

# Czech Republic

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## New Takeover Act

Paul Sestak and Michal Pravda  
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A new standalone act on takeover bids (the Takeover Act) entered into force as of April 1 2008. The main purpose of the Takeover Act is to finalise the implementation of Directive 2004/25/EC on Takeover Bids. This implementation has been overdue since May 20 2006, when the implementation deadline expired.

Before the effective date of the Takeover Act, the takeover rules formed part of the Commercial Code. The new Takeover Act applies to listed shares only and regulates both voluntary and mandatory bids. The general framework of a public bid made to shareholders continues to be part of the Commercial Code.

The former thresholds triggering a mandatory bid of two-thirds or three-quarters of the share capital or voting rights in the target company have been abolished. The new threshold for launching a mandatory bid is 30% of the voting rights in a target company, while control of the target company must also be acquired.

### Highest price

Further, the consent of the Czech National Bank (CNB) to the publication of the bid must be obtained. The bidder must submit the draft bid to the CNB within 15 business days of triggering the obligation to launch the bid. The CNB may, upon the bidder's request, extend this period by up to 30 business days. A mandatory bid must be launched within 30 days of the acquisition that triggered the obligation. The triggering of an obligation to launch a mandatory bid must be published without undue delay.

If no decision is made by the CNB within 15 business days of the delivery of the draft bid, consent to the publication of the bid is deemed to have been granted. The draft bid

must be submitted to the board of directors and the supervisory board of the target company no later than 10 business days before the bid's publication.

Within five business days of delivery of the draft bid, the board of directors and supervisory board of the target company must prepare their joint written opinion on whether the bid is in compliance with the interests of the target company, addressees of the bid, employees and creditors of the target company, and, in particular, on the kind and amount of consideration offered. This opinion must be handed over to the bidder and the CNB within two business days of its preparation. The opinion must be published either together with the bid by the bidder or by the target company without undue delay.

The consideration offered may be in cash or securities, or a combination of both. For mandatory bids, if the offered securities are not liquid securities traded on a regulated market, alternative cash consideration must be offered; the same applies if the offeror or persons acting in concert acquire securities of the target company with at least 5% of the voting rights within the 12 months preceding the triggering of the bid obligation.

For mandatory bids, the amount of consideration must correspond to at least the highest price for which the person obliged to launch the bid or persons acting in concert acquired the shares of the target company, within the 12 months preceding the triggering of the bid obligation (the premium price).

If no premium price can be determined, the amount of consideration must correspond at least to a weighted average of market prices of the securities of the target company on the regulated market within the six months preceding the triggering of the bid obligation (the average price).

### Additional bids

The consideration is determined and reasoned by the bidder. It is within the bidder's discretion to supply an appraisal of the offered consideration by a court-appointed expert. If no

appraisal is submitted by the bidder, the CNB may request the submission of such an appraisal. In the event of any doubt regarding the correctness of the submitted appraisal, the CNB is entitled to order another appraisal by an expert selected by the CNB at the expense of the bidder.

The offer must remain open for at least four weeks from its publication. If it is open for more than 10 weeks, the bidder must publish a notification of the date of closing of the bid two weeks before the closing. The CNB must be notified of any intention to amend the bid five business days before its publication and the offer must remain binding for at least five business days following the publication of the change. If the publication of the change would result in an extension of the period for which the bid is open, the extension must not exceed two weeks, unless the CNB approves a longer extension. After publication, generally the bid may only be amended in favour of its addressees.

A competing bid may be published at least five business days before the expiry of the original bid term. It must last for the same period as the original bid, and for 10 business days at a minimum. If the period for which the competing bid is open would end after the closing of the original bid, the period of the original bid is extended, so that both bids close simultaneously.

If the bidder acquires securities of the target company representing at least a 90% share of the voting rights and capital of the target company as a result of an unlimited and unconditional bid, it is obliged to launch an additional bid within 30 days of closing of the original bid to the remaining shareholders, for a consideration amount corresponding at least to that of the original bid.

## Capital markets

### Recommended firms

#### Tier 1

White & Case

#### Tier 2

Allen & Overy

Clifford Chance

Procházka Randl Kubr

#### Tier 3

Baker & McKenzie

Brzobohaty Broz & Honsa

CMS Cameron McKenna

Glatzová & Co

Havel & Holásek

Kocián Solc Balastík

Weil Gotshal & Manges

Weinhold Legal

#### Tier 4

Balcar Polansky & Spol

Gide Loyrette Nouel

Gleiss Lutz

Lovells

Squire Sanders & Dempsey

Czech companies' love affair with bank financing continued unabated this year, as did its traditional aversion to the local capital markets. And why not? As one Czech lawyer says: "You have bankers standing in front of the door and offering money for cheap."

The second half of 2007 only saw two IPOs - car retailer AAA Auto in September and industrial property developer VGP in December. A lack of liquidity on the Prague exchange and the poor condition of the international capital markets have made firms hesitant to go down the IPO route. AAA has failed to perform well on the Prague exchange and is viewed as a bad precedent, which will not boost any company's desire to list.

In a sign that the market is not completely dead, New World Resources (NWR) listed on Prague's main market in May 2008, and simultaneously in Warsaw and London. The listing not only showed the enduring attraction of commodities investments, but also a desire for Czech corporate entities to take advantage of the liquidity on other exchanges.

Debt markets have suffered a knock-on effect from the global credit crunch: the situation was so bad between December 2007 and February 2008 that even sovereign issuers stayed out of the market. Investor appetite on the debt side is traditionally stronger in the Czech Republic than for equity, which has led to high levels of competency in capital markets among local law firms.

### White & Case

Michal Dlouhy, the head of White & Case's central and eastern European (CEE) capital markets practice, is widely regarded as one of the best capital markets specialists in the region. "He deserves the credit he is given," says one partner. Another competitor notes that partner Kvetoslav Krejčí is gaining in status very quickly.

Clients are equally complimentary of the firm: "They can always meet tight deadlines and the work is always of high quality. They are nice people too," says one.

White & Case has been active on the standout deals in a relatively inactive market in the past 12 months. The firm acted for the only two IPOs prior to NWR listing: it represented Automobile Group, the owner of AAA Auto, on its listing on the Prague exchange, as well as VGP group on its listing on the Euronext and Prague exchanges in December 2007.

The firm advised Barclays Capital and Deutsche Bank when they acted as arrangers in the establishment of the Czech Republic's €10 billion EMTN programme. On June 3 2008, the Czech government successfully issued €2 billion of Eurobonds off the back of the programme - a sign that the appetite for CEE debt is starting to return. White & Case also advised Morgan Stanley as the arranger of the Czech Export Bank's €1 billion EMTN programme, and on the first two issuances under the programme.

Kvetoslav Krejčí continued his work for CEZ, working for the issuer in the establishment of its €2 billion EMTN programme. The firm also advised CEZ on its first issue under the programme - a €500 million notes issue due 2012. In March 2008, the firm advised JP Morgan as joint bookrunner manager in connection with Central European Media Entertainment's \$425 million convertible note issue.

As well as this impressive list of transactional work, the firm has also been busy providing regulatory advice to a range of financial-sector clients, including Citibank, Credit Suisse and Commerzbank.

#### Leading lawyers

Michal Dlouhy

Kvetoslav Krejčí

### Allen & Overy

Despite the general decline in the Czech equity capital markets, Allen & Overy's Prague office was still involved in one of the few IPOs completed in 2007. The firm advised KBC Securities and its Czech subsidiary Patria Finance as the bookrunner on the IPO of VGP in December 2007. The Belgian indus-

trial real-estate company, which focuses on the CEE region, listed on both the Prague and Euronext exchanges. The firm's work on the €54.6 million listing included passporting the prospectus into the Czech Republic.

As with the other leading firms, Allen & Overy worked in preparation for several IPOs that never got off the ground. The firm's Prague office completed due diligence and prospectus drafting on two listings that never came to fruition, involving a real-estate company and a software company respectively.

The firm's international capabilities give it a significant advantage in capital markets work. "They have great capability in their London office and good Czech lawyers. They can work at a very high level," says a peer. Clients echo similar sentiments. "They were able to offer a service in London and Prague and that was important for the transaction," says one client.

As an illustration of the firm's debt capabilities, it advised Barclays in connection with the passporting of the bank's £40 billion structured-notes programme onto the Prague exchange. Allen & Overy further advised on the Czech law aspects of the public offering and exchange listing of principal-protected notes, which were linked to a basket of commodities issued under the programme. This was the first public offering and stock exchange listing of securities in the Czech Republic by a UK-incorporated issuer.

The firm regularly advises international financial institutions, including Barclays, Citigroup, Deutsche Bank, Goldman Sachs and JP Morgan, on the public offerings of debt securities in the Czech Republic, and assists in passporting matters. Allen & Overy's Prague office has played its part in the firm's advice to industry associations, and is Isda counsel in the Czech Republic.

#### Leading lawyers

Mikuláš Touska

Václav Valvoda

### Clifford Chance

Only three Czech IPOs have got away in the past year, but Clifford Chance still managed to be involved in all of them. The firm advised the underwriters Patria Finance on AAA Auto's listing in September 2007. The firm is also advising property company CA Immo on the potential Frankfurt IPO of its regional fund, with the Prague office handling the due diligence on the Czech and Slovak assets.

On the debt side, the firm advised J&T Finance Group on its €50 million subordinated notes issue in June 2007. The deal was led by partners Vlad Petrus and Martin Glajch - a

lawyer who clients and peers regard as a rising star.

Securitisation techniques are not popular among Czech banks as a means of financing, but Clifford Chance has worked on both securitisations to have taken place in the Czech Republic to date. In March 2008 Petrus and Glajch led a team which advised Home Credit on the amendment of its Kc4.78 billion (€190 million) securitisation of credit card receivables. The pair also advised Bayerische Hypo- und Vereinsbank as structuring agent and underwriter on a different securitisation transaction.

#### Leading lawyers

Vlad Petrus

### Procházka Randl Kubr

Procházka Randl Kubr is described by one rival partner as “definitely the best local capital market firm”, while another says: “They are the one Czech firm with significant Czech capabilities.”

Martin Aschenbrenner has a reputation from peers and clients as an excellent capital markets lawyer. “He doesn’t overcomplicate things. He tries to find the neatest solution,” says one peer. Clients are also impressed with the firm’s service. Says one: “They are very professional and had excellent knowledge of all aspects of the transaction.”

The firm has a well established reputation in domestic debt market work, but this year secured a trophy mandate in the equity markets advising New World Resources NWR in its €1.4 billion IPO in May 2008, listing simultaneously in London, Prague and Warsaw. In another equity deal during the market drought, the firm represented Vienna Insurance Group in connection with its listing of its shares on the Prague exchange in February 2008.

Procházka Randl Kubr was kept busy by a number of debt issues at the end of 2008. The firm represented Calyon as the arranger and lead manager on insurance company Česká Pojist’ovna’s Kc10 billion debt issuance programme, and on the first Kc500 million fixed-rate bond issue under the programme. Again in December it represented Komerční Banka on the establishment of its Kc150 billion debt programme and various issues under the programme.

The firm worked on a standalone Kc9 billion floating-rate bond issue by CSOB Leasing, part of the CSOB banking and financial services group, in December 2007. Procházka Randl Kubr again represented CSOB as lead manager of various mortgage bond issues totalling approximately Kc20 billion. Procházka Randl Kubr carried on work

into the new year, representing UniCredit Bank in its Kc100 billion debt issuance programme in February 2008.

#### Leading lawyers

Martin Aschenbrenner

### Brzobohaty Broz & Honsa

Despite the relative inactivity in the Czech capital markets, Brzobohaty Broz & Honsa is establishing itself as a local specialist in structured and derivative work. Partner Tomáš Otruba is respected by competitors as a leading light in capital markets law. Clients also hold him in high esteem, with one commenting: “He is very smart and very bright.”

Brzobohaty Broz & Honsa advised CEZ regarding its €2 billion share buyback programme, which was finalised in the first half of 2008. The firm also advised PPF Banka as the arranger of a €450 million bond in October 2007 - the largest corporate bond placed on the Prague Stock Exchange.

In addition, the firm has been involved in key developments in the Czech securitisation market. The highlight was advising Czech consumer finance company Home Credit in February 2008 on the amendments to its asset-backed securitisation programme. Senior lawyer Tomáš Sedláček led the transaction, which was the first ever securitisation programme featuring a CEE originator.

Brzobohaty Broz & Honsa’s derivatives work is especially notable. The firm is the only domestic firm that is a member of Isda, and boasts a genuine daily practice in the field. The firm has advised a list of clients on the negotiation and drafting of their Isda documentation, including PPF Banka, RP Capital Group, Czech National Bank, Home Credit & Finance Bank and Bawag Bank. Beyond negotiating Isda documentation, the firm has also helped clients in structuring their derivatives products.

#### Leading lawyers

Tomáš Otruba  
Petr Precechtel

### Havel & Holásek

Havel & Holásek has expanded its ranks in the past year, recruiting four senior attorneys and two associates. The firm has secured roles on some of the few standout equity capital market transactions, having advised on the Czech law elements. It advised Erste Bank, JP Morgan and Merrill Lynch as the underwriters on the Czech aspects of the increase in the Vienna Insurance Group’s share capital and the listing of its shares on the Vienna and Prague exchanges. The transaction valued €1

billion and occurred in May 2008. The firm featured on the AAA Auto listing, carrying out the due diligence investigation for the IPO in August 2007.

#### Leading lawyers

Josef Otcenasek

### Glatzová & Co

In a deal that has boosted the firm’s reputation as a capital market outfit, Glatzová & Co secured a trophy mandate on the Czech equity capital markets deal of the year so far in 2008, when Dana Schweigelová led a team acting as Czech counsel to the managers on the NWR IPO in May 2008.

In May 2007 the firm also provided local legal counsel to the managers Morgan Stanley, Barclays Capital and CitiGroup on NWR’s €300 million high-yield bond issuance.

#### Leading lawyers

Dana Schweigelová

### Other notable firms

Linklaters’ Prague office will form part of a separate regional firm operating across the Czech Republic, Slovakia, Hungary and Romania from November. The new (as yet unnamed) firm will retain all of Linklaters’ local partners, and will keep a close best-friends relationship with the UK firm.

The remaining partners acted on some impressive capital markets transactions in the past year, including a €95 million bond issue with convertible warrants for key client ECE Real Estate Investments, and an €80 million bond issue for the same client, listed on the Prague exchange. On the equity side, in June 2007 the office advised Orco Property Group in its €173 million offering of new shares, and its subsequent listing on the Budapest, Warsaw and Prague stock exchanges and Euronext Paris.

Although the new firm has yet to start operating, with the experience and capabilities of the individuals involved it is likely to perform well in future rankings once it has established a track record.

CMS Cameron McKenna has been active on the securitisation front, with Paul Stallebrass advising Credit Suisse, the lead managers of the Titan 2007-2 securitisation, on the Czech law aspects of the first true-sale securitisation of loan assets in the Czech Republic. The firm also provided the European Bank for Reconstruction and Development with a legal analysis of securitisation in the Czech Republic.

Finally, Weinhold Legal has been active on the debt side, acting on several bond issues,

notably for Česká sporitelna - part of the Erste Bank group.

## Banking and project finance

### Recommended firms

#### Tier 1

Allen & Overy  
Clifford Chance  
White & Case

#### Tier 2

Procházka Randl Kubr  
Weil Gotshal & Manges

#### Tier 3

Baker & McKenzie  
Brzobohaty Broz & Honsa  
CMS Cameron McKenna  
Glatzová & Co  
Havel & Holásek  
Kocián Solc Balastík  
Weinhold Legal

#### Tier 4

Gleiss Lutz  
Lovells  
Salans  
Squire Sanders & Dempsey  
Wolf Theiss

Although the credit crunch has not bitten the Czech lending market hard, it has nevertheless created an atmosphere of nervous tension among the country's bankers.

There was a corresponding reduction in large cross-border lending transactions in autumn 2007, as foreign-owned banks adopted a more conservative approach. Mid-market transactions have had more breathing space, as banks can operate with substantial independence and in tune with the local economic conditions. "They have more cash than deals," says one partner.

Acquisition finance remains strong on the back of the high levels of M&A work, but export, trade and real-estate financing have also seen high levels of activity.

In project finance, PPP structures have not yet come into play, but the results of neighbouring Slovakia's highway project may provide some inspiration. The D3 motorway pilot project in the Czech Republic may provide answers as to whether this style of project financing will become more of a feature in the improvements in the country's infrastructure.

There is a fierce level of competition in the legal market for banking and finance work, particularly as market conditions have forced the international firms to look at more mid-size and local deals. One important development has been leading firm Linklaters' decision to end its presence on the ground in

Prague, as well as in Bratislava, Budapest and Bucharest. The offices will unite to form a new regional firm as of November 1 2008.

The move is part of the UK firm's strategy to focus on core, fast-growing markets such as the Middle East and Asia, preferring to service CEE from its virtual desks in London.

### Allen & Overy

Allen & Overy's banking and finance team has taken a leading role in the region, acting on both the lender and borrower sides of deals across a variety of financing disciplines. Partners Mikuláš Touska and Václav Valvoda are viewed as central to this success. According to one client, Touska is "very firm on deadlines and is well educated".

In what was one of the top five corporate financings ever in the Czech Republic, the firm advised ING Bank, Czech bank CSOB and Italian bank Intesa Sanpaolo as mandated lead arrangers on the syndicated €600 million loan to CEZ. The loan was to finance the acquisition of 7% of the shares in Mol.

Allen & Overy's Prague and Bratislava offices teamed up to advise Erste Bank in its Kc1.55 (€65.4 million) billion leveraged financing to Czech real-estate company ECM for its acquisition of Carrefour Slovensko - the Slovak franchise of the retailer. The hypermarkets changed hands in March 2008.

The firm advised textile company Pegas Nonwovens on the €150 million refinancing of its debt to install a new production line. The deal is an example of the many syndicated loans during the year to industrials seeking to expand production.

The firm was also active in export finance, advising the Czech Export Bank on the granting of credit to Banco Internacional de Comercio of Cuba.

Having advised Royal & Sun Alliance Insurance Group on its acquisition of 50% of Global Direct Insurance as part of an effort to access the Central European direct-insurance market, Allen & Overy then advised Global Direct Insurance on regulatory matters regarding its entry into the Czech insurance market, and the launching of insurance provider Direct Pojist'ovna.

#### Leading lawyers

Mikuláš Touska  
Václav Valvoda

### Clifford Chance

Clifford Chance has an impressive list of banking clients who are full of praise for the department run by Vlad Petrus. "They are on the list of the major two or three international law firms we continue to use," says a client.

"They are very competitive and all of the lawyers are highly professional."

The firm can commonly be found representing lenders. Clifford Chance was employed by Raiffeisenbank in its Kc1.65 billion term-loan facilities agreement for Degate, part of the PPF Group. The facility was granted for the acquisition of property holding company E-Gate, and the subsequent refinancing of its existing debt.

Again working for the lender, the firm advised CSOB on Kc1.9 billion in term, revolving overdraft, letter-of-credit and bank guarantees facilities agreement for car manufacturer Tatra. It also advised Hypo Real Estate Bank International on its €89 million investment facility to a series of SPV borrowers controlled by Czech Property Investments, and assisted in the refinancing of a real-estate portfolio spread across the Czech and Slovak republics.

On the regulatory side the firm has been advising HSBC as it rolls out its products across the Czech Republic, Slovakia, Poland and Hungary. Other clients it has advised on regulatory matters include Barclays, The Bank of Tokyo-Mitsubishi and Macquarie Bank. It has most recently been advising the Czech National Bank on the application of bank secrecy rules to banks assigning non-performing loans.

#### Leading lawyers

Vlad Petrus

### White & Case

White & Case has acted on a number of large-scale and complex financing transactions in the past year. The firm has a list of partners who are well-regarded for their finance work, and clients are clearly impressed with the service they offer. "They are very professional and always dedicate the necessary resources," says one.

In one prominent acquisition financing mandate, the firm acted for Dresdner Kleinwort on private-equity firm 3i's €190 million acquisition of CEE printing business Euro-Druckservice. As the acquisition involved a number of companies, the financing structure involved complex multi-jurisdictional corporate, securities and tax issues.

Head of the banking and finance department David Plch and Prague managing partner Jan Matejcek advised BNP Paribas as part of the bank and export credit agency consortium providing €400 million in financing to Czech Airlines for 12 Airbus aircraft.

In regulatory matters the firm advised Citibank on the transformation of its Czech bank into a branch of Irish bank Citibank Europe. The overhaul of the legal structure

took effect at the start of 2008, utilising the benefits of the single-passport principle under EU law.

The firm has also been active in the real-estate financing market, advising Raiffeisen Bank on a number of projects and also advising Komerční banka as the lender and arranger of a €100 million term loan facility to CTP Property, the Czech industrial property developer. The loan facility was to finance new developments and to refinance existing debt.

In project finance, White & Case advised the China Development Bank on a syndicated facility provided to Mobilkom, a Czech mobile operator, on the financing of the development of its telecoms network. It also provided counsel to Czech Export Bank on a €180 million project to construct power plants in Russia. The facility was a combination of project and export financing.

#### Leading lawyers

Ivo Bárta  
Kvetoslav Krejčí  
Jan Matejček  
David Plch

### Procházka Randl Kubr

Procházka Randl Kubr is viewed by the market as the one local firm that gets involved in the top-tier banking and finance deals, having what one partner described as a “historical reputation” in local finance work.

Clients also regard the firm as a leading established outfit. “We have a friendly relationship with them and a long-term cooperation,” says one client. Martin Aschenbrenner comes in for praise, described as “excellent as always” by one peer.

The firm has been busy advising Czech banks on an impressive list of lending transactions. In October 2007 the firm advised Komerční Banka in connection with a Kc750 million secured term loan for the acquisition of medical group Medicom. The financing had two levels - after the initial acquisition, the target received a loan tranche to finance the buyout of shares in subsidiaries.

In March 2008, the firm advised UniCredit Bank in connection with its provision of a Kc130 million secured loan to finance the acquisition of an industrial company in Ostrava. The firm also advised the same client in connection with the financing of a solar power station.

The firm's other work includes instructing on regulatory issues, such as advising regular client Raiffeisenbank in connection with the regulatory framework associated with its merger with eBanka.

#### Leading lawyers

Martin Aschenbrenner  
Radan Kubr  
Robert Nemeč

### Weil Gotshal & Manges

Weil Gotshal & Manges has acted on some large-scale financings in the past year. The firm has a reputation for representing borrowers in connection with its M&A instructions. In January 2008 it represented CEZ in its provision of a €600 million loan to finance its acquisition of a 7% stake in Mol.

The firm does not always act for the borrowers: in October 2007 it represented Citigroup in connection with the \$495 million refinancing of the Hayes Lemmerz group of companies, an international wheel manufacturer which has Czech operations. Partner Karel Drevínek worked on the deal, and his wide expertise is well respected. “He is not a pure finance lawyer, but he does everything,” says one Czech lawyer.

Weil Gotshal has worked on a number of recent project finance transactions. The firm is representing Prague airport in connection with the restructuring of its €360 million credit facility from the European Investment Bank, which is guaranteed by a syndicate of banks.

In one of the standout financing transactions in the Czech Republic, Karel Muzikar and Petr Severa are instructing the Czech Republic Road and Motorway Directorate on the €1 billion D3 motorway PPP project. The public tender for the project, which covers 114km of motorway in South Bohemia, was being prepared at the time of writing for an expected launch in autumn 2008.

Weil Gotshal & Manges has also been involved in some regulatory work over the past 12 months, providing legal advice to online brokerage service České Sportitely.

#### Leading lawyers

Karel Drevínek  
Karel Muzikar  
Petr Severa

### Baker & McKenzie

Baker & McKenzie's noteworthy financing deals in the past year include advising real-estate investor aAIM Europe on its joint venture with Donaldsons, and the joint venture's subsequent €55 million financing to purchase Olomouc City shopping and entertainment centre. The deal featured partner Libor Basl, who clients and peers respect as a leading finance lawyer.

The firm was not just offering finance advice as an offshoot of its M&A work. In

2007 Baker & McKenzie advised CSOB and Citibank on their financing of Window Holding Czech's acquisition of Vekra Spol. The €70 million deal involved the refinancing of the target and another entity.

Also in 2007, the firm advised KBC Bank and other lead arrangers on a syndicated €230 million refinancing of senior facilities for the Euronext-listed Recticel group. The refinancing required security to be provided in 12 jurisdictions.

#### Leading lawyers

Libor Basl  
Tomás Skoumal

### Brzobohaty Broz & Honsa

Brzobohaty Broz & Honsa's banking practice has built up an impressive list of financial, institutional and corporate clients, including the Czech National Bank, Bawag Bank, Komerční Banka, PPF Banka, consumer finance company Home Credit, insurance company Česká Pojist'ovna, Skoda and CEZ. Over time the firm has gained significant experience in syndicated finance.

One transactional highlight saw the firm advise regular client PPF Investments on a \$168 million leveraged finance transaction sponsored by Citibank in May 2007.

Brzobohaty Broz & Honsa also has the ability to work on non-standard banking and finance projects. In one standout instruction, the firm advised on the establishment and licensing of UTI, the first non-banking investment hedge fund in the Czech Republic. The \$10 million fund was set up in July 2007.

#### Leading lawyers

Tomás Otruba  
Petr Precechtel

### CMS Cameron McKenna

The finance team of CMS Cameron McKenna's Prague office is viewed by peers as having particularly strong capabilities in the property sector. The firm further strengthened its numbers in November 2007 by adding Martina Havlisova from Wilson & Partners, a spin-off from Linklaters' real-estate team.

The firm's real-estate instructions have been plentiful. On one notable deal, Pavla Krecková advised Credit Suisse on the financing of the acquisition of the Olomouc shopping and entertainment centre. The firm also advised Unicredit on the financing of the construction of Palác Pardubice, a shopping mall.

The firm often acts on transactions with an international element. For example, it advised GMT Partners on the acquisition financing of a division of Springer Science and Business

Media, a German publisher - a transaction which spread across 10 jurisdictions.

CMS also advised on the first leveraged buyout in Serbia, when in September 2007 Paul Stallebrass and Mills Kirin represented Unicredit Markets and Investment Banking as mandated lead arranger on the senior and mezzanine financing of Mid Europa Partners' acquisition of Serbia Broadband.

The firm is gaining valuable experience in the developing Czech PPP market, advising the Ministry of Justice on the public tender for the construction of court facilities in Ustí nad Labem and in Karlovy Vary. This is the first pilot PPP project in the area. The project has a value of approximately Kc4 billion.

#### Leading lawyers

Pavla Krecková  
Paul Stallebrass

#### Glatzová & Co

Glatzová & Co has further strengthened its banking and finance team under Dana Schweigelová, adding two associates in July 2008.

The firm advised German client Landesbank Baden-Württemberg on several key financing deals in the past year. At the end of 2007, Glatzová acted for the bank on a e210 million structured acquisition and working-capital financing provided to an international group. Schweigelová led the deal and was assisted by senior associate Martin Dancisin - a key figure in the firm's banking and finance team.

The firm provides regulatory advice to ratings agency Moody's and foreign-exchange company Travelex, as well as business-to-business payments provider Reusch Group. The firm is also advising Volsbank, having reviewed and amended the bank's credit and security documentation.

#### Leading lawyers

Dana Schweigelová

#### Havel & Holásek

Havel & Holásek has continued to develop its banking and finance practice, counting Czech National Bank, Erste Bank, JP Morgan, Merrill Lynch and Goldman Sachs as significant new clients.

In November 2007 the firm advised Czech car component manufacturer Motorpal on its e25 million syndicated refinancing of bank loans. In February 2008, on another highlight transaction, the firm advised Fortis Bank on a e15 million financing to a Czech export company.

Among its regulatory work, Havel & Holásek advised Raiffeisen bank on the regulatory aspects of its e50 million acquisition of Hypo Bank, and on the subsequent approval process. The firm also advised Generali on the regulatory issues following its acquisition of a majority stake in insurance company Česká Pojist'ovna in 2007.

The firm's project finance department was also active this year. The firm is advising Kapsch on the refinancing of an electronic road toll system, which involved a loan increase and renegotiation of the security package.

Havel & Holásek has also been acting for the central military hospital in Prague on a PPP accommodation project, which involves advising on the legal feasibility of the project, drafting of documentation and counsel during the tender process.

#### Leading lawyers

Josef Otčenásek

#### Other notable firms

The regional firm that replaces Linklaters will need to find a replacement for Robert David, a key lawyer in the firm's finance practice, who left in May 2008. Leading lawyer Jason Mogg remains, and is expected to play a key role in the management of the new firm. Once established, the firm is likely to continue working on the jurisdiction's prominent financing transactions.

Linklaters' present office has worked with some notable finance clients in the past year, including Lehman Brothers, JP Morgan and Citibank. In October 2007 the firm won a role advising HG Capital on the financing of its acquisition of Farbory. The Prague office worked with Linklaters' Amsterdam banking team on the e290 million financing.

Kocián Solc Balastík is not just respected as an M&A firm - "They are a very solid and efficient finance outfit," says a partner at a rival firm.

Kocián Solc Balastík has been involved in the developing Czech PPP market, acting as counsel to a consortium on a pilot PPP project to fund military hospital accommodation.

Squire Sanders & Dempsey, through noted finance partner Vladimira Papirnik, has advised regular client Czech Export Bank on the financing of a factory-building project in Vietnam. Papirnik also advised CSOB on an acquisition financing for a residential and retail development.

Salans enters the rankings this year having been particularly active in real-estate financing, with one highlight advising Hypo Real Estate bank on its e86 million financing of the Forum Liberec shopping centre.

Weinhold Legal services a roster of finance clients including ING, Citibank, ABN Amro, Commerzbank, UniCredit bank and Bawag Bank. The firm is also the preferred advisor to several major Irish banks, including Anglo-Irish Bank and Allied Irish Bank.

## Mergers and acquisitions

### Recommended firms

#### Tier 1

Weil Gotshal & Manges  
White & Case

#### Tier 2

Allen & Overy  
Baker & McKenzie  
Brzobohaty Broz & Honsa  
Clifford Chance  
Glatzová & Co  
Kocián Solc Balastík

#### Tier 3

CMS Cameron McKenna  
Havel & Holásek  
Procházka Randl Kubr  
Salans  
Weinhold Legal

#### Tier 4

Gide Loyrette Nouel  
Gleiss Lutz  
Lovells  
Peterka & Partners  
Squire Sanders & Dempsey

It is now nearly 20 years since the Velvet Revolution, and people who originally set up businesses in the early nineties are looking to sell. It is as much the result of a cultural shift as an economic one: "They are reaching the end of their willingness to work hard," says one lawyer the country. How successful they are in exiting their investments will have a massive impact on potential new investors.

There has been an increase in pan-regional M&A transactions, which involved subsidiaries in several central and eastern European (CEE) jurisdictions, notably Poland, Hungary, Slovakia and the Czech Republic.

As a result, CEE companies are starting to challenge the dominance of Western buyers - for example Czech energy company CEZ and Hungarian oil and gas company Mol are establishing a joint venture covering the CEE region. One lawyer observes: "You can't get on a local flight without it being at least half-filled with outbound Czech executives looking for investments."

There are a few large-scale privatisations which will keep the top firms busy, most notably the privatisation of Prague Airport. In

June 2008, the Czech Transport minister said that 65 parties had already stated interest. According to a study by Credit Suisse, a 100% stake could be worth as much as €2.8 billion. A tendering process has also begun for Czech Airlines.

### **Weil Gotshal & Manges**

Weil Gotshal & Manges focuses on big-ticket M&A work, and has acted on several key transactions in the past 12 months. Behind the steady deal flow, the quality of the firm is high: "From a technical perspective they know what they are doing," says one peer. The firm is highly likely to be active on the upcoming privatisations, having built a reputation working on the large-scale state projects.

Karel Drevinec and Karel Muzikar are held in high esteem by clients, one of which says: "They are extraordinarily good lawyers and very contactable."

Weil Gotshal represented CEZ in its establishment of a €1 billion joint venture with Hungary's Mol, which is an example of the pan-regional work that the firm targets.

The firm also has a close representation with the Czech government, acting for Czech Railways in the €480 million sale of its railway network operation business to Sprava Železnicni Dopravni Cesty, an agency that maintains and operates Czech rail infrastructure.

Another notable deal saw the firm advise Czech steelmaker Evraz Vitkovice Steel in its acquisition of Nikom for \$42.5 million in December 2007.

#### **Leading lawyers**

Karel Drevinec  
Karel Muzikar  
Petr Severa

### **White & Case**

When it comes to high end M&A work, one peer describes White & Case as "the absolute crème de la crème". The firm has been at the forefront of the multi-jurisdictional M&A deals that dominate the Czech market. The strength of the international firm's Czech office makes it a logical choice for outbound M&A work as Czech companies expand through the region.

Michal Dlouhy is the managing partner of the firm's Prague office, and is highly respected by clients and by peers as a sophisticated and tough negotiator. Other partners also receive praise from clients, including the UK-qualified Damian Beaven, who is recognised as a regional M&A expert. "I like working with Damian. If I ask him to do something I know it will be of high quality," says a client.

In the past year the firm has advised PPF, a Czech investment group, on its joint venture with Italian insurer Generali. The newly created entity, Generali PPF Holding, comprises the two original companies' eastern European insurance assets. As an indication of the size of what may be the largest ever M&A deal involving the Czech Republic, the insurance company Česká Pojist'ovna, originally a PPF subsidiary, became part of the joint venture company and was valued at €3.6 billion for the purposes of the transaction.

Building on this, White & Case has continued to advise Generali PPF in its attempts to acquire two Romanian insurance companies, Asiban and Unita. White & Case has also advised PPF Generali on several other regional acquisitions.

White & Case is very active in regional private equity, with clients including Mid Europa Partners, Arx Equity (formerly DBG) and Genesis Capital. In one highlight deal, Michael Smrek advised Netherlands-based Benson Oak Capital on its €500 million acquisition of chemical manufacturer Bochemie; the deal included several of Bochemie's foreign subsidiaries.

White & Case's Czech office is also leading transactions in other jurisdictions where the firm does not have offices. A team featuring Damian Beaven advised AIG Capital Management on the sale of Bulgarian consumer credit company Jet Finance to BNP Paribas's subsidiary Cetelem in August 2007.

#### **Leading lawyers**

Ivo Bárta  
Damian Beaven  
Michal Dlouhy

### **Allen & Overy**

The M&A team at Allen & Overy's Prague office has had a busy year, advising on and coordinating a number of noteworthy cross-border M&A transactions. Jan Myska comes highly recommended and clients are impressed with the firm's level of service. "I think nothing could be improved," says one.

The firm had another active year in the financial sector. Together with the firm's London and Prague offices, it advised Royal & Sun Alliance Insurance Group on its acquisition of a 50% shareholding in Global Direct Insurance Investments.

Allen & Overy also advised India's largest yarn producer Spentex in its July 2007 acquisition of Czech yarn manufacturer Schoeller Litvinov. The deal involved complex structuring of cross-border limited partnerships, requiring close collaboration between Allen & Overy's Czech and German teams.

The firm advised construction materials wholesaler Wolsley at the end of 2007 in its acquisition of Gama Myjava and Gama Bohemia, two heating, plumbing and sanitary ware distributors in the Czech and Slovak republics.

Allen & Overy was also active in the lively telecoms and media sector. The firm advised Grisoft, which produces internet security software, in its acquisition of AVG UK & Ireland, its business partner, in August 2007.

The Prague office is also a focal point for Allen & Overy's CEE operations, advising Kazakhmys in early 2008 alongside the London office on the copper producer's acquisition of a power plant and a coal mine in Kazakhstan.

#### **Leading lawyers**

Jan Myska

### **Baker & McKenzie**

Baker & McKenzie has been active on several notable deals, and clients have been impressed with the service the firm offered. "They co-operated very well in negotiations, were well prepared and professional," says one. "We could discuss issues with them openly - informally, but professionally." Partners Alexandr Cesar and Tomas Skoumal are widely praised by both clients and peers.

Baker & McKenzie advised the European division of aAIM group on its acquisition of a shopping centre in Olomouc. The deal was closed in June 2007 and was aAIM Europe's second deal in the country, having also instructed Baker & McKenzie on the first.

In December 2007 the firm advised Baring Communications Equity and Intel Capital on the sale of their shares in Centrum, a CEE media and internet company, to Warburg Pincus. The deal was one of the largest private-equity deals in CEE to date, with various public sources valuing it at €115 million.

Also in December 2007 the firm closed another notable M&A deal, advising newspaper group Metro International on the sale of a 60.5% share in its Czech operation to Mafra, the Czech subsidiary of a German media group. Metro is a free national newspaper in the Czech Republic, and Mafra is a prominent publishing group in the Czech Republic.

Baker & McKenzie also advised Grupo Atento, part of the Telefónica O2 group, in its acquisition of Telemarketing Prague. Tomas Skoumal and Karin Konstantiniovova worked on the deal, which is a further example of the firm's involvement in the Czech Republic's thriving TMT sector.

#### **Leading lawyers**

Alexandr Cesar  
Tomas Skoumal

**Brzobohaty Broz & Honsa**

Czech corporate law firms are becoming ever more sophisticated and are harbouring ambitions of working on an increasingly international stage. The development of Brzobohaty Broz & Honsa is an illustration of this, with the firm now having set up offices in Bratislava and Moscow and boasting established relationships with large, outward-looking Czech corporations.

Clients appreciate the firm's approach. "I think they are really creative in structuring the transactions. They compare well with international firms with respect to Czech law," says one client.

The PPF group, one of the Czech Republic's largest financial groups and biggest investors, is a key client of the firm. Along with White & Case, Brzobohaty Broz & Honsa advised PPF on its creation of a €5.1 billion joint venture with Generali, which will operate in nine CEE countries. Brzobohaty Broz & Honsa acted as the structuring law firm, and coordinated the efforts of several international firms.

The firm is also advising the PPF group on its intended takeover of pharmaceutical company Zentiva, a deal which could be valued over €1 billion. In another notable transaction involving all three of its offices, it advised PPF investments in the creation of a joint venture with development company Eastfield. The multi-jurisdictional real-estate deal was closed in May 2008 and is valued at \$400 million.

Other notable clients include CEZ, which the firm is advising in relation to its investment into the energy sector in Bosnia and Herzegovina. At €1.5 billion, it is the largest-ever foreign investment by a Czech company.

**Leading lawyers**

Tomás Pesek  
Petr Precechtel

**Clifford Chance**

Clifford Chance has continued to bolster its Prague corporate department in the past 12 months. Alex Cook heads the department, and was joined by nine lawyers this year, including former White & Case partner David Kolacek.

The firm has impressed clients with its level of service following the beefing-up of its corporate practice. "They have a high level of professionalism, an excellent client approach and accuracy," says a client.

The firm closed two notable deals in January 2008, representing steel company BE Group on its acquisition of Czechprofil in the steel distribution sector. The firm also represented Unipetrol on the sale of its interests in

chemical companies Synthesia and Agrobohemie to chemical producer Deza.

In one deal spreading across CEE, the firm represented the UK-based private-equity firm GML Fund on the sale of telecoms company GTS Central Europe, which operates in five CEE countries, to a consortium of private-equity houses in April 2008. The deal shows that private-equity players will make a move in the region if there is a sufficient target, which is most likely to be on this pan-region-al basis.

**Leading lawyers**

Alex Cook  
Emil Holub

**Glatzová & Co**

Glatzová & Co has again acted on some standout M&A deals in the past year. In the first competitive public offer in the history of the Czech Republic, the firm is representing multinational pharmaceutical company Sanofi-Aventis in its €1.3 billion bid for Czech rival Zentiva. The offer was launched in July 2008, and involves competition from a member of the Czech investment company PPF.

The firm has also been active in the private-equity field, advising Warburg Pincus International in two acquisitions of internet portal operators. The first, in November 2007, was for the Czech and Slovak subsidiaries of Centrum, and the second was for the Czech and Slovak subsidiaries of Atlas in February 2008. The deals featured Jiri Sixta, who was promoted to partner in July 2008.

The firm showed that it's not just the international firms that win all the cross-border mandates, when it was mandated to work alongside German firm Hengeler Mueller to advise on Czech elements of Eaton Corporation's acquisition of the Moeller Group. The US industrial manufacturer paid €1.55 billion for the German electrical-components group.

**Leading lawyers**

Vladimíra Glatzová

**Kocián Solc Balastík**

Kocián Solc Balastík is regarded by many of its peers as the top local firm in the Czech M&A market. The firm also receives praise from clients. "They are very proactive," says one. "They were very professional and worked in a very good manner."

Martin Solc is widely respected as a leading lawyer in the field by peers, as is name partner Jiri Balastík. Pavel Nosek has also been acting on some of the firms most prominent deals,

with his clients seeing him as a rising star in the market: "He is young, but very good," says a client.

The firm advised Brau Union, part of the Heineken Group, on its headline-grabbing acquisition of the Královsk\_ Pivovar Krusovice brewery in 2007. The firm was again mandated by Brau Union on the company's purchase of the brewer Drinks Union in July 2008.

Kocián Solc Balastík advised Hungarian oil group Mol on its purchase of I&C Energo, which closed in June 2008. The shares were purchased from CEZ as part of the CEZ-Mol alliance agreement.

Kocián Solc Balastík has also worked on the Czech elements of larger international acquisitions. The firm was Czech counsel to Saudi Basic Industries Corporation in its \$11 billion purchase of the plastics division of General Electric in August 2008.

In another large domestic transaction, the firm advised OKD on the demerger of its non-core real estate into two new companies and two existing companies. The transaction was part of a company restructuring prior to the IPO of its owner NWR, and was closed at the start of July 2008.

**Leading lawyers**

Jiri Balastík  
Dagmar Dubecká  
Martin Solc

**CMS Cameron McKenna**

CMS Cameron McKenna is perceived by competitors as a strong regional firm, with exceptional real-estate strength. The firm's partners are well respected, with local partner Sárka Robinson being highly praised by clients. "She did a great job, I loved the way she treats clients," says one client.

The firm showed its real-estate capabilities when it advised Merrill Lynch and Pinnacle, the owners of Pinnacle Real Estate, on the company's sale to Arcapita, a Bahraini investment fund, in April 2008. The transaction, led by Helen Rodwell and real-estate partner Hilary McDowell, involved four CEE jurisdictions: the Czech Republic, the Slovak Republic, Poland and Bulgaria.

The firm also advised IT company AutoCont on its €27 million sale of AT Computer Holding.

**Leading lawyers**

Ian Parker  
Sárka Robinson  
Helen Rodwell

## Havel & Holásek

Havel & Holásek is one of the largest Czech firms, and having added a number of new associates and senior associates to its ranks, the firm is getting stronger and stronger. The firm's M&A team has a solid public-sector and private-equity client list, and has acted on some of the standout deals in the Czech M&A market in the past year.

In one of the three largest M&A transactions by volume in Czech history, the firm advised the buyer Italian insurance company Generali on its €5 billion joint venture with PPF in July 2007.

The firm also advised Austrian financial group Raiffeisen in its acquisition of Hypo Stavební Sporitelna from UniCredit Group for more than €100 million in March 2008. The merger of the two companies created one of the largest building societies in the Czech Republic.

In another deal exceeding the €100 million mark, the firm advised Polish drinks manufacturer Hoop on its merger with Czech drinks manufacturer Kofola.

### Leading lawyers

Jaroslav Havel  
Michael Mullen

## Weinhold Legal

Weinhold Legal was again active on a number of notable M&A transactions this year. In one standout deal, the firm advised Drinks Union, one of the largest Czech brewery groups, on its 2008 sale to Heineken.

In 2007 the firm advised ExxonMobil on the sale and disposal of Czech and Slovak businesses, which included almost 100 petrol stations and its lubricants and aviation businesses.

Weinhold Legal also advised E.On Energie on its establishment of a joint venture with a Czech partner to build a power plant and run a coal mine. The project was stopped in August 2007, but had a planned value of €2.6 billion.

In another notable transaction, the firm advised private shareholders on the sale of their holdings in Illusion Softworks, the central European computer games developer, to Take-Two Interactive Software, a Nasdaq-listed developer, in December 2007.

### Leading lawyers

Dusan Kmoch  
Daniel Weinhold

## Other notable firms

Linklaters partners Lukáš Sevcík and Ludek Vrána will be part of the new firm that comes

into existence in November 2008, replacing four Linklaters CEE offices. With experienced and able lawyers, the firm is likely to establish itself as a top M&A outfit, competing well with the mix of local and international firms.

Even though Linklaters is departing the region, it still turned in an impressive deal list this year. Sevcík advised Axa on its attempted acquisition of Česká Pojist'ovna, which was valued at €1 billion.

The firm also fielded a multi-jurisdictional team to advise ECM Real Estate Investments on the sale of €170 million of commercial real estate in Beijing to HSBC Metro Holdings.

Procházka Randl Kubr is more focused on its banking and finance work, where it has established itself as a local leader. But the firm has still been involved in an impressive list of mid-sized M&A transactions, and both Radan Kubr and Martin Kriz are praised by competitors as leading M&A lawyers.

In a deal which closed in November 2007, the firm advised a Spanish investment group on its acquisition of shares in a company which owns €20 million of real estate. The acquisition went through an SPV, which was then merged into the target.

In a deal that illustrates the firm's strong French client base, Gide Loyrette Nouel's Prague office assisted the Danone group on the sale of its Czech and Slovak subsidiaries to the Kraft group.

Wolf Theiss acted on a couple of notable M&A transactions this year. In July 2007 the firm advised Russian oil company Lukoil on its acquisition of ConocoPhillips' Czech and Slovak petrol stations. The firm also advised Unicredit Group on the sale of Hypo Stavební Sporitelna to Raiffeisen Bank.

Squire Sanders & Dempsey advised investment bank Wood & Company, the biggest securities trader on the Prague Stock Exchange, on its sale of a 50% stake to Straumur-Burdaras, the Icelandic investment bank. The firm also advised ING Real Estate on a joint venture to build a new city centre in Olomouc.

Lovells advised Icelandair Group in its acquisition of Travel Service in September 2007. The Czech company is the largest private airline in central Europe and the deal included a Hungarian subsidiary.

## Restructuring and insolvency

### Recommended firms

Considering the positive state of the Czech economy and levels of M&A activity, law firms have not, like many of their neighbours, been scrambling to assemble large restructuring and insolvency teams. The emphasis in the past year has been more on Czech companies expanding abroad than becoming insolvent.

In what is according to one leading partner "a highly theoretical section", the one development that caught the attention of the legal community is the introduction of the new Insolvency Act. The Law was adopted on January 1 2008 and aims to solve bankruptcies in a non-liquidating basis, instilling more of a rescue culture and creating more western-style restructurings. The act should also improve the position of creditors in insolvency proceedings.

One partner says that it could take three to six months for bankers to consider their options under the new Law. No firm is keen for a restructuring and insolvency boom, but with the uncertainty in global economic conditions, firms are definitely keeping an eye on the practice area. "We are all curious," says one partner.

Brzobohaty Broz & Honsa represented Czech insurer Komerční Pojiš'ovna in the bankruptcy proceedings declared over one of its clients, a petrol distribution business. The firm was successful in getting 95% of the submitted receivables recognised in the bankruptcy proceedings.

Clifford Chance lawyer Tomas Richter is the co-author of the new Insolvency Act, and is well placed to advise on any large scale insolvencies that ensue. The firm has been advising Citigroup and Citileasing on the Czech law aspects of the UK administration proceedings over Collins & Aikman Automotive.

Havel & Holásek has strengthened its restructuring and insolvency practice, establishing a specialisation in dealing with distressed debt. In April 2008 the firm represented Bez Motory, the Czech engine manufacturer, in connection with a bankruptcy petition and its insolvency proceedings.

Weil Gotshal & Manges has a strong international restructuring and insolvency practice, and a Czech office with excellent, large-scale corporate transaction experience. In one smaller case, the firm represented GE Industrial Belgium on Czech power company Etezet-Unirec's declaration of insolvency in March 2008.

White & Case has a true insolvency practice, and 2007 saw an increase in the number and size of financial restructurings for the firm. Senior associate Petr Kuhn is a co-author of the new Insolvency Act.

The firm advised Deutsche Bank on its contemplation of the financing of an SPV participating in the last auction of a \$600 million portfolio of non-performing loans. The auction was organised by the Czech Consolidation Agency, which purchased a large number of non-performing loans from Czech banks during their restructurings at the end of the nineties.