



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 seventh day of May in the year two thousand and fourteen (27.05.2014).

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 annual general meeting (hereinafter: "the Meeting") of shareholders of AKTSIASELTS TALLINNA VESI, registry code 10257326, located at Ädala 10, Tallinn, 10614 (hereafter: "the Company"), which took place on the twentieth day of May in the year two thousand and fourteen (20.05.2014).

The Meeting was held at Tallink Spa & Conference Hotel (Sadama 11a, 10111 Tallinn) in the conference room „Galaxy 1“ on the 2nd floor.

The Meeting started at 09:06 and ended at 10:31. Registration of shareholders started at 08:30.

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 25th of April 2014 on the fifth (5th) page of the daily newspaper "Eesti Päevaleht". The notice of the Meeting was published on the websites of the Company at <http://www.tallinnavesi.ee> and of NASDAQ OMX Tallinn Stock Exchange on the 24th of April 2014.

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 Soone**

personal ID code 48204180391
who is personally known to the notaris of this deed.

The 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 pursuant to the provisions of clause 3.2.1.2. of the Articles of Associations of AKTSIASELTS TALLINNA VESI grant one (1) vote to vote on the matters named in the clause 3.2.1.2. of the Articles of Associations of AKTSIASELTS TALLINNA VESI. Pursuant to the clause 3.2.1.2. of the Articles of Associations of the Company, the B-share shall grant no rights to vote regarding the items on the agenda of the Meeting. The voting rights of the shareholders at the general meeting were determined according to share register data as of the 13th of May 2014 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 fifteen million eight hundred and four thousand one hundred fourteen (15 084 114) votes 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 75.42% of the votes represented by A-shares and 100% of the votes represented by B-shares. Pursuant to the § 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 opened the Meeting, introduced the Management Board members participating in the Meeting Aleksandr Timofejev (COO), Riina Käi (CFO), Karl Heino Brookes (will take the CEO's obligations over from Ian John Alexander Plenderleith starting from the 1st of June 2014), Ian John Alexander Plenderleith (CEO and the Chairman of the Management Board), Raino Paron (Chair of the Meeting); participating Supervisory Council members Mart Mägi, Rein Ratas and Priit Lello; lead auditor of 2013 Ago Vilu; notary of the meeting Merle Saar-Johanson, and secretary of the meeting Marja-Liisa Soone.

Mr. Paron introduced the agenda of the meeting, options to use translation and voting procedure, also the possibility to submit questions and written requests to the representatives of the Company.

The agenda of the Meeting consisted of the following:

- 1. Approval of the 2013 Annual Report**
- 2. Distribution of profit**
- 3. Election of the members of the Supervisory Council**
- 4. Election of the auditor**
- 5. CEO update on privatisation contract dispute**

Mr. Brookes made a short introduction to the overview of the highlights of 2013

Mr. Timofejev introduced the highlights of 2013 related to the customers, community and the operational performance of the Company. 2013 was a quiet year. Achievements in customer service have grown furthermore – customer satisfaction survey resulted in an excellent 79 points on the TRI*M index scale. It is encouraging that campaigns completed in recent years have increased the number of customers using the self-service system to over 40%. We have also had the community-focused campaigns "Drink Tap Water" and "The Toilet is not a rubbish bin". As a result, the survey carried out at the end of 2013, indicated that 74% of our end-users are drinking tap water every day. We also invest in our future customers and over 2,000 children participated in the water days organized in the kindergartens in 2013.

The operational performance was also stable in 2013. We achieved 95 levels of service out of 97. Level of leakages remained below 17%, which means that compared to the beginning of the contract in 2001, the Company saves the same amount of water per day that is produced in the City of Tartu. Water quality was the best ever in the Company's history and all water samples taken from the Ülemiste Water Treatment Plant and the boreholes were fully compliant. Additionally, 99.7% of all samples taken at customers' premises met all European requirements for drinking water. Continuous improvements are being made at the wastewater treatment plant in terms efficiency and the plans have been put in place also for the following years. In 2013, the best result was achieved in terms of phosphorus removal - 52% reduction compared to the previous year.

Ms. Käi introduced financial results for 2013, which, like the operational results, have been encouraging. It is pleasing to see that investors have faith in our Company and the share price has shown a continuous growing trend throughout 2013, with an annual increase of 28.6% (in comparison – the average increase of a share price on the Tallinn Stock Exchange in this period was 11.4%). The opening price of the share for 2013 was 9.20 EUR per share and the closing price at the end of the year was 11.90 EUR per share. Thank you for expressing your trust in the Company.

The financial results have been relatively stable and despite the fact that our tariffs have been frozen at the level of 2010, we have been successful in growing our sales revenue slightly by 0.3%. A small setback in private customers sector was compensated by an increase in the commercial customers sector. The biggest change can be seen in storm water as 2013 was significantly drier than the previous year. This was compensated by the

revenue from the construction activities. The Company's cost base has also been quite stable, with the biggest change related to exceptional events that occurred at the wastewater treatment plant which resulted in increased pollution tax charges. In the end of 2012 the network extension programme was completed, which resulted in increased revenues in 2012. In addition, there is a change in the financial costs and revenues, which is mainly related to the change in fair value of SWAP contracts. In 2013, profit after tax was 19.9 million EUR, which is 11.8% less than in the previous year. In 2013, no extraordinary investments were made and capital spend was limited to improving the condition of the existing asset base so as to ensure the provision of a good quality service.

Ms. Käi said that we have also been showing stability in our dividend policy, by matching to the corresponding increase in CPI. Consequently we will make a proposal, that will be voted on separately, to pay the dividends of 0.90 EUR per A-share, making the total cost of dividends to be paid out 18.0 million EUR (in comparison we paid 0.87 EUR per share in 2012).

And finally, we are delighted to be awarded the "2013 Best Investor Relations" from the Baltic Stock Exchange. AS Tallinna Vesi is the first Estonian company to win this prestigious award.

Mr. Brookes continued with an overview of 2013 highlights related to the people of the Company. He said that the key to the delivery of a high quality service is the focus on ensuring the continued commitment and motivation of all our employees.

Each year we go through an external audit related to the quality management, environmental and health and safety procedures (ISO, OHSAS and EMAS). We are pleased to have obtained these accreditations once more with no significant areas for improvement being identified.

We can see a slight improvement in work related H&S performance, with one less accident being reported in 2013.

Mr. Brookes said that the Company has a philosophy of a continuous improvement, and during the year we have worked with external consultants and technical experts from United Utilities to benchmark existing procedures and enhance where appropriate.

We have a highly skilled workforce, which we continuously seek to develop through additional internal and external training.

We recognise individual performance through the Company's employee recognition scheme and incentivise productivity and efficiency through a variety of performance related pay schemes.

Question from Mr. Tiit Järve: I am very pleased with the Company's operation. I only have one small suggestion on how to save more – the annual replacement of water meters

that would not be necessary. And a question regarding the issue of possible future confusion with heavy metals that has been briefly covered in the media, but without a clear understanding whether this could cause any problem also for the Company?

Mr. Timofejev explained that the requirement for the replacement of water meters in every two years comes from the Metrology Act. The Company, along with other Estonian water companies, is working towards the solution, which would allow to extend the required period for replacement as it is with electricity meters. The issue of heavy metals was raised early this year. This stems from the Estonian Government's regulation No 99 that allows only a very low concentration of heavy metals, incl. zinc and copper, in the final treated effluent discharged to the environment. In comparison, the newly imposed limit concentrations are 400 times smaller than what is currently permitted in the drinking water. Together with the Estonian Waterworks Association (EVEL), we have addressed both the Environmental Board and the Ministry of Environment, and we hope that the issue will be resolved within the next few months.

Question from Ms. Kristi Rohtsalu: Regarding the pollution charges – when looking at the time series, we can see that in 2013, including one-off expenditures the pollution taxes amounted to 1.9 million EUR; in 2012, the pollution charges were relatively low, and in 2011, again high. What is the reason for these fluctuations and have you considered any options – and if so, then what kind – for avoiding such one-off incidents and expenditures? And the second question regarding the SWAP used to mitigate the risk of interest rate fluctuations – why do you prefer SWAP and not the loan at the fixed interest rate?

Mr. Brookes explained that the high pollution tax charges were related to the problems at the wastewater treatment plant that we had last year. Several mitigation measures have been put in place to reduce the overall risk and a long term capital solution is currently being designed with expected completion in 2015.

Ms. Käi also noted that 2012 pollution taxes were also impacted by the reversal of the extraordinary pollution tax reserve formed in 2011 in the amount of 436 thousand EUR. This makes it more difficult and creates slightly misleading picture when looking at the time series of 2011-2013.

As for the loan interests, then every time we refinance our loans we do consider various options available on the market and choose the most favourable, whether it is then with a fixed or floating interest, protected with a SWAP. Main impact currently relates to the tariffs being frozen.

Question from Mr. Riisma: Heavy metals in storm water – what is the level elsewhere in Europe compared to us?

Mr. Timofejev replied that we have been in contact with our Finnish and Swedish colleagues and know that for example in Finland, such limit concentrations on the content

of heavy metals are not in place for the treatment plant, however, they do exist for customers. In Germany and the UK, specific limit concentrations have been set for each and every wastewater treatment plant individually, depending on the size of the population, the location etc. Comparing our plant to other larger wastewater treatment plants one can say that the pollution loads coming into the Company's plant are lower than those of the effluent discharged from some larger wastewater treatment plants. An excellent treatment process removes ca 70% of heavy metals from the wastewater, our wastewater treatment plant removes up to 80% of heavy metals today, we can therefore say that our process is working well and it is the very strict limit concentrations that need to be re-considered.

Agenda item 1. Voting was conducted on the proposal: „To approve the 2013 Annual Report“

Voting results:

in favour: 15 080 978 votes i.e. 99.98% of the votes represented at the Meeting

against: 0 votes i.e. 0.00% of the votes represented at the Meeting

impartial: 1 998 votes i.e. 0.01% of the votes represented at the Meeting

abstained: 1 138 votes i.e. 0.01% of the votes represented at the Meeting

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

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

Agenda item 2. The net profit of the Company in 2013 is nineteen million nine hundred thirty six thousand (19 936 000) euros. To vote the proposal to distribute eighteen million six hundred (18 000 600) euros of AS Tallinna Vesi's retained earnings of forty nine million one hundred ninety six thousand (49 196 000) euros as of 31.12.2013, incl. from the net profit of nineteen million nine hundred thirty six thousand (19 936 000) euros for the year 2013, as dividends, as follows:

- a) Zero point ninety euros (0,90) per share shall be paid to the owners of the A-shares and six hundred (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 13.06.2014 and to determine the list of shareholders entitled to receive dividends on the basis of the share ledger as at 23.59 on 03.06.2014.

Voting results:

in favour:	15 083 036	votes	i.e.	99.99%	of the votes represented at the Meeting
against:	0	votes	i.e.	0.00%	of the votes represented at the Meeting
impartial:	940	votes	i.e.	0.01%	of the votes represented at the Meeting
abstained:	138	votes	i.e.	0.00%	of the votes represented at the Meeting

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

Mr. Paron introduced the agenda item No 3, which is the election of members of the Supervisory Council. Due to the term of office of four members of the Supervisory Council is coming to an end, four new Supervisory Council members must be elected. The Management Board has proposed to elect Mr. Robert John Gallienne, Mr. Simon Roger Gardiner, Mr. Mart Mägi and Mr. Rein Ratas as the new Supervisory Council members.

Agenda item 3. Voting was conducted on the proposal to elect the Supervisory Council members as follows:

3.1. Voting was conducted on the proposal to elect Mr. Robert John Gallienne as a Supervisory Council member of AS Tallinna Vesi from 23.05.2014.

Voting results:

in favour:	15 046 818	votes	i.e.	99.75%	of the votes represented at the Meeting
against:	30 089	votes	i.e.	0.20%	of the votes represented at the Meeting
impartial:	7 069	votes	i.e.	0.05%	of the votes represented at the Meeting
abstained:	138	votes	i.e.	0.00%	of the votes represented at the Meeting

3.2. Voting was conducted on the proposal to elect Mr. Simon Roger Gardiner as a Supervisory Council member of AS Tallinna Vesi from 23.05.2014.

Voting results:

in favour: 8 101 561 votes i.e. 53.71% of the votes represented at the Meeting
against: 30 839 votes i.e. 0.20% of the votes represented at the Meeting
impartial: 7 956 votes i.e. 0.05% of the votes represented at the Meeting
abstained: 6 943 758 votes i.e. 46.03% of the votes represented at the Meeting

3.3. Voting was conducted on the proposal to elect Mr. Mart Mägi as a Supervisory Council member of AS Tallinna Vesi from 23.05.2014.

Voting results:

in favour: 15 029 458 votes i.e. 99.64% of the votes represented at the Meeting
against: 26 850 votes i.e. 0.18% of the votes represented at the Meeting
impartial: 23 178 votes i.e. 0.15% of the votes represented at the Meeting
abstained: 4 628 votes i.e. 0.03% of the votes represented at the Meeting

3.4. Voting was conducted on the proposal to elect Mr. Rein Ratas as a Supervisory Council member of AS Tallinna Vesi from 23.05.2014.

Voting results:

in favour: 14 848 419 votes i.e. 98.44% of the votes represented at the Meeting
against: 61 145 votes i.e. 0.41% of the votes represented at the Meeting
impartial: 174 412 votes i.e. 1.16% of the votes represented at the Meeting
abstained: 138 votes i.e. 0.00% of the votes represented at the Meeting

Pursuant to the clause 6.3.5 of the Articles of Association of the Company, the Supervisory Council of the Company consists of nine (9) members and 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, thus Robert John Gallienne, Simon

Roger Gardiner, Mart Mägi and Rein Ratas were elected as Supervisory Council members.

Ms. Käi introduced the agenda item No 4, stressing that the Company has had a professional and constructive relationship with the current auditor, AS PricewaterhouseCoopers, and is very pleased with their performance.

Agenda item 4. AS PricewaterhouseCoopers has provided auditing services for AS Tallinna Vesi during the financial year of 2013 pursuant to the agreement concluded between the parties in 2012. In the opinion of the Supervisory Council, AS PricewaterhouseCoopers has provided services in compliance with the agreement and the Supervisory Council has no complaints regarding the quality of the auditing services.

Voting was conducted on the proposal to appoint AS PricewaterhouseCoopers as the auditor and Mr. Ago Vilu as the lead auditor for the financial year of 2014. To approve the principles for remuneration of the auditor as per the agreement signed with the auditor.

Voting results:

in favour: 15 022 260 votes i.e. 99.59% of the votes represented at the Meeting

against: 30 839 votes i.e. 0.20% of the votes represented at the Meeting

impartial: 30 877 votes i.e. 0.20% of the votes represented at the Meeting

abstained: 138 votes i.e. 0.00% 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, AS PricewaterhouseCoopers was elected the auditor and Ago Vilu the lead auditor.

Agenda item 5. CEO update on privatisation contract dispute.

Mr. Plenderleith gave the floor to the independent member of the Supervisory Council Mr. Mart Mägi to make an introduction to this topic.

Mr. Mägi said that the tariff issue has been discussed at each Supervisory Council meeting for all of the five years that he has been acting as a member of the Council. Unfortunately, regardless of the efforts, there has been no significant breakthrough made. Last year, our former Chancellor of Justice Mr. Allar Jõks, who was unfortunately unable to attend today's meeting, joined the Council. Mr. Jõks has also made additional efforts. He has written the following statement:

„With the authorisation and awareness of Bob Gallienne, the Chairman of the

Supervisory Council of AS Tallinna Vesi, I have since March interacted with various officials and politicians to discuss the opportunity of ending the tariff dispute between the Estonian Competition Authority and AS Tallinna Vesi with a compromise.

During this period, I have communicated both with the members of the Riigikogu and the new and former Chairman of the Environmental Committee of the Riigikogu. I have also met with the Estonian Minister of Economic Affairs and Communications Urve Palo and the officials of the Ministry.

In all these meetings I have explained that AS Tallinna Vesi is willing to end the dispute on mutually advantageous terms. However, I have stressed that in the event of not reaching a compromise, AS Tallinna Vesi is forced to defend its rights, including submitting a claim for damages against Estonia.

Unfortunately, these meetings have left me with an impression that there is a lack of political will to end the tariff dispute. The political will is in particular to show that the interests of the consumers are protected. None of the politicians wants to take the responsibility for the rise of the water tariffs next year as a result of their actions, i.e. their support for the compromise.

Only if the loss of the tariff dispute and Estonia's subsequent obligation to pay damages to AS Tallinna Vesi were more than certain, would the decision-makers see the possibility of a compromise.

The possibilities to explain the weakness of Estonia's (Competition Authority's) position have currently been exhausted.

Considering the above, as a member of the Supervisory Council of AS Tallinna Vesi, I consider the commencement of proceedings against the Republic of Estonia, based on the breach of Bilateral Investment Treaty, to be the only solution."

Mr. Mägi concluded that the direct cooperation negotiations with the state have failed on these terms, even though the compromises have been offered, and the only option now is to turn to the international court for the protection of the Company's rights.

Mr. Plenderleith continued, saying that as a result of the introduction of anti-monopoly bill in 2010, the Company's privatisation contract has not been honoured. Nine years after the privatisation it has suddenly become illegal. As a result of this change in law the Company has foregone 17.1% worth of tariff increases since 2010. This is basically the CPI from 2011 – 2014. As it would be practically impossible to recover that kind of tariff change through tariff increases or changes, the projected loss for the shareholders of Tallinna Vesi is already over 50 million EUR.

What makes it even more frustrating, is the fact that the Competition Authority has challenged the legality of the privatization contract through the Estonian courts, saying it was just a civil law agreement, signed between the Company and the City of Tallinn. But

the courts have ruled that AS Tallinna Vesi's privatisation contract is a public law contract. This means, in contrast to the Competition Authority's statements, the tariff part of the privatization contract is fully legitimate. Despite of that decision made already back in summer 2012, the Competition Authority still does not seem to respect the terms and conditions of that contract and the ruling of the courts. The Estonian court has not yet set a date for the next court hearing, but it would be fair to say that we do not expect any progress to happen before this autumn.

Those reading our stock exchange announcements are aware that we have made a couple of important announcements over the past few weeks. Firstly, the Company is filing a claim for the compensation of damages against the Republic of Estonia. In addition to that the Company gave a notice to the Republic of Estonia of a potential legal claim for a breach of international treaty.

You may have read our yesterday's stock exchange announcement about the recent ruling we received from the European Commission. In 2010, we made a complaint to the European Commission about the breach of the privatization contract. The European Commission has not upheld our complaint, but has made some interesting points.

When the Estonian Government responded to the European Commission, they stated they had changed the law for tariff setting across the water sector. The European Commission accepted that the government were able to change the law regarding tariff setting. However, this was not the position the Competition Authority had stated to the Estonian courts before, where they stated that the privatisation contract was always illegal. We find this contradiction quite strange and certainly, this contradiction is the reason why we need to go further to the international arbitration, where all the facts and statements of all the parties can be considered.

Another important point is that the European Commission recognised, that there was an approved economic contract between AS Tallinna Vesi and the Republic of Estonia. The privatisation contract has been deemed a public law contract. The Competition Authority, as an Estonian government institution, should respect the decisions of the courts and honour the contract. European Commission confirms AS Tallinna Vesi can claim a compensation through the Estonian courts. Furthermore, the European Commission clearly stated that its ruling does not have any bearing on the decisions of the Estonian courts, „*it is without prejudice...*“.

Mr. Plenderleith assured the shareholders, that AS Tallinna Vesi will continue its claim through the Estonian courts and the international arbitration.

In the past 12 months, AS Tallinna Vesi has written to the Parliamentary Environmental Committee, highlighting that the public law privatisation contract can be approved by the Competition Authority through the application of the law. We have written to the Environmental Committee also together with Estonian Waterworks Association (EVEL), as it is very important that the whole water sector understands and supports our position.

We look forward to meeting with the Environmental Committee to put forward our application. Mr. Plenderleith assured the shareholders that the Company is working hard with the government trying to resolve this issue. However, as Mr. Mägi mentioned earlier, sometimes there is a lot of willingness, but not always enough preparedness to take the decision.

AS Tallinna Vesi has always been open for a meaningful dialogue to resolve the dispute, at the same time respecting the terms and conditions of the privatization contract. We have met with the senior figures in all political parties, senior civil servants in the Ministry of Economy and Communications and the Head of the Competition Authority Mr. Märt Ots.

Mr. Gallienne noted that he has met with Mr. Ots on a number of occasions. He said that it would be fair to say that Mr. Ots is open to a mutually agreed settlement and in fact, the terms of which he is aware of and could/would agree to. Unfortunately, it does not seem to get much further than that. We have a tacit understanding with the Competition Authority, but the means to make it happen seem to be very difficult to achieve. In order to move that further, I have written to the new Ministry of Economy and Communications and the Ministry of Justice to see if we can find the way to move forward with the discussions. Unfortunately, I have not had any response from those people yet. We feel strongly that we might have a much better opportunity to reach that settlement under the new coalition, we are open to the discussions and we need to get that message out. I believe that at the end of the day, there is no upside of continuing this dispute, particularly not for the Estonian state, as it will only cost more money and will not do any good for the image of Estonia externally. That is where we are at present.

Mr. Plenderleith continued, saying that we have also tried to use the bilateral discussions, asking the British Government to raise AS Tallinna Vesi's dispute with its counterparts in the Estonian Government.

Finally, the main action we have taken in these last few weeks –as a result of the failure to resolve the issue through the discussions - after three years of intensive effort AS Tallinna Vesi took the decision to start International arbitration (IA) proceedings under the Dutch bilateral investment treaty (BIT). Due to the shareholder structure the Dutch BIT protects all the shareholders of AS Tallinna Vesi, if AS Tallinna Vesi's claim succeeds, all AS Tallinna Vesi's shareholders will ultimately benefit.

The Republic of Estonia has signed that it will abide by the rules of International arbitration to observe any obligations entered into with other countries nationals in relation to their investments, to ensure fair and equitable treatment of their investments, and not to discriminate against investments made by investors from each other's country.

Notification (letter before action) was sent to the Estonian Government on 13.05.2014. We will take for ourselves some limited time period for further discussions with the Estonian government to see if there is any willingness to resolve the issue without the

International arbitration, and if there will not be any success then formal proceedings will commence.

Question from Mr. Sandor Nahkor: First, I would like to „thank“ the political party with a slogan „Domestic costs down!“ – the price of water has remained on the same level already for the last four years. Now that the government and one of the ruling parties have changed (IRL is no longer in the government), would we as the shareholders have the reason to expect that the dispute held with the Competition Authority will speed up a bit? Could we expect that the issue would be resolved for instance within the next two years?

Mr. Plenderleith replied that we certainly know that the anti-monopoly bill was sponsored by IRL (Mr. Reinsalu and Mr. Vaher with support from Minister Parts), so we very much hope that as a result of the new coalition of the Reform Party and the Social Democrats, we can have a more constructive dialogue that would lead to resolving the dispute, actually not in years but in months. There is certainly a willingness from all the parties to discuss, but we need to see if there is also preparedness to take decisions. We will be having meetings with them within the next weeks, not months.

Mr. Gallienne wished to reiterate that we have already written to the new Ministers and made it clear in our letter that we do not wish to go down the long way of International arbitration, we wish to come to a solution, but if we have to go, we will go and that is the important message.

Question from Mr. Veniamin Tarasjuk: First question, have you as a Company investigated how the Estonian public would react should Tallinna Vesi win the dispute? Second question, can you forecast how much would the water price increase annually?

Mr. Plenderleith replied to the first part of the question, saying that the Company has not investigated the public view on the compensation claim against the Republic of Estonia. However, looking at the terms of the overall dispute, everyone can see and understand that the privatisation was carried out with the full support of the Estonian state, there were many senior politicians (Mr. Laar, Mr. Kallas) involved, it was sponsored by the European Bank for Reconstruction and Development, so all the building blocks in the privatisation were put in place professionally to start with. Everyone would accept that the quality of water and wastewater services provided to the City of Tallinn have increased tremendously over the last ten years. Lot of money was invested in the state of Estonia as a result of the privatisation back in 2001.

When explaining it to the public I would say that this is what the state asked from the privatisation and this is what it has received from the privatisation, the Company and the shareholders have delivered everything under the terms and conditions of that contract. In addition to that, Estonian courts have stated that it is a public law contract. If people will not honour and respect the terms and conditions that they have set themselves, and after an excellent performance of the Company, then a certain action would be taken to bring it to the International arbitration. This would be the way to present it to the Estonian public,

so that they could understand that the anti-monopoly bill that has invalidated the privatisation contract is nothing more really than just a populist vote-winning piece of paper for a number of politicians. This is not a proper debate about the contract failure, we have fulfilled every single one of our obligations.

As for the second question about the tariff increases, should the contract be honoured, the tariffs would increase by a CPI each and every year, as per the terms and conditions of the privatisation contract, and no more.

Question from Mr. Sandor Nahkor: Regarding the ongoing dispute with the Estonian state: your compensation claim is 50 million EUR or more – depending on for how long the tariffs would remain frozen – could small shareholders expect any extraordinary dividend payments in the future, should the dispute be won, or your plan is to reduce the current loan or make new investments with this 50+ million EUR?

Mr. Plenderleith answered that certainly we, the Management Board and also the Supervisory Council, would have to see is that we can put those funds in good use to generate additional returns for you as shareholders. If we were not be able to do that and we wanted to make a proposal to pay extraordinary dividends, AGM would need to decide that. Could there be something better to do with that money – we would put it on the vote for the shareholders to decide on that, as this is shareholders' money.

Comments from Mr. Ilmar Raidna: I owe thanks to the shareholders for so many replies (over 450) to my letter that was disseminated to all shareholders. I find the position of the Estonian state to be very strange and advise everyone to follow the news on our dispute very closely as this is our money they discuss.

Mr. Plenderleith thanked Mr. Raidna on behalf of the Management Board, the Supervisory Council and all the shareholders for the work he has done, for the letter that he sent to the Company and over 450 answers he received and shared with us. We have not sent them to the Prime Minister yet, because we were in the discussions. Within the next few weeks, we need to decide what to do with them and my personal view is that it would be fair to send them to the current Prime Minister.

Question from Ms. Helgi Kroon: Gentlemen who asked questions before me were optimistic. My question is, what would be the worst case scenario for us and what it would mean for the Company?

Mr. Plenderleith answered that we do know that the Competition Authority said at the end of 2011 that the Company's tariffs should be cut by 29%. Within our financial statements, we always evaluate the potential loss to the Company as a result of that cut, or simply the retroactive loss. In the notes to the accounts presented, this loss through the potential customer complaints is estimated to 34 million EUR. In addition, going forward and forecasting, largely by using the regulatory methodology proposed by the Competition Authority, the forecasted profit according to estimations would be halved

(e.g. if it would be 20 million EUR this year, then next year it would be 10 million). Hence, this would mean retroactive claims of 34 million EUR plus halving the each year's profit.

Question from Mr. Sandor Nahkor: Ian has made a good job so far, does the new CEO have new plans or changes in mind, or the path once taken would be continued?

Mr. Brookes replied that Ian has done an excellent job during his time with the Company. My initial priorities are dealing with the tariff dispute, heavy metals and ensuring the optimum performance of the WWTW at Paljassaare. In parallel with this, I will continue to explore how the business can be further improved and remain focused on its path of continuous improvement.

Mr. Plenderleith concluded saying that today is his last day in the Company, he will be flying back to England later that day, and he genuinely wants to thank each and every one for the support and encouragement he has received over the last years. He said that he is very grateful to see so many of the shareholders participating and supporting the Company in the dispute.

Mr. Gallienne said that he has been fortunate to work with Mr. Plenderleith for ten years and he is happy that he brought Mr. Plenderleith here. He thanked Mr. Penderleith on behalf of the Supervisory Council for the work that has been done and again, wished Mr. Penderleith and his family all the very best for the future.

The shareholders of the Company took notice of the CEO's update.

Journalists – not to release information before the stock exchange announcement has been published.

The minutes of the Meeting will be released within 7 days, i.e. from 28th of May.

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.

Nobody dissented from the decisions passed during the Meeting, and no written proposals were presented.

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

