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Harmonizing local and EU legislation

Josef Otcenasek and Robert Nespurek
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Prague

Following the legislative overhaul of financial markets regulation in 2004, and most importantly following the adoption of the new Capital Markets Act, Czech legislation has continued to modernize and harmonize its rules with EU legislation.

Czech National Bank assumes supervisory role over the financial markets

Effective from April 1 2006, a single authority – the Czech National Bank (the *CNB*) – now regulates and supervises the Czech financial markets.

The primary rationale for this integration, although it was not well explained to the public by the state authorities, is the growing inter-connection between the banking markets, the capital markets and the insurance business which, in the state's view, requires greater coordination and unification of the government's supervisory activities. Integration also aims to eliminate the duplication of supervisory activities of the various institutions, and decrease the regulatory burden on market participants including, hopefully, their regulatory compliance costs.

At the first stage of supervisory integration, it appears that only the most necessary legislative and technical steps have been made, without any big practical impact on supervision itself. From a legislative perspective, only the references to the former supervisory authorities were replaced with the name of the CNB in the respective laws. The supervisory staff was also physically moved into the CNB, where a new supervisory unit was created.

The CNB expects that the second stage of integration will take place during 2006 and 2007, and should bring bigger changes, as well as actual unification of Czech financial market supervision.

Amendments to close-out netting legislation

Following the adoption of the close-out netting legislation in the Czech Republic in May 2004, Isda commissioned and published (in May 2005) a legal opinion generally confirming the enforceability of close-out netting provisions set out in the Isda documentation under Czech law. However, the legal opinion also pointed out certain ambiguities and loopholes in the new legislation that required specific qualifications in the legal opinion. Furthermore, the close-out netting legislation did not seem to apply to certain types of derivative trans-

actions, such as, most importantly, physically settled commodity derivatives.

These concerns were addressed and rectified in an amendment to the close-out netting legislation that came into effect in September 2005. The amendment significantly enhanced the legal certainty regarding the enforceability of close-out netting provisions where a Czech counterparty becomes insolvent, and improved the definition of the close-out netting agreement to make it sufficiently robust to cover all common types of derivative products and master netting agreements. The close-out netting legislation now applies to all transactions the subject of which is exclusively "... monetary funds, investment instruments, rights relating to investment instruments, and commodities..." The improvement in the Czech close-out netting legislation was also reflected in the legal opinion obtained and published by the European Federation of Energy Traders (EFET) at the beginning of 2006, generally confirming the enforceability of close-out netting provisions of the EFET master agreements for electricity and gas in the Czech Republic.

Financial collateral arrangements made easier

In September 2005, EU Directive 2002/47/EC on financial collateral arrangements was implemented into Czech law, although with more than a year's delay. The rules were incorporated into the Czech Commercial Code.

Under the requirements of the directive, the new rules simplify and unify the creation and enforcement of financial collateral in case of a default, determine which law applies to the rights and obligations arising from taking financial collateral, and exclude financial collateral from bankruptcy estates in the case of insolvency of either the collateral provider or collateral taker.

The way the EU rules were implemented into Czech law greatly limits the scope of entities other than financial institutions that can enter into financial collateral arrangements. While the directive allows any legal entities to use such arrangements if the counterparty is a financial institution, Czech law sets forth that only business companies exceeding certain annual net turnover, asset value or equity capital thresholds can enter into such arrangements.

The new rules regarding financial collateral are a big step forward towards a less formal view on the taking and enforcing security for financial transactions such as derivatives, sell and buy-back operations or securities lending. For example, the new rules create an inroad into the traditional principle of Czech security law prohibiting appropriation of collateral by the creditor in the event of default. Under the new legislation, therefore, the financial collateral can be appropriated by the creditor if a default event occurs. Market observers suggest that this should decrease costs, enhance market

liquidity and considerably reduce credit risk connected with trading on financial markets.

EU Prospectus Directive implemented

Again with almost a year's delay, in March 2006 the Czech Republic also fully implemented the EU Prospectus Directive into the Capital Markets Act.

The main feature of the new legal framework based on the Prospectus Directive is the full recognition of the principle of a single European passport prospectus. This means that prospectuses approved in the home country of the issuer are to be recognized in the host country without further approvals or recognition, and only on the basis of notification to the respective host country authority. Furthermore, because the contents of the prospectus, as well as the manner of its publication, are governed directly by the European Regulation no 809/2004, the Czech Republic has thus become a part of the single EU market for publicly offered financial instruments under unified rules.

Supplementary supervision of financial conglomerates

On October 1 2005, the Act on Financial Conglomerates came into force, implementing the EU Directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms forming a financial conglomerate (2002/87/EC) into Czech law. The purpose of the legislation is to introduce unified supervision of financial conglomerates – groups of financial institutions that provide services across a wide spectrum of financial markets and have a presence in both the insurance sector and the banking and investment services sector. The supervision of financial conglomerates supplements the supervision of individual financial institutions on a standalone basis, and it is not designed to replace or substitute any sectoral regulatory rules.

Financial conglomerates that are subject to the supplementary supervision must now comply with a number of new rules. Most importantly, a financial conglomerate (including regulated entities within the conglomerate) must maintain certain capital adequacy thresholds set forth by law at the level of the financial conglomerate. Under Czech law, financial conglomerates will be required to comply with these capital adequacy requirements after September 30 2006. Detailed rules for the calculation of the capital adequacy requirements are yet to be set out in CNB regulations, in accordance with the principles set forth in the EU Directive. Other requirements imposed by the new legislation on financial conglomerates include various restrictions relating to intra-group transactions, risk concentration and management.

Banking

Recommended firms

Tier 1

Allen & Overy
Clifford Chance
White & Case

Tier 2

Linklaters
Procházka Randl Kubr
Weil Gotshal & Manges

Tier 3

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

Tier 4

Balcar Polansky & Spol
Gleiss Lutz
Havel & Holasek
Lovells
Nörr Stiefenhofer Lutz
Salans
Squire Sanders & Dempsey
Wolf Theiss

Allen & Overy

Tier one is unchanged this year, with the three leading banking firms still setting themselves apart from the competition by excelling on the big transactions. At Allen & Overy Mikuláš Touska was described by a rival as “one of the most knowledgeable lawyers around”, and both he and Václav Valvoda were consistently praised by the market as two of the best banking lawyers in Prague.

Among the year's highlights, Touska advised Pamplona Capital partners, a UK private equity house, on a leveraged buy-out of Czech textile manufacturer Pegas. The transaction closed in December 2005 and required an acquisition vehicle to raise senior debt financing from a syndicate of banks, mezzanine financing, as well as several shareholder loans.

Elsewhere, Touska advised Ceska sporitelna on a Kc2 billion (€70.6 million) secured lending provided to Cepro, a state owned company and advised Skanska, on the Kc2.75 billion financing of a development project for the new headquarters of Československá obchodní banka (CSOB).

The firm works for a number of banks, and this year represented Citibank as arranger, facility agent and lender on Kc885 million (€31.2 million)-worth of secured credit facilities to Zetor and Zetor Trade, and on an investigation carried out by the Czech Securities Commission in relation to investment instruments services and standard documentation.

In project financing the firm advised Calyon, as lead arranger on the Kc6.93 billion (€244 million) refinancing of the Energy Center Kladno electric power plant in the Czech Republic, the proceeds of which were used to refinance the existing project

loan, a £269 million multi-tranche, multi-currency 16-year debt package.

Leading lawyers

Mikulás Touska
Václav Valvoda

Key contact partners

Mikulás Touska
Václav Valvoda

Clifford Chance

Clifford Chance has carved out an impressive reputation for providing expert advice to a range of banks. The team has recruited associate Steve Kozak from London to boost its numbers to one partner and 10 associates.

Vlad Petrus, the only partner and leading lawyer, advised ING Bank and ABN Amro Bank as mandated lead arrangers on two deals in 2005: a Kc3 billion (€105.8 million) secured revolving credit facility for Home Credit Finance, the largest Czech consumer loan provider; and a €90 million syndicated secured loan to Business Lease and its branches in Poland and Slovakia

In acquisition financing Daniel Hurych acted for HVB Bank Czech Republic as lender of a Kc100 million (€3.5 million) secured term loan facility for SEEIF CR to purchase a majority shareholding in Moravské keramické závody and a Kc125 million (€4.4 million) secured working capital loan facility for Moravské keramické závody. The firm also advised HSBC Bank on a Kc420 million (€14.8 million) secured loan to acquire a major Czech logistics company.

Real estate is an extremely important area in the Czech Republic, and Clifford Chance has got a healthy share of the finance work connected with it. At the time of going to press, for example, it was representing HVB Bank Czech Republic as lender of a Kc153 million (€5.4 million) and €6 million secured term loan facility for real estate company Celetna 29.

Leading lawyer

Vlad Petrus

Key contact partner

Vlad Petrus

White & Case

Rounding out the top tier, White & Case has an excellent reputation for providing advice in all aspects of banking and finance work. David Plch was made up to partner in 2005, and played a part in most of the major transactions of the past 12 months.

For example, he teamed up with Jiri Simecek to advise ABN Amro and Commerzbank in connection with a complex \$200 million acquisition financing of Vitkovice Steel. This deal involved numerous complex issues arising under Czech, English, Cypriot and Luxembourg law.

White & Case represented the Belgian KBC and its Czech subsidiary, CSOB, the largest Czech commercial bank, on a €168 million financing of a purchase of 94% stake in Sokolovská uhelná, a major Czech mining company, and its treatment and transformation to high-grade energy, by Sokolovská tezební.

Ivo Bárta advised Zentiva, a leading generic drug maker in central and eastern Europe, with respect to financing its Kc3 billion acquisition of a 51% stake in Sicomed, the leading generics drug maker in Romania, including the subsequent public tender offer to buy out the remaining shares. This was one of the largest unsecured acquisition financings ever executed in the Czech Republic.

In export finance, meanwhile, White & Case represented Czech Export Bank, the Czech state export credit agency, in relation to the preparation and signing of a €255 million frame loan

agreement with a Russian company, Transport 21 Veka, guaranteed by Uralvagonzavod, one of the largest manufacturers of railway cars in the world.

Finally the firm advised the Bank of Tokyo on setting up its operations in the Czech market, which included founding a representative office in the Czech Republic and establishing a branch office.

Leading lawyers

Ivo Bárta
David Plch

Key contact partners

Ivo Bárta
Jan Matejcek
David Plch

Linklaters

Former managing partner and leading lawyer Francis Kucera returned to the London office in 2005, while associate Roman Stastny, one of last year's rising stars, has also left. However, to compensate, Robert David joined Linklaters as a managing associate of the finance group from rival firm Allen & Overy in January 2006. David is tipped as a rising star by the market, though some observers commented that the lack of a dedicated banking partner might hamper the firm.

Major deals this year have included representing Ceskoslovenská obchodní banka on a syndicated loan facility for Mostecká uhelná of up to Kc3.7bn (€130.3 million) and on the financing of a management buyout of Mostecká uhelná and Appian Group for €100 million. Partner Ludek Vrána worked on both these deals.

Before his relocation, Kucera advised ING Bank on a €318 million high-yield bridge facility for Bivideon, while Lucas Sevcik acted for a special purpose vehicle created by JP Morgan Partners and Bancroft private equity fund on an acquisition financing facility, mezzanine facility, investment facility and working capital facility provided by CSOB, and on complex security documents, for the acquisition and refinancing of the Nowaco Group.

Key contact partners

Jason Mogg
Lucas Sevcik

Procházka Randl Kubr

Procházka Randl Kubr breaks the stranglehold of the international firms on the top two tiers this year after winning consistent praise from lawyers and clients as "one of the leading local firms in finance" and "really brilliant in banking". It has five partners who all handle a range of banking work, though Robert Nemecek was singled out as the practice's outstanding practitioner.

In the past 12 months Nemecek provided legal advice to ABN Amro, Česká spořitelna, HVB Bank, Komerční banka and PPF Bank, on the provision of a Kc2.1 billion (€74 million) multi-currency and multi-tranche club loan facility to Aliachem. In another big deal this year he assisted Komerční banka and ABN Amro as mandated leading arrangers of the multicurrency multi-purpose syndicated credit for Kc2.4 billion granted to an international industrial holding.

Name partner Marek Procházka, meanwhile, represented Investkredit, an Austrian bank, in a project financing, the first of its kind, to set up the largest wind power plant so far in the country. Procházka also gave advice on the setting up of UBS's Czech branch.

In connection with the country's flourishing real estate market, Radan Kubr assisted ING Real Estate Finance as lender in connection with a €80.7 million senior loan and a €13 million bridge loan to finance the acquisition of the Galerie Butovice shopping centre by the Babcock & Brown Group. The firm has also advised the Czech banking association and the Czech National Bank on the implementation in Czech law of the master agreement for financial transactions published by the Banking Federation of the European Union.

Leading lawyer

Robert Nemeč

Key contact partners

Václav Bílý
Robert Nemeč
Marek Procházka

Weil Gotshal & Manges

Weil Gotshal has had another solid year, handling a broad range of deals that ensures its place in tier two. From among the team, Karel Drevineč was described by a market observer as "an excellent lawyer".

Foremost among these deals, the firm represented Ceska Sportelna, one of the largest Czech banks, in connection with the loan financing provided to a Czech borrower, the principal amount of which exceeds €120 million. It has also acted for long-term client HVB Bank over the new loan financing provided to Korado, the largest Czech manufacturer of heating devices.

The firm doesn't only advise banks, however. For example, it represented Czech Airlines on the \$500 million financing of the new medium-haul fleet of 12 aircraft, and acted for Prague airport on the prolongation of guarantees provided by a syndicate of banks in respect of Kc9 billion (€317 million) credit facility extended to the Prague Airport by the European Investment Bank.

Finally, in natural resources the firm acted for Vitkovice Steel, one of the largest Czech steel mills, in connection with its Kc2.3 billion financing related to the termination of tolling arrangements with its parent company, and for Cepro, the largest Czech operator of gasoline pipeline system, on its Kc2.5 billion financing.

Leading lawyer

Karel Drevineč

Key contact partners

Karel Drevineč
Petr Severa

Brzobohaty Broz & Honsa

Tomasz Otruba heads Brzobohaty Broz & Honsa's banking department, a 42-lawyer firm that continues to work on some eye-catching deals and impress the market with the level of service provided.

The firm has done a lot of work in the past 12 months for PPF banka, including structuring a Kc492 million (€17.3 million) loan facility for acquisition and corporate financing purposes to a company actively involved in the chemistry industry, working on a deal between PPF banka and the City of Liberec to finance the development of a multi-functional sport arena for Kc650 million, and preparing a subordinated facility forwarded to Czech Energy Holding for Kc500 million to acquire the shares of United Energy.

Brzobohaty Broz & Honsa has also acted for Czech insurance company Ceská pojistovna and the Home Credit Finance Company on the negotiation of financial and ISDA documenta-

tion, and participated in the preparation and negotiation of several loan facilities including a Kc3 billion syndicated loan facility arranged by ING. At the time of going to press the firm was advising a member of the Sumitomo Group in connection with financing of a Boeing 737 jet, initially leased and operated by Czech Airlines.

Leading lawyer

Tomasz Otruba

Key contact partner

Tomasz Otruba

CMS Cameron McKenna

CMS Cameron McKenna has had a successful year acting for both lenders and borrowers on a range of deals. The biggest transaction entailed advising Somerston Olympia CZ on the €125 million refinancing and restructuring of Olympia Brno shopping centre.

In another real estate deal the firm acted for HVB on construction finance granted to Vinci and Aviva for the office building Palác Tesnov in Prague. This \$38 million deal closed in January 2006. Finally, it represented Bank Austria Creditanstalt on the €20 million refinancing of existing debt in connection with the acquisition of the Kodanská Office Centre.

Other clients of the firm's Czech banking practice include Erste Bank and Mid Europa Partners.

Key contact partners

Pavla Krecková
Paul Stallebrass

Glatzová & Co

Glatzová & Co has a particularly strong reputation in M&A, but is becoming increasingly respected for its expertise in banking and finance work too. One leading banker in the market described it as "a very solid local law firm". The firm's biggest deal involved working for Citibank on the €750 million syndicated financing of a major industrial group, which involved refinancing existing acquisition financing and equity distribution financing. This was signed in February 2006.

Name partner Vladimira Glatzová represented Nordea Bank Finland and Bank Austria Creditanstalt, in cooperation with German heavyweight Hengeler Mueller, on a €275 million syndicated financing.

In real estate, meanwhile, the firm advised Immorent on the syndicated financing of two Corinthia Hotels in Prague, while a team led by partner Dana Schweigelová was consulted by the Ministry for Regional Development in connection with the country's public-private partnership legislation

Key contact partners

Vladimira Glatzová
Dana Schweigelová

Other notable firms

Baker & McKenzie has had an encouraging year in finance work. Among the year's highlights was the firm's role advising One Equity Partners on a €400 million acquisition facility. It also represented CSOB in financing the Kc105 million (€3.7 million) acquisition of Strojirny Poldi by Jet Investments, and acted for Nordea Bank Danmark on a Kc400 million joint operational lending facility to Fibertex. Thomas Skoumal was singled out as the firm's most impressive lawyer.

Kocián Solc Balastík has worked on three big refinancing deals this year, advising the RPG Group on a refinancing for \$500 million and a provision of recapitalization syndicated loan for €1.1 billion, acting for the Anglo Irish Bank Corporation on an €11.4 million refinancing, and representing Top Spirit on a deal for €85 million that closed in October 2005.

Weinhold Legal moves up a tier this year on the advice of the market, and has the deal roster to justify this. It acted for Citibank on a syndicated financing, including the refinancing of existing facilities, loans and working capital financing worth Kc1.45 billion, and acted for HVB Bank Czech Republic on the financing of the acquisition of a Czech company.

Balcar Polansky & Spol no longer has an alliance with Norton Rose but is continuing to do good work. Name partner Jaroslav Polansky worked on all the firm's big deals this year, which included acting for KomerCní banka and advising Aznak on the potential acquisition of three portfolios of receivables with a total value of in excess of Kc20 billion from KonsolidaCní agentura and Konpo.

Havel & Holásek enters the rankings for the first time this year after getting some new mandates and hiring Josef Otcenášek, formerly a senior associate at White & Case, who has now become a partner. The firm's standout deals of the past year include giving advice to Kapsch TrafficCom on its successful bid to the Czech government for a €700 million contract to supply and operate an electronic road toll system, acting for SISU Capital, a major international investment firm, on the purchase of distressed debt in excess of Kc6 billion from Konpo, and advising KBC Private Equity on a €20 million syndicated financing by CSOB. Finally at the time of writing the firm was advising the Central Military Hospital in Prague on the development, construction, financing and operation of a housing facility with a capital cost of between €20 million and €30 million.

Lastly, **Wolf Thiess** operates in Prague in cooperation with local attorneys. Highlights this year included acting for Advising Erste Bank der oesterreichischen Sparkasse on the refinancing of a €100 million loan facility granted to IDAG.

Capital markets

Recommended firms

Tier 1

White & Case

Tier 2

Allen & Overy

Clifford Chance

Linklaters

Procházka Randl Kubr

Weil Gotshal & Manges

Tier 3

Baker & McKenzie

Brzobohatý Broz & Honsa

CMS Cameron McKenna

Glatzová & Co

Kocián Solc Balastík

Salans

Squire Sanders & Dempsey

Weinhold Legal

White & Case

Capital markets in the Czech Republic this year was described by observers as "almost dead" and "not exactly thriving". White & Case stands alone in this quiet market, helped by the expertise of Michal Dlouhy, one of the big players in capital markets in Prague about whom a client at a leading bank was effusive in his praise, saying: "he knows his stuff, he has international experience and local knowledge...he has something extra, a natural charisma and can convince clients".

Dlouhy represented JP Morgan as lead manager of the Czech initial public offering of CETV, a Nasdaq-listed Bermuda company owning media assets in Eastern Europe. This was the first offering in the Czech Republic and Europe, although the shares of CETV were listed on the Prague Stock Exchange in a secondary listing in 2005.

On the debt side the firm represented Česká sporitelna, one of the largest Czech banks, over the issue of Kc3 billion (€105.6 million) subordinated floating rate bonds; and on two domestic issues of Kc300 million (€10.6 million) equity-linked notes.

The energy company Cez is a regular client of the firm and this year Dlouhy guided it through with its regulatory compliance obligations towards the US SEC, resulting from its \$200 million yankee bond issue in 1997.

Leading lawyer

Michal Dlouhy

Key contact partner

Michal Dlouhy

Allen & Overy

Allen & Overy maintains a strong capital markets operation that was consistently praised by rival lawyers and clients. The firm is still winning a wide range of work in a quiet year.

Václav Valvoda represented Bank Austria Creditanstalt on the financing of the acquisition of shares of the owner of the Millennium Plaza Building. The firm worked opposite Wolf Thiess and Squire Sanders Dempsey on this deal.

Allen & Overy also acted for Citigroup, Barclays Capital, Deutsche Bank and JP Morgan on the validity and enforceability under Czech law of collateral arrangements, especially under the ISDA credit support documents. Nic Bottomley, Robert David (who, incidentally, left to join Linklaters this year) and Lucie Vávrová prepared a legal opinion on the validity and enforceability under Czech law of close-out netting.

Leading lawyers

Václav Valvoda

Mikuláš Touska

Key contact partners

Václav Valvoda

Mikuláš Touska

Clifford Chance

Vlad Petrus heads Clifford Chance's capital markets department in Prague, and at the time of writing was advising JP Morgan Chase as the security trustee on the €215 million refinancing of a €175 million secured amortizing bond issue by Sazka, the Czech monopoly lottery provider. Credit Suisse First Boston is managing the refinancing.

Elsewhere, the firm caught the eye this year acting for Dresdner Kleinwort Wasserstein and Raiffeisen Zentralbank Österreich on the first synthetic securitization in eastern Europe between Raiffeisen Bank Polska and Raiffeisenbank, the Polish and Czech subsidiaries of the RZB Group, with KfW Bankengruppe. This deal involved the Frankfurt, Warsaw and

Prague offices. Rising star Martin Glajch also worked on this deal.

Leading lawyer

Vlad Petrus

Key contact partner

Vlad Petrus

Linklaters

Lukas Sevcik is Linklaters' main partner for capital markets work in Prague, and the market was positive about his impact on the firm's visibility this year. He acted for Sazka, the Czech lottery company, on a complex exchange of its existing €175 million bond issue with a new €215 million issue, one of the first eurobond exchanges for a Czech issuer. This deal was complicated by the need to coordinate outstanding post issuer obligations under the original €175 million issue with the new preclosing obligations of the new issue. The exchange offer was launched in April 2006.

Elsewhere, Kucera advised ING Bank on the issue of a €300 million high-yield bond for the refinancing of Bivideon. The firm has also given capital markets advice to the City of Prague and the Ministry of Finance.

In a quiet year for equity work, Linklaters acted on three squeeze-outs of minority shareholders – for Global Payments, the leading payment card processor in the Czech Republic, for Interbrew Central European Holding on shareholders in Pivovary Staropramen, Prague's largest brewer, and for Raab Karcher Baustoffe on shareholders in Raab Karcher Staviva.

Key contact partner

Ludek Vrana

Procházka Randl Kubr

Martin Aschenbrenner was described by a rival firm as “one of the most outstanding banking lawyers in the Czech Republic,” and this year he has lived up to his billing, ensuring that while some other firms are finding it hard to get work, Procházka Randl Kubr is “the exception” and remains known as known as “very good in domestic bonds”.

The firm does a lot of work for HVB Bank Czech Republic, and standout deals in this area have included advising HVB as the issuer of a fixed-rate mortgage note issue of Kc3 billion (€105.6 million), and as the arranger and lead manager of the note issuance programme of Cac Leasing.

Aschenbrenner worked on these deals and has also done work for Komerční banka, as the issuer of the standalone floating rate note issue of Kc20 billion, and for Česká spořitelna as the manager of the first fixed-rate note issue of Kc1 billion issued by Wüstenrot hypoteční banka. Aschenbrenner also assisted the European Investment Bank with some debt restructuring matters.

Leading lawyer

Martin Aschenbrenner

Key contact partners

Martin Aschenbrenner
Radan Kubr

Other notable firms

Weil Gotshal & Manges remains in tier two this year after working on one of the biggest bond deals of the year, acting for Credit Suisse Securities on the first high-yield bond exchange offer for a Czech issuer. Sazka, the Czech national lottery operator, issued €215 million of 9% secured amortizing bonds in exchange for

€175 million-worth of 7% bonds. It also represented Unipetrol on the disposal of its share interests in Kaucuk and Spolana. From among the team, Karolina Horakova was recognised by the market as a capital markets expert.

Baker & McKenzie has done some equity work this year, most of which was connected with acquisitions. Among the highlights, the firm worked on the squeeze-outs of minority shareholders of Stock Plzen and Ceske radiokomunikace, a mandatory takeover offer to minority shareholders of Severomoravske vodovody a kanalizace Ostrava, and a tender for the privatization of Czech Telecom.

Of the Czech firms, Brzobohaty Broz & Honsa provides securitization advice to Home Credit Finance and PPF Banka. Glatzová & Co represented major real estate developer CTP Invest on its surety bond backed by commercial real estate portfolio. And Petr Kasík and Martin Hájek at Kocián Solc Balastík advised Česká pojistovna on a squeeze-out and share delisting, and acted for mining company OKD on another squeeze-out.

Insolvency and restructuring

Recommended firms

Tier 1

Procházka Randl Kubr
Weil Gotshal & Manges
White & Case

Tier 2

Allen & Overy
Clifford Chance
Brzobohaty Broz & Honsa
Glatzová & Co
Havel & Holásek
Kocián Solc Balastík
Peterka & Partners

Tier 3

Balcar Polansky & Spol
Weinhold Legal

Procházka Randl Kubr

Leading Czech firm Procházka Randl Kubr moves into the top tier this year as it has worked on a number of complicated domestic restructurings. The work is done by four partners. Robert Němec represented a Czech subsidiary of a leading Austrian bank in connection with a Kc170 million (€6 million) secured term loan facility for the purchase of residential buildings from a bankrupt estate.

Name partner Radan Kubr assisted the software company Kerio Technologies on the restructuring of its Czech operations, while Martin Kriz acted for the Russian consumer finance and telecom company Sistema in connection with the corporate restructuring of its local operations, and gave local advice in relation to the restructuring of a US group Venture (now Cadence).

Meanwhile, Pavel Randl represented coating company MetoKote Corporation in connection with the establishment and restructuring of its Czech operations, and assisted the wastewater treatment company BVK with structuring the relationship between its shareholders, the municipality of Brno and a French investor.

Key contact partners

Radan Kubr
Robert Némec
Pavel Randl

Weil Gotshal & Manges

Weil Gotshal & Manges remains in the top tier this year on the back of its outstanding reputation for providing general corporate advice. Managing partner Karel Muzikar is the main person to contact on this work.

This year the firm acted for EvrazHolding of Russia, the largest Russian steel producer, in connection with the restructuring and corporate governance matters related to Vitkovice Steel, the company it acquired in 2005. It also represented and advised Nomura as a creditor in as creditor in bankruptcy proceedings for Investicni a postovni banka.

Key contact partner

Karel Muzikar

White & Case

White & Case has had another strong year in insolvency and restructuring work, with leading lawyers Ivo Bárta and David Plch taking the lead in the highest profile transactions. Rising star Petr Kuhn wrote the part of new Insolvency Act concentrating on reorganization, which is being newly introduced into the Czech legal system.

Capital markets expert Michal Dlouhy has been acting for Global Financial Restructuring Czech, a subsidiary of General Electric, in relation to seven bids to purchase portfolios of non-performing loans being sold by the state-guaranteed financial institution, Ceska konsolidacni agentura (Czech Consolidation Agency), and its subsidiaries.

David Plch advised DB Zwirn & Company on financing-related matters and a transfer of a business share in a Czech subsidiary of Rinol, in bankruptcy at the time of writing. The business share was sold to DB Zwirn by the bankruptcy trustee. The firm was also advising the Italian branch of Canadian-headquartered multinational Celestica Italia on how to reclaim its property from a bankrupt Czech company.

Elsewhere, White & Case is advising CEZ, a Czech energy company, on the post-acquisition restructuring of its business activities in both Bulgaria and Romania. Other clients of the firm include Ceská sportitelna, GE Capital Bank and its subsidiaries, Citibank and SISU Capital.

Leading lawyers

Ivo Bárta
David Plch

Key contact partners

Ivo Bárta
David Plch

Other notable firms

Dana Schweigelová leads the insolvency and restructuring department at respected domestic operation **Glatzová & Co.** The firm is advising First Reserve Corporation, as an equity investor in the RPG Group, on the restructuring of RPG Group and industrial group OKD and its holding structure, including a split-up and a cross-border merger under the EU SE regulation. It is also acting for LIDL Česká Republika in various bankruptcy proceedings. The firm also advised on the financial restructuring of Impress, a global industrial packaging group.

Havel & Holásek has had a strong year for insolvency and restructuring work, with department head Marek Vojáček representing Aero Vodochody, a major Czech manufacturer of aircrafts, on its restructuring and preparation for privatization. Name partner Jaroslav Havel acted for CzechInvest, a quasi-governmental agency for investment and business development, on restructuring the Czech subsidiary of the bankrupt LG.Philips Displays Holding, in a €130 million deal. The firm also acted for SISU capital on the acquisition of a portfolio of non-performing loans from the state-owned agency Kompo.

Peterka & Partners is best known for the quality of its litigation, but also advised the pharmaceutical groups Fournier Pharma and Solvay, and Boiron on the restructurings of their Czech operations. Jiri Cerny acted for retail chain Delvita on the restructuring of its real estate portfolio in the Czech Republic

The restructuring highlight for **Balcar Polansky & Spol** in the past 12 months involved advising CDV-1 on the acquisition and subsequent legal administration (including bankruptcy and insolvency proceedings) of a Kc20 billion (€705.6 million) portfolio of receivables from Ceská konsolidacni agentura. Elsewhere the firm advised Slavia FC on its Kc400 million restructuring.

Meanwhile, **Weinhold Legal** enters the rankings this year after advising on the dissolution of Elektrocitry, one of the country's largest retail chains, and acting for a US investment bank on bids for non-performing loans.

Mergers and acquisitions**Recommended firms****Tier 1**

Weil Gotshal & Manges
White & Case

Tier 2

Allen & Overy
Linklaters

Tier 3

Baker & McKenzie
Clifford Chance
Glatzová & Co
Kocián Solc Balastík
Salans

Tier 4

Brzobohaty Broz & Honsa
CMS Cameron McKenna
Havel & Holásek
Procházka Randl Kubr
Squire Sanders & Dempsey

Tier 5

Balcar Polansky & Spol
Lovells
Peterka & Partners
Weinhold Legal
Wolf Theiss

Weil Gotshal & Manges

In a rapidly growing M&A market Weil Gotshal & Manges stays in the top tier this year after winning consistent praise from the market, with many lawyers highlighting the strong work the firm does for the Czech state. Petr Severa was nominated as a leading lawyer this year, described by one peer as “really dynamic and well-organized.”

Having represented Cesky Telecom last year on its sale to Telefonica, the firm acted for it again this year on its upstream merger by acquisition of Eurotel Praha, the leading operator in mobile services in the Czech Republic.

Among a host of impressive deals last year, Weil Gotshal acted for CEZ, the largest Czech electricity generator and the only Czech company listed on the New York Stock Exchange, on the intended purchase of seven Ukrainian electricity distribution companies and on its acquisition of Polish electricity producers Elektrownia Skawina and Elektrociepownia Elcho for around €385 million.

Other regular clients of the firm for corporate advice include Evrazholding, Unipetrol, GE Money Bank, Severoceske Steel and Ceske Drahy, the Czech national railway operator.

Leading lawyers

Karel Drevinek
Karel Muzikar
Petr Severa

Key contact partner

Karel Muzikar

White & Case

White & Case has six partners and 20 associates doing M&A and corporate work in the Prague office, and this commitment is continuing to pay dividends as the firm turned up on a high proportion of the big-ticket deals this year.

Office managing partner Jan Matejcek has advised CEZ, the major Czech energy company, on a number of acquisitions in south-eastern Europe this year including, in Bulgaria, on a tender to acquire three thermal power plants, and on the subsequent €300 million acquisition of Thermal Power Plant Varna, one of the three companies to be privatized by the Bulgarian government, in Romania on a tender for the privatization of a Romanian electricity distribution company, Muntenia Sud, in Macedonia on a tender for the privatization of AD ESM and AD TEC Negotino, two Macedonian energy distribution companies, and in Montenegro in a tender for the privatization of TPP Pljelva, a Montenegrin thermal power plant and on a minority stake in a coal mine.

In another noteworthy deal the firm acted for the Intel Capital Corporation on its investment (together with a Polish private equity fund managed by Enterprise Investors) in a Czech anti-virus software company, Grisoft, through the \$52 million acquisition of a 65% stake in Grisoft International. This was the biggest foreign investment in the Czech technology sector in the last few years.

Elsewhere Damian Beaven assisted TDC, the Danish telecommunications company, with its disposal of Contactel, another telecommunications provider, to GTS Central European Holdings. Beaven also acted for Zentiva, a generic drug maker in central and eastern Europe, on its \$102 million acquisition of a 51% stake in Sicomed, the leading generic drug maker in Romania.

In an example of the firm's high standing in the Czech Republic, UniCredito Italiano also asked White & Case for

advice on the Czech aspects of the takeover of HVB Bank. Other clients of the firm include Odien Capital Partners, Bang & Olufsen and RWE Transgas.

Leading lawyers

Iva Bárta
Michal Dlouhy
Jan Matejcek

Key contact partner

Jan Matejcek

Allen & Overy

While not as strong as its outstanding work in banking, Allen & Overy's M&A practice is nevertheless highly rated by the market and has worked on a number of interesting deals.

In June 2005 Vaclav Valvoda acted for Credit Suisse First Boston on the sale of Czech National Property Fund's shareholding in Cesky Telecom to Spanish company Telefonica. Valvoda also advised the Modern Times Group on its acquisition of 50% in GES Media Holding.

Allen & Overy represented Telenor on the sale of its four Czech and Slovak operations to GTS Central European Holding for €22 million and Komerční banka of its 51% shareholding in Komerční pojist'ovna. Jan Myska worked on this deal, and also led the team that advised the Tetley Group in relation to its acquisition of Jemca, the market-leading tea company in the Czech Republic, from food processing company Alima Znacková Potravina.

Myska has also advised Pamplona Capital Partners in connection with its acquisition of a local textile company; the first large scale private equity leveraged acquisition in the Czech Republic, which closed in February 2006.

Leading lawyer

Jan Myska

Key contact partners

Jan Myska
Jane Townsend
Vaclav Valvoda

Linklaters

In one of the biggest M&A deals of the year, Linklaters partners Lukas Sevcik and Ludek Vrána worked with now-departed partner Francis Kucera advising Vodafone on its acquisition of the third biggest Czech mobile phone operator, Cesky mobil. This \$4.4 billion (€3.5 billion) deal necessitated close cooperation between the London, Prague and Bucharest offices.

The same trio of offices was again involved when Vrána represented CEZ in the bidding process for the privatization of Electrica Oltenia and Electrica Montenia (two Romanian power distributors) and continued advice on the acquisition of Electrica Oltenia.

Leading lawyer Lukas Sevcik, admired by the market “as a really great professional”, represented JP Morgan Partners and Bancroft Capital Partners on the acquisition of Nowaco, a producer and distributor of fish, vegetables and ice cream in the Czech Republic, Slovakia and Hungary. This deal was worth over €100 million and was one of the largest-ever private equity deals in the Czech Republic.

In another private equity deal Linklaters advised Charles Investment Partners on the Sale of a 100% share in Grafitec to Koenig & Bauer, the German listed printing machinery manufacturer, by a US private equity investor. Linklaters also acted for Meinel Bank and Meinel European Land on the sale of Julius

Meinl's retail business in the Czech Republic, consisting of 67 Julius Meinl supermarkets, to the supermarket group Ahold.

The firm has advised on a number of unsuccessful bids in recent months, including that by Vodafone for Cesky Telecom, System Capital Management for Vitkovice Steel, and AES on its contemplated acquisition of a majority stake in United Energy.

Leading lawyer

Lukas Sevcik

Key contact partners

Lukas Sevcik

Ludek Vrána

Baker & McKenzie

Baker & McKenzie is looking to increase its M&A capability and recruited two associates this year to take its team up to four partners and 12 associates. This ambition is paying dividends, as the firm has worked on some impressive deals this year.

Among the year's highlights, Boris Dackiw led the team advising Spanish company FCC construction on its acquisition of 100% of the outstanding shares of ASA Abfall Service and subsequent control over the ASA group of companies. This €315 million deal necessitated advising FCC in the bidding process, conducting a multi-jurisdictional legal due diligence review, and obtaining antitrust clearance in Austria, the Czech Republic and Slovakia.

Aleksandr Cesar represented Shell in a tender for the acquisition of the entire network of Aral-branded petrol stations in the Czech Republic from British Petroleum in a deal that closed in September 2005. The firm worked across from Linklaters, meanwhile, when it advised Ahold Czech Republic on the acquisition through an asset transaction of 56 existing supermarkets from Julius Meinl.

The firm also has a hold in the private equity market too, guiding a fund managed by the Riverside Company through its acquisition of book and magazine publisher Computer Press.

Key contact partners

Alexandr Cesar

Borys Dackiw

Tomas Skoumal

Clifford Chance

Clifford Chance is very keen to boost its profile in the booming M&A market and has recruited 7 lawyers this year, including associates Jan Procházka from Salans and Tomáš Dolezil from Linklaters. Partner Alex Cook arrived from Allen & Overy in January 2005 and seems to be making a difference to the profile of the firm.

The firm advised Russian company Evraz Holding on its successful privatization of Vitkovice Steel, the Czech steel maker. EvrazHolding signed a share purchase agreement in August 2005, and the €230 million transaction closed in November 2005.

Emil Holub represented Carrefour on the €189.4 million sale of its Czech and Slovak operations to Tesco, and on its acquisition of Tesco's Taiwan business, while Alex Cook advised International Power on its failed bid for a majority stake in United Energy, owned by Hoizon Energy.

The firm has also been active acting for banks, and advised Citigroup Property Investors on a Luxembourg structured joint venture with a local real estate developer and Macquarie Bank on its failed bid for a Czech water company.

Key contact partners

Alex Cook

Emil Holub

Glatzová & Co

Glatzová & Co continues to have a strong reputation for M&A work, with Vladimira Glatzová widely admired as "very capable" and impressive. Although some peers commented that the firm was too centred on one person, claiming "it's a monarchy there", others disagreed, pointing to the firm's all-round strength. The team was boosted this year with the recruitment of three associates.

Partner Vít Horáček advised Tesco on its Kc7 billion (€247 million) acquisition of the Tesco hypermarkets in the Czech Republic, and Dana Schweigelová worked with Slaughter and May in London to advise Moody's on its acquisition of local rating agency CRA in January 2006.

Elsewhere Glatzová led a team that represented WL Ross & Co as local counsel on the acquisition of Collins & Aikman by International Automotive Components Group and First Reserve Corporation on its acquisition of a stake in the coal mining company OKD.

Leading lawyer

Vladimira Glatzová

Key contact partners

Vladimira Glatzová

Dana Schweigelová

Kocián Solc Balastík

Solid domestic operator Kocián Solc Balastík remains in the third tier this year on the back of recommendations and some impressive deals. Dagmar Dubecká was involved in the selling by OKD of its coal business, while Martin Solc advised PPF Burzovní Společnost on a bank acquisition.

Elsewhere the firm represented Odkolek, the second biggest producer and supplier of flour and bakery and pastry products in the Czech Republic, on the sale of Delta Mlyny, and acted for mineral water company Karlovarské minerální vody on its acquisition of another water company Podebradka for Kc1 billion (€35.3 million).

Key contact partners

Dagmara Dubecká

Martin Solc

Other notable firms

Skoda Holding is a regular client of Czech firm **Brzobohaty Broz & Honsa**, and in December 2005 it asked the firm for legal advice on the sale of its 100% shareholding interest in Skoda Machine Tool to Telonia Trading, a Stanko Impex Group Company. It also represented CP Strategic Investment in the sale of its 100% shareholding interest in CP Leasing to Sofinco.

CMS Cameron McKenna has a sound reputation in the market, and partner Ian Parker led the firm's team on its biggest deals this year, which included acting for Advent International on the acquisition of Česká společnost pro platební karty, a provider of petrol cards and loyalty cards, from JP Morgan Asset Management, advising the National Property Fund of the Czech Republic on the €300 million privatization of SeveroCeské doly, the state-owned brown coalmine, and guiding Eni through its bid to acquire Aral, the owner of 69 petrol stations in the Czech Republic.

Havel & Holásek does a large number of M&A deals and enters the ranking this year after winning some interesting mandates. Robert Nespurek acted for KBC Private Equity on the acquisition of Metal Znojmo, a major Czech producer of water system materials and bathroom accessories, and for a group of private investors on the acquisition and subsequent restructuring of Kenvelo, a chain of department stores for around €20 million. He also acted for Kilcullen Kapital Partners on an acquisition of a majority stake in ZPA. More recently, the firm represented new client Unilever on its acquisition of a Czech ice-cream business for €12 million.

Robert Némec has had a successful year for **Procházka Randl Kubr**, advising the GTS Group on its acquisitions of Aliate, a leading fixed-line telecommunication services provider in the Czech Republic, a Czech subsidiary of Norwegian company Telenor Telecom Solutions, and the Czech subsidiary of Danish company TDC Totalløsninger. Meanwhile Vaclav Bily advised Vanguard Guardian on the acquisition of two companies for €16 million, acted for Hall on a €24 million acquisition, and advised ProMoPro on a €12 million purchase.

Balcar Polansky & Spol remains in the rankings after its split from Norton Rose, and acted for Genesis Private Equity, local adviser to private equity giant Advent International, on a €1.25 billion cross-border acquisition of the E-Target Group. **Peterka & Partners** acted for Boiron in respect of its merger with Laboratoires Dolisos, while **Wolf Theiss** advised IDAG on the sale of the Marriot Hotel and the neighbouring Millennium Office Centre in Prague to a US fund for €130 million. The firm also served as Czech counsel to Cooper Standard Automotive on its acquisition of an automotive business from ITT Industries.