

Tallinna Vesi



AS Tallinna Vesi
Results of operations – for the 3rd quarter and first 9 months
of 2007

Currency	Thousand EUR
Start of reporting period	1 January 2007
End of reporting period	30 September 2007
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Field of activity	Production, treatment and distribution of water; storm and wastewater disposal and treatment

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MANAGEMENT REPORT RESULTS OF OPERATIONS - FOR THE 3rd QUARTER 2007

Overview

During the 3rd quarter of 2007 the Company's total sales increased, year on year, by 13.1% to 10.8 mln EUR. Total water and sewerage services sales volumes increased by 0.5%. Sales to residential customers increased by 9.9% year on year, sales to commercial customers within the service area increased by 4.3% year on year, and sales to commercial customers outside of the service area increased by 43.6% reaching 637 000 m³ or 0.3 mln EUR year on year. The Company's quarterly operating profit was 5.7 mln EUR, which is a 0.65 mln EUR increase compared to the 3rd quarter of 2006. The Company invested 10.6 mln EUR, from which 6.8 mln EUR was invested in networks extension and rehabilitation.

mln EUR				9 months	9 months	
	3 Q 2007	3 Q 2006	Change	2007	2006	Change
Sales	10,8	9,5	13,1%	35,2	31,0	13,3%
Main operating activities	10,0	9,2	8,7%	30,8	28,1	9,6%
Other operating activities	0,7	0,3	151,9%	4,3	2,9	49,2%
Gross profit	6,7	5,9	13,4%	21,4	18,0	18,5%
Gross profit margin %	62,1%	61,9%	0,3%	60,7%	58,1%	4,5%
Operating profit	5,7	5,0	12,8%	18,1	16,8	7,8%
Operating profit margin %	52,4%	52,5%	-0,2%	51,6%	54,2%	-4,9%
Profit before taxes	4,9	4,3	13,7%	16,1	14,8	8,3%
Profit before taxes margin	45,5%	45,2%	0,6%	45,6%	47,7%	-4,4%
Net profit	4,9	4,3	13,7%	12,5	11,8	5,9%
ROA %	3,1%	2,8%	12,3%	8,0%	7,7%	4,6%
Debt to total capital employed	52,9%	54,9%	-3,7%	52,9%	54,9%	-3,7%

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

Profit and Loss Statement

3rd quarter 2007

Sales

In the 3rd quarter of 2007 the Company's total sales increased, year on year, by 13.1% to 10.8 mln EUR. Sales from the Company's main operating activities were 10 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 9.2 mln EUR, a 7.6% increase compared to the third quarter of 2006, resulting from the 10.8% increase in tariffs from 1 January 2007 for the Company's residential and commercial customers.

Included within this amount were the following increases by sector: Sales to residential customers increased by 9.9% to 4.95 mln EUR. Sales to commercial customers within the service area increased by 4.3% to 3.8 mln EUR. Sales to commercial customers outside of the service area – primarily bulk volumes of wastewater treatment services provided to the surrounding municipalities – increased by 43.6% reaching 637 000 m³ or 0.3 mln EUR. Overpollution fees received were 0.04 mln EUR lower than in the 3rd quarter of 2006.

In the third quarter of 2007, the volumes sold to residential customers were influenced by the seasonality factor. As the third quarter of 2007 was extraordinary rainy compared to same period in 2006, the usage of gardening water was relatively lower, reflecting in lower sales. This loss of sales is to some extent (+0.13 mln EUR extra sales as specified below) recovered in the stormwater disposal and firehydrant services line, as due to the rainy season, the treatment volumes of stormwater increased.

The volumes sold to commercial customers inside the service area decreased compared to the relevant period in 2006 due to several factors combined. Most of the volumes lost in Tallinn are due to companies moving to the surrounding municipalities, attracted by cheaper real estate prices. Most of these customers are re-captured through the bulk-supply contracts signed with the surrounding municipalities. In the 2nd quarter of 2007, one of the Company's biggest industrial customers moved its facilities out of our area, resulting in a volume loss of 56 000 m³ in the 3rd quarter only. We have recognised that the external factors such as the "bronze night" event and a heat on the real estate market have had their negative effect on the overall economy and also to the Company's commercial sales.

The statistics show, that following the "bronze night" event in April, the tourist flow to Tallinn has slowed down. Tourists are an important consumer group for the Company, who use the water and wastewater services through the commercial customers (hotels, restaurants, SPAs etc). Also the real estate market seems to have reached a point of stagnation. Even though the number of new apartments and business buildings constructed in Tallinn has continued to increase, a large share of new buildings remain vacant as commercial customers as well as people in need of space are moving to surrounding areas due to more affordable real estate prices. This trend is also reflected in the Company's sales to surrounding areas, which has increased by 43.6% compared to the same period last year.

The sales from the operation and maintenance of the stormwater and firehydrant system increased by 24.5% to 0.7 mln EUR in the 3rd quarter of 2007 compared to the same period in 2006. This is in accordance with the terms and conditions of the contract whereby the stormwater and firehydrant costs are invoiced based on actual volumes treated. This is contractually agreed up to 2015.

Sales revenues from other operating activities, at 0.7 mln EUR (mainly connections and stormwater construction) were 0.45 mln EUR higher than in the 3rd quarter of 2006.

Cost of Goods Sold and Gross Margin

The cost of goods sold for the main operating activity was 3.5 mln EUR in the 3rd quarter of 2007, an increase of 0.15 mln EUR or 4.4% from the equivalent period in 2006.

In the 3rd quarter of 2007 the Company has for the third successive quarter recorded zero failures in all pollution measures taken, and as a result the amount of pollution tax payable reduced by 0.1 mln EUR.

The increase in chemical costs was due to larger amount of wastewater treated in the 3rd quarter of 2007 compared to the 3rd quarter of 2006, which was partly balanced by relatively low methanol prices in the 3rd quarter. The chemical costs were 0.35 mln EUR, which represents an 11.6% increase compared to the corresponding period in 2006.

Electricity costs increased by 0.06 mln EUR or 16.1% due to higher electricity prices and increased volume of wastewater treated in the 3rd quarter of 2007 compared to the 3rd quarter of 2006.

Salaries expenses increased by 0.02 mln EUR or 3.3%. As a consequence of the highly competitive labour market and rapidly growing salaries. The salaries increase is still in all categories below the overall increase in average salaries in Estonian market, which according to the latest statistics has increased by more than 20% year on year. In late 2006 all the Company's salaries were reviewed and increased to ensure competitiveness in the market and retain key personnel. However, the figure also reflects the efficiencies made from improvements in working practices that have led to a decrease in the headcount. In the 3rd quarter of 2007, the average number of people working for the Company was 313 people, compared to 319 people in the 3rd quarter of 2006.

Other cost of goods sold in the main operating activity increased by 0.15 mln EUR, or 30% year on year. In the 3rd quarter other costs increased due to increased costs on a number of support services contracts, such as transport, security services reflecting the significant increase in labour costs in Tallinn.

As a result of all of the above the Company's gross profit for the 3rd quarter of 2007 was 6.7 mln EUR, which represents an increase of 0.8 mln EUR, or 13,4%, compared to the gross profit of 5.9 mln EUR for the 3rd quarter of 2006.

Operating Costs and Operating Margin

Marketing expenses increased by 0.06 mln EUR to 0.2 mln EUR during the 3rd quarter of 2007 compared to the corresponding period in 2006. At the beginning of July 2007, the company formed a new business unit focusing on new business development. The increase in depreciation charges accounted within marketing expenses is due to the inclusion of the depreciation related to the completion of the last stage of implementation of the Customer Information and Billing system (KLIF).

General administration expenses increased by 0.06 mln EUR to 0.8 mln EUR in the 3rd quarter of 2007 as a consequence of an increase in salaries and other general administration expenses. Approximately 0.03 mln EUR accounted for switching from owning the computers into the lease contracts as well as outsourcing the maintenance of software development – a corresponding reduction can be found in the depreciation charge. In addition to these changes there were higher technical services agreement and legal services costs.

Included within the above cost categories are staff costs. These totaled 1 mln EUR in the 3rd quarter of 2007, which is a 0.04 mln EUR or 4.2% increase compared to the same period in 2006, which as mentioned earlier was due to of the company wide revision of salaries.

Other net income/expenses totalled a cost of 0.07 mln EUR in the 3rd quarter of 2007 compared to a cost of 0.04 mln EUR in the 3rd quarter of 2006.

As a result of all of the above the Company's operating profit for the 3rd quarter of 2007 was 5.7 mln EUR, an increase of 0.65 mln EUR compared to an operating profit of 5 mln EUR achieved in the 3rd quarter of 2006.

Financial expenses

Net Financial expenses were 0.75 mln EUR in the 3rd quarter of 2007, which is an increase of 0.05 mln EUR or 7.6% compared to the 3rd quarter of 2006. The Company's interest costs have increased by 14,6% compared to the 3rd quarter of 2006. This is due to the fact that half of the Company's loans are connected to the 6 month Euribor rate, which was 4.228% in 3rd quarter of 2007 compared to 3.298% in the 3rd quarter of 2006. The increase in interest expenses is partially offset by an increase in financial income earned during the 3rd quarter of 2007, as a result of a more favourable cash position, and increasing interest rates.

Profit Before Tax

The Company's profit before taxes for the 3rd quarter of 2007 was 4.9 mln EUR, which is 0.6 mln EUR higher than the profit before taxes of 4.3 mln EUR for the 3rd quarter of 2006.

Results for the first nine months of 2007

During the first nine months of 2007 the Company's total sales increased, year on year, by 13.3% to 35.2 mln EUR. Sales from the Company's main operating activities were 30.8 mln EUR. Sales of water and wastewater treatment were 28.6 mln EUR, a 9.1% increase compared to the first nine months of 2006.

The Company's profit before taxes for the first nine months of 2007 was 16.1 mln EUR, which is 1.2 mln EUR higher than the profit before taxes of 14.8 mln EUR in the relevant period in 2006. The results for the first nine months of 2007 were impacted by the fact that the Ministry of Environment gave final approval to the success of the nitrogen project, which resulted in the release of a provision worth 0.9 mln EUR for environmental taxes. The results for the first nine months of 2006 were impacted by the sale of excess land in Paljassaare worth 1.5 mln EUR. When eliminating these one-offs, the underlying profit before tax has increased by 1.9 mln EUR to 15.2 mln EUR i.e. 14.6% year-on-year.

Balance sheet

During the nine months of 2007 the Company invested 10.6 mln EUR into fixed assets. Non-current assets were 139.7 mln EUR at 30 September 2007. Current assets decreased by 4.4 mln EUR to 16.7 mln EUR in the first nine months of the year, which was largely attributable to a decrease in cash reflecting the dividend payout.

Current liabilities decreased by 1.6 mln EUR to 8.2 mln EUR in the first nine months of the year. This was mainly due to decreased trade and other payables and taxes payable.

The company continues to maintain its leverage level within its target range of 50-60% with total liabilities to total capital employed of 52.9% as at 30 September 2007. Long-term liabilities stood at

74.6 mln EUR at the end of September 2007, consisting almost entirely of the outstanding balance on the two long-term bank loans.

Cash flow

During the first nine months of 2007, the Company generated 17.3 mln EUR of cash flows from operating activities, an increase of 1.75 mln EUR compared to the corresponding period in 2006. Operating profit continues to be main driver for growth.

In the first nine months of 2007 net cash outflows from investing activities were 6.3 mln EUR, which is 4.9 mln EUR more than in 2006. This was mainly due to increased investment levels. In the first nine months of the year, the company invested 10.6 mln EUR – 6.8 mln EUR networks extension and rehabilitation, 2.7 mln EUR Paljassaare wastewater treatment plant and wastewater treatment, 0.5 mln EUR water quality (Ülemiste water treatment plant and raw water) and 0.5 mln EUR other investments (IT, capital maintenance, meters, etc).

Cash outflows from financing activities were 16.1 mln EUR during the first nine months of the year compared to cash outflow of 13.1 mln EUR during the first nine months of 2006, reflecting increased dividend payments and related taxes.

As a result of all of the above factors, the total cash outflow in the first nine months of 2007 was 5.1 mln EUR compared to a cash inflow of 1.1mln EUR in the first nine months of 2006. Cash and cash equivalents stood at 10.8 mln EUR as at 30 September 2007.

Employees

In the third quarter of 2007 the average number of employees was 313 people.

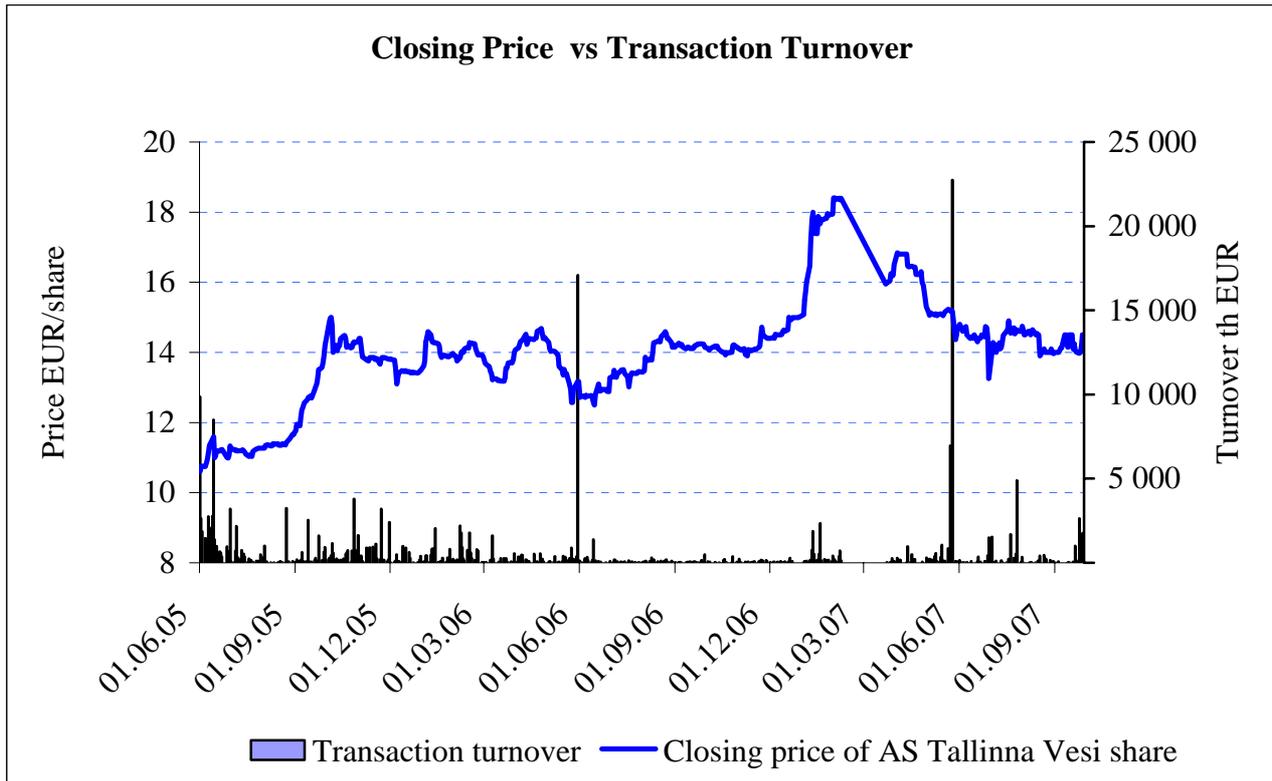
Dividends and share performance

Based on the results of the 2006 financial year, the Annual General Meeting of shareholders of AS Tallinna Vesi voted to pay 12,527,322 EUR of dividends. Of this 639 EUR was paid to the owner of the B-share and 12,526,683 EUR, i.e. 0.6 EUR per share to the owners of the A-shares. Dividends were paid on 15 June 2007.

As of 30 September 2007 AS Tallinna Vesi shareholders, with a holding over 5%, were:

United Utilities (Tallinn) BV	35.3%
City of Tallinn	34.7%
Morgan Stanley + Co International Equity client account	7.43%
Nordea Bank Finland Plc clients account trading	5.55%

At the end of the reporting period, 30 September 2007, the closing price of the AS Tallinna Vesi share was 14.50 EUR, which is a 9.5% increase compared to the closing price of 13.25 EUR at the beginning of the period, outperforming the market as the OMX Tallinn index dropped by 6.4% during the relevant period.



Operational achievements in 2007

- The work on the new Paljassaare sludge processing building nears completion and commissioning activities have begun with full hand over programmed for October 2007. The project provides for the more effective and efficient operation and maintenance of this equipment and will realise further benefits in the operation of the wastewater and sludge treatment processes. The sludge composting fields were completed in the 3rd quarter and these have been taken into full operation. These projects enable the Company to continue with its environmentally friendly and cost effective policy of disposing zero sludge to landfill. The total cost of the project is over 2.6 mln EUR.
- In the 3rd quarter, the excellent wastewater treatment performance continued with all outfall effluent samples at all locations compliant with requirements and as a consequence the environmental charges for the quarter attracted a 50% reduction.
- In quarter 3 OHSAS accreditation was awarded to the company and the certification will be formally presented to the company on 26th October.
- On 26 September the City Council approved the tariffs for water and wastewater services for 2008. The tariff increase is going to be at expected level, i.e. 11.7%. The tariff increase consists of +6.5% increase of the K-coefficient, +5.8% increase of CPI and -0.6% increase due to change of law.

Additional information:

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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 30 September 2007. 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 30 September 2007, 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 30 September 2007. 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 15 October 2007 have been assessed as part of this review.

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



Roch Jean Guy Antoine Chérourx
Chairman of the Management Board



Siiri Lahe
Member of the Management Board



David Nigel Hetherington
Member of the Management Board

15 October 2007

BALANCE SHEETS AT 30 SEPTEMBER 2007 AND 2006, AND AT 31 DECEMBER 2006

(thousand EUR)

ASSETS	Note	2007	30 September 2006	31 December 2006
CURRENT ASSETS				
Cash at bank and in hand	2	10 817	14 290	15 940
Customer receivables		5 216	4 671	4 569
Accrued income and prepaid expenses		357	378	304
Inventories		193	209	201
Assets for sale		107	98	105
TOTAL CURRENT ASSETS		16 690	19 646	21 120
NON-CURRENT ASSETS				
Tangible assets	3	122 664	118 027	119 969
Intangible assets	3	3 085	2 531	3 361
Unfinished assets - non connections	3	5 784	7 148	5 859
Unfinished pipelines - new connections	3	7 981	6 930	7 488
Prepayments for fixed assets	3	198	192	179
TOTAL NON-CURRENT ASSETS		139 711	134 828	136 856
TOTAL ASSETS		156 402	154 474	157 976
LIABILITIES				
CURRENT LIABILITIES				
Current portion of long-term borrowings		0	47	30
Trade and other payables, incl. dividends		4 185	5 318	5 448
Taxes payable		904	1 623	1 950
Short-term provisions		143	30	34
Deferred income		2 944	3 311	2 322
TOTAL CURRENT LIABILITIES		8 176	10 330	9 784
NON-CURRENT LIABILITIES				
Bank loans		74 569	74 513	74 527
Other payables		7	6	6
TOTAL NON-CURRENT LIABILITIES		74 577	74 520	74 534
TOTAL LIABILITIES		82 752	84 850	84 318
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		22 336	19 010	19 010
Net profit for the period		12 519	11 820	15 853
TOTAL EQUITY CAPITAL		73 649	69 624	73 658
TOTAL LIABILITIES AND EQUITY CAPITAL		156 402	154 474	157 976



AS TALLINNA VESI

INCOME STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2007 AND 2006

(thousand EUR)

	Note	Quarter 3		9 months		Year ended 31 December
		2007	2006	2007	2006	2006
Sales from main operating activities	4	10 042	9 242	30 845	28 138	37 655
Revenues from other operating activities	4	738	293	4 333	2 904	6 650
Net sales		10 780	9 535	35 178	31 042	44 305
Costs of goods sold (main operating activities)	5,6	-3 528	-3 379	-10 047	-10 361	-14 095
Costs of goods sold (other operating activities)	6	-557	-251	-3 762	-2 642	-6 206
GROSS PROFIT		6 695	5 905	21 369	18 039	24 005
Marketing expenses	5,6	-203	-148	-621	-454	-612
General administration expenses	5,6	-771	-710	-2 657	-2 312	-3 280
Other income/ expenses (-)	6	-68	-38	58	1 567	1 485
OPERATING PROFIT		5 653	5 010	18 149	16 839	21 597
Financial income / expenses (-)	7	-750	-698	-2 097	-2 022	-2 747
PROFIT BEFORE TAXES		4 903	4 312	16 052	14 817	18 850
Income tax on dividends	8	0	0	-3 533	-2 997	-2 997
NET PROFIT FOR THE PERIOD		4 903	4 312	12 519	11 820	15 853
Attributable to:						
Equity holders of A-shares		4 902	4 312	12 518	11 819	15 852
B-share holder		0,64	0,64	0,64	0,64	0,64
Earnings per share in euros	9	0,25	0,22	0,63	0,59	0,79



Chairman of the Management Board:

CASH FLOW STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2007 AND 2006

(thousand EUR)

	9 months		Year ended 31
	2007	2006	December 2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	18 149	16 839	21 597
Adjustment for depreciation	3 789	3 813	5 180
Adjustment for income and expenses from constructions	-571	-261	-444
Other financial income and expenses	-16	-76	-34
Profit from sale of fixed assets	1	-1 592	-1 592
Expensed fixed assets	0	42	71
Capitalization of operating expenses	-921	-1 015	-1 337
Movement in current assets involved in operating activities	-359	-552	-265
Movement in liabilities involved in operating activities	-1 150	-194	383
Interest paid	-1 652	-1 481	-3 071
Total cash flow from operating activities	17 270	15 522	20 487
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of fixed assets (incl pipelines construction)	-11 540	-6 082	-12 274
Proceeds from pipelines financed by construction income	4 772	4 522	7 200
Proceeds from sale of and prepayments received/returned(-) for fixed assets	1	-178	-83
Proceeds from sale of assets and real estate investments	15	71	71
Interest received	449	297	418
Total cash flow from investing activities	-6 303	-1 370	-4 667
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments	-30	-65	-82
Dividends paid	-12 527	-10 034	-10 034
Income tax on dividends	-3 533	-2 997	-2 997
Total cash flow from financing activities	-16 091	-13 096	-13 113
Change in cash and bank accounts	-5 123	1 056	2 706
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	15 940	13 234	13 234
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	10 817	14 290	15 940



Chairman of the Management Board:

AS TALLINNA VESI

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2007 AND 2006

(thousand EUR)

	Share capital	Share premium	Statutory legal reserve	Accumulated profit	Net profit	Total equity
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
Dividends	0	0	0	-10 034	0	-10 034
Net profit of the financial year	0	0	0	0	15 853	15 853
31 December 2006	12 782	24 734	1 278	19 010	15 853	73 658
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
Dividends	0	0	0	-10 034	0	-10 034
Net profit of the financial period	0	0	0	0	11 820	11 820
30 September 2006	12 782	24 734	1 278	19 010	11 820	69 624
31 December 2006	12 782	24 734	1 278	19 010	15 853	73 658
Transfer of financial year profit to the accumulated profit	0	0	0	15 853	-15 853	0
Dividends	0	0	0	-12 527	0	-12 527
Net profit of the financial period	0	0	0	0	12 519	12 519
30 September 2007	12 782	24 734	1 278	22 336	12 519	73 649



Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2007 AND 2006

(thousand EUR)

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 thousands kroons for the same period.

NOTE 2. CASH AND CASH EQUIVALENTS

	9 months		Year ended 31
	2007	2006	December
			2006
Cash at bank and in hand	2 368	1 603	1 101
Short term deposits	8 450	12 687	14 839
	10 817	14 290	15 940



Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2007 AND 31 DECEMBER 2006

(thousand EUR)

NOTE 3. 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											
31.12.2005	22 365	124 380	32 185	1 223	6 058	6 979	222	885	3 585	197 883	
Acquisition	0	0	0	0	8 926	6 826	0	0	0	15 753	
Sale of fixed assets	-503	-573	-325	0	0	0	0	0	0	-1 402	
Write-off of fixed assets	0	-62	-315	-159	0	0	0	0	-448	-983	
Reclassification within balance sheet	0	0	0	0	-3	-2	0	0	0	-5	
Reclassification to expenses	0	0	0	0	-39	0	-31	0	0	-71	
Expensed pipelines	0	0	0	0	0	-6 206	0	0	0	-6 206	
Reclassification from assets in progress	192	5 161	2 624	56	-9 083	-109	-12	0	1 172	0	
31.12.2006	22 054	128 906	34 169	1 120	5 859	7 488	179	885	4 310	204 969	
Acquisition	0	0	0	0	6 162	4 382	20	0	0	10 564	
Sale of fixed assets	0	0	-12	0	0	0	0	0	0	-12	
Write-off of fixed assets	-2	-63	-156	-15	0	0	0	0	0	-236	
Reclassification within balance sheet	0	0	0	0	-26	-127	0	0	0	-153	
Reclassification to expenses	0	0	0	0	-3	0	0	0	0	-3	
Expensed pipelines	0	0	0	0	0	-3 762	0	0	0	-3 762	
Reclassification from assets in progress	36	4 915	1 085	21	-6 209	0	0	287	-135	0	
30.09.2007	22 088	133 758	35 085	1 126	5 784	7 981	198	1 172	4 175	211 367	
Accumulated depreciation											
31.12.2005	3 559	39 198	19 156	737	0	0	0	603	1 056	64 309	
Depreciation	247	2 011	2 182	118	0	0	0	126	495	5 180	
Depreciation of fixed assets sold and written-off (-)	-4	-239	-526	-159	0	0	0	0	-448	-1 376	
31.12.2006	3 801	40 970	20 812	696	0	0	0	729	1 104	68 113	
Depreciation	190	1 637	1 480	53	0	0	0	90	339	3 789	
Depreciation of fixed assets sold and written-off (-)	-2	-88	-140	-16	0	0	0	0	0	-246	
30.09.2007	3 989	42 519	22 152	734	0	0	0	819	1 442	71 656	
Net book value											
31.12.2005	18 807	85 182	13 029	486	6 058	6 979	222	282	2 529	133 573	
31.12.2006	18 253	87 935	13 356	424	5 859	7 488	179	155	3 206	136 856	
30.09.2007	18 099	91 239	12 933	392	5 784	7 981	198	352	2 733	139 711	

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

For the period ended 31 December 2006 the net balance sheet value of finance leases was 156 thousand euros, as of 30 September 2007 there was no finance lease contract.



Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2007 AND 2006

(thousand EUR)

NOTE 4. NET SALES	Quarter 3		9 months		Year ended 31
	2007	2006	2007	2006	December 2006
Revenues from main operating activities					
Water supply service	4 939	4 566	15 220	13 839	18 486
Waste water disposal service	4 301	4 024	13 401	12 384	16 600
Stormwater treatment and disposal service	621	480	1 708	1 441	1 921
Fire hydrants service	35	46	105	139	192
Other works and services	147	126	412	335	456
Total revenues from main operating activities	10 042	9 242	30 845	28 138	37 655
Revenues from other operating activities					
Water, sewerage and storm water connections construction income	738	293	4 333	2 904	6 650
TOTAL NET SALES	10 780	9 535	35 178	31 042	44 305

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

NOTE 5. PERSONNEL EXPENSES

	Quarter 3		9 months		Year ended 31
	2007	2006	2007	2006	December 2006
Salaries and wages	-750	-723	-2 562	-2 360	-3 230
Social security taxation	-250	-237	-854	-786	-1 076
Staff costs total	-1 000	-960	-3 416	-3 146	-4 305
Average number of employees during the reporting period	313	319	308	326	322



Chairman of the Management Board:

**NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2007 AND 2006**

(thousand EUR)

NOTE 6. COSTS AND EXPENSES

Cost of goods sold (main operating activities)	Quarter 3		9 months		Year ended 31 December
	2007	2006	2007	2006	2006
Tax on special use of water	-167	-159	-503	-481	-642
Chemicals	-351	-315	-1 011	-933	-1 319
Electricity	-415	-358	-1 270	-1 170	-1 572
Pollution tax	-107	-217	507	-588	-766
Staff costs	-687	-665	-2 325	-2 181	-2 973
Research and development	-1	-2	-4	-2	-8
Depreciation and amortization	-1 147	-1 162	-3 480	-3 476	-4 683
Other costs of goods sold	-653	-502	-1 962	-1 529	-2 131
Total cost of goods sold (main operating activities)	-3 528	-3 379	-10 047	-10 361	-14 095
Cost of goods sold (other operating activities)					
Water, sewerage and storm water connections construction cost	-557	-251	-3 762	-2 642	-6 206
Marketing Expenses					
Staff costs	-82	-75	-268	-221	-301
Depreciation and amortization	-57	-34	-169	-131	-157
Other marketing expenses	-64	-39	-183	-103	-154
Total cost of marketing expenses	-203	-148	-621	-454	-612
General Administration Expenses					
Staff costs	-231	-221	-823	-743	-1 031
Depreciation and amortization	-45	-69	-139	-206	-340
Other general administration expenses	-494	-420	-1 695	-1 363	-1 909
Total cost of general administration expenses	-771	-710	-2 657	-2 312	-3 280

Other income/expenses - In both 2007 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.



Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2007 AND 2006

(thousand EUR)

NOTE 7. FINANCIAL INCOME AND EXPENSES	9 months		Year ended 31
	2007	2006	December 2006
Interest income	453	295	422
Interest expense	-2 534	-2 242	-3 162
Other financial income / expenses (-)	-16	-76	-6
Total financial income / expenses	-2 097	-2 022	-2 747

NOTE 8. DIVIDENDS	9 months		Year ended 31
	2007	2006	December 2006
Dividends declared during the period	12 527	10 034	10 034
Dividends paid during the period	12 527	10 034	10 034
Income tax on dividends declared	-3 533	-2 997	-2 997
Income tax accounted	-3 533	-2 997	-2 997

The income tax rates were 22/78 and 23/77 respectively in 2007 and 2006.

NOTE 9. EARNINGS AND DIVIDENDS PER SHARE

	9 months		Year ended 31
	2007	2006	December 2006
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)	12 518	11 819	15 852
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	0,63	0,59	0,79
Dividends per A-share in euros	0,63	0,50	0,50
Dividends per B-share in euros	639	639	639

Diluted earnings per share for the periods ended 30 September 2007 and 2006 and 31 December 2006 are equal to the earnings per share figures stated above.



Chairman of the Management Board:

**NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2007 AND 2006**

(thousand EUR)

NOTE 10. 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 2006 and 2007 and respective balances as of 30.09.2006 and 30.09.2007 are recorded as follows:

	Tallinn City Government and related boards	The companies belonging to the same group with the United Utilities (Tallinn) B.V.
2006 for 9 months		
Transactions recorded in Working Capital on the Balance Sheet of AS Tallinna Vesi		
Customer receivables	164	0
Accrued income and prepaid expenses	0	154
Deferred income	139	0
Accounts payable - short-term trade and other payables, incl. dividends	0	147
Transactions recorded to the Income Statement of AS Tallinna Vesi		
Net sales	3 420	0
General administration expenses	0	692
Transactions recorded to other accounts on the Balance Sheet of AS Tallinna Vesi		
Non-current assets incl unfinished assets and new connections	0	601
2007 for 9 months		
Transactions recorded in Working Capital on the Balance Sheet of AS Tallinna Vesi		
Customer receivables	115	0
Accrued income and prepaid expenses	0	0
Deferred income	98	0
Accounts payable - short-term trade and other payables, incl. dividends	0	125
Transactions recorded to the Income Statement of AS Tallinna Vesi		
Net sales	4 545	0
General administration expenses	0	922
Transactions recorded to other accounts on the Balance Sheet of AS Tallinna Vesi		
Non-current assets incl unfinished assets and new connections	0	261

	9 months		Year ended 31 December
	2007	2006	2006
Management Board fees excluding social tax	95	103	134
Supervisory Board fees excluding social tax	27	24	32

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

Company shares belonging to the Management Board members

As at report generation date Roch Jean Guy Antoine Chéroux owned 400 AS Tallinna Vesi shares.


Chairman of the Management Board:

AS TALLINNA VESI

**NOTES TO THE INTERIM ACCOUNTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2007 AND 2006**

NOTE 11. LIST OF SUPERVISORY BOARD MEMBERS

Robert John Gallienne	Chairman of the Supervisory Board
David John Kilgour	Member of the Supervisory Board
Henry Emanuel Russell	Member of the Supervisory Board
Joanne Bream	Member of the Supervisory Board
Elmar Sepp	Member of the Supervisory Board
Helo Meigas	Member of the Supervisory Board
Rein Ratas	Member of the Supervisory Board
Valdur Laid	Member of the Supervisory Board
Deniss Boroditš	Member of the Supervisory Board

On 4 October 2007 United Utilities (Tallinn) BV recalled Joanne Bream from the Supervisory Board and referred David Leonard Fuller as the new member of the Supervisory Board.



Chairman of the Management Board:
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