

Tallinna Vesi



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

Currency	Thousand EEK
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 13.3 mln EEK provision. The Company's quarterly net profit was 95.3 mln EEK, which is a 0.3 mln EEK increase compared to the 1st quarter of 2006.

Key Financial Indicators

<i>EEK</i>	3 months 2007	3 months 2006	Change
Sales	205,4	176,0	16,7%
Main operating activities	161,1	147,2	9,5%
Other operating activities	44,2	28,8	53,7%
Gross profit	120,8	94,9	27,3%
Gross profit margin %	58,8%	53,9%	9,1%
Operating profit	105,8	105,0	0,8%
Operating profit margin %	51,5%	59,7%	-13,7%
Profit before taxes	95,3	95,1	0,3%
Profit before taxes margin	46,4%	54,0%	-14,1%
Net profit	95,3	95,1	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 205.4 mln EEK. Sales from the Company's main operating activities were 161.1 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 services area, and fees received from the City of Tallinn for operating and maintaining the stormwater system.

Sales of water and wastewater treatment were 150.3 mln EEK, 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 81.1 mln EEK. Sales to commercial customers within the service area increased by 8.5% to 63.6 mln EEK. 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 4.4 mln EEK, which represents a 72.7% increase in sales value compared to the 1st quarter of 2006. Overpollution fees received were 1.5 mln EEK 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 9.1 mln EEK 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 44.2 mln EEK 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 44.9 mln EEK in the 1st quarter of 2007, a decrease of 10 mln EEK 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 13.3 mln EEK 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% (2.2 mln EEK).

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 5 mln EEK for chemical costs, which represents a 4.6% increase compared to the corresponding period in 2006.

Electricity prices increased by 0.7 mln EEK 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 1 mln EEK 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 1.4 mln EEK, 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 120.8 mln EEK, which represents an increase of 25.9 mln EEK, or 27.3%, compared to the gross profit of 94.9 mln EEK for the 1st quarter of 2006.

Operating Costs and Operating Margin

Marketing expenses increased by 0.6 mln EEK to 3.2 mln EEK 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 1.7 mln EEK to 14.3 mln EEK 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 totaled 18.7 mln EEK in the 1st quarter of 2007, which is a 1.4 mln EEK 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 totaled a 2.4 mln EEK income stream in the 1st quarter of 2007 compared to a 25.3 mln EEK income stream in the 1st quarter of 2006. Other net income/expenses in the 1st quarter of 2006 consisted mainly of the recognition of 24.1 mln EEK 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 105.8 mln EEK, an increase of 0.3 mln EEK compared to an operating profit of 105 mln EEK achieved in the 1st quarter of 2006.

Financial expenses

Net Financial expenses were 10.5 mln EEK in the 1st quarter of 2007, which is an increase of 0.5 mln EEK 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 1 mln EEK up to 2.3 mln EEK as a result of improved cash management, a favorable cash position and increasing interest rates.

Profit Before Tax

The Company's profit before taxes for the 1st quarter of 2007 was 95.3 mln EEK, which is 0.3 mln EEK higher than the profit before taxes of 95.1 mln EEK for the 1st quarter of 2006.

Balance sheet

The Company's total assets were 2,531.2 mln EEK as at 31 March 2007, representing an increase of 59.4 mln EEK compared to 31 December 2006. Current assets increased by 94.4 mln EEK 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 26.5 mln EEK into fixed assets. However tangible, intangible and unfinished assets were 2,103 mln EEK at 31 March 2007, a decrease of 35.4 mln EEK 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 36.1 mln EEK to 117 mln EEK 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 1,166.4 mln EEK 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 86.2 mln EEK of cash flows from operating activities, an increase of 0.5 mln EEK compared to the corresponding period in 2006. An increase in underlying operating profit (after removing land sales from Q1 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 totaling 35 mln EEK that have subsequently been paid.

In the 1st quarter of 2007 net cash outflows from investing activities were 35.2 mln EEK, which is 24.5 mln EEK more than in 2006. This was mainly due to the 26 mln EEK stormwater construction invoice payment becoming due in April in 2007, while it was paid during March in 2006.

Cash outflows from financing activities were 0.3 mln EEK 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 50.7 mln EEK compared to a cash inflow of 74.6 mln EEK in the first three months of 2006. Cash and cash equivalents stood at 300.1 mln EEK as at 31 March 2007.

Employees

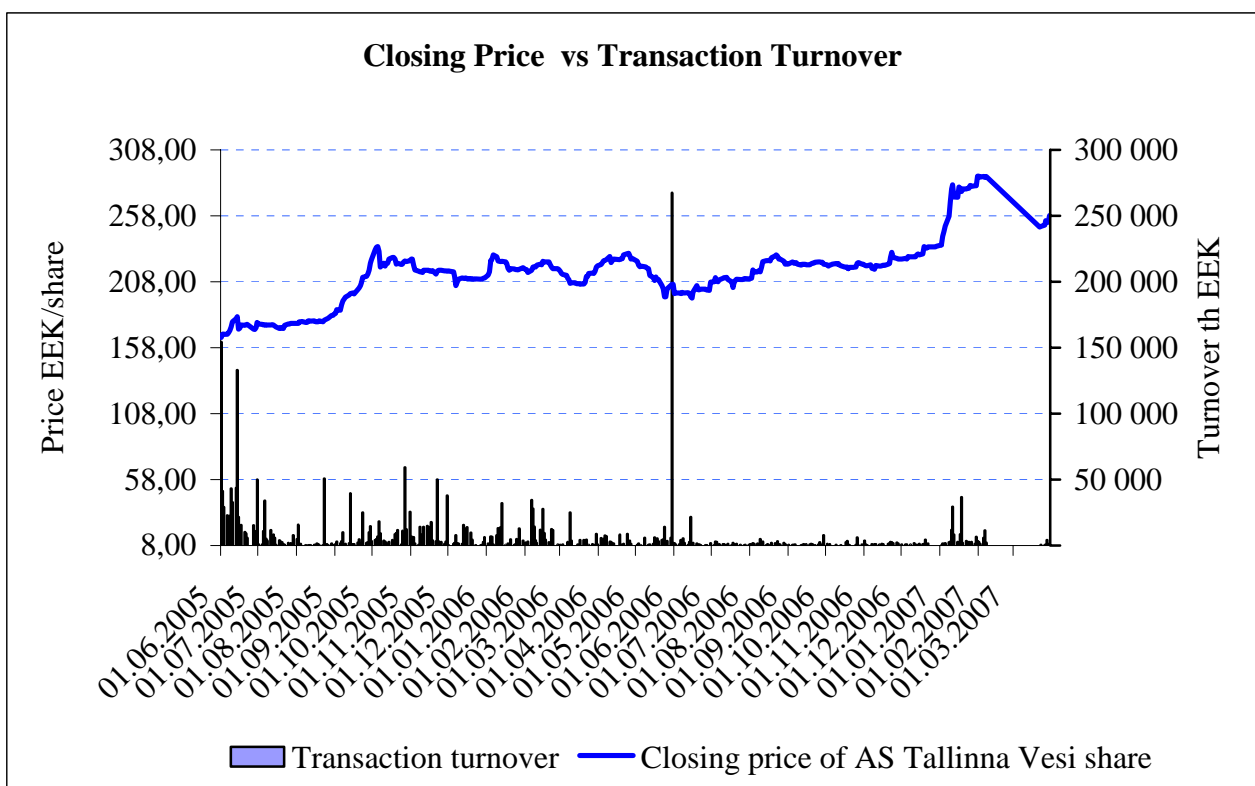
As of 31 March 2007 the Company employed 313 people consisting of 223 people in the Operations division and 90 people in Commercial and Corporate Services. The number of employees has decreased by 5 people since the beginning of the year.

Dividends and share performance

Based on the results of the 2006 financial year, the AGM of AS Tallinna Vesi approved a dividend payout of 196,010,000 EEK. Of this 10 000 EEK will be paid to the owner of the B-share and 196 000 000 mln EEK, ie 9.8 EEK 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 251.91 EEK (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 40 mln EEK 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 the 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.

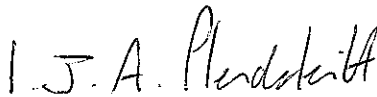
The interim accounts give a true and fair view of the financial position, economic performance and cash flows of the company.

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 EEK)

ASSETS	Note	31 March 2007	2006	31 December 2006
CURRENT ASSETS				
Cash at bank and in hand	2	290 256	281 709	249 413
Commercial paper	2	9 866	0	0
Customer receivables		115 793	75 084	71 490
Accrued income and prepaid expenses		4 278	11 817	4 756
Inventories		3 139	3 071	3 142
Assets for sale		1 517	1 504	1 648
TOTAL CURRENT ASSETS		424 849	373 185	330 449
NON-CURRENT ASSETS				
Tangible assets	3	1 906 280	1 822 312	1 877 105
Intangible assets	3	50 829	42 870	52 595
Unfinished assets - non connections	3	63 788	97 375	91 676
Unfinished pipelines - new connections	3	82 200	91 631	117 162
Prepayments for fixed assets	3	3 222	3 379	2 795
TOTAL NON-CURRENT ASSETS		2 106 319	2 057 567	2 141 333
TOTAL ASSETS		2 531 168	2 430 752	2 471 782
LIABILITIES				
CURRENT LIABILITIES				
Current portion of long-term borrowings		167	1 260	473
Trade and other payables, incl. dividends		63 302	42 689	85 250
Taxes payable		19 853	35 465	30 508
Short-term provisions		770	352	538
Deferred income		32 864	28 835	36 325
TOTAL CURRENT LIABILITIES		116 956	108 601	153 094
NON-CURRENT LIABILITIES				
Finance lease		0	114	0
Bank loans		1 166 318	1 165 439	1 166 098
Other payables		100	100	100
TOTAL NON-CURRENT LIABILITIES		1 166 418	1 165 653	1 166 198
TOTAL LIABILITIES		1 283 374	1 274 254	1 319 292
EQUITY CAPITAL				
Share capital		200 001	200 001	200 001
Share premium		387 000	387 000	387 000
Statutory legal reserve		20 000	20 000	20 000
Accumulated profit		545 489	454 443	297 443
Net profit for the period		95 304	95 054	248 046
TOTAL EQUITY CAPITAL		1 247 794	1 156 498	1 152 490
TOTAL LIABILITIES AND EQUITY CAPITAL		2 531 168	2 430 752	2 471 782

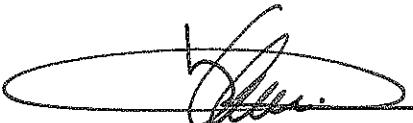
AS TALLINNA VESI

INCOME STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2007 AND 2006

(thousand EEK)

		3 months		Year ended 31 December
	Note	2007	2006	2006
Sales from main operating activities	4	161 133	147 206	589 176
Revenues from other operating activities	4	44 241	28 776	104 048
Net sales		205 374	175 982	693 224
Costs of goods sold (main operating activities)	5,6	-44 885	-54 837	-220 537
Costs of goods sold (other operating activities)	6	-39 662	-26 251	-97 096
GROSS PROFIT		120 827	94 894	375 591
Marketing expenses	5,6	-3 162	-2 554	-9 578
General administration expenses	5,6	-14 279	-12 612	-51 319
Other income/ expenses (-)	6	2 398	25 267	23 229
OPERATING PROFIT		105 784	104 995	337 923
Financial income / expenses (-)	7	-10 480	-9 941	-42 981
PROFIT BEFORE TAXES		95 304	95 054	294 942
Income tax on dividends	8	0	0	-46 896
NET PROFIT FOR THE PERIOD		95 304	95 054	248 046
Attributable to:				
Equity holders of A-shares		95 294	95 044	248 036
B-share holder		10	10	10
Earnings per share in kroons	8	4,76	4,75	12,40



Chairman of the Management Board:

CASH FLOW STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2007 AND 2006

(thousand EEK)

	2007	3 months 2006	Year ended 31 December 2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	105 784	104 995	337 923
Adjustment for depreciation	19 695	20 311	81 047
Adjustment for income and expenses from constructions	-4 579	-2 525	-6 952
Other financial income and expenses	-229	-388	-536
Profit from sale of fixed assets	19	-24 648	-24 917
Expensed fixed assets	0	428	1 106
Capitalization of operating expenses	-4 647	-5 193	-20 921
Movement in current assets involved in operating activities	-15 322	-13 470	-4 142
Movement in liabilities involved in operating activities	-14 531	6 230	5 994
Interest paid	-9	-30	-48 051
Total cash flow from operating activities	86 181	85 710	320 551
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of fixed assets (incl pipelines construction)	-52 061	-38 521	-192 048
Proceeds from pipelines financed by construction income	14 612	28 843	112 662
Proceeds from sale of and prepayments received for fixed assets	11	-3 197	-1 293
Proceeds from sale of assets and real estate investments	0	1 107	1 107
Interest received	2 272	1 082	6 545
Total cash flow from investing activities	-35 166	-10 686	-73 027
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments	-306	-382	-1 282
Dividends paid	0	0	-157 000
Income tax on dividends	0	0	-46 896
Total cash flow from financing activities	-306	-382	-205 178
Change in cash and bank accounts	50 709	74 642	42 346
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PE	249 413	207 067	207 067
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	300 122	281 709	249 413



Chairman of the Management Board:

AS TALLINNA VESI

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

(thousand EEK)

	Share capital	Share premium	Statutory legal reserve	Accumulated profit	Net profit	Total equity
31 December 2005	200 001	387 000	20 000	280 089	174 354	1 061 444
Transfer of financial year profit to the accumulated profit	0	0	0	174 354	-174 354	0
Dividends	0	0	0	-157 000	0	-157 000
Net profit of the financial year	0	0	0	0	248 046	248 046
31 December 2006	200 001	387 000	20 000	297 443	248 046	1 152 490
31 December 2005	200 001	387 000	20 000	280 089	174 354	1 061 444
Transfer of financial year profit to the accumulated profit	0	0	0	174 354	-174 354	0
Net profit of the financial period	0	0	0	0	95 054	95 054
31 March 2006	200 001	387 000	20 000	454 443	95 054	1 156 498
31 December 2006	200 001	387 000	20 000	297 443	248 046	1 152 490
Transfer of financial year profit to the accumulated profit	0	0	0	248 046	-248 046	0
Net profit of the financial period	0	0	0	0	95 304	95 304
31 March 2007	200 001	387 000	20 000	545 489	95 304	1 247 794



Chairman of the Management Board:

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

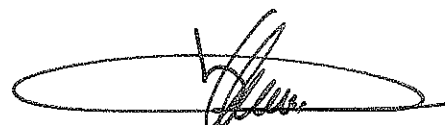
(thousand EEK)

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.

NOTE 2. CASH AND CASH EQUIVALENTS

	3 months		Year ended 31
	2 007	2 006	December
			2006
Cash at bank and in hand	68 519	55 065	17 227
Short term deposits	221 737	226 644	232 186
Commercial paper	9 866	0	0
	300 122	281 709	249 413



Chairman of the Management Board:

AS TALLINNA VESI

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

(thousand EEK)

NOTE 3. TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

Acquisition cost at	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		
31.12.2005	349 941	1 946 121	503 588	19 143	94 793	109 190	3 479	13 841	56 100	3 096 196	
Acquisition	0	0	0	0	139 665	106 811	0	0	0	246 476	
Sale of fixed assets	-7 876	-8 965	-5 088	-7	0	0	0	0	0	-21 936	
Write-off of fixed assets	0	-967	-4 930	-2 483	0	0	0	0	-7 006	-15 386	
Reclassification within balance sheet	0	0	0	0	-43	-33	0	0	0	-76	
Reclassification to expenses	0	-1	0	0	-614	0	-489	0	0	-1 104	
Expensed pipelines	0	0	0	0	0	-97 096	0	0	0	-97 096	
Reclassification from assets in progress	3 009	80 746	41 057	879	-142 125	-1 710	-195	3 702	14 637	0	
31.12.2006	345 074	2 016 934	534 627	17 532	91 676	117 162	2 795	17 543	63 731	3 207 074	
Acquisition	0	0	0	0	19 417	6 688	427	0	0	26 532	
Sale of fixed assets	0	0	-171	0	0	0	0	0	0	-171	
Write-off of fixed assets	0	-262	-860	-10	0	0	0	0	0	-1 132	
Reclassification within balance sheet	0	0	0	0	-171	-1 988	0	0	0	-2 159	
Expensed pipelines	0	0	0	0	0	-39 662	0	0	0	-39 662	
Reclassification from assets in progress	330	43 847	2 464	19	-47 134	0	0	474	0	0	
31.03.2007	345 404	2 060 519	536 060	17 541	63 788	82 200	3 222	18 017	63 731	3 190 482	
Accumulated depreciation											
31.12.2005	55 681	613 318	299 732	11 534	0	0	0	9 430	16 530	1 006 225	
Depreciation	3 864	31 471	34 143	1 844	0	0	0	1 978	7 747	81 047	
Depreciation of fixed assets sold and written-off (-)	-70	-3 740	-8 231	-2 484	0	0	0	0	-7 006	-21 531	
31.12.2006	59 475	641 049	325 644	10 894	0	0	0	11 408	17 271	1 065 741	
Depreciation	981	8 269	7 929	276	0	0	0	489	1 751	19 695	
Depreciation of fixed assets sold and written-off (-)	0	-262	-1 002	-9	0	0	0	0	0	-1 273	
31.03.2007	60 456	649 056	332 571	11 161	0	0	0	11 897	19 022	1 084 163	
Net book value											
31.12.2005	294 260	1 332 803	203 856	7 609	94 793	109 190	3 479	4 411	39 570	2 089 971	
31.12.2006	285 599	1 375 885	208 983	6 638	91 676	117 162	2 795	6 135	46 460	2 141 333	
31.03.2007	284 948	1 411 463	203 489	6 380	63 788	82 200	3 222	6 120	44 709	2 106 319	

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 2 269 thousand kroons for 2007 and 2 448 thousand kroons 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 EEK)

NOTE 4. NET SALES	2007	3 months 2006	Year ended 31 December 2006
Revenues from main operating activities			
Water supply service	79 599	72 672	289 250
Waste water disposal service	70 737	65 088	259 727
Stormwater treatment and disposal service	8 508	7 513	30 052
Fire hydrants service	551	758	3 007
Other works and services	1 738	1 175	7 140
Total revenues from main operating activities	161 133	147 206	589 176
Revenues from other operating activities			
Water, sewerage and storm water connections construction income	44 241	28 776	104 048
TOTAL NET SALES	205 374	175 982	693 224

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	-14 005	-12 925	-50 532
Social security taxation	-4 664	-4 304	-16 832
Staff costs total	-18 669	-17 229	-67 364
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 EEK)

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	-2 664	-2 561	-10 050
Chemicals	-5 044	-4 824	-20 638
Electricity	-7 209	-6 515	-24 594
Pollution tax	10 548	-2 690	-11 988
Staff costs	-12 887	-11 901	-46 521
Research and development	0	0	-129
Depreciation and amortization	-18 104	-18 269	-73 278
Other costs of goods sold	-9 525	-8 077	-33 339
Total cost of goods sold (main operating activities)	-44 885	-54 837	-220 537
Cost of goods sold (other operating activities)			
Water, sewerage and storm water connections construction cost	-39 662	-26 251	-97 096
Marketing Expenses			
Staff costs	-1 316	-1 097	-4 710
Depreciation and amortization	-855	-980	-2 453
Other marketing expenses	-991	-477	-2 415
Total cost of marketing expenses	-3 162	-2 554	-9 578
General Administration Expenses			
Staff costs	-4 466	-4 231	-16 133
Depreciation and amortization	-736	-1 062	-5 316
Other general administration expenses	-9 077	-7 319	-29 870
Total cost of general administration expenses	-14 279	-12 612	-51 319

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:

AS TALLINNA VESI

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

(thousand EEK)

NOTE 7. FINANCIAL INCOME AND EXPENSES	3 months		Year ended 31 December
	2007	2006	2006
Interest income	2 347	1 354	6 598
Interest expense	-12 598	-10 907	-49 479
Other financial income / expenses (-)	-229	-388	-100
Total financial income / expenses	-10 480	-9 941	-42 981

NOTE 8. DIVIDENDS	3 months		Year ended 31 December
	2007	2006	2006
Dividends declared during the period	0	0	157 000
Dividends paid during the period	0	0	157 000
Income tax on dividends declared	0	0	-46 896
Income tax accounted	0	0	-46 896

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

NOTE 9. EARNINGS AND DIVIDENDS PER SHARE

	3 months		Year ended 31 December
	2007	2006	2006
Earnings per share from continuing operations:			
Earnings for the purposes of basic earnings per share (net profit for the period minus B-share preference rights)	95 294	95 044	248 036
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 kroons	4,76	4,75	12,40
Dividends per A-share in kroons	0	0	7,85
Dividends per B-share in kroons	0	0	10 000,00

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 EEK)

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 significant transactions with the shareholders. 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	2 633	0
Accrued income and prepaid expenses	0	7 217
Deferred income	1 473	0
Accounts payable - short-term trade and other payables, incl. dividends	0	3 265
Transactions recorded to the Income Statement of AS Tallinna Vesi		
Net sales	33 401	0
General administration expenses	0	4 920
Transactions recorded to other accounts on the Balance Sheet of AS Tallinna Vesi		
Non-current assets incl unfinished assets and new connections	0	3 498
2007 for 3 months		
Transactions recorded in Working Capital on the Balance Sheet of AS Tallinna Vesi		
Customer receivables	35 514	0
Accounts payable - short-term trade and other payables, incl. dividends	0	2 392
Transactions recorded to the Income Statement of AS Tallinna Vesi		
Net sales	40 380	0
General administration expenses	0	4 726
Transactions recorded to other accounts on the Balance Sheet of AS Tallinna Vesi		
Non-current assets incl unfinished assets and new connections	0	1 558
	3 months	Year ended 31 December
	2007	2006
Management Board fees excluding social tax	488	560
Supervisory Board fees excluding social tax	150	125
		2006
		2 097
		500

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



Chairman of the Management Board: