of 2014 (in the first 6 months of 2013 and in the year that ended on 31 December 2013: 18 thousand euros). The off balance sheet potential salary liability would be up to 82 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 June 2014 from all Supervisory Council and Management Board members Riina Käi owned 100 shares (as of 30 June 2013: Riina Käi owned 100 shares). As of 31 December 2013 Riina Käi owned 100 shares.

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

NOTE 12. LIST OF SUPERVISORY BOARD MEMBERS

Robert John Gallienne	Chairman of the Supervisory Board
Steven Richard Fraser	Member of the Supervisory Board
Simon Gardiner	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 34 mln euros – the part that CA considers to be excessively charged from the clients going back three years from time of the final judgment.