

2<sup>nd</sup> April 2014

## Project Piran: Invitation to Submit an Expression of Interest

*For the potential sale of 4,754,523 ordinary shares representing 72.75% of the share capital of Telekom Slovenije d.d.*

Dear Sirs,

On behalf of the Republic of Slovenia, Slovenska odškodninska družba, d.d. ("**SOD**"), Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d. ("**KAD**"), Pozavarovalnica Sava, d.d. and Zavarovalnica Triglav, d.d. (together the "**Sellers**"), we would like to thank you for your interest in considering a potential acquisition of 4,754,523 ordinary registered non-par value shares ("**Shares**") representing 72.75% of the share capital of Telekom Slovenije, d.d. (the "**Company**" or "**Telekom Slovenije**") (the "**Transaction**"). The Company together with its 13 subsidiaries (5 based in Slovenia and 8 abroad) constitutes the Telekom Slovenije Group (the "**Group**").

On 21<sup>st</sup> June 2013, the National Assembly of the Republic of Slovenia adopted a resolution approving, among other things, the disposal of shares of Telekom Slovenije held by the Republic of Slovenia, SOD and KAD that collectively represent 72.38% of the Company's share capital. Moreover, on 29<sup>th</sup> August 2013, the Sellers signed an Agreement on Joint Sale of Shares of the Company (the "**Share Sale Agreement**") for a combined 4,754,523 Shares representing 72.75% of the share capital of Telekom Slovenije. Pursuant to the Share Sale Agreement, SOD is authorised to carry out certain steps in the sale process on behalf of the Sellers.

Additional shareholders of Telekom Slovenije, which collectively own 185,270 Shares representing 2.83% of the Company's share capital, have signed Letters of Intent expressing an interest in selling their shares in the context of the Transaction. These additional shares, together with the shares of the Sellers, represent 75.58% of the share capital of Telekom Slovenije.

Citigroup Global Markets Limited ("**Citi**" or the "**Financial Adviser**") has been retained by the Sellers as their financial adviser in connection with the proposed Transaction.

The purpose of this invitation is to solicit expressions of interest from persons (the "**Interested Parties**") wishing to participate in the multi-stage process for selecting the preferred counterparty for the Transaction (the "**Process**"). Following the expression of interest, qualified parties will, in subsequent phases, be requested to provide non-binding written indications of interest for the proposed Transaction, before binding written offers are solicited from the parties that reach that phase of the process. The Sellers intend to complete the Process as smoothly as possible while maximising sale proceeds and transaction certainty.

### Overview of Expression of Interest Phase

This invitation to submit an expression of interest (this "**Invitation**") sets out the details with respect to the expression of interest phase of the Process. A summary briefing document regarding Telekom Slovenije and the Transaction (the "**Teaser**") is also available upon request.

Following the review of this Invitation and the Teaser, Interested Parties are invited to express their interest to participate in the Process by submitting a letter of expression of interest, accompanied by the documentation specified below (the “**Expression of Interest**”). The purpose of the Expression of Interest is to facilitate the evaluation of the legal and financial capacity of Interested Parties required for the acquisition and ownership of Telekom Slovenije.

The deadline for the submission of the Expression of Interest is **5 pm GMT on 23<sup>rd</sup> April 2014**. The Expression of Interest should be sent by email along with accompanying documents by the deadline to Emmanuel Gionakis and Ioannis Mavridis at Citi (together the “**Citi Representatives**”) at their email addresses set out at the end of this Invitation, followed by an original sent by courier to Emmanuel Gionakis at the address:

Citigroup Global Markets Ltd  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB, United Kingdom

The Expression of Interest should be in English and signed and dated on behalf of your organisation by a duly authorised officer and include the name, title and contact details of the person(s) to be contacted should we require clarification in relation thereto. In the event that the Indicative Offer is submitted by a consortium, it should be signed and dated by the respective duly authorized officers of each of the organisations constituting such a consortium including all the above-mentioned details.

Any Expression of Interest received after 5 pm GMT on 23<sup>rd</sup> April 2014 will not be accepted. Any delay by accident or for *force majeure* reasons will not be recognised as a justified reason for late reception of the Expression of Interest.

### **Overview of Subsequent Process**

Interested Parties qualified for the next phase of the Process (“**Qualified Interested Parties**”) will be required to sign a confidentiality agreement and receive further information about the contemplated Process and the Company.

### **Legal Eligibility Criteria**

Any Interested Party, or in case of a consortium, each consortium member, wishing to participate in the Process will need to demonstrate that it meets the legal eligibility criteria set out below (collectively, the “**Legal Eligibility Criteria**”). Expressions of Interest submitted by Interested Parties that fail to meet all of the Legal Eligibility Criteria will not be permitted to take part in the Process.

- a. Interested Parties who have committed in any jurisdiction criminal offences which are related to their professional or business conduct are not permitted to take part in the Process and consequently shall be disqualified. As regards joint stock companies, this disqualification criterion also applies to the current chairman and members of the supervisory board or similar supervisory and corporate bodies based on the articles of association or equivalent document of the legal entity. For other types of legal entities, the above disqualification criterion also applies to the company’s directors and other legal representative(s). Offences related to professional or business conduct include (but are not limited to) embezzlement, extortion, forgery, perjury, fraudulent bankruptcy and additionally:

- i. participation in a criminal organisation, as defined in article 2, paragraph 1 of the Joint Act 98/733/JHA of the Council of the European Communities (the “Council”) (OJ L 351/1 of 29.12.1998);
  - ii. bribery, as defined in article 3, paragraph 1 of the Joint Act 98/742/JHA of the Council (OJ L 358 of, 31.12.1998);
  - iii. fraud, in the meaning of Article 1 of the Convention on the Protection of the European Communities’ financial interests (OJ C 316 of 27.11.1995), relating to the protection of financial interests/concerns of the European Communities; and
  - iv. money laundering, as defined in article 1 of Directive 91/308/EC of the Council, on the prevention of exploitation of the financial system for money laundering (OJ L166/77 of 28.06.1991).
- b. Interested parties and each consortium member will not be able to participate in the Process:
- i. if an interested party or relevant consortium member is bankrupt, in liquidation, in compulsory receivership or in any other insolvency process specified in the law of the country where the interested party or relevant consortium member is incorporated;
  - ii. if proceedings have been instigated against an interested party or relevant consortium member for bankruptcy, liquidation, compulsory receivership, bankruptcy settlement or any other insolvency process specified in national, legal and regulatory provisions;
  - iii. if an interested party or relevant consortium member has not fulfilled its obligations as regards payment of social security contributions, in accordance with the law of the country where the interested party or relevant consortium member is incorporated;
  - iv. if an interested party or relevant consortium member has not fulfilled its obligations regarding payment of taxes and duties, in accordance with the law of the country where the interested party or relevant consortium member is liable to pay tax; and
  - v. if an interested party or relevant consortium member has been found guilty of making false representations or to have neglected to submit required information in accordance with the law of the country where the interested party or relevant consortium member is incorporated.

### **Formation of Consortium**

If you consider bidding as part of a consortium, you should disclose to Citi and the Sellers the identities of all contemplated consortium members, as indicated in item (e) of Contents of Expression of Interest. For the avoidance of doubt, if a consortium is formed during the expression of interest phase and qualifies to participate in the next phase of the Process, then only such consortium as a whole shall be considered to be a Qualified Interested Party.

In case a consortium is planned to be formed after the submission of Expression of Interest, it must include at least one member who is a Qualified Interested Party and should receive a written approval from the Sellers prior to the start of any discussions or sharing of confidential information to any third parties. Any intended change in the composition of an existing consortium following the submission of Expression of Interest must also be notified to the Sellers and Citi in advance in writing. No formation of a consortium or amendment to any members of an existing consortium following the submission of Expression of Interest may take place without

confirmation that the consortium and its members continue to be in compliance with the Legal Eligibility Criteria, and, in case the changes are requested after the submission of the Expression of Interest, the provision of all details required under paragraphs (a) - (d) and (i) of the Contents of Expression of Interest set forth hereafter.

An interested party may only make one submission of an Expression of Interest. A member of a consortium may not participate in more than one consortium at the same time during the Process, nor may a member of a consortium participate in the Process as a single interested party. A breach of this paragraph shall cause the immediate disqualification of the relevant interested party and any consortium of which it is a member.

### **Contents of Expression of Interest**

Your Expression of Interest should include the following items in the form and sequence below:

- a) Summary description of the Interested Party including its full name, address and registered office, telephone and fax number, as well as business overview and disclosure of interests in businesses, which compete either directly or indirectly with the Group;
- b) Details of the composition of the supervisory board or other relevant administrative and corporate bodies of the Interested Party;
- c) Details of the immediate and ultimate beneficial ownership in the Interested Party (holding more than 5% of equity in case of a listed entity);
- d) Description of the Interested Party's experience in the Slovenian, European and/ or global telecommunication sector, transactions you have done in this sector in the last five years and how the target companies in such transactions have developed under your ownership. Please also describe the experience of the essential members of your transaction team in particular in the European telecommunication sector. Please also describe your experience in recent years with transactions of similar or larger size in other sectors in Europe or worldwide;
- e) In case of a consortium, a description of each of the consortium members, as outlined in items a) – d) above, the percentage shareholding and equity contribution (or membership or ownership interest as applicable) of each consortium member, the level of formality agreed among your consortium members and confirmation that your consortium members have agreed to participate in the Transaction exclusively as part of your consortium. In addition, a confirmation of any leading party in your consortium is required;
- f) Description of the Interested Party's strategic rationale for pursuing and completing the Transaction;
- g) Details of the sources the Interested Party or consortium intends to use, and have access to, in order to fund the Transaction, including debt and equity financing. A statement should be made as to whether the required financing is currently available or whether it would need to be raised in the future, including a statement for the anticipated shareholders' stance and support for such future fund raising. Should the required financing need to be raised in the future, list all possible alternatives, including the likely length of time of each undertaking and applicable pre-conditions, circumstances or approvals. The Interested Party should also provide any relevant documents or information that support its strong financial standing and demonstrates its ability to fund a Transaction;
- h) Details of any potential issues which the Interested Party envisages in terms of process, timing, due diligence and other information requirements in order to be able to submit a fully financed Binding Offer;

- i) Declaration that the Interested Party complies with the Legal Eligibility Criteria, as set in this Invitation, prepared by the Interested Party's duly authorised legal representative. The Sellers and Citi reserve the right to request further evidence of compliance at the time of or subsequent to the submission of the Expression of Interest;
- j) The Interested Party's initial view on any regulatory and competition implications of the proposed Transaction, including a description, estimated time to approval and potential consequences of any anticipated required regulatory or competition filings or approvals in order to consummate the Transaction. Please indicate the amount of revenues, if any, generated in the EU and in Slovenia, in each case on the relevant market, separately for the purchaser, including any of its affiliates;
- k) Confirmation that the Interested Party, or in case of a consortium, each consortium member, is acting as principal for its own account and not in conjunction with, or as agent or broker for any other party;
- l) Declaration that the Interested Party unconditionally accepts the terms of this Invitation;
- m) Declaration that there are no matters which restrict the Interested Party from submitting the Expression of Interest and confirmation that the Interested Party's board, investment committee or any other body with equivalent decision-making authority has consented to the Interested Party's response to the Invitation;
- n) Declaration that the participation in the Process takes place at the sole risk and expenses of the Interested Party and that the participation as such or dismissal of an Expression of Interest does not, in each case, establish any right to compensation from Sellers, the Company, or their respective advisers;
- o) Contact details of the person to whom we can address all communications with regard to the Expression of Interest.

### **Qualification Criteria**

Following the receipt and evaluation of each of the Expressions of Interest, the Sellers and the Financial Adviser on the Sellers' behalf, will determine whether an Interested Party qualifies for the next phase of the Process.

Interested Parties will be qualified to the next phase of the Process based on the following criteria, ranked equally in terms of importance:

1. financial certainty, i.e., ability, if and when so selected, to conclude the Transaction in their own financial capacity and with certain and available funds (taking into account the information provided under Contents of the Expression of Interest (g), above);
2. transaction certainty, i.e. certainty that, if and when so selected, can complete the Transaction expeditiously, with no undue delays or risks to completion sought to be imposed upon the Sellers (taking into account the information provided under Contents of the Expression of Interest (d), (f) and (j) above).

The Sellers and Citi reserve the right, after the receipt of the Expressions of Interest to ask Interested Parties who have submitted an Expression of Interest to submit additional documents supporting the statements made in the submission and/or to conduct their own investigation as to the assertions made in the submission. Furthermore, for the purposes of running an efficient and practical process, the Sellers and Citi expressly reserve the right to limit the number of parties into the next phase of the Process.

If you are invited into the next phase of the Process, you will be sent another letter containing full details of that phase of the Process.



## Other Matters

The Sellers and Citi expressly reserve the right, at any time and in any respect, without giving notice or reasons, to amend or terminate the procedures currently envisaged for the Process, including to terminate discussion(s) with any or all prospective purchasers.

Neither the Sellers nor Citi are under any obligation to consider or accept any Expressions of Interest made. Under no circumstances whatsoever will you have any claim against the Seller, the Company or Citi for any damages or otherwise in connection with the termination of negotiations with you. Under no circumstances will any of the Seller, the Company, Citi or any of their respective subsidiaries, shareholders, investors, affiliates, partners, directors, officers, employees, managers, advisers, or agents ("**Related Parties**") be responsible for any costs or expenses incurred by you in connection with any appraisal or investigation under the sale process or arising out of the evaluation of information provided to you.

Neither this Invitation nor the release of any confidential information to you constitutes an offer or invitation for the sale or purchase of any of the businesses or assets described herein or a tender therefor and neither the Company, Citi, nor any of their respective Related Parties shall have any obligation to you except in so far as they are expressly set out in any binding agreement ultimately entered into with you to effect the Transaction.

Except in the ordinary course of business in accordance with past practice, neither you, nor any party connected with or related to you, should contact or communicate with, either directly or indirectly, any shareholder, officer or employee of the Company, or of any company in the Sellers' groups, or any other party regarding this potential sale, unless specific written permission is obtained in advance from the Citi Representatives. All communications or enquiries relating to these matters should be directed to a Citi Representative.

This letter, the relationship between the parties referred to in it in respect of the sale process relating to the Company and the conduct of the procedure for that Process shall be governed by, and construed in accordance with, Slovenian law. The courts in Ljubljana shall have exclusive jurisdiction over any disputes arising under or in connection with the foregoing.

Each of the Seller, the Company, Citi, and their respective Related Parties expressly state that no representation or warranty is made by this Invitation or by any other written material furnished or information orally transmitted to any prospective purchaser and expressly disclaim any and all liability for representations, warranties deemed to be made or statements contained in this letter or in any other written material furnished or information orally transmitted to any prospective purchaser.

By submitting an Expression of Interest you confirm that you are a person able to receive the information provided to you (or which may be provided to you in any subsequent phase) without contravention of any unfulfilled registration requirements or other applicable legal or regulatory restrictions in the jurisdictions in which you reside or conduct business.

Notwithstanding the preceding paragraph, by submitting an Expression of Interest, you confirm that:

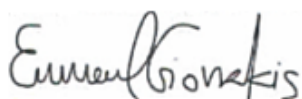
- a) you are a person that falls within one of the exemptions contained in paragraph 19, paragraph 49, paragraph 50 or paragraph 50A of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; and
- b) you are eligible to be deemed a professional client within the meaning set forth in Article 44 of the Slovenian Financial Instruments Market Act (OG, No. 108/10 - UPB, 78/11, 55/12, 105/12 - ZBan-1J in 63/13 - ZS-K).

If you have any questions concerning this stage of the sale process, please contact any of the following persons at the address and telephone numbers indicated below:

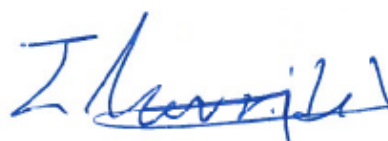
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Yours faithfully,



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