

Croatia

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Luka Tadic-Colic Law Office Babic Zagreb

The primary source of law regulating the Croatian securities market is the Securities Market Act, which came into force in July 2002. Other important legislative acts include the Investment Funds Act, the Takeover Act, the Corporations Act and a number of implementing regulations.

Assurance of the proper functioning and supervision of the securities market in Croatia is entrusted to the Securities Commission (the Commission). The Commission has five members who are appointed by the Croatian parliament, as well as its supporting staff. The Commission's most important tasks are: (i) supervision of the fair trading rules with respect to securities; (ii) supervision of the conduct of stock exchanges, authorized dealers, investment funds and other market participants; (iii) issuing licences; and (iv) mandating measures necessary for the proper functioning of the securities market.

The Central Depository Agency (the CDA) is a joint-stock company whose shareholders are the state and other market participants. It is authorized to act as a central depository of non-materialized shares, and to perform clearance and settlement functions relating to securities issued in non-materialized form.

Issues of securities

Securities in Croatia may be placed on the market either by public offering or private placement, except in the process of initial formation of joint-stock companies, which is subject to special regulations. To qualify for private placement, securities must be offered solely to institutional investors, the issuer's existing shareholders or employees, or a maximum of 20 other outside investors. All securities issued through public offering must be listed on the stock exchange or regulated public market.

Securities can be issued in materialized or non-materialized form. Securities must be issued in non-materialized form when they are issued through public offering, or when the issuer qualifies as public joint-stock company, that is, a company that has issued its shares through public offering or whose share capital exceeds K30 million (\$5 million) and has more than 100 shareholders. Securities in non-materialized form must be deposited with the CDA.

Before issuing securities, the issuer has to prepare a prospectus, except in certain limited circumstances. The content of the prospectus is defined in detail by relevant regulations. The prospectus must be presented to the Commission for approval. After obtaining Commission approval, the prospectus is either publicized (in the case of a public offering) or delivered to potential investors (in the case of a private placement).

Foreign issuers can issue their securities through public offering in Croatia only through an authorized dealer. The Commission can approve a prospectus that lacks certain requirements if those requirements cannot be fulfilled in the country where the issuer is located, or if the issuer is located in an EU member state and those requirements are not necessary in that member state. Furthermore, when the securities are issued simultaneously through a public offering in Croatia and in an EU member state, the Commission can authorize a foreign issuer to publicize a prospectus that has already been approved by the relevant authority of that member state.

Securities trading

Trading in securities as a permanent activity can only be performed by authorized dealers. Authorization is granted by the Commission, and can only be given to brokerage companies and banks. Brokerage companies must be organized as joint-stock companies or limited liability companies, and their sole activity must be trading in securities. Banks must be organized in accordance with Croatian banking laws. Foreign brokerage companies can engage in securities trading in Croatia, provided that they have a branch office in Croatia and obtain the authorization of the Commission.

Trading in securities can only be performed by brokers who hold a licence issued by the Commission. Authorized dealers may also employ licensed investment advisors.

Organized trading in securities, as well as matching the supply and demand of securities, can only be performed on stock exchanges and regulated public markets, based on the authorization of the Commission. A stock exchange can only be set up as a joint-stock company whose shareholders are authorized dealers. A regulated public market can be set up as any legal entity whose core activity is matching supply and demand in securities not listed in the official quotation of the stock exchange. Stock exchanges must maintain at least two

quotations: an official quotation and a public joint-stock company quotation. Issuers can request listing in the official quotation if they meet certain conditions prescribed by law. Listing in the public joint-stock company quotation is mandatory for public joint-stock companies.

Institutional investors are, without specific approval of the Commission, authorized to trade in debt securities between themselves outside stock exchanges and regulated public markets.

When a natural person or legal entity trading in the shares of a public joint-stock company exceeds certain shareholding thresholds (10%, 25%, 50%, 75%), it must notify the Commission and the issuer. Moreover, when the shareholding exceeds 25%, in most cases a mandatory tender offer for the remaining shares must be made.

Clearance and settlement of securities issued in non-materialized form is performed by the CDA. As of July 4 2005, the timetable for clearance and settlement has been reduced to T+3. Clearance and settlement of securities issued in materialized form must be made within four days of the transaction.

Prohibited activities

Croatian law contains provisions prohibiting insider trading (for insiders as well as other persons who obtain this information without authorization), price manipulation, and providing false information. It is also prohibited for authorized dealers to execute transactions motivated solely by their ability to charge a commission.

Banking

Recommended firms

Tier 1

Bogdanovic Dolicki & Partneri

Porobija & Porobija

Zuric i Partneri

Tier 2

Hanzekovic Radakovic & Partneri

Markovic & Pliso

Tier 3

Law Office Babic

Divjak Topic & Bahtijarevic

Savoric & Partners

Vukic Jelusic Sulina Stankovic Jurcan & Jabuka

Vukmir & Associates

Tier 4

Travas & Partners

Wolf Theiss

Capital markets

Recommended firms

Tier 1

Bogdanovic Dolicki & Partneri

Porobija & Porobija

Zuric i Partneri

Tier 2

Divjak Topic & Bahtijarevic

Hanzekovic Radakovic & Partneri

Markovic & Pliso

Vukic Jelusic Sulina Stankovic Jurcan & Jabuka

Wolf Theiss

Mergers and acquisitions

Recommended firms

Tier 1

Bogdanovic Dolicki & Partneri

Porobija & Porobija

Zuric i Partneri

Tier 2

Divjak Topic & Bahtijarevic

Hanzekovic Radakovic & Partneri

Markovic & Pliso

Savoric & Partners

Vukic Jelusic Sulina Stankovic Jurcan & Jabuka

Wolf Theiss

Tier 3

Law Office Babic

Cipcic-Bragadin

Nikolina Golubic in association with Schönherr Rechtsanwälte

Vukmir & Associates

Project finance

Recommended firms

Tier 1

Bogdanovic Dolicki & Partneri

Porobija & Porobija

Zuric i Partneri

Tier 2

Divjak Topic & Bahtijarevic

Hanzekovic Radakovic & Partneri

Markovic & Pliso

Savoric & Partners

Vukic Jelusic Sulina Stankovic Jurcan & Jabuka

Wolf Theiss

Bogdanovic Dolicki & Partneri

One top banking client says Bogdanovic Dolicki & Partneri has “vast experience and very qualified staff”. The firm has a strong team of 21 lawyers – name partner Mirko Bogdanovic and Mladen Markov are both particularly recommended by the market for their legal expertise, and fellow name partner Tin Dolicki is also singled out by one top practitioner as a “super lawyer.”

Associated with top-10 UK firm Lovells, Bogdanovic Dolicki has extensive experience advising on matters of financial law, and is one of only two Croatian law firms to have been engaged in company listings. The firm has an impressive client list, including ABN Amro, Bank of Austria, Bank of America, Barclays, Deutsche Bank, Dresdner Bank, Nova Bank and Unicredito Italiano.

Bogdanovic & Dolicki has “a wonderful track record in M&A” and recently advised leading cable producing company Elka on the 100% sale of its share in affiliate company Elka kabeli. The firm also represented two major shareholders on the €260 million (\$313.7 million) sale of 93.6% of Nova Banka to Hungarian OTP Bank.

Other standout deals on which the firm has advised over the past year include: acting for Croatian telecommunication company Hrvatske telekomunikacije on the spin-off of its mobile network to create a new entity, HT Mobile Telecommunications; providing legal counsel on the development of the first Croatian hotel management company, Valamar; and advising on a hotel management contract with four large hotel companies (Riviera Holding, Zlatni otok, Rabac and HTC Dubrava Babin Kuk). One aspect of this project involved Croatia’s first separation of a public company, where the firm helped to spin off one of Croatia’s hotel groups, SN Holdings, into a new company called Valamar Holding.

Project finance is not the most active of markets in Croatia at the moment, but Bogdanovic & Dolicki did land a role on the €360 million project to finance the construction of a 60km toll motorway that runs from Zagreb to Macelj. The firm worked alongside Clifford Chance advising the lead arrangers of this project, a syndicate of banks that included KfW, Bayerische Hypo-Und Vereinsbank, Bank Austria Creditanstalt and HSH Nordbank.

Leading lawyers

Mirko Bogdanovic
Tin Dolicki
Mladen Markov

Key contact partner

Mladen Markov

Cipic-Bragadin

Cipic-Bragadin is described by the market as a “small office with a good tradition” that maintains a robust and developing practice. The firm has an excellent list of clients that includes international banking institutions, developers and funds, and has collaborated closely with law firms such as White & Case,

Simmons & Simmons and Norton Rose on cross-border transactions.

Recent deal highlights include advising alongside Norton Rose on the demerger of a leading packaging company into subsidiaries, and acting with Simmons & Simmons on a large real estate transaction.

With a reputable and growing practice in all areas of financial law, the firm is particularly successful in private equity and venture capital areas; the firm helped to found the Croatian Private Equity and Venture Capital Association. The firm also benefits from its memberships of the International Chamber of Commerce, the American Chamber of Commerce in Croatia and the German-Croatian Chamber of Commerce and Industry.

Key contact partner

Silvije Cipic-Bragadin

Divjak Topic & Bahtijarevic

Increasingly visible in the market, Divjar Topic & Bahtijarevic has a growing practice in banking, mergers and acquisitions and project finance. With an “efficient” team of five partners and five associates, the firm boasts an excellent list of clients such as Hypo Alpe Adria Bank, Volksbank, Podravska Bank and Raiffeisen CEE Private Equity Fund. The firm is also member of two professional legal networks: South East Europe Legal (SEE Legal) and E-Iure.

Divjar Topic & Bahtijarevic has developed a good finance practice, which has been strengthened recently by the arrival of new partner Gordana Palic from the Palin Law Office. Recent deal highlights saw the firm advise leading international banks on a €25 million (\$30.2 million) syndicated loan, represent Hypo Alpe-Adria Bank on the €8 million sale of a controlling stake in the bank’s retail arm, and act for Podravska Bank on the €5.5 million securitization of subordinated debt.

The firm’s well-respected mergers and acquisition practice, led by Damir Topic and name partner Sasa Divjak, has also had a busy year. It advised Raiffeisen Private Equity Fund on the €25 million acquisition of an independent media TV station, represented Budapest Property on the €24 million purchase of a real estate company, acted for Podravska Bank on the €15 million acquisition of a bank, represented Interkom on its €12 million purchase of a cinema operating company, and provided advice to Metropolis Media on the €5.5 million acquisition of an independent publishing company.

Emir Bahtijarevic heads the project finance practice, which also grew this year with the hire of a new partner, Lana Srkoc. In one of the largest ongoing project finance deals in the country, the firm has been engaged by the Croatian government on the €150 million development of the port of Rijeka, which is being financed by the European Bank for Reconstruction and Development. Other recent highlights include advising real estate developers GTC International on the €84 million development of Zagreb’s largest shopping and business centre, and acting for Interinvest on the €40 million reconstruction of Croatia’s largest port. The firm is also representing leading oil

and natural gas group, OMV, on the €15 million development of a chain of gas stations.

Key contact partners

Emir Bahtijarevic
Sasa Divjak
Gordana Palic
Damir Topic

Hanzekovic Radakovic & Partneri

Hanzekovic Radakovic & Partneri is skilled across the board, but particularly recommended by the market for its banking and M&A practices. The excellent team of 14 lawyers is managed by Marijan Hanzekovic (who has previously served as president of the Croatian Bar Association) and Milan Radakovic. The firm is the exclusive member of the professional legal networks of South East Europe Legal Group (SEE Legal) and Lex Mundi.

In one of the largest project finance deals to reach the Croatian market, Hanzekovic Radakovic teamed up with international firm Allen & Overy to advise the Croatian government on the €360 million (\$435.3 million) construction of the Zagreb-Macelj toll motorway, closing the deal in July 2004. German construction firm Walter Bau formed a joint venture with the Croatian government to construct and maintain the motorway, which is intended to solve congestion in the crucial Pyhrn Corridor, which links western and south-eastern Europe.

Key contact partners

Marijan Hanzekovic
Milan Radakovic

Law Office Babic

Law Office Babic has a good mergers and acquisition practice that has undertaken several large transactions in cooperation with international powerhouses Clifford Chance and Baker & McKenzie. Among these, the firm recently advised on the acquisitions of a manufacturing unit and a paper production plant.

Key contact partner

Boris Babic

Markovic & Pliso

Highly regarded by the market for its quality mergers and acquisitions practice, Markovic & Pliso is a leading firm in Croatia, offering advice in all areas of business law, including banking, corporate and project finance.

The fine team of six lawyers and nine trainees is headed by name partners Miroslav Pliso and Zoran Markovic. The firm advises major banks in Croatia, and recently acted for a large construction company, Betchel, in connection with its tender for a motorway project in Croatia.

Key contact partners

Zoran Markovic
Miroslav Pliso

Nikolina Golubic in association with Schönherr Rechtsanwälte

Nikolina Golubic – the associate firm in Croatia of Austrian market leader Schönherr – is described by peers as being a “very good general commercial practice”. The firm has recently advised on several large M&A transactions, including the acquisition of drugs wholesale companies Farmacija and Medifarm-Velebit by German pharmaceutical wholesaler Phoenix. In 2005 the firm worked in collaboration with lead counsel Linklaters advising OTP Bank on its €260 million (\$314 million) acquisition of Nova Banka.

Key contact partners

Nikolina Golubic
Michael Lagler

Porobija & Porobija

The “very well known” Porobija & Porobija is highly rated by its many satisfied clients, who describe the firm as the “best for business transactions ... they’re doing a superb job”. Other happy customers praise the firm’s “great experience and competency,” and the fact that it provides service that is “target-orientated” and “adaptable to individual clients’ needs”. It is hardly surprising that Porobija & Porobija is a member of the top tier in every practice area again this year.

Heading a top-class team of three partners and 10 associates, managing partner Boris Porobija is singled out for praise, being a lawyer with “vast experience and thorough knowledge” and “a quick thinker”. Zeljka Rostas comes in for praise as a “thorough, experienced and very reliable” practitioner, and clients say Drazen Grubisic Cabo is a “very supportive lawyer”.

Described by contemporaries as the “strongest firm for banking,” Porobija & Porobija is acting as local counsel for HVB Banque Luxembourg and the other lenders on the €525 million (\$635.4 million) financing of the Messer Group and associated Croatian law security package. Other banking deals saw the firm act as local counsel to a consortium of international banks, including Citibank, on a \$400 million loan to Croatia’s biggest oil company, INA, and on a \$250 million loan to Croatia’s biggest pharmaceutical company, Pliva.

On the capital markets side, Porobija & Porobija provides legal counsel to an impressive list of clients such as JP Morgan, UBS, and Raiffeisen Investment AG. Recent deals include advising JP Morgan and Unicredit Banca Mobiliare on 4.25% of €450 million notes due in 2009, acting for Croatian food processing company Lura on a €60 million loan and equity financing provided by the European Bank for Reconstruction and Development and DEG, and representing JP Morgan and UBS as lead managers of the Republic of Croatia’s most recent sovereign bond issue in June 2004.

The firm’s strong M&A practice recently acted for German company Meggle on its €4 million acquisition of a Croatian diary company, advised Importanne on its €13 mil-

lion acquisition of Hotel Neptun in Dubrovnik, and guided Société Générale through the bidding process for Nova Banka. And in a sluggish project finance market, Porobija & Porobija is advising Bina-Istra, a subsidiary of French construction company Bouygues, on the €250 million Istrian Epsilon toll road project.

Leading lawyers

Drazen Grubisic Cabo
Boris Porobija
Zeljka Rostas

Key contact partners

Drazen Grubisic Cabo
Boris Porobija
Sanja Porobija

Savoric & Partners

Savoric & Partners makes its first appearance in the rankings this year on the recommendation of the market, which particularly praised the firm's banking and M&A expertise. This upcoming firm's 12 dynamic lawyers provide focused advice in all areas of finance and corporate law. The firm has an excellent client list that includes the European Bank for Reconstruction and Development (EBRD), AIG, AC Nielsen, the Croatian Bank for Reconstruction and Development, Bang & Olufsen, L'Oreal, McDonalds, UBS and Privredna Banka.

Boric Savoric, who is a member of Croatia's American Chamber of Commerce and one of the Croatian lawyers recommended by the US Embassy, manages this talented team. The firm has established excellent relations with a number of international (particularly US) law firms, including Baker & McKenzie, Freshfields Bruckhaus Deringer, Simmons & Simmons, LeBoeuf Lamb Greene & MacRae, Weil Gotshal & Manges and Squire Sanders & Dempsey.

A successful year in the M&A market has seen the firm advising leading Italian banking group, Intesa, and an international bank on the acquisition of Croatian bank Nova Banka. Other deal highlights include acting for a leading Austrian insurance group, Generali Versicherung, on the acquisition of Cosmopolitan Life (a prominent Croatian insurance company), advising Oktal Pharma on the sale of equity interests to German pharmaceutical wholesaler, Anzag, and helping a consortium of leading Croatian companies and Swedish operator Tele2 to win the public tender for the third Croatian GSM and UMTS mobile operator.

The firm has also been active in project finance, advising the EBRD on the financing of the City of Karlovac waste water project. Other work has seen the firm appointed as general counsel for Nestlé in Croatia; it has also provided legal advice on the securitization of certain state-owned receivables.

Key contact partner

Boris Savoric

Travas & Partners

With a growing reputation, Travas & Partners is a "good firm" whose mergers and acquisitions practice is highly praised by the market. The firm boasts an excellent list of clients, including Zagrebanka and Privredna Bank.

In the banking and capital markets field, the firm's practice (led by the well-regarded name partner Robert Travas) advised on the €100 million (\$121 million) bond issue by one of Croatia's biggest food-retailing and agricultural groups. In another notable deal, the firm worked on a €230 million initial public offering.

On the project finance side, meanwhile, Travas & Partners represented a consortium of banks and financial institutions on the €25 million development of a commercial centre of shopping malls and office buildings in Croatia.

Leading lawyer

Robert Travas

Key contact

Aleksej Miskovic

Vukic Jelusic Sulina Stankovic Jurcan & Jabuka

Established in 1969, Vukic Jelusic Sulina Stankovic Jurcan & Jabuka has a good general corporate and commercial practice, but is best known in the market for its "expertise in shipping". The firm is one of the largest law firms in Croatia, with a team of 12 lawyers, and is the exclusive Croatian member of professional legal network, TerraLex.

Recent deals include advising on the acquisition of the second largest shipping company in Croatia, representing its client on the acquisition of one of the biggest hotels on the Croatian coast, and acting for various foreign buyers on the purchase of hotels and real estate.

Leading lawyer

Tomislava Furcic

Key contact partners

Hvojje Vukic
Zoran Vukic

Vukmir & Associates

Described by market observers as a "boutique firm that is very good," it is fair to say that Vukmir's real speciality is in intellectual property. But it has a perfectly respectable corporate and commercial practice too. The firm's three partners and 11 associates are managed by name partner Mladen Vukmir, cited as a "very good and experienced practitioner". The firm is a member of several international associations, such as the International Trademark Association, Association Internationale pour la Protection de la Propriété Intellectuelle, and the Computer Law Association (CLA).

Vukmir & Associates has some of the most desirable clients in the market, such as Citigroup and UBS. Recent deals include participating on a €77 million (\$93.1 million) greenfield investment in Croatia.

Leading lawyer

Mladen Vukmir

Key contact partner

Sanja Tkalec Kovac

Mladen Vukmir

Zuric i Partneri

Zuric i Partneri, one of the largest and best-established law firms in Croatia, is described by one client as a “professional and insightful” firm that “understands the market”. One impressed contemporary noted that he would “recommend clients that he cannot advise to seek the service of Zuric”. This top-flight firm offers advice in all areas of corporate and financial law (one top practitioner remarked that “they are active in every area, and are very professional”) but the market particularly recommends its banking and project finance practices.

A first-class team of 22 lawyers is managed by name partner Ratko Zuric, a former president of the Croatian Bar Association and the honorary legal adviser to the Swiss Embassy in Croatia. The team’s other prominent lawyers are Bojan Fras, the honorary legal adviser to the British Embassy in Croatia, and Dusko Zuric, also recommended by the market. In November 2004, the firm further consolidated its team with the hire of Andrej Bolfek from the World Bank.

Leading lawyers

Dusko Zuric

Ratko Zuric

Key contact partners

Bojan Fras

Ratko Zuric