



**SOCIAL RESPONSIBILITY
AND SUSTAINABLE
DEVELOPMENT REPORT**

2013





MISSION

We create better life with pure water.

VISION

Everyone wants to be our customer, employee and partner because we are the leading water services company in the Baltic's.

OUR VALUES

Commitment - We work with passion, doing the maximum to achieve the objectives.

Customer focus - Our actions help our customers and colleagues to find solutions.

Teamwork - We all form one team who knows that our success depends on me and my colleague's contribution.

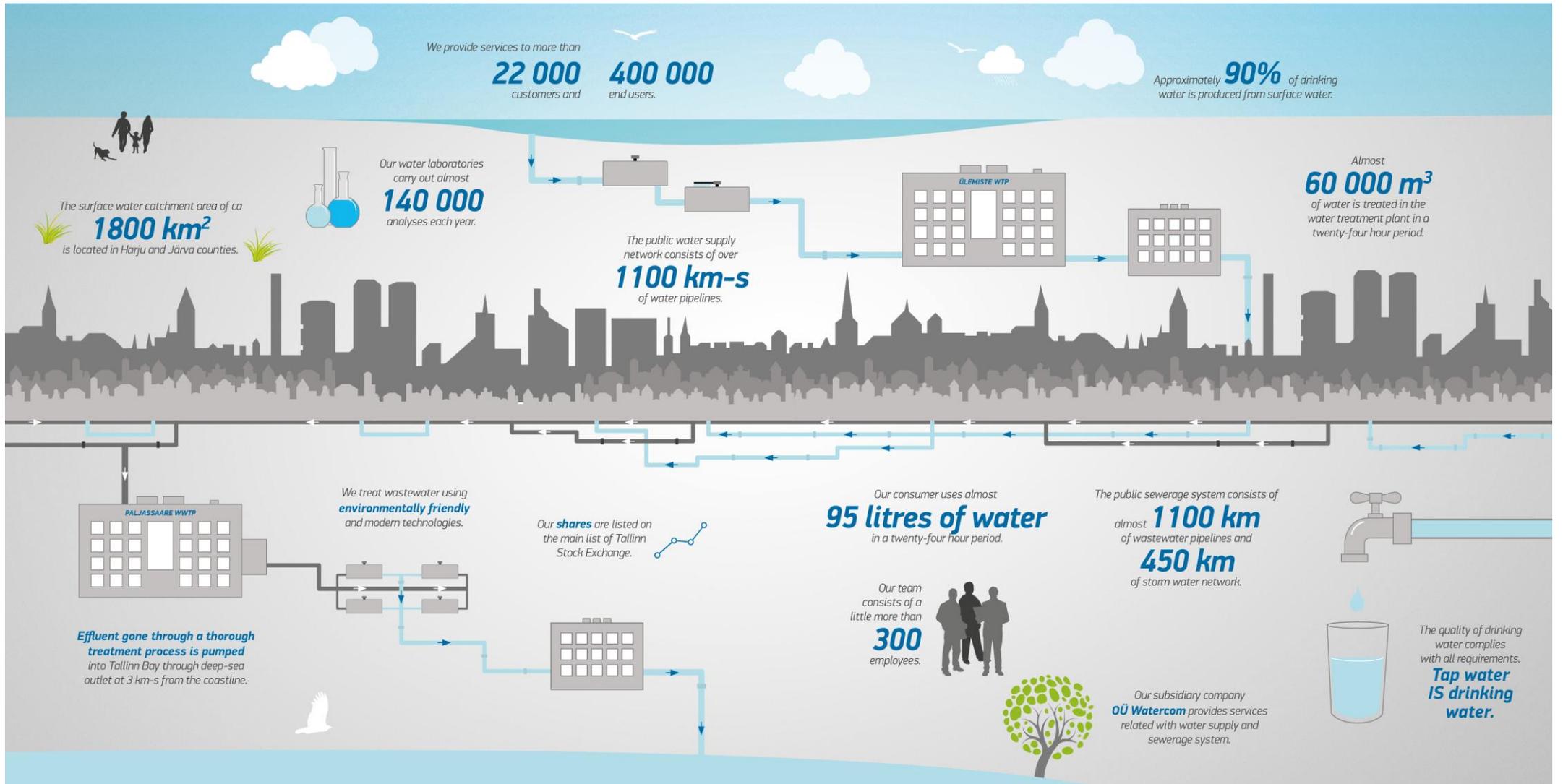
Creativity - We have the courage and the energy to seek new opportunities and achieve better solutions.

Proactivity – We act today for a better tomorrow.

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General facts



CONTACT DETAILS

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OPERATIONAL SITES

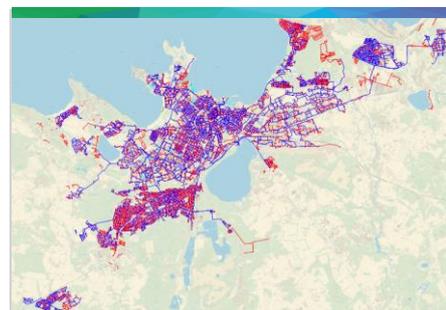
- Head office, customer service, support services and OÜ Watercom in Ädala 10, Tallinn.
- Ülemiste water treatment plant, water and microbiological laboratory in Järvevana road 3, Tallinn.
- Paljassaare wastewater treatment plant, composting fields and wastewater laboratory in Paljassaare põik 14, Tallinn.
- Sludge composting and experimental site in Liikva village, Harju county.
- The catchment area ca 1800 square kilometers in Harju and Järvamaa counties.

OUR MAIN SERVICES

- Water collection, treatment and supply
- Water and wastewater services
- Sewage and storm water drainage and cleaning
- Laboratories
- Designing
- Water and Sewerage Pipeline Works
- Owner's supervision and project management
- Transport and road construction

OUR MAIN SERVICE AREA

- Tallinn City
- Maardu City
- Saue City and Laagri Area
- Saku Area
- Viimsi Parish
- Harku Parish and Tabasalu Area
- Kiili Parish, Kiili and Luige Area
- Jõelähtme, Loo and Iru Area
- Rae Parish, Jüri, Assaku and Lagedi Area



Our main service area in Estonia

About this report

Being Estonia's largest water company, our activity affects almost one third of Estonia's population. We provide pure drinking water to customers and collect and treat wastewater and stormwater, using environmentally safe and modern technologies. We realise that by offering conforming services to our customers we influence the quality of life of Tallinners, surrounding municipalities and all people living next to the Baltic Sea.

We wish to be a trusted partner to our customers, investors, employees and representatives of the community, this means that our management practices take into account the impact we have on surrounding living environment, and association with the different stakeholder interests. It means we consider social responsibility central to our activities, thorough of our activities. We do more than we have to, in terms of quality, support for the community, environmental education as well as working environment

AS Tallinna Vesi's report on social responsibility and sustainable development provides an overview of our activities and performance in 2013 in the area of sustainable development in economic, social and environmental perspective. The preparation of a report we have been used

this three important aspects of corporate responsible.

We have compiled the report and determined the essential subjects on the basis of the standards of the quality-, occupational health and safety and management systems (ISO, OHSAS). We have also used the environmental report, which was deemed compliant with the Eco-Management and Audit Scheme (EMAS) and audited in 2013 as well as the annual report together with the financial statement.

This report follows the guidelines of the *Global Reporting Initiative* (GRI) G3.1 and it has been approved by the third party. The report includes all information of our department's activities, also the subsidiary OÜ Watercom, which is 100% owned by AS Tallinna Vesi.

We issue this report already for the second year, will publishing this report each year and it is available on the webpage of AS Tallinna Vesi.

Date of the previous report:
05/07/2013



ESTONIAN SUSTAINABLE
BUSINESS INDEX
SILVER LEVEL 2013

Chairman's statement

As it was previous year, the challenge we set for ourselves in 2013 was to continue to deliver improvements from the "best in Baltics" standards we were already achieving. I am very proud to state that in most areas we have managed to improve our performance levels still further.

Operations performance – best ever water quality

It is imperative that we meet or exceed the levels of services in the contract we signed with the City of Tallinn in 2001. This services contract requires us to maintain a high standard of service to our customers across a range of 97 levels of service, ensuring that we deliver a service to our customers, that is second to none.

We are especially proud of our water quality compliance. In 2013 we achieved our best ever standards for water quality, with 99.7% of all samples being compliant with EU standards. To put this into context, during the year we took 2 965 samples at the customers' tap, and of these only 9 did not meet the required standards.

Customer service – the growing confidence and trust

This high quality product and service has been recognised by our customers. Therefore an independent market research company TNS EMOR once a year carry out a survey among our customers and end users. From the results of our 2013 customer satisfaction survey 75% of respondents said they regularly drank tap water, compared with only 48% in 2011. Thanks to the quality of our product and the quality of our communications, more and more of our customers trust the quality of the service we are providing.

The company TNS EMOR satisfaction survey basis of the TRI*M index. This year we achieved a customer satisfaction rating is 79 points on a scale of 100. Whilst this is down on last year's record high of 85 it is still significantly above the average for European Utilities and is very close to the top 10% for all European manufacturing companies. This is an excellent outcome and is a good reflection of the hard work we have done to improve all aspects of our service.

In addition to the improvements in the quality of our water and wastewater, we continue to reduce the customer risks related to potential flooding and pollution by making preventative improvements in the performance of our networks. For example in 2013 the number of sewer blockages decreased by 20% compared to the average of the last four years. The level of leakages is decreasing year-on-year thanks to our investments and preventative actions. In the water network, compared to the period prior to privatisation in 2001 we are saving approximately 13 000 m³ of treated drinking water a day. Finally we have supplemented the improvement of the operational performance with improved customer communications, in 2013, 97% of all clients were informed prior to an interruption to supply.

Our people and teams

The key to any company's success are the people. Our teams have worked "hard and smart" in order to deliver the highest levels of service to our customers. I would very much like to thank all of our people for their dedication and flexibility during the year.

A committed, capable and motivated workforce is central to delivering our objectives and we remain fully focused on maintaining high levels of employee development and engagement. We are always looking to develop our people and teams. In 2013 we introduced programme of activities to enable our managers to collaborate more effectively and develop themselves personally.

We strive to continuously improve our safety culture. The safety and well-being of our employees is paramount and we believe that everybody in AS Tallinna Vesi, both collectively and individually, has a part to play in maintaining a safe working environment. In 2013, our health and safety performance stood comparison with the performance of the best in class, and we will remain vigilant in our efforts to achieve the same very high standards in the future.

Responsible company

We acknowledge that by providing a service compliant with all requirements, we influence the quality of life of the citizens of Tallinn, neighboring municipalities as well as the wider

environment in and around the Baltic Sea. This means that our management practices take into account the impact we have on our living environment, and our associations with different stakeholder interests. Our responsibility to all our stakeholder groups, including the environment is a key reason for our ongoing business improvement.

Not only do we aim to do the right things for our stakeholders, we also want to manage our business in the right way by operating to the highest standards of corporate governance. In 2013, we were awarded the Best Investor Relations of all the companies on the NASDAQ OMX Exchanges in all three Baltic Countries. This is the first time an Estonian company has won this award, which is a great honour for ourselves and Estonia. I would like to take this opportunity to thank the NASDAQ OMX in Tallinn and the bank analysts who have worked with us to help improve the quality of our interactions with the investment community.

Still attractive for shareholders

We believe our operational and financial performance still makes us an attractive investment for current and future shareholders. We will continue to work hard in our court dispute to ensure that the privatisation contract is respected. Beyond this we will continue to invest in our people and systems to ensure we are well placed to grow across the region if and when the opportunity arises.

For the 2013 financial year our total revenues increased slightly by 0.3% year on year to 53.1m Euros, mainly due to an increase in non-regulated revenues from our subsidiary business Watercom OÜ. However, our EPS reduced by 12% year on year to 1.00 Euro per share primarily due to the finishing of the sewerage

extension programme that caused a significant reduction in the profit from government grants. In June 2013 we paid a dividend of 0.87 cents per share, an increase of 3.6% year on year. This is in accordance with our dividend policy, which is to increase dividends by a minimum of CPI each year. We are committed to delivering this dividend policy across the lifetime of the contract, while making further improvements for our customers and the environment.

Outlook

Given the lack of progress in our court cases, and the lack of transparent regulatory practice, the outlook for AS Tallinna Vesi remains very uncertain. The Estonian authorities have been unwilling to enter into any meaningful discussions over the privatisation contracts, therefore it appears that AS Tallinna Vesi will be engaged in a long court process that could last a number of years. This ongoing dispute and the unstable regulatory environment severely limit our growth opportunities. As such our primary focus in 2014 will be to improve performance and efficiency in our main services area in Tallinn. We are committed to retain our place as the leading water and wastewater company in the Baltic region, and we fully understand that we can only keep this position by not resting on past performance and achievements.

Finally, I would like to thank my colleagues in AS Tallinna Vesi and Watercom OÜ, and all our suppliers and business partners for all their expertise, energy and support in serving our customers during the past year. It is because of all your efforts that we are able to report a level of operating and service performance that is second to none. I look forward to our continuing success in the year ahead.



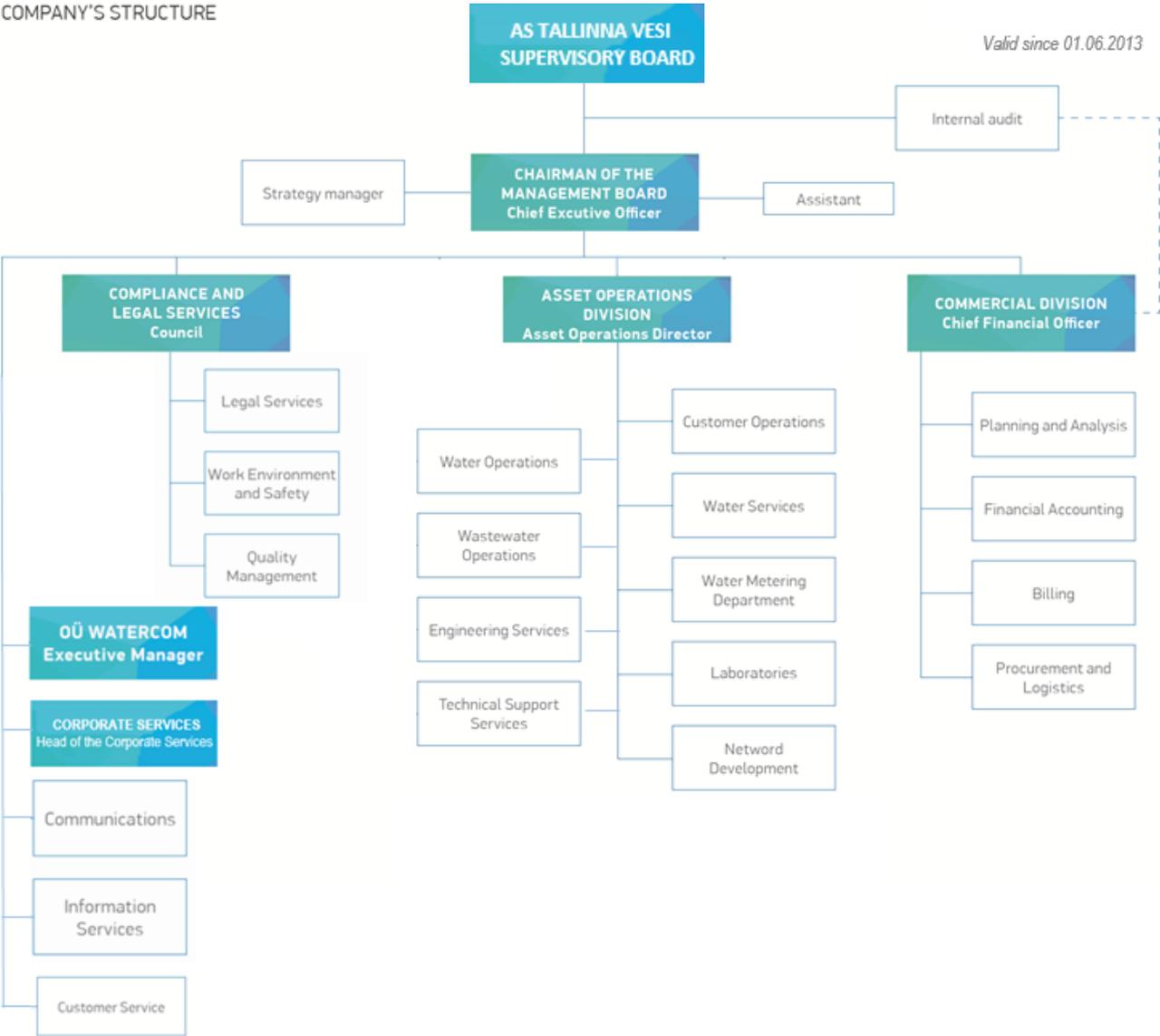
*Ian John Alexander Plenderleith,
Chairman of the Management*



Management and responsibility

COMPANY'S STRUCTURE

Valid since 01.06.2013



We are the largest water company in Estonia and we provide water and wastewater services pure drinking water over than 400 000 people in Tallinn and its neighbouring municipalities. AS Tallinna Vesi is a public limited company, the management bodies of which are:

- the General Meeting of Shareholders (the highest directing body),
- the Supervisory Board,
- the Management Board.

The General Meeting of Shareholders

In accordance with the Commercial Code and the Corporate Governance Recommendations, AS Tallinna Vesi convenes its General Meetings, both Annual General Meetings and Extraordinary General Meetings (EGMs) by notifying all of its shareholders via the Tallinn Stock Exchange system and by placing an advertisement in one newspaper with Estonian-wide circulation 3 weeks in advance. Changes in the Articles of Association and management of AS Tallinna Vesi and its subsidiary (incl. the election and recalling of the members of the Management Board) are made according to Part VII of the Commercial Code.

The agendas of AGMs and EGMs of AS Tallinna Vesi are pre-approved by the Supervisory Board, who also puts forward proposals for the attention and voting at the General Meeting. The General Meeting agenda items, the Supervisory Board's proposals, with relevant commentaries about the agenda items, procedural instructions for participating at a General Meeting and how and when to propose additional items to the agenda are disclosed within the General Meeting notice.

Specific rights for adding agenda items granted to shareholders whose shareholding represents at least 1/20 of the share capital are explained in the General Meeting notice as well as on AS Tallinna Vesi's homepage. Voting rights are explained to the shareholders on AS Tallinna Vesi's homepage as well as at the beginning of each General Meeting.

On 21 May 2013, AS Tallinna Vesi held an Annual General Meeting (AGM) of its Shareholders to approve the 2012 annual report and distribution of profit, recall the Supervisory Board member and elect the Supervisory Board member, as well as to elect the auditor. The Management Board also made a presentation on the privatisation contract dispute to update the shareholders.

No questions were asked regarding the 2013 AGM agenda.

Neither were any additional agenda item proposals made in 2013. The chairman of any AGM and EGM is an independent person. In 2013, the AGM was chaired by Mr. Raino Paron, who introduced the procedure for conducting the General Meeting, including the procedure for inquiring about AS Tallinna Vesi's activities from the Management Board.

All members of the Management Board, the Chairman of the Supervisory Board and the auditor in charge participated at the AGM in 2013. When a Supervisory Board member or auditor in charge stands for election at the general meeting, the candidate for the respective position usually also participates in the meeting. Therefore, the Supervisory Board member candidate Mr Allar Jõks and candidate for the position of auditor in charge Mr Ago Vilu also participated at the 2013 AGM, among others. AS Tallinna Vesi does not disclose the amount of the audit fee because its non-disclosure does not affect the reliability of the audit services provided by the auditor.

AS Tallinna Vesi does not enable the shareholders to participate at the General Meetings via electronic communication tools, as it would be too complicated and expensive to establish reliable solutions to identify the shareholders most of whom are overseas' residents. No shareholder has shares that grant them a right for specific control. AS Tallinna Vesi is not aware that any shareholders have concluded any voting agreements.

As per the Articles of Association of AS Tallinna Vesi amended on 24 May 2011, AS Tallinna Vesi has issued one registered preferred share with the nominal value of 60 euros (B-share). The B-share grants the holder the right to participate at General Meetings as well as in the distribution of profits and of the assets remaining upon dissolution of AS Tallinna Vesi, also other rights provided by law and the Articles of Association of AS Tallinna Vesi. The B-share grants the holder the preferential right to receive a dividend in an agreed sum of 600 euros. The B-share grants the shareholder 1 (one) vote at the General Meeting (restricted right to vote) when deciding on amending the Articles of Association of the company; increasing and reducing the share capital of the company; issuing convertible bonds; acquisition of treasury shares by the company; deciding on the merger, division,

transformation and/or dissolution of AS Tallinna Vesi and deciding on issues related to the activities of AS Tallinna Vesi that have not been placed in the sole.

The Supervisory Board

The Supervisory Board plans the activities of AS Tallinna Vesi, organises its management and supervises the activities of the Management Board. Pursuant to the Articles of Association of AS Tallinna Vesi, the Supervisory Board consists of nine members with the term of two years. In 2013, five regular and no extraordinary Supervisory Board meetings were held. The Supervisory Board pre-approved the 2012 annual report presented to the Annual General Meeting for approval, and reviewed AS Tallinna Vesi's 2014 budget.

At the time of compilation of this report, AS Tallinna Vesi's Supervisory Board consisted of the following members:

Mr Robert John Gallienne

(United Utilities (Tallinn) B.V.), Supervisory Board member until 22 May 2014;

Mr Steven Richard Fraser

(United Utilities (Tallinn) B.V.), Supervisory Board member until 21 January 2016;

Mr Simon Gardiner

(United Utilities (Tallinn) B.V.), Supervisory Board member until 22 May 2014;

Mr Brendan Francis Murphy

(United Utilities (Tallinn) B.V.), Supervisory Board member until 27 October 2015;

Mr Priit Lello

(Tallinn City), Supervisory Board member until 16 November 2015;

Mr Rein Ratas

(Tallinn City), Supervisory Board member until 22 May 2014;

Mr Toivo Tootsen

(Tallinn City), Supervisory Board member until 7 April 2015;

Mr Mart Mägi

(independent) Supervisory Board member until 22 May 2014;

Mr Allar Jõks

(independent) Supervisory Board member until 21 May 2015.

Chairman of the Supervisory Board is Mr Robert John Gallienne and The Supervisory Board has formed three committees to advise the Supervisory Board on audit, nomination and remuneration, and corporate governance matters as described below.

The Audit Committee and Internal Audit

At each meeting, an internal audit report was presented to the Supervisory Board. The internal auditor of AS Tallinna Vesi reports directly to the Audit Committee, which consists of two members of the Supervisory Board. Mr Mart Mägi is the Chairman of the Audit Committee and Mr Robert John Gallienne is the second member of the Audit Committee. The Audit Committee follows the Authorised Public Accountants Act and the guidelines issued by the Financial Supervision Authority regarding the composition and working processes of an Audit Committee.

The main tasks of the Audit Committee are:

- to monitor and analyse financial information;
- to monitor and analyse the effectiveness of risk management and internal controls;
- to monitor and analyse the audit processes regarding the consolidated annual accounts;
- to monitor and analyse independence of external auditor and legality of his/her activity regarding ASTV;
- to evaluate the work of external auditors annually and report to the Supervisory Board about the results of such evaluation;
- to monitor independence of external auditor.

The appointed external auditor and any member of the external audit team cannot provide any service outside the scope of annual audits without prior approval from the Audit Committee. In 2013, the external auditor did not provide any services to AS Tallinna Vesi outside the scope of the annual audit. Pursuant to the Articles of Association of AS Tallinna Vesi, an external auditor shall be elected by the General Meeting of Shareholders to conduct the annual audit. The remuneration of the external auditor is regulated in the respective contract, signed between the external auditor and the Management Board.

AS Tallinna Vesi chooses an external auditor by following internal procurement procedures (which includes approval by the Supervisory Board of AS Tallinna Vesi), ensuring the best match of service quality and the price offered for the services. Proposals are taken only from internationally respected, high quality audit companies. AS Tallinna Vesi signs up to 3-year audit contract with a clause that requires the re-appointment of the auditor in charge each year and follows the Financial Supervision Authority guidelines of 1 November 2013 "Rotation of the auditors of certain subjects of financial supervision by the state" with regard to the requirement to rotate the auditor in charge after every 5 years.

Based on the report of the Audit Committee, the Supervisory Board evaluates the quality of the work of the external auditor annually in the course of the approval of the Annual Accounts and discloses the summary of such evaluation in the AGM notice. The external auditor is present at the AGM and participates where necessary.

Nomination and Remuneration Committee

In 2013, the Nomination and Remuneration Committee continued to advise the Supervisory Board on management remuneration issues and Management Board nominations. Until 21 May 2013, Mr. Valdur Laid was the Chairman of the Nomination and Remuneration Committee; since 22 August 2013, the Chairman of the Nomination and Remuneration Committee is Mr Robert John Gallienne. The other member of the Committee is Mr Mart Mägi.

Supervisory Board approves the remuneration principles of the issuer's managers and appoints the Remuneration Committee. The Remuneration Committee recommends the remuneration principles of AS Tallinna Vesi and exercises supervision that the principles approved by the Supervisory Board and the requirements of the Securities Market Act are being followed.

The Nomination and Remuneration Committee ensures that the proposed remuneration principles are based on the short- and long-term objectives of AS Tallinna Vesi taking into account the financial performance of the company and legitimate interests of investors. The Nomination and Remuneration Committee ensures also that the proportion of remuneration for the principal job and performance related pay (PRP) are in accordance with the duties of the Management Board Member and that the remuneration for principal job forms a sufficient part of the total remuneration. The PRP depends on annual performance and can be adjusted upwards or downwards. If the annual results are worse than expected it can be decided that no PRP is paid.

Corporate Governance Committee

The Corporate Governance Committee has been formed to improve corporate governance of AS Tallinna Vesi for the benefit of its Supervisory Board and shareholders. Mr. Robert John Gallienne was the Chairman of the Corporate Governance Committee until 23 October 2013 and Mr Valdur Laid (until 21 May 2013) and Mr Ian John Alexander Plenderleith were other members of the Corporate Governance Committee. Since 23 October 2013, the Chairman of the Corporate Governance

Committee is Mr Allar Jõks and other members of the Committee are Mr Robert John Gallienne and Mr Ian John Alexander Plenderleith.

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The Management Board

The Management Board is a management body that represents and manages the day-to-day activities of AS Tallinna Vesi in accordance with the law and the Articles of Association of the company. The Management Board is obliged to act in the most economically efficient manner. The Management Board can be composed of two to five members according to the Articles of Association. The Management Board always prepares management reports for Supervisory Board meetings and such reports are disseminated to the Supervisory Board members 1 (one) week in advance of the meeting, as required by the Commercial Code. The Management Board also reports ad hoc to the Supervisory Board ex-meetings, when it is considered necessary as and when requested by the Chairman of the Supervisory Board.

Both the Management Board and Supervisory Board members are deemed to be insiders who are aware of AS Tallinna Vesi's insider rules and together with their related persons are listed in AS Tallinna Vesi's insider list. Until 31 May 2013 the Management Board consisted of five members; starting from 1 June 2013 onwards the number of members has been four. The responsibilities of all Management Board members are specified below. All Management Board members are appointed by the Supervisory Board of AS Tallinna Vesi. At the time of compilation of this report, since 1 February 2014, the number of the Management

Board members has been three. The members are as follows:

Mr Ian John Alexander Plenderleith, with the powers of the Management Board member until 1 October 2014;

Ms Riina Käi,

with the powers of the Management Board member until 29 October 2015;

Mr Aleksandr Timofejev,

with the powers of the Management Board member until 29 October 2015.

The duties of the Chairman of the Management Board, Mr. Ian John Alexander Plenderleith were, amongst others, to fulfil the everyday obligations of the Chief Executive Officer (CEO) of AS Tallinna Vesi by leading and representing the company, ensuring the compliance with contracts and the law, organizing the activities of the Management Board, coordinating preparation the strategies and ensuring their implementation.

The Supervisory Council of AS Tallinna Vesi appointed Karl Heino Brookes as a member of the Management Board. Ian Plenderleith will continue as a CEO until 1st of June 2014, after which the CEO role will be taken over by Karl Brookes.

The duties of the member of the Management Board, Mr. Aleksandr Timofejev, are, amongst others, to fulfil the everyday obligations of the Asset Operations Director of AS Tallinna Vesi by managing and being responsible for the operations of treatment facilities and planning and delivery of long-term investments. Since 1 June 2013, management of AS Tallinna Vesi's water and sewerage networks' everyday operation is one of the duties of the Management Board member Mr Aleksandr Timofejev.

The duties of the member of the Management Board, Ms. Riina Käi, are, amongst others, to fulfil the everyday obligations of the Chief Financial Officer (CFO) of AS Tallinna Vesi by managing and being responsible for the accounting and financial activities of AS Tallinna Vesi.

Until his leaving on 31 May 2013, the duties of the member of the Management Board, Mr. Leho Võrk, were, amongst others, to fulfil the obligations of the Customer Operations Director of AS Tallinna Vesi, including management of water and sewerage networks' everyday operation. He was also responsible for customer services and relations as well as relations established with external partners.

Until her leaving on 31 January 2014, the duties of the member of the Management Board, Ms. Ilona Nurmela were, amongst others, to fulfil the role of AS Tallinna Vesi's General Counsel and act as the head of legal and compliance.

AS Tallinna Vesi has signed service contracts with all members of the Management Board. AS Tallinna Vesi has not made any transactions with the members of the Management Board nor their related parties.

According to the Articles of Association of AS Tallinna Vesi, the Chairman of the Management Board has the sole representation right of the company; other Management Board members can represent the company only jointly. In order to make daily decisions, the Management Board has approved a framework of principles, according to which certain management team members are authorized to conclude transactions in small amounts.

The Management Board of AS Tallinna Vesi also acts on behalf of AS Tallinna Vesi as the sole shareholder of OÜ Watercom.

Investor Relations and Disclosure of Information

At the end of the calendar year, AS Tallinna Vesi discloses the next year's financial calendar, including the disclosure dates of the quarterly and annual financial information and the date of the Annual General Meeting (AGM) of the Shareholders via the Tallinn Stock Exchange homepage. All information disclosed via the Tallinn Stock Exchange is also subsequently disclosed on AS Tallinna Vesi's homepage.

In addition, AS Tallinna Vesi discloses the following information on its website before AGM is held:

- AGM notice.
- Background information about the agenda, including annual report subject to approval and the Supervisory Board's report and auditor's report.
- Information about the Supervisory Board member to be elected and auditor candidate.
- The total number of voting rights and number of voting rights by share type.
- Procedure for adding items to the agenda and presenting draft resolutions.
- Procedure for inquiring about ASTV's activities from the Management Board.
- The list of identification documents required for attending the general meeting, including the form of the power of attorney.

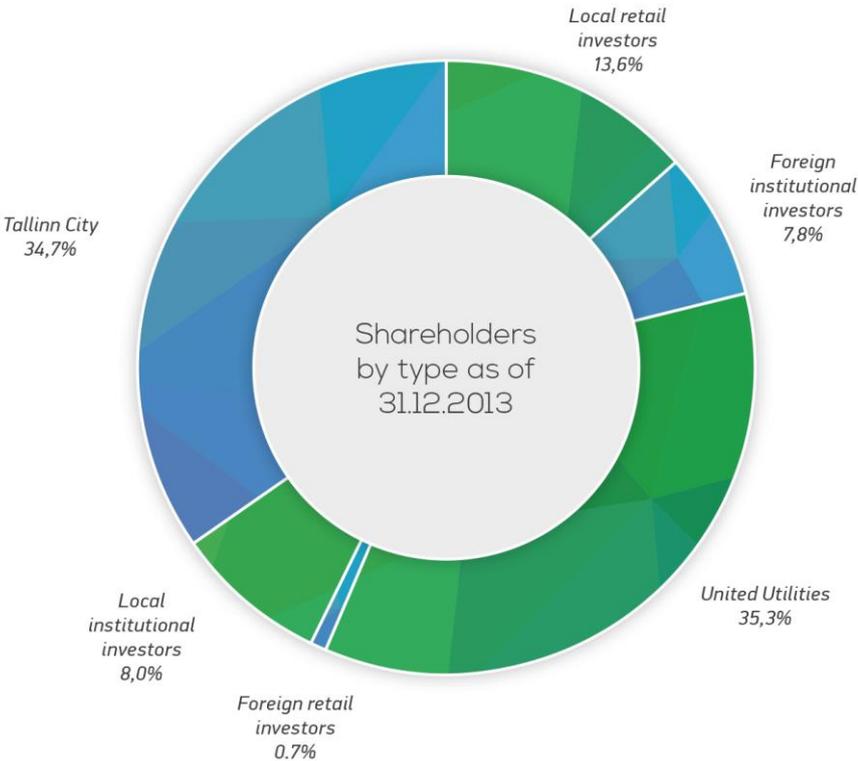
Resolutions of the General Meetings are published on AS Tallinna Vesi's homepage after seven days have passed from the date of the General Meeting.

After the General Meeting, the following is disclosed on the company's homepage: resolutions of the general meeting, Management Board presentation, as well as the minutes of the General Meeting, which contain questions and answers regarding the topics discussed at the AGM.

AS Tallinna Vesi has a regular dialogue with its major shareholders and potential investors. Presentation materials are disclosed on AS Tallinna Vesi's homepage. To keep AS Tallinna Vesi's shareholders informed, General Meetings of Shareholders are held at least annually to provide the shareholders with the opportunity to ask questions from the Management Board and the Supervisory Board.

Starting from the end of Q3 2013, AS Tallinna Vesi is organising an interactive webinar through Tallinn Stock Exchange for presenting the AS Tallinna Vesi's financial results. All interested parties can take part of webinar, it is an internet-based environment. All webinar recordings are disclosed on Tallinn Stock Exchange webpage. Previously, AS Tallinna Vesi used to hold a conference call at the end of each quarter, where AS Tallinna Vesi's financial results were presented.

Shareholders of AS Tallinna Vesi having a significant influence are, United Utilities Tallinn B.V. with 35.3% and the City of Tallinn with 34.7%, the balance of 30% of shares is free floating on the Nasdaq OMX Baltic Exchange, in which was listed on 1 June 2005.



Results of operations

The sales in 2013 have been flat compared to the same period in 2012, increasing 0.3% to 53.09 mln euros. The decreased sales from stormwater services within and outside the main service area by 20% to 3.6 mln euros was compensated with higher construction revenues, which increased by 226.5% to 1.1 mln euros.

The gross profit in 2013 decreased 6.2% or 2.01 mln euros mainly due to increased pollution tax expenses and increased expenses for repair and maintenance works in 2013. Increase in repair and maintenance works is related to different type of sites needed to be repaired but also mild winter allowed to do more works.

The operating profit from the main business activity decreased by 7.4% to 24.75 mln euros during the twelve months of 2013 compared to the twelve months of 2012. As revenues have been relatively flat, increasing only 0.3% or 0.16 mln euros, then the main reason for a decline comes from the rise in pollution tax expenses (1.53 mln euros year on year), further influenced by the drop in government grant profits (2.04 mln euros year on year). Excluding the pollution tax one off negative impact of 1.13 mln euros in 2013 and positive impact of 0.47 mln euros in 2012, extra construction profit of 0.2 mln euros in 2013 and 0.1 mln euros in 2012 and government grant impact in the amount of 2.0 mln euros in 2012, the operating profit was 1.9% or 0.50 mln euros lower amounting to 25.68 mln euros compared to 26.19 mln euros in 2012.

Employees salary

At the end of 2013, the total number of

employees was 311. The full time equivalent (FTE) was respectively 292 in 2013 compared to the 301 in 2012. 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.

The total salary cost was 6.98 mln euros, including 0.33 mln euros paid to the Management and Supervisory Council members. The off balance sheet potential salary liability would be up to 0.09 mln euros if the Council would want to replace the Management Board members.

Dividends

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

According to the dividend policy, which is also published on our website, AS Tallinna Vesi 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 21st May 2013, 87 cents dividends per share and the total dividend pay-out from the profit of 2012 net income in the amount of 17.4 mln euros was approved. It is in accordance with our's dividend policy. Compared to 2012 dividends of 84 cents per share, the increase is equal to the inflation.

Dividends were paid out on 13th and 14th of June 2013.

FINANCIAL RESULTS

Million euros	2007	2012	2013
Sales	41,4	52,9	53,1
Gross profit	27,6	32,6	30,6
Operating profit	24,1	28,8	24,8
Profit before taxes	21,3	27,1	24,6
Net profit	17,8	22,6	19,9
Gross profit margin %	66,6	61,6	57,6
Operating profit margin %	58,2	54,4	46,6
Profit before taxes margin %	51,4	51,1	46,3
ROA %	10,9	11,3	9,8
ROE %	22,5	26,7	22,9
Return on invested capital (real) %	6,6	6,6	5,7

Revenues from main operating activities (th EUR)	Year ended 31.12.			Variance 13/12	
	2013	2012	2011	€	%
Private clients, incl:	23 642	23 789	23 711	-147	-0,6%
Water supply service	13 022	13 096	13 072	-74	-0,6%
Wastewater disposal service	10 620	10 693	10 639	-73	-0,7%
Corporate clients, incl:	19 053	18 767	18 234	286	1,5%
Water supply service	10 585	10 248	9 881	337	3,3%
Wastewater disposal service	8 468	8 519	8 353	-51	-0,6%
Outside service area clients, incl:	4 308	4 524	3 789	-216	-4,8%
Water supply service	1 095	1 028	901	67	6,5%
Wastewater disposal service	2 730	2 684	2 450	46	1,7%
Storm water disposal service	483	812	438	-329	-40,5%
Over pollution fee	734	832	758	-98	-11,8%
Storm water treatment and disposal service	3 137	3 713	3 351	-576	-15,5%
Fire hydrants service	287	202	221	85	42,1%
Construction service and design	1 146	351	447	795	226,5%
Other works and services	780	746	729	34	4,6%

Cost of goods sold (th EUR)	Year ended 31.12.			Variance 13/12	
	2013	2012	2011	€	%
Water abstraction charges	-997	-937	-897	-60	6,4%
Chemicals	-1 734	-1 631	-1 433	-103	6,3%
Electricity	-3 392	-3 695	-2 972	303	-8,2%
Pollution tax	-1 872	-347	-1 409	-1 525	439,5%
Total direct production costs	-7 995	-6 610	-6 711	-1 385	21,0%
Staff costs	-4 833	-4 750	-4 390	-83	1,7%
Depreciation and amortization	-5 115	-5 167	-5 182	52	-1,0%
Construction service and design	-947	-277	-375	-670	241,9%
Other costs of goods sold	-3 615	-3 533	-4 269	-82	2,3%
Other costs of goods sold total	-14 510	-13 727	-14 216	-783	5,7%
Total cost of goods sold	-22 505	-20 337	-20 927	-2 168	10,7%

Statement of financial position

In the twelve months of 2013 AS Tallinna Vesi invested 8.65 mln euros into fixed assets. As of 31 December 2013 non-current fixed assets amounted to 152.25 mln euros and total non-current assets amounted to 155.50 mln euros. (2012: 149.40 mln euros and 158.11 mln euros respectively).

The reduction in long-term receivables compared to year end by 5.35 mln euros to 2.21 mln euros is mainly related to the repayment of AS Maardu Vesi's loan to our in May in the amount of 3.81 mln euros.

The increase of current assets in the amount of 4.61 mln euros is mainly related to collection of receivables and repayment of AS Maardu Vesi long-term loan.

Current liabilities have increased by 1.32 mln

euros to 11.21 mln euros in the twelve months. The increase is related to the fact that in November 2014, there is scheduled the first repayment of the loan in the amount of 2 mln euros. Other movements are related to decreased payments to suppliers in the amount of 0.72 mln euros and change in derivatives by 0.22 mln euros, balanced by the increase in Customer prepayments in the amount of 0.24 mln euros.

AS Tallinna Vesi has a Total debt/Total assets level as expected of 57.0%, in the agreed range of 55%-65%, reflecting the year end equity profile. This level is consistent with the same period in 2012 when the total debt/total assets ratio was 57.8%.

Our's loan balance has remained stable at 95 mln euros, of which long term loan amounts to

93 mln euros and short term 2 million euros. The weighted average interest margin for the total loan facility is 0.96%.

Biggest share of the rest of the long term liabilities is deferred income from connection fees amounting to 10.14 mln euros (2012: 7.89 mln euros).

Cash flow

As of 31 December 2013 the cash position is strong. The cash flows has continued to be rather stable, during twelve months of 2013 cash balance has increased by 7.85 mln euros (2012: 9.16 mln euros). At the end of 2013 the cash balance stood at 31.8 mln euros, which is 15.7% of the total assets (2012: 23.9 mln, which is 11.9% of the total assets).

The biggest contributor to the cash flows is the main operations. During the twelve months of 2013, we generated 29.78 mln euros of cash flows from operating activities, a decrease of 1.92 mln euros compared to the corresponding period in 2012.

2013 operating cash flows were below 2012 cash flows mainly due to lower operating profit as underlying operating profit continues to be the main contributor to operating cash flows.

The cash flows from investing activities have been positive for past two years. In the twelve months of 2013 net cash flows from investing activities resulted in a cash inflow of 3.37 mln euros, an increase of 1.33 mln euros compared to an inflow of 2.05 mln euros in the twelve months of 2012.

This is made up as follows:

- In 2013 AS Maardu Vesi repaid their loan in full in the amount of 3.81 mln euros. In 2013, we did not grant any additional loans (in 2012: 0.77 mln euros was granted to AS Maardu Vesi).
- In the twelve months of 2013 the investments in fixed assets had decreased 0.82 mln euros compared to 2012 amounting to 9.19 mln euros.
- The compensations received for the construction of pipelines were 7.89 mln euros in the twelve months of 2013, a decrease of 3.31 mln euros compared to same period in 2012.
- In the twelve months of 2013, cash outflow from financing amounted to 25.32 mln euros, which is 0.72 mln euros more than in the

same period of 2012, almost entirely due to higher dividends

Future actions & risks

AS Tallinna Vesi's tariffs have been on the same level since the interim injunction applied by the court for the time of court proceedings. Interim injunction is applied to protect us against the unilateral breach of the privatisation contract by Estonian authorities. In the end of May 2012 the District Court ruled the Services Agreement serving as part of the privatisation contract to be a contract under public law.

Our position is that the terms and conditions of an international privatisation contract, which has been declared a public law contract, must not be breached due to the transfer of the regulator's liability from one national authority (City of Tallinn) to another.

We had made intensive efforts over the last three years in trying to agree a solution to the dispute, which regrettably has not been achieved. Consequently, we have given 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. As a signatory to the Treaty, the Republic of Estonia undertook the obligation of ensuring the fair and equitable treatment of investments protected by the Treaty. In the event that Estonia is unable or unwilling to comply with its obligations do so, AS Tallinna Vesi reserves the right to commence international arbitration proceedings against the Republic of Estonia, on the terms which the parties agreed in the Treaty.

International arbitration is a procedure where an independent, international tribunal issues a final ruling on the dispute. Pursuant to the Treaty, arbitration would be carried out through the International Centre for the Settlement of Investment Disputes, which is part of the World Bank.

If the Republic of Estonia does not comply with its obligations and AS Tallinna Vesi is forced to commence its arbitration, AS Tallinna Vesi will claim compensation for potential damages of over 90 million euros for total losses over the lifetime of the contract to 2020. Of this amount, over 50 million euros of damage has been already caused by the refusal to permit tariff increases in the period of 2011 - 2013, and its ongoing impact to the period 2014 - 2020.

Disclosure of relevant papers and perspectives

We has published its tariff application and all relevant correspondence with the CA on its website <http://www.tallinnavesi.ee> 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 AS Tallinna Vesi 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. AS Tallinna Vesi has reapplied for open proceedings.

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.

AS Tallinna Vesi is open for a meaningful dialogue to resolve the dispute, at the same time respecting the terms and conditions of the 2001 privatisation contract.

Our environment

Our environmental activities and the environmental management system are in accordance with international environmental management standard ISO 14001 and the requirements of the European Union's Eco Management and Audit System EMAS certificate. The quality and environment policies express our principles about managing corporate responsibility and environmental activities.

We act in accordance with the conditions set out in the environmental permits issued to AS Tallinna Vesi and observe the precepts set out by authorities. The main licensing authority for us is the Environmental Board's Harju-Järva-Rapla regional department, who has issued the following environmental permits to us:

- 4 water extraction permits,
- 2 waste permits,
- 2 ambient air pollution permits.

Water treatment

Ülemiste Water Treatment Plant treats water according to the treatment scheme widely used worldwide. We are using ozone to improve the quality, odour, colour and taste of water and this has enabled us to reduce the volume of chlorine used by almost 10 times over a decade. Drinking water must be safe and must not contain any infectious bacteria. For this purpose we are adding small quantity of chlorine, which is absolutely safe for human health.

Ülemiste sanitary protection zone

Lake Ülemiste is the largest of the lakes surrounding in Tallinn and forth in Estonia. Ülemiste is the main part of the Tallinn water supply system, where most of the city gets its drinking water from. The use of volume is 15.78 million m³. An area is ca 9.3 km² and an average depth ca 3.4 m. A drainage basin is ca 1800 km². Although a total of forty species of vascular plants are founded in this lake, but only 9 of these are most spread. The total number of fish are 15. Reportedly, were aren't any protected species in this area.

To protect the water body providing drinking water, Ülemiste sanitary protection zone was formed in line with the Water Act § 36 (1). Pursuant to this act, protection shall be provided to the area (where stricter than usual

environmental requirements and consequent limitations apply) of water bodies, which are used for supplying drinking water, and the surrounding sanitary protection areas.

The sanitary protection zone shall include the lake, the water catchment facilities thereof, the bank reinforcement facilities and the area surrounding the lake, which must be kept in its natural condition. The sanitary protection zone is marked and protected with a fence. Under the Water Act, entry into the sanitary protection zone is permitted only for persons performing duties related to environmental supervision and health protection, servicing of water catchment facilities and forest maintenance, mowing of grass plants and water monitoring.

During the later years, human- and development activities, construction of motorways and airport activity have become more intensive in the areas surrounding the lake and this has caused the environmental risks on a drinking water source to increase. Ülemiste Water Treatment Plant does not have an alternative raw water supply source today, we deem it extremely important to ensure natural balance around the lake. Free public access to the drinking water reservoir may increase the risk of polluting the water source and deteriorate water quality.

Drinking water

The quality of drinking water supplied to our customers in the capital city has been keeping the quality level comparable to Western-European countries for several years already. 2013 was not different from the earlier years in terms of quality. So far the best ever result of 99.70% of all water samples being compliant means that we detected non-compliances only in 9 samples of the total of 2 965 samples taken from consumers' taps in 2013. Non-compliances were mostly related to higher turbidity and concentration of iron due to the conditions of the water network. We immediately reacted on all non-compliances.

Since 2013, Maardu population is also supplied with drinking water from Lake Ülemiste. The samples taken in Maardu complied with the standards by 99.31%. Before the connection with the Tallinn water network the drinking water supplied to the residents in Maardu only complied 33% with the quality standards.

Surface water quality

Lake Ülemiste is the drinking water source for more than 400 000 people living in Tallinn and its nearest surroundings. Almost 90% of our consumers in Tallinn (City Centre, Lasnamäe, Mustamäe, Northern-Tallinn, Kristiine, Haabersti), City of Maardu and Pirita settlement are supplied with drinking water produced out of surface water.

Usage of surface water from lake Ülemiste was 22.20 million m³ (permit nr L.VV/322982), which is a half of the amount allowed in permit. Also we used 455 646 m³ of water for own use. In 2013, including ground water, we used 52.07 million m³ water.

Like we see on following table, the usage of surface water in increase period 2009-2013. This may be caused by new growing residential construction and that since 2013 we also supplied Maardu population with drinking water from lake Ülemiste.

Although Lake Ülemiste serves as the main drinking water source for people in Tallinn, the natural catchment area of the lake itself is small. Therefore, an extensive water catchment system has been set up in order to provide sufficient supply.

Surface water quality is mostly affected by the weather conditions. Thus the entire water catchment system influences surface water quality. Our main challenges are related to the weather – first of all floodings and changes in raw water due to lengthy winter periods.

The quality of surface water sources is inspected according to the programme established by the permit for the special use of water. Our accredited laboratory analyses the quality of water sources in the entire catchment area, we also analyse the water in Lake Ülemiste as well as the water taken to the lake. We use the results to assess changes and processes on the catchment area and decide upon the need to restock water in the lake.

USAGE OF SURFACE WATER FROM LAKE ÜLEMISTE AND COMPLIANCE WITH SPECIAL USE OF WATER PERMIT
NR L.VV/322982, million m³

	2009	2010	2011	2012	2013
million/m ³	21.17	21.98	21.57	21.75	22.20

Maximum volume permitted 47.6 million m³/year

Ground water quality

Approximately 10% of the population in Tallinn were supplied with drinking water extracted from Cambrian-Vendian and Ordovician-Cambrian aquifers in 2013. The areas supplied with ground water are Nõmme, Laagri, Merivälja, Pirita and Tiskre. Also Harku Rural Municipality as well as the City of Saue, Muuga and Kallavere settlements in the City of Maardu.

All requirements established in the water extraction permits were met in 2013 (see the table).

All ground water quality parameters are monitored according to the drinking water source monitoring programme and if necessary, ground water is treated. Pressure filters installed in the ground water pumping stations for removing excess iron and manganese have ensured good quality drinking water supply. Water tests show that treatment significantly improves the organoleptic qualities and stability index of ground water, it also reduces ammonium, iron and manganese content in water and increases oxygen content.

USAGE OF GROUND WATER AND COMPLIANCE WITH WATER PERMITS (L.VV/322982, L.VV/323855, L.VV/320972, L.VV/320980), m³

	2009	2010	2011	2012	2013
Actual usage by Tallinn	2,552,685	2,461,524	2,229,612	2,161,789	2,151,950
<i>Incl from Cambrian-Vendi aquifer</i>	2,186,521	2,042,743	1,803,412	1,748,057	1,776,252
Maximum volume permitted	6,676,945	6,676,945	6,676,945	6,676,945	7,150,696**
Actual usage by Saue	202,621	222,473	213,701	210,655	205,233
<i>Incl from Cambrian-Vendi aquifer</i>	146,184	165,110	187,074	155,639	171,227
Maximum volume permitted	474,500	474,500	474,500	474,500	511,000**
Actual usage by Tiskre*	41,733	43,513	45,471	-	-
Maximum volume permitted	65,700	65,700	65,700/71,800**	-	-
Actual usage by Harku *	703	0	12,697	57,187	58,309
<i>Incl from Ordovician-Cambrian aquifer</i>			10,308	8,492	5,424
<i>Incl from Cambrian-Vendi aquifer</i>					52,885***
Se Maximum volume permitted	51,100	51,100	51,100/66,320**	138,120/ 141,120**	141,120
Actual usage by Maardu City	766,505	714,454	618,751	35,997	1,538
Maximum volume permitted	1,383,350	1,383,350	1,383,350/1,382,400**	1,382,400	1,382,400

*Since 25.10.2011 Tiskre area has been addressed in the permit of water for Harku Rural Municipality (L.VV/320972). On 25.09.2012, an increase in the allowed water extraction volume by 3,000 m³ was applied for.

Thus, 141,120 m³ became the maximum volume permitted.

** The maximum volume permitted by the new permits (L.VV/322982, L.VV/323855 L.VV/320980 and L.VV/320972).

*** The actual volume from Cambrium-Vendi aquifer by new permit L.VV/320972.

It is essential for the residents to have a good quality service available 24/7. We focus on the continuous improvement of the security of our supply and service.

Water quality at the consumer's tap is not impacted solely by the age of the network. The water network must be properly maintained in a timely manner and repaired if it has been deemed necessary. We reconstructed 5.3 km of water network in 2013. We are constantly carrying out maintenance and renewal works on the networks in order to maintain and improve drinking water quality. We clean and flush the network regularly to ensure the supply of high quality drinking water to our consumers. This way sediments get removed from the inner surface of pipes, which is one of the most important methods of improving water quality in the distribution network. In 2013, we carried out air scouring on 140 km of the water network.

Investments in replacing old water pipes and network extensions have facilitated improvement in water quality at the customer tap and more efficient usage of water resources. Year-on-year reduction in leakage level demonstrates a more sustainable usage of water resources. Compared to the situation ten years ago we save almost 13 000 m³ of treated drinking water a day.

Treatment of wastewater

We provide the service of wastewater discharge to almost 1/3 of Estonian population. In order to ensure compliance with environmental requirements and cleanliness of the Baltic Sea and the Gulf of Finland, Paljassaare wastewater treatment plant removes more and more pollutants from wastewater each year.

Tallinn Wastewater Treatment Plant (WWTP) is situated in the north-western part of the capital at Paljassaare peninsula. Wastewater is treated mechanically, chemically and biologically. Thoroughly treated effluent is discharged through a 3 km long deep-sea outlet into the Bay of Tallinn. It is a brackish sea with mixed salt and fresh water. The Baltic Sea covers 415 266 km² and the average depth of the whole is around 50 metres. Baltic Sea bottom fauna is impoverished. There are nearly 100

different species of fish. There are lots of different protected areas in the Baltic Sea. Some of them are established by large international organizations like The Helsinki Commission or BirdLife International. These areas are important for the whole Baltic Sea.

To ensure an uninterrupted collection and discharge of wastewater, we preventively flush the wastewater network as well as reconstruct and extend the sewerage and storm water network. 45.02 million m³ of wastewater was treated at Paljassaare Wastewater Treatment Plant in 2013, which was 21% less than last year. This was above all caused by favourable weather conditions due to dry summer and low volume of precipitation.

The quality of effluent discharged

The quality of effluent discharged to the sea is set by the legal acts and the water extraction permit no L.VV/322982. The concentration of pollutants in wastewater arriving to the treatment plant and in the effluent leaving the plant are monitored to assess the efficiency of the treatment process and the quality of effluent. Also compared it with our neighboring country Finland.

The important pollution parameters for us are the following:

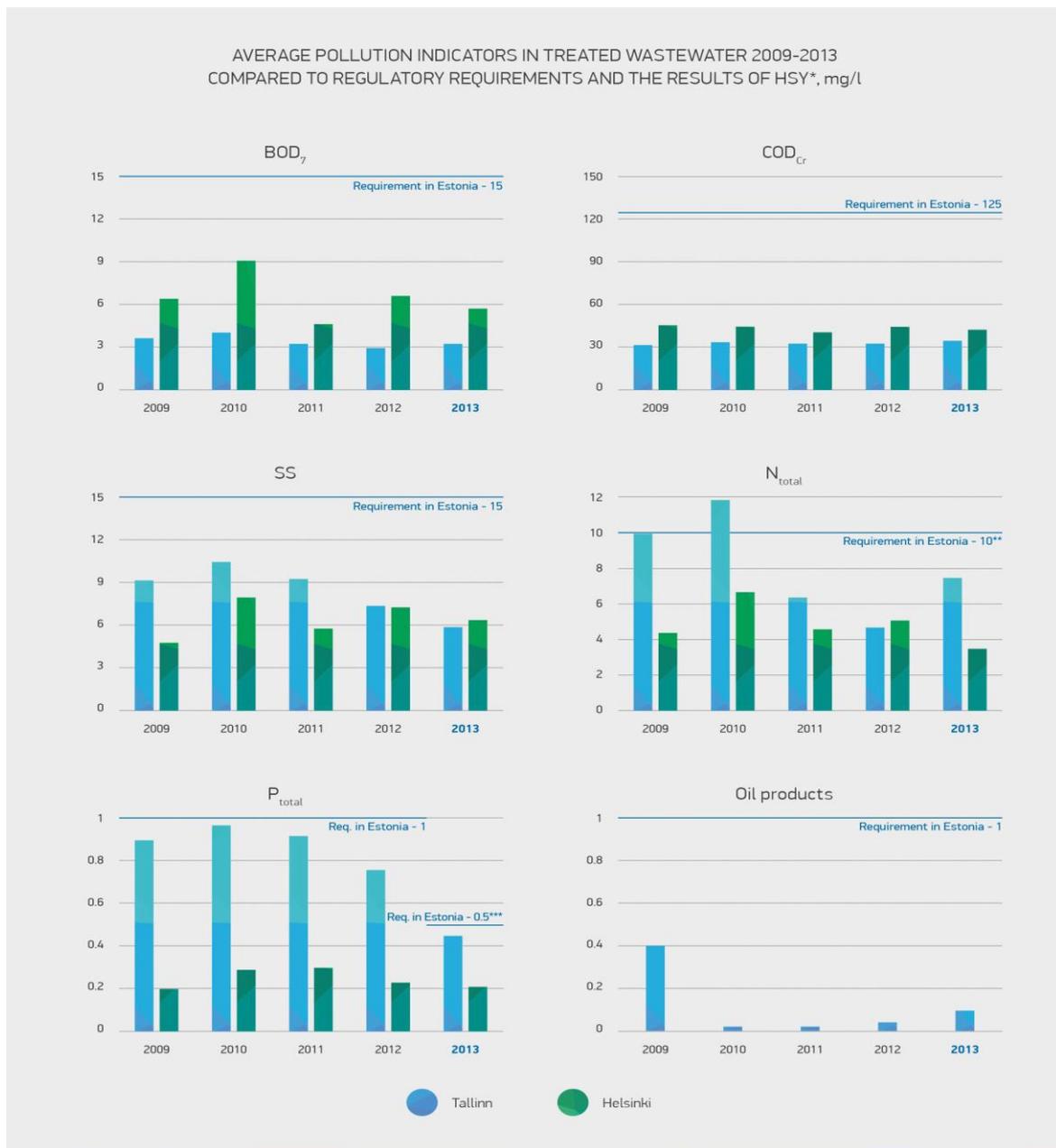
- BOD₇ (biological oxygen demand shows the amount of oxygen required for the defined biological decomposition of organic matter in the course of 7 days);
- COD_{Cr} (chemical oxygen demand is a measure of the decomposition of organic matter, measured as the consumption of oxygen in chemical oxidation of all organic matter in water);
- SS (suspended solids shows the volume of solid matter in water which is caught in a filter with a defined mesh size);
- N_{total} and P_{total} (total nitrogen and total phosphorus are elements contained in nutrient salts, which increase the growth of plankton in water. If the content of nutrient salts is too high, the growth can be so strong that oxygen is used up and a shortage of oxygen arises);
- Oil products (show the amount of light (e.g. petroleum) and heavy (e.g. heavy fuel oil) oil products).

Paljassaare Wastewater Treatment Plant is already today achieving a high quality of effluent. We continue to be committed to maintaining the high standards and outperforming the norms established for the effluent discharged to the Baltic Sea. In the reporting year, the operation in all stages of the treatment process was continuously improved and equipment upgraded as planned, e.g. whilst renewing the aeration system also the mixers in activated sludge process were replaced.

Thanks to the very good operating work, efficient dosing of chemicals and a new treatment stage

(biofilter) we achieved full compliance of effluent leaving the wastewater treatment plant with all regulatory requirements in all four quarters.

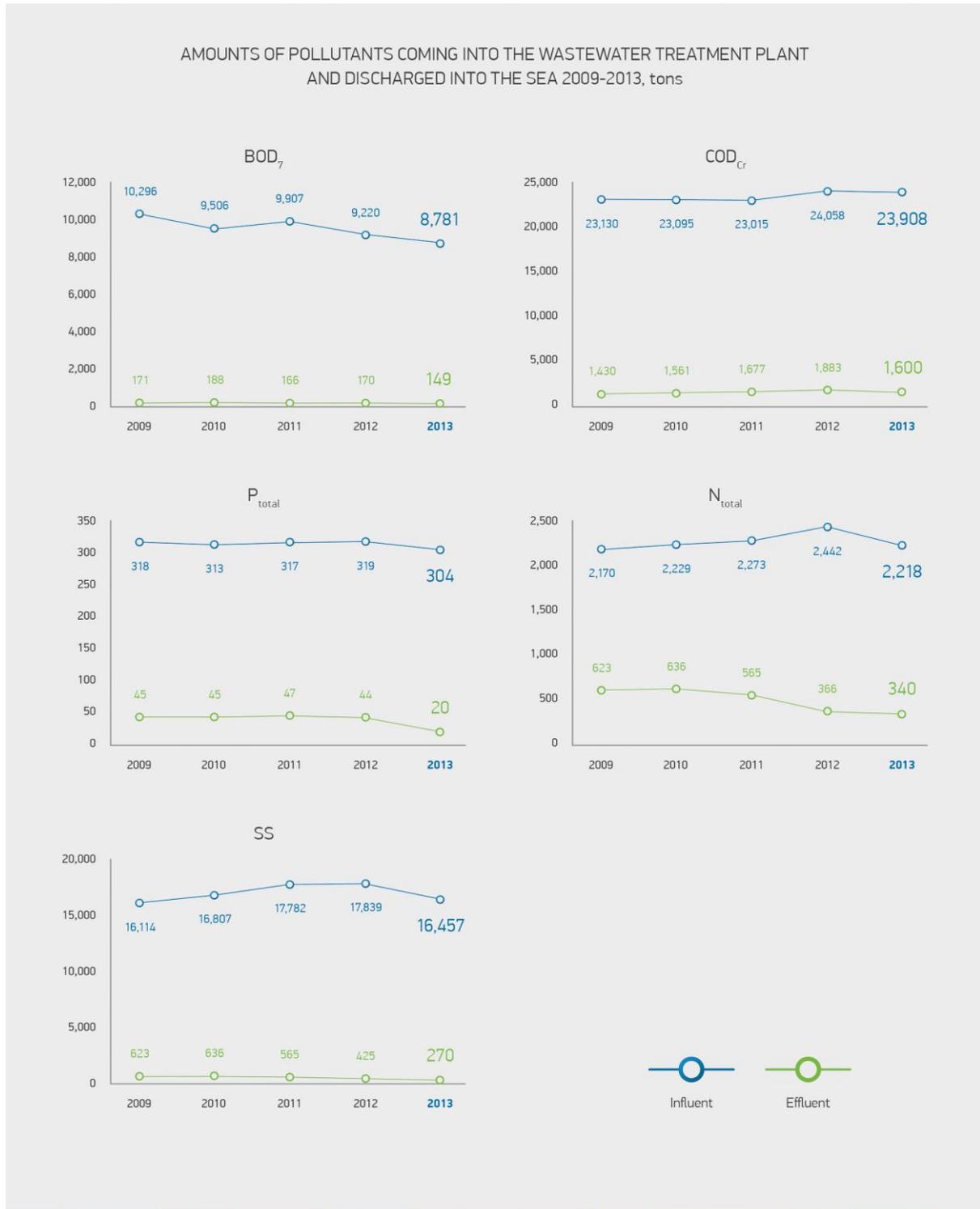
Pursuant to the change of law, since 2013, our main challenge has been achieving the new maximum allowed level of total phosphorus (0.50 mg/l). Despite a relatively stable annual average, the phosphorus concentration in the incoming wastewater fluctuates quite a lot throughout a year. To manage the treatment process better, we plan to reconstruct the coagulant dosing point in 2014.



* Until 2009, the results were compared to those of Helsingin Vesi Oy, which since 01.01.2010 operates under the HSY
 ** In line with the applicable legal acts, the compliance of total nitrogen has not been analysed at the wastewater temperature below 12°C.
 *** Until 2012, the max requirement value of P_{total} was 1 mg/l. Since 2013, in line with the Water Act § 24 (2), the Regulation No 99 stipulates the new limit value of 0,5mg/l for P_{total}

Due to lower flows, the load of pollutants entering the Paljassaare Wastewater Treatment Plant were lower compared to the previous year: BOD₇ decreased by 4.8%, COD_{Cr} decreased by 0.6%, total nitrogen and total phosphorus by 9% and 5% respectively and suspended solids by 8%. The level of pollutants discharged with effluent

has also decreased: BOD₇ dropped by 12%, COD_{Cr} by 15%, total nitrogen and total phosphorus by 7% and 55% respectively and suspended solids, which decreased by ca 36% due to the extension of retention time of wastewater.



Monitoring overpollution caused by customers

In order to ensure acceptable concentrations of pollution in the wastewater reaching the Paljassaare wastewater treatment plant, we regularly monitor the wastewater discharged in Tallinn and Maardu and in the surrounding areas and check the compliance with legal requirements. Information on the average pollution indicators of major industries is also regularly submitted to the Environmental Board's Harju-Järva-Rapla regional department.

In 2013, our Wastewater Inspectorate performed 604 inspections to identify inspection wells, to check local treatment facilities and boundary drawings. 1 421 wastewater samples, incl. 510 monitoring samples, were taken for determining the wastewater pollution load at sites. Over-pollution instances were identified and over-pollution fees were applied on 404 occasions.

Storm water outlets

In 2013, our Wastewater Inspectorate monitored 25 storm water outlets pursuant to the requirements set forth in the water extraction permits no L.VV/322982 and L.VV/320980, the largest storm water outlets being the Lasnamäe, Harku and Mustoja outlets.

A total of 4.17 million m³ of storm water was discharged to the environment through the outlets in 2013. This was approximately half of the amount of previous year. The reason was again a low volume of precipitation during the reported period. Consequently the concentration of pollutants in storm water was a lot lower and the laboratory analyses indicated a considerably lower volume of suspended solids on the outlets. Four storm water outlets (Olevi, Kaare, Raba and Vabaduse streets) have been equipped with local treatment facilities such as sand and oil traps, which we regularly maintain and clean in order to avoid possible environment pollution.

All requirements set forth in the water extraction permit were met in 2013. Despite the pollutants in storm water no pollution tax was applied to the Company. The concentration level of pollutants specified in the Environmental Tax Act was not exceeded.

Wastewater outlets to the sea

Despite the compliance of effluent quality in normal conditions, in 2013 we experienced

difficulties in managing the high amounts of sand and grit in the mechanical treatment stage during hydraulic peaks. This has caused us to lead untreated wastewater directly to the sea during the reporting year in considerably higher volumes than previous years.

2013 had a relatively low volume of precipitation, however, some showers occurred, when we were bound to open the emergency outlets in the Wastewater Treatment Plant to avoid major damages. A total of 195 774 m³ of wastewater diluted by storm water (dilution 1/4) was conducted to the sea.

Some single showers also caused a number of extraordinary cases, where the incoming grit and sand caused a blockage and an overload in the mechanical treatment stage. To avoid the flooding of equipment and a full stoppage of the plant we did not have any other choice for restoring the normal treatment process than to open the emergency bypass and lead a total of 183 900 m³ of wastewater diluted by storm water to the environment.

Those are extremely extraordinary and rarely occurring events. Such challenges have helped to detect the bottlenecks of the wastewater treatment processes and created a necessity to review the operating instructions for the mechanical treatment stage. To mitigate such environmental risks we have introduced some analysing measures to start reconstructing and/or redesigning the mechanical treatment process as needed.

Throughout the year 2013, 200 117 m³ of highly diluted wastewater, which underwent mechanical treatment, was discharged to the sea through the deep-sea outlet due to the shock loads, which exceeded the biological treatment capacity.

Environmental charges

The calculation of pollution tax is established in the water extraction permit and the Environmental Charges Act and is applied to the pollutants contained in the effluent and storm water at the particular outlets. Both the receiving water coefficient of the specific outlet as well as compliance with the pollutant limit value in effluent are taken into account in pollution charge calculations. In 2013, AS Tallinna Vesi paid 1.87 million euros of pollution tax, which is more than 1 million euros compared to the last year.

Waste management

The majority of our waste is produced in the wastewater treatment process and in the Customer Operations Department.

Two waste permits have been issued to us with regard to the stabilised waste, waste from municipal waste and biodegradable waste. All terms and conditions of waste permits were met in 2013.

A total of 43,135 tons of waste was produced in AS Tallinna Vesi. Thanks to the decision to change the choice of construction methods (no-dig method), the total volume of waste has reduced by approximately 20,000 tons compared of the previous year (see the table).

Now we are performing the reconstruction of network using the so-called no-dig method. No-dig method enables to carry the works out faster and it reduces the inconveniences caused by traffic jams during the road works.

Furthermore, the no-dig method reduces the load on environment during network construction,

because less soil is excavated and there is no need to store the waste and refill the ground later. Thanks to the new method we reduced the excavation, stone and asphalt waste by over 60% in 2013.

The amount of sludge, but also of waste from screens and sand traps, depends directly on the amount of incoming wastewater, weather conditions and the efficiency of the city's road cleaning service. In 2013, the amount of sludge from treatment equipment was lower than in 2012, but the volume of waste collected from screens was higher. This is above all related to the replacement of sand washers and screen presses by the new and more efficient ones.

The largest category of hazardous waste is used oil and oil waste resulting from the maintenance works on machinery and equipment. In 2013, the vehicles were taken for the regular maintenance to the car service companies and no hazardous waste was produced on our territory. All other waste has been almost same as previous year.

TYPES AND AMOUNTS OF THE MORE SIGNIFICANT WASTE 2009-2013, in tons

Type of waste	2009	2010	2011	2012	2013
Mixed municipal waste	145	171	112	96	97
Paper and cardboard	13	14	14	4	4
Packages	4.7	4.7	4.5	0.7	0.7
Biodegradable waste	5.2	5.4	5.3	4.4	5
Waste from screens	337	303	596	920	984
Wastewater sludge	31,087	33,885	28,763	20,437	27,220
Sandtraps grid	975	716	509	141	422
Excavated stones and soil	9,569	11,750	12,417	39,183	13,341
Asphalt waste	947	1 790	1 161	2 305	869
Mixed building waste	43	18	30	103	47
Concrete and bricks	29	40	38	243	53
Metal scrap	0.5	26.7	23.6	47	14
Hazardous waste	4	3,5	2,1	3	0
Other waste	1	250.2*	115.7	32	79
TOTAL	43,159	48,977	43,791	63,518	43,135

* Possible to reuse
* Includes 248 tons of mineral snowcleaning waste

Energy consumption

In 2013, our direct energy consumption of primary energy sources in total 1,682,368 m³ which includes petrol and diesel (368 m³), gas (516,000m³) and biogas (1,666,000m³).

Consumption of heat energy

Heat energy is purchased from AS Eesti Gaas and AS Tallinna Küte. The majority of heat energy is used for running the core processes,

also for heating the operations- and office buildings.

In the Wastewater Treatment Plant, the biogas created in the course of anaerobic sludge digestion is used for the technological process and heating in the plant.

In 2013, all the heat used in the Wastewater Treatment Plant was produced out of biogas. In the Water Treatment Plant the reconstruction of

heating systems contributed to reduction in heat energy consumption. Due to the premises having

been rented in Maardu, we are not consuming any heat energy there.

CONSUMPTION OF HEAT ENERGY 2009-2013, MWh

Unit	2009	2010	2011	2012	2013
Water Treatment	4,264	5,618	4,358	4800	4,111
Wastewater Treatment	6,515	8,176	6,634	10,467	7,310
<i>Incl electricity from biogas</i>	5,033	4,506	5134	10,467	7,310
Networks pumping stations	957	1,257	1,176	1,213	1,049
Maardu	67	38	0	0	0
TOTAL	11,803	15,089	12,168	16,480	12,470

Consumption of electricity

The majority of electricity is used for running the core processes of AS Tallinna Vesi – in the Water and Wastewater Treatment Plants, and in the Networks to operate pumping stations.

In 2013, the total consumption of electricity has decreased 10%, mostly due to updating the technological process of wastewater treatment

and starting with new electricity projects (e.g. the delivery of the compensate reactive energy installation project in the Wastewater Treatment Plant that). It helps to reduce the power losses in electricity lines and equipment that we use in our treatment processes, so we can we can install economical distribution equipment. This, in turn, extends life of the equipment and reduces maintenance and investment costs. We planned to continue this project in 2014.

ELECTRICITY CONSUMPTION 2009-2013, MWh

Unit	2009	2010	2011	2012	2013
Water Treatment	10,372	10,657	10,382	10,325	9,705
Wastewater Treatment	19,646	19,750	21,721	25,195	22,336
<i>Incl electricity from biogas</i>	730	1,966	765	0	0
Networks pumping stations	5,965	6,433	6,324	7,104	6,355
Maardu	384	693	719	558	483
Other	886	866	800	993	830
TOTAL	37,253	38,399	39,946	44,175	39,709

Fuel consumption

Together with its subsidiary we has 126 vehicles for carrying out different operating tasks, 67 of the vehicles use petrol for fuel. The biggest group of vehicles is passenger cars and operating vehicles, including minivans and team vans. A smaller group of vehicles includes special purpose vehicles such as tractors, loaders, excavators and trucks. Overview of fuel consumption in the period 2009-2013 provides a following table in the next page.

The Executive Team approved our transport policy in the beginning of 2013. The policy is designed to increase the efficiency of car use, reduce the costs of using transport and establish the general rules for the purchase and renewal of car pool over the entire company.

Therefore we have also kept a closer look at the fuel consumption of the subsidiary (see the table in page 27).

We continuously try to keep the fuel consumption under control through the fuel limits set on the car users and GPS-tracking devices. In 2013, we transferred part of the cars to a shared use so that smaller departments would be able to use those cars to fulfil their tasks.

We started compiling the report analysis on the use of electrical- and hybrid car(s) along with the technical and economic analysis and environmental impacts. This included two away-days on electrical cars in 2013 with test drives for our staff. Due to the work load higher than expected we are continuing with this analysis also in 2014.

FUEL CONSUMPTION 2009-2013, in litres

	2009	2010	2011	2012	2013
PETROL	126 286	85 735	66 418	71 030	104 051
<i>Incl. Tallinna Vesi</i>					71 095
<i>Incl. Watercom</i>					32 956
DIESEL	201 351	170 365	140 331	132 284	264 327
<i>Incl. Tallinna Vesi</i>					135 738
<i>Incl. Watercom</i>					128 589
TOTAL FUEL	327 637	256 100	206 410	203 314	368 378
<i>Incl. Tallinna Vesi</i>					206 833
<i>Incl. Watercom</i>					161 545
TOTAL NUMBER OF VEHICLES	137	124	98	95	126
<i>Incl. Tallinna Vesi</i>					95
<i>Incl. Watercom</i>					31

Air emission

In order to reduce ambient air pollution, AS Tallinna Vesi focuses on limiting the amount of pollutants emitted from Ülemiste and Paljassaare boiler houses, particularly the pollutants of primary importance, such as nitrogen dioxide, carbon monoxide and volatile organic compounds as well as CO₂ emissions. Also the emissions of ozone produced for drinking water treatment are regulated.

The Environmental Board issued two termless air pollution permits. Pollution permit no L.ÕV.HA 48701 is valid for Ülemiste Water Treatment Plant pollution sources – the chimney of the boiler house, ozonisation, diesel generator.

Establishes the list of pollutants emitted into ambient air and the annual permitted emission amounts thereof.

Pollution permit no L.ÕV/319438 is valid for Paljassaare Wastewater Treatment Plant pollution sources – the chimney of the boiler house, exhaust pipes, the chimney of the combined heat plant. Establishes the list of pollutants emitted into ambient air and the annual permitted emission amounts thereof.

We measure and pays a pollution fee for pollutants emitted into ambient air. In 2013, we complied with all requirements set by the ambient air pollution permits.

AMBIENT AIR POLLUTION FROM WASTEWATER TREATMENT PLANT POLLUTION SOURCES 2009- 2013, in tons

Pollutant	2009		2010		2011		2012		2013	
	Allowed	Actual								
Nitrogen dioxide	29.8	10.6	29.8	23.5	29.8	11	29.8	2.86*	29.8	2.25
Carbon monoxide	210	62.3	210	161.9	210	64.9	210	2.64	210	2.25
Volatile organic compounds	14	4.2	14	10.8	14	5	14	0.18**	14	0.15
Carbon dioxide	4,440	3,229	4,440	4,135	4,440	3,298	4,440	2,392	4,440	2,039
Sulphur dioxide	17.8	16.9	17.8	16.9	17.8	17.4	17.8	17.78	17.8	16.99

*Corrected data compared to previous report. Correct value is 2,86 tons.

**Corrected data compared to previous report. Correct value is 0,18 tons.

AMBIENT AIR POLLUTION FROM WATER TREATMENT PLANT POLLUTION SOURCES 2009 - 2013, in tons

Pollutant	2009		2010		2011		2012		2013	
	Allowed	Actual								
Nitrogen dioxide	2.4	1.4	2.4	1.5	1.954	1.3	1.954	1.236	1.954	1.11
Carbon monoxide	1.9	1.3	1.9	1.4	1.846	1.19	1.846	1.127	1.846	0.98
Volatile organic compounds	0.17	0.09	0.17	0.1	0.125	0.08	0.125	0.077	0.125	0.07
Carbon dioxide	1,691	1,145	1,691	1,271	1,688	1,081	1,688	1,021	1,688	880
Sulphur dioxide	0.01	0	0.01	0.007	0	0	0	0.001*	0	0.001*
Total solid particles	0.05	0.003	0.05	0.003	0.004	0.004	0.004	0.004	0.004	0.004

* Sulphur dioxide emissions into ambient air were below the threshold.

Handling of chemicals

AS Tallinna Vesi approximately 450 hazardous and less hazardous chemicals in its operating activities. Large amounts chemicals and more hazardous chemicals are used at treatment plants. They are liquid chlorine, coagulant, polymers, ozone and methanol (usage of chemicals is in following table).

In 2013, AS Tallinna Vesi used a total of approximately 6,300 tons of different chemicals. In 2012, this figure was approximately 5,800 tons.

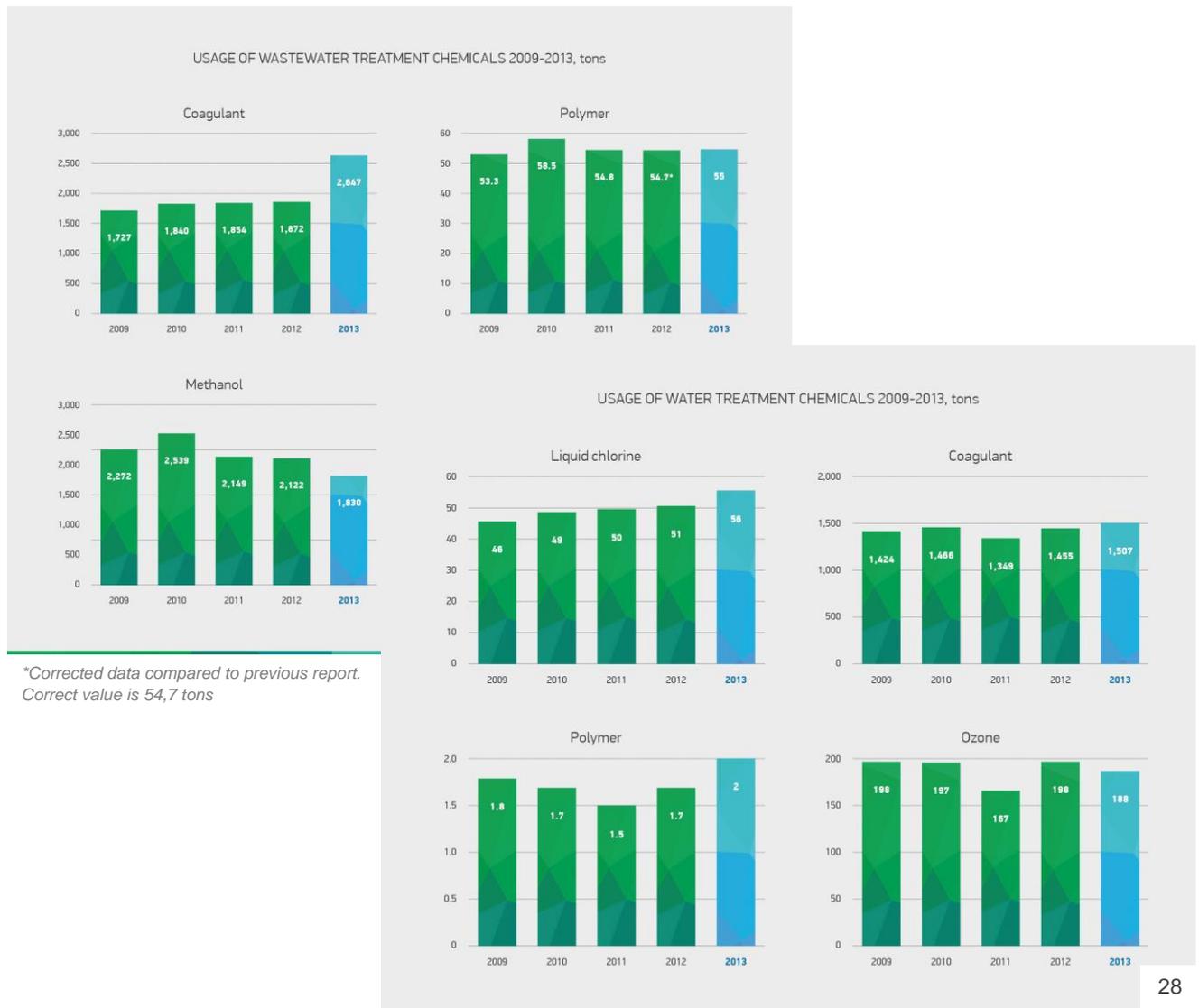
Irrespective of the very different characteristics of raw water and changeable weather conditions, the usage of chemicals has remained relatively stable during the last years.

Due to the change in the limit value set on total phosphorus in the legal acts, it was mainly the cost of coagulant that grew in 2013. As the total phosphorus is mostly chemically removed in the wastewater treatment process, higher coagulant volumes were used in 2013 to achieve the required output.

An intense blooming of plankton in Lake Ülemiste lasted almost throughout the year 2013 and considerably deteriorated the raw water quality, which in turn caused heavy load on the treatment plant to remove plankton and organic substance. Therefore we used more chemicals than usually.

By applying the security and safety rules of handling of chemicals we have minimised the likelihood of accidents involving highly poisonous chemicals.

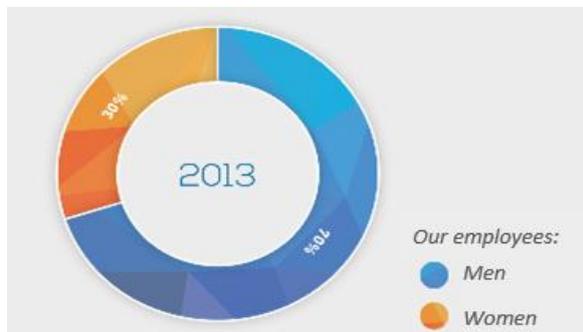
The necessary conditions for the storage and use of all chemicals have been created, also the information on the chemicals safety data sheets, the legal requirements and the safety instructions are followed. Absorbents and personal protective equipment are also available at the chemicals' handling sites. The sites for handling hazardous chemicals are equipped with automated alarm and degassing system for the early detection and liquidation of possible leakages. Chemicals' safety data sheets are available in AS Tallinna Vesi on hard copy, but also electronically in our Document Management System.



Our employees

In case of providing a vital service, teamwork and staff's contribution are of utmost importance. It is the people who carry the company forward. However, prerequisite to achieving good results and enjoying the work is first and foremost, a supportive work environment.

The number and gender distribution of employees has been quite stable during the previous years. Last year our team, including the subsidiary company, consisted of 311 employees with permanent contract. All placed in Tallinn. 98% of full-time and 2% half-time employees was on an average in 2013.



To ensure equal treatment, we have also signed a collective agreement with the trade Union of Water Supply and Sewerage Staff, the collective agreement applies to all staff. These contractual obligations and benefits extend to all of our employees.

Involving the employees

We consider important that our staff is involved in the activities of AS Tallinna Vesi and is aware of important topics. We organise regular staff meetings with the management in order to encourage an immediate and open dialogue and involve our employees in joint activities both in internal and in the community.

Internal information channels such as internal newsletter and intranet provide an opportunity to reflect upon staff, different aspects of work, up-to-date issues, AS Tallinna Vesi future directions, but also upon joint activities and many other topics. We encourage the employees to actively take part in joint activities and raise topics that are important to them.

Involvement and doing things jointly are important factors which also influence the quality of service and efficiency of AS Tallinna Vesi. For example, we continued insourcing services from our subsidiary company OÜ Watercom last year, as this enables us to be more transparent and flexible in our activities

Development of employees

The development of employees is still one of the most important priorities for AS Tallinna Vesi. Development and performance reviews are carried out for all employees at least once a year and it is a part of our recognition and remuneration system.

Characteristically for a stable manufacturing enterprise, the average age of the staff both in AS Tallinna Vesi and its subsidiary is relatively high, 47.3 and 40.9 years respectively. Therefore, it is of critical importance for us to support the managers in order to successfully cope with the change of staff expected to occur in the coming years. It is important to maintain the high level of operational as well as service performance.

We encourage our employees to continuously learn and develop and try to offer respective opportunities, taking into account both the needs of the employees themselves and those of AS Tallinna Vesi. We believe that sharing of knowledge and experience is very important from the perspective of staff development. Therefore, there has been a significant increase during the past years in in-house guidance as well as in involvement of mentors from outside of AS Tallinna Vesi. This means that knowledge has been transferred from one colleague to another or from mentor to mentee. We also encourage development and movements between our teams. In 2013, a total of 23 employees changed their jobs within AS Tallinna Vesi. There were 371 training days in total in 2013 (an average of 1.2 days per employee).

Occupational health and safety

Work environment performance of AS Tallinna Vesi in compliance with the requirements of national legislation and international occupational health and safety management system standard OHSAS 18001. Work environment management

system is based on the assessment of risks in the work environment area and execution of activities aimed at preventing or reducing dangerous situations. Workplaces are under constant internal monitoring and internal as well as external audits of the management system are carried out. 10% of the our staff participates in carrying out the annual internal audits.

In line with the Occupational Health and Safety Act, a Work Environment Council has been established in AS Tallinna Vesi. The Council has equal number of representatives appointed by AS Tallinna Vesi and those selected by the employees. The Work Environment Council has 12 members in total and each of them has one substitute member. Thus, it total it involves 8% of the staff. The Work Environment Council represents all employees.

In 2013, 3 occupational accidents occurred, all of

which occurred at the fault of the employees themselves. None of the accidents had severe consequences (a dog bite in AS Tallinna Vesi; knee concussion and break of a thumb in OÜ Watercom). In 2013, the number of lost working days increased from 13 to 55 compared to 2012. The causes of all occupational accidents were thoroughly analysed by the Work Environment Council and improvement actions were taken to prevent similar accidents from occurring again.

Together towards occupational safety

Key issue in creating and maintaining a safe work environment is definitely the awareness of the employees themselves. We carry out occupational safety trainings for different specialists on a regular basis (first aid, training on work involving an open flame, chlorine safety training, oil cleaning training).

Our community

We acknowledge that by providing service compliant with all requirements, we contribute to the quality of life of not only the citizens of Tallinn and its neighbouring municipalities, but also the Baltic Sea natural habitat and its surrounding areas.

We consistently and systematically apply this knowledge in our daily management decisions and business operations. This means that our management practices take into account the impact we have on surrounding living environment, and association with the different stakeholder interests.

We consider social responsibility the core of our business. Most of all, it means we do more than we have to, in terms of quality, support for the community, environmental education as well as working environment.

Our main stakeholders

• Customers

Our most important role is to provide our customers a service, which they can depend on 24/7, 365 days a year. We are committed to keep our promises and eager to deliver the highest quality of services to our customers.

• Employees

We value our employees highly and wish to create opportunities so that everyone in our team could contribute at the best level possible. Our aim is to create a working environment to support providing our customers with high quality. Most of all, we consider safe working environment to be very important – no work assignment is worth getting hurt for.

• Community

The community we operate in, people whose lives our work impacts – they are vital for us. We therefore consider very important to actively take part and support the community we operate in.

• Quality and environment

We are dedicated on providing very high quality, at the same time minimizing our impact on living environment.

• Investors

We aim to be transparent and honest through our business activities, giving timely and accurate information to our shareholders. We treat all our stakeholders equally and we are dedicated on efficiency while ensuring the sustainability of the company.

• Partners

We develop relationships with partners and suppliers based on common values to support achieving our objectives.

Teamwork

We deem it important to be a good neighbour in the community, therefore we support and encourage our employees to actively participate in the community activities. Also, in addition to their daily work our employees have an important responsibility to live our values through a voluntary participation in various community projects. Our employees also appear on the photos of the AS Tallinna Vesi's various data carrying media.

Our employees volunteer to organise group conversations in kindergartens to talk about the sustainable usage of environment, participate in the events of cleaning up some areas, assist the Food Bank and help organising open doors days and other events. For example together with the employees of Coca-Cola Hellenic and the Embassy of the United States of America we cleaned the Patarei Prison area within the cleaning up event "Let's do it" for the local community to be able to enjoy the scenic cultural park of interesting history. Over 100 volunteers participated to contribute. In cooperation with the Estonian Forest Association we organised a joint forest planting training and cleaning up day. To support the children of large families at the risk of poverty, also our employees were disguised as the so-called "office rats" to participate in the charity event called Rat Race.

Improved environmental awareness of consumers

We value the natural environment we operate in and therefore use natural resources sparingly and continuously seek new ways for a more sustainable consumption. In order to help shape an environmentally conscious way of thinking in the society, we encourage and support others accordingly.

We continue contributing to environmental awareness of youth who would value environment. Our employees organise group conversations in kindergartens and schools. In 2013, over 2000 children could increase their environmental knowledge.

We organised water-related information days for the teachers of primary school and nature studies to introduce different options for the use of study materials for nature studies “Blue classroom” published in 2012. A total of almost 40 Tallinn’s schoolteachers participated in the two-day seminar.

We also keep on working hard to encourage the citizen’s environmental thinking. We draw their attention to the very good quality of tap water with our campaign “Tap water is drinking water”. We also continued our co-operation with restaurants in the form of campaign “Ask for tap water” so that the customers would have the courage and awareness to ask for tap water when they eat outside. In the end of 2013, 75% of people regularly drank tap water compared with only 48% in 2011.

Besides our main responsibilities – production of drinking water and treatment of wastewater – our treatment plants also have an important role to play in increasing the population’s awareness. Each year we introduce the plants’ work to more and more people. In 2013, a total of almost 300 visitors took guided tours in the treatment plants. We carried out an essay contest “Role of phosphorus in the pollution of the Baltic Sea” among the bachelor students of environmental technology, with a broader aim of investigating possibilities of implementing A2O biological phosphorus removal in Tallinn wastewater treatment plant.

In order to further encourage youth to protect and save the surrounding natural environment we participated in the “Back to school” project and discussed sustainable development with them. Within the “Tours of Wisdom” project we invited children to visit our treatment plants - almost 20 schools from all over Estonia took an interest in our treatment plants.

The traditional open doors day at Ülemiste water treatment plant in the end of August brought together over 300 people in addition to sports enthusiasts, who were introduced with the plant’s work. After a guided tour in the plant the visitors were offered delicious water cocktails made on site.

Cooperation and attention

We wish to contribute and provide positive impressions also to the people, who need more assistance and attention in the society.

We wish people to be able to enjoy more of the classical music and in 2013 we started cooperation with the Pille Lill Music Fund.

We have supported the people with disabilities through the nursery “Õunake” and the Estonian Union of Sports for the Disabled, also the children with learning difficulties in Ristiku Basic School for years. In spring 2013, we organised a meeting of Ristiku Basic School children with the Pille Lill Music Fund and before Christmas we invited our employees as well as the children of Õunake and Ristiku Basic School together with their families to a joint Christmas concert in Kaarli Church.

Last year the Responsible Business Forum awarded us with the silver mark of sustainable business index. This index helps us to consistently analyse, how to act in a socially responsible manner and design a sustainable business model.

In cooperation with the city district governments we gave planting soil for free to everybody, who were interested in it to make our city look more fresh and green.

High quality drinking water was provided at numerous sports and health promotion events. We also provide water for the Flower Festival and ice skating rinks in winter.

To avoid accidents that may be caused by stolen metal manhole covers we joined up with the Police and Border Guard Board, the owners of infrastructure and the collectors of scrap metal in the project of marking the metal. This cooperation is aimed at preventing and stopping the stealing of metal.

We help to make one of the largest Estonian cultural events happen, Dark Nights Film Festival. Last year the festival had a record number of visitors – 77 500 people.



Our customers

We provide water supply and sewerage services to almost one third of the Estonian population and to more than 22,000 contractual customers.

We understand how important our service is for people and therefore, our principal aim is to provide premium quality services without interruptions to the supply. In our work, we concentrate on maintaining and improving the quality and reliability of our services. In 2013, our main focus was on enhancing the customers' awareness. We also made efforts to increase the speed of resolving customer contacts and improve the performance thereof, which, in turn, would reduce the customers' need for repeated contacts.

Feedback from our customers

In order to objectively assess our activities and understand both our strengths and problematic issues which require more attention in the future, we deem important to continually ask for feedback from our customers.

Each year, an independent market research company TNS Emor carries out a survey among our customers as well as end users. Satisfaction is measured on the basis of the TRI*M method developed by the research company to characterise the strength of customer relationships and to allow comparison with other companies.

This model focuses on three elements:

- TRI*M index, which measures the strength of customer relationships and comprises further four elements – general satisfaction, recommendation, repeated use and

- usefulness/necessity of services/products;
- TRI*M typology of customer relationships, describing the satisfaction and loyalty of customers;
- TRI*M grid analysis to highlight the strengths and weaknesses of a company.

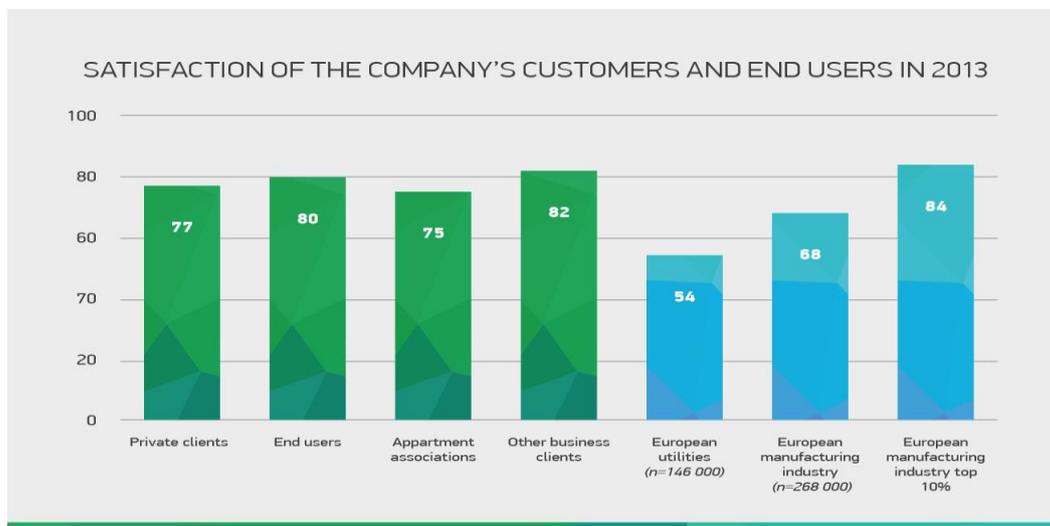
Customers' satisfaction

The survey carried out in 2013 gives us encouragement with very good results in terms of customer satisfaction, but also set us a challenge to strengthen the emotional side of our customer relations. Compared with customer satisfaction in European utility and manufacturing sector, the feedback to our work has been excellent. Despite of that we will try to maintain the high level achieved and continue to improve customer service also in 2014.

In 2013, a total of 900 customers and end users were surveyed by EMOR to map changes in our customer relations' strength and factors influencing it as well as to receive feedback on our activities' success.

Although the satisfaction of end users has somewhat decreased in 2013, our customer relationships continue to be strong in all segments, being at a uniform high level of 75-82 points in the TRI*M index.

Compared to other utility companies in Europe, our customer relationships can continually be considered to be very good. It is obvious that the strength of customer relationships is also influenced by the fact that the service we provide is vital.



Customer services in 2013

The customer's satisfaction with our services and products has remained at a constantly high level. Regardless of that, our aim is to keep on developing our customer services based on feedback from customers. It is important for us to focus, above all, on issues related to problem solving. Taking into account the results of the annual feedback survey, AS Tallinna Vesi carried out various activities in 2013 to improve our customer relations:

- We renewed the system of Our Promises uniquely used in Estonia, according to which we automatically pay compensation to the customer when we are not able to comply with our internal service standards. In order to show our continuous dedication to further improve our service provision, we have added such activities to Our Promises' list which most influence the customers' everyday life.
- As a result of improved inter-departmental cooperation, in more than 90% of the cases the customers who had turned to us via phone knew when AS Tallinna Vesi was going to take actions for solving the problems raised by them.
- In cooperation with several restaurants, we continued with the campaign "Ask for tap water" and it was the third year to carry out the campaign "Tap water = drinking water" in order to raise consumers' awareness about the very good quality of tap water.
- In order to reduce inconveniences experienced by residents due to interruptions to water supply, we notified most of our customers of emergency water interruptions at least one hour in advance.
- We asked for feedback from our customers on a monthly basis. This provides us with immediate feedback on the last month's

customer contacts and allows us to react instantly if a customer is not satisfied or has questions. In 2013, our customers' rating on our work was 3.42 points on a scale of 4.

- We have redesigned our self-service so that it would be more comfortable to use. As of now, all customers can comfortably fill in the application form in self-service and send it to us immediately.
- At the end of 2013 we moved over to a new geographical information system which enables us to inform customers in a more operative manner than before.

Improved problem solving

Concerning the service, an important win is progress in solving commercial customers' problems. The percentage of commercial customers who have turned to us with complaints during the year has decreased and their ratings of solution's appropriateness and operating process have increased. Private customers have had slightly more problems compared with the last year, mainly in relation to connections to water supply and sewerage system.

Last year we outperformed the promises made to private customers in resolving customer issues. Regardless of that, fixing the problems in the manner most suitable for them still continues to be of utmost importance for our customers. In this regard, ratings remained at the level of 2012. Ratings on price and quality have also remained at the last year's level. We realise that the price continues to be an important topic for all customer segments and bringing that into focus might change customer relations considerably.

CUSTOMER SATISFACTION WITH DIFFERENT ASPECTS OF SERVICES IN 2012-2013

On a scale of 5	Commercial customers		Private customers	
	2012	2013	2012	2013
Taste of water	4,0	3,9	4,1	4,0
Odour of water	4,1	4,0	4,2	4,1
Clarity of water	4,1	4,1	4,1	4,1
Stable water pressure	3,9	4,0	4,0	3,9
Low number of emergencies and interruptions	4,1	4,1	4,2	4,1
Price/quality relationship	3,1	3,2	3,2	3,2
Accuracy and clarity of invoices	4,5	4,4	4,3	4,2
Customer Information line	4,0	4,0	4,1	3,9
Communication by e-mail	4,2	4,1	4,1	4,1
Self-service	4,1	4,0	4,0	4,0

GRI content index

Standard disclosures

<i>nr</i>	<i>Description</i>	<i>Reported</i>	<i>Page number</i>
1.1	Statement from the most senior decision-maker of the organization.	Completely	7-8
2.1	Name of the organization.	Completely	5
2.2	Primary brands, products, and/or services.	Completely	4-5
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Completely	9
2.4	Location of organization's headquarters.	Completely	5
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Completely	5
2.6	Nature of ownership and legal form.	Completely	10-14
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Completely	5
2.8	Scale of the reporting organization.	Completely	4-5; 15-18
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Completely	19
2.10	Awards received in the reporting period.	Completely	8
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Completely	6
3.2	Date of most recent previous report (if any).	Completely	6
3.3	Reporting cycle (annual, biennial, etc.)	Completely	6
3.4	Contact point for questions regarding the report or its contents.	Completely	5
3.5	Process for defining report content.	Completely	6
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Completely	6
3.7	State any specific limitations on the scope or boundary of the report. <i>(there are one specific limitation in indicator EN20, because As Tallinna Vesi do not calculate the air emission from the transport)</i>	Completely	25-27
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Completely	6
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	Completely	27; 28
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Completely	No changes
3.12	Policy and current practice with regard to seeking external assurance for the report.	Completely	37
3.13	Table identifying the location of the Standard Disclosures in the report.	Completely	35-36
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	Completely	10-14
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Completely	13
4.3	State the number and gender of members of the highest governance body that are independent and/or non-executive members.	Completely	11
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Completely	10-14; 29-30
4.14	List of stakeholder groups engaged by the organization.	Completely	31
4.15	Basis for identification and selection of stakeholders with whom to engage.	Completely	31-32

Performance indicators

<i>nr</i>	<i>Description</i>	<i>Reported</i>	<i>Page number</i>
<i>EC1</i>	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	<i>Completely</i>	15-17
<i>EN1</i>	Materials used by weight or volume.	<i>Partially</i>	19-28
<i>EN2</i>	Percentage of materials used that are recycled input materials.	<i>Partially</i>	25-26
<i>EN3</i>	Direct energy consumption by primary energy source.	<i>Completely</i>	25-27
<i>EN4</i>	Indirect energy consumption by primary source.	<i>Partially</i>	26
<i>EN8</i>	Total water with drawal by source.	<i>Completely</i>	20
<i>EN9</i>	Water sources significantly affected by withdrawal of water.	<i>Completely</i>	19-20
<i>EN20</i>	NOx, SOx, and other significant air emissions by type and weight. (Specific limitation of datas, because As Tallinna Vesi do not calculate the air emission from the transport)	<i>Completely</i>	27
<i>EN21</i>	Total water discharge by quality and destination.	<i>Completely</i>	21-24
<i>EN22</i>	Total weight of waste by type and disposal method.	<i>Partially</i>	25
<i>EN23</i>	Total number and volume of significant spills.	<i>Completely</i>	24
<i>EN25</i>	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	<i>Completely</i>	21
<i>EN30</i>	Total environmental protection expenditures and investments by type.	<i>Partially</i>	16; 24; 31-32
<i>LA1</i>	Number of employees	<i>Completely</i>	29
<i>LA4</i>	Percentage of employees covered by collective bargaining agreements.	<i>Completely</i>	29
<i>LA6</i>	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs.	<i>Completely</i>	30
<i>LA7</i>	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	<i>Partially</i>	30
<i>LA10</i>	Average hours of training per year per employee by gender, and by employee category.	<i>Partially</i>	29
<i>LA12</i>	Percentage of employees receiving regular performance and career development reviews, by gender.	<i>Completely</i>	29
<i>SO1</i>	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	<i>Partially</i>	31-32
<i>SO7</i>	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	<i>Completely</i>	17-18
<i>PR5</i>	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	<i>Completely</i>	33-34



External Verification Statement

(Application Level Check)

Maalinn Consulting OÜ hereby states that AS Tallinna Vesi has presented its Social Responsibility and Sustainable Development Report 2012 (the Report) to Maalinn Consulting OÜ for an application level verification, which have concluded that the Report fulfils the requirements of GRI Application Level C+.

GRI Application Levels communicate the extent to which the content of the GRI G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for the Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application levels *do not* provide an opinion on the sustainability performance of the reporter *nor* the quality of the information in the report.

Tallinn, 3rd of July 2014

Helen Maalinn

Consultant and GRI Guidelines' specialist
GRI Certified Training Program, Certificate No TR81578
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