AS Tallinna Vesi

Results of operations – for the 1st half-year of 2010

Currency	Thousand euros
Start of reporting period	1 January 2010
End of reporting period	30 June 2010
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Field of activity	Production, treatment and distribution of water; storm and wastewater disposal and treatment

CONTENTS

MANAGEMENT REPORT
RESULTS OF OPERATIONS - FOR THE 1st HALF-YEAR 2010

Overview

During the first six months of 2010 the Company's total sales increased, year on year, by 1.4% to 24.7 mln EUR. The Company's underlying operating profit for the first six months of 2010, from water and wastewater related activities, decreased by 6.0% to 12.6 mln EUR compared to the six months of 2009. Profits from other activities (mainly construction and developments) increased by 140.6% to 1.3 mln EUR compared to the same six months of 2009. The Company's profit before taxes was 11.1 mln EUR, which is on the same level compared to the same six months of 2009.

mln EUR	**2 Q 2010**	**2 Q 2009**	**Change**	**6 months 2010**	**6 months 2009**	**Change**
Sales	12,5	12,1	3,5%	24,7	24,4	1,4%
Gross profit	7,3	7,7	-5,2%	14,9	15,8	-5,4%
Gross profit margin %	58,6	64,0	-8,4%	60,4	64,7	-6,7%
Operating profit	7,2	6,8	5,0%	13,9	13,9	-0,2%
Operating profit - main business	6,1	6,5	-5,8%	12,6	13,4	-6,0%
Operating profit margin %	57,5	56,6	1,4%	56,2	57,1	-1,5%
Profit before taxes	5,8	4,8	22,1%	11,1	11,1	0,0%
Net profit	-2,7	0,9	-413,1%	2,6	7,1	-64,2%
Net profit margin %	-21,4	7,1	-402,5%	10,3	29,3	-64,7%
ROA %	-1,6	0,5	-391,0%	1,5	4,5	-66,7%
Debt to total capital employed	65,5	53,6	22,2%	65,5	53,6	22,2%

Gross profit margin – Gross profit / Net sales
Operating profit margin – Operating profit / Net sales
Net Profit margin – Net Profit / Net sales
ROA – Net profit /Total Assets
Debt to Total capital employed – Total Liabilities / Total capital employed
Main business – water and wastewater activities, excl. connections profit and government grants

Profit and Loss Statement

2nd quarter 2010

Sales

In the 2nd quarter of 2010 the Company's total sales increased, year on year, by 3.5% to 12.5 mln EUR. Included within this is a contribution of 0.4 mln EUR from Maardu, a contract which commenced in the 3rd quarter of 2009. Without Maardu, total sales would have been down by 3.2% compared to the 2nd quarter of 2009. 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 service area, and fees received from the City of Tallinn for operating and maintaining the storm water system.

Sales of water and wastewater services were 11.4 mln EUR, a 2.7% increase compared to the 2nd quarter of 2009, resulting from the factors described below which were partially offset by the 0.9% decrease in tariffs from 1 January 2010 for the Company's residential and commercial customers.

Within the service area, sales to residential customers decreased by 2.2% to 5.9 mln EUR. Sales to commercial customers decreased by 1.4% to 4.3 mln EUR. Sales to customers outside of the service area increased by 117.3% to 0.91 mln EUR, which now includes the Maardu operating contract which commenced from 1st July 2009. Over pollution fees received were 0.24 mln EUR, a 0.01% increase compared to the 2nd quarter of 2009.

In the 2nd quarter of 2010, the volumes sold to residential customers dropped 1.3%. We believe that this is due to the combination of the ongoing effect of the difficult economic conditions experienced during the last year and the fact that people have continued to move to the surrounding areas of Tallinn.

The volumes sold to commercial customers inside the service area decreased by 0.4% compared to the same period in 2009. The majority of the reduction in commercial sales volumes in Tallinn is a result of one of the most sizeable clients within the industrial sector, Coca-Cola, reducing their production in Tallinn from the beginning of the year, with this contributing an 83.4% decrease from the same period in 2009 for the client. Coca-Cola ceased production in Tallinn completely from April 2010. This decrease in industrial sector is mostly offset by sales picking up in other commercial sectors, such as leisure and tourism.

Excluding Maardu volumes, then outside service area volumes were 60.3% higher than in the 2nd quarter of 2009. The main factor in this increase was higher storm water volumes in April and May following the commencement of the thaw and wet weather but additionally sewage volumes were also higher in the current year.

The sales from the operation and maintenance of the storm water and fire-hydrant system increased by 2.1% to 0.80 mln EUR in the 2nd quarter of 2010 compared to the same period in 2009. This is in accordance with the terms and conditions of the contract whereby the storm water and fire hydrant costs are invoiced based on actual costs and volumes treated.

Cost of Goods Sold and Gross Margin

The cost of goods sold for the main operating activity was 5.2 mln EUR in the 2nd quarter of 2010, an increase of 0.82 mln EUR or 19.0% from the equivalent period in 2009 of which Maardu added 0.27 mln EUR.

In the 2nd quarter of 2010 the Company did not achieve the beneficial 0.5 coefficient for pollution tax, and the amount of pollution tax payable was 0.70 mln EUR compared to 0.36 mln EUR in the 2nd quarter of 2009. In the 2nd quarter of 2009 we did not achieve the 0.5 coefficient also, so the higher pollution tax payable in 2010 is generated by the increase in tax rates year on year by 19% and by the increase in treatment volumes. In the 3rd quarter of 2009 an investment into an additional stage of waste water treatment was approved for which the procurement process was finalized in the 2nd quarter of 2010.

Chemical costs were 0.33 mln EUR, representing a 3.9% decrease compared to the corresponding period in 2009. Although higher volumes were treated and chemicals dosed the lower price of the chemicals led to the decrease in chemicals costs.

Electricity costs increased by 0.19 mln EUR or 36.2% in the 2^{nd} quarter of 2010 compared to the 2^{nd} quarter of 2009 due to higher electricity prices as a result of three sites buying electricity from the open market and also because of higher volumes treated and pumped.

Salary expenses increased in the 2^{nd} quarter of 2010, year on year, by 0.003 mln EUR or 0.3%.

Depreciation charges decreased in the 2^{nd} quarter of 2010 by 0.03 mln EUR or 1.8% year on year.

Transport costs increased by 0.01 mln EUR, or 5.7% year on year, due to the combination of the increase in fuel prices and increased usage of rented machines.

Other cost of goods sold in the main operating activity increased 0.29 mln EUR, or 72.6% year on year, mainly due to the costs of operating in Maardu as this was not operational in the 2^{nd} quarter of 2009.

As a result of all of the above the Company's gross profit for the 2^{nd} quarter of 2010 was 7.3 mln EUR, which is a decrease of 0.40 mln EUR, or 5.2%, compared to the gross profit of 7.7 mln EUR for the 2^{nd} quarter of 2009.

Operating Costs and Operating Margin

Marketing expenses increased by 0.01 mln EUR to 0.18 mln EUR during the 2^{nd} quarter of 2010 compared to the corresponding period in 2009. This is mainly the result of a slight increase in salary expenses compared to corresponding period in 2009.

In the 2^{nd} quarter of 2010 the General administration expenses increased by 0.08 mln EUR year on year to 0.89 mln EUR.

Other net income/expenses

The majority of the income in Other net income/expenses relates to constructions and government grants. The driver for this income stream is the connections activity in Tallinn. Income and expenses from constructions and government grants totaled a net income of 1.1 mln EUR in the 2^{nd} quarter of 2010 compared to a net income of 0.33 mln EUR in the 2^{nd} quarter of 2009. This was primarily due to a revision on the accounting for the contract.

The rest of the other income/expenses totaled an expense of 0.13 mln EUR in the 2^{nd} quarter of 2010 compared to an expense of 0.24 mln EUR in the 2^{nd} quarter of 2009, mainly from lower provisioning of doubtful debt compared to 2009. In addition it should be noted that more than 99% of debt is collected in a timely manner.

As a result the Company's underlying operating profit from sales of water and wastewater for the 2^{nd} quarter of 2010 totaled 6.1 mln EUR compared to 6.5 mln EUR in the corresponding quarter in 2009. In total then the Company's operating profit for main and other activities for the 2^{nd} quarter of 2010 was 7.2 mln EUR, an increase of 0.34 mln EUR compared to an operating profit of 6.8 mln EUR achieved in the 2^{nd} quarter of 2009. Year on year the operating profit for the 2^{nd} quarter has increased 5.0%.

Financial expenses

Net Financial expenses were 1.4 mln EUR in the 2nd quarter of 2010, which is a decrease of 0.71 mln EUR or 34.3% compared to the 2nd quarter of 2009. Of this variance 1.0 mln EUR relates to a loss on the fair value of swap contracts in the 2nd quarter of 2010. However we experienced a 1.8 mln EUR loss in the 2nd quarter of 2009 in relation to loan transaction losses which increased the prior year financial expense. Taking into account these expenses the underlying business financial expenses increased by 0.05 mln EUR in total compared to 2009.

The Company's interest costs have decreased by 100.9% compared to the 2nd quarter of 2009 from 0.76 mln EUR to 0.36 mln EUR as a result of the reduction in Euribor rates and the replacement of our fixed interest rate loan (4.19% + risk margin), by loans with floating interest rates in 2009. The Company decided to mitigate the long term floating interest risk and in May 2009 concluded 3 interest swap agreements, each with a principal value of 15 mln EUR. All contracts have forward start dates, for a base amount of 30 mln EUR the forward start date began on 28 November 2009, and for a base amount of 15 mln EUR the forward start date began on 28 May 2010. At this point in time the estimated fair value of these swap contracts is negative, totaling 3.3 mln EUR, with a further devaluation in 2nd quarter 2010 in the amount of 1.0 mln EUR which more than offsets the interest costs savings and the financial income earned during the 2nd quarter of 2010 thus contributing to a net financial expense.

Profit Before Tax

The Company's profit before taxes for the 2nd quarter of 2010 was 5.8 mln EUR, which is 1.1 mln EUR higher than the profit before taxes of 4.8 mln EUR for the 2nd quarter of 2009.

Results for the six months of 2010

During the six months of 2010 the Company's total sales increased, year on year, by 1.4% to 24.7 mln EUR. Sales of water and wastewater treatment were 22.7 mln EUR, a 1.1% increase compared to the six months of 2009.

The underlying operating profit from the Company's main business activity, sales of water and wastewater, for the six months of 2010 decreased by 6.0% to 12.6 mln EUR compared to the six months of 2009.

The Company's profit before taxes for the six months of 2010 was 11.1 mln EUR, which is at the same level as the profit before taxes in the relevant period in 2009.

The Company's net profit for the six months of 2010 was 2.6 mln EUR, which is 4.6 mln EUR lower than the net profit of 7.1 mln EUR in the equivalent period in 2009.

Balance sheet

During the six months of 2010 the Company invested 2.7 mln EUR into fixed assets. Non-current assets were 139.7 mln EUR at 30 June 2010. Current assets increased by 1.2 mln EUR to 32.5 mln

EUR in the six months of the year, with customer receivables decreasing by 0.79 mln EUR and cash at bank increasing by 2.0 mln EUR.

Current liabilities increased by 14.1 mln EUR to 21.4 mln EUR in the six months of the year. This was mainly due to a 10.3 mln EUR increase in Trade payables largely due to outstanding interest payable and outstanding income tax payable on dividends and also due to 3.6 mln EUR increase in Current portion of long-term borrowings.

The Company has a leverage level as expected of approximately 65% with the future target range within 60%. Long-term liabilities stood at 91.3 mln EUR at the end of June 2010, consisting almost entirely of the outstanding balance of three long-term bank loans. During 2nd quarter of 2010 we have drawn down an additional 20 mln EUR, and at the end of the 2nd quarter of 2010 the total loan balance is 95 mln EUR, which is the total available loan facility. The weighted average interest margin for the total available facility is 0.67%.

Cash flow

During the six months of 2010, the Company generated 14.5 mln EUR of cash flows from operating activities, an increase of 2.0 mln EUR compared to the corresponding period in 2009. The increase in operating cash flows is mainly due to the increased liability balance in the six months of 2010. Underlying operating profit still continues to be the main contributor to operating cash flows.

In the six months of 2010 net cash outflows from investing activities were 0.50 mln EUR, which is 1.3 mln EUR more than in 2009. This is mainly due to reduced inflow due to timing of compensations received for construction of pipelines. To date in 2010 the cash outflows in relation to fixed asset investments are 4.1 mln EUR.

The cash outflows from financing activities were 12.0 mln EUR during the six months of 2010 compared to a cash outflow of 14.7 mln EUR during the same six months of 2009, representing the payouts of the dividends and received loans following the loan drawdown.

As a result of all of the above factors, the total cash inflow in the six months of 2010 was 2.0 mln EUR compared to a cash outflow of 1.4 mln EUR in the six months of 2009. Cash and cash equivalents stood at 20.7 mln EUR as at 30 June 2010 which is 7.4 mln EUR higher than at the corresponding period of 2009.

Employees

At the end of the 2nd quarter of 2010, the total number of employees was 319 compared to 332 at the end of the 2nd quarter of 2009. The full time equivalent (FTE) was respectively 303 in 2010 compared to the 316 in 2009. The decrease in FTE is primarily due to reorganization in various departments at the end of 2009.

Corporate structure

At the end of the quarter, 30 June 2010, the Group consisted of 2 companies. The subsidiary Watercom OÜ is wholly owned by ASTV.

Dividends and share performance

Based on the results of the 2009 financial year, the Company paid 31,956,463 EUR of dividends. Of this 639 EUR was paid to the owner of the B-share and 31,955,824 EUR, i.e. 1.60 EUR per share to the owners of the A-shares. The dividends were paid out on 11 June 2010, based on the list of shareholders, which was fixed on 01 June 2010.

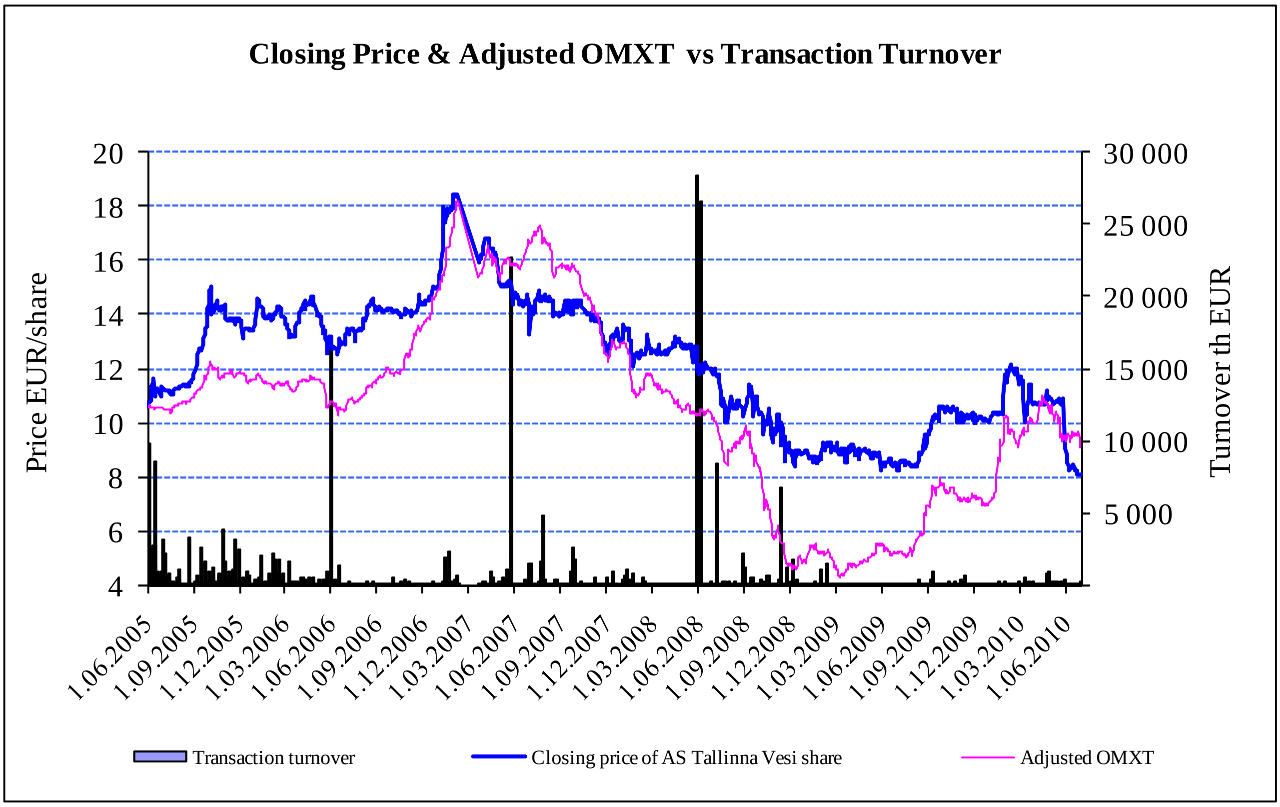
AS Tallinna Vesi is listed on OMX Main Baltic Market with trading code TVEAT and ISIN EE3100026436.

As of 30 June 2010 AS Tallinna Vesi shareholders, with a direct holding over 5%, were:

United Utilities (Tallinn) BV	35.3%
City of Tallinn	34.7%

We have seen the next two biggest shareholders Parvus AM and AKO Capital reducing their holdings in the Company in the quarter. Parvus AM has declared that their shareholding in the clients' accounts is below 10% and AKO Capital has declared their indirect ownership below 5% of the share capital.

At the end of the quarter, 30 June 2010, the closing price of the AS Tallinna Vesi share was 8.07 EUR, which is a 24.65% decrease compared to the closing price of 10.80 EUR at the beginning of the quarter. During the same period the OMX Tallinn index dropped by 9.07%.



Operational highlights in the first six months of 2010

AS Tallinna Vesi's overall operating performance in the first half of 2010 was good. The Company is pleased to report that the key indicator of water quality is at its highest ever level. Other indicators in the first half of 2010 were impacted by the extreme weather conditions, which greatly affected leakage levels and the number of service interruptions. The Company is however pleased to report that the action plans it put in place during April have delivered significant benefits and the performance in the 2nd quarter of 2010 showed a significant improvement from the 1st quarter. AS Tallinna Vesi is on target to achieve its required levels of service and quality standards agreed with the City of Tallinn in the Services Agreement by the end of 2010.

Operation Performance	**6 months 2009**	**6 months 2010**
Water		
Water compliance at customer's premises %	99,72	99,86
Total number of customer interruptions (unplanned)	281	269
Average unplanned interruption time per property hrs	3.38	4.11
Number of customer contacts regarding water pressure	4	7
Loss of water in distribution system %	17.18	21,10
Wastewater		
Number of sewer blockings	571	725
Number of sewer collapses	57	55
Wastewater treatment compliance %	100	100
Sludge used in reclamation projects %	100	100
Network Extension Program		
Network Extension Program completion per annual plan %		
Number of properties given access to public sewerage network	76	29

Water

99.86% of water samples taken from the taps of the customers of AS Tallinna Vesi were compliant with the requirements in the first half of 2010, making this the best water quality result ever. This was achieved through the refurbishing of the company's ozone generators, which are among the largest in the world and have greatly improved the quality of drinking in water in Tallinn.

Water quality remains on a very similar level to last year and there have not been any signs of residue from the accident that occurred on March 18th.

Water quality in Lake Ülemiste is affected by rising water temperatures, but remains on a similar level as in last year. The Company monitors the situation in the lake closely in order to be able to take prompt actions to ensure the best water quality.

Network

The Company's objective has always been to repair the leakages as quickly as possible, but this year special attention was paid to notifying the customers of repair works prior to commencing, thus greatly reducing the number of unplanned interruptions to 269, despite the increased number of pipe bursts.

The level of leakages has increased in the water and wastewater network due to pipe bursts in the winter, but an action plan has been devised and implemented to reduce leakages even further. The quality regulation in Tallinn requires AS Tallinna Vesi to reduce water loss in the network to 26%, but despite the severe winter the Company's level of leakages in the first half of the year was 21.1%.

Wastewater Treatment Plant

Excessive snowmelt in the beginning of the 2nd quarter had minimal impact on the environment, as the wastewater treatment plant in Paljassaare treated more load than ever before. The quality of effluent after treatment in Paljassaare is of high standard and complies with stringent environmental requirements. However, due to risk of failing to meet the parameters for nitrogen removal in the future, the Company will be building an additional treatment stage at the wastewater treatment plant. The construction of the biofilter will commence in July this year and will be completed by July 2011.

Network Extension Program
The Company is committed to delivering the network extension program by the year 2011 as agreed with the City of Tallinn and as required by the European Union directive for wastewater collection. The start of the construction season was delayed by the winter lasting well into April, but nearly a half of the planned network for 2010 has been built already. AS Tallinna Vesi will be constructing 5.1 kilometres of water pipes, 39.4 kilometres of wastewater pipes and 12.5 kilometres of storm water pipes in 2010. This construction programme will give over 1,100 homes the opportunity to connect to the wastewater network.

Maardu
July 1st marked the anniversary of the beginning of cooperation between the City of Maardu and AS Tallinna Vesi, whereby AS Tallinna Vesi is now operating the assets of AS Maardu Vesi.

AS Maardu Vesi has now received the designs for connection pipes between Maardu and Tallinn for the delivery of quality surface water from Lake Ülemiste to Maardu and to remove Maardu’s wastewater for treatment at the Paljassaare wastewater treatment plant. Designs have also been completed for giving more than 3,000 properties in Muuga access to the public water and wastewater system, for reconstructing sewerage pipes in Vana-Narva road area and for rebuilding the pipes network in Kallavere. The connection pipes between Maardu and Tallinn will be built by the second half of 2011 and the Muuga network will be completed by the end of 2012.

Customers and Community
The Company held its annual open door day at the Paljassaare wastewater treatment plant in May, attracting over 240 people and more than 30 children. The visitors were treated to a tour of the facilities.

The Company has sold over 10,000 tons of soil reconditioner, which is a by-product created in the wastewater treatment process and is used for reforestation and landscaping. The Company also distributed nearly 1,200 tons of soil reconditioner as part of a community project in the districts of Mustamäe and Northern Tallinn in cooperation with local municipalities to restore the regions’ greenness after the winter.

A major contributing factor to sewer blockages is the low awareness of consumers about what is disposable in the sewerage system and what isn’t. For this purpose the Company launched an awareness campaign in June, informing the public of the correct maintenance of the sewerage system.

AS Tallinna Vesi will be holding its annual open door days at the Ülemiste water treatment plant on August 28th, inviting everyone to see the process of water treatment and enjoy a fun family day that coincides with the running competition around Lake Ülemiste. Last year more than 700 people participated in the tours and over 2,000 runners took part in the race.

Additional information:
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MANAGEMENT CONFIRMATION

The Management Board of AS Tallinna Vesi (hereinafter the company) has prepared the interim accounts in the form of consolidated condensed financial statements for the half-year period of financial year 2010 ended 30 June 2010. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 30 June 2010 have been prepared following the accounting policies and the manner of presenting the information in line with the International Financial Reporting Standards as adopted by the EU. The condensed financial statements provide a true and fair view of the assets, liabilities, financial position and profit of the company. During the preparation of condensed financial statements, the Management has made no changes in critical estimates that would have cast a significant impact on the results.

The interim management report gives a true and fair view of the main events that occured during the 6 months of the financial year and of their effect to the condensed financial statements. It includes the description of the main risks and unclear aspects that can, based on the sensible judgement of the Management Board, have an impact on the company during the remaining 6 months of the financial year.

The significant transactions with related parties are disclosed in the interim accounts.

All material subsequent events that occurred by the interim accounts preparation date of 22 July 2010 have been assessed as part of this review.

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

I.J.A. Plenderleith

Ian John Alexander Plenderleith
Chairman of the Management Board
Chief Executive Officer

Stephen Benjamin Howard
Member of the Management Board
Chief Financial Officer

Robert Thomas Yuille
Member of the Management Board
Chief Operating Officer

Siiri Lahe
Member of the Management Board

22 July 2010

Introduction and photos of the Management Board members are published in 2009 Yearbook and the information regarding any changes is available at www.tallinnavesi.ee

CONDENSED STATEMENTS OF FINANCIAL POSITION

(thousand EUR)

ASSETS	Note	as of 30 June 2010	as of 30 June 2009	as of 31 December 2009
CURRENT ASSETS				
Cash and equivalents	2	20 687	13 253	18 692
Customer receivables, accrued income and prepaid expenses		11 439	7 535	12 227
Inventories		262	199	244
Non-current assets held for sale		77	68	77
TOTAL CURRENT ASSETS		**32 465**	**21 054**	**31 241**
NON-CURRENT ASSETS				
Property, plant and equipment	3	137 476	136 169	137 599
Intangible assets	3	2 275	2 884	2 577
TOTAL NON-CURRENT ASSETS		**139 751**	**139 054**	**140 176**
TOTAL ASSETS		**172 216**	**160 108**	**171 417**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Current portion of long-term borrowings		3 860	252	124
Trade and other payables		16 531	8 157	6 255
Short-term provisions		171	236	228
Prepayments and deferred income		843	2 048	747
TOTAL CURRENT LIABILITIES		**21 405**	**10 693**	**7 354**
NON-CURRENT LIABILITIES				
Borrowings		91 183	75 036	75 034
Other payables		115	47	115
TOTAL NON-CURRENT LIABILITIES		**91 298**	**75 083**	**75 149**
TOTAL LIABILITIES		**112 703**	**85 775**	**82 503**
EQUITY				
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
Retained earnings		20 719	35 538	50 120
TOTAL EQUITY		**59 513**	**74 332**	**88 914**
TOTAL LIABILITIES AND EQUITY		**172 216**	**160 108**	**171 417**

Notes to the consolidated financial statements on pages 6 to 12 form an integral part of the condenced financial statements.

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(thousand EUR)

		Quarter 2		6 months		for the year ended 31 December
	Note	**2010**	**2009**	**2010**	**2009**	**2009**
Revenue	4	12 499	12 077	24 734	24 396	49 368
Costs of goods sold	6	-5 172	-4 346	-9 801	-8 608	-18 155
GROSS PROFIT		**7 326**	**7 730**	**14 933**	**15 788**	**31 213**
Marketing expenses	6	-179	-166	-383	-384	-717
General administration expenses	6	-894	-815	-1 711	-1 719	-3 419
Other income/ expenses (-)	7	928	91	1 062	239	2 446
OPERATING PROFIT		**7 181**	**6 840**	**13 901**	**13 924**	**29 523**
Financial income	8	224	383	463	762	1 615
Financial expenses	8	-1 588	-2 460	-3 314	-3 634	-5 505
PROFIT BEFORE TAXES		**5 817**	**4 763**	**11 050**	**11 052**	**25 633**
Income tax on dividends	9	-8 495	-3 908	-8 495	-3 908	-3 908
NET PROFIT FOR THE PERIOD		**-2 678**	**855**	**2 556**	**7 144**	**21 726**
COMPREHENSIVE INCOME FOR THE PERIOD		**-2 678**	**855**	**2 556**	**7 144**	**21 726**
Attributable profit to:						
Equity holders of A-shares		0	855	2 555	7 143	21 725
B-share holder		0	0,64	0,64	0,64	0,64
Earnings per A share (in euros)	10	0	0,04	0,13	0,36	1,09
Earnings per B share (in euros)	10	0	639	639	639	639

Notes to the consolidated financial statements on pages 6 to 12 form an integral part of the condenced financial statements.

CONDENSED CASH FLOW STATEMENTS

(thousand EUR)

	Note	6 months 2010	6 months 2009	for the year ended 31 December 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		13 901	13 924	29 523
Adjustment for depreciation/amortisation	3	2 817	2 865	5 698
Adjustment for profit from government grants and connection fees		-1 335	-555	-3 037
Other finance expenses	8	-2 284	-2 148	-1 866
Profit from sale of property, plant and equipment, and intangible assets		0	-8	-10
Expensed property, plant and equipment		5	0	0
Change in current assets involved in operating activities		-680	-382	-938
Change in liabilities involved in operating activities		3 114	447	394
Interest paid		-1 090	-1 706	-2 479
Total cash flow from operating activities		**14 448**	**12 437**	**27 285**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment, and intangible assets		-4 100	-6 068	-15 588
Compensations received for construction of pipelines		3 327	6 291	9 956
Proceeds from sale of property, plant and equipment, and intangible assets		1	8	15
Interest received		275	617	964
Total cash flow used in investing activities		**-497**	**847**	**-4 654**
CASH FLOWS FROM FINANCING ACTIVITIES				
Received loans		20 000	44 800	44 800
Repayment of loans		0	-44 821	-44 821
Dividends paid	9	-31 956	-14 700	-14 700
Income tax on dividends	9	0	0	-3 908
Total cash flow used in financing activities		**-11 956**	**-14 722**	**-18 629**
Change in cash and cash equivalents		**1 995**	**-1 438**	**4 002**
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**18 692**	**14 691**	**14 691**
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	2	**20 687**	**13 253**	**18 692**

Notes to the consolidated financial statements on pages 6 to 12 form an integral part of the condenced financial statements.

CONDENSED STATEMENTS OF CHANGES IN EQUITY

(thousand EUR)

	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
as of 31 December 2008	**12 782**	**24 734**	**1 278**	**43 094**	**81 889**
Dividends	0	0	0	-14 700	-14 700
Net profit of the financial year	0	0	0	21 726	21 726
as of 31 December 2009	**12 782**	**24 734**	**1 278**	**50 120**	**88 914**
as of 31 December 2008	**12 782**	**24 734**	**1 278**	**43 094**	**81 889**
Dividends	0	0	0	-14 700	-14 700
Net profit of the financial period	0	0	0	7 144	7 144
as of 30 June 2009	**12 782**	**24 734**	**1 278**	**35 538**	**74 332**
as of 31 December 2009	**12 782**	**24 734**	**1 278**	**50 120**	**88 914**
Dividends	0	0	0	-31 956	-31 956
Net profit of the financial period	0	0	0	2 556	2 556
as of 30 June 2010	**12 782**	**24 734**	**1 278**	**20 719**	**59 513**

Notes to the consolidated financial statements on pages 6 to 12 form an integral part of the condenced financial statements.

NOTE 1. ACCOUNTING PRINCIPLES

The interim accounts have been prepared according to International Financial Reporting Standards as adopted by the EU. 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

	as of 30 June		as of 31 December
	2010	**2009**	**2009**
Cash in hand and in bank	215	279	24
Short-term deposits	20 472	12 974	18 668
Total cash and cash equivalents	**20 687**	**13 253**	**18 692**

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EUR)

NOTE 3. PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

	Property, plant and equipment				Assets in progress				Intangible assets		
	Land and buildings	**Facilities**	**Machinery and equipment**	**Other equipment**	**Construction in progress**	**Construction in progress - unfinished pipelines**	**Prepayment for fixed assets**	**Unfinished intangible assets**	**Development costs**	**Acquired licenses and other intangible assets**	**Total property, plant and equipment and intangible assets**
as of 31 December 2008											
Acquisition cost	23 522	142 813	37 431	1 174	1 411	5 878	118	174	1 134	3 986	217 643
Accumulated depreciation	-4 299	-45 414	-23 279	-783	0	0	0	0	-944	-1 575	-76 293
Book value	**19 223**	**97 399**	**14 152**	**392**	**1 411**	**5 878**	**118**	**174**	**190**	**2 412**	**141 350**
Transactions in the period 01.01.2009 - 31.12.2009											
Acquisition in book value	0	0	0	0	6 346	9 212	0	492	0	0	16 050
Write off and sale of property, plant and equipment, and intangible assets in book value	0	0	-3	-3	0	0	0	0	0	0	-6
Compensated by government grants	0	0	0	0	0	-11 418	0	0	0	0	-11 418
Reclassification	391	2 795	1 681	132	-5 006	-70	-26	-571	303	268	-103
Depreciation	-268	-2 475	-2 185	-79	0	0	0	0	-141	-550	-5 698
Total transactions in the period 01.01.2009 - 31.12.2009	**123**	**319**	**-507**	**50**	**1 340**	**-2 276**	**-26**	**-79**	**162**	**-282**	**-1 175**
as of 31 December 2009											
Acquisition cost	23 913	145 442	38 587	1 179	2 752	3 602	92	95	964	4 677	221 302
Accumulated depreciation	-4 566	-47 723	-24 942	-737	0	0	0	0	-612	-2 547	-81 127
Book value	**19 347**	**97 719**	**13 646**	**441**	**2 752**	**3 602**	**92**	**95**	**352**	**2 130**	**140 176**
Transactions in the period 01.01.2010 - 30.06.2010											
Acquisition in book value	0	0	0	0	1 777	933	0	29	0	0	2 738
Compensated by government grants	0	0	0	0	0	-340	0	0	0	0	-340
Reclassification	78	1 480	439	15	-2 011	0	-5	-4	4	0	-6
Depreciation	-136	-1 258	-1 051	-41	0	0	0	0	-48	-282	-2 817
Total transactions in the period 01.01.2010 - 30.06.2010	**-57**	**221**	**-613**	**-27**	**-235**	**593**	**-5**	**24**	**-44**	**-282**	**-425**
as of 30 June 2010											
Acquisition cost	23 991	146 916	38 867	1 189	2 517	4 195	87	119	968	4 676	223 526
Accumulated depreciation	-4 702	-48 976	-25 834	-774	0	0	0	0	-660	-2 829	-83 775
Book value	**19 289**	**97 940**	**13 033**	**415**	**2 517**	**4 195**	**87**	**119**	**308**	**1 847**	**139 751**

Property, plant and equipment and intangible assets are written off if the conditions of the asset do not enable further usage for production purposes.
As of 31 December 2009 and 30 June 2010 the net balance sheet value of finance leases was respectively 333 thousand euros and 295 thousand euros.

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EUR)

NOTE 4. REVENUE

	Quarter 2		6 months		for the year ended 31 December
	2010	**2009**	**2010**	**2009**	**2009**
Revenues from main operating activities					
Total water supply and waste water disposal service, incl:	11 417	11 122	22 672	22 435	45 212
Private clients, incl:	5 921	6 056	11 934	12 245	24 243
Water supply service	3 293	3 377	6 637	6 825	13 510
Waste water disposal service	2 628	2 679	5 297	5 420	10 734
Corporate clients, incl:	4 342	4 405	8 502	8 880	17 469
Water supply service	2 396	2 486	4 683	4 966	9 720
Waste water disposal service	1 946	1 919	3 819	3 913	7 749
Outside service area clients, incl:	913	420	1 778	825	2 557
Water supply service	212	43	423	82	501
Waste water disposal service	701	377	1 355	743	2 056
Overpollution fee	241	241	458	485	942
Stormwater treatment and disposal service	749	674	1 498	1 411	3 001
Fire hydrants service	48	43	96	86	197
Other works and services	285	238	469	465	959
Total revenue	**12 499**	**12 077**	**24 734**	**24 396**	**49 368**

100 % of AS Tallinna Vesi revenue was generated within the Estonian Republic.
Code of Estonian Classification of Economic Activities (EMTAK) is 36001.

NOTE 5. STAFF COSTS

	Quarter 2		6 months		for the year ended 31 December
	2010	**2009**	**2010**	**2009**	**2009**
Salaries and wages	-1 053	-1 007	-2 105	-2 174	-4 563
Social security and unemployment insurance taxation	-351	-336	-701	-724	-1 520
Staff costs total	**-1 403**	**-1 343**	**-2 806**	**-2 898**	**-6 083**
Number of employees at the end of reporting period			**319**	**332**	**336**

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EUR)

NOTE 6. COST OF GOODS SOLD, MARKETING AND GENERAL ADMINISTRATIONS EXPENSES

	Quarter 2		6 months		for the year ended 31 December
	2010	**2009**	**2010**	**2009**	**2009**
Cost of goods sold					
Tax on special use of water	-213	-179	-433	-356	-734
Chemicals	-332	-345	-660	-582	-1 283
Electricity	-688	-505	-1 271	-1 027	-2 136
Pollution tax	-701	-366	-937	-578	-1 081
Staff costs	-985	-982	-1 984	-2 079	-4 491
Development	0	0	0	-1	-2
Depreciation and amortization	-1 278	-1 302	-2 555	-2 612	-5 177
Transport	-276	-262	-572	-537	-1 114
Other costs of goods sold	-699	-405	-1 389	-835	-2 136
Total cost of goods sold	**-5 172**	**-4 346**	**-9 801**	**-8 608**	**-18 155**
Marketing expenses					
Staff costs	-68	-63	-150	-159	-289
Depreciation and amortization	-84	-83	-167	-166	-333
Other marketing expenses	-27	-20	-65	-59	-95
Total cost of marketing expenses	**-179**	**-166**	**-383**	**-384**	**-717**
General administration expenses					
Staff costs	-350	-298	-671	-660	-1 303
Depreciation and amortization	-48	-44	-94	-87	-188
Other general administration expenses	-496	-473	-946	-973	-1 928
Total cost of general administration expenses	**-894**	**-815**	**-1 711**	**-1 719**	**-3 419**

NOTE 7. OTHER INCOME / EXPENSES

	Quarter 2		6 months		for the year ended 31 December
	2010	**2009**	**2010**	**2009**	**2009**
Profit from connection fees	36	24	84	124	392
Profit from government grant	1 018	310	1 251	431	2 644
Other income / expenses (-)	-125	-242	-273	-315	-591
Total other income / expenses	**928**	**91**	**1 062**	**239**	**2 446**

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EUR)

NOTE 8. FINANCIAL INCOME AND EXPENSES	**Quarter 2**		**6 months**		**for the year ended 31 December**
	2010	**2009**	**2010**	**2009**	**2009**
Interest income	224	383	463	762	1 615
Interest expense	-576	-677	-1 029	-1 486	-2 252
Other financial expenses	-1 012	-1 783	-2 284	-2 148	-3 252
Total financial income / expenses	**-1 364**	**-2 077**	**-2 851**	**-2 873**	**-3 890**

NOTE 9. DIVIDENDS	**Quarter 2**		**6 months**		**for the year ended 31 December**
	2010	**2009**	**2010**	**2009**	**2009**
Dividends declared during the period	31 956	14 700	31 956	14 700	14 700
Dividends paid during the period	31 956	14 700	31 956	14 700	14 700
Income tax on dividends paid	-8 495	-3 908	-8 495	-3 908	-3 908
Income tax accounted for	**-8 495**	**-3 908**	**-8 495**	**-3 908**	**-3 908**
Paid-up dividends per shares:					
Dividends per A-share (in euros)	1,60	0,73	1,60	0,73	0,73
Dividends per B-share (in euros)	639	639	639	639	639

The income tax rates were 21/79 in 2010 and 2009.

NOTE 10. EARNINGS PER SHARE

	Quarter 2		**6 months**		**for the year ended 31 December**
	2010	**2009**	**2010**	**2009**	**2009**
Net profit minus B-share preference rights (in euros)	0	855	2 555	7 143	21 725
Weighted average number of ordinary shares for the purposes of basic earnings per share (in pieces)	20 000 000	20 000 000	20 000 000	20 000 000	20 000 000
Earnings per A share (in euros)	0	0,04	0,13	0,36	1,09
Earnings per B share (in euros)	0	639	639	639	639

Diluted earnings per share for the periods ended 30 June 2010 and 2009 and 31 December 2009 do not vary significantly from the earnings per share figures stated above.

NOTES TO THE INTERIM FINANCIAL STATEMENT (thousand EUR)

NOTE 11. 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 shareholder having the significant influence. Dividend payments are indicated in the Statement of Changes in Equity.

Shareholders having the significant influence

	as of 30 June		as of 31 December
Balances recorded in working capital on the balance sheet of the Company	**2010**	**2009**	**2009**
Accounts receivable	2 904	1 598	138
Accrued income	2 834	0	5 957
Prepayments and deferred income	0	415	0
Accounts payable - short-term trade and other payables	424	382	245

	Quarter 2		6 months		for the year ended 31 December
	2010	**2009**	**2010**	**2009**	**2009**
Transactions with the related parties					
Sales services	787	717	1 574	1 497	3 179
Compensations received from the local governments for constructing new pipelines	1 018	2 605	1 565	5 106	11 922
Purchase of administrative and consulting services	282	254	575	584	1 237
Financial income	115	0	220	0	642
Management Board fees excluding social tax	38	41	76	82	163
Supervisory Board fees excluding social tax	10	10	19	19	38

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.

The market prices were implemented in transactions with related parties.

Company shares belonging to the Management Board and Supervisory Board members
As at report generation date Siiri Lahe owned 700 AS Tallinna Vesi shares.

NOTE 12. LIST OF SUPERVISORY COUNCIL MEMBERS

Robert John Gallienne	Chairman of the Supervisory Council
Leslie Anthony Bell	Member of the Supervisory Council
Matti Hyyrynen	Member of the Supervisory Council
Andrew James Prescott	Member of the Supervisory Council
Ardo Ojasalu	Member of the Supervisory Council
Mart Mägi	Member of the Supervisory Council
Rein Ratas	Member of the Supervisory Council
Valdur Laid	Member of the Supervisory Council
Deniss Boroditš	Member of the Supervisory Council

Introduction and photos of the Supervisory Council members are published in 2009 Yearbook and the information regarding any changes is available at www.tallinnavesi.ee