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Modernisation of Slovene financial laws

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Throughout 2007 and 2008, Slovenia adopted a number of changes to its legal system to bring it in line both with modern investment practices and EU law. The scope of these changes ranges from so-called anti-tycoon legislation (which restricts acquisition financing and affects takeover law, banking law, and corporate law) to insolvency, investment funds and the organisation of capital markets.

Prohibition against a pledge of securities of the target company

According to an amendment to the Takeovers Act (effective as of January 5 2008), any bidder in a public takeover must not, either directly or indirectly, secure the financing of a takeover bid by pledging shares in the target company. Moreover, the bidder has to prove to the supervising authority that it did not, either directly or indirectly, pledge any shares in the target company.

At present, there is a proposal pending in the legislature for another amendment of the Takeovers Act. This future amendment would expand the scope of the application of the Takeovers Act and provide for the greater protection of minority shareholders.

Aggravated acquisition of loans insured by a pledge of shares of the target company

An amendment of the Banking Act (effective as of January 5 2008) stipulates that a pledge of shares in a target company in a public takeover offer is not recognised as eligible collateral. This provision, however, seems to be relevant only if a Slovenian bank also acts as the lender in the transaction.

Stricter conditions for mergers of affiliated companies

An amendment of the corporate law (in force since January 31 2008) implemented EC Directive 2005/56 on cross-border mergers.

The amendment also introduced very strict limitations on post-acquisition mergers (both downstream and upstream). In short, if two or more legal entities intend to merge, causing the acquiring entity to hold more than 25% of the shares in the target, and the acquiring entity has pledged the shares in the target or has otherwise given the shares as collateral for the financing (or similar transaction) for the acquisition of those shares in the target, the following consents are required for the merger to be legally valid.

(i) The consent of the majority of the creditors of each of the entities participating in the merger must be obtained. This consent is deemed to have been granted if the creditors who jointly own receivables representing more than 75% of the entire obligations of the relevant entity grant their consent.

(ii) The consent of each individual creditor of each entity participating in the merger who owns receivables representing more than 5% of the entire obligations of the relevant entity.

(iii) The consent of the employees of each of the entities participating in the merger. Consent is given by the employees' representatives.

The amendment to the Companies Act stipulates that any advanced payment or loan granted by a company to finance the acquisition of shares issued by the company is null and void, as well as any other transaction with a similar effect.

New regulation regarding compulsory settlement

On February 1 2008, Slovenia adopted the new Compulsory Settlement, Bankruptcy and Liquidation Act. Apart from changes aimed at improving the position of creditors and increasing the transparency and speed of the insolvency process, the Act introduced two

new instruments: personal bankruptcy and the bankruptcy of a legacy. Most of the provisions of the Act will, however, become effective on October 1 2008.

Also of importance are changes to the regulation of compulsory settlements whereby at the beginning of a compulsory settlement the debtor has to prepare, along with the motion to initiate a compulsory settlement, the company's financial restructuring plan. The debtor is also obliged to show with reasonable certainty that it will, by using financial restructuring means, eliminate the reasons for its insolvency and ensure that the creditors will benefit from more advantageous conditions regarding repayment of their claims, as if bankruptcy proceedings would have been commenced over the debtor.

Umbrella funds - important tax consequences for investors

In October 2007, the amendments to the Slovene Investments Trusts and Management Companies Act became effective. The most significant is the possibility (not the obligation) of consolidating the entire group of funds (sub-funds) of a particular management company under the same fund - that is, an umbrella fund. The benefit for investors is a non-taxed passage within sub-funds, which enables them to place the risks of their investments into the fund that suits them best. There is also the possibility of a merger of one fund with another within the same management company. It is required that merging funds must have similar investment policies and commission structures.

New regulation of the Slovene Securities Market

In August 2007, the new Market in Financial Instruments Act came into force. The Act, which replaced the former Securities Market Act, implemented numerous EC directives and regulations to bring the Slovene securities market in line with EU regulations. The Act provides for more transparency in the regula-

tion of conditions for trading securities on the organised market, in the disclosure of information on listed companies and in the jurisdictional limits of the relevant supervising body, the Securities Market Agency.

Financial and corporate

Recommended firms

Tier 1

Colja Rojs & Partnerji
Jadek & Pensa
Miro Senica in Odvetniki
Odvetniki Selih & Partnerji

Tier 2

Schoenherr
Wolf Theiss

Many market commentators were greatly anticipating the privatisation of Slovenia's national telecoms operator Telekom Slovenije. But much to the disappointment of potential investors, the government announced that the sale of a 75% stake in Telekom Slovenije would not be completed until after the parliamentary elections in October 2008. Some in the market suggest the sale could be postponed for up to two years.

Nevertheless, law firms have been able to gain satisfaction in other mandates generated by Telekom Slovenije. Its agreement to acquire 75% of Albanian internet and telecoms services provider Albanian Online Service Provider will do much to stimulate the local M&A market: the €20 million investment into Albanian Online is expected to create an influx of mandates for the next five years.

Meanwhile Slovenia's property market has shown signs of growth over the last few years. The jurisdiction's growing political stability and economic growth are the main factors enticing international investors to Ljubljana.

Colja Rojs & Partnerji

Colja Rojs & Partnerji is a market leader in financial law and boasts a strong emphasis on international transactions. The firm also captures many of the best newly trained lawyers. "They have younger attorneys with international experience," says one rival lawyer. In the past year, the firm advised Russian steel company Koks Group on its acquisition of a 55.35% stake in Slovene Steelworks in a deal worth €100 million.

The firm's capacity to handle big-ticket corporate transactions was substantiated after advising pharmaceuticals company Pfizer on its \$13 billion sale of shares to Johnson & Johnson.

Colja Rojs & Partnerji has advised a range of domestic and international clients including commercial and investment banks, insurance companies, multinational corporates, trade associations, and local and international agencies.

Leading lawyers

Marjan Colja
Ales Rojs

Jadek & Pensa

"I was very impressed with them," says a client of Jadek & Pensa. "I was recommended to them by a colleague when we needed some work done in the area and I was a bit apprehensive, but I have to say I was very impressed. We thought perhaps they were a bit small, but then we found that pretty much all of the firms [in Slovenia] are actually. We've no grumbles; we're absolutely delighted."

On the capital markets side, corporate partner Simon Gabrijelcic acted for the underwriters, Citigroup Global Markets, in relation to the IPO of Nova Kreditna Banka Maribor, a Slovenian state-owned bank.

Another deal saw the firm advise Slovenian Railways on its €220 million joint venture with property developer TriGranit to construct a passenger centre in Ljubljana.

In M&A transactions the firm acted for software engineering company Hermes SoftLab on its €40 million share sale to telecoms firm ComTrade. The firm also advised private-equity firm DBG Eastern Europe on its €16 million buyout of plastic-moulding company Tomplast.

Leading lawyers

Simon Gabrijelcic
Sreco Jadek
Pavle Pensa
Bostjan Spec

Miro Senica in Odvetniki

Miro Senica in Odvetniki, established in 1986, is one of the largest law offices in Slovenia and particularly esteemed for its solid M&A practice. "Their associates are fantastic; they've got a real western approach to business; they're good lawyers," says one client of the firm.

In the past year the firm has featured on a string of notable transactions. In one, Anja Strojini-Stampar advised Hungary's Magyar Telekom in its bid for a 49.13% stake in of Telekom Slovenije, a deal worth €1.5 billion.

Melita Trop is another well-respected member of the team. In one highlight deal, Trop advised telecoms company ComTrade Group on its attempted buyout of European

software engineering company Hermes Softlab, a deal worth €32 million. "Melita's very good on due diligence and transaction law," says a client. "She offers great personal input, always liaising with [the transaction's international coordinator]."

Leading lawyers

Miro Senica
Melita Trop

Odvetniki Selih & Partnerji

Odvetniki Selih & Partnerji, established in 1961, has grown considerably over the years to become one of Slovenia's leading law firms. The firm is a member of the network, which has increased the firm's cooperation with international clientele and neighbouring international firms.

One of the firm's highest-profile deals was acting for the government's financial advisor in the attempted privatisation of national telecoms operator Telekom Slovenija. Selih & Partnerji also advised the Slovenian Government and the issuer in the IPO of Slovenia's second-largest bank Nova Kreditna Banka Maribor.

In other standout work, the firm advised the acquisition of a TV station in Slovenia by a group of European investors. Property developments have also provided lucrative transactions for the firm, which this year advised on the conversion of a greenfield real-estate site into a commercial development in Ljubljana.

Leading lawyers

Natasa Pipan Nahtigal
Nina Selih

Schoenherr

Schoenherr suffered a blow this year when Jani Sorsak left to join the Competition Protection Office in December 2007. Despite Sorsak's departure, the firm has managed to maintain a strong presence in the market and has recorded a successful year in M&A.

In one notable transaction, the firm advised German media conglomerate WAZ on the acquisition of a controlling stake in one of the largest Slovenian daily newspapers through a series of multi-jurisdictional share swaps.

In recent times the firm has provided M&A legal counsel to MTG Broadcasting, Vision Capital Partners and Salesianer Miettex. "They have performed quite well on the banking side, advising us on lots of transactions, backed by larger teams in Vienna where appropriate. We're very happy with them," says one client of the firm.

Wolf Theiss

Wolf Theiss consolidates its position in the rankings after an active year in corporate transactions. In one deal the firm advised supermarket chain Hofer on establishing 90 supermarkets in Slovenia. In another standout deal, Markus Bruckmüller and Matthias Unterrieder acted for clothing company Peek & Cloppenburg in relation to its entry into the Slovenian market.

Elsewhere, the firm is advising Babcock & Brown, an Australian property investment and advisory firm, on the acquisition of several retail real-estate properties in a deal worth e200 million.