

Tallinna Vesi



AS Tallinna Vesi
Results of operations – for the 1st quarter of 2007

Currency	Thousand EUR
Start of reporting period	1 January 2007
End of reporting period	31 March 2007
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Field of activity	Production, treatment and distribution of water; storm and wastewater disposal and treatment

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MANAGEMENT REPORT RESULTS OF OPERATIONS - FOR THE 1st QUARTER 2007

Overview

The performance in the 1st quarter of 2007 can be summed up as solid operational performance strongly supplemented by several one-time improvements initiated and delivered by the Company. During the 1st quarter of 2007 sales to residential customers increased by 9.9% year on year, sales to commercial customers within the service area increased by 8.5% year on year, and outside the service area sales increased by 72.7% year on year. With regard to costs, the company recorded zero failures in all pollution measures taken and as a result the amount of pollution tax payable reduced by 50%, also the Ministry of Environment gave final approval to the success of the nitrogen project which resulted in the release of a 0.9 mln EUR provision. The Company's quarterly net profit was 6.1 mln EUR, which is a 0.02 mln EUR increase compared to the 1st quarter of 2006.

Key Financial Indicators

<i>EUR</i>	3 months 2007	3 months 2006	Change
Sales	13,1	11,2	16,7%
Main operating activities	10,3	9,4	9,5%
Other operating activities	2,8	1,8	53,7%
Gross profit	7,7	6,1	27,3%
Gross profit margin %	58,8%	53,9%	9,1%
Operating profit	6,8	6,7	0,8%
Operating profit margin %	51,5%	59,7%	-13,7%
Profit before taxes	6,1	6,1	0,3%
Profit before taxes margin %	46,4%	54,0%	-14,1%
Net profit	6,1	6,1	0,3%
ROA %	3,8%	3,9%	-3,7%
Debt to total capital employed %	50,7%	52,4%	-3,3%

Gross profit margin – Gross profit / Net sales

Operating profit margin – Operating profit / Net sales

Profit before taxes margin – Profit before taxes / Net sales

ROA – Net profit / Total Assets

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

Profit and Loss Statement

Sales

In the 1st quarter of 2007 the Company's total sales increased, year on year, by 16.7% to 13.1 mln EUR. Sales from the Company's main operating activities were 10.3 mln EUR. Sales in the main operating activity principally comprise of sales of water and treatment of wastewater to domestic

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

Sales of water and wastewater treatment were 9.6 mln EUR, a 9.1% increase compared to the first quarter of 2007, resulting from the increase in tariffs from 1 January 2007 for the Company's residential and commercial customers.

Included within this amount were the following increases by sector: Sales to residential customers increased by 9.9% to 5.2 mln EUR. Sales to commercial customers within the service area increased by 8.5% to 4.1 mln EUR. Sales to commercial customers outside of the service area – primarily bulk volumes of wastewater treatment services provided to the surrounding municipalities - reached 592 000 m³ or 0.3 mln EUR, which represents a 72.7% increase in sales value compared to the 1st quarter of 2006. Overpollution fees received were 0.1 mln EUR lower than in the 1st quarter of 2006 due to a large credit invoice issued as a result of incorrect invoicing in prior years. When excluding the effect of overpollution revenue, the growth in the sales of water and wastewater services was 10.5% in the 1st quarter of 2007.

In the 1st quarter of 2007 sales from the operation and maintenance of the stormwater and firehydrant system increased by 9.5% to 0.6 mln EUR compared to the same period in 2006. This is in accordance with the terms and conditions of the contract whereby the stormwater and firehydrant costs are invoiced based on actual volumes treated. This is contractually agreed up to 2015.

Sales revenues from other operating activities (mainly connections and stormwater construction) increased by 53.7% to 2.8 mln EUR compared to the 1st quarter of 2006, due to increased connection revenues as a consequence of the activity in the real estate market.

Cost of Goods Sold and Gross Margin

The cost of goods sold for the main operating activity was 2.9 mln EUR in the 1st quarter of 2007, a decrease of 0.6 mln EUR or 18.1% from the equivalent period in 2006. During the 1st quarter of 2007 the Ministry of Environment gave final approval to the success of the nitrogen project, which resulted in the release of a provision worth 0.9 mln EUR for environmental taxes.

In addition to the environmental tax provision release, in the 1st quarter of 2007 the Company recorded zero failures in all pollution measures taken and as a result the amount of pollution tax payable reduced by 50% (0.1 mln EUR).

In the 1st quarter of 2007 the Company has faced increasing pressure on chemical prices, especially methanol. However these price increases have been partially offset by lower dosages used, which resulted in a total quarterly charge of 0.3 mln EUR for chemical costs, which represents a 4.6% increase compared to the corresponding period in 2006.

Electricity prices increased by 0.04 mln EUR or 10.7% due to increased usage of energy. This was as a consequence of the unusually mild winter, which resulted in the peak demand for energy occurring earlier than normal.

Salaries increased by 0.06 mln EUR or 8.3%. As a consequence of the highly competitive labour market and rapidly growing salaries, in late 2006 all salaries were reviewed and increased to ensure competitiveness in the market and maintain personnel.

Other cost of goods sold in the main operating activity increased by 0.09 mln EUR, or 17.9% year on year. This was principally due to increased costs on a number of support services contracts, such as transport, maintenance, and reflects the significant increase in labour costs in Tallinn.

As a result of all of the above the Company's gross profit for the 1st quarter of 2007 was 7.7 mln EUR, which represents an increase of 1.7 mln EUR, or 27.3%, compared to the gross profit of 6.1 mln EUR for the 1st quarter of 2006.

Operating Costs and Operating Margin

Marketing expenses increased by 0.04 mln EUR to 0.2 mln EUR during the 1st quarter of 2007 compared to the corresponding period in 2006. This was a result of increases in salary costs and other marketing expenses. This increase in other marketing expenses was mainly due to the timing of the customer satisfaction survey.

General administration expenses increased by 0.1 mln EUR to 0.9 mln EUR in the 1st quarter of 2007 as a consequence of an increase in salaries and other general administration expenses. Other general expenses are higher as a result of lower salary capitalization.

Included within the above cost categories are staff costs. These totalled 1.2 mln EUR in the 1st quarter of 2007, which is a 0.09 mln EUR or 8.4% increase compared to the same period in 2006, which as mentioned earlier was due to of the company wide revision of salaries.

Other net income/expenses totalled a 0.2 mln EUR income stream in the 1st quarter of 2007 compared to a 1.6 mln EUR income stream in the 1st quarter of 2006. Other net income/expenses in the 1st quarter of 2006 consisted mainly of the recognition of 1.5 mln EUR of profits subsequent to concluding the sale of excess land in Paljassaare. In the 1st quarter of 2007 this revenue stream mainly consists of positive movements of the bad debt provision and revenues generated from a consultancy project in the Republic of Tajikistan.

As a result of all of the above the Company's operating profit for the 1st quarter of 2007 was 6.8 mln EUR, an increase of 0.02 mln EUR compared to an operating profit of 6.7 mln EUR achieved in the 1st quarter of 2006.

Financial expenses

Net Financial expenses were 0.6 mln EUR in the 1st quarter of 2007, which is an increase of 0.03 mln EUR or 5.4% compared to the 1st quarter of 2006. The Company's interest costs have increased by 15.5% compared to the 1st quarter of 2006. This is due to the fact that half of the Company's loans are connected to the 6 month Euribor rate, which has increased from 2.643% at the beginning of 2006 up to 4.043% at the end of the 1st quarter of 2007. At the same time financial income earned has increased by 0.06 mln EUR up to 0.1 mln EUR as a result of improved cash management, a favourable cash position and increasing interest rates.

Profit Before Tax

The Company's profit before taxes for the 1st quarter of 2007 was 6.1 mln EUR, which is 0.02 mln EUR higher than the profit before taxes of 6.1 mln EUR for the 1st quarter of 2006.

Balance sheet

The Company's total assets were 101.8 mln EUR as at 31 March 2007, representing an increase of 3.8 mln EUR compared to 31 December 2006. Current assets increased by 6 mln EUR in the quarter, which was largely attributable to an increase in cash and accounts receivable reflecting the increase in sales of water and wastewater treatment services.

In the 1st quarter of 2007 the Company invested 1.7 mln EUR into fixed assets. However tangible, intangible and unfinished assets were 134.4 mln EUR at 31 March 2007, a decrease of 2.3 mln EUR due to the costs and revenues from completed customer connections being expensed from the balance sheet to the income statement – this can be seen in revenues and costs from other operating activities in the income statement.

Current liabilities decreased by 2.3 mln EUR to 7.5 mln EUR in the first three months of the year. This was mainly due to decreased investment payables, reflecting the reduced levels of investment activity during winter.

The company continues to maintain its leverage level within its target range of 50-60% with total liabilities to total capital employed of 50.7% as at 31 March 2007. Long-term liabilities stood at 74.5 mln EUR at the end of March 2007, consisting almost entirely of the outstanding balance on the two long-term bank loans.

Cash flow

During the first three months of 2007, the Company generated 5.5 mln EUR of cash flows from operating activities, an increase of 0.03 mln EUR compared to the corresponding period in 2006. An increase in underlying operating profit (after removing land sales from 1st quarter 2006) was offset by negative working capital movements in the first quarter of 2007 - there were a number of invoices outstanding at the balance sheet totalling 2.2 mln EUR which have subsequently been paid.

In the 1st quarter of 2007 net cash outflows from investing activities were 2.2 mln EUR, which is 1.6 mln EUR more than in 2006. This was mainly due to the 1.7 mln EUR stormwater construction invoice payment becoming due in April in 2007, while it was paid during March in 2006.

Cash outflows from financing activities were 0.02 mln EUR during the first three months of the year, which is in line with the outflows in the corresponding period in 2006 and consists entirely of finance lease payments.

As a result of all of the above factors, the total cash inflow in the 1st quarter of 2007 was 3.2 mln EUR compared to a cash inflow of 4.8 mln EUR in the first three months of 2006. Cash and cash equivalents stood at 19.2 mln EUR as at 31 March 2007.

Employees

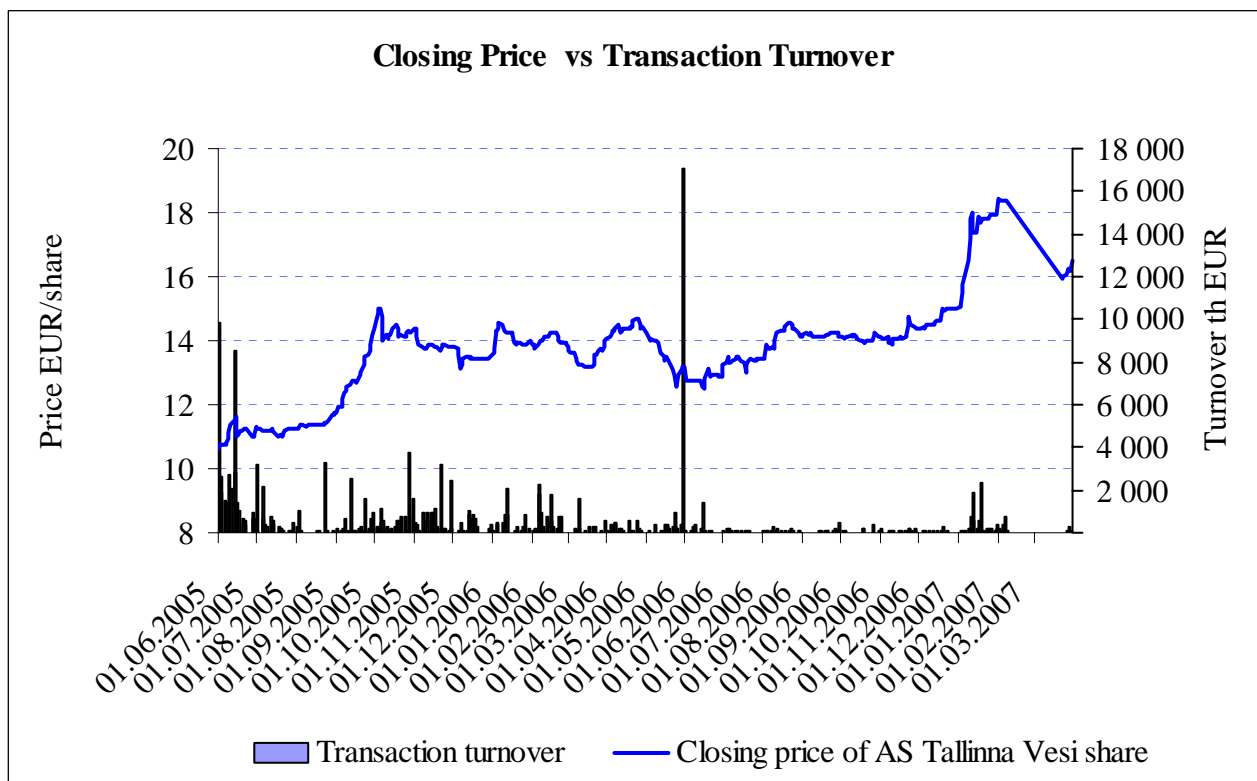
As of 31 March 2007 the Company employed 313 people consisting of 223 people in the Operations division and 90 people in Commercial and Corporate Services. The number of employees has decreased by 5 people since the beginning of the year.

Dividends and share performance

Based on the results of the 2006 financial year, the AGM of AS Tallinna Vesi approved a dividend payout of 12,527,322.23 EUR. Of this 639.12 EUR will be paid to the owner of the B-share and 12.5 mln EUR, i.e. 0.63 EUR per share to the owners of the A-shares. Dividends will be paid on 15 June 2007.

As of 31 March 2007 AS Tallinna Vesi shareholders, with a holding over 5%, were:

United Utilities (Tallinn) BV	35.3%
City of Tallinn	34.7%
Morgan Stanley + Co International Equity client account	7.01%



At the end of the reporting period, 31 March 2007, the closing price of the AS Tallinna Vesi share was 16.01 EUR, which is a 9.9% increase since the beginning of the year outperforming the market.

Operational achievements in 2007

- In the 1st quarter the Ministry of the Environment confirmed the success of the Nitrogen removal project at Paljassaare wastewater treatment plant and reported that it had exceeded expectations.
- The work on the new Paljassaare sludge processing building and the sludge composting fields continued. The building will allow for the more effective and efficient operation and maintenance of this equipment and realise further benefits in the operation of the wastewater and sludge treatment processes. This will enable the Company to continue with its

environmentally friendly and cost effective policy of disposing zero sludge to landfill. The total cost of the project is over 2.6 mln EUR and it will be completed in 2007.

- All outfall effluent samples at all locations complied with requirements and as a consequence the environmental charges for the quarter attracted a 50% reduction.
- During the 1st quarter of 2007 the Company completed the first phase of its customer management system. This included many products and services that have and will improve our interactions with customers, direct debit, e-billing, auto reminders to name but a few. One part of the system that was implemented in this quarter was the successful launch of our web-based self-service, which will enable customers to self manage many of their transactions with ASTV. Whilst this product is not completely finished we have already seen some immediate benefits, with almost 500 customers sending meter readings via the web interface in March.

Additional information:

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AS TALLINNA VESI

MANAGEMENT CONFIRMATION


The Management Board of AS Tallinna Vesi (hereinafter the company) has prepared the interim accounts for the period ended 31 March 2007. The interim accounts are not reviewed by auditors.

The preparation of the interim accounts according to International Financial Reporting Standards as adopted by the EU involves estimates made by the Management Board of the Company's assets and liabilities as at 31 March 2007, and of income and expenses during the reporting period. These estimates are based on current information about AS Tallinna Vesi and consider all plans and risks as at 31 March 2007. The actual results of these business transactions recorded may differ from such estimates.

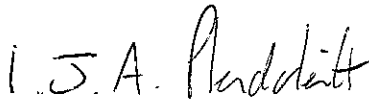
The interim accounts give a true and fair view of the financial position, economic performance and cash flows of the company.

All material subsequent events that occurred by the interim accounts preparation date of 16 April 2007 have been assessed as part of this review.

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



Roch Jean Guy Antoine Chérourx
Chairman of the Management Board



Ian John Alexander Plenderleith
Member of the Management Board



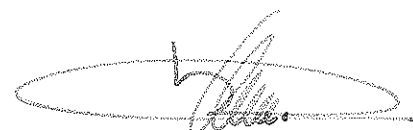
David Nigel Hetherington
Member of the Management Board

16 April 2007

BALANCE SHEETS AT 31 MARCH 2007 AND 2006, AND AT 31 DECEMBER 2006

(thousand EUR)

ASSETS	Note	31 March		31 December
		2007	2006	2006
CURRENT ASSETS				
Cash at bank and in hand	2	18 551	18 004	15 940
Commercial paper	2	631	0	0
Customer receivables		7 401	4 799	4 569
Accrued income and prepaid expenses		273	755	304
Inventories		201	196	201
Assets for sale		97	96	105
TOTAL CURRENT ASSETS		27 153	23 851	21 120
NON-CURRENT ASSETS				
Tangible assets	3	121 833	116 467	119 969
Intangible assets	3	3 249	2 740	3 361
Unfinished assets - non connections	3	4 077	6 223	5 859
Unfinished pipelines - new connections	3	5 254	5 856	7 488
Prepayments for fixed assets	3	206	216	179
TOTAL NON-CURRENT ASSETS		134 618	131 502	136 856
TOTAL ASSETS		161 771	155 353	157 976
LIABILITIES				
CURRENT LIABILITIES				
Current portion of long-term borrowings		11	81	30
Trade and other payables, incl. dividends		4 046	2 728	5 448
Taxes payable		1 269	2 267	1 950
Short-term provisions		49	22	34
Deferred income		2 100	1 843	2 322
TOTAL CURRENT LIABILITIES		7 475	6 941	9 784
NON-CURRENT LIABILITIES				
Finance lease		0	7	0
Bank loans		74 541	74 485	74 527
Other payables		6	6	6
TOTAL NON-CURRENT LIABILITIES		74 548	74 499	74 534
TOTAL LIABILITIES		82 023	81 440	84 318
EQUITY CAPITAL				
Share capital		12 782	12 782	12 782
Share premium		24 734	24 734	24 734
Statutory legal reserve		1 278	1 278	1 278
Accumulated profit		34 863	29 044	19 010
Net profit for the period		6 091	6 075	15 853
TOTAL EQUITY CAPITAL		79 749	73 914	73 658
TOTAL LIABILITIES AND EQUITY CAPITAL		161 771	155 353	157 976



AS TALLINNA VESI

**INCOME STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2007 AND 2006**

(thousand EUR)

		3 months		Year ended 31 December
	Note	2007	2006	2006
Sales from main operating activities	4	10 298	9 408	37 655
Revenues from other operating activities	4	2 828	1 839	6 650
Net sales		13 126	11 247	44 305
Costs of goods sold (main operating activities)	5,6	-2 869	-3 505	-14 095
Costs of goods sold (other operating activities)	6	-2 535	-1 678	-6 206
GROSS PROFIT		7 722	6 065	24 005
Marketing expenses	5,6	-202	-163	-612
General administration expenses	5,6	-913	-806	-3 280
Other income/ expenses (-)	6	153	1 615	1 485
OPERATING PROFIT		6 761	6 710	21 597
Financial income / expenses (-)	7	-670	-635	-2 747
PROFIT BEFORE TAXES		6 091	6 075	18 850
Income tax on dividends	8	0	0	-2 997
NET PROFIT FOR THE PERIOD		6 091	6 075	15 853
Attributable to:				
Equity holders of A-shares		6 090	6 074	15 852
B-share holder		0,64	0,64	0,64
Earnings per share in euros	9	0,30	0,30	0,79

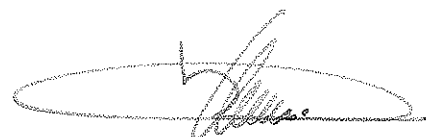


CASH FLOW STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2007 AND 2006

(thousand EUR)

	3 months		Year ended 31
	2007	2006	December
			2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	6 761	6 710	21 597
Adjustment for depreciation	1 259	1 298	5 180
Adjustment for income and expenses from constructions	-293	-161	-444
Other financial income and expenses	-15	-25	-34
Profit from sale of fixed assets	1	-1 575	-1 592
Expensed fixed assets	0	27	71
Capitalization of operating expenses	-297	-332	-1 337
Movement in current assets involved in operating activities	-979	-861	-265
Movement in liabilities involved in operating activities	-929	398	383
Interest paid	-1	-2	-3 071
Total cash flow from operating activities	5 508	5 478	20 487
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of fixed assets (incl pipelines construction)	-3 327	-2 462	-12 274
Proceeds from pipelines financed by construction income	934	1 843	7 200
Proceeds from sale of and prepayments received for fixed assets	1	-204	-83
Proceeds from sale of assets and real estate investments	0	71	71
Interest received	145	69	418
Total cash flow from investing activities	-2 248	-683	-4 667
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments	-20	-24	-82
Dividends paid	0	0	-10 034
Income tax on dividends	0	0	-2 997
Total cash flow from financing activities	-20	-24	-13 113
Change in cash and bank accounts	3 241	4 770	2 706
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	15 940	13 234	13 234
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	19 181	18 004	15 940



Chairman of the Management Board:

AS TALLINNA VESI

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2007 AND 2006

(thousand EUR)

	Share capital	Share premium	Statutory legal reserve	Accumulated profit	Net profit	Total equity
31 December 2005	12 782	24 734	1 278	17 901	11 143	67 839
Transfer of financial year profit to the accumulated profit	0	0	0	11 143	-11 143	0
Dividends	0	0	0	-10 034	0	-10 034
Net profit of the financial year	0	0	0	0	15 853	15 853
31 December 2006	12 782	24 734	1 278	19 010	15 853	73 658
31 December 2005	12 782	24 734	1 278	17 901	11 143	67 839
Transfer of financial year profit to the accumulated profit	0	0	0	11 143	-11 143	0
Net profit of the financial period	0	0	0	0	6 075	6 075
31 March 2006	12 782	24 734	1 278	29 044	6 075	73 914
31 December 2006	12 782	24 734	1 278	19 010	15 853	73 658
Transfer of financial year profit to the accumulated profit	0	0	0	15 853	-15 853	0
Net profit of the financial period	0	0	0	0	6 091	6 091
31 March 2007	12 782	24 734	1 278	34 863	6 091	79 749



Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2007 AND 2006

(thousand EUR)

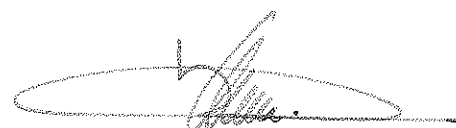
NOTE 1. ACCOUNTING PRINCIPLES

The interim accounts have been prepared according to International Financial Reporting Standards as adopted by the EU, and give a true and fair view of the financial position, results of operations and cash flows of AS Tallinna Vesi. The same accounting policies are followed in the interim financial statements as in the most recent annual financial statements. The interim report is prepared in accordance with IAS 34 Interim Financial Reporting.

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

NOTE 2. CASH AND CASH EQUIVALENTS

	3 months		Year ended 31 December
	2007	2006	2006
Cash at bank and in hand	4 379	3 519	1 101
Short term deposits	14 172	14 485	14 839
Commercial paper	631	0	0
	19 181	18 004	15 940



Chairman of the Management Board:

NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2007 AND 2006

(thousand EUR)

NOTE 3. TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

	Tangible assets in use			Assets in progress			Intangible assets			Total tangible and intangible non-current assets
	Land and buildings	Facilities	Machinery and equipment	Other equipment	Unfinished assets - non connections	Unfinished pipelines - new connections	Prepayment for fixed assets	Development costs	Acquired licenses and other intangible assets	
Acquisition cost at										
31.12.2005										
Acquisition	22 365	124 380	32 185	1 223	6 058	6 979	222	885	3 585	197 883
Sale of fixed assets	0	0	0	0	8 926	6 826	0	0	0	15 753
Write-off of fixed assets	-503	-573	-325	0	0	0	0	0	0	-1 402
Reclassification within balance sheet	0	-62	-315	-159	0	0	0	0	-448	-983
Reclassification to expenses	0	0	0	0	-3	-2	0	0	0	-5
Expensed pipelines	0	0	0	0	-39	0	-31	0	0	-71
Reclassification from assets in progress	192	5 161	2 624	56	-9 083	-6 206	0	0	0	-6 206
31.12.2006										
Acquisition	22 054	128 906	34 169	1 120	5 859	7 488	179	1 121	4 073	204 969
Sale of fixed assets	0	0	0	0	1 241	427	27	0	0	1 696
Write-off of fixed assets	0	-17	-55	-1	0	0	0	0	0	-11
Reclassification within balance sheet	0	0	0	0	-11	-127	0	0	0	-72
Expensed pipelines	0	0	0	0	0	-2 535	0	0	0	-138
Reclassification from assets in progress	21	2 802	157	1	-3 012	0	0	30	0	-2 535
31.03.2007										
Accumulated depreciation										
31.12.2005										
Depreciation	3 559	39 198	19 156	737	0	0	0	603	1 056	64 309
Depreciation of fixed assets sold and written-off (-)	247	2 011	2 182	118	0	0	0	126	495	5 180
	-4	-239	-526	-159	0	0	0	0	-448	-1 376
31.12.2006										
Depreciation	3 801	40 970	20 812	696	0	0	0	729	1 104	68 113
Depreciation of fixed assets sold and written-off (-)	63	528	507	18	0	0	0	31	112	1 259
	0	-17	-64	-1	0	0	0	0	0	-81
31.03.2007										
	3 864	41 482	21 255	713	0	0	0	760	1 216	69 291
Net book value										
31.12.2005										
	18 807	85 182	13 029	486	6 058	6 979	222	282	2 529	133 573
31.12.2006										
	18 253	87 935	13 356	424	5 859	7 488	179	392	2 969	136 856
31.03.2007										
	18 211	90 209	13 005	408	4 077	5 254	206	391	2 857	134 618

Fixed assets are written off if the condition of the asset does not enable further usage for production purposes.

For the period ended 31 March the net balance sheet value of finance leases was 145 thousand euros for 2007 and 156 thousand euros for 2006.



Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2007 AND 2006

(thousand EUR)

NOTE 4. NET SALES	2007	3 months 2006	Year ended 31 December 2006
Revenues from main operating activities			
Water supply service	5 087	4 645	18 486
Waste water disposal service	4 521	4 160	16 600
Stormwater treatment and disposal service	544	480	1 921
Fire hydrants service	35	48	192
Other works and services	111	75	456
Total revenues from main operating activities	10 298	9 408	37 655
Revenues from other operating activities			
Water, sewerage and storm water connections construction income	2 828	1 839	6 650
TOTAL NET SALES	13 126	11 247	44 305

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

NOTE 5. PERSONNEL EXPENSES

	2007	3 months 2006	Year ended 31 December 2006
Salaries and wages	-895	-826	-3 230
Social security taxation	-298	-275	-1 076
Staff costs total	-1 193	-1 101	-4 305
Average number of employees during the reporting period	306	331	322



Chairman of the Management Board:

**NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2007 AND 2006**

(thousand EUR)

NOTE 6. COSTS AND EXPENSES

Cost of goods sold (main operating activities)	3 months		Year ended 31 December
	2007	2006	2006
Tax on special use of water	-170	-164	-642
Chemicals	-322	-308	-1 319
Electricity	-461	-416	-1 572
Pollution tax	674	-172	-766
Staff costs	-824	-761	-2 973
Research and development	0	0	-8
Depreciation and amortization	-1 157	-1 168	-4 683
Other costs of goods sold	-609	-516	-2 131
Total cost of goods sold (main operating activities)	-2 869	-3 505	-14 095
Cost of goods sold (other operating activities)			
Water, sewerage and storm water connections construction cost	-2 535	-1 678	-6 206
Marketing Expenses			
Staff costs	-84	-70	-301
Depreciation and amortization	-55	-63	-157
Other marketing expenses	-63	-30	-154
Total cost of marketing expenses	-202	-163	-612
General Administration Expenses			
Staff costs	-285	-270	-1 031
Depreciation and amortization	-47	-68	-340
Other general administration expenses	-580	-468	-1 909
Total cost of general administration expenses	-913	-806	-3 280

Other income/expenses - In both 2007 and 2006 other income/expenses includes, the profits recognised on the sale of fixed assets during the period, the movement of the bad debt provision during the year and provisions recognised and released throughout the financial period. It also includes income and costs generated from a consultancy project in the Republic of Tajikistan.



Chairman of the Management Board:

**NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2007 AND 2006**

(thousand EUR)

NOTE 7. FINANCIAL INCOME AND EXPENSES	3 months		Year ended 31
	2007	2006	December 2006
Interest income	150	87	422
Interest expense	-805	-697	-3 162
Other financial income / expenses (-)	-15	-25	-6
Total financial income / expenses	-670	-635	-2 747


NOTE 8. DIVIDENDS	3 months		Year ended 31
	2007	2006	December 2006
Dividends declared during the period	0	0	10 034
Dividends paid during the period	0	0	10 034
Income tax on dividends declared	0	0	-2 997
Income tax accounted	0	0	-2 997

The income tax rates were 22/78 and 23/77 respectively in 2007 and 2006.

NOTE 9. EARNINGS AND DIVIDENDS PER SHARE

Earnings per share from continuing operations:	3 months		Year ended 31
	2007	2006	December 2006
Earnings for the purposes of basic earnings per share (net profit for the period minus B-share preference rights)	6 090	6 074	15 852
Weighted average number of ordinary shares for the purposes of basic earnings per share	20 000 000	20 000 000	20 000 000
Earnings per share in euros	0,30	0,30	0,79
Dividends per A-share in euros	0,00	0,00	0,50
Dividends per B-share in euros	0,00	0,00	639

Diluted earnings per share for the periods ended 31 March 2007 and 2006 and 31 December 2006 are equal to the earnings per share figures stated above.



Chairman of the Management Board:

**NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2007 AND 2006**

(thousand EUR)

NOTE 10. RELATED PARTIES

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

The transactions with related parties in 2006 and 2007 and respective balances as of 31.03.2006 and 31.03.2007 are recorded as follows:

	Tallinn City Government and related boards	The companies belonging to the same group with the United Utilities (Tallinn) B.V.
2006 for 3 months		
Transactions recorded in Working Capital on the Balance Sheet of AS Tallinna Vesi		
Customer receivables	168	0
Accrued income and prepaid expenses	0	461
Deferred income	94	0
Accounts payable - short-term trade and other payables, incl. dividends	0	209
Transactions recorded to the Income Statement of AS Tallinna Vesi		
Net sales	2 135	0
General administration expenses	0	314
Transactions recorded to other accounts on the Balance Sheet of AS Tallinna Vesi		
Non-current assets incl unfinished assets and new connections	0	224
2007 for 3 months		
Transactions recorded in Working Capital on the Balance Sheet of AS Tallinna Vesi		
Customer receivables	2 270	0
Accounts payable - short-term trade and other payables, incl. dividends	0	153
Transactions recorded to the Income Statement of AS Tallinna Vesi		
Net sales	2 581	0
General administration expenses	0	302
Transactions recorded to other accounts on the Balance Sheet of AS Tallinna Vesi		
Non-current assets incl unfinished assets and new connections	0	100

	2007	3 months 2006	Year ended 31 December 2006
Management Board fees excluding social tax	31	36	134
Supervisory Board fees excluding social tax	10	8	32

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

Company shares belonging to the Management Board members

As at report generation date Roch Jean Guy Antoine Cheroux owned 262 and Ian John Alexander Plenderleith 110 AS Tallinna Vesi shares.


 Chairman of the Management Board:

AS TALLINNA VESI

**NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2007 AND 2006**

NOTE 11. LIST OF SUPERVISORY BOARD MEMBERS

Robert John Gallienne	Chairman of the Supervisory Board
David John Kilgour	Member of the Supervisory Board
Henry Emanuel Russell	Member of the Supervisory Board
Joanne Bream	Member of the Supervisory Board
Elmar Sepp	Member of the Supervisory Board
Helo Meigas	Member of the Supervisory Board
Rein Ratas	Member of the Supervisory Board
Toivo Tootsen	Member of the Supervisory Board
Valdur Laid	Member of the Supervisory Board

