

# Serbia

## Chamber of commerce:

Privredna Komora Srbije  
Knez Mihailova 10  
11000 Belgrade  
Serbia  
Tel: +381 11 218 4148  
+381 11 263 8392  
Fax: +381 11 218 4148  
+381 11 263 8392  
Email: svetozar.babic@pks.co.yu  
Web: pks.komora.net

## Professional body:

Advokatska Komora Srbije  
Decanska 13  
Belgrade  
Serbia  
Tel: +381 11 323 9875  
Fax: +381 11 323 9072  
Email: komora@sbb.co.yu  
Web: www.advokatska-komora.co.yu

## Privatisation: new possibilities and processes

Darko Spasic, Ana Godjevac and Vesna Milosavljevic  
Spasic & Partners  
Belgrade

More than six years after the enactment of the 2001 Law on Privatisation, during which time a large number of socially-owned legal entities with head offices in Serbia have been successfully privatised (mainly by way of tender or auction), the Serbian legislator has passed the 2007 Law on Modifications and Amendments to the Law on Privatisation.

The changes are intended to pave the way for the privatisation of: (i) state-owned capital of public enterprises, with simultaneous removal of the specific limitations previously included in the Law on Public Enterprises; and (ii) socially-owned capital of legal entities incorporated in Serbia from business units that originally constituted parts of socially-owned entities with head offices in the territory of other former Yugoslav republics. The capital of the two groups remained thus far outside the privatisation process and trading. Such changes are widely seen and commented upon as intended to help develop the capital markets.

Modifications also include setting the time limit for public invitations for participation in public tenders and auctions for the sale of socially-owned capital until December 31 2008. After that date, the Agency for Privatisation will have to decide on the initiation of the liquidation of socially-owned legal entities for which such invitations have not yet been publicised.

### Shareholders in the privatisation process

A further attempt by the Serbian legislator, striving for the same goal, may be found in the 2007 Law on Right to Consideration-Free Shares and Pecuniary Compensation Available

to Citizens in the Privatisation Process. That is, members of the general public who meet the basic criteria (18 years of age, Serbian citizenship, no past participation in the privatisation process) have been given the right to register for receipt of consideration-free shares in the largest and most successful public enterprises (NIS-Petroleum Industry of Serbia, Telecom Serbia, Elektroprivreda Serbia, JAT Airways, Belgrade Airport Nikola Tesla and Galenika Pharmaceuticals) and pecuniary compensation.

The highly positive response of the public so far could result in several million physical persons becoming new shareholders with the right to sell their shares on the Belgrade Stock Exchange or otherwise trade them as provided for under the Law.

### Shares of socially-owned capital

The 2007 Law mentioned above also creates possibilities for the sale of shares of socially-owned capital registered with the Privatisation Register (being mainly 15% of the socially-owned capital of the legal entities privatised by way of tender in the industrial and insurance sectors) that were exempt from privatisation sale or trading so far.

Shares in the capital of open joint stock companies, registered with the Privatisation Register, will be sold: (i) on the organised market; (ii) by accepting the takeover bid (tender offer); and (iii) by public auction.

The shares of the capital of closed joint stock companies and quotas of the capital, where so expressed, will be sold by way of public auction or, exceptionally, by way of invitation of offers.

The Agency for Privatisation shall have the competence and capacity to take decisions to sell the shares registered with the Privatisation Register, while the Share Fund will implement the process. The price at which the Share Fund shall sell such shares may not be lower than the per-share price paid by the buyer in the process of privatisation of the relevant

legal entity. The Share Fund shall have the right to engage domestic and foreign specialised financial organisations or brokers as advisors.

The Serbian Government adopts regulations on the process of sale of such shares and quotas. The Law also freezes transformations from open to closed joint stock companies or companies with limited liability (and vice versa) until the shares registered with the Privatisation Register are sold in accordance with the Law (a possibility otherwise available subject to a threshold of 100 shareholders). A further novelty (that may prove significant in practice) is that the employees and ex-employees who acquired shares in the already privatised legal entities may opt to receive other compensation against transfer of such shares to the Share Fund subject to not having received any dividend on such shares and not having sold any such shares in the past.

These changes should represent good (and long-awaited) news for the existing shareholders that acquired capital in the privatisation process. They will have an opportunity to launch takeover bids or mandatory squeeze-out processes (if participating with at least 95% of the capital of the target legal entity).

## Financial and corporate

Recommended firms	
<b>Tier 1</b>	
Harrisons Solicitors	
Karanovic & Nikolic	
Prica & Partners	
<b>Tier 2</b>	
CMS Reich-Rohrwig Hasche Sigle	
Jankovic Popovic & Mitic	
Spasic & Partners	
Wolf Theiss	
<b>Tier 3</b>	
Drazic Beatovic & Partners	
Gide Loyrette Nouel	
Jokovic Stojanovic & Partners	
Schoenherr	
Zivkovic & Samardzic	
<b>Tier 4</b>	
IKRP Rokas & Partners	
Law Office Milosevic	
Ninkovic	
Studio Legale Sutti	

As Europe's last truly emerging market, Serbia is undergoing a vast amount of privatisation and greenfield investment. After a decade of war and international sanctions, Serbia's reconstruction needs have caught the eye of eager foreign investors waiting to invest in the region.

The country has a desperate need to construct bridges, highways, hotels, sport facilities and supermarkets. There is also talk of upgrading the country's train infrastructure and building an underground railway in Belgrade.

Privatisations are still on the agenda; the most popular and largest transportation company, Lasta, is in the process of attracting bidders. There are also plans for the privatisation of the state-owned pharmaceutical firm, Galenika.

The energy sector is also on the rise, as Russia continues to expand its dominance in the region. Furthermore, lawyers expect the PPP financing model to become popular in Serbia as soon as the legal framework is developed.

The political effect of Kosovo's independence was certainly felt in the legal market, as law firms noted a slowdown due to a reluctance by banks to lend until the situation was resolved.

But most talk in the legal market was fixated on the elections in May 2008, which will ultimately come to define the further development of Serbia. The surprise victory of pro-western Boris Tadic saw the formation of a new coalition that will push ahead with

Serbian efforts to seek EU candidate status. Investors are biding their time until they can get a sense of which path the country will take, but the victory for the pro-EU forces is likely to encourage them.

With the country's economic development, investors in Serbia are increasingly demanding lawyers who can specialise - the days of a single practitioner taking care of all of a large client's corporate and financing needs are becoming history.

These demands have created opportunities for law firms from more sophisticated markets: Austrian firm Cerha Hempel Spiegelfeld Hlawati, for example, decided to enter Serbia in April this year, signing a cooperation agreement with local firm Jankovic Popovic & Mitic.

### Harrisons Solicitors

Harrisons is an English law firm specialising in the Balkans, and is busy acting on the larger, complex international transactions it was set up to target. The Serbian market may not quite be ready for the likes of Linklaters-founding partner Mark Harrison's old firm - to show an interest just yet, but the move has so far proved fruitful; and with potential EU membership on the cards, it is looking increasingly shrewd.

The firm has managed to capture a list of corporate and institutional clients who are pleased with what the firm offers. "They're very good on the corporate and banking side of things, which is pretty big at the moment," says one client. Harrison is an essential part of the firm's success. A client says: "The guy's got 20 plus years in the Balkans - he can work all over."

Harrisons has acted on several notable financing transactions, and its clients include KPMG, the German Development Bank and the European Bank of Reconstruction and Development (EBRD), which the firm is advising on various aspects of a €50 million investment into Komercijalna Banka, Serbia's leading state-owned bank.

The firm additionally acts for the largest domestic clients. For example, it is advising one of Serbia's largest companies, Delta Holding, on its acquisition financing for the real-estate portfolio of state-owned company Genex. The deal was led by Aleksandar Preradovic.

The firm has had its fair share of the big-ticket privatisation projects. In a good indication of the position the firm has achieved in the market, it is advising Fiat on its joint venture with the state-owned Serbian car producer Zastava. The €700 million investment was described by one Serbian minister as "the deal of the decade".

The firm also advised Heineken on its acquisition of a Serbian brewery and provided subsequent advice on joint ventures with Efes Breweries International. Harrison's has also been involved in private-equity work, advising Texas Pacific Global on the proposed acquisitions in Serbia of a petrochemicals company and a fertiliser company.

### Leading lawyers

Mark Harrison  
Goran Martinovic  
Aleksandar Preradovic

### Karanovic & Nikolic

Karanovic & Nikolic is respected by competitors as the oldest and most established firm in the market, as well as one of the few domestic firms with international exposure. The firm's size is clearly a positive point, as is the range of transactions that it has experience of; from large-scale privatisation to financing and capital markets work. Despite Serbia's political problems, the firm has continued to perform well.

"They were really, really good. Top class," says one client. Another comments: "They are a very good firm on the corporate side of things; very strong on structuring and drafting."

It is the corporate side that can provide the attractive deals in Serbia. In one of the region's highlight deals, Karanovic & Nikolic helped to reinforce its position acting as local advisers to Czech financial group PPF on its joint venture with Italian insurer Assicurazioni Generali to create one of the region's biggest insurers. On the financing side the firm has advised the EBRD on several notable projects.

Nikolic & Karanovic also has offices in Montenegro and the Serbian part of Bosnia. It is also looking to expand further to become one of the leading firms in the Balkan region.

### Leading lawyers

Dragan Karanovic  
Dejan Nikolic

### Prica & Partners

The last 12 months have seen Prica & Partners expand significantly. As well as hiring four new associates, the firm set up an office in Paris in July 2007 and is in the process of opening in Berlin. Peers have noted the firm's technical ability and clients speak highly of the firm. "They are very professional indeed," says one. "I was recommended to them when I first moved here and I haven't used anyone else since. They just get the job done perfectly."

The firm secured a local role on one of the regions biggest mergers of 2007 when it advised Assicurazioni Generali on the Italian company's joint merger with the Czech company PPF. The firm assisted with seeking the approval from the Serbian competition commission. New partner Darija Ognjenova, who is roundly praised by her clients, led the firm's team on the deal.

Prica & Partners has traditionally had strong relationships with Greek clients, and in July 2007, Partner Ana Calic-Turudija, advised The National Bank of Greece on its acquisition of TBI Leasing. Like the other Serbian firms, Prica & Partners has been active in the real-estate sector, and advised EIX Daurada on the acquisition of a hotel through a holding company.

The firm provides due diligence reports on potential targets for its corporate clients. Acting on one politically important deal, it has been busy producing a due diligence report for Gazprom Neft, the oil arm of the Russian energy company, on the acquisition of Nafta Industrija Srbije, Serbia's national oil company. The firm has been working on the deal in conjunction with Freshfields Bruckhaus Deringer, KBC and JP Morgan.

#### Leading lawyers

Darija Ognjenovic  
Mihajlo Prica

### **CMS Reich-Rohrwig Hasche Sigle**

One of CMS Reich-Rohrwig Hasche Sigle's rivals comments that the firm is one of the few offices in Serbia with international exposure, through its membership of the CMS network.

CMS Reich-Rohrwig is also making a big impression on clients. One comments: "It is clear for me that they are the outstanding firm in the region. We're never disappointed by them; they are great value and very nice people to deal with." The corporate team has been active on a string of notable transactions and is headed by partner Natasa Zavisin. "She is outstanding, simply outstanding," says one client of Zavisin.

The firm's highlight transactions show off its impressive roster of multinational clients. For example, in October 2007 it advised Deutsche Bank on the provision of a €125 million credit facility to ProCredit Bank. This was the largest cross-border credit facility granted to any Serbian company.

And in November 2007 the firm advised IBM on its acquisition of an information technology company in Serbia. The following month it advised Austrian brick producer Wienerberger in its acquisition of Serbian brick producer IGM Backa.

The firm's notable corporate activity continued into January 2008, when Radivoje Petrikic advised Michelin on its acquisition of a €30 million controlling shareholding in Tigar Tyres, Serbia's largest tyre manufacturer.

#### Leading lawyers

Radivoje Petrikic  
Stojan Semiz  
Natasa Zavisin

### **Jankovic Popovic & Mitic**

Jankovic Popovic & Mitic is referred to as a "strong local firm" by one rival, but is now well positioned for further involvement in work with a more international dimension. In April 2008 it entered into cooperation with Austrian law firm Cerha Hempel Spiegelfeld Hlawati, which is active throughout southeast Europe. Cerha Hempel has previously advised a number of Serbian clients on sales to Austrian buyers.

Jankovic Popovic & Mitic is particularly active in M&A, banking and privatisation work. In a deal combining all three disciplines, the firm advised KBC on its €96.6 million acquisition of Serbia's A Banka. The firm also advised Banca Intesa on its merger with Panonska Bank.

On the financing side, the firm advised bridge maker DSD Brückenbau, part of the DSD steel group, as part of the consortium that won a €119 million contract to construct a bridge over the River Sava.

#### Leading lawyers

Nikola Jankovic  
Nenad Popovic

### **Wolf Theiss**

Wolf Theiss retains its position in tier two this year after advising on some standout acquisitions and project finance deals.

The firm utilised its central European links by scoring a role advising Unicredit Markets & Investment Banking on an innovative €83 million syndicated secured facility for the acquisition of Serbia Broadband by Mid Europa Partners. This was the first sponsor-driven LBO in Serbia, and involved complex cross-border structuring as well as security collateral issues.

In what would be another noteworthy financing deal, Wolf Theiss had been advising Hypo Alpe Adria Bank on the proposed financing to Vienna based industrial group A-Tec, for its acquisition of Serbian Copper mine RTB-Bor. But the purchaser has failed to come to an agreement with the Serbian privatisation agency. A financing deal of this size at a time when Serbia's political situation is

detering many foreign banks from providing funds would have been a real coup.

Furthermore, Wolf Theiss is advising Deutsche Bank on the financing of the Horgosh-Pozega highway, which involves negotiations with the Serbian government on the preparation of loan documentation, review of regulatory issues, and general structuring matters.

Finally, Wolf Theiss has been advising MPC Properties, one of Serbia's largest real-estate developers, on its joint venture with Merrill Lynch for a spate of property acquisitions. This would be the investment bank's first ever investment into any former Yugoslav country.

Clients also note that Wolf Theiss has the skills to benefit from the real-estate boom. "Their structuring and understanding of the real-estate business is fantastic," says one.

#### Leading lawyers

Bojana Bregovic  
Milan Parivodic  
Miroslav Stojanovic

### **Gide Loyrette Nouel**

Gide Loyrette Nouel has advised some notable foreign investors in privatisations and developments in Serbia. The firm also often benefits from support from its other international offices.

The firm is advising Elgolf, a consortium which is investing up to €800 million to build a sport, residential and shopping complex near Belgrade.

The firm has also advised on a number of failed privatisation bids, including representing French insurer Groupama in its December 2007 bid, totalling €280 million, for the privatisation of DDOR Navi Sad, Serbia's second-largest insurer.

Gide was also involved in the emerging energy sector, advising Belgian energy company Electrabel on the possibility of constructing hydroelectric power plants and wind farms in Serbia and Montenegro.

#### Leading lawyers

Francois d'Ornano

### **Schoenherr**

Schoenherr works in cooperation with Serbian law firm Moravcevic Vojnovic Zdravkovic and moves up a tier this year following peer recommendation. The office is growing rapidly, adding seven new associates in the past year. Clients also acknowledge its development: "They've got a very young team of partners, but I've met them and I think they will be great in the future."

The firm has been acted on some headline transactions this year. It advised Telekom Austria/Mobilkom on obtaining a greenfield licence for mobile operations in Serbia, assisting its client in its €320 million acquisition of the licence via an auction, and in the nine-month process of establishing its Serbian provider.

The firm gained valuable exposure to the growing Serbian PPP market when it advised construction company PORR on its acquisition of half a concession company that was granted the contract for the Horgos-Pozego highway to Montenegro. At €1.5 billion, the project would be the largest PPP project in Serbia, but the contract was rejected by the National Council for Infrastructure.

The firm also secured a role advising Assicurazioni Generali on the Serbian corporate and regulatory aspects of its joint venture with the Czech PPF Group. The multi-jurisdictional joint venture will create one of the region's biggest insurers.

### **Other notable firms**

---

**Ninkovic** was involved in the privatisation of insurer DDOR Novi Sad, representing the local corporate Serbian advisers of Triglav Insurance Company. The Slovenian company withdrew from the final bidding process.