



NOTARY IN AND FOR TALLINN MERLE SAAR-JOHANSON

NOTARY'S BOOK OF
OFFICIAL RECORDS No



**MINUTES AND RESOLUTIONS OF THE GENERAL MEETING OF
AKTSIASELTS TALLINNA VESI**

Prepared and issued in Tallinn on the twenty-eight day of May in the year two thousand and thirteen (28.05.2013).

I, the Notary in and for Tallinn Merle Saar-Johanson, whose office is located in Tallinn, Rävåla 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 Ådala 10, Tallinn, 10614 (hereafter: "the Company"), that took place on the twenty first day of May in the year two thousand and thirteen (21.05.2013).

The Meeting was held in Hotel Euroopa (Paadi 5, 10151 Tallinn) 2. floor conference room Lååne-Euroopa.

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 26th of April 2013 on the seventh (7th) page of daily newspaper "Postimees" and on the 25th of April 2013 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 **Marja-Liisa Kruusimåe**
personal ID code 48204180391
who is personally known to the notariser of this deed.

Share capital of AKTSIASELTS TALLINNA VESI is twelve million sixty (12 000 060) euros, which are divided into A-shares (20 000 000 shares), each having nominal value of zero point sixty (0,60) euros, whereof each share shall give one (1) vote in the Meeting, and into B-shares (1 share) having a nominal value of sixty (60) euros that shall not grant the right to vote regarding the items on the agenda of this Meeting pursuant to the provisions of clause 3.2.1.2. of the Articles of Associations of AKTSIASELTS TALLINNA VESI. Voting rights of the shareholders at the general meeting were determined according to share register data as of 14th of May 2013 at 23:59.

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 fifteen million one hundred eighty thousand seven hundred fifty one (15 180 751) votes represented by A-shares and one (1) vote with a limited voting right represented by the B-share. The general meeting was attended in total by 75.90% of the votes represented by A-shares and 100% of the votes represented by B-shares. Pursuant to § 36 subsection 3 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.

Mr. Gallienne introduced the Meeting; introduced management board members participating the Meeting Ian John Alexander Plenderleith (CEO), Ilona Nurmela (Council), Riina Käi (CFO), Aleksandr Timofejev (Asset Operations Director); participating Supervisory Council Members Brendan Murphy, Mart Mägi and Priit Lello; lead auditor of 2012 Tiit Raimla; notary of the meeting Merle Saar-Johanson, and secretary of the meeting Marja-Liisa Kruusimäe.

Mr. Paron introduced the agenda of the meeting, translating options and the right of the participants to ask questions and written requests, as well as explained that the voting results will be presented with accuracy of two decimal places after comma.

Agenda of the Meeting consisted of the following:

- 1. Approval of 2012 Annual Report**
- 2. Distribution of profit**
- 3. Recalling of a member of the Supervisory Council**
- 4. Election of a member of the Supervisory Council**
- 5. Election of auditor**
- 6. CEO update on privatisation contract dispute**

Mr. Plenderleith made a short introduction to the overview of the highlights of 2012.

Ms. Nurmela introduced the highlights of 2012 related to customers and the Community. In terms of customer relationship management we have listened to what our customers have said we could do better in the 2011 customer satisfaction survey. We are successfully transitioning to paperless billing and are raising awareness about the quality of our product, promoting environmentally conscious behaviour in the community. The 2012 customer satisfaction survey results already show a considerable improvement - in the past year customer relations have become much stronger in all segments, including improvement in the satisfaction with the company's tariffs as through the company's efforts the customers are more aware of the quality of product they are getting for the tariff. The Company is in the top 10% for European companies in our field and the utilities industry and a leader in the Baltics. The Company has launched successful campaigns to promote paperless self-service, gaining 7500 customers in last year alone. The company has also raised environmental awareness in the community by focussing on responsible and sustainable behaviour with campaigns "Tap Water = Drinking Water" and „Cheers to nature - drink tap water“ in order to draw attention to the excellent quality of tap water and give pointers on how to save household costs. The Company is also educating its future customers by cooperating with kindergartens, and in 2013 the focus is going to be on cooperation with high schools and continued cooperation with universities.

Mr. Timofejev introduced the highlights of 2012 related to the very highest levels of operational performance. The Company's operational results were very good in all areas. Due to continuous year-on-year improvement, significant results were achieved in asset stability and water treatment. The Company achieved 96 out of the 97 levels of service; in environmentally friendly behaviour in 2012, where the leakage level reduced to 15.9%, which is the best ever result in the company's history - a daily saving equivalent to the daily amount of water produced in Tartu; Western European levels of water quality – in compliance of 99,55%; a much cleaner Baltic sea. Compared to 2011, the volume of nitrogen discharged to the sea has reduced by 37%.

Ms. Kãi introduced the highlights of 2012 related to strong financial performance. Despite of the fact that we have not managed to increase our tariffs and they are frozen at 2010 level, our financial performance is still very good, we are devoted to achieve good results and continue to be good dividend payers. The Company's strong financial performance was reflected in revenues of 52.9 million euros (+3%); profit after Tax 22.6 million euros (+5%); investments 11.3 million euros (-32%); earnings per share 1.13 euros (+5%); proposed dividend of 17.4 million euros (0.87 EUR/share); an award for Best Investor Relations on Tallinn Stock Exchange – fourth year in a row.

Mr Plenderleith introduced the work the company had undertaken to be an employer of choice in Tallinn. The company is very proud of its health and safety performance, with only one work accident in 2012. The company is always looking to create opportunities for staff development within the ASTV, and during 2012 it gives us great pleasure to note that 2 new Management Board members were promoted from within the company. These are reasons why the company has been able to maintain an employee satisfaction raking that is 10 points above the Estonian average. This is something we will strive to achieve

in 2013 and beyond.

Agenda item 1. Voting was conducted on the proposal: “To approve the 2012 Annual Report.”

Voting results:

in favour: 14 987 288 votes i.e. 98,73% of the votes represented at the Meeting

against: 0 votes i.e. 0,00% of the votes represented at the Meeting

impartial: 850 votes i.e. 0.01% of the votes represented at the Meeting

abstained: 192 613 votes i.e. 1,27% 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.

Ms. Kãi introduced agenda item No. 2, highlighting that the value of the dividends to be paid out is in correlation to the rise of the inflation.

Agenda item 2. The net profit of the Company in 2012 is 22 599 000 euros. To vote the proposal to distribute 17 400 600 euros of AS Tallinna Vesi's retained earnings of 46 661 000 euros as of 31.12.2012, incl. from the net profit of 22 599 000 euros for the year 2012, as follows:

- a) 0,87 euros per share shall be paid to the owners of the A-shares and 600 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 14th June 2013 and to determine the list of shareholders entitled to receive dividends on the basis of the share ledger as at 23.59 on 4th June 2013.

Voting results:

in favour: 14 942 582 votes i.e. 98,43% of the votes represented at the Meeting

against: 1 000 votes i.e. 0.01% of the votes represented at the Meeting

impartial: 9 047 votes i.e. 0.06% of the votes represented at the Meeting

abstained: 228 122 votes i.e. 1,50% 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.

Mr. Gallienne introduced agenda item No. 3, explaining election principles of independent members, and also that the recalling of a Supervisory Council member is consistent with good corporate governance practices, which foresees a change of independent Supervisory Council member every seven years.

Agenda item 3. Pursuant to the good corporate governance regarding change of independent supervisory council members, to recall Mr Valdur Laid from the Supervisory Council of AS Tallinna Vesi.

Voting results:

in favour:	15 000 960 votes	i.e. 98,82%	of the votes represented at the Meeting
against:	1500 votes	i.e. 0.01%	of the votes represented at the Meeting
impartial:	11 557 votes	i.e. 0.08%	of the votes represented at the Meeting
abstained:	166 734 votes	i.e. 1,10%	of the votes represented at the Meeting

Since at least 2/3 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.

Mr. Gallienne introduced agenda item No 4, explaining that since one of the independent supervisory Council members has been recalled, then it is necessary to elect one new independent Supervisory Council member. He stressed that it is important for the independent Supervisory Council member to be competent. The Management Board of the Company did thorough groundwork, and interviewed several candidates. The reason why it has been proposed that Mr. Jõks is to be elected as an independent Supervisory Council member is, that Mr Jõks has strong experience in imposing good governance practice, which would benefit and bring additional value to the Company.

Agenda item 4. To elect Mr. Allar Jõks as an independent Supervisory Council member of AS Tallinna Vesi from 21st May, 2013.

Voting results:

in favour:	14 987 830 votes	i.e. 98,73%	of the votes represented at the Meeting
against:	0 votes	i.e. 0.00%	of the votes represented at the Meeting
impartial:	3408 votes	i.e. 0.02%	of the votes represented at the Meeting
abstained:	189 513 votes	i.e. 1,25%	of the votes represented at the Meeting

Since when electing a person, the candidate who has received more votes in favour than the other candidates, shall be considered to have been elected, Mr. Allar Jõks was elected a Supervisory Council member.

Ms. Kāi introduced agenda item No 5, stressing that the Company has had an excellent co-operation with our current auditor, PricewaterhouseCoopers and with our lead auditor Mr. Tiit Raimla. The Company has no qualms regarding the work of the auditing company, nor the work of the lead auditor. Thus, the Company wishes to continue efficient cooperation with our current auditors PricewaterhouseCoopers. Since good corporate governance principles of the Company foresee a re-election of a lead auditor every five years, then the proposal is to vote upon election of a lead auditor.

Agenda item 5. To appoint AS PricewaterhouseCoopers as the auditor, and Mr. Ago Vilu as the lead auditor for the financial year of 2013. To approve the principles for remuneration of the auditor as per the agreement signed with the auditor.

Voting results:

in favour:	14 950 537 votes	i.e. 98,48%	of the votes represented at the Meeting
against:	1501 votes	i.e. 0.01%	of the votes represented at the Meeting
impartial:	36 717 votes	i.e. 0.24%	of the votes represented at the Meeting
abstained:	191 996 votes	i.e. 1,26%	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.

Since the candidate who has received more votes in favour than the other candidates shall be considered to have been elected, AS PricewaterhouseCoopers was elected the auditor and Mr. Ago Vilu was elected as the lead auditor.

Agenda item 6. CEO update on privatisation contract dispute

Mr. Plenderleith made a presentation on the privatisation contract dispute. In summary: the aim of the presentation is to inform shareholders of the status of our ongoing legal dispute with the Competition Authority; to remind that since 2010 the Company has foregone 12.8% of tariff increases; explain, that the courts have ruled that ASTV's privatisation contract is a public law contract; and that the Company will seek compensation from the Estonian government due to the malicious actions taken by the Ministry of Economy and Communications and by the Competition Authority. It is abundantly clear from all the evidence that the company has gathered, and the total absence of any independently verifiable evidence from the Competition Authority – it has

only ever submitted its own opinion – that this a clear case of discrimination against ASTV and its investors. In spite of this absence of professionalism from the Competition Authority, he commented very positively on the honesty and integrity of the Estonian legal system. Next court hearing has been tentatively set for 20th June 2013.

Mr. Plenderleith referred that his presentation in its full length shall be available on the homepage of the Company. He also encouraged the minority shareholders to support the Company and turn to the EU Commission and the Ministry of Economic Affairs and Communications to help resolve the dispute.

Question from Mr. Pavelts: What will happen if the final judgment in the tariffs case the court concludes that CA's claims are justified and that the company needs to or should have lowered the tariffs? Will it have any retroactive effect: retroactive lowering of tariffs and sum paid in excess shall be either returned to clients and/or retained as credit for future periods?

Ms. Nurmela answered that should the Competition Authority prevail and should their prescription take effect as a result of the final judgment this would lift the interim injunction which is currently stopping the CA's prescription from taking effect, then the company will be under the obligation to submit a new tariff application as per CA's instructions, i.e. to apply for 29% lower tariffs. If the company fails to do that, it will be fined. The tariffs cannot be lowered retrospectively, i.e. the judgment will not have retroactive effect. The clients would be able to claim in civil claims court for sums overpaid (29%) during 3 years preceding to the judgment – which is why the company has provisioned 36m€ as conditional off-the balance sheet obligation as per the suggestion of our auditors.

Mr. Plenderleith added that should this happen then the company will present a damages claim against the State, because it is an administrative contract, which allows the Company to claim damages from the Republic of Estonia.

Question from Mr. Kangur how long would the tariff dispute last? Why can the heating sector raise tariffs by 20%, but not the water sector?

Mr. Plenderleith answered that the court dispute will take time and the Company cannot really predict how long it will take. He does not believe that there will be a ruling immediately after the next court hearing that has been tentatively set for 20 June 2013. Possibly a new court hearing time would be appointed, which could be in September or October. Following a judgment in the first court, either party is likely to appeal to District Court, where the dispute would continue probably for another 12 months or so. In any case, there is no quick resolution and resolving the case will take as long as it takes. Regarding the second part of the question, then it is common knowledge that the regulator's common practice is to deal make, whereas the Company is insisting that the regulator apply the regulation set in the privatisation contract because the Company has always been and is committed to transparency in its activities.

Question from Mr. Tarasjuk: does the Company aim to raise the prices every year? Is this a common practice elsewhere?

Mr. Plenderleith replied that according to the privatisation contract, the Company's aim was first and foremost to improve the quality of the service for which the international operator was engaged in the first place. The tariff rises are related to bettering quality, as the privatisation contract was front-loaded with quality improvement and back-end loaded with allowed returns to be earned. The lowest possible tariff rises were the key criterion in awarding the bid and they have all already happened from 2005-2009, which means that from 2010 onwards the tariffs were to rise only by the value of CPI. This also means that whatever improvements are to be made to quality, the Company is carrying the cost of those outside of the tariff increase, i.e. any such investments are not to be forwarded to customers via bills. Elsewhere, e.g. in the United Kingdom and in the Netherlands the prices for the service of providing drinking water and treatment of wastewater are being raised annually by CPI to protect against inflation as it is usually agreed that it is not the company or the investor that takes inflation risk but the consumer. It is common in Europe and is not unique to our privatisation contract. In countries where the tariff regulation is transparent, there are formulas and principles in place, which allow application of transparent pricing policy and reasoned price increases.

Question from Mr. Leede: what will happen to the Company after 2020?

Mr. Plenderleith replied that the Company and the infrastructure needed for providing the service remains, since the Company owns the assets to provide the service the residents of Tallinn. According to the privatisation agreement the Company has an obligation to offer the current service levels with agreed tariffs until 2020. After that the contract and the conditions should be negotiated, including tariff structure and levels of service.

Question from Mr. Pokk: the Company has been roped into the dispute against its own will, where the counterparty is the unlucky political party IRL and the Competition Authority. Obviously it is not known, when this dispute would end. What is in your opinion the probability for the Company to win this dispute?

Mr. Plenderleith agreed that this is not a dispute the Company wishes to be part of. In 2001, the privatisation contract was signed with the approval of highest officials of the Estonian national government who were very interested in privatising the Company. The Company expects this contract to be honoured. When IRL and the Competition Authority do not wish to honour the contract, then we hope that they are professional enough to start negotiations. This has not happened though. Our aim is to be a transparent and a professional company, we rely only on the facts and legitimate evidence. I must stress that IRL and Competition Authority has not presented neither to the court nor to the Company any documented evidence to support their position in this dispute while the Company has always provided documented and independently verifiable evidence. While the Company does not want to speculate on the win probability, it believes in the integrity of the Estonian legal system and also that the dispute would end successfully for the

Company. We continuously wish to offer the best possible service and to comply with the expectations of the shareholders, to continue transparent and meaningful dialogue with the regulator and other stakeholders.

Question from Mr. Ilmar Kallas: I am a customer of the Company. The Company's tariff for domestic customers is 2,08eur/m³, but in Viimsi it is over 3eur/m³. Has the Competition Authority compared such differences? It seems that the whole (witch-hunt) process is against the company the tariff of which is more-or-less normal.

Mr. Plenderleith replied that the Competition Authority has noticed such differences as it has reviewed the tariffs in Viimsi and it has approved them. The Company has signed a Services Agreement with the City of Tallinn according to which the company is obliged to achieve certain environmental, operational and services standards for the agreed tariff. Residents of Viimsi cannot be sure what service level or what water quality they get for the tariffs approved there. If to draw a parallel, when you go to the store to buy beef, there is a difference whether you buy high-class quality beef at a certain price or the low-price and lower quality product. You know the price you pay reflects the quality of the product and service you will receive, it should be the same in the water industry, however this isn't always the case. Our privatisation contract takes care of both aspects, quality of service and price, which makes us unique compared to other water companies in Estonia.

Question from Mr. Raidna: last year the presenters asked the minority shareholders to support the Company in the dispute. Has anything happened and what can the minority shareholders do?

Mr. Plenderleith replied that the Company would appreciate it very much if the shareholders would write to Ministry of Economic Affairs and Communications or to the European Commission again. He asked all interested shareholders to contact the secretary of the Meeting Mrs. Kruusimäe after the Meeting, who would provide shareholders with contact information where to turn.

Question from Mr. Plunt: does the Company intend to decrease leakages even further? Which method will be used?

Mr. Timofejev answered that the leakage level in 2012 reduced to 15.9%, which is the best ever result in the Company's history. This leakage level is already very low and the internationally optimal economic leakage level is accepted to be 18%. Of course the Company as an environmentally responsible company would like to improve the situation even further. In order to reduce the leakages it is important to continue networks' reconstruction also in the future. In the last years, when reconstructing the networks, we have used technologies which ensure better operational reliability. Also the public water and wastewater networks will be reconstructed in the necessary volume in 2013. Compared to the 2012, in 2013 the percentage of fragmentation of the pipes has decreased up to 20%, which shows that the company has done right investment decisions, and is sustainable.

Question from Mr. Plunt: how many bore wells the company is using?

Mr. Timofejev answered that the Company produces 66th/m³ of water daily of which roughly 10% derives from the bore wells.

Question from Mr. Plunt: how much are the leakages costing the Company?

Ms. Käi replied that the leakages amount to ca 7-10 thousand m³ per day. This seems a lot, but compared to the investments required to be able to achieve zero leakages, then a substantive increase of investments is not economically practical as the Company has already achieved and superseded an economically efficient level of leakages.

Mr. Plenderleith added that as a rough estimate, the annual monetary value of leakages is about 1 to 1.5 million euros.

Mr. Timofejev replied that even the new pipes are not leakage proof, and leakage percentage about 5-10% for the new pipes is accepted.

Question from Mr. Talpsepp: Which parts of the city suffer most leakages?

Mr. Timofejev answered that the Company has divided the City into districts where water flow is monitored with online detectors. The leakages can be detected at night, as then the water consumption in the City is minimal. Larger leakages are in these parts of the city where there are larger pipes, i.e. in Õismäe and Lasnamäe. The Company has constantly renovated these larger pipes. For example in 2013 the Company has reconstructed the 600mm water pipe in Paasiku in Lasnamäe.

Question from Mr. Raivet: how large would be the Company's potential damages claim against the state should the Company win?

Mr. Plenderleith replied that it is important to have a professional dialogue with the counterparty. The Company has assessed that the potential damages claim at present would be c.a. 35-40 million EUR.

Mr. Nettan thanked the Company that has professionals working for it, who protect the interests of its shareholders. It is regrettable that it is not so for the IRL and the Competition Authority. How can one fight them?

Mr. Plenderleith replied that it's the best that the Company can do is to remain professional and continue to try to have a fact- and evidence-based dialogue.

Question from Mr. Tarasjuk: is the Company the only water company listed on any stock exchanges?

Mr. Plenderleith replied that there are also other water companies that are listed, for example United Utilities and Severn Trent in Great Britain on the London Stock

Exchange, and Veolia in France and Suez on the Paris Stock Exchange as well as on New York Stock Exchange but that not all of these are pure water utilities, but have non-core businesses as well.

The voting was conducted by the representative of the ARS Corporate Services OÜ. The voting took place on the basis of the electronic devices 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 in the Meeting
2. Powers of Attorney of the representatives of the shareholders

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 notaris 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 11 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 the $\frac{1}{4}$ of share capital.

Notary fee: The Minutes of the General Meeting 319.50 euros (Notary Fees Act § 18 lg 4, 22, 29 lg 1 p 4).

Notary fee total	319.50 euros.
VAT	63.90 euros.
Total	383.40 euros.

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

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