AS Tallinna Vesi

Results of operations – for the 1st quarter of 2011

Currency	Thousand euros
Start of reporting period	1 January 2011
End of reporting period	31 March 2011
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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 QUARTER 2011

Overview

During 2011 the Company's total sales increased, year on year, by 1.4% to 12.4 mln EUR. The Company's underlying operating profit from water and wastewater related activities increased by 1.7% to 6.6 mln EUR in 2011 compared to 2010. Profits from other activities (mainly construction and developments) increased by 35.2% to 0.32 mln EUR compared to the 2010. The Company's profit before taxes was 8.0 mln EUR, which is an increase of 52.6% or 2.8 mln EUR, compared to 2010 as result of change of fair value of financial instruments.

mln €	**1 Q 2011**	**1 Q 2010**	**Change**	**3 months 2011**	**3 months 2010**	**Change**
Sales	12,4	12,2	1,4%	12,4	12,2	1,4%
Gross profit	7,5	7,6	-1,1%	7,5	7,6	-1,1%
Gross profit margin %	60,6	62,2	-2,5%	60,6	62,2	-2,5%
Operating profit	6,9	6,7	2,9%	6,9	6,7	2,9%
Operating profit - main business	6,6	6,5	1,7%	6,6	6,5	1,7%
Operating profit margin %	55,7	54,9	1,5%	55,7	54,9	1,5%
Profit before taxes	8,0	5,2	52,6%	8,0	5,2	52,6%
Net profit	8,0	5,2	52,6%	8,0	5,2	52,6%
Net profit margin %	64,4	42,8	50,5%	64,4	42,8	50,5%
ROA %	4,2	2,9	43,1%	4,2	2,9	43,1%
Debt to total capital employed	57,1	47,1	21,4%	57,1	47,1	21,4%

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

1st quarter 2011

Sales

In the 1st quarter of 2011 the Company's total sales increased, year on year, by 1.4% to 12.4 mln EUR. Sales in the main operating activity principally comprise of sales of water and treatment of wastewater to domestic and commercial customers within and outside of the 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 1.0% increase compared to the 1st quarter of 2010, resulting from the slight rise in sales volumes as described below.

Within the service area, sales to residential customers decreased by 0.7% to 6.0 mln EUR. Sales to commercial customers increased by 5.1% to 4.4 mln EUR. Sales to customers outside of the service area decreased by 4.7% to 0.82 mln EUR in the 1^{st} quarter of 2011. Over pollution fees received were 0.20 mln EUR, a 6.5% decrease compared to the 1^{st} quarter of 2010.

In the 1^{st} quarter of 2011, the volumes sold to residential customers decreased by 0.4% year on year, which is still lower decrease than we faced in previous quarters of 2010.

The volumes sold to commercial customers inside the service area have risen, reflecting a 5.9% increase compared to the same period in 2010. The negative impact from an industrial customer who left our service area from April 2010 was almost balanced by a one off impact from another customer with higher consumption in 1^{st} quarter of 2011 due to issues with the technology. The sales volumes increased mainly due to improvement in leisure sector and related industrial services as result of pick up in tourism sector.

Outside service area sales volumes were 17.6% lower than in the 1^{st} quarter of 2010. The main factor in this decrease was lower storm water volumes in the 1^{st} quarter of 2011 compared to 2010, due to long and cold winter.

The sales from the operation and maintenance of the storm water and fire-hydrant system increased by 6.7% to 0.85 mln EUR in the 1^{st} quarter of 2011 compared to the same period in 2010. 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 4.9 mln EUR in the 1^{st} quarter of 2011, an increase of 0.25 mln EUR or 5.5% from the equivalent period in 2010.

In the 1^{st} quarter of 2011 the Company achieved the beneficial 0.5 coefficient for pollution tax similarly to the 1^{st} quarters of earlier years, and thereby the amount of pollution tax payable was 0.28 mln EUR compared to 0.24 mln EUR in the 1^{st} quarter of 2010. In addition to the increase in volumes in 1^{st} quarter of 2011 the increase in pollution tax payable is generated by the increase in tax rates year on year by 14.8%. To mitigate the nitrogen treatment and tax risk discussed throughout the 2010, we are continuing with the investment into an additional stage of waste water treatment and according to the construction schedule the works should be completed in the beginning of the 3^{rd} quarter of 2011.

Chemical costs were 0.25 mln EUR, representing a 24.4% decrease compared to the corresponding period in 2010 despite of the slight increase in rates. The need to dose chemicals was lower in combination of the volumes, concentration of pollutants and water temperature.

Electricity costs increased by 0.10 mln EUR or 16.2% in the 1^{st} quarter of 2011 compared to the 1^{st} quarter of 2010, mainly due to higher electricity prices as a result of three sites buying electricity from the open market starting from 2^{nd} quarter of 2010.

Salary expenses within costs of goods sold increased in the 1^{st} quarter of 2011, year on year, by 0.12 mln EUR or 11.8% in combination of performance related pay accrual and small increase in salaries. Other salary lines had similar impact.

Other cost of goods sold in the main operating activity decreased 0.01 mln EUR, or 0.9% year on year, mainly due to more efficient operation and less leakage repair works needed compared to 1st quarter of 2010.

As a result of all of the above the Company's gross profit for the 1st quarter of 2011 was 7.5 mln EUR, which is a decrease of 0.10 mln EUR, or 1.1%, compared to the gross profit of 7.6 mln EUR for the 1st quarter of 2010.

Operating Costs and Operating Margin

Marketing expenses decreased by 0.004 mln EUR to 0.20 mln EUR during the 1st quarter of 2011 compared to the corresponding period in 2010. This is mainly the result of a discussed increase in salaries expenses.

In the 1st quarter of 2011 the General administration expenses increased by 0.06 mln EUR year on year to 0.90 mln EUR. Within this group the salary costs increase was partly related to the transfer of management services to the salary line. Still the increase in consultancies balanced the transferred cost within other costs.

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 and reassessment of the profit margins from the activity. Income and expenses from constructions and government grants totaled a net income of 0.32 mln EUR in the 1st quarter of 2011 compared to a net income of 0.23 mln EUR in the 1st quarter of 2010, this line varies throughout the year depending on construction volumes and estimates to the profit margins on projects completed.

The rest of the other income/expenses totaled an income of 0.15 mln EUR in the 1st quarter of 2011 compared to an expense of 0.01 mln EUR in the 1st quarter of 2010. This line was mainly impacted by the excellent debt collection and related decrease in bad debt accrual in the 1st quarter of 2011.

As a result the Company's underlying operating profit from sales of water and wastewater for the 1st quarter of 2011 totaled 6.6 mln EUR compared to 6.5 mln EUR in the corresponding quarter in 2010. In total the Company's operating profit for all activities for the 1st quarter of 2011 was 6.9 mln EUR, an increase of 0.2 mln EUR compared to an operating profit of 6.7 mln EUR achieved in the 1st quarter of 2010. Year on year the operating profit for the 1st quarter has increased by 2.9%.

Financial expenses

Net Financial revenues/expenses were 1.1 mln EUR in the 1st quarter of 2011, which is a positive variance of 2.6 mln EUR or 238.4% compared to the net expenses in the 1st quarter of 2010. The movement in net financial costs is mainly the result of revaluation of the fair value of swap agreements as result of increased interest rates and forecasts for the future.

The Company has mitigated majority of the long term floating interest risk with 5 interest swap agreements, each with a principal value of 15 mln EUR. At this point in time the estimated fair value of these swap contracts is still negative, totaling 0.77 mln EUR, with a positive revaluation in the 1st quarter 2011 in the amount of 1.5 mln EUR which offsets the interest costs increase during the 1st quarter of 2011 thus contributing to a net financial income. In the 1st quarter of 2010 the impact of fair value of swap agreements had negative impact to the net financial expenses.

Profit Before Tax

The Company's profit before taxes for the 1st quarter of 2011 was 8.0 mln EUR, which is 2.8 mln EUR higher than the profit before taxes of 5.2 mln EUR for the 1st quarter of 2010, mainly as the result of the discussed change in fair value of swap agreements.

Balance sheet

During the three months of 2011 the Company invested 2.7 mln EUR into fixed assets. Non-current assets were 150.3 mln EUR at 31 March 2011. Current assets increased by 5.7 mln EUR to 39.4 mln EUR in the three months of the year, with customer receivables decreasing by 1.5 mln EUR and cash at bank increasing by 7.2 mln EUR.

Current liabilities decreased by 0.9 mln EUR to 15.0 mln EUR in the three months of the year. This was mainly due to a 0.9 mln EUR decrease in Trade payables.

The Company has a leverage level as expected of 57.1% with the future target range around 60%. Long-term liabilities stood at 93.4 mln EUR at the end of March 2011, consisting almost entirely of the outstanding balance of three long-term bank loans. As of 31 March 2010 7.5 mln EUR of the total 95 mln EUR loan capital were recorded within short term liabilities in accordance with the signed loan agreements. In the 1st quarter the Company held loan negotiations to ensure the long-term financing. The weighted average interest margin for the total available facility is 0.67%.

Cash flow

During the three months of 2011, the Company generated 9.2 mln EUR of cash flows from operating activities, an increase of 1.6 mln EUR compared to the corresponding period in 2010. 2011 operating cash flows were above 2010 cash flows mainly due to the payments of overdue debts in 2011. Underlying operating profit still continues to be the main contributor to operating cash flows.

In the three months of 2011 net cash outflows from investing activities were 2.0 mln EUR, which is 0.32 mln EUR more than in 2010. This is the combination of increased inflow due to timing of compensations received for the construction of pipelines and even higher increase of the capital expenditures due to different timing year on year. At the end of 1st quarter of 2011 the cash outflows related to the fixed asset investments were 3.8 mln EUR.

There were no cash outflows/inflows from financing activities during the three months of 2011.

As a result of all of the above factors, the total cash inflow in the three months of 2011 was 7.2 mln EUR compared to a cash inflow of 5.9 mln EUR in the three months of 2010. Cash and cash equivalents stood at 20.4 mln EUR as at 31 March 2011 which is 4.2 mln EUR lower than at the corresponding period of 2010.

Employees

At the end of the 1st quarter of 2011, the total number of employees was 315 compared to 318 at the end of the 1st quarter of 2010. The full time equivalent (FTE) was respectively 301 in 2011 compared to the 303 in 2010. The management is looking actively for the efficiencies in processes to balance the increase in individual salaries with more productive company structure.

Corporate structure

At the end of the quarter, 31 March 2011, the Group consisted of 2 companies. The subsidiary Watercom OÜ is wholly owned by AS Tallinna Vesi and consolidated to the results of the Company.

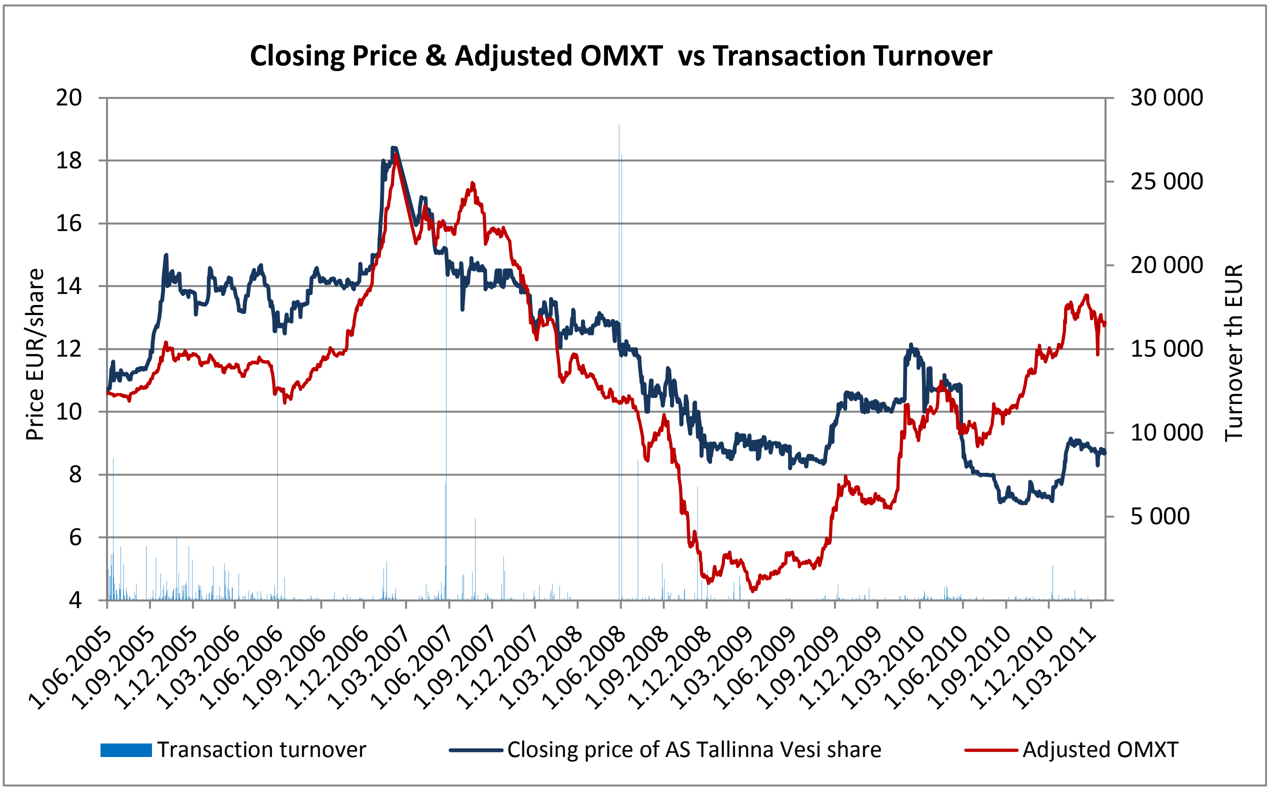
Share performance

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

As of 31 March 2011 AS Tallinna Vesi shareholders, with a direct holding over 5%, were:

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

Parvus Asset Management has informed the Company that they own in total 8.96% of the shares of the Company.
At the end of the quarter, 31 March 2011, the closing price of the AS Tallinna Vesi share was 8.705 EUR, which is a 10.33% increase compared to the closing price of 7.89 EUR at the beginning of the quarter. During the same period the OMX Tallinn index rose by 5.54%.



Operational highlights in 2011

- Company's overall operating performance is continuously good, most of the quality aspects exceeding the level of 2010. The water quality was the best possible with 100% samples taken fully in accordance with the norms instead of the required 95%, and the leakage level was by 0.84% less than in 2010. Response time to customer enquiries has rapidly improved, 89% of customer enquiries responded within 2 days compared to 82% in first quarter of 2010.

- The Company signed the changes to the Nordea's loan agreement on 27 of April 2011. The original loan agreement for the amount of 37.5 mln EUR was signed in 2005. The repayment term was changed and instead of the semiannual repayments from May 2011 the whole loan amount shall be repaid at the end of 2015. As result of the change the weighted average interest margin will increase to 0.82%.

- Tariffs are still frozen on the 2010 level despite of the fact that on 9 November the Company submitted its tariff application to the new regulator in accordance with best practice regulation for privatized utilities, such as that favoured by Ofwat in the UK and recommended by the World Bank for privatized utilities. In its tariff application the Company has requested that the Competition Authority should expand the definition of regulated asset base to include the privatisation value of the utility. This would ensure the privatisation contract was not unilaterally broken and would respect the investments made in good faith into Estonia by our investors on the basis of that contract.

  On 10 December 2010 AS Tallinna Vesi lodged a complaint to the European Commission regarding certain measures adopted by the Estonian authorities. The company believes these measures unilaterally alter the terms of AS Tallinna Vesi's privatization regime, and without any objective justification, any form of meaningful prior discussion, or willingness to engage in dialogue. Therefore they violate EU rules on the freedom of establishment and the free movement of capital (articles 49 and 63 TFEU).

  As a consequence of this complaint, on 22 February 2011 the European Commission sent a Request For Information to the Estonian authorities regarding the points raised by AS Tallinna Vesi in its complaint. The Company understands that the Estonian authorities have until the beginning of May to respond to this request.

  The Company has published its tariff application on its website and to the Tallinn Stock Exchange and will keep its investors informed of all future developments regarding the further key developments regarding the processing of the tariff application. Still, at this point in time the Company is unable to say what next year's tariffs will be as it is unclear at the moment how the CA intends to respond to the tariff application and European Commission's enquiry.

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 3 months period of financial year 2011 ended 31 December 2011. The interim accounts have not been reviewed by the auditors.

The condensed financial statements for the period ended 31 March 2011 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 3 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 9 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 28 April 2011 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

Robert Thomas Yuille
Member of the Management Board
Chief Operating Officer

Siiri Lahe
Member of the Management Board
Chief Financial Officer

28 April 2011

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousand EUR)

		as of 31 March		as of 31 December
ASSETS	**Note**	**2011**	**2010**	**2010**
CURRENT ASSETS				
Cash and equivalents	2	20 439	24 625	13 235
Customer receivables, accrued income and prepaid expenses		18 559	12 927	20 088
Inventories		287	238	306
Non-current assets held for sale		76	77	76
TOTAL CURRENT ASSETS		**39 361**	**37 867**	**33 705**
NON-CURRENT ASSETS				
Long-term investment assets		429	0	0
Property, plant and equipment	3	147 926	137 551	148 179
Intangible assets	3	1 851	2 434	1 972
Derivatives		131	0	0
TOTAL NON-CURRENT ASSETS		**150 337**	**139 985**	**150 151**
TOTAL ASSETS		**189 698**	**177 852**	**183 856**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Current portion of long-term borrowings		7 607	106	7 624
Trade and other payables		5 431	4 459	6 368
Derivatives		906	1 007	963
Short-term provisions		27	171	117
Prepayments and deferred income		1 005	740	810
TOTAL CURRENT LIABILITIES		**14 976**	**6 483**	**15 882**
NON-CURRENT LIABILITIES				
Deferred income from connection fees		5 810	786	5 765
Borrowings		87 449	75 056	87 428
Derivatives		0	1 265	1 304
Other payables		115	115	115
TOTAL NON-CURRENT LIABILITIES		**93 374**	**77 222**	**94 612**
TOTAL LIABILITIES		**108 350**	**83 705**	**110 494**
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		42 554	55 353	34 568
TOTAL EQUITY		**81 348**	**94 147**	**73 362**
TOTAL LIABILITIES AND EQUITY		**189 698**	**177 852**	**183 856**

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

AS TALLINNA VESI
Consolidated Unaudited Interim Condensed Financial Statement
for the 3 months period of financial year 2011 ended 31 March 2011

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(thousand EUR)

		Quarter 1		for the year ended 31 December
	Note	**2011**	**2010**	**2010**
Revenue	4	12 404	12 236	49 680
Costs of goods sold	6	-4 882	-4 628	-20 684
GROSS PROFIT		**7 522**	**7 608**	**28 996**
Marketing expenses	6	-200	-204	-787
General administration expenses	6	-874	-818	-3 652
Other income/ expenses (-)	7	464	134	2 906
OPERATING PROFIT		**6 912**	**6 720**	**27 463**
Financial income	8	1 752	240	1 060
Net financial expenses	8	-678	-1 726	-3 624
PROFIT BEFORE TAXES		**7 986**	**5 234**	**24 899**
Income tax on dividends	9	0	0	-8 495
NET PROFIT FOR THE PERIOD		**7 986**	**5 234**	**16 404**
COMPREHENSIVE INCOME FOR THE PERIOD		**7 986**	**5 234**	**16 404**
Attributable profit to:				
Equity holders of A-shares		7 985	5 233	16 403
B-share holder		0,64	0,64	0,64
Earnings per A share (in euros)	10	0,40	0,26	0,82
Earnings per B share (in euros)	10	639	639	639

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

CONSOLIDATED CASH FLOW STATEMENTS (thousand EUR)

	Note	3 months 2011	3 months 2010	for the year ended 31 December 2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		6 912	6 720	27 463
Adjustment for depreciation/amortisation	6	1 394	1 407	5 620
Adjustment for profit from government grants and connection fees		-315	-281	-3 312
Other finance expenses	8	-2	-22	-14
Profit from sale of property, plant and equipment, and intangible assets		0	0	-3
Expensed property, plant and equipment		0	5	70
Change in current assets involved in operating activities		1 616	-807	-8 894
Change in liabilities involved in operating activities		-128	588	6 297
Interest paid		-290	-17	-2 443
Total cash flow from operating activities		**9 187**	**7 593**	**24 784**
CASH FLOWS FROM INVESTING ACTIVITIES				
Loans granted		-429	0	0
Acquisition of property, plant and equipment, and intangible assets		-3 812	-2 555	-17 055
Compensations received for construction of pipelines		2 004	768	6 139
Proceeds from sale of property, plant and equipment, and		0	0	16
Interest received		254	127	1 110
Total cash flow used in investing activities		**-1 983**	**-1 660**	**-9 790**
CASH FLOWS FROM FINANCING ACTIVITIES				
Received loans		0	0	20 000
Dividends paid	9	0	0	-31 956
Income tax on dividends	9	0	0	-8 495
Total cash flow used in financing activities		**0**	**0**	**-20 451**
Change in cash and cash equivalents		**7 204**	**5 933**	**-5 457**
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**13 235**	**18 692**	**18 692**
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	2	**20 439**	**24 625**	**13 235**

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

AS TALLINNA VESI
Consolidated Unaudited Interim Condensed Financial Statement
for the 3 months period of financial year 2011 ended 31 March 2011

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (thousand EUR)

	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
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 year	0	0	0	16 404	16 404
as of 31 December 2010	**12 782**	**24 734**	**1 278**	**34 568**	**73 362**
as of 31 December 2009	**12 782**	**24 734**	**1 278**	**50 120**	**88 914**
Net profit of the financial period	0	0	0	5 233	5 233
as of 31 March 2010	**12 782**	**24 734**	**1 278**	**55 353**	**94 147**
as of 31 December 2010	**12 782**	**24 734**	**1 278**	**34 568**	**73 362**
Net profit of the financial period	0	0	0	7 986	7 986
as of 31 March 2011	**12 782**	**24 734**	**1 278**	**42 554**	**81 348**

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

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENT (thousand EUR)

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.

On the 1st January 2011 Estonia joined the Eurozone and Estonian kroon (EEK) was replaced by euro (EUR). As a result of that, since that day the Group converted its accounting into euros and the financial statements of 2011 and further years is compiled in euros. Comparative data is converted by an official exchange rate for transition of 15.6466 EEK/EUR.

NOTE 2. CASH AND CASH EQUIVALENTS

	as of 31 March		as of 31 December
	2011	**2010**	**2010**
Cash in hand and in bank	949	205	651
Short-term deposits	19 490	24 420	12 584
Total cash and cash equivalents	**20 439**	**24 625**	**13 235**

NOTES TO THE CONSOLIDATED UNAUDITED 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 2009											
Acquisition cost	23 913	150 807	38 419	1 179	2 469	3 885	92	95	889	4 752	226 500
Accumulated depreciation	-4 566	-47 723	-24 774	-737	0	0	0	0	-612	-2 547	-80 959
Book value	**19 347**	**103 084**	**13 645**	**442**	**2 469**	**3 885**	**92**	**95**	**277**	**2 205**	**145 541**
Transactions in the period 01.01.2010 - 31.12.2010											
Acquisition in book value	0	0	0	0	6 738	10 734	0	62	0	0	17 534
Write off and sale of property, plant and equipment, and intangible assets in book value	-2	0	-4	-9	0	0	0	0	0	0	-15
Compensated by government grants	0	0	0	0	0	-7 080	0	0	0	0	-7 080
Reclassification	155	4 928	1 890	54	-7 058	-77	-25	-38	4	32	-135
Depreciation	-272	-2 593	-2 081	-82	0	0	0	0	-180	-486	-5 694
Total transactions in the period 01.01.2009 - 31.12.2009	**-119**	**2 335**	**-195**	**-37**	**-320**	**3 577**	**-25**	**24**	**-176**	**-454**	**4 610**
as of 31 December 2010											
Acquisition cost	24 067	155 727	39 570	1 157	2 148	7 462	68	119	714	4 518	235 550
Accumulated depreciation	-4 838	-50 307	-26 120	-755	0	0	0	0	-612	-2 767	-85 399
Book value	**19 229**	**105 420**	**13 450**	**402**	**2 148**	**7 462**	**68**	**119**	**102**	**1 751**	**150 151**
Transactions in the period 01.01.2011 - 31.03.2011											
Acquisition in book value	0	0	0	0	493	2 184	0	37	0	0	2 714
Compensated by government grants	0	0	0	0	0	-1 688	0	0	0	0	-1 688
Reclassification	16	442	49	13	-512	5	0	0	83	-83	13
Depreciation	-68	-655	-512	-20	0	0	0	0	-19	-139	-1 413
Total transactions in the period 01.01.2011 - 31.03.2011	**-52**	**-213**	**-463**	**-7**	**-19**	**501**	**0**	**37**	**64**	**-222**	**-374**
as of 31 March 2011											
Acquisition cost	24 083	156 168	39 540	1 169	2 129	7 963	68	156	714	4 518	236 508
Accumulated depreciation	-4 906	-50 961	-26 553	-774	0	0	0	0	-548	-2 989	-86 731
Book value	**19 177**	**105 207**	**12 987**	**395**	**2 129**	**7 963**	**68**	**156**	**166**	**1 529**	**149 777**

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 March 2011 and 31 December 2010 the net balance sheet value of finance leases was respectively 238 thousand euros and 257 thousand euros.

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMEI (thousand EUR)

NOTE 4. REVENUE	**Quarter 1**		**for the year ended 31 December**
	2011	**2010**	**2010**
Revenues from main operating activities			
Total water supply and waste water disposal service, incl:	11 371	11 254	45 168
Private clients, incl:	5 970	6 013	23 797
Water supply service	3 289	3 344	13 232
Waste water disposal service	2 681	2 669	10 565
Corporate clients, incl:	4 373	4 159	17 108
Water supply service	2 314	2 287	9 441
Waste water disposal service	2 059	1 872	7 667
Outside service area clients, incl:	825	865	3 415
Water supply service	205	211	840
Waste water disposal service	620	654	2 575
Overpollution fee	203	217	848
Stormwater treatment and disposal service	802	749	3 286
Fire hydrants service	48	48	193
Other works and services	183	185	1 033
Total revenue	**12 404**	**12 236**	**49 680**

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 1**		**for the year ended 31 December**
	2011	**2010**	**2010**
Salaries and wages	-1 176	-1 043	-4 304
Social security and unemployment insurance taxation	-405	-359	-1 481
Staff costs total	**-1 581**	**-1 402**	**-5 785**
Number of employees at the end of reporting period	**315**	**318**	**319**

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STAT (thousand EUR)

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

	Quarter 1		for the year ended 31 December
Cost of goods sold	**2011**	**2010**	**2010**
Tax on special use of water	-226	-220	-847
Chemicals	-248	-328	-1 433
Electricity	-676	-582	-2 704
Pollution tax	-279	-236	-2 290
Staff costs	-1 117	-999	-4 030
Development	-8	0	-8
Depreciation and amortization	-1 266	-1 277	-5 092
Other costs of goods sold	-1 062	-986	-4 280
Total cost of goods sold	**-4 882**	**-4 628**	**-20 684**
Marketing expenses			
Staff costs	-91	-82	-320
Depreciation and amortization	-81	-84	-334
Other marketing expenses	-28	-38	-133
Total cost of marketing expenses	**-200**	**-204**	**-787**
General administration expenses			
Staff costs	-373	-321	-1 435
Depreciation and amortization	-47	-46	-194
Other general administration expenses	-454	-451	-2 023
Total cost of general administration expenses	**-874**	**-818**	**-3 652**

NOTE 7. OTHER INCOME / EXPENSES

	Quarter 1		for the year ended 31 December
	2011	**2010**	**2010**
Profit from government grant	315	233	3 310
Other income / expenses (-)	149	-99	-404
Total other income / expenses	**464**	**134**	**2 906**

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMEI (thousand EUR)

NOTE 8. FINANCIAL INCOME AND EXPENSES	**Quarter 1**		**for the year ended 31 December**
	2011	**2010**	**2010**
Interest income	260	240	1 060
Interest expense, incl swap interests	-676	-461	-2 372
Swap fair value	1 492	-1 243	-1 238
Other financial expenses	-2	-22	-14
Total financial income / expenses	**1 074**	**-1 486**	**-2 564**

NOTE 9. DIVIDENDS	**Quarter 1**		**for the year ended 31 December**
	2011	**2010**	**2010**
Dividends declared during the period	0	0	31 956
Dividends paid during the period	0	0	31 956
Income tax on dividends paid	0	0	-8 495
Income tax accounted for	**0**	**0**	**-8 495**
Paid-up dividends per shares:			
Dividends per A-share (in euros)	0	0	1,60
Dividends per B-share (in euros)	0	0	639

The income tax rates were 21/79 in 2011 and 2010.

NOTE 10. EARNINGS PER SHARE

	Quarter 1		**for the year ended 31 December**
	2011	**2010**	**2010**
Net profit minus B-share preference rights	7 985	5 233	16 403
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
Earnings per A share (in euros)	0,40	0,26	0,82
Earnings per B share (in euros)	639	639	639

Diluted earnings per share for the periods ended 31 March 2011 and 2010 and 31 December 2010 do not vary significantly from the earnings per share figures stated above.

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STAT (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 have control or significant influence 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 31 March		as of 31 December
Balances recorded in working capital on the statement of financial position of the Group	**2011**	**2010**	**2010**
Accounts receivable	5 974	2 522	7 194
Accrued income	6 896	4 145	7 256
Accounts payable - short-term trade and other payables	203	207	200

	Quarter 1		for the year ended 31 December
	2010	**2010**	**2010**
Transactions with the related parties			
Sales services	802	787	3 440
Compensation receivable from the local governments for constructing new pipelines	2 004	547	10 390
Purchase of administrative and consulting services	229	293	1 032
Financial income	220	105	732
Management Board fees excluding social tax	63	38	199
Supervisory Board fees excluding social tax	10	10	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.

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENT

NOTE 12. LIST OF SUPERVISORY BOARD MEMBERS

Robert John Gallienne	Chairman of the Supervisory Board
Leslie Anthony Bell	Member of the Supervisory Board
Simon Gardiner	Member of the Supervisory Board
Andrew James Prescott	Member of the Supervisory Board
Ardo Ojasalu	Member of the Supervisory Board
Mart Mägi	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

As of 6th April 2011 Ardo Ojasalu will be recalled from the Supervisory Board and Toivo Tootsen will be appointed as a Supervisory Board member. As of 28th April 2011 Andrew James Prescott will be recalled from the Supervisory Board and Philip Anthony Aspin will be appointed as a Supervisory Board member.

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