2004
AS Tallinna Vesi Annual Report

Highlights of the year 2004

Mar

Biomanipulation project continues in Lake Ülemiste

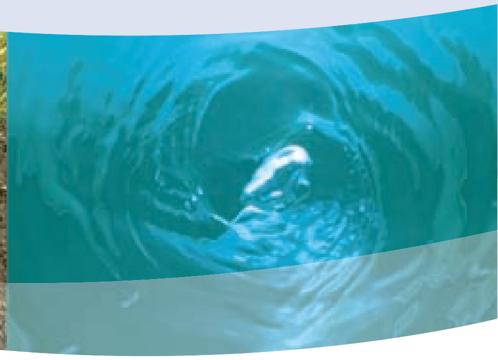
May

1000 trees planted in the reforestation area in Liikva

Aug

Company reaches the lowest water network leakage ever - 15%

Heavy rainfalls take Lake Ülemiste water level to the highest ever & a record amount of 640,000 m³ sewage passes through Paljassaare WWTP



Sep

Children's Theatre "Trumm" starts environmental plays in schools of Tallinn

10-hectare compost fields' construction starts in Paljassaare

Nov

Independent customer satisfaction survey shows 77% satisfaction among the customers.

Company's shareholders decide to note the shares in Tallinn Stock Exchange

Dec

Methanol Plant completion in Paljassaare WTTP

Tallinna Vesi

OUR MISSION

We create a better life with pure water!

OUR VISION

We will be a role model for every service providing company and employer, exceeding the expectations of our customers, employees and owners and setting a benchmark for environmental behaviour in order to improve the quality of life.

OUR VALUES

We
value our colleagues
are committed to customers
are competent and willing to make things happen
keep our word and promises
are innovative
are team players
take initiative

Financial Highlights

KEY DATA (THOUSAND EEK)

	2004	2003	2002
Sales from water supply service	220 688	200 889	201 245
Sales from waste water disposal service	204 494	180 739	178 026
Net Sales	548 529	504 017	512 524
NET PROFIT FOR THE FINANCIAL YEAR	**172 961**	**104 541**	**146 193**
Operating costs/sales ratio	47%	51%	53%
Net Profit Margin	32%	21%	29%
Return on Equity	17%	12%	17%
Return on Assets	8%	5%	6%
Equity to Assets ratio	45%	42%	37%
EARNINGS PER SHARE IN KROONS	**8,65**	**5,23**	**1,75**
NO OF EMPLOYEES AT YEAR END	**351**	**348**	**370**

FIGURE 1. EFFICIENCY IMPROVEMENTS IN 2002-2004

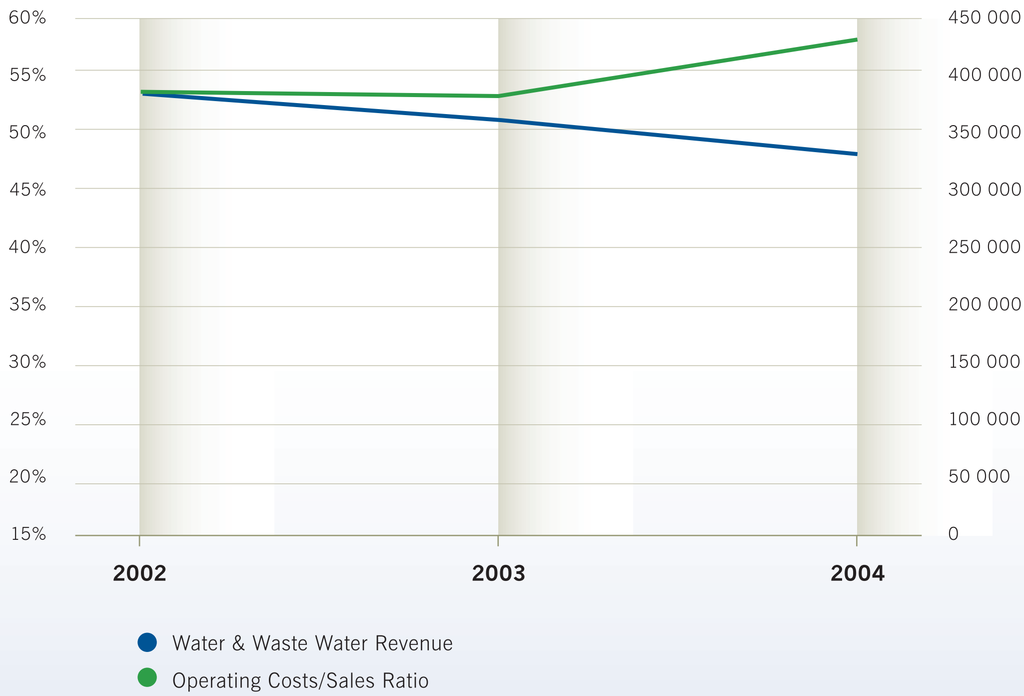
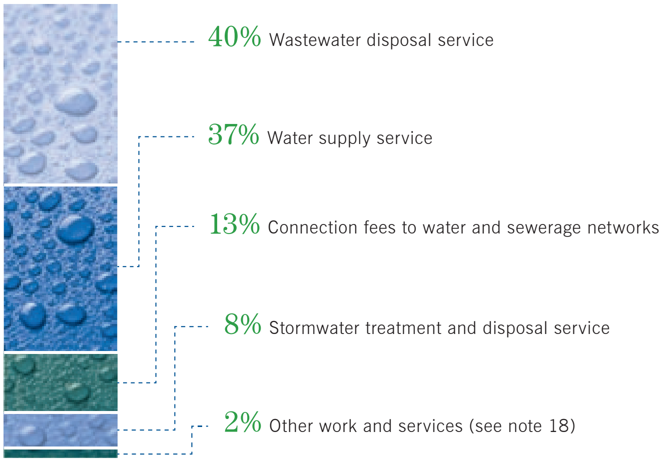


FIGURE 2. NET SALES STRUCTURE IN 2004



AS Tallinna Vesi overview

AS Tallinna Vesi is the exclusive supplier of drinking water and sewerage services in the main services area in Tallinn. The City of Tallinn has granted the company the exclusive right to provide these services until 2015. The Company also provides drinking water and wastewater disposal services in a number of other smaller services areas in Tallinn and certain of Tallinn's neighbouring municipalities.

Tallinna Vesi operates a catchment area of ca 2,000 km^2 to collect raw water, and owns and operates Ülemiste water treatment plant to produce potable water, a distribution network to supply treated water to the people of Tallinn, a sewerage network to collect wastewater, Paljassaare wastewater treatment plant for treating wastewater and a stormwater network to collect stormwater.

The Company is obliged to comply with 97 Levels of Service under the Services Agreement signed with the City of Tallinn. During the period of 2001-2004, AS Tallinna Vesi has been fully compliant with these requirements.

Address by the Chairman of Board

During 2004 the Company has moved forward on a wide range of fronts. We have continued to improve on the already high standards achieved in the previous year and are totally focused on our target of becoming a world-class water utility company. The independent customer satisfaction survey carried out in November 2004 showed that the overall number of customers who are satisfied with our service has risen to 77%. Even more impressively the proportion of customers who are satisfied with the quality of our drinking water has risen by 22%, clearly demonstrating the positive impact of the operational improvements we have made in the water treatment process and operation of the network.

GOOD PERFORMANCE ON LEVELS OF SERVICE

Once again the Company has complied with or exceeded all the Levels of Service set for us by the City of Tallinn. These are wide ranging in scope and in total cover over 90 individual service levels. There are a number of these in which the Company's performance has been extraordinary and four particular areas, which deserve particular mention. The Company was required to reduce the leakage level in the water network to 26% by the end of September 2005, in fact this target has already been exceeded and leakage as at the end of 2004 stands at just over 21%. We are well on target to achieve the 2007 EC Directive for Drinking Water Quality. Our level of compliance in 2004 was 92%, an improvement over the last two years of over 100%. On the wastewater side the level of performance at Paljassaare WWTP was within the legal compliance levels required despite the major reconstruction work being carried out to upgrade the nitrogen treatment process. All the sludge generated at Paljassaare WWTP was disposed of by means of composting with zero disposal to the waste disposal tip.

IMPROVED BUSINESS CONTINUITY MANAGEMENT

Profit before tax has risen to 199 million kroons, 24% ahead of target.

During 2004 the Company finalised its detailed business continuity and disaster management plans. The benefit of this advanced planning and preparation was fully brought home when we had to deal with the effects of the extreme weather conditions, which occurred in July and August 2004 and again in January 2005. In both these instances the level of Lake Ülemiste rose to critical levels, which were higher than ever previously experienced. Also in July and August 2004 localised storm water flooding occurred in parts of Tallinn.
In each situation the Company Crisis Management team, working in partnership with the City of Tallinn effectively managed the situation. The commitment and attitudes of all staff involved in resolving the situation was exceptional and reflects very highly on their professionalism in very difficult circumstances. In the light of the apparently changing weather patterns the Company is working closely with the City of Tallinn and the City Rescue Board to further improve the protective measures, which are required.

CUSTOMER SATISFACTION

The results of the independent customer satisfaction survey held in November 2004 show that we are moving in the right direction, but clearly we have more to do to meet the targets to which we aspire. Whilst we have a high proportion of our customers who are satisfied, our aim is to increase their level of satisfaction still further. During 2004 we have decreased the number of unanswered calls from 15% to 6%. In addition we have started work on the replacement of our customer information and billing system and the construction of a new customer service centre. Both of these initiatives will significantly improve the level and range of services we can provide for our customers in 2005.

SERVICE AREA EXPANSION

A major objective of the Company is the expansion of our service area and maximising the use of the excess capacity we have at the Ülemiste WTP and Paljassaare WWTP. Over the last 12 months we have actively pursued a number of opportunities and also physically enhanced the water and wastewater network in order to be able to expand our service area within and around Tallinn. This strategy has paid off and in 2004 we have been successful in signing contracts to provide services with Harku Municipality for Apametsa area, Rae Municipality and Mähe 1 as well as winning competition and starting activities in Raku and Mõigu areas. There are other opportunities which we are still pursuing and this strategy has and will provide long-term benefits to all our stakeholders.

Paljassaare Wastewater Treatment Plant

EXCELLENT FINANCIAL PERFORMANCE

The sales revenue for 2004 was in line with the budget, this coupled with strong cost control and reduced borrowing costs due to effective cash management has resulted in an excellent financial performance for the year. Profit before tax has risen to 199 million kroons, 24% ahead of target.

The process of privatisation of the land at our key operational sites is now in its final stages and it is anticipated that it will be completed by the end of March 2005. The final costs for Ülemiste WTP and Paljassaare WWTP will be of the order of 20 million kroons.

In September 2004 the City of Tallinn approved the tariff increase for 2005 which will underpin the repayment of the EBRD loan which starts in May 2005 and also the Company's ongoing investment programme.

COMMITTED EMPLOYEES

Once again at the core of our success in 2004 has been the drive and commitment of our employees, without their support the Company would not have been able to make the significant progress it has in delivering the improved service levels and excellent financial performance. My thanks goes out to all of them. During 2004 we carried out another annual Staff Satisfaction Survey and the results were extremely positive with increased satisfaction levels across virtually all categories. The results have been discussed with all employees and action plans agreed to address areas of concern.

"TEAM OF THE YEAR"

United Utilities, our major shareholder, makes awards each quarter and each year to teams and individuals who deliver outstanding performance for their company. In 2004 the Estonian managers of AS Tallinna Vesi were put forward as a contender for these awards along with a large number of other individuals and teams from within United Utilities worldwide.
I am delighted to be able to announce that the team from AS Tallinna Vesi was awarded both Team of the Quarter and Team of the Year 2004 for the whole of United Utilities. This is a very real achievement and demonstrates both the quality of the performance and the level of their expertise. It is an award of which the whole Company is very proud.

NEW CHALLENGES

2005 will present us with probably a greater number of challenges and opportunities than ever before, but we are well prepared for them and will improve the performance of the Company still further. The new nitrogen process at Paljassaare WWTP will be commissioned and tested throughout 2005 and as a result there will be a major reduction in the nitrogen discharged to the Baltic Sea. There will be significant improvements in Customer Service through the provision of a wider range of services as a result of the implementation of the new Customer Information and Billing System, and also through the opening of our new customer friendly service centre at Ädala 10. Later in the year we plan to be the first utility in the Baltics to introduce a Guaranteed Standards Scheme for all our customers for the key customer services we provide.

In 2005 we will be delivering the largest capital programme since privatisation totalling some 220 million kroons with a major focus on raising water quality levels still higher towards our 2007 target. We will also aim to further improve our environmental management systems and acquire EMAS accreditation for the Company.

Clearly 2004 has been a successful year and I believe we have put in place for 2005 the necessary steps for improving still further the services we deliver. I would like to thank all our staff for their unwavering desire to continue to improve and the City of Tallinn and the Ministry of Environment for their positive and constructive support throughout the year. It is this that makes the Company the undoubted success that it is.

R. J. Gall

Robert John Gallienne
Chairman of the Management Board

Tallinna Vesi

2004

AS Tallinna Vesi. Annual Report.

Operating Review 10

Customer Service and Development 12

Treatment Plants and Laboratories 16

Networks 23

Asset Management 25

Environment & Quality 27

Company & People 29

Financial Report 31

Operating Review

A very good year! Yes, 2004 has been a very good year. The Company achieved all its targets and once again delivered on all the Levels of Service that are set in the contract with the City of Tallinn. The commitment has been huge and the level of energy always at a peak level. Thanks to that the team has achieved great success in many different fields of activity.

IMPROVED CUSTOMER SATISFACTION

The service to the Customer has continued to improve. The Company carried on the implementation of the new Client Software that will bring along new range of service options and a much easier communication with our clients. The new Customer Service Offices were started; they are designed to welcome the customers in a friendly and effective atmosphere. The service indicators improved materially with for example a significant reductions in the rate of lost calls (-60%), in the number of sewerage blockage (-18%) and a major decrease in interruption of supply to customers. It was very rewarding to see that all these changes were acknowledged by our customers, and that their overall satisfaction increased to 77% as revealed by the latest independent Customer Satisfaction Survey.

HIGH-QUALITY DRINKING WATER

The quality of the product also improved further. Thanks to the extensive works on network (operation and rehabilitation/replacement) and to the constant endeavours to look for improvement in the Water Treatment Plant, the quality of the water delivered to the citizens of Tallinn was the highest ever reached. This was also reflected in the independent Customer satisfaction survey which showed a 22% improvement in our customer satisfaction with water quality. On the waste water treatment side the Company continued the upgrade of Paljassaare Wastewater Treatment Plant and delivered very good treatment efficiency for all parameters.

EFFICIENCY IMPROVEMENTS

The impact of the efforts on our efficiency has been demonstrated in many different fields, but the most remarkable was certainly the leakage level where the rate fell from 29,6% to 21,4%. The Company also introduced two new tools that will help to further improve the efficiency: An Asset Management software system which will enable better manage all the electrical and mechanical assets the Company operates was implemented, and a central database created. The development of the water and sewerage network model was completed, providing a reliable tool when working on water quality in network, rehabilitation of networks, and the possibility of extension.

Following the implementation of a full business continuity strategy supported by training, the Company has had the opportunity to test the emergency plans in real life, with the crisis situation which occurred due to weather conditions during the summer. The outcome was very positive and any major disaster was avoided due to the high preparedness and full commitment of the team.

EXPANSION TO SURROUNDING AREAS

2004 was also a remarkable year in terms of expansion, and some significant contracts have been signed to supply water and sewerage services to the municipalities surrounding Tallinn. It is positive to see that the professionalism of the Company is acknowledged and that a part of the spare capacity of its facilities can be utilised for other municipalities.

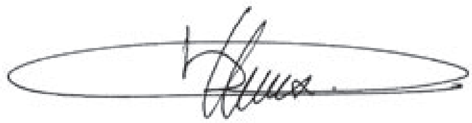
"Our team's commitment has been tremendous with the energy level always at a peak!"

INVESTMENTS IN ENVIRONMENT

All the above mentioned actions and projects have been carried out with a high level of environmental consciousness; the Company has been continuing its actions to improve the water management and quality in the catchment area, the second stage of the Nitrogen treatment in the waste water treatment plant has been completed, and all the sludge processed has been reused in an environmentally friendly manner...

DEDICATED TEAM

But finally it is most important to say that these achievements have been reached thanks to the extremely high professionalism of the team. Their dedication to delivering everyday a world class standard level of service to Tallinners is just outstanding!



Roch Jean Guy Antoine Chéroux
Chief Operating Officer,
Member of the Management Board

Customer Service and Development

GENERAL DATA

- More than 400 000 service consumers
- Over 19 000 customers

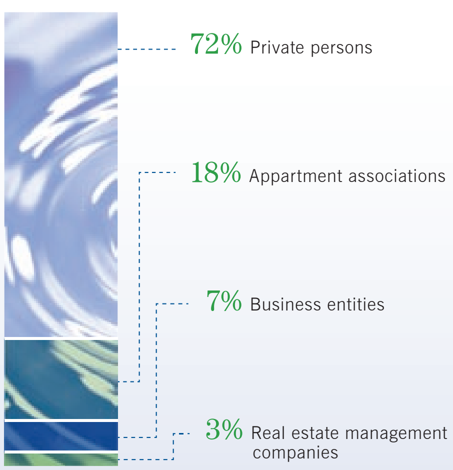
OBJECTIVES IN 2004:

- To increase customer satisfaction
- To start preparatory works for replacing the customer information system
- To start Customer Service premises construction works
- To increase the number of immovables connecting to the public water supply and sewerage network

CUSTOMER SATISFACTION ON A PATH OF PROGRESS

In the course of a telephone survey carried out by an independent expert in November 2004 over 900 customers of the Company and end-consumers of the service expressed their opinion about the services offered by AS Tallinna Vesi. The customer satisfaction

FIGURE 3. AS TALLINNA VESI CUSTOMERS



survey showed that the amount of customers satisfied with our services has increased to 77%, and most importantly worth mentioning that compared to 2003 the proportion of customers satisfied with drinking water quality has increased by 22%. The water quality categories that had improved most were water taste, potability and quality stability. This result confirms that the improvements being carried out in the water treatment process and in the part of the water distribution network have been fruitful.

INCREASED QUALITY IN CUSTOMER SERVICE

In addition to water quality also the level of customer service has increased significantly. For example, in 2004 the number of calls lost by Customer Service dropped from 15% the previous year, to 6%. Also the number of customer complaints has decreased notably (see Figure 4).

In order to assess the performance of its customer service staff the Company started, in 2004, a monthly analyses on the basis of both letters mailed to customers as well as customer calls. With the purpose of maintaining impartiality, in addition to a Customer Service representative also employees from other units evaluate the work of their colleagues. The objective of the analysis is to determine how well was the customer service person able to provide an exhaustive and timely answer to the question asked. After each discussion feedback is provided to the customer service employee about his/her performance.

SIMPLIFIED INTERACTION WITH CUSTOMERS

To improve the quality of services provided to customers and to widen the selection of services the Company started, in 2004, the process of replacing the customer information and billing system. The new

> “Customer satisfaction has increased to 77%”

Merle Lindma,
Customer Service Manager

system will combine the functionalities of the three separate systems in use previously and will enable the provision of such up to date services as:

- Web-based self service
- Payment for the service by direct debit
- Mass billing
- Integration with state registers.

The project cooperation partner was selected in 2004 and system development and design were started. Final information systems testing, data migration and the launching of the entire system are planned for 2005. The new Customer Information System will be fully implemented in the second half of 2005.

The construction of a new customer service centre was started in 2004 in order to create a better work and customer service environment. The new customer service office will be opened in spring 2005.

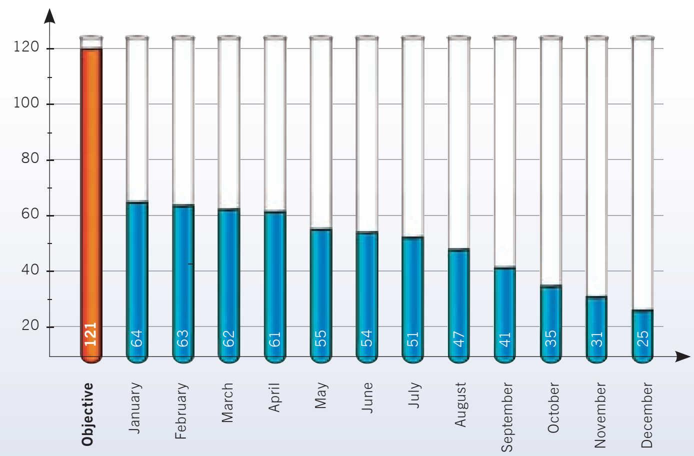
VEELEHT DELIVERED TO EVERY HOME

For a second year AS Tallinna Vesi has been sending a customer information paper “Veeleht” (“Water Paper”) in Estonian and Russian to every home in the capital in order to increase the awareness of the consumers of the Company’s services. According to the results of the customer satisfaction survey a quarter of the persons addressed had read Veeleht (Water Paper) and considered their interest towards the paper to be positive.

CONNECTING TO PUBLIC NETWORK GAINING SPEED

In 2004 the possibility to connect to the public water supply and sewerage system of Tallinn was created for more than 400 immovables. As the public sewerage system makes it possible for the extension of the

FIGURE 4. NUMBER OF CUSTOMER COMPLAINTS IN 2004



inhabitants to improve their living environment, Tallinners made active use of the possibility to connect. In total AS Tallinna Vesi concluded 751 connection contracts in 2004 and almost half of the connectees were compensated the connection charges by the City of Tallinn. Additionally the Company concluded 2762 new service agreements (see Table 1).

TABLE 1. CONNECTION CONTRACTS IN 2004

2004	Total	With compensation	Without compensation
Water	210	31	179
Sewerage	528	365	163
TOTAL	**751**	**365**	**386**

2005 CUSTOMER SERVICE OBJECTIVES

In 2005 Customer Service will continue to attempt to increase customer satisfaction. The objective is to ensure the satisfaction of customers in daily contact with the Company, to monitor the satisfaction, and to carry out respective data analysis. In 2005 we need to successfully complete three projects that are important for our customers – to open the new customer service premises, successfully implement the new customer information system that will provide wider possibilities and introduce a Guaranteed Standards Scheme.

Water Metering

In 2003-2004 AS Tallinna Vesi carried out a water meters testing programme, to confirm the type of water meters, which function best in Tallinn's conditions, and have a longer useful life and meter most accurately.

As a result the company is investing 1.5 million kroons to install new more accurate meters. This will allow us to replace almost 10% of the existing water meters in use. The meters of high water consumption customers will be replaced first.

In total AS Tallinna Vesi had installed 18585 water meters by the end of 2004.

Development Activities

OBJECTIVES IN 2004:

- Completing the water and sewerage facilities extension programme for 2004
- Completing the AS Tallinna Vesi networks rehabilitation programme for 2004
- Extending our service to neighbouring rural municipalities

In 2004 AS Tallinna Vesi carried out a thorough analysis to determine the technical condition of water and wastewater networks. As a result of the analysis a city networks rehabilitation programme was prepared and objectives set for the following years.

In total AS Tallinna Vesi constructed 7485m of new sewerage networks, 2384m of new drinking water networks and 1852m of new storm water networks in 2004 (see Table 2). Sewerage networks were mostly constructed in Nõmme, Lilleküla and Merivälja. A main storm water collector, for the preflows of the storm water from practically the entire dwelling area of Lilleküla and for Tondi area, was constructed on Mustamäe Road. Construction of the collector improved the living conditions of the district's inhabitants by significantly reducing the risk of floodings.

TABLE 2. NETWORK EXTENSIONS IN 2004

	2004 (m)
Water	2 384
Sewerage	7 485
Storm water	1 852
TOTAL	**11 721**

In 2005 the sewerage collector construction works on Pärnu Road will continue. The collector will take the flows from the eastern part of Nõmme and will make it possible to accept sewerage from Kiili Rural Municipality settlements and Järveküla into Tallinn's sewerage system.

In addition Tallinna Vesi reconstructed over 14 km of network (see Table 3).

TABLE 3. REHABILITATIONS IN 2004

	2004 (m)
Water	9 025
Sewerage	5 152,21
TOTAL	**14 177,21**

EXTENSION OF THE SERVICE AREA

Close cooperation with the neighbouring municipalities of Tallinn continued. In 2004 both the drinking water as well as sewerage network connection points for Rae rural municipality were constructed, thus ensuring a guaranteed quality service for Rae Rural Municipality for the next ten years. Construction works on Viljandi Road were started in order to build drinking water and sewerage preflow networks for Kiili Rural Municipality.

Construction works were also started in Saue and Harku Rural Municipalities to develop sewerage over-pumping systems and a drinking water main that will allow the provision to Laagri new dwelling area, Harku, and in the future also Hüüru settlement of a quality service.

Final agreements with Harku Rural Municipality Government were signed. On the basis of the agreements concluded we shall act as the water undertaking in Apametsa new dwelling area and accept sewerage from the water company of Harku Rural Municipality with sewerage from Tabasalu, Rannamõisa and in the future also Muraste being delivered into Tallinn's sewerage system.

Treatment Plants and Laboratories

ÜLEMISTE WTP

Approximately 22.9 million m³ of surface water was produced in 2004 (see Table 4). Thus, the average production of surface water in 2004 was about 62,400 m³ per day. This is significantly less than the capacity of the Ülemiste water treatment plant, which is approximately 123,000 m³ per day. This illustrates the ability of AS Tallinna Vesi to expand significantly the scope of its water supply services in Tallinn and the neighbouring areas.

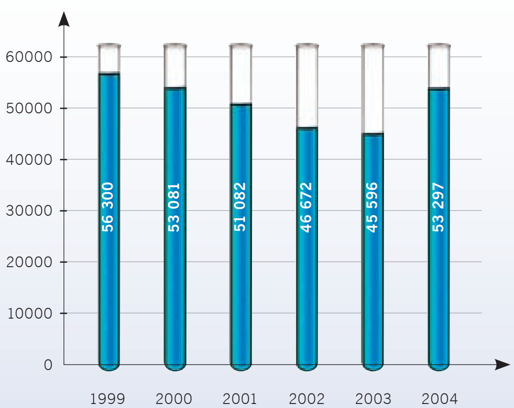
TABLE 4. WATER PRODCTION IN 2001 - 2004 (CUBIC METRES, MILLIONS)

	2001	2002	2003	2004
Surface water	27,8	27,4	26,8	22,9
Groundwater	3,4	3,2	3,2	2,9
TOTAL	**31,2**	**30,6**	**30,0**	**25,8**

PALJASSAARE WASTEWATER TREATMENT PLANT (WWTP)

The amount of wastewater treated at Paljassaare Wastewater Treatment Plant in 2004 was 53.297 thousand m³, an increase of approximately 17% compared to the year before (see Figure 5).

FIGURE 5. TREATED WASTEWATER AMOUNTS 1999 – 2004 (THOUSANDS OF M³)



The main reason behind this indicator was a particularly wet summer. During the heavy rainfalls of the summer a record amount of water passed through the Treatment Plant, exceeding any level seen during the over 20-year history. Under normal conditions approximately 5.000 m³ of wastewater is treated every hour, during the heavy downpours this amount was over five times higher, i.e. 28.000 m³.

THE NITROGEN PROJECT

As the level of pollution in wastewater directed into treatment has increased year by year and also the requirements for the permitted effluent nitrogen content have changed, reaching a good quality of effluent discharged into the environment was becoming more difficult. Therefore the modernisation of Paljassaare treatment process was undertaken. As a result of carrying out the nitrogen project the amount of nitrogen discharged with treated wastewater into the Gulf of Finland will be reduced by at least 25% by 2006.

Main reconstruction works were completed in 2004 and the process will be fully started in 2005. The project included the construction of a methanol plant which increases the efficiency of the treatment process and is the first of its kind in all three Baltic States. The cost of the entire project is almost 30 million kroons.

SLUDGE REUSE

It is possible to successfully reuse sludge separated in the wastewater treatment process, which amounted to 35.770 tons in 2004.

The Company stopped desposing of sludge to landfill in 2003 and switched to a more environmentally friendly method based on compost production. As a result, the need for additional composting fields arose. Thus the construction of new composting fields with a total area of 10 hectares and a total cost of 34 million kroons was started in 2004. The construction of composting fields will be completed in 2006.

“Water quality in Tallinn is the best ever.”

Riho Sobi,
Treatment Plants’ Manager

Laboratories

GENERAL DATA

- The Water Laboratory was started operating in 1927 together with Ülemiste Water Treatment Plant
- The most modern laboratory of a water company in Estonia. Internationally accredited Water and Wastewater Laboratory (ISO 17025)
- Laboratories carry out over 80 000 water analyses annually

OBJECTIVES IN 2004:

- To renew the ISO certificate of the Laboratories and to add new methodologies into the accreditation scope
- To participate in an international competency testing programme
- To carry out a Satisfaction Survey among the customers of the Laboratories

Similarly to previous years the Water and Wastewater Laboratory of AS Tallinna Vesi successfully renewed their ISO 17025 certificate also in 2004. The certificate confirms that the Laboratories of the Company are competent in the field of chemical and microbiological analyses of ground, surface, drinking as well as wastewater and provide a quality lab service. Year by year also new methodologies have been added into the scope of accreditation.

TABLE 5. SAMPLES AND DETERMINANDS IN AS TALLINNA VESI LABORATORIES IN 2004

Year 2004	Samples	Determinands
Wastewater Laboratory	8 165	66 960
Water Laboratory	27 133	74 901
Microbiology Laboratory	6 034	9 288
Hydrobiology Laboratory	828	945
TOTAL:	**42 160**	**152 094**

AS Tallinna Vesi Laboratories have actively taken part in laboratories intercalibrations both in Estonia as well as in the United Kingdom.

CONTINUOUS WATER QUALITY MONITORING

To measure the quality of Tallinn’s drinking water, the Water Laboratory of AS Tallinna Vesi continuously takes quality samples from raw water, the water in the treatment process as well as from the treated water that has already been through the process.

Additionally there are 120 water quality monitoring sampling points with end-consumers in Tallinn and Saue which have been approved by Tallinn Health Protection Service (see Table 6). In addition the impact of intra-building networks on the water quality is monitored in ten sampling points.

Laboratory results show that water quality compliance has increased each year both in terms of microbiological as well as general indicators (see Figure 6).

Ülemiste Water Treatment Plant

GENERAL DATA

- Ülemiste Water Treatment Plant has been operating since 1927
- 90% of Tallinners' drinking water is produced at Ülemiste, 10% comes from bored wells
- Ülemiste water goes through a 15-hour treatment process
- Tallinners consume 101 litres of water per person per day
- In 2004 an average of 62.400 m^3 of water per 24 hours were produced in Ülemiste WTP

OBJECTIVES IN 2004

- To improve water quality
- To improve the quality of Lake Ülemiste – biomanipulation
- To have zero chlorine and ozone leakages

1. Surface water is gathered to Lake Ülemiste from an 1.800 km^2 area and directed to Ülemiste Water Treatment Plant from the Lake.
2. Raw water passes through microstrainers which remove algae and plankton from the water.
3. Water is led into reservoirs where harmful bacteria is disposed of by a mixture of ozone and air directed into the water.
4. A water treatment chemical is added to clarify the water. In the course of water sedimentation suspended solids, chemical agglomerate and sediment separate from the water.
5. Water passes through activated charcoal and sand filters in order to separate the remaining particles and improve the taste of drinking water.
6. Chlorine is added to the water for disinfection purposes and water is directed to drinking water reservoirs, from where it is pumped to the city water network in accordance with consumption.

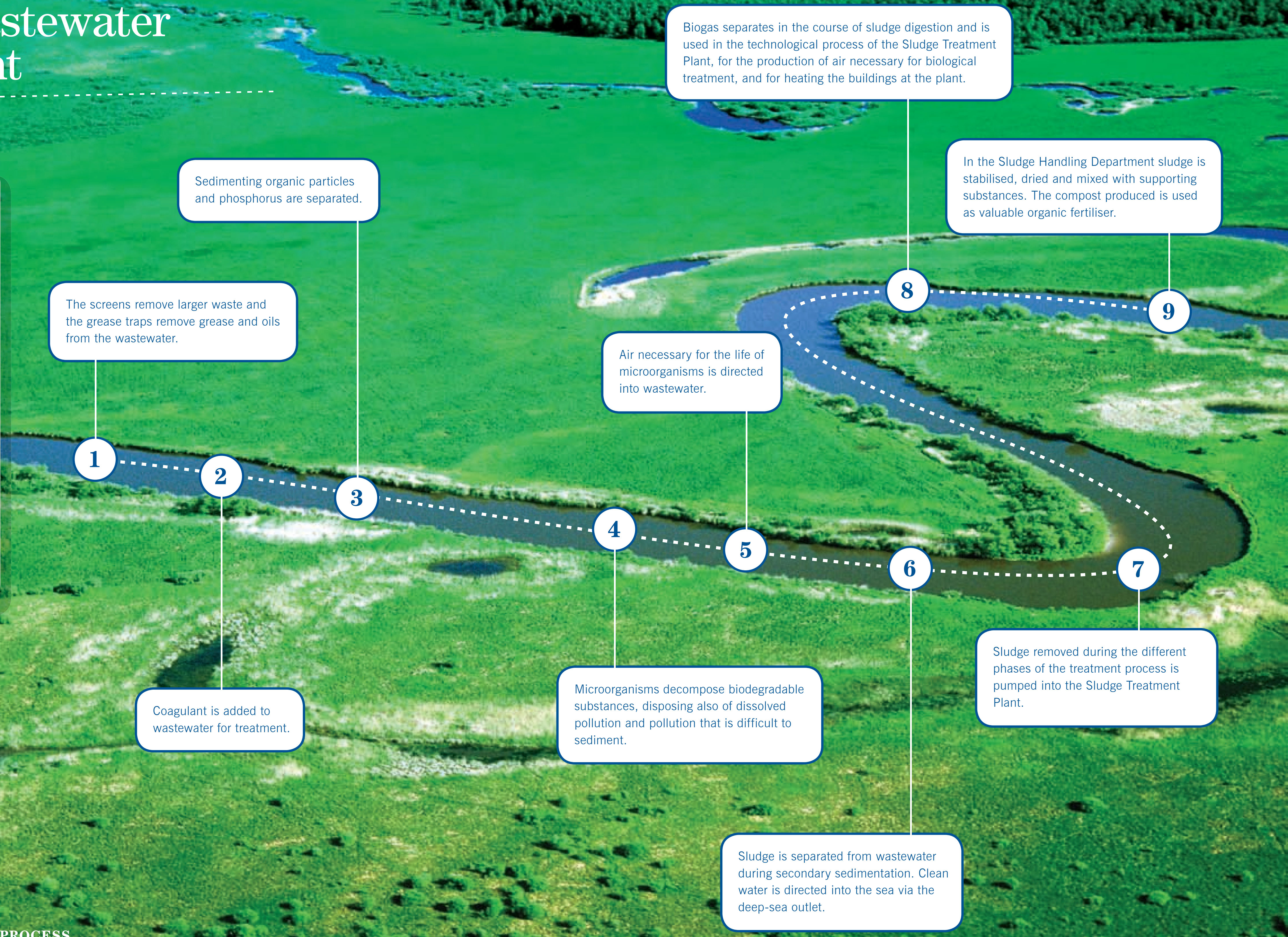
Paljassaare Wastewater Treatment Plant

GENERAL DATA

- Paljassaare Wastewater Treatment Plant has been operating since 1980
- The treatment capacity is 350.000 m^3/24 hours
- The average amount of wastewater treated in 2004 was 140.000 m^3/24 hours
- Wastewater goes through mechanical, chemical and biological treatment

OBJECTIVES 2004

- To reuse all sludge and to construct additional composting fields
- To reduce the amount of wastewater ending up in the environment
- To develop the nitrogen project
- To increase the usage of biogas in the technological process



WASTEWATER TREATMENT PROCESS AT PALJASSAARE WASTEWATERTREATMENT PLANT

TABLE 6. DISTRIBUTION OF WATER SAMPLES IN 2004

Raw water (catchment area and Lake Ülemiste)	815
Treatment process	22 700
City water network	3 500
Bored wells and reservoirs	120
TOTAL	**27 135**

Taking into account the 0,2 mg/l iron limit content coming into force from January 1st, 2007, the Tallinn city drinking water quality has increased significantly over the past years in the part of chemical indicators (see Figure 7).

FIGURE 6.
WATER QUALITY COMPLIANCE 2001 – 2004

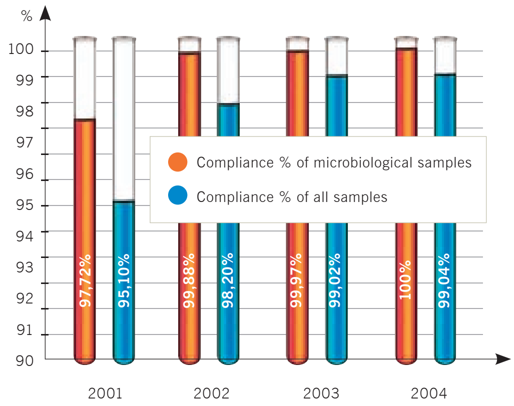
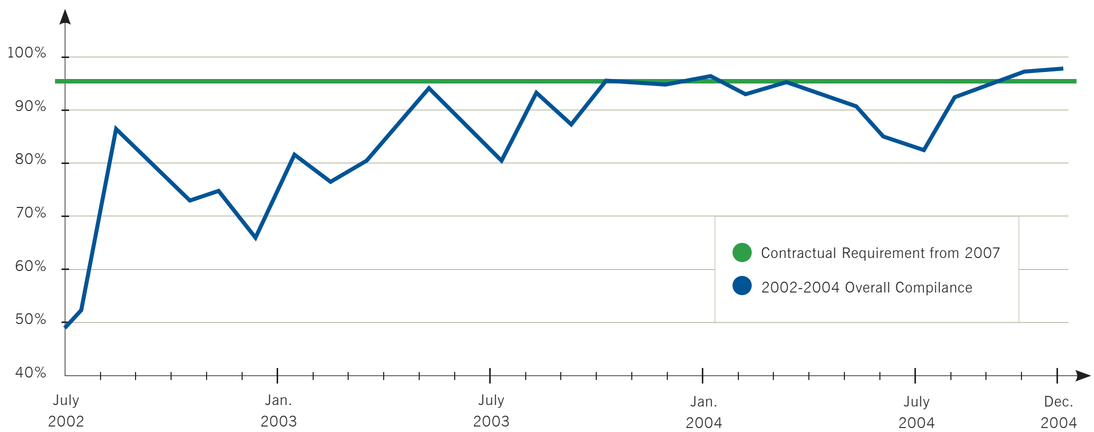


FIGURE 7.
2002-2004 WATER QUALITY COMPLIANCE WITH THE REQUIREMENTS COMING INTO FORCE IN 2007



STABLE WASTEWATER TREATMENT RESULTS

The wastewater laboratory analyses the whole wastewater purification process from the sewage entering the Paljassaare main pumping station to wastewater directed into sea, as well as sludge and its processing products. In addition, the laboratory analyses the sewage samples taken by the Sewage Inspection from city sewage network and from different companies. This enables to company to have a better overview of the quality of wastewater directed to Paljassaare Wastewater Treament Plant. The Paljassaare Plants' Treatment performance have been stable for the past couple of years showing some improvement despite the disruption caused by the construction works carried out in the plant (see Table 7).

TABLE 7. WASTEWATER TREATMENT EFFICENCY IN 2002-2004 (%)

	2004	2003	2002
BOD7	97,6	98,2	97,8
COD	91,8	94,4	90,6
Total P	84,8	85,3	83,9
Total N	57,4	56,9	57,1
SS (suspended solids)	97,2	97,3	97,1
Oil products	78,1	78,6	72,6

"Excellent teamwork resulted in outperforming our targets."

Leho Võrk,
Networks Manager

Networks

GENERAL DATA

- Manages 884 km of water network, 728 km of sewerage networks and 317 km of storm water network
- Operate 15 water and 65 sewerage pumping stations
- Manages bore wells

OBJECTIVES IN 2004:

- To reduce water loss to 26%
- To further improve water quality by flushing of water networks
- To prevent blockages and reduce their number by 34% by 2006

THE LEVEL OF LEAKAGE CONTINUES TO DECREASE

Water losses and water unaccounted for, caused by leakages, have decreased over the year, falling to 21,44% by the end of 2004. Thanks to the good cooperation between the Networks Department and the Diagnostics Group this indicator has been decreasing continuously since 1999 (34,9%) (see Figure 8). The Diagnostics Group has 3 leakage labs with designated equipment at their disposal for leakages identification, allowing them to discover possible water leakages on the network more quickly via a distance reading system.

FLUSHING & WASHING NETWORK

To improve the quality of drinking water arriving at the homes of Tallinners the Networks Department carries out airscouring and flushing works of networks every year. Figure 9 provides an overview of the volume of networks flushed.

FIGURE 8.
LEAKAGE IN 1999-2004

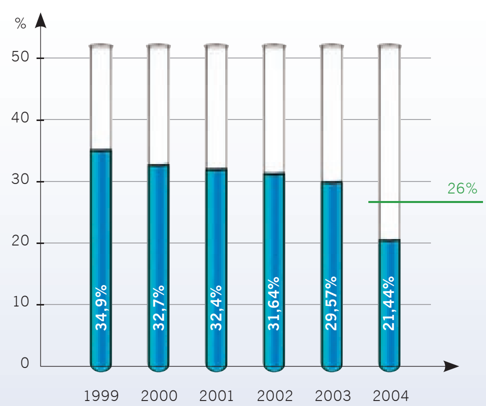


FIGURE 9. NETWORK FLUSHING AND WASHING IN 2000-2004 (KM)

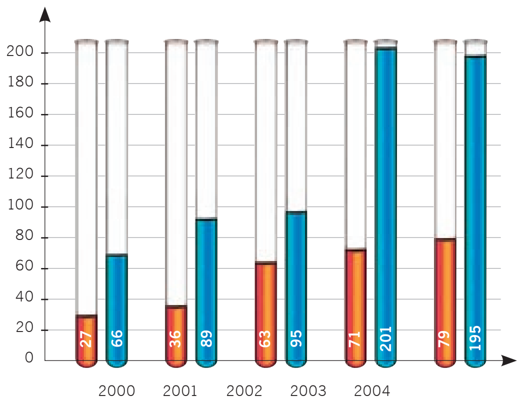
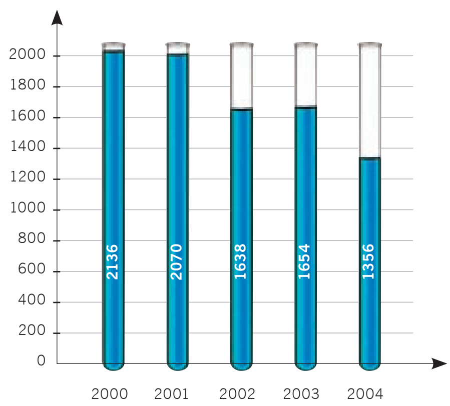


FIGURE 10. BLOCKAGES IN 2000-2004



Both preventive pressure washing as well as pressure washing following blockages is carried out in order to reduce sewerage blockages. During the past 5 years this indicator has been reduced by more than 36% (see Figure 10).

HYDRAULIC NETWORKS MODEL COMPLETED

The integrated hydraulic water and sewerage network model, fully completed in 2004, is of great help in planning the works of the Networks Department.
The model is actually a software program, where the information on the entire water and sewerage network of the city, including the number of leakages, the number of emergency bursts, the number of blockages, the age of pipes, the type of material, etc., has been entered. All of these criteria will be taken into account in planning the rehabilitation works, in terms of priority and cost efficiency.

ACTIVE NETWORK REHAB

5151m of sewerage networks were rehabilitated in 2004 in order to improve the condition of the public sewerage network of the city. Also 9025m of city water network were replaced. The plan for the rehabilitation of the streets of Tallinn was taken into account in drafting the networks rehabilitation programme.

"Maximo significantly improves the efficiency of the whole asset management."

Urmas Laurson,
Asset Management General Manager

Asset Management

GENERAL DATA

- Maintenance of the technical equipment the company's plants and pumping stations
- Administration of the company's 130 vehicles
- Waste management in the Company

OBJECTIVES FOR 2004

- Implementation of Asset Management's program Maximo
- Reorganization of waste management
- Commencement of the construction of Asset Management's new workshop

The main task of Asset Management is the execution of maintenance- and repair works of the technical equipment of the company in all units – at Ülemiste Water Treatment Plant and in the surface water catchment, at Paljassaare Wastewater Treatment Plant and in the sewerage and water supply pumping stations operated by the Networks.

MAXIMO READY FOR WORK

In order to organize the Asset Management work in a better way, in 2004 the company started implementation of the special Asset Management program Maximo, and also first program tests were conducted.

Maximo facilitates the planning of preventive maintenance works, with regard to both time-related and financial resources. Preventive maintenance reduces the number of possible emergencies and the idle time costs of the appliance resulting from that. The information gathered in the course of maintenance about the condition of the appliance serves as the basis for defining the repair necessary. In general, the program enables to assess and analyse the condition of the company's assets in a better way. Maximo will be taken into full usage in the beginning of 2005.

REORGANIZATION OF WASTE MANAGEMENT

From the point of view of environmental protection, the Asset Management unit has an important role in the company's activity primarily in connection with the organization of waste management. In 2004 AS Tallinna Vesi set a target for itself to reduce the amount of waste generated by the company, to specify the accounting of consumer waste, and to increase the amount of sorted and recycled waste. These targets were fulfilled. The amount of mixed consumer waste and mixture of construction and demolition waste decreased significantly.

The company also had a target to find ways to replace hazardous substances (waste) with less hazardous ones and to organize separate collection of metal waste. The quantity of waste containing oils, for example, was reduced to zero from 2 tons of the previous year.

NEW WORKSHOP CONSTRUCTION IN PROGRESS

In 2004 Asset Management started construction of the new central workshop on the territory of the company's head office in Ädala Street. Gathering Asset Management under an integrated supervision and establishment of a central workshop will improve coordination of the work in the whole unit. In the new workshop new benches, resources for removing and lifting the appliances; tools for daily maintenance- and repair works will be installed. Also the non-work conditions of workers will improve with the construction of the new workshop. The workshop will be completed in 2005.

"Systematic approach to business enables to improve company performance"

Jana Kelus,
Quality Manager

Environment and Quality

GOALS FOR 2004

- To continue with the improvement of the work of the company by implementing a quality and environmental management system.
- To renew successfully the ISO 9001 and ISO 14001 certificates.

The purpose of the implementation of the company's quality and environmental management systems is to approach systematically the work arrangements in the organisation to ensure and improve customer satisfaction, while adopting a sustainable style of action towards the surrounding environment.

The quality and environmental management system encompasses all major fields of activity of the company, starting from customer service, water treatment, drinking water supply, discharge of wastewater and storm water, to wastewater treatment and the related auxiliary activities.

In 2004, the company continued the improvement of the common quality and environmental management system, which is based on the requirements of ISO 9001 and ISO 14001, and development of the laboratories pursuant to the quality system ISO 17025. In addition, the ISO 9001, ISO 14001 and ISO 17025 certificates were renewed successfully.

ECO-MANAGEMENT AND AUDIT SCHEME

In autumn 2004, the company was asked to participate in the pilot project EMAS (Eco-Management and Audit Scheme), directed by the Ministry of the Environment and the Dutch Ministry of Economic Affairs. The purpose of the project is the implementation of the national system of EMAS, using the help of pilot companies. For the company, participation in this project is beneficial primarily by helping us draft an environmental report and improve environmental communication.

In 2005, the company is aiming at renewing successfully the ISO 9001 and 14001 certificates, and receiving EMAS accreditation.

OUR CONTRIBUTION TO CUSTOMS AND THE COMMUNITY

- Our customers have constant access to clean drinking water and to the option of environmental channelling and treatment of storm water.
- We are responsible and aware of the impact of our activity on the health and quality of life of our customers and the general population.
- It is easy for our customers to communicate with us.
- We promote the environmental way of thinking among our customers and consumers through an open style of communication.
- We use natural resources sparingly.
- We act in compliance with relevant legislation and other requirements accepted by the company.
- We want to increase the satisfaction of our customers and avoid polluting the environment by searching for new solutions and improving constantly our work arrangements.

BETTER PREPARATION FOR CRISIS SITUATIONS

In 2004, the company thoroughly renewed the procedures for crisis preparation. The company has established general guidelines for prevention of crisis situations and preparedness, and has developed emergency action plans for ten specific crisis situations. The potential crisis situations include activity in the case of bomb threat or explosive risk, inability to treat drinking water or wastewater and inability to receive storm water. Projecting the crisis situations and the respective preparations fully paid off in July and August 2004, when the consequences of extraordinary weather conditions were successfully managed.

COMPLIANCE WITH ENVIRONMENTAL LEGISLATION

AS Tallinna Vesi is an environmental company. The environmental activity of the company is to a great extent governed by the requirements of 14 different legal acts. In view of these requirements the company has developed its quality and environmental management system. Several permits have been issued for the business activity of AS Tallinna Vesi – permits for the special use of water, air pollution permits, waste permits and the company is meeting all the requirements specified in the permits.

AUDITS OF THE QUALITY AND ENVIRONMENTAL SYSTEM

Regular internal audits were carried out in the company to assess the efficiency of the quality and environmental management system, with more than 20 participating internal auditors who had passed the respective in-service training. The procedure of internal audits was modified in 2004 and the reporting was transferred completely to electronic form. The data are available from a common management information system. The observations made during internal audits have been analysed by the responsible managers and corrective actions have been implemented.

In October 2004, the accredited certifier Det Norske Veritas conducted a regular external audit to assess the continued compliance of the quality and environmental management system with the requirements of the ISO 9001 and ISO 14001 standard. In the report created after the external audit, Det Norske Veritas confirmed the validity of both certificates.

EXTERNAL COMMUNICATION CONCERNING THE QUALITY AND THE ENVIRONMENT

As the environmental activity of the company has been a topical issue for various parties and the public, the company considers environmental information as one of its important aspects, which could be used to increase public awareness and improve cooperation with important interest groups. In order to improve the environmental awareness of the public the company has, among other things, published regularly articles about environmental issues, organised tours in the plants of the company, and created in cooperation with children's theatre Trumm the theatrical performance 'Old Man of Lake Ülemiste', which is performed in the schools of Tallinn.

AS Tallinna Vesi is a member of Estonian Association for Quality since 2002, and the (founding) member of Estonian Association for Environmental 2003. Participation in the work of these organisations certainly helps to manage and improve the work related to quality and environmental management in the company.

"Satisfied employees contribute the most to the success of the company."

Ilona Lott,
Human Resources Manager

Company & People

GENERAL DATA

- 351 employees - 237 men and 114 women
- Average age is 45.5 years
- Average years of employment 12.3

OBJECTIVES FOR 2004

- To increase employee satisfaction
- To create an environment where the employees can develop and achieve their goalscan develop and achieve their goals

The greatest challenge for the coming years will be the maintaining of working capacity for aging employees and the recruitment of new employees due to numerous cases of retirement. Another challenge is to provide career possibilities inside the organisation to as many people as possible.

PERSONNEL DEVELOPMENT AND TRAINING

In 2004 we introduced a new Development Review system. Its main aspects are closer focus on the assessment of company values; competence based development; and provision of career perspectives for employees inside the organisation. The company's training program has three focus areas – the development of employee's professional skills and performance in crisis situations; improvement of customer care focusing on all employees dealing with customers; and the management development.

To improve teamwork and further personal development the follow-up days of the company-wide training programme Tulemuste Võti (Key to Results) as well as the related discussions continued. The programme was initially launched in 2003. Corporate culture surveys were carried out within the framework of the Tulemuste Võti programme. The objective of the surveys was to gain a better overview of our corporate culture as well as company values, and on the basis of the results we can identify the areas that demand more attention.

As a part of our employees development programme, the company started co-operation with the Tallinn Kopli Trade School to train skilled workers. We provide the pupils with the opportunity of traineeship in our workshops thus building a relationship with the potential future employee.

EMPLOYEE SATISFACTION SURVEY

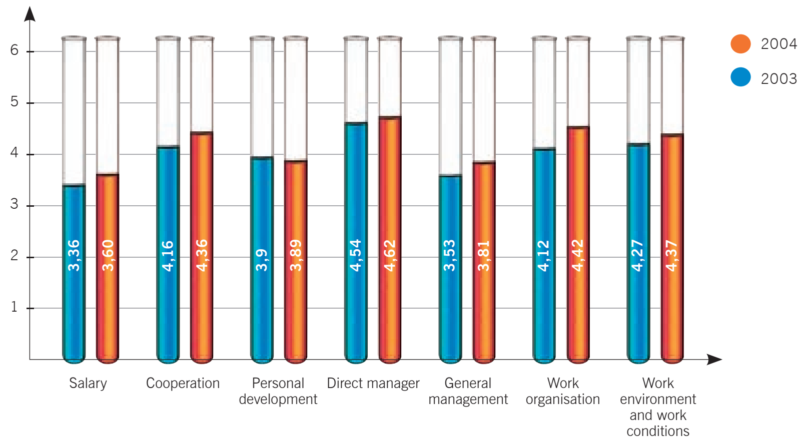
For several years we have carried out satisfactions surveys among our employees so as to base the development of our activities on an analysis of the survey results (see Figure 11). Survey results demonstrated that one of the wishes highlighted by employees was a further development of the remuneration system. In 2003 a new performance related system applying to all employees was put in place and as a result employees were able to receive in March 2004 in addition also performance related pay for good work. The setting of annual objectives for each employee and the performance appraisal interview on annual results, which are the preconditions for performance related pay, have proven to function well, making it possible for the employees to receive appropriate remuneration for very good work results.

On the basis of satisfaction survey results one of the important areas under review in 2004 was the offering of development opportunities to our employees. To make development opportunities available, a system of internal competitions has been put in place whereby we offer a new challenge first and foremost to our own capable employees when a vacancy appears. During the year 14 employees were able to move up the career ladder within the Company, to develop and acquire new skills.

OUTLOOK 2005

Due to the changes in the number of employees within the last five years, the age structure and the changing work organisation, the demands for employees are increasing. In order to support people to achieve their targets, the company needs to develop mentoring and coaching skills. Thus, in 2005 we will focus on the further development of skills, succession planning and strengthening of our workforce with new people. In addition, as the results of the employee survey show we need to pay more attention to the remuneration system development.

FIGURE 11.
COMPARISON OF THE SATISFACTION SURVEY IN 2003 & 2004



Internal auditors receive the award of “The Best Team”.

Tallinna Vesi

2004

Financial Report

Start of financial year	1 January 2004
End of financial year	31 December 2004
Name of Company	AS TALLINNA VESI
Legal form of Company	Public limited company
Commercial register number	10257326
Address	Ädala St.10, Tallinn, Estonia
Chairman of the Board	Robert John Gallienne
Telephone	+ 372 6 262 202
Fax	+372 6 262 300
E-mail	tvesi@tvesi.ee
Web-page	www.tallinnavesi.ee
Field of activity	Production, treatment and distribution of water; storm and wastewater disposal and treatment
Auditor	AS Deloitte & Touche Audit
Ultimate parent company	United Utilities International Ltd

Table of Contents

Financial Report	33
ANNUAL ACCOUNTS	
Declaration of management	36
Financial Report Approval by the Management Board and Supervisory Board	37
Balance sheet	38
Income statement	39
Cash flow statement	40
Statement of changes in equity	41
NOTES TO THE ANNUAL ACCOUNTS	
Note 1 Accounting principles	42
Note 2 Cash and cash equivalents	45
Note 3 Customer receivables	45
Note 4 Other receivables	45
Note 5 Accrued income and prepaid expenses	46
Note 6 Inventories	46
Note 7 Assets for sale	46
Note 8 Investment in associated company	46
Note 9 Long-term deposits	47
Note 10 Other long-term investment assets	47
Note 11 Tangible and intangible non-current assets	48
Note 12 Short-term and long-term debt obligations	50
Note 13 Trade and other payables	51
Note 14 Taxes payable	51
Note 15 Provisions	51
Note 16 Deferred income	52
Note 17 Share capital and statutory legal reserve	52
Note 18 Net sales	52
Note 19 Cost of goods sold, marketing and administration	53
Note 20 Staff information	53
Note 21 Financial revenue and expenses	53
Note 22 Dividends	54
Note 23 Earnings per share	54
Note 24 Notes to the cash flow statement	54
Note 25 Commitments	56
Note 26 Income tax on dividends	56
Note 27 Collateral of loans and pledged assets	56
Note 28 Related parties	57
Note 29 Consolidation and reclassification	58
Note 30 Financial risk management	60
Independent auditors' report	61
Proposal for the profit distribution	62

"Efficient cost management and an increaase in non-recurring revenues brought us success."

Financial Report

The financial year 2004 was a success for the company both in financial and operational terms. The incremental improvements of previous years have been built upon throughout the year and, in spite of a slight fall in residential water consumption, the company has outperformed all of its financial targets. This has been achieved through continued efficient cost management across all levels supported by an increase in non-recurring revenue streams. These successes, coupled with strong cash management, enabled the company to defer the final drawdown of 110 million kroons of the EBRD loan from November 2004 until May 2005 when the money will be used to fund the increased capital investment programme.

The dividend declared from 2004 profits, at 112 million kroons, is again in line with the business model and represents a 49% increase when compared to 2003.

From a financial perspective 2005 will be present the company with many new opportunities and challenges. The commencement of the repayment of the EBRD loan coupled with a capital investment programme of some 220 million kroons will require continued vigilance with regard to cost control. The implementation of the new billing system in the second half of the year will give improved management and analysis of revenues, whilst offering a greater range of payment opportunities to all our customers. The company believes that by continuing to build on the improvements made during the last three years it can look forward to meeting these and other challenges and remains confident of achieving its financial and operational targets.

ACCOUNTING STANDARDS

The financial statements for 2004 have been prepared in accordance with International Financial Reporting Standards. This is in anticipation of their pan-European adoption and to improve understanding and comparability of the accounts.

COMPANY RESULTS

Total turnover for the year increased by 44.5 million kroons to 548.5 million kroons in 2004 due entirely to higher sales from main operating activities during the year.

Operating profit for the year increased by 85.1 million kroons to 254.9 million kroons in the year. This comprises the increase in sales of 44.5 million kroons,

FINANCIAL HIGHLIGHTS (THOUSAND EEK)

	2004	2003	2002
Sales from main operating activities	478 814	434 794	432 947
Revenues from other other operating activities	69 715	69 223	79 577
Net Sales	548 529	504 017	512 524
Operating profit	254 918	169 835	174 896
NET PROFIT FOR THE FINANCIAL YEAR	**172 961**	**104 541**	**146 193**
Net debt/ net debt + equity	53%	57%	60%
Earnings per share* in kroons	8,65	5,23	7,31
Dividends per share* in kroons	5,60	3,75	2,25
Interest cover (PBIT/Interests)	4,44	2,86	7,95
Dividends cover (EPS/DPS)	1,54	1,39	3,25

* number of shares in the comapny at year end

a 3.4% reduction in operating costs worth 10.8 million kroons, plus a 29.8 million kroons improvement in other income resulting primarily from sales of surplus land and properties, and releases of provisions for doubtful debts.

Net financial expenses increased by 5.7 million kroons to 55.7 million kroons in 2004, due to one-time financial income benefits gained in 2003. Interest expense payable in 2004, at 54.8 million kroons was 0.8 million kroons lower than that paid in 2003.

As a result of the above profit before tax increased by 79.4 million kroons to 199.2 million kroons for 2004.

Taxation paid in 2004 was 26.3 million kroons, an increase of 11m from that paid in 2003, as a result of the dividend payout increasing by 30 million kroons to 75 million kroons – corporate income tax in Estonia is only paid on profit distributions or other payments considered as not related to the business of the company.

Earnings per share increased by 65% to 8.65 kroons reflecting the improvement in profit before tax offset by the higher tax charge incurred in the year.

Dividends per share were in line with the business model at 5.60 kroons, an increase of 49% from that declared in 2003.

FIXED ASSETS

The company continues to invest well above annual levels of depreciation. At the end of 2004 the net book value of the non-current tangible and intangible assets (excluding new connections constructed on behalf of the City of Tallinn and prepayments) stood at 1,901 million kroons an increase of 31.7 million kroons from 31 December 2003.

CASH FLOWS

Net cash inflow from operating activities increased by 62.2 million kroons to 167.8 million kroons in 2004. This increase principally reflects the increase in profits discussed above which compares favourably with the profit after tax figure for the year.

The company continues to invest significantly in fixed assets to ensure that it meets or exceeds all levels of service. In 2004 the cash outflows on fixed assets amounted to 73 million kroons. The focus being on improvements in the quality of water through a network rehabilitation programme and environmental projects of which the major one is the reduction in the level of nitrogen in wastewater. Cash payments and

SUMMARY CASH FLOW STATEMENT (THOUSAND EEK)

	2004	2003	2002
Total cash flow from operating activities	167 829	105 639	177 345
Acquisition of fixed assets, incl network extensions	-133 707	-113 151	-176 460
Proceeds from pipelines financed by construction income	59 371	109 172	51 441
Other investing activities	14 971	45 674	12 023
Total cash flow from investing activities	-59 365	41 695	-112 996
Decrease in share capital	0	-112 083	-837 917
Received long-term loans	31 293	0	1 110 864
Repayment of long-term loans and finance leases	-21 633	-79 028	-321 986
Dividends paid	-75 000	-45 000	-131 828
Income tax on dividends	-26 277	-15 281	-23 359
Total cash flow from financing activities	-91 617	-251 392	-204 226
Change in cash and bank accounts	16 847	-104 058	-139 877
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	**84 153**	**188 211**	**328 088**
CASH AND EQUIVALENTS AT THE END OF THE YEAR	**101 000**	**84 153**	**188 211**

receipts for the network extension programme carried out on behalf of the City were 60.8 million kroons and 59.4 million kroons respectively. The company also received 15.0 million kroons from other activities.

During 2004 the company had a positive cash movement on long term loans and finance leases of 9.7 million kroons. The company also paid out 75 million kroons of dividend – and dividend taxes of 26.3 million kroons.

As a result of all of the above movements in cash and cash equivalents increased by 16.8 million kroons to 101 million kroons at year end. Gearing, measured as net debt divided by net debt plus equity reduced to 53% compared to 57% at 31 December 2003.

I. J. A. Plenderleith

Ian John Alexander Plenderleith

Chief Financial Officer
Member of the Management Board

Declaration of Management for the Year Ended 31 December 2004

The Management Board of AS Tallinna Vesi has prepared the annual accounts for the financial year ended 31 December 2004.

The annual accounts have been prepared according to International Financial Reporting Standards, and give a true and fair view of the financial position, results of operations and cash flows of AS Tallinna Vesi.

The preparation of the annual accounts according to International Financial Reporting Standards involves estimates made by the Management Board of the Company's assets and liabilities as at 31 December 2004, and of income and expenses during the financial year. These estimates are based on current information about AS Tallinna Vesi and consider all plans and risks as at 31 December 2004. The actual results of these business transactions recorded may differ from such estimates.

Any subsequent events that materially affect the valuation of assets and liabilities until the preparation of the annual accounts as at 10 February 2005 have been assessed as part of this review.

The Management Board considers AS Tallinna Vesi to be a going concern entity.

Name	Position	Signature
Robert John Gallienne	Chairman of the Management Board	
Roch Jean Guy Antoine Chéroux	Member of the Management Board	
Ian John Alexander Plenderleith	Member of the Management Board	

Financial Report Approval by the Management Board and Supervisory Board

The Management Board has prepared the address by the Chairman of the Management Board and the annual accounts on 10 February 2005.

The Supervisory Board of AS Tallinna Vesi has reviewed the annual report, prepared by the Management Board, consisting of the Address by the Chairman of the Management Board and the annual accounts, the Management Board's proposal for profit distribution and the independent auditors' report, and has approved the annual report for presentation on the Shareholders' General Meeting.

The annual report has been signed by all the members of the Management Board and Supervisory Board.

Name	Position	Signature
Robert John Gallienne	Chairman of the Management Board	
Roch Jean Guy Antoine Chéroux	Member of the Management Board	
Ian John Alexander Plenderleith	Member of the Management Board	I. J. A. Plenderleith
Michael James Southworth	Head of the Supervisory Board	
Karl Olof Joakim Forsberg	Member of the Supervisory Board	
David John Kilgour	Member of the Supervisory Board	
Laurence Kenneth Billett	Member of the Supervisory Board	
Igor Gräzin	Member of the Supervisory Board	
Siim Roode	Member of the Supervisory Board	
Svetlana Baltina	Member of the Supervisory Board	

Balance Sheet at 31 December 2004 and 2003 (THOUSAND EEK)

ASSETS	Note	2004	2003
CURRENT ASSETS			
Cash at bank and in hand	2	101 000	84 153
Customer receivables	3	51 644	53 837
Other receivables	4	66	2 551
Accrued income and prepaid expenses	5	3 886	4 171
Inventories	6	3 266	5 544
Assets for sale	7	1 621	2 789
TOTAL CURRENT ASSETS		**161 483**	**153 045**
NON-CURRENT ASSETS			
Shares of associated companies	8	0	6 126
Long-term deposit	9	77 538	31 448
Other long-term investment assets	10	1 330	2 576
Tangible assets	11	1 779 897	1 785 139
Intangible assets	11	18 460	21 361
Construction in progress	11	102 634	62 797
Unfinished pipelines - new connections	11	79 675	93 176
Prepayments for fixed assets	11	3 648	8 565
TOTAL NON-CURRENT ASSETS		**2 063 182**	**2 011 188**
TOTAL ASSETS		**2 224 665**	**2 164 233**

LIABILITIES	Note	2004	2003
CURRENT LIABILITIES			
Current portion of long-term finance lease	12	1 777	2 632
Current portion of long-term bank loans	12	87 086	17 477
Trade and other payables	13	55 707	78 459
Taxes payable	14	20 534	15 827
Short-term provisions	15	912	13 668
Deferred income	16	18 582	36 495
TOTAL CURRENT LIABILITIES		**184 598**	**164 558**
NON-CURRENT LIABILITIES			
Finance lease	12	1 685	3 462
Bank loans	12	1 039 192	1 094 984

Other payables	13	100	100
TOTAL NON-CURRENT LIABILITIES		**1 040 977**	**1 098 546**
TOTAL LIABILITIES		**1 225 575**	**1 263 104**
EQUITY CAPITAL			
Share capital	17	200 001	200 001
Share premium		387 000	387 000
Statutory legal reserve	17	93 394	93 394
Accumulated profit		145 734	116 193
Net profit for the financial year		172 961	104 541
TOTAL EQUITY CAPITAL		**999 090**	**901 129**
TOTAL LIABILITIES AND EQUITY CAPITAL		**2 224 665**	**2 164 233**

Income Statement for the Years 2004 and 2003

(THOUSAND EEK)

	Note	2004	2003
Net sales	18	548 529	504 017
Cost of goods sold	19, 20	-259 896	-254 765
GROSS PROFIT		**288 633**	**249 252**
Marketing expenses	19, 20	-6 134	-6 342
General administration expenses	19, 20	-40 739	-56 440
Other income/ expenses (-)	19	13 158	-16 635
OPERATING PROFIT		**254 918**	**169 835**
Financial income / expenses (-)	21	-55 680	-50 013
PROFIT BEFORE TAXES		**199 238**	**119 822**
Income tax on dividends	22	-26 277	-15 281
NET PROFIT FOR THE FINANCIAL YEAR		**172 961**	**104 541**
Attributable to:			
Equity holders of A-shares		172 951	104 531
B-share holder		10	10
EARNINGS PER SHARE IN KROONS	23	**8,65**	**5,23**

Cash Flow Statement for the Years 2004 and 2003

	Note	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxes		199 238	119 822
Adjustment for depreciation		77 736	73 458
Adjustment for income and expenses from constructions	24a	-5 306	-7 616
Adjustment for shares and finance income and expenses		51 845	38 265
Profit from sale of privatization vouchers (EVP)		0	-5 066
Profit from sale of fixed assets		-2 844	-1 595
Write off of fixed assets		2 470	683
Write off of financial assets	10	1 200	0
Capitalization of operating expenses		-38 974	-60 144
Change in current assets involved in operating activities	24b	-48 978	-17 245
Change in liabilities involved in operating activities	24b	-11 045	21 731
Interest paid		-57 513	-56 654
TOTAL CASH FLOW FROM OPERATING ACTIVITIES		**167 829**	**105 639**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of shares of associated company	8	6 259	0
Sale of EVP		0	18 930
Acquisition of fixed assets	24c	-72 957	-62 583
Payment of pipelines financed by construction income	24a	-60 750	-50 568
Proceeds from pipelines financed by construction income	24a	59 371	109 172
Repayments of loans to third parties		2	25
Proceeds from sale of fixed assets		3 799	11 332
Proceeds from sale of inventories/goods for sale		2 250	9 500
Received dividends		0	1 717
Interest received		2 661	4 170
TOTAL CASH FLOW FROM INVESTING ACTIVITIES		**-59 365**	**41 695**
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in share capital		0	-112 083
Received long-term loans	12	31 293	0
Repayment of long-term loans	12	-19 001	-76 004
Finance lease payments	12	-2 632	-3 024
Dividends paid	22	-75 000	-45 000
Income tax on dividends	22	-26 277	-15 281
TOTAL CASH FLOW FROM FINANCING ACTIVITIES		**-91 617**	**-251 392**
CHANGE IN CASH AND BANK ACCOUNTS		**16 847**	**-104 058**

CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR		**84 153**	**188 211**
CASH AND EQUIVALENTS AT THE END OF THE YEAR	2	**101 000**	**84 153**

Statement of Changes in Equity for the Years Ended 31 December 2004 and 2003

(THOUSAND EEK)

	Share capital	Share premium	Statutory legal reserve*	Accumulated profit*	Net profit	Total equity
31 DECEMBER 2002	**200 001**	**387 000**	**93 394**	**15 000**	**146 193**	**841 588**
Transfer of financial year profit to the accumulated profit	0	0	0	146 193	-146 193	0
Dividends	0	0	0	-45 000	0	-45 000
Net profit of the financial year	0	0	0	0	104 541	104 541
31 DECEMBER 2003	**200 001**	**387 000**	**93 394**	**116 193**	**104 541**	**901 129**
Transfer of financial year profit to the accumulated profit	0	0	0	104 541	-104 541	0
Dividends	0	0	0	-75 000	0	-75 000
Net profit of the financial year	0	0	0	0	172 961	172 961
31 DECEMBER 2004	**200 001**	**387 000**	**93 394**	**145 734**	**172 961**	**999 090**

* As a subsequent event 73 394 thousand kroons were transfered from the Statutory legal reserve to the Accumulated profit on 3 February 2005 (see note 17).

Notes to the Annual Accounts for the Year Ended 31 December 2004

NOTE 1. ACCOUNTING PRINCIPLES

The financial statements for the financial year 2004 have been prepared according to International Financial Reporting Standards (IFRS) for the first time. All IFRS standards valid and effective from 1 January 2005, and applicable to the company have been adopted before their effective date. The implementation of IFRS did not cause any material changes to the existing accounting principles and had no influence on the profit of the company. As a consequence of the reporting of IFRS's the presentation of the information has changed slightly with the additional information published in the notes to the accounts. The disclosures required by IFRS 1 concerning the transition from Estonian GAAP to IFRS are presented in note 29.

Functional currency is Estonian kroon. The annual accounts are prepared in Estonian kroons (EEK) rounded to the nearest thousand, unless otherwise indicated. The financial statements have been prepared on historical cost accounting basis, unless specified otherwise. Initial acquisition cost includes all costs directly related to the asset or liability.

The main accounting principles applied in the preparation of the financial statements are detailed below.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded on the basis of the foreign currency exchange rates of the Bank of Estonia at the date of the transaction. Assets and liabilities recorded in foreign currencies in the financial statements have been converted into Estonian kroons based on foreign currency exchange rates valid at the Balance Sheet date. Profits and losses due to exchange rate changes are aggregated and shown in the Income Statement.

FINANCIAL ASSETS AND LIABILITIES

Financial assets are cash, trade debts, accrued income, other current and long-term receivables.

Financial liabilities are accounts payable, accrued expenses, other current and long-term liabilities.

Financial assets and liabilities are recognized at acquisition cost, which is assumed to be a fair value paid for or gained from that asset or liability.

Financial assets and liabilities are recorded in the Balance Sheet when the company acquires the ownership according to financial asset or liability contract conditions.

Loans are recorded at the value of the proceeds received, net of direct transaction costs, which are accounted for on an accrual basis proportionally to the income statement during the loan agreement validity period. As the transaction cost has been considered immaterial compared to the loan received, no effective interest method is implemented.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents within the Balance Sheet and the Cash Flow Statement comprise of cash held on premises, cash in bank accounts and short-term, risk free, liquid bank deposits convertible into cash within a three months period without penalty.

RECEIVABLES

Receivables are presented using the amortized cost method. Provisions for accounts receivable that are considered to be doubtful, are recorded in the Income Statement under "Other expenses" during the financial year, and a respective reserve on the Balance Sheet line "Allowance for doubtful debts" is recorded. Receivables which cannot be collected, or the collection is considered to be economically not justified, are evaluated as un-collectible and written-off from the Balance Sheet. Accounts receivable from previous periods that were recorded as doubtful, but that were received during the year, are recorded on the same expense account as a reverse entry.

Until 2004 the likelihood of receipt of all receivables was evaluated individually. In 2004 the principle was revised to simplify the procedure and to be in accordance with the parent company's accounting principles. Individual debts are now grouped by age and the following percentages are applied in the doubtful debt calculation:

61 to 90 days	10%;
91 to 180 days	30%;
181 to 360 days	70%;
over 360 days	100%.

The change in principle did not cause any material difference to the 2004 accounts and cause no need to revise the 2003 accounts.

ACCOUNTING FOR INVENTORIES

Raw materials and spare parts are recorded at acquisition price, which consists of purchase price, non-recoverable taxes, freight costs and other direct costs, less discounts and subsidies received.

Inventories are recorded on the Balance Sheet at the lower of acquisition cost and net realizable value with any impairment recorded in the Income Statement to “Other expenses”. The acquisition cost of inventories is accounted for by using weighted average acquisition cost method. Any inventories received at nil cost are recorded at zero value.

LONG-TERM FINANCIAL INVESTMENTS

Shares of associates, subsidiaries and other securities and financial assets acquired for periods more than one year are recorded as long-term financial investments.

In 2003 the Company had one fully owned subsidiary which was accounted for using the equity method in the 2003 accounts. During 2004 the subsidiary was merged into the Company and the accounts of the subsidiary were merged row by row into the accounts of the Company. The assets, liabilities, revenues and expenses arising from the transactions between the subsidiary and the parent have been eliminated. The accounts for 2003 have been consolidated retrospectively. The effects of consolidation are shown in note 29.

Until 2003 investments in an associated company were accounted using the equity method, whereby the investment balance was adjusted each year by the share of the associated company’s profit or loss less any dividends received. In 2004 the share of the associated company was sold. The earlier share and result of the sale are indicated in note 8.

As at 31 December 2004 the company does not own any subsidiary or own any shares in an associated company.

TANGIBLE AND INTANGIBLE FIXED ASSETS

Assets with useful life more than one year and with a minimum value of 2 000 EEK are capitalised as fixed assets. Fixed assets are recorded at acquisition cost, which comprises of purchase price, non-recoverable taxes and all other direct costs to take the fixed asset object into operation including internal labour costs. Capitalisation of internal labour costs is based on hours worked on the acquisition of asset. In addition to salary costs all other employee related costs are capitalized in the same proportion.

The interest cost of company debt during the acquisition period of any fixed assets is capitalized during the construction process, incl. unfinished pipelines – new connections, which are calculated as the proportion of the amount of construction in progress compared to the balance of the corresponding debt.

Unfinished pipelines – new connections include the costs of acquiring water or sewerage pipelines. After completion of construction and the concluding of the connection contracts with customers the costs related to the acquisition of these pipelines are recorded within costs of goods sold to ensure the correct matching of revenues and expenses in the same accounting period. Remaining expenses relating to the construction, that are not directly compensated to the company, are recorded within the Balance Sheet as “Facilities” within fixed assets.

Depreciation is calculated on a straight-line method. The depreciation rate of each fixed asset is based on the fixed asset’s useful life, using the following rates:

- buildings 1,25-2,0% per annum;
- facilities 1,0-8,33% per annum;
- machinery and equipment 3,33-50% per annum;
- instruments, facilities etc. 10-20% per annum;
- intangible assets 20-33% per annum.

Land is not depreciated.

In exceptional circumstances rates may differ from the above rates if it is evident that the useful lifetime of the asset varies materially from the rate assigned to the respective category.

Prepayments for fixed assets and construction-in-process, including unfinished pipelines – new connections, are recorded as fixed assets and are not depreciated.

Improvements to fixed assets are capitalised if the properties of that asset are improved substantially or, as a result of the improvement, the useful life of the asset will be extended, or it is forseen that additional future revenues will result. Maintenance and repair works are expensed in the period incurred.

All costs of identifiable and controllable development projects which are likely to earn future revenues, and the acquisition costs of computer software are capitalised as intangible assets on the Balance Sheet and amortised on a straight-line basis for a period of up to 5 years. If the software is necessary to take computer hardware into use, the acquisition cost of such software is capitalised in the acquisition cost of the hardware and depreciated according to the useful life of the hardware. Research costs are expensed.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

At each balance sheet date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Individual assets with no realization value are removed from operations and the net balance sheet value is recorded in the Income Statement to "Other expenses".

INVESTMENT PROPERTY AND ASSETS FOR SALE

The property held by the company to earn rentals is classified as investment property. The revenues and costs related to the property are disclosed in note 10.

The land and buildings held for sale in the ordinary course of business are classified as inventory as management has decided to sell and will endeavour to make every effort to do so during the next accounting year.

Investment property and assets for sale are measured at cost. The investment property is continuously depreciated using the same principles as applied to tangible fixed assets. For assets for sale the depreciation is stopped after the decision is taken to move the assets to the inventory. Management has evaluated the fair value of all items listed within both investment property and inventory and is confident that the fair value is at least equal to the net balance sheet value.

LIABILITIES

Liabilities with payment terms more than one year after the balance sheet date are considered to be long-term liabilities. All other liabilities are considered to be short-term liabilities.

No long-term employee benefit schemes are applicable to the company. The company has made an internal decision to pay bonuses to the employees based on the accounting year results of the company and other individual performace criteria. The expected cost is recorded on the Income Statement as an expense and on the Balance Sheet as a short-term liability.

As profits are not taxable in Estonia no deferred tax liabilities are applicable. Taxation is described more thoroughly in notes 26 and 14.

PROVISIONS

Legal or contractual liabilities which have arisen during the financial year or previous periods, which are reasonably expected to result in abandoning the asset and result in costs that can be reliably measured at any point in the future, but final cost or term of payment is not firmly fixed, are accounted for as provisions.

Financial statements include short-term provisions from ongoing court cases, potential insolvencies of high risk customers, contractual obligations other than accruals and the expected loss from the liquidation of financial assets existing independently of the company's future actions. Provisions for losses are recorded using the best evaluation by the management of AS Tallinna Vesi. The final costs of such transactions may differ from these estimates.

Contingent liabilities are excluded from recognition in the balance sheet. The company had no known contingent liabilities at the time of the preparation of the reports.

RESERVES

Statutory legal reserve is recorded based upon the requirements of the Commercial Code and comprises of the allocations made from net profits. The annual allocation must be at least 5% of the approved net profit of the financial year until achieving the statutory legal reserve equal to 10% of share capital.

ACCOUNTING FOR LEASES

Lease contracts are considered as finance leases if all relevant risks and benefits with reference to the ownership of the asset are borne by the lessee, otherwise the lease contract is considered as operating lease.

Operating lease payments are recorded as expense during the period incurred i.e. the asset is not recorded as a fixed asset nor is depreciated.

Assets acquired under a finance lease and finance lease liabilities are recognised on the balance sheet of the lessee. If ownership is expected to be transferred to the lessee, depreciation is calculated in the usual manner.

REVENUES

Sales revenue is recorded on an accruals basis based upon the revenue principle if the sales revenue and the costs related to transaction are reliably defined. Net sales comprise the income received from goods and services sold after the deduction of sales discounts and all applicable taxes. Sales income from services is recorded in the period when the service has been provided.

Connections revenue is recorded when construction is completed and the connection contract is concluded ensuring the correct matching of revenues and expenses in the same accounting period. If the construction works of new connections is not compensated by the property owner and takes place in a different accounting period from the connection contract completion date, then the revenue and costs are booked in the accounting period when compensation confirmation is received.

SUBSEQUENT EVENTS

During the preparation of the annual accounts management considers the materiality of all subsequent events that occurred between the balance sheet date and the preparation date of the report. Subsequent events, which could in the opinion of the management have a material impact on the disclosure of the assets, liability and equity capital, are disclosed in the notes if they do exist.

NOTE 2. CASH AND CASH EQUIVALENTS (THOUSAND EEK)

	2004	2003
Cash and bank accounts	85 253	77 053
Short-term deposits	15 747	7 100
TOTAL CASH AND CASH EQUIVALENTS	**101 000**	**84 153**

NOTE 3. CUSTOMER RECEIVABLES (THOUSAND EEK)

	2004	2003
Accounts receivable	59 383	65 849
Allowance for doubtful debts	-7 739	-12 012
TOTAL CUSTOMER RECEIVABLES	**51 644**	**53 837**

Change in customer receivables includes the following movements:		
Write off of uncollectible receivables	-1 723	-1 100
Change in allowance for doubtful debts	4 273	2 770

NOTE 4. OTHER RECEIVABLES (THOUSAND EEK)

	2004	2003
Receivables from parent company	0	23
Other receivables	66	2 528
TOTAL OTHER RECEIVABLES	**66**	**2 551**

NOTE 5. ACCRUED INCOME AND PREPAID EXPENSES (THOUSAND EEK)

	2004	2003
Accrued interest	274	156
Other accrued income	26	27
Prepaid taxes	3	180
Other prepaid expenses	3 583	3 808
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	**3 886**	**4 171**

NOTE 6. INVENTORIES

Inventories consist of raw materials and are shown net of provisions for obsolete assets.

Old raw materials with a nature and value only specific to the Company are considered obsolete, subject to the assumption that management has made all reasonable efforts to sell the unnecesary assets during the year. The most likely outcome for the majority of these assets is treatment as scrap with no material revenue to the Company. These items have been fully provided in the accounts, 1 508 th kroons and 4 631 th kroons as of 31 December 2004 and 2003 respectively. Any subsequent revenues received on the sale of these assets has been immaterial in value and has been offset against the value written off.

NOTE 7. ASSETS FOR SALE (THOUSAND EEK)

	2004	2003
Assets for sale	693	1 919
Prepayments for land in assets for sale	928	870
TOTAL ASSETS FOR SALE	**1 621**	**2 789**

NOTE 8. INVESTMENT IN ASSOCIATED COMPANY (THOUSAND EEK)

The Company had the long-term investment in AS Kemivesi with the following participation:	
BOOK VALUE OF SHARES AT 31 DECEMBER 2002	**8 504**
Income calculated using equity method	-661
Decrease in investment value by dividends announced	-1 717
BOOK VALUE OF SHARES AT 31 DECEMBER 2003	**6 126**
SHARE OWNERSHIP % 31 DECEMBER 2003	**33,25%**

In 2004 the company sold the participation in AS Kemivesi with the following result to the accounts:	
Revenue from sale of shares	6 259
Carrying value of the investment	-6 126
PROFIT FROM THE TRANSACTION	**133**

NOTE 9. LONG-TERM DEPOSITS

The Company has opened a Debt Service Reserve (hereinafter the DSR) deposit in accordance with the EBRD loan agreement (see note 12). The company is required to maintain the DSR to an amount equal to not less than the sum of the payments of principal and interest on the loan that become due and payable at the next interest payment date throughout the whole loan agreement period. The withdrawal of amounts from the DSR is restricted to payments of the loan obligations, and can only be used for any other purpose with the prior written consent of the bank. The approximate amount of the obligation is to maintain 80 000 th kroons in DSR account until 2015.

NOTE 10. OTHER LONG-TERM INVESTMENT ASSETS (THOUSAND EEK)

	2004	2 003
Long term loans	0	1
Other Shares*	0	1 200
Investment Property (acquisition value)**	1786	1 786
Accumulated depreciation of investment property (-)	-456	-411
TOTAL OTHER LONG-TERM INVESTMENT ASSETS	**1 330**	**2 576**

* Other Shares.

In 2001 AS Tallinna Vesi acquired 8 B - shares of AS Rocca al Mare Suurhall with a nominal value of 100 kroons and in a total amount of 1 200 000 kroons, based on a contract signed between AS Tallinna Vesi and AS Rocca al Mare Suurhall during the financial year ended 31 December 2000. As the financial situation of AS Rocca al Mare Suurhall is weak and there's plan to cancel all ordinary shares, the value of the shares is written off and recorded in Income Statement within financial expenses in 2004.

** Real Estate Investment

The real estate investment includes one property at address Järvevana Street 3, Tallinn.
No movements other than depreciation have happened to the balance sheet value of the property during the reporting year.

	2004	2003
Rental revenue from the investment, excluding VAT	1 064	1 257
Direct operating expenses that generated rental income	456	624
The occupation rate of the property (average of the reporting year)	93%	99%

NOTE 11. TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

	Tangible assets in use			
	Land and buildings	Facilities	Machinery and equipment	Other equipment
ACQUISITION COST AT				
31.12.2003	**303 802**	**1 863 685**	**472 187**	**14 905**
Acquisition	0	0	0	0
Sale of fixed assets	-1 462	0	-2 204	-6
Write-off of fixed assets	-205	-2 885	-4 504	-412
Reclassification within balance sheet	331	0	0	0
Reclassification to expenses	0	0	0	0
Expensed pipelines	0	0	0	0
Reclassification from assets in progress	9 004	38 719	19 416	1 848
31.12.2004	**311 470**	**1 899 519**	**484 895**	**16 335**
ACCUMULATED DEPRECIATION				
31.12.2003	**49 466**	**561 724**	**248 581**	**9 669**
Depreciation	4 061	27 624	38 874	1 073
Depreciation of fixed assets sold and written-off (-)	-638	-2 598	-5 129	-385
Reclassification	0	-3	3	0
31.12.2004	**52 889**	**586 747**	**282 329**	**10 357**
NET BOOK VALUE				
31.12.2003	**254 336**	**1 301 961**	**223 606**	**5 236**
31.12.2004	**258 581**	**1 312 772**	**202 566**	**5 978**

Fixed assets are written off if the condition of the asset does not enable further usage for production purposes. Net balance sheet value of finance leases was 9 434 thousand kroons and 11 197 thousand kroons in 2004 and 2003 respectively.

Interest capitalised to fixed assets was 2 689 thousand kroons and 3 815 thousand kroons in 2004 and 2003 respectively.

(THOUSAND EEK)

Assets in progress			Intangible assets		Total tangible and intangible non-current assets
Construction in progress	Unfinished pipelines - new connections	Prepayment for fixed assets	Development costs	Acquired licenses and software	
62 797	**93 176**	**8 565**	**8 375**	**25 421**	**2 852 913**
104 254	54 125	0	0	0	158 379
0	0	0	0	0	-3 672
0	0	0	0	0	-8 006
173	0	-81	0	0	423
-495	-1	0	0	0	-496
0	-64 410	0	0	0	-64 410
-64 095	-3 215	-4 836	1 223	1 936	0
102 634	**79 675**	**3 648**	**9 598**	**27 357**	**2 935 131**
0	**0**	**0**	**6 136**	**6 299**	**881 875**
0	0	0	905	5 155	77 692
0	0	0	0	0	-8 750
0	0	0	0	0	0
0	**0**	**0**	**7 041**	**11 454**	**950 817**
62 797	**93 176**	**8 565**	**2 239**	**19 122**	**1 971 038**
102 634	**79 675**	**3 648**	**2 557**	**15 903**	**1 984 314**

NOTE 12. SHORT-TERM AND LONG-TERM DEBT OBLIGATIONS

The Company´s long-term obligations are as follows: (THOUSAND EEK)

Bank loans	Loan date	Loan received	Residual amount 31.12.2003	Residual amount 31.12.2004	Short-term portion	Long-term portion	Interest rate %	Maturity date
DePfa bank	04.1999	304 013	19 001	0	0	0	3 months Euribor +3	04.2004
EBRD	12.2002	1 251 731	1 110 864	1 142 157	88 610	1 053 547		05.2015
incl. A loan		860 565	763 719	785 233	60 920	724 313	5,69	
incl. B loan		391 166	347 145	356 924	27 690	329 234	6 months Euribor + 1,5	
Loan costs	12.2002	-17 404	-17 404	-15 879	-1 524	-14 355		05.2015
Total bank loans		**1 538 340**	**1 112 461**	**1 126 278**	**87 086**	**1 039 192**		
Finance lease		**15 332**	**6 094**	**3 462**	**1 777**	**1 685**	**3,56-9,28**	**06.2007**
Total long-term debt obligations		**1 553 672**	**1 118 555**	**1 129 740**	**88 863**	**1 040 877**		

The amount not drawn from EBRD loan as of 31.12.2004 is 109 574 thousand kroons, all of which is intended to be drawndown by May 2005.

The short-term portion of the finance lease in the amount of 1 777 thousand kroons is recorded on the Balance Sheet line "Current portion of long-term finance lease".

The long-term portion of finance lease in the amount of 1 685 thousand kroons is recorded on the Balance Sheet line "Finance lease".

The underwriting of the loan from EBRD is indicated in Note 27.

Name	Repayments period
EBRD	Loan repayments start in 2005. The repayments will be made twice a year in May and November in accordance with the repayment factors agreed in the loan agreement.
Finance lease	Repayments on a monthly or quarterly basis in accordance with the contracts.

The repayments, including the amount of EBRD loan to be drawndown in 2005, are as follows:

	Less than 1 year	1-5 years	Over 5 years	Total	Repayment period
EBRD	88 610	530 874	632 247	1 251 731	9 years
Finance leases	1 777	1 685	0	3 462	2 years
TOTAL	**90 387**	**532 559**	**632 247**	**1 255 193**	

NOTE 13. TRADE AND OTHER PAYABLES (THOUSAND EEK)

Liabilities	Balance amount 31.12.2003	Balance amount 31.12.2004	Short-term portion 31.12.2004	Long-term portion 31.12.2004	Maturity date
Accounts payable - operating expenditures	15 270	15 025	15 025	0	
Accounts payable - capital expenditures	36 871	20 855	20 855	0	
Factoring	1 255	282	282	0	
Payables to parent company	5 734	1 523	1 523	0	
Payables to associated company	957	0	0	0	
Payables to employees	13 154	12 865	12 865	0	
Interest payable	5 185	5 120	5 120	0	
Other accrued expenses	33	37	37	0	
Long-term guarantee deposit*	100	100	0	100	04.2102
TOTAL TRADE AND OTHER PAYABLES	**78 559**	**55 807**	**55 707**	**100**	

* Long-term deposit is in aquisition value.

NOTE 14. TAXES PAYABLE (THOUSAND EEK)

	31.12.2004	31.12.2003
Income tax	1 593	1 581
VAT	4 147	4 396
Water usage tax	2 289	2 369
Pollution taxes*	9 274	4 497
Social security tax	2 815	2 708
Other	416	276
TOTAL	**20 534**	**15 827**

* Within pollution taxes is an accrual for 7.5 mln kroons. This accrual is to cover the full value of the taxes that the Company has been exempted from up to 31 December 2004 relating to tax on Nitrogen waived by the Ministry of the Environment in return for the upgrade of the Waste Water Treatment Works the Company has undertaken. At this moment in time the Company is unable to predict with any degree of certainty the results of measurements to be taken at the end of the first quarter 2006 that will determine if these taxes have to be re-paid, therefore a liability has been recorded.

NOTE 15. PROVISIONS (THOUSAND EEK)

Provisions include expected losses from the following:

	2004	2003
Contractual obligations	912	8 028
Ongoing Court Cases	0	5 640
TOTAL PROVISIONS	**912**	**13 668**

NOTE 16. DEFERRED INCOME (THOUSAND EEK)

	2004	2003
Water and sewerage services revenues	4 027	2 852
Connection revenues	14 555	33 643
TOTAL DEFERRED INCOME	**18 582**	**36 495**

NOTE 17. SHARE CAPITAL AND STATUTORY LEGAL RESERVE

At 31 December 2004 the nominal value of the share capital is 200 001 000 (two hundred million one thousand) kroons, composed of 20 000 000 shares with nominal value of 10 kroons per share and one preferred share with a nominal value of 1 000 kroons.

One B-share has been issued giving the right of veto to the shareholder when voting on the following issues: change in statute, increase and decrease of share capital, issuance of replacement bonds, termination of company activities, joining, sharing and rearrangements, acquisition of own shares, and on demand of management or supervisory board, deciding other issues related to the activities of the Company that have not been placed in the sole competence of the General meeting by law. B-share grants the holder the preferential right to receive dividend in an agreed sum of 10 thousand kroons.

2003 and 2004 International Water UU (Tallinn) B.V. owned 10 086 957 AS Tallinna Vesi A-shares and Tallinn City 9 913 043 A-shares and 1 B-share.

The shareholders reduced the statutory legal reserve from 93 394 thousand kroons to 20 000 thousand kroons on 3 February 2005. The share capital was reduced in 2002, but the statutory legal reserve, which has to be 10% of the share capital, was not revised at this time.

NOTE 18. NET SALES (THOUSAND EEK)

	2004	2003
1. REVENUES FROM MAIN OPERATING ACTIVITIES		
Water supply service	220 688	200 889
Waste water disposal service	204 494	180 739
TOTAL REVENUE	**425 182**	**381 628**
2. OTHER REVENUE FROM MAIN OPERATING ACTIVITIES		
Stormwater treatment and disposal service	44 731	44 311
Fire hydrants service	1 959	1 941
Connection fees to water and sewerage networks	69 715	69 223
Technical inspection services	593	648
Water and sewerage network services	1 386	936
Sale of compost	1 317	1 073
Rent of premises and related services	1 192	1 375
Other work and services	2 454	2 882
TOTAL	**123 347**	**122 389**
TOTAL NET SALES	**548 529**	**504 017**

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

NOTE 19. COSTS AND EXPENSES (THOUSAND EEK)

	2004	2003
COST OF GOODS SOLD		
Tax on special use of water	-9 272	-9 929
Chemicals	-9 387	-10 113
Electricity	-26 151	-26 484
Pollution tax	-8 380	-7 557
Staff costs	-44 643	-44 657
Research & development	-85	-211
Depreciation and amortization	-73 104	-69 642
Other costs of goods sold	-88 874	-86 172
TOTAL COST OF GOODS SOLD	**-259 896**	**-254 765**
MARKETING EXPENSES		
Staff costs	-4 240	-4 280
Depreciation and amortization	-113	-114
Other marketing expenses	-1 781	-1 948
TOTAL COST OF MARKETING EXPENSES	**-6 134**	**-6 342**
GENERAL ADMINISTRATION EXPENSES		
Staff costs	-15 813	-16 913
Depreciation and amortization	-4 520	-3 702
Other general administration expenses	-20 406	-35 825
TOTAL COST OF GENERAL ADMINISTRATION EXPENSES	**-40 739**	**-56 440**

Other income/expenses includes the profits recognised on the sale of fixed assets during the year, the movement of the bad debt provision during the year and provisions recognised and released throughout the financial year.

NOTE 20. STAFF INFORMATION (THOUSAND EEK)

	2004	2003
Salaries and wages	-48 461	-49 326
Social security taxation	-16 235	-16 524
STAFF COSTS TOTAL	**-64 696**	**-65 850**
NO OF EMPLOYEES AT END OF REPORTING PERIOD	**351**	**348**

NOTE 21. FINANCIAL INCOME AND EXPENSES (THOUSAND EEK)

	2004	2003
Financial income/expenses (-) from associated company	133	-661
Interest income	2 780	4 326

Interest expense	-54 757	-55 595
Other financial income / expenses (-)	-3 637	2 224
Foreign exchange loss	-199	-307
TOTAL FINANCIAL INCOME / EXPENSES	**-55 680**	**-50 013**

NOTE 22. DIVIDENDS (THOUSAND EEK)

	2004	2003
Dividend distributed and paid during the year	75 000	45 000
Income tax on dividends distributed and paid (26/74)	-26 351	-15 811
The income tax paid on dividends received	74	530
THE INCOME TAX ACCOUNTED	**-26 277**	**-15 281**

The income tax accounting principles are explained in Note 26.

NOTE 23. EARNINGS PER SHARE (THOUSAND EEK)

Earnings per share from continuing operations:

	2004	2003
Earnings for the purposes of basic earnings per share (net profit for the year minus B-share preference rights)	172 951	104 531
Weighted average number of ordinary shares for the purposes of basic earnings per share	20 000 000	20 000 000
Earnings per share in kroons	8,65	5,23

NOTE 24. NOTES TO THE CASH FLOW STATEMENT

NOTE 24A. PIPELINES FINANCED BY CONNECTION FEES (THOUSAND EEK)

	2004	2003
REVENUE		
Connection fees from pipelines taken into use	69 715	69 223
Increase in prepayments for pipelines	-19 088	7 792
Decrease in accounts receivable from pipelines	8 744	34 268
Offset with liabilities	0	-2 111
CONNECTION FEES RECEIVED	**59 371**	**109 172**
EXPENSES		
Acquisition cost of pipelines taken into use	-64 409	-61 607
Decrease in pipelines not in use	13 501	6 078
Increase in payables to suppliers for pipelines	-9 842	4 961
PAYMENT FOR PIPELINES	**-60 750**	**-50 568**

NOTE 24B. CHANGE IN CURRENT ASSETS AND LIABILITIES (THOUSAND EEK)

Addition to changes in balance sheet, current assets and liabilities are changed as follows:

	2004	2003
CURRENT ASSETS		
Change in balance sheet	-8 438	142 432
Adjustments:		
Change in money balance	16 847	-104 058
Changes between fixed assets and current assets	-423	11 998
Assets sold from inventory	-2 250	-2 053
Change in deferred interests and loans	119	151
Change in construction income debt	-8 743	-34 267
Cash to long-term deposit	-46 090	-31 448
TOTAL CHANGE IN CURRENT ASSETS	**-48 978**	**-17 245**
LIABILITIES		
Change in balance sheet	20 040	-132 213
Adjustments:		
Change in finance lease and loan costs	-67 163	166 712
Change in debt for connection constructions	9 842	-4 961
Change in payables for capital investments	7 148	-115
Change in construction income prepayments	19 088	-7 792
Change in deposit	0	100
TOTAL CHANGE IN LIABILITIES	**-11 045**	**21 731**

NOTE 24C. PAYMENTS FOR FIXED ASSETS (THOUSAND EEK)

	2004	2003
Acquisition of fixed assets	-158 379	-173 568
Adjustments:		
Acquisition cost of connection pipelines taken into use	64 410	61 607
Decrease in connection pipelines not taken into use	-13 502	-6 078
Additional finance lease	0	525
Additional factoring	282	0
Payment for factoring	-1 255	-4 353
Payments for facilities	-10 000	-13 091
Increase in other accounts payable related to investments	3 824	6 305
Interest capitalization	2 689	3 815
Capitalization of operating expenses	38 974	60 144
Offsetting of payments for investments	0	2 111
TOTAL PAYMENTS FOR FIXED ASSETS	**-72 957**	**-62 583**

NOTE 25. COMMITMENTS (THOUSAND EEK)

Leased assets

	2004	2003
TOTAL OPERATING LEASE EXPENSE FOR COMPUTERS AND VEHICLES	**4 077**	**5 532**

Minimum operating lease payments are as follows:

Less than 1 year	4 230
1-5 years	7 091
TOTAL MINIMUM LEASE PAYMENTS	**11 321**

As of 31.12.2004 the Company had taken **commitments for capital investments**, i.e. concluded contracts and requested works with purchase requisitions in the amount of 49 610 thousand kroons.

NOTE 26. INCOME TAX ON DIVIDENDS

According to the Estonian Income Tax Act the accrued profit of a resident legal entity is not subject to tax, as tax is charged only on dividend distributions. Pursuant to the Income Tax Act Section 50, effective since 1 January 2003, resident legal entities are liable to income tax on all dividends paid and other profit distributions irrespective of the recipient. The tax rate applicable is 24/76 on the amount of the dividends paid in 2005; in 2003 and 2004 the rate was 26/74.

The potential tax liability that may occur if all distributable retained earnings should be paid out as dividends is not reported on the Balance Sheet. The income tax due on dividend distribution is recorded as a tax cost within the Income Statement during the same period as the dividend is paid.

The Company's distributable retained earnings as at 31 December 2004 amounted to 318 695 thousand kroons. Consequently, the maximum possible tax liability which would become payable if retained earnings were fully distributed is 100 641 thousand kroons.

Tax due on dividend distribution is reduced by up to 26/74 of the total dividends received from subsidiaries and associated companies.

NOTES 27. COLLATERAL OF LOANS AND PLEDGED ASSETS

In connection with the loan agreement concluded between the European Bank for Reconstruction and Development (hereafter EBRD) and AS Tallinna Vesi (hereafter the Company) on 8 November 2002, the following guarantee contracts were concluded, which concern the assets of the Company and/or the assets of shareholders of the Company:

a) Account Pledge Agreement, which was concluded between EBRD, the Company and AS Hansapank on 11 November 2002. All the open accounts and accounts to be opened in Hansapank have been pledged as security in favour of EBRD within the contract;

b) Account Pledge Agreement, which was concluded between EBRD and the Company on 11 November 2002. All the open accounts and accounts to be opened in Nordea Bank have been pledged as security in favour of EBRD within the contract;

c) Commercial Pledge Agreement, which was concluded between EBRD and the Company on 11 November 2002 in favour of EBRD in the amount of 1 877 592 thousand kroons;

d) Buildings Pledge Agreement, which was concluded between EBRD and the Company on 11 November 2002. All buildings and facilities at address Järvevana tee 3, which are in possession of the Company, have been pledged in favour of EBRD within the contract in net balance value 165 618 thousand kroons;

e) Insurance Pledge Agreement, which was concluded between EBRD and the Company on 11 November 2002. According to the contract, EBRD has been established as the beneficiary in the Company's asset contracts, business interruption contracts, and liability insurance contracts.

NOTE 28. RELATED PARTIES (THOUSAND EEK)

Transactions with related parties are considered to be transactions with parent, subsidiary and associated companies, members of the supervisory board and management board, their relatives and the companies in which they hold majority interest. Dividend payments are indicated in statements of changes in equity.

The transactions with related parties in 2003 and 2004 and respective balances as of 31.12.2003 and 31.12.2004 are recorded as follows:

	Tallinn City Government and related boards	Parent company United Utilities (Tallinn) B.V.* and its parent United Utilities International**
2003		
TRANSACTIONS RECORDED TO AS TALLINNA VESI WORKING CAPITAL OF BALANCE SHEET		
Accounts receivable - customer and other receivables	4 348	23
Accounts payable - short-term trade and other payables	10 000	5 734
TRANSACTIONS RECORDED TO AS TALLINNA VESI INCOME STATEMENT		
Net sales	97 370	0
General administration expenses	0	19 462
TRANSACTIONS RECORDED TO THE OTHER ACCOUNTS OF AS TALLINNA VESI BALANCE SHEET		
Tangible non-current assets incl unfinished constructions and new connections	0	34 831
Other deferred income	727	0
2004		
TRANSACTIONS RECORDED TO AS TALLINNA VESI WORKING CAPITAL OF BALANCE SHEET		
Accounts receivable - customer and other receivables	1 551	0
Accounts payable - short-term trade and other payables	0	1 523
TRANSACTIONS RECORDED TO AS TALLINNA VESI INCOME STATEMENT		
Net sales	99 216	40
General administration expenses	0	7 663

Transactions recorded to **THE OTHER ACCOUNTS OF AS TALLINNA VESI BALANCE SHEET**		
Tangible non-current assets incl unfinished constructions and new connections	0	14 306

The agreed market prices were implemented in transactions with related parties.

* International Water UU (Tallinn) B.V. was transformed to United Utilities (Tallinn) B.V. on 5 January 2004.
** United Utilities (Tallinn) B.V. holds 50.4% of the Company. The ultimate controlling parties of United Utilities (Tallinn) B.V. are EBRD and United Utilities Plc. United Utilities International Ltd is owned by United Utilities Plc.

	2004	2003
The fees paid to management board members excluding social tax	2 059	2 470
The fees paid to supervisory board members excluding social tax	18	41

NOTE 29. CONSOLIDATION AND RECLASSIFICATION (THOUSAND EEK)

In 2003 accounts the following rows of the Balance Sheet were changed as result of consolidation of the 100% owned subsidiary, Vesimer Investeeringute AS, and the reclassifications made follow the format of IFRS reports.

Line of balance	Opening balance	Consolidation adjustment	Reclassification adjustment	Revised balance
Cash at bank and in hand	82 358	1 795	0	84 153
Other receivables	2 251	300	0	2 551
Accrued income and prepaid expenses	21 563	12	-17 404	4 171
Inventories	1 264	0	4 280	5 544
Assets for sale	0	2 789	0	2 789
Shares of subsidiaries and associated companies	12 295	-6 169	0	6 126
Other long-term investment assets	1 201	1 375	0	2 576
Uninstalled equipment	4 280	0	-4 280	0
Current portion of long-term bank loans	19 001	0	-1 524	17 477
Trade and other payables	78 385	74	0	78 459
Taxes payable	15 799	28	0	15 827
Bank loans	1 110 864	0	-15 880	1 094 984

In 2003 accounts the following rows of the Income Statement were changed as result of consolidation of Vesimer Investeeringute AS to AS Tallinna Vesi accounts and due to reclassification of currency exchange losses between lines of Income Statement.

Line of income statement	Opening results	Consolidation Adjustment	Reclassification adjustment	Revised results
Net sales	502 972	1 045	0	504 017
Cost of goods sold	-254 966	201	0	-254 765
General administration expenses	-54 789	-1 651	0	-56 440
Other income/ expenses (-)	-18 537	1 839	63	-16 635
Financial income / expenses (-)	-48 590	-1 360	-63	-50 013
Income tax on dividends	-15 207	-74	0	-15 281

In 2003 accounts the following rows of Cash Flow Statement were changed as result of consolidation of Vesimer Investeeringute AS to AS Tallinna Vesi accounts.

	Opening balance	Consolidation adjustment	Revised balance
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxes	119 748	74	119 822
Adjustment for depreciation	73 393	65	73 458
Adjustment for shares and finance income and expenses	36 887	1 378	38 265
Profit from sale of privatization vouchers (EVP)	-5 039	-27	-5 066
Income from sale of fixed assets	228	-1 823	-1 595
Change in current assets involved in operating activities	-13 026	-4219	-17 245
Change in liabilities involved in operating activities	21 756	-25	21 731
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of EVP	18 703	227	18 930
Repayments of loans to third parties	6	19	25
Proceeds from sale of inventories/goods for sale	6 000	3 500	9 500
Received dividends	1 928	-211	1 717
Interest received	4 165	5	4 170
CASH FLOWS FROM FINANCING ACTIVITIES			
Income tax on dividends	-15 207	-74	-15 281
CHANGE IN CASH AND BANK ACCOUNTS	**-102 947**	**-1 111**	**-104 058**
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	**185 305**	**2 906**	**188 211**
CASH AND EQUIVALENTS AT THE END OF THE YEAR	**82 358**	**1 795**	**84 153**

NOTE 30. FINANCIAL RISK MANAGEMENT

The Company operates only in Estonia and the number of international transactions is limited to specific purchases and loan transactions. The Company still seeks to minimise potential adverse effects on the financial performance of the Company. A Treasury Department under instructions given by the Management Board carries out risk management.

The Company's international transactions are mainly in euros, which rate is fixed against Estonian kroons, all transactions in other currencies may be considered immaterial. Therefore the likelihood of being exposed to foreign risk arising from currency exposures is low and as such no specific activities for foreign exchange management are needed at this moment in time.

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets. The Company has one loan split into three parts. The first, and largest, part is at a fixed interest rate. The second part is calculated by reference to the Euribor 6 Months rate, with an upper and lower cap to limit exposure. The balance of the loan, which is immaterial, is at market rates.

The Company has no significant concentrations of credit risk. The Company has procedures in place to ensure that sales of products and services and purchases are only made in accordance with the Company's policies.

In management of liquidity risk the Company has taken a prudent view, maintaining sufficient cash and marketable securities funding availability through an adequate amount of committed credit facilities. Continuous cash flow forecasting and control are essential tools in the day-to-day liquidity risk management of the Company.

The Company is insured against sudden and unexpected physical loss, damage or destruction; business interruption and extra expenses; third party claims against the Company including sudden and unexpected environment pollution damages; Company crime risks; liability of D&O (management board, supervisory board and members of senior management); accident insurance of personnel; motor vehicle insurance against accident, theft, vandalism etc.

Deloitte.

AS Deloitte & Touche Audit
Roosikrantsi 2
10119 Tallinn
Estonia
Tel: +372 640 6500
Fax: +372 640 6503
www.deloitte.com
Reg. kood 10687819

INDEPENDENT AUDITORS' REPORT

To the Shareholders of AS Tallinna Vesi:

We have audited the annual accounts of AS Tallinna Vesi ("the Company") for the years ended 31 December 2004 and 2003. These annual accounts are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on these annual accounts based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual accounts present fairly, in all material respects, the financial position of the Company as of 31 December 2004 and 2003, the results of its operations and its cash flows for the years then ended, in accordance with Estonian Accounting Law and International Financial Reporting Standards.

Deloitte & Touche

Sander Kallasmaa
Certified Auditor
11 February 2005

AS Deloitte & Touche Audit

PROFIT DISTRIBUTION PROPOSAL

The distributable equity capital of AS Tallinna Vesi as of 31 December 2004 is as follows*:

(THOUSAND KROONS)	
Accumulated profit	145 734
Net profit for the financial year	172 961
TOTAL	**318 695**

* As of 10 February 2005 the accumulated profit is 73 394 thousand kroons higher due to the transfer of excess reserve from the Statutory legal reserve to the Accumulated profit (see note 17).

The Management Board of AS Tallinna Vesi proposes to distribute 112 000 thousand kroons to shareholders as dividends from the available equity capital accumulated by end of the year 2004.

10 February 2005

Robert John Gallienne

Chairman of the Management Board

AS TALLINNA VESI MANAGEMENT BOARD

The Board is the management body of the company that represents and manages the Company and organises its accounting. In management the Board shall adhere to the Council's lawful instructions.

The Board consists of two to five members who are elected for three years. The place of residence of at least one-half of the members of the Board shall be Estonia. If there are more than two members on the Board, members of the Board elect from among themselves the Chairman of the Board who organises the activities of the Board.

The members of AS Tallinna Vesi Management Board are:

Robert John Gallienne
Chairman of the Management Board
Chief Executive Officer (CEO)

Roch Jean Guy Antoine Chéroux
Member of the Management Board
Chief Operating Officer (COO)

Ian John Alexander Plenderleith
Member of the Management Board
Chief Financial Officer (CFO)

AS TALLINNA VESI SUPERVISORY COUNCIL

The Council plans the activities of the company, organises its management and supervises the activities of the Board.

The Council consists of seven members whose term of authority lasts two years. Council members are elected and appointed according to the following procedure:

- Five members to the Council are elected at the General Meeting, whereas the person who receives the most of votes shall be considered elected. According to this Section hereof a Council member may be removed before the end of his or her tenure provided that at least two-thirds of the votes represented at the General Meeting are in favour.
- Two members of the Council are appointed and removed by the holder of Class B Share i.e. City of Tallinn.

Members of the Council elect from among themselves the Chairman of the Council who will organise the activities of the Council and chair the meetings of the Council.

The members of AS Tallinna Vesi Supervisory Council:

Michael James Southworth,
the Head of the Supervisory Council
United Utilities International

David John Kilgour
United Utilities International

Karl Olof Joakim Forsberg
European Bank of Reconstruction and Development (EBRD)

Laurence Kenneth Billett
European Bank of Reconstruction and Development (EBRD) Independent Director

Tallinn City representatives:

Igor Gräzin
Siim Roode
Svetlana Baltina

Design **RAKETT**
Photos **Jarek Jõepera**
Printed in **Printon** on environment-friendly CyclusPrint paper