AS Tallinna Vesi

Results of operations – for the 1st half-year of 2009

Currency	Thousand euros
Start of reporting period	1 January 2009
End of reporting period	30 June 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 1st HALF-YEAR 2009

Overview

During the first six months of 2009 the Company's total sales increased, year on year, by 3.6% to 24.4 mln EUR. The Company's profit before taxes was 11.1 mln EUR, which is a 4.0% decrease compared to the same six months of 2008. The fall in profit was due to the payment of a one off financial cost that was necessary to secure the financing for the comprehensive network extension program during 2008 to 2010. The costs of the program will be compensated to the Company over 10 years. In 2009 the Company invested 5.5 mln EUR, of which 4.0 mln EUR was invested in network extension and rehabilitation.

mln EUR	**2 Q 2009**	**2 Q 2008**	**Change**	**6 months 2009**	**6 months 2008**	**Change**
Sales	12,1	11,7	3,6%	24,4	23,2	5,1%
Gross profit	7,7	7,3	6,0%	15,8	14,6	7,9%
Gross profit margin %	64,0	62,6	2,3%	64,7	63,0	2,7%
Operating profit	6,8	6,5	5,2%	13,9	12,9	7,9%
Operating profit margin %	56,6	55,8	1,6%	57,1	55,6	2,7%
Profit before taxes	4,8	5,8	-17,7%	11,1	11,5	-4,0%
Net profit	0,9	1,6	-45,2%	7,1	7,3	-1,9%
Net profit margin %	7,1	13,4	-47,1%	29,3	31,4	-6,6%
ROA %	0,5	1,0	-45,7%	4,5	4,6	-2,7%
Debt to total capital employed	53,6	55,7	-3,9%	53,6	55,7	-3,9%

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

2nd quarter 2009

Sales

In the 2nd quarter of 2009 the Company's total sales increased, year on year, by 3.6% to 12.1 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 11.1 mln EUR, a 4.5% increase compared to the 2nd 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 changes by sectors. Within the service area, sales to residential customers increased by 8.7% to 6.1 mln EUR. Sales to commercial customers decreased by 1.3% to 4.4 mln EUR. Sales to customers outside of the service area – primarily bulk volumes of wastewater treatment services provided to the surrounding municipalities – increased by 10.7% to 0.42 mln EUR. Over pollution fees received were 0.24 mln EUR, a 5.2% increase compared to the 2nd quarter of 2008.

In the 2nd quarter of 2009, the volumes sold to residential customers dropped 3.6%. 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 12.5% compared to the relevant period in 2008. The majority 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 decreased by 10.0% to 0.72 mln EUR in the 2nd quarter of 2009 compared to the same period in 2008 as result of low storm water volumes compared to 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 2nd quarter of 2009, a decrease of 0.01 mln EUR or 0.3% from the equivalent period in 2008.

In the 2nd quarter of 2009 the Company did not achieve the beneficial 0.5 coefficient for pollution tax, and the amount of pollution tax payable was 0.36 mln EUR compared to 0.33 mln EUR in 2nd 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. As the pollution level of the incoming sewerage has continued to increase the Company is actively analysing a range of alternatives to improve the waste water treatment processes and to use the optimum level of chemicals to achieve the 0.5 coefficient in the forthcoming quarters.

Chemical costs were 0.35 mln EUR, representing a 17.7% 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 0.10 mln EUR or 24.0% in the 2nd quarter of 2009 compared to the 2nd quarter of 2008 due to higher electricity prices.

Salary expenses decreased in the 2nd quarter of 2009, year on year, by 0.04 mln EUR or 3.5% due to some reduction in the performance related pay accrual.

Depreciation charges increased in the 2nd quarter of 2009 by 0.01 mln EUR or 0.2% year on year.

Transport costs decreased by 0.05 mln EUR, or 16.6% 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 stayed on the same level year on year. As a result of the successful negotiation of long term contracts the applicable unit rates were reduced for a number of support services and maintenance contracts.

As a result of all of the above the Company's gross profit for the 2nd quarter of 2009 was 7.7 mln EUR, which is an increase of 0.44 mln EUR, or 6.0%, compared to the gross profit of 7.3 mln EUR for the 2nd quarter of 2008.

Operating Costs and Operating Margin

Marketing expenses decreased by 0.03 mln EUR to 0.17 mln EUR during the 2nd 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 0.09 mln EUR to 0.82 mln EUR in the 2nd quarter of 2009 year on year.

Via successful negotiation of a range of outsourced service contracts new, beneficial rates have been achieved for the most of the cost items. The management's target is to achieve further efficiencies through a thorough review of processes and work organization.

Other net income/expenses

Income/expenses from constructions and government grants totaled a net income of 0.33 mln EUR, in the 2nd quarter of 2009 compared to a net income of 0.30 mln EUR in the 2nd quarter of 2008. The rest of the other income/expenses totaled an expense of 0.24 mln EUR in the 2nd quarter of 2009 compared to an income of 0.01 mln EUR in the 2nd quarter of 2008, mainly due to slightly worsened debt collection. Still more than 99% of debt is collected in a timely manner.

As a result of all of the above the Company's operating profit for the 2nd quarter of 2009 was 6.8 mln EUR, an increase of 0.34 mln EUR compared to an operating profit of 6.5 mln EUR achieved in the 2nd quarter of 2008. Compared to the operating profit in the 2nd quarter of 2008, the operating profit has increased 5.2%.

Financial expenses

Net Financial expenses were 2.1 mln EUR in the 2nd quarter of 2009, which is an increase of 1.4 mln EUR or 193.4% compared to the 2nd quarter of 2008. The Company's interest costs have decreased by 23.5% compared to the 2nd quarter of 2008 as result of the reduction in Euribor rates. The financial costs were higher than in 2008 due to a one off payment of unwinding costs of 1.7 mln EUR, as explained below. The increase in expenses is partially offset by an increase in financial income earned during the 2nd quarter of 2009, as a result of a more favourable cash position and higher deposit rates.

The Company finalised the loan negotiations and concluded a 20 mln EUR, 10-year maturity loan agreement with the Nordic Investment Bank on the 9th of April. The necessity for this additional loan resource was triggered by the comprehensive 3-year network expansion program, the costs of which will be compensated to the Company over a period of ten years. The new capex loan agreement triggered the full repayment of the EBRD loan in May 2009. The EBRD loan was hedged with a fixed interest rate, therefore we incurred unwinding costs of 1.7 mln EUR related to the early repayment of the loan and low Euribor rates.

All loan agreements are currently based on a floating interest rate. To mitigate the interest rate risk the Company concluded fixed interest rate swap agreements worth 45 mln EUR with forward start dates in the 2nd quarter of 2009. For a base amount of 30 mln EUR the forward start date activates on 29 November 2009 and for the balance of 15 mln EUR the forward start date activates on 28 May 2010.

The current total available loan facility is 95 mln EUR, from which we have drawn down 75 mln EUR. The current weighted average interest margin is 0.55%, for the total available facility the margin is 0.67%.

Profit Before Tax

The Company's profit before taxes for the 2nd quarter of 2009 was 4.8 mln EUR, which is 1.0 mln EUR lower than the profit before taxes of 5.8 mln EUR for the 2nd quarter of 2008.

The Company recorded 3.9 mln EUR income tax as the result of 14.7 mln EUR dividends distributed in the 2nd quarter of 2009.

Results for the 1st six months of 2009

During the first six months of 2009 the Company's total sales increased, year on year, by 5.1% to 24.4 mln EUR. Sales of water and wastewater treatment were 22.4 mln EUR, a 4.8% increase compared to the six months of 2008.

The Company's profit before taxes for the six months of 2009 was 11.1 mln EUR, which is 0.46 mln EUR lower than the profit before taxes of 11.5 mln EUR in the relevant period in 2008. Lower profit before taxes for the six months of 2009 compared to 2008 is due to the one-off impact of the financial costs discussed above, worth 1.7 mln EUR.

The Company's net profit for the six months of 2009 was 7.1 mln EUR, which is 0.13 mln EUR lower than the net profit of 7.3 mln EUR in the equivalent period in 2008.

Balance sheet

During the six months of 2009 the Company invested 5.5 mln EUR into fixed assets. Non-current assets were 139.1 mln EUR at 30 June 2009. Current assets decreased by 1.2 mln EUR to 21.1 mln EUR in the first six months of the year, customer receivables increased by 0.34 mln EUR. During the six months of 2009 cash at bank decreased by 1.4 mln EUR.

Current liabilities decreased by 1.6 mln EUR to 10.7 mln EUR in the first six months of the year. This was mainly due to decreases in the Current portion of long-term borrowings by 5.0 mln EUR, as a result of the repayment of the loan, an increase in Trade payables by 2.6 mln EUR, and an increase in Customer prepayments by 0.08 mln EUR.

The Company continues to maintain its leverage level within its target range of 50% with total liabilities to total capital employed of 53.6% as of 30 June 2009. Long-term liabilities stood at 75.1 mln EUR at the end of June 2009, consisting almost entirely of the outstanding balance of three long-term bank loans.

Cash flow

During the six months of 2009, the Company generated 12.4 mln EUR of cash flows from operating activities, a decrease of 2.5 mln EUR compared to the corresponding period in 2008. The reduction in operating cash flows was explained by the payment of the discussed one off financial costs, in addition the first quarter of 2008 was positively impacted by proceeds of some big services invoices issued at end of 2007. Underlying operating profit still continues to be the main driver for growth.

In the first six months of 2009 net cash inflows from investing activities were 0.85 mln EUR, which is 0.97 mln EUR less than in 2008. This was mainly due to the change in constructions compensation mechanism that resulted from the 30 November 2007 agreement signed with the local municipality. In the 1st quarter of 2008 the Company received compensation for 2007 constructions. In 2009 the Company invested 5.5 mln EUR – 4.0 mln EUR on networks (including 2.8 mln EUR on extension and developments), 0.50 mln EUR at Paljassaare wastewater treatment plant and sludge treatment, 0.19 mln EUR on water quality (Ülemiste water treatment plant and raw water) and 0.80 mln EUR for other investments (IT, capital maintenance, meters, etc).

The cash outflows from financing activities were 14.7 mln EUR during the first six months of 2009 compared to a cash outflow of 15.9 mln EUR during the same six months of 2008, representing the payouts of the dividend. The Company repaid and fully refinanced the loan of EBRD due to the need to finance the extensive network extension program and related investment outflows until 2011, as explained above.

As a result of all of the above factors, the total cash outflow in the six months of 2009 was 1.4 mln EUR compared to a cash inflow of 0.86 mln EUR in the six months of 2008. Cash and cash equivalents stood at 13.3 mln EUR as at 30 June 2009.

Employees

At the end of the 2nd quarter of 2009, the total number of employees was 332 compared to 314 at the end of the 2nd quarter of 2008. The full time equivalent (FTE) was respectively 315 in 2009 compared to the 303 in 2008. The increase in FTE is due to the design, project management and supervision needs of the network extension program and partly supplemented by the need for the employees to provide the extra services under the trademark “Veemees” launched in 2008.

Dividends and share performance

Based on the results of the 2008 financial year, the Company paid 14,700,318 EUR of dividends. Of this 639 EUR was 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 dividends were paid out on 12 June 2009, based on the list of shareholders, which was fixed on 01 June 2009.

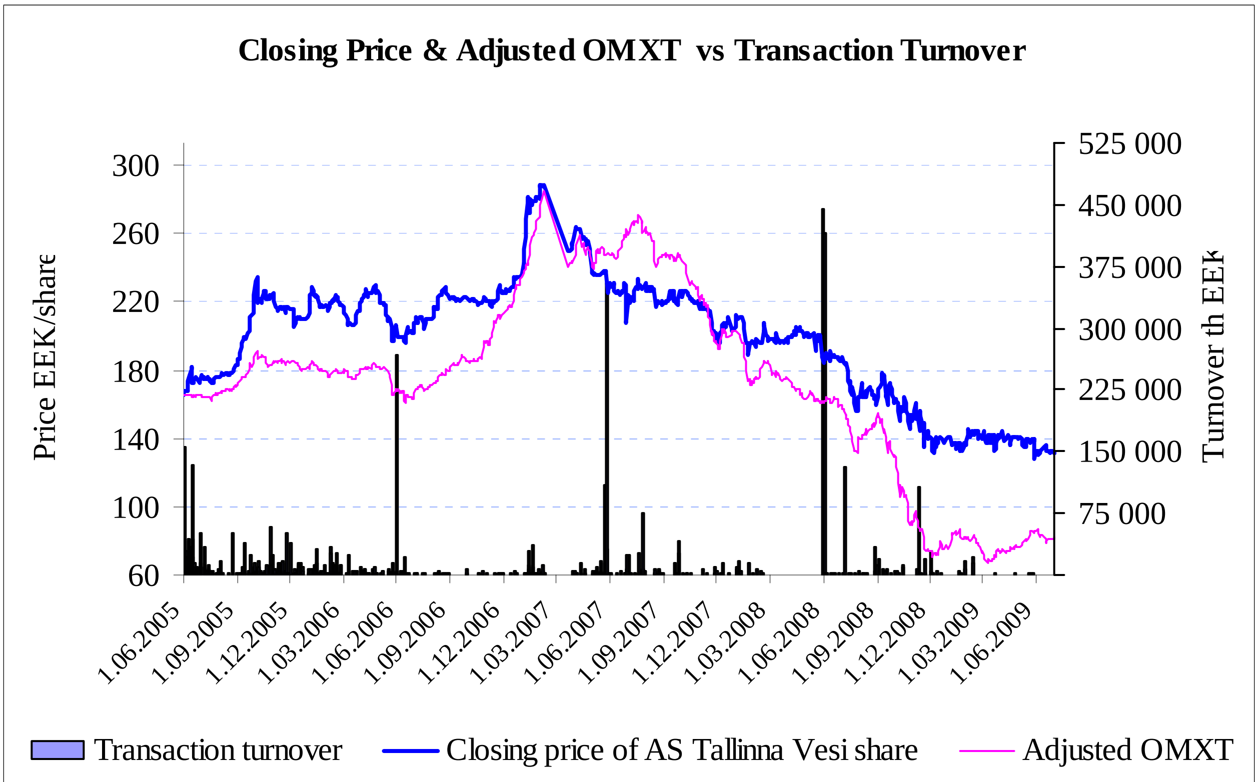
AS Tallinna Vesi is listed on OMX Main Baltic Market with trading code TVEAT and ISIN EE3100026436.

As of 30 June 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, 30 June 2009, the closing price of the AS Tallinna Vesi share was 8.40 EUR, which is a 6.7% decrease compared to the closing price of 9.00 EUR at the beginning of quarter. During the same period the OMX Tallinn index rose by 11.6% during the quarter.



Operational highlights in the six months of 2009

- The Company secured the long term loan facility in the 2nd quarter of 2009. The comprehensive negotiations with commercial banks and investment banks started a year ago and were finalised with the securities transfer agreements at the end of May 2009. We have increased the available loan facility from 75 mln EUR to 95 mln EUR. 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.
- By the end of the 2nd quarter the Company signed all needed appendixes to implement the 30-years Maardu's operating agreement from 1st July 2009, to provide water, wastewater and operations and maintenance. This will provide the citizens of Maardu with an access to Tallinna Vesi's EU compliant water and wastewater. This contract is the first of its kind and

demonstrates the willingness of other cities and municipalities to partner with Tallinna Vesi for the benefit of their communities.

- In June the IR Magazine UK and Continental Europe Awards named the Company the best listed company in the field of investor relations among the companies listed on the Tallinn Stock Exchange.
- The Company has shared the 1st and 2nd place within the Corporate Social Responsibility ranking of 49 Estonian companies achieving a magnificent 93% score. This is a great accolade for the high quality service offered, the knowledge sharing and experience of employees and excellent results in environmental and work environment performance.
- Due to fall in sales volumes it has been a challenging half-year 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 compensate the fall in revenues.

Additional information:
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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 1st half-year of financial year 2009 ended 30 June 2009. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the 1st half-year of financial year 2009 ended 30 June 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. 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 management report gives a true and fair view of the main events that occured during the first 6 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 6 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 16 July 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

16 July 2009

AS TALLINNA VESI
Unaudited Interim Condensed Financial Statements
for the 1st half-year of financial year 2009 ended 30 June 2009

CONDENSED STATEMENTS OF FINANCIAL POSITION

(thousand EUR)

			as of 30 June	as of 31 December
ASSETS	**Note**	**2009**	**2008**	**2008**
CURRENT ASSETS				
Cash and equivalents	2	13 253	12 264	14 691
Customer receivables, accrued income and prepaid expenses		7 535	7 799	7 199
Inventories		199	262	240
Non-current assets held for sale		68	71	73
TOTAL CURRENT ASSETS		**21 054**	**20 396**	**22 203**
NON-CURRENT ASSETS				
Property, plant and equipment	3	136 169	135 425	138 575
Intangible assets	3	2 884	2 864	2 776
TOTAL NON-CURRENT ASSETS		**139 054**	**138 289**	**141 350**
TOTAL ASSETS		**160 108**	**158 685**	**163 553**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Current portion of long-term borrowings		252	5 301	5 295
Trade and other payables		8 157	10 595	5 578
Short-term provisions		236	159	159
Prepayments and deferred income		2 048	3 058	1 265
TOTAL CURRENT LIABILITIES		**10 693**	**19 113**	**12 296**
NON-CURRENT LIABILITIES				
Borrowings		75 036	69 311	69 321
Other payables		47	8	47
TOTAL NON-CURRENT LIABILITIES		**75 083**	**69 318**	**69 368**
TOTAL LIABILITIES		**85 775**	**88 432**	**81 665**
EQUITY				
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		35 538	31 459	43 094
TOTAL EQUITY		**74 332**	**70 253**	**81 889**
TOTAL LIABILITIES AND EQUITY		**160 108**	**158 685**	**163 553**

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

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(thousand EUR)

		Quarter 2		6 months		for the year ended 31 December
	Note	**2009**	**2008**	**2009**	**2008**	**2008**
Revenue	4	12 077	11 654	24 396	23 215	46 011
Costs of goods sold	6	-4 346	-4 360	-8 608	-8 588	-17 432
GROSS PROFIT		**7 730**	**7 294**	**15 788**	**14 627**	**28 579**
Marketing expenses	6	-166	-196	-384	-411	-787
General administration expenses	6	-815	-907	-1 719	-1 836	-3 486
Other income/ expenses (-)	7	91	308	239	525	1 601
OPERATING PROFIT		**6 840**	**6 499**	**13 924**	**12 905**	**25 907**
Financial income	8	383	344	762	588	997
Financial expenses	8	-2 460	-1 052	-3 634	-1 982	-3 758
PROFIT BEFORE TAXES		**4 763**	**5 791**	**11 052**	**11 511**	**23 146**
Income tax on dividends	9	-3 908	-4 231	-3 908	-4 231	-4 231
NET PROFIT FOR THE PERIOD		**855**	**1 560**	**7 144**	**7 280**	**18 916**
Attributable to:						
Equity holders of A-shares		845	1 550	7 134	7 270	18 906
B-share holder		0,64	0,64	0,64	0,64	0,64
Earnings per A share (in euros)	10	0,04	0,08	0,36	0,36	0,95
Earnings per B share (in euros)	10	639	639	639	639	639

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

CONDENSED CASH FLOW STATEMENTS (thousand EUR)

	Note	6 months 2009	6 months 2008	for the year ended 31 December 2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		13 924	12 905	25 907
Adjustment for depreciation/amortisation	3	2 865	2 837	5 731
Adjustment for profit from government grants and connection fees		-555	-523	-1 784
Other finance expenses	8	-2 148	-51	-103
Profit from sale of property, plant and equipment, and intangible assets		-8	0	-29
Expensed property, plant and equipment		0	0	-1
Change in current assets involved in operating activities		-382	1 186	1 456
Change in liabilities involved in operating activities		447	419	58
Interest paid		-1 706	-1 807	-3 679
Total cash flow from operating activities		**12 437**	**14 965**	**27 555**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment, and intangible assets		-6 068	-7 576	-21 245
Compensations received for construction of pipelines		6 291	8 758	15 990
Proceeds from sale of property, plant and equipment, and intangible assets		8	1	31
Interest received		617	628	1 080
Total cash flow used in investing activities		**847**	**1 811**	**-4 143**
CASH FLOWS FROM FINANCING ACTIVITIES				
Received short-term loans		10 000	0	0
Repayment of short-term loans		-10 000	0	0
Received long-term loans		34 800	0	2 700
Repayment of long-term loans		-34 821	0	-2 679
Dividends paid	9	-14 700	-15 915	-15 915
Income tax on dividends	9	0	0	-4 231
Total cash flow used in financing activities		**-14 722**	**-15 915**	**-20 124**
Change in cash and cash equivalents		**-1 438**	**861**	**3 288**
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**14 691**	**11 403**	**11 403**
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	2	**13 253**	**12 264**	**14 691**

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

CONDENSED STATEMENTS OF FINANCIAL POSITION

(thousand EUR)

	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
as of 31 December 2007	**12 782**	**24 734**	**1 278**	**40 093**	**78 887**
Dividends	0	0	0	-15 915	-15 915
Net profit of the financial year	0	0	0	18 916	18 916
as of 31 December 2008	**12 782**	**24 734**	**1 278**	**43 094**	**81 889**
as of 31 December 2007	**12 782**	**24 734**	**1 278**	**40 093**	**78 887**
Dividends	0	0	0	-15 915	-15 915
Net profit of the financial period	0	0	0	7 280	7 280
as of 30 June 2008	**12 782**	**24 734**	**1 278**	**31 459**	**70 253**
as of 31 December 2008	**12 782**	**24 734**	**1 278**	**43 094**	**81 889**
Dividends	0	0	0	-14 700	-14 700
Net profit of the financial period	0	0	0	7 144	7 144
as of 30 June 2009	**12 782**	**24 734**	**1 278**	**35 538**	**74 332**

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

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.

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 30 June		as of 31 December
	2009	**2008**	**2008**
Cash in hand and in bank	279	204	99
Short-term deposits	12 974	12 060	14 592
Total cash and cash equivalents	**13 253**	**12 264**	**14 691**

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		
	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	Total property, plant and equipment and intangible assets
as of 31 December 2007											
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
Book value	**19 224**	**93 413**	**14 341**	**396**	**2 892**	**5 756**	**345**	**178**	**385**	**2 755**	**139 686**
Transactions in the period 01.01.2008 - 31.12.2008											
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
Total transactions in the period 01.01.2008 - 31.12.2008	**-1**	**3 986**	**-189**	**-4**	**-1 481**	**123**	**-227**	**-4**	**-195**	**-344**	**1 665**
as of 31 December 2008											
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
Book value	**19 223**	**97 399**	**14 152**	**392**	**1 411**	**5 878**	**118**	**174**	**190**	**2 412**	**141 350**
Transactions in the period 01.01.2009 - 30.06.2009											
Acquisition in book value	0	0	0	0	2 221	2 804	0	441	0	0	5 466
Compensated by government grants	0	0	0	0	0	-4 869	0	0	0	0	-4 869
Reclassification	191	617	639	5	-1 454	-5	-22	-511	98	413	-28
Depreciation	-134	-1 243	-1 118	-38	0	0	0	0	-70	-262	-2 865
Total transactions in the period 01.01.2009 - 30.06.2009	**57**	**-625**	**-479**	**-33**	**767**	**-2 070**	**-22**	**-70**	**28**	**151**	**-2 297**
as of 30 June 2009											
Acquisition cost	23 713	143 426	37 904	1 122	2 178	3 808	96	104	946	4 636	217 933
Accumulated depreciation	-4 433	-46 652	-24 230	-763	0	0	0	0	-542	-2 260	-78 880
Book value	**19 280**	**96 774**	**13 673**	**359**	**2 178**	**3 808**	**96**	**104**	**218**	**2 562**	**139 054**

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 there were no contracts for financial lease.
For the period ended 30 June the net balance sheet value of finance leases was 906 thousand euros for 2009.

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EUR)

NOTE 4. REVENUE	**Quarter 2**		**6 months**		**for the year ended 31 December**
	2009	**2008**	**2009**	**2008**	**2008**
Revenues from main operating activities					
Total water supply and waste water disposal service, incl:	11 122	10 645	22 435	21 413	42 073
Private clients, incl:	6 056	5 572	12 245	11 248	22 167
Water supply service	3 377	3 110	6 825	6 281	12 379
Waste water disposal service	2 679	2 462	5 420	4 967	9 788
Corporate clients, incl:	4 405	4 465	8 880	8 936	17 335
Water supply service	2 486	2 505	4 966	4 973	9 630
Waste water disposal service	1 919	1 960	3 913	3 963	7 705
Outside service area clients, incl:	420	379	825	778	1 687
Water supply service	43	33	82	64	138
Waste water disposal service	377	347	743	714	1 549
Overpollution fee	241	229	485	451	884
Stormwater treatment and disposal service	674	758	1 411	1 356	2 950
Fire hydrants service	43	38	86	76	172
Other works and services	238	213	465	369	816
Total revenue	**12 077**	**11 654**	**24 396**	**23 215**	**46 011**

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

NOTE 5. STAFF COSTS	**Quarter 2**		**6 months**		**for the year ended 31 December**
	2009	**2008**	**2009**	**2008**	**2008**
Salaries and wages	-1 007	-1 054	-2 174	-2 185	-4 239
Social security and unemployment insurance taxation	-336	-351	-724	-728	-1 412
Staff costs total	**-1 343**	**-1 405**	**-2 898**	**-2 913**	**-5 651**
Number of employees at the end of reporting period			**332**	**314**	**327**

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EUR)

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

	Quarter 2		6 months		for the year ended 31 December
	2009	**2008**	**2009**	**2008**	**2008**
Cost of goods sold					
Tax on special use of water	-179	-174	-356	-347	-691
Chemicals	-345	-419	-582	-704	-1 460
Electricity	-505	-408	-1 027	-885	-1 902
Pollution tax	-366	-327	-578	-510	-1 087
Staff costs	-982	-1 018	-2 079	-2 076	-4 059
Development	0	0	-1	-2	-2
Depreciation and amortization	-1 302	-1 299	-2 612	-2 595	-5 246
Transport	-262	-314	-537	-610	-1 259
Other costs of goods sold	-405	-403	-835	-859	-1 727
Total cost of goods sold	**-4 346**	**-4 360**	**-8 608**	**-8 588**	**-17 432**
Marketing expenses					
Staff costs	-63	-89	-159	-188	-346
Depreciation and amortization	-83	-82	-166	-159	-324
Other marketing expenses	-20	-25	-59	-64	-117
Total cost of marketing expenses	**-166**	**-196**	**-384**	**-411**	**-787**
General administration expenses					
Staff costs	-298	-298	-660	-649	-1 246
Depreciation and amortization	-44	-41	-87	-83	-161
Other general administration expenses	-473	-569	-973	-1 103	-2 079
Total cost of general administration expenses	**-815**	**-907**	**-1 719**	**-1 836**	**-3 486**

NOTE 7. OTHER INCOME / EXPENSES

	Quarter 2		6 months		for the year ended 31 December
	2009	**2008**	**2009**	**2008**	**2008**
Profit from connection fees	24	46	124	125	283
Profit from government grant	310	256	431	398	1 501
Other income / expenses (-)	-242	7	-315	2	-184
Total other income / expenses	**91**	**308**	**239**	**525**	**1 601**

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EUR)

NOTE 8. FINANCE INCOME AND EXPENSES	**Quarter 2**		**6 months**		**for the year ended 31 December**
	2009	**2008**	**2009**	**2008**	**2008**
Interest income	383	344	762	588	997
Interest expense	-677	-1 027	-1 486	-1 931	-3 655
Other financial expenses	-1 783	-25	-2 148	-51	-103
Total finane income / expenses	**-2 077**	**-708**	**-2 873**	**-1 394**	**-2 761**

NOTE 9. DIVIDENDS	**Quarter 2**		**6 months**		**Year ended 31 December**
	2009	**2008**	**2009**	**2008**	**2008**
Dividends declared during the period	14 700	15 915	14 700	15 915	15 915
Dividends paid during the period	14 700	15 915	14 700	15 915	15 915
Income tax on dividends paid	-3 908	-4 231	-3 908	-4 231	-4 231
Income tax accounted for	**-3 908**	**-4 231**	**-3 908**	**-4 231**	**-4 231**
Paid-up dividends per shares:					
Dividends per A-share (in euros)	0,73	0,80	0,73	0,80	0,80
Dividends per B-share (in euros)	639	639	639	639	639

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

NOTE 10. EARNINGS PER SHARE

	Quarter 2		**6 months**		**for the year ended 31 December**
	2009	**2008**	**2009**	**2008**	**2008**
Earnings per share:					
Net profit for the period ended 31.12 minus B-share preference rights (in euros)	845	1 550	7 134	7 270	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	20 000 000	20 000 000
Earnings per A share (in euros)	0,04	0,08	0,36	0,36	0,95
Earnings per B share (in euros)	639	639	639	639	639

Diluted earnings per share for the periods ended 30 June 2009 and 2008 and 31 December 2008 do not vary significantly from the earnings per share figures stated above.

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

Balances recorded in working capital on the balance sheet of the Company	**as of 30 June 2009**	**as of 30 June 2008**	**as of 31 December 2008**
Accounts receivable	1 598	1 374	1 594
Accrued income	0	849	0
Prepayments and deferred income	415	0	0
Accounts payable - short-term trade and other payables	382	546	254

	Quarter 2		**6 months**		**for the year ended 31 December**
	2009	**2008**	**2009**	**2008**	**2008**
Transactions with the related parties					
Sales services	717	796	1 497	1 432	3 122
Compensations received from the local governments for constructing new pipelines	2 605	2 874	5 106	4 436	10 182
Purchase of administrative and consulting services	254	327	584	684	1 316
Management Board fees excluding social tax	41	33	82	72	147
Supervisory Board fees excluding social tax	10	10	19	19	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.

NOTE 12. LIST OF SUPERVISORY BOARD MEMBERS

Robert John Gallienne	Chairman of the Supervisory Board
Leslie Anthony Bell	Member of the Supervisory Board
Matti Hyyrynen	Member of the Supervisory Board
Andrew James Prescott	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