

AS TALLINNA VESI

RESULTS OF OPERATIONS IN 1st QUARTER 2006

Key performance indicators

Amounts in million EUR

	3 months 2006	3 months 2005	Change
Sales	11.2	10.0	12.4%
Main operating activities	9.4	8.9	5.6%
Other operating activities	1.8	1.1	66.6%
Gross profit	6.1	5.9	3.2%
Gross profit margin %	53.9%	58.7%	-8.1%
Operating profit	6.7	5.8	15.2%
Operating profit margin %	59.7%	58.2%	2.6%
Profit before taxes	6.1	5.0	21.7%
Profit before taxes margin %	54.0%	49.9%	8.3%
Net profit	6.1	2.7	122.3%
ROA %	3.9%	1.8%	111.9%
Debt to total capital employed	52.4%	59.9%	-12.4%

Gross profit margin – Gross profit / Net sales

Operating profit margin – Operating profit / Net sales

Profit before taxes margin – Profit before taxes / Net sales

ROA – Net profit / Total Assets

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

Sales

In the 1st quarter of 2006 the Company's total sales increased, year on year, by 12.4% to 11.2 mln EUR.

Sales from the Company's main operating activities were 9.4 mln EUR. Sales in the main operating activity principally comprise of sales of water and treatment of wastewater to domestic and commercial customers within and outside of the services area, and fees received from the City of Tallinn for operating and maintaining the stormwater system.

Sales of water and wastewater treatment were 8.8 mln EUR, which is a 9.3% increase compared to the corresponding period of 2005.

Sales to residential customers increased by 7.5% to 4.7 mln EUR as a result of the tariff increase from 1 January 2006, offset by a sales over reading estimation that impacted the results in the 1st quarter of 2005. Sales to commercial customers increased by 11.4% to 4.1 mln EUR, due to the tariff increase from 1 January 2006, and a 3% increase in the volumes of water supplied and wastewater treated when compared to the first quarter of 2005. Included within the sales to commercial customers are volumes of wastewater treatment services provided to the surrounding municipalities that are situated outside of the services area. In 1st quarter of 2006 these sales gained

outside reached 340,000 m³, an increase of 40% on the corresponding period in 2005, reflecting the continuing expansion of the Company's market.

Sales from the operation and maintenance of the stormwater system decreased by 35% to 0.5 mln EUR. This reduction reflects the terms and conditions of the latest contract agreed between the Company and the City of Tallinn which secured this revenue stream through to 2015.

Sales revenues from other operating activities (mainly connections and stormwater construction) increased, year on year, by 66.6% to 1.8 mln EUR resulting from an increase in connections income from individual connectees and revenues received from the City of Tallinn for stormwater constructions.

Expenses and profitability

Profits from other operating activities, which include water, sewerage and storm water connection construction income were 0.16 mln EUR, an 0.04 mln EUR increase from 2005 levels.

The Cost of goods sold for the main operating activity was 3.5 mln EUR in the 1st quarter of 2006, an increase of 0.36 mln EUR or 11.3% from the equivalent period in 2005. This increase was largely driven by increased chemical costs and lower cost capitalizations.

The increase in chemical costs was due to increased usage of methanol required to reduce the concentration of nitrogen discharged into the Baltic Sea. Working in partnership with the Ministry of Environment the Company is targeting achievement of this key environmental objective by June 2006. To date the Company is confident that the necessary reduction will be achieved, which will enable a provision of approximately 0.77-0.83 mln EUR to be released in the 2nd half of 2006.

Lower capitalisation of costs in the 1st quarter of 2006 arose as a result of the different profile and timing of the capital investment programme – in the early part of 2005 significant investments were made in the development of the new customer management and asset management systems. This timing difference of cost capitalisations is expected to unwind throughout 2006 as the Company remains on course to deliver an investment programme of approximately 15.3 mln EUR, an almost 10% increase year on year which will be the highest in the Company's history.

The Company's gross profit for the 1st quarter of 2006 was 6.1 mln EUR, which represents an increase of 0.2 mln EUR, or 3.2%, compared to the gross profit of 5.9 mln EUR for the 1st quarter of 2005.

Marketing expenses increased by 0.06 mln EUR to 0.17 mln EUR year on year. This increase was entirely due to additional depreciation charges relating to the implementation of KLIF, the new customer management system

General administration expenses increased by 0.08 mln EUR from 0.7 mln EUR in the 1st quarter of 2005 up to 0.8 mln EUR in 2006. This was attributable to the increase in salary costs and timing differences in the recording of administration expenses

Other net income was 1.6 mln EUR in 1st quarter 2006 due to the recognition of profits subsequent to concluding the sale of excess land in Paljassaare. In the 1st quarter of 2005 the principal component included in other income was the sale of excess land at Lake Ülemiste.

The Company's operating profit for the 1st quarter of 2006 was 6.7 mln EUR, an increase of 0.9 mln EUR, or 15.2%, above the operating profit of 5.8 mln EUR achieved in the 1st quarter of 2005. Operating profit margin increased from 58.2% up to 59.7% for the relevant periods.

Net Financial expenses were 0.6 mln EUR in 1st quarter of 2006, which is a decrease of 0.2 mln EUR compared to 1st quarter of 2005. This is due to the restructuring of the loans in November 2005, which lowered the Company's interest risk margins.

The Company's profit before taxes for the 1st quarter of 2006 was 6.1 mln EUR, which represents an increase of 1.1 mln EUR, or 21.7%, compared to the profit before taxes of 5.0 mln EUR for the 1st quarter of 2005.

Balance sheet

The Company's total assets were 155.4 mln EUR as at 31 March 2006, representing an increase of 7.3 mln EUR compared to 31 March 2005. Current assets increased by 8.6 mln EUR, which was largely attributable to an increase in cash from operations and release of 5.0 mln EUR debt service reserve (previously recorded under financial investments).

Tangible, intangible and unfinished assets were 125.4 mln EUR at 31 March 2006, an increase of 3.6 mln EUR of the fixed asset base year-on-year, which once again clearly demonstrates the Company's attitude to improving its infrastructure by investing well above levels of depreciation.

Current liabilities decreased by 15.2 mln EUR year-on-year to 6.9 mln EUR due to two main factors. Firstly, as of 31 March 2005 the company had already declared and paid of a proportion of dividends, as such dividends due and associated taxes were recorded in current liabilities – worth 7.7 mln EUR. Secondly, as a result of the re-financing that was carried out in November 2005 principal repayments on the long term debt have been deferred until 2008 and therefore are not a current liability – worth 5.7 mln EUR.

Long-term liabilities stood at 74.5 mln EUR at the end of March 2006, consisting almost entirely of the outstanding balance of the bank loans.

Cash flow

During the 1st quarter of 2006, the Company generated 5.5 mln EUR of cash flow from operating activities, an increase of 1.3 mln EUR, or 31.5% compared to corresponding period in 2005. The key factors affecting the operating cash flow were positive movements in working capital.

Cash flow from investing activities was –0.7 mln EUR, a 1.3 mln EUR worsening of the position when compared to 1st quarter of 2005. This was largely due to the prepayments for the sale of assets received in 2005.

Total cash inflow in the 1st quarter of 2006 was 4.8 mln EUR compared to a cash inflow of 3.0 mln EUR in the 1st quarter of 2005. Cash and cash equivalents stood at 18.0 mln EUR as at 31 March 2006.

Employees

As of 31 March 2006 the Company employed 335 people consisting of 281 people in the Operations division and 54 people in Commercial and Corporate Services. The number of employees has decreased by 11 people year-on-year. In late 2005 the Company completed a company wide review of salaries against those paid in the market. As a result of this review salaries in certain key positions were increased above current levels of inflation.

Dividends and share performance

Based on the results of the 2005 financial year, the Management Board of AS Tallinna Vesi proposed a dividend payout of 10.0 mln EUR (net) – 0.5 EUR (net) dividend per share. This is subject to approval by the Company's Annual General Meeting of the Shareholders, which will be held in May, 2006.

As of 31 March 2006 AS Tallinna Vesi shareholders, with a holding over 5%, were:

United Utilities (Tallinn) BV	35.3%
City of Tallinn	34.7%
Nordea Bank Finland Plc clients account trading	9.20%
Morgan Stanley + Co International Equity client account	6.04%

At the end of the reporting period, 31 March 2006, the closing price of the AS Tallinna Vesi share was 220.14 EEK (14.07 EUR), which is a 52.1% premium on the initial public offering settlement price of 144.73 EEK (9.25 EUR).

Additional information:

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AS TALLINNA VESI

Three months report for the quarter ended 31 March 2006

Currency	Thousand euros
Start of reporting period	1 January 2006
End of reporting period	31 March 2006
Address	Tallinn, Ädala 10
Chairman of the Management Board	Robert John Gallienne
Commercial register number	10 257 326
Telephone	+372 62 62 202
Telefax	+372 62 62 300
E-mail	tvesi@tvesi.ee
Web page	www.tallinnavesi.ee
Field of activity	Production, treatment and distribution of water; storm and wastewater disposal and treatment

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AS TALLINNA VESI

MANAGEMENT CONFIRMATION

The Management Board of AS Tallinna Vesi (hereinafter the company) has prepared the interim accounts for the period ended 31 March 2006. The interim accounts are not reviewed by auditors.

The preparation of the interim accounts according to International Financial Reporting Standards as adopted by the EU involves estimates made by the Management Board of the Company's assets and liabilities as at 31 March 2006, and of income and expenses during the reporting period. These estimates are based on current information about AS Tallinna Vesi and consider all plans and risks as at 31 March 2006. The actual results of these business transactions recorded may differ from such estimates.

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

All material subsequent events that occurred by the interim accounts preparation date of 13 April 2006 have been assessed as part of this review.

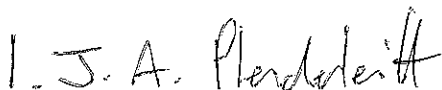
The company is carrying on its activities as a going concern.



Robert John Gallienne
Chairman of the Management Board



Roch Jean Guy Antoine Cheroux
Member of the Management Board



Ian John Alexander Plenderleith
Member of the Management Board

13 April 2006

AS TALLINNA VESI

BALANCE SHEETS

AT 31 MARCH 2006 AND 2005 AND 31 DECEMBER 2005

(thousand EUR)

ASSETS	Note	2006	31 March 2005	31 December 2005
CURRENT ASSETS				
Cash at bank and in hand		18 004	9 471	13 234
Customer receivables		4 799	4 791	4 265
Accrued income and prepaid expenses		755	646	338
Inventories		196	230	202
Assets for sale		96	104	89
TOTAL CURRENT ASSETS		23 851	15 242	18 128
NON-CURRENT ASSETS				
Long-term deposit		0	4 972	0
Long-term investment assets		0	0	0
Tangible assets		116 467	113 394	117 503
Intangible assets	2	2 740	1 355	2 811
Unfinished assets - non connections	2	6 223	7 034	6 058
Unfinished pipelines - new connections	2	5 856	4 580	6 979
Prepayments for fixed assets	2	216	1 499	222
TOTAL NON-CURRENT ASSETS	2	131 502	132 834	133 573
TOTAL ASSETS		155 353	148 076	151 701
LIABILITIES				
CURRENT LIABILITIES				
Current portion of long-term borrowings		81	5 672	86
Trade and other payables, incl. dividends		2 728	8 729	3 420
Taxes payable		2 267	3 851	1 452
Short-term provisions		22	8	18
Deferred income		1 843	3 857	4 382
TOTAL CURRENT LIABILITIES		6 941	22 117	9 359
NON-CURRENT LIABILITIES				
Finance lease		7	84	27
Bank loans		74 485	66 441	74 471
Other payables		6	6	6
TOTAL NON-CURRENT LIABILITIES		74 499	66 531	74 504
TOTAL LIABILITIES		81 440	88 648	83 863
EQUITY CAPITAL				
Share capital		12 782	12 782	12 782
Share premium		24 734	24 734	24 734
Statutory legal reserve		1 278	1 278	1 278
Accumulated profit		29 044	17 901	17 901
Net profit for the period		6 075	2 733	11 143
TOTAL EQUITY CAPITAL		73 914	59 428	67 839
TOTAL LIABILITIES AND EQUITY CAPITAL		155 353	148 076	151 701

AS TALLINNA VESI

**INCOME STATEMENTS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2006 AND 2005**

(thousand EUR)

		3 months		Year ended 31 December
	Note	2006	2005	2005
Sales from main operating activities	3	9 408	8 906	35 146
Revenues from other operating activities	3	1 839	1 104	2 691
Net sales		11 247	10 010	37 838
Costs of goods sold (main operating activities)	4, 5	-3 505	-3 148	-12 914
Costs of goods sold (other operating activities)	5	-1 678	-987	-2 450
GROSS PROFIT		6 065	5 875	22 474
Marketing expenses	4, 5	-163	-106	-433
General administration expenses	4, 5	-806	-724	-4 107
Other income/ expenses (-)	5	1 615	779	125
OPERATING PROFIT		6 710	5 823	18 059
Financial income / expenses (-)	6	-635	-830	-4 655
PROFIT BEFORE TAXES		6 075	4 993	13 404
Income tax on dividends	7	0	-2 260	-2 260
NET PROFIT FOR THE PERIOD		6 075	2 733	11 143
Attributable to:				
Equity holders of A-shares		6 074	2 732	11 143
B-share holder		0,64	0,64	0,64
Earnings per share in euros	8	0,30	0,14	0,56

AS TALLINNA VESI

CASH FLOW STATEMENTS

FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2006 AND 2005

(thousand EUR)

	3 months		Year ended 31 December
	2006	2005	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	6 710	5 823	18 059
Adjustment for depreciation	1 298	1 248	5 032
Adjustment for income and expenses from constructions	-161	-117	-241
Other financial income and expenses	-25	-37	-1 279
Profit from sale of fixed assets	-1 575	-96	-759
Expensed fixed assets	27	91	25
Capitalization of operating expenses	-332	-411	-1 488
Movement in current assets involved in operating activities	-861	-1 920	3 691
Movement in liabilities involved in operating activities	398	-422	410
Interest paid	-2	5	-3 825
Total cash flow from operating activities	5 478	4 164	19 626
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of fixed assets (incl pipelines construction)	-2 462	-3 345	-12 774
Proceeds from pipelines financed by construction income	1 843	1 050	3 355
Proceeds from sale of and prepayments received for fixed assets	-204	2 895	3 026
Proceeds from sale of assets and real estate investments	71	0	748
Interest received	69	58	324
Total cash flow from investing activities	-683	658	-5 322
CASH FLOWS FROM FINANCING ACTIVITIES			
Received long-term loans	0	0	44 503
Repayment of long-term loans	0	0	-42 500
Finance lease payments	-24	-32	-109
Dividends paid	0	-1 774	-7 158
Income tax on dividends	0	0	-2 260
Total cash flow from financing activities	-24	-1 806	-7 525
Change in cash and bank accounts	4 770	3 016	6 779
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	13 234	6 455	6 455
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	18 004	9 471	13 234



Chairman of the Management Board:

AS TALLINNA VESI

STATEMENTS OF CHANGES IN EQUITY

FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2006 AND 2005

(thousand EUR)

	Share capital	Share premium	Statutory legal reserve	Accumulated profit	Net profit	Total equity
31 December 2004	12 782	24 734	5 969	9 314	11 054	63 853
Transfer of financial year profit to the accumulated profit	0	0	0	11 054	-11 054	0
Transfer of statutory legal reserve to the accumulated profit	0	0	-4 691	4 691	0	0
Dividends	0	0	0	-7 158	0	-7 158
Net profit of the financial year	0	0	0	0	11 143	11 143
31 December 2005	12 782	24 734	1 278	17 901	11 143	67 839
31 December 2004	12 782	24 734	5 969	9 314	11 054	63 853
Transfer of financial year profit to the accumulated profit	0	0	0	11 054	-11 054	0
Transfer of statutory legal reserve to the accumulated profit	0	0	-4 691	4 691	0	0
Dividends	0	0	0	-7 158	0	-7 158
Net profit of the financial period	0	0	0	0	2 733	2 733
31 March 2005	12 782	24 734	1 278	17 901	2 733	59 428
31 December 2005	12 782	24 734	1 278	17 901	11 143	67 839
Transfer of financial year profit to the accumulated profit	0	0	0	11 143	-11 143	0
Net profit of the financial period	0	0	0	0	6 075	6 075
31 March 2006	12 782	24 734	1 278	29 044	6 075	73 914



Chairman of the Management Board:

AS TALLINNA VESI

**NOTES TO THE INTERIM ACCOUNTS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2006 AND 2005**

NOTE 1. ACCOUNTING PRINCIPLES

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

The interim report in euros is converted using the exchange rate 15.6466 EEK per EUR from the interim report prepared in kroons thousands for the same period.



Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2006 AND 2005

(thousand EUR)

NOTE 2. TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

	Tangible assets in use			Assets in progress			Intangible assets			Total tangible and intangible non-current assets
	Land and buildings	Facilities	Machinery and equipment	Other equipment	Unfinished assets - non connections	Unfinished pipelines - new connections	Prepayment for fixed assets	Development costs	Acquired licenses and other intangible assets	
Acquisition cost at										
31.12.2004	19 907	121 401	30 990	1 044	6 560	5 092	233	613	1 748	187 589
Acquisition	0	0	0	0	8 243	4 753	1 266	0	0	14 262
Sale of fixed assets	-5	-8	-191	0	0	0	0	0	0	-205
Write-off of fixed assets	-65	-205	-1 019	-12	0	0	0	0	-12	-1 312
Reclassification within balance sheet	0	15	0	0	0	0	0	0	0	15
Reclassification to expenses	0	0	0	0	-4	0	-11	0	0	-15
Expensed pipelines	0	0	0	0	0	-2 450	0	0	0	-2 450
Reclassification from assets in progress	2 529	3 177	2 405	191	-8 741	-416	-1 266	271	1 849	0
31.12.2005	22 365	124 380	32 185	1 223	6 058	6 979	222	885	3 585	197 883
Acquisition	0	0	0	0	1 184	655	0	0	0	1 840
Sale of fixed assets	-503	-573	-95	0	0	0	0	0	0	-1 171
Write-off of fixed assets	0	-4	-33	-11	0	0	0	0	0	-48
Reclassification within balance sheet	0	0	0	0	-3	0	0	0	0	-3
Reclassification to expenses	0	0	0	0	-21	0	-6	0	0	-27
Expensed pipelines	0	0	0	0	0	-1 678	0	0	0	-1 678
Reclassification from assets in progress	17	622	335	8	-996	-100	0	114	0	0
31.03.2006	21 879	124 425	32 393	1 220	6 223	5 856	216	998	3 585	196 795
Accumulated depreciation										
31.12.2004	3 380	37 500	18 044	662	0	0	0	450	732	60 768
Depreciation	248	1 911	2 297	87	0	0	0	153	336	5 032
Depreciation of fixed assets sold and written-off (-)	-70	-213	-1 184	-12	0	0	0	0	-12	-1 491
31.12.2005	3 559	39 198	19 156	737	0	0	0	603	1 056	64 309
Depreciation	62	504	526	21	0	0	0	60	125	1 298
Depreciation of fixed assets sold and written-off (-)	-4	-181	-118	-11	0	0	0	0	0	-315
31.03.2006	3 616	39 521	19 565	747	0	0	0	662	1 182	65 293
Net book value										
31.12.2004	16 526	83 901	12 946	382	6 560	5 092	233	163	1 016	126 821
31.12.2005	18 807	85 182	13 029	486	6 058	6 979	222	282	2 529	133 573
31.03.2006	18 263	84 904	12 828	472	6 223	5 856	216	336	2 404	131 502

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 221 thousand euros and 274 thousand euros in 2006 for 3 months and 2005 respectively.

Interest capitalised to fixed assets was 69 thousand euros in 2005.



Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2006 AND 2005

(thousand EUR)

NOTE 3. NET SALES	3 months		Year ended 31
	2005	2004	December
Revenues from main operating activities			
Water supply service	4 645	4 377	16 789
Waste water disposal service	4 160	3 680	14 882
Stormwater treatment and disposal service	480	744	2 977
Fire hydrants service	48	33	130
Other works and services	75	72	368
Total revenues from main operating activities	9 408	8 906	35 146
Revenues from other operating activities			
Water, sewerage and storm water connections construction income	1 839	1 104	2 691
TOTAL NET SALES	11 247	10 010	37 838

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

NOTE 4. PERSONNEL EXPENSES

	2005	2004	
Salaries and wages	-826	-736	-3 384
Social security taxation	-275	-247	-1 134
Staff costs total	-1 101	-983	-4 518
Average number of employees during the reporting period	331	341	337



Chairman of the Management Board:

**NOTES TO THE INTERIM ACCOUNTS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2006 AND 2005**


(thousand EUR)

NOTE 5. COSTS AND EXPENSES

Cost of goods sold (main operating activities)	3 months		Year ended 31 December
	2006	2005	2005
Tax on special use of water	-164	-149	-578
Chemicals	-308	-166	-861
Electricity	-416	-454	-1 510
Pollution tax	-172	-132	-441
Staff costs	-761	-671	-2 920
Research and development	0	-1	-12
Depreciation and amortization	-1 168	-1 171	-4 703
Other costs of goods sold	-516	-404	-1 888
Total cost of goods sold (main operating activities)	-3 505	-3 148	-12 914
Cost of goods sold (other operating activities)			
Water, sewerage and storm water connections construction cost	-1 678	-987	-2 450
Marketing Expenses			
Staff costs	-70	-75	-305
Depreciation and amortization	-63	-2	-12
Other marketing expenses	-30	-30	-116
Total cost of marketing expenses	-163	-106	-433
General Administration Expenses			
Staff costs	-270	-237	-1 292
IPO bonus to employees	0	0	0
IPO services	0	0	0
Depreciation and amortization	-68	-75	-317
Other general administration expenses	-468	-412	-2 497
Total cost of general administration expenses	-806	-724	-4 107

Other income/expenses - In both 2005 and 2006 other income/expenses includes, the profits recognised on the sale of fixed assets during the period, the movement of the bad debt provision during the year and provisions recognised and released throughout the financial period. It also includes income and costs generated from a consultancy project in the Republic of Tajikistan.

In total, the costs for the period ended 31 December 2005 include IPO costs of 1 662 thousand euros, being made up of 1 274 thousand euros for services and 388 thousand euros for staff bonus costs. Of the total costs for services 543 thousand euros are included in other income/expenses with the balance posted against the category where the cost was incurred.


Chairman of the Management Board:

**NOTES TO THE INTERIM ACCOUNTS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2006 AND 2005**

(thousand EUR)

NOTE 6. FINANCIAL INCOME AND EXPENSES	3 months		Year ended 31
	2006	2005	December 2005
Interest income	87	46	317
Interest expense	-697	-861	-3 694
Loans restructuring costs	0	0	-1 246
Other financial income / expenses (-)	-25	-15	-52
Foreign exchange gain/loss (-)	0	0	19
Total financial income / expenses	-635	-830	-4 655

NOTE 7. DIVIDENDS	3 months		Year ended 31
	2006	2005	December 2005
Dividends declared during the period	0	7 158	7 158
Dividends paid during the period	0	1 774	7 158
Income tax on dividends declared	0	-2 260	-2 260
Income tax accounted	0	-2 260	-2 260

The income tax rates were 24/76 and 23/77 respectively in 2005 and 2006.

NOTE 8. EARNINGS AND DIVIDENDS PER SHARE

	3 months		Year ended 31
	2006	2005	December 2005
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)	6 074	2 732	11 143
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 euros	0,30	0,14	0,56
Dividends per A-share in euros	0	0,36	0,36
Dividends per B-share in euros	0	639	639

Diluted earnings per share for the periods ended 31 March 2005 and 2006 and 31 December 2005 are equal to the earnings per share figures stated above.

AS TALLINNA VESI

**NOTES TO THE INTERIM ACCOUNTS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2006 AND 2005**

(thousand EUR)

NOTE 9. RELATED PARTIES

Transactions with related parties are considered to be transactions with members of the Supervisory Board and Management Board, their relatives and the companies in which they hold majority interest and transactions with the shareholder having significant influence. Dividend payments are indicated in the Statement of Changes in Equity.

The transactions with related parties in 2005 and 2006 and respective balances as of 31.03.2005 and 31.03.2006 are recorded as follows:


	Tallinn City Government and related boards	The companies belonging to the same group with the United Utilities (Tallinn) B.V.
2005 for 3 months		
Transactions recorded in Working Capital on the Balance Sheet of AS Tallinna Vesi		
Accrued income and prepaid expenses	0	461
Accounts payable - short-term trade and other payables, incl. dividends	1 774	3 731
Transactions recorded to the Income Statement of AS Tallinna Vesi		
Net sales	867	0
General administration expenses	0	236
Transactions recorded to other accounts on the Balance Sheet of AS Tallinna Vesi		
Non-current assets incl unfinished assets and new connections	0	256

2006 for 3 months

Transactions recorded in Working Capital on the Balance Sheet of AS Tallinna Vesi		
Customer receivables	168	0
Accrued income and prepaid expenses	0	461
Deferred income	94	0
Accounts payable - short-term trade and other payables, incl. dividends	0	209
Transactions recorded to the Income Statement of AS Tallinna Vesi		
Net sales	2 135	0
General administration expenses	0	314
Transactions recorded to other accounts on the Balance Sheet of AS Tallinna Vesi		
Non-current assets incl unfinished assets and new connections	0	224

	3 months		Year ended 31 December
	2006	2005	2005
Management Board fees excluding social tax	36	34	136
Supervisory Board fees excluding social tax	8,0	0,4	4,5

The fees disclosed above are contractual payments made by the Company to the management board members. In addition to this the board members have also received direct compensations from the companies belonging to the group of United Utilities (Tallinn) B.V. as overseas secondees.


Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2006 AND 2005

NOTE 28. FINANCIAL INDICATORS

	3 months		Year ended 31 December
	2006	2005	2005
Operating Margin ⁽¹⁾	59,7%	58,2%	47,7%
Net profit margin ⁽²⁾	54,0%	27,3%	29,5%
Return on equity ⁽³⁾	2,1%	2,0%	16,9%
Return on assets ⁽⁴⁾	1,0%	0,5%	7,6%
Debt to equity ratio ⁽⁵⁾	1,1	1,5	1,2
Current ratio ⁽⁶⁾	3,4	0,7	1,9

Notes:

- ⁽¹⁾ Operating profit as a percentage of net sales
- ⁽²⁾ Net profit as a percentage of net sales
- ⁽³⁾ Net profit as a percentage of average total equity capital
- ⁽⁴⁾ Net profit as a percentage of average total assets
- ⁽⁵⁾ Total liabilities divided by total equity capital
- ⁽⁶⁾ Total current assets divided by total current liabilities