

AS TALLINNA VESI**Results of Operations for the Three Months ended 31 March 2005***Net sales*

The substantial majority of the Company's net sales is attributable to sales from its main operating activities. Sales from the Company's main operating activities comprise primarily recurring revenues from the Company's (i) water treatment and supply service, (ii) wastewater collection, treatment and disposal service and (iii) stormwater collection, treatment and disposal service on behalf of the City of Tallinn. The remainder of the Company's net sales are attributable to its revenues from other operating activities, which comprise its water, sewerage and stormwater connections construction income on behalf of the City of Tallinn and other customers such as individual connectees (residential and commercial) and developers (residential and commercial) wishing to connect to the network.

All net sales data set out below excludes applicable VAT (tariff rates are stated inclusive of VAT).

The following table provides information regarding the Company's net sales by operating activity, as well as the contribution of these activities as a percentage of net sales, for each of the three month periods ended 31 March 2004 and 2005:

	Three months ended 31 March			
	2004		2005	
	<i>(EEK millions)</i>	<i>(per cent.)</i>	<i>(EEK millions)</i>	<i>(per cent.)</i>
NET SALES				
Sales from main operating activities				
Water supply service.....	56.0	37.4	68.5	43.8
Wastewater disposal service	50.7	33.8	57.6	36.8
Stormwater treatment and disposal service.....	11.2	7.5	11.6	7.4
Fire hydrants service.....	0.5	0.3	0.5	0.3
Other work and services	1.3	0.9	1.1	0.7
Total sales from main operating activities	119.7	79.9	139.3	89.0
Revenues from other operating activities				
Water, sewerage and stormwater connections construction income.....	30.1	20.1	17.3	11.0
Total net sales.....	149.8	100.0	156.6	100.0

Sales from main operating activities

Sales from the Company's main operating activities increased by EEK19.7 million, or 16.4 per cent., from EEK119.7 million for the three months ended 31 March 2004 to EEK139.4 million for the three months ended 31 March 2005. This increase was almost entirely attributable to (i) an increase of EEK12.5 million in water supply service, from EEK56.0 million for the three months ended 31 March 2004 to EEK68.5 million for the three months ended 31 March 2005 and (ii) an increase of EEK6.9 million in wastewater disposal service, from EEK50.7 million for the three months ended 31 March 2004 to EEK57.6 million for the three months ended 31 March 2005.

The increase in sales attributable to the Company's water supply service was due primarily to increases in water tariffs for both the Company's residential and commercial customers. Residential water tariffs rose during the period from EEK10.08 per cubic metre to EEK11.67 per cubic metre and commercial water tariffs also rose, from EEK24.44 per cubic metre to EEK28.28 per cubic metre. Sales attributable to the Company's water supply service during the three months ended 31 March 2005 also increased as a result of the billing of a commercial customer for un-invoiced water from prior periods (amounting in aggregate to EEK0.9 million) and a slight increase in volumes when compared to the corresponding period in 2004. In addition, although actual volumes invoiced in the periods under review were broadly flat, as a result of the normal operation of the Company's billing cycle, a substantial number of the Company's customers were not invoiced during the three months ended 31 March 2005 for volumes consumed during that period. Net sales attributable to the Company's water supply service are therefore based on actual volumes invoiced for the period, of approximately 4.8 million cubic meters, and the Company's estimation of the volumes consumed but not invoiced during the period (the latter amounting to approximately 0.14 million cubic meters). In respect of these additional estimated volumes, an accrual for receivables and additional net sales of EEK 1.4 million was recorded as at 31 March 2005. An equivalent determination of volumes which had been consumed but not invoiced was not deemed necessary for the three months ended 31 March 2004 as a result of the different operation of the Company's billing cycle during that period.

The increase in sales attributable to the Company's wastewater disposal service was entirely attributable to increases in sewerage tariffs for both the Company's residential and commercial customers. Residential sewerage tariffs rose during the period from EEK8.15 per cubic metre to EEK9.44 per cubic metre and commercial sewerage tariffs also rose during the period, with rate SG2, the common minimum applicable rate, increasing from EEK18.12 per cubic metre to EEK20.98 per cubic metre.

Revenues from other operating activities

Revenues from other operating activities decreased by EEK12.8 million, or 42.6 per cent., from EEK30.1 million for the three months ended 31 March 2004 to EEK17.3 million for the three months ended 31 March 2005. This decline was due entirely to a reduction in confirmed payments from the City of Tallinn for connections from network extensions and a reduction in connections income from new customers. Revenues from the City of Tallinn are only recognised in the income statement when a project is completed and compensation is confirmed, whereas revenues from individual connectees and developers are generally recognised when construction is complete.

Costs of goods sold

The substantial majority of the Company's costs of goods sold is attributable to costs of goods sold from its main operating activities. Costs of goods sold from the Company's main operating activities comprise primarily recurring costs relating to the Company's water supply service, wastewater collection, treatment and disposal service and stormwater collection, treatment and disposal service on behalf of the City of Tallinn. The principal recurring costs are depreciation and amortisation, staff costs (salaries, wages and other employee benefits) and charges for electricity used in the Company's operations, chemical costs, tax on special use of water and pollution tax. Other costs of goods sold relates to the direct production costs of the business and mainly comprises transport and asset maintenance costs.

The remainder of the Company's costs of goods sold is attributable to its costs of goods sold – other operating activities, which comprise its water, sewerage and stormwater connections construction costs on behalf of the City of Tallinn and other customers such as individuals and developers wishing to connect to the network.

The following table provides information regarding the Company's costs of goods sold by category, as well as their respective percentages of the Company's total costs of goods sold, for each of the three month periods ended 31 March 2004 and 2005:

	Three months ended 31 March			
	2004		2005	
	<i>(EEK millions)</i>	<i>(per cent.)</i>	<i>(EEK millions)</i>	<i>(per cent.)</i>
COSTS OF GOODS SOLD				
Costs of goods sold - main operating activities				
Depreciation and amortisation	18.4	24.2	18.3	28.3
Staff costs	11.9	15.7	10.5	16.2
Electricity	6.3	8.3	7.1	11.0
Chemicals	2.3	3.0	2.6	4.0
Tax on special use of water.....	2.4	3.2	2.4	3.6
Pollution tax.....	1.9	2.5	2.1	3.2
Other costs of goods sold.....	5.8	7.7	6.3	9.8
Total costs of goods sold - main operating activities	49.1	64.8	49.3	76.1
Costs of goods sold - other operating activities				
Water, sewerage and stormwater connections construction costs.....	26.7	35.2	15.4	23.9
Total costs of goods sold	75.8	100.0	64.7	100.0

Costs of goods sold – main operating activities

Costs of goods sold – main operating activities increased marginally by EEK0.2 million, or 0.3 per cent., from EEK49.1 million for the three months ended 31 March 2004 to EEK49.3 million for the three months ended 31 March 2005. The reduction in staff costs of EEK1.4 million between the two periods was offset by small increases in most other cost categories.

The reduction in staff costs resulted from lower bonus payments expensed to the income statement from the three months ended 31 March 2005 when compared to the prior period. The small increases across the other cost categories were primarily due to the impact of the extreme weather conditions on the Company's operations in January 2005.

Costs of goods sold – other operating activities

Costs of goods sold – other operating activities decreased by EEK11.3 million, or 42.1 per cent., from EEK26.7 million to EEK15.4 million for the three months ended 31 March 2004 and 2005 respectively. This decrease was due entirely to a reduction in confirmed payments from the City of Tallinn and a reduction in connections income from new customers. Costs incurred in relation to the Company's connections activities are only recognised in the income statement when a project is completed and compensation is confirmed as described above.

Gross profit

As a result of the factors discussed above, the Company's gross profit for the three months ended 31 March 2005 was EEK91.9 million, which represented an increase of EEK17.9 million, or 24.2 per cent., compared to gross profit of EEK74.0 million for the three months ended 31 March 2004.

The Company's gross profit margin was 58.7 per cent. for the three months ended 31 March 2005, compared to 49.4 per cent for the three months ended 31 March 2004. This reflected the Company's ability to grow its sales at a faster rate than its operating costs during the period. In 2005, this was primarily as a result of the tariff increase on 1 January 2005.

General administration expenses

General administration expenses comprises staff costs, related depreciation and amortisation thereof and other general administration expenses for all staff in the Company's corporate services and commercial divisions, as well as costs incurred by the Company under the Technical Services Agreement.

General administration expenses increased by EEK0.7 million, or 6.5 per cent., from EEK10.6 million for the three months ended 31 March 2004 to EEK11.3 million for the three months ended 31 March 2005. Staff costs were EEK0.9 million below levels for the three months ended 31 March 2004, as a result of the over-accrual of 2004 staff bonus costs that were paid out in March 2005. Other general administration expenses for the three months ended 31 March 2005 were EEK1.6 million higher than levels for the three months ended 31 March 2004, mainly due to lower capitalisation of costs incurred in connection with the undertaking by the Company of its activities between the respective periods.

Other income/expenses

Other income/expenses consists mainly of profits/losses from fixed asset sales, movements on provisions such as bad debts or the ageing of stock, plus any non-business related expenses.

Other income, net was EEK12.2 million for the three months ended 31 March 2005, representing an increase of EEK1.8 million compared to other income, net of EEK10.4 million for the three months ended 31 March 2004. The principal component of the other income for the three months ended 31 March 2005 was the sale of excess land at Lake Ülemiste, whereas the principal component of the other income for the three months ended 31 March 2004 was the release of certain provisions for doubtful debts.

Operating profit

As a result, the Company's operating profit for the three months ended 31 March 2005 was EEK91.1 million, which represented an increase of EEK18.9 million, or 26.2 per cent., over the operating profit of EEK72.2 million for the three months ended 31 March 2004.

Financial income/expenses

Financial income/expenses comprises primarily the interest income received, and interest expense paid, by the Company during the relevant period, as well as certain other items of financial income and expenses.

Net financial expenses decreased by EEK0.6 million, or 4.4 per cent., from EEK13.6 million for the three months ended 31 March 2004 to EEK13.0 million for the three months ended 31 March 2005. This decrease was primarily attributable to improved cash management for the three months ended 31 March 2005.

Income tax on dividends

Income tax on dividends is recorded once the dividend payment for the year has been declared. A dividend of EEK112.0 million was declared on 22 March 2005 in respect of the 2004 financial year, giving rise to a tax charge of EEK35.4 million. However, the dividend in respect of the 2003 financial year was only declared on 20 April 2004, meaning that the related tax charge in 2004 did not fall within the first three months of the year under review.

Net profit

As a result of the factors discussed above, net profit for the three months ended 31 March 2005 decreased by EEK15.8 million, or 27.0 per cent., to EEK42.8 million, compared to net profit of EEK58.6 million for the three months ended 31 March 2004.

AS TALLINNA VESI

Quarterly report for the quarter ended 31 March 2005

Start of reporting period	1 January 2005
End of reporting period	31 March 2005
Address	Tallinn, Ädala 10
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Field of activity	Production, treatment and distribution of water; storm and wastewater disposal and treatment

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AS TALLINNA VESI

MANAGEMENT CONFIRMATION

The Management Board of AS Tallinna Vesi has prepared the interim accounts for the period ended 31 March 2005. The interim accounts are unaudited, but have been reviewed by auditors.

The preparation of the interim accounts according to International Financial Reporting Standards involves estimates made by the Management Board of the Company's assets and liabilities as at 31 March 2005, and of income and expenses during the financial year. These estimates are based on current information about AS Tallinna Vesi and consider all plans and risks as at 31 March 2005. The actual results of these business transactions recorded may differ from such estimates.

Any subsequent events that materially affect the valuation of assets and liabilities until the preparation of the interim accounts as at 15 April 2005 have been assessed as part of this review.

By order of the Management Board

Robert John Gallienne

Chairman of the Management Board

15 April 2005

AS TALLINNA VESI

CONDENSED BALANCE SHEET
AT 31 MARCH 2005 AND 31 DECEMBER 2004

(thousand EEK)

ASSETS	Note	31 March		31 December
		2005	2004	2004
CURRENT ASSETS				
Cash at bank and in hand		148 196	125 130	101 000
Customer receivables		70 446	50 550	51 644
Other receivables		4 525	909	66
Accrued income and prepaid expenses		10 105	3 422	3 886
Inventories		3 594	5 620	3 266
Assets for sale		1 620	2 043	1 621
TOTAL CURRENT ASSETS		238 486	187 674	161 483
NON-CURRENT ASSETS				
Shares of associated companies		0	6 126	0
Long-term deposit		77 796	31 595	77 538
Other long-term investment assets		0	2 564	1 330
Tangible assets	2	1 774 234	1 777 915	1 779 897
Intangible assets	2	21 196	20 623	18 460
Construction in progress	2	110 061	72 483	102 634
Unfinished pipelines - new connections	2	71 668	71 755	79 675
Prepayments for fixed assets	2	23 452	3 889	3 648
TOTAL NON-CURRENT ASSETS		2 078 407	1 986 950	2 063 182
TOTAL ASSETS		2 316 893	2 174 624	2 224 665
LIABILITIES				
CURRENT LIABILITIES				
Current portion of long-term finance lease		1 655	2 246	1 777
Current portion of long-term bank loans		87 086	0	87 086
Trade and other payables, incl. dividends		136 577	68 864	55 707
Taxes payable		60 256	19 962	20 534
Short-term provisions		130	6 008	912
Deferred income		60 355	20 872	18 582
TOTAL CURRENT LIABILITIES		346 059	117 952	184 598
NON-CURRENT LIABILITIES				
Finance lease		1 313	3 016	1 685
Bank loans		1 039 573	1 093 842	1 039 192
Other payables		100	100	100
TOTAL NON-CURRENT LIABILITIES		1 040 986	1 096 958	1 040 977
TOTAL LIABILITIES		1 387 045	1 214 910	1 225 575
EQUITY CAPITAL				
Share capital		200 001	200 001	200 001
Share premium		387 000	387 000	387 000
Statutory legal reserve		20 000	93 394	93 394
Accumulated profit		280 089	220 734	145 734
Net profit for the period		42 758	58 585	172 961
TOTAL EQUITY CAPITAL		929 848	959 714	999 090
TOTAL LIABILITIES AND EQUITY CAPITAL		2 316 893	2 174 624	2 224 665

Chairman of the Management Board:

AS TALLINNA VESI

**CONDENSED INCOME STATEMENT
FOR THE QUARTERS ENDED 31 MARCH 2005 AND 2004**

(thousand EEK)

	Note	1st quarter ended		Year ended
		2005	2004	31 December 2004
Sales from main operating activities	3	139 350	119 674	478 814
Revenues from other operating activities		17 277	30 122	69 715
Net sales	3	156 627	149 796	548 529
Cost of goods sold main operating activities	4	-49 250	-49 081	-195 486
Cost of goods sold other operating activities	4	-15 449	-26 700	-64 410
GROSS PROFIT		91 928	74 015	288 633
Marketing expenses	4	-1 666	-1 631	-6 134
General administration expenses	4	-11 335	-10 640	-40 739
Other income/ expenses (-)		12 184	10 430	13 158
OPERATING PROFIT		91 111	72 174	254 918
Financial income / expenses (-)		-12 985	-13 589	-55 680
PROFIT BEFORE TAXES		78 126	58 585	199 238
Income tax on dividends	5	-35 368	0	-26 277
NET PROFIT FOR THE PERIOD		42 758	58 585	172 961
Attributable to:				
Equity holders of A-shares		42 748	58 575	172 951
B-share holder		10	10	10
Earnings per share in kroons	6	2,14	2,93	8,65

Chairman of the Management Board:

AS TALLINNA VESI

CONDENSED CASH FLOW STATEMENT

FOR THE QUARTERS ENDED 31 MARCH 2005 AND 2004

(thousand EEK)

	1st quarter ended		Year ended
	2005	2004	31 December 2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	91 111	72 174	254 918
Adjustment for depreciation	19 520	19 547	77 736
Adjustment for income and expenses from constructions	-1 829	-3 423	-5 306
Other finance income and expenses	-577	-511	-3 835
Profit from sale of fixed assets	-1 496	0	-2 844
Expensed non-current assets	1 428	15	3 670
Capitalization of operating expenses	-6 433	-10 107	-38 974
Movement in current assets involved in operating activities	-30 034	-1 556	-48 978
Movement in liabilities involved in operating activities	-6 609	-7 305	-11 045
Interest paid	76	-160	-57 513
Total cash flow from operating activities	65 157	68 674	167 829
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of shares of associated company	0	0	6 259
Acquisition of fixed assets	-44 899	-19 588	-72 957
Payment of pipelines financed by construction income	-7 441	-13 731	-60 750
Proceeds from pipelines financed by construction income	16 431	22 545	59 371
Repayments of loans to third parties	0	0	2
Proceeds from sale of fixed assets	45 300	0	3 799
Proceeds from sale of inventories/goods for sale	0	2 250	2 250
Interest received	901	660	2 661
Total cash flow from investing activities	10 292	-7 864	-59 365
CASH FLOWS FROM FINANCING ACTIVITIES			
Received long-term loans	0	0	31 293
Repayment of long-term loans	0	-19 001	-19 001
Finance lease payments	-494	-832	-2 632
Dividends paid	-27 759	0	-75 000
Income tax on dividends	0	0	-26 277
Total cash flow from financing activities	-28 253	-19 833	-91 617
Change in cash and bank accounts	47 196	40 977	16 847
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	101 000	84 153	84 153
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	148 196	125 130	101 000

Chairman of the Management Board:

AS TALLINNA VESI

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTERS ENDED 31 MARCH 2005 AND 2004**

(thousand EEK)

	Share capital	Share premium	Statutory legal reserve	Accumulated profit	Net profit	Total equity
31 December 2003	200 001	387 000	93 394	116 193	104 541	901 129
Transfer of financial year profit to the accumulated profit	0	0	0	104 541	-104 541	0
Dividend	0	0	0	-75 000	0	-75 000
Net profit of the financial year	0	0	0	0	172 961	172 961
31 December 2004	200 001	387 000	93 394	145 734	172 961	999 090
31 December 2003	200 001	387 000	93 394	116 193	104 541	901 129
Transfer of financial year profit to the accumulated profit	0	0	0	104 541	-104 541	0
Net profit of the financial period	0	0	0	0	58 585	58 585
31 March 2004	200 001	387 000	93 394	220 734	58 585	959 714
31 December 2004	200 001	387 000	93 394	145 734	172 961	999 090
Transfer of financial year profit to the accumulated profit	0	0	0	172 961	-172 961	0
Transfer of Statutory legal reserve to the accumulated profit	0	0	-73 394	73 394	0	0
Dividend	0	0	0	-112 000	0	-112 000
Net profit of the financial period	0	0	0	0	42 758	42 758
31 March 2005	200 001	387 000	20 000	280 089	42 758	929 848

Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS FOR THE QUARTERS ENDED 31 MARCH 2005 AND 2004

NOTE 1. ACCOUNTING PRINCIPLES

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

**NOTES TO THE INTERIM ACCOUNTS
FOR THE QUARTER ENDED 31 MARCH 2005 AND THE YEAR ENDED 31 DECEMBER 2004**

(thousand EEK)

NOTE 2. TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

	Tangible assets in usage			Assets in progress			Intangible assets			Total tangible and intangible non-current assets
	Land and buildings	Facilities	Machinery and equipment	Other equipment	Construction in progress	Unfinished pipelines - new connections	Prepayment for fixed assets	Development costs	Acquired licenses and software	
Acquisition cost at										
31.12.2003	303 802	1 863 685	472 187	14 905	62 797	93 176	8 565	8 375	25 421	2 852 913
Acquisition	0	0	0	0	104 254	54 125	0	0	0	158 379
Sale of fixed assets	-1 462	0	-2 204	-6	0	0	0	0	0	-3 672
Write-off of fixed assets	-205	-2 885	-4 504	-412	0	0	0	0	0	-8 006
Reclassification within balance sheet	331	0	0	0	173	0	-81	0	0	423
Reclassification to expenses	0	0	0	0	-495	-1	0	0	0	-496
Expensed pipelines	0	0	0	0	0	-64 410	0	0	0	-64 410
Reclassification from assets in progress	9 004	38 719	19 416	1 848	-64 095	-3 215	-4 836	1 223	1 936	0
31.12.2004	311 470	1 899 519	484 895	16 335	102 634	79 675	3 648	9 598	27 357	2 935 131
Acquisition	0	0	0	0	23 443	8 119	19 804	0	0	51 366
Sale of fixed assets	-83	-127	-1	0	0	0	0	0	0	-211
Write-off of fixed assets	0	-143	-951	-9	0	0	0	0	0	-1 103
Reclassification to expenses	0	0	0	0	-50	-3	0	0	0	-53
Expensed pipelines	0	0	0	0	0	-15 448	0	0	0	-15 448
Reclassification from assets in progress	120	10 014	1 533	488	-15 966	-675	0	3 712	774	0
31.03.2005	311 507	1 909 263	485 476	16 814	110 061	71 668	23 452	13 310	28 131	2 969 682
Accumulated depreciation										
31.12.2003	49 466	561 724	248 581	9 669	0	0	0	6 136	6 299	881 875
Depreciation	4 061	27 624	38 874	1 073	0	0	0	905	5 155	77 692
Depreciation of fixed assets sold and written-off (-)	-638	-2 598	-5 129	-385	0	0	0	0	0	-8 750
Reclassification	0	-3	3	0	0	0	0	0	0	0
31.12.2004	52 889	586 747	282 329	10 357	0	0	0	7 041	11 454	950 817
Depreciation	988	7 279	9 110	386	0	0	0	419	1 331	19 513
Depreciation of fixed assets sold and written-off (-)	-83	-233	-935	-8	0	0	0	0	0	-1 259
Reclassification	0	0	0	0	0	0	0	0	0	0
31.03.2005	53 794	593 793	290 504	10 735	0	0	0	7 460	12 785	969 071
Net book value										
31.12.2003	254 336	1 301 961	223 606	5 236	62 797	93 176	8 565	2 239	19 122	1 971 038
31.12.2004	258 581	1 312 772	202 566	5 978	102 634	79 675	3 648	2 557	15 903	1 984 314
31.03.2005	257 713	1 315 470	194 972	6 079	110 061	71 668	23 452	5 850	15 346	2 000 611

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

Net balance sheet value of finance leases was 5 433 thousand and 9 434 thousand kroons in 2005 I quarter and 2004 respectively.

Interest capitalised to fixed assets was 817 thousand kroons and 2 689 thousand kroons in 2005 I quarter and 2004 respectively.

AS TALLINNA VESI**NOTES TO THE INTERIM ACCOUNTS****FOR THE QUARTERS ENDED 31 MARCH 2005 AND 2004**

(thousand EEK)

NOTE 3. NET SALES

	1st quarter ended		Year ended
	2005	2004	31 December
			2004
Sales from main operating activities			
Water supply service	68 488	55 981	220 688
Waste water disposal service	57 579	50 688	204 494
Stormwater treatment and disposal service	11 643	11 183	44 731
Fire hydrants service	510	490	1 959
Other work and services	1 130	1 332	6 942
Total sales from main operating activities	139 350	119 674	478 814
Revenues from other operating activities			
Water, sewerage and storm water connections construction income	17 277	30 122	69 715
TOTAL NET SALES	156 627	149 796	548 529

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

**NOTES TO THE INTERIM ACCOUNTS
FOR THE QUARTERS ENDED 31 MARCH 2005 AND 2004**

(thousand EEK)

NOTE 4. COSTS AND EXPENSES

Cost of goods sold main operating activities	1st quarter ended		Year ended
	2005	2004	31 December 2004
Tax on special use of water	-2 337	-2 429	-9 272
Chemicals	-2 597	-2 303	-9 387
Electricity	-7 098	-6 322	-26 151
Pollution tax	-2 062	-1 908	-8 380
Staff costs	-10 504	-11 899	-44 643
Research & development	-23	-29	-85
Depreciation and amortization	-18 315	-18 365	-73 104
Other costs of goods sold	-6 314	-5 826	-24 464
Total cost of goods sold main operating activities	-49 250	-49 081	-195 486
Cost of goods sold other operating activities	1st quarter ended	2004	Year ended
	2005		December 2004
Water, sewerage and storm water connections construction cost	-15 449	-26 700	-64 410
Marketing Expenses	1st quarter ended	2004	Year ended
	2005		December 2004
Staff costs	-1 167	-1 092	-4 240
Depreciation and amortization	-24	-31	-113
Other marketing expenses	-475	-508	-1 781
Total cost of marketing expenses	-1 666	-1 631	-6 134
General Administration Expenses	1st quarter ended	2004	Year ended
	2005		December 2004
Staff costs	-3 707	-4 621	-15 813
Depreciation and amortization	-1 181	-1 150	-4 520
Other general administration expenses	-6 447	-4 869	-20 406
Total cost of general administration expenses	-11 335	-10 640	-40 739

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

Chairman of the Management Board:

AS TALLINNA VESI

**NOTES TO THE INTERIM ACCOUNTS
FOR THE QUARTERS ENDED 31 MARCH 2005 AND 2004**

(thousand EEK)

NOTE 5. DIVIDENDS	1st quarter ended		Year ended
	2005	2004	31 December 2004
Dividend declared during the period	112 000	0	75 000
Dividend paid during the period	27 759	0	75 000
Income tax on dividends declared	-35 368	0	-26 351
The income tax paid on dividends received	0	0	74
The income tax accounted	-35 368	0	-26 277

The income tax rates were 26/74 and 24/76 respectively in 2004 and 2005.

NOTE 6. EARNINGS AND DIVIDENDS PER SHARE

	1st quarter ended		Year ended
	2005	2004	31 December 2004
Earnings per share from continuing operations:			
Earnings for the purposes of basic earnings per share (net profit for the period minus B-share preference rights)	42 758	58 585	172 951
Weighted average number of ordinary shares for the purposes of basic earnings per share	20 000 000	20 000 000	20 000 000
Earnings per share in kroons	2,14	2,93	8,65
Dividends per A-share in kroons	5,60	0,00	3,75
Dividends per B-share in kroons	10 000,00	0,00	10 000,00

NOTE 7. REDUCTION IN STATUTORY LEGAL RESERVE

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

**NOTES TO THE INTERIM ACCOUNTS
FOR THE QUARTERS ENDED 31 MARCH 2005 AND 2004**

(thousand EEK)

NOTE 8. RELATED PARTIES

Transactions with related parties are considered to be transactions with parent, subsidiary and associated companies, members of the Supervisory Board and Management Board, their relatives and the companies in which they hold majority interest. Dividend payments are indicated in Statements of Changes in Equity.

The transactions with related parties in 2004 and 2005 and respective balances as of 31.03.2004 and 31.03.2005 are recorded as follows:

	Tallinn City Government and related boards	United Utilities (Tallinn) B.V. and United Utilities International*
2004 1st quarter		
Transactions recorded to AS Tallinna Vesi Working Capital of Balance Sheet		
Accounts receivable - customer and other receivables	276	0
Accounts payable - short-term trade and other payables	0	762
Transactions recorded to AS Tallinna Vesi Income Statement		
Net sales	34 784	0
General administration expenses	0	4 070
Transactions recorded to the other accounts of AS Tallinna Vesi Balance Sheet		
Tangible non-current assets incl unfinished constructions and new connections	0	3 730
2005 1st quarter		
Transactions recorded to AS Tallinna Vesi Working Capital of Balance Sheet		
Accrued income and prepaid expenses	0	7 212
Accounts payable - short-term trade and other payables, incl. dividends	27 759	58 376
Transactions recorded to AS Tallinna Vesi Income Statement		
Net sales	13 559	0
General administration expenses	0	2 984
Transactions recorded to the other accounts of AS Tallinna Vesi Balance Sheet		
Tangible non-current assets incl unfinished constructions and new connections	0	2 832

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

*United Utilities (Tallinn) B.V. holds 50.4% of the Company. The ultimate controlling parties of United Utilities (Tallinn) B.V. are EBRD and United Utilities Plc. United Utilities International Ltd. is owned by United Utilities Plc.

	1st quarter ended		Year ended 31 December
	2005	2004	2004
The fees paid to management board members excluding social tax	530	530	2 059
The fees paid to supervisory board members excluding social tax	6	4	18

Chairman of the Management Board: