

Croatia

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Key new legislation affecting international businesses

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The following new legislative instruments may be of interest to international concerns doing business in Croatia.

Capital Market Act

The new Capital Market Act became effective in 2009 and attempts to harmonise fully Croatia's laws regulating capital market activities with relevant EU legislation. The following are some of the important changes.

- The private placement of securities can now be effected pursuant to EU standards.
- The details of required disclosures and the consequences of a failure to disclose have been made clearer. The new Act specifies in much greater detail the persons responsible for information contained in a prospectus, and imposes an obligation on an issuer to publish periodic financial reports as well as information about changes in corporate structure and voting rights.
- Non-stock exchange trading platforms are permitted and, once Croatia enters into the EU, investment banks will be permitted to execute orders from clients against their own books or against orders from other clients without the Croatian Financial Services Supervisory Agency's approval.
- Companies with more than 100 shareholders and share capital exceeding CKn30 million (€4.2 million) now have the opportunity to avoid listing on the Zagreb Stock Exchange (ZSE). This could be of interest to foreign investors that have acquired positions in privatised companies. However, implementation of this option must await the delisting rules from the ZSE. It should be noted that, even if a

company delists, it will still be: (i) possible to use the ZSE to facilitate trades; and (ii) due to a recent amendment, necessary to comply with the Takeover Act requirements.

- Stronger protection for investment company retail clients was introduced – their claims are now insured up to CKn150,000 (€20,800).

Concessions Act and PPP Act

A new Concessions Act and Public Private Partnership Act (PPP Act) was enacted late last year. These laws, in conjunction with the prior adoption of the Public Procurement Act, complete Croatia's regulatory framework for the public procurement area – regulation that has the main goals of fair competition, transparency and stimulating high quality projects. The following features are included in the Act.

- The concession granting process now applies to all sectors. Moreover, the entire process is now regulated in much greater detail, and the protection of participants' rights is better assured by the possibility of filing an appeal to the Croatian State Commission for Supervision of Public Procurement Procedure which, contrary to prior law, suspends the concession granting process.
- The Ministry of Finance now has full, centralised oversight over concessions.
- The new PPP Act provides strict rules on the approval of PPP projects with a view towards enhancing value, structure, risk balance and other characteristics crucial for the attractiveness of projects to the various constituencies.
- The assessment and approval of PPP projects will now be conducted by the Agency for PPP; a newly-established agency also responsible for managing the PPP Registry containing the official copies of approved PPP contracts.

Although these laws have generally been favourably received, there is some concern

that the public procurement sector has now become over-regulated in Croatia.

Other legislative changes

- The Foreigners Act abolished the two-year residency previously required before the holder of a key personnel visa can obtain visas for his or her immediate family.
- An amendment to the Ownership Act now permits all EU citizens and EU-established legal entities to own real estate in Croatia on the same basis as their Croatian counterparts.
- Although the Real Estate Brokerage Act was enacted over a year ago, it only became fully effective in 2009. This law dramatically transforms what had been essentially an unregulated market for real-estate intermediaries in Croatia. Intermediaries must now comply with, among other things, capitalisation requirements and strict educational requirements for real-estate personnel. The law also mandates the legal rights and obligations of an intermediary and its client. Clients' claims are now insured up to CKn600,000 (€84,000).
- The new Personal Identification Number (Pin) law establishes an identification code for Croatian citizens and entities that links different governmental databases, and should help the authorities with their domestic oversight responsibilities. A foreigner who is either registered in an official register or is a taxpayer is also granted a Pin from the Croatian Tax Administration. Accordingly, each management board member or shareholder in a Croatian company (including listed concerns), or a person acquiring real estate in Croatia, is obliged to obtain a Pin.
- The Zoning and Construction Act, enacted in 2007, combined zoning and construction rules in Croatia and was intended to simplify permitting and construction. A 2009 law (Act on Incentives for Investments and Construction Requirements) supplements this Act for

large projects by further streamlining the process and shortening the licensing period to 45 days in most cases.

Financial and corporate

Recommended firms	
Tier 1	Bogdanovic Dolicki & Partners Porobija & Porobija Zuric i Partneri
Tier 2	Divjak Topic & Bahtijarevic Hanzekovic Radakovic & Partners Markovic & Pliso Savoric & Partners Vukic Jelusic Sulina Stankovic Jurcan & Jabuka
Tier 3	Babic & Partners Cipic-Bragadin Schoenherr in co-operation with Croatian lawyers Travas & Partners Vukmir & Associates Wolf Theiss in co-operation with local lawyers

The area of Croatia's economy that has been worst hit by the global downturn is the real-estate development market, with foreign direct investment falling by at least 20% during the first two quarters of 2009. This has obviously had a deadly effect on the previously booming construction industry, and some large commercial and retail construction projects have been put on indefinite hold.

The banking sector has also been hit badly by the downturn, suffering from the dual and mutually-supporting ailments of risk-aversion and the tightening of lending schedules by foreign parent banks in even more exposed economies.

Firms obviously reported a drop in activity in 2009 regarding construction and acquisition finance, but the stretching-out of some mandates, as well as the demand for corporate restructuring advice, has tended to keep many of them busy.

Bogdanovic Dolicki & Partners

Bogdanovic Dolicki & Partners has stayed strong throughout the downturn. The firm has kept a strong flow of work advising domestic and international clients on corporate and commercial issues, and continues to excel in banking and finance.

"I believe they belong to the first tier," says one rival of the firm. "They have been a member of this tier for some time; they are among the biggest firms, and they are highly professional and highly devoted to this type [financial and corporate] of work." The same competitor also says that when discussing the market's leading lawyers, Mirko Bogdanovic and Tin Dolicki "are always to be quoted".

The firm is regularly instructed by the jurisdiction's largest clients, and assisted the European Bank for Reconstruction and Development, and BNP Paribas, in securing principal, as well as other claims, under loans in excess of €20 million.

The firm has also seen its share of downturn-related work, advising mobile telecom operators T-Mobile Hrvatska and HT-Hrvatske telekomunikacije in the companies' reorganisation and consolidation.

Leading lawyers

Mirko Bogdanovic
Tin Dolicki

Porobija & Porobija

According to one peer Porobija & Porobija has been less active than its tier-one rivals this year, but the firm is still one of the jurisdiction's most relevant players and provides clients with high-quality services across a range of practice areas.

"They are a good law firm and involved in corporate M&A, PPP [public-private partnership] and corporate banking matters definitely, but I have seen them a bit less," says one competitor.

The four-partner firm's most prominent member is Boris Porobija: an acknowledged specialist in banking and finance, and M&A. "He's very friendly, as well as being a real expert in his field," says one rival.

Leading lawyers

Drazen Grubisic Cabo
Boris Porobija
Zeljka Rostas-Blazekovic

Zuric i Partneri

Zuric i Partneri is Croatia's largest and most international firm, according to competitors. The firm's roots lie in banking, but its emerging reputation as an M&A authority looks set to give its corporate practice equal status.

"They are tier one," says one rival. "They are, if you ask me, the biggest and most significant corporate law firm at the moment. They are involved in M&A, PPPs, Utilities, banking and finance."

Founder Dusko Zuric leads the firm, though, partner Bojan Fras has been the cen-

tre of attention, impressing peers with his financial and corporate expertise. "I don't really know any details about professional achievements," says one rival of Fras. "But I believe he is the man in M&A and banking and finance."

Leading lawyers

Dusko Zuric
Ratko Zuric

Divjak Topic & Bahtijarevic

Divjak Topic & Bahtijarevic's reputation is growing, along with its impressive client list which includes UBS, Goldman Sachs, Apple, Google, Pearsons and Interbrew.

"[The firm's] advice has always been commercially and legally sound, and they have been able to translate Croatian legal concepts so that I am able to understand them," says one cross-border client. "I work with lawyers in a number of different jurisdictions, and I would rate DTB among the best firms that I have worked with."

Though the firm continues to be active in high-profile banking and finance transactions, the big deals it has been handling over the last 12 months have combined that expertise with that of their strong corporate/M&A practice group.

In January 2009, Emir Bahtijarevic, Josip Marohnic and recently-appointed senior associate Mario Krka advised Helios Properties on their joint venture with an Austrian investor in the €40 million development and extension of Croatia's largest shopping mall.

In another joint venture deal, Damir Topic and Marko Praljak assisted Island Global Yachting and its Turkish and Croatian co-investors in their €60 million development of a marina and hotel resort. The pair also represented Garanti Bank of Turkey in its acquisition of a Croatian bank.

Elsewhere, Dexia Credit turned to the firm when it needed assistance with the restructuring of its Croatian operation, which was handled by Sasa Divjak.

Leading lawyers

Damir Topic

Hanzekovic Radakovic & Partners

Hanzekovic Radakovic & Partners has a strong presence in the market, especially in terms of its capital markets, M&A and project finance work.

One client spoke of working with Kruno Knezevic and Irina Jelcic: "They were incredibly supportive - they talked us through all of the drafts as they appeared and were always

there on the end of the line when I needed them.”

The firm has acted in some high-profile matters over the last 12 months. Some stand-outs included the €12.5 million acquisition and mandatory takeover of Puris, and advising on Getro's €9 million acquisition of its own shares from the European Bank for Reconstruction and Development.

On the project finance side, the firm provided full legal support for the Lumini and Savska-Ozonia Business Garden projects, and assisted in the tender procedure for a €3 billion motorway concession in Montenegro.

Markovic & Pliso

Markovic & Pliso has been active this year, advising the Croatian government in an amendment to the shareholders' agreement for an oil and gas industry company, specifically the transfer of a gas storage business, in January 2009. The matter was handled by Zoran Markovic and Diana-Kristina Miskulin.

Markovic and Miskulin were instructed on the restructuring and privatisation of the Croatian shipyards for the Croatian Privatisation Fund, while Miskulin has also been advising the Zagreb Stock Exchange on the reorganisation of its by-laws.

On the M&A side, the firm has been acting for Bilfinger Berger Power Services on its acquisition of two construction companies.

Leading Lawyers

Zoran Markovic

Savoric & Partners

Savoric & Partners has continued to build on its strong reputation in the Croatian market, acting for high-profile clients across the capital markets, banking, M&A and project finance practice areas.

The firm is praised by one client: “When I need something, they always respond quickly with good advice,” the client says. “It's obvious that they have an excellent commercial sense. That gives us real confidence.”

One particularly notable capital markets instruction involved advising Morgan Stanley and Deutsche Bank in bidding for the privatisation and IPO of the state-owned oil industry INA on the London and Zagreb exchanges.

The firm has also been acting on some large M&A deals in Croatia for Hachette Distribution, Generali, OMV, Mobilkom Austria, Merrill Lynch, Swisscom and Colas.

Large banking mandates included advising the European Bank for Reconstruction and Development on its €110 million equity

investment in Agrokor, the financing of a syndicated loan facility for Nasicecement, and the financing of Zagreb's solid waste programme.

Savoric & Partners has also been active in the real-estate financing market. The firm has been appointed as Ikea's legal adviser in the purchase of suitable land and its entry into the Croatian market, and is acting for Pirelli's real-estate subsidiary in its potential acquisition of one of Croatia's largest hotel and tourism companies.

Other ranked firms

Schoenherr in co-operation with Croatian lawyers has been making its presence felt in the Croatian market, advising Phoenix Pharmahandel on an intra-group restructuring, and Austrian Energy and Environment on the Croatian side of a €700 million syndicated loan facility from a consortium of banks headed by KBC Bank.

On the M&A side, the firm advised the Austrian textile leasing and cleaning group Salesianer on its investments, including the acquisitions of Perena and Lotos, putting Salesianer on the road to becoming Croatia's market leader.

Wolf Theiss in co-operation with local lawyers has been building on the strong reputation of its banking and finance team, acting for Unicredit Austria and Erste Bank in a €227 million real-estate financing, and advising Raiffeisen Zentralbank in the €33 million financing of a retail park acquisition.

On the M&A side the firm advised Goldman Sachs on a local acquisition, and assisted Lukoil in its acquisition of Europa-Mil, an independent Croatian oil distributor.

Other notable firms

Glinska & Miskovic was recently founded by the two most senior lawyers previously working in co-operation with DLA Piper Weiss-Tessbach, and includes most of the lawyers previously working in DLA's Zagreb office.

The new firm, run by Beata Glinska and Aleksej Miskovic, while independent, will be operating as a member of the DLA Piper Group. Recent work includes some big-ticket mandates acting for banks as lenders and some equally notable buy-side M&A deals.