AS Tallinna Vesi

Results of operations – for the 3rd quarter of 2010

Currency	Thousand euros
Start of reporting period	1 January 2010
End of reporting period	30 September 2010
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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 3rd QUARTER 2010

Overview

During the first nine months of 2010 the Company's total sales increased, year on year, by 2.1% to 37.2 mln EUR. The Company's underlying operating profit for the first nine months of 2010, from water and wastewater related activities, decreased by 6.8% to 18.7 mln EUR compared to the nine months of 2009. Profits from other activities (mainly construction and developments) increased by 87.6% to 1.7 mln EUR compared to the same nine months of 2009. The Company's profit before taxes was 17.0 mln EUR, which is a decrease of 3.6% or 0.64 mln EUR, compared to the same nine months of 2009.

mln EUR	**3 Q 2010**	**3 Q 2009**	**Change**	**9 months 2010**	**9 months 2009**	**Change**
Sales	12,5	12,1	3,6%	37,2	36,5	2,1%
Gross profit	7,2	7,6	-4,8%	22,2	23,4	-5,2%
Gross profit margin %	57,9	63,1	-8,1%	59,6	64,1	-7,2%
Operating profit	6,5	7,0	-7,6%	20,4	20,9	-2,7%
Operating profit - main business	6,1	6,7	-8,2%	18,7	20,0	-6,8%
Operating profit margin %	51,9	58,1	-10,8%	54,7	57,4	-4,7%
Profit before taxes	5,9	6,6	-9,5%	17,0	17,6	-3,6%
Net profit	5,9	6,6	-9,5%	8,5	13,7	-38,1%
Net profit margin %	47,5	54,3	-12,6%	22,8	37,6	-39,4%
ROA %	3,5	4,0	-13,2%	5,0	8,4	-40,7%
Debt to total capital employed	61,7	50,7	21,9%	61,7	50,7	21,9%

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

Profit and Loss Statement

3rd quarter 2010

Sales

In the 3rd quarter of 2010 the Company's total sales increased, year on year, by 3.6% to 12.5 mln EUR. Included within this is a contribution of 0.40 mln EUR from Maardu, a contract which commenced in the 3rd quarter of 2009. 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 0.1% increase compared to the 3rd quarter of 2009, resulting from the factors described below which were partially offset by the 0.9% decrease in tariffs from 1 January 2010 for the Company's residential and commercial customers.

Within the service area, sales to residential customers decreased by 0.1% to 5.8 mln EUR. Sales to commercial customers increased by 1.5% to 4.3 mln EUR. Sales to customers outside of the service area increased by 0.7% to 0.81 mln EUR, which includes the Maardu operating contract which commenced from 1st July 2009. Over pollution fees received were 0.21 mln EUR, a 20.7% decrease compared to the 3rd quarter of 2009.

In the 3rd quarter of 2010, the volumes sold to residential customers rose 0.8%. We believe that this is mainly due to the combination of the economic conditions getting gradually better during the last year, supported by the hot summer and the increased need for the gardening water.

The volumes sold to commercial customers inside the service area increased by 2.4% compared to the same period in 2009. The rise in sales can be attributed to better economic conditions and leisure sector picking up. Total selling volumes to the industrial sector are decreasing due to Coca-Cola's leave from our service area, eliminating its consumption also some increase can be noticed from the industrial sector.

Excluding Maardu volumes, then outside service area volumes were 5.7% lower than in the 3rd quarter of 2009. The main factor in this decrease was lower storm water volumes in the 3rd quarter of 2010 compared to 2009.

The sales from the operation and maintenance of the storm water and fire-hydrant system increased by 51.2% to 1.1 mln EUR in the 3rd quarter of 2010 compared to the same period in 2009. 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 5.3 mln EUR in the 3rd quarter of 2010, an increase of 0.81 mln EUR or 18.0% from the equivalent period in 2009 of which Maardu added 0.27 mln EUR compared to 0.31 mln EUR in 2009.

In the 3rd quarter of 2010 the Company did not achieve the beneficial 0.5 coefficient for pollution tax, and the amount of pollution tax payable was 0.61 mln EUR compared to 0.30 mln EUR in the 3rd quarter of 2009. In the 3rd quarter of 2009 we achieved the 0.5 coefficient. In addition to coefficient increase the higher pollution tax payable in 2010 is generated by the increase in tax rates year on year by 19%. To mitigate the tax risk we have started with the investment into an additional stage of waste water treatment and according to the construction schedule the works should be completed by the end of the 2nd quarter of 2011.

Chemical costs were 0.40 mln EUR, representing an 8.6% increase compared to the corresponding period in 2009. Although lower volumes were treated the main contributor to higher chemical costs are dosed methanol and other chemicals quantities related to the need to treat the increased pollution concentration in incoming sewerage.

Electricity costs increased by 0.19 mln EUR or 36.0% in the 3rd quarter of 2010 compared to the 3rd quarter of 2009 due to higher electricity prices as a result of three sites buying electricity from the open market.

Salary expenses decreased in the 3rd quarter of 2010, year on year, by 0.11 mln EUR or 11.1% mainly due to the reduced headcount.

Transport costs increased by 0.10 mln EUR, or 35.6% year on year, due to the combination of the increase in fuel prices and one-off increased usage of rented machinery to substitute the broken center-press technology.

Other cost of goods sold in the main operating activity increased 0.29 mln EUR, or 52.9% year on year, mainly due to the additional costs of repair services resulting from new city act related to the asphalting and exceptional maintenance costs related to biofilter project.

As a result of all of the above the Company's gross profit for the 3rd quarter of 2010 was 7.2 mln EUR, which is a decrease of 0.37 mln EUR, or 4.8%, compared to the gross profit of 7.6 mln EUR for the 3rd quarter of 2009.

Operating Costs and Operating Margin

Marketing expenses increased by 0.03 mln EUR to 0.19 mln EUR during the 3rd quarter of 2010 compared to the corresponding period in 2009. This is mainly the result of a slight increase in expenses due to OÜ Watercom start-up compared to corresponding period in 2009.

In the 3rd quarter of 2010 the General administration expenses increased by 0.14 mln EUR year on year to 0.92 mln EUR mainly due to the need for the consultancies related to the implication of the Anti Monopoly Bill and attempts to improve the image of the company insisting on the quality aspects.

Other net income/expenses

The majority of the income in Other net income/expenses relates to constructions and government grants. The driver for this income stream is the connections activity in Tallinn. Income and expenses from constructions and government grants totaled a net income of 0.37 mln EUR in the 3rd quarter of 2010 compared to a net income of 0.36 mln EUR in the 3rd quarter of 2009.

The rest of the other income/expenses totaled an expense of 0.02 mln EUR in the 3rd quarter of 2010 compared to an expense of 0.01 mln EUR in the 3rd quarter of 2009, mainly from less received penalties and interest of arrears compared to 2009. In addition it should be noted 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 3rd quarter of 2010 totaled 6.1 mln EUR compared to 6.7 mln EUR in the corresponding quarter in 2009. In total then the Company's operating profit for main and other activities for the 3rd quarter of 2010 was 6.5 mln EUR, a decrease of 0.53 mln EUR compared to an operating profit of 7.0 mln EUR achieved in the 3rd quarter of 2009. Year on year the operating profit for the 3rd quarter has decreased 7.6%.

Financial expenses

Net Financial expenses were 0.55 mln EUR in the 3rd quarter of 2010, which is an increase of 0.09 mln EUR or 19.5% compared to the 3rd quarter of 2009. Of this variance 0.06 mln EUR relates to a less received interest income in the 3rd quarter of 2010 due to lower interest rates.

The Company's interest costs have increased by 8.7% compared to the 3rd quarter of 2009 from 0.69 mln EUR to 0.75 mln EUR as a combined result of positive impact from the reduction in Euribor rates and adverse impact from negative value of and fixed rate payments based on swap agreements. The Company mitigated partly the long term floating interest risk with 3 interest swap agreements, each with a principal value of 15 mln EUR. For a base amount of 30 mln EUR the forward start date began on 30 November 2009, and for a base amount of 15 mln EUR the forward start date began on 28 May 2010. At this point in time the estimated fair value of these swap contracts is negative, totaling 3.4 mln EUR, with a further devaluation in the 3rd quarter 2010 in the amount of 0.11 mln EUR which more than offsets the interest costs savings and the financial income earned during the 3rd quarter of 2010 thus contributing to a net financial expense.

Profit Before Tax

The Company's profit before taxes for the 3rd quarter of 2010 was 5.9 mln EUR, which is 0.62 mln EUR lower than the profit before taxes of 6.6 mln EUR for the 3rd quarter of 2009.

<u>Results for the nine months of 2010</u>

During the nine months of 2010 the Company's total sales increased, year on year, by 2.1% to 37.2 mln EUR. Sales of water and wastewater treatment were 33.8 mln EUR, a 0.7% increase compared to the nine months of 2009.

The underlying operating profit from the Company's main business activity, sales of water and wastewater, for the nine months of 2010 decreased by 6.8% to 18.7 mln EUR compared to the nine months of 2009.

The Company's profit before taxes for the nine months of 2010 was 17.0 mln EUR, which is a 3.6% decrease compared to the profit before taxes in the relevant period in 2009.

The Company's net profit for the nine months of 2010 was 8.5 mln EUR, which is 5.2 mln EUR lower than the net profit of 13.7 mln EUR in the equivalent period in 2009.

Balance sheet

During the nine months of 2010 the Company invested 8.3 mln EUR into fixed assets. Non-current assets were 142.3 mln EUR at 30 September 2010. Current assets decreased by 2.5 mln EUR to 28.7 mln EUR in the nine months of the year, with customer receivables increasing by 0.25 mln EUR and cash at bank decreasing by 2.7 mln EUR.

Current liabilities increased by 4.7 mln EUR to 12.1 mln EUR in the nine months of the year. This was mainly due to a 0.92 mln EUR increase in Trade payables and also due to 3.7 mln EUR increase in Current portion of long-term borrowings.

The Company has a leverage level as expected of approximately 62% with the future target range within 60%. Long-term liabilities stood at 93.5 mln EUR at the end of September 2010, consisting almost entirely of the outstanding balance of three long-term bank loans. During 2nd quarter of 2010 we drew down an additional 20 mln EUR, and at the end of the 3rd quarter of 2010 the total loan balance is 95 mln EUR, which is the total available loan facility. The weighted average interest margin for the total available facility is 0.67%.

Cash flow

During the nine months of 2010, the Company generated 20.4 mln EUR of cash flows from operating activities, an increase of 1.1 mln EUR compared to the corresponding period in 2009. 2010 operating cash flows were above 2009 cash flows mainly due to the payment of unwinding costs in 2009, whereby in the nine month of 2010 the financial expenses included the one-off correction with non-cash fair value of the swap agreements. Underlying operating profit still continues to be the main contributor to operating cash flows.

In the nine months of 2010 net cash outflows from investing activities were 2.7 mln EUR, which is 3.6 mln EUR more than in 2009. This is mainly due to reduced inflow due to timing of compensations received for construction of pipelines. To date in 2010 the cash outflows in relation to fixed asset investments are 7.7 mln EUR.

The cash outflows from financing activities were 20.5 mln EUR during the nine months of 2010 compared to a cash outflow of 18.8 mln EUR during the same nine months of 2009, representing the payouts of the dividends and income tax on dividends and received loans following the loan drawdown.

As a result of all of the above factors, the total cash outflow in the nine months of 2010 was 2.7 mln EUR compared to a cash inflow of 1.4 mln EUR in the nine months of 2009. Cash and cash equivalents stood at 16.0 mln EUR as at 30 September 2010 which is 0.15 mln EUR lower than at the corresponding period of 2009.

Employees

At the end of the 3rd quarter of 2010, the total number of employees was 319 compared to 349 at the end of the 3rd quarter of 2009. The full time equivalent (FTE) was respectively 305 in 2010 compared to the 336 in 2009. The decrease in FTE is primarily due to reorganization in various departments at the end of 2009.

Corporate structure

At the end of the quarter, 30 September 2010, the Group consisted of 2 companies. The subsidiary Watercom OÜ is wholly owned by AS Tallinna Vesi and consolidated to the results of the Company.

Dividends and share performance

Based on the results of the 2009 financial year, the Company paid 31,956,463 EUR of dividends. Of this 639 EUR was paid to the owner of the B-share and 31,955,824 EUR, i.e. 1.60 EUR per share to the owners of the A-shares. The dividends were paid out on 11 June 2010, based on the list of shareholders, which was fixed on 01 June 2010.

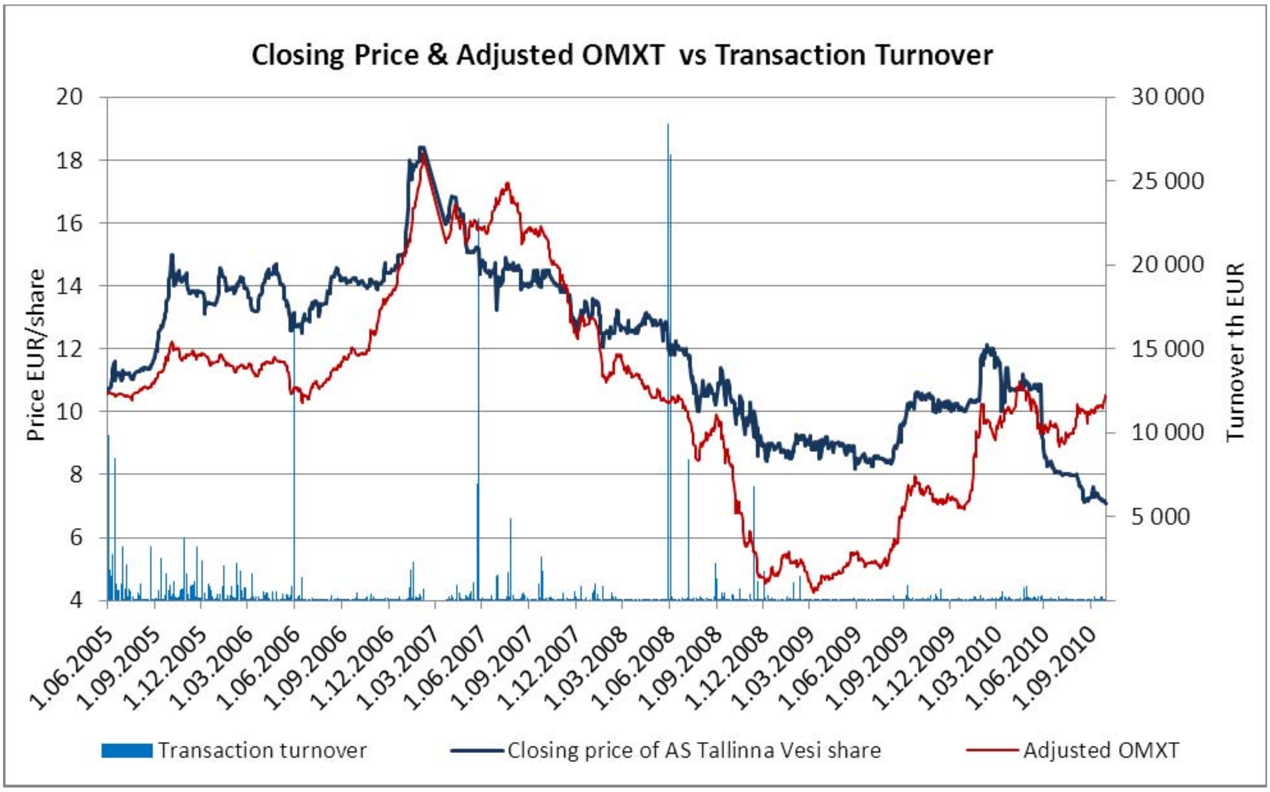
AS Tallinna Vesi is listed on OMX Main Baltic Market with trading code TVEAT and ISIN EE3100026436.

As of 30 September 2010 AS Tallinna Vesi shareholders, with a direct holding over 5%, were:

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

We have seen the next two biggest shareholders Parvus AM and AKO Capital reducing their holdings in the Company in the quarter. Parvus AM has declared that their shareholding in the clients' accounts is below 10% and AKO Capital has declared their indirect ownership below 5% of the share capital.

At the end of the quarter, 30 September 2010, the closing price of the AS Tallinna Vesi share was 7.10 EUR, which is a 12.02% decrease compared to the closing price of 8.07 EUR at the beginning of the quarter. During the same period the OMX Tallinn index rose by 15.99%.



Operational highlights in the first nine months of 2010

- Company's overall operating performance is continuously good, most of the quality aspects exceeding the level of 2009 as described in TSE notice on 20 October 2010.
- Baltic Corporate Governance Institute awarded the Company as the best Corporate Governance in Estonia.

- In the 3rd quarter the Anti Monopoly Bill (AMB) was passed by the Parliament and approved by the President. The key impact for the Company will be related to the fact that from 1 November onwards the tariff approval process of the Company will be transferred from the City of Tallinn to the Competition Authority (CA). The main aim of the AMB is to control the profits of the water companies. The CA has issued a first draft of their recommendations how to calculate the allowed return and revenues for the water companies. The early draft presented by the Competition Authority does not define the full objectives of regulation. The Company finds it regrettable that the regulator-to-be has yet only considered the price sensitivity of the customers and ignored fully their expectations regarding the product and service quality.
  Furthermore, the current regulation suggests that any appeal against a decision for the Competition Authority needs to be made to the Competition Authority, which is in clear violation of any best practice governance principles. Another major issue arising from the proposed draft methodology for calculating water and wastewater tariffs concerns one of the primary objectives of any regulator - to guarantee an acceptable return on invested capital for investors. Within the current methodology it appears that the Competition Authority is excluding the privatisation value of the Company from the calculation of justified profitability, which since 2001 has been included in the calculation of justified profitability of the Company under current regulation within the Services Agreement signed with the City of Tallinn. Therefore to be in accordance with best practice regulation for privatized utilities, such as that favoured by Ofwat in the UK, ASTV has requested that the Competition Authority should expand the definition of regulated asset base to include the privatisation value of the utility. This would ensure the privatisation contract was not unilaterally broken and would respect the investments made in good faith into Estonia by our investors on the basis of that contract. The Company has published its comments to the Competition Authority on its website and to the Tallinn Stock Exchange and will keep its investors informed of all future developments regarding the future calculation of its water and wastewater tariffs.
- In accordance with the signed Services Agreement the Company submitted the 2011 tariff application to the City of Tallinn. Discussions with City of Tallinn are ongoing and, as in previous years, the application is being analyzed based upon the original business plan and the Ofwat regulatory model. However, it should be noted that as a consequence of the AMB the City of Tallinn can only recommend but no longer approve the tariffs that will be applied from 1 January 2011, final approval can only be given by the CA. Therefore, at this point in time the Company is unable to say what next year's tariffs will be as it is unclear at the moment how the CA intends to analyze and proceed with the tariff applications.

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 consolidated condensed financial statements for the 9 months period of financial year 2010 ended 30 September 2010. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 30 September 2010 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 9 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 3 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 21 October 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

Robert Thomas Yuille
Member of the Management Board
Chief Operating Officer

Siiri Lahe
Member of the Management Board

21 October 2010

Introduction and photos of the Management Board members are published in 2009 Yearbook and the information regarding any changes is available at www.tallinnavesi.ee

CONDENSED STATEMENTS OF FINANCIAL POSITION

(thousand EUR)

		as of 30 September		as of 31 December
ASSETS	**Note**	**2010**	**2009**	**2009**
CURRENT ASSETS				
Cash and equivalents	2	15 949	16 095	18 692
Customer receivables, accrued income and prepaid expenses		12 476	7 050	12 227
Inventories		246	213	244
Non-current assets held for sale		77	67	77
TOTAL CURRENT ASSETS		**28 748**	**23 424**	**31 241**
NON-CURRENT ASSETS				
Property, plant and equipment	3	140 167	137 831	137 599
Intangible assets	3	2 112	2 720	2 577
TOTAL NON-CURRENT ASSETS		**142 279**	**140 551**	**140 176**
TOTAL ASSETS		**171 027**	**163 975**	**171 417**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Current portion of long-term borrowings		3 856	107	124
Trade and other payables		7 174	5 202	6 255
Short-term provisions		168	339	228
Prepayments and deferred income		873	2 344	747
TOTAL CURRENT LIABILITIES		**12 070**	**7 991**	**7 354**
NON-CURRENT LIABILITIES				
Borrowings		93 408	75 047	75 034
Other payables		115	47	115
TOTAL NON-CURRENT LIABILITIES		**93 523**	**75 094**	**75 149**
TOTAL LIABILITIES		**105 593**	**83 085**	**82 503**
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		26 639	42 096	50 120
TOTAL EQUITY		**65 433**	**80 891**	**88 914**
TOTAL LIABILITIES AND EQUITY		**171 027**	**163 975**	**171 417**

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

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(thousand EUR)

		Quarter 3		9 months		for the year ended 31 December
	Note	**2010**	**2009**	**2010**	**2009**	**2009**
Revenue	4	12 512	12 077	37 215	36 473	49 368
Costs of goods sold	6	-5 264	-4 460	-15 052	-13 083	-18 155
GROSS PROFIT		**7 248**	**7 616**	**22 163**	**23 390**	**31 213**
Marketing expenses	6	-190	-157	-573	-539	-717
General administration expenses	6	-923	-784	-2 634	-2 491	-3 419
Other income/ expenses (-)	7	353	343	1 415	583	2 446
OPERATING PROFIT		**6 489**	**7 019**	**20 372**	**20 944**	**29 523**
Financial income	8	210	273	672	1 035	1 615
Financial expenses	8	-760	-734	-4 074	-4 368	-5 505
PROFIT BEFORE TAXES		**5 938**	**6 558**	**16 971**	**17 610**	**25 633**
Income tax on dividends	9	0	0	-8 495	-3 908	-3 908
NET PROFIT FOR THE PERIOD		**5 938**	**6 558**	**8 476**	**13 703**	**21 726**
COMPREHENSIVE INCOME FOR THE PERIOD		**5 938**	**6 558**	**8 476**	**13 703**	**21 726**
Attributable profit to:						
Equity holders of A-shares		5 937	6 558	8 475	13 702	21 725
B-share holder		0,64	0,64	0,64	0,64	0,64
Earnings per A share (in euros)	10	0,30	0,33	0,42	0,69	1,09
Earnings per B share (in euros)	10	639	639	639	639	639

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

CONDENSED CASH FLOW STATEMENTS (thousand EUR)

	Note	9 months 2010	9 months 2009	for the year ended 31 December 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		20 372	20 944	29 523
Adjustment for depreciation/amortisation	3	4 215	4 295	5 698
Adjustment for profit from government grants and connection fees		-1 708	-910	-3 037
Other finance expenses	8	-59	-2 195	-1 866
Profit from sale of property, plant and equipment, and intangible assets		0	-9	-10
Expensed property, plant and equipment		173	0	0
Change in current assets involved in operating activities		-1 176	-1 214	-938
Change in liabilities involved in operating activities		15	49	394
Interest paid		-1 405	-1 680	-2 479
Total cash flow from operating activities		**20 426**	**19 281**	**27 285**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment, and intangible assets		-7 740	-9 871	-15 588
Compensations received for construction of pipelines		4 297	9 724	9 956
Proceeds from sale of property, plant and equipment, and intangible assets		1	8	15
Interest received		723	1 037	964
Total cash flow used in investing activities		**-2 718**	**898**	**-4 654**
CASH FLOWS FROM FINANCING ACTIVITIES				
Received loans		20 000	44 800	44 800
Repayment of loans		0	-44 821	-44 821
Dividends paid	9	-31 956	-14 700	-14 700
Income tax on dividends	9	-8 495	-3 908	-3 908
Total cash flow used in financing activities		**-20 451**	**-18 775**	**-18 629**
Change in cash and cash equivalents		**-2 743**	**1 404**	**4 002**
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**18 692**	**14 691**	**14 691**
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	2	**15 949**	**16 095**	**18 692**

Notes to the consolidated 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 9 months period of financial year 2010 ended 30 September 2010

CONDENSED STATEMENTS OF CHANGES IN EQUITY

(thousand EUR)

	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
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 year	0	0	0	21 726	21 726
as of 31 December 2009	**12 782**	**24 734**	**1 278**	**50 120**	**88 914**
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	13 703	13 703
as of 30 September 2009	**12 782**	**24 734**	**1 278**	**42 096**	**80 891**
as of 31 December 2009	**12 782**	**24 734**	**1 278**	**50 120**	**88 914**
Dividends	0	0	0	-31 956	-31 956
Net profit of the financial period	0	0	0	8 476	8 476
as of 30 September 2010	**12 782**	**24 734**	**1 278**	**26 639**	**65 433**

Notes to the consolidated 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 September		as of 31 December
	2010	**2009**	**2009**
Cash in hand and in bank	188	71	24
Short-term deposits	15 761	16 023	18 668
Total cash and cash equivalents	**15 949**	**16 095**	**18 692**

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 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 - 31.12.2009											
Acquisition in book value	0	0	0	0	6 346	9 212	0	492	0	0	16 050
Write off and sale of property, plant and equipment, and intangible assets in book value	0	0	-3	-3	0	0	0	0	0	0	-6
Compensated by government grants	0	0	0	0	0	-11 418	0	0	0	0	-11 418
Reclassification	391	2 795	1 681	132	-5 006	-70	-26	-571	303	268	-103
Depreciation	-268	-2 475	-2 185	-79	0	0	0	0	-141	-550	-5 698
Total transactions in the period 01.01.2009 - 31.12.2009	**123**	**319**	**-507**	**50**	**1 340**	**-2 276**	**-26**	**-79**	**162**	**-282**	**-1 175**
as of 31 December 2009											
Acquisition cost	23 913	145 442	38 587	1 179	2 752	3 602	92	95	964	4 677	221 302
Accumulated depreciation	-4 566	-47 723	-24 942	-737	0	0	0	0	-612	-2 547	-81 127
Book value	**19 347**	**97 719**	**13 646**	**441**	**2 752**	**3 602**	**92**	**95**	**352**	**2 130**	**140 176**
Transactions in the period 01.01.2010 - 30.09.2010											
Acquisition in book value	0	0	0	0	4 284	3 903	0	31	0	0	8 218
Compensated by government grants	0	0	0	0	0	-1 875	0	0	0	0	-1 875
Reclassification	94	1 966	365	19	-2 610	-3	-21	-5	4	0	-191
Depreciation	-204	-1 886	-1 568	-62	0	0	0	0	-72	-423	-4 215
Total transactions in the period 01.01.2010 - 30.09.2010	**-110**	**80**	**-1 037**	**-43**	**1 674**	**2 025**	**-21**	**26**	**-68**	**-423**	**2 103**
as of 30 September 2010											
Acquisition cost	24 006	147 402	38 722	1 192	4 426	5 627	72	121	893	4 752	227 213
Accumulated depreciation	-4 770	-49 604	-26 114	-793	0	0	0	0	-684	-2 970	-84 934
Book value	**19 236**	**97 799**	**12 609**	**399**	**4 426**	**5 627**	**72**	**121**	**284**	**1 707**	**142 279**

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 2009 and 30 September 2010 the net balance sheet value of finance leases was respectively 333 thousand euros and 276 thousand euros.

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EUR)

NOTE 4. REVENUE	**Quarter 3**		**9 months**		**for the year ended 31 December**
	2010	**2009**	**2010**	**2009**	**2009**
Revenues from main operating activities					
Total water supply and waste water disposal service, incl:	11 133	11 135	33 804	33 570	45 212
Private clients, incl:	5 837	5 844	17 771	18 089	24 243
Water supply service	3 244	3 260	9 880	10 085	13 510
Waste water disposal service	2 594	2 584	7 891	8 004	10 734
Corporate clients, incl:	4 273	4 210	12 774	13 089	17 469
Water supply service	2 383	2 357	7 066	7 324	9 720
Waste water disposal service	1 890	1 852	5 709	5 766	7 749
Outside service area clients, incl:	811	814	2 589	1 639	2 557
Water supply service	209	213	632	295	501
Waste water disposal service	602	602	1 957	1 344	2 056
Overpollution fee	212	267	670	752	942
Stormwater treatment and disposal service	1 036	674	2 534	2 085	3 001
Fire hydrants service	48	43	143	129	197
Other works and services	295	225	734	690	959
Total revenue	**12 512**	**12 077**	**37 215**	**36 473**	**49 368**

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 3**		**9 months**		**for the year ended 31 December**
	2010	**2009**	**2010**	**2009**	**2009**
Salaries and wages	-918	-953	-3 027	-3 127	-4 563
Social security and unemployment insurance taxation	-305	-317	-1 002	-1 042	-1 520
Staff costs total	**-1 223**	**-1 270**	**-4 028**	**-4 169**	**-6 083**
Number of employees at the end of reporting period			**319**	**349**	**336**

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EUR)

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

	Quarter 3		9 months		for the year ended 31 December
	2010	2009	2010	2009	2009
Cost of goods sold					
Tax on special use of water	-206	-186	-639	-541	-734
Chemicals	-399	-367	-1 059	-950	-1 283
Electricity	-705	-519	-1 976	-1 545	-2 136
Pollution tax	-612	-302	-1 549	-879	-1 081
Staff costs	-863	-970	-2 847	-3 050	-4 491
Development	0	0	0	-2	-2
Depreciation and amortization	-1 267	-1 292	-3 822	-3 904	-5 177
Transport	-384	-283	-957	-821	-1 114
Other costs of goods sold	-827	-541	-2 203	-1 390	-2 136
Total cost of goods sold	**-5 264**	**-4 460**	**-15 052**	**-13 083**	**-18 155**
Marketing expenses					
Staff costs	-74	-53	-224	-212	-289
Depreciation and amortization	-84	-83	-251	-250	-333
Other marketing expenses	-33	-21	-98	-78	-95
Total cost of marketing expenses	**-190**	**-157**	**-573**	**-539**	**-717**
General administration expenses					
Staff costs	-286	-248	-957	-908	-1 303
Depreciation and amortization	-47	-55	-142	-141	-188
Other general administration expenses	-590	-482	-1 535	-1 442	-1 928
Total cost of general administration expenses	**-923**	**-784**	**-2 634**	**-2 491**	**-3 419**

NOTE 7. OTHER INCOME / EXPENSES

	Quarter 3		9 months		for the year ended 31 December
	2010	2009	2010	2009	2009
Profit from connection fees	35	60	119	184	392
Profit from government grant	338	296	1 589	726	2 644
Other income / expenses (-)	-19	-12	-292	-327	-591
Total other income / expenses	**353**	**343**	**1 415**	**583**	**2 446**

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EUR)

NOTE 8. FINANCIAL INCOME AND EXPENSES	**Quarter 3**		**9 months**		**for the year ended 31 December**
	2010	**2009**	**2010**	**2009**	**2009**
Interest income	210	273	672	1 035	1 615
Interest expense	-641	-688	-1 671	-1 854	-2 252
Other financial expenses	-119	-46	-2 403	-2 514	-3 252
Total financial income / expenses	**-551**	**-461**	**-3 401**	**-3 333**	**-3 890**

NOTE 9. DIVIDENDS	**Quarter 3**		**9 months**		**for the year ended 31 December**
	2010	**2009**	**2010**	**2009**	**2009**
Dividends declared during the period	0	0	31 956	14 700	14 700
Dividends paid during the period	0	0	31 956	14 700	14 700
Income tax on dividends paid	0	0	-8 495	-3 908	-3 908
Income tax accounted for	**0**	**0**	**-8 495**	**-3 908**	**-3 908**
Paid-up dividends per shares:					
Dividends per A-share (in euros)	0	0	1,60	0,73	0,73
Dividends per B-share (in euros)	0	0	639	639	639

The income tax rates were 21/79 in 2010 and 2009.

NOTE 10. EARNINGS PER SHARE

	Quarter 3		**9 months**		**for the year ended 31 December**
	2010	**2009**	**2010**	**2009**	**2009**
Net profit minus B-share preference rights (in euros)	5 937	6 558	8 475	13 702	21 725
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)	0,30	0,33	0,42	0,69	1,09
Earnings per B share (in euros)	639	639	639	639	639

Diluted earnings per share for the periods ended 30 September 2010 and 2009 and 31 December 2009 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 September 2010	as of 30 September 2009	as of 31 December 2009
Accounts receivable	3 930	0	138
Accrued income	2 347	686	5 957
Prepayments and deferred income	0	655	0
Accounts payable - short-term trade and other payables	240	237	245

	Quarter 3		9 months		for the year ended 31 December
	2010	**2009**	**2010**	**2009**	**2009**
Transactions with the related parties					
Sales services	1 074	717	2 648	2 214	3 179
Compensations received from the local governments for constructing new pipelines	1 752	1 205	3 317	6 311	11 922
Purchase of administrative and consulting services	227	322	802	906	1 237
Financial income	168	96	387	258	642
Management Board fees excluding social tax	47	41	123	124	163
Supervisory Board fees excluding social tax	10	10	29	29	38

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 COUNCIL MEMBERS

Robert John Gallienne	Chairman of the Supervisory Council
Leslie Anthony Bell	Member of the Supervisory Council
Matti Hyyrynen	Member of the Supervisory Council
Andrew James Prescott	Member of the Supervisory Council
Ardo Ojasalu	Member of the Supervisory Council
Mart Mägi	Member of the Supervisory Council
Rein Ratas	Member of the Supervisory Council
Valdur Laid	Member of the Supervisory Council
Deniss Boroditš	Member of the Supervisory Council

Introduction and photos of the Supervisory Council members are published in 2009 Yearbook and the information regarding any changes is available at www.tallinnavesi.ee