

ARTICLES OF ASSOCIATION OF AS TALLINNA VESI

1. BUSINESS NAME, SEAT AND LEGAL STATUS OF THE COMPANY

- 1.1** The business name of the public limited company (hereinafter the “**Company**”) is:
Aktsiaselts Tallinna Vesi (abbreviated as AS Tallinna Vesi).
- 1.2** The seat of the Company is Tallinn, the Republic of Estonia.
- 1.3** The Company shall be liable for performance of its obligations with all of its assets. Shareholders shall not be personally liable for the obligations of the Company. The Company shall not be responsible for the obligations of its shareholders.
- 1.4** The Company is founded for an indefinite term.

2. AIMS OF THE ACTIVITIES OF THE COMPANY, ITS AREAS OF ACTIVITY AND RIGHTS

2.1 The areas of activity of the Company are:

- 2.1.1 Supplying of customers with drinking and industrial water meeting the applicable quality standards, leading off and treatment of customers’ waste water and rain water;
 - 2.1.2 Designing and building of water supply and sewerage facilities, repairs and maintenance thereof, as well as liquidation of accidents;
 - 2.1.3 Consultations and training in the field of water supply and sewerage;
 - 2.1.4 Laboratory analysis of the quality of drinking water and waste water;
 - 2.1.5 Developing and issuing of technical conditions for water supply and sewerage system;
 - 2.1.6 Maintenance and repairs of the energetics equipment for water supply and sewerage system;
 - 2.1.7 Utilisation of sludge, which is created by purification and treatment of drinking water and waste water, production and sale of greenhouse soil;
 - 2.1.8 Heat generation on the basis of purified waste water;
 - 2.1.9 Developing, production, mediation and sale of technical and technological solutions, equipment, machinery, measuring devices, and operating systems for water supply and sewerage system;
 - 2.1.10 Transportation services.
- 2.2** The Company has the right to perform all and any legal acts necessary for the activities of the Company that are not in conflict with law or the Articles of Association of the Company.

3. SHARE CAPITAL AND SHARES

3.1 Share Capital

- 3.1.1 The share capital is formed of monetary and non-monetary (in-kind) contributions. Based on the ordinary value of the thing or right, the value of non-monetary contributions shall be determined by an expert appointed by the supervisory council of the Company. Valuation of non-monetary contributions shall be audited by an auditor according to the principles provided by law.
- 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.
- 3.1.3 A shareholder who is in delay with his contribution shall pay a fine for delay to the Company in the amount of 0.05% for each day of delay. The management board of the Company shall send a notice to the shareholder in delay with payment with a request to pay the overdue amount within one month upon receipt of the notice, indicating that in case of failure to make the payment the shareholder loses his share. If the shareholder fails to pay the overdue amount within the term specified in the request, the shareholder shall lose his share. A sum paid by the shareholder which does not exceed one-fifth of the nominal value of the share shall be transferred to the reserve capital of the Company, and the remainder of the sum shall be refunded to the shareholder.

3.2 Shares

- 3.2.1 The Company has two classes of shares:
- 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.
- 3.2.1.2 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.

3.3 Share Transfer

- 3.3.1 Shares are freely transferable.

3.4 Registration of Shares

3.4.1 All shares of the Company shall be registered with the Estonian Central Register of Securities in a dematerialised form. No share certificates shall be issued to holders of the shares of the Company.

4. CONVERTIBLE BONDS

4.1 On a resolution of the general meeting of the shareholders the Company may issue convertible bonds.

4.2 The sum of the nominal values of convertible bonds shall not be more than one-third of the share capital.

5. RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

5.1 Rights of Shareholders

5.1.1 The shareholders shall be equal under equal circumstances.

5.1.2 The rights of the shareholders are provided by law and the Articles of Association of the Company.

5.2 Obligations of Shareholders

5.2.1 A shareholder shall comply with the requirements assigned to him or her by law and the Articles of Association of the Company.

5.2.2 A shareholder shall keep secret confidential information pertaining to the Company and its activities.

6. MANAGEMENT OF THE COMPANY

6.1 Directing bodies of the Company are:

6.1.1 the general meeting of the shareholders (hereinafter the "**General Meeting**");

6.1.2 the supervisory council (hereinafter the "**Supervisory Council**");

6.1.3 the management board (hereinafter the "**Management Board**").

6.2 General Meeting

6.2.1 The General Meeting is the highest directing body of the Company. There can be annual and extraordinary General Meetings. If the Company has one shareholder, the shareholder has all the rights of the General Meeting.

6.2.2 An annual General Meeting shall be held once a year but not later than within 6 (six) months from the end of a financial year. The Management Board shall serve notice of an annual General Meeting to the shareholders at least 3 (three) weeks in advance.

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.

6.2.4 The Management Board shall notify the shareholders of the General Meeting in accordance with the procedure prescribed by law.

6.2.5 General Meeting shall be held in the Republic of Estonia, at the time and place determined by the Management Board.

6.2.6 The General Meeting has a quorum if more than one-half of the votes represented by shares are present.

6.2.7. The General Meeting is competent to:

6.2.7.1 amend the Articles of Association of the Company;

6.2.7.2 increase and reduce the share capital;

6.2.7.3 issue convertible bonds;

6.2.7.4 elect an auditor;

6.2.7.5 designate a special audit;

6.2.7.6 approve the annual report and distribute profit;

6.2.7.7 decide on dissolution, merger, division and transformation of the Company;

6.2.7.8 appoint and remove members of the Supervisory Council, as provided in Section 6.3.5.1 hereof;

6.2.7.9 decide on assertion of a claim against a member of the Management Board or Supervisory Council, or a shareholder, on conclusion of a transaction with a member of the Supervisory Council, and on the appointment of a representative of the Company in such claim or transaction;

6.2.7.10 acquire treasury shares;

6.2.7.11 decide on other issues related to the activities of the Company, at the request of the Management Board or the Supervisory Council;

6.2.7.12 decide on other issues placed in the competence of the General Meeting by law.

6.2.8 A resolution of the General Meeting is adopted if more than one-half of the votes represented by shares at the General Meeting are in favour, save when acting on issues referred to in Subsections 6.2.7.1; 6.2.7.2; 6.2.7.3 and 6.2.7.7 above, in which case a resolution is adopted if at least two-thirds of the votes represented at the General Meeting are in favour. In addition to the above, a resolution of the General Meeting on issues referred to in Subsections 6.2.7.1; 6.2.7.2; 6.2.7.3; 6.2.7.7; 6.2.7.10 and 6.2.7.11 is adopted provided that the votes granted by the B-share are in favour. A resolution of the General Meeting on issues that require a greater majority of votes by law is adopted provided that the number of votes required by law are in favour.

6.3 Supervisory Council

6.3.1 The Supervisory Council plans the activities of the Company, organises the management of the Company and supervises the activities of the Management Board.

6.3.2 The Supervisory Council is competent to:

6.3.2.1 plan the activities of the Company and approve the development plan and strategy of the Company;

6.3.2.2 approve and change the business plan and annual budget;

6.3.2.3 give instructions to the Management Board on organising the management of the Company, and supervise the activities of the Management Board;

6.3.2.4 elect and remove members of the Management Board;

6.3.2.5 determine the duties of the members of the Management Board and establish the principles of their remuneration;

6.3.2.6 appoint and remove the procurator;

6.3.2.7 approve the annual report prepared by the Management Board and make changes to the profit distribution proposal;

6.3.2.8 determine the agenda of a General Meeting;

6.3.2.9 grant consent to the Management Board for transactions and activities prescribed in Section 6.3.3 hereof;

6.3.2.10 decide on other issues placed in the competence of the Supervisory Council by law or the Articles of Association of the Company.

- 6.3.3 The consent of the Supervisory Council is required for the Management Board for transactions and activities in all areas and issues that bear relevance to the activities of the Company which, according to law and the Articles of Association of the Company, are not in the sole competence of the General Meeting and the Supervisory Council, and which are beyond the scope of everyday economic activities of the Company, including the following:
- 6.3.3.1 making of investments exceeding 10 (ten) million kroons per investment or per series of related investments;
 - 6.3.3.2 assumption of loans and debt obligations or taking in external funds exceeding 650 000 (six hundred and fifty thousand) euros per loan or debt obligation or per series of related loans or debt obligations;
 - 6.3.3.3 granting of loans or guaranteeing of debt obligations exceeding 650 000 (six hundred and fifty thousand) euros;
 - 6.3.3.4 transfer, acquisition, pledging or otherwise encumbering of assets (including immovables and registered movables) the value of which exceeds 650 000 (six hundred and fifty thousand) euros, or conclusion of transactions which, in the future, bring along obligations of transfer or acquisition of the above assets;
 - 6.3.3.5 conclusion of agreements that bring along obligations to the Company exceeding 650 000 (six hundred and fifty thousand) euros per transaction or per series of related transactions;
 - 6.3.3.6 changing of the areas of activity of the Company, launching of new or termination of current areas of activity, or subcontracting for services in the main areas of activity;
 - 6.3.3.7 acquisition or termination of holdings in other companies;
 - 6.3.3.8 acquisition, transfer of an enterprise or termination of its activities;
 - 6.3.3.9 conclusion of transactions with Affiliate Companies;
 - 6.3.3.10 specification of the authority of the representatives of the Company with its subsidiaries or other undertakings in which the Company has a holding;
 - 6.3.3.11 foundation and closure of foreign branches.
- 6.3.4 The Supervisory Council reports to the General Meeting.
- 6.3.5 The Supervisory Council consists of nine (9) members the term of whose authority is two (2) years. Members of the Supervisory Council shall be elected, appointed and removed as follows:
- 6.3.5.1 Five (5) members to the Supervisory Council shall be elected at the General Meeting, whereas the person who receives more votes than others shall be considered elected. A member of the Supervisory Council that has been elected according to this Section of the Articles of Association may be removed before the end of his or her term of authority provided that at least two-thirds of the votes represented at the General Meeting are in favour.
 - 6.3.5.2 Each shareholder who is a holder of the B-share or whose shares represent at least thirty-four (34) per cent of the votes granted by A-shares is entitled to appoint and remove two (2) members of the Supervisory Council, provided, however, that no single shareholder of the Company may appoint or remove more than two (2) members of the Supervisory Council.
- 6.3.6 Members of the Supervisory Council shall elect the Chairman of the Supervisory Council from among themselves who shall organise the activities of the Supervisory Council and direct the meetings of the Supervisory Council.
- 6.3.7 Supervisory Council meetings shall take place at the seat of the Company according to the necessity, but not less frequently than 1 (once) per 3 (three) months.
- 6.3.8 Notice of a Supervisory Council meeting and the agenda thereof shall be sent to the members of the Supervisory Council in writing at least 7 (seven) days in advance. The notice of the Supervisory Council meeting and the materials thereof shall be sent to the members of the Supervisory Council by electronic mail.
- 6.3.9 A meeting of the Supervisory Council has a quorum if at least five (5) members of the Supervisory Council are present. A member of the Supervisory Council may not be represented at the meeting or

in the making of resolutions by another member of the Supervisory Council or by a third person.

- 6.3.10 A resolution of the Supervisory Council is considered to be adopted if more than one-half of the participating members of the Supervisory Council voted in favour, save the resolutions specified in Sections 6.3.2.1; 6.3.2.2 and 6.3.3.1 - 6.3.3.10 (included) which shall be adopted by the unanimous vote of all participating members of the Supervisory Council.
- 6.3.11 Meetings of the Supervisory Council shall be recorded in minutes. The minutes shall be signed by all participating members of the Supervisory Council and the secretary at the minutes.
- 6.3.12 The Supervisory Council has the right to adopt resolutions without calling a meeting. In this case the Chairman of the Supervisory Council shall send a written draft of the resolution to all members of the Supervisory Council, indicating the deadline by which a member of the Supervisory Council must submit his or her written position. If a member of the Supervisory Council has not given notice within such term if he or she is for or against the resolution, it shall be deemed that he votes against the resolution. If the procedure specified in this Section is followed when adopting the resolution, the resolution shall be adopted, provided that more than one-half of the votes of members of the Supervisory Council are in favour, save the resolutions specified in Sections 6.3.2.1; 6.3.2.2 and 6.3.3.1 - 6.3.3.10 (included) which shall be adopted if all members of the Supervisory Council vote in favour.

6.4 Management Board

- 6.4.1 The Management Board is a management body of the Company that represents and manages the Company and organises the accounting of the Company. In management the Management Board shall adhere to the lawful instructions of the Supervisory Council. The Management Board has the right to make transactions specified in Section 6.3.3 hereof that are beyond the scope of everyday economic activities of the Company only with the consent of the Supervisory Council.
- 6.4.2 The Management Board consists of two (2) to five (5) members who shall be elected for a term of three (3) years. The place of residence of at least one-half of the members of the Management Board shall be Estonia, another member state of the European Economic Area or Switzerland. If there are more than two members on the Management Board, the members of the Management Board shall elect the Chairman of the Management Board from among themselves who shall organise the activities of the Management Board.
- 6.4.3 The rights and obligations of a Management Board member (director) shall be specified in a contract to be concluded with such member. The conclusion, amendment and termination of such contracts shall be in the competence of the Supervisory Council.
- 6.4.4 If the Management Board has more than one member, the resolutions of the Management Board shall be adopted at a meeting. The Management Board meeting shall be convened by the Chairman of the Management Board. A Management Board meeting has a quorum if more than one-half of the Management Board members are present. A resolution of the Management Board is adopted if more than one-half of the participating members of the Management Board vote in favour. When adopting a resolution, each member of the Management Board has one vote.
- 6.4.5 The Management Board is competent to:
- 6.4.5.1 manage the Company operatively and represent the Company as well as resolve any current business issues;
 - 6.4.5.2 implement the resolutions of the shareholders and the Supervisory Council;
 - 6.4.5.3 prepare annual accounts, activity report and profit distribution proposal according to the principles provided by law;
 - 6.4.5.4 organise the accounting of the Company;
 - 6.4.5.5 set up reserve funds;
 - 6.4.5.6 file the annual report that has been approved by the shareholders with the commercial register;

- 6.4.5.7 organise the activities of the Company;
 - 6.4.5.8 issue written orders and instructions;
 - 6.4.5.9 employ and dismiss employees;
 - 6.4.5.10 impose disciplinary punishments;
 - 6.4.5.11 adopt resolutions on issues that, according to law or the Articles of Association of the Company, are not within the competence of the Supervisory Council or the General Meeting of the Company.
- 6.4.6 A member of the Management Board shall not participate in voting if approval of the conclusion of a transaction between the member and the Company is being decided, or if approval of the conclusion of a transaction between the Company and a legal person in which such member of the Management Board or person connected with him or her (in the meaning of the Rules of the Tallinn Stock Exchange) has a qualifying holding (in the meaning of the Rules of the Tallinn Stock Exchange), is being decided.

6.5. Affiliate Companies

- 6.5.1 For the purposes of these Articles of Association of the Company an Affiliate Company means, as the case may be:
- 6.5.1.1 any person who, directly or indirectly, owns twenty per cent or more of the votes granted by shares of the Company, or any person who, directly or indirectly, owns at least twenty percent of the votes granted by the shares of a shareholder in the Company referred to in this Subsection;
 - 6.5.1.2 any person who exercises direct or indirect control over, or who is directly or indirectly controlled by the Company or by a shareholder of the Company referred to in Section 6.5.1.1 or by its shareholder, or who is under the joint control of the above;
 - 6.5.1.3 any person fifty per cent or more of whose votes granted by shares are directly or indirectly owned by the Company or by a shareholder of the Company referred to in Section 6.5.1.1 or by its shareholder;
 - 6.5.1.4 any person who is under the direct or indirect control of the Company or an affiliate company of a shareholder of the Company referred to in Section 6.5.1.1.
- 6.5.2 Control means direct or indirect power or authority to direct or influence the management and strategy of another, either by ownership of shares granting the right to vote or through participation in the Management Board or other similar body on the ground of contract or otherwise.
- 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.”

7. RIGHT OF REPRESENTATION

- 7.1 The Company may be represented in all legal acts by the Chairman of the Management Board individually and by any other two members of the Management Board jointly.

8. FINANCIAL YEAR, REPORTING, RESERVE CAPITAL AND PROFIT DISTRIBUTION

- 8.1 The financial year of the Company commences on January 1st and ends on December 31st.
- 8.2 The Management Board shall prepare the annual report of the Company and present the annual report together with the auditor’s report to the Supervisory Council and to the General Meeting. The annual report shall be approved by the General Meeting.
- 8.3 The profit distribution proposal shall be adopted by the General Meeting on the basis of the approved annual accounts.

8.4 The payment of dividends to shareholders shall be provided by and the extent of dividend payment shall be specified in a resolution of the General Meeting. The procedure for the payment of dividends shall be determined by a resolution of the General Meeting.

8.5 The reserve capital of the Company shall be one-tenth of the share capital. The reserve capital shall be formed of annual net profit transfers as well as of other transfers entered in the reserve capital pursuant to law. At least one-twentieth part of net profit shall be transferred into reserve capital each financial year. If reserve capital reaches the amount prescribed by the Articles of Association of the Company, transfers into reserve capital from net profit shall cease.

On a resolution of the General Meeting reserve capital may be used to cover a loss, if it is impossible to cover the loss from available shareholders' equity, or to increase the share capital of the Company. Reserve capital may not be used for payments to shareholders.

9. AUDITOR AND SPECIAL AUDIT

9.1 The General Meeting shall determine the number of and appoint the auditors. The General Meeting shall also establish the principles of the remuneration of auditors. Auditors may be appointed for a specified term or for a single audit.

9.2 Shareholders whose shares represent at least one-tenth of the share capital may demand that the shareholders' General Meeting adopt a resolution on the conduct of a special audit in issues related to the management or financial situation of the Company as well as on the appointment of an auditor for the special audit. If the meeting fails to adopt a resolution on the conduct of a special audit, the shareholders whose shares represent at least a quarter of the share capital may demand the conduct of a special audit and the appointment of an auditor for the special audit by court. If the auditors for the special audit are appointed by the General Meeting, the latter shall also establish the principles of their remuneration.

9.3 Members of the Management Board and of the Supervisory Council shall allow the auditors for the special audit to inspect all documents necessary for the conduct of a special audit and shall give any required information. The auditors appointed for the special audit shall keep the business secrets of the Company.

9.4 The auditors appointed for the special audit shall prepare a report on the results of the audit that shall be presented to the General Meeting.

10. DISSOLUTION OF THE COMPANY

10.1 Methods of Dissolution. The Company may be dissolved by liquidation, merger, division or transformation, or any other manner provided by law.

10.2 Liquidation

10.2.1 The General Meeting that adopts a resolution on liquidation also appoints the liquidators of the Company, unless otherwise provided by law. There may be one or several liquidators.

10.2.2 Payments to shareholders from the assets of the Company remaining upon liquidation shall be made according to the principles provided by law. Payments may be monetary or non-monetary.

10.3 Merger, Division and Transformation

The merger, division and transformation of the Company takes place according to the procedure provided by law.

The present Articles of Association have been approved by a resolution of the extraordinary General

Meeting on 24.05.2011.

Ian John Alexander Plenderleith Chairman of the Management Board of Aktsiaselts Tallinna Vesi