

## Management Board's presentation on the tariffs dispute

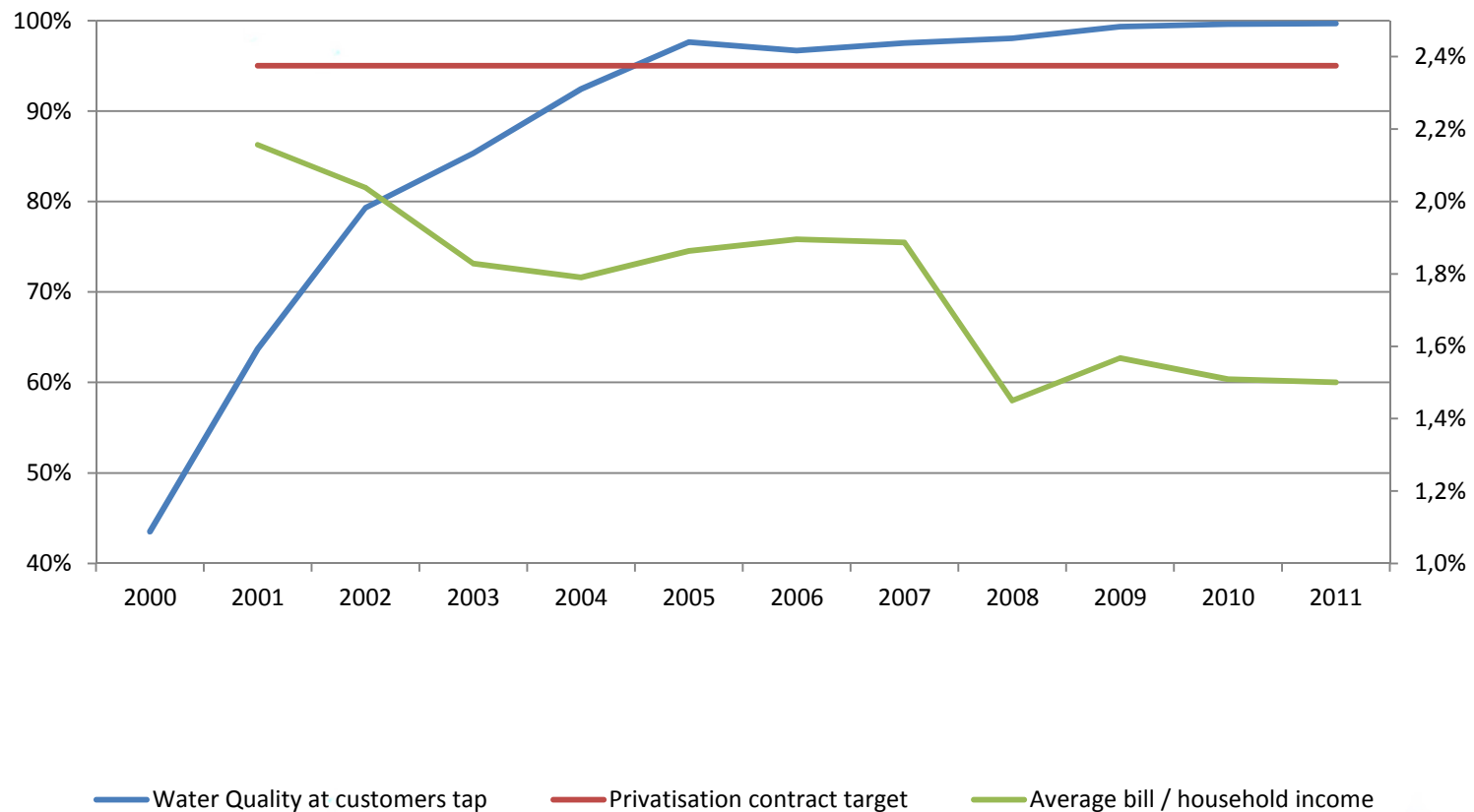
### Objective of today's presentation

- To inform shareholders of the status of our ongoing legal dispute with the Competition Authority (CA).
  - Complaint to have the contractually agreed 2011 tariff increase of 3.5% upheld
  - Complaint to prevent the CA from imposing a 29% tariff cut on the company
  - No court date has yet been set for these complaints to be heard (joined together due to almost identical nature)
  - Complaint to the EU Commission to prevent the CA from unilaterally breaking the privatisation contracts.

## Privatisation contract - facts

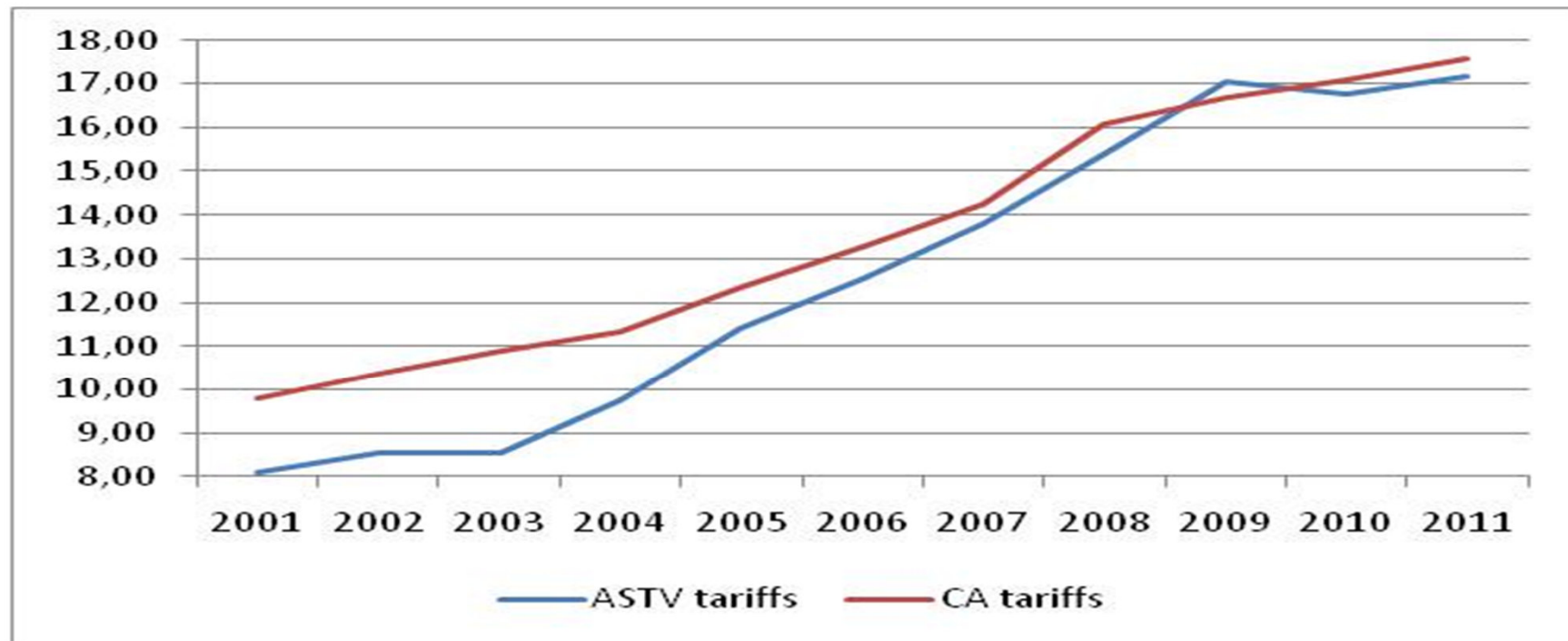
- All terms and conditions were set by the Estonian authorities, with the full support of the EBRD
  - Including the contract length to which the CA gave its explicit approval (15 years)
- To win the contract to provide strategic operator services for 15 years, UU:
  - offered the lowest increases in tariffs to ensure the achievement of much higher standards
  - offered 85 million euros for 50.4% of the equity
- In 2005, at the request of the Estonian authorities, the Company listed on the TSE
  - the IPO share price was 9.25 Euros per share
- ASTV has always stated its willingness to a professional discussion on the key aspects of the privatisation

## Performance since privatisation



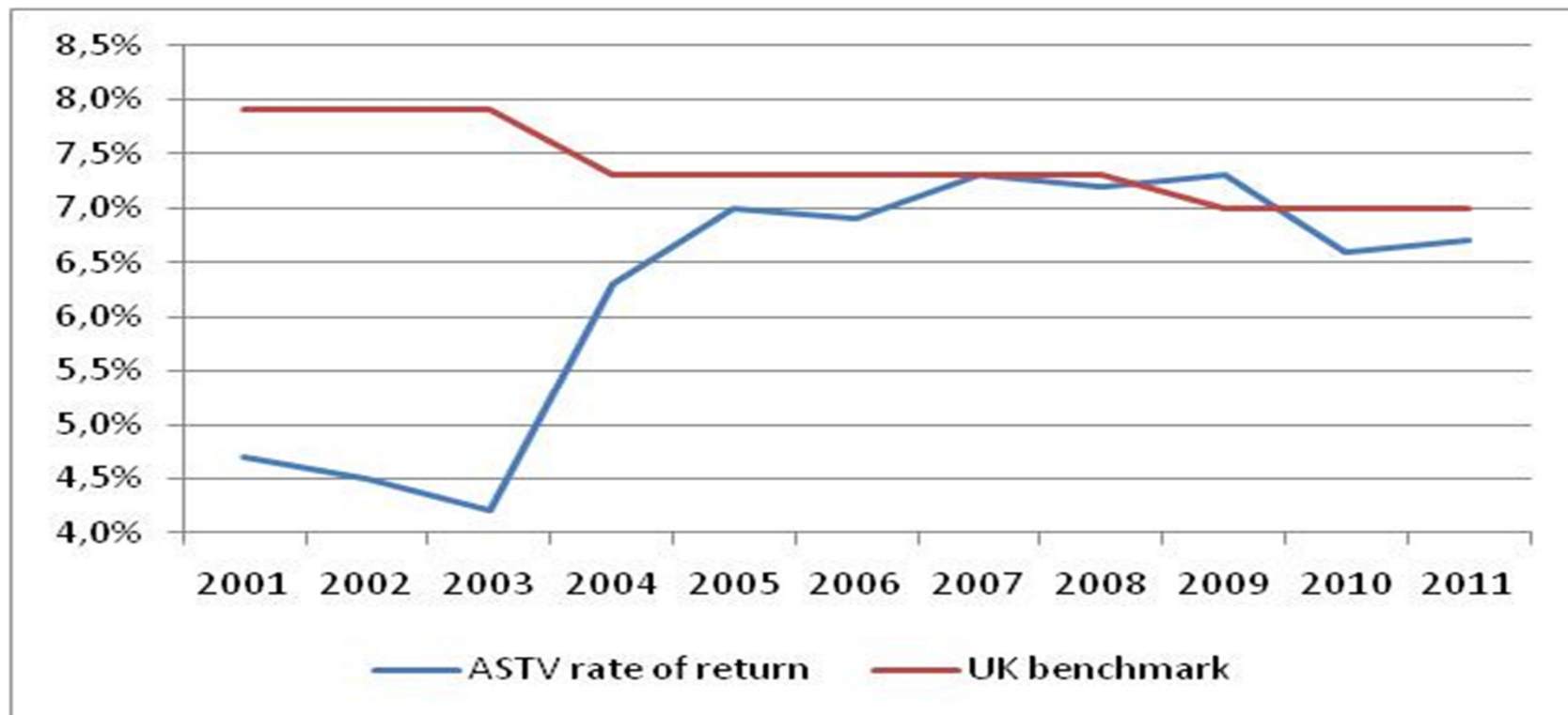
**Much higher quality for a lower proportion of household bills**

## Tariff changes since privatisation



Using the CA's method of regulation, tariffs would have been 9% per annum higher

## Profit levels since privatisation



**Proven average rate of return of 6,3% pa since privatisation,  
less than international comparisons**

## Performance since privatisation

### Operational Excellence

- Huge increase in quality standards and a significant reduction in the proportion of household expenses
- Tariff lower than CA methodology
- Average rate of return of 6,3% per annum
- ASTV has met or exceeded all aspects of the privatisation all of which were set by the Estonian authorities themselves

### Social responsibility and environment

- Introduction of “Our promises” scheme
- School Education programmes

### Corporate Governance and investment into Estonia

- IPO raised over 27m Euros for the Estonian authorities
- TSE best Investor Relations 2009, 2010 and 2011

## Actions of the Competition Authority

- The CA refuses to accept any of the evidence provided by the Company (quality, tariffs, profits)
- The CA refuses to accept independently verified evidence to support the above
- The CA has declared the privatisation to be illegal
- The CA says the Company is too profitable, but has no evidence, only its own unsubstantiated opinion to support this view
- The CA will only allow its own recommended, unproven opinion to be used, even though this is not the law (PWSSA)
- The CA believes that IPO investors should lose half the value of their investments
  - at IPO price this is a loss of approx 26m Euros

## The CA's method of regulation

- The CA claims to have a method of regulation in use since 2003, however:
  - it has no evidence to prove it has consistently applied any method;
    - in fact, we can prove it doesn't.
  - The CA refuses to publish tariff determinations, preferring to hide information from customers.
  - The CA refuses to state the allowed costs and profits included in the tariff.
  - The CA's method has no link to quality standards
    - Hence, in reality, the tariff approved by the CA is meaningless.



## In summary

- ASTV was privatised in 2001 with a 15 year contract with the full knowledge and support of the EBRD and the Competition Authority.
- ASTV has outperformed all performance indicators since 2001.
- ASTV has a tariff methodology and profit levels that can be PROVED to comply with international best practice.
- The CA has declared that the privatisation is illegal, and that the Company is too profitable, hence the CA can unilaterally break the privatisation contract but
  - it has no evidence to support this position.
- The CA claims it is only complying with the law
  - Its recommended methodology is not the law;
  - The CA does not consistently apply its own methodology;
  - The CA's methodology cannot ensure “fair” tariff setting, hence it cannot be the law.
- ASTV has always stated its willingness to professional dialogue on the privatisation contract
  - The CA refuses to accept or discuss any aspect of the privatisation contract.

