AS TALLINNA VESI

Consolidated Interim Report for the 4th quarter of 2017

26th January 2018

Currency	Thousand euros
Start of reporting period	1 January 2017
End of reporting period	31 December 2017
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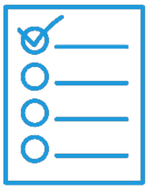
Field of activity	Production, treatment and distribution of water; storm and wastewater disposal and treatment

Contents

MANAGEMENT REPORT

CHAIRMAN'S SUMMARY

The performance of AS Tallinna Vesi in 2017 once again reflects the high standards achieved in the supply of pure drinking water to the inhabitants, treatment of wastewater, maintenance of the water and sewerage networks and customer service.



The Group's total sales increased by 1.4% to 59.82 million, as we witnessed an increase in sales in all our main water supply and waste water disposal related services. Sales to private customers increased by 1.1% and sales to corporate customers by 1.7%. Sales to customers outside the main service area have increased by 6.3% to EUR 4.68 million, mainly due to higher storm and waste water disposal services. Group's net profit for 2017 was EUR 7.22 million – this result is 60.7% lower than in 2016 as was mainly influenced by the provision for possible third-party claims, related to recent decision from the Supreme Court, if potential customer claims are to be recognised by the courts. The Company is of a position, that we have acted on the legal bases.

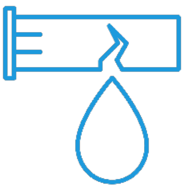
Long-awaited decision

Shortly before the end of the year, the Estonian Supreme Court made a decision on the tariff dispute between Tallinna Vesi and Estonian Competition Authority. Unfortunately, the final verdict was a disappointment to Tallinna Vesi and we were unsuccessful with our Cassation. Despite the fact that the court did not find any reasons to doubt the legality of the Services Agreement, signed with the City of Tallinn, it still decided that the Competition Authority is not bound by the agreement. For Tallinna Vesi, the decision means that from now it will have to operate under new conditions. The price of water and wastewater service, is now subject to approval by the Competition Authority using their methodology.

However, the dispute is not entirely over for Tallinna Vesi. We are still awaiting the final verdict from the International Arbitration, on whether the investor's interests have been adversely affected, and whether this should be compensated.

Nevertheless, the company continues its everyday operations, with the utmost priority to ensure uninterrupted high-quality services for customers.

Record low level of leakages in the water network



For Tallinna Vesi it has always been important to use natural resources sparingly and in a responsible way. Thanks to the preventive maintenance and targeted capital investments into the networks and committed performance of our team in 2017, we achieved the lowest level of leakages of all time within our water network – 13.82%. This means that Tallinna Vesi has managed to reduce water losses by more than one percentage point during one year (15.07% in 2016).

We belong to the top of European utilities

Tallinna Vesi's customer satisfaction levels continue to be evenly high in all segments. Our customers gave us significantly higher ratings than the average level of European utilities sector. According to the survey carried out by Kantar Emor, the Company scored 88-92 TRI*M index points against the European average of 65 points.

Tallinna Vesi received 36 written complaints from customers. The number of complaints concerning water pressure, blockages and draining of storm water has dropped considerably. The Company managed to keep its promises in almost all cases.

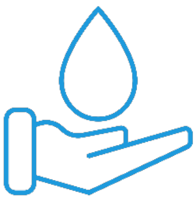
Reliable and high-quality service

Besides the high standards of customer service, customer satisfaction is strongly affected above all by a reliable and high-quality service. We do not compromise the quality of drinking water and once again this is demonstrated by high level of compliance with the stipulated standards, at 99.93%. End-users' trust in the quality of tap water among users also remains high –75% of them drink tap water.

In order to ensure the reliability of service to our consumers, numerous considerable investments were made in 2017, the largest of which was providing an alternative pipe to supply consumers in Mustamäe, Õismäe and Harku. The average duration of water interruptions per property dropped to 3 hours and 8 minutes (3.14 hours) in 2017 (3.44 hours in 2016).

The number of blockages has also reduced gradually over the years and in 2017 reached 654 blockages (670 in 2016). In order to inform people more of their own role in avoiding unpleasant sewer blockages, we launched an awareness campaign in 2017 to remind them that trash must not be thrown to the toilet.

We care for the environment



Tallinna Vesi's focus lied on contributing to the local community and promoting environmental education also in 2017. We organised water seminars in nurseries and schools, we hosted numerous tour groups in our water and wastewater treatment plants and organised doors-open days.

Besides our long-term sponsorship projects, we are also committed to making pure drinking water available in public spaces and allowing people to choose a more environmentally friendly alternative to bottled water. In 2017, we opened several new public water taps and plan to continue setting them up also in 2018.

OPERATIONAL INDICATORS FOR TWELVE MONTHS OF 2017

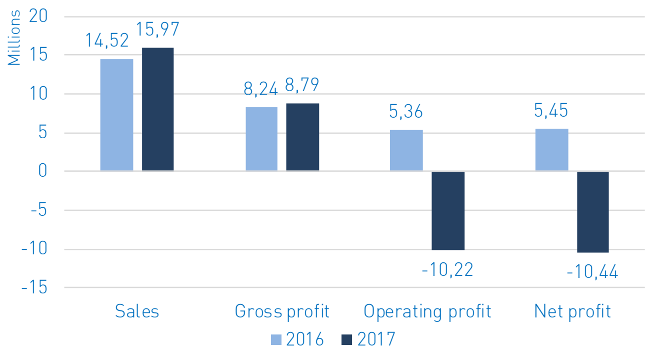
		12 months		4th quarter	
Indicator	Unit	2017	2016	2017	2016
Drinking water					
Compliance of water quality at the customers' tap	%	99.9	99.9	100.0	100.0
Water loss in the water distribution network	%	13.8	15.1	14.7	14.1
Average duration of water interruptions per property in hours	h	3.14	3.44	2.91	3.21
Waste water					
Number of sewer blockages	No	654	670	134	167
Number of sewer bursts	No	135	107	26	34
Wastewater treatment compliance with environmental standards	%	100.0	100.0	100.0	100.0
Customer service					
Number of written complaints	No	36	45	7	16
Number of customer contacts regarding water quality	No	219	166	42	58

Number of customer contacts regarding water pressure	No	298	339	58	92
Number of customer contacts regarding blockages and discharge of storm water	No	1,111	1,190	299	281
Responding written customer contacts within at least 2 work days	%	99.9	99.5	99.97	99.93
Number of failed promises	No	5	4	2	0
Notification of unplanned water interruptions at least 1 h before the interruption	%	98.2	98.8	95.9	99.8

Karl Heino Brookes
Chairman of the Management Board

FINANCIAL HIGHLIGHTS FOR THE 4th QUARTER 2017

The Group's sales revenues during the 4th quarter of 2017 were EUR 15.97 million, being up by 10.0% or EUR 1.46 million compared to the same period in 2016.



The gross profit in the 4th quarter of 2017 was EUR 8.79 million, showing an increase of 6.7% or EUR 0.55 million. Increase in gross profit was mainly related to higher water, wastewater and storm water revenues and construction and asphalting related profit, and lower depreciation. It was balanced by higher pollution tax and chemical costs.

The operating profit was -EUR 10.22 million, showing a decrease of 290.6% or -EUR 15.59 million. In addition to the above-mentioned changes in gross profit, the operating profit was mainly impacted by the provision for possible third-party claims in the amount of EUR 17.52 million and lower tariff dispute related costs in the 4th quarter of 2017.

The net profit for the 4th quarter of 2017 was -EUR 10.44 million, being lower by 291.5% or EUR 15.89 million. The net profit was mainly impacted by above mentioned changes in the operating profit, and by higher financial expenses. The changes in the financial expenses were mostly influenced by the lower positive change in the fair value of swap contracts in the 4th quarter of 2017 compared to the positive change in the same quarter of 2016. The net profit for the 4th quarter of 2017 and 2016 without the impact resulted from the change of the fair value of swap contracts and provision for possible third-party claims was EUR 6.95 million and EUR 4.99 million respectively, being higher by 39.1% or EUR 1.95 million year-on-year.

MAIN FINANCIAL INDICATORS

EUR million, except key ratios	4th quarter 2015	2016	2017	Change 2017/2016	12 months 2015	2016	2017	Change 2017/2016
Sales	14.53	14.52	15.97	10.0%	55.93	58.98	59.82	1.4%
Gross profit	8.18	8.24	8.79	6.7%	32.25	33.26	34.09	2.5%
Gross profit margin %	56.26	56.75	55.04	-3.0%	57.66	56.39	56.99	1.1%
Operating profit	6.75	5.36	-10.22	-290.6%	25.58	24.63	10.87	-55.9%
Operating profit - main business	6.67	5.52	-10.40	-288.4%	25.27	24.44	10.24	-58.1%
Operating profit margin %	46.41	36.94	-64.00	-273.3%	45.73	41.75	18.16	-56.5%
Profit before taxes	6.24	5.45	-10.44	-291.5%	24.36	22.89	9.92	-56.7%
Profit before taxes margin %	42.91	37.56	-65.36	-274.0%	43.55	38.81	16.59	-57.3%
Net profit	6.24	5.45	-10.44	-291.5%	19.86	18.39	7.22	-60.7%
Net profit margin %	42.91	37.56	-65.36	-274.0%	35.51	31.18	12.07	-61.3%
ROA %	3.02	2.59	-4.64	-279.4%	9.58	8.70	3.27	-62.5%
Debt to total capital employed %	57.43	58.15	62.43	7.4%	57.43	58.15	62.43	7.4%
ROE %	7.01	6.10	-12.17	-299.4%	22.31	20.57	8.41	-59.1%
Current ratio	5.40	3.91	5.51	40.8%	5.40	3.91	5.51	40.8%

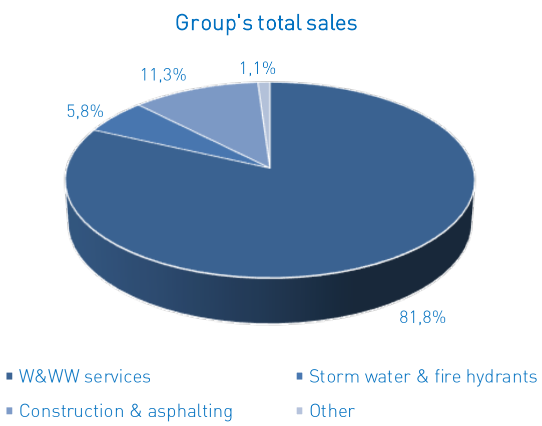
Gross profit margin – Gross profit / Net sales
Operating profit margin – Operating profit / Net sales
Net profit margin – Net profit / Net sales
ROA – Net profit / Average Total assets for the period
Debt to Total capital employed – Total liabilities / Total capital employed
ROE – Net profit / Total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

FINANCIAL RESULTS FOR THE 4th QUARTER 2017

STATEMENT OF COMPREHENSIVE INCOME

SALES

As in 2017 the Company's tariffs were frozen at the 2010 tariff level, the changes in the main activities revenues, i.e. from sales of water and wastewater services, are fully driven by consumption with no considerable seasonality in the main business. In the future, the Company does not expect significant changes in the consumption. There has been incremental increase in consumption in the past and that is expected to continue.



At the end of 2017, the Supreme Court made a negative decision as regards to the Company's cassation as a result of which the Company's tariffs will be regulated under the Competition Authority's methodology.

In the 4th quarter of 2017 the Group's total sales were EUR 15.97 million, showing an increase by 10.0% or EUR 1.46 million year-on-year. 82.0% of sales comprise of sales of water and wastewater services to domestic and commercial customers within and outside of the service area. 7.5% of sales are the fees received from the City of Tallinn for operating and maintaining the storm water system and fire hydrants, 9.4% from construction and asphalting services and 1.1% from other works and services. The construction and asphalting services sales are more seasonal and the Company continues to seek possibilities to keep and to grow these services revenues.

EUR thousand	2017	4th quarter 2016	2015	Variance 2017/2016 EUR	%
Private clients, incl:	6,417	6,352	6,232	65	1.0%
Water supply service	3,532	3,495	3,437	37	1.1%
Waste water disposal service	2,885	2,857	2,795	28	1.0%
Corporate clients, incl:	5,150	5,128	4,942	22	0.4%
Water supply service	2,787	2,813	2,726	-26	-0.9%
Waste water disposal service	2,363	2,315	2,216	48	2.1%
Outside service area clients, incl:	1,326	1,102	1,202	224	20.3%
Water supply service	342	329	341	13	4.0%
Waste water disposal service	752	689	760	63	9.1%
Storm water disposal service	232	84	101	148	176.2%
Over pollution fee	205	181	169	24	13.3%
Total water supply and waste water disposal service	**13,098**	**12,763**	**12,545**	**335**	**2.6%**
Storm water treatment and disposal service and fire hydrants service	1,200	830	801	370	44.6%
Construction service, design and asphalting	1,507	773	1,037	734	95.0%
Other works and services	169	153	151	16	10.5%
SALES REVENUES TOTAL	**15,974**	**14,519**	**14,534**	**1,455**	**10.0%**

Sales from water and wastewater services were EUR 13.10 million, showing a 2.6% or EUR 0.34 million increase compared to the 4th quarter of 2016, resulting from the changes in sales volumes as described below:

- There has been an increase in private customers' revenues by 1.0% to EUR 6.42 million. The increase in domestic customer consumption volumes came mainly from apartment blocks, which is also our biggest private customer group. At the same time, there was a slight decrease in individual houses and other private customer groups.
- Sales to corporate customers within the service area increased by 0.4% to EUR 5.15 million. Increase was mostly related to increase in sales of other commercial customer segments.
- Sales to customers outside the main service area have increased by 20.3% to EUR 1.33 million. It was mainly impacted by increase in the sales of storm water and waste water disposal services and complemented by a small increase in the sales of water supply service.
- Over pollution fees received have increased by 13.3% to EUR 0.21 million.

Sales from the operation and maintenance of the main service area storm water and fire hydrant system were EUR 1.20 million, showing an increase of 44.6% or EUR 0.37 million in the 4th quarter of 2017 compared to the same period in 2016, driven mainly by 109.6% higher storm water volumes as the weather was quite rainy.

Sales of construction, design and asphalting services were EUR 1.51 million, increasing by 95.0% or EUR 0.73 million year-on-year. The increase was mainly related to higher pipe construction services revenues during the 4th quarter of 2017.

COST OF GOODS/ SERVICES SOLD AND GROSS PROFIT

The cost of goods sold amounted to EUR 7.18 million in the 4th quarter of 2017, increasing by 14.4% or EUR 0.90 million compared to the equivalent period in 2016. The increase in cost was mainly influenced by increase in construction and asphalting services related costs, pollution tax expenses, chemicals and electricity costs, balanced by decrease in water abstraction charges costs and depreciation.

	4th quarter			Variance 2017/2016	
EUR thousand	2017	2016	2015	EUR	%
Water abstraction charges	-295	-318	-282	23	7.2%
Chemicals	-401	-336	-400	-65	-19.3%
Electricity	-839	-809	-747	-30	-3.7%
Pollution tax	-374	-239	-234	-135	-56.5%
Total direct production costs	-1,909	-1,702	-1,663	-207	-12.2%
Staff costs	-1,596	-1,569	-1,481	-27	-1.7%
Depreciation and amortization	-1,351	-1,412	-1,437	61	4.3%
Construction service, design and asphalting	-1,328	-617	-951	-711	-115.2%
Other costs of goods/services sold	-998	-979	-825	-19	-1.9%
Other costs of goods/services sold total	-5,273	-4,577	-4,694	-696	-15.2%
Total cost of goods/services sold	-7,182	-6,279	-6,357	-903	-14.4%

Total direct production costs (water abstraction charges, chemicals, electricity and pollution tax) were EUR 1.91 million, showing 12.2% or EUR 0.21 million increase compared to equivalent period in 2016. Changes in direct production costs came from a combination of changes in prices and in treated volumes that affected the cost of goods sold together with the following additional factors:

- Water abstraction charges decreased by 7.2% to EUR 0.30 million, driven mainly by overall 4.3% decrease in water volumes.
- Chemicals costs increased by 19.3% to EUR 0.40 million, driven by 27.4% higher methanol price in the wastewater treatment process, worth EUR 0.02 million, and higher usage of coagulant, worth in total EUR 0.02 million. Higher total year-on-year chemicals costs in wastewater treatment process were accompanied by increase in costs of different chemicals in water treatment due to higher price and higher dosage of different chemicals due to poor raw water quality, worth in total EUR 0.01 million.
- Electricity costs increased by 3.7% to EUR 0.84 million. It was related to increase in treated volumes, worth EUR 0.10 million, which was balanced by on average 7.5% lower electricity price, worth EUR 0.08 million.
- Pollution tax expense increased by 56.5% to EUR 0.37 million, mainly due to 46.3% increase in treated wastewater volumes and higher pollution load of pollutants, worth respectively EUR 0.12 million and EUR 0.01 million.

Other costs of goods sold (staff costs, depreciation, construction and asphalting services costs and other costs of goods sold) amounted to EUR 5.27 million, having increased by 15.2% or EUR 0.70 million. The increase came mostly from costs related to construction and asphalting services, balanced by decrease in depreciation costs. Decrease in depreciation by 4.3% to EUR 1.35 million was mainly related to accelerated depreciation costs decrease year-on-year. Increase in construction and asphalting services costs by 115.2% to EUR 1.33 million was related to an increase in construction and asphalting services revenues mentioned earlier and project specific changes.

As a result of all above the Group's gross profit for the 4th quarter of 2017 was EUR 8.79 million, showing an increase of 6.7% or EUR 0.55 million, compared to the gross profit of EUR 8.24 million for the comparative period of 2016.

ADMINISTRATIVE AND MARKETING EXPENSES

Administrative and marketing expenses amounted to EUR 1.32 million, having decreased by 48.1% or EUR 1.22 million. The decrease was mainly related to lower tariff dispute related costs.

OTHER INCOME / EXPENSES

Other income/expenses amounted to expenses of EUR 17.70 million, having increased EUR 17.36 million. The increase was mainly due to tariff dispute related potential liability provision for possible third-party claims, if those are to be recognised by the court, worth EUR 17.52 million. The provision takes into account three years of possible difference in prices between the tariffs approved by City of Tallinn in 2010 and the tariffs calculated based on Competition Authorities methodology. The estimation takes into account approximately 40% of the total previous contingent liability. Still the Company does not consider itself liable to customers for any claims related to the tariffs applied until the new tariffs approved by the Competition Authority are duly implemented. Additional information in Note 5 to the abbreviated accounts.

OPERATING PROFIT

As a result of the factors listed above the Group's operating profit for the 4th quarter of 2017 amounted to -EUR 10.22 million, being EUR 15.59 million lower than in the corresponding period of 2016. The Group's operating profit from main business was -EUR 10.40 million, being 288.4% or EUR 15.92 million lower compared to 2016.

FINANCIAL EXPENSES

The Group's net financial income and expenses have resulted a net expense of EUR 0.22 million, compared to net income of EUR 0.10 million in the 4th quarter of 2016. The increase was mainly impacted by a negative change in the fair value of the swap contracts year-on-year, worth EUR 0.32 million.

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, amounting to EUR 0.76 million. Effective interest rate of loans (incl. swap interests) in the 4th quarter of 2017 was 1.46%, amounting to interest costs of EUR 0.35 million, compared to the effective interest rate of 1.58% and the interest costs of EUR 0.38 million in the 4th quarter of 2016.

PROFIT BEFORE TAXES AND NET PROFIT

The Group's profit before taxes and net profit for the 4th quarter of 2017 were -EUR 10.44 million, being 291.5% or EUR 15.89 million lower than for the 4th quarter of 2016. Eliminating the effects of the change of the fair value of swap contracts and provision for possible third party claims the Group's net profit for the 4th quarter of 2017 and 2016 would have been EUR 6.95 million and EUR 4.99 million respectively, showing an increase of 39.1% or EUR 1.95 million year-on-year.

RESULTS FOR THE TWELVE MONTHS OF 2017

STATEMENT OF COMPREHENSIVE INCOME

SALES

During the twelve months of 2017 the Group's total sales were EUR 59.82 million, showing an increase by 1.4% or EUR 0.83 million year-on-year.

Sales from water and wastewater services for twelve months of 2017 were EUR 51.24 million, increasing 2.1% or EUR 1.04 million compared to the twelve months of 2016. 85.7% of sales comprised of sales of water and wastewater services to domestic and commercial customers within and outside of the service area. 6.1% of sales are the fees received from the City of Tallinn for operating and maintaining the storm water system and fire hydrants, 7.2% from construction and asphalting services and 1.0% from other works and services.

	12 months			Variance 2017/2016	
EUR thousand	2017	2016	2015	EUR	%
Private clients, incl:	25,225	24,949	24,408	276	1.1%
Water supply service	13,872	13,720	13,436	152	1.1%
Waste water disposal service	11,353	11,229	10,972	124	1.1%
Corporate clients, incl:	20,407	20,069	19,358	338	1.7%
Water supply service	11,210	11,075	10,736	135	1.2%
Waste water disposal service	9,197	8,994	8,622	203	2.3%
Outside service area clients, incl:	4,678	4,400	4,765	278	6.3%
Water supply service	1,346	1,306	1,280	40	3.1%
Waste water disposal service	2,833	2,709	3,011	124	4.6%
Storm water disposal service	499	385	474	114	29.6%
Over pollution fee	927	778	766	149	19.2%
Total water supply and waste water disposal service	**51,237**	**50,196**	**49,297**	**1,041**	**2.1%**
Storm water treatment and disposal service and fire hydrant service	3,668	3,671	3,357	-3	-0.1%
Construction service, design and asphalting	4,287	4,511	2,724	-224	-5.0%
Other works and services	623	604	550	19	3.1%
SALES REVENUES TOTAL	59,815	58,982	55,928	833	1.4%

During the twelve months of 2017 there has been an increase in sales to private customers by 1.1% to EUR 25.23 million and 1.7% increase to EUR 20.41 million in sales to corporate customers within the service area. Increase in sales to private customers came mainly from apartment blocks, accompanied by slight increase in individual houses, while other domestic customer segments had a slight decrease. Sales increase in corporate customers is attributable to all customer segments. Sales to customers outside the main service area have increased by 6.3% to EUR 4.68 million, mainly due to higher storm and waste water disposal services, accompanied by slightly increased water supply volumes in 2017. Over pollution fees received have increased by 19.2% to EUR 0.93 million.

Sales from the operation and maintenance of the main service area storm water and fire hydrant system in the twelve months of 2017 were EUR 3.67 million, showing a decrease of 0.1% or EUR 0.01 million year-on-year, driven mainly by lower cost per m3, which was balanced by 4.1% higher storm water volumes in 2017.

Sales of construction, design and asphalting services were EUR 4.29 million, decreasing by 5.0% or EUR 0.22 million year-on-year. The decrease was mainly related to lower pipe construction services revenues during 2017.

COST OF GOODS SOLD AND GROSS AND OPERATING PROFITS

	12 months			Variance 2017/2016	
EUR thousand	2017	2016	2015	EUR	%
Water abstraction charges	-1,168	-1,169	-1,101	1	0.1%
Chemicals	-1,501	-1,308	-1,531	-193	-14.8%
Electricity	-3,193	-3,107	-3,035	-86	-2.8%
Pollution tax	-1,100	-1,091	-1,002	-9	-0.8%
Total direct production costs	-6,962	-6,675	-6,669	-287	-4.3%
Staff costs	-5,784	-5,729	-5,603	-55	-1.0%
Depreciation and amortization	-5,577	-5,862	-5,690	285	4.9%
Construction service, design and asphalting	-3,638	-4,006	-2,398	368	9.2%
Other costs of goods/services sold	-3,764	-3,449	-3,319	-315	-9.1%
Other costs of goods/services sold total	-18,763	-19,046	-17,010	283	1.5%
Total cost of goods/services sold	-25,725	-25,721	-23,679	-4	0.0%

Total direct production costs (water abstraction charges, chemicals, electricity and pollution taxes) were EUR 6.96 million, showing an increase of 4.3% or EUR 0.29 million year-on-year. Change in costs came from the increase in all other direct production costs, except marginal decrease in water abstraction charges as described below:

- Water abstraction charges decreased by 0.1% to EUR 1.17 million, driven by 0.3% decrease in water volumes.
- Chemicals costs increased by 14.8% to EUR 1.50 million, driven mainly by on average 34.7% higher methanol price and higher use of polymers in wastewater treatment process, worth respectively EUR 0.12 million and EUR 0.04 million, which was accompanied by increased water treatment process chemicals costs driven by increase in usage, worth EUR 0.04 million. Increased costs were balanced by decrease in methanol usage in wastewater treatment process to remove pollutants, worth EUR 0.03 million.
- Electricity costs have increased by 2.8% to EUR 3.19 million. It was related to on average 0.9% higher electricity prices and higher cost per m^3 in network distribution, worth respectively EUR 0.03 million and EUR 0.02 million, accompanied by increase in treated wastewater volumes, worth EUR 0.03 million.
- Pollution tax expense increased by 0.8% to EUR 1.10 million, driven mainly by 2.5% increase in treated sewage volumes, worth EUR 0.03 million, balanced by the decreased pollution loads, worth EUR 0.01 million.

Other costs of goods sold (staff costs, depreciation, construction and asphalting services costs and other costs of goods sold) amounted to EUR 18.76 million, having decreased by 1.5% or EUR 0.28 million compared to the same period in 2016. Changes in other costs of goods sold are driven mainly by the same reasons as mentioned in 4th quarter results. In 2017, due to the favourable weather, the construction work could also be done during the 4th quarter, compensating lower volumes of construction work in previous quarters.

Group's gross profit for the twelve months of 2017 was EUR 34.09 million, being 2.5% or EUR 0.83 million higher compared to the same period in 2016. Group's operating profit was EUR 10.87 million, showing a decrease by 55.9% or EUR 13.76 million during the twelve months of 2017. The decrease in operating profit was mostly driven by the changes in gross profit and by the provision for possible third-party claims in 2017 mentioned earlier.

FINANCIAL EXPENSES

The Group's net financial income and expenses have resulted a net expense of EUR 0.94 million, compared to net expense of EUR 1.74 million in the twelve months of 2016. The decrease was mainly impacted by a positive change in the fair value of the swap contracts year-on-year, worth EUR 0.89 million.

PROFIT BEFORE TAXES AND NET PROFIT

The Group's profit before taxes for the twelve months of 2017 was EUR 9.92 million, showing a 56.7% or EUR 12.97 million decrease compared to the relevant period in 2016. The Group's net profit for the twelve months of 2017 was EUR 7.22 million, which is 60.7% or EUR 11.17 million lower than the net profit for equivalent period in 2016, impacted mainly by the provision for possible third-party claims, mentioned earlier, worth -EUR 17.52 million and by the decrease in income tax on dividends, worth EUR 1.80 million. Eliminating the effects of the derivatives fair value and the effect of possible third party claims the net profit for the twelve months of 2017 would have been EUR 24.17 million, showing an increase by 29.2% or EUR 5.47 million compared to the relevant period in 2016.

STATEMENT OF FINANCIAL POSITION

In the twelve months of 2017 the Group invested into fixed assets EUR 9.47 million. As of 31.12.2017, non-current tangible assets amounted to EUR 174.45 million and total non-current assets amounted to EUR 175.26 million (31.12.2016: EUR 171.18 million and EUR 172.01 million respectively).

Compared to the year end of 2016 the trade receivables, accrued income and prepaid expenses have shown an increase in the amount of EUR 0.55 million to EUR 7.72 million. The collection rate of receivables continues to be high, being 99.83% compared to 99.49% at the end of December 2016.

Current liabilities have decreased by EUR 0.99 million to EUR 9.65 million compared to the year end of 2016. Decrease mainly derives from decrease in trade and other payables by EUR 0.83 million and from decreased prepayments of connections in construction process by EUR 0.13 million. Changes in trade and other payables were related to lower construction activities and investments related liabilities.

Deferred income from connection fees has grown compared to the end of 2016 by EUR 2.58 million to EUR 19.63 million and is related to bigger developments in the beginning of the year.

At the end of 2017, the Company has formed a provision of EUR 17.52 million for possible third-party claims as a result of the Supreme Court Decision from 12th December 2017. More detailed information about the provision is in Note 5 to the financial statements.

The Group's loan balance has remained stable at EUR 95 million. The weighted average interest risk margin for the total loan facility is 0.79%. In the end of September, the Company refinanced its long-term loan in the amount of EUR 37.5 million, decreasing the interest risk margin from previous 0.95%.

The Group has a Total debt to assets level as expected of 62.4%, in range of 55%-65%, reflecting the Group's equity profile. In 2016 the total debt to assets ratio was 58.1%.

CASH FLOW

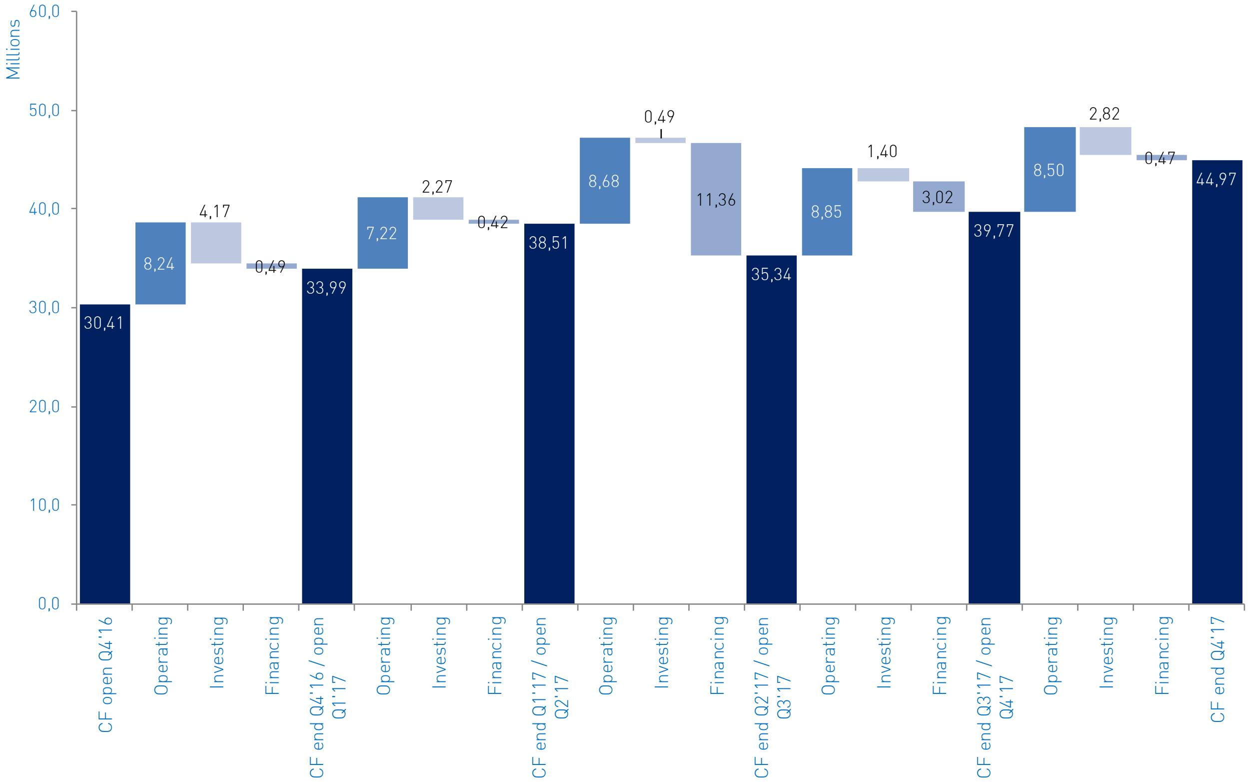
As of 31.12.2017, the cash position of the Group is strong. At the end of December 2017, the cash balance of the Group stood at EUR 44.97 million, which is 19.7% of the total assets (31.12.2016: EUR 33.99 million, forming 15.9% of the total assets).

The biggest contribution to the cash flows comes from main operations. During the twelve months of 2017, the Group generated EUR 33.25 million of cash flows from operating activities, an increase of EUR 1.37 million compared to the corresponding period in 2016. Underlying operating profit continues to be the main contributor to operating cash flows.

In the twelve months of 2017 the result of net cash flows from investing activities was a cash outflow of EUR 6.99 million, a decrease of EUR 4.44 million compared to the cash outflow of EUR 11.43 million in the twelve months of 2016. This is made up as follows:

- The cash outflows from investments in fixed assets have decreased by EUR 4.77 million compared to 2016 amounting to EUR 9.76 million.
- The compensations received for the construction of pipelines were EUR 2.70 million, showing a decrease of EUR 0.30 million compared to the same period of 2016.

In the twelve months of 2017 cash outflow from financing activities amounted to EUR 15.27 million, decreasing by EUR 9.00 million compared to the same period in 2016. The change was mainly related to decrease in dividends paid by EUR 7.20 million and income tax on dividends by EUR 1.80 million.



EMPLOYEES

We believe it is important to treat our employees equally, involve them in the decision-making process and to inform them regularly. We consider the involvement of our staff in the decision-making process instrumental for them to understand and be able to support the Company in its pursuits. Our staff can vary to a large degree in age, nationality, nature of work and in many other aspects. This requires us to be resourceful and flexible in our communication with the staff in order to involve, engage and listen to them. This is done using several opportunities and channels of communication, such as regular staff meetings with the management, information boards, intranet, informative letters, team events and a quarterly internal newsletter. Estonian is not a communication language for quite a number of our staff. Therefore, we organise Estonian classes at the Company's expense to make the staff, whose mother tongue is not Estonian, also feel as part of our unified team. At the same time, we provide the majority of important information also in Russian.

We have described our human resource policies. We follow equality principles in selecting and managing people, which translates into providing, when feasible, equal opportunities to everyone. Understanding and appreciating the diversity of our staff, we ensure, that everyone is treated fairly and equally and they have access to the same opportunities as is reasonable and practicable. We aim to ensure, that no employees are discriminated against due to, but not exclusive to age, gender, religion, cultural or ethnic origin, disability, sexual orientation or marital status.

At the end of the 4th quarter of 2017, the total number of employees was 312 compared to 311 at the end of the 4th quarter of 2016. The full time equivalent (FTE) was respectively 300 in 2017 compared to the 301 in 2016. Average number of employees (FTE) during the twelve months was respectively 305 in 2017 and 308 in 2016.

By gender, employee allocation was as follows:

As of 31.12.2017	Women	Men	Total
Group	94	218	312
Management Team	14	12	26
Executive Team	4	4	8
Management Board	1	2	3
Supervisory Board	0	9	9

As of 31.12.2016	Women	Men	Total
Group	87	224	311
Management Team	12	13	25
Executive Team	4	4	8
Management Board	1	2	3
Supervisory Board	0	9	9

The total salary costs were EUR 2.17 million for the 4th quarter of 2017, including EUR 0.05 million paid to Management and Supervisory Council members (excluding social taxes). The off-balance sheet potential salary liability could rise up to EUR 0.08 million should the Council want to replace the current Management Board members.

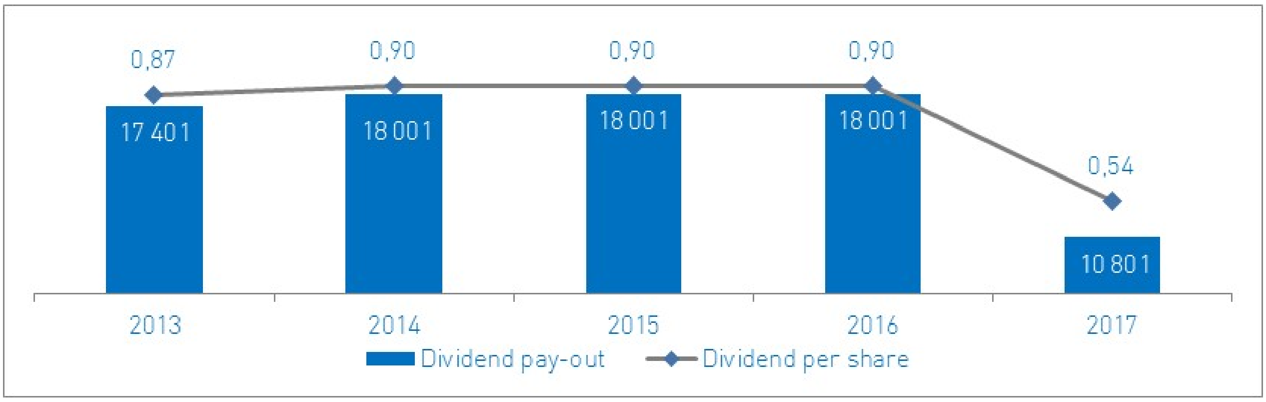
DIVIDENDS

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.

The Company's dividend policy up to 2017 was related to keeping the dividends in real term i.e. dividends amounts have been increased in line with inflation. Every year the Supervisory Board evaluates the proposal of the dividends to be paid out to the shareholders and approves it to be presented to the voting to the annual general meeting of shareholders, considering all circumstances.

In the annual general meeting of shareholders held on 01.06.2017, the Supervisory Board propose to pay out 60% of the usual dividend in June 2017, and defer the decision as regards to the remaining 40%, until after decisions have been received related to the ongoing tariff disputes. Proposal of dividend payment of EUR 0.54 per A-share and total pay-out in the amount of EUR 10.8 million was approved. Future dividends are also evaluated by the Supervisory Board, who makes the proposal to annual general meeting.

Dividends were paid out on 26.06.2017. 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 31.12.2017, AS Tallinna Vesi shareholders, with a direct holding over 5%, were:

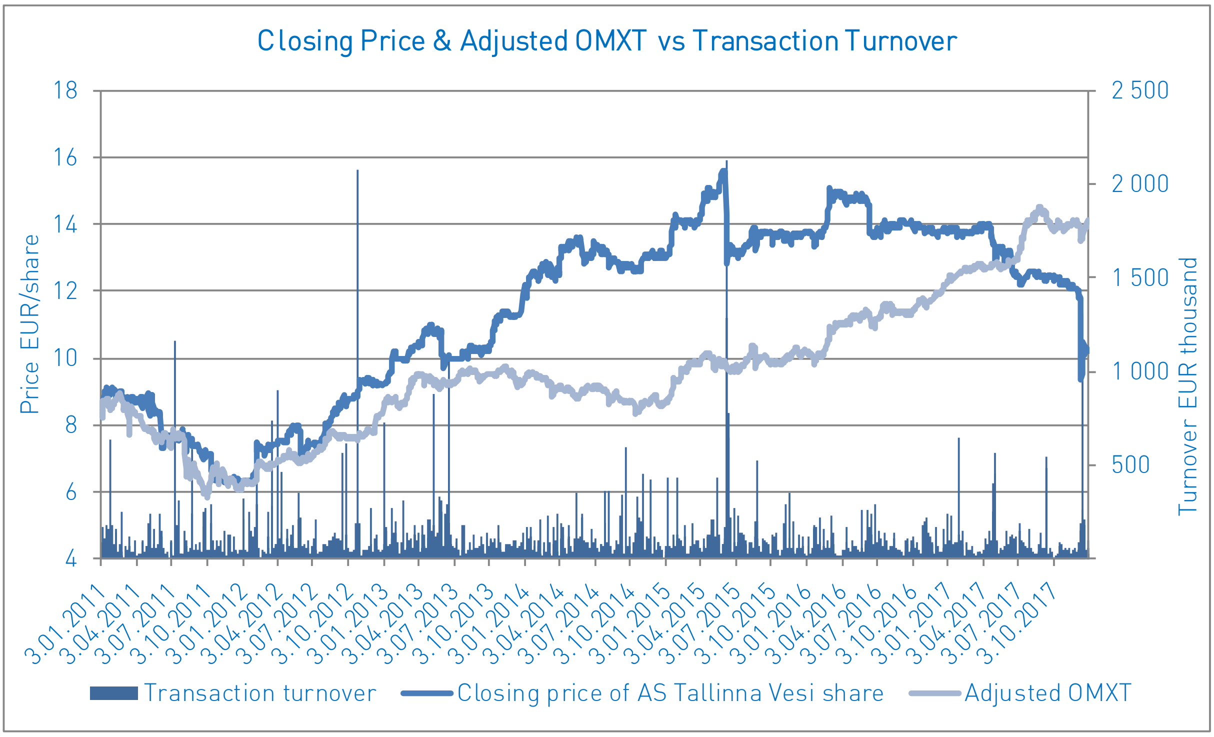
United Utilities (Tallinn) BV	35.3%
City of Tallinn	34.7%

During the twelve months of 2017 the shareholder structure has been relatively stable compared to the end of 2016. At the end of 4th quarter 2017 the pension funds shareholding has decreased, being 1.4% of the total shares compared to 2.1% at the end of 2016.

As of 31.12.2017, the closing price of AS Tallinna Vesi share was EUR 10.20, which is 17.7% (2016: -1.4%) lower compared to the closing price of EUR 12.40 at the beginning of the quarter. During the 4th quarter the OMX Tallinn index increased by 1.3% (2016: 7.4%).

In the twelve months of 2017, 8,476 deals with the Company's shares were concluded (2016: 6,502 deals) during which 1,345 thousand shares or 6.7% of total shares exchanged their owners (2016: 1,048 thousand shares or 5.2%).

The turnover of the transactions was EUR 1.77 million higher than in 2016, amounting to EUR 16.48 million.



CORPORATE STRUCTURE

As of 31.12.2017, 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. Changes in the Supervisory Council members in the 4th quarter of 2017 were as follows. Mr Brendan Francis Murphy' and Mr Priit Lello' terms as a Supervisory Council member were extended (respectively until 28.10.2019 and 16.11.2019).

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:

https://www.tallinnavesi.ee/en/about-us/corporate-governance/supervisory-council/
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 21st March 2020), Aleksandr Timofejev (with the powers of the Management Board Member until 29th October 2018) and Riina Käi (with the powers of the Management Board Member until 29th 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

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.

The hearings of international arbitration took place in Paris in November 2016 and the decision is expected in 1st half of 2018.

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 https://www.tallinnavesi.ee/en/investor/stock-announcements) and to the Tallinn Stock Exchange.At this point in time the Company will not speculate on future developments and possible outcomes or timing of the proceedings.

Additional information:
Karl Heino Brookes
Chairman of the Management Board
+372 62 62 200
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 2017 ended 31 December 2017. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 31 December 2017 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 fair presentation 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 fair presentation 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 26 January 2018 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

26 January 2018

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

(EUR thousand)

		as of 31 December	
ASSETS	Note	2017	2016
CURRENT ASSETS			
Cash and cash equivalents	2	44 973	33 987
Trade receivables, accrued income and prepaid expenses		7 716	7 167
Inventories		457	449
TOTAL CURRENT ASSETS		53 146	41 603
NON-CURRENT ASSETS			
Property, plant and equipment	3	174 451	171 177
Intangible assets	4	811	830
TOTAL NON-CURRENT ASSETS		175 262	172 007
TOTAL ASSETS		228 408	213 610
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current portion of long-term borrowings		264	264
Trade and other payables		6 200	7 030
Derivatives		578	610
Prepayments		2 609	2 735
TOTAL CURRENT LIABILITIES		9 651	10 639
NON-CURRENT LIABILITIES			
Deferred income from connection fees		19 632	17 050
Borrowings		95 565	95 795
Derivatives		178	715
Provision for possible third party claims	5	17 522	0
Other payables		44	15
TOTAL NON-CURRENT LIABILITIES		132 941	113 575
TOTAL LIABILITIES		142 592	124 214
EQUITY			
Share capital		12 000	12 000
Share premium		24 734	24 734
Statutory legal reserve		1 278	1 278
Retained earnings		47 804	51 384
TOTAL EQUITY		85 816	89 396
TOTAL LIABILITIES AND EQUITY		228 408	213 610

Notes to the consolidated financial statements on pages 6 to 13 form an integral part of the condensed financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR thousand)

		Quarter 4		for the year ended 31 December	
	Note	2017	2016	2017	2016
Revenue	6	15 974	14 519	59 815	58 982
Cost of goods/services sold	8	-7 182	-6 279	-25 725	-25 721
GROSS PROFIT		8 792	8 240	34 090	33 261
Marketing expenses	8	-101	-95	-356	-365
General administration expenses	8	-1 217	-2 443	-5 028	-7 799
Other income (+)/expenses (-)	9	-17 698	-339	-17 841	-470
OPERATING PROFIT (+)/LOSS (-)		-10 224	5 363	10 865	24 627
Interest income	10	3	6	15	41
Interest expense	10	-352	-371	-1 502	-1 447
Other financial income (+)/expenses (-)	10	133	455	543	-331
PROFIT (+)/LOSS (-) BEFORE TAXES		-10 440	5 453	9 921	22 890
Income tax on dividends	11	0	0	-2 700	-4 500
NET PROFIT (+)/LOSS (-) FOR THE PERIOD		-10 440	5 453	7 221	18 390
COMPREHENSIVE INCOME (+)/LOSS (-) FOR THE PERIOD		-10 440	5 453	7 221	18 390
Attributable profit (+)/loss(-) to:		0	0	0	0
Equity holders of A-shares		-10 441	5 452	7 220	18 389
B-share holder		0,60	0,60	0,60	0,60
Earnings per A share (in euros)	12	-0,52	0,27	0,36	0,92
Earnings per B share (in euros)	12	600	600	600	600

Notes to the consolidated financial statements on pages 6 to 13 form an integral part of the condensed financial statements.

CONSOLIDATED CASH FLOWS STATEMENT

(EUR thousand)

	Note	for the year ended 31 December 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		10 865	24 627
Adjustment for depreciation/amortisation	3,4,8,9	6 170	6 406
Adjustment for revenues from connection fees	9	-258	-218
Other non-cash adjustments		-26	-15
Profit (-)/loss (+) from sale and write off of property, plant and equipment, and intangible assets		-12	-42
Change in current assets involved in operating activities		-558	41
Change in liabilities involved in operating activities		17 064	1 073
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		33 245	31 872
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment, and intangible assets		-9 761	-14 526
Compensations received for construction of pipelines		2 698	3 002
Proceeds from sale of property, plant and equipment, and intangible assets		62	50
Interest received		15	45
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES		-6 986	-11 429
CASH FLOWS USED IN FINANCING ACTIVITIES			
Interest paid and loan financing costs, incl swap interests		-1 512	-1 510
Repayment of finance lease		-260	-264
Received loans		37 500	0
Repayment of loans		-37 500	0
Dividends paid	11	-10 801	-18 001
Income tax on dividends	11	-2 700	-4 500
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		-15 273	-24 275
CHANGE IN CASH AND CASH EQUIVALENTS		10 986	-3 832
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2	33 987	37 819
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2	44 973	33 987

Notes to the consolidated financial statements on pages 6 to 13 form an integral part of the condensed financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR thousand)

	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
as of 31 December 2015	12 000	24 734	1 278	50 995	89 007
Dividends	0	0	0	-18 001	-18 001
Comprehensive income for the period	0	0	0	18 390	18 390
as of 31 December 2016	12 000	24 734	1 278	51 384	89 396
Dividends	0	0	0	-10 801	-10 801
Comprehensive income for the period	0	0	0	7 221	7 221
as of 31 December 2017	12 000	24 734	1 278	47 804	85 816

Notes to the consolidated financial statements on pages 6 to 13 form an integral part of the condensed financial statements.

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

(EUR thousand)

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	
	2017	2016
Cash in hand and in bank	29 871	21 900
Short-term deposits	15 102	12 087
Total cash and cash equivalents	44 973	33 987

(EUR thousand)

NOTE 3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Facilities	Machinery and equipment	Other equipment	Construction in progress	Total property, plant and equipment
as of 31 December 2015						
Acquisition cost	25 950	187 943	47 016	1 277	4 151	266 337
Accumulated depreciation	-6 218	-63 266	-33 191	-930	0	-103 605
Net book value	**19 732**	**124 677**	**13 825**	**347**	**4 151**	**162 732**
Transactions in the period 01 January 2016 - 31 December 2016						
Acquisition in book value	0	0	0	0	14 628	14 628
Write off and sale of property, plant and equipment in residual value	0	0	-3	0	0	-3
Reclassification	183	12 724	2 361	39	-15 377	-70
Depreciation	-326	-3 007	-2 702	-75	0	-6 110
as of 31 December 2016						
Acquisition cost	26 134	199 921	47 297	1 104	3 402	277 858
Accumulated depreciation	-6 545	-65 527	-33 816	-793	0	-106 681
Net book value	**19 589**	**134 394**	**13 481**	**311**	**3 402**	**171 177**
Transactions in the period 01 January 2017 - 31 December 2017						
Acquisition in book value	0	0	0	0	9 222	9 222
Write off and sale of property, plant and equipment in residual value	0	-5	-37	0	-7	-49
Reclassification	283	8 223	1 624	71	-10 201	0
Depreciation	-286	-3 189	-2 349	-75	0	-5 899
as of 31 December 2017						
Acquisition cost	26 415	207 666	48 279	1 157	2 416	285 933
Accumulated depreciation	-6 829	-68 243	-35 560	-850	0	-111 482
Net book value	**19 586**	**139 423**	**12 719**	**307**	**2 416**	**174 451**

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 2017 the book value of the assets (Machinery and equipment) leased under financial lease is 948 thousand euros (31 December 2016: 1,130 thousand euros).

(EUR thousand)

NOTE 4. INTANGIBLE ASSETS

	Acquired licenses and other intangible assets	Unfinished intangible assets	Total intangible assets
as of 31 December 2015			
Acquisition cost	5 192	62	5 254
Accumulated depreciation	-4 496	0	-4 496
Net book value	**696**	**62**	**758**
Transactions in the period 01 January 2016 - 31 December 2016			
Acquisition in book value	0	324	324
Write off and sale of intangible assets in residual value	-5	0	-5
Reclassification	180	-131	49
Depreciation	-296	0	-296
as of 31 December 2016			
Acquisition cost	5 313	255	5 568
Accumulated depreciation	-4 738	0	-4 738
Net book value	**575**	**255**	**830**
Transactions in the period 01 January 2017 - 31 December 2017			
Acquisition in book value	0	252	252
Reclassification	117	-117	0
Depreciation	-271	0	-271
as of 31 December 2017			
Acquisition cost	5 247	390	5 637
Accumulated depreciation	-4 826	0	-4 826
Net book value	**421**	**390**	**811**

NOTE 5. PROVISION FOR POSSIBLE THIRD PARTY CLAIMS

On 12.12.2017, the Supreme Court made a decision on AS Tallinna Vesi's cassation in the tariff dispute with the Estonian Competition Authority. The court stated that the Competition Authority is not bound by the agreement on the water tariffs contained in the Services Agreement, which was executed upon privatisation between the company and the City of Tallinn. From now on, the tariffs will be regulated by the Competition Authority in line with the methodology reflecting the Competition Authority's interpretation of the law.

According to the law the tariffs established by the City of Tallinn are in force until the Competition Authority approves the new tariffs and the Company has implemented these tariffs in line with the law. The Company has acted in good faith and in reliance on promises by the previous regulator. Thus the Company does not consider itself liable to the customers for any claims related to the tariffs applied until the new tariffs approved by the Competition Authority are duly implemented.

The potential undiscounted payments by the Company in the future, if customer claims are to be recognised by the courts, amounts to EUR 44 million (EUR 43 million as of 31st December 2016). This estimate marks the maximum difference between the tariffs established by the City of Tallinn and those tariff as estimated by the Company based on our current best understanding of the Competition Authority's methodology over the last three years.

The Management Board of the Company has assessed the potential liability resulting from such claims, if successful, to be EUR 17.5 million. If such liability materialises, the Company may seek to increase its damages claim against the Republic of Estonia in the ongoing ICSID arbitration, or initiating a new ICSID arbitration. The Company will monitor the situation and thus may adjust the relevant provision on the rolling basis.

(EUR thousand)

NOTE 6. REVENUE

	Quarter 4		for the year ended 31 December	
	2017	2016	2017	2016
Revenues from main operating activities				
Total water supply and waste water disposal service, incl:	13 098	12 763	51 237	50 196
Private clients, incl:	6 417	6 352	25 225	24 949
Water supply service	3 532	3 495	13 872	13 720
Wastewater disposal service	2 885	2 857	11 353	11 229
Corporate clients, incl:	5 150	5 128	20 407	20 069
Water supply service	2 787	2 813	11 210	11 075
Wastewater disposal service	2 363	2 315	9 197	8 994
Outside service area clients, incl:	1 326	1 102	4 678	4 400
Water supply service	342	329	1 346	1 306
Wastewater disposal service	752	689	2 833	2 709
Storm water disposal service	232	84	499	385
Over pollution fee	205	181	927	778
Storm water treatment and disposal service and fire hydrants service	1 200	830	3 668	3 671
Construction service, design and asphalting	1 507	773	4 287	4 511
Other works and services	169	153	623	604
Total revenue	15 974	14 519	59 815	58 982

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

NOTE 7. STAFF COSTS

	Quarter 4		for the year ended 31 December	
	2017	2016	2017	2016
Salaries and wages	-1 620	-1 559	-6 051	-5 999
Social security and unemployment insurance taxation	-547	-527	-2 046	-2 028
Staff costs total	-2 167	-2 086	-8 097	-8 027
Number of employees at the end of reporting period			300	311

(EUR thousand)

NOTE 8. COST OF GOODS/SERVICES SOLD, MARKETING AND ADMINISTRATIVE EXPENSES

	Quarter 4		for the year ended 31 December	
	2017	2016	2017	2016
Cost of goods/services sold				
Water abstraction charges	-295	-318	-1 168	-1 169
Chemicals	-401	-336	-1 501	-1 308
Electricity	-839	-809	-3 193	-3 107
Pollution tax	-374	-239	-1 100	-1 091
Staff costs	-1 596	-1 569	-5 784	-5 729
Depreciation and amortization	-1 351	-1 412	-5 577	-5 863
Construction service, design and asphalting	-1 328	-617	-3 638	-4 006
Other costs	-998	-979	-3 764	-3 448
Total cost of goods/services sold	**-7 182**	**-6 279**	**-25 725**	**-25 721**
Marketing expenses				
Staff costs	-78	-73	-301	-312
Depreciation and amortization	-1	0	-1	-1
Other marketing expenses	-22	-22	-54	-52
Total marketing expenses	**-101**	**-95**	**-356**	**-365**
Administrative expenses				
Staff costs	-493	-444	-2 012	-1 986
Depreciation and amortization	-86	-99	-355	-343
Other general administration expenses	-638	-1 900	-2 661	-5 470
Total administrative expenses	**-1 217**	**-2 443**	**-5 028**	**-7 799**

NOTE 9. OTHER INCOME / EXPENSES

	Quarter 4		for the year ended 31 December	
	2017	2016	2017	2016
Connection fees	68	57	258	218
Depreciation of single connections	-61	-48	-237	-199
Doubtful receivables expenses (-)/ expense reduction (+)	-5	-312	-20	-322
Provision for possible third party claims (Note	-17 522	0	-17 522	0
Other income (+)/expenses (-)	-178	-36	-320	-167
Total other income / expenses	**-17 698**	**-339**	**-17 841**	**-470**

(EUR thousand)

NOTE 10. FINANCIAL INCOME AND EXPENSES

	Quarter 4		for the year ended 31 December	
	2017	2016	2017	2016
Interest income	3	6	15	41
Interest expense, loan	-189	-218	-865	-881
Interest expense, swap	-163	-153	-637	-566
Increase (+)/decrease (-) of fair value of swap	137	459	569	-316
Other financial income (+)/expenses (-)	-4	-4	-26	-15
Total financial income / expenses	-216	90	-944	-1 737

NOTE 11. DIVIDENDS

	for the year ended 31 December	
	2017	2016
Dividends declared during the period	10 801	18 001
Dividends paid during the period	10 801	18 001
Income tax on dividends paid	-2 700	-4 500
Income tax accounted for	-2 700	-4 500

Dividend income tax rate in 2017 is 20/80 (in 2016: 20/80).

Paid-up dividends per shares:		
Dividends per A-share (in euros)	0,54	0,90
Dividends per B-share (in euros)	600	600

NOTE 12. EARNINGS PER SHARE

	Quarter 4		for the year ended 31 December	
	2017	2016	2017	2016
Net profit (+)/loss (-) minus B-share preferred dividend rights	-10 441	5 452	7 220	18 389
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)	-0,52	0,27	0,36	0,92
Earnings per B share (in euros)	600	600	600	600

Diluted earnings per share for the periods ended 31 December 2017 and 2016 was equal to earnings per share figures stated above.

(EUR thousand)

NOTE 13. 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 on the statement of financial position of the Group	as of 31 December 2017	2016
Accounts receivable	500	420
Trade and other payables	184	190

Transactions	Quarter 4 2017	2016	for the year ended 31 December 2017	2016
Revenue	1 200	830	3 668	3 671
Purchase of administrative and consulting services	255	259	1 008	1 031
Fees for Management Board (excluding social tax)	38	38	182	191
Supervisory Board fees (excluding social tax)	8	8	32	32

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 years ending on 31 December 2017 and 2016, management board members were not paid any termination payment. The off balance sheet potential salary liability would be up to 84 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 2017 from all Supervisory Council and Management Board members Riina Käi owned 100 shares (31 December 2016: Riina Käi owned 100 shares).

NOTE 14. LIST OF SUPERVISORY BOARD MEMBERS

Simon Roger Gardiner	Chairman of the Supervisory Board
Keith Haslett	Member of the Supervisory Board
Martin Padley	Member of the Supervisory Board
Brendan Francis Murphy	Member of the Supervisory Board
Priit Rohumaa	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