

THE MEMORANDUM OF UNDERSTANDING
between
THE CABINET OF MINISTERS OF THE REPUBLIC OF LATVIA
and
TELIA COMPANY AB
(hereinafter jointly referred to as the Parties)
ON IMPROVING THE STRATEGIC COORDINATION OF
LATTELECOM Ltd AND LATVIJAS MOBILAIS TELEFONS Ltd

WITH THE INTENTION of improving the strategic coordination between companies Lattelecom Ltd (hereinafter referred to as LTC) and Latvijas Mobilais telefons Ltd (hereinafter referred to as LMT) in order to:

- use resources more efficiently, avoid duplication of products (hereinafter referred to as goods, services, applications, platforms etc.) and further improve the efficiency of companies in the provision of core products;
- further increase the innovative capacity of LTC and LMT and to activate the development of new globally exportable products;
- fully implement the principles of good corporate governance;

AS THE RESULT, improving LTC's and LMT's long-term competitiveness, facilitating the expansion of the product package and the improvement of their quality, increasing the benefits for customers, the value of companies, the shareholders' profit and budgetary revenues, thus achieving synergy;

THE PARTIES AGREED to conclude this Memorandum of Understanding (hereinafter referred to as MoU) on the actions to be taken.

1. The Parties agree on the development of a joint strategy for companies LTC and LMT in accordance with interests of both Parties to achieve synergy. The strategy will include (but not limited to):
 - 1.1. strategically coordinated activities of the companies in the core business, growing efficiency and quality of core products;
 - 1.2. the development and implementation of the next generation communication systems' strategy in accordance with interests of both Parties;
 - 1.3. the creation of innovative excellence, more efficient use of human resources to create new globally exportable products;
 - 1.4. the full implementation of modern business practices and principles of good corporate governance.

2. To implement the developed strategy, the Parties agree to:
 - 2.1. implement the strategic supervision of LTC and LMT by enhancing further the efficiency and quality of products and fully introducing the principles of modern corporate governance, thus raising competitiveness of both companies, providing (but not limited to):
 - 2.1.1. the intention of the Parties to agree on an institutional model for the strategic supervision, both Parties' balanced ownership in the model, balance in both Parties' rights, representation and voting rights in managing the model;
 - 2.1.2. any changes in ownership structure shall be subject to separate agreement between both Parties;
 - 2.1.3. to include in the strategic supervision of LTC's and LMT's a periodic control over business results and implementation of strategy;
 - 2.1.4. ownership in companies LTC and LMT in accordance with the established institutional model;
 - 2.1.5. the procedure for financing the institutional model by evaluating its financing from LTC and LMT;
 - 2.2. To establish an innovation (competence) centre in accordance with the institutional model in order to further increase the innovative capacity of LTC and LMT, to intensify (accelerate) the development of new products, thereby raising long-term competitiveness of the companies, providing (but not limited to):
 - 2.2.1. the ownership in the innovation (competence) centre in accordance with the established institutional model, and supervision of its operation;
 - 2.2.2. operational themes - development of the strategy for the next generation communication systems, widening, deepening and application of core products, incl. according to the developed next generation communication system;
 - 2.2.3. a procedure for project financing by evaluating the possibility of financing from LTC and LMT;
 - 2.2.4. the core expertise - professionals from LMT and LTC, based on the defined terms for their creative work;
 - 2.2.5. cooperation with higher education institutions, companies, start-ups of Latvia, Sweden and Finland, with leading institutions of the Baltic Sea region.
 - 2.3. To simplify the shareholders' structure in the institutional model for strategic supervision referred to in clause 2.1, and to conclude a new Shareholders' Agreement, providing (but not limited to):

- 2.3.1. to consolidate shareholding, providing one shareholder for each Party;
 - 2.3.2. to seek consensus between the Parties, however with the intention of the Parties to develop and adopt a mechanism and process to prevent possible deadlocks in decision-making;
 - 2.3.3. to fully implement the principles of good corporate governance for the implementation of decisions;
 - 2.3.4. transparency of enterprises by developing and implementing the Code of Business Ethics (including social responsibility) and clear governance control;
 - 2.3.5. the rights, responsibilities and governance of the institutional model referred to in clause 2.1, both companies - LTC and LMT, as well as the innovation (competence) centre;
 - 2.3.6. to evaluate, on a regular basis, the fulfilment of the financial and non-financial indicators (goals) of the companies' operational activities and progress towards the achievement of the goals set in the joint strategy referred to in paragraph 1;
 - 2.3.7. the Parties' intention to resolve the ownership rights in ducts between LTC and LVRTC.
3. To implement this MoU:
- 3.1. the Parties will launch the development of the joint strategy after the entry into force of the MoU;
 - 3.2. the Parties will launch the development of the Shareholders' Agreement and the institutional model for strategic supervision and establishment of the innovation (competence) centre in parallel with the development of the joint strategy not later than in December 2018;
 - 3.3. for the purposes of improving the process of general strategic coordination, the Parties will set up a joint high level expert group;
 - 3.4. the Parties understand that in elaboration of the joint strategy and/or drafting of the Shareholders' Agreement and the institutional model, the impact on competition shall be evaluated and drafted documents shall be subject for the submission to the Competition Council of the Republic of Latvia;
 - 3.5. the Parties undertake not to disclose, in any way, directly or indirectly to any third party any confidential information received from the other Party in the course of the implementation of the MoU without a written authorization.
4. The Parties understand that this MoU expresses the Parties' shared desire to work to improve the cooperation between the Parties and competitiveness of joint companies LTC and LMT. At the same time, nothing contained in this MoU qualifies as legally binding obligation to either Party. However, the

Parties expect that legally binding instruments will be developed and will enter into force in compliance with both Parties' wishes expressed in paragraphs 1 and 2. Any such legally binding instruments shall be negotiated and shall enter into force only if agreed and signed by both Parties.

5. This MoU does not constitute an international agreement and does not impose any rights and obligations on any of the Parties from the perspective of international law. This MoU is not subject to the jurisdiction of any national or international court. Any disputes that may arise in the course of the implementation of this MoU will be resolved by the Parties exclusively through negotiation.
6. Financial expenditures for carrying out the operations referred to in this MoU may only be provided in separate written agreements between the two Parties. Any such agreements shall be negotiated and shall enter into force only if agreed and signed by both Parties.
7. This MoU shall enter into force on the day after it has been signed by the last Party and shall be valid until the completion of the actions provided for therein. The MoU may be reviewed and supplemented by a joint decision of both Parties. This MoU may be terminated at any time by one of the Parties by notifying the other Party in writing at least three months before the termination.
8. This MoU shall be signed in two original copies in English.

Place: Riga, Latvia
Date: 12.07.2018

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On behalf of the CABINET OF MINISTERS OF THE REPUBLIC OF LATVIA

On behalf of the TELIA COMPANY AB

Māris Kučinskis

Johan Idenlund