

AS TALLINNA VESI

Results of operations in the nine months to 30 September 2005

Key performance indicators

Amounts in million EEK

	9 months 2005	9 months 2004	Change
Sales	440,8	403,8	9,2%
Main operating activities	409,6	356,4	14,9%
Other operating activities	31,1	47,4	-34,3%
Gross profit	264,9	213,6	24,0%
Gross profit margin %	60,1%	52,9%	13,6%
Operating profit	208,9	194,7	7,3%
Operating profit margin %	47,4%	48,2%	-1,7%
Profit before taxes	167,6	153,9	8,9%
Profit before taxes margin	38,0%	38,1%	-0,3%
Net profit	132,2	127,6	3,6%
ROA %	5,6%	5,9%	-5,3%
Debt to total capital employed	57,2%	56,2%	1,8%

ROA – Net profit / Total Assets

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

CEO of Tallinna Vesi, Bob Gallienne: “The Company is pleased to announce quarter 3 results in line with expectations. Profit before tax for the quarter increased by 55.2 mln kroons due to revenue growth and strong cost control. The company continues to outperform its contractual levels of service and has once again received official confirmation from the Supervisory Foundation that all 97 levels of service were fully met in 2004. To ensure compliance with the water quality standards, which will come into effect in 2007, we are continuing to make significant investments in fixed assets. Due to this we already are achieving a 97.08% compliance with the 2007 standards. In the third quarter of 2005 the company invested 56.4 mln kroons in the purchase and construction of fixed assets, significantly higher than the depreciation charge of 19 mln kroons.

Since we last reported the company has, on 14 October 2005, received the Eco-Management and Audit Scheme (EMAS) certification from the Ministry of Environment. The Company was chosen as a pilot project for this EU award in Estonia and is very proud to be the first Company in Estonia to receive the certification. Another clear demonstration of our commitment to the environment. In addition we implemented our new Customer Service and Billing system which will enable us to significantly improve the range of service options available to our customers.”

Income Statement

In the first nine months of 2005 sales from the Company’s main operating activities grew by 53.2 mln EEK, or 14.9% to 409.6 mln EEK. Sales from water and wastewater increased by 16.6%, which was in accordance with expectations and is largely attributable to the increase in water and sewerage tariffs from 1 January 2005 for the Company’s residential and commercial customers.

Sales volumes of water and wastewater supplied and treated in the residential and commercial sectors grew, year on year, by 0.3% and 0.5% respectively. Sales volumes of wastewater treatment services provided to surrounding municipalities outside of the services area reached almost 734,000 m³ in the first nine months of 2005, an increase of 5% on the corresponding period in 2004. Sales from stormwater treatment and disposal, fire hydrant and other work and services increased to 40.96 mln EEK, or by 1.7% compared to the same period in 2004.

Profits from other operating activities the first nine months of 2005, primarily connections income, were 3.4 mln EEK, a 1.8 mln EEK decrease from 2004 levels.

Cost of goods sold for the main operating activity was held down to 148.1 mln EEK in the first nine months of 2005, an increase of 0.1 mln EEK or 0.1% from the equivalent period in 2004. With inflation at 4.9% for the twelve month period to Sept 2005 this is a real decrease and, was achieved by cost savings resulting from improved procurements and processes in the operations activity.

The Company's gross profit for the first nine months of 2005 was 264.9 mln EEK, which represents an increase of 51.3 mln EEK, or 24.0%, compared to a gross profit of 213.6 mln EEK for the first nine months of 2004.

As a result of the above factors the Company achieved an improved gross profit margin of 60.1% for the first nine months of 2005 compared to 52.9% for the first nine months of 2004. This indicates the Company's ability to control operating costs and to convert the sales growth in main operating activities into improved profit margins.

General administration expenses increased by 22.8 mln EEK from 30 mln EEK in the first nine months of 2004 up to 52.9 mln EEK in first nine months of 2005. This was attributable to the one-off IPO costs, Tallinn Stock Exchange listing costs and lower capitalisation of operating expenses.

Other income, net, was 1.75 mln EEK for the first nine months of 2005, representing a decrease of 13.9 mln EEK compared to other income, net, from the corresponding period in 2004. In 2005, other income gained from land sales has been offset by IPO costs of 8.5 mln EEK, whereas in the first nine months of 2004, land sales and provisions released to the profit and loss account resulted in a positive revenue stream of 15.6 mln EEK.

IPO costs in total were 26.0 mln EEK, being made up of 19.9 mln EEK for professional services and 6.1 mln EEK for the cost of a staff bonus.

The Company's operating profit for the first nine months of 2005 was 208.9 mln EEK, which represented an increase of 14.2 mln EEK, or 7.3%, over the operating profit of 194.7 mln EEK for the first nine months of 2004.

Income taxes increased by 9.1 mln EEK, from 26.3 mln EEK in first nine months 2004 up to 35.4 mln EEK in first nine months of 2005 as a result of the improved dividend.

The Company's net profit for the first nine months of 2005, including the impact of one-off IPO costs, was 132.2 mln EEK, a increase of 4.6 mln EEK compared to the corresponding period in 2004.

Balance sheet

The Company's total assets were 2,380.0 mln EEK as at 30 Sept 2005, an increase of 203.6 mln EEK year-on-year. Current assets increased by 85.8 mln EEK, largely attributable to an increase in cash.

Tangible and intangible fixed assets and asset constructions in progress totalled 1,953.3 mln EEK at 30 Sept 2005, an increase of 64.7 mln EEK of the fixed asset base in the year, demonstrating the Company's investment in assets in order to continually improve services to customers.

Current liabilities increased by 104.0 mln EEK, reflecting an increase in deferred income (45.6 mln EEK prepayment for the sale of fixed assets and a 47.6 mln EEK increase in the current portion of long-term loans). Long-term liabilities increased by 34.0 mln EEK up to 1,104.4 mln EEK at the end of Sept 2005 mainly due to the final drawdown of the EBRD loan in the value of 109.6 mln EEK in April, which was partially offset by the first repayment of principle on the long-term loan in the amount of 43.7 mln EEK in May 2005.

Cash flow

In the first nine months of 2005, the Company's cash flow from operating activities was 181.8 mln EEK, a 13.3 mln EEK, or 7.9%, increase compared to the first nine months of 2004 reflecting the increased operating profit in the period.

Total cash inflow in the first nine months was 72.8 mln EEK compared to a cash inflow of 13.6 mln EEK in the first nine months of 2004. Cash and cash equivalents stood at 173.8 mln EEK as at 30 Sept 2005, an increase of 76.1 mln EEK from 30 Sept 2004.

Dividends and share performance

In first nine months of 2005, the Company paid out a dividend in a value of 112 mln EEK based on the operational results of 2004

Starting from 1 June 2005, AS Tallinna Vesi shares have been listed on the main list of the Tallinn Stock Exchange. AS Tallinna Vesi shareholders, with a holding over 5% as of 30 September 2005, were:

United Utilities (Tallinn) BV	35.3%
City of Tallinn	34.7%
Nordea Bank Finland Plc clients account trading	11.69%

At the end of the reporting period, 30 Sept 2005, the closing price of the AS Tallinna Vesi share was 14.35 EUR, which is a 55.1% premium on the initial public offering settlement price of 9.25 EUR.

Eteri Harring
Head of Treasury and Investor Relations
Ph. + 372 6262 225
eteri.harring@tvesi.ee