NOTARY IN AND FOR TALLINN MERLE SAAR-JOHANSON

NOTARY´S BOOK OF
OFFICIAL RECORDS No

1968

MINUTES AND RESOLUTIONS OF THE GENERAL MEETING OF AKTSIASELTS TALLINNA VESI

Prepared and issued in Tallinn on the twenty-fourth day of May in the year two thousand and eleven (24.05.2011).

I, the Notary in and for Tallinn Merle Saar-Johanson, whose office is located in Tallinn, Rävala pst 3 / Kuke tn 2, was present at the general meeting (hereinafter: "the Meeting") of shareholders of AKTSIASELTS TALLINNA VESI, registry code 10257326, located at Ädala 10, Tallinn, 10614, that took place on the twenty fourth day of May in the year two thousand and eleven (24.05.2011).

The Meeting was held in Radisson BLU Hotel Olümpia (Liivalaia 33, 10118, Tallinn) at the conference hall on the 2nd floor in „Alfa 2" room.

The Meeting was held in Estonian and in English, the participants were provided with the possibility to use translation into Estonian, Russian and English.

The notice of convening the Meeting was published on the 2nd of May 2011 on the fifth page of daily newspaper "Eesti Päevaleht" and on the website of NASDAQ OMX Tallinn Stock Exchange.

The Meeting was chaired by **Raino Paron**
personal ID code 36507044211
who is personally known to the notariser of this deed
and
the Minutes were taken by **Ilona Nurmela**
personal ID code 47610020228
who is personally known to the notariser of this deed

Share capital of AKTSIASELTS TALLINNA VESI is two hundred million one thousand

(200 001 000) kroons, which are divided into A-shares (20 000 000 shares), each having nominal value of ten (10) kroons, whereof each share shall give one (1) vote in the Meeting, and into B-shares (1 share) having a nominal value of thousand (1000) kroons that shall give one (1) vote in the Meeting pursuant to the provisions of clause 3.2.1.2. of the Articles of Associations of AKTSIASELTS TALLINNA VESI for voting regarding agenda items 3 and 4 of the present Meeting. The B-share shall not grant a right to vote to a shareholder regarding other agenda items of the present Meeting. A voting right of the shareholder in general meeting shall be determined according to share register data as of 17th of May 2011 at 23:59. The list of participants was prepared by the representative of the Estonian Central Register of Securities.

According to the list of participants in the General Meeting constituting an Annex to this notarial deed, the general meeting was attended and represented by sixteen million three hundred sixty four thousand four hundred and forty eight (16 364 448) votes represented by A-shares and one (1) vote with the limited voting share represented by B-share. The general meeting was attended in total by 81,82% of the votes represented by A-shares and 100% of the votes represented by B-shares. Pursuant to subsection 3 of section 36 of the Notarisation Act, the chair of the meeting shall be liable for the correctness of the list of participants.

The quorum of the general meeting has been verified by the person who has prepared this notarial deed on the basis of the list of participants that was signed by the chair of the Meeting at the presence of the person who has prepared this notarial deed. The person who has prepared this notarial deed has verified the compatibility of the list of participants with share register and the list of participants corresponds to the share register.

Chair of the Meeting Raino Paron introduced the agenda of the Meeting, translation possibilities and said that the participants shall be entitled to ask questions and submit written applications and explained that the voting results shall be calculated to the accuracy of two decimal places.

Agenda of the Meeting consisted of the following:

1. **Approval of the Annual Report**
2. **Distribution of profit**
3. **Amending the Articles of Association**
4. **Decreasing the nominal value of shares and the total value of share capital**
5. **Election of Auditor**
6. **Management Board's presentation on the change of law and its impact on the tariff approval mechanism**

Mr Plenderleith made a short overview of the highlights of 2010.

Question from Mr Siinmaa: To what extent does Veemees perform emergency works

percentage-wise per year and how many employees does it have, is it reasonable to keep it at all considering that competition is very heavy in that field in Estonia?

Mr Plenderleith noted that Veemees has ca ten employees and the main enterprise field is works inside the properties. Within the networks extension programme AS Tallinna Vesi has the responsibility to construct and operate pipes until the border of the customer's plot, but does not have the responsibility for works inside the plot. Therefore, through Veemees we are able to offer customers a complete pipe service when they ask for this from the Company. In practice such requests are often made to the Company and thus the Company believes that, above all from the perspective of servicing customers, the activity of Veemees is important. Of course, in this instance the building works are of small calibre and there is competition on the market. The turnover is 7-8 MEEK per annum and this activity does not generate a large profit, but the aim is to offer a start-to-finish good and high quality service to customers, i.e. if the customer needs for the connection to be built up to his building, then the aim of the Company is to provide such a service to the customers.

Question from Mr Allmere: in the Annual Report the sum of investments is 274 millions of kroons and the sum for depreciation is 89 millions of kroons, is the value of the pipelines correct in the accounts or are they undervalued?

Mr Plenderleith replied that the replacement value of assets in water industry is considerably higher than the accounting value of assets. The sum of investments in 2010 was three times higher than depreciation as in 2010 the Company started to build the biofilter in the wastewater treatment plant as well as continued the networks extension programme. Considering the historic acquisition value of the assets and the Company's wish to offer high quality services to customers, the Company invests more than the depreciation cost. Company uses International Financial Reporting Standards (IFRS) and accounts the cost of fixed assets as per the acquisition value method. The Company's auditors are also present, who have audited this accounting approach and would not have approved the 2010 annual report, if the value of the assets had been incorrectly reflected.

Agenda item 1. Voting was conducted on the proposal to approve the 2010 Annual Report.

Voting results:

in favour:	16 355 047	votes	i.e.	99,94%	of the votes represented at the Meeting
against:	0	votes	i.e.	0,00%	of the votes represented at the Meeting
impartial:	7691	votes	i.e.	0,05%	of the votes represented at the Meeting
abstained:	1710	votes	i.e.	0,01%	of the votes represented at the Meeting

Since more than half of the votes represented in the Meeting in favour is required to pass the aforementioned resolution, the resolution of the Meeting is considered to have been adopted.

Question from Mr Siinmaa: Estonian government has not yet been able to guarantee a decent wage nor living standard for its citizens, i.e. more than half of the population earns very little, which is why the Company's profits are under keen attention. On one hand, people have no money and the price of water is high and at the same time the Company earns a large profit?

Mr Plenderleith explained that partially this question shall find an answer during the presentation under agenda item 6. In terms of the water bill, however, the tariff for physical persons is below Estonian average and the water bill is c.a. 1,4% of the net income of a household, which is considerably less than the recommendation by the World Bank that the water bill should not exceed 4% of the household net income. At the same time, at average tariffs, the Company offers a high quality service, which is proven as the levels of service are independently audited and approved by the MMU (Supervisory Foundation of Tallinn Water Companies). I would like to point out that on the terms and conditions of the current Services Contract there will be no real tariff increases over the next 10 years, as then the costs of all investments must be borne by the company and cannot be passed onto customers through the tariff. The aim of the Company is to offer the best service with at affordable prices.

Question from Mr Rätsep: has the price and quality relationship been compared to other Estonian cities, perhaps making such a comparison would take an edge off somewhat, considering the opinions publicised in media regarding the Company's excessive profitability?

Mr Plenderleith explained that the tariff price information is available on the website of Estonian Waterworks Association (EVEL), however, no such comparable information on the achievement of quality standards has been published, however, this could and should definitely be done so that the consumers living in various municipalities could have the possibility to compare the quality of service provided and the price of service with that offered by other municipalities. It would be extremely helpful if independent state bodies, e.g. Ministry of Environment, would compare the quality and price ratio and this information would be public. The Company publicises all the information regarding its levels of service annually and publicises operations performance information once a quarter via the stock exchange. We believe AS Tallinna Vesi is the only water company in Estonia who behaves so transparently. In the interests of awareness of consumers it is necessary that comparative information regarding the quality and price levels of all water companies is published, e.g. via the ministries. At the moment there is no such comparable data.

Question from Mrs Rohtsalu: how will the dividend payout influence the debt and equity ratio and cash flow position and how much does the Company plan to invest in the coming years?

Mrs Lahe responded that the Company's management board has performed a thorough analysis of the business plan and cash flows and may confirm that the Company has enough funds for a dividend payment. Although the debt and equity ratio will change across quarters, including in Q2 due to the dividend payment, then the aim of the Company is to keep the debt level close to 60%. Investments in 2010 and 2011 were influenced by the biofilter project and the networks extension programme. Similar extraordinary investments are not foreseen in the coming years, when investments shall decrease considerably, remaining somewhat above the depreciation level.

Agenda item 2. Voting was conducted on the proposal to distribute 16 000 639,12 euros of AS Tallinna Vesi's retained earnings of 540 873 749 kroons or 34 568 133 euros as of 31.12.2010, incl. from the net profit of 256 684 119 kroons or 16 405 105 euros for the year 2010, as dividends, as follows:

a) 0.8 euros per share shall be paid to the owners of the A-shares and 639,12 euros per share shall be paid to the owner of the B-share.

b) Remaining retained earnings will remain undistributed and allocations from net profit will not be made to the reserve capital.

c) to pay the dividends out to the shareholders on 15 June 2011 and to determine the list of shareholders entitled to receive dividends on the basis of the share ledger as at 23.59 on 08 June 2011.

Voting results:

in favour:	16 361 543	votes	i.e.	99,98%	of the votes represented at the Meeting
against:	969	votes	i.e.	0,01%	of the votes represented at the Meeting
impartial:	1216	votes	i.e.	0,01%	of the votes represented at the Meeting
abstained:	720	votes	i.e.	0,00%	of the votes represented at the Meeting

Since more than half of the votes represented in the Meeting in favour is required to pass the aforementioned resolution, the resolution of the Meeting is considered to have been adopted.

Agenda item 3. To amend the Articles of Association of the Company as follows – amendments **underlined and in bold**:

3.1. To amend clause 3.1.2. of the Articles of Association of the Company as follows:

"3.1.2. The minimum share capital of the Company shall be **12 000 000 euros** and the maximum share capital shall be **48 000 000 euros**."

3.2. To amend clause 3.2.1.1. of the Articles of Association of the Company as follows:

"3.2.1.1. Registered shares with the nominal value of **0.6 euros (sixty euro cents)** per each share (hereinafter "A-share"). Each A-share provides its holder 1 (one) vote at the general meeting of the shareholders of the Company and the right to participate in the general meetings of the shareholders of the Company and in the distribution of profits and in the distribution of the remaining assets upon dissolution of the Company as well as any other rights set forth in the law and in the Articles of Association of the Company."

3.3. To amend clause 3.2.1.2. of the Articles of Association of the Company as follow:

"3.2.1.2. **The Company has one registered preferred share** with the nominal value of **60 (sixty) euros** (hereinafter "B-share"). The B-share grants the holder the right to participate in the general meeting of the shareholders of the Company as well as in the distribution of profits and of the assets remaining upon dissolution of the Company, also other rights provided by law and the Articles of Association of the Company. The B-share grants the holder the preferential right to receive a dividend in an agreed sum of **600 (six hundred) euros**. The B-share grants the shareholder 1 (one) vote at the general meeting of the shareholders of the Company when acting on the following issues (restricted right to vote):

- amending the Articles of Association of the Company;
- increasing and reducing the share capital of the Company;
- issuing convertible bonds;
- acquisition of treasury shares by the Company;
- deciding on the merger, division, transformation and/or dissolution of the Company;
- at the request of the management board or the supervisory council of the Company, deciding on issues related to the activities of the Company that have not been placed in the sole competence of the general meeting of the shareholders by law."

3.4. To amend clause 6.2.3. of the Articles of Association of the Company as follow:

"6.2.3. The Management Board shall call an extraordinary General Meeting in cases provided by law, serving a notice of it at **least 3 (three) weeks** in advance to the shareholders. A request for an extraordinary General Meeting shall be presented to the Management Board in writing."

3.5. To replace in clauses 6.3.3.1., 6.3.3.2., 6.3.3.3., 6.3.3.4. and 6.3.3.5. of the Articles of Association of the Company the words "10 million kroons" with the words "**650 000 (six hundred and fifty thousand) euros**".

3.6. To supplement the Articles of Association of the Company with clause 6.5.3. in the following wording:

„**6.5.3. Subsidiaries in the sole ownership of the Company shall not be treated as affiliate companies. In case of transactions concluded with a subsidiary, the provisions in clauses 6.3.3.1, 6.3.3.2, 6.3.3.3, 6.3.3.4 and 6.3.3.5 of the Articles of Association of the Company shall apply.**"

Voting results:

in favour:	16 354 213 votes	i.e.	99,94%	of the votes represented at the Meeting
against:	2350 votes	i.e.	0,01%	of the votes represented at the Meeting
impartial:	6513 votes	i.e.	0,04%	of the votes represented at the Meeting
abstained:	1372 votes	i.e.	0,01%	of the votes represented at the Meeting

All (100%) of votes represented by the B-share were given in favour of the resolution.

Since at least 2/3 of the votes represented in the Meeting, incl. the owner of the B-share, in favour is required to pass the aforementioned resolution, the resolution of the Meeting is considered to have been adopted by the Chair of the Meeting.

Question from Mr Makarov: why is the nominal value of the A-share decreased to 0,6€, and not to 0,64€?

Mrs Lahe explained that there is a legal requirement that the nominal value of shares should be a full multiplication of ten eurocents, i.e. either 0,6€ or 0,7€ and the Company chose the solution with the least impact, i.e. decrease of share capital.

Question from Mr Allmere: did the Company consider increasing the share capital until 1€?

Mrs Lahe explained that at the moment the Company did not have any reasons to consider such a considerable increase in share capital.

Agenda item 4. In connection with the requirement to convert share capital from kroons to euros, voting was conducted on the proposal to reduce the share capital of the Company by 782 333,62 euros (seven hundred and eighty two thousand three hundred and thirty three euros and sixty two euro cents) by way of reducing the nominal value of the A-share (current nominal value is 10 (ten) kroons) to 0.60 euros (sixty euro cents) and by way of reducing the nominal value of B-share (current nominal value is 1000 (one thousand) kroons) to 60 (sixty) euros, whereas the value of the share capital shall reduce without making any disbursements, with the **new value of share capital being 12 000 060 (twelve million and sixty) euros**. The rounding of the result of the

conversion of the nominal value of shares has no legal consequences.

Voting results:

in favour:	16 352 883 votes	i.e.	99,93%	of the votes represented at the Meeting
against:	435 votes	i.e.	0,03%	of the votes represented at the Meeting
impartial:	5142 votes	i.e.	0,03%	of the votes represented at the Meeting
abstained:	2073 votes	i.e.	0,01%	of the votes represented at the Meeting

All (100%) of votes represented by the B-share were given in favour of the resolution.

Since at least 2/3 of the votes represented in the Meeting, incl. the owner of the B-share, in favour is required to pass the aforementioned resolution, the resolution of the Meeting is considered to have been adopted by the Chair of the Meeting.

Mr Bob Gallienne introduced the members of the Company's audit committee and reported on its activities.

Question from Mr Siinmaa: how long has AS PricewaterhouseCoopers been the Company's auditor and on what basis was this choice made, if the Company could have chosen amongst many larger audit firms? Second question: how has the Company checked that the value of the Company's real estate is correct and justified? The value of the Company's share on the market is very low at the moment, so the Company must bring the value of assets to such an accounting level that everyone would understand.

Mr Gallienne replied that AS PricewaterhouseCoopers was first chosen as the Company's auditor in 2008 as a result of a public tender, where the big four audit firms made their bids. The qualification of the auditor and the price was assessed and the lowest bid of AS PricewaterhouseCoopers was approved by the Company's Supervisory Council. Considering good cooperation, the qualification and the price level the Council's recommendation is to continue with this auditor. At the same time, the Company's intention is to periodically change auditors.

Mrs Lahe explained that the calculation of the Company's fixed assets has continuously been done as per the historic acquisition value method, which is completely in compliance with Estonian good accounting standards and international financial accounting standards.

Mr Raimla specified that acquisition value method for fixed assets is the most usually used method in Estonia. An alternative approach would be considerably more time consuming and costly.

Agenda item 5. Voting was conducted on the proposal to appoint AS PricewaterhouseCoopers as the auditor and Tiit Raimla as the lead auditor of AS Tallinna Vesi for the financial year of 2011. To approve the principles for remuneration of the auditor as per the agreement signed with the auditor.

Voting results:

in favour:	16 359 467	votes	i.e.	99,97% of the votes represented at the Meeting
against:	2000	votes	i.e.	0,01% of the votes represented at the Meeting
impartial:	876	votes	i.e.	0,01% of the votes represented at the Meeting
abstained:	2105	votes	i.e.	0,01% of the votes represented at the Meeting

Since the candidate who has received more votes in favour than the other candidates shall be considered to have been elected, AS PricewaterhouseCoopers was appointed as the Auditor and Tiit Raimla was appointed as the Lead Auditor.

Agenda item 6. Management Board's presentation on the change of law and its impact on the tariff approval mechanism

Mr. Plenderleith explained to the shareholders the situation, which has occurred as a result of the passing of the Anti-Monopoly Bill by the Estonian Parliament in 2010 and in connection with the statements made by the Competition Authority regarding the company's tariffs and economic results.

The information portrayed in the public eye and aimed against the Company is to a large extent a gross misrepresentation of the facts. The aim of the privatisation of the Company in 2001 was to raise the quality of services with the lowest possible real tariff increase and sell the shares of the company at the highest possible price. It should be pointed out that the most important privatisation bid award criteria was the lowest real tariff increases to achieve the significant improvement required in quality standards – with a weighting of 60%. In addition, the winning bidder in the privatisation paid 1.3 billion kroons (85 million euro) for 50.4% of the equity in the company, a premium of 129% above the accounting/par value of the shares. The privatisation contract and the tariff mechanism within it was and are in complete accordance with Estonian and EU legal acts. During the 2005 public offering of shares (IPO) minority shareholders invested into 30% of the Company's shares on the basis of the privatisation contract. The privatisation contract explicitly covered the issue of regulatory risk, where it stated that in the event of a disagreement over tariff and/or profits the parties would agree to use independent international experts.

The Company and its shareholders have fulfilled their side of the conditions of the privatisation agreement. Considering the situation at that time, it must be noted that in 2000 the water quality in Tallinn was really bad, it was only up to 60% compliant with applicable norms, i.e. almost every 2nd water sample was non-compliant. However, in 2011 the compliance level is almost 100% with the company achieving 99.6% of samples being compliant. The leakage level has decreased from 35% to 19% and there has been a substantial quality improvement in the number of blockages as well.

The real rate of return from invested capital of the company has been 6,5% in 2001-2010, which is less than in comparable water companies elsewhere in Europe (Great Britain, Holland, Ireland). The company has had the aforementioned profitability calculation from invested capital reviewed and validated by an impartial expert (an international consulting company Oxera). Contrary to arguments presented to the public that the Company's investors have already earned back their money invested into the Company, we can confirm, looking at the facts, that this is not so. The IRR of private investors up until 2010 has been only 1,6%.

A situation, whereby a law adopted after the privatisation and the IPO poses limitations to the activities of the Company, which are contrary to the conditions agreed at the time of privatisation, is essentially comparable to expropriation of the investors' assets (investment). There is no legal basis for the expropriation of the investment paid at the time of the acquisition of shares of the Company by the investors. During the past 18 months several changes have occurred that have impacted the Company's activities. The Anti Monopoly Bill has been adopted, which changed the approach to justified profitability in the Public Water Supply and Sewerage Act, by limiting justified profitability to the profitability calculated from the assets invested by the company itself, which appears to be an attempt to exclude the premium that was paid for the equity in 2001 from the calculation of justified profitability. The position of the state authorities is that based on this change in law or regulatory mechanism they may disregard the Company's privatisation contract, the tariff change mechanism and the business plan contained in that contract, and the quality improvements delivered subsequently to privatisation. Effectively such a disregard of the privatisation contract means that investors will lose up to half of the value of the investment they have made in good faith and in the expectation that the contract would be honoured. In monetary terms this means a loss of 1,5 billion kroons by the investors, an expropriation of investors assets without any compensation. The company believes that in Estonia the legal expectations of investors are protected from arbitrary changes in the law, especially so when no independent proof has been presented, and as such the activities and decisions by state authorities are contrary to Estonian, EU and international law.

The aim of the Company is to protect the investment of its shareholders. This is why in December 2010 the Company turned to the EU Commission, referring to infringements of TFEU articles 49 and 63. The EU Commission turned to the Estonian Government for explanations and according to the Company's knowledge the deadline for the respective response was early May 2011.

The Company suggests that its shareholders request economic calculation based on facts from Estonian state bodies and also to consider making a joint petition, as a group, to the EU Commission, which would support the Company's own complaint. The Company considers it impermissible that decisions that affect its activities are made by the state authorities based on opinion, not on fact.

In addition, on 25.05.2011 the Company shall publicise the Competition Authority's 02.05.2011 decision regarding non-approval of the Company's 2011 tariff application, as well as the Company's related positions and material correspondence.

Question from Mr Sepandi: which labs have performed quality analysis regarding the Company's performance and how reliable are the tests of those labs?

Mr Yuille explained that the Company itself has 2 labs, which are internationally certified to analyse more than 40 parameters and inter-laboratory bias tests are carried out along with other European certified labs.

Question from Mr Talpsep: the Company has presented their own calculations; the Head of Competition Authority has stated that the Company's profitability could be 8,2%. May the Company point the discrepancy out to the Competition Authority? And may the Company point out to the Competition Authority that the average return of the investors who invested during the IPO has been 6,2% so far, which is below the figure suggested by the Competition Authority, which would be even less should the tariffs be decreased. In addition, some shareholders bought in with a higher price, for them the return could even be negative. For UU the average return remains at 11%, which is less than the earned returns on the Tallinn stock exchange for the period. Would it be possible for the Company to point these facts out to the Competition Authority, as well as to the fact that the quality of service has improved after privatisation and that this should also be taken into account when approving the prices of water services?

Mr Plenderleith contends that the commentaries of the shareholder are correct. The Competition Authority's conclusions are based on the fact that the Competition Authority disregards the privatisation contract, the privatisation value, i.e. the premium paid in for the shares at privatisation. The return has remained under the level forecasted in the business plan at the time of the privatisation of the Company. The Company submitted its 2011 tariff application on the basis of the privatisation contract, supporting this application with an opinion of an impartial international expert, which proved that the Company has not earned excessive profits. The tariff application was followed by correspondence where the Company continuously proved that the tariff application is economically justified. However the Competition Authority has chosen to ignore all the evidence presented by the company, and has also avoided answering any challenging questions raised by the company.

Question from Mr Raivelt: what probability does the Company assign to the Competition Authority imposing temporary prices for water services and what does the Company plan to do?

Mr Plenderleith explained that the decrease of current (2010) tariffs would be contrary to the privatisation contract and applicable EU legal acts.

Mr Paron commented that in Estonian legal acts the Competition Authority has been given such a right and opportunity, but the decision must be based on the results of an economic analysis.

Question from Mr Makarov: has the Company perhaps itself made a triggering move by approving enormous dividends last year while UU announced the plan to sell the shares of the Company. Could it be that this confirmed the Competition Authority's views and triggered a certain reaction?

Mr Plenderleith explained that the Competition Authority publicised their initial analysis already in December 2009, where it made destructive conclusions regarding the Company's profitability, i.e. this was done a lot earlier than the Company's 2010 dividend decision.

Question from Mr Smoljak: why has the Competition Authority categorised the Company under energy companies, i.e. the Company's activities are being analysed by the employees of the energy department, have they had respective training to analyse the prices of water companies? Additionally, most of Estonian water companies have received grants from EU funds and the prices of state companies like Eesti Energia and Elering are continuously increasing, i.e. the Competition Authority lately approved the electricity price increase, why not the tariffs that the Company applied for? Mr Smoljak is agreeable to support the company and would gladly give a power of attorney to the Company's attorneys to represent him as a shareholder in court and other institutions.

Mr Plenderleith thanked the shareholder for his offer. The Company cannot comment on the competence of the Competition Authority's employees. Considering that the Anti Monopoly Bill was adopted in August 2010 and that the Competition Authority's methodology regarding pricing of water services was published in November 2010, then it was a very short period of time to develop the methodology. Such a short time frame does not accord with best practice and certainly does not give sufficient time to ensure the views of all stakeholders are taken into account and considered. For example, the World Bank guidelines, to which the Competition Authority has referred to in the analyses it compiled regarding the Company, a 1,5-2 year consultation period is foreseen to include all the stakeholders when new regulatory regime is being implemented.
In their actions so far, the state bodies have not considered the shareholders of the Company that have invested into the Company and dismissed best international practice regulation principles regarding privatised businesses. The Company believes the Competition Authority's approach to be one-sided and incorrect. The support of the shareholders regarding extraction of explanations on the issues and voicing their opinion is most welcome. The Company cannot comment why the price increase of electricity was allowed and the tariff increase of water was not. However tomorrow, on 25.05.2011, the Company will publicise all material aspects of its tariff application to enable everyone

to know why the application was being made and the level of service customers can expect to receive for the tariff, in the interests of transparency we believe it would be good for customers if all utility companies published a similar level of information.

Question from Mr Nõlvak: except one member of the management board, other members of the management board and the Supervisory Council do not have a stake in the Company, i.e. they do not own Company's shares, is this because the Company's governing bodies do not believe in the activities of the company and how it fares?

Mr Plenderleith explained that as CEO he has complete faith in the activities of the Company, but since returning to Estonia in 2008 he has often been in a position where he could have been deemed to have access to inside information, and as such, has not purchased the shares in the Company during this period of time.

Mr Gallienne confirmed that the governing bodies of the Company can show faith in the performance of the Company in other ways than by owning shares in the Company – by successfully managing the activities of the Company. Mr Gallienne has been dedicated to managing the Company since 2002, first as CEO, then as the Chairman of the Supervisory Council, which attests to the interest and commitment towards the results the Company produces.

Proposal from Mr Siinmaa: the privatisation of the Company reminds him of E.Vilde's "Pisuhänd", i.e. the purchase of a company with the funds of the said company. Since during 4 years the market value of the Company has significantly decreased, then he as a shareholder proposes to decrease the number of the members of the Supervisory Council to 3 or 5 and to try and find a management board who would be all Estonian citizens, so as to foster a normal interaction with the Estonian government and state bodies.

Mr Plenderleith commented that he has heard similar opinions before, which, as far as the Company knows, are not based on any economic calculation or true facts. During this week or the next week the Company shall publicise a cash flow analysis of the Company to explain some facts and to point out that subsequent to privatisation the investors have not earned back their investment yet, but I would like to reiterate the point made earlier in the presentation that to the end of 2010 the cash IRR of the original investor stood at no more than 1.6%. However if this is a commonly held position the company would welcome an open and a professional discussion of this issue with the state authorities.

Mr Paron explained that the amendment of the number of Supervisory Council members is within the competence of the general meeting, which is why such questions should be raised via the agenda of the general meeting and pointed out that the management board cannot comment on the wishes of shareholders.

Question from Mr Rätsep: should the minority shareholders converge and should the Company not reach an agreement with the Competition Authority regarding the price, then will the Company provide such a group of investors with legal aid regarding this complicated issue?

Mr Plenderleith responded that the Company can and has already taken steps to protect the Company and therefore also its shareholders. The support of minority shareholders is very important to the Company, but such an action should be clearly distinguishable from the activities of the Company itself, otherwise this would seem as an activity of the Company and not of the shareholders, which could weaken the potential impact of such a petition. The Company is definitely agreeable to providing shareholders with contacts where to turn and with information on the substance.

Mr Riismaa made a proposal to supplement the agenda of the general meeting with the following item: to empower the management board of the Company to turn to the court against the Competition Authority's activities.

Mr Plenderleith explained that the Company is already preparing a complaint to file with the court against the activities of the Competition Authority.

Mr Paron explained that in order to add an additional item to the agenda of the general meeting the approval of 9/10 of the votes represented at the meeting is required and as far as the Company is aware, the City, the second major shareholder whose votes would be necessary has not been instructed how to vote on such additional agenda items, so the vote to add an additional agenda item to the agenda would not be successful.

Question from Mr Talpsepp: what is the return that the Competition Authority is allowing for the Company to earn?

Mr Plenderleith explained that the Competition Authority would allow the Company to earn 8,18% from the net book value of assets. The Competition Authority's methodology meanwhile does not take into account the capital, which was paid in at privatisation, part of which was paid not into the Company but to the City of Tallinn for the shares of the Company that they sold, which is why this payment does not reflect in the net book value of the Company. If Competition Authority's methodology is applied, all investors, including those that invested during the 2005 IPO, would lose part of their investment.

Proposal from Mr Riismaa: re-evaluate the Company's assets so as to escape the problem of excessive profitability.

Mr Plenderleith explained that the Company applied for the 2011 tariff increase based on the privatisation contract and within this application the Company sent a complete analysis to prove that the profits are not excessive, but the Competition Authority has not taken this into account.

Question from Mr Smoljak: at which level does the company use reusable energy, e.g. methane technologies?

Mr Yuille explained that the Company is using the technologies described by Mr Smoljak and is continuously looking for sustainable opportunities to implement environmentally friendly technologies.

Question from Mr Siinmaa: considering that part of the land in Tallinn city has not been formed into real estate plots, i.e. has not been entered into the Real Estate registry or land cadastre, then how does the Company plan to secure water and wastewater services to all city residents? How many households lack water and wastewater? Second question: how does the Company plan to anticipate similar cases to the plane crash incident?

Mr Plenderleith commented that all of the connections agreed to be built with the City of Tallinn have been built and connection opportunities have been established. In the general scope of lands that have not been entered into the Real Estate Registry the Company cannot unfortunately answer in lieu of the City of Tallinn.

Mr Yuille explained that the City of Tallinn has a spare water supply system (borewells) and crisis response scenarios have already been developed and are in place, which is exemplified by the plane crash, which was cleaned up quickly and with minimal damages, which did not impact the water supply system.

Question from Mr Talpsepp: will the presentation regarding agenda item 6 be available on the Company's webpage?

Mr Plenderleith responded in the affirmative.

Question from Mr Rätsep: half a year ago the activities of the Company's subsidiary, Watercom OÜ, was practically stopped due to the actions of the Competition Authority, how are things at the moment?

Mr Plenderleith explained that the implementation of the law by the Competition Authority has, indeed, complicated the growth opportunities of the Company regarding outsourcing water services outside of Tallinn, which is also the case at the moment.

Shareholders of the Company took notice of the presentation made by the Management Board of the Company.

The voting was conducted by the representative of the Estonian Central Securities Depository. The voting took place on the basis of the ballot papers issued to the shareholders upon their entry in the list of shareholders. Voting results were calculated by electronic means.

The resolutions reflected in these Minutes have been adopted in compliance with the requirements provided by law and the Articles of Association.

The following Annexes have been attached to these Minutes:

1. List of the participants at the Meeting
2. Powers of Attorney of the representatives of the shareholders
3. Complete text of the Articles of Association of the Company with amendments

This notarial deed and the Annexes thereto have been given for examination to the Chair of the Meeting and the Minutes Secretary prior to the signature thereof and then signed by own hand at the presence of the notariser of this deed.

This notarial deed (The Minutes and Resolutions of the General Meeting) has been prepared and signed in one (1) original counterpart, which shall be kept at the office of the Notary. On the day of preparation of the deed, the Company shall receive the first transcript of the notarial deed.

The present document is drawn up on ____ pages, bound with string and embossing press.

Transaction value for the calculation of the Notary fee upon the notarisation of the Minutes and Resolutions of the General Meeting is ¼ of the amount of share capital.

Notary fee: The Minutes of the General Meeting 319.50 euros (transaction value 3 195 598.40 euros: pursuant to subsection 4 of section 18, section 22, item 4 of subsection 1 of section 29 of the Notary Fees Act).
For transaction outside the notary's office 11.40 euros (pursuant to subsection 2 of section 36 of the Notary Fees Act).

Notary fee total	330.90 euros.
VAT	66.18 euros.
Total	397.08 euros.

Chair of the Meeting _____
First name and family name in characters *signature*

Minutes Secretary _____
First name and family name in characters *signature*