Tallinna Vesi

AS Tallinna Vesi

Results of operations – for the 4th quarter of 2015

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

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MANAGEMENT REPORT

Chairman's summary

Our first priority is to provide our customers with high-quality drinking water, reliable water supply and wastewater discharge services. Similar to previous years, 2015 can be characterised with excellent and even further improved quality levels across all the services we provide. We will continue to focus on maintaining and improving all our key performance indicators so our consumers can rely on the service they receive.

Last year was crowned by an exceptionally high customer satisfaction, reaching as high as 94 index points according to the survey carried out by EMOR. This is the highest score we have achieved so far, significantly exceeding the average of the European and Estonian industrial sector, and taking us to the Top 10% of European utility sector (average 86 index points). The high satisfaction is definitely a reflection of a very high quality service, but also of our dedication to making continuous improvements throughout the business.

In 2015 we achieved the best ever water quality of 99.86%. We took altogether 2,945 samples from consumers taps and did 24,500 water analysis, out of which, only 4 samples exceeded the limit values.

The level of leakages indicating water loss in the distribution network is also decreasing year-on-year due to preventive actions. Despite that the level of leakages was very low already in 2014, in 2015 this parameter improved even more, reaching the lowest ever level in Tallinna Vesi’s history. While in 2014 the level of leakages was at 16.14%, in 2015 the respective number was 14.68%.

In 2015, we were awarded with the Golden Mark in CSR Index, which is a sign of being responsible in our actions and minds. At the end of 2015, we were recognized as the most youth and children-friendly company in Tallinn, which is a great pleasure, especially because we consider the work done with the young people to be a starting point for a more environment-friendly consumer behaviour. It is also extremely important in our service that working would be safe for both our employees and the residents of Tallinn. In 2015, we received the “Good Working Environment 2015” award demonstrating that we are doing the right thing.

All good results and recognition is only possible thanks to the dedication and hard work of our employees. The employee satisfaction survey showed continuously high commitment, above the average satisfaction of both the Estonian and European companies. In 2014 the satisfaction was at 71 index point level and 72 index points in 2015.

Operational performance for 2015

Indicator	**2014 12 months**	**2015 12 months**
Drinking water		
Compliance of water quality at the customers’ tap	99.80%	99.86%
Water loss in the water distribution network	16.14%	14.68%
Average duration of water interruptions per property in hours	3.15 h	3.22 h
Wastewater		
Number of sewer blockages	757	737
Number of sewer bursts	119	127
Wastewater treatment compliance with environmental standards	100%	100%
Customer Service		
Number of written complaints	76	67
Number of customer contacts regarding water quality	152	115
Number of customer contacts regarding water pressure	380	337
Number of customer contacts regarding blockages and discharge of storm water	1 060	1 061
Responding written customer contacts within at least 2 work days	99.1%	99.2%
Number of failed promises	54	9
Notification of unplanned water interruptions at least 1 h before the interruption	95.0%	98.7%

Contractual Highlights

- Tariffs of AS Tallinna Vesi continue to be on the same level based on temporary injunction granted by the Court for the period of court proceedings to protect the Company from unilateral breach of privatization agreement by the Estonian Authorities.
- AS Tallinna Vesi would like all its shareholders to be fully aware of the facts that the Company was privatised in 2001 with the full support and knowledge of the Estonian national government, with written confirmations from the Prime Minister and the Minister of Finance regarding the key terms of the agreements, and using the expertise and guidance of the European Bank for Reconstruction and Development (EBRD).
- At the end of May 2012 the District Court ruled that AS Tallinna Vesi's Services Agreement, that was part of the international privatisation, is a public law contract. AS Tallinna Vesi firmly believes that the terms and conditions of the international privatisation contract that has been deemed a public law contract should not be broken simply by transferring the duties of the regulator from one state institution (the City of Tallinn) to a different state institution (the Competition Authority). A public law contract should enjoy the protection of the Estonian legal system, and should the contract not be honoured, the company will have a claim against the Estonian state.
- In May 2014, AS Tallinna Vesi submitted a claim against the Competition Authority to the Tallinn Administrative Court to avoid the expiry of monetary claims. The Company claims compensation for potential damages over the lifetime of the international privatisation contract up to 2020. The claim estimation includes future volumes and expectations for consumer price index (CPI). As the CPI has been recently lower than at the time of submitting the estimated, the estimated undiscounted value of the claim is around 74 million euros compared to over the 90 million euros submitted. The Court decided to stay the claim proceeding until the main tariff dispute is resolved.
- In 2015, there was three hearings in the local court as regards to the tariff dispute. On 5th of June, the Tallinn Administrative Court dismissed the Company's complaint in tariff dispute. The reasoning of the dismissal of complaints was released not until 12th of October 2015. Tallinn Administrative Court formed an opinion that the tariffs part of the Services Agreement, which has been deemed to be as a public law contract by the Estonian Courts in 2012, is not binding on the Competition Authority. AS Tallinna Vesi finds the opinion formed by the Court to be unfounded. AS Tallinna Vesi filed the appeal to the Tallinn District Court on 11th of November 2015.
- In October 2014, in parallel to the local dispute about tariffs AS Tallinna Vesi and its shareholder United Utilities (Tallinn) B.V have commenced international arbitration proceedings against the Republic of Estonia for breaching the international treaty and more specifically "*the fair and equitable treatment*" requirement by changes to the law and activities of the public authorities which have deprived AS Tallinna Vesi from tariffs approved according to the Services Agreement concluded as part of the privatisation in 2001. The arbitration will be carried out through the International Centre for the Settlement of Investment Disputes (ICSID), which is part of the World Bank Group.
- On 17th of June 2015, the timetable of the International Arbitration Proceedings was determined, with the final hearing set for November 2016. Procedural orders and decisions issued during the arbitration process, subject to the redaction of the confidential information, are available on the ICSID website.
- International Arbitration Proceedings are being held in parallel and separately from local Court dispute.
- There has not been no hearings in disputes in 4th quarter of 2015.
- It has been three years already during which the Company has made intensive effort in trying to agree a solution in order to get the tariff dispute solved. Regretfully it has not been achieved.
- AS Tallinna Vesi has continuously stated its belief in fully transparent regulation and its willingness to enter into **meaningful and evidence-based dialogue** that takes into account the privatization contract signed in 2001.

Financial highlights of 4th quarter 2015

The Group's sales revenues during the 4th quarter of 2015 were EUR 14.53 million, being up by 9.2% or EUR 1.22 million compared to the same period in 2014.

The gross profit in the 4th quarter of 2015 was EUR 8.18 million, showing an increase by 2.9% or EUR 0.23 million. Increase in gross profit was related to higher water, wastewater and storm water revenues and lower chemical and pollution tax costs which was accompanied by higher revenues and profit from construction and asphalting services for outside the Group customers.

The operating profit was EUR 6.75 million, showing an increase by 2.1% or EUR 0.14 million. The operating profit was mainly impacted by the above mentioned increase in revenues, which was balanced by higher staff costs and continuously high legal costs.

The net profit for the 4th quarter of 2015 was EUR 6.24 million, being down by 0.8% or EUR 0.05 million. The net profit was mainly impacted by above mentioned changes in operating profit and higher financial expenses. Higher financial expenses was influenced by the negative change in the fair value of swap contracts in the 4th quarter of 2015 by EUR 0.53 million compared to the same period in 2014, which was partly balanced by the decrease in interest costs by EUR 0.38 million year on year. The net profit for the 4th quarter of 2015 and 2014 without the impact resulted from the change of the fair value of swap contracts was respectively EUR 6.38 million and EUR 6.02 million, being 6.0% or EUR 0.36 million higher than in the comparative period last year.

million EUR	**Q4 2013**	**Q4 2014**	**Q4 2015**	**Change 15/14**	**12 months 2013**	**12 months 2014**	**12 months 2015**	**Change 15/14**
Sales	13.78	13.31	14.53	9.2%	53.09	53.24	55.93	5.0%
Gross profit	8.29	7.95	8.18	2.9%	30.58	30.84	32.25	4.6%
Gross profit margin %	60.20	59.71	56.26	-5.8%	57.61	57.93	57.66	-0.5%
Operating profit	6.55	6.61	6.75	2.1%	24.76	24.83	25.58	3.0%
Operating profit - main business	6.55	6.56	6.65	1.3%	24.50	24.53	25.24	2.9%
Operating profit margin %	47.55	49.62	46.41	-6.5%	46.63	46.63	45.73	-1.9%
Profit before taxes	6.19	6.29	6.24	-0.8%	24.56	22.73	24.36	7.2%
Net profit	6.19	6.29	6.24	-0.8%	19.94	17.94	19.86	10.7%
Net profit margin %	44.95	47.24	42.91	-9.2%	37.55	33.70	35.51	5.4%
ROA %	3.05	3.06	2.98	-2.5%	9.83	8.73	9.50	8.8%
Debt to total capital employed	56.98	57.61	57.43	-0.3%	56.98	57.61	57.43	-0.3%
ROE %	7.10	7.22	7.01	-2.9%	22.86	20.59	22.31	8.4%
Current ratio	5.13	5.35	5.40	0.8%	5.13	5.35	5.40	0.8%

Gross profit margin – Gross profit / Net sales
Operating profit margin – Operating profit / Net sales
Net profit margin – Net profit / Net sales
ROA – Net profit /average Total assets for the period
Debt to Total capital employed – Total liabilities / Total capital employed
ROE – Net profit / Total equity
Current ratio – Current assets / Current liabilities
Main business – water and wastewater activities, excl. connections profit and government grants, construction services, doubtful debt, other income

RESULTS OF OPERATIONS FOR THE 4th QUARTER 2015

Profit and Loss Statement

4th quarter 2015

Sales

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

In the 4th quarter of 2015 the Group's total sales were EUR 14.53 million, showing an increase by 9.2% or EUR 1.22 million year on year. 86.3% of sales comprise of sales of water and wastewater services to domestic and commercial customers within and outside of the service area. 5.5% of sales are the fees received from the City of Tallinn for operating and maintaining the storm water system and fire hydrants and 8.2% from other works and services.

Revenues from main operating activities (thousand EUR)	**Quarter 4**			**Variance 15/14**	
	2015	**2014**	**2013**	**EUR**	**%**
Private clients, incl:	6 232	6 139	6 026	93	1.5%
Water supply service	3 437	3 390	3 329	47	1.4%
Wastewater disposal service	2 795	2 749	2 697	46	1.7%
Corporate clients, incl:	4 942	4 848	4 776	94	1.9%
Water supply service	2 726	2 681	2 640	45	1.7%
Wastewater disposal service	2 216	2 167	2 136	49	2.3%
Outside service area clients, incl:	1 202	1 163	1 163	39	3.4%
Water supply service	341	319	294	22	6.9%
Wastewater disposal service	760	741	721	19	2.6%
Storm water disposal service	101	103	148	-2	-1.9%
Over pollution fee	169	190	146	-21	-11.1%
Storm water treatment and disposal service and fire hydrant service	801	593	980	208	35.1%
Construction service, design and asphalting	1 037	228	437	809	354.8%
Other works and services	151	149	250	2	1.3%

Sales from water and wastewater services were EUR 12.55 million, showing a 1.7% or EUR 0.20 million increase compared to the 4th quarter of 2014, resulting from the changes in sales volumes as described below:

- There has been a slight increase in all residential customer groups in the 4th quarter of 2015 compared to the same period in 2014 resulting an increase in private customers' revenues in total by 1.5% to EUR 6.23 million.
- Sales to commercial customers within the service area has increased by 1.9% to EUR 4.94 million, coming mostly from the increase from industry and also other customer segment.
- Sales to customers outside of the main service area has shown an increase by 3.4% to EUR 1.20 million. Wastewater revenues increased by 2.6% to EUR 0.76 million and water revenues increased by 6.9% to EUR 0.34 million.
- Over pollution fees received have decreased by 11.1% to EUR 0.17 million.

Sales from the operation and maintenance of the main service area storm water and fire-hydrant system were EUR 0.80 million, showing an increase of 35.1% or EUR 0.21 million in the 4th quarter of 2015 compared to the same period in 2014.

Sales of construction, design and asphalting services were EUR 1.04 million, having increased by 354.8% or EUR 0.81 million year on year. The increase was related to the asphalting services that the Group started to provide for external customers in 2015, but also higher pipe construction revenues due to favourable weather and longer construction period in 2015 compared to last year end.

Cost of Goods Sold and Gross profit

The cost of goods sold amounted to EUR 6.36 million in the 4th quarter of 2015, showing 18.5% or EUR 0.99 million increase compared to the equivalent period in 2014. The cost increase is mainly influenced by higher staff costs and increase in construction and asphalting services related costs, which were balanced by lower total direct production costs.

Cost of goods sold (thousand EUR)	**Quarter 4**			**Variance 15/14**	
	2015	**2014**	**2013**	**EUR**	**%**
Water abstraction charges	-282	-267	-257	-15	-5.6%
Chemicals	-400	-444	-424	44	9.9%
Electricity	-747	-743	-826	-4	-0.5%
Pollution tax	-234	-328	-58	94	28.7%
Total direct production costs	**-1 663**	**-1 782**	**-1 565**	**119**	**6.7%**
Staff costs	-1 481	-1 157	-1 202	-324	-28.0%
Depreciation and amortization	-1 437	-1 342	-1 266	-95	-7.1%
Construction service, design and asphalting	-951	-173	-357	-778	-449.7%
Other costs of goods sold	-825	-909	-1 094	84	9.2%
Other costs of goods sold total	**-4 694**	**-3 581**	**-3 919**	**-1 113**	**-31.1%**
Total cost of goods sold	**-6 357**	**-5 363**	**-5 484**	**-994**	**-18.5%**

Total direct production costs (water abstraction charges, chemicals, electricity and pollution tax) were EUR 1.66 million, showing 6.7% or EUR 0.12 million decrease year on year. Biggest decrease came from chemical costs and pollution tax. Other direct production costs increase came from a combination of changes in prices and tax rates and changes in treatment volumes that affected the cost of goods sold together with the following additional factors:

- Water abstraction charges increased by 5.6% to EUR 0.28 million, driven by increase in treated volumes and on average 2.8% raise in tax rates.
- Chemicals costs decreased by 9.9% to EUR 0.40 million, mainly due to smaller use of chemicals to remove pollutants in wastewater treatment process and also by 13.8% lower methanol price, worth EUR 0.017 million and EUR 0.026 million respectively.
- Electricity costs were relatively stable increasing only by 0.5% to EUR 0.75 million. Electricity costs increase was related to higher electricity use per m^3 in both treatment processes and increase in treated volumes balanced by lower electricity prices.
- Pollution tax expense decreased by 28.7% to EUR 0.23 million. Compared to the 4th quarter of 2014 the pollution tax expenses decreased partly due to incident in one pumping station in the 4th quarter of 2014 which had the impact on costs of EUR 0.12 million. Eliminating the influence of this incident in 2014 the pollution tax expense increased by 12.0% in the 4th quarter of 2015. The main contribution to increased pollution tax expenses came from on average 3.2% raise in tax rates in the amount of EUR 0.029 million.

Other costs of goods sold (staff costs, depreciation, construction and asphalting services costs and other costs of goods sold) amounted to EUR 4.69 million, having increased by 31.1% or EUR 1.11 million. Most of the increase came from higher staff costs and costs related to construction and asphalting services. Staff cost increase of 28.0% to EUR 1.48 million was partly related to higher headcount in order to provide more efficient and broader range of services internally and externally, but also reduced bonus reserve in 2014 and increases in salaries in 2015. Increase in construction and asphalting services costs by 449.7% to EUR 0.95 million was related to increased construction and asphalting revenues.

As a result of all above the Group's gross profit for the 4th quarter of 2015 was EUR 8.18 million, showing an increase of 2.9% or EUR 0.23 million, compared to the gross profit of EUR 7.95 million for the comparative period of 2014.

Administrative and marketing expenses

Administrative and marketing expenses were EUR 1.36 million, showing a slight increase by 1.9% or EUR 0.03 million. Increase in salary expenses was mostly related to reduced bonus reserve in 2014 but also to salary increases in the beginning of 2015. Other administrative costs were lower as no outside awareness campaign was carried out in 4th quarter in 2015. Legal and consultation fees also continue to be at a high level during the time the Company has ongoing local and international disputes.

Operating profit

As a result of the factors listed above the Group's operating profit for the 4th quarter of 2015 totalled EUR 6.75 million, being 2.1% or EUR 0.14 million higher than in the corresponding quarter of 2014. The Group's operating profit from main business was 1.3% or EUR 0.09 million higher compared to 2014.

Financial expenses

The Group's net financial income and expenses have resulted a net expense of EUR 0.51 million, compared to net expense of EUR 0.32 million in the 4th quarter of 2014. It is mainly impacted by a negative change of the fair value of the swap contracts year on year (EUR -0.53 million), which was balanced by the decrease in the interest costs (EUR 0.38 mln euros).

The standalone swap agreements have been signed to mitigate the majority of the long term floating interest risk. The interest swap agreements are signed for EUR 75 million and EUR 20 million are still with floating interest rate. At this point in time the estimated fair value of the swap contracts is negative, totalling EUR 1.01 million. Effective interest rate of loans (incl. swap interests) in the 4th quarter of 2015 was 1.57%, amounting in the interest costs of EUR 0.38 million, compared to the effective interest rate of 3.12% and the interest costs of EUR 0.76 million in the 4th quarter of 2014.

Profit Before and After Tax

The Group's profit before taxes and net profit for the 4th quarter of 2015 was EUR 6.24 million, being 0.8% or EUR 0.05 million lower than for the 4th quarter of 2014, resulting mainly from increased revenues, balanced by the increased costs and net financial expenses as described above. Eliminating the influence of the derivatives fair value and pollution tax influence, the Group's profit before taxes and net profit for the 4th quarter of 2015 would have been EUR 6.38 million, showing an increase by 6.0% or EUR 0.36 million compared to the relevant period in 2014.

Results for the twelve months of 2015

During the twelve months of 2015 the Group's total sales were EUR 55.93 million, showing an increase by 5.0% or EUR 2.69 million year on year. Sales from water and wastewater services were EUR 49.30 million, increasing 1.4% or EUR 0.70 million compared to the twelve months of 2014.

During the twelve months of 2015 there has been a 1.1% or EUR 0.25 million increase in the sales to residential customers and 1.4% or EUR 0.27 million increase in the sales to the commercial customers within the service area. Increase in the sales to residential customers comes mainly from the apartment blocks, which is the biggest private customer segment for the Group. The sales increase in commercial customers is mostly related to industrial and other customer segments. The sales revenues from outside service area customers for water, wastewater and storm water services have increased 5.4% or EUR 0.25 million compared to the twelve months of 2014.

Sales from the operation and maintenance of the main service area storm water and fire-hydrant system in the twelve months of 2015 were EUR 3.36 million, showing an increase of 9.2% or EUR 0.28 million.

Revenues from main operating activities (thousand EUR)	Year ended 31.12.			Variance 15/14	
	2015	2014	2013	EUR	%
Private clients, incl:	24 408	24 154	23 642	254	1.1%
Water supply service	13 436	13 303	13 022	133	1.0%
Wastewater disposal service	10 972	10 851	10 620	121	1.1%
Corporate clients, incl:	19 358	19 085	19 053	273	1.4%
Water supply service	10 736	10 664	10 585	72	0.7%
Wastewater disposal service	8 622	8 421	8 468	201	2.4%
Outside service area clients, incl:	4 765	4 520	4 308	245	5.4%
Water supply service	1 280	1 153	1 095	127	11.0%
Wastewater disposal service	3 011	2 957	2 730	54	1.8%
Storm water disposal service	474	410	483	64	15.6%
Over pollution fee	766	839	734	-73	-8.7%
Storm water treatment and disposal service and fire hydrant service	3 357	3 073	3 424	284	9.2%
Construction service, design and asphalting	2 724	943	1 146	1 781	188.9%
Other works and services	550	627	780	-77	-12.3%

Sales of construction, design and asphalting services were EUR 2.72 million, increasing by 188.9% or EUR 1.78 million year on year. In 2014 the Group started with insourcing asphalting services and did not provide almost any service for external customer. During the twelve months of 2015 the Group has provided asphalting services to external customers for EUR 0.79 million. Reminder of the increase is related to higher pipe construction revenues mainly because of longer construction period in 2015 compared to last year due to favourable weather conditions.

Cost of goods sold (thousand EUR)	Year ended 31.12.			Variance 15/14	
	2015	2014	2013	EUR	%
Water abstraction charges	-1 101	-1 057	-997	-44	-4.2%
Chemicals	-1 531	-1 737	-1 734	206	11.9%
Electricity	-3 035	-3 032	-3 392	-3	-0.1%
Pollution tax	-1 002	-2 163	-1 872	1 161	53.7%
Total direct production costs	**-6 669**	**-7 989**	**-7 995**	**1 320**	**16.5%**
Staff costs	-5 603	-4 880	-4 833	-723	-14.8%
Depreciation and amortization	-5 690	-5 370	-5 115	-320	-6.0%
Construction service, design and asphalting	-2 398	-784	-947	-1 614	-205.9%
Other costs of goods sold	-3 319	-3 376	-3 615	57	1.7%
Other costs of goods sold total	**-17 010**	**-14 410**	**-14 510**	**-2 600**	**-18.0%**
Total cost of goods sold	**-23 679**	**-22 399**	**-22 505**	**-1 280**	**-5.7%**

Total direct production costs (water abstraction charges, chemicals, electricity and pollution taxes) were EUR 6.67 million, showing a decrease by 16.5% or EUR 1.32 million year on year. Biggest decrease came from the decrease in pollution tax and chemicals costs, balanced slightly by increase in water abstraction charges as described below:

- Water abstraction charges increased by 4.2% to EUR 1.10 million, driven by increase in treated volumes and on average 3.1% raise in tax rates.
- Chemicals costs decreased by 11.9% to EUR 1.53 million, driven mainly by smaller use of chemicals to removing pollutants in wastewater treatment process and on average 10.4% lower methanol price, worth respectively EUR 0.15 million and EUR 0.07 million.

- In the twelve months of 2015 electricity costs were almost at the same level as in 2014 amounting to EUR 3.04 million.
- Pollution tax expense decreased by 53.7% to EUR 1.00 million. The decrease is mainly influenced by the change of the water permit at the end of 2013, which was in effect until the end of the 2nd quarter of 2014. In the changed water permit the allowed concentration for heavy metals was decreased by 400 times. Previously applicable concentration limits were re-established starting from the 3rd quarter of 2014, after which the pollution tax costs stabilised at the normal level. Eliminating the influences of changed water permit the pollution tax expenses have increased by 12.6% or EUR 0.11 million year on year. The main contribution to increased pollution tax expenses came from on average 4.8% raise in tax rates in the amount of EUR 0.12 million.

Other cost of goods sold (staff costs, depreciation, construction and asphalting services costs and other cost of goods sold) amounted to EUR 17.01 million, being higher by 18.0% or EUR 2.60 million compared to the same period in 2014. Main increase came from increase in staff costs and costs related to higher construction and asphalting services. Higher staff costs were partly related to the Group having a higher headcount on average to provide more efficient and broader range of services internally and externally, but also to increases in salaries and reduced bonus reserve in 2014.

The gross profit for the twelve months of 2015 was EUR 32.25 million, being 4.6% or EUR 1.41 million higher compared to the same period in 2014. The operating profit was EUR 25.58 million, showing an increase by 3.0% or EUR 0.75 million during the twelve months of 2015. The increase in operating profit came from changes in gross profit mentioned earlier, which was balanced by increase in other operating costs mostly driven by higher salary costs and consultation and legal fees related to tariff dispute. Legal and consultation fees continue to be at a high level during the time the Company has ongoing local and international disputes.

The Group’s net financial income and expenses have resulted a net expense of EUR 1.22 million, compared to net expense of EUR 2.10 million in the twelve months of 2014. Being influenced by the decrease in interest costs by EUR 0.85 million, which was supplemented by the non-monetary impact of the change in the fair value of the swap contracts the Company has entered. The positive non-monetary impact for 2015 expenses is EUR 0.83 million (2014: positive impact EUR 0.48 million).

The Group’s profit before taxes for the twelve months of 2015 was EUR 24.36 million, showing a 7.2% increase compared to the relevant period in 2014. The Group’s net profit for the twelve months of 2015 was EUR 19.86 million, which is EUR 1.92 million higher than the net profit for equivalent period in 2014.

Balance sheet

In the twelve months of 2015 the Group invested EUR 11.30 million into fixed assets. As of 31st December 2015 non-current tangible assets amounted to EUR 162.73 million and total non-current assets amounted to EUR 163.63 million (31st December 2014: EUR 157.48 million and EUR 158.34 million respectively).

Compared to the year end of 2014 there has been a reduction in receivables and prepayments in the amount of EUR 1.09 million to EUR 7.17 million, which is mainly related to collection of money for network extension program.

Current liabilities have decreased by EUR 0.41 million to EUR 8.42 million compared to the year end of 2014. The increase in trade and other payables by EUR 0.73 million was balanced by decrease in derivatives fair value by EUR 0.56 million and in prepayments by EUR 0.65 million. Increase in payables is related to increased investment related liabilities as well as bigger bonus reserve.

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

The Group has a Total debt/Total assets level as expected of 57.4%, in range of 55%-65%, reflecting the Group’s equity profile. This level is consistent with the same period in 2014 when the Total debt/Total assets ratio was 57.6%.

Deferred income from connection fees has grown compared to the end of 2014 by EUR 2.46 million to 15.03 million.

Contingent liability regarding the tariff risk

In the 4th quarter of 2011 the Group evaluated and noted an exceptional off-balance sheet contingent liability, which could cause an outflow of economic benefits of up to EUR 36.0 million. In the 4th quarter of 2015 the Group re-evaluated the liability, which now stands at EUR 42.8 million, as per note 13 to the accounts. The re-evaluation is made annually at the end of the year.

Cash flows

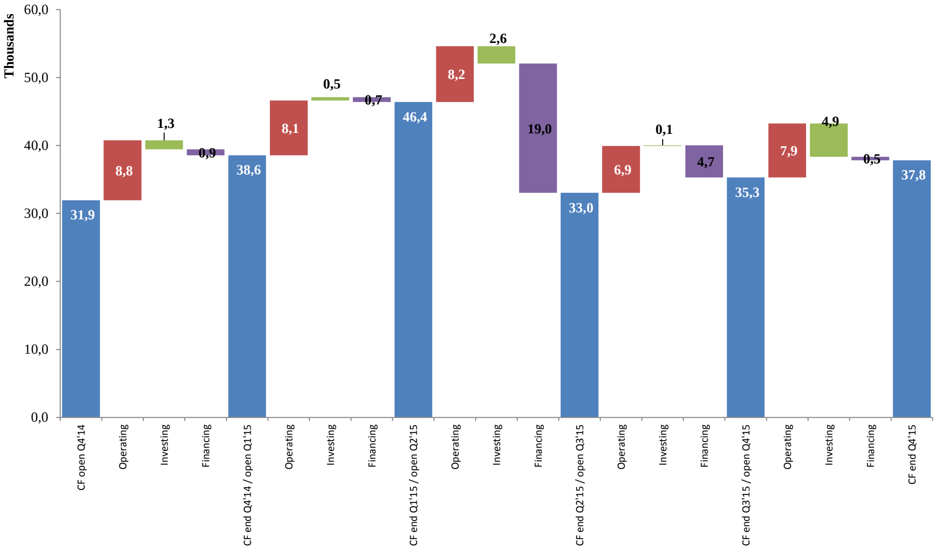
As of 31st December 2015 the cash position of the Group is strong. At the end of December 2015 the cash balance of the Group stood at EUR 37.82 million, which is 18.1% of the total assets (31st December 2014: EUR 38.56 million, forming 18.8% of the total assets).

The biggest contribution to the cash flows comes from main operations. During the twelve months of 2015, the Group generated EUR 31.11 million of cash flows from operating activities, a decrease of EUR 0.34 million compared to the corresponding period in 2014. Underlying operating profit still continues to be the main contributor to operating cash flows. The collection of receivables continues to be strong.

In the twelve months of 2015 the result of net cash flows from investing activities was a cash outflow of EUR 6.87 million, a decrease of EUR 8.19 million compared to the inflow of EUR 1.32 million in the twelve months of 2014. This is made up as follows:

- In the twelve months of 2015 the investments in fixed assets have increased by EUR 3.85 million compared to 2014 amounting to EUR 13.50 million.
- The compensations received for the construction of pipelines were EUR 6.50 million in the twelve months of 2015, showing a decrease of EUR 4.02 million compared to the same period of 2014.

In the twelve months of 2015 cash outflow from financing activities amounted to EUR 24.99 million, decreasing by EUR 1.01 million compared to the same period in 2014. The change was mainly related to reduction in interest payments by EUR 0.82 million related to the renewal of swap contracts. In addition, despite of the same dividend payment, the dividend income tax was lower by EUR 0.29 million as there was a change in income tax rate.



Employees

At the end of the 4th quarter of 2015, the total number of employees was 323 compared to 321 at the end of the 4th quarter of 2014. The full time equivalent (FTE) was respectively 311 in 2015 compared to the 307 in 2014. Average number of employees (FTE) during the full year was respectively 307 in 2015 and 300 in 2014. The management continues to work actively for the efficiencies in processes to balance the increase in individual salaries and cost pressure from the market with more productive company structure.

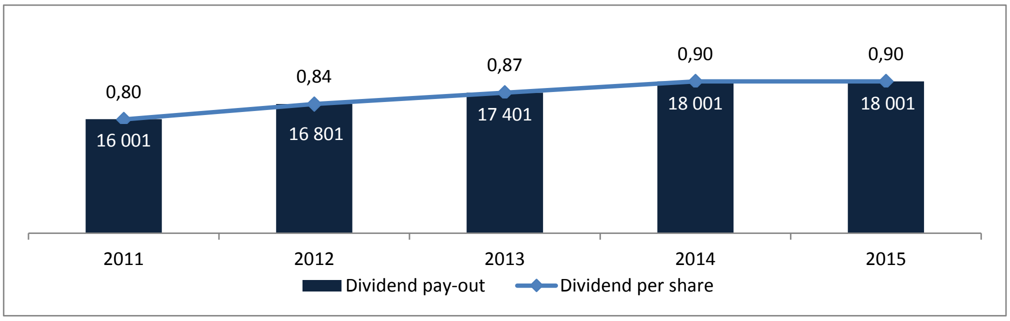
Dividends

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

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

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

Dividends were paid out on 19th of June 2015. Dividend pay-outs in last five years have been as follows:



Share performance

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

As of 31 December 2015 AS Tallinna Vesi shareholders, with a direct holding over 5%, were:

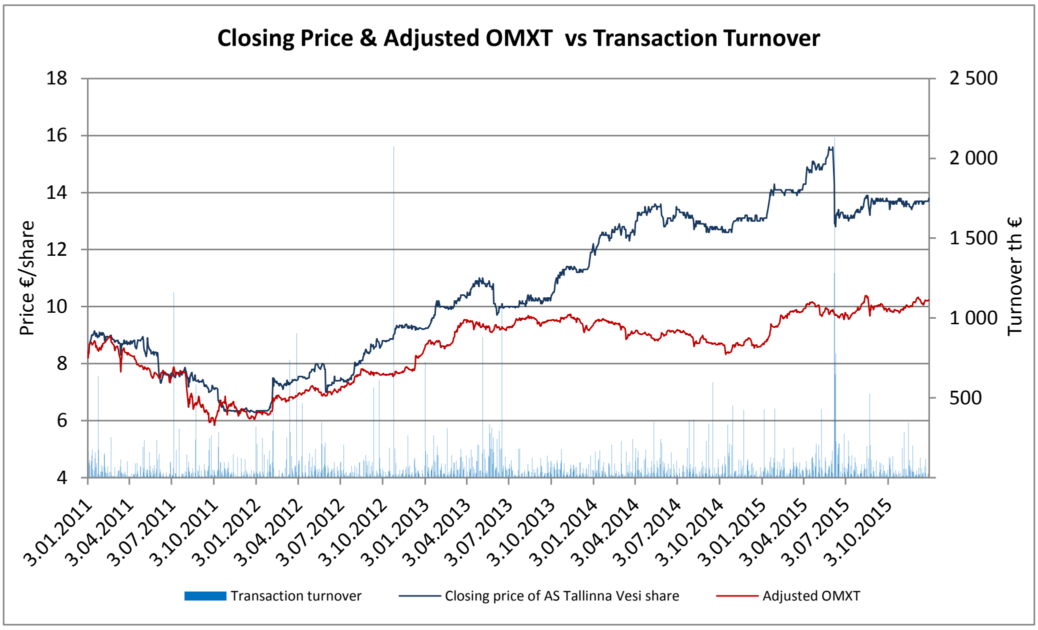
United Utilities (Tallinn) BV	35.3%
City of Tallinn	34.7%

During the twelve months of 2015 the shareholder structure has been relatively stable compared to the end of 2014. At the end of 4th quarter 2015 the pension funds owned 1.89% of the total shares compared to 1.54% at the end of 4th quarter 2014.

As of 31st December 2015, the closing price of the AS Tallinna Vesi share stood at the same level as of 30th of September 2015 being EUR 13.80 (in the 4th quarter of 2014: the change was +3.2%). During the same period the OMX Tallinn index increased by 4.1% (2014: -1.3%). During the twelve months of 2015 AS Tallinna Vesi share price changed by 5.3% from 13.10 euros to 13.80 euros, while OMXT index increased by 19.1% (2014: +10.1% from 11.9 euros to 13.1 euros; OMXT -7.7%).

In the twelve months of 2015, 7,818 deals with the Company's shares were concluded (2014: 4,962 deals) during which 1,581 thousand shares or 7.9% exchanged their owners (2014: 1,239 thousand shares or 6.2%).

The turnover of the transactions was EUR 5.80 million higher than in 2014, amounting to EUR 21.75 million.



Corporate structure

As of 31st December 2015, the Group consisted of 2 companies. The subsidiary Watercom OÜ is wholly owned by AS Tallinna Vesi and consolidated to the results of the Company.

Corporate Governance

Supervisory Council

Supervisory Council plans and organises the management of the Company and supervises the activities of the Management Board. According to AS Tallinna Vesi articles of association Supervisory Council consists of 9 members who are appointed for two years. There has been no changes in Supervisory Council members in the 4th quarter of 2015.

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

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

http://tallinnavesi.ee/en/Investor/Corporate-Governance/Supervisory-Board
http://tallinnavesi.ee/en/Investor/Corporate-Governance/Audit-Committee
http://tallinnavesi.ee/en/Investor/Corporate-Governance/Corporate-Governance-Report

Management Board

Management Board is a governing body, which represents and manages AS Tallinna Vesi in its daily operations in accordance with the legal requirements as well as the Articles of Association. The Management Board must act economically in the most efficient way taking into consideration the interest of the Company and its shareholders and ensure the sustainable development of the Company in accordance with the set objectives and strategy.

To ensure that the company's interests are met in the best way possible, the Management and Supervisory Boards shall extensively collaborate. Meetings of Management and Supervisory Board members are held at least once a quarter. In those meetings the Management Board informs the Supervisory Council about all significant issues in Company's business operations, the fulfilment of the company's short and long-term goals are being discussed and the risks impacting them. For every meeting of the Management Board prepares report and submits the report in advance with the sufficient time for the Supervisory Board to study it.

According to the Articles of Association the Management Board consists of 2-5 members, who are elected for 3 years.

Starting from 2nd of June 2014 there are 3 members of the Management Board of AS Tallinna Vesi: Karl Heino Brookes (Chairman of the Board, with the powers of the Management Board Member until 20 March 2017), Aleksandr Timofejev (with the powers of the Management Board Member until 29 October 2018) and Riina Käi (with the powers of the Management Board Member until 29 October 2018).

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

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

Future actions & risks

Legal claim for breach of international treaty

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

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

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

Additional details related with the claim can be found via the following links:

https://newsclient.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=609264&messageId=754811
https://newsclient.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=627851&messageId=779161

Disclosure of relevant papers and perspectives

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

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

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

MANAGEMENT CONFIRMATION

The Management Board has prepared AS Tallinna Vesi (the Company) and its subsidiary company OÜ Watercom (together Group) consolidated interim accounts in the form of consolidated condensed financial statements for the 12 months period of financial year 2015 ended 31 December 2015. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 31 December 2015 have been prepared following the accounting policies and the manner of presenting the information in line with the International Financial Reporting Standards as adopted by the EU. The condensed financial statements provide a true and fair view of the assets, liabilities, financial position and profit of the company. During the preparation of condensed financial statements, the Management has made no changes in critical estimates that would have cast a significant impact on the results.

The interim report gives a true and fair view of the main events that occurred during the 12 months of the financial year and of their effect to the condensed financial statements. It includes the description of the main risks and unclear aspects that can, based on the sensible judgement of the Management Board, have an impact on the company.

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

Any subsequent events that materially affect the valuation of assets and liabilities and have occurred up to the completion of the consolidated financial statements on 28 January 2016 have been considered in preparing the financial statements.

The Management Board considers AS Tallinna Vesi and its subsidiary to be going concern entities.

Karl Heino Brookes
Chairman of the Management Board
Chief Executive Officer

Aleksandr Timofejev
Member of the Management Board
Chief Operating Officer

Riina Käi
Member of the Management Board
Chief Financial Officer

28 January 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousand EUR)

		as of 31 December	
ASSETS	**Note**	**2015**	**2014**
CURRENT ASSETS			
Cash and cash equivalents	2	37 819	38 560
Trade receivables, accrued income and prepaid expenses		7 174	8 261
Inventories		447	412
TOTAL CURRENT ASSETS		**45 440**	**47 233**
NON-CURRENT ASSETS			
Derivatives		142	0
Property, plant and equipment	3	162 732	157 481
Intangible assets	3	758	862
TOTAL NON-CURRENT ASSETS		**163 632**	**158 343**
TOTAL ASSETS		**209 072**	**205 576**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current portion of long-term borrowings		328	261
Trade and other payables		5 586	4 855
Derivatives		523	1 078
Prepayments		1 983	2 631
TOTAL CURRENT LIABILITIES		**8 420**	**8 825**
NON-CURRENT LIABILITIES			
Deferred income from connection fees		15 030	12 567
Borrowings		95 974	96 250
Derivatives		628	761
Other payables		13	23
TOTAL NON-CURRENT LIABILITIES		**111 645**	**109 601**
TOTAL LIABILITIES		**120 065**	**118 426**
EQUITY			
Share capital		12 000	12 000
Share premium		24 734	24 734
Statutory legal reserve		1 278	1 278
Retained earnings		50 995	49 138
TOTAL EQUITY		**89 007**	**87 150**
TOTAL LIABILITIES AND EQUITY		**209 072**	**205 576**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousand EUR)

		Quarter 4		for the year ended 31 December	
	Note	**2015**	**2014**	**2015**	**2014**
Revenue	4	14 534	13 310	55 928	53 241
Costs of goods/services sold	6	-6 357	-5 363	-23 679	-22 399
GROSS PROFIT		**8 177**	**7 947**	**32 249**	**30 842**
Marketing expenses	6	-117	-106	-435	-456
General administration expenses	6	-1 243	-1 229	-6 086	-5 517
Other income (+)/ expenses (-)	7	-72	-7	-150	-41
OPERATING PROFIT		**6 745**	**6 605**	**25 578**	**24 828**
Financial income	8	16	58	95	432
Financial expenses	8	-524	-375	-1 315	-2 532
PROFIT BEFORE TAXES		**6 237**	**6 288**	**24 358**	**22 728**
Income tax on dividends	9	0	0	-4 500	-4 785
NET PROFIT FOR THE PERIOD		**6 237**	**6 288**	**19 858**	**17 943**
COMPREHENSIVE INCOME FOR THE PERIOD		**6 237**	**6 288**	**19 858**	**17 943**
Attributable profit to:					
Equity holders of A-shares		6 236	6 287	19 857	17 942
B-share holder		0,60	0,60	0,60	0,60
Earnings per A share (in euros)	10	0,31	0,31	0,99	0,90
Earnings per B share (in euros)	10	600	600	600	600

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

CONSOLIDATED CASH FLOW STATEMENT

(thousand EUR)

	Note	for the year ended 31 December 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		25 578	24 828
Adjustment for depreciation/amortisation	3,6,7	6 184	5 851
Adjustment for revenues from connection fees	7	-194	-143
Other non-cash adjustments		-15	-33
Profit (-) /loss (+) from sale and write off of property, plant and equipment, and intangible assets		2	145
Change in current assets involved in operating activities		-897	1 165
Change in liabilities involved in operating activities		453	-364
Total cash flow from operating activities		**31 111**	**31 449**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment, and intangible assets		-13 495	-9 646
Compensations received for construction of pipelines		6 499	10 523
Proceeds from sale of property, plant and equipment, and intangible assets		30	13
Interest received		99	432
Total cash flow used in/from investing activities		**-6 867**	**1 322**
CASH FLOWS FROM FINANCING ACTIVITIES			
Received loans		0	20 000
Repayment of loans		0	-20 000
Interest paid and loan financing costs, incl swap interests		-2 178	-2 995
Repayment of finance lease		-306	-216
Dividends paid	9	-18 001	-18 001
Income tax on dividends	9	-4 500	-4 785
Total cash flow used in financing activities		**-24 985**	**-25 997**
Change in cash and cash equivalents		**-741**	**6 774**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**38 560**	**31 786**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2	**37 819**	**38 560**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousand EUR)

	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
as of 31 December 2013	**12 000**	**24 734**	**1 278**	**49 196**	**87 208**
Dividends	0	0	0	-18 001	-18 001
Comprehensive income for the period	0	0	0	17 943	17 943
as of 31 December 2014	**12 000**	**24 734**	**1 278**	**49 138**	**87 150**
Dividends	0	0	0	-18 001	-18 001
Comprehensive income for the period	0	0	0	19 858	19 858
as of 31 December 2015	**12 000**	**24 734**	**1 278**	**50 995**	**89 007**

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

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

NOTE 1. ACCOUNTING PRINCIPLES

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

NOTE 2. CASH AND CASH EQUIVALENTS

	as of 31 December	
	2015	**2014**
Cash in hand and in bank	13 738	13 358
Short-term deposits	24 081	25 202
Total cash and cash equivalents	**37 819**	**38 560**

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

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

	Property, plant and equipment				Assets in progress			Intangible assets	
	Land and buildings	Facilities	Machinery and equipment	Other equipment	Construction in progress	Construction in progress - unfinished pipelines	Unfinished intangible assets	Acquired licenses and other intangible assets	Total property, plant and equipment and intangible assets
as of 31 December 2013									
Acquisition cost	24 851	175 032	44 874	1 321	577	988	27	5 517	253 187
Accumulated depreciation	-5 662	-58 179	-30 639	-917	0	0	0	-4 507	-99 904
Net book value	**19 189**	**116 853**	**14 235**	**404**	**577**	**988**	**27**	**1 010**	**153 283**
Transactions in the period 01 January 2014 - 31 December 2014									
Acquisition in book value	0	0	0	0	8 428	2 475	166	0	11 069
Write off and sale of property, plant and equipment, and intangible assets in residual value	0	-7	-47	0	-17	-87	0	0	-158
Reclassification	839	6 544	2 961	61	-8 300	-2 105	-118	118	0
Depreciation	-279	-2 760	-2 389	-82	0	0	0	-341	-5 851
as of 31 December 2014									
Acquisition cost	25 689	181 365	47 206	1 359	688	1 271	75	5 013	262 666
Accumulated depreciation	-5 940	-60 735	-32 446	-976	0	0	0	-4 226	-104 323
Net book value	**19 749**	**120 630**	**14 760**	**383**	**688**	**1 271**	**75**	**787**	**158 343**
Transactions in the period 01 January 2015 - 31 December 2015									
Acquisition in book value	0	0	0	0	9 212	1 915	171	0	11 298
Write off and sale of property, plant and equipment, and intangible assets in residual value	0	-12	-19	-1	0	0	0	0	-32
Reclassification	310	6 895	1 752	43	-6 405	-2 530	-184	184	65
Depreciation	-327	-2 836	-2 668	-78	0	0	0	-275	-6 184
as of 31 December 2015									
Acquisition cost	25 950	187 943	47 016	1 277	3 495	656	62	5 192	271 591
Accumulated depreciation	-6 218	-63 266	-33 191	-930	0	0	0	-4 496	-108 101
Net book value	**19 732**	**124 677**	**13 825**	**347**	**3 495**	**656**	**62**	**696**	**163 490**

Property, plant and equipment and intangible assets are written off, if the conditions of the asset do not enable its further usage for production purposes.

As of 31 December 2015 the book value of the assets (Machinery and equipment) leased under financial lease is 1 442 thousand euros (31 December 2014: 1 664 thousand euros).

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

NOTE 4. REVENUE	**Quarter 4**		**for the year ended 31 December**	
Revenues from main operating activities	**2015**	**2014**	**2015**	**2014**
Total water supply and waste water disposal service, incl:	12 545	12 340	49 297	48 598
Private clients, incl:	6 232	6 139	24 408	24 154
Water supply service	3 437	3 390	13 436	13 303
Wastewater disposal service	2 795	2 749	10 972	10 851
Corporate clients, incl:	4 942	4 848	19 358	19 085
Water supply service	2 726	2 681	10 736	10 664
Wastewater disposal service	2 216	2 167	8 622	8 421
Outside service area clients, incl:	1 202	1 163	4 765	4 520
Water supply service	341	319	1 280	1 153
Wastewater disposal service	760	741	3 011	2 957
Storm water disposal service	101	103	474	410
Over pollution fee	169	190	766	839
Storm water treatment and disposal service and fire hydrants service	801	593	3 357	3 073
Construction service, design and asphalting	1 037	228	2 724	943
Other works and services	151	149	550	627
Total revenue	**14 534**	**13 310**	**55 928**	**53 241**

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

NOTE 5. STAFF COSTS	**Quarter 4**		**for the year ended 31 December**	
	2015	**2014**	**2015**	**2014**
Salaries and wages	-1 569	-1 267	-5 963	-5 255
Social security and unemployment insurance taxation	-531	-422	-2 017	-1 750
Staff costs total	**-2 100**	**-1 689**	**-7 980**	**-7 005**
Number of employees at the end of reporting period			**323**	**321**

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

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

	Quarter 4		for the year ended 31 December	
Cost of goods/services sold	**2015**	**2014**	**2015**	**2014**
Water abstraction charges	-282	-267	-1 101	-1 057
Chemicals	-400	-444	-1 531	-1 737
Electricity	-747	-743	-3 035	-3 032
Pollution tax	-234	-328	-1 002	-2 163
Staff costs	-1 481	-1 157	-5 603	-4 880
Depreciation and amortization	-1 437	-1 342	-5 690	-5 370
Construction service, design and asphalting	-951	-173	-2 398	-784
Other costs	-825	-909	-3 319	-3 376
Total cost of goods/services sold	**-6 357**	**-5 363**	**-23 679**	**-22 399**
Marketing expenses				
Staff costs	-92	-87	-362	-340
Depreciation and amortization	-2	-7	-11	-63
Other marketing expenses	-23	-12	-62	-53
Total marketing expenses	**-117**	**-106**	**-435**	**-456**
Administrative expenses				
Staff costs	-527	-445	-2 015	-1 785
Depreciation and amortization	-76	-69	-308	-287
Other general administration expenses	-640	-715	-3 763	-3 445
Total administrative expenses	**-1 243**	**-1 229**	**-6 086**	**-5 517**

NOTE 7. OTHER INCOME / EXPENSES

	Quarter 4		for the year ended 31 December	
	2015	**2014**	**2015**	**2014**
Connection fees	53	34	194	143
Depreciation of single connections	-42	-27	-175	-131
Doubtful receivables expenses (-) / expense reduction (+)	-12	-7	-13	141
Other income / expenses (-)	-71	-7	-156	-194
Total other income / expenses	**-72**	**-7**	**-150**	**-41**

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

NOTE 8. FINANCIAL INCOME AND EXPENSES	**Quarter 4**		**for the year ended 31 December**	
	2015	**2014**	**2015**	**2014**
Interest income	16	58	95	432
Interest expense, loan	-232	-270	-981	-1 137
Interest expense, swap	-145	-491	-1 149	-1 846
Increase (+) /decrease (-) of fair value of swap	-143	390	830	483
Other financial income (+)/ expenses (-)	-4	-4	-15	-32
Total financial income / expenses	**-508**	**-317**	**-1 220**	**-2 100**

NOTE 9. DIVIDENDS	**for the year ended 31 December**	
	2015	**2014**
Dividends declared during the period	18 001	18 001
Dividends paid during the period	18 001	18 001
Income tax on dividends paid	-4 500	-4 785
Income tax accounted for	**-4 500**	**-4 785**
Paid-up dividends per shares:		
Dividends per A-share (in euros)	0,90	0,90
Dividends per B-share (in euros)	600	600

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

NOTE 10. EARNINGS PER SHARE

	Quarter 4		**for the year ended 31 December**	
	2015	**2014**	**2015**	**2014**
Net profit minus B-share preferred dividend rights	6 236	6 287	19 857	17 942
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20 000 000	20 000 000	20 000 000	20 000 000
Earnings per A share (in euros)	0,31	0,31	0,99	0,90
Earnings per B share (in euros)	600	600	600	600

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

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

NOTE 11. RELATED PARTIES

Transactions with related parties are considered to be transactions with members of the Supervisory Board and Management Board, their relatives and the companies in which they have control or significant influence and transactions with shareholder having the significant influence. Dividend payments are indicated in the Statement of Changes in Equity.

Shareholders having the significant influence

Balances recorded in working capital on the statement of financial position of the Group	as of 31 December	
	2015	2014
Accounts receivable	271	503
Accrued income	0	1 577
Trade and other payables	184	199

Transactions	Quarter 4		for the year ended 31 December	
	2015	2014	2015	2014
Revenue	801	593	3 357	3 073
Purchase of administrative and consulting services	247	273	1 050	1 041
Financial income	0	34	14	327
Fees for Management Board (excluding social tax)	35	60	151	170
Supervisory Board fees (excluding social tax)	8	9	32	39

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

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

Throughout the year ending on 31 December 2015, management board members were not paid any leaving compensation (throughout the year ending on 31 December 2014: total of 38 thousand euros were paid). The off balance sheet potential salary liability would be up to 69 thousand euros (excluding social tax) if the Supervisory Board would want to replace all Management Board members.

Company shares belonging to the Management Board and Supervisory Board members

As of 31 December 2015 from all Supervisory Council and Management Board members Riina Käi owned 100 shares (as of 31 December 2014: Riina Käi owned 100 shares).

NOTE 12. LIST OF SUPERVISORY BOARD MEMBERS

Simon Roger Gardiner	Chairman of the Supervisory Board
Steven Richard Fraser	Member of the Supervisory Board
Martin Padley	Member of the Supervisory Board
Brendan Francis Murphy	Member of the Supervisory Board
Mart Mägi	Member of the Supervisory Board
Rein Ratas	Member of the Supervisory Board
Toivo Tootsen	Member of the Supervisory Board
Allar Jõks	Member of the Supervisory Board
Priit Lello	Member of the Supervisory Board

Introduction of Supervisory Board members is published at company's web page.
http://www.tallinnavesi.ee/en/Investor/Corporate-Governance/Supervisory-Board

NOTE 13. CONTINGENT LIABILITY REGARDING THE TARIFF RISK

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

The management has evaluated the potential claims against the Company, if the Court ruling would support the CA's position. As result of this, it is possible that the Company could potentially suffer an outflow of economic benefits of up to 42.8 mln euros – the part that CA considers to be excessively charged from the clients going back three years from time of the final judgement.