AS Tallinna Vesi

Results of operations – for the 4th quarter of 2009

Currency	Thousand kroons
Start of reporting period	1 January 2009
End of reporting period	31 December 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 4th QUARTER 2009

Overview

During the twelve months of 2009 the Company's total sales increased, year on year, by 7.3% to 772.4 mln EEK. The Company's underlying operating profit for twelve months of 2009, from water and wastewater related activities, increased by 9.8% to 414.4 mln EEK compared to the twelve months of 2008. Profits from other activities (mainly construction and developments) increased by 70.2% to 47.5 mln EEK compared to the twelve months of 2008. The Company's profit before taxes was 401.1 mln EEK, which is a 10.7% increase compared to the same twelve months of 2008. In 2009 the Company invested 251.6 mln EEK.

mln EEK	**4 Q 2009**	**4 Q 2008**	**Change**	**12 months 2009**	**12 months 2008**	**Change**
Sales	201,8	182,7	10,4%	772,4	719,9	7,3%
Gross profit	122,4	108,7	12,6%	488,4	447,2	9,2%
Gross profit margin %	60,7	59,5	1,9%	63,2	62,1	1,8%
Operating profit	134,2	104,0	29,1%	461,9	405,4	14,0%
Operating profit - main business	101,0	89,8	12,4%	414,4	377,4	9,8%
Operating profit margin %	66,5	56,9	16,9%	59,8	56,3	6,2%
Profit before taxes	125,5	92,8	35,2%	401,1	362,2	10,7%
Net profit	125,5	92,8	35,2%	339,9	296,0	14,9%
Net profit margin %	62,2	50,8	22,5%	44,0	41,1	7,0%
ROA %	4,7	3,6	29,0%	12,7	11,6	9,6%
Debt to total capital employed	48,1	49,9	-3,6%	48,1	49,9	-3,6%

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
Main business – water and wastewater activities, excl. connections profit and government grants

Profit and Loss Statement

4th quarter 2009

Sales

In the 4th quarter of 2009 the Company's total sales increased, year on year, by 10.4% to 201.8 mln EEK. 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. Starting from 1 July 2009 the sales to the outside service area includes sales from a 30 year O&M contract signed with the city of Maardu.

Sales of water and wastewater services were 182.3 mln EEK, an 11.2% increase compared to the 4th 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 10.6% to 96.3 mln EEK. Sales to commercial customers increased by 3.2% to 68.5 mln EEK. Sales to customers outside of the service area increased by 110.3% to 14.5 mln EEK, mainly due to the implementation of the Maardu's operating contract. Over pollution fees received were 3.0 mln EEK, a 15.8% decrease compared to the 4th quarter of 2008.

In the 4th quarter of 2009, the volumes sold to residential customers dropped 1.9%. 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 8.5% 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 increased by 1.1% to 15.3 mln EEK in the 4th 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 79.4 mln EEK in the 4th quarter of 2009, an increase of 5.4 mln EEK or 7.3% from the equivalent period in 2008.

In the 4th quarter of 2009 the Company achieved the beneficial 0.5 coefficient for pollution tax, and the amount of pollution tax payable was 3.2 mln EEK compared to 7.0 mln EEK in 4th quarter of 2008. In the 4th quarter of 2008 we did not achieved the 0.5 coefficient. Pollution tax payable is also impacted by 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 sewage has continued to increase the Company has analyzed 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. In the 3rd quarter of 2009 an investment into an additional stage of waste water treatment was approved, which will enable the increasing pollution load to be treated to the levels required to achieve these standards.

Chemical costs were 5.2 mln EEK, representing a 0.2% decrease compared to the corresponding period in 2008. This result is the combination of volumes treated, chemicals dosed and the particularly favorable price impact.

Electricity costs increased by 1.1 mln EEK or 13.9% in the 4th quarter of 2009 compared to the 4th quarter of 2008 due to higher electricity prices.

Salary expenses increased in the 4th quarter of 2009, year on year, by 5.2 mln EEK or 30.0% mainly due to the take over of 23 employees from Maardu Vesi.

Depreciation charges decreased in the 4th quarter of 2009 by 1.8 mln EEK or 6.0% year on year.

Transport costs decreased by 0.5 mln EEK, or 9.1% year on year, due to the combination of the reduction in fuel prices and reduced rates for rented machines.

Other cost of goods sold in the main operating activity increased 4.4 mln EEK, or 60.4% year on year, due to the costs of operating in Maardu.

As a result of all of the above the Company's gross profit for the 4th quarter of 2009 was 122.4 mln EEK, which is an increase of 13.7 mln EEK, or 12.6%, compared to the gross profit of 108.7 mln EEK for the 4th quarter of 2008.

Operating Costs and Operating Margin

Marketing expenses decreased by 0.3 mln EEK to 2.8 mln EEK during the 4th quarter of 2009 compared to the corresponding period in 2008. This is mainly the result of the efficiency program, which via the implementation of a new structure, reallocated part of the costs to the cost of goods sold and general administration expenses in 2009.

In the 4th quarter of 2009 the General administration expenses increased by 0.6 mln EEK to 14.5 mln EEK year on year.

Via successful negotiation of a range of outsourced service contracts new, beneficial rates have been achieved for 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

The majority of the income in Other net income/expenses relates to constructions and government grants. This driver for this income stream is the connections activity in Tallinn. Income/expenses from constructions and government grants totaled a net income of 33.3 mln EEK, in the 4th quarter of 2009 compared to a net income of 14.2 mln EEK in the 4th quarter of 2008. This was primarily due to the significant increase in the number of connections finalized.

The rest of the other income/expenses totaled an expense of 4.1 mln EEK in the 4th quarter of 2009 compared to an expense of 1.9 mln EEK in the 4th quarter of 2008, from a combination of slightly worsened debt collection balanced by received penalties in 2009. It should be noted however that, more than 99% of debt is collected in a timely manner.

As a result the Company's underlying operating profit from sales of water and wastewater for the 4th quarter of 2009 totaled 101.0 mln EEK compared to 89.8 mln EEK in the corresponding quarter in 2008. As a result of all of the above the Company's operating profit for main and other activities for the 4th quarter of 2009 was 134.2 mln EEK, an increase of 30.2 mln EEK compared to an operating profit of 104.0 mln EEK achieved in the 4th quarter of 2008. Year on year the operating profit has increased 29.1%.

Financial expenses

Net Financial expenses were 8.7 mln EEK in the 4th quarter of 2009, which is a decrease of 2.5 mln EEK or 22.0% compared to the 4th quarter of 2008. The Company's interest costs have decreased by 60.7% compared to the 4th quarter of 2008 as a result of the reduction in Euribor rates and the replacement of the loan with a fixed interest rate (4.19% + risk margin), by loans with floating interest rates. The Company decided to mitigate the long term floating interest risk and in May 2009 concluded 3 interest swap agreements, each with a principal value of 15 mln EUR. All contracts have forward start dates, for a base amount of 30 mln EUR, the forward start date begins on 28 November 2009, and for a base amount of 15 mln EUR the forward start date begins on 28 May 2010. At this point in time the estimated fair value of these swap contracts is negative, therefore the provisions related to the Swap fair value partly offset the interest costs savings and the increase in financial income earned during the 4th quarter of 2009.

Profit Before Tax

The Company's profit before taxes for the 4th quarter of 2009 was 125.5 mln EEK, which is 32.7 mln EEK higher than the profit before taxes of 92.8 mln EEK for the 4th quarter of 2008.

Results for the twelve months of 2009

During the twelve months of 2009 the Company's total sales increased, year on year, by 7.3% to 772.4 mln EEK. Sales of water and wastewater treatment were 707.4 mln EEK, a 7.5% increase compared to the twelve months of 2008.

The underlying operating profit from the Company's main business activity, sales of water and wastewater, for the twelve months of 2009 increased by 9.8% to 414.4 mln EEK compared to the twelve months of 2008.

The Company's profit before taxes for the twelve months of 2009 was 401.1 mln EEK, which is 38.9 mln EEK higher than the profit before taxes of 362.2 mln EEK in the relevant period in 2008.

The Company's net profit for the twelve months of 2009 was 339.9 mln EEK, which is 44.0 mln EEK higher than the net profit of 296.0 mln EEK in the equivalent period in 2008.

Balance sheet

During the twelve months of 2009 the Company invested 251.6 mln EEK into fixed assets. Non-current assets were 2,193.3 mln EEK at 31 December 2009. Current assets increased by 141.4 mln EEK to 488.8 mln EEK in the twelve months of the year, with customer receivables increasing by 78.7 mln EEK and cash at bank increasing by 62.6 mln EEK.

Current liabilities decreased by 77.6 mln EEK to 114.8 mln EEK in the twelve months of the year. This was mainly due to decreases in the Current portion of long-term borrowings by 81.2 mln EEK, as a result of the repayment and replacement of the EBRD loan in May 2009, a 10.6 mln EEK increase in Trade payables, and a decrease in Customer prepayments of 8.1 mln EEK.

The Company continues to maintain its leverage level within its target range of 50% with total liabilities to total capital employed of 48.1% as of 31 December 2009. Long-term liabilities stood at 1,176.1 mln EEK at the end of December 2009, consisting almost entirely of the outstanding balance of three long-term bank loans. 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%.

Cash flow

During the twelve months of 2009, the Company generated 410.8 mln EEK of cash flows from operating activities, a decrease of 20.4 mln EEK compared to the corresponding period in 2008. The reduction in operating cash flows is due to the payment of the one off financial costs of 27 mln EEK related to the repayment of the EBRD loan as discussed in the 2nd quarter report. 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 operating cash flows.

In the twelve months of 2009 net cash outflows from investing activities were 54.4 mln EEK, which is 10.4 mln EEK less than in 2008. This is mainly due to the lower construction prices. In 2009 the Company invested 251.6 mln EEK – 208.7 mln EEK on networks (including 144.1 mln EEK on extension and developments), 17.4 mln EEK at Paljassaare wastewater treatment plant and sludge treatment, 6.4 mln EEK on water quality (Ülemiste water treatment plant and raw water), 18.6 mln EEK for other investments (IT, capital maintenance, meters, etc) and 0.5 mln EEK outside the Services area in the municipality of Maardu.

The cash outflows from financing activities were 293.8 mln EEK during the twelve months of 2009 compared to a cash outflow of 314.9 mln EEK during the same twelve months of 2008, representing the payouts of the dividend and associated taxes. The Company repaid and fully refinanced the loan from the EBRD in May 2009 due to the need to finance and construct the extensive network extension program and related investment outflows by 2011.

As a result of all of the above factors, the total cash inflow in the twelve months of 2009 was 62.6 mln EEK compared to a cash inflow of 51.4 mln EEK in the twelve months of 2008. Cash and cash equivalents stood at 292.5 mln EEK as at 31 December 2009.

Employees

At the end of the 4th quarter of 2009, the total number of employees was 336 compared to 326 at the end of the 4th quarter of 2008. The full time equivalent (FTE) was respectively 322 in 2009 compared to the 317 in 2008. The increase in FTE is primarily due to taking on staff from Maardu Vesi when Company commenced operations in July.

Dividends and share performance

Based on the results of the 2008 financial year, the Company paid 230,010,000 EEK of dividends. Of this 10,000 EEK was paid to the owner of the B-share and 230,000,000 EEK, i.e. 11.50 EEK 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.

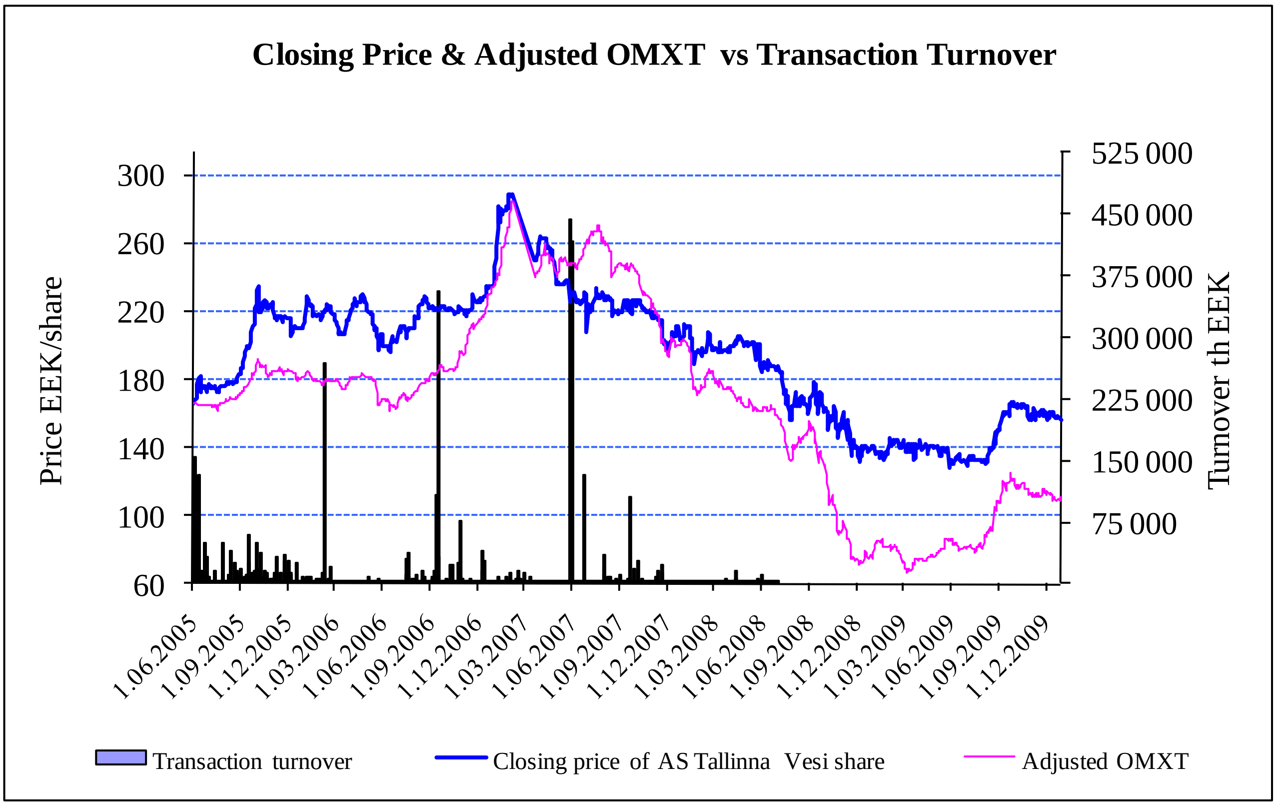
AS Tallinna Vesi is listed on OMX Main Baltic Market with trading code TVEAT and ISIN EE3100026436.

As of 31 December 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	5.67%

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 December 2009, the closing price of the AS Tallinna Vesi share was 156.47 EEK (10.00 EUR), which is a 4.76% decrease compared to the closing price of 164.29 EEK (10.50 EUR) at the beginning of quarter. During the same period the OMX Tallinn index dropped by 9.2%.



Operational highlights in the twelve months of 2009

AS Tallinna Vesi's operating indicators were very good in 2009 and the company has consistently exceeded the product and service quality standards it committed to in 2001. The company achieved its all time highest water quality compliance level and witnessed improvements across the full range of performance indicators.

99.3 per cent of water samples taken from the taps of the customers of AS Tallinna Vesi were compliant with the requirements, demonstrating an increase of 1.3 per cent over 2008.

The quality of drinking water provided to Tallinners is nearly on the same level as in Western Europe. Although there is no comparative quality data available for other cities in Estonia, the Company is convinced that the water quality in Tallinn is the best in the Baltics.

The number of unplanned interruptions is reducing and the duration of these is also reducing, the water supply to the Company's customers is more stable and AS Tallinna Vesi resolves any interruptions faster ensuring any interruptions are minimized.
The number of unplanned interruptions in 2009 decreased by four per cent compared to 2008, while the number of properties affected by these interruptions decreased by 17 per cent. The total length of interruptions decreased from over 40.000 hours to less than 30.000 hours.
Our customers expect to have access to high quality drinking water at the right pressure and waste water removal 24 hours a day and 365 days a year. The number of customer contacts and complaints regarding water pressure decreased significantly in 2009 compared to 2008, respectively to 1223 from 1568 and to 10 from 21.

The way the Company manages its network and monitors its performance together with the speed of response to leakages and bursts have helped AS Tallinna Vesi to keep the leakage levels low and decrease it further over the last 3 years. In 2001 the leakage rate was over 32 per cent and because of the Company's efforts the resource is being managed now in a much more sustainable manner with far less waste.
The level of water leakages has decreased to 16,6 per cent, this means a save of 40 swimming pools of clean drinking water per day compared to 2008. Altogether 24 kilometers of water pipes and 6.4 kilometers of sewerage pipes were reconstructed last year.
The customers are experiencing less issues with blocked pipes and drains and the potential flooding and pollution problems that they can cause. This reduction is due to the targeted jet washing of sewers that AS Tallinna Vesi undertakes and the improvements that have been made to the sewer network over the years. The increased level of remote monitoring allows the Company to react faster to any events and prevent them developing into problems. The number of sewer collapses has remained the same over the period and demonstrates that the sewer pipes are in a stable condition.
The wastewater treatment plant at Paljassaare is each year removing more and more pollution load in order to meet the environmental requirements and ensure the future health of the Baltic Sea and Tallinn Bay for all to enjoy. To keep delivering the outputs the company has recognized that in the near future an additional treatment stage is required to help remove these increasing amounts of pollution. Design for this additional treatment stage is complete and construction will start soon.
Sludge is produced as a byproduct of wastewater treatment and the business converts this to soil conditioner that is then used for landscaping. All the sludge produced is recycled and no sludge in the last 3 years has been taken to landfill.
Based on these indicators it is clear that that AS Tallinna Vesi's impact on surrounding environment has improved significantly during past years and this will continue to be a top priority for the Company in coming years as well.

Not all customers in Tallinn are connected to the public water and wastewater supply system. In 2008 to 2010 the company is constructing over 150 km of new pipes that will provide over 3000 connection opportunities to our customers. Enabling more to connect to the network to have their wastewater taken away in a more sustainable manner and reduce local pollution problems.
The Company laid 4.6 kilometers of new water pipes in 2009 instead of the planned 3.3 kilometers and 43 kilometers of new sewerage pipes instead of the planned 39 kilometers. Additionally 5.9 kilometers of sewerage pipes planned for 2010 were laid as well. Over 2500 properties and 9000 people now have access to modern and environmentally sustainable public sewerage networks.

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 12 months period of financial year 2009 ended 31 December 2009. The interim accounts have not been reviewed by the auditors.

The condensed financial statementsfor the financial year ended 31 December 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 12 months of the financial year and of their effect to the condensed financial statements. It includes the description of the main risks and unclear aspects that can, based on the sensible judgement of the Management Board, have an impact on the company.

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

All material subsequent events that occurred by the interim accounts preparation date of 28 January 2010 have been assessed as part of this review.

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

I.J.A. Plenderleith

Ian John Alexander Plenderleith
Chairman of the Management Board
Chief Executive Officer

Stephen Howard

Stephen Benjamin Howard
Member of the Management Board
Chief Financial Officer

David Nigel Hetherington
Member of the Management Board
Chief Operating Officer

Siiri Lahe
Member of the Management Board

28 January 2010

CONDENSED STATEMENTS OF FINANCIAL POSITION

(thousand EEK)

		as of 31 December	
ASSETS	**Note**	**2009**	**2008**
CURRENT ASSETS			
Cash and equivalents	2	292 474	229 860
Customer receivables, accrued income and prepaid expenses		191 317	112 638
Inventories		3 819	3 760
Non-current assets held for sale		1 209	1 140
TOTAL CURRENT ASSETS		**488 819**	**347 398**
NON-CURRENT ASSETS			
Property, plant and equipment	3	2 152 952	2 168 225
Intangible assets	3	40 319	43 428
TOTAL NON-CURRENT ASSETS		**2 193 271**	**2 211 653**
TOTAL ASSETS		**2 682 090**	**2 559 051**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current portion of long-term borrowings		1 658	82 843
Trade and other payables		97 866	87 270
Short-term provisions		3 570	2 486
Prepayments and deferred income		11 687	19 797
TOTAL CURRENT LIABILITIES		**114 781**	**192 396**
NON-CURRENT LIABILITIES			
Borrowings		1 174 312	1 084 642
Other payables		1 795	735
TOTAL NON-CURRENT LIABILITIES		**1 176 107**	**1 085 377**
TOTAL LIABILITIES		**1 290 888**	**1 277 773**
EQUITY			
Share capital		200 001	200 001
Share premium		387 000	387 000
Statutory legal reserve		20 000	20 000
Retained earnings		784 201	674 277
TOTAL EQUITY		**1 391 202**	**1 281 278**
TOTAL LIABILITIES AND EQUITY		**2 682 090**	**2 559 051**

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

AS TALLINNA VESI
Unaudited Interim Condensed Financial Statements
for the 12 months period of financial year 2009 ended 31 December 2009

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(thousand EEK)

		Quarter 4		for the year ended 31 December	
	Note	**2009**	**2008**	**2009**	**2008**
Revenue	4	201 769	182 717	772 446	719 923
Costs of goods sold	6	-79 367	-73 984	-284 064	-272 752
GROSS PROFIT		**122 402**	**108 733**	**488 382**	**447 171**
Marketing expenses	6	-2 783	-3 079	-11 213	-12 310
General administration expenses	6	-14 520	-13 949	-53 493	-54 546
Other income/ expenses (-)	7	29 146	12 304	38 264	25 045
OPERATING PROFIT		**134 245**	**104 009**	**461 940**	**405 360**
Financial income	8	9 079	3 350	25 267	15 606
Financial expenses	8	-17 788	-14 520	-86 131	-58 805
PROFIT BEFORE TAXES		**125 536**	**92 839**	**401 076**	**362 161**
Income tax on dividends	9	0	0	-61 142	-66 193
NET PROFIT FOR THE PERIOD		**125 536**	**92 839**	**339 934**	**295 968**
Attributable to:					
Equity holders of A-shares		125 526	92 829	339 924	295 958
B-share holder		10	10	10	10
Earnings per A share (in kroons)	10	6,28	4,64	17,00	14,80
Earnings per B share (in kroons)	10	10 000	10 000	10 000	10 000

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

CONDENSED CASH FLOW STATEMENTS (thousand EEK)

	Note	for the year ended 31 December 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		461 940	405 360
Adjustment for depreciation/amortisation	3	89 153	89 669
Adjustment for profit from government grants and connection fees		-47 512	-27 920
Other finance expenses	8	-34 774	-1 614
Profit from sale of property, plant and equipment, and intangible assets		-150	-455
Expensed property, plant and equipment		0	-19
Change in current assets involved in operating activities		-35 537	22 780
Change in liabilities involved in operating activities		16 446	906
Interest paid		-38 793	-57 569
Total cash flow from operating activities		**410 773**	**431 138**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment, and intangible assets		-249 715	-332 407
Compensations received for construction of pipelines		180 013	250 190
Proceeds from sale of property, plant and equipment, and intangible		238	480
Interest received		15 077	16 906
Total cash flow used in investing activities		**-54 387**	**-64 831**
CASH FLOWS FROM FINANCING ACTIVITIES			
Received short-term loans		156 466	0
Repayment of short-term loans		-156 466	0
Received long-term loans		544 502	42 246
Repayment of long-term loans		-544 837	-41 910
Finance lease payments		-2 285	0
Dividends paid	9	-230 010	-249 010
Income tax on dividends	9	-61 142	-66 193
Total cash flow used in financing activities		**-293 772**	**-314 867**
Change in cash and cash equivalents		**62 614**	**51 440**
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**229 860**	**178 420**
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	2	**292 474**	**229 860**

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

CONDENSED STATEMENTS OF CHANGES IN EQUITY

(thousand EEK)

	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
as of 31 December 2007	**200 001**	**387 000**	**20 000**	**627 319**	**1 234 320**
Dividends	0	0	0	-249 010	-249 010
Net profit of the financial year	0	0	0	295 968	295 968
as of 31 December 2008	**200 001**	**387 000**	**20 000**	**674 277**	**1 281 278**
Dividends	0	0	0	-230 010	-230 010
Net profit of the financial period	0	0	0	339 934	339 934
as of 31 December 2009	**200 001**	**387 000**	**20 000**	**784 201**	**1 391 202**

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

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EEK)

NOTE 1. ACCOUNTING PRINCIPLES

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

NOTE 2. CASH AND CASH EQUIVALENTS

	as of 31 December	
	2009	**2008**
Cash in hand and in bank	376	1 551
Short-term deposits	292 098	228 309
Total cash and cash equivalents	**292 474**	**229 860**

NOTES TO THE INTERIM FINANCIAL STATEMENT

(thousand EEK)

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	364 188	2 134 970	566 408	17 708	45 253	90 057	5 399	2 781	19 006	66 817	3 312 587
Accumulated depreciation	-63 393	-673 373	-342 016	-11 514	0	0	0	0	-12 980	-23 706	-1 126 982
Book value	**300 795**	**1 461 597**	**224 392**	**6 194**	**45 253**	**90 057**	**5 399**	**2 781**	**6 026**	**43 111**	**2 185 605**
Transactions in the period 01.01.2008 - 31.12.2008											
Acquisition in book value	0	0	0	0	113 524	189 651	0	3 082	0	0	306 257
Write off and sale of property, plant and equipment, and intangible assets in book value	283	12	-19	0	0	0	0	0	0	0	276
Compensated by government grants	0	0	0	0	0	-186 282	0	0	0	0	-186 282
Reclassification	3 925	100 384	31 701	1 149	-136 695	-1 452	-3 546	-3 137	5 873	-2 736	-4 534
Depreciation	-4 221	-38 023	-34 635	-1 218	0	0	0	0	-8 931	-2 641	-89 669
Total transactions in the period 01.01.2008 - 31.12.2008	**-13**	**62 373**	**-2 953**	**-69**	**-23 171**	**1 917**	**-3 546**	**-55**	**-3 058**	**-5 377**	**26 048**
as of 31 December 2008											
Acquisition cost	368 045	2 234 538	585 674	18 373	22 082	91 974	1 853	2 726	17 742	62 372	3 405 379
Accumulated depreciation	-67 263	-710 568	-364 236	-12 247	0	0	0	0	-14 774	-24 638	-1 193 726
Book value	**300 782**	**1 523 970**	**221 438**	**6 126**	**22 082**	**91 974**	**1 853**	**2 726**	**2 968**	**37 734**	**2 211 653**
Transactions in the period 01.01.2009 - 31.12.2009											
Acquisition in book value	0	0	0	0	99 293	144 141	0	7 698	0	0	251 132
Write off and sale of property, plant and equipment, and intangible assets in book value	-2	0	-44	-54	0	0	0	0	0	0	-100
Compensated by government grants	0	0	0	0	0	-178 646	0	0	0	0	-178 646
Reclassification	6 123	43 729	26 302	2 063	-78 323	-1 103	-406	-8 938	4 740	4 198	-1 615
Depreciation	-4 196	-38 733	-34 188	-1 229	0	0	0	0	-2 200	-8 607	-89 153
Total transactions in the period 01.01.2009 - 31.12.2009	**1 925**	**4 996**	**-7 930**	**780**	**20 970**	**-35 608**	**-406**	**-1 240**	**2 540**	**-4 409**	**-18 382**
as of 31 December 2009											
Acquisition cost	374 151	2 275 666	603 762	18 441	43 052	56 366	1 447	1 486	15 083	73 172	3 462 626
Accumulated depreciation	-71 444	-746 700	-390 254	-11 535	0	0	0	0	-9 575	-39 847	-1 269 355
Book value	**302 707**	**1 528 966**	**213 508**	**6 906**	**43 052**	**56 366**	**1 447**	**1 486**	**5 508**	**33 325**	**2 193 271**

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.
As of 31 December 2009 the net balance sheet value of finance leases was 5 203 thousand kroons.

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EEK)

NOTE 4. REVENUE

	Quarter 4		for the year ended 31 December	
	2009	**2008**	**2009**	**2008**
Revenues from main operating activities				
Total water supply and waste water disposal service, incl:	182 305	163 886	707 408	658 305
Private clients, incl:	96 286	87 036	379 322	346 836
Water supply service	53 583	48 562	211 379	193 688
Waste water disposal service	42 703	38 474	167 943	153 148
Corporate clients, incl:	68 535	66 417	273 338	271 231
Water supply service	37 504	36 519	152 092	150 669
Waste water disposal service	31 031	29 898	121 246	120 562
Outside service area clients, incl:	14 510	6 900	40 003	26 401
Water supply service	3 233	546	7 841	2 160
Waste water disposal service	11 277	6 354	32 162	24 241
Overpollution fee	2 974	3 533	14 745	13 837
Stormwater treatment and disposal service	14 188	14 174	46 957	46 158
Fire hydrants service	1 068	911	3 083	2 687
Other works and services	4 208	3 746	14 998	12 773
Total revenue	**201 769**	**182 717**	**772 446**	**719 923**

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

NOTE 5. STAFF COSTS

	Quarter 4		for the year ended 31 December	
	2009	**2008**	**2009**	**2008**
Salaries and wages	-22 465	-18 099	-71 400	-66 330
Social security and unemployment insurance taxation	-7 481	-6 028	-23 777	-22 093
Staff costs total	**-29 946**	**-24 127**	**-95 177**	**-88 423**
Number of employees at the end of reporting period			**336**	**327**

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EEK)

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

	Quarter 4		for the year ended 31 December	
	2009	**2008**	**2009**	**2008**
Cost of goods sold				
Tax on special use of water	-3 012	-2 733	-11 479	-10 804
Chemicals	-5 222	-5 234	-20 082	-22 841
Electricity	-9 247	-8 118	-33 422	-29 759
Pollution tax	-3 161	-7 033	-16 918	-17 010
Staff costs	-22 553	-17 350	-70 273	-63 516
Development	-3	-2	-29	-26
Depreciation and amortization	-19 915	-21 194	-81 006	-82 081
Transport	-4 582	-5 042	-17 427	-19 693
Other costs of goods sold	-11 672	-7 278	-33 428	-27 022
Total cost of goods sold	**-79 367**	**-73 984**	**-284 064**	**-272 752**
Marketing expenses				
Staff costs	-1 205	-1 423	-4 516	-5 417
Depreciation and amortization	-1 302	-1 291	-5 207	-5 065
Other marketing expenses	-276	-365	-1 490	-1 828
Total cost of marketing expenses	**-2 783**	**-3 079**	**-11 213**	**-12 310**
General administration expenses				
Staff costs	-6 188	-5 354	-20 388	-19 490
Depreciation and amortization	-728	-613	-2 940	-2 523
Other general administration expenses	-7 604	-7 982	-30 165	-32 533
Total cost of general administration expenses	**-14 520**	**-13 949**	**-53 493**	**-54 546**

NOTE 7. OTHER INCOME / EXPENSES

	Quarter 4		for the year ended 31 December	
	2009	**2008**	**2009**	**2008**
Profit from connection fees	3 260	982	6 139	4 430
Profit from government grant	30 011	13 186	41 373	23 490
Other income / expenses (-)	-4 125	-1 864	-9 248	-2 875
Total other income / expenses	**29 146**	**12 304**	**38 264**	**25 045**

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EEK)

NOTE 8. FINANCIAL INCOME AND EXPENSES	**Quarter 4**		**for the year ended 31 December**	
	2009	**2008**	**2009**	**2008**
Interest income	9 079	3 352	25 267	15 606
Interest expense	-17 351	-14 138	-51 357	-57 191
Other financial expenses	-437	-384	-34 774	-1 614
Total finane income / expenses	**-8 709**	**-11 170**	**-60 864**	**-43 199**

NOTE 9. DIVIDENDS	**for the year ended 31 December**	
	2009	**2008**
Dividends declared during the period	230 010	249 010
Dividends paid during the period	230 010	249 010
Income tax on dividends paid	-61 142	-66 193
Income tax accounted for	**-61 142**	**-66 193**
Paid-up dividends per shares:		
Dividends per A-share (in kroons)	11,50	12,45
Dividends per B-share (in kroons)	10 000	10 000

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

NOTE 10. EARNINGS PER SHARE

	Quarter 4		**for the year ended 31 December**	
	2009	**2008**	**2009**	**2008**
Net profit for the period ended 31.12 minus B-share preference rights (in kroons)	125 526	92 829	339 924	295 958
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20 000 000	20 000 000	20 000 000	20 000 000
Earnings per A share (in kroons)	6,28	4,64	17,00	14,80
Earnings per B share (in kroons)	10 000	10 000	10 000	10 000

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

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EEK)

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 December	
Balances recorded in working capital on the balance sheet of the Company	**2009**	**2008**
Accounts receivable	2 160	24 935
Accrued income	93 200	0
Accounts payable - short-term trade and other payables	3 836	3 972

	Quarter 4		**for the year ended 31 December**	
	2009	**2009**	**2009**	**2008**
Transactions with the related parties				
Sales services	15 106	15 085	49 740	48 845
Compensations received from the local governments for constructing new pipelines	87 783	14 167	186 533	159 310
Purchase of administrative and consulting services	5 179	5 402	19 357	20 585
Financial income	6 008	0	10 047	0
Management Board fees excluding social tax	623	612	2 558	2 295
Supervisory Board fees excluding social tax	150	150	600	600

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 and Supervisory 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