

AS Tallinna Vesi

ENVIRONMENTAL REPORT 2009



April 2010

Contents

AS TALLINNA VESI IN BRIEF	3
CHAIRMAN'S STATEMENT	5
COMPANY'S MAIN OBJECTIVES 2009.....	9
COMPANY'S ENVIRONMENTAL OBJECTIVES 2010	10
COMPANY'S STRUCTURE.....	11
ENVIRONMENTAL POLICY	12
CUSTOMER SATISFACTION	13
ENVIRONMENTAL MANAGEMENT SYSTEM	18
TREATMENT PROCESSES.....	22
DRINKING WATER QUALITY	24
USAGE OF WATER RESOURCES	36
WASTEWATER COLLECTION	44
CHEMICALS HANDLING	54
WASTE MANAGEMENT	59
ENERGY CONSUMPTION	64
AIR EMISSIONS.....	70
ORGANISATION AND EMPLOYEES	72
EMPLOYEE INVOLVEMENT.....	77
CORPORATE SOCIAL RESPONSIBILITY	77
COMMUNICATION WITH STAKEHOLDERS	78
EMAS VERIFICATION.....	79

AS TALLINNA VESI IN BRIEF

General facts

- AS Tallinna Vesi is the largest water utility company in Estonia, providing drinking water and wastewater disposal services to approximately 1/3 of Estonia's population.
- The Company provides water and wastewater disposal services to over 21,000 customers and 430,000 end-consumers in Tallinn and its surrounding areas.
- The Company has the exclusive right to provide water and sewerage services in the Tallinn service area until the year 2020.
- A services agreement with 97 quality levels of service has been concluded between the city of Tallinn and the Company for providing the services.
- The Company has two main treatment plants: Ülemiste water treatment plant (WTP) and Paljassaare wastewater treatment plant (WWTP).
- Water has been treated at Ülemiste since 1927. A new water treatment plant was built in 1979.
- The water treatment plant produces an average of 60,000 m³ of water per day.
- Almost 88% of drinking water is produced from surface water at Ülemiste, 12% of the consumers use regional ground water.
- Average water consumption in 2009 was 95 litres per inhabitant (98 litres in 2008).
- Paljassaare WWTP started operating in 1980.
- The wastewater treatment plant treats on an average 120,000 m³/day.
- The Company has an accredited water laboratory and an accredited wastewater laboratory, which together conducted over 123,000 analyses in 2009 (68,000 chemical and 11,000 microbiological analyses from drinking water and 44,000 analyses from wastewater).
- The public water supply system holds approximately 925 km of water networks, 16 water pumping stations and 64 ground water borehole pumping stations with 93 boreholes.
- The public sewerage system holds approximately 860 km of wastewater networks, over 400 km of storm water networks and over 121 sewerage-pumping stations across the service area.
- On an average, the Company employed 327 people in 2009.
- The Company's shares are listed on the main list of Tallinn Stock Exchange.

Operational sites

- Head office, sales and service centre and support services at Ädala 10, Tallinn.
- Ülemiste water treatment plant, water and microbiology laboratory at Järvevana road 3, Tallinn.
- Paljassaare wastewater treatment plant, composting fields and wastewater laboratory at Paljassaare põik 14, Tallinn.
- Sludge composting and experimental site in Liikva village, Harju county.

- Catchment area ca 1800 square kilometres in Harju and Järvamaa counties.

MISSION

We create a better life with pure water!

VISION

We will be a role model for every service providing company and employer, exceeding the expectations of our customers, employees and owners. We will be the benchmark company for behaving in an environmentally conscious way to improve the quality of life.

OUR VALUES

Commitment - We work with passion, doing the maximum to achieve the objectives

Customer focus - Our actions help our customers and colleagues to find solutions

Teamwork - We all form one team who know that our success depends on the contribution of each individual

Creativity - We have the courage and the energy to seek new opportunities and achieve better results

CHAIRMAN'S STATEMENT

This has been a year of extraordinary volatility for the Estonian economy. This has challenged our business, as well as many of our customers, to adapt to these unprecedented levels of economic uncertainty.

Despite this, I am pleased to report that AS Tallinna Vesi has performed well. We have kept a strong focus on our main business priority, to deliver a high quality service to our customers, and this is reflected in the improvement of many of our key performance indicators.

Furthermore, we have continued to be recognized as one of the leading companies in Estonia and the Baltic's, winning awards from Responsible Business Forum for our CSR performance, Enterprise Estonia for our competitiveness and from the NASDAQ OMX Baltic Stock Exchange for the quality of our investor relations and the transparency of our reporting.

Operations & Customer Service – delivering excellence to our customers

As a company we have always focused on meeting or exceeding the Services Agreement we have with the City of Tallinn. This services contract requires us to maintain a high standard of service to our customers across a range of over 90 levels of service, ensuring that we deliver a service to our customers that is second to none. We entered 2009 having fully complied with all these levels of service and throughout the year we have endeavored to continue to improve on last year's performance.

We invested over 250 m'EEK in 2009, in our networks, treatment plants and catchment area to help deliver an improved service for the people of Tallinn. It gives me great pleasure to report that in 2009, in almost all indicators, we have improved our operational performance. The highlights being: drinking water quality compliance at the customer's tap has improved to over 99%, which is well above the EU standard and close to the highest standards in Western Europe. The targeted

investments we made into our networks and working practices have helped deliver an excellent performance for our two key performance indicators for our below ground assets.

Firstly, leakage level is 17,5%, which is well below our contractual target and reflects our commitment to ensure the water resource is used as sustainably as possible. Since privatisation we have halved our leakage levels, which equates to an annual saving equivalent to the annual water production in Estonia's second largest city Tartu. Secondly, our customers have benefited from a much more secure supply of water, we have reduced the number of interruptions to supply from 761 per annum to 732 per annum and the average length of interruptions has reduced to 3.5 hours per interruption.

I was disappointed to see that our customer satisfaction rating declined once again in 2009. On the positive side our customers were pleased with the quality of our products and services, but we will need to substantially improve our performance when our customers contact us or have a reason to complain.

Our annual customer satisfaction survey clearly demonstrates this; if our customers have not needed to contact us our rating is as high as ever, over 75 (TR*M index), however when they have had to communicate with the Company our rating falls to less than 50. This is where we need to improve and where we will focus our efforts in 2010.

Access to our sewerage system

In November 2007 we agreed a partnership with the City of Tallinn to finance and deliver almost 4,000 new sewerage connections and to date we have delivered over 2650 connection points. To deliver this project on time required us to raise additional long term finance. During late 2008 and early 2009 the macroeconomic environment was extremely uncertain and access to debt finance on competitive terms was extremely challenging. However, thanks to the quality and the transparency of our financial reporting and our company structure we were able to secure the necessary finance from the market. If we had not been able to achieve this refinancing, this extremely important environmental project would have been in doubt.

Financial performance

Our financial performance continues to be robust. Our turnover from our main business activity, sales of water and wastewater increased by 7,5% to 707,4 m'EEK and our operating profit from these activities increased by 9,8% to 414,4 m'EEK. However, whilst we have increased main business profits this year the uncertainties in the economy mean future growth cannot be guaranteed. The impact of the worldwide financial crisis has had a significant impact on our sales volumes to both domestic and commercial customers. In 2009 we have been able to offset these reductions with cost savings but in the future we will need to be more flexible in how we work and find new revenue streams to mitigate this ongoing risk.

Growth

Our excellent operational performance leaves us well placed to expand our service offering across the Baltics. We already provide a very high quality service and we should be able to utilize this strength to increase revenues from activities outside of the City of Tallinn. Although 2009 was a quiet year for new growth opportunities we did commence a 30-year operations and maintenance contract in the City of Maardu from 1 July 2009. This is a landmark contract and is a business model we feel we can use to expand across Estonia. In 2010 we will give additional focus to our growth agenda as we recognize this is a key component of our long term strategy to increase returns for our investors.

People

Achieving our long term goals will not be possible without motivating and engaging with our people. We believe that clearly communicated objectives, reward systems and good leadership are fundamental in helping to achieve this. These messages were delivered to the management as a result of our annual employee opinion survey and in 2009 we have focused on improving our performance in these areas, and will continue to do so in 2010.

Furthermore the current working environment is extremely challenging and demands that we are more flexible in our ways of working and our thinking. In addition, the age

profile of our people means we will have to implement structured succession and development plans if we are to continue to be successful in the medium and long term. Therefore in 2010 we will continue with our leadership and project manager training programmes, and will introduce two new development programmes, one aimed at developing our operational staff and the other aimed at developing our future technical and business managers.

Outlook

We recognise that the continuing economic uncertainty demands that we emphasise improvements in the efficiency and flexibility of our operations, especially if we are to continue to improve our performance. Additionally, with cash and access to capital being scarce for ourselves and our customers we will need to be even more focused on maximising value for our customers from the delivery of our capital programme.

Finally, I would like to thank my colleagues in Tallinna Vesi, and all our suppliers and business partners for all their energy, commitment, and support in serving our customers in this challenging and uncertain year. Their efforts have ensured we remain in a strong position and are able to look to the future with confidence.

Ian Plenderleith,

Chairman of the Management Board

COMPANY'S MAIN OBJECTIVES 2009

TO DELIVER CUSTOMER SERVICE EXCELLENCE	CSS index in TOP 10 of European infrastructure utilities
To improve the speed of responding to enquiries	CSS rating for problem solving over 3
To improve customer communication processes	CSS shows 5% improvement for customer communication channels
To improve customer information systems (incl meter reading, billing and payment channels)	CSS shows 5% improvement for meter reading, billing and payments
To increase consumer awareness about our products and services	Proportion drinking tap water, Customers over 55% and end users over 38%
TO DELIVER OPERATIONAL EXCELLENCE	All requirements and standards met or exceeded
To ensure regulatory and contractual compliance	All regulatory and contractual requirements fulfilled
To improve the quality of water provided to our customers	Water quality over 98% compliant with the regulation
To improve the reliability and operation of the water network	Leakages level below 18%
To improve wastewater and storm water collection	Number of blockages less than 1300
To improve wastewater treatment	Full compliance
To complete the 2009 Network Extension program	2009 programme completed Connection opportunity provided for all plots agreed with the City.
TO GROW THE ACTIVITY OF THE COMPANY	Company's service area expanded
To expand further into the neighbouring municipalities	To sign 2 new O&M contracts by end of 2009
To develop business plans to understand our growth prospects	Business case and Plan approved by Supervisory Council
TO DELIVER SHAREHOLDER VALUE	Share price outperforms Tallinn Stock Exchange index
To achieve operating profit on budgeted level	PBT = budget
To secure long term financing	No gap in funding
To improve our standing with investors	IR score to or over 92 (5% improvement)
To improve our reputation in the community	CSR index among top 3 companies in Estonia
PEOPLE - COMMITTED, CUSTOMER FOCUSED AND CREATIVE TEAMWORKERS	Overall TRIM index 10 points higher than Estonia average
To train and develop the staff to realize their potential	EOS score for sufficient training 5,0 or higher. EOS scores concerning feedback to managers are 5,0 or higher
To reduce employment risks through effective HR planning	Succession planning for all key positions developed as part of the HR strategy (Oct '09) and implemented.
To improve the health, safety and well being of employees	Respective EOS scores are 5,0 or higher
To improve inter-departmental cooperation	Respective EOS scores are 5,0 or higher
To improve the communication of Executive Team	Respective EOS scores are 5,0 or higher
Our employees consider the performance based remuneration to be fair	Respective EOS scores are 5,0 or higher

CSS – Customer Satisfaction Survey

O&M – Operations and Maintenance

PBT – Profit Before Tax

IR – Investor Relations

CSR – Corporate Social Responsibility

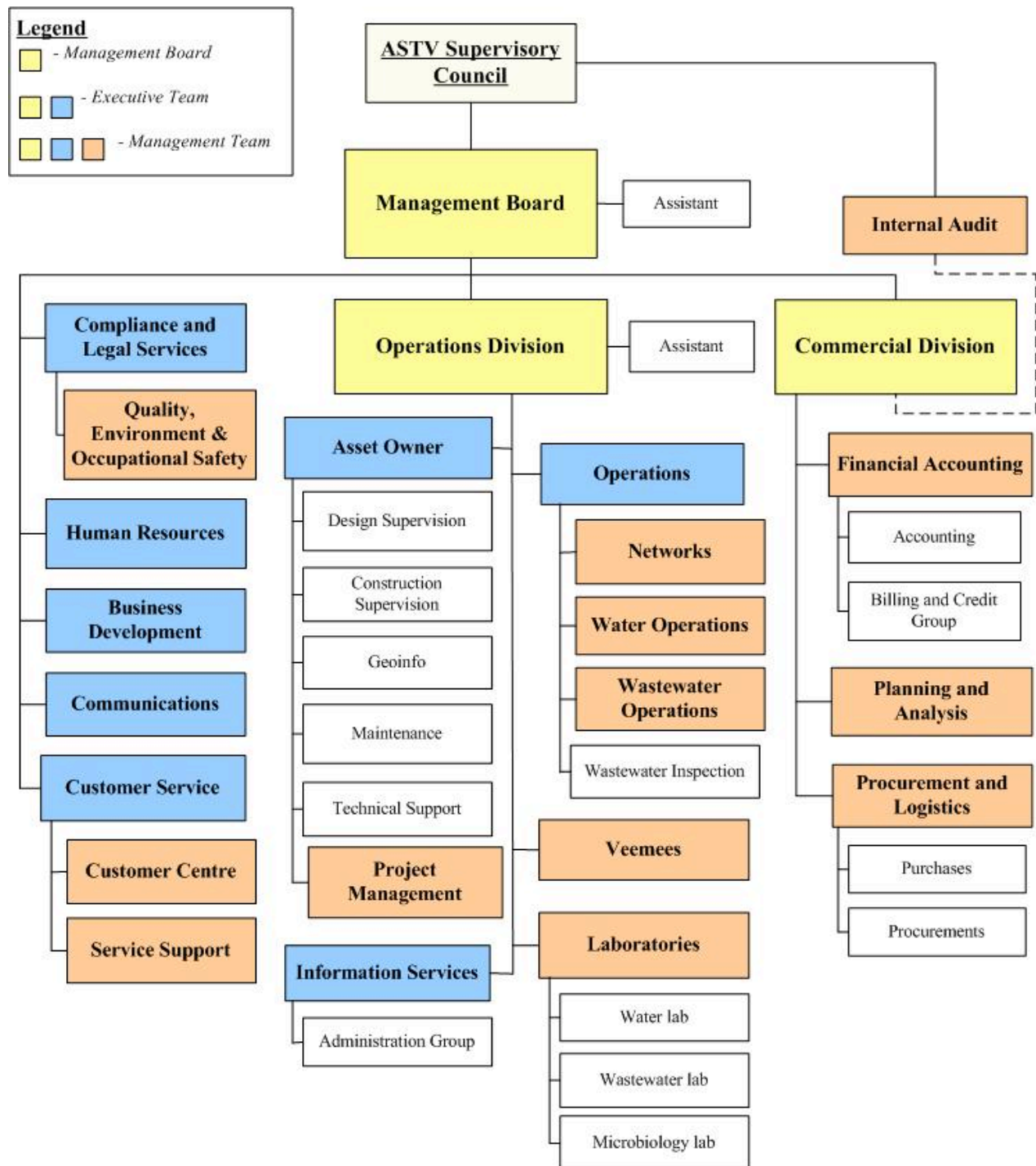
EOS – Employee Opinion Survey

HR – Human Resources

COMPANY'S ENVIRONMENTAL OBJECTIVES 2010

- ✓ To use water resources sparingly
- ✓ To maintain the level of leakages below 18%
- ✓ To effectively repair leakages on an average in less than 2 days
- ✓ To ensure compliance with regulatory requirements and requirements of the Services Agreement
- ✓ Work and environmental safety trainings for contractors and suppliers
- ✓ To ensure compliance at all outlets
- ✓ To reduce blockages to 1200 or less
- ✓ To carry out maintenance on 170 km of the sewerage network
- ✓ To rehabilitate or replace at least 5 km of the existing sewerage mains
- ✓ To complete network extension programme
- ✓ To ensure the wastewater quality and compliance at all outlets
- ✓ To commence construction of nutrient removal treatment plant
- ✓ To continue modernisation of the mechanical treatment process and reduce wastewater treatment waste taken to landfill
- ✓ To minimise the usage of chemicals
- ✓ To reduce the risk of chemical accidents or emergencies
- ✓ To reduce the waste produced
- ✓ To recycle all sludge
- ✓ To establish medium and long term sludge recycle outlets
- ✓ To use energy resources more efficiently
- ✓ To increase the effective use of biogas, gas engine hours run 4000 hours
- ✓ To make the use of transportation more efficient
- ✓ To complete refurbishment of ozone equipment of Water Treatment Plant
- ✓ To ensure compliance with the requirements of the environmental permits
- ✓ To reduce air pollution

COMPANY'S STRUCTURE



ENVIRONMENTAL POLICY

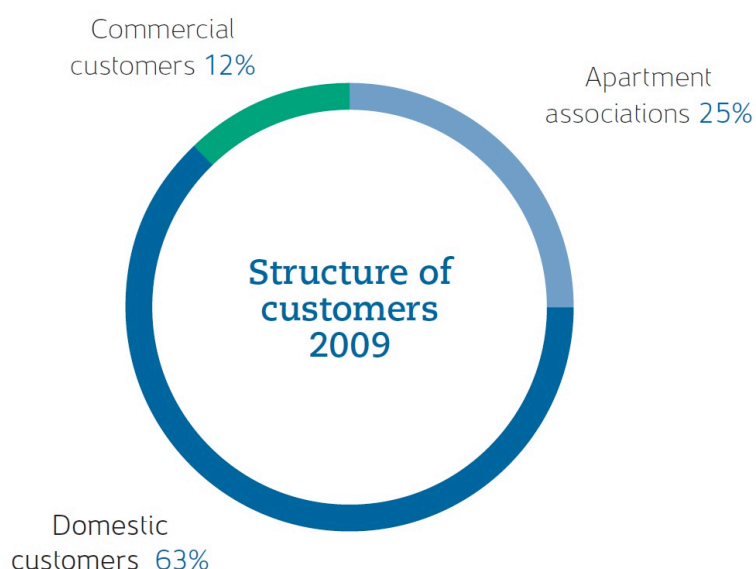
Quality and environmental policy approved by the Company's Executive Team expresses the Company's principles in organizing corporate social responsibility activities.

OUR CONTRIBUTION TO CUSTOMERS AND THE COMMUNITY

- Our customers have a possibility to continuously use pure drinking water and the possibility to discharge wastewater and stormwater environmentally wisely.
- Our customers can communicate with us conveniently; we are fast and professional in finding solutions to their problems.
- We take responsibility and are aware of our impact on the health and quality of life of residents.
- We do more than required by the legal acts and we follow the best practices.
- We use natural resources sparingly.
- We shape the environmentally conscious way of thinking in our community by keeping an open dialogue, cooperation and valuing education.
- We proactively include various stakeholders, find sustainable solutions and constantly improve our services and work organisation.
- We are open and honest in providing regular information about our activities to our stakeholders.
- We strive to be a good neighbour in the community, by supporting water related activities that promote environmental awareness and healthy life style.

CUSTOMER SATISFACTION

In 2009, AS Tallinna Vesi provided water supply and sewerage services to more than 21,000 customers and 430,000 end users in Tallinn and its surrounding areas. The strategic objective of the Company is to achieve a high level of customer services and to provide the best customer service of any utility company in the Baltic States.



Annual customer satisfaction survey

The Company undertook significant efforts in 2009 to improve the quality of its drinking water and the reliability of the service. Customer satisfaction survey results indicate that these improvements were recognized by the customers and were met with a positive reaction. Since the customers have indicated that there are still some gaps between actual interaction with the customers and their expectations, then the Company will be focussing on improving its customer service strategy in 2010.

Independent market research company TNS Emor carried out a customer satisfaction survey for AS Tallinna Vesi, conducting phone interviews with 900 customers and end users regarding their satisfaction with the customer service of the Company in 2009. Satisfaction was measured on the basis of the TRI*M method developed by the research company to characterise the strength of customer

relationships and to allow comparison with other companies. This model focuses on three elements:

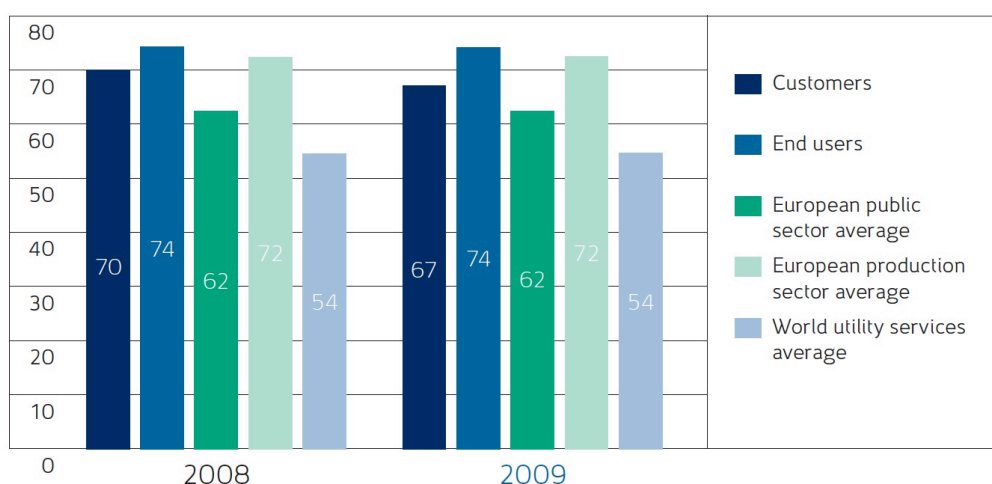
- TRI*M index, which measures the strength of customer relationships and comprises further four elements – general satisfaction, recommendation, repeated use and usefulness/necessity of services and products;
- TRI*M typology of customer relationships, describing the satisfaction and loyalty of customers;
- TRI*M grid analysis to highlight the strengths and weaknesses of a company.

The Company scored 67 points as regards customers and 74 points as regards end users in the final TRI*M index of the customer satisfaction survey on a scale of 100. Customer satisfaction has decreased in both domestic and commercial customer segments in comparison to 2008. The satisfaction of end users has remained stable in the past three years.

Compared to other utility companies in the world, the customer relationships of AS Tallinna Vesi can be considered to be good and the score of the Company in terms of satisfaction of customers and end users is within the upper third among similar companies.

Customer and end user satisfaction

2008-2009, TRI*M index



The strength of customer relationships and customer satisfaction are first and foremost influenced by the quality of services, primarily the quality of drinking water,

the condition of infrastructure, the price of the service, and reputation of the Company, as well as the handling of problems and customer communications.

Both domestic and commercial customers stated that the main strengths of the Company are ability to ensure uninterrupted water supply, small number of emergencies and interruptions, and accuracy and clarity of invoices. Additional strengths of the Company, according to commercial customers, include e-mail communications and timely submission of invoices. Domestic customers also emphasised fast, accurate and adequate response to emergencies and the possibility to submit meter readings through the readings interface or self-service.

Both domestic and commercial customers believe that the quality, taste, odour and clarity of drinking water require continued attention. While domestic customers believe that fast, accurate and adequate response to emergencies is one of the strengths of the Company, commercial customers would like to see further improvement in this area. Domestic customers stated that the areas that needed improvement include ensuring a steady water pressure, actions to reduce leakages, contribution to environmental efforts and ensuring cleanness of the effluent discharged into the Baltic Sea.

The main development priority for the Company is to ensure that the service price-to-quality ratio is adequate, i.e., to increase customer awareness of the investments for a continuous improvement of water quality and for ensuring compliance with the European Union standards.

Customer satisfaction with different aspects of services

2008-2009, on a scale of 5

	2009 businesses	2008 businesses	2009 private customers	2008 private customers
Taste	3.7	3.4	3.7	3.7
Odour	3.9	3.5	3.9	3.9
Clarity	3.8	3.6	3.9	3.9
Consistent water pressure	4.0	3.7	3.9	3.7
Adequate service price-to-quality ratio	2.9	3.3	3.0	3.3
Submission of meter readings through web-based self-service	3.9	4.1	4.1	4.3
Timeliness of invoices	4.2	4.0	4.3	4.2
Accuracy and clarity of invoices	4.2	4.0	4.2	4.2

Compared to 2008, customer satisfaction with different aspects of the service has increased for the most part in 2009, but the pricing image of services needs further improvement according to customers and end users. In 2009 the number of registered complaints was 280, which is approximately 25% higher than in 2008, when the Company received 205 complaints. This was mainly caused by the fact that the Company specified the procedure of registering customer complaints, for this reason the Company began to register a certain service quality related information requests as complaints.

Development of customer service

AS Tallinna Vesi considers it important to solve the issues associated with the handling of problems. In particular, improvements are needed as regards to the speed of problem solving and flexibility of communication with customers. The feedback received from the customer satisfaction survey of 2008 was used to develop an improvement plan, which constituted the basis of several improvement actions to eliminate bottlenecks in 2009.

- According to internal Company standards, responses to phone communications should be given within two business days and responses to written communications within eight business days. In 2009, the actual average period of responding to letters was slightly over three business days.

- In 2009 the number of registered complaints was 280, which is ca 25% higher number than 205 complaints in 2008. This effect was mainly caused by the fact that the Company specified the procedure of registration the customer complaints, for what reason the Company began to registrate a certain number of information requests, related to service quality, as a complaint.
- From January 2009, AS Tallinna Vesi is conducting monthly customer surveys where 100 customers who have been in contact with the Company during the last month are contacted by phone for feedback on the quality of problem handling and the standard of customer communications.
- To provide customers with better and faster overview of interruptions in the water supply and sewerage services on their properties, in 2009 the Company started to notify customers of the supply interruptions by phone.
- An automatic notification system was implemented to provide customers with prompt information in the case of major water interruptions and to reduce the possibility of jammed phone lines in case of major emergencies.
- From 2009, the customers of the Company can choose between several solutions to submit their water meter readings, including answering machines and the readings interface on the web site. New solutions have reduced phone queues, the workload of call centre operators during peak hours and have been welcomed by customers as well.

ENVIRONMENTAL MANAGEMENT SYSTEM

The Company's environmental activity is in compliance with the requirements of the international environmental management standard ISO 14001 and EU Eco Management and Audit Scheme (EMAS) Regulation.

The environmental management system forms a part of the Company's management system, the objective of which is to avoid or at the very least to minimise environmental pollution via integrating the environmental management system elements into the daily activities of the Company.

The basis for the environmental management system is the identification of both negative and positive significant environmental aspects and impacts which forms the basis for determining the Company's environmental objectives and tasks for improving performance. Significant environmental aspects are those different facets of the Company's activities, which, in contact with the surrounding environment, have the most serious consequences for the natural environment, the quality of life and the Company's business activities.

An overview of the significant environmental aspects of the Company, their actual or potential environmental impact, the accompanying environmental objectives and tasks as well as progress against the objectives is presented in the chapters of this Environmental Report.

Management of the environmental system has been established in accordance with the Company's structural scheme, described on the page 11. The main responsibility for ensuring and improving the functioning of the environmental management system lies with the senior management and the heads of structural units. Unit managers involve their employees in setting and fulfilling environmental objectives and tasks.

COMPLIANCE OF THE ACTIVITIES WITH ENVIRONMENTAL REQUIREMENTS

<i>SIGNIFICANT ENVIRONMENTAL ASPECTS</i>	<i>IMPACTS</i>
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<i>Non-compliances resulting from environmental requirements, legislation and contracts</i>	<i>Risk of environmental pollution, decrease in life quality, danger to populations's health</i>
<i>Unaccounted environmental requirements</i>	<i>Future danger of deterioration of environmental condition</i>
<i>Suppliers' non-compliances</i>	<i>Environmental pollution, decrease in life quality</i>

2009 OBJECTIVES AND TASKS
<i>To ensure compliance with regulatory requirements and requirements of the Services Agreement +</i> <i>To ensure the awareness of contractors and suppliers regarding occupational and environment safety +</i>

ENVIRONMENTAL LEGISLATION

The minimum requirement of environmental management system is compliance with environmental legislation. All improvements to the environmental management system must also be in accordance with the requirements and restrictions set out in applicable legislation.

To a large extent the Company's environmental activities are regulated by requirements arising from EU as well as national and local government legislation.

Amongst these the Water Act, the Public Water Supply and Sewerage Act, the Waste Act, the Chemicals Act, the Ambient Air Protection Act and regulations adopted on the basis thereon have the most significant impact on the Company. In order to meet the minimum requirements, the Company systematically monitors the relevant environmental legislation and amendments thereto. Each month the areas of the Company's activities affected by the amendments are determined and the managers responsible for the particular areas are notified thereof. Managers of the respective areas ensure that the required changes are carried out.

Together with the Estonian Water Companies Association (EVEL) the Company has participated in working groups for developing water economy and environmental legislation and has published opinions on draft acts on the participation web. In 2009,

amendment proposals were submitted to the draft amendments of the Decree on Water Protection Requirements of Sewerage Constructions, the Public Water Supply and Sewerage Act, and the Building Act amendment act. The draft of Conditions for Improving the Condition of Watercourses and the conception of the Environmental Impact Assessment were analysed.

In 2009 The Company's employees were involved in the preparation of the Tallinn and Saue Public Water Supply and Sewerage Network Development Plans for 2009-2020. Pursuant to the Public Water Supply and Sewerage Act the development plan is prepared by the local municipalities for a period of 12 years and is reviewed once every four years.

ENVIRONMENTAL PERMITS

The main licensing authority for the Company is the Environmental Board's Harju-Järva-Rapla regional department, who has issued the following environmental permits to the Company:

- 5 permits for special use of water (details on page 37);
- 2 waste permits (details on page 63);
- 2 ambient air pollution permits and 1 special permit for ambient air pollution (details on page 70).

In 2009 the Company operated in accordance with the conditions established in the environmental permits, issues related to the environmental permits were solved in cooperation with the Environmental Board's Harju-Järva-Rapla regional department.

REQUIREMENTS OF THE SERVICES AGREEMENT

Besides legislation, the activities of the Company are also regulated by the Services Agreement concluded between the Company and the City of Tallinn for ensuring 97 Levels of Services. Performance of the Service Agreement is supervised by the Supervisory Foundation for the Water Companies in Tallinn, appointed by the local government, to whom the Company annually submits a detailed report on compliance with the requirements of the Service Agreement.

96 Levels of Service out of 97 were met in 2009. The only level of service that the Company did not manage to fulfil in 2009 concerned interruption to supply which

lasted longer than 12 hours. There were 732 interruptions in total and in two cases it took longer than 12 hours to eliminate the leak or emergency. Each year the Company submits detailed reports to the City of Tallinn and the Supervisory Foundation of Tallinn Water Companies regarding compliance with the levels of service in the previous year.

REQUIREMENTS TO CONTRACTUAL PARTNERS

Considering the requirements set for the Company, the Company also requires its suppliers to meet environmental and work environment requirements.

To ensure the above, the Company has established environmental and work environment criteria for the qualification of suppliers in its procurement procedures. The environmental and work environment related compliance of bidders is assessed on the basis of questionnaires filled by bidders in the course of the tendering procedure. Bidders for construction works must additionally confirm that they apply health and safety and environmental protection measures at the construction sites.

The supervision staff of the Company monitors the suppliers' activities regarding occupational safety and work environment on the sites. In case of major contracts (construction works starting from 1,000,000 EEK, other services from 200,000 EEK and above) the supervision staff assesses the activities of suppliers for ensuring compliance with the requirements after the term of the contract. In 2009 the average assessment given to the environmental activities of the suppliers was satisfactory.

In order to improve the awareness of suppliers a 1-day workshop was organised in 2009, where the quality, environment and occupational safety requirements applicable to the Company were analysed in greater detail. Occupational safety trainings were carried out in addition.

MANAGEMENT SYSTEM CONTROL AND AUDITS

Several authorities monitored the Company's compliance with environmental and other legislation in 2009. Assessments and precepts were issued by the Estonian Technical Surveillance Authority, the Estonian Competition Authority, the Environmental Inspectorate and the Technical Inspection Centre. The Company has

presented its solutions for the precepts received which have been approved by the respective authorities.

In addition to supervisory authorities, the Company's compliance with environmental legislation and Services Agreement requirements as well as with other intra-Company requirements is also monitored in the course of internal and external audits of the management system.

In the course of internal audits carried out in 2009 the internal auditors put forward a total of 84 non-conformities and proposals, which formed a good source of management system improvement ideas for the managers.

In 2009 external audits were carried out in the Company by accredited certifier Det Norske Veritas in order to evaluate the compliance of the management system with the requirements of ISO 9001, ISO 14001, OHSAS 18001 standard and with the EU (EMAS) Regulation 761/2001.

As a result of external audit Det Norske Veritas confirmed the compliance of the management system with the requirements of the standards and renewed all management system certificates. 5 non-conformities were discovered, which were related to filling in the data for the Waste Report, data for the Environmental Report, frequency of chlorine safety exercises, control of measuring equipment and storing of bottled gas. All these non-conformities have been corrected.

TREATMENT PROCESSES

WATER TREATMENT PROCESS

1. Surface water is gathered to Lake Ülemiste and is directed to Ülemiste Water Treatment Plant.
2. Raw water passes through screens and microfilters which remove algae and plankton from the water.
3. Water is led into reservoirs where a mixture of ozone in air is injected into the water to deactivate microorganisms and oxidize organic substances.
4. A water treatment chemical coagulant is added to clarify the water.
5. During the clarification phase particulate matter, chemical flocs and precipitates are removed from the water.

6. Water passes through filters. In summer, dependent on the raw water quality coming into the plant, activated carbon may be added in order to remove any remaining particles and to improve the taste of the drinking water.
7. Chlorine is added to the water for disinfection purposes.
8. Water is directed to drinking water reservoirs, from which it is pumped to the city water network in accordance with the demand.

WASTEWATER TREATMENT PROCESS

1. Wastewater collected through the sewerage network is directed into the Main Pumping Station. Storm water is also collected in the combined system. Separate storm water systems were provided to convey the storm water to the storm water outlets.
2. In the mechanical treatment stage, the wastewater is screened to remove larger solids and the grit removal tanks remove grit and sand from the wastewater.
3. Smaller solid particles are removed in the primary sedimentation basins, formed sludge is removed from the process.
4. Coagulant is added to the wastewater for the chemical treatment of the phosphorus.
5. For the biological treatment the wastewater is conducted to the aeration tanks where the vital activity of various bacteria helps to remove nitrogen and biologically decomposing substances from the wastewater. To ensure a living environment suitable for the bacteria and to make their work more efficient, air and additional carbon in the form of methanol is injected.
6. Activated sludge is settled in the secondary sedimentation basins.
7. Treated wastewater i.e effluent is pumped via a deep sea outlet into the sea.
8. Sludge removed during the different phases of the treatment process is pumped to the sludge treatment plant.
9. Sludge is digested and stabilised in anaerobic digesters where bacteria make the organic matter decompose.
10. Biogas created in the course of anaerobic sludge digestion is used for the technological process and heating in the plant.
11. Stabilised sludge is dried and mixed with peat.
12. The outcome – sludge mixture with high nutrient content - is used in cultivation.

DRINKING WATER QUALITY

<i>SIGNIFICANT ENVIRONMENTAL ASPECTS</i>	<i>IMPACTS</i>
<i>Compliance with drinking water requirements</i>	<i>Retaining and improving quality of life</i>
<i>Non-compliance of drinking water with standards</i>	<i>Danger to population's health</i>
<i>Polluted ground water</i>	<i>Danger to population's health, sharp decline in Quality of life</i>

Customer satisfaction survey has demonstrated that the quality of drinking water is one of the main factors influencing customer satisfaction. Drinking water quality must comply with the Minister of Social Affairs Decree no. 82 from 31 July 2001 "Quality and Control Requirements and Analysis Methods for Drinking Water" (hereinafter referred to as Decree No 82) that originates from the Estonian Water Act and the European Union Drinking Water Directive 98/83/EC.

The Company has a detailed drinking water monitoring programme for 2005-2010, approved by Tallinn Health Protection Service, which includes separate quality monitoring requirements

for surface water, water treatment plant, ground water system and the city's network.

The frequency of sampling and the parameters to be checked are determined in the abovementioned programme.

Conditions of ground water usage have been determined in the permits for special use of water HR01037, HR1112, HR0960, HR0961 and HR0885, issued to the Company. Although the usage of ground water is limited by the water permits, it is possible to cover the ground water demand and still have sufficient reserves to replace some of the surface water supply in case of a problem of supply from Ülemiste Water Treatment Plant.

Drinking water quality analyses are carried out by the Company's Water Laboratory, which is accredited on the basis of the internationally recognised ISO 17025 standard. In 2009 the Water Laboratory and Microbiology Laboratory performed a total of over 79 000 analyses.

TREATED WATER QUALITY AT ÜLEMISTE TREATMENT PLANT

In 2009 the treated water quality at Ulemiste Water Treatment Plant was compliant with the requirements of Decree No 82, as provided in the table on page 35. The quality of drinking water is mostly ensured by the quality of surface water and the effectiveness of the treatment process.

SURFACE WATER QUALITY

In 2009 the quality of raw water taken into the treatment system complied with the class A2 requirements of the European Council Directive 75/440/EC. To ensure compliance, the raw water quality indicators are checked once per day at the intake to the treatment system.

Raw water pollution indicators, such as total phosphorus (P_{tot}) and total nitrogen (N_{tot}), are checked once per week. Additionally, a detailed in-depth analysis of raw water is carried out once per month in accordance with the drinking water control programme.

Surface water quality is dependent on weather conditions – such as precipitation and thaw water, but also on the geographical conditions of the catchment area, moors, wetlands, areas of karst and forest, etc.

Compared to 2008, during the first half-year the permanganate oxygen demand increased considerably, but during the second half-year the diagram complied with curve of 2008. Water colour indicators were higher in raw water compared to 2008, however, the difference decreased by the end of the year.

PERMANGANATE OXYGEN DEMAND IN RAW WATER 2005 – 2009, mg/l

	2005	2006	2007	2008	2009
COD Mn	10,3	10,6	9,3	9,3	10,2

RAW WATER COLOUR 2005-2009, degrees

	2005	2006	2007	2008	2009
Colour	58	45	43	45	53

DRINKING WATER QUALITY IN ÜLEMISTE WATER TREATMENT PLANT 2005 – 2009

Parameter	Unit	Average results					Decree no 82 EU directive 98/83/EC
		2005	2006	2007	2008	2009	
Odour	points	1	1	1	1	1	Acceptable to consumer
Taste	points	1	1	1	1	1	Acceptable to consumer
Turbidity	NTU	0.17	0.11	0.10	0.13	0.11	1
Colour	Pt mg/l	3	2	2	3	3	Acceptable to consumer
Dry residue	mg/l	286	287	276	274	280	
pH		7.30	7.37	7.36	7.36	7.33	6.5-9.5
Conductivity	µS/cm	441	443	438	441	435	2500
Alkalinity	mg-ekv/l	2.9	3.05	2.72	2.70	2.8	
Total hardness	mg-ekv/l	4.2	4.3	4.15	4.16	4.14	
Temporary hardness	mg-ekv/l	2.9	3.1	2.72	2.70	2.8	
Permanent hardness	mg-ekv/l	1.3	1.2	1.44	1.45	1.35	
Permanganate index (COD Mn)	mg O ₂ /l	3.5	3.1	3.2	3.2	3.3	5.0
Total organic carbon (TOC)	mg/l	6.9	6.3	6.2	5.9	6	Without unusual changes
Free CO ₂	mg/l	17.8	18	14	14	16	
Carbonates CO ₃ ²⁻	mg/l	0	0	0	0	0	
Bicarbonates HCO ₃ ⁻	mg/l	178.0	188	165	166	171	
Chlorides Cl ⁻	mg/l	26.1	24	25.5	26.8	27	250
Sulphates SO ₄ ²⁻	mg/l	38.2	37	46.2	40.1	34	250
Orthophosphates PO ₄ ³⁻	mg/l	0	0	0	<0.01	<0.01	

Fluoride F ⁻	mg/l	0.15	0.1	0.10	0.09	0.07	1.5
Nitrates NO ₃ ⁻	mg/l	2.5	2.4	3.4	3.3	2.7	50
Ammonium NH ₄ ⁺	mg/l	0.003	0.003	0.003	0.003	0.003	0.50
Calcium Ca	mg/l	69.9	71.9	67.3	70.3	68.2	
Magnesium Mg	mg/l	7.6	8.7	8.5	8.1	7.8	
Total iron Fe	µg/l	0	0	<10	<10	<10	200
Manganese Mn	µg/l	7.5	5.1	3.0	2.5	6.67	50
Aluminium Al	µg/l	132	88	82	93	94.5	200
Sodium Na	mg/l	6.3	6.7	6.7	7.1	6.84	200
Potassium K	mg/l	2.6	2.7	2.6	2.7	2.77	
Chromium Cr	µg/l	0.56	0.53	0.50	0.66	0.56	50
Copper Cu	µg/l	0.6	0.38	0.67	0.96	0.33	2000
Mercury Hg	µg/l	0.045	0.02	0.02	<0.05	<0.005	1
Lead Pb	µg/l	0.02	0.01	0.03	0.05	0.015	10
Selenium Se	µg/l	0.09	0.28	<0.4	<0.4	<0.4	10
Zinc Zn	µg/l	0.3	0.26	0.41	0.59	0.18	
Acrylic Amide	µg/l	0.028	0.015	0.014	0.02	0.016	0.10
Chloroform	µg/l	21.6	20	20	20	21	
THM	µg/l	26.0	25	25	26	26.3	100*
Enterococh	CFU/100ml	0	0	0	0	0	0
No of colony forming units at 22°C	CFU/ml	2	2	3	0.5	0	100
<i>Coliform bacteria</i>	CFU/100ml	0	0	0	0	0	0
<i>Escherichia coli</i>	CFU/100ml	0	0	0	0	0	0
<i>Clostridium perfringens</i>	CFU/100ml	0	0	0	0	0	0

* Trihalogenmethane (THM) permitted level decreased from 150 to 100 from 01.01.2009 by EU directive 98/83/EC and Decree no 82

ÜLEMISTE SANITARY PROTECTION ZONE

Lake Ülemiste is the drinking water resource for Tallinn and thus, pursuant to the Water Act, it is not a public water body. Taking into account the requirements set for the water quality of a lake used as a drinking water resource and the need to ensure that these are also met in the future, a sanitary protection zone of the Lake Ülemiste catchment area was approved in 2009. The sanitary protection zone shall include the lake, the water catchment facilities thereof, the bank reinforcement facilities and the area surrounding the lake, which must be kept in its natural condition. Under the Water Act, entry into the sanitary protection zone is permitted only for persons performing duties related to environmental supervision and health protection, servicing of water intake facilities and forest maintenance, mowing of grass plants and water monitoring.

EFFICIENCY OF THE WATER TREATMENT PROCESS

Requirements established with regard to raw water quality are the basis for the design of the treatment process. Based on the quality of surface water in Lake Ülemiste the use of physicochemical treatment – prechlorination, coagulation, sedimentation, filtering and disinfection - is foreseen by legislative acts for ensuring the quality of drinking water. The treatment process of Ülemiste Water Treatment Plant is more efficient than prescribed by the compulsory requirements, as ozonation, which ensures the high quality of drinking water more effectively, is used instead of prechlorination and preliminary filtration. Moreover, ozone is environmentally more friendly and safer chemical than chlorine.

Over the recent years activated carbon has been used during the summer for improving drinking water odour and taste as well as for reducing the organic matter content. No significant change in the organic matter content has been noted, but a positive shift was observed as regards the functioning of the technological process – the odour accompanying the flushing of sedimentation tanks was improved.

In 2009 the Company continued with renewing the material of filter in filters to increase the efficiency of ozonation. Reconstruction works of the ozone basin were carried out: the ozone manifold was replaced and diffusers in the ozone basins were repaired.

The working time of filter was extended and flushing time shortened as a result of renewing the material of filter .

GROUND WATER QUALITY

Approximately 10% of consumers in Tallinn, in the districts of Nõmme, Pirita, Merivälja, Laagri and Tiskre, are supplied with water produced from the Cambrian-Vendi or Cambrian-Ordovician aquifers. Ground water is also used in Saue City, Maardu City and Harku Rural Municipality.

In 2009, the quality of drinking water at the borehole pumping stations complied with the requirements of Decree No. 82 of the Ministry of Social Affairs that is illustrated by the table on page 34. There were no cases of ground water pollution or potential pollution in 2009, which should have been notified to the City and Tallinn Health Protection Authority.

Pursuant to the requirements established in the special use of water permits and to the drinking water control programme, the Company monitors all quality parameters, which are important in evaluating the situation.

Water samples are taken from all boreholes, which are in use in order to carry out a detailed chemical analysis. In addition to the full chemical analysis required by the water permit, the Company also studies the content of 12 micro-components and analyses the water from both the Cambrian-Vendi and the Cambrian-Ordovician aquifer. The Company also partially tests ground water for substances listed as dangerous to the water environment in the Water Act, e.g. mercury, antimony, arsenic, cadmium, boron, barium and others. In addition, the Company studies the quality of treated ground water (iron, manganese, ammonium) in 21 ground water reservoirs.

According to the Water Framework Directive (Directive 2000/60/EC), the qualitative or chemical condition of ground water is considered good, if the concentration of pollutants does not indicate an inflow of salty water or other water and does not exceed the respective quality standards.

The natural radioactivity of Estonian ground water has been thoroughly studied by the Geological Survey of Estonia as well as the Estonian Radiation Centre and the outcome of these studies show that the majority of ground water samples from the Cambrian-Vendi aquifer do not meet the levels stipulated in the Estonian regulation. Samples taken from the Company's borehole pumping stations showed that in the ground water pumping stations in the areas of Nõmme and Pirita-Merivälja the effective dose is above the indicative dose value (in range from 0.11 up to 0.41

mSv/an). Consumers have been informed about the levels of the content of radionuclides in the Company's borewells via the Company's website. General information on this topic is also available on the website of the Health Board.

The Ministry of Social Affairs together with the Health Board and Italian partners carried out a Twinning Light Project EE06-IB-TWP-ESC-03 „*Estimation of concentrations of radionuclides in Estonian ground waters and related health risk*” in 2009. The Company also participated in this project.

The final report of the project was submitted by the consultants to the Health Protection Inspectorate on the 8th of October 2009. The application of the proposed changes requires significant volume of resources and technical solutions from the local governments and water companies. Before implementing the improvement measures, the Health Board is currently leading a process of assessing the availability of necessary resources and requirements.

GROUND WATER TREATMENT

The ground water used for producing drinking water is of quality classes I-III. Quality class I water needs no treatment – all Cambrian-Ordovician aquifer boreholes in Nõmme fall under this category. Ground water from the Cambrian-Vendi aquifer, which forms the main part of ground water used as a source of drinking water, mostly falls under quality classes II and III and needs respective treatment. Water quality classes II and III are usually caused by an excessive iron, manganese and ammonium content and the non-compliance of colour with the raw water requirements.

The Company uses filters and aeration as ground water treatment methods to ensure the compliance of drinking water with requirements. Pressure filters have been installed to ground water borehole-pumping stations for the removal of excess iron and manganese. Raw ground water is aerated and filtered in the pressure filters, no chemicals are used. Water samples taken show that treatment reduces water

turbidity, iron and manganese content, improves colour and the stability index and increases the content of oxygen in the water.

The mixing of water from the two aquifers is also used for improving water quality.

The Company's ground water monitoring data are used in national ground water monitoring when evaluating the quality conditions of ground water in the region of Tallinn.

GROUND WATER QUALITY IN PUMPING STATIONS (excl Maardu City) 2005 - 2009

Parameter	Unit	Average results					Decree no 82 EU directive 98/83/EC
		2005	2006	2007	2008	2009	
Odour	points	1	1.1	1.1	1.02	1.12	Acceptable to consumer
Taste	points	1	1	1	1	1	Acceptable to consumer
Temperature	°C	9.1	9.03	8.9	8.3	7.75	
Colour	mg Pt/l	7.2	4.98	4.56	3.69	4.17	Acceptable to consumer
Turbidity	NTU	1.38	0.95	0.46	0.37	0.45	Acceptable to consumer
Dissolved O ₂	mg/l	4.6	5.24	5.3	6.6	6.5	
pH	pH unit	8.03	8.02	8	8	7.99	>6.5 and <9.5
Conductivity	µS/cm	583	578	568	596	594	2500
Permaganate index (COD Mn) [*]	O ₂ mg/l	1.02	0.7	0.7	0.75	0.75	5.0
Total organic carbon	mg/l	1.3	1.2	1.0	0.8	0.72	Without unusual changes
Alkalinity	mg-ekv/l	2.57	2.55	2.51	2.52	2.54	
Total hardness	mg-ekv/l	3.33	3.37	3.27	3.51	3.57	
Temporary hardness	mg-ekv/l	2.53	2.51	2.49	2.50	2.52	
Permanent hardness	mg-ekv/l	0.8	0.87	0.78	1.01	1.05	
Free CO ₂	mg/l	3	3	3	3	3.39	
Total iron Fe	mg/l	0.13	0.08	0.05	0.02	0.055	0.2
Fluoride F ⁻	mg/l	0.69	0.58	0.58	0.61	0.61	1.5

Manganese Mn	mg/l	0.039	0.034	0.024	0.009	0.0169	0.05
Ammonium NH ₄ ⁺	mg/l	0.273	0.202	0.143	0.114	0.127	0.5
Nitrites NO ₂ ⁻	mg/l	0.012	0.014	0.012	0.009	0.0114	0.5
Nitrates NO ₃ ⁻	mg/l	0.54	0.55	0.731	0.743	0.788	50
Stability index		0.18	0.19	0.15	0.14	0.14	
Sulfides S ₂ ⁻	mg/l	0.006	0.005	0.004	0.005	0.0045	
Dry residue	mg/l	286	300	307	324	346	
Calcium Ca	mg/l	48	48	47	50	50	
Magnesium Mg	mg/l	13	13	12	13	11	
Sodium Na	mg/l	32	45	42	43	47.4	200
Potassium K	mg/l	6.3	6.8	6.7	6.7	7.12	
Sulphates SO ₄ ²⁻	mg/l	23	29	14	19	18.5	250
Bicarbonates HCO ₃ ⁻	mg/l	155.9	155.5	152.9	153.6	154.9	
Chlorides Cl ⁻	mg/l	95.8	90.4	90.1	101	89	250
Boron B	mg/l	0.18	0.15	0.17	0.17	0.1558	1
Aluminium Al	µg/l	2.25	1.14	0.91	1.27	2.843	200
Arsenic As	µg/l	0.11	0.09	0.09	0.10	0.106	10
Cadmium Cd	µg/l	<0.01	<0.01	<0.01	<0.01	0.01	5
Chromium Cr	µg/l	0.47	0.51	0.45	0.58	0.5	50
Copper Cu	mg/l	0.0041	0.003	0.0045	0.0064	0.0067	2
Mercury Hg	µg/l	<0.01	<0.02	<0.02	<0.05	<0.05	1
Nickel Ni	µg/l	2.86	1.59	1.81	2.40	2.1	20
Lead Pb	µg/l	0.37	0.12	0.13	0.41	0.325	10
Antimony Sb	µg/l	0.03	0.01	0.009	0.01	0.01	5
Selenium Se	µg/l	1.17	0.54	0.44	0.4	<0.4	10
Enterococci	CFU/100ml	0	0	0	0	0	0
Colony forming units 22°C	CFU/ml	10	6	13	5	12	Without unusual changes
Coliform bacteria	CFU/100ml	0	0	0	0	0	0
Escherichia coli	CFU/100ml	0	0	0	0	0	0

**Decree No 82 does not establish a requirement to determine COD in drinking water, provided that total organic carbon has been determined. The listed indicator has been determined in the drinking water sources and the content of that does not change after going through filters.*

***Sampling for dry residue, potassium, sulphate, sodium, boron, aluminium, arsenic, cadmium, chromium, copper, mercury, nickel, lead, antimony, selenium and magnesium have not been required by the Decree No 82. However, the listed substances have been determined in the drinking water sources and the content of these does not change after going through filters.*

The Company started operating the assets of Maardu City water company on July 1st. This gives the residents of Maardu the opportunity to access Company's fully EU compliant water.

GROUND WATER QUALITY IN MAARDU PUMPING STATIONS 2009

Parameter	Unit	Average results	Decree no 82 EU directive 98/83/EC
		2009	
Odour	points	1	Acceptable to consumer
Taste	points	1	Acceptable to consumer
Temperature	°C	8.2	
Colour	mg Pt/l	4	Acceptable to consumer
Turbidity	NTU	1.55	Acceptable to consumer
Dissolved O ₂	mg/l	3.9	
pH	pH unit	7.96	>6.5 and <9.5
Conductivity	µS/cm	1159	2500
Total iron Fe	mg/l	1.16	0.2
Fluoride F ⁻	mg/l	0.38	1.5
Manganese Mn	mg/l	0.063	0.05
Ammonium NH ₄ ⁺	mg/l	0.462	0.5
Nitrites NO ₂ ⁻	mg/l	0.005	0.5
Nitrates NO ₃ ⁻	mg/l	0.5	50
Calcium Ca	mg/l	94.5	
Magnesium Mg	mg/l	17.3	
Sodium Na	mg/l	100.2	200
Potassium K	mg/l	10.2	
Sulphates SO ₄ ²⁻	mg/l	5	250
Chlorides Cl ⁻	mg/l	266	250
Boron B	mg/l	0.073	1
Aluminium Al	µg/l	0.84	200
Arsenic As	µg/l	<0.1	10
Cadmium Cd	µg/l	<0.01	5
Chromium Cr	µg/l	0.4	50
Copper Cu	mg/l	0.75	2
Mercury Hg	µg/l	<0.05	1
Nickel Ni	µg/l	0.67	20
Lead Pb	µg/l	0.08	10
Antimony Sb	µg/l	<0.01	5
Selenium Se	µg/l	<0.4	10
Enterococci	CFU/100ml	0	0
Colony forming units 22°C	CFU/ml	21	Without unusual changes
Coliform bacteria	CFU/100ml	0	0
Escherichia coli	CFU/100ml	0	0

**Decree No 82 does not establish a requirement to determine COD in drinking water, provided that total organic carbon has been determined. The listed indicator has been determined in the drinking water sources and the content of that does not change after going through filters.*

***Sampling for potassium, sulphate, sodium, boron, aluminium, arsenic, cadmium, chromium, copper, mercury, nickel, lead, antimony and selenium have not been required by the Decree No 82. However, the listed substances have been determined*

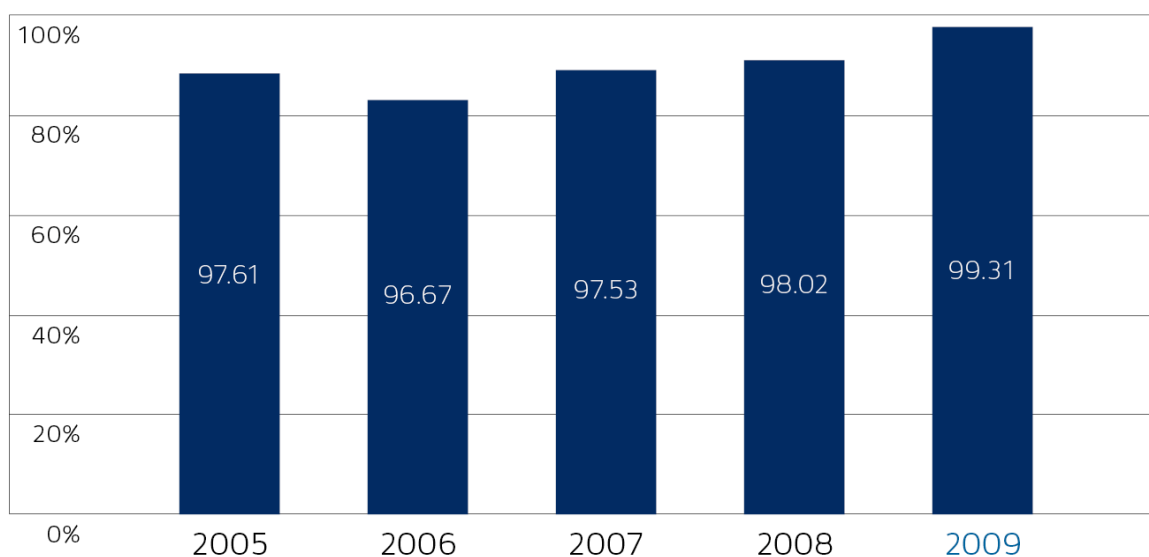
in the drinking water sources and the content of these does not change after going through filters.

WATER QUALITY AT THE CONSUMERS PREMISES

The Company has analysed drinking water quality in accordance with the Drinking Water Quality Monitoring Program approved by the Tallinn Health Protection Inspectorate. During the year the Company took samples twice a month from sampling points agreed with the Health Protection Inspectorate. A total of 2,890 samples were taken from the city water network during the year. In 2009, 99.31% of all water samples taken, including 99.97% of microbiological samples, complied with the requirements of Directive 98/83/EU and Minister of Social Affairs Decree No 82.

[Water quality compliance with the Estonian Minister of Social Affairs Decree No 82 requirements that became fully effective from 01.01.2008](#)

Compliance of water samples



WATER NETWORKS MAINTENANCE AND INVESTMENTS

Preventive works in the form of networks flushing and water supply network renovation are carried out to maintain and improve the quality of drinking water used at customers' premises. 232 km of water pipes were cleaned in 2009 using the pressure washing method. During this cleaning process, air is directed into the water pipes where it mixes with water, helping to remove sediments from the walls of the pipes, which is one of the main methods for improving the water quality in distribution pipes.

Cleaned water network, 2005-2009, km

	2005	2006	2007	2008	2009
Km	236	238	227	229	232

Investments into replacing old water pipes and network extensions have facilitated improvement in water quality and more efficient usage of water resources. 23.8 kilometres of water pipes were renovated and 5.5 km of new pipes were constructed in 2009, creating the opportunity of connecting 80 new properties to the public water supply network.

Water network reconstruction 2005-2009, km

Km	2005	2006	2007	2008	2009
Reconstructions	15.8	6.4	6.9	16.7	23.8

Water network extensions, 2005-2009,

	2005	2006	2007	2008	2009
Network extensions km	0.3	0.8	2.6	3.0	5.5
Number of new customers given access to water network	19	21	26	86	80

USAGE OF WATER RESOURCES

<i>SIGNIFICANT ENVIRONMENTAL ASPECTS</i>	<i>IMPACTS</i>
<i>Water resource abstracted from rivers and conducted to channel</i>	<i>Spoiling the natural balance of the river</i>
<i>Surface water resource used</i>	<i>Usage of water as natural resource in great volumes</i>
<i>Ground water resource used</i>	<i>Decrease in non-recoverable natural resources</i>
<i>Water leakages on pipes</i>	<i>Inefficient usage of water resource</i>
<i>Metered and provided drinking water</i>	<i>Overview of the consumption of water resources</i>

<i>2009 OBJECTIVES AND TASKS</i>
<p><i>To use water resources sparingly +</i></p> <p><i>To ensure compliance with the requirements of the water permits and the Services Agreement +</i></p> <p><i>To ensure the continuous monitoring and optimum management of water regimes +</i></p> <p><i>To maintain the level of leakages below 18% +</i></p> <p><i>To effectively repair leakages on average in two days or less +</i></p> <p><i>To extend the use of online sensors for detecting leaks and zoning +</i></p> <p><i>To ensure that customers have a Company's water meter or a calibrated water meter belonging to the customer +</i></p> <p><i>To ensure water meters replacement as foreseen in legislation +</i></p>

SPECIAL USE OF WATER

The activities of water undertaking in using water resources are regulated by the Water Act and its implementing provisions. For operating, a water company must have a permit for special use of water and pay a charge for the water resource used.

The permit for special use of water defines different activities, for instance the amount of water which the Company may extract, water quality monitoring requirements, requirements set for accounting for water extracted, the permitted limits of pollutants contained in effluent, pollutants monitoring requirements and measures reducing the impact of special use of water.

All requirements established in the permits for special use of water were met in 2009.

The fee for special use of water is paid for the amount of water taken into Ülemiste Water Treatment Plant and for water pumped out of ground water aquifers. In 2009 the fee for special use of water amounted to 3,3% of the operating costs.

Table Valid water permits of AS Tallinna Vesi

Permit	Valid until	Description of special use of water
Water Permit no HR1112 (L.VV.HA-194367)	31.10.2013	Saue City, Harju County Extraction of ground water from boreholes, over 5 m ³ /day. Collection of wastewater and directing wastewater to Paljassaare Wastewater Treatment Plant owned by AS Tallinna Vesi.
Water Permit no HR01037 (L.VV.HA-171414)	01.04.2013	Tallinn public water supply and sewerage system main licensed operating area. Tallinn surface water catchment system facilities area in Harju and Järva Counties Regulating surface water resources in water bodies of Ülemiste-Pirita-Jägala surface water system, water extraction from Lake Ülemiste, extracting ground water from Ordovician-Cambrian and Cambrian-Vendi aquifers through Tallinn public water supply and sewerage system boreholes, for discharging biologically treated effluent through a deep- sea outlet pipe into Tallinn Bay and for discharging mechanically treated storm water into the sea, Mustjõe Stream and Pääsküla Wetland.
Water Permit no HR0960 (L.VV.HA-	31.12.2011	Tiskre Village, Harku Borough, Harju County Extraction of ground water from borehole, over 5 m ³ /day.

138048)		Directing all wastewater to Paljassaare Wastewater Treatment Plant.
Water Permit no HR0961 (L.VV.HA-138050)	31.10.2011	Harku Village, Harku Borough, Harju County Extraction of ground water from borehole, over 5 m ³ /day. Directing all wastewater to Paljassaare Wastewater Treatment Plant.
Water Permit no HR0885 (L.VV.HA-47734)	23.03.2011	Maardu City public water supply and sewerage system main licensed operating area Extraction of industrial and drinking water from Cambrian-Vendi aquifers at the expense of 40 ground water deposits of Harju County in order to supply water to the institutions, enterprises and inhabitants of Maardu City, Kallavere and Muuga area, and to discharge industrial wastewater, storm water and excess water to the receiving waters (in Muuga area, wastewater is discharged into collection tanks; in Kallavere area, wastewater is conducted to Muuga Treatment Works).

USAGE OF SURFACE WATER RESOURCES

The Company receives surface water from an extensive water catchment system encompassing the river basins of Pirita, Jägala and Soodla River with a total area of ca 1800 km², covering mostly the Harju sub-basin. The water catchment system consists of hydropoints constructed on rivers and of water reservoirs as well as the connecting canals.

The most important water reservoir is the Lake Ülemiste with a net volume of 15,8 million m³. Additional water reserves for dry periods have been accumulated to Paunküla water reservoir on the headwaters of River Pirita (9,9 million m³) and to Soodla water reservoir on River Soodla (7,4 million m³).

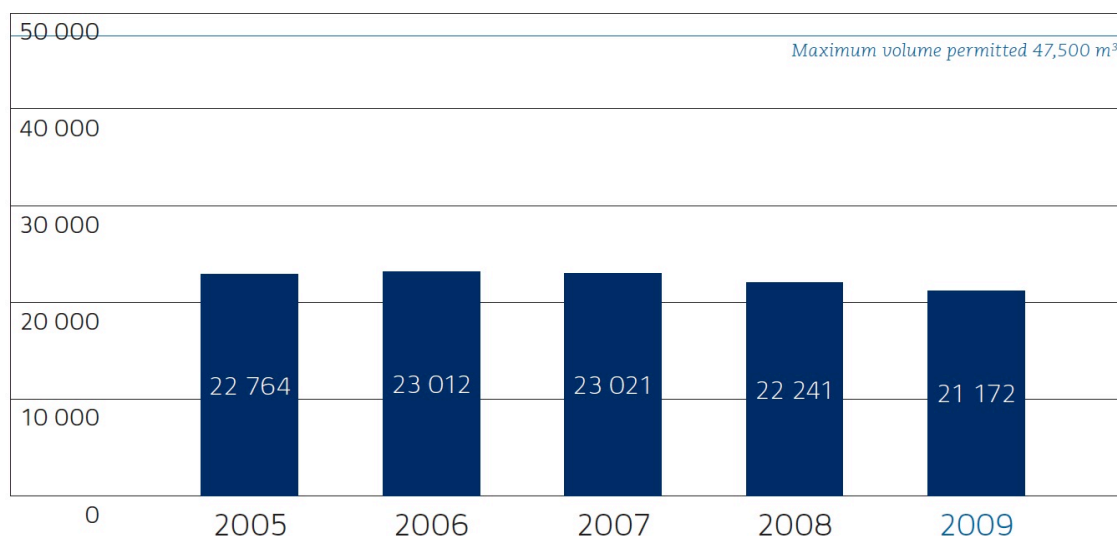
The extent of water resources in Tallinn's surface water catchment system primarily depends on the amount of precipitation and its distribution over the year. In a year of average rainfall approximately 50% of the possible water resources in the system are used up.

In the end of 2008 the water levels and runoff were high, which had a strong impact also on the water levels in early 2009 and the runoff of rivers in 2009 as a whole was

higher than the long-term average. Territorial distribution of runoffs was very uneven. Even within the Tallinn surface water catchment area the monthly average flow volumes varied significantly during some summer months and were substantially lower than long-term average flow volumes. Water resources of Lake Ülemiste were supplemented from mid-May till early October. Water resources of Paunküla and Soodla water reservoirs were not used in 2009.

Usage of surface water from Lake Ülemiste and compliance with special use of water permit no HR01037

thousand m³



Continuous overview of the flow amounts allows the Company to use water resources in a more sustainable way. In order to regulate water resources in an optimal and precise manner, water metering points have been constructed to all hydropoints, allowing the measurement of both the flow amounts directed into canals as well as the so-called sanitary flow amounts remaining in the rivers. Measuring is carried out on a regular basis, following the requirements of the special use of water permit.

USAGE OF GROUND WATER

The Company regularly measures ground water levels in order to continuously control the state of Tallinn's ground water resources. Automatic hydrostatic pressure sensors, enabling the measurement of the ground water level, have been installed at all of the Company's operating ground water facilities. Measurement of the water

level in boreholes shows an increase in the pressure level of the aquifers in use and thus also the recovery of the ground water resources.

The Company met all requirements established in the special use of water permits in 2009.

Usage of ground water and compliance with special use of water permits no HR01037, HR1112, HR0960, HR0961 and HR0885, m³

	2005	2006	2007	2008	2009
Actual usage by Tallinn	2,532,519	2,447,792	2,457,784	2,450,533	2,552,685
Incl from Cambrian-Vendi aquifer	2,246,809	2,130,310	2,134,427	2,168,265	2,186,521
Maximum volume permitted	6,880,250	6,880,250	6,880,250	6,676,945	6,676,945
Actual usage by Saue	207,102	249,298	247,553	214,028	202,621
Incl from Cambrian-Vendi aquifer	183,261	221,389	233,682	166,770	146,184
Maximum volume permitted	460,250	460,250	460,250	474,500	474,500
Actual usage by Tiskre	5,720	33,266	40,813	39,661	41,733
Maximum volume permitted	65,700	65,700	65,700	65,700	65,700
Actual usage by Harku* Settlement		20,810	32,308	6,372	703
Maximum volume permitted		21,850	51,100	51,100	51,100
Actual usage by Maardu City**					766,505
Maximum volume permitted					1,383,350

** In 2009, the Harku borehole pumping station was suspended, since the Harku settlement is now supplied with surface water from the Ülemiste water treatment plant*

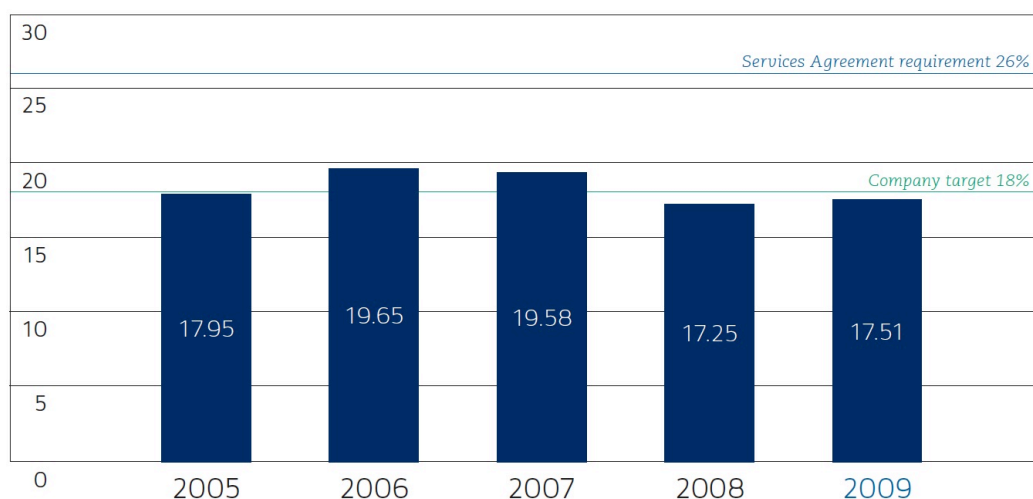
***The Company signed in 2008 an agreement with the City of Maardu and AS Maardu Vesi for operating the public water supply and sewerage infrastructure assets in the City of Maardu and started operating the contract in the summer 2009.*

LEAKAGES

Another important aspect of water usage is the reduction of water losses in the network. By the end of 2009 the Company achieved a leakage level of 17,51% which is better than the Company's commitment in the Service Agreement (26%). To achieve this, new leakage detection and remote reading devices were obtained and remote control system was upgraded.

Leakages level 2005-2009

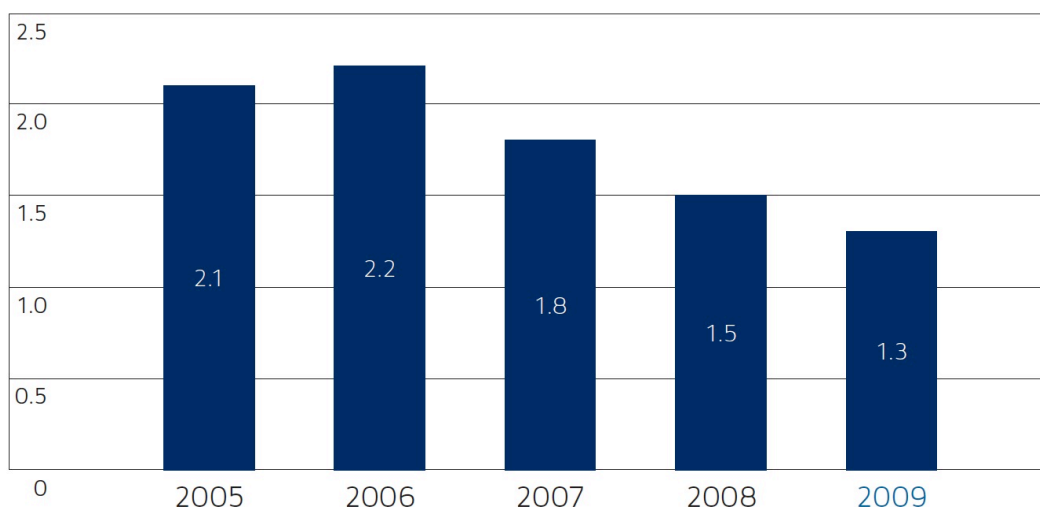
in percentage terms



Quick discovery and liquidation of leakages are instrumental in retaining the leakages level reached and in reducing it further. Daily work is supported by an updated water supply network information system network zoning and distance reading system as well as special equipment for finding the leakages and detecting them faster..

Average time for liquidation of leakages 2005-2009

in days



The Company will continue work in 2010 to maintain and further reduce the leakages level in order to achieve the optimum leakages level. The optimum leakages level is considered to be the level where the further reduction of leakages would cost more than water production. Factors such as the cost of finding and repairing leakages and the cost of water production are taken into account in calculating the optimum leakages level.

The optimum leakages level calculation made for Tallinn shows that the suitable indicator in our conditions falls within the range of 15-18%. The Company's specialists have also studied the leakages related experience of our close neighbour Helsingin Vesi Oy, whose leakage level is ca 17%.

WATER METERING

All customers of the Company have been equipped with water meters. In total over 21 000 water meters have been installed to customers' connection points, facilitating the reaching of more accurate accounting for the usage of water resources.

Starting from 2005 we have taken into use the more reliable and accurate single jet class C water meters. As a result, the number of expert analyses ordered by customers for verifying the accuracy of the water meters has decreased – while a total of 540 expert analyses were carried out in 2007, this number dropped to 391 in 2008 and 487 in 2009. The rise in 2009 is explainable by the fact that the

new customers from Maardu City were highly interested in verifying the accuracy of their water meters. The Company has the obligation to replace water meters in every two years and the replacement of water meters takes place on the basis of a respective programme. The 2009 objective was to replace 9,750 water meters, which was achieved.

WASTEWATER COLLECTION

<i>SIGNIFICANT ENVIRONMENTAL ASPECTS</i>	<i>IMPACTS</i>
<i>Extensive floods</i>	<i>Pollution of the ground and sea water, danger to population's health, decrease in life quality, damage to the assets of the population</i>
<i>Storm water outlets not compliant with standards and permit requirements</i>	<i>Deterioration of the condition of natural environment (sea, bog)</i>
<i>Over pollution caused by customers</i>	<i>Deterioration of environmental condition, danger to population's health</i>
<i>Over pollution payments</i>	<i>Influencing the customer towards retaining and improving environmental condition</i>

<i>2009 OBJECTIVES AND TASKS</i>
<i>To ensure compliance at all outlets +</i> <i>To reduce blockages less than 1300 and comply with the Services Agreement +</i> <i>To carry out maintenance on 170 km of the sewerage network +</i> <i>To rehabilitate or replace at least 5 km of the existing sewerage mains +</i> <i>To fulfil the wastewater and storm water networks extensions programme +</i> <i>To implement an action plan for the maintenance of sand and oil traps installed in front of the storm water outlets +</i> <i>To identify over polluters and invoice all identified over polluters +</i>

The main measures for ensuring the collection and discharge of wastewater are linked to preventive flushing of wastewater networks as well as sewerage and storm water networks reconstructions and extensions, additionally wastewater concentration levels are regularly monitored in order to prevent failures of the treatment process.

CLEANING AND MAINTENANCE OF THE WASTEWATER NETWORK

The purpose of wastewater network cleaning is preventive maintenance in order to avoid flooding and reduce blockages. At the same time it must be noted that pressure washing may not directly reduce the number of blockages as it depends on various factors.

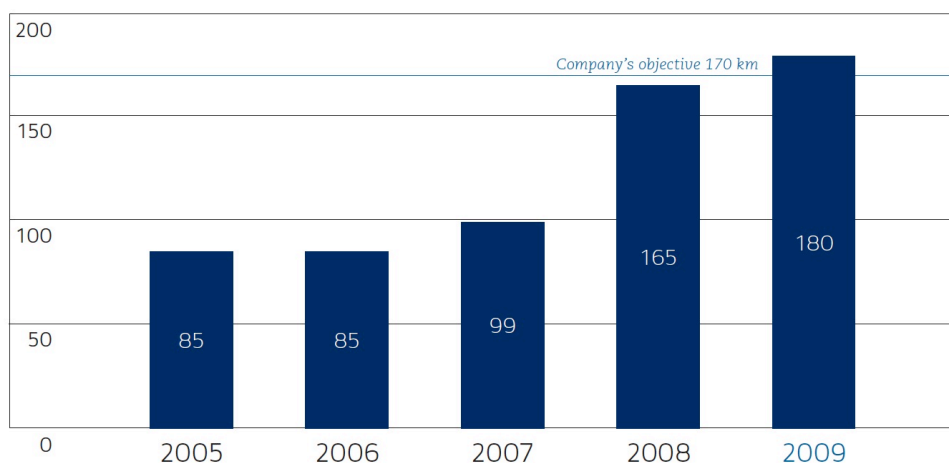
Blockages are mainly caused by sediments settling in wastewater pipes. The lower water consumption of recent years has resulted in smaller wastewater flow amounts and flow speeds, which in turn increases the risk of blockages. Additionally the sewerage network extension should also be taken into account when assessing the total number of blockages.

The Company employs three jetting and suction trucks for flushing the network. The newest of them is a recycling combination jetting and suction truck, unique in Estonia, which was taken into operation in 2007. For flushing the network a flow speed is first created with high pressure, flushing sediments into a cesspit. Sediments are thereafter collected into jetting and suction truck and transported to the wastewater treatment plant. The recycle combination jetting and suction tank allows the repeated use of the water necessary for flushing.

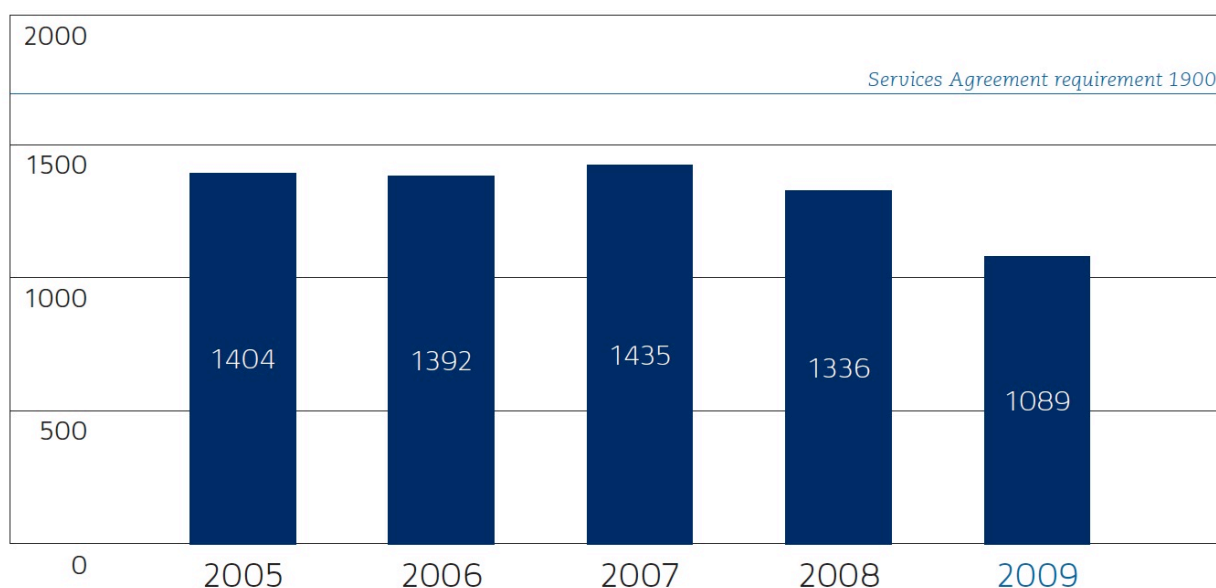
The length of network flushed has increased each year and in 2009, a total of 180 km of pipes were flushed. The number of blockages has been reduced by 18.5% compared to 2008.

Wastewater network cleaned 2005-2009

km



Number of blockages 2005-2009



WASTEWATER NETWORKS RECONSTRUCTION AND NETWORK EXTENSIONS

In 2009 the Company kept on renovating the existing wastewater network and constructing new sewerage and storm water system.

In 2009 the majority of wastewater network extensions were carried out in the districts of Nõmme, Kristiine, Pirita, Haabersti and City Center areas. The bulk of storm water network construction activities took place in Nõmme, Kristiine and City Center areas.

Sewerage and storm water network reconstruction 2005-2009

Km	2005	2006	2007	2008	2009
Reconstructions	5.3	5.6	5.2	5.9	5.5

Sewerage and stormwater network extensions, 2005-2009

	2005	2006	2007	2008	2009
Sewerage network extensions km	18.5	6.4	13	34.1	42.8
Storm water network extensions km	10.8	5.3	11.5	14.3	8.2
Number of new customers given access to wastewater network	221	310	618	1204	1423

CONTROLLING OVERPOLLUTION CAUSED BY CUSTOMERS

In order to ensure acceptable concentrations of pollution in the wastewater reaching the wastewater treatment plant, the Wastewater Inspectorate of the Company regularly monitors and checks the compliance with regulatory requirements at (industrial) commercial sites where wastewater is discharged into the public sewerage system. The majority of the industrial wastewater in the sewerage system is comprised of wastewater from the food processing industry.

The Wastewater Inspectorate has the right to take wastewater samples in order to check the wastewater facilities on sites and to identify overpollution caused by customers. In 2009, altogether 1 499 wastewater samples were taken at customers' premises.

Based on the results of wastewater sampling the pollution group is determined, providing the Company with the right to charge the customer for over pollution fee. In 2009, the Wastewater Inspectorate made 569 control raids to the sites. Throughout these raids, 394 customers who had caused overpollution were identified and all together 937 over pollution invoices were issued to the customers.

Information on the average pollution indicators of major industries is also regularly submitted to the Environmental Board's Harju-Järva-Rapla regional department.

STORM WATER OUTLETS

In 2009 the Company monitored, pursuant to the requirements set forth in the water permit, 20 storm water outlets, the largest of which are the Lasnamäe, Harku and Mustoja outlets. 4 new outlets were added in 2009: OÜ Männiku Auto and 3 storm water outlets in Maardu.

Samples for determining pollutants are taken regularly from stormwater outlets pursuant to the sampling procedure determined in the special use of water permit HR01037. Upon agreement with local government four storm water outlets have been equipped with local treatment facilities such as sand and oil traps, in order to

avoid possible environment pollution. Maintenance and cleaning of traps takes place regularly once a month.

The requirements set forth in the water permit were met in 2009.

In total 5,468,711 m³ of stormwater, carrying pollutants to the environment, was discharged through these outlets in 2009. Pursuant to Environmental Charges Act pollution charge was not applied.

Storm water volume 2005-2009, m³

	2005	2006	2007	2008	2009
Storm water volume	4 206 384	3 032 757	5 180 175	5 414 016	5 468 711

Pollutants from the main outlets 2005-2009, in tons

	2005	2006	2007	2008	2009
Suspended solids	60	43	89	109	90.9
Oil products	4.8	3.4	3.6	4.5	3.4

WASTEWATER TREATMENT RESULTS

<i>SIGNIFICANT ENVIRONMENTAL ASPECTS</i>	<i>IMPACTS</i>
<i>Wastewater compliant with the requirements discharged into the sea</i>	<i>Retaining the condition of sea water</i>
<i>Wastewater non-compliant with the requirements discharged into the sea</i>	<i>Deterioration of the condition of sea water</i>
<i>Emergency discharge of untreated wastewater into the sea</i>	<i>Deterioration of the condition of sea water</i>

2009 OBJECTIVES AND TASKS

To ensure full wastewater quality compliance at all outlets -

To ensure the compliance of effluent quality indicators with regulatory and Service Agreement requirements +

To minimise discharge of untreated wastewater into the sea +

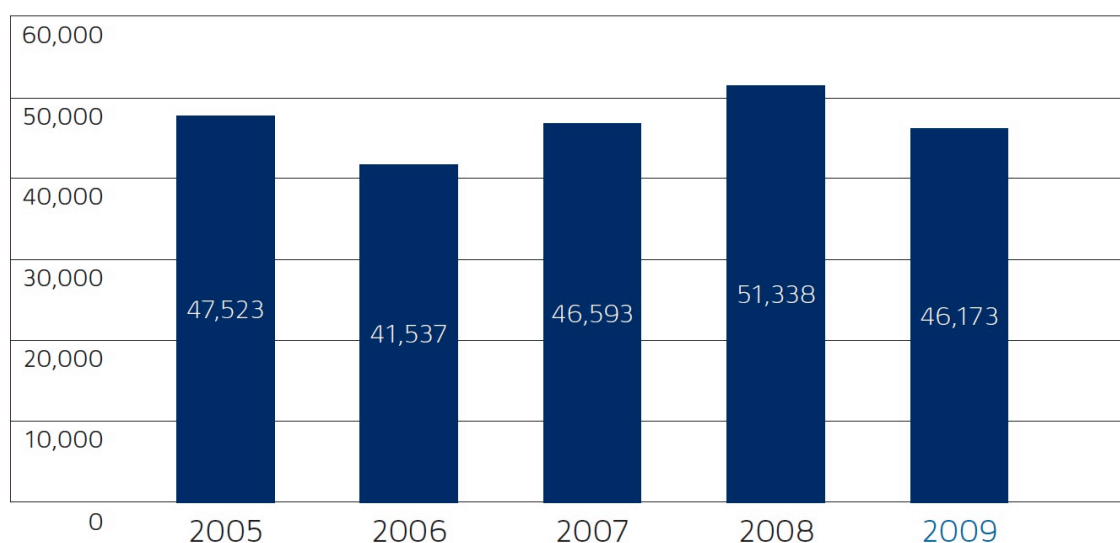
To continue long term plan to improve wastewater treatment process in order to be able to expand activity and continue to meet quality requirements +

To complete the design for the intensified nutrient removal plant +

46,172,784 m³ of wastewater was treated at Paljassaare Wastewater Treatment Plant in 2009. Compared to 2008, the wastewater volume has decreased by 10%, partly due to the stressful economical situation and, to a lesser extent, smaller amount of precipitation in the first three quarters of 2009.

Treated wastewater volume 2005-2009

thousands m³/year



The quality of water discharged to the sea is set by legislation and the special use of water permit HR01037. The concentration of pollutants in sewage led to the treatment plant and in the wastewater led from treatment, as well as the efficiency of the treatment process are monitored in order to assess wastewater quality. The following are the more significant indicators monitored:

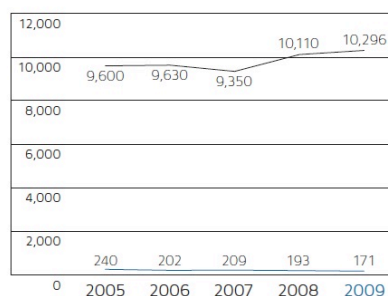
- Biological oxygen demand (BOD₇) shows the amount of oxygen required for the defined biological decomposition of organic matter in the course of 7 days;

- Total phosphorus (P_{tot}) and total nitrogen (N_{tot}) are elements contained in nutrient salts, which increase the growth of plankton in water. If the content of nutrient salts is too high, such growth can be so strong that oxygen is used up and a shortage of oxygen arises;
- Suspended solids (SS) shows the volume of solid matter in water which is caught in a filter with a defined mesh size;
- Chemical oxygen demand (COD-Cr) is a measure of the decomposition of organic matter, measured as the consumption of oxygen in chemical oxidation of all organic matter in water;
- Oil products show the amount of light (like petroleum) and heavy (like heavy fuel oil) oil products

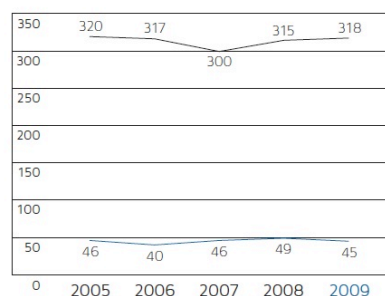
Pollution loads are generally similar to 2008, although the amount of suspended solids has decreased (6%). At the same time the daily pollution loads were still uneven, varying by 3-6 times for different pollutants and the high peaks of pollution loads are still related to heavy rains, which refers to the fact that the pollutants are washed with storm water from the City's territory into combined sewer system. The wastewater laboratory conducted ca 44,000 analyses in 2009.

Amounts of pollutants coming into the Treatment Plant and discharged into the sea 2005-2009
in tons

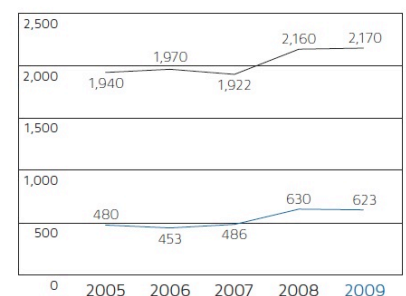
BOD_7



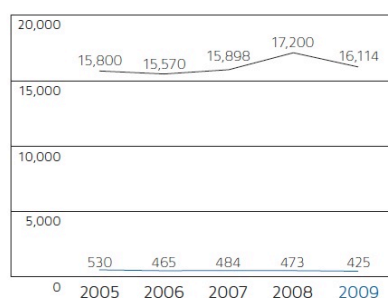
P_{total}



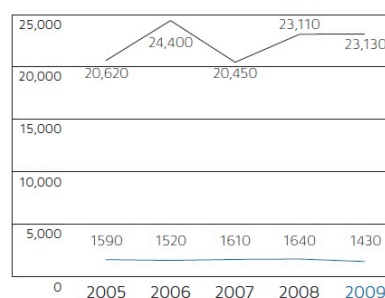
N_{total}



SS



COD-Cr



— Influent
— Effluent

The treatment effectiveness for all contractual pollution components was higher in 2009 than in previous years, except for oil products, which can be explained with the decrease of oil products pollution in the influent over the last years.

In 2009 operations were continuously improved in all the stages of the treatment process, in order to achieve maximum treatment results in the conditions where the pollution loads (especially for nitrogen compounds) exceed the process capacity. Despite the high treatment efficiency that was through excellent operation and without any chemicals and power consumption restrictions, the stretched target for the nitrogen compounds was not achieved in quarters II and III. However, compliance for the nitrogen compounds as an annual average was achieved as required by the law.

Considering the Company's growth strategy, the review of the Tallinn Public Water Supply and Sewerage System Development Plan, as well as the decision taken by HELCOM, the Company continued in 2009 with the detail planning, procurement activities and financial plannings of the 3rd stage of the treatment process, i.e. biofilters. This is a substantial investment, which will help the Company to meet the quality of treated effluent also under future stringent requirements. In 2009 the project documentation was finalized, in 2010 the construction shall begin and project execution is planned mainly for 2011.

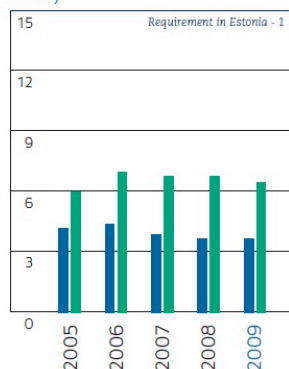
The treatment results are also comparable to those of larger Estonian water companies and our close neighbour Helsingin Vesi Oy. However, differences in the treatment technology and, in the case of Helsinki, also in the regulatory environment must be taken into account when comparing the figures.

The treatment results of 2009 were also in compliance with the HELCOM requirements, which are similar to the requirements set by legislation. The Helsinki Commission, or HELCOM, organizes intergovernmental cooperation between countries located at the Baltic Sea in order to protect the sea environment of the Baltic Sea from all sources of pollution.

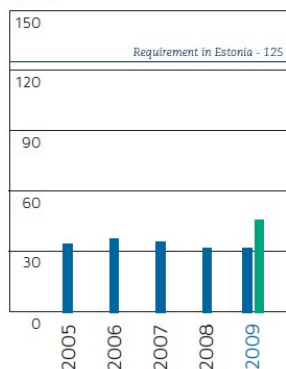
Average pollution indicators in treated wastewater 2005-2009

compared to regulatory requirements and the results of Helsingin Vesi Oy, mg/l

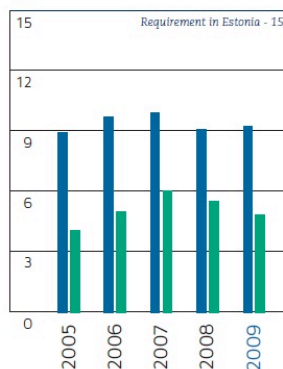
BOD₇



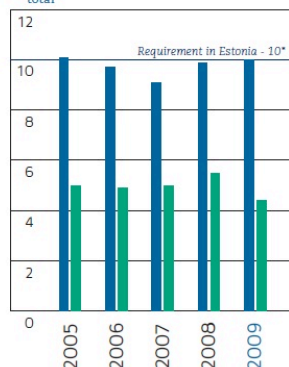
COD



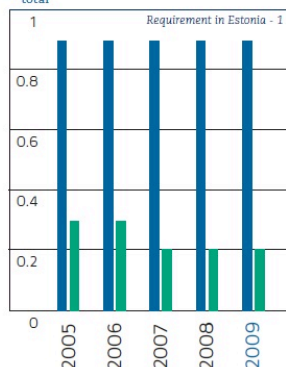
SS



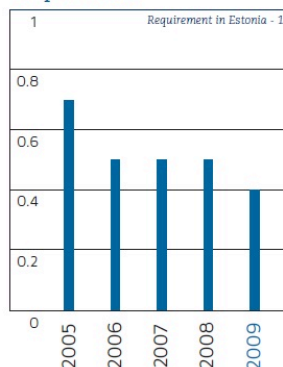
N_{total}



P_{total}



Oil products

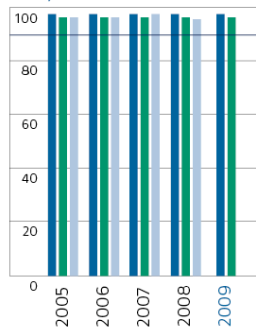


■ Tallinn
■ Helsinki
■ Requirement in Estonia

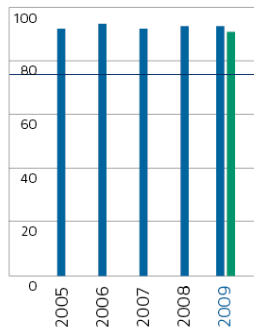
Wastewater Treatment Plant treatment efficiency 2005-2009

in percentage terms, compared to the regulatory requirements, Estonia's average results* and the results of Helsingin Vesi Oy.

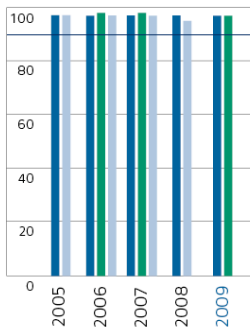
BOD₇



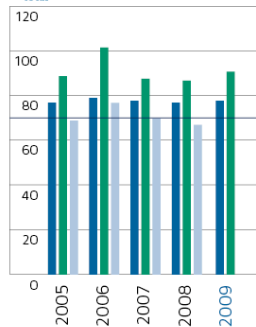
COD



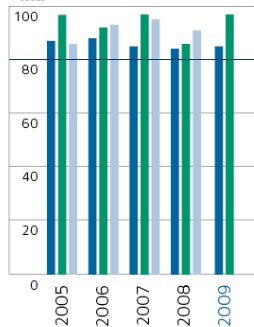
SS



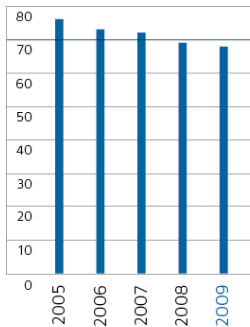
N_{total}



P_{total}



Oil products



■ Tallinn
■ Helsinki
■ Estonian average
■ Minimum requirement in Estonia

* The most recent data on Estonia's average are available for 2008. The calculation is based on the data from the five largest water companies in Estonia.

OUTLETS TO THE SEA

No untreated wastewater was discharged into the sea in 2009.

Throughout the year, 64 181 m³ of highly diluted wastewater that underwent mechanical treatment, was discharged to the sea through the deep-sea outlet due to the shock loads that exceeded the biological treatment capacity. The majority of partly treated wastewater was discharged to the sea in July, August, September and October during heavy rains, i.e. in extraordinary weather conditions.

Wastewater Treatment Plant overflows 2005-2009, m³/year

	2005	2006	2007	2008	2009
Untreated wastewater discharged to the sea	131 000	0	0	12 489	0
Partly treated wastewater discharged to the sea	42,000	66,000	395,810	61,386	64,181

ENVIRONMENTAL CHARGES

The Company has the obligation to pay a pollution charge for pollutants discharged to water bodies. Taxable pollutants contained in treated effluent and storm water, which are established for the specific outlet in the special use of water permit, are included in the pollution charge calculations.

Both the receiving water coefficient of the specific outlet as well as compliance with the pollutant limit value in effluent are taken into account in pollution charge calculations. In case the limit value is exceeded, a ten-fold pollution charge is set for the exceeding amounts of pollutants; if the pollutant levels remain below the limit value or are equal to it, legislation foresees a possibility to apply for a 50% reduction of the pollution charge. A reduction of the pollution charge is only possible when the results of all outlets comply with the water permit requirements.

In 2009 the Company had a possibility to apply for a 50% reduction of the pollution charge in two quarters. The pollution charge amounted to 4.85% of operating expenses compared to 5% in 2008.

CHEMICALS HANDLING

<i>SIGNIFICANT ENVIRONMENTAL ASPECTS</i>	<i>IMPACTS</i>
<i>Drinking water compliant with requirements</i>	<i>Retaining and improving life quality</i>
<i>Wastewater compliant with the requirements discharged into the sea</i>	<i>Retaining the condition of sea water</i>
<i>Chlorine leakage</i>	<i>Danger to population's health, damaging the biota</i>

<i>2009 OBJECTIVES AND TASKS</i>
<i>To minimise emissions into the environment + To control and optimise the usage of chemicals, minimising the usage of chemicals + To reduce the risk of accidents occurring as a result of chemicals usage +</i>

The Company uses approximately 450 hazardous and less hazardous chemicals in its operating activities. On one hand chemicals become hazardous primarily due to their characteristics, which pose a danger to the population and the environment, on the other hand, the level of hazardousness depends on the amount of chemical used.

Large amounts of hazardous chemicals are used, above all, at the Company's treatment plants. The amounts of chemicals used at the treatment plants predominantly depend on the volume and characteristics of the water reaching the plants, which, in turn, depend on weather conditions in the case of surface water and on the level of pollution in the case of wastewater.

WATER TREATMENT CHEMICALS

CHLORINE

Under the Chemicals Act the Company has been classified as a category B Company with risk of a major accident due to the large amounts of chlorine used in the water treatment process.

In the water treatment process water is disinfected, so that the water would be safe to human health. The most common disinfectant in use is chlorine, which is effective and has a longer-term effect in the water distribution network. As a chemical, chlorine that is a poisonous gas, is heavier than air, causes irritation and has a corrosive effect and affects mucous membranes both internally and externally. Thus in the case of a chlorine emergency the people in the affected area may suffer serious damage to health or die.

The likelihood of accidents involving chlorine has been minimized by applying all necessary safety requirements.

A crisis action plan has been put in place in order to be able to liquidate an unlikely but still possible chlorine emergency. In addition to the annual instruction and practical training on safety of chemicals given to the employees, practical training of chlorine emergency liquidation is carried out in cooperation with the Rescue Centre frequently.

OZONE

The usage of chlorine has decreased considerably over the past decade. The main reason behind the reduction is the replacement of water prechlorination with ozonation. Ozone effectively breaks down organic matter and disinfects water. Ozone is produced locally in the Company and only in amounts needed. Thanks to the closed process and the fact that no stock is kept, the risk for the environment is minimal.

An ambient air pollution permit has been issued to the Company for limiting the residual ozone emissions (see more details on page 70). A thermic destructor of residual ozone has been integrated into the process in order to meet the requirements of the pollution permit. With temperature increasing, residual ozone emitted from the system is in turn broken down into oxygen and thus no ozone is emitted into ambient air. 100% of the residual ozone was broken down in 2009.

COAGULANTS AND POLYMERS

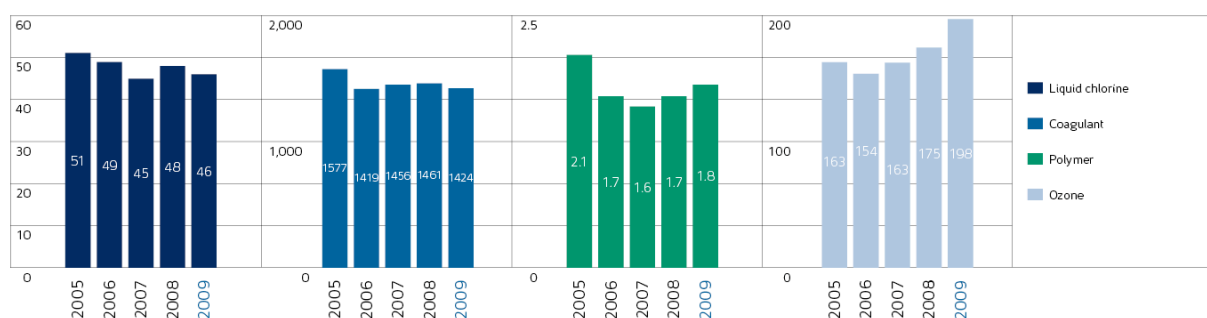
In addition to chlorine, significant amounts of coagulants and polymers, which help to remove the particular matter, suspended solids, etc. from water, are used in the

treatment process. Both coagulants and polymers are used in liquid form. These do not possess as toxic characteristics as chlorine and provided that the safety requirements are met, they do not pose a danger to the environment or the population.

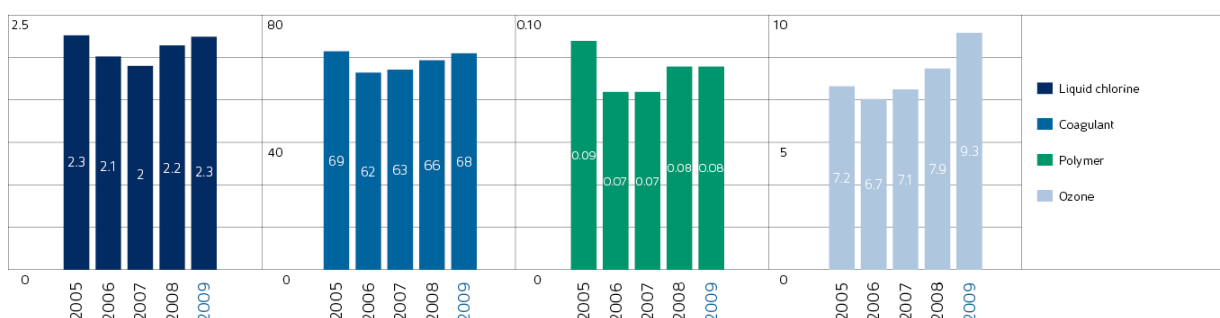
USAGE OF WATER TREATMENT CHEMICALS

Despite the very different characteristics of water and the highly variable weather conditions the usage of chemicals has remained relatively stable. Chemicals usage is directly depended on the surface water quality. In order to guarantee drinking water quality with the 2009 surface water characteristics a significantly higher amount of ozone had to be used, while the absolute numbers for chlorine and the coagulant were less than in 2008.

Usage of water treatment chemicals 2005-2009
in tons



Average usage of water treatment chemicals per unit of production 2005-2009
g/m³



WASTEWATER TREATMENT CHEMICALS

METHANOL

Due to the methanol used in wastewater treatment, the Company has been classified as a hazardous company on the basis of chemical legislation. Methanol usage was started in 2005 in connection with the nitrogen removal activities of the bacteria participating in the biological treatment process.

COAGULANTS AND POLYMERS

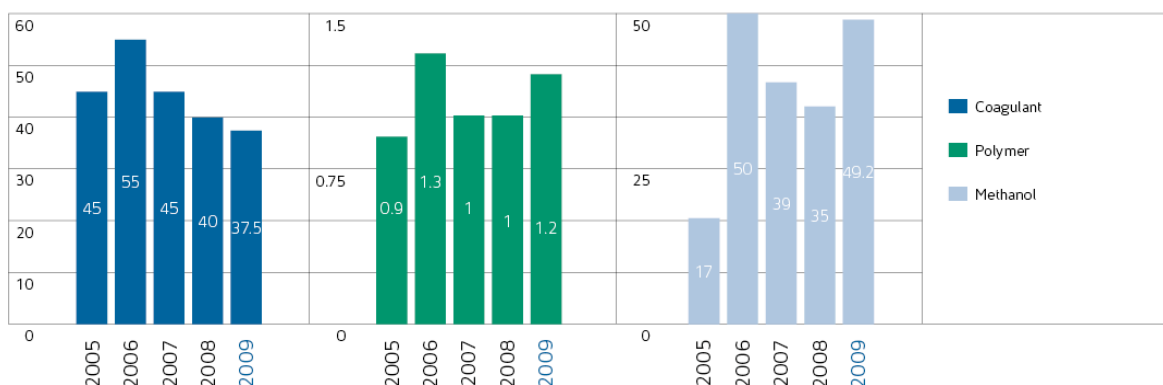
In addition to methanol, significant amounts of coagulants and polymers are used in the wastewater treatment process. Coagulants are used for the chemical processing of wastewater to remove phosphorus. Polymers are used to charge the qualities of sediment and adding them makes it easier to remove water from the sludge. Provided that safety requirements are followed, these are not hazardous to the environment or the population.

USAGE OF WASTEWATER TREATMENT CHEMICALS

The amount of coagulant and polymers used in 2009 was similar to 2008 when it was optimal. The increased use methanol was due to the need to achieve maximum treatment results while the incoming nitrogen pollution loads exceeded the process capacity.

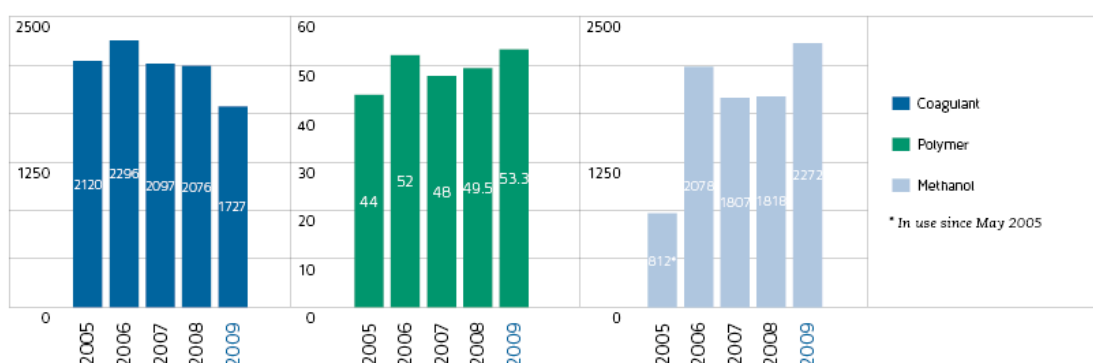
Average usage of wastewater treatment chemicals per unit of production 2005-2009

g/m³



Usage of wastewater treatment chemicals 2005-2009

in tons



ENSURING CHEMICALS SAFETY

The likelihood of accidents involving chemicals has been minimized, as the chemicals handling systems are compliant with the security and safety requirements.

The necessary conditions for the storage and use of all chemicals have been created, also the information from the chemicals safety cards, the regulatory requirements and the safety instructions are followed. Chemicals safety cards are available in the Company both electronically as well as in hard copy at the handling sites of the given chemical.

Absorbents and personal protective equipment are also available at the chemical handling sites. The sites for handling hazardous chemicals are equipped with automated alarm and degassing system for the early detection and liquidation of possible leakages.

The Company has established procedures for ensuring the training of employees and the liquidation of emergencies. Provided that the security and safety requirements are followed, the likelihood of chemicals emergencies (chlorine, methanol, biogas) with serious consequences to human health and the environment is small. As a rule, chemicals emergencies constitute smaller leakages, which do not escape the purposefully adapted production premises and do not damage the environment or people.

There were no reported chemicals accidents in 2009, which could have caused damage to people or the environment.

WASTE MANAGEMENT

<i>SIGNIFICANT ENVIRONMENTAL ASPECTS</i>	<i>IMPACTS</i>
<i>Emergence of waste</i>	<i>Potential pollution of the environment with waste, risk of environmental pollution when depositing to landfill</i>
<i>Emergence of sludge</i>	
<i>Consumed sludge</i>	<i>Reducing and recycling of waste, improving the qualities of soil</i>

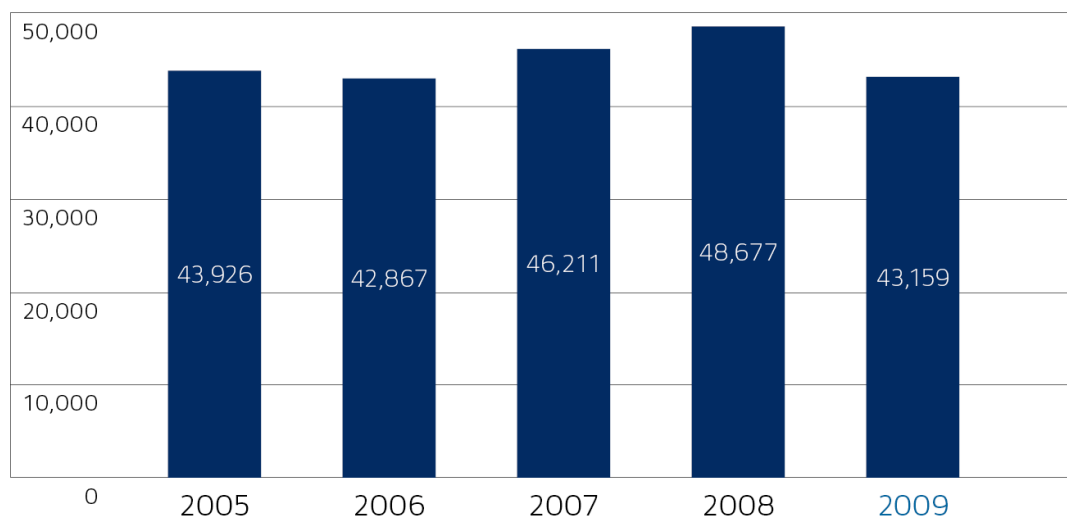
<i>2009 OBJECTIVES AND TASKS</i>
<i>To reduce the waste produced +</i> <i>To sort and recycle more of the waste produced compared to the previous year +</i> <i>To look for possibilities to reduce wastewater treatment waste taken to landfill +</i> <i>To look for possibilities to reduce Networks' excavation soil +</i> <i>To recycle all sludge +</i> <i>To ensure sludge handling compliance with the requirements of the waste permit +</i>

A total of 43,159 tons of waste, which is 5,000 tons less than during the previous year, was produced in Company in 2009.

Most of the waste produced is non-hazardous waste. The majority of the Company's waste is produced at the Wastewater Treatment Plant and in the networks department.

Waste produced 2005-2009

in tons



WASTE RELATED TO WASTEWATER TREATMENT

The largest share, i.e. over 70% of none-hazardous waste was wastewater sludge as a by-product from the wastewater treatment process. Other treatment process related waste such as waste from screens and sand traps' sludge is also produced in significant amounts.

The amount of sludge, but also of waste from screens and sand trap grids, depends directly on the amount of incoming wastewater, the weather conditions and the efficiency of the city's road cleaning service. The amount of sludge produced was less in 2009, but more waste was collected from the screens than in 2008.

All sludge is reused, the Company stopped depositing it to landfill in 2003. In addition to wastewater sludge processing, possibilities for additional treatment of other waste created in wastewater treatment and reduction of waste going to landfill are explored. The possibility of washing screen waste and sand trap's sludge produced during mechanical treatment prior to transportation to landfill was also considered.

In 2008 one screen waste press with a washer was installed for testing at the screens used for removing large waste. Testing showed that it is reasonable to systematically regulate the volume of water required for washing the waste and it was decided to combine the employment of waste pressed with washers with the

entire mechanical treatment reconstruction project. This project, aimed at reducing the volume of waste and increasing the efficiency of mechanical treatment, continued in 2009.

EXCAVATION WASTE

The amount of excavated soil and stones, which form the bulk of the waste produced at networks maintenance and repair works, has been relatively similar over the past few years. In connection with the amendments to the requirements of local government excavation regulation and supervision in May 2008, which set an obligation for performers of excavation works to carry out asphalt restoration works on a couple of major sites the amount of asphalt waste has increased significantly in 2008 and 2009.

SORTED OFFICE WASTE

In 2009 the Company continued to separate paper and cardboards as well as packages from mixed municipal waste, in order to allow further recycling and use. The proportion of electronic bills to customers was increased and double-sided printing was made automatic, where possible, in order to reduce the amount of paper used. The Company also collects biodegradable waste separately from mixed municipal waste since 2008 in order to ensure compliance with legislation .

HAZARDOUS WASTE

The share of hazardous waste of all waste is small, below 1%, and its amounts have remained stable over recent years. The largest category of hazardous waste is old oil and oil waste, which is the result of maintenance works in machinery and equipment.

Similarly to the recent years, the proportion of reusable waste from ordinary waste is over 90%, with both sludge reusage and reusable waste delivered to partners taken into account.

Types and amounts of the more significant waste 2005-2009, in tons

TYPE OF WASTE	2005	2006	2007	2008	2009
Mixed municipal waste	156	149	134	115	145
Paper and cardboard	11	11	14	14	13

Packages	1	1.4	2	4	4.7
Biodegradable waste				2.5	5.2
Waste from screens	273	280	275	286	337
Wastewater sludge	36,404	35,434	33,834	35,691	31,087
Sandtraps grid	319	288	957	1,105	975
Excavated stones and soil	6,000*	6,000*	10,432	10,334	9,569
Asphalt waste	81	301	489	1,021	947
Mixed building waste	8	209	31	33	43
Concrete and bricks	34	36	8	48	29
Metal scrap	118	39	28	14	0.5
Hazardous waste	4	4	3,5	5	4
Other waste	517	115	1,5	4,5	1
TOTAL	43,926	42,867	46,209	48,678	43,159

* Estimated volumes

** Possible to reuse

SLUDGE REUSAGE

The main part of recycled waste was wastewater sludge. Sludge mixed with peat, i.e. the sludge mixture, can be used for landscaping and horticulture. Sludge mixture is prepared on 14 ha of composting fields constructed on the territory of the wastewater treatment plant, a part of the sludge is also transported to the Company's field in Liikva.

The Wastewater Laboratory monitors the sludge mixture quality on a regular basis. The results of analyses confirmed the compliance of the sludge mixture with regulatory requirements in force. 31,942 tons of sludge mixture was sold to customers in 2009, which is more than twice as much as in 2008.

RESEARCH INTO SLUDGE REUSAGE POSSIBILITIES

Already in 2002 studies into the different possibilities of using wastewater sludge were conducted. The main purpose of the studies conducted to date was to evaluate different options for the use of sludge in the afforestation and recultivation of exhausted and closed quarries and in the afforestation of alvars. Any environmental impact on surface water and ground water, resulting from the use of sludge in afforestation, was also studied.

Based on the studies to date, the peat soils of bogs are the most suitable soil for afforestation. The tolerance of different tree species towards the amount of sludge used differs, being higher among bigger plants with a stronger root system. The main factors hindering tree growth in bogs are the insufficient air content of the soil, an excess amount of sludge as well as wild animals, to whom the trees in areas processed with sludge serve as a tasty forage.

WASTE PERMITS

PERMIT	VALID UNTIL	DESCRIPTION OF WASTE PERMIT
Waste Permit no L.JÄ.HA-31326 L.JÄ/317241	08.09.2009 09.09.2014	Issued for recycling stabilised waste in Paljassaare as regards part of stabilised waste, domestic wastewater sludge and biodegradable waste.
Waste Permit no L.JÄ.HA-34941 L.JÄ/317829	30.12.2009 30.12.2014	Issued for recycling stabilised waste and for transporting waste to Liikva as well as for recycling biodegradable waste.

The conditions of waste permits related to sludge recycling were met in 2009.

Compliance with Paljassaare waste permit L.JÄ.HA-31326, in tons

TYPE OF WASTE	Permitted	Actual				
		2005	2006	2007	2008	2009
Domestic wastewater treatment sludge	300,000 450,000	36,404	35,434	33,834	35,691	31,087
Stabilised waste	40,000 45,000	24,547	25,935	24,429	26,270	16,784
Biodegradable waste	10,000	0	0	0	0	0

Compliance with Liikva waste permit L.JÄ.HA-34941, in tons

TYPE OF WASTE	Permitted	Actual				
		2005	2006	2007	2008	2009
Stabilised waste	15,000	8,857	9,499	9,405	9,421	14,303
Biodegradable waste	3,000	0	0	0	0	0

ENERGY CONSUMPTION

<i>SIGNIFICANT ENVIRONMENTAL ASPECTS</i>	<i>IMPACTS</i>
<i>Energy consumption</i>	<i>Contributing to the pollution of the environment due to the production of electricity, decrease in natural resources</i>
<i>Fuel consumption</i>	<i>Decrease in non-recoverable natural resources, wasting</i>

2009 OBJECTIVES AND TASKS

To use energy resources more efficiently and more sparingly +

To increase the effective use of biogas, gas engine hours run of 5250 hours -

To review the use of transport, using less vehicles and being thereby more efficient +

To increase the level of remote monitoring of pumping stations and require less operational visits +

ELECTRICITY CONSUMPTION

The majority of electricity consumed is used for running the core processes of the Company – in the Water and Wastewater Treatment Plants, and in the Networks to operate pumping stations and other equipment.

The total consumption of electricity by the Company had steadily increased up to 2008, mostly due to updating the technological process of wastewater treatment and due to extending the operating area of the networks' pumping stations. In 2009 however, electricity consumption decreased.

Electricity generated from biogas compensates for the use of grid electricity to a certain degree (see more further).

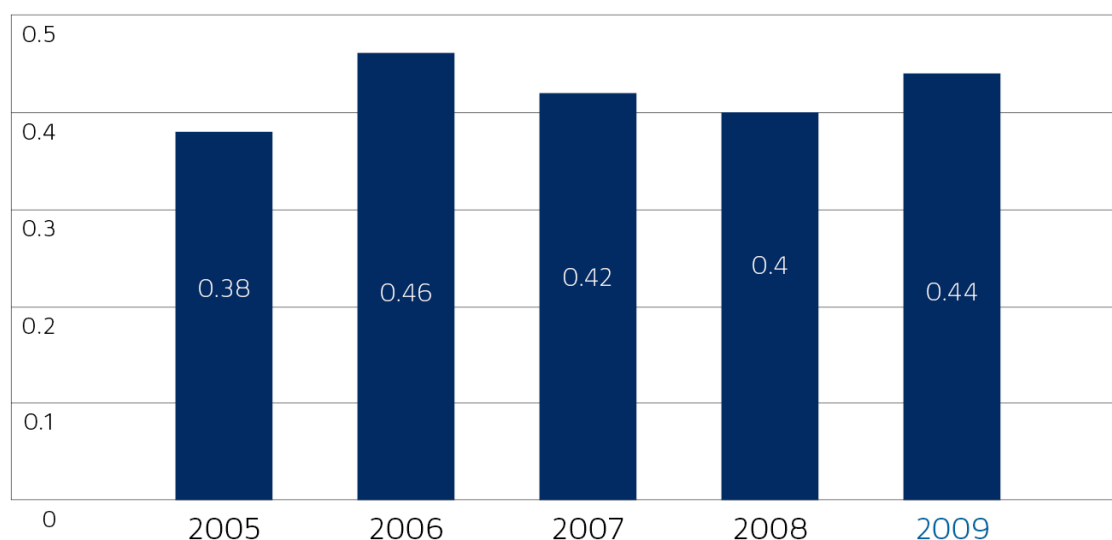
Electricity consumption 2005-2009, kWh

Unit	2005	2006	2007	2008	2009
Water Treatment	10,968,383	10,173,744	10,389,547	10,237,200	10,371,961
Wastewater Treatment	17,599,611	18,803,680	19,443,371	20,167,157	19,645,827
Incl electricity from biogas	2,330,691	1,190,978	1,159,057	1,390,471	730,299
Networks pumping stations	5,554,768	5,636,745	5,588,984	6,213,493	5,964,515
Other	981,480	982,193	994,502	924,809	885,720
TOTAL	35,104,242	35,596,362	36,416,336	37,543,659	36,868,023

The increase in energy demand linked to the new technology used in wastewater treatment is illustrated by electricity consumption per unit of wastewater treated, which has been higher over the last four years, since the reconstruction of the process, but has stabilized. Electricity consumption is to a large degree also impacted by the weather, e.g. constantly wet periods allow steady pumping and do not cause energy peaks when frequently pump restarts.

Electricity consumption per unit of wastewater treated 2005-2009

kWh/m³

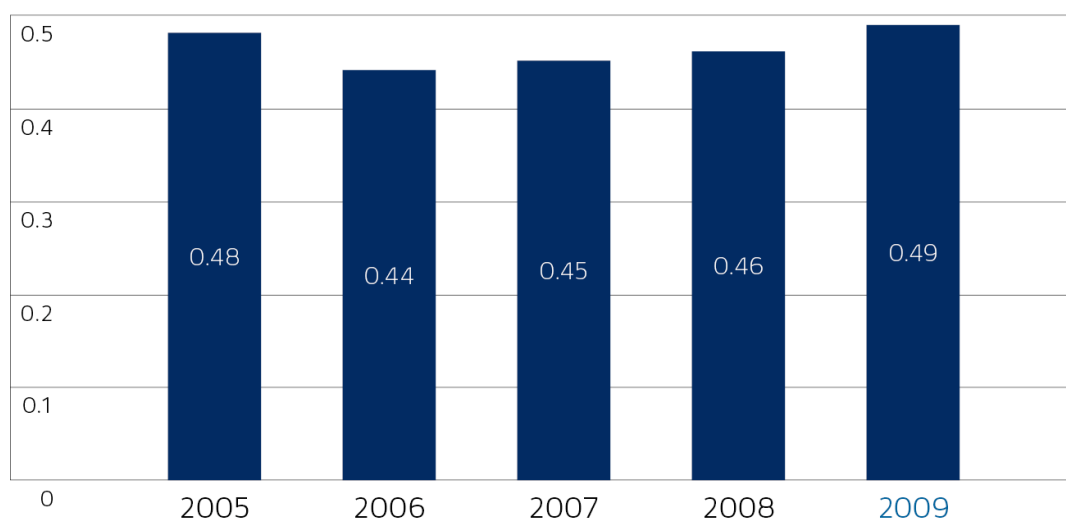


Less electricity per purified drinking water unit is used to keep the water treatment process running. This is primarily influenced by the production of ozone, which was larger in quantity than usual in

2009.

Electricity consumption per unit produced at the Water Treatment Plant 2005-2009

kWh/m³



USE OF ENERGY

GREEN ENERGY

An excellent opportunity for reducing damage to the environment is the use of green energy. For the Company this means maximum usage of biogas created as a result of sludge fermentation in sludge handling in other processes.

An intra-Company study was carried out in 2008 in different units to identify additional opportunities for the use of wind and hydro energy. Regarding wind energy it was concluded that the Company should seek contacts with the developers of wind parks already under planning, as not enough land is available on the Company's territory in locations suitable for wind power plants (e.g. next to water reservoirs). Paljassaare Wastewater Treatment Plant is also unsuitable, as it is located in a

densely populated area and adjoins a bird conservation area. For details on hydro energy, please refer to page 68.

BIOGAS REUSAGE

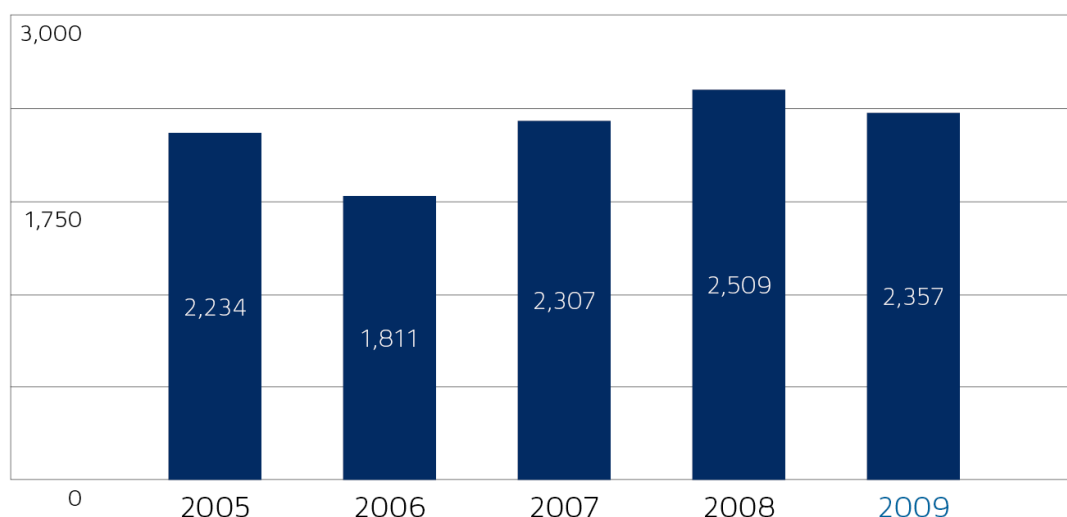
Over recent winters the production of biogas has been hindered by wastewater collected from the streets, which has mixed with snow clearing chemicals and caused disruptions in the digesters' fermentation process. In 2009, the digesters were operated by using an operating tactic implemented in 2008, which helped to keep the biogas production at the same level as in the previous year.

In 2008, a total of 2,356,540 m³ of biogas was produced in Paljassaare Wastewater Treatment Plant digesters. Biogas is directed to an air blower operating on a gas engine, which produces air necessary for the biological treatment bacteria, or to the boiler house for heat production.

In 2009, 76% (1,792,745 m³) of biogas was used for operating the gas engine or for heat production. A part of the biogas produced was burned in connection with emergency interruptions of the gas engine.

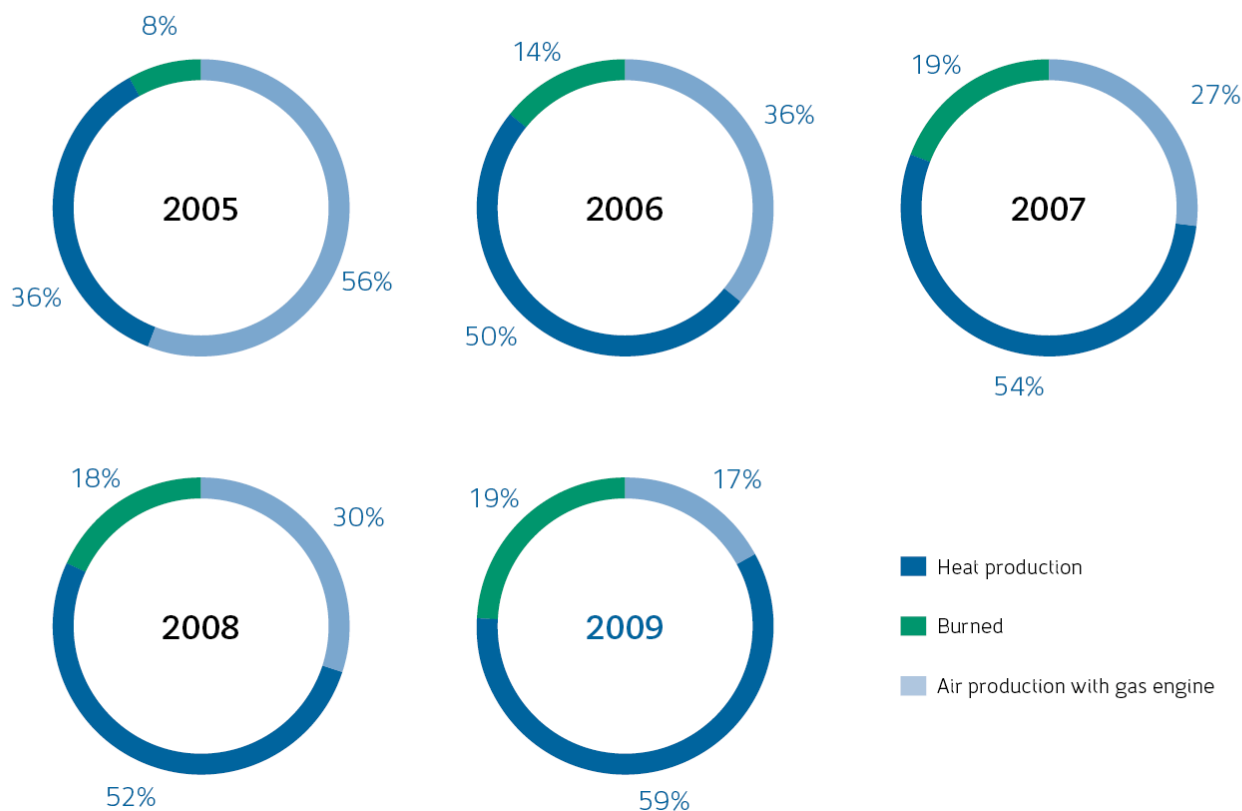
Biogas production 2005-2009

thousand m³



Biogas usage 2005-2009

%



Biogas contains about 70% of methane, which is explosive and is one of the gases recognized as having a negative impact on the ozone layer. In 2009, there were no accidents related to biogas.

OPPORTUNITIES FOR PRODUCING HYDRO ENERGY

Regulating the water regime of the catchment system, the damming up of rivers and the availability of excess water resources in years of average precipitation have created the conditions for producing hydropower. Since 2003 a hydropower plant is in use on Kaunissaare dam, operated by OÜ Kaunissaare Hüdrolektrijaam. Starting from 2008 a hydropower plant is also operating in the Soodla water reservoir dam, which is operated by OÜ Uus Energia. The maximum capacities of these hydropower plants are ca 260 kW and 170 kW respectively.

FUEL CONSUMPTION

Altogether the Company has 137 vehicles for carrying out different operating tasks, over half of them use petrol for fuel. The biggest group of vehicles is passenger cars

and operating vehicles, including minivans and team vans. A smaller group of vehicles includes special purpose vehicles such as jetting and suction trucks, water tank lorries, tractors, trailers, water tanks and trucks.

Fuel consumption has decreased somewhat, compared to the previous year. The decrease in consumption has been influenced by many factors, e.g. mobile workstations have been established in the Networks Department in order to reduce the mileage when performing maintenance works, also the Company has carried out several projects to monitor and control the fuel consumption.

The Company controls fuel consumption primarily through limits set for car users. Options for a more efficient use of transport were analysed in 2008 and 2009 and the Company has planned activities for the following years by mapping the movement of the Company's vehicles.

The use of environmentally friendlier fuel has decreased compared to the previous year, the primary influence on consumption being the higher price of this fuel.

Fuel consumption in litres, 2005-2009

	2005	2006	2007	2008	2009
Petrol	117,483	123,868	135,251	141,644	126,286
Incl more environment friendlier fuel	10,557	10,202	8,885	6,782	4,471
Diesel	229,224	216,604	210,827	205,738	201,351
TOTAL FUEL	346,707	340,472	346,078	347,382	327,637
Total number of vehicles	146	147	135	140	137

AIR EMISSIONS

<i>SIGNIFICANT ENVIRONMENTAL ASPECTS</i>	<i>IMPACTS</i>
<i>Emission of exhausts</i>	<i>Polluting the air</i>

<i>2009 OBJECTIVES AND TASKS</i>
<i>To ensure compliance with the requirements of the environmental permits +</i>
<i>To reduce air pollution +</i>

In order to reduce ambient air pollution, the Company focuses on limiting the amount of pollutants emitted from Ülemiste and Paljassaare boiler houses, particularly the pollutants of primary importance, such as nitrogen dioxide, carbon monoxide and volatile organic compounds as well as CO₂ greenhouse gas emissions. Also the emissions of ozone produced for drinking water treatment are regulated.

The Company pays a pollution charge for pollutants emitted into ambient air. In 2009 the charge remained under 1% of the total pollution charge paid. The requirements set with the ambient air pollution permits were all met.

PERMIT	VALID UNTIL	DESCRIPTION OF AMBIENT AIR POLLUTION PERMIT
Pollution permit no L.ÕV.HA-21334	31.12.2010	Valid for Ülemiste Water Treatment Plant pollution sources – the chimney of the boiler house and the exhaust pipe of the diesel generator. Establishes the list of pollutants emitted into ambient air and the annual permitted emission amounts thereof.
Pollution permit no L.ÕV.HA 48701	termless	Valid for Paljassaare Wastewater Treatment Plant pollution sources – the chimney of the boiler house, exhaust pipes, the chimney of the combined heat plant. Establishes the list of pollutants emitted into ambient air and the annual permitted emission amounts thereof.
Pollution permit no L.ÕV.HA-21490	31.12.2010	Valid for a pollution source at Ülemiste Water Treatment Plant - the ventilation system of the ozone production plant. Establishes the list of pollutants emitted into ambient air and the annual permitted emission amounts thereof.

Ambient air pollution from Water Treatment Plant pollution sources 2005-2009, in tons

Pollutant	2005		2006		2007		2008		2009	
	Permitted	Actual	Permitted	Actual	Permitted	Actual	Permitted	Actual	Permitted	Actual
Nitrogen dioxide	2.4	1.6	2.4	1.9	2.4	1.5	2.4	1.4	2.4	1.4
Carbon monoxide	1.9	1.6	1.9	1.8	1.9	1.5	1.9	1.3	1.9	1.3
Volatile organic compounds	0.17	0.1	0.17	0.12	0.17	0.1	0.17	0.1	0.17	0.09
Carbon dioxide	1,691	1,490	1,691	1,660	1,691	1,360	1,691	1,209	1,691	1,145
Sulphur dioxide			0.01	0.001	0.01	0	0.01	0	0.01	0
Total solid particles			0.05	0.003	0.05	0.002	0.05	0.002	0.05	0.003

Ambient air pollution from Wastewater Treatment Plant pollution sources 2005- 2009, in tons

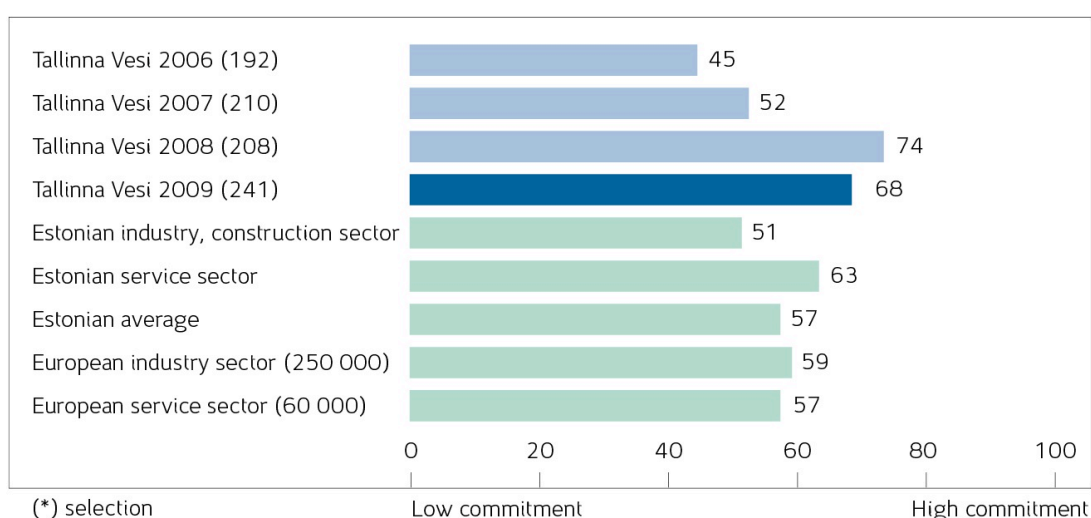
Pollutant	2005		2006		2007		2008		2009	
	Permitted	Actual	Permitted	Actual	Permitted	Actual	Permitted	Actual	Permitted	Actual
Nitrogen dioxide	31.6	26.5	29.8	14.2	29.8	14.9	29.8	17.4	29.8	10.6
Carbon monoxide	216.4	190.1	210.1	97.9	210	96.5	210	115	210	62.3
Volatile organic compounds	14.4	12.7	14.0	6.8	14	6.4	14	7.7	14	4.2
Carbon dioxide	6,439	4,480	4,440	3,438	4,440	4,798	4,440	3,697	4,440	3,229
Hydrogen sulphide					17.8	18.7	17.8	17.5	17.8	16.9

ORGANISATION AND EMPLOYEES

At the end of 2009, AS Tallinna Vesi employed 320 employees under permanent employment contracts and 15 employees under contracts for services. In connection with the takeover of the assets and employees of AS Maardu Vesi, the number of full time employees of the Company rose to 352 on 1 July. The extensive restructuring, initiated in the fourth quarter, resulted in a reduction in the number of management positions, merger of certain functions of the units in the production division, and termination of the provision of design service. As a result of these changes, the number of full time employees reduced by 9 per cent by the end of the year.

Commitment and satisfaction of employees remained at a high level in comparison to Estonia's average in 2009 (Figure 1), but decreased by six points from the results of the 2008 employee satisfaction survey. This was mainly caused by the structural changes at the end of the year and the resulting uncertainty among employees. Therefore, important objectives of the Company in 2010 include improving information exchange, cooperation and increasing credibility of managers.

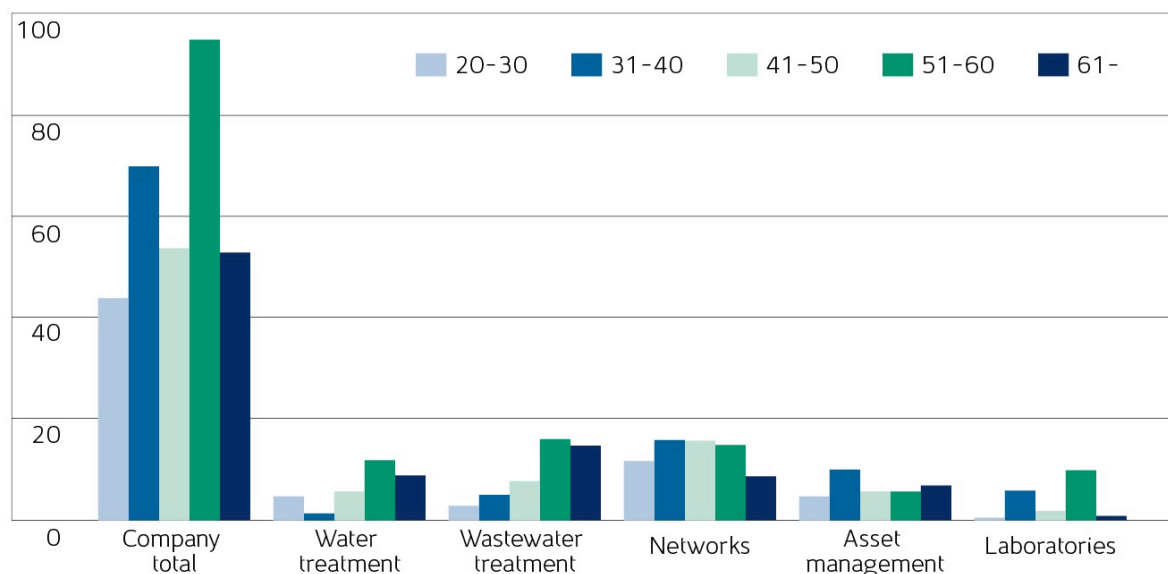
Figure 1 Commitment of the employees of AS Tallinna Vesi, 2006-2009, in comparison to Estonian and European average indicators.



Ensuring a sufficient number of committed employees with the required qualifications has been identified by the Company as a major priority in addition to increasing the efficiency of work organisation.

The average age of the employees of the Company is high (46.3 years) and a considerable number of employees in larger production units are older than 50 years (Figure 2). Consequently, a sizable portion of the employees will reach pensionable age in the coming years. Preserving the know-how and training a new generation of production specialists is one of the main priorities for the Company to secure achievement of business objectives.

Figure 2 Number of operations division employees by age groups 2009



AS Tallinna Vesi has launched several programmes to create opportunities for vocational and professional development for all employees who are willing and prepared to do so.

The main innovations in 2009 included:

- **Management Development Programme** – an assessment of the managers was carried out in the spring of 2009 in cooperation with Fontes PMP and the resulting development targets are used as a basis to organise training and development in 2009-2011. 24 senior, middle and frontline managers and specialists are involved in this programme.

- **Project Management Programme** – around 26 employees of the Company joined this voluntary programme to acquire theoretical knowledge on project management and to gain experience with implementing projects within the Company.
- **Professional Competence Training** – there were 663 training days in total in 2009, which amounts to an average of two training days per employee.

Action plans have been put in place to train a new generation of specialists for the critical positions in the core business of the company. Developing a new generation of employees will be one of the main priorities for the Company in 2010 in addition to developing current employees.

Occupational health and safety

The activities of the Company in relation to work environment are in compliance with the requirements of legislation and the international occupational health and safety management system standard OHSAS 18001.

The work environment management system is based on an assessment of risks in the work environment and execution of activities aimed at preventing or reducing these risks. Workplaces are under constant internal monitoring and additional internal and external audits of the management system are carried out as well.

In 2009, the main focus of the Company was on three aspects: continuous improvement of the work environment in accordance with the requirements of the occupational health and safety management system OHSAS 18001, prevention of occupational accidents through a system of registration of accidents, which almost happened, i.e., “near misses”, and compliance with safety requirements for work at excavation objects. The Company achieved the objective established for 2009 – there were no occupational accidents, which resulted in absence from work. There were registered 8 near misses, 3 dangerous occurrences and 1 work accident, which did not cause absence from work in 2009.

Work environment training

Implementation and results of actions related to the work environment are largely dependent on awareness of employees and, therefore, much attention is paid to training, information resources and other actions to raise awareness on the issues of

the work environment. In the field of occupational safety, regular training courses on lifting and pressure equipment, construction safety, fire, electrical, chemical and gas work safety were conducted in 2009, together with courses on safe driving in the dark and on slippery roads for the drivers of the Company. In the field of occupational health, provision of training continued in the fields of first aid and ergonomics of office workstations.

The internal training course series “Change your mindset in safety issues”, launched in 2008, continued in 2009. The purpose of this training is to draw attention to the possibilities of implementing efficient and positive changes in the safety behaviour of employees. The training was intended for managers, senior specialists and working environment representatives. For the first time, a similar training course was organised for stakeholders from outside the Company, including representatives of contractors, officials of the Labour Inspectorate and the 3M Occupational Safety Club of the work environment specialists of the largest enterprises in Estonia. The Company also continued provision of information workshops for suppliers on occupational and environmental safety.

Raising the level of occupational safety

Several actions for improving the work environment were carried out in 2009 at treatment plants, water and sewerage networks, laboratories and offices. Important works included reconstruction or reconditioning of ventilation systems, improvement of the ergonomics of computer workstations in several departments and noise measurements. Lighting measurements were carried out in order to relocate, replace or upgrade lighting at workstations.

In 2009, the Company strongly focused on the prevention of occupational accidents, refining the system of registration of “near misses”, i.e., accidents that almost happened. This was done by creating the “Management Helpdesk” as an additional electronic tool, which enables all employees to communicate important information on faults discovered in their work environment (e.g., dead light bulbs, faulty ventilation, missing cleaning agents, etc.).

Promoting occupational health

For the fifth year, the Company successfully participated in the “Health Promoting Working Places” project, aimed at developing a healthy work environment, primarily by changing mindsets and increasing mutual involvement of employers and employees.

The Company organises various sports activities for its employees to promote healthy lifestyle. Employees of the Company have the opportunity to use two gyms, as well as squash and ball courts. All employees can also take part in the sporting events of the Company. With the assistance of a trainer from Firmsport OÜ, a group of employees of the Company were trained to be internal coaches of Nordic walking. This was followed by several joint Nordic walking events at Lake Ülemiste and on the Stroomi activity trail. Intranet and newsletter of the Company were used to raise health awareness of employees by drawing their attention to the importance of balanced nutrition and various sports activities outside the Company, urging everyone to participate. The success of the Company in the field of health promotion has been noticed by other organisations and, as a result, the occupational health and safety specialists of the Company are held in high regard as presenters among the members of the network of health promoting working places.

Employees attend regular health checks, as foreseen by law, which provide the basis for adjustment of working conditions where needed. In addition to the procedures foreseen by legislation, the Company provides influenza vaccinations to all interested employees and prophylactic massage according to the prescription of the occupational health doctor. The occupational health doctor can be consulted in the medical office of the Company.

A crisis plan for action in case of influenza pandemic was developed in 2009, the existing crisis guidelines were updated and departments were supplied with necessary personal protective and disinfecting equipment. Information on methods to prevent infection with the influenza virus was made available on the intranet, in the newsletter and on information stands.

EMPLOYEE INVOLVEMENT

The Company consistently introduces various environment and energy saving issues in its internal newsletter „Infotilk“ and on the intranet to increase its employees' environmental awareness and the Company's contributions towards a healthy and caring community. In 2009, the internal newsletter concentrated on simple energy saving tips in the office, fascinating facts about drinking water, on information about water as a limited resource and how to save water, cleaning the garbage and a nature photo competition.

The Company's employees and their family members took part in bee days, cleaning the surroundings of Soodla water reservoir in June and, in cooperation with local fishermen, the surroundings of Paunküla water reservoir in October.

CORPORATE SOCIAL RESPONSIBILITY

Considering the close cooperation with schools, kindergartens and high schools, the Company decided to combine the various projects into one environmental education programme for all educational levels, starting from primary schools and up to universities. In 2009, further project-based activity was agreed, starting from the environmental audit project for younger school age with an aim to increase children's environmental awareness. This project will be launched in 2010.

In addition to the water related computer game „Traveller Drop“ issued in 2008, the Company continued to improve children's environmental awareness in 2009 by launching a pilot project on tap water in cooperation with Lilleküla Gymnasium. Throughout this project, public water points were established in the busy spots of the schoolhouse where children and adults as well can drink tap water or fill their drink bottles.

From June to October the Company supported the Flower Festival in Tallinn's Old Town by providing free water from a hydrant and from water tankers.

In October the Company helped to turn Lasnamäe city district into more green area – the idea of planting more trees in Lasnamäe in order to improve the living

environment was elaborated during the My Estonia brainstorming day, the Company supported the event by providing free water.

In 2009, the Company, together with Swedbank, was ranked as no 1-2 in the Estonian Responsible Business Index, compiled by CSR Forum. This was the third year for the Company to participate in the formation of the Index with the purpose of assessing the economic, social and environmental impact of its activities and passing the respective information to its stakeholders and other interested parties.

In 2009 the Company complemented its corporate social responsibility strategy with an aim to merge the existing community and environment related projects with everyday activities and to scheme further action plans in order to increase the impact of sustainability in Estonia and later on also elsewhere.

COMMUNICATION WITH STAKEHOLDERS

The Company wishes to be a reliable partner for its customers, investors, employees and the community by regularly publishing information on its activities, financial standing and results.

Regular cooperation with the trade union and the work environment council helps the Company to better take into account the wishes of its employees.

The Company has had regular meetings with client representatives - apartment houses and associations to discuss issues related to billing, regulation, and individual service problems. The Company's representative appeared with a presentation on water efficiency and tap water quality at the Energy Saving Week seminar for apartment associations on November 9th. Customer feedback is also obtained through monthly satisfaction surveys.

One of the aims of the Company is to increase awareness about its services and its impact. The Company's traditional open door days brought a record number of 350 visitors, 50 of them children at our Wastewater Treatment Plant in Paljassaare on May 23, 2009. A record number of 700 locals visited Water Treatment Plant in Ülemiste on August 29th. During the open door days the Company's employees showed the visitors around and explained how the water purification and the wastewater treatment processes work.

As a member of the board of the Estonian Water Companies Association (EVEL) the Company organised various water and wastewater related seminars and training courses for the members.

In 2009, the Company has actively participated in consultation rounds regarding those new legislative acts that affect the water industry and the environment via Estonian Water Companies Association (EVEL), Estonian Quality Managers Association, Estonian Chamber of Commerce and Industry and the Tallinn Stock Exchange by providing opinions on draft acts and made proposals for their amendment.

EMAS VERIFICATION

DNV Certification Oy/Ab has an accredited verifier (FI-V-0002) examined the environmental management system and the information given in the 2009 environmental report of Tallinna Vesi.

It has been verified on April 15th, 2010 that both the environmental management system and the environmental report fulfill the requirements of EU Council Regulation 761/2001 of Eco Management and Audit Scheme EMAS.

The environmental report is available on the website at www.tallinnavesi.ee

Next report will be published before the end of August 2011.