

Tallinna Vesi



AS Tallinna Vesi
Results of operations – for the 1st quarter and first 3 months
of 2008

Currency	Thousand euros
Start of reporting period	1 January 2008
End of reporting period	31 March 2008
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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
RESULTS OF OPERATIONS - FOR THE 1st QUARTER 2008

Overview

In the 1st quarter of 2008 the Company's total sales increased, year on year, by 2.9% to 13.5 mln EUR. Total water and sewerage services sale volumes increased by 0.4%. Within the service area sales to residential customers increased by 9.5% year on year, sales to commercial customers increased by 10.0% year on year, and sales to customers outside of the service area increased by 43.0% year on year, reaching 0.8 mln m³ or 0.4 mln EUR. The Company's profit before taxes was 5.7 mln EUR, which is a 6.1% decrease compared to 2007. Eliminating the one-off nitrogen provision release in the 1st quarter of 2007, profit before tax increased by 9.1%. The Company invested 2.1 mln EUR, of which 0.86 mln EUR was invested in network extension and developments.

<i>mln EUR</i>	Q 1 2008	Q 1 2007	Change	Q 1 2008	Q 1 2007 underlying	Change
Sales	13,5	13,1	2,9%	13,5	13,1	2,9%
Main operating activities	11,6	10,3	12,3%	11,6	10,3	12,3%
Other operating activities	1,9	2,8	-31,4%	1,9	2,8	-31,4%
Gross profit	7,6	7,7	-2,2%	7,6	6,9	9,9%
Gross profit margin %	56,0%	58,8%	-4,9%	56,0%	52,4%	6,9%
Operating profit	6,4	6,8	-5,3%	6,4	5,9	8,4%
Operating profit margin %	47,4%	51,5%	-7,9%	47,4%	45,0%	5,4%
Profit before taxes	5,7	6,1	-6,1%	5,7	5,2	9,1%
Profit before taxes margin	42,4%	46,4%	-8,7%	42,4%	39,9%	6,1%
Net profit	5,7	6,1	-6,1%	5,7	5,2	9,1%
ROA %	3,4%	3,8%	-9,0%	3,4%	3,2%	5,8%
Debt to total capital employed	49,3%	50,7%	-2,7%	49,3%	50,7%	-2,7%

Gross profit margin – Gross profit / Net sales

Operating profit margin – Operating profit / Net sales

Profit before taxes margin – Profit before taxes / Net sales

ROA – Net profit / Total Assets

Debt to Total capital employed – Total Liabilities / Total capital employed

Profit and Loss Statement

1st quarter 2008

Sales

In the 1st quarter of 2008 the Company's total sales increased, year on year, by 2.9% to 13.5 mln EUR. Sales from the Company's main operating activities were 11.6 mln EUR. Sales in the main operating activity principally comprise of sales of water and treatment of wastewater to domestic

and commercial customers within and outside of the service area, and fees received from the City of Tallinn for operating and maintaining the stormwater system.

Sales of water and wastewater services were 10.8 mln EUR, a 12.1% increase compared to the 1st quarter of 2007, resulting from the 11.7% increase in tariffs from 1 January 2007 for the Company's residential and commercial customers combined with the factors described below.

Included within this amount were the following increases by sector: within the service area sales to residential customers increased by 9.5% to 5.7 mln EUR. Sales to commercial customers increased by 10.0% to 4.5 mln EUR. Sales to customers outside of the service area – primarily bulk volumes of wastewater treatment services provided to the surrounding municipalities – increased by 43.0% reaching 832 thousand m³ or 0.4 mln EUR. Over pollution fees received were 0.14 mln EUR higher than in the 1st quarter of 2007.

In the 1st quarter of 2008, the volumes sold to residential customers dropped 1.9% or 143 thousand m³. In our opinion this is partly explainable by the mild winter and people moving to the surrounding areas of Tallinn. The Company has billed more properties than in the 1st quarter of 2007, but a combination of the factors described above has led to the slight reduction in this group.

The volumes sold to commercial customers inside the service area decreased compared to the relevant period in 2007 due to several factors combined. Part of the reduction in sales volumes in Tallinn is due to companies moving to the surrounding municipalities, attracted by cheaper real estate prices. In addition the sales in 1st quarter of 2008 compared to the 1st quarter of 2007 were impacted by the fact that one of the Company's biggest industrial customers moved its facilities out of our area at the end of 2007, this resulted in a volume loss of 69 thousand m³ in the 1st quarter of 2008. 1st quarter includes also an exceptional sales totaling 43 thousand m³ for a particular customer who historically has used its own well.

The real estate market seems to have reached a point of stagnation. Even though the number of new apartments and business buildings constructed in Tallinn has continued to increase, a large share of new buildings remain vacant as commercial customers as well as people in need of space are moving to surrounding areas due to more affordable real estate prices.

This trend is also reflected in the Company's sales to surrounding areas, which has increased by 43.0% compared to the same period last year. This reflects the success of the Company's strategy to re-capture customers leaving Tallinn. The Company is actively looking for the further expansion opportunities into the neighboring municipalities.

The sales from the operation and maintenance of the stormwater and firehydrant system increased by 9.8% to 0.63 mln EUR in the 1st quarter of 2008 compared to the same period in 2007. This is in accordance with the terms and conditions of the contract whereby the stormwater and fire hydrant costs are invoiced based on actual costs and volumes treated. This is contractually agreed up to 2020.

Sales revenues from other operating activities, mainly connections and stormwater construction, totaled 1.9 mln EUR which is 0.88 mln EUR less than in the 1st quarter of 2007. In this line the revenue is recorded when it is probable that the revenues will flow to the company. According to the new contract concluded with the City of Tallinn on 30th November 2007, the revenue flow will be more even throughout the year. Before 2008 a considerable amount of works and revenues were confirmed in the first quarter. Starting from March 2008 the revenue in this line is mainly calculated using the service area domestic water sales volumes and fixed development rate per cubic meter.

Cost of Goods Sold and Gross Margin

The cost of goods sold for the main operating activity was 4.2 mln EUR in the 1st quarter of 2008, an increase of 1.4 mln EUR or 47.4% from the equivalent period in 2007. Still the underlying costs increased only by 0.5 mln EUR or 13.5% compared to 1st quarter of 2007, as the 2007 1st quarter results were impacted by release of the pollution tax accrual which reduced the costs by 0.85 mln EUR.

In the 1st quarter of 2008 the Company has for the fifth successive quarter recorded zero failures in all pollution measures taken, and as a result the amount of pollution tax payable reduced by 0.19 mln EUR. This is offset by an increase in tax rates year on year of 20%. As the pollution level of the incoming sewerage does vary and the company does not have full control over stormwater outlets regarding the pollution, we cannot guarantee the achievement will be repeated in all following quarters of 2008.

The chemical costs were 0.29 mln EUR, this represents an 11.7% decrease compared to the corresponding period in 2007. This result is the combination of volumes treated and chemicals dosed, whilst chemical prices stay high, an increase in this cost line can be expected later in the year.

Electricity costs increased by 0.02 mln EUR or 3.7% in the 1st quarter of 2008 compared to the 1st quarter of 2007 due to higher electricity prices combined with volumes treated.

Salary expenses increased by 0.24 mln EUR or 28.5% due to number of factors. Firstly, increased headcount from the new services launched. Secondly, a highly competitive labour market has led to significant salary inflation. Finally in the 1st quarter of 2008 the Company restructured and combined departments. Eliminating these structural changes would give us 18.6% increase in salaries. This is in line with the increase in average salaries in the Estonian market, which according to the latest statistics has increased around 20% year on year.

Other cost of goods sold in the main operating activity increased by 0.15 mln EUR, or 23.7% year on year. This was due to higher costs on a number of support service contracts, such as transport, security services, maintenance cost, reflecting the significant increase in labour and services costs in Tallinn. The Company has taken advantage of the fall in the construction market and eliminated part of this cost inflation by signing new framework contract at more competitive prices by end of the quarter. The specific impact to costs increase was around 0.05 mln EUR in 1st quarter 2008, but we do not assume to repeat it during the following quarters.

The cost pressure sets the challenge to the management to identify the further efficiency opportunities through review of processes, procedures and procurements for example.

As a result of all of the above the Company's gross profit for the 1st quarter of 2008 was 7.6 mln EUR, which is a decrease of 0.17 mln EUR, or 2.2%, compared to the gross profit of 7.7 mln EUR for the 1st quarter of 2007. Comparing 1st quarter gross profit for 2008 to underlying gross profit of the 1st quarter of 2007 there was an increase of 9.9% or 0.68 mln EUR.

Operating Costs and Operating Margin

Marketing expenses increased by 0.01 mln EUR to 0.22 mln EUR during the 1st quarter of 2008 compared to the corresponding period in 2007. This is partly the result of the overall salary

increase, supplemented by the increase in depreciation charges due to the Customer Information and Billing system (KLIF).

General administration expenses increased by 0.01 mln EUR to 0.93 mln EUR in the 1st quarter of 2008 as a consequence of an increase in salaries due to the overall salaries inflation and redundancy packages accounted to 1st quarter of 2008.

Included within all the above cost categories are staff costs. These totaled 1.5 mln EUR in the 1st quarter of 2008, which is a 0.31 mln EUR increase compared to the same period in 2007, as mentioned earlier this was due to the wide revision of salaries at the beginning of 2008, supplemented by extra salary cost due to new activities and redundancy costs totaling 0.08 mln EUR. Without these items the salary increase would have been 0.23 mln EUR or slightly above 19%.

Other net income/expenses totaled an expense of 0.01 mln EUR in the 1st quarter of 2008 compared to an income of 0.15 mln EUR in the 1st quarter of 2007- in 1st quarter of 2007 there was a 0.15 mln EUR recovery of doubtful debt.

As a result of all of the above the Company's operating profit for the 1st quarter of 2008 was 6.4 mln EUR, a decrease of 0.36 mln EUR compared to an operating profit of 6.8 mln EUR achieved in the 1st quarter of 2007. Compared to the underlying operating profit in the 1st quarter of 2007, the operating profit has increased 8.4% or 0.49 mln EUR in 1st quarter of 2008.

Financial expenses

Net Financial expenses were 0.68 mln EUR in the 1st quarter of 2008, which is an increase of 0.02 mln EUR or 2.4% compared to the 1st quarter of 2007. The Company's interest costs have increased by 12.2% compared to the 1st quarter of 2007. This is due to the fact that half of the Company's loans are connected to the 6 month Euribor rate, which was 4.686% in the 1st quarter of 2008 compared to 3.736% in the 1st quarter of 2007. The increase in interest expenses is partially offset by an increase in financial income earned during the 1st quarter of 2008, as a result of a more favourable cash position and increasing interest rates.

Profit Before Tax

The Company's profit before taxes for the 1st quarter of 2008 was 5.7 mln EUR, which is 0.37 mln EUR lower than the profit before taxes of 6.1 mln EUR for the 1st quarter of 2007. Looking at the underlying profit for the 1st quarter of 2007 compared to same period of 2008 there has been an increase of 9.1% or 0.48 mln EUR.

Balance sheet

During the three months of 2008 the Company invested 2.1 mln EUR into fixed assets. Non-current assets were 138.5 mln EUR at 31 March 2008. Current assets increased by 4.5 mln EUR to 28.4 mln EUR in the three months of the year, including cash at bank which increased by 9.5 mln EUR.

Current liabilities decreased by 2.4 mln EUR to 10.4 mln EUR in the three months of the year. This was mainly due to decrease in Trade and other payables compared to 2007 year end, as a result of payment of 2007 end capital investments invoices in 1st quarter of 2008.

The company continues to maintain its leverage level within its target range of around 50% with total liabilities to total capital employed of 49.3% as at 31 March 2008. Long-term liabilities stood at 71.9 mln EUR at the end of March 2008, consisting almost entirely of the outstanding balance on the two long-term bank loans.

Cash flow

During 1st quarter of 2008, the Company generated 7.9 mln EUR of cash flows from operating activities, an increase of 2.4 mln EUR compared to the corresponding period in 2007. Underlying operating profit continues to be the main driver for growth, supplemented by debt collection in 1st quarter of 2008.

In the 1st quarter of 2008 net cash inflows from investing activities were 1.7 mln EUR, which is 3.9 mln EUR more than in 2007. This was mainly due to some large construction revenue invoices that were due and paid in the 1st quarter 2008, offset by increased investment payments. In the 1st quarter the company invested 2.1 mln EUR – 1.5 mln EUR networks extension and rehabilitation, 0.31 mln EUR Paljassaare wastewater treatment plant and sludge treatment, 0.06 mln EUR water quality (Ülemiste water treatment plant and raw water) and 0.19 mln EUR other investments (IT, capital maintenance, meters, etc).

There were no cash outflows from financing activities during 1st quarter compared to cash outflow of 0.02 mln EUR during the 1st quarter of 2007.

As a result of all of the above factors, the total cash inflow in the 1st quarter of 2008 was 9.5 mln EUR compared to a cash inflow of 3.2 mln EUR in the three months of 2007. Cash and cash equivalents stood at 20.9 mln EUR as at 31 March 2008.

Employees

At the end of the 1st quarter of 2008, the number of employees was 317, compared to 313 at the end of the 1st quarter of 2007.

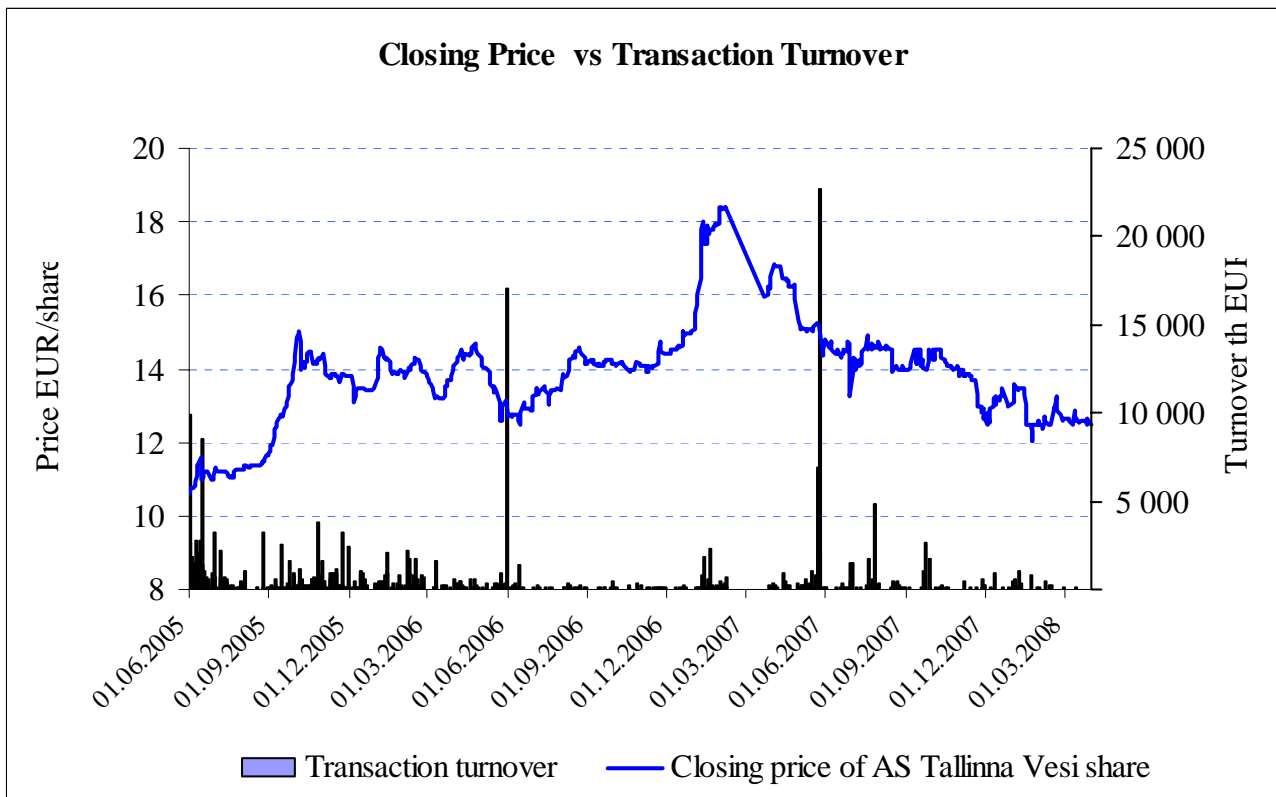
Dividends and share performance

Based on the results of the 2007 financial year, the Management Board of the company proposed to pay 15,914,640 EUR of dividends. Of this 639 EUR will be paid to the owner of the B-share and 15,914,000 EUR, i.e. 0.8 EUR per share to the owners of the A-shares. Management Board proposed to pay the dividends on 13 June 2008, based on the list of shareholders, which will be fixed at 23.59 on 30 May 2008.

As of 31 March 2008 AS Tallinna Vesi shareholders, with a direct holding over 5%, were:

United Utilities (Tallinn) BV	35.3%
City of Tallinn	34.7%
Nordea Bank Finland Plc clients account trading	8.78%
Morgan Stanley + Co International Equity client account	6.81%

At the end of the quarter, 31 March 2008, the closing price of the AS Tallinna Vesi share was 12.50 EUR, which is a 3.6% decrease compared to the closing price of 12.96 EUR at the beginning of quarter, significantly outperforming the market as the OMX Tallinn index dropped by 14.0% during the quarter.



Operational highlights in the 1st quarter of 2008

- The company implemented the development component in 1st quarter 2008 according to the Services Agreement Amendment which was signed with the City of Tallinn on 30 November 2007. The Services Agreement is extended until 2020 and the k-coefficient is also fixed until 2020 – 2% in years 2009 to 2010 and 0% in years 2011 to 2020. No extra capital expenditures (in addition to maintenance capex and extensions program agreed in the contract) can be imposed on the company until 2020. According to the agreement the network extension constructions must be completed by March 2011. To compensate the Company for the construction and financing costs a specific development component is included into the main services area domestic water tariff starting from 1 March 2008 to the end of 2017 and the City of Tallinn will compensate the stormwater constructions every month 0.28 mln EUR until the end of 2011. The development component shall be compensated to the customers with direct payment to the company by the City of Tallinn. The component is bigger during the construction period (0.58 EUR per m³ until 31 December 2011 and 0.39 EUR per m³ in years 2012 to 2017).
- From the beginning of the year water and wastewater tariffs increased as approved by the City Council in 2007. The tariff increase was 11.7% in the main service area and was similar outside the main service area, depending on individual contracts within the municipalities.
- The wastewater treatment performance with all outfall effluent samples at all locations was in the 1st quarter compliant with requirements and as a consequence the environmental charges for the quarter attracted a 50% reduction. As a result of the excellent treatment results the company saved 0.18 mln EUR from environmental taxes in 1st quarter of 2008.

- The usage of the web based self service has increased by 4 times compared to the 31 March 2007, more than 10% of invoices were issued via web.
- We are pleased to report the compliance with all requirements of the Levels of Services established by the contract concluded with the City of Tallinn.

Additional information:

Siiri Lahe

Chief Financial Officer

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AS TALLINNA VESI

MANAGEMENT CONFIRMATION

The Management Board of AS Tallinna Vesi (hereinafter the company) has prepared the interim accounts in the form of condensed financial statements for the period ended 31 March 2008. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 31 March 2008 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.

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

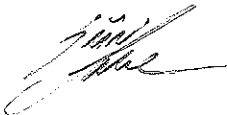
The significant transactions with related parties are disclosed in the interim accounts.

All material subsequent events that occurred by the interim accounts preparation date of 14 April 2008 have been assessed as part of this review.

The company is carrying on its activities as a going concern.



Roch Jean Guy Antoine Chérourx
Chairman of the Management Board
Chief Executive Officer



Siiri Lahe
Member of the Management Board
Chief Financial Officer



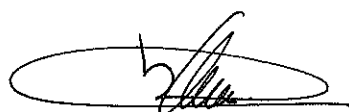
David Nigel Hetherington
Member of the Management Board
Chief Operating Officer

14 April 2008

BALANCE SHEETS AT 31 MARCH 2008 AND 2007, AND AT 31 DECEMBER 2007

(thousand EUR)

ASSETS	Note	2008	31 March 2007	31 December 2007
CURRENT ASSETS				
Cash at bank and in hand	2	20 908	18 551	11 403
Commercial paper	2	0	631	0
Customer receivables		6 848	7 401	11 838
Accrued income and prepaid expenses		334	273	331
Inventories		250	201	233
Assets for sale		71	97	72
TOTAL CURRENT ASSETS		28 411	27 153	23 877
NON-CURRENT ASSETS				
Tangible assets	3	128 721	121 833	127 375
Intangible assets	3	3 035	3 249	3 140
Unfinished assets - non connections	3	1 760	4 077	3 070
Unfinished pipelines - new connections	3	4 800	5 254	5 756
Prepayments for fixed assets	3	202	206	345
TOTAL NON-CURRENT ASSETS		138 518	134 618	139 686
TOTAL ASSETS		166 929	161 771	163 562
LIABILITIES				
CURRENT LIABILITIES				
Current portion of long-term borrowings		2 665	11	2 651
Trade and other payables, incl. dividends		3 492	4 046	5 558
Taxes payable		1 513	1 269	1 693
Short-term provisions		159	49	143
Deferred income		2 553	2 100	2 691
TOTAL CURRENT LIABILITIES		10 382	7 475	12 736
NON-CURRENT LIABILITIES				
Finance lease		0	0	0
Bank loans		71 932	74 541	71 932
Other payables		7	6	7
TOTAL NON-CURRENT LIABILITIES		71 940	74 548	71 939
TOTAL LIABILITIES		82 321	82 023	84 675
EQUITY CAPITAL				
Share capital		12 782	12 782	12 782
Share premium		24 734	24 734	24 734
Statutory legal reserve		1 278	1 278	1 278
Accumulated profit		40 093	34 863	22 336
Net profit for the period		5 720	6 091	17 757
TOTAL EQUITY CAPITAL		84 607	79 749	78 887
TOTAL LIABILITIES AND EQUITY CAPITAL		166 929	161 771	163 562



Chairman of the Management Board: 11


AS TALLINNA VESI

INCOME STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2008 AND 2007

(thousand EUR)

		3 months		Year ended 31 December
	Note	2008	2007	2007
Sales from main operating activities	4	11 561	10 298	41 436
Revenues from other operating activities	4	1 940	2 828	11 021
Net sales		13 501	13 126	52 457
Costs of goods sold (main operating activities)	5,6	-4 228	-2 869	-13 848
Costs of goods sold (other operating activities)	6	-1 718	-2 535	-10 110
GROSS PROFIT		7 555	7 722	28 499
Marketing expenses	5,6	-216	-202	-866
General administration expenses	5,6	-928	-913	-3 633
Other income/ expenses (-)	6	-5	153	118
OPERATING PROFIT		6 406	6 761	24 118
Financial income / expenses (-)	7	-686	-670	-2 827
PROFIT BEFORE TAXES		5 720	6 091	21 291
Income tax on dividends	8	0	0	-3 533
NET PROFIT FOR THE PERIOD		5 720	6 091	17 757
Attributable to:				
Equity holders of A-shares		5 719	6 090	17 757
B-share holder		0,64	0,64	0,64
Earnings per share in euros	9	0,29	0,30	0,89



Chairman of the Management Board:

CASH FLOW STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2008 AND 2007

(thousand EUR)

	3 months		Year ended 31
	2008	2007	December 2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	6 406	6 761	24 118
Adjustment for depreciation	1 415	1 259	5 064
Adjustment for income and expenses from constructions	-222	-293	-911
Other financial income and expenses	-26	-15	-101
Profit from sale of fixed assets	0	1	-155
Expensed fixed assets	0	0	30
Capitalization of operating expenses	-360	-297	-1 263
Movement in current assets involved in operating activities	845	-979	-2 049
Movement in liabilities involved in operating activities	-206	-929	-21
Interest paid	0	-1	-3 386
Total cash flow from operating activities	7 852	5 508	21 326
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of fixed assets (incl pipelines construction)	-4 621	-3 327	-16 997
Proceeds from pipelines financed by construction income	6 018	934	6 509
Proceeds from sale of and prepayments received for fixed assets	0	1	25
Proceeds from sale of assets and real estate investments	0	0	15
Interest received	255	145	676
Total cash flow from investing activities	1 653	-2 248	-9 773
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments	0	-20	-30
Dividends paid	0	0	-12 527
Income tax on dividends	0	0	-3 533
Total cash flow from financing activities	0	-20	-16 091
Change in cash and bank accounts	9 505	3 241	-4 537
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	11 403	15 940	15 940
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	20 908	19 181	11 403



Chairman of the Management Board:

AS TALLINNA VESI

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2008 AND 2007

(thousand EUR)

	Share capital	Share premium	Statutory legal reserve	Accumulated profit	Net profit	Total equity
31 December 2006	12 782	24 734	1 278	19 010	15 853	73 658
Transfer of financial year profit to the accumulated profit	0	0	0	15 853	-15 853	0
Dividends	0	0	0	-12 527	0	-12 527
Net profit of the financial year	0	0	0	0	17 757	17 757
31 December 2007	12 782	24 734	1 278	22 336	17 757	78 887
31 December 2006	12 782	24 734	1 278	19 010	15 853	73 658
Transfer of financial year profit to the accumulated profit	0	0	0	15 853	-15 853	0
Net profit of the financial period	0	0	0	0	6 091	6 091
31 March 2007	12 782	24 734	1 278	34 863	6 091	79 749
31 December 2007	12 782	24 734	1 278	22 336	17 757	78 887
Transfer of financial year profit to the accumulated profit	0	0	0	17 757	-17 757	0
Net profit of the financial period	0	0	0	0	5 720	5 720
31 March 2008	12 782	24 734	1 278	40 093	5 720	84 607



Chairman of the Management Board:

**NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2008 AND 2007**

(thousand EUR)

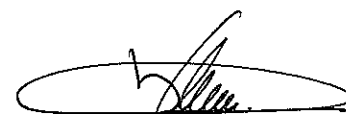
NOTE 1. ACCOUNTING PRINCIPLES

The interim accounts have been prepared according to International Financial Reporting Standards as adopted by the EU, and give a true and fair view of the financial position, results of operations and cash flows of AS Tallinna Vesi. 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.

The interim report in euros is converted using the exchange rate 15.6466 EEK per EUR from the interim report prepared in thousands kroons for the same period.

NOTE 2. CASH AND CASH EQUIVALENTS

	3 months		Year ended 31
	2008	2007	December
			2007
Cash at bank and in hand	4 961	4 379	2 418
Short term deposits	15 946	14 172	8 985
Commercial paper	0	631	0
	20 908	19 181	11 403



Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2008 AND 2007

(thousand EUR)

NOTE 3. TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

	Tangible assets in use			Assets in progress			Intangible assets			Total tangible and intangible non-current assets
	Land and buildings	Facilities	Machinery and equipment	Other equipment	Unfinished assets - non connections	Unfinished pipelines - new connections	Prepayment for fixed assets	Development costs	Acquired licenses and other intangible assets	
Acquisition cost at										
31.12.2006	22 054	128 906	34 169	1 120	5 859	7 488	179	1 121	4 073	204 969
Acquisition	0	0	0	0	9 475	8 634	167	0	0	18 276
Sale of fixed assets	-96	0	-96	0	0	0	0	0	0	-192
Write-off of fixed assets	-2	-84	-880	-31	0	0	0	-22	-40	-1 059
Reclassification within balance sheet	0	0	0	0	-11	-130	0	0	0	-141
Reclassification to expenses	0	0	0	0	-29	0	0	0	0	-29
Expensed pipelines	0	0	0	0	-10 110	0	0	0	0	-10 110
Reclassification from assets in progress	1 320	7 628	3 008	42	-12 224	-126	0	116	237	0
31.12.2007	23 276	136 449	36 200	1 132	3 070	5 756	345	1 215	4 270	211 713
Acquisition	0	0	0	0	1 220	848	4	0	0	2 071
Sale of fixed assets	0	0	-1	0	0	0	0	0	0	-1
Write-off of fixed assets	-4	-4	-81	0	0	0	0	0	0	-89
Reclassification within balance sheet	0	0	0	0	-20	-85	0	0	0	-105
Expensed pipelines	0	0	0	0	0	-1 718	0	0	0	-1 718
Reclassification from assets in progress	168	2 136	257	35	-2 510	0	-146	0	60	0
31.03.2008	23 440	138 581	36 376	1 167	1 760	4 800	202	1 215	4 331	211 871
Accumulated depreciation										
31.12.2006	3 801	40 970	20 812	696	0	0	0	729	1 104	68 113
Depreciation	253	2 150	2 018	70	0	0	0	123	451	5 064
Depreciation of fixed assets sold and written-off (-)	-2	-84	-971	-31	0	0	0	-22	-40	-1 150
31.12.2007	4 052	43 036	21 859	736	0	0	0	830	1 515	72 027
Depreciation	69	603	558	20	0	0	0	33	132	1 415
Depreciation of fixed assets sold and written-off (-)	-4	-4	-82	0	0	0	0	0	0	-90
31.03.2008	4 116	43 635	22 335	756	0	0	0	863	1 647	73 353
Net book value										
31.12.2006	18 253	87 935	13 356	424	5 859	7 488	179	392	2 969	136 856
31.12.2007	19 224	93 413	14 341	396	3 070	5 756	345	385	2 755	139 686
31.03.2008	19 323	94 946	14 040	411	1 760	4 800	202	352	2 683	138 518

Fixed assets are written off if the condition of the asset does not enable further usage for production purposes.
For the period ended 31 March the net balance sheet value of finance leases was 145 thousand euros for 2007.



Chairman of the Management Board:

**NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2008 AND 2007**

(thousand EUR)

NOTE 4. NET SALES	3 months		Year ended 31 December
	2008	2007	2007
Revenues from main operating activities			
Total water supply and waste water disposal service, incl:	10 768	9 608	38 322
<u>Domestic clients, incl:</u>	<u>5 676</u>	<u>5 182</u>	<u>20 385</u>
Water supply service	3 171	2 898	11 405
Waste water disposal service	2 505	2 284	8 980
<u>Corporate clients, incl:</u>	<u>4 471</u>	<u>4 065</u>	<u>16 148</u>
Water supply service	2 467	2 167	8 864
Waste water disposal service	2 003	1 898	7 284
<u>Outside area clients, incl:</u>	<u>399</u>	<u>279</u>	<u>1 130</u>
Water supply service	32	23	98
Waste water disposal service	367	256	1 031
<u>Overpollution</u>	<u>222</u>	<u>83</u>	<u>659</u>
Stormwater treatment and disposal service	598	544	2 392
Fire hydrants service	38	35	151
Other works and services	157	111	571
Total revenues from main operating activities	11 561	10 298	41 436
Revenues from other operating activities			
Water, sewerage and storm water connections construction income	1 940	2 828	11 021
TOTAL NET SALES	13 501	13 126	52 457

100 % of AS Tallinna Vesi revenue was transacted within the Estonian Republic.
Code of Estonian Classification of Economic Activities (EMTAK) is 36001.

NOTE 5. PERSONNEL EXPENSES	3 months		Year ended 31 December
	2008	2007	2007
Salaries and wages	-1 132	-895	-3 686
Social security taxation	-377	-298	-1 227
Staff costs total	-1 509	-1 193	-4 913
Number of employees at the end of reporting period	317	313	312



Chairman of the Management Board:

**NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2008 AND 2007**

(thousand EUR)

NOTE 6. COSTS AND EXPENSES

Cost of goods sold (main operating activities)	3 months		Year ended 31 December
	2008	2007	2007
Tax on special use of water	-173	-170	-671
Chemicals	-285	-322	-1 341
Electricity	-478	-461	-1 686
Pollution tax	-183	674	397
Staff costs	-1 058	-824	-3 299
Research and development	-1	0	-6
Depreciation and amortization	-1 296	-1 157	-4 653
Other costs of goods sold	-753	-609	-2 589
Total cost of goods sold (main operating activities)	-4 228	-2 869	-13 848
Cost of goods sold (other operating activities)			
Water, sewerage and storm water connections construction cost	-1 718	-2 535	-10 110
Marketing Expenses			
Staff costs	-99	-84	-390
Depreciation and amortization	-77	-55	-227
Other marketing expenses	-40	-63	-248
Total cost of marketing expenses	-216	-202	-866
General Administration Expenses			
Staff costs	-352	-285	-1 224
Depreciation and amortization	-42	-47	-184
Other general administration expenses	-534	-580	-2 225
Total cost of general administration expenses	-928	-913	-3 633

Other income/expenses - In both 2008 and 2007 other income/expenses includes, the profits recognised on the sale of fixed assets during the period, the movement of the bad debt provision during the year and provisions recognised and released throughout the financial period. It also includes income and costs generated from a consultancy project in the Republic of Tajikistan in 2007.



Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2008 AND 2007

(thousand EUR)

NOTE 7. FINANCIAL INCOME AND EXPENSES	3 months		Year ended 31
	2008	2007	December 2007
Interest income	244	160	694
Interest expense	-904	-805	-3 420
Other financial income / expenses (-)	-26	-25	-101
Total financial income / expenses	-686	-670	-2 827

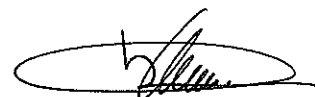
NOTE 8. DIVIDENDS	3 months		Year ended 31
	2008	2007	December 2007
Dividends declared during the period	0	0	12 527
Dividends paid during the period	0	0	12 527
Income tax on dividends declared	0	0	-3 533
Income tax accounted	0	0	-3 533

The income tax rates were 21/79 and 22/78 respectively in 2008 and 2007.

NOTE 9. EARNINGS AND DIVIDENDS PER SHARE

	3 months		Year ended 31
	2008	2007	December 2007
Earnings per share from continuing operations:			
Earnings for the purposes of basic earnings per share (net profit for the period minus B-share preference rights)	5 719	6 090	17 757
Weighted average number of ordinary shares for the purposes of basic earnings per share	20 000 000	20 000 000	20 000 000
Earnings per share in euros	0,29	0,30	0,89
Dividends per A-share in euros	0,00	0,00	0,63
Dividends per B-share in euros	0,00	0,00	639

Diluted earnings per share for the periods ended 31 March 2008 and 2007 and 31 December 2007 are equal to the earnings per share figures stated above.



Chairman of the Management Board:

**NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2008 AND 2007**

(thousand EUR)

NOTE 10. 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 hold majority interest and transactions with the shareholder having significant influence. Dividend payments are indicated in the Statement of Changes in Equity.

The transactions with related parties in 2008 and 2007 and respective balances as of 31.03.2008 and 31.03.2007 are recorded as follows:

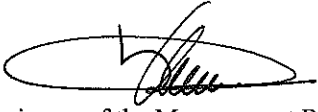
	Tallinn City Government and related boards	The companies belonging to the same group with the United Utilities (Tallinn) B.V.
2008 for 3 months		
Transactions recorded in Working Capital on the Balance Sheet of AS Tallinna Vesi		
Customer receivables	1 699	0
Accrued income and prepaid expenses	25	0
Accounts payable - short-term trade and other payables, incl. dividends	0	293
Transactions recorded to other accounts on the Balance Sheet of AS Tallinna Vesi		
Non-current assets incl unfinished assets and new connections	0	66
Transactions recorded to the Income Statement of AS Tallinna Vesi		
Net sales	2 197	0
General administration expenses	0	291
2007 for 3 months		
Transactions recorded in Working Capital on the Balance Sheet of AS Tallinna Vesi		
Customer receivables	2 270	0
Accounts payable - short-term trade and other payables, incl. dividends	0	153
Transactions recorded to other accounts on the Balance Sheet of AS Tallinna Vesi		
Non-current assets incl unfinished assets and new connections	0	100
Transactions recorded to the Income Statement of AS Tallinna Vesi		
Net sales	2 581	0
General administration expenses	0	302

	2008	3 months 2007	Year ended 31 December 2007
Management Board fees excluding social tax	39	31	135
Supervisory Board fees excluding social tax	10	10	37

The fees disclosed above are contractual payments made by the Company to the management board members. In addition to this the management board members have, as overseas secondees, received direct compensation from the companies belonging to the group of United Utilities (Tallinn) B.V.

Company shares belonging to the Management Board members

As at report generation date Roch Jean Guy Antoine Chéroux owned 1 000 and Siiri Lahe 700 AS Tallinna Vesi shares.


 Chairman of the Management Board:

AS TALLINNA VESI

**NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2008 AND 2007**

NOTE 11. LIST OF SUPERVISORY BOARD MEMBERS

Robert John Gallienne	Chairman of the Supervisory Board
Ian John Alexander Plenderleith	Member of the Supervisory Board
Henry Emanuel Russell	Member of the Supervisory Board
David Leonard Fuller	Member of the Supervisory Board
Elmar Sepp	Member of the Supervisory Board
Mart Mägi	Member of the Supervisory Board
Rein Ratas	Member of the Supervisory Board
Valdur Laid	Member of the Supervisory Board
Deniss Borodits	Member of the Supervisory Board



Chairman of the Management Board:
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