

AKTSIASELTS TALLINNA VESI

ARTICLES OF ASSOCIATION

1. BUSINESS NAME, REGISTERED OFFICE AND LEGAL STATUS OF PUBLIC LIMITED COMPANY

1.1 The business name of the public limited company (hereinafter the Company) is:

Aktsiaselts Tallinna Vesi (the abbreviated form being AS Tallinna Vesi).

1.2 The registered office of the Company is Tallinn, 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 liable for the obligations of shareholders.

1.4 The Company has been founded for an unspecified term.

2. OBJECTIVE OF ACTIVITIES, AREAS OF ACTIVITY AND RIGHTS OF COMPANY

2.1 **The areas of activity of the Company are:**

2.1.1 supply of consumers with drinking and industrial water of a quality meeting the applicable standards, and leading off and treatment of waste water and rain water of consumers;

2.1.2 designing and construction, repairs and maintenance of water supply and sewerage objects, and elimination of accidents;

2.1.3 consulting 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 development and issue of technical conditions for water supply and sewerage;

2.1.6 maintenance and repairs of energy equipment required for water supply and sewerage;

2.1.7 utilisation of sludge created as a result of purification and treatment of drinking water and waste water, production and sales of compost soil;

2.1.8 heat generation on the basis of purified waste water;

2.1.9 development, production, intermediation and sales of technical and technological solutions, equipment, machinery, measuring devices and operating systems for water supply and sewerage;

2.1.10 transportation services.

2.2 The Company has the right to perform any and all legal acts required 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 or non-monetary contributions. Non-monetary contributions shall be valued by an expert appointed by the supervisory board of the Company on the basis of the usual value of the thing or right. An auditor shall audit the valuation of non-monetary contributions pursuant to the procedure prescribed by law.
- 3.1.2 The minimum share capital of the Company is 12,000,000 euros and the maximum share capital is 48,000,000 euros.
- 3.1.3 Upon a delay in the payment for shares, the shareholder is required to pay the Company a penalty for late payment at the rate of 0.05% per day of delay. The management board of the Company shall send a notice to the shareholder who delays in payment demanding payment of the overdue sum within one month of the receipt of the notice, indicating that the shareholder will lose the shareholder's share if payment is not made. If the shareholder does not pay the deficient sum during the term specified in the notice, the shareholder will lose the shareholder's share. A sum paid by the shareholder that does not exceed one-fifth of the nominal value of the share shall be transferred to the legal reserve 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 a nominal value of 0.6 euros (sixty euro cents) per share (hereinafter the Class A Share). Each Class A Share shall grant the holder thereof 1 (one) vote at the general meeting of shareholders of the Company and the right to participate in the general meeting of shareholders of the Company and in the distribution of profit and of remaining assets upon dissolution of the Company as well as any other rights provided by law and the Articles of Association of the Company.
- 3.2.1.2 The Company has one registered preferred share with a nominal value of 60 (sixty) euros (hereinafter the Class B Share). The Class B Share shall grant the holder thereof the right to participate in the general meeting of shareholders of the Company and in the distribution of profit and of remaining assets upon dissolution of the Company as well as any other rights provided by law and prescribed by the Articles of Association of the Company. The Class B Share shall grant the shareholder the preferential right to receive dividends in a determined sum of 600 (six hundred) euros. The Class B Share shall grant the shareholder one vote at the general meeting of shareholders of the Company when deciding on the following matters (restricted right to vote):
- amendment to the Articles of Association of the Company;
 - increase and reduction in the share capital of the Company;
 - issue of convertible bonds;
 - acquisition of treasury shares by the Company;
 - adoption of a resolution on the merger, division, transformation and/or dissolution of the Company;
 - at the request of the management board or the supervisory board of the Company, adoption of a resolution on matters related to the activities of the Company, which have not been placed within the sole authority of the general meeting of the shareholders of the Company by law.

3.3. Transfer of Shares

Shares may be freely transferred.

3.4 **Registration of Shares**

Any and 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 By the resolution of the general meeting of shareholders of the Company, the Company may issue convertible bonds.

4.2 The sum of the nominal values of convertible bonds shall not be greater 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 Shareholders are required to perform the obligations imposed on them by law and the Articles of Association of the Company.

5.2.2 A shareholder is required to preserve the secrecy of confidential information pertaining to the Company or activities thereof.

6. **MANAGEMENT OF COMPANY**

6.1 **The managing bodies of the Company are:**

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

6.1.2 the supervisory board (hereinafter the **Supervisory Board**);

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

6.2 **General Meeting**

6.2.1 The General Meeting is the highest managing body of the Company. General Meetings are annual and special. If the Company has a single 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 after the end of a financial year. The Management Board shall notify the shareholders of an annual General Meeting at least 3 (three) weeks in advance.

6.2.3 The Management Board shall call a special General Meeting in the cases prescribed by law, notifying the shareholders thereof at least 3 (three) weeks in advance. A request for calling a special General Meeting shall be submitted to the Management Board in writing.

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- 6.2.4 The Management Board shall notify the shareholders of the General Meeting pursuant to the procedure prescribed by law.
- 6.2.5 The General Meeting shall be held in the Republic of Estonia at a 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 at the General Meeting.
- 6.2.7 The General Meeting is authorised to:
- 6.2.7.1 amend the Articles of Association;
 - 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 or transformation of the Company;
 - 6.2.7.8 elect and remove members of the Supervisory Board in accordance with clause 6.3.5.1 of the Articles of Association;
 - 6.2.7.9 decide on assertion of a claim against a member of the Management Board or the Supervisory Board or a shareholder, and on conclusion of a transaction with a member of the Supervisory Board, and appoint a representative of the Company in such claim or transaction;
 - 6.2.7.10 acquire treasury shares;
 - 6.2.7.11 decide on other matters related to the activities of the Company at the request of the Management Board or the Supervisory Board;
 - 6.2.7.12 decide on other matters placed within the authority 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 at the General Meeting by shares are in favour, save when deciding on matters specified in sub-clauses 6.2.7.1; 6.2.7.2; 6.2.7.3 and 6.2.7.7 of the Articles of Association of the Company, 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, in order to adopt a resolution of the General Meeting on matters specified in sub-clauses 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 of the Articles of Association of the Company, the votes determined by the Class B Share must be in favour of the resolution. A resolution of the General Meeting on matters that, according to law, require a greater majority of votes is adopted if the number of votes required by law are in favour of the resolution.
- 6.2.9 Electronic participation in the General Meeting
- 6.2.9.1. The shareholders may vote on the draft resolutions prepared in respect of the items on the agenda of the General Meeting using electronic means prior to the General Meeting or during the General Meeting if this is possible in a technically secure manner and if this is established in the notice calling the General Meeting.
 - 6.2.9.2. The procedure for electronic voting shall be determined by the Management Board. The electronic voting shall be conducted in a format that can be reproduced in writing.
 - 6.2.9.3. The notice on calling the General Meeting shall establish whether electronic voting is possible and shall include information about the possibility to examine the procedure for electronic voting established by the Management Board.
 - 6.2.9.4. A shareholder who voted using electronic means shall be deemed to have taken part in the General Meeting and the votes represented by the shareholder's shares shall be accounted as part of the quorum of the General Meeting, unless otherwise provided by law.

6.3 Supervisory Board

- 6.3.1 The Supervisory Board shall plan the activities of the Company, organise the management of the Company and supervise the activities of the Management Board.
- 6.3.2 The Supervisory Board is authorised 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 amend 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 the procedure for their remuneration;
 - 6.3.2.6 appoint and remove procurators;
 - 6.3.2.7 approve the annual report prepared by the Management Board and amend 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 acts specified in clause 6.3.3;
 - 6.3.2.10 decide on other matters placed within the authority of the Supervisory Board by law or the Articles of Association of the Company.
- 6.3.3 The consent of the Supervisory Board is required for the Management Board for transactions and acts in all areas and matters of relevance to the activities of the Company which, according to law or the Articles of Association of the Company, are not placed within the sole authority of the General Meeting and the Supervisory Board and which are beyond the scope of everyday economic activities of the Company, including for the following:
- 6.3.3.1 making of investments exceeding 650,000 (six hundred and fifty thousand) euros per investment or per series of related investments;
 - 6.3.3.2 assumption of loans and debt obligations or raising of other external capital 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 and guarantee of debt obligations exceeding 650,000 (six hundred and fifty thousand) euros;
 - 6.3.3.4 transfer, acquisition, pledge or other encumbrance of assets (incl. immovables and registered movables) the value of which exceeds 650,000 (six hundred and fifty thousand) euros, or conclusion of transactions which will bring along obligations to transfer or acquire 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 change in the areas of activity of the Company, launching of new and termination of current areas of activity, or subcontracting for services in the principal areas of activity;
 - 6.3.3.7 acquisition and termination of holdings in other companies;
 - 6.3.3.8 acquisition and transfer of an enterprise, or termination of its activities;
 - 6.3.3.9 conclusion of transactions with Affiliated Companies;
 - 6.3.3.10 specification of the authority of the representatives of the Company with regard to subsidiaries of the Company or other undertakings in which the Company has a holding;
 - 6.3.3.11 foundation and closure of foreign branches.

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- 6.3.4 The Supervisory Board shall report to the General Meeting.
- 6.3.5 The Supervisory Board consists of nine (9) members whose term of authority is two (2) years. The members of the Supervisory Board shall be elected, appointed and removed as follows:
- 6.3.5.1 five (5) members of the Supervisory Board shall be elected at the General Meeting, considering that the person who receives more votes than others shall be considered elected. A member of the Supervisory Board elected according to this clause of the Articles of Association may be removed before the expiry of their 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 of the Company who holds the Class B Share or whose shares represent at least thirty-four (34) per cent of the votes determined by Class A Shares has the right to appoint and remove two (2) members of the Supervisory Board, provided, however, that no single shareholder of the Company may appoint or remove more than two (2) members of the Supervisory Board.
- 6.3.6 The members of the Supervisory Board shall elect the chairman of the Supervisory Board from among themselves who shall organise the activities of the Supervisory Board and chair the meetings of the Supervisory Board.
- 6.3.7 The meetings of the Supervisory Board shall be held at the registered office of the Company when necessary, but not less frequently than once every three (3) months.
- 6.3.8 Notice of a meeting of the Supervisory Board and the agenda thereof shall be sent to the members of the Supervisory Board in writing at least 7 (seven) days in advance. The notice of the meeting of the Supervisory Board and the materials thereof shall be sent to the members of the Supervisory Board by electronic mail.
- 6.3.9 A meeting of the Supervisory Board has a quorum if at least five (5) members of the Supervisory Board participate in the meeting. A member of the Supervisory Board may not be represented at the meeting or upon adoption of a resolution by another member of the Supervisory Board or by a third party.
- 6.3.10 A resolution of the Supervisory Board shall be deemed adopted if more than one-half of the members of the Supervisory Board participating in the meeting have voted in favour, save the resolutions specified in clauses 6.3.2.1; 6.3.2.2 and 6.3.3.1-6.3.3.10 (incl.), which shall be adopted by the unanimous vote of all the members of the Supervisory Board participating in the meeting.
- 6.3.11 Minutes shall be taken of the meetings of the Supervisory Board. The minutes shall be signed by all the members of the Supervisory Board participating in the meeting and the recording secretary of the meeting.
- 6.3.12 The Supervisory Board has the right to adopt resolutions without calling a meeting. In such case the chairman of the Supervisory Board shall send a written draft resolution to all the members of the Supervisory Board, specifying a term during which the member of the Supervisory Board must present their written position on it. If a member of the Supervisory Board does not give notice of whether they are in favour of or opposed to the resolution during this term, it shall be deemed that the member votes against the resolution. If a resolution is adopted pursuant to the procedure provided by this clause, the resolution shall be adopted if more than one-half of the votes of the members of the Supervisory Board are in favour, save the resolutions specified in clauses 6.3.2.1; 6.3.2.2 and 6.3.3.1-6.3.3.10 (incl.), which shall be adopted if all the members of the Supervisory Board vote in favour.

6.4 Management Board

- 6.4.1 The Management Board is a managing body of the Company that represents and manages the Company and organises the accounting thereof. The Management Board shall, in managing, adhere to the lawful orders of the Supervisory Board. The Management Board has the right to conclude transactions specified in clause 6.3.3 of the Articles of Association of the Company, which are beyond the scope of everyday economic activities of the Company, only with the consent of the Supervisory Board.
- 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 residence of at least one-half of the members of the Management Board must be in Estonia, in another Member State of the European Economic Area or in Switzerland. If the Management Board has more than two members, the members of the Management Board shall elect a 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 member of the Management Board (manager) shall be specified, in more detail, in a contract to be entered into with them. The contract shall be entered into, amended or terminated by the Supervisory Board.
- 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 meeting of the Management Board shall be called by the chairman of the Management Board. A meeting of the Management Board has a quorum if more than one-half of the members of the Management Board participate in the meeting. A resolution of the meeting of the Management Board shall be adopted if more than one-half of the members of the Management Board participating in the meeting vote in favour. Every member of the Management Board shall have one vote upon adoption of resolutions.
- 6.4.5 The Management Board is authorised to:
- 6.4.5.1 manage the activities of the Company operatively and represent the Company as well as resolve any current business matters;
 - 6.4.5.2 implement the resolutions of the shareholders and the Supervisory Board;
 - 6.4.5.3 prepare the annual accounts, management report and profit distribution proposal according to law;
 - 6.4.5.4 organise the accounting of the Company;
 - 6.4.5.5 set up reserve funds;
 - 6.4.5.6 submit the annual report approved by the shareholders to the commercial register;
 - 6.4.5.7 organise the activities of the Company;
 - 6.4.5.8 issue directives and orders;
 - 6.4.5.9 employ and dismiss employees;
 - 6.4.5.10 impose disciplinary penalties;
 - 6.4.5.11 adopt resolutions on matters that are not placed within the authority of the Supervisory Board or the General Meeting by law or the Articles of Association 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 is being decided if such member of the Management Board or person connected with them (within the meaning of the Rules of the Tallinn Stock Exchange) has a qualifying holding (within the meaning of the Rules of the Tallinn Stock Exchange).

6.5 Affiliated Companies

- 6.5.1 For the purposes of the Articles of Association of the Company, an Affiliated Company means, as the case may be:
- 6.5.1.1 any person who, directly or indirectly, holds 20% or more of the votes determined by shares of the Company, or any person who, directly or indirectly, holds at least 20% of the votes determined by the shares of a shareholder of the Company specified in this sub-clause;
 - 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 the shareholder of the Company specified in clause 6.5.1.1 or by the shareholder thereof, or who is under the joint control of the above;
 - 6.5.1.3 any person who holds votes determined by shares, 50% or more of which are directly or indirectly held by the Company or by the shareholder of the Company specified in clause 6.5.1.1 or by the shareholder thereof;
 - 6.5.1.4 any person who is under the direct or indirect control of the Company or an affiliated company of the shareholder of the Company specified in clause 6.5.1.1.
- 6.5.2 Control means direct or indirect power 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 basis of a contract or otherwise.
- 6.5.3 Subsidiaries in the sole ownership of the Company shall not be treated as affiliated companies. In case of transactions concluded with a subsidiary, the provisions of 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

The Company may be represented in all legal acts by the chairman of the Management Board alone and by any other two members of the Management Board jointly.

8. FINANCIAL YEAR, REPORTING, LEGAL RESERVE AND DISTRIBUTION OF PROFIT

- 8.1 The financial year of the Company begins on 1 January and ends on 31 December.
- 8.2 The Management Board shall prepare the annual report of the Company and present it along with the auditor's report to the Supervisory Board and the General Meeting. The annual report shall be approved by the General Meeting.
- 8.3 A profit distribution resolution shall be adopted by the General Meeting on the basis of the approved annual accounts.
- 8.4 Dividends shall be paid to shareholders on the basis of and to the extent prescribed by a resolution of the General Meeting. The procedure for payment of dividends shall be prescribed by the resolution of the General Meeting.
- 8.5 The amount of the legal reserve of the Company shall be one-tenth of the share capital. The legal reserve shall be formed from annual net profit transfers as well as from other transfers entered in the legal reserve pursuant to law. During each financial year, at least one-twentieth of the net profit shall be entered in the legal reserve. When the legal reserve reaches the amount prescribed by the Articles of Association of the Company, the increase in the legal reserve on the account of net profit shall be terminated.

By the resolution of the General Meeting, the legal reserve may be used to cover a loss if it is impossible to cover the loss from available equity of the Company, or to increase the share capital of the Company. Payments shall not be made to shareholders from legal reserve.

9. AUDITOR AND SPECIAL AUDIT

- 9.1 The number of auditors shall be specified and auditors shall be appointed by the General Meeting that shall also specify the procedure for remuneration of the auditors. An auditor may be appointed for a specified term or for a specified assignment.
- 9.2 At the General Meeting, shareholders whose shares represent at least one-tenth of the share capital may demand a resolution on conduct of a special audit on matters regarding the management or financial situation of the Company, and the appointment of an auditor for the special audit. If the General Meeting does not decide on conduct of a special audit, shareholders whose shares represent at least one-fourth of the share capital may request that a special audit be conducted and that an auditor for the special audit be appointed by a court. If the auditors for the special audit are appointed by the General Meeting, the General Meeting shall also approve the procedure for their remuneration.
- 9.3 The members of the Management Board and Supervisory Board shall enable the auditors for the special audit to examine all documents necessary for conduct of the special audit and shall provide necessary information. The auditors for the special audit shall preserve the business secrets of the Company.
- 9.4 The auditors for the special audit shall prepare a report concerning the results of the special audit, which they shall present to the General Meeting.

10. TERMINATION OF ACTIVITIES OF COMPANY

- 10.1 Methods of termination. The activities of the Company are terminated by liquidation, merger, division or transformation, or in any other manner provided by law.
- 10.2 Liquidation
- 10.2.1 The General Meeting that adopts a liquidation resolution shall also appoint 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 pursuant to the procedure prescribed by law. Payments may be both monetary and non-monetary.

10.3 Merger, Division or Transformation

The merger, division or transformation of the Company shall take place pursuant to the procedure prescribed by law.

These Articles of Association have been approved by the resolution of the annual General Meeting of shareholders of the Company on 2 June 2016.

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Karl Heino Brookes
Chairman of the Management Board of AKTSIASELTS TALLINNA VESI