

AS TALLINNA VESI

Results of operations in the nine months to 30 September 2005

Key performance indicators

Amounts in million EEK

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

ROA – Net profit / Total Assets

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

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

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

Income Statement

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

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

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

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

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

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

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

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

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

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

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

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

Balance sheet

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

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

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

Cash flow

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

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

Dividends and share performance

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

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

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

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

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AS TALLINNA VESI

Nine months report for the quarter ended 30 September 2005

Currency	thousands kroons
Start of reporting period	1 January 2005
End of reporting period	30 September 2005
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

CONTENTS

	Page
MANAGEMENT CONFIRMATION	1
CONDENSED BALANCE SHEET	2
CONDENSED INCOME STATEMENT	3
CONDENSED CASH FLOW STATEMENT	4
CONDENSED STATEMENT OF CHANGES IN EQUITY	5
NOTES TO THE ACCOUNTS	
NOTE 1. ACCOUNTING PRINCIPLES	6
NOTE 2. TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS	7
NOTE 3. NET SALES	8
NOTE 4. COSTS AND EXPENSES	9
NOTE 5. DIVIDENDS	10
NOTE 6. EARNINGS AND DIVIDENDS PER SHARE	10
NOTE 7. REDUCTION IN STATUTORY LEGAL RESERVE	10
NOTE 8. RELATED PARTIES	11

AS TALLINNA VESI

MANAGEMENT CONFIRMATION

The Management Board of AS Tallinna Vesi has prepared the interim accounts for the nine months period ended 30 September 2005. The interim accounts are not 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 30 September 2005, 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 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 17 October 2005 have been assessed as part of this review.

By order of the Management Board



Robert John Gallienne
Chairman of the Management Board

17 October 2005

AS TALLINNA VESI

CONDENSED BALANCE SHEET

AT 30 SEPTEMBER 2005 AND 2004 AND 31 DECEMBER 2004

(thousand EEK)

ASSETS	Note	30 September 2005	2004	31 December 2004
CURRENT ASSETS				
Cash at bank and in hand		173 836	97 731	101 000
Customer receivables		46 406	47 936	51 644
Other receivables		12 732	38	66
Accrued income and prepaid expenses		8 458	7 351	3 886
Inventories		3 114	5 093	3 266
Assets for sale		1 396	2 043	1 621
TOTAL CURRENT ASSETS		245 942	160 192	161 483
NON-CURRENT ASSETS				
Shares of associated companies		0	6 181	0
Long-term deposit		78 590	31 904	77 538
Other long-term investment assets		0	2 525	1 330
Tangible assets	2	1 814 133	1 768 626	1 779 897
Intangible assets	2	26 370	18 758	18 460
Construction in progress	2	112 773	101 200	102 634
Unfinished pipelines - new connections	2	98 591	83 201	79 675
Prepayments for fixed assets	2	3 648	3 889	3 648
TOTAL NON-CURRENT ASSETS		2 134 105	2 016 284	2 063 182
TOTAL ASSETS		2 380 047	2 176 476	2 224 665
LIABILITIES				
CURRENT LIABILITIES				
Current portion of long-term finance lease		1 455	1 837	1 777
Current portion of long-term bank loans		89 744	42 126	87 086
Trade and other payables, incl. dividends		77 378	69 047	55 707
Taxes payable		18 275	17 796	20 534
Short-term provisions		228	6 329	912
Deferred income		69 272	15 217	18 582
TOTAL CURRENT LIABILITIES		256 352	152 352	184 598
NON-CURRENT LIABILITIES				
Finance lease		687	2 128	1 685
Bank loans		1 103 598	1 068 124	1 039 192
Other payables		100	100	100
TOTAL NON-CURRENT LIABILITIES		1 104 385	1 070 352	1 040 977
TOTAL LIABILITIES		1 360 737	1 222 704	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	145 734	145 734
Net profit for the period		132 220	127 643	172 961
TOTAL EQUITY CAPITAL		1 019 310	953 772	999 090
TOTAL LIABILITIES AND EQUITY CAPITAL		2 380 047	2 176 476	2 224 665

Chairman of the Management Board:

AS TALLINNA VESI

**CONDENSED INCOME STATEMENT
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2005 AND 2004**

(thousand EEK)

	Note	9 months		Year ended
		2005	2004	31 December 2004
Sales from main operating activities	3	409 609	356 368	478 814
Revenues from other operating activities		31 141	47 393	69 715
Net sales	3	440 750	403 761	548 529
Cost of goods sold main operating activities	4	-148 107	-147 990	-197 255
Cost of goods sold other operating activities	4	-27 725	-42 147	-64 410
GROSS PROFIT		264 918	213 624	286 864
Marketing expenses	4	-4 904	-4 520	-6 134
General administration expenses	4	-52 856	-30 027	-40 739
Other income/ expenses (-)		1 750	15 646	14 927
OPERATING PROFIT		208 908	194 723	254 918
Financial income / expenses (-)		-41 320	-40 803	-55 680
PROFIT BEFORE TAXES		167 588	153 920	199 238
Income tax on dividends	5	-35 368	-26 277	-26 277
NET PROFIT FOR THE PERIOD		132 220	127 643	172 961
Attributable to:				
Equity holders of A-shares		132 210	127 633	172 951
B-share holder		10	10	10
Earnings per share in kroons	6	6,61	6,38	8,65

AS TALLINNA VESI

CONDENSED CASH FLOW STATEMENT

FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2005 AND 2004

(thousand EEK)

	9 months		Year ended
	2005	2004	31 December 2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	208 908	194 723	254 918
Adjustment for depreciation	58 106	60 088	79 506
Adjustment for income and expenses from constructions	-3 416	-4 859	-5 306
Other finance income and expenses	-1 868	-1 769	-3 835
Profit from sale of fixed assets	-12 043	-2 733	-2 844
Expensed fixed assets	221	107	1 900
Capitalization of operating expenses	-16 643	-28 506	-38 974
Movement in current assets involved in operating activities	-14 108	-5 457	-48 978
Movement in liabilities involved in operating activities	-7 973	-14 547	-11 045
Interest paid	-29 412	-28 538	-57 513
Total cash flow from operating activities	181 772	168 509	167 829
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of shares of associated company	0	0	6 259
Acquisition of fixed assets (incl pipelines construction)	-129 125	-93 820	-133 707
Proceeds from pipelines financed by construction income	40 409	37 724	59 371
Repayments of loans to third parties	0	0	2
Proceeds from sale of and prepayments received for fixed assets	47 274	3 686	3 799
Proceeds from sale of real estate investments	11 700	2 250	2 250
Interest received	3 574	1 991	2 661
Total cash flow from investing activities	-26 168	-48 169	-59 365
CASH FLOWS FROM FINANCING ACTIVITIES			
Received long-term loans	109 571	15 647	31 293
Repayment of long-term loans	-43 650	-19 001	-19 001
Finance lease payments	-1 320	-2 131	-2 632
Dividends paid	-112 000	-75 000	-75 000
Income tax on dividends	-35 369	-26 277	-26 277
Total cash flow from financing activities	-82 768	-106 762	-91 617
Change in cash and bank accounts	72 836	13 578	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	173 836	97 731	101 000

AS TALLINNA VESI

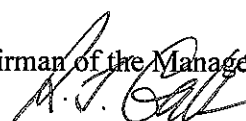
CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 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
Dividend	0	0	0	-75 000	0	-75 000
Net profit of the financial period	0	0	0	0	127 643	127 643
30 September 2004	200 001	387 000	93 394	145 734	127 643	953 772
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	132 220	132 220
30 September 2005	200 001	387 000	20 000	280 089	132 220	1 019 310

Chairman of the Management Board:



AS TALLINNA VESI

**NOTES TO THE INTERIM ACCOUNTS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 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.

The presentation of accelerated depreciation in the case of the write off of fixed assets with net book value higher than 0 has been changed. In 2004 the net book value was recorded in group other not related expenses in case of write offs, in 2005 the respective expense is recorded within operational costs or in any other proper cost group. The numbers of 2004 are respectively reclassified.



Chairman of the Management Board:

NOTES TO THE INTERIM ACCOUNTS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2005 AND 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	89 901	47 320	19 803	0	0	157 024
Sale of fixed assets	-83	-127	-1	-5	0	0	0	0	0	-216
Write-off of fixed assets	0	-2 631	-2 935	-98	0	0	0	0	-59	-5 723
Reclassification within balance sheet	0	229	0	0	0	0	0	0	0	229
Reclassification to expenses	0	0	0	0	-56	-3	0	0	0	-59
Expensed pipelines	0	0	0	0	0	-27 725	0	0	0	-27 725
Reclassification from assets in progress	33 739	22 201	28 653	2 171	-79 706	-676	-19 803	3 713	9 708	0
30.09.2005	345 126	1 919 191	510 612	18 403	112 773	98 591	3 648	13 311	37 006	3 058 661
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	2 873	21 858	26 416	1 013	0	0	0	1 745	3 766	57 671
Depreciation of fixed assets sold and written-off (-)	-83	-2 221	-2 894	-85	0	0	0	0	-59	-5 342
30.09.2005	55 679	606 384	305 851	11 285	0	0	0	8 786	15 161	1 003 146
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
30.09.2005	289 447	1 312 807	204 761	7 118	112 773	98 591	3 648	4 525	21 845	2 055 515

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 4 514 thousand and 9 531 thousand kroons in 2005 for 9 months and 2004 respectively.

Interest capitalised to fixed assets was 1 075 thousand kroons and 1 910 thousand kroons in 2005 for 9 months and 2004 respectively.



Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS

FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2005 AND 2004

(thousand EEK)

NOTE 3. NET SALES

	9 months		Year ended
	2005	2004	31 December
			2004
Sales from main operating activities			
Water supply service	196 462	165 569	220 688
Waste water disposal service	172 183	150 521	204 494
Stormwater treatment and disposal service	34 930	33 548	44 731
Fire hydrants service	1 530	1 469	1 959
Other work and services	4 504	5 261	6 942
Total sales from main operating activities	409 609	356 368	478 814
Revenues from other operating activities			
Water, sewerage and storm water connections construction income	31 141	47 393	69 715
TOTAL NET SALES	440 750	403 761	548 529

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



Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2005 AND 2004

(thousand EEK)

NOTE 4. COSTS AND EXPENSES

Cost of goods sold main operating activities	9 months		Year ended
	2005	2004	31 December 2004
Tax on special use of water	-6 716	-6 983	-9 272
Chemicals	-9 016	-7 224	-9 387
Electricity	-17 920	-18 828	-26 151
Pollution tax	-5 425	-6 271	-8 380
Staff costs	-32 553	-34 610	-44 643
Research & development	-90	-38	-85
Depreciation and amortization	-54 494	-56 625	-74 873
Other costs of goods sold	-21 893	-17 411	-24 464
Total cost of goods sold main operating activities	-148 107	-147 990	-197 255
Cost of goods sold other operating activities	9 months	2004	Year ended December 2004
Water, sewerage and storm water connections construction cost	-27 725	-42 147	-64 410
Marketing Expenses	9 months	2004	Year ended December 2004
Staff costs	-3 458	-3 106	-4 240
Depreciation and amortization	-95	-90	-113
Other marketing expenses	-1 351	-1 324	-1 781
Total cost of marketing expenses	-4 904	-4 520	-6 134
General Administration Expenses	9 months	2004	Year ended December 2004
Staff costs	-11 352	-10 127	-15 813
IPO bonus	-6 068	0	0
Depreciation and amortization	-3 517	-3 373	-4 520
Other general administration expenses	-20 474	-16 527	-20 406
IPO services	-11 445	0	0
Total cost of general administration expenses	-52 856	-30 027	-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. Other expenses include 8 490 thousand kroons IPO costs in 2005.

In total, the results for the nine months ended 30 September 2005 include IPO costs of 26 003 thousand kroons, being made up of 19 935 thousand kroons for services and 6 068 thousand kroons for staff bonus costs as referred to above.


Chairman of the Management Board:

AS TALLINNA VESI

NOTES TO THE INTERIM ACCOUNTS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2005 AND 2004

(thousand EEK)

NOTE 5. DIVIDENDS	9 months		Year ended
	2005	2004	31 December 2004
Dividend declared during the period	112 000	75 000	75 000
Dividend paid during the period	112 000	75 000	75 000
Income tax on dividends declared	-35 368	-26 351	-26 351
The income tax paid on dividends received	0	74	74
The income tax accounted	-35 368	-26 277	-26 277

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

NOTE 6. EARNINGS AND DIVIDENDS PER SHARE

	9 months		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)	132 210	127 633	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	6,61	6,38	8,65
Dividends per A-share in kroons	5,60	3,75	3,75
Dividends per B-share in kroons	10 000,00	10 000,00	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.

AS TALLINNA VESI

**NOTES TO THE INTERIM ACCOUNTS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 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 30.09.2004 and 30.09.2005 are recorded as follows:

	Tallinn City Government and related boards	United Utilities (Tallinn) B.V. and United Utilities International*
2004 for 9 months		
Transactions recorded to AS Tallinna Vesi Working Capital of Balance Sheet		
Accrued income and prepaid expenses	0	2 389
Accounts payable - short-term trade and other payables	0	3 513
Transactions recorded to AS Tallinna Vesi Income Statement		
Net sales	65 083	0
General administration expenses	0	9 282
Transactions recorded to the other accounts of AS Tallinna Vesi Balance Sheet		
Tangible non-current assets incl unfinished constructions and new connections	0	10 363
2005 for 9 months		
Transactions recorded to AS Tallinna Vesi Working Capital of Balance Sheet		
Accrued income and prepaid expenses	0	2 354
Accounts payable - short-term trade and other payables, incl. dividends	0	1 968
Transactions recorded to AS Tallinna Vesi Income Statement		
Net sales	61 515	0
General administration expenses	0	12 651
Transactions recorded to the other accounts of AS Tallinna Vesi Balance Sheet		
Tangible non-current assets incl unfinished constructions and new connections	0	9 506

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

*United Utilities (Tallinn) B.V. holds 35.3% 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.

	9 months		Year ended 31 December
	2005	2004	2004
The fees paid to management board members excluding social tax	1 591	1 620	2 059
The fees paid to supervisory board members excluding social tax	14	5	18