



TALLINN NOTARY MERLE SAAR-JOHANSON

NOTARY'S BOOK OF TRANSACTIONS

REGISTRY NUMBER

1681

MINUTES AND DECISIONS OF THE GENERAL MEETING OF THE PUBLIC LIMITED COMPANY TALLINNA VESI

Prepared on the first of June in the year two thousand and seventeen (01.06.2017) and issued in Tallinn on the seventh of June in the year two thousand and seventeen (07.06.2017).

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 annual general meeting of the shareholders (hereinafter referred to as the “**Meeting**”) of PUBLIC LIMITED COMPANY TALLINNA VESI (hereinafter referred to as the “**Public Limited Company**”), registry code 10257326, located Ädala St 10, Tallinn, 10614, on the first of June in the year two thousand and seventeen (01.06.2017).

The meeting took place in the “Galaxy” conference room on the second floor of Tallink Spa&Conference Hotel (Sadama 11a, 10111 Tallinn).

The meeting started at 09:00 and ended at 9:45. Registration of the shareholders started at 08:30 and the registration was organised by ARS Corporate Services OÜ.

The meeting took place in Estonian and English, the participants were ensured the possibility to use interpretation into Estonian and English.

The notice of calling the meeting was published on page five (5) of the newspaper *Eesti Päevaleht* on 09.05.2017 and the notice of calling the meeting of the Public Limited Company was published at the website of NASDAQ OMX Tallinn Stock Exchange on 08.05.2017 and at the website of the Public Limited Company at the address <http://www.tallinnavesi.ee/>.

The share capital of the PUBLIC LIMITED COMPANY TALLINNA VESI is twelve million and sixty (12,000,060) euros, which is divided into A-shares with the nominal value of zero point six (0.6) euros (20,000,000 shares), of which each gives one (1) vote at the Meeting, and a B-share with the nominal value of sixty (60) euros (1 share), which based on the provisions of section 3.2.1.2 of the articles of association of the PUBLIC LIMITED COMPANY TALLINNA VESI gives one (1) vote at the Meeting for voting to make the decisions on the questions listed in section 3.2.1.2 of the articles of association of the PUBLIC LIMITED COMPANY TALLINNA VESI. Based on the provisions of the section 3.2.1.2 of the articles of association of the Public Limited Company, the

B-share gives no right to vote in making the decision on the items in the agenda of the Meeting. A shareholder's right to vote at the Meeting is established on the basis of the status of the share register as of 25 May 2017 at 23:59. The list of participants was drawn up by the Estonian Central Register of Securities.

According to the list of participants of the Meeting, which is annexed to this notarial deed, a total of 14,719,829 (fourteen million seven hundred and nineteen thousand eight hundred and twenty-nine) votes appointed by A-shares and one (1) vote with the limited right to vote appointed by B-share were present and represented. In total 73.6% (seventy-three point six percent) of the votes appointed by A-shares and one hundred percent (100%) of the votes appointed by B-shares are represented at the Meeting. According to § 36 section 3 of the Notarisation Act, the Chairman of the Meeting is responsible for the correctness of the list of participants of the General Meeting.

The person who drew up this notarial deed has verified the Meeting's capacity to exercise will on the basis of the list of participants, which the Chairman of the Meeting signed in the presence of the person who drew up this notarial deed. The person who drew up this notarial deed verified the compliance of the list of participants with the share register and the list of participants is in compliance with the share register.

Pursuant to § 297 section 1 of the Commercial Code and section 6.2.6 of the articles of association of the Public Limited Company, the Meeting is authorised to make decisions if over half of the votes represented by shares are present. Thus, the Meeting had a quorum.

The Chairman of the Meeting was **Raino Paron**

personal identification code 36507044211

who is a person known to the verifier

and

the minutes were taken by **Mailis Kullerkupp-Jõekaar**

personal identification code 47305260334

whose identity has been established on the basis of the database of the Police and Border Guard Board.

Raino Paron, Chairman of the meeting introduced to the shareholders the rules and regulations, electronic voting and agenda of the Meeting.

The agenda of the Meeting included:

- 1. Approval of the 2016 Annual Report**
- 2. Distribution of profit**
- 3. Recalling Mr. Mart Mägi from the Supervisory Council of AS Tallinna Vesi**
- 4. Extension of the term of a Supervisory Council member and election of a new Supervisory Council member**
- 5. Election of the auditor**
- 6. CEO Update**

Agenda Item 1. Approval of the 2016 Annual Report

Raino Paron, Chairman of the Meeting gave the floor to Mr. Karl Brookes, Chairman of the Management Board of the Public Limited Company, for introducing the first agenda item "Approval of the 2016 Annual Report". Mr. **Karl Brookes**, Chairman of the Management Board of the Public Limited Company, greeted the shareholders and gave an overview of the good performance in 2016, incl. employee commitment, customer satisfaction, operations and finance. In 2016, the ISO and EMAS certificates of the Public Limited Company were re-confirmed with no

non-conformities being reported. 2016 was also an excellent year in terms of Health&Safety with no reportable accidents. Employee satisfaction remains very high at 72 points, which is a very good result in Estonia. Mr. Karl Brookes gave the floor to Mr. **Aleksandr Timofejev**, Chief Operations Officer. Mr. Aleksandr Timofejev stated that 96 out of 97 levels of service were delivered. Only in one instance of over 400 unplanned interruptions to water supply that occurred in 2016 the interruption lasted longer than 12 hours. Effective network management resulted in the level of leakages as low as 15.07%. An excellent result was also achieved in terms of water quality as only 2 samples of the almost 3,000 samples taken in 2016 altogether failed to meet the standards. Paljassaare Wastewater Treatment Plant delivered high quality standards and final effluent was fully compliant with both Estonian and European requirements. The reconstruction works on Tihase collector, which had lasted almost two years, were completed last year. The Public Limited Company also constructed a water pipe providing an alternative supply line to Mustamäe and Õismäe areas. The customer satisfaction survey ordered from an independent partner indicated a very high customer satisfaction score of 94 TRI*M index points. Mr. Aleksandr Timofejev pointed out that once again the Public Limited Company was awarded a golden-level “Corporate Social Responsibility” label in 2016. Mr. Aleksandr Timofejev concluded his presentation with an overview of the Public Limited Company’s initiatives regarding the promotion of drinking tap water and environment protection. Mr. **Karl Brookes** drew shareholders’ attention to the fact that water quality has gone through an outstanding improvement since privatisation and the level of leakages has reduced to 15%, which is twice as low as it was at the time of privatisation. This clearly demonstrates that the Public Limited Company retains sustainability by properly maintaining and investing into its assets. Mr. Karl Brookes handed over to Ms. **Riina Käi**, Chief Financial Officer. Ms. Riina Käi said that the financial performance of the Public Limited Company was good. Sales from water and wastewater services increased to 1.8%. Revenues from the main service area grew both in domestic and commercial sectors. Domestic consumption increased by approximately 2.2% and revenue from commercial customers was 3.7% higher than previous year. Growth in commercial sector was mainly related to industrial segment. Decrease in the revenues from customers outside the main service area is mostly driven by Viimsi, where the rural municipality commissioned their own wastewater treatment facility. Revenues from construction and asphaltting services showed a considerable increase to EUR 4.5 million in 2016. In 2016, the Public Limited Company’s total sales were EUR 58.98 million. The gross profit increased from EUR 32.24 million in 2015 to EUR 33.26 million in 2016. Direct production costs remained stable. Although electricity costs, water abstraction charges and pollution tax were slightly higher, considerable savings were made on chemicals being positively affected by lower methanol price. Administrative expenses were significantly affected by the legal costs related to the tariff dispute pending in the local courts and international arbitration. Financial expenses were higher than in 2015 due to the change in the fair value of swap contracts. At the same time, savings were made on interest costs. The Public Limited Company’s profit after tax was EUR 18.39 million in 2016 compared to EUR 19.86 million in 2015. Share price at the end of 2016 was the same as at the end of 2015 i.e. EUR 13.8. Ms. Riina Käi added that the Public Limited Company was awarded for having the Best Investor Relations on the Baltic Stock Exchange for the fourth consecutive year.

The Chairman of the Meeting called for voting the proposal to approve the 2016 Annual Report.

Voting results:

in favour:	14,712,079	votes or	99.95 % votes represented in the Meeting
opposed:	0	votes or	0.00% votes represented in the Meeting
impartial:	7,450	votes or	0.05% votes represented in the Meeting
abstained:	300	votes or	0.00% votes represented in the Meeting

Due to the fact that over half of the votes represented with shares at the Meeting must vote in favour to adopt this decision, **the decision of the Meeting has been adopted.**

Agenda item 2. Distribution of profit

The Chairman of the Meeting called for voting the following profit distribution proposal:

The net profit of the Company in 2016 is 18,390,000 (eighteen million three hundred and ninety thousand) euros. To distribute EUR 10,800,600 (ten million eight hundred thousand and six hundred) euros of AS Tallinna Vesi's retained earnings of 51,384,000 (fifty one million three hundred and eighty four thousand) euros as of 31.12.2016, incl. from the net profit 18,390,000 (eighteen million three hundred and ninety thousand) euros for the year 2016, as dividends, of which 0.54 (zero point fifty four) euros per share shall be paid to the owners of the A-shares and 600 (six hundred) euros per share shall be paid to the owner of the B-share. Remaining retained earnings will remain undistributed and allocations from the net profit will not be made to the reserve capital.

Based on the dividend proposal made by the Management Board, the Council proposes to the general meeting to decide to pay the dividends out to the shareholders on 26th June 2017 and to determine the list of shareholders entitled to receive dividends on the basis of the share ledger as at 23.59 on 16th June 2017.

Voting results:

in favour:	14,714,749	votes or	99.97% votes represented in the Meeting
opposed:	1,250	votes or	0.01% votes represented in the Meeting
impartial:	3,530	votes or	0.02% votes represented in the Meeting
abstained:	300	votes or	0.00% votes represented in the Meeting

Due to the fact that over half of the votes represented with shares at the Meeting must vote in favour to adopt this decision, **the decision of the Meeting has been adopted.**

Agenda item 3. Recalling Mr. Mart Mägi from the Supervisory Council of AS Tallinna Vesi

The Chairman of the Meeting called for voting the proposal to recall Mr. Mart Mägi from the Supervisory Council of AS Tallinna Vesi.

Voting results:

in favour:	14,683,636	votes or	99.75% votes represented in the Meeting
opposed:	0	votes or	0.00% votes represented in the Meeting
impartial:	35,893	votes or	0.24% votes represented in the Meeting
abstained:	300	votes or	0.00% votes represented in the Meeting

Due to the fact that at least 2/3 of votes represented with shares at the Meeting must vote in favour to adopt this decision, **the decision of the Meeting has been adopted.**

Agenda item 4. Extension of the term of a Supervisory Council member and election of a new Supervisory Council member

4.1. Extension of Mr. Allar Jõks' term as a Supervisory Council of AS Tallinna Vesi retrospectively from 29.05.2017

The Chairman of the Meeting called for voting the proposal to extend Mr. Allar Jõks' term as a Supervisory Council member of AS Tallinna Vesi retrospectively from the expiry of his term on 29.05.2017 and proactively as from the date of the adoption of this resolution for a new statutory term.

Voting results:

in favour:	14,681,946	votes or	99.74% votes represented in the Meeting
opposed:	35,390	votes or	0.24% votes represented in the Meeting
impartial:	2,240	votes or	0,02% votes represented in the Meeting
abstained:	253	votes or	0.00% votes represented in the Meeting

4.2. Election of Priit Rohumaa as a Supervisory Council member

The Chairman of the Meeting introduced Mr. Priit Rohumaa to the Meeting and gave shareholders the opportunity to ask him questions.

Shareholder **Toomas Taube** asked the Supervisory Council of the Public Limited Company to explain what the skills, expertise or characteristics were that became decisive in proposing Mr. Priit Rohumaa as a candidate for a new member of the Supervisory Council.

Mr. **Simon Gardiner**, Chairman of the Supervisory Council replied that they had been looking for someone with senior commercial and management experience as well as experience of regulation. Mr. Rohumaa fulfilled those criteria and Mr. Simon Gardiner is very much looking forward to Mr. Priit Rohumaa joining the Supervisory Council. At the same time, he expressed his thanks to Mr Mägi for his contribution to the Supervisory Council over many years.

The Chairman of the Meeting called for voting the proposal to elect Priit Rohumaa as a Supervisory Council member of AS Tallinna Vesi from 01.06.2017.

Voting results:

in favour:	14,582,564	votes or	99.07% votes represented in the Meeting
opposed:	35,540	votes or	0.24% votes represented in the Meeting
impartial:	1,480	votes or	0,01% votes represented in the Meeting
abstained:	100,245	votes or	0.68% votes represented in the Meeting

Due to the fact that pursuant to the section 6.3.5 of the articles of association of the Public Limited Company the Supervisory Council of the Public Limited Company consists of nine (9) members and pursuant to the § 299 section 2 of the Commercial Code, in the election of a person at a general

meeting, the candidate who receives more votes than the others, shall be deemed to be elected, **the Meeting decided to extend Mr. Allar Jõks' term as a Supervisory Council member of AS Tallinna Vesi retrospectively from the expiry of his term on 29.05.2017 and proactively as from the date of the adoption of this resolution for a new statutory term from 01.06.2017 and to elect Priit Rohumaa as a Supervisory Council member of AS Tallinna Vesi from 01.06.2017.**

Agenda item 5. Electing the auditor

The Chairman of the Meeting read out the opinion of the Supervisory Council on the auditor's activities:

AS PricewaterhouseCoopers has provided auditing services to AS Tallinna Vesi on the basis of the agreement concluded between the parties in 2016 during the 2016 financial year. According to the opinion of the Supervisory Council, AS PricewaterhouseCoopers has provided auditing services in accordance with the agreement and the Supervisory Council has no pretensions regarding the quality of the auditing services.

The Chairman of the Meeting called for voting the proposal to appoint AS PricewaterhouseCoopers as the auditor and Mr Ago Vilu as the lead auditor of the 2017 financial year of the Public Limited Company. To pay a fee to the auditor according to the agreement concluded with the auditor.

Voting results:

in favour:	14,682,736	votes or	99.75% votes represented in the Meeting
opposed:	34,000	votes or	0.23% votes represented in the Meeting
impartial:	2,793	votes or	0,02% votes represented in the Meeting
abstained:	300	votes or	0.00% votes represented in the Meeting

Due to the fact that over half of the votes represented with shares at the Meeting must vote in favour to adopt this decision, **the decision of the Meeting has been adopted.**

Agenda item 6. CEO Update

Mr. Karl Brookes provided an overview of the ongoing tariff dispute as follows: „Our tariffs have been frozen since 2010. According to the tariff mechanism specified in the Services Agreement the Company was entitled to 16.0% higher tariffs (cumulative CPI in 2010-2016). As the Public Limited Company has not been able to have the contractual tariff increases, it has a pending case in the Estonian courts as well as an ongoing international arbitration procedure. Estonian courts have previously ruled the Public Limited Company's privatisation contract to be a public law contract. In May 2014, the Public Limited Company submitted a claim against the Competition Authority amounting to EUR 90 million to avoid the expiry of the compensation claim. In June 2014, the Administrative Court received two independent expert opinions. Both opinions were of a view, that the tariff mechanism described in the Services Agreement, is internationally recognised methodology, and complied with the Public Water Supply and Sewerage Act in force at the time of privatisation. In June 2015, the Administrative Court dismissed the complaint of the Public Limited Company. The Public Limited Company disagreed with the reasoning, and appealed to the Circuit Court. A Circuit Court hearing occurred in November 2016, and an unfavourable decision was received in January 2017. The Company subsequently submitted its Cassation to the Supreme Court in February 2017, and is currently awaiting a response as to whether or not the Cassation will be accepted. It is not possible to give any timescales, when the decision would be made, but it is expected at some point this year.”

Mr. Karl Brookes also gave an overview of the international arbitration procedure. „ In October 2014, the Public Limited Company together with its shareholder United Utilities Tallinn (B.V.), commenced International Arbitration proceedings via the “International Centre for Settlement of Investment Disputes” (ICSID). This process is fully independent of the process in Estonian courts. . International arbitration is a damages claim and would not resolve the Public Limited Company’s legal dispute in Estonia as this is for the local courts to decide. The main hearing occurred in November 2016, which was broadcast live via the internet. The recordings of the hearings are available on the Public Limited Company’s website. Post hearing briefs were submitted by both parties in February 2017, along with responses to further questions subsequently posed by the Arbitration Panel. We are currently awaiting the final decision, which is expected later in 2017.“

Mr. Karl Brookes once again shortly concluded the Public Limited Company’s performance in 2016 and handed over to Mr. **Simon Gardiner**, Chairman of the Supervisory Council, for closing comments.

Mr. **Simon Gardiner** said that, despite the disappointment of the ongoing legal dispute, the Public Limited Company’s operational performance continued to be very good and he thanked the Management Team for their hard work to ensure that the citizens of Tallinn have safe, reliable and good quality water service. Mr. Simon Gardiner also highlighted the completion of the reconstruction of Tihase collector as a positive achievement. Mr. Gardiner thanked the shareholders for their continued support.

The update given by the Chairman of the Board of the Public Limited Company was duly noted by the shareholders of the Public Limited Company.

The participants of the Meeting had no questions and the Chairman of the Meeting declared the Meeting ended.

Making of the decisions set out in these minutes complies with the requirements set out in the law and Articles of Association.

The voting was carried out by ARS Corporate Services OÜ. The voting took place via electronic voting devices issued to the shareholders upon entering them to the list of shareholders. The voting results were calculated electronically.

The following has been attached to these minutes:

1. List of participants of the Meeting
2. Powers of Attorney of the representatives of the shareholders

Before signing, this notarial deed and annexes thereto have been given for review to the Chairman of the Meeting and the person who took the minutes, thereafter these have been autographed in the presence of the verifier of this notarial deed.

This notarial deed (minutes of the General Meeting and decisions) has been prepared and signed in one (1) copy, which shall be kept at the notary’s office. On the day of preparing this notarial deed, the Public Limited Company shall receive a transcript of this notarial deed.

This document includes 62 pages bound with cord and embossing seal.

Notary fee: Minutes of the General meeting 319.50 euros (§ 18 section 4, 22, 29 section 1 subsection 4 of the Notary Fees Act).
Departure to the Meeting location 3.80 euros (§ 36 sections 2 and 3, § 37 of the Notary Fees Act).

Total Notary fee

EUR 323.30

UNOFFICIAL TRANSLATION FROM ESTONIAN

Value added tax	EUR 64.66
Total	EUR 387.96

Chairman of the Meeting _____

First and last name	Signature
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Secretary of the Meeting _____

First and last name	Signature
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