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Impact of the 2008 government tax reform proposal

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Although the decision to consummate an M&A transaction will never be solely tax-driven, two major tax concerns exist: (i) the seller intends to maximize his capital gain after taxes; and (ii) the buyer aims to deduct as much of his payment obligations as possible from his tax burden. For 2008, the German government is planning a broad reform of company taxation with an impact on shareholders' and partners' taxation. The Ministry of Finance released a draft Tax Reform Act 2008 on February 5 2007. Under the current plan, the reduction of the corporate tax rate, the taxation of capital gains and the thin capitalization rules will be modified.

Capital gains

Under the current tax regime, capital gains taxation may be avoided if the seller is an individual holding his share as private assets, provided the shareholding has not reached 1% of the total stated share capital over the last five years and the seller has held it for at least 12 months. If these conditions are not met, the seller will be subject to the so-called half income taxation (*Halbeinkünfteverfahren*) which means that only half of the capital gain income will be taxable at the individual tax rate of the seller. If the seller is a corporate taxpayer, the sale of shares is 95% tax-exempt, irrespective of the holding period or percentage of shareholding.

Flat tax

According to the tax reform, income derived from capital investments (acquired on or after January 1 2009) shall be subject to a flat tax of 25%, irrespective of the holding period or the size of the interest in the shareholdings of the company. Expenses incurred in connection with the realization of capital gains shall no

longer be deducted, i.e. there will be no deduction of interest expenses or transaction fees. Furthermore, if a seller realizes losses from capital investments, such losses may not be deducted from other positive items of income. However, the losses may be carried forward and deducted in subsequent years from capital gains, whereby the limitations according to the minimum tax concept shall not apply.

Partial income taxation

The flat tax shall not apply to income derived from capital investments belonging to a business property (*Betriebsvermögen*) and for shareholders holding 10% or more in the respective corporation even if the proceeds are owed to a party related to such a shareholder. Such capital gains shall be subject to a modified half income taxation, the so-called partial income taxation (*Teileinkünfteverfahren*) which provides for a tax exemption of 40%. The remaining capital gains shall be subject to the individual tax rate of the respective seller. Expenses incurred in connection with income derived from capital investments (e.g. interest expenses, transaction fees) may be deducted up to 60%, to the extent related to income taxed in accordance with the partial income taxation, otherwise up to 100% (subject to the new interest deduction ceiling). The rules regarding the tax exemptions of 95% of capital gains realized by corporations (sec 8b CIT) shall remain unaffected under the amended provisions.

Interest deduction ceiling

Another major aspect of the 2008 tax reform will be the replacement of the current thin capitalization rules. Unlike the current legislation, according to which the thin capitalization rules only apply to "substantial" shareholders, every kind of debt financing (including bank financing) will be affected by the new interest deduction ceiling (*Zinsschranke*). The general idea of such an interest deduction ceiling is that profits are not pushed down below a certain limit by deducting debt inter-

ests. This interest deduction ceiling will be applicable to partnerships as well as to corporate taxpayers. As a first step, the interest expenses of a company may be deducted in full in the amount equal to the interest income of the company for one fiscal year. As the second step, exceeding interest expenses shall only be deductible until they are equal to 30% of a modified EBIT-calculation scheme (i.e. taxable profit plus interest expenses, minus interest income and before tax). Any interest expenses not deductible according to the principles may be carried forward to future years and may be used subsequently.

Escape clauses

The interest deduction ceiling shall not be applied with the effect that interest expenses will be fully tax deductible if (i) the amount of interest expenses minus interest income does not exceed €1 million; (ii) the relevant German entity does not belong to a group of companies (whereby it would be sufficient to be deemed a group company if the relevant company could be consolidated); or (iii) the relevant German entity belongs to a group of companies, but the corporate taxpayer's equity ratio (on a stand-alone basis) equals or exceeds the equity ratio of the group (only a difference of up to 1% between both ratios should be tolerable). However, the principles to determine this equity ratio are not yet clear.

Shareholder loans

The interest deduction ceiling shall also apply to corporate taxpayers that do not belong to a group of companies, if interest paid to (i) substantial shareholders (more than 25% of the total stated share capital); (ii) a party related to such a shareholder; or (iii) a third party with harmful recourse exceeds 10% of the overall net interest payments of the corporate taxpayer.

Perspective

It is obvious that the enacted changes will affect M&A transactions in Germany. While the reduction of tax rates will be seen as rather

good news for taxpayers, the described counter-financing measures, such as the interest deduction ceiling, might eliminate the benefits of the lower tax rates, in particular for leveraged M&A transactions.

Capital markets – equity

Recommended firms

Tier 1

Hengeler Mueller
Sullivan & Cromwell

Tier 2

Cleary Gottlieb Steen & Hamilton
Freshfields Bruckhaus Deringer
Linklaters

Tier 3

Allen & Overy
Clifford Chance
Shearman & Sterling

Tier 4

Gleiss Lutz
White & Case

Tier 5

Baker & McKenzie
Dewey Ballantine
Latham & Watkins

It is no secret that Germany's equity capital market scene has boomed along with the rest of western Europe. There has been an unprecedented number of initial public offerings (IPOs) and the tempo doesn't look like slowing just yet. This has been noted by the American firms, who have been extremely intent on establishing themselves on the scene.

The American firms have adopted an aggressive hiring policy, which has so far tempted three high-profile partners to join practices which have little or no previous experience with German equity capital markets work.

White & Case drew first blood by hiring Freshfields stalwart Lutz Krämer. Dewey Ballantine followed suit soon after when it lured Walburga Kullmann from Freshfields and, in a cunning move, also hired White & Case local partner Matthias von Oppen.

But Fried Frank Harris Shriver & Jacobson trumped them all in mid-July when it announced it had hired Allen & Overy's standout equity capital markets partner Michael Schlitt, as well as his team of four associates and one European counsel.

The recent partner moves have blown the legal market wide open, and considering the

huge resources of the US firms, movements will continue as long as the German market stays strong.

Hengeler Mueller

Hengeler Mueller holds its place in the top tier with yet another powerful year in the equity markets.

"They have traditionally been one of the top firms in the area," said one client. "Torsten Busch offers top-quality service and has been doing it for a long while." Partner Wolfgang Gross was also praised by peers for being "easy to get along with, business-oriented, client-friendly and experienced".

The firm was heavily involved in the IPO market this year. The firm acted for the issuer on the two largest IPOs of the past two years, advising Symrise on its €1.4 billion listing in 2006 and Gerresheimer on its €1 billion listing in 2007. Hengeler also acted for the issuer on the IPOs of Tognum, VTG and the Homag Group.

Hengeler completed a number of capital raisings throughout the year, with the standouts seeing the firm guide Merck on a €2.05 billion raising and another seeing the firm guide Bayer on its €1.2 billion capital increase in connection with the company's acquisition of Schering.

Leading lawyers

Torsten Busch
Wolfgang Gross

Sullivan & Cromwell

Sullivan & Cromwell was again very active in equity capital markets over the past 12 months, utilizing its very strong US base to secure a number of roles primarily on the underwriter's side.

"Sullivan & Cromwell are one of the top equity capital markets teams in the German market, if not *the* top," said one client. "They've developed a strong German practice in a short period of time."

The client continued: "They are the best-integrated US and German practice. They work seamlessly using a team of German and US lawyers."

Frankfurt managing partner Wolfgang Feuring was roundly praised by rivals, Konstantin Technau was described as "a good lawyer who is well liked", while associate Carsten Berrar is seen as a rising star at the practice.

Sullivan & Cromwell was involved in a number of big ticket transactions this year. Highlights included guiding the underwriter on the €2.05 billion rights offering by Merck and acting as sole international coun-

sel to Conwert Immobilien Invest on its €413 million rights offering in April 2007.

On the IPO front, the firm again represented the underwriters on the flotation of Symrise and Wacker Chemie – the two largest German IPOs of 2006. Sullivan & Cromwell's Frankfurt office was also active outside of Germany, acting on the IPOs of Österreichische Post in Austria and Partners Group in Switzerland.

Leading lawyers

Krystian Czerniecki
Wolfgang Feuring

Cleary Gottlieb Steen & Hamilton

Cleary Gottlieb has been promoted to tier two after a wave of support from rival firms. "They're quality and they have a number of people who can do deals," said one partner. While the firm doesn't do the same volume as the larger firms on account of its size, the transactions the firm does work on are completed to a high standard.

One client was very impressed with Cleary Gottlieb's more personal style. "Thomas Kopp has a really hands-on approach and is deeply involved in transactions," the client said.

The firm's standout role was without a doubt acting for the underwriters on the €1 billion Gerresheimer IPO in June 2007. Another highlight saw the firm also represent the underwriters on the €405 million IPO of Wacker Construction Equipment – the third-largest IPO to date in 2007. The transaction combined both a public offering and a private placement to institutional investors.

The firm showed the benefit of having a strong US office by acting for Infineon Technologies regarding the US aspects of its carve-out of Qimonda and the €395 million IPO of Qimonda's American depository receipts on the New York Stock Exchange (NYSE). The transaction was notable as it was the first German listing on the NYSE since the introduction of the Sarbanes-Oxley Act in the US.

The firm continued to exploit its US connection by advising companies such as Bayer, Deutsche Bank and Siemens on their obligations and requirements of listing on the NYSE and issues relating to compliance with Sarbanes-Oxley.

Leading lawyers

Thomas Kopp
Christof von Dryander

Freshfields Bruckhaus Deringer

The Freshfields team took a hit when Lutz Krämer moved across to White & Case and Walburga Kullmann departed to Dewey Ballantine, with some clients saying they were reluctant to employ Freshfields on an IPO until it has finished restructuring its practice.

“They’re on the watch list,” said a client. “At the moment we’ll have to see whether they will slow or whether they will build back up.”

That being said, clients were confident that the up-and-coming Rick van Aerssen can step into the breach and provide Andreas König with the necessary support to keep the team at its peak.

Freshfields’s biggest IPO for the year saw the team advise issuer Wacker Chemie on its €1.2 billion offering in April 2006, which was the second-largest IPO in Germany in 2006. On another headline-grabbing transaction the team guided Air Berlin on its €450 million listing on the Frankfurt Stock Exchange (FSE).

The firm got involved in the busy real-estate investment trust (Reit) IPO market, acting for Gagfah on its €853 million IPO in October 2006. Gagfah has a market capitalization of €5 billion and is the biggest listed real-estate company in Germany.

Freshfields also acted for the underwriters including Credit Suisse, Citigroup and UBS on the widely publicized €1.2 billion capital increase by Bayer, which formed part of the financing for its takeover of Schering.

On the regulatory side, the firm advised UniCredit group on the transfer of its investment banking business to Bayerische Hypo- und Vereinsbank.

Leading lawyers

Rick van Aerssen
Andreas König

Linklaters

It was a year of consolidation for Linklaters, with the firm not quite living up to its usual high standards over the past year. The firm was missing from the biggest IPOs but still acted on a number of notable deals and was roundly praised by clients for its quality work.

“We had a very good experience,” said one client. “They always give advice in a short period of time.”

Linklaters’ standout IPO deal saw it act for steel distributor Klöckner & Co on its €744 million listing on the FSE, as well as the subsequent €296 million placement in Germany and abroad, including in the US under Rule 144A.

Another equity deal saw the firm represent a consortium of banks including JPMorgan

Securities and Deutsche Bank on the €406 million IPO of real-estate company Alstria Office. Alstria is planning to be one of the first real-estate companies in Germany to convert into a Reit.

Linklaters also made use of its substantial international connections by advising UBS in relation to Holcim’s €1.1 billion rights offering on the Swiss Stock Exchange.

Elsewhere, the firm acted on GPC Biotech and Hypo Alpe-Adria Bank’s capital increases on the FSE and on Berlin-Hannoversche Hypothekbank’s €455 million secondary placement in January 2007.

Leading lawyers

Herbert Harrer

Allen & Overy

Allen & Overy suffered a huge blow when it was announced that its highly respected head of equity capital markets Michael Schlitt and his four-associate team will move to American firm Fried Frank to spearhead its entry onto the capital markets scene in August 2007. With the news coming just after reports of a shake-up at board level, clients said the instability at the firm may affect their mandating decisions in the future.

Schlitt and his team acted on a number of quality deals last year, including advising Credit Suisse, Deutsche Bank and JPMorgan on the €829 million IPO of Versatel, which has been the biggest IPO in 2007 to date in Germany.

Schlitt had also guided Wacker Construction Equipment on its €405 million IPO, which involved both a public offering and a private placement with institutional investors.

Clifford Chance

Clifford Chance recorded another strong year, with the well-respected partner Markus Pfüller leading the way on a swag of IPOs and capital increases this year.

The firm’s most notable transaction saw it act for Austrian company CA Immo International on a €287 million IPO on the Vienna Stock Exchange. The offering was accompanied by private placements of shares to investors in various countries, including in the US under Rule 144A.

The team represented the underwriters on the €70 million flotation of Schmack Biogas and the company’s subsequent €100 million capital increase and private share placement. Elsewhere, the firm advised on the IPOs of Francotyp-Postalia Holding and Living-E.

Clifford Chance also advised on the €440 million dual-track listing and trade sale proce-

dures for B&L Immobilien, which was eventually completed as a trade sale.

Leading lawyers

Markus Pfüller

Shearman & Sterling

Like its American counterparts, Shearman & Sterling benefits from a strong US base which allows it to work fluidly on cross-border transactions. The firm has a focus on real-estate offerings, particularly in Germany, Austria and Switzerland.

“We work with them primarily on Austrian deals,” said one client. “We like to work with Stephan Hutter as he has a very good understanding of Austrian practices.”

The firm’s most notable activity saw it score a role on Alstria Office’s €406 million IPO in April 2007. The team, consisting of Hans Diekmann, Andrea Eggenstein and Stephan Hutter, represented the issuer on the IPO and continues to advise the company as it attempts to convert into a German Reit.

Shearman & Sterling represented joint lead managers Deutsche Bank, Morgan Stanley and Commerzbank on the €320 million capital increase and convertible bond issue of Air Berlin in March 2007.

The firm also represented the issuer Axel Springer in the €440 million secondary placement of its shares by financial investor Hellman & Friedman. In addition, Shearman & Sterling represented Axel Springer on its subsequent application for the admission of the company’s unlisted shares to the FSE.

Leading lawyers

Stephan Hutter

Gleiss Lutz

Gleiss Lutz has reorganized its practice to create a standalone capital markets group, which no doubt helped the firm win a number of roles on IPOs advising banks. The firm is noted by the market for being strong on German domestic transactions but is not particularly active on cross-border work.

The firm advised Deutsche Bank, as the transactional law firm, on the €145 million IPO of Bauer on the FSE. Gleiss Lutz also represented Schmack Biogas on a €100 million capital raising and continues to advise on a number of upcoming IPOs with values up to €200 million.

Gleiss Lutz’s responsiveness was praised by its clients. “They did a good job ... if we had any requests, they would respond right away,” said one client.

White & Case

White & Case boosted its equity capital markets team by poaching Lutz Krämer and Benedikt Gillessen from Freshfields' Frankfurt office. Despite White & Case losing partner Matthias von Oppen to Dewey Ballantine, commentators said the partner movements will ultimately improve White & Case's capabilities and in time may move the firm up the rankings.

Lutz Krämer and Volker Land head up the firm's equity capital markets team, which acted on a number of IPOs on the FSE. White & Case's standout deal saw the firm advise the issuer DIC Asset on its IPO and international rights offering of 8.16 million shares and its subsequent listing on the FSE.

The firm also acted for the issuer on the IPOs of Smartrac, DIC Asset, Open Business Club and Kromi Logistik. White & Case got involved on the underwriters' side as well, representing JPMorgan, Cazenove and Sal Oppenheim on the €42 million IPO of LHS.

At the time of writing, White & Case is advising on three IPOs – two for the issuer and one for the underwriter – and two prime standard capital increases.

Leading lawyers

Lutz Krämer

Dewey Ballantine

Dewey Ballantine announced its arrival on the equity capital markets scene by taking Matthias von Oppen from White & Case and Walburga Kullmann from Freshfields. The firm primarily provided US advice on transactions but made a large enough impression with rival firms to warrant a ranking.

The firm grabbed the market's attention by winning a role on the €1.4 billion Symrise IPO advising GE Asset Management as the selling shareholder. Dewey Ballantine continued to build its practice by advising DIC Asset on US aspects of its €200 million IPO on the FSE in May 2006 and providing German and US advice to Unicredit and Bayerische Hypo- und Vereinsbank on the €18.5 million IPO of Hotel.de.

Capital markets – debt

Recommended firms

Tier 1

Hengeler Mueller
Linklaters

Tier 2

Allen & Overy
Clifford Chance
Freshfields Bruckhaus Deringer

Tier 3

Cleary Gottlieb Steen & Hamilton
Latham & Watkins
Shearman & Sterling
White & Case

Tier 4

Gleiss Lutz
Lovells
Sullivan & Cromwell

Hengeler Mueller has traditionally been at the top of the tree when it comes to debt capital markets work. Times are changing however. The challengers have begun to close on the champion, with Linklaters having a breakthrough year and providing Hengeler with some company in tier one for the first time in years.

Commentators say that it's not a question of Hengeler declining in quality. Rather, the growing sophistication of the debt market in general has provided more opportunities for multinational firms to utilize their international networks. Linklaters for example acted on a number of complex, cross-border convertible bonds and hybrid issues, while Hengeler focused more on the traditional debt transactions – an area where it is the undisputed leader.

With some partners reporting a slowdown in the hybrid sector, only time will tell whether Hengeler regains its crown or is forced to share the rarefied air of tier one for another year.

Hengeler Mueller

Hengeler Mueller has company in tier one this year but through no fault of its own. It remains one of the most dominant debt capital markets firms in Germany, acting regularly for a number of high-profile German companies and institutions.

"They are the leading capital markets firm over the past 10 years, and it's hard to beat that experience," said one peer. "They have a fantastic corporate client base as the counsel to the issuer."

The partner continued: "Once you're at the top, it's very tough to fall."

The retirement of highly regarded debt specialist Hannes Schnieder brought a mixed reaction from commentators. Some said the firm would suffer without his experience, but others said it gave Hendrik Haag and Wolfgang Gross a chance to make their mark at the firm.

The market noted that Hengeler's focus is on high-volume straight debt structures, but that doesn't make its transaction figures look any less impressive. The firm completed 210 Eurobond issues and 37 medium-term note (MTN) programmes in 2006, while in 2007 the firm had completed 118 Eurobond issues and 20 MTN programmes by June.

Hengeler had also acted on eight separate jumbo-bond issues by Kreditanstalt für Wiederaufbau (KfW) in 2007 by June, following on from the 21 issues for BASF, KfW, Leoni and the German government in 2006. The firm also acted for Linde and Pfeiderer on the issuance of structured bonds. It was also active in the commercial-paper market, working on €10 billion issuances from Helaba and Volkswagen.

Hengeler also managed to win mandates from new clients, working on debt programmes for Bremer Landesbank and Land Sachsen-Anhalt.

Leading lawyers

Wolfgang Gross
Hendrik Haag

Linklaters

Linklaters has been promoted to the top tier on the back of an outstanding year transaction-wise and numerous recommendations from clients and peers. "They were outstanding," said one client. "They have short reaction times and great personal relationships."

The firm was very involved in equity-linked transactions, hybrid equity capital instruments and liability management transactions such as bond buybacks and exchange offers. Linklaters also worked on a number of cross-border debt deals, dealing with Austria and Switzerland in particular.

Department head Peter Waltz was widely praised by rival partners and clients alike. "He's very good, very competitive and very commercial," said one client. "He finds his way around any legal problem."

Linklaters represented Swiss Life Insurance and Pension Company on an innovative €700 million loan repackaging guaranteed by its holding company Swiss Life Holding in notes issued by Dutch special-purpose vehicle ELM. The team was led out of Germany by Peter Waltz and included Linklaters lawyers from the London office.

The firm advised on a number of groundbreaking transactions in the bond market this

year. On one deal Waltz's team acted for JPMorgan in connection with Austrian financial institution Immofinanz's €750 million issue of convertible bonds – the largest ever convertible bond issue by a European real-estate company. Linklaters also advised UBS in connection with Colonia Real Estate's issue of €55 million of convertible bonds, which was the first ever decoupled pre-emptive offer of convertible bonds.

On another innovative deal, Linklaters acted for Behr & Co on its issue of €100 million of undated subordinated bonds, which was the first corporate hybrid issue to receive D-Basket treatment (recognition as 75% equity) under German law.

Together with its Paris office, Linklaters advised Allgemeine Hypothekenbank Rheinboden on its €13.8 billion cash tender offer for 20 public *Pfandbriefe* (mortgage products), which is the largest-ever cash tender offer for debt instruments worldwide.

Leading lawyers

Peter Waltz

Allen & Overy

Allen & Overy has added five associates to its debt capital markets team, which continues to occupy the second tier after another high-volume year. Peers describe the firm as “well positioned” and highly visible in the market.

Led by Okko Hendrik Behrends, the firm acted on a number of note issuances this year, with one of the standouts being the structured retail certificates for WestLB. This was a Luxembourg platform arranged by SashsenLB which further develops the successful Vivakdis structure.

Behrends led the firm when it advised Landesbank Hessen-Thüringen on a platform for the issuance of structured notes by a Jersey vehicle. This is the first which allows the issuance of structured notes to be backed by a pool of bonds issued by a variety of banks, rather than just the one bond.

In another innovative deal the firm acted for Citigroup on the issue of a State Treasury Note by the Federal State of Brandenburg, which is listed on the Luxembourg Stock Exchange and allows for more favourable capital-raising conditions. Allen & Overy also acted for E.On on the issue of a €35 billion MTN programme for pan-European securities.

Leading lawyers

Okko Hendrik Behrends

Clifford Chance

Clifford Chance had another solid year in the debt markets, acting on the issuer's side on a number of high-value hybrid bond issuances.

The firm proved to be popular with clients for being “very good, very professional and service-minded”. Clifford Chance was also singled out by clients for being “reasonably priced and very competitive”.

Clifford Chance won a role advising Siemens on two significant bond issues in the past year. Sebastian Maerker led the Frankfurt team on the first issue of both fixed and variable interest US dollar bonds in five tranches. In total, \$5 billion in bonds was issued to the US market and \$2 billion in hybrid bonds issued to the European market. Hans Stamm led the Munich team on the second issue, which consisted of two hybrid bonds in separate tranches – one raising €900 million and the other raising £750 million.

The firm also advised on the placement of a number of convertible bonds. On one notable deal the firm advised IVG Immobilien on a €400 million placement. Another deal saw Clifford Chance advise Praktiker Bau- und Heimwerkermärkte on a €150 million issue to fund the acquisition of Max Bahr in Hamburg.

Leading lawyers

Sebastian Maerker

Cleary Gottlieb Steen & Hamilton

Cleary Gottlieb's nine-partner German practice is known for its complex, innovative work representing issuers, underwriters and other market participants.

The firm advised the Republic of Uruguay on a \$1.17 billion exchange and cash tender offer, as well as \$800 million of cash offerings of US dollar and Uruguayan peso-denominated bonds. Frankfurt partner Andrés de la Cruz led a team of lawyers from London, Paris and New York on the transaction, which was recognized by the market for its complexity.

Partner Ward Greenberg led another notable transaction guiding Deutsche Bank on its €200 million offering of callable floating-rate contingent capital notes, which allowed Deutsche Bank to generate Tier I capital if required.

Cleary Gottlieb advised Deutsche Bank on two substantial offerings of Tier I trust-preferred securities – an \$850 million offering for BayernLB Capital Trust I and an offering of \$600 million from Deutsche Bank Capital Funding Trust VIII. Additionally, the firm represented MTU Aero Engines Holding on its €180 million convertible bonds issue in October 2006.

Leading lawyers

Ward Greenberg

Shearman & Sterling

Shearman & Sterling had a solid year, winning several roles advising banks on big-ticket bond issuances.

The firm's highest-value transaction was the \$5 billion Siemens bond offering. Stephan Hutter provided German advice to a consortium of banks including Deutsche Bank Securities, JPMorgan, Citigroup and Morgan Stanley.

Another talked-about transaction was the \$1 billion global bond offering by Landeskreditbank Baden-Württemberg Förderbank in November 2006. Stephan Hutter again advised on German aspects of the deal for banks including Bank of America, the Royal Bank of Scotland and Morgan Stanley.

Sherman & Sterling demonstrated its debt and equity capital markets capabilities by advising the banks on Air Berlin's €220 million bond offering and capital increase, which provided finance for the company's acquisition of LTU.

The firm also won a role advising the issuer SGL Carbon on German aspects of a €600 million combined convertible bond, high-yield bond and bank financing facility in May 2007.

Leading lawyers

Stephan Hutter

White & Case

Jochen Artzinger-Bolten leads White & Case's debt capital markets team, which was recently bolstered by the hiring of Lutz Krämer from Freshfields. Krämer is primarily an equity capital markets expert but spent seven years as in-house legal counsel for Dresdner Bank and is well respected for his work on high-yield and convertible bonds.

The loss of Matthias von Oppen to Dewey Ballantine hasn't affected its practice to a great degree, with clients still happy to hire White & Case for a range of debt capital markets work. “When you have an issue, they're very structured and very service-minded,” said one client. “They know your needs and are excellent at providing advice.”

The firm's highlight was being hired by Morgan Stanley on the establishment of a €1 billion German programme for the issuance of structured notes and certificates. On another standout deal White & Case advised Dresdner Bank on the arrangement of a Euro MTN programme for the BMW Group.

White & Case also advised the underwriters on the issue of more than 220 structured notes and certificates and was consulted by various parties on a number of standalone bond issues, new Euro MTN programmes, *Pfandbriefe* and structured *Schuldscheine* (promissory notes).

Leading lawyers

Jochen Artzinger-Bolten

Sullivan & Cromwell

Sullivan & Cromwell was active in the debt capital markets, acting primarily as US and German counsel to the underwriters. Partners Krystian Czerniecki and Konstantin Technau head a team which has a close relationship with KfW, with the firm acting on 25 global takedowns and two MTN offerings in the 18 months to June 2007.

On one standout deal, Czerniecki advised KfW on three offerings of global notes since May 2006; four euro offerings totalling €18 billion; four US dollar offerings totalling \$10 billion; and six yen-dominated offerings totalling ¥225 billion (€1.36 billion). Czerniecki also advised Landwirtschaftliche Rentenbank on three US dollar global notes which totalled \$3.75 billion.

Technau was also active, advising the issuer NXP on a €4.53 billion five-tranche high-yield bond in October 2006.

Capital markets – structured finance and securitization

Recommended firms

Tier 1

Clifford Chance
Hengeler Mueller

Tier 2

Freshfields Bruckhaus Deringer
Linklaters

Tier 3

Allen & Overy
Baker & McKenzie
Sidley Austin
White & Case

In an almost carbon copy of the situation on the debt capital markets, Hengeler Mueller has been joined in the top tier for the first time in years by a UK magic circle firm. Clifford Chance has been hoisted up on the back of its sheer diversity and volume of deals, as well as overwhelmingly positive recommendations from peers and clients.

Much like the debt capital markets, Hengeler chose to largely focus on one partic-

ular area and make it its own; in this case synthetic securitizations. But its dominance was dampened somewhat by a resurgent Linklaters muscling in on its transactions coupled with an overall slowdown in synthetic work.

At the other end of the scale, the last 18 months have seen the disappearance of Lovells from the structured finance scene. Sidley Austin, a newcomer to this market, poached Lovells's team in August 2006 in an attempt to extend its well regarded global structured finance practice into Frankfurt, with general opinion indicating the fledgling office has been relatively successful so far.

Clifford Chance

Clifford Chance has joined Hengeler in the top tier after an outstanding year, acting on a range of innovative and ground-breaking transactions. Headed by Kirti Vasu, the specialised securitization and structured debt team consists of five partners and 15 associates, which the market said is a large factor in the firm's success.

"Size is such a dominant factor," said one rival partner. "If you have a lot of good partners they drive the firm forward."

The department grew this year with the appointment of the well regarded Oliver Kronat as a new partner. "He's a bright guy and a person to look out for. He's one of the best at Clifford Chance," said one peer.

Clifford Chance's highlight was acting on the €1.34 billion Bluebonnet Finance securitization, which was the first securitization of non-performing loans in Germany. Elsewhere in the true-sale collateralized debt obligation (CDO) market, the firm guided DWS Finanz-Service on the €300 million Elex Alpha CDO, which was the first leveraged CDO loan with a German collateral advisor.

The firm got involved in the burgeoning commercial mortgage-backed securities (CMBS) market, guiding lead managers Credit Suisse and Dresdner Kleinwort on their €254 million true-sale of CMBS mortgage loans to Opera Germany No 1 and working on Grand and Zoom – the largest European CMBS to date.

Other standout activities saw Clifford Chance mandated on Valovis Bank's first German covered bond secured by mail-order receivables. The firm also advised Kreditanstalt für Wiederaufbau (KfW) and Bayerische Hypo- und Vereinsbank on Promise XXS-2006's €4.5 billion synthetic loan securitization.

Leading lawyers

Kirti Vasu

Hengeler Mueller

It was business as usual for Hengeler Mueller as it recorded yet another standout year, working primarily representing banks on synthetic transactions. "For synthetic deals, Hengeler is the obvious choice," said a rival partner.

Stephan Krauss and Martin Geiger are constantly singled out by peers for their outstanding work and industry connections. "Hengeler has a line into the German financial institutions. Krauss milks it for all it's worth," another lawyer said.

Among Hengeler's highlights on the synthetic side, the firm represented Commerzbank on a collateralized loan obligation transaction with CoCo Finance 2006-1 and guided DZ Bank on the first CDO programme under German law.

Despite a focus on synthetic deals, Hengeler bucked the idea that it is an exclusively synthetic practice by getting involved in some substantial true-sale transactions last year. The firm acted on the second stage of the German Postal Pensions securitization scheme and represented Westdeutsche ImmobilienBank on the first securitization with a refinancing register and also the first loans securitization to a public real-estate fund.

Other standout deals for Hengeler included representing Hypo- und Vereinsbank on the largest German residential mortgage-backed securities (RMBS) transaction in 2006 and guiding Babcock & Brown and the GPT Group on the second-ever securitization of residential units.

Leading lawyers

Martin Geiger
Stefan Krauss

Freshfields Bruckhaus Deringer

Freshfields's structured finance department took a hit with the departure of partner Walburga Kullman to Dewey Ballantine in June 2007. The market has begun to question the firm's commitment to its finance practice, with some commentators suggesting it's only a matter of time before the firm's instability causes problems.

"Freshfields is still a good firm but the overall issues are starting to come to the attention of the banks," said one commentator.

Nevertheless, the firm still participated in some significant roles in the securitization field this year. Freshfields advised Eurohypo on the securitization of a €550 million CMBS loan, which was provided for the sale and leaseback of state-owned buildings to the German Federal State of Hesse.

Freshfields advised Deutsche Bank on the €303 million RMBS securitization of

German and Italian mortgages through the Eurohome platform – the first pan-European transaction via this platform.

Additionally, the firm was mandated by DWS, Deutsche Bank's fund management arm, to set up an off-balance sheet securitization platform in Luxembourg for the issuance of investment fund-based structured retail bonds and certificates.

Leading lawyers

Bernhard Kaiser

Linklaters

Linklaters has been promoted to tier two this year on the back of the strength of its synthetic transactions. The firm benefits greatly from its London base and according to some peers managed to steal a number of synthetic deals which would normally go to Hengeler Mueller by default.

"They're excellent, top notch and our chosen firm," said one client. "They know all the players in the market and are well plugged in, which really helps to get the deals done."

Partners Laurenz Uhl and Kurt Dittrich were praised by clients for their extensive knowledge in this complicated area of financial law. "The work can get technical and can require a lot of logic and knowledge on the maths side. They're very comfortable with that," the client said.

Linklaters took advantage of its global connections when the firm acted for Provide Bricks 2007-1 on a partially funded securitization of a pool of up to €4 billion of Danish RMBS loans. This was the second public synthetic securitization in Scandinavia after Linklaters' previous transaction under the Provide programme in 2005. The firm also acted as advisor to Depda and KfW on the EPIC II €900 million synthetic securitization of public-private partnership (PPP) finance credit derivatives.

The firm also scored a first in the true-sale area when it won a role advising the arranger on the €500 million securitization of *Schuldscheine* (promissory notes), which was the first securitization of this new asset class.

Leading lawyers

Laurenz Uhl

Baker & McKenzie

Baker & McKenzie's structured finance practice is headed up by Dietmar Helms and is driven primarily by the auto-lease receivables market. The firm represented DaimlerChrysler Bank and Volkswagen Bank on the securitization of auto-loan backed securities totalling €2.5 billion and €959 million respectively,

which were subsequently listed on the Luxembourg Stock Exchange.

The firm followed these transactions up by scoring a role advising BMW Leasing on another securitization of auto-lease receivables, which was the first securitization of German Tier II lease valuables.

Outside of the auto-lease field, Baker & McKenzie scored a role as arranger counsel for a conduit securitization of trade receivables originated by KUKA Roboter and IWKA.

Leading lawyers

Dietmar Helms

Sidley Austin

Sidley Austin's structured finance team was formed when the Lovells team defected in early 2006, bringing its clients and a substantial portion of its reputation with them. "We used to use Lovells as we found the guys there great to deal with," said one client. "We follow the personalities not the firms."

Partners Oliver Kessler and Jens Rinze acted for Deutsche Bank as the arranger of three €1 billion-plus note issuances which were backed by loans over commercial real estate in countries such as Switzerland, Italy and Bulgaria.

The firm also acted for the arranger on a €150 million *Schuldschein* CMBS, acted on over 10 trade receivables transactions for WestLB and guided rating agency Fitch on a number of high-profile CMBS transactions.

White & Case

Ulf Kreppel continues to attract praise as the head of White & Case's structured finance team. Clients were impressed by the firm's responsiveness, as well as its abilities to think laterally: "They pushed the envelope in finding different ways of doing business that ended up saving us millions," said one client.

White & Case were involved in some impressive true sale transactions during the year. The firm acted on GMAC-RFC's aggregate €1.2 billion securitizations of residential mortgages, which included partly funded loans for the first time in Germany. The firm also advised Opera Germany 1 on Eurohypo's first true-sale securitization of German commercial mortgage loans using a special-purpose vehicle under the new true-sale international platform.

On another of White & Case's more innovative deals, the firm acted for the Proton Therapy Centre of the University of Essen on the first securitized public-private partnerships in Germany arranged by Deutsche Bank and Fortis Bank.

The firm also advised on a €5.4 billion German CMBS of Deutsche Annington/Viterra

and advised Barclays Capital in connection with the refinancing of an acquisition of Oaktree's €1 billion commercial property portfolio from Deka Invest.

Other regular clients include ABN Amro, Allied Irish Bank, JPMorgan Securities, BNP Paribas and the Bank of America.

Banking

Recommended firms

Tier 1

Allen & Overy
Clifford Chance
Freshfields Bruckhaus Deringer
Hengeler Mueller
Linklaters

Tier 2

Latham & Watkins
Milbank Tweed Hadley & McCloy
White & Case

Tier 3

Gleiss Lutz
Shearman & Sterling

Tier 4

Ashurst
Baker & McKenzie
Cleary Gottlieb Steen & Hamilton
Norton Rose

The banking sector in Germany has continued to grow on the back of the unprecedented activity in the mergers and acquisitions market. Acquisition financing has really taken off, with the market seeing a handful of mega-deals such as Porsche's €35 billion share increase in Volkswagen and a seemingly endless procession of €1 billion-plus financings.

The magic circle firms are in the prime position to take advantage of this growth as the big-ticket financings tend to be done under English law. However, the past year has seen the American firms begin to build financing teams to work alongside their shiny new corporate departments.

With the expected slowdown in bank lending on the horizon, the big question is: how long can the magic circle firms continue to hold their position at the top of the mountain?

Allen & Overy

Allen & Overy's banking team is led by Neil Weiland, who is universally renowned as one of the country's standout banking lawyers. Weiland has been at Allen & Overy for nine years, coming from Deutsche Bank's legal department – a link which has helped win the firm mandates over the years.

Clients and rival partners were generous in their praise of Weiland. "He is very, very experienced and is an absolute expert in banking and finance," said one client.

"He's simply the best," a peer said. "He's been around a long time and has significant market knowledge and experience."

Allen & Overy's strong UK base helped it to win a role advising a consortium of banks including ABN Amro, Barclays, Merrill Lynch, UBS and Commerzbank on the €35 billion credit facility provided to Porsche for its share increase in Volkswagen.

Weiland led the team on another acquisition financing transaction, this time representing the purchaser Merck on the provision of a €11.5 billion syndicated multicurrency term loan and revolving credit facilities to acquire Swiss biotechnology group Serono. The firm also represented Bertelsmann in relation to the €4.5 billion financing of a share buyback from Bruxelles Lambert.

Allen & Overy was also active outside the acquisition finance sector, advising Bilfinger Berger on a €1.1 billion syndicated revolving letter of guarantee facility arranged by a number of banks including ABN Amro, BNP Paribas and Deutsche Bank.

Leading lawyers

Neil Weiland

Clifford Chance

Clifford Chance has retained its spot in the top tier with another year counting top-flight banks and private-equity houses as regular clients. The firm's lending and acquisition finance team boasts four full-time partners and 20 associates, making it one of the largest dedicated lending teams in Germany.

The firm's stable of lawyers is very well regarded by the market, with Barbara Mayer-Trautmann coming in for particular attention from peers. "She has a great reputation. No one comes close," said one rival partner.

Clifford Chance's acquisition financing arm was strong, particularly on bank advisory roles. The firm managed to score some substantial roles last year, including acting for Deutsche Bank and the Royal Bank of Scotland on the financing for Heidelberg Cement's much-publicized €7.8 billion takeover of Hanson and advising Deutsche Bank and Barclays on Norddeutsche Addinerie's €777 million purchase of Cumerio.

Clifford Chance showed its versatility by representing private-equity clients on a range of transactions. The firm represented 3i on a number of public-to-private deals, including its €1.5 billion acquisition of Scandlines, its purchase of Azelis and its takeover of EDS,

which had subsidiaries in Poland, Hungary and the Czech Republic.

The firm strengths on the lending side were characterized by acting on deals such as Permira's refinancing of Talkline, Kiekert's restructuring of its debt obligations and Bayerische Hypo- und Vereinsbank's refinancing of VTG as a crossover credit for its recent public listing.

Leading lawyers

Barbara Mayer-Trautmann
Bettina Steinhauer

Freshfields Bruckhaus Deringer

Ian Frost leads the four-member banking team which has so far survived Freshfields' partnership restructuring unscathed. Market opinion suggested the firm was moving its focus towards corporate work, but Frost's team advised on the financing of enough substantial company and real-estate property portfolios acquisitions to suggest this isn't the case just yet.

Freshfields bagged a role advising Porsche on the financing of its €35 billion share increase of Volkswagen in March 2007 – a deal which generated a lot of media interest. The firm continued its trend of advising the borrowers by representing Permira on the financing of its €3.56 billion takeover bid for Italian Valentino Fashion Group and its German listed subsidiary Hugo Boss. The firm also provided financing advice to MAN on its ultimately unsuccessful takeover bid for Scania.

The firm also advised a number of private-equity clients on financing issues. Highlights in this field include advising on the financing of Kohlberg Kravis Roberts (KKR) and Goldman Sachs Capital Partners' acquisition of Kion and guiding Permira and KKR's financing of the purchase of German Media Partner's stake in ProSiebenSat1.

Another feature of Freshfields' banking team is its strong presence in the property finance sector. The firm advised Eurocastle Investment on the €1.64 billion financing of its acquisition of the commercial property portfolio of Deutsche Bank subsidiary DB Real Estate. The firm was also mandated by Merrill Lynch and ECE, Colonia Real Estate and Rreef Infrastructure to advise on the financing for the acquisition of various property portfolios.

Freshfields acted on a number of debt refinancings for clients such as BauBeCon and Deutsche Bank and worked on a CMBS loan for Eurohypo.

Leading lawyers

Yorck Jetter

Hengeler Mueller

Hengeler Mueller recorded another solid year in the lending sector, working across a range of areas including acquisition finance, syndicated credit facilities and non-performing loan transactions. The firm is smaller in size than some of its counterparts but with partners such as Thomas Cron available to act on transactions, quality is a given.

The firm managed to secure roles on a swathe of large acquisition financing transactions. On one, the firm represented a consortium of banks to advise on the €11.5 billion financing of Merck's purchase of a majority shareholding in Serono. Another big-ticket transaction saw Hengeler represent E.ON on the financing for its ultimately failed bid for Endesa, which ended up selling for \$47 billion.

Hengeler was also involved on the borrower's side in Heidelberg Cement's £8 billion purchase of Hanson and represented Eurohypo as the lender during the Brune Group's acquisition of four shopping malls.

The firm was also retained on transactions away from the corporate sector. Hengeler represented Shinsei Bank on the financing for the purchase of a €1.5 billion portfolio of non-performing loans and sub-performing loans and acted for Dresdner Bank on the provision of a syndicated credit facility for Bilfinger Berger.

Leading lawyers

Thomas Cron

Linklaters

Linklaters had another heavy transactional year, with rival firms noting the firm has been more visible in the market this year than in the past.

Like most of the top firms, Linklaters' bank lending team rode the takeover boom and was very active in acquisition finance transactions. Acting almost exclusively on the lender side, the firm landed a plum financing role on Permira's €1.15 billion offering for Hungarian chemical company Borsodchem Nyrt.

The firm showed its capabilities with cross-border work when it advised the banks on the financing of German wood products manufacturer Pfeiderer's €300 million acquisition of Swedish flooring company Pergo and MAN's hostile public bid for Swedish truck company Scania.

Linklaters also showed its expertise outside of mergers and acquisitions, again acting for the banks on a number of refinancing and recapitalization transactions. Other highlights included advising the banks on a €440 million facility agreement for Tengelmann

Warenhandelsgesellschaft and a €170 million syndicated secured term and revolving multi-currency facility agreement for Krüger Finance International.

Leading lawyers

Eva Reudelhuber
Marc Trinkaus

Milbank Tweed Hadley & McCloy

The departure of Christina Ungeheuer was noted by the market as a huge blow to Milbank. "They lost 50% of their practice... she will be tough to cover," said one peer. Ungeheuer and Rainer Magold were the twin pillars of the practice and the loss is bound to have a substantial impact on the firm.

However Ungeheuer's departure has not impacted upon Milbank's deal flow just yet. The firm managed to snare a key role advising Bayerische Hypo- und Vereinsbank on the financing of EQT's €1.25 billion acquisition of CBR Group in April 2007. The firm was also mandated by Dresdner Kleinwort to advise on the financing of Dresdner Kleinwort's unsuccessful €1.25 billion takeover bid for Techem.

Private-equity houses also engaged Milbank, with the firm advising Advent International and The Carlyle Group on the financing of its €960 million takeover of Bayer Group subsidiary HC Starck.

Milbank also advised on the provision of syndicated loans, which were often coupled with a capital markets transaction. On one standout deal the firm acted for Premiere on the provision of a €550 million credit and high-yield financing in April 2007.

Leading lawyers

Rainer Magold

White & Case

White & Case's bank finance team has grown in size again this year, now boasting 13 dedicated partners and 18 associates. The firm's stature in the market has followed suit, with peers and clients heaping praise on the team for its notable work in acquisition finance, property finance and loan refinancing transactions.

"They've made enormous progress and grown in a really impressive manner," one rival partner said. Clients singled out the firm for its close attention to their needs. "They're a great service firm – up-to-date and very consistent," said one client.

That being said, the market was hesitant to rate White & Case amongst the top five, with commentators pointing to the firm's absence

from the big deals and its relatively weak links to the UK.

Nevertheless, White & Case acted on some impressive acquisition finance transactions. On the largest, the firm advised Morgan Stanley and the Royal Bank of Scotland as lead arrangers on the €1.27 billion financing of the Kabel Baden-Württemberg buyout by EQT from Blackstone and CDPQ. As part of the transaction the lead arrangers had to purchase existing senior facilities, floating-rate notes and shareholder loans, which added a further layer of complexity to the deal.

The firm was again mandated by the arrangers on a further two large acquisition financing deals: Advent International's €500 million purchase of Oxo Chemicals and the €370 million takeover of Rodenstock by Bridgepoint Capital. In addition, White & Case was engaged to act for Adecco on the financing of its €695 million share purchase in DIS Deutscher Industrie Service.

White & Case was also engaged by the banks away from the acquisition finance field. The firm acted on such transactions as Symrise's €800 million post-IPO refinancing, Pamplona Capital Partners's €154 million secondary buy-out of Otto Sauer Achsenfabrik and a €178 million package of refinancing, acquisition financing and equity bridge loans for a property and maintenance company.

Leading lawyers

Annica Lindegren

Gleiss Lutz

Consisting of two partners and seven associates, Gleiss Lutz's banking team is small in comparison with other top firms but benefits from its connection with UK firm Herbert Smith.

Gleiss Lutz's quality of work is recognized by peers, who describe the firm as "excellent" and "a very good practice". The firm works on acquisition finance, real-estate financing and general loan facilities, typically on the lender's side.

The firm advised on a number of mid-cap acquisition finance deals, with one deal seeing partner Helge Jortz advise Morgan Stanley on the financing of the acquisition of Phillips's semi-conductors division by a consortium of investors. Gleiss Lutz also worked on a several real-estate acquisitions, including one advising Morgan Stanley Real Estate on the financing for its €200 million acquisition of Deutsche Grundbesitz alongside Pirelli Real Estate.

Gleiss Lutz was also busy in the lending sector, advising on general refinancing and credit facilities. On one deal the firm advised

JPMorgan who, alongside the Bank of Scotland, provided €830 million of acquisition, working capital and bond facilities to Impress Group.

Shearman & Sterling

Shearman & Sterling's focus is mostly directed towards the real-estate financing market, which means the firm isn't as visible in the wider market as its colleagues in the acquisition finance sector.

Nevertheless, the firm worked on some top real-estate acquisitions this year, mainly on the lender's side. On one deal, partner Andreas Diem advised the lender Hypo Real Estate Bank on the €1.2 billion financing of Pirelli & C Real Estate and Morgan Stanley Real Estate's purchase of Deutsche Grundbesitz. Later that month Johannes Kremer was mandated by ABN Amro to act on the financing of Moor Park's €706 million acquisition of the Max Bahr's real-estate portfolio.

In another notable transaction, Kremer guided Alstria Office to secure a €1.14 billion senior secured real-estate financing in November 2006.

Diem showed the firm wasn't solely focused on real estate by acting for the borrower Allianz Capital Partners on the financing for its acquisition of 65% of the shares in printing company MAN Roland Druckmaschinen in July 2006.

Mergers and acquisitions

Recommended firms

Tier 1

Freshfields Bruckhaus Deringer
Hengeler Mueller

Tier 2

Cleary Gottlieb Steen & Hamilton
Clifford Chance
Gleiss Lutz
Linklaters

Tier 3

Allen & Overy
Baker & McKenzie
CMS Hasche Sigle
Latham & Watkins
Shearman & Sterling
Skadden Arps Slate Meagher & Flom
White & Case

Tier 4

Ashurst
Nörr Stiefenhofer Lutz
Sullivan & Cromwell
Weil Gotshal & Manges

It was a record-breaking year for the mergers and acquisition market in Germany. The scene was set in early 2006 with Bayer's €16 billion acquisition of Schering and culminated with Porsche's €75.7 billion share increase in Volkswagen.

This kind of activity meant plenty of work for the law firms and also attracted new entrants to this lucrative market. American firms have made their presence known to the market in particular, with Skadden, Latham & Watkins and Weil Gotshal all using their deep pockets to tempt lawyers to their nascent German operations.

"The German economy is strong; the competition has done its homework," said one lawyer.

Nevertheless they still have a way to go before they catch perennial top-tier residents Freshfields and Hengeler Mueller. The two were singled out by the vast majority of partners and clients as the clear leaders in M&A due to their sheer size, experience and depth. But with an economic slowdown on the horizon, Freshfields and Hengeler Mueller's stranglehold on tier one may well be loosened in 12 months' time.

Freshfields Bruckhaus Deringer

Freshfields has strengthened its position in the rankings this year after a powerful performance which saw it act on some of the most high-profile transactions of the year. Clients and peers unanimously agreed that the firm

stood out from the pack and deserved to be recognized for its fantastic skills in the corporate market.

"It was an excellent experience," said one client of working with the firm. "They have a lot of knowledge and overall it was a very good client experience."

While Freshfields may have lost local chief Thomas Austmann to Allen & Overy, partner Andreas Fabritius was singled out for praise by peers for his outstanding transactional work. "Freshfields still has the edge over the others," said one rival lawyer, referring to Fabritius as "a prominent name and one of the leading lawyers in the German market".

The firm demonstrated why it is one half of the "twin towers" of the mergers and acquisitions scene in Germany when it secured a role representing Porsche on its €75.7 billion share increase in Volkswagen. The firm backed this up in July 2007 by advising car parts supplier Continental on its €11.4 billion acquisition of Siemens VDO Automotive.

Freshfields' cross-border capabilities are second to none, with the firm bagging roles on a number of standout international transactions. The firm represented French retail company PPR on its €4.92 billion voluntary public offer for Puma Rudolf Dassler Sport, guided Altana on its €4.2 billion purchase of Danish manufacturer Nycomed and advised American pharmaceutical company Mylan Laboratories on the €4.9 billion acquisition of Merck. In addition, the firm represented MAN on its ultimately unsuccessful €13 billion bid for Swedish truck manufacturer Scania.

Another recent deal saw the firm win a role advising Hypo Real Estate on the €5.7 billion acquisition of Ireland's Depfa Bank, which is the largest ever corporate acquisition in Ireland.

The firm showed its versatility by advising Italian property management company Pirelli & C Real Estate on its €1.5 billion purchase of DGAG Deutsche Grundvermögen from B&L Immobilien and HSH N Real Estate. In addition, Freshfields advised the State of Berlin on the €4.62 billion sale of its majority stake in Landesbank Berlin Holding to an acquisition vehicle of the Deutsche Sparkassen- und Giroverband.

Leading lawyers

Andreas Fabritius

Hengeler Mueller

Hengeler Mueller has consolidated its place in the top tier after numerous recommendations from clients and industry competitors. The firm has the distinct advantage of a very strong finance department – a combination

which was recognized by the *International Financial Law Review* when it named Hengeler Mueller as the German law firm of the year.

The "all-rounder" Maximilian Schiessl was repeatedly mentioned by peers for his great work on the transactional side, while Michael Hoffman-Becking and Burkhardt Meister were also mentioned as skilled lawyers.

The firm managed to score a role representing Siemens VDO Automotive on its €11.4 billion sale to Continental in July 2007. The firm also received plaudits from the market for its cross-border work representing Puma Rudolf Dassler Sport on its €4.92 billion sale to French retailer PPR.

Hengeler was also active in the financial services sector, acting for AMB Generali on its acquisition of Assicurazioni Generali in October 2006.

Leading lawyers

Michael Hoffman-Becking
Burkhardt Meister
Maximilian Schiessl

Cleary Gottlieb Steen & Hamilton

While Cleary Gottlieb may be smaller in size than its peers, clients noted that what the firm lacks in size it makes up in quality. The firm was bolstered in November with the hiring of Freshfields partner Jürgen Sieger, who managed to bring a few Freshfields clients along with him.

The firm benefits from its very strong equity capital markets team and landed some significant transactional roles this year. The firm acted for Arcelor Mittal in the \$1 billion sale of its bar mill in Poland and two long carbon steel plants in Germany and Italy. This fulfilled the conditions set out by the European Commission following Arcelor's takeover of Mittal in 2006.

Cleary Gottlieb showed its skill with complex transactions when it represented ASP Holding in the sale of the Heycom Group to D+S Europe. This was a cross-border transaction into Austria and involved a share-for-share exchange, an earn-out component and a debt and cash free clause. The firm also represented Nokia during its acquisition of Gate5, which was notable for its large number of individual shareholders and convertible bonds which needed to be redeemed.

Other significant activities included acting for GE Money on its real-estate joint venture with Lansing, advising Deutsche Bahn during the auction process for shares in Hamburger Hafen und Logistik and guiding Hellman & Friedman on the bidding process to acquire shares in WestLB from HSH Nordbank.

The firm also continues to represent Deutsche Sparkassen- und Giroverband in the public bid for an 81% stake in Land Berlin – one of the most avidly watched bidding processes in the country.

Leading lawyers

Thomas Buhl
Klaus Riehmer
Jürgen Sieger

Clifford Chance

Boasting over 130 lawyers and offices in three German cities, Clifford Chance's mergers and acquisitions department is well equipped to handle the major transactions. The firm is noted by peers as "very prominent on large transactions", with partner Daniela Weber-Rey singled out as the "the leading M&A figure at Clifford's practice".

Clifford Chance proved its capability to work on the big-ticket transactions by scoring a role representing Volkswagen on its share sale to Porsche. The firm followed this up by acting for Volkswagen on its 20% share increase in MAN.

Another highlight was acting for Siemens on the carve-out of its telecommunications business, which was subsequently merged with Nokia's network department. The firm also guided both Siemens and Volkswagen on the sale of Volkswagen Bordnetze to Japan's Sumitomo Corporation.

Elsewhere, the firm was retained by HSH Real Estate on the sale of its shares to Pirelli Real Estate and was also mandated by Macquarie European Infrastructure Fund on its takeover of Techem and acquisition of German tank storage business Petroplus International.

Leading lawyers

Thomas Gasteyer
Daniela Weber-Rey

Gleiss Lutz

Gleiss Lutz strengthened its practice this year with the addition of two M&A partners. The firm had an unlucky year in some ways, advising on a number of unsuccessful takeover bids for companies such as Thames Water and the semiconductor division of Phillips, but peers say the firm's corporate department is still very well regarded within the industry.

"They're a very good German corporate firm," said one rival partner. "They're a very well regarded independent practice."

Clients were also impressed by the firm's performance. "They performed excellently," said one.

The firm's highlight was acting for First Choice Holidays on its merger with the tourism division of TUI. The €15 billion transaction was notable for its cross-border nature and showed that Gleiss Lutz has the capabilities to act on domestic and international transactions.

Gleiss Lutz proved this again when it advised Hypo- und Vereinsbank on the €13.7 billion transfer of Bank Austria to UniCredit and the restructuring of HVB's participants in central and eastern Europe.

In other notable transactions the firm represented the target companies in Pinault-Printemps-Redoute's €5 billion share purchase in Puma, Macquarie and BC Partners' takeover bid for Techem and Crystal Capital's bid for WMF.

Leading lawyers

Christian Cascante
Gerhard Wegen

Linklaters

Linklaters has undergone something of a recruitment drive, hiring five managing associates, three counsel and one partner since November 2006. The firm benefits from its very strong finance department and excellent stable of experienced lawyers. The market noted that the firm wasn't as visible on the big transactions this year, but the general consensus was that a firm boasting the likes of Götz Eilmann and Michael Lappe will not be down for long.

The firm was mandated by Linde for a number of transactions in its most notable activity for the year. Linklaters advised Linde on five separate acquisitions and divestures spanning countries such as Australia, Mexico, Poland and Turkey, each totalling over €1 billion. This cross-border experience led to the firm being engaged by Spanish construction company ACS to acquire shares in Hochtief from Munich investment company Custodia.

The firm is also working with Suzlon Energy on its €1.02 billion friendly takeover bid for Repower Systems, which is competing with a public offer from the Areva Group.

Other notable transactions include acting for Johnson & Johnson in its €1.4 billion acquisition of Conor Medsystems and representing Cofra Holdings and Good Energies Investments on the €2 billion disposal of 30% of the shares in Renewable Energy Corporation.

Leading lawyers

Stephan König
Michael Lappe
Georg Maier-Reimer

Shearman & Sterling

Shearman & Sterling is led by the "extremely prominent" Georg Thoma, who is widely praised by the market for his transactional skills and is considered the firm's backbone.

Shearman & Sterling recently bagged a role on Hypo Real Estate's €5.7 billion acquisition of Ireland's Depfa Bank, which is the largest-ever corporate acquisition in Ireland. The deal is led out of London with Georg Thoma and Birgit Reese advising on German aspects of the deal.

The firm benefited from its US connections by advising on DaimlerChrysler's sale of an interest in EADS. Shearman & Sterling guided DaimlerChrysler on the €1.5 billion deal, which involved the company transferring 7.5% of its holding in EADS to a group of investors.

Shearman & Sterling took advantage of its close relationship with Allianz by acting for the company on two separate transactions: the acquisition of outstanding shares in Assurances Générales de France and on the purchase of a majority stake in MAN Roland Druckmaschinen from MAN.

Additionally Shearman & Sterling advised Globale Rückversicherungs on the €605 million sale of all shares in Revios Rückversicherung to SCOR in November 2006.

Leading lawyers

Georg Thoma

Allen & Overy

Traditionally more focused on finance transactions, Allen & Overy nevertheless had a solid year on the corporate side, managing to tempt Thomas Austmann across from Freshfields to head up the new Düsseldorf office. Commentators noted that the firm's mergers and acquisitions arm is on the rise, and more lateral hires may be on the cards in the near future.

One of the firm's standout deals saw the Germany, Japan and US offices of Allen & Overy act for General Electric on its acquisition of a \$3.8 billion stake in GE Bayer Silicones. Partners Reinhard Hermes and Oliver Seiler worked on the German aspects of the deal from the Frankfurt office.

Allen & Overy also guided Alba-Gruppe on the acquisition of U-plus Group from EnBW Energie Baden-Württemberg in April 2007.

CMS Hasche Sigle

CMS Hasche Sigle has moved into tier three this year following numerous recommendations from industry peers and clients. The

firm boasts nearly 100 mergers and acquisitions lawyers in Germany and managed to win significant roles on an increasing number of transactions.

The firm was mandated by Mayfair Beteiligungs- und Vermögensverwaltungsgesellschaft for the sale of 27.1% of shares in Puma to French luxury goods manufacturer Pinault Printemps Redoute. CMS followed this up by again representing Mayfair on the acquisition of 90% of the shares in Germanischer Lloyd.

Other notable roles included advising HSH Nordbank on the sale of WestLB's shares in the bank to JC Flowers and guiding Kennametal on the acquisition of shares and assets in a subsidiary of a DAX30 (Deutsche Aktien Xchange 30) company.

Skadden Arps Slate Meagher & Flom

Skadden debuts in the rankings after a breakthrough year on the German mergers and acquisitions scene, surprising many by snatching a host of key roles on some of the year's biggest transactions. The firm set up in Germany in 2004 with several experienced ex-Baker & McKenzie lawyers and have steadily grown in stature in the market.

In its most notable deal, Skadden was mandated by Arcelor as lead counsel in its highly publicized battle against an unsolicited \$22.8 billion bid from Mittal Steel, and subsequent \$33.8 billion merger with Mittal Steel some months later.

The firm was also appointed by Merck in the €4.9 billion sale of its genetics business to Mylan Laboratories, another deal which attracted a lot of media interest. Skadden also represented UCB on its \$5.6 billion acquisition of Belgian pharmaceutical company Schwartz Pharma, demonstrating the firm's cross-border capabilities.

Other significant clients advised included Citigroup, Bank of Moscow, Nokia and Toshiba.

Private equity

Recommended firms

Tier 1

Clifford Chance
Freshfields Bruckhaus Deringer
Hengeler Mueller

Tier 2

Gleiss Lutz
Milbank Tweed Hadley & McCloy
P+P Pöllath + Partners

Tier 3

Ashurst
CMS Hasche Sigle
Kirkland & Ellis
Latham & Watkins
Linklaters
Skadden Arps Slate Meagher & Flom
Weil Gotshal & Manges

Tier 4

Allen & Overy
Lovells
SJ Berwin
White & Case
Willkie Farr & Gallagher

The *IFLR1000* has included a chapter focusing on German private equity this year after feedback indicated the sector has matured enough to be measured in its own right.

It is no secret that the private-equity industry is booming like never before in Germany and across Europe. Firms have been falling over themselves to develop relationships with the likes of Kohlberg Kravis Roberts & Co (KKR) and Primera, who have been extremely busy in Germany purchasing companies such as ProSiebenSat 1 and Linde subsidiary Kion in the past year.

So far Clifford Chance, Hengeler and Freshfields have been in the best position to take advantage of this activity on account of their highly developed corporate departments. But in a similar story to many other German financial sectors, the American firms are barging their way into the market with a sack full of cash and the back-up of their highly developed practices back across the Atlantic, prompting many commentators to predict they will be a force to be reckoned with in the not-too-distant future.

Clifford Chance

Clifford Chance stands out as one of the pre-eminent firms for private-equity legal counsel in Germany. Christopher Kellett heads up the group, which features the talents of Oliver Felsenstein and Klaus Grossman. The firm boasts a separate private-equity team that is

distinct from its mergers and acquisitions team – a feature which clients noted attracts them to the firm.

“They’re our preferred choice; we’ve done a number of deals with them,” said one client. “They’re very good and we were quite pleased with them.”

Clifford’s peers roundly agreed. “They’re the market leader in this field. They must be in tier one,” said one rival partner.

Clifford Chance’s largest mandate for the year was the €8.3 billion acquisition of Phillips’s semiconductor business. The firm’s Frankfurt office advised on German aspects for a consortium of private-equity houses including KKR, Silver Lake Partners, AlpInvest Partners, Bain Capital and Apax Partners.

The firm again showed it could act on the big transactions by acting on Bridgepoint Capital’s €774 million acquisition of Wolters Kluwer. Meanwhile the “doyen” of the private-equity practice, Christopher Kellett, led on BSN Medical’s acquisition of the French Corgon-Morin Group.

Clifford Chance also had its share of bad luck this year, advising a number of unsuccessful bidders in some of the highest profile transactions of the year. For example, the firm advised Macquarie on its €901 million bid for Techem, CVC Capital Partners on the Linde/Lion tender, Terra Firma on the Ista International tender procedure and Bridgepoint on its bid for Apcoa.

“They know our way of going about things,” said a client. “They know what we need, and that is very important for us.”

Leading lawyers

Oliver Felsenstein
Christopher Kellett

Freshfields Bruckhaus Deringer

Freshfields has banished doubts about its restructuring process by recording a storming year in the private-equity field, securing numerous mandates and acting on some of the largest completed transactions in the field.

The firm represented KKR and Goldman Sachs Capital Partners on their €3.6 billion acquisition of materials handling company Kion from The Linde Group. This deal was nominated for the *International Financial Law Review* European Private-Equity Deal of the Year, and played a large part in helping Freshfields pick up the European Private-Equity Firm of the Year award.

The firm also scored a coup when it won a role guiding Permira and KKR on the acquisition of a majority stake in ProSiebenSat1 Media from German Media Partner group. The deal was valued at €5.91 billion, which is

the largest private-equity transaction in Germany in 2007 at the time of writing.

Secondary buyouts were another active area for Freshfields this year. The firm represented CVC Capital Partners on the €2.4 billion sale of Itsa International to Charterhouse Capital Partners, so far the biggest secondary buyout in Germany in 2007. Freshfields also guided BC Partners on the acquisition of Brenntag from Bain Capital, and represented Blackstone Real Estate Partners on the sale of a €3.06 billion majority stake in Vitus Gruppe to Morley Fund Management and Round Hill Capital Partners.

“They’re very good and we’re very pleased with their performance,” said one client. “They have pragmatic lawyers who are very well legally educated with a good mix of commercial understanding and legal expertise.”

Leading lawyers

Andreas Fabritius
Nils Koffka

Hengeler Mueller

While Hengeler Mueller doesn’t have a stand-alone private-equity practice, the firm’s corporate mergers and acquisitions department has enough clout to attract some of the top private-equity clients. The firm won an outstanding number of mandates on all sides of transactions, winning a role in 13 of the top 20 private-equity deals of 2006.

“Hengeler isn’t a typical boutique private-equity firm, but their private-equity practice is still stronger than a lot of the competition,” said one rival lawyer.

Hengeler’s partners are some of the most highly regarded in the German market. Peers praised Maximilian Schiessl as a “hotshot in the German market”, while Christof Jäckle was described as “one of the few bright, sensible lawyers to continue to work in this area”.

The firm’s highlight was representing The Linde Group in its high-profile €3.6 billion disposal of its subsidiary Kion Group to buyers KKR and Goldman Sachs Capital Partners.

Hengeler acted for the target Techem on its €1.3 billion sale to BC Partners, guided EQT Partners on its €1.3 billion purchase of Kabel Baden-Württemberg from the Blackstone group and advised Bayer MaterialScience during its sale of HC Starck to Carlyle/Advent.

The firm was also involved in some notable unsuccessful bids. For example Hengeler represented Goldman Sachs and Apax on its bid for ProSiebenSat1 Media, Apellas during the sale of WOBA Dresden and Cerberus on its tender offer for HSH Nordbank.

Leading lawyers

Christof Jäckle
Maximilian Schiessl
Peter Weyland
Hans-Jörg Ziegenhain

Gleiss Lutz

Gleiss Lutz had a fantastic year in the private-equity sector, using its close relationship with Blackstone to act on some of the most significant deals of the year. The firm’s private-equity team is part of its corporate and mergers and acquisitions department, which is headed by Ralf Thaeter and Christian Cascante and consists of 55 partners.

Cascante was singled out in particular by clients. “He’s very impressive... I think the overall market perception of him is very good,” said one client.

Gleiss Lutz acted for Blackstone on a range of investment, acquisitions and divestments. One of the most notable was Blackstone’s €1.3 billion purchase of Klöckner Pentaplast, which was led by Jan Bauer and Christian Cascante.

On another major deal, the firm advised Blackstone on its €2.7 billion investment in Deutsche Telekom, which was the first large investment by a private-equity investor in a DAX30 (Deutsche Aktien Xchange 30) company.

Away from the Blackstone deals, the firm represented a number of firms on both the bidder and seller sides. Gleiss Lutz advised the supervisory board of Techem in connection with the takeover bids by Macquarie and BC Partners, guided the board of WMF during the voluntary public takeover offer by Crystal Capital and worked for Triton Private Equity on its purchase of Kampa.

“They have a remarkable track record. They’re strong and have a solid client base,” said one peer.

Leading lawyers

Christian Cascante

Milbank Tweed Hadley & McCloy

Under the direction of Peter Nussbaum and Norbert Rieger, Milbank Tweed Hadley & McCloy’s private-equity team has gone from strength to strength. Nussbaum was constantly recognized by peers for his outstanding transactional abilities. “Nussbaum has built a remarkable client base,” said one rival partner.

The team showed its commitment to its private-equity sector by expanding its team into the Frankfurt office, which is the traditional home of German corporate work. The firm is determined to build up its German

practice, as opposed to some American firms which exist to provide a German angle to US transactions.

The firm was engaged on an array of deals, with the ability to act on either side of a transaction. Nussbaum led a team which acted for Apax and Blackstone on the €1.45 billion sale of SULO to Veolia. Milbank followed this up a month later by acting for Carlyle in the €35.8 million sale of its subsidiary Edscha Automotive Beteiligungs to Swedish company Semcon in a limited auction.

Milbank also guided a handful of unsuccessful bidders on tender processes, and was also consulted by a number of private-equity funds that concentrate on acquiring distressed companies for the purposes of restructuring and subsequent re-sale.

Leading lawyers

Peter Nussbaum
Norbert Rieger

P+P Pöllath + Partners

P+P Pöllath + Partners is a niche firm whose small size means it is unable to do the real big-ticket deals. However the market notes that the firm is without peer in the fund structuring and real estate-related private-equity fields.

“They’re the market leaders in fund structuring and a very strong private-equity firm,” said one rival partner. “I wouldn’t hesitate to refer clients to them.”

Heading up the firm is Matthias Bruse, who is singled out by rivals as one of the standout private-equity lawyers in Germany. “He’s really a very calm, reasonable private-equity lawyer,” said one partner. “He combines corporate and tax know-how and really stands out.”

The firm demonstrated its funds prowess by advising EQT V Funds on the acquisition of CBR Holding from Apax and Cinven Funds in April 2006 and EQT III Funds on aspects of the Symrise initial public offering in December 2006.

P+P Pöllath was active in the real-estate acquisition market, representing Whitehall Funds and KarstadtQuelle in a joint venture purchase of a €3.8 billion property portfolio from KarstadtQuelle. The firm also advised Foncière Développement Logements on the acquisition of the €2.2 billion former Thyssen-Krupp apartments and the €450 million purchase of Immeo from Morgan Stanley Real Estate Funds.

The firm also advised Apcoa Management on its sale from owners Investcorp to purchasers Eurazeo and guided Barclays Private Equity in the sale of the GHH Group to Voest Alpine.

Leading lawyers

Matthias Bruse

Ashurst

Ashurst's corporate team has gone on a recruiting spree after the loss of Jörg Kirchner to Latham & Watkins last year, hiring former Lovells partner Katrin Solmecke and a further eight associates to bolster the team. The market noted that Kirchner took many of his clients with him to Latham, making life difficult for Ashurst's remaining corporate lawyers.

But the firm still managed to get involved in some significant transactions last year. The standout was advising Apollo Management on its €1.5 billion acquisition of the Dutch TNT Group's logistics branch – a transaction which was widely recognized by the market.

On another significant transaction, Solmecke led the team which advised Dubai International Capital on the €850 million secondary buyout of the Mauser Group in April 2007.

Linklaters

Linklaters suffered a hit when Jochen Winter left the firm to join Willkie Farr & Gallagher's new office, but the firm soldiered on and managed to snare a prominent role advising ProSiebenSat1 Media on its secondary buyout by KKR and Permira.

The firm further demonstrated its private-equity credentials by guiding the Hardt Group and Kingsbridge Capital on the takeover of Märklin Holding from its 22 shareholders.

In a further acquisition transaction, Linklaters guided Taros Capital on the €156 million secondary sale of the Zarges Tubesca Group to Granville Baird and advised AlInvest on the €110 million sale of the Essmann Group to Quadriga Capital in January 2007.

Away from the acquisitions sector, a Linklaters team led by Peter Erbacher was consulted by Terra Firma as sponsor in the €1.22 billion recapitalization and refinancing of the Tank & Rast Group in June 2006.

Leading lawyers

Rainer Traugott

Skadden Arps Slate Meagher & Flom

American firm Skadden's private-equity team recorded its strongest year since opening in Germany, often advising on the buyers side and further consolidating its market presence. The team is led by Walter Henle and Matthias Jaletzke, with the latter coming in for praise

from peers for his hard work in the private-equity market. "He's a good lawyer and clearly one of the players in the market," said one rival lawyer.

Size however is the only issue with Skadden, with some rivals expressing doubts about its ability to mix it with the bigger firms at this stage of the German office's development. "They are a quality firm, but they need to at least triple their size if they're going to compete with the tier-one firms," said one competitor.

One of Skadden's highlights for the year was representing Three Delta in the £1.4 billion acquisition of Four Seasons Healthcare from Allianz Capital Partners. This transaction was notable as it was financed through a combination of third-party bank debt and equity funds.

In another notable transaction for Skadden, the firm acted for Apax Partners in the €1.3 billion purchase of Versatel Telecom International. The firm also guided private-equity firm Christofferson Robb & Company on the \$721 million sale of a wind farm portfolio to International Power.

Other clients for the year included Barclays Private Equity, Axa Private Equity, Oaktree and PPM Capital.

Leading lawyersWalter Henle
Matthias Jaletzke**Other notable firms**

Willkie Farr & Gallagher has caused some waves of late with its smash-and-grab hiring policy. The firm recruited the very highly regarded Mario Schmidt from Clifford Chance and followed this up by tempting across Linklaters partner Jochen Winter, capturing the attention of the market in the process.

Latham & Watkins scored a coup when it tempted Dirk Oberbracht from Baker & McKenzie. Oberbracht joins ex-Ashurst partner Jörg Kirchner who heads up the firm's Munich practice. It remains to be seen if Kirchner and Oberbracht can bring their significant clients along with them to continue the firm's growth in the German market.

Kirkland & Ellis focuses specifically on the private-equity sector in Germany and benefits from a close relationship with Bain Capital to work on a number of mid-cap transactions out of its Munich office.

Project finance**Recommended firms****Tier 1**

Clifford Chance

Tier 2Allen & Overy
Linklaters
White & Case**Tier 3**Baker & McKenzie
Freshfields Bruckhaus Deringer
Gleiss Lutz
Lovells
Milbank Tweed Hadley & McCloy
Norton Rose

London firm Clifford Chance has finally separated itself from the pack this year after a stellar performance from the firm's dedicated project finance team. The firm increased its partner numbers in this area and continued to represent clients on a number of innovative cross-border deals.

However the project finance industry in Germany is not as competitive as many of its other sectors due to the high costs involved. Most firms combine their finance teams with their project finance teams, while some practices have chosen to opt out altogether.

"Project financings are expensive, and interest rates are only going to get higher ... it was purely a commercial decision," said one partner. Another lawyer expressed frustration at the country's political conservatism: "The pace of project financings is slow and the government is just not creating the legal environment for it."

Clifford Chance

Clifford Chance's project financing team is one of the largest in Germany and specializes in advising on the German aspects of international cross-border projects. The firm works on a broad range of project financing including infrastructure, energy and industrial financing, as well as public-private partnership (PPP) financing.

The team is led by Riko Vanezis, who was praised by clients for his results-oriented focus. "He's a good negotiator and adviser for us; he is great at communicating what we want to say within a transaction," one client said.

The firm is well respected by the market, with many rival partners expressing admiration for the team's work in the project finance field.

"I have a lot of respect for Clifford Chance, they have a good plan in the market,"

said one rival. "They have a good working relationship with KfW and definitely deserve their position."

Clifford Chance's standout deal for the year was representing Saudi Basic Industries Corporation on the €10 billion financing of the Al-Jubail petrochemical plant in Saudi Arabia. The firm's Frankfurt team worked alongside its London and Dubai offices to advise on the deal, which included a subsequent \$1.8 billion public listing.

The firm remained strong in the energy sector, acting on one deal for CIC Energy Corp and International Power on the \$5 billion financing of a power station in Botswana. It also demonstrated its involvement in the growing renewable energy sector, acting on a series of wind power and waste-to-energy projects in Europe and Asia.

Clifford Chance showed its strength in infrastructure work by acting for Turkish and German banks on the financing of the construction, operation and maintenance of a series of new airport terminals in Turkey.

The firm was also involved in projects in the emerging Hungarian market, with one deal seeing the firm advise on the refinancing of the construction of the M6 Motorway in Hungary. This transaction was notable as it was financed by the first mono-line wrapped bond in eastern Europe, comprising a €212 million bond issue and a €200 million facility.

PPPs were another feature of Clifford Chance's year. On one of the more notable transactions, the firm acted for the banks on the PPP financing of the expansion of the Autobahn project in Germany. Another deal saw the firm advise the banks in the Stratbag/Porr bid for the Ostregion PPP in Austria.

Leading lawyers

Riko Vanezis
Beda Wortmann

Allen & Overy

Allen & Overy's project financing work is incorporated into its finance practice, with banking partner Peter Stenz the most visible in this market.

The team was again active this year, with peers noting they had seen the firm on a number of deals. One of the highlights for the year was acting for an equity investor on the acquisition and financing of a Spanish solar power project in December 2006. Allen & Overy followed this up by acting for BNP Paribas in relation to a Ukrainian energy project in the same month.

Allen & Overy proved it could also act on domestic deals when it won a role advising

Commerzbank on the financing of a subterranean gas storage facility in Epe, Germany in late 2006.

"They have experience which qualifies them as a first-class legal advisor," said one client.

Leading lawyers

Peter Stenz

Linklaters

"They're a leading firm with experienced lawyers," a client said about Linklaters's project finance practice. "They deliver the quality of work which is expected from a top-class international law firm."

Linklaters recorded another solid year in the project financing arena, with its focus more towards European energy projects. Partners Eva Reudelhuber was singled out for praise by another client for her great work in the field.

"She's very well known in the market, very experienced and has a good standing," the client said.

The firm's standout deals involved advising the banks on the two largest German power plant financings in 2006 – the €615 million Duisberg/Walsum and the Hoechst/Frankfurt waste-to-energy plant.

The firm continued its energy work by winning a role advising the Royal Bank of Scotland on the €1.13 billion refinancing of the Trinergy Wind Farm portfolio in Germany and Italy. This allowed the project to take on additional debt to support new projects, and has been one of the biggest financings in the sector to date.

Linklaters was also involved in the financing for Europe's largest waste-to-energy plant, a German-French wind farm and a power plant in Debrecen, Hungary.

Leading lawyers

Eva Reudelhuber

White & Case

The loss of Stephen Hodgson appears to have had little effect on White & Case's project finance practice. Consisting of six partners and 13 associates, the team had another strong year primarily in the energy sectors.

"We have worked on a lot of financings with the firm, and it was a very good relationship," said one client. Peers singled out partner Manfred Ungemach for his regulatory work on the energy side.

Among a litany of energy projects worked on by White & Case, the standout was the Nord Stream project. The firm represented Nord Stream, a joint venture of Gazprom,

Wintershall and E.ON Ruhrgas, in regards to the project financing, permit procedures and issues relating to the engineering, procurement and construction contract.

White & Case was also active outside the energy sector. One notable deal recognized by the market was the Essen Proton Therapy Centre PPP. The firm acted for Deutsche Bank and Fortis Bank on the €300 million project, which was the first German PPP in the hospital sector.

Other clients the firm has advised include Commerzbank, Deutsche Bank, Mitsubishi Heavy Industries and Siemens.

Baker & McKenzie

Baker & McKenzie's project finance department is led by Michael Foundethakis, who is revered by peers as one of the true project finance specialists in the country.

"Michael was born and raised a project finance lawyer," said one rival partner. "He is probably one of the few who are really focusing on project finance law in Germany."

Baker & McKenzie had another solid year, acting on a number of international mining and infrastructure projects. One of the highlights was acting for Commerzbank and Raiffeisen Zentralbank Österreich on the financing of the \$80 million expansion of the Russian Novosibirskenergo programme.

The firm advised the African Export-Import Bank in relation to the financing of a ferrochrome project for Zimbabwe Alloys, and also guided the German Ministry of Foreign Affairs on the construction of the Deutsches Haus in Tokyo.

Baker & McKenzie also continues to act for Suez Environment on the \$300 million financing of a waterworks and sewage system in Manila.

Leading lawyers

Michael Foundethakis

Freshfields Bruckhaus Deringer

Freshfields was active in the transport, road construction and energy sectors this year, with commentators remarking that the firm has been consistently building up its practice and that it has been seen on more and more deals.

Some clients said that they found it was easier to cultivate personal relationships with members of the Freshfields team than other firms, allowing transactions to run more smoothly for the client and for the firm.

Freshfields' most notable work was in the energy sector. The firm represented Austrian energy provider EVN as one of two sponsors in the €615 million financing of the Walsum 10 power station in Duisberg, Germany. The

firm followed this up one month later by advising HSH Nordbank on the €28 million financing of a power station in Spain. The firm also advised KPP Kraftwerk Peute Projektmanagement on the €400 million financing of a power plant in Hamburg in May 2007.

Freshfields managed to score a role advising the bidder consortium on the construction of the PTZ Partikelzentrum in Kiel, Germany, whose funding stemmed from the Essen Therapy Centre PPP.

The firm was also active in the transport sector, advising the German government on the financing of the extension of the runway at the Berlin-Schönefeld airport. Meanwhile in the road construction sector, Freshfields guided a bidder consortium in connection with its tender for the extension of the A8 and A5 motorways in Germany.

Other notable firms

Norton Rose managed to tempt White & Case partner Stephen Hodgson across in 2005 – a move which has reaped benefits for Norton Rose. Commentators have noted that the firm is more visible in the market than it used to be and a few called for the firm to make the leap into tier two.

Restructuring

Recommended firms

Tier 1

Clifford Chance
Freshfields Bruckhaus Deringer
Görg Rechtsanwälte
White & Case

Tier 2

Gleiss Lutz
Lovells
Weil Gotshal & Manges

Insolvency

Recommended firms

Tier 1

Brinkmann & Partner
Metzeler-van Betteray
Pluta Rechtsanwälte
Schultze & Braun
White & Case

Tier 2

Dr Beck & Partner
Heuking Kühn Lüer Wojtek
Kebekus & Zimmerman
Wellensiek Rechtsanwälte
Westpfahl & Spilker

The biggest story to come out of the German insolvency market this year was the Schefenacker migration. When Schefenacker defaulted on a bond debt, the company controversially moved its headquarters to London where a €500 million restructuring was completed under the UK's more relaxed bankruptcy laws.

Deutsche Nickel followed suit soon after, moving its headquarters to the UK to take advantage of the lower percentage of approvals needed from bondholders to begin a restructuring programme. Some commentators started to speculate that this could be the way forward for German restructurings.

But it has proven not to be the case. Despite all the talk, there have only been two successful migrations in the past five years and the rate doesn't look like picking up anytime soon. The costs and complex procedures involved mean that the process would only suit large-scale operations, which under the current economic climate have yet to strike trouble.

"The German insolvency laws have many advantages," said one partner. "There is no advantage to a London move, there's just nothing behind it."

Clifford Chance

Clifford Chance's restructuring and insolvency team is one of the most highly regarded in Germany. Led by Kolja von Bismarck and Heinz-Günter Gondert, the team is not only highly skilled in its own right but has access to the firm's excellent corporate and finance teams in Germany and London.

"They're excellent, we're very satisfied," said one client. "The management were transparent, very open and very clear." Bismarck and associate Stefan Sax were singled out by the client as "doing excellent work for clients".

The firm's standout work was advising major German automobile manufacturers on the €200 million restructuring of Schefenacker. This deal involved a range of lawyers from a number of different departments and received significant press coverage.

Clifford Chance once again showed that it was a market leader by winning advisory roles on the restructurings of the Authentos Group, the Meridien Group, Honsel Group and Dorint.

The firm also advised the Federal Ministry of Finance on the internal restructuring of Deutsche Bahn to ready it for privatization. The firm took advantage of its employment law team on the restructuring as it involved the repositioning of around 3,000 workers.

Clifford Chance demonstrated it could act outside the restructuring sector when it acted for the City of Frankfurt on the conversion and sale of its interest in Frankfurter Sparkasse

1822. In another notable activity the firm advised the creditors on the issuance of a second-lien loan to the KarstadtQuelle Group, while the practice also provided debtor liquidation advice to the insolvency administrator in the proceedings against AgfaPhoto.

Leading lawyers

Kolja von Bismarck

Freshfields Bruckhaus Deringer

Freshfields' restructuring department is led by Lars Westpfahl in Hamburg, who peers say has a "very good reputation in the industry". The firm is seen by the market as one of the leading restructuring firms, a statement which is backed up by its body of work over the past 12 months.

In one of the firm's standout activities for the year, Freshfields acted for GE Commercial Finance as part of a consortium of lenders on the Schefenacker restructuring in December 2006.

Freshfields also continues to advise Salzgitter on the acquisition of a stake in Klöckner from the insolvent WCM, as well as guide Schnieder Möbel on a €65 billion bridge facility and its overall restructuring process.

In addition, the firm has an ongoing role advising a consortium of investors in the purchase of loan debt from commercial and savings banks and the acquisition of shares in circuit board manufacturer Ruswel.

Leading lawyers

Lars Westpfahl

Gleiss Lutz

Gleiss Lutz's team of five partners was particularly active this year, primarily providing advice on restructuring cases. While the firm doesn't tend to lead the proceedings, lawyers such as Burkhard Göpfert and Andreas Spahlinger are experts in the area of bond restructurings and debt-equity swaps.

The firm was involved in a number of significant restructuring cases last year. The team provided advice on Schefenacker's legal obligations under German insolvency and corporate law and also helped guide the ongoing restructuring of the Honsel Group.

Gleiss Lutz guided the sale of HP Pelzer at the instigation of the banks and provided subsequent restructuring and insolvency advice on averting any impending insolvency. The firm also represents Siemens on a range of matters in the ongoing BenQ insolvency proceedings.

Leading lawyers

Burkhard Göpfert

Lovells

Lovells's restructuring and insolvency team is based in Munich and draws on the combined skills of its banking, tax and corporate departments. The firm counts Ford, TXU and Alstom as clients and has strong relations with restructuring teams at accounting firms such as Grant Thornton and Nelson Wheeler.

The firm called upon its banking expertise when it acted for two German banks on the restructuring of loan facilities in the insolvency proceedings of Aero Lloyd. Lovells followed this up by advising on the restructuring of a €160 million property fund for one of the world's largest financial services companies.

In addition, Lovells provided legal advice during the insolvency proceedings of BenQ and FEAG.

White & Case also acted on the restructuring of Lone Star Funds and continues to act on an additional seven notable insolvency proceedings.

Leading lawyers

Biner Bähr
Klaus Pannen

White & Case

White & Case occupies a strong position in the market as it is the only international firm which offers both insolvency administrations and restructuring advice. Like Clifford Chance, the firm works closely with its cross-border banking, capital markets and private-equity teams to provide a wide range of options in any restructuring or insolvency process.

"They're very good, very respected and very fast," said one client. "They have excellent lawyers and we have a great working relationship with them... we're very happy with them."

Biner Bähr was singled out by clients for his proficiency in insolvency matters. "He's very knowledgeable about insolvency law which you don't tend to find at a large firm," the client said.

The firm's key insolvency appointment for the year was the NIER bankruptcy. Klaus Pannen sold the automotive business of the insolvent NIER to an affiliate of Vollmann Group and disposed of NIER's non-core medical engineering business to GPE Holding by way of a carve-out. This ensured a complete staff turnover at NIER's Lübeck plant and a further 340 jobs at the other two plants.

White & Case's Sven-Holger Undritz advised the court on the negotiations with the financial institutions on the Schieder Möbel restructuring process. Insolvency proceedings were avoided as the creditors agreed on a €70 million super-priority bridge facility to allow Schieder to continue trading.

The firm continues to represent Gontard & Metallbank on its insolvency proceedings, which is the biggest ever bank insolvency in Germany with assets of €700 million realized to date.