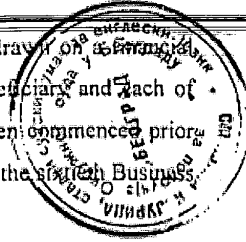


of credit opened on or prior to the Closing Date by OTE, in each case drawn on a bank or financial institution acceptable to the PTT, each of which names the PTT as beneficiary and each of which expires on May 30, 2001, unless any Mobtel Proceedings have been commenced prior thereto, in which case the expiry date of the GSM Letters of Credit shall be the sixth Business Day after the final conclusion of such Mobtel Proceedings;



"GSM License" means a mobile telephony license in the agreed form to be granted by the Government to Telekom Srbija on the terms and subject to the conditions contained therein and which is attached hereto as Exhibit "G";

"Guarantee Agreement" means the Guarantee Agreement among STET, Telekom Srbija and the PTT dated the date of this Agreement, pursuant to which the payment and performance obligations of SIN under the Transaction Documents shall be unconditionally and irrevocably guaranteed by (i) STET at all times from the date hereof through the effective date of the Merger, and (ii) the Ultimate Parent Entity at all times after the effective date of the Merger and through the complete satisfaction and discharge of all of SIN's obligations under the Transaction Documents;

"Liabilities" shall have the meaning set forth in Exhibit "A" hereto;

"Letters of Credit" mean the GSM Letters of Credit and the Deferred Payment Letters of Credit;

"Merger" means the merger to occur on or about 18 July 1997 between Telecom Italia S.p.A. and STET, pursuant to which Telecom Italia S.p.A. shall be merged with and into STET, with STET being the surviving entity of the Merger and thereafter having the name Telecom Italia S.p.A.;

"Mobtel Agreement" means the agreement between the PTT and "Braca Karic" System - BK Trade, relating to the establishment of The Enterprise of Mobile Telecommunications "Srbija" BK-PTT Ltd., together with the Decision of the Government granting approval for such establishment, each dated as of 13 April 1994;

"Net International Settlements" means, as at the Closing Date, all amounts owed and outstanding by foreign correspondent telecommunications operators to Telekom Srbija net of aggregate amounts owed by Telekom Srbija to foreign correspondent telecommunications

operators in the context of settlement of payment in accordance with the international accounting rate system;

"OTE Shares" means twenty percent (20%) of all of the issued and outstanding shares of common stock of Telekom Srbija at the Closing Date;

"OTE Warranty" means any of the representations and warranties made by OTE set out in Clause 7.1;

"Paying Subscriber Line" means a line that is provided to a subscriber under a valid contract pursuant to which standard tariffs are due;

"Purchase Price" has the meaning ascribed to such term in Clause 3.1;

"Rules" means the UNCITRAL Rules of Arbitration;

"Shared Services Agreement" means that agreement between the PTT and Telekom Srbija to be effective as of the date of incorporation of Telekom Srbija, which provides for the provision of certain services and the payment of certain fees between such parties;

"Shareholders' Agreement" means the shareholders' agreement in the agreed form to be entered in to on the Closing Date among the PTT, SIN, OTE and Telekom Srbija;

"SIN Shares" means twenty nine percent (29%) of all of the issued and outstanding voting shares of common stock of Telekom Srbija at the Closing Date;

"SIN Warranty" means any of the representations and warranties made by SIN set out in Clause 6.1;

"Technical Assistance Agreement" means that agreement between SIN or an Affiliate thereof and Telekom Srbija, in form and substance mutually acceptable to the parties thereto and to be entered into on the Closing Date, pursuant to which SIN or an Affiliate thereof shall provide such services to Telekom Srbija, and Telekom Srbija shall pay to SIN or an Affiliate thereof a fee in consideration of such services, as set forth in such agreements;

"Telecommunications Assets" shall mean all of the assets comprised within the scope of the Telecommunications Business;



"Telecommunications Business" shall have the meaning given to that term in the Acknowledgment of Transfer;

"Ten Year Business Plan" shall have the meaning set forth in the Shareholders' Agreement;

"Transaction Documents" means this Agreement, the Shareholders' Agreement, the Acknowledgment of Transfer, the Technical Assistance Agreement, the Shared Services Agreement, the Guarantee Agreement, the GSM License, the Closing Memorandum, the Global Alliance Letter Agreement, the Articles, the Letters of Credit and all other documents and agreements entered into prior to or as of the Closing necessary to give effect to and evidence the transactions contemplated hereby and thereby;

"Ultimate Parent Entity" shall mean the surviving entity of the Merger; and

"Warranty" means any of the representations and warranties made by the PTT set out in Clause 5.1.

Clause 1.2 In this Agreement unless the context otherwise requires:

- (a) references to "persons" shall include individuals, bodies corporate (wherever incorporated) and partnerships;
- (b) the headings are inserted for convenience only and do not affect the interpretation of this Agreement;
- (c) reference to the singular includes a reference to the plural and vice-versa;
- (d) reference to any Section, Clause or Exhibit are to the Sections, Clauses or Exhibits of and to this Agreement which are incorporated herein by reference; and
- (e) any reference to a document in the "agreed form" is in the form of the relevant document agreed between the parties and for the purpose of identification initialed by each of them or on their behalf with such amendments as may be agreed by or on behalf of the PTT, SIN and OTE, as the case may be.



SECTION 2 SALE AND PURCHASE OF THE SHARES

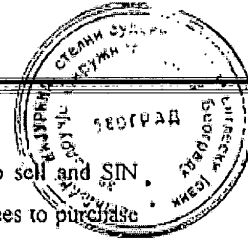
Clause 2.1 Subject to the terms of this Agreement, (i) the PTT agrees to sell and SIN agrees to purchase the SIN Shares, and (ii) the PTT agrees to sell and OTE agrees to purchase the OTE Shares, in each case with effect at Closing. The SIN Shares and the OTE Shares shall be sold free from all security interests, options, equities, claims or other third party rights (including rights of pre-emption) of any nature whatsoever, together with all rights attaching to them.

SECTION 3 CONSIDERATION

Clause 3.1 The Purchasers shall pay to the PTT (or to such person as it may direct) by way of consideration for the SIN Shares and the OTE Shares up to a maximum aggregate sum of one billion five hundred and sixty eight million Deutsche Marks (DM 1,568,000,000) (the "Purchase Price"), which shall be paid as follows:-

- (a) at the Closing, the Purchasers shall pay to the PTT (or to such person as it may direct) the sum of one billion two hundred and forty five million Deutsche Marks (DM 1,245,000,000);
- (b) on the second Business Day in January 1998, the Purchasers shall pay to the PTT (or to such person as it may direct) one hundred and ninety eight million Deutsche Marks (DM 198,000,000); and
- (c) at the Closing, the Purchasers shall deliver the GSM Letters of Credit both of which shall be callable under the conditions set forth in Clause 3.3 below, consistent with which the PTT and the Government may consider such GSM Letters of Credit as a fee for the GSM License and consideration for the Government's award to Telekom Srbija of the GSM License.

Clause 3.2 The obligation of the Purchasers to pay the installment of the Purchase Price specified in Clause 3.1(b) shall be irrevocable and unconditional and shall be made without any set-off or counterclaim. The obligation of SIN and OTE to pay such instalment shall be secured by the Deferred Payment Letters of Credit, both of which shall be callable on the first written demand made at any time on or after the second Business Day of January 1998.



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Clause 3.3 The GSM Letters of Credit shall be callable subject to the following conditions:

- (a) upon delivery of the GSM Qualification Clearance Notice set forth as Exhibit F and the indemnity set forth as Exhibit I pursuant to the terms of Clause 5.7 (i) prior to or on the second Business Day of January 1998, the GSM Letters of Credit shall be paid in full on the second Business Day of January 1998, and (ii) after the second Business Day of January 1998, the GSM Letters of Credit shall be paid in full on the second Business Day after such deliveries;
- (b) upon delivery of the GSM First Anniversary Notice and the indemnity set forth as Exhibit I pursuant to the terms of Clause 5.7, the GSM Letters of Credit shall be paid in full to the PTT on the second Business Day after such deliveries; and
- (c) upon expiry of the GSM Letters of Credit, which shall be May 30, 2001, (i) provided that no Mobtel Proceeding has been brought and is continuing on such date, the GSM Letters of Credit shall be paid in full, or (ii) in the event that a Mobtel Proceeding has been brought and is continuing on such date, the GSM Letters of Credit shall be renewable on an annual basis until such date as shall be the sixtieth Business Day after the final adjudication or conclusion of the subject Mobtel Proceedings.


All payments under the GSM Letters of Credit shall be made without any set-off or counterclaim.

SECTION 4 CONDITIONS PRECEDENT

Clause 4.1 Closing of the sale and purchase of the SIN Shares and the OTE Shares shall be conditional upon the following conditions having been fulfilled:

- (a) the incorporation and registration of Telekom Srbija a.d. as a joint stock company under the laws of the Republic of Serbia with the founding capital as provided in the Enterprise Law;
- (b) all of the representations and warranties of each of the parties hereto shall be true and correct in all material respects as at the Closing Date, and all covenants and agreements to be fulfilled and complied with by the parties prior

to the Closing Date shall have been so fulfilled and complied with before the Closing Date;

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- (c) the entering into by the PTT and Telekom Srbija of the Acknowledgement of Transfer and the transactions and agreements described therein together with any and all other agreements which are necessary or desirable to give effect to the transfer of the Telecommunications Business to Telekom Srbija upon the terms and subject to the conditions acknowledged and agreed to by the PTT and Telekom Srbija;
 - (d) the granting by the PTT to Telekom Srbija of the pertinent rights and authorities to operate and provide fixed telecommunications networks and to provide fixed telecommunications services in the Republic of Serbia, as more particularly set out in the Assignment;
 - (e) the granting by the Government of a license to Telekom Srbija for cellular services in accordance with the GSM standard in the 900 MHz band in the Republic of Serbia, as more particularly set forth in the GSM License agreement;
 - (f) the obtaining by the PTT, SIN and OTE of any and all consents required from relevant governmental bodies, agencies, or regulatory authorities (including, but not limited to, those of the Republic of Serbia and the Federal Government) in order to give effect to the transactions contemplated by the Transaction Documents;
 - (g) the parties shall have approved the Ten Year Business Plan;
 - (h) the Transaction Documents shall have been executed and delivered by all of the parties thereto; and
 - (i) Telekom Srbija shall have amended its founding decision and adopted the Articles and have issued the Golden Share in accordance therewith.

Clause 4.2 The PTT and SIN and OTE each agree to use and cause their respective Affiliates to use their respective best efforts to ensure that the Conditions Precedent in Clause 4.1 are fulfilled as soon as possible and in any event by September 30, 1997, failing which this Agreement shall automatically terminate and no party shall have any claim of any nature

whatsoever against any other party under this Agreement (save in respect of accrued rights arising from any prior breach of this Agreement). SIN and OTE each agree to use their respective best efforts to cause that portion of the Purchase Price referred to in Article 3.1(a) to be wired to the PTT designated accounts noted in the Closing Memorandum as soon as possible following the completion of all the foregoing Conditions Precedent.

SECTION 5 REPRESENTATIONS AND WARRANTIES OF THE PTT

Clause 5.1 The PTT represents and warrants to each of SIN and OTE that, as of the Closing Date and except with respect to the agreements and transactions relating to the Mobtel Agreement or any claim or proceeding that may have been made or brought or may be made or brought and/or involve the PTT, Mobtel or any third party arising thereunder or relating thereto:

- (a) **Authorization; Due Execution** The PTT has all requisite power and authority to execute and deliver this Agreement, to perform its obligations under this Agreement and the other Transaction Documents and to consummate the transactions contemplated hereby and thereby. This Agreement and the other Transaction Documents have been duly authorized, executed and delivered by the PTT, and constitute the binding, legal and valid obligations of the PTT enforceable against it in accordance with their respective terms.
- (b) **No Violation** Neither the execution or delivery by the PTT of this Agreement or the other Transaction Documents nor the consummation of the transactions contemplated hereby or thereby (a) violates any material agreement, commitment, judgment or order to which the PTT is a party or (b) contravenes any law or regulation having applicability to the PTT.
- (c) **Litigation** There is no material claim, action, proceeding, arbitration, investigation or hearing pending or threatened, by or before any court or governmental or administrative agency or authority or private arbitration tribunal against the PTT, nor has any been threatened in writing to the PTT, involving the transactions contemplated by this Agreement and the other Transaction Documents.
- (d) **Approvals/Consents.** Other than those consents and approvals which have already been obtained, no consent or approval of any governmental or

administrative body is required to authorize the PTT to enter into this Agreement or any of the other Transaction Documents or perform its obligations hereunder or thereunder.

- (e) **Ownership of Shares.** As at the date of this Agreement the PTT is, and immediately prior to Closing the PTT will be, and immediately after the Closing SIN and OTE, respectively, will be the legal and beneficial owner of the SIN Shares and the OTE Shares. The SIN Shares and the OTE Shares, both immediately prior to and immediately after the Closing, will be free from all security interests, options, equities, claims or other third party rights (including rights of pre-emption) of any nature whatsoever.
- (f) **Organization and Standing of Telekom Srbija** Telekom Srbija is a joint stock company established pursuant to the Enterprise Law and duly registered and validly existing under the laws of the Republic of Serbia.
- (g) **No Violation - Telekom Srbija** Neither the execution or delivery by the PTT of this Agreement or any of the other Transaction Documents, nor the consummation of the transactions contemplated hereby or thereby (a) violates any material agreement, commitment, judgment or order to which Telekom Srbija is a party or by which Telekom Srbija or its property is bound, or (b) contravenes any law or regulation having applicability to Telekom Srbija, other than those violations or contraventions which, in the aggregate would not have a material adverse effect on the value of Telekom Srbija.
- (h) **Ownership of Telecommunications Assets** Telekom Srbija is or will be the legal owner of all of the Telecommunications Assets, transferred (or to be transferred) by the PTT to Telekom Srbija, as described in the Acknowledgment of Transfer.
- (i) **PTT Employees** The information set forth in Exhibit "H" in respect of the maximum number of the PTT employees to be transferred to Telekom Srbija, their respective job qualifications and their total Gross Salary Costs (as defined in such Exhibit) as at such date and for such period as set forth in Exhibit "H", is true and correct in all material respects. The employees of Telekom Srbija as

at the Closing Date shall have, in the aggregate, sufficient job qualifications to conduct the Telecommunications Business.

(j) **Direct Telecoms Revenues** The PTT's Direct Telecoms Revenues for the year ended 31 December 1996 are as set forth in Exhibit "D" to this Agreement.

(k) **Paying Subscriber Lines** As at 1 May 1997, the Telecommunications Business had a total of 1,950,000 Paying Subscriber Lines. For the purpose of ascertaining the accuracy of this representation, the number of Paying Subscriber Lines stated in the foregoing sentence shall be deemed by the parties to be accurate if any audit conducted hereafter shall determine that the number of Paying Subscriber Lines as at 1 May 1997 was actually up to thirty thousand (30,000) in number more or less than the number stated above.

(l) **Liabilities** The Liabilities of Telekom Srbija as at the Closing Date shall be as set forth in Exhibit "A" to this Agreement.

(m) **No Impediment** Neither the execution and delivery of this Agreement or the other Transaction Documents by the PTT, nor the consummation or performance of any of the transactions contemplated hereby or thereby, will give any person the right to prevent, delay or otherwise interfere with any transactions contemplated by this Agreement or the other Transaction Documents pursuant to:

- (i) any provision of the founding documents or the Articles;
- (ii) any resolution adopted by the board of directors or shareholder of the PTT;
- (iii) any legal requirement or order to which the PTT may be subject; or
- (iv) any agreement to which the PTT is a party or by which it may be bound.

Clause 5.2 The PTT shall not be liable for any Claim unless it receives from SIN or OTE, as the case may be, prior written notice containing reasonable details of the Claim including the

notifying party's reasonable estimate (on a without prejudice basis) of the amount of such Claim on or before a date which is not later than 180 days after the delivery of the Audit referred to in Section 9 hereof. Nothing contained in Section 9 hereof regarding the scope of the Audit shall in any way limit the right of the Strategic Party to bring a Claim in respect of a breach of any Warranty made by the PTT in Clause 5.1 hereof.

Clause 5.3 The liability of the PTT in respect of any Claim shall terminate absolutely if arbitration proceedings in respect of such a Claim in accordance with the provisions of Section 21 of this Agreement shall not have been commenced by SIN or OTE, as the case may be, or the PTT within the period of eighteen months from the giving of notice of such Claim.

Clause 5.4 Except as otherwise specifically provided for by this Section 5, SIN and OTE each confirm to the PTT that at the time of entering into this Agreement it is not aware of any fact or circumstance which it knows (or could reasonably be expected to know) gives rise to a Claim.

Clause 5.5 The PTT shall have no liability in respect of any Claim to the extent that the claim in question would not have arisen but for a voluntary act or transaction carried out by SIN and/or OTE, as the case may be, or Telekom Srbija if such act or transaction was carried out as a direct result of SIN and/or OTE, as the case may be, exercising such powers in relation to Telekom Srbija as are conferred on either or both of SIN and/or OTE in the Shareholders' Agreement on or after the date of this Agreement (unless required by law or regulation), and which SIN and/or OTE, as the case may be, was aware might give rise to that Claim.

Clause 5.6 If any Claim is made by SIN or OTE for Costs incurred by such person as a result of a breach of Warranty in accordance with the provisions of this Section 5 and the PTT's liability is thereafter duly established:

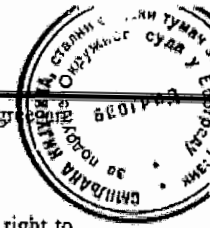
- (a) in relation to any breach of the Warranty made by the PTT in Clause 5.1(h), the only obligations on the PTT shall be to use its best efforts to transfer or procure the transfer to Telekom Srbija of any Telecommunications Asset that was not so transferred or duly transferred to Telekom Srbija promptly after the Audit referred to in Article 9;
- (b) in relation to any breach of the Warranty made by the PTT in the second sentence of Clause 5.1(i), the only obligations on the PTT shall be to cause the employees of Telekom Srbija to consist of individuals that have, in the

aggregate, such qualifications as the PTT and SIN and OTE shall agree to be sufficient to conduct the Telecommunications Business; and


- (c) in relation to any breach of any other Warranty, SIN's and/or OTE's right to recover any Costs incurred by it from the PTT in respect of such breach shall be limited to the maximum amount of, and to monies actually received by or designated to otherwise be received by the PTT in respect of, (i) any gain sharing arrangement between the PTT and SIN and/or OTE relating to the sale of shares of capital stock of Telekom Srbija by SIN and/or OTE pursuant to Clause 7.3 of the Shareholders' Agreement, and (ii) any dividends which may be paid to the PTT in its capacity as a shareholder in Telekom Srbija. Notwithstanding the provisions of the Shareholders' Agreement, the PTT hereby agrees that in the event that it has been finally determined pursuant to the applicable provisions of this Agreement that the PTT is liable to SIN and/or OTE in respect of a Claim or for other amounts due pursuant to this Agreement (a "Decided Claim"), and to the full extent of the Costs of such Decided Claim, any and all amounts thereafter payable to the PTT in respect of dividends on common voting stock of Telekom Srbija shall be paid on a priority basis directly to SIN and/or OTE, as the case may be, in accordance with the applicable provisions of this Agreement until the Costs owed by the PTT to SIN and/or OTE, as the case may be, pursuant to such Decided Claim have been paid in full. For the purposes of deciding Costs in respect of a Decided Claim, interest shall be calculated and added to the outstanding amount of any such Decided Claim at the rate of Fibor plus 50 basis points per annum, compounded annually.

Clause 5.7 The PTT and each of SIN and OTE agree that simultaneously with (i) the delivery of the GSM Qualification Clearance Notice attached as Exhibit "F", and/or the delivery of the GSM First Anniversary Notice set forth as Exhibit "E" and (ii) the consequent payment to the PTT of the full amount of the GSM Letters of Credit the PTT shall issue in favour of each of SIN and OTE the indemnification set forth in Exhibit "I" hereto, whereupon such indemnification shall become incorporated into this Agreement and SIN and OTE shall have the rights in respect of such Claim as specified in paragraph (c) of Clause 5.6.

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SECTION 6 SIN REPRESENTATIONS AND WARRANTIES**Clause 6.1** SIN represents and warrants to the PTT as follows:-

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- (a) **Authorization; Due Execution** SIN has all requisite power and authority to execute and deliver this Agreement and the other Transaction Documents, as applicable, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement and the other Transaction Documents, as applicable, have been duly authorized, executed and delivered by SIN, and constitute the binding, legal and valid obligations of SIN, enforceable against it in accordance with their respective terms.
- (b) **No Violation** Neither the execution or delivery by SIN of this Agreement and the other Transaction Documents, as applicable, nor the consummation of the transactions contemplated hereby and thereby (a) violates any material agreement, commitment, judgment or order to which SIN is a party or (b) contravenes any law or regulation having applicability to it.
- (c) **Litigation** There is no material claim, action, proceeding, arbitration, investigation or hearing pending or threatened in writing to SIN by or before any court or governmental or administrative agency or authority or private arbitration tribunal against SIN involving the transactions contemplated by this Agreement or the other Transaction Documents.
- (d) **Approvals/Consents.** Other than those consents and approvals which have already been obtained, no consent or approval of any governmental or administrative body is required to authorize SIN to enter into this Agreement or the other Transaction Documents, as applicable, or perform its obligations hereunder or thereunder.
- (e) **No Impediment** Neither the execution and delivery of this Agreement or the other Transaction Documents by SIN, nor the consummation or performance of any of the transactions contemplated hereby or thereby, will give any person the right to prevent, delay, or otherwise interfere with any transactions

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contemplated by this Agreement or the other Transaction Documents to:

- (i) any provision of the articles of incorporation or bylaws of SIN;
- (ii) any resolution adopted by the board of directors or the shareholders of SIN;
- (iii) any legal requirement or order to which SIN may be subject; or
- (iv) any agreement to which SIN is a party or by which it may be bound,

- (f) **Ultimate Parent Entity** As of the effective time of the Merger, STET shall be the Ultimate Parent Entity.

Clause 6.2 SIN undertakes to indemnify the PTT and Telekom Srbija against any Costs which the PTT or Telekom Srbija may incur in connection with any Claim relating to a breach of a SIN Warranty; provided, however, that SIN shall have received written notice containing reasonable details of the Claim including a reasonable estimate (on a without prejudice basis) of the amount of such Claim on or before a date which is not later than 180 days after the delivery of the Audit referred to in Section 9 hereof. Nothing contained in Section 9 hereof regarding the scope of the Audit shall in any way limit the right of the PTT or Telekom Srbija to bring a Claim in respect of a breach of any SIN Warranty made in Clause 6.1 hereof.

Clause 6.3 The liability of SIN in respect of any Claim shall terminate absolutely if arbitration proceedings in respect of such a Claim in accordance with the provisions of Section 21 of this Agreement shall not have been commenced by the PTT or Telekom Srbija within the period of eighteen months from the giving of notice of such Claim.

SECTION 7 OTE REPRESENTATIONS AND WARRANTIES

Clause 7.1 OTE represents and warrants to the PTT as follows:-

- (a) **Authorization; Due Execution** OTE has all requisite power and authority to execute and deliver this Agreement and the other Transaction Documents, as applicable, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement and the other Transaction Documents, as applicable, have been duly authorized, executed and delivered by OTE, and constitute the binding,



legal and valid obligations of OTE, enforceable against it in accordance with their respective terms.

- (b) **No Violation** Neither the execution or delivery by OTE of this Agreement and the other Transaction Documents, as applicable, nor the consummation of the transactions contemplated hereby and thereby (a) violates any material agreement, commitment, judgment or order to which OTE is a party or (b) contravenes any law or regulation having applicability to it.
- (c) **Litigation** There is no material claim, action, proceeding, arbitration, investigation or hearing pending or threatened in writing to OTE, by or before any court or governmental or administrative agency or authority or private arbitration tribunal against OTE involving the transactions contemplated by this Agreement or the other Transaction Documents.
- (d) **Approvals/Consents.** Other than those consents and approvals which have already been obtained, no consent or approval of any governmental or administrative body is required to authorize OTE to enter into this Agreement or the other Transaction Documents, as applicable, or perform its obligations hereunder or thereunder.
- (e) **No Impediment** Neither the execution and delivery of this Agreement or the other Transaction Documents by OTE, nor the consummation or performance of any of the transactions contemplated hereby or thereby, will give any person the right to prevent, delay, or otherwise interfere with any transactions contemplated by this Agreement or the other Transaction Documents pursuant to:
- (i) any provision of the articles of incorporation or bylaws of OTE;
 - (ii) any resolution adopted by the board of directors or the shareholders of OTE;
 - (iii) any legal requirement or order to which OTE may be subject; or
 - (iv) any agreement to which OTE is a party or by which it may be bound.



Clause 7.2 OTE undertakes to indemnify the PTT and Telekom Srbija against any Costs which the PTT or Telekom Srbija may incur in connection with any Claim relating to a breach of an OTE Warranty; provided, however, that OTE shall have received written notice containing reasonable details of the Claim including a reasonable estimate (on a without prejudice basis) of the amount of such Claim on or before a date which is not later than 180 days after the delivery of the Audit referred to in Section 9 hereof. Nothing contained in Section 9 hereof regarding the scope of the Audit shall in any way limit the right of the PTT or Telekom Srbija to bring a Claim in respect of a breach of any OTE Warranty made in Clause 7.1 hereof.

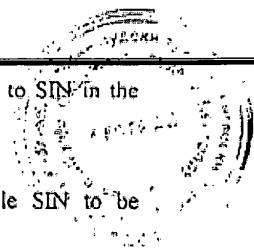
Clause 7.3 The liability of OTE in respect of any Claim shall terminate absolutely if arbitration proceedings in respect of such a Claim in accordance with the provisions of Section 21 of this Agreement shall not have been commenced by the PTT or Telekom Srbija within the period of eighteen months from the giving of notice of such Claim.

SECTION 8 CLOSING

Clause 8.1 The Closing of the sale and purchase of the SIN Shares and the OTE Shares shall be completed on the Closing Date simultaneously at such location or locations as the parties may agree in accordance with the Closing Memorandum and the Transaction Documents.

Clause 8.2 At Closing, as more specifically described in the Closing Memorandum:

- (a) the parties shall have signed and delivered all of the Transaction Documents and all such other documents as may be necessary to give effect to the transactions contemplated hereby and thereby;
- (b) the Purchasers shall:
 - (i) pay that portion of the Purchase Price (reduced as the PTT may instruct for the payment of its fees or costs) provided by paragraph (a) of Clause 3.1; and
 - (ii) physically deliver to the PTT (or its designee) the Letters of Credit;
- (c) against payment by the Purchasers of the Purchase Price as set forth above, the PTT shall deliver to SIN and OTE, as applicable:

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- (i) duly executed certificates representing the SIN Shares to SIN in the name of SIN;
 - (ii) such other documents as may be required to enable SIN to be registered as the holder of the SIN Shares;
 - (iii) duly executed certificates representing the OTE Shares to OTE in the name of OTE; and
 - (iv) such other documents as may be required to enable OTE to be registered as the holder of the OTE Shares.

Clause 8.3 For the avoidance of doubt, the parties hereby agree that the Purchasers shall be deemed to have paid the portion of the Purchase Price referred to in item (i) of Clause 8.2(b) at such time as the sum referred to in Clause 3.1(a) has actually been received in the bank account or accounts specified in the Closing Memorandum as designated by the PTT for the receipt of such funds.

SECTION 9 POST CLOSING AUDIT

Clause 9.1 The parties have agreed that within 90 days of Closing they shall procure that an audit of Telekom Srbija shall take place in accordance with this Section 9 (the "Audit"), the purpose of such audit being to determine the accuracy of the representations and warranties set forth in Clauses 5.1(h) through (l). Additionally, the Audit shall also encompass a review of the fixed line frequencies transferred to Telekom Srbija in accordance with the Acknowledgment of Transfer in order to determine whether those frequencies specified to be transferred have been so transferred.

Clause 9.2 The audit shall be carried out in accordance with Serbian GAAP by Arthur Andersen or, if such firm is not engaged for any reason, then SIN shall propose to the PTT two independent internationally recognized auditing firms and the PTT shall select one of such firms (the "Auditors"), on the following terms and conditions:

- (a) the parties shall, or if necessary shall procure, that the Auditors shall be provided with such information as they shall reasonably require to carry out the Audit;
- (b) the findings of the Auditors shall be final and binding; and