

*Tallinna Vesi*



AS Tallinna Vesi  
Results of operations – for the 1<sup>st</sup> quarter of 2009

Currency	Thousand euros
Start of reporting period	1 January 2009
End of reporting period	31 March 2009
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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 1<sup>st</sup> QUARTER 2009**

**Overview**

During the first three months of 2009 the Company's total sales increased, year on year, by 6.6% to 12.3 mln EUR. Total water and sewerage services sales volumes decreased in the three months of 2009 by 5.2% compared to the same three months of 2008, respective sales increased by 5.1%. Within the service area sales to residential customers increased by 9.0% year on year, sales to commercial customers increased by 0.1% year on year, and sales to customers outside of the service area increased by 1.4% year on year. The Company's profit before taxes was 6.3 mln EUR, which is a 9.9% increase compared to the same three months of 2008. In 2009 the Company invested 2.7 mln EUR, of which 2.1 mln EUR was invested in network extension and rehabilitation.

<i>mln EUR</i>	<b>1 Q 2009</b>	<b>1 Q 2008</b>	<b>Change</b>	<b>3 months 2009</b>	<b>3 months 2008</b>	<b>Change</b>
Sales	12,3	11,6	6,6%	12,3	11,6	6,6%
Gross profit	8,1	7,3	9,9%	8,1	7,3	9,9%
Gross profit margin %	65,4	63,4	3,1%	65,4	63,4	3,1%
Operating profit	7,1	6,4	10,6%	7,1	6,4	10,6%
Operating profit margin %	57,5	55,4	3,8%	57,5	55,4	3,8%
Profit before taxes	6,3	5,7	9,9%	6,3	5,7	9,9%
Net profit	6,3	5,7	9,9%	6,3	5,7	9,9%
Net profit margin %	51,0	49,5	3,2%	51,0	49,5	3,2%
ROA %	3,7	3,4	7,7%	3,7	3,4	7,7%
Debt to total capital employed	48,2	49,3	-2,2%	48,2	49,3	-2,2%

*Gross profit margin – Gross profit / Net sales*

*Operating profit margin – Operating profit / Net sales*

*Net Profit margin – Net Profit / Net sales*

*ROA – Net profit / Total Assets*

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

**Profit and Loss Statement**

1<sup>st</sup> quarter 2009

*Sales*

In the 1<sup>st</sup> quarter of 2009 the Company's total sales increased, year on year, by 6.6% to 12.3 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 storm water system.

Sales of water and wastewater services were 11.3 mln EUR, a 5.1% increase compared to the 1<sup>st</sup> quarter of 2008, resulting from the 12.8% increase in tariffs from 1 January 2009 for the Company's residential and commercial customers combined with the factors described below.

Included within this amount were the following increases by sectors: within the service area, sales to residential customers increased by 9.0% to 6.2 mln EUR. Sales to commercial customers increased by 0.1% 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 1.4% reaching 0.8 mln m<sup>3</sup> or 0.40 mln EUR. Over pollution fees received were 0.24 mln EUR, a 10.0% increase compared to the 1<sup>st</sup> quarter of 2008.

In the 1<sup>st</sup> quarter of 2009, the volumes sold to residential customers dropped 3.4%. We believe that this is due to the combination of the economic recession and the fact that people have continued to move to the surrounding areas of Tallinn.

The volumes sold to commercial customers inside the service area decreased by 11.5% compared to the relevant period in 2008 due to several factors combined. Most of the reduction in sales volumes in Tallinn is a result of the macroeconomic impact of companies reducing their production volumes and implementing efficiency measures, supplemented by companies moving to surrounding municipalities.

The sales from the operation and maintenance of the storm water and fire-hydrant system increased by 22.8% to 0.78 mln EUR in the 1<sup>st</sup> quarter of 2009 compared to the same period in 2008. This is in accordance with the terms and conditions of the contract whereby the storm water and fire hydrant costs are invoiced based on actual costs and volumes treated.

#### *Cost of Goods Sold and Gross Margin*

The cost of goods sold for the main operating activity was 4.3 mln EUR in the 1<sup>st</sup> quarter of 2009, an increase of 0.03 mln EUR or 0.8% from the equivalent period in 2008.

In the 1<sup>st</sup> quarter of 2009 the Company achieved the beneficial 0.5 coefficient for pollution tax, and the amount of pollution tax payable was 0.21 mln EUR compared to 0.19 mln EUR in 1<sup>st</sup> quarter of 2008. This increase in pollution tax was mainly due to the increase in tax rates year on year by 20%, partly offset by the reduction in treatment volumes. Despite the fact that the pollution level of the incoming sewerage has increased and the Company does not have full control over storm water outlets regarding pollution, we are working hard to use the optimum level of chemicals to achieve the 0.5 coefficient in the forthcoming quarters.

Chemical costs were 0.24 mln EUR, representing a 16.7% decrease compared to the corresponding period in 2008. This result is the combination of volumes treated, chemicals dosed and the favorable price impact.

Electricity costs increased by 0.04 mln EUR or 9.1% in the 1<sup>st</sup> quarter of 2009 compared to the 1<sup>st</sup> quarter of 2008 due to higher electricity prices offset by lower volumes treated.

Salary expenses increased in the 1<sup>st</sup> quarter of 2009, year on year, by 0.04 mln EUR or 3.7% due to the increase in headcount required to manage the increased construction supervision need during the networks extension program. There is also some impact from the company's performance management system where individual salaries were revised based on personal achievements.

Depreciation charges increased in the 1<sup>st</sup> quarter of 2009 by 0.01 mln EUR or 1.1% year on year.

Transport costs decreased by 0.02 mln EUR, or 7.0% year on year, due to the combination of the reduction in fuel prices and reduced rates for rental machines.

Other cost of goods sold in the main operating activity decreased by 0.03 mln EUR, or 5.8% year on year. As result of the successful negotiation of long term contracts the applicable unit rates were reduced for a number of support services and maintenance contracts.

The management's target is to achieve further efficiencies through review of processes, work organization and procurements.

As a result of all of the above the Company's gross profit for the 1<sup>st</sup> quarter of 2009 was 8.1 mln EUR, which is an increase of 0.73 mln EUR, or 9.9%, compared to the gross profit of 7.3 mln EUR for the 1<sup>st</sup> quarter of 2008.

#### *Operating Costs and Operating Margin*

Marketing expenses increased by 0.003 mln EUR to 0.22 mln EUR during the 1<sup>st</sup> quarter of 2009 compared to the corresponding period in 2008. This is partly the result of the cost savings, balanced by the minor increase in depreciation charges.

Mainly as a consequence of lower services costs the General administration expenses decreased by 0.03 mln EUR to 0.90 mln EUR in the 1<sup>st</sup> quarter of 2009 year on year.

#### *Other net income/expenses*

Income/expenses from constructions and government grants totaled a net income of 0.22 mln EUR, in the 1<sup>st</sup> quarter of 2009 compared to a net income of 0.22 mln EUR in the 1<sup>st</sup> quarter of 2008. The rest of the other income/expenses totaled an expense of 0.07 mln EUR in the 1<sup>st</sup> quarter of 2009 compared to an expense of 0.01 mln EUR in the 1<sup>st</sup> quarter of 2008 due to slightly worsened debt collection.

As a result of all of the above the Company's operating profit for the 1<sup>st</sup> quarter of 2009 was 7.1 mln EUR, an increase of 0.68 mln EUR compared to an operating profit of 6.4 mln EUR achieved in the 1<sup>st</sup> quarter of 2008. Compared to the operating profit in the 1<sup>st</sup> quarter of 2008, the operating profit has increased 10.6%.

#### *Financial expenses*

Net Financial expenses were 0.79 mln EUR in the 1<sup>st</sup> quarter of 2009, which is an increase of 0.11 mln EUR or 16.0% compared to the 1<sup>st</sup> quarter of 2008. The Company's interest costs have decreased by 10.5% compared to the 1<sup>st</sup> quarter of 2008. This is due to the decrease in the 6 month Euribor rate. Financial expenses have increased due to loan costs which were capitalized earlier but were expensed in amount of 0.34 mln EUR in the 1<sup>st</sup> quarter of 2009. The new capex loan agreement triggers the full repayment of the EBRD loan on next interest payment date in May 2009. The EBRD loan is hedged with a fixed interest rate, therefore we will incur some unwinding costs related to the early repayment as a result of the low Euribor rates. The increase is partially offset by an increase in financial income earned during the 1<sup>st</sup> quarter of 2009, as a result of a more favourable cash position and higher deposit rates.

### *Profit Before Tax*

The Company's profit before taxes for the 1<sup>st</sup> quarter of 2009 was 6.3 mln EUR, which is 0.57 mln EUR higher than the profit before taxes of 5.7 mln EUR for the 1<sup>st</sup> quarter of 2008.

### **Balance sheet**

During the three months of 2009 the Company invested 2.7 mln EUR into fixed assets. Non-current assets were 140.1 mln EUR at 31 March 2009. Current assets increased by 8.0 mln EUR to 30.2 mln EUR in the three months of the year, customer receivables increased by 1.2 mln EUR. During the three months of 2009 cash at bank increased by 6.8 mln EUR.

Current liabilities increased by 0.23 mln EUR to 12.5 mln EUR in the three months of the year. This was mainly due to increases in the Current portion of long-term borrowings by 0.05 mln EUR, as a result of the reclassification of the loan based on the repayment schedule, a decrease in Trade payables by 0.07 mln EUR, and an increase in Customer prepayments by 0.23 mln EUR.

The Company continues to maintain its leverage level within its target range of 50% with total liabilities to total capital employed of 48.2% as of 31 March 2009. Long-term liabilities stood at 69.7 mln EUR at the end of March 2009, consisting almost entirely of the outstanding balance on the three long-term bank loans.

### **Cash flow**

During the three months of 2009, the Company generated 7.3 mln EUR of cash flows from operating activities, a decrease of 0.57 mln EUR compared to the corresponding period in 2008. Underlying operating profit continues to be the main driver for growth.

In the three months of 2009 net cash outflows from investing activities were 0.45 mln EUR, which is 2.1 mln EUR more than in 2008. This was mainly due to the change in constructions compensation mechanism as result of the 30 November 2007 agreement with the local municipality. In the 1<sup>st</sup> quarter of 2008 the Company received the compensation for 2007 constructions. In 2009 the Company invested 2.7 mln EUR – 2.1 mln EUR on networks (including 1.5 mln EUR on extension and developments), 0.32 mln EUR at Paljassaare wastewater treatment plant and sludge treatment, 0.04 mln EUR on water quality (Ülemiste water treatment plant and raw water) and 0.24 mln EUR for other investments (IT, capital maintenance, meters, etc).

There were no cash flows related to the financing activities in 1<sup>st</sup> quarters of 2009 and 2008.

As a result of all of the above factors, the total cash inflow in the three months of 2009 was 6.8 mln EUR compared to a cash inflow of 9.5 mln EUR in the three months of 2008. Cash and cash equivalents stood at 21.5 mln EUR as at 31 March 2009.

### **Employees**

At the end of the 1<sup>st</sup> quarter of 2009, the total number of employees was 331 compared to 315 at the end of the 1<sup>st</sup> quarter of 2008. The full time equivalent was respectively 316 in 2009 compared to the 303 in 2008.

## Dividends and share performance

Based on the results of the 2008 financial year, the Company intends to pay 14,700,318 EUR of dividends. Of this 639 EUR will be paid to the owner of the B-share and 14,699,679 EUR, i.e. 0.73 EUR per share to the owners of the A-shares. The Annual Meeting of the Shareholders will vote to approve the dividend payment on 19<sup>th</sup> May 2009.

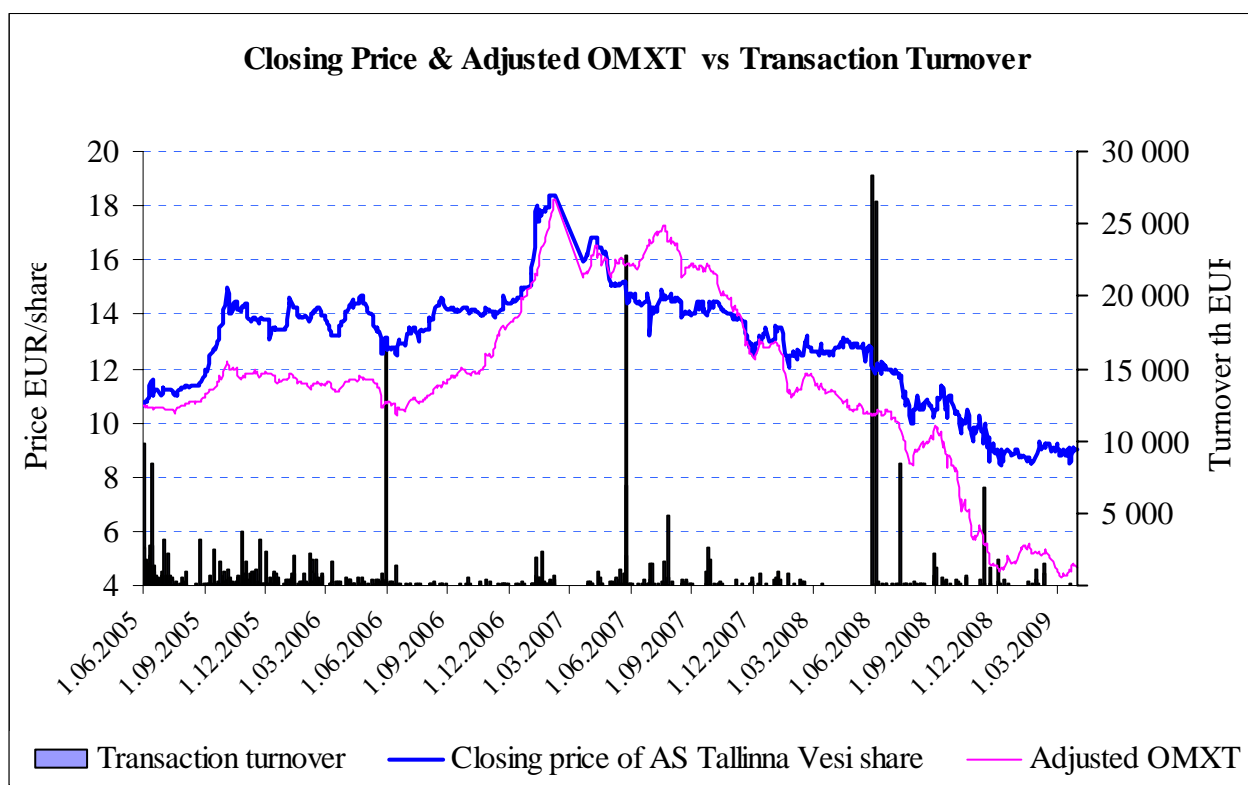
AS Tallinna Vesi is listed on OMX Main Baltic Market with trading code TVEAT and ISIN EE3100026436.

As of 31 March 2009 AS Tallinna Vesi shareholders, with a direct holding over 5%, were:

United Utilities (Tallinn) BV	35.3%
City of Tallinn	34.7%
Credit Suisse Securities (Europe) Ltd Prime Brokerage A/C Prime Brokerage Clients	5.76%
HSBC Bank Plc Re Parvus European Absolute Opportunities Master Fund	5.46%

Parvus AM has declared that their shareholding in the clients' accounts exceeds 10% and AKO Capital has declared their indirect ownership above 5% of the share capital.

At the end of the quarter, 31 March 2009, the closing price of the AS Tallinna Vesi share was 9.00 EUR (140.82 EEK), which is a 0.11% increase compared to the closing price of 8.99 EUR (140.66 EEK) at the beginning of quarter, this is still outperforming the market as the OMX Tallinn index dropped by 2.41% during the quarter.



## **Operational highlights in the three months of 2009**

- The Company finalised the loan negotiations and concluded a 20 mln EUR (equal to 313 mln EEK), 10-year maturity loan agreement with the Nordic Investment Bank on the 9<sup>th</sup> of April. The necessity for this additional loan resource was triggered by the extensive 3-year network expansion program, the costs of which will be compensated to the Company over a period of ten years.
- Due to fall in sales volumes it has been a challenging quarter for the Company. We are still pleased to report that the cost efficiency programs we have initiated and successful contract negotiations have enabled us to deliver the increase in profits.

### Additional information:

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**AS TALLINNA VESI**

Unaudited Interim Condensed Financial Statements  
for the 3 months period of financial year 2009 ended 31 March 2009

**MANAGEMENT CONFIRMATION**

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The Management Board of AS Tallinna Vesi (hereinafter the company) has prepared the interim accounts in the form of condensed financial statements for the 3 months period of financial year 2009 ended 31 March 2009. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 31 March 2009 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 that occurred during the first 3 months of the financial year and of their effect to the condensed financial statements. It includes the description of the main risks and unclear aspects that can, based on the sensible judgement of the Management Board, have an impact on the company during the remaining 9 months of the financial year.

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 30 April 2009 have been assessed as part of this review.

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



**Ian John Alexander Plenderleith**  
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

30 April 2009

**AS TALLINNA VESI**

Unaudited Interim Condensed Financial Statements

for the 3 months period of financial year 2009 ended 31 March 2009

**CONDENSED BALANCE SHEETS**

(thousand EUR)

ASSETS	Note	as of 31 March		as of 31 December
		2009	2008	2008
<b>CURRENT ASSETS</b>				
Cash and equivalents	2	21 536	20 908	14 691
Customer receivables, accrued income and prepaid expenses		8 411	7 181	7 199
Inventories		228	250	240
Non-current assets held for sale		72	71	73
<b>TOTAL CURRENT ASSETS</b>		<b>30 248</b>	<b>28 411</b>	<b>22 203</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	3	137 474	135 399	138 575
Intangible assets	3	2 653	3 119	2 776
<b>TOTAL NON-CURRENT ASSETS</b>		<b>140 127</b>	<b>138 518</b>	<b>141 350</b>
<b>TOTAL ASSETS</b>		<b>170 375</b>	<b>166 929</b>	<b>163 553</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Current portion of long-term borrowings		5 348	2 665	5 295
Trade and other payables		5 506	5 005	5 578
Short-term provisions		172	159	159
Prepayments and deferred income		1 498	2 553	1 265
<b>TOTAL CURRENT LIABILITIES</b>		<b>12 524</b>	<b>10 382</b>	<b>12 296</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings		69 627	71 932	69 321
Other payables		47	7	47
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>69 674</b>	<b>71 940</b>	<b>69 368</b>
<b>TOTAL LIABILITIES</b>		<b>82 197</b>	<b>82 321</b>	<b>81 665</b>
<b>EQUITY</b>				
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
Retained earnings		49 383	45 813	43 094
<b>TOTAL EQUITY</b>		<b>88 177</b>	<b>84 607</b>	<b>81 889</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>170 375</b>	<b>166 929</b>	<b>163 553</b>

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

**AS TALLINNA VESI**

Unaudited Interim Condensed Financial Statements

for the 3 months period of financial year 2009 ended 31 March 2009

**CONDENSED INCOME STATEMENTS**

(thousand EUR)

		for the 3 months period ended 31 March		for the year ended 31 December
	Note	2009	2008	2008
Revenue	4	12 320	11 561	46 011
Costs of goods sold	6	-4 262	-4 228	-17 432
<b>GROSS PROFIT</b>		<b>8 058</b>	<b>7 333</b>	<b>28 579</b>
Marketing expenses	6	-218	-216	-787
General administration expenses	6	-904	-928	-3 486
Other income/ expenses (-)	7	148	217	1 601
<b>OPERATING PROFIT</b>		<b>7 084</b>	<b>6 406</b>	<b>25 907</b>
Financial income	8	379	244	997
Financial expenses	8	-1 175	-930	-3 758
<b>PROFIT BEFORE TAXES</b>		<b>6 289</b>	<b>5 720</b>	<b>23 146</b>
Income tax on dividends	9	0	0	-4 231
<b>NET PROFIT FOR THE PERIOD</b>		<b>6 289</b>	<b>5 720</b>	<b>18 916</b>
Attributable to:				
Equity holders of A-shares		6 279	5 710	18 906
B-share holder		0,64	0,64	0,64
Earnings per A share (in euros)	10	0,31	0,29	0,95
Earnings per B share (in euros)	10	639	639	639

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**AS TALLINNA VESI**

Unaudited Interim Condensed Financial Statements

for the 3 months period of financial year 2009 ended 31 March 2009

**CONDENSED CASH FLOW STATEMENTS**

(thousand EUR)

	Note	for the 3 months period ended 31 March 2009	2008	for the year ended 31 December 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating profit		7 084	6 406	25 907
Adjustment for depreciation/amortisation	7	1 436	1 415	5 731
Adjustment for profit from government grants and connection fees		-221	-222	-1 784
Other finance expenses	8	-365	-26	-103
Profit from sale of property, plant and equipment, and intangible assets		-7	0	-29
Expensed property, plant and equipment		0	0	-1
Change in current assets involved in operating activities		-720	-360	1 456
Change in liabilities involved in operating activities		83	845	58
Interest paid		0	-206	-3 679
<b>Total cash flow from operating activities</b>		<b>7 290</b>	<b>7 852</b>	<b>27 555</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of property, plant and equipment, and intangible assets		-3 255	-4 621	-21 245
Compensations received for construction of pipelines		2 445	6 018	15 990
Proceeds from sale of property, plant and equipment, and intangible assets		7	0	31
Interest received		358	255	1 080
<b>Total cash flow used in investing activities</b>		<b>-445</b>	<b>1 653</b>	<b>-4 143</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Received long-term loans		0	0	2 700
Repayment of long-term loans		0	0	-2 679
Dividends paid	9	0	0	-15 915
Income tax on dividends	9	0	0	-4 231
<b>Total cash flow used in financing activities</b>		<b>0</b>	<b>0</b>	<b>-20 124</b>
<b>Change in cash and cash equivalents</b>		<b>6 845</b>	<b>9 505</b>	<b>3 288</b>
<b>CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>14 691</b>	<b>11 403</b>	<b>11 403</b>
<b>CASH AND EQUIVALENTS AT THE END OF THE PERIOD</b>	2	<b>21 536</b>	<b>20 908</b>	<b>14 691</b>

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

**AS TALLINNA VESI**

Unaudited Interim Condensed Financial Statements

for the 3 months period of financial year 2009 ended 31 March 2009

**CONDENSED STATEMENTS OF CHANGES IN EQUITY**

(thousand EUR)

	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
<b>as of 31 December 2007</b>	<b>12 782</b>	<b>24 734</b>	<b>1 278</b>	<b>40 093</b>	<b>78 887</b>
Dividends	0	0	0	-15 915	-15 915
Net profit of the financial year	0	0	0	18 916	18 916
<b>as of 31 December 2008</b>	<b>12 782</b>	<b>24 734</b>	<b>1 278</b>	<b>43 094</b>	<b>81 889</b>
<b>as of 31 December 2007</b>	<b>12 782</b>	<b>24 734</b>	<b>1 278</b>	<b>40 093</b>	<b>78 887</b>
Net profit of the financial year	0	0	0	5 720	5 720
<b>as of 31 March 2008</b>	<b>12 782</b>	<b>24 734</b>	<b>1 278</b>	<b>45 813</b>	<b>84 607</b>
<b>as of 31 December 2008</b>	<b>12 782</b>	<b>24 734</b>	<b>1 278</b>	<b>43 094</b>	<b>81 889</b>
Net profit of the financial year	0	0	0	6 289	6 289
<b>as of 31 March 2009</b>	<b>12 782</b>	<b>24 734</b>	<b>1 278</b>	<b>49 383</b>	<b>88 177</b>

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

## AS TALLINNA VESI

Unaudited Interim Condensed Financial Statements  
for the 3 months period of financial year 2009 ended 31 March 2009

### NOTES TO THE INTERIM FINANCIAL STATEMENT

(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

	as of 31 March		as of 31 December
	2009	2008	2008
Cash in hand and in bank	348	4 961	99
Short-term deposits	21 188	15 946	14 592
<b>Total cash and cash equivalents</b>	<b>21 536</b>	<b>20 908</b>	<b>14 691</b>

**AS TALLINNA VESI**

Unaudited Interim Condensed Financial Statements  
for the 3 months period of financial year 2009 ended 31 March 2009

**NOTES TO THE INTERIM FINANCIAL STATEMENT**

(thousand EUR)

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

	Property, plant and equipment				Assets in progress			Intangible assets			Total property, plant and equipment and intangible assets
	Land and buildings	Facilities	Machinery and equipment	Other equipment	Construction in progress	Construction in progress - unfinished pipelines*	Prepayment for fixed assets	Unfinished intangible assets	Development costs	Acquired licenses and other intangible assets	
<b>as of 31 December 2007</b>											
Acquisition cost	23 276	136 449	36 200	1 132	2 892	5 756	345	178	1 215	4 270	211 713
Accumulated depreciation	-4 052	-43 036	-21 859	-736	0	0	0	0	-830	-1 515	-72 027
<b>Book value</b>	<b>19 224</b>	<b>93 413</b>	<b>14 341</b>	<b>396</b>	<b>2 892</b>	<b>5 756</b>	<b>345</b>	<b>178</b>	<b>385</b>	<b>2 755</b>	<b>139 686</b>
<b>Transactions in the period 01.01.2008 - 31.12.2008</b>											
Acquisition in book value	0	0	0	0	7 256	12 121	0	197	0	0	19 573
Write off and sale of property, plant and equipment, and intangible assets in book value	18	1	-1	0	0	0	0	0	0	0	18
Compensated by government grants	0	0	0	0	0	-11 906	0	0	0	0	-11 906
Reclassification	251	6 416	2 026	73	-8 736	-93	-227	-200	375	-175	-290
Depreciation	-270	-2 430	-2 214	-78	0	0	0	0	-571	-169	-5 731
<b>Total transactions in the period 01.01.2008 - 31.12.2008</b>	<b>-1</b>	<b>3 986</b>	<b>-189</b>	<b>-4</b>	<b>-1 481</b>	<b>123</b>	<b>-227</b>	<b>-4</b>	<b>-195</b>	<b>-344</b>	<b>1 665</b>
<b>as of 31 December 2008</b>											
Acquisition cost	23 522	142 813	37 431	1 174	1 411	5 878	118	174	1 134	3 986	217 643
Accumulated depreciation	-4 299	-45 414	-23 279	-783	0	0	0	0	-944	-1 575	-76 293
<b>Book value</b>	<b>19 223</b>	<b>97 399</b>	<b>14 152</b>	<b>392</b>	<b>1 411</b>	<b>5 878</b>	<b>118</b>	<b>174</b>	<b>190</b>	<b>2 412</b>	<b>141 350</b>
<b>Transactions in the period 01.01.2009 - 31.03.2009</b>											
Acquisition in book value	0	0	0	0	1 134	1 487	0	41	0	0	2 662
Compensated by government grants	0	0	0	0	0	-2 445	0	0	0	0	-2 445
Reclassification	70	382	186	3	-641	-5	0	-126	98	28	-5
Depreciation	-67	-623	-564	-19	0	0	0	0	-35	-128	-1 436
<b>Total transactions in the period 01.01.2009 - 31.03.2009</b>	<b>3</b>	<b>-241</b>	<b>-378</b>	<b>-16</b>	<b>492</b>	<b>-962</b>	<b>0</b>	<b>-85</b>	<b>63</b>	<b>-100</b>	<b>-1 223</b>
<b>as of 31 March 2009</b>											
Acquisition cost	23 593	143 193	37 484	1 120	1 903	4 916	118	89	946	4 251	217 613
Accumulated depreciation	-4 366	-46 035	-23 709	-744	0	0	0	0	-506	-2 126	-77 486
<b>Book value</b>	<b>19 227</b>	<b>97 158</b>	<b>13 775</b>	<b>376</b>	<b>1 904</b>	<b>4 916</b>	<b>118</b>	<b>89</b>	<b>253</b>	<b>2 311</b>	<b>140 127</b>

Property, plant and equipment and intangible assets are written off if the conditions of the asset do not enable further usage for production purposes.  
As of 31 December 2008 and 31 March 2009 there were no contracts for financial lease.

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**NOTES TO THE INTERIM FINANCIAL STATEMENT**

(thousand EUR)

<b>NOTE 4. REVENUE</b>	<b>for the 3 months period ended 31 March</b>		<b>for the year ended 31 December</b>
	<b>2009</b>	<b>2008</b>	<b>2008</b>
<b>Revenues from main operating activities</b>			
Total water supply and waste water disposal service, incl:	11 313	10 768	42 073
<u>Private clients, incl:</u>	<u>6 189</u>	<u>5 676</u>	<u>22 167</u>
Water supply service	3 448	3 171	12 379
Waste water disposal service	2 741	2 505	9 788
<u>Corporate clients, incl:</u>	<u>4 475</u>	<u>4 471</u>	<u>17 335</u>
Water supply service	2 480	2 467	9 630
Waste water disposal service	1 994	2 003	7 705
<u>Outside service area clients, incl:</u>	<u>405</u>	<u>399</u>	<u>1 687</u>
Water supply service	39	32	138
Waste water disposal service	365	367	1 549
<u>Overpollution fee</u>	<u>244</u>	<u>222</u>	<u>884</u>
Stormwater treatment and disposal service	737	598	2 950
Fire hydrants service	43	38	172
Other works and services	226	157	816
<b>Total revenue</b>	<b>12 320</b>	<b>11 561</b>	<b>46 011</b>

100 % of AS Tallinna Vesi revenue was generated within the Estonian Republic.

<b>NOTE 5. STAFF COSTS</b>	<b>for the 3 months period ended 31 March</b>		<b>for the year ended 31 December</b>
	<b>2009</b>	<b>2008</b>	<b>2008</b>
Salaries and wages	-1 167	-1 132	-4 239
Social security and unemployment insurance taxation	-389	-377	-1 412
<b>Staff costs total</b>	<b>-1 556</b>	<b>-1 509</b>	<b>-5 651</b>
<b>Number of employees at the end of reporting period</b>	<b>331</b>	<b>315</b>	<b>327</b>



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**NOTES TO THE INTERIM FINANCIAL STATEMENT**

(thousand EUR)

**NOTE 6. COST OF GOODS SOLD, MARKETING AND GENERAL ADMINISTRATIONS EXPENSES**

	for the 3 months period ended 31 March		for the year ended 31 December
	2009	2008	2008
<b>Cost of goods sold</b>			
Tax on special use of water	-177	-173	-691
Chemicals	-237	-285	-1 460
Electricity	-521	-478	-1 902
Pollution tax	-211	-183	-1 087
Staff costs	-1 097	-1 058	-4 059
Development	-1	-1	-2
Depreciation and amortization	-1 311	-1 296	-5 246
Transport	-276	-297	-1 259
Other costs of goods sold	-430	-457	-1 727
<b>Total cost of goods sold</b>	<b>-4 262</b>	<b>-4 228</b>	<b>-17 432</b>
<b>Marketing expenses</b>			
Staff costs	-97	-99	-346
Depreciation and amortization	-83	-77	-324
Other marketing expenses	-38	-40	-117
<b>Total cost of marketing expenses</b>	<b>-218</b>	<b>-216</b>	<b>-787</b>
<b>General administration expenses</b>			
Staff costs	-362	-352	-1 246
Depreciation and amortization	-42	-42	-161
Other general administration expenses	-500	-534	-2 079
<b>Total cost of general administration expenses</b>	<b>-904</b>	<b>-928</b>	<b>-3 486</b>

**NOTE 7. OTHER INCOME / EXPENSES**

	for the 3 months period ended 31 March		for the year ended 31 December
	2009	2008	2008
Profit from connection fees	101	80	283
Profit from government grant	121	142	1 501
Other income / expenses (-)	-73	-5	-184
<b>Total other income / expenses</b>	<b>148</b>	<b>217</b>	<b>1 601</b>

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**NOTES TO THE INTERIM FINANCIAL STATEMENT**

(thousand EUR)

<b>NOTE 8. FINANCE INCOME AND EXPENSES</b>	<b>for the 3 months period ended 31 March</b>		<b>for the year ended 31 December</b>
	<b>2009</b>	<b>2008</b>	<b>2008</b>
Interest income	379	244	997
Interest expense	-809	-904	-3 655
Other financial expenses	-365	-26	-103
<b>Total finance income / expenses</b>	<b>-796</b>	<b>-686</b>	<b>-2 761</b>

<b>NOTE 9. DIVIDENDS</b>	<b>for the 3 months period ended 31 March</b>		<b>Year ended 31 December</b>
	<b>2009</b>	<b>2008</b>	<b>2008</b>
Dividends declared during the period	0	0	15 915
Dividends paid during the period	0	0	15 915
Income tax on dividends paid	0	0	-4 231
<b>Income tax accounted for</b>	<b>0</b>	<b>0</b>	<b>-4 231</b>
<i>Paid-up dividends per shares:</i>			
Dividends per A-share (in euros)	0	0	0,80
Dividends per B-share (in euros)	0	0	639

The income tax rates were 21/79 in 2009 and 2008.

**NOTE 10. EARNINGS PER SHARE**

	<b>for the 3 months period ended 31 March</b>		<b>for the year ended 31 December</b>
	<b>2009</b>	<b>2008</b>	<b>2008</b>
Earnings per share:			
Net profit for the period ended 31.12 minus B-share preference rights (in euros)	6 279	5 710	18 906
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
Earnings per A share (in euros)	0,31	0,29	0,95
Earnings per B share (in euros)	639	639	639

Diluted earnings per share for the periods ended 31 March 2009 and 2008 and 31 December 2008 do not vary significantly from the earnings per share figures stated above.

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**NOTES TO THE INTERIM FINANCIAL STATEMENT**

(thousand EUR)

**NOTE 11. RELATED PARTIES**

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

**Shareholders having the significant influence**

	as of 31 March		as of 31 December
	2009	2008	2008
<b>Balances recorded in working capital on the balance sheet of the Company</b>			
Accounts receivable	2 256	1 699	1 594
Prepayments and deferred income	245	0	0
Accounts payable - short-term trade and other payables	267	293	254
	for the 3 months period ended 31 March		for the year ended 31 December
	2009	2008	2008
<b>Transactions with the related parties</b>			
Sales services	780	636	3 122
Compensations received from the local governments for constructing new pipelines	2 501	1 562	10 182
Purchase of administrative and consulting services	331	357	1 316
<b>Management Board fees excluding social tax</b>	50	39	147
<b>Supervisory Board fees excluding social tax</b>	10	10	32

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

The market prices were implemented in transactions with related parties.

**Company shares belonging to the Management Board members**

As at report generation date Siiri Lahe owned 700 AS Tallinna Vesi shares.

## **AS TALLINNA VESI**

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### **NOTES TO THE INTERIM FINANCIAL STATEMENT**

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#### **NOTE 12. LIST OF SUPERVISORY BOARD MEMBERS**

Robert John Gallienne	Chairman of the Supervisory Board
Kevin Starling	Member of the Supervisory Board
Matti Hyrynen	Member of the Supervisory Board
Steven Richard Fraser	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 Boroditš	Member of the Supervisory Board