

## KARL R. MEYER

Mr.  
Ian Plenderleith  
AS Tallinna Vesi  
Ädala 10  
Tallinn 10614

Dear Mr Plenderleith,

My fellow shareholders in Germany have been following closely the actions being taken by the Estonian authorities in contradiction of the contract and we are fully supportive of the action being taken by the Company. However we continue to be frustrated by the lack of progress, the attitude and the action being taken by the Estonian authorities, in the contractual dispute. The Estonian authorities made some specific changes to the national laws almost two years ago and since that point in time the Estonian Competition Authority has clearly decided not to honour ASTV's privatisation contract. Despite all the efforts being made by the Company this situation still does not appear close to a resolution.

We made our investment into Estonia on the basis of the long term international privatisation contract that was detailed in the International Offering Circular. Therefore is extremely surprising and disappointing that the Estonian authorities continue to disregard the interests of international investors such as ourselves by refusing to honour or even make any professional attempt to discuss preexisting contractual arrangements. As I write the share price of ASTV is trading around 7.50 Euros per share which is approximately 20% below the IPO price. This reduction has caused a significant financial loss to myself and other shareholders and has been caused entirely by the actions of the Estonian authorities.

In this situation I believe it is now the time for the shareholders of ASTV to do all they can to assist the company in bringing this dispute to a successful conclusion without the need for long and expensive court proceedings. Therefore I would like to put forward an action to be voted on at the AGM of shareholders that will take place on 22 May. At last year's AGM I suggested a question at the meeting however this motion was unable to be discussed and voted on due to the limited Powers of Attorney given to the representative of the City of Tallinn. This is a situation I would like to avoid this year therefore I am writing to you now in order to have a question included in the formal agenda of the meeting.

I would like to suggest that the shareholders of ASTV write an open letter to the Minister of Economy and the Prime Minister asking the following question:

*Since the IPO in 2005 local and overseas investors have made investments into Tallinna Vesi and Estonia based on a privatisation contract that was signed many years prior to the recent changes in law, which was signed with the full agreement and knowledge of the Estonian authorities, and which has remain unchallenged since the privatisation in 2001.*

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*In 2010 the Estonian authorities made some changes to the law which have enabled the Estonian Competition Authority to completely disregard the preexisting long-term contract, which has resulted in the shareholders of ASTV suffering large losses on their investments into the water industry in Estonia.*

*Given the situation outlined above, what actions is the Minister of Economy going to take to ensure that the investments made by local and overseas investors into Tallinna Vesi and Estonia, are given due protection within the Estonian legal framework from the recent changes in the law that have completely overturned the investment case that was established by the Estonian authorities themselves on privatisation?*

*The apparent unwillingness of the Estonian authorities to make a serious attempt to solve this problem throws a very dim light on the international business attitude of Estonia and is bound to lead to a negative development of and limited interest of international investors in making any future new investments in Estonian economy. It is absolutely necessary to come to a fair arrangement soonest which fully acknowledges contractual obligations undergone by the Estonian government when originally inviting foreign investment into ASTV. Only through the funds and knowhow provided by the foreign investors was it possible, to greatly improve the quality and service capability of ASTV. Furthermore funds generated over the past many years and reinvested into Estonia have helped provide additional value to the country and the company. If now after bringing about this great progress the foreign investors are denied their part in this achievement this goes completely against the economic and commercial principles of the Hanseatic league, in which our trading nations were full participants, and, which we foreign investors believed were fully supported by the present Estonian government.*

Sincerely



April 22<sup>nd</sup>, 2012