

# Czech Republic

## Chamber of commerce:

Economic Chamber of the Czech Republic  
Seifertova 22  
130 00  
Prague 3  
**Tel:** +42 2 2409 6354  
**Fax:** +42 2 2409 6353  
**Email:** info@komora.cz  
**Website:** www.komora.cz

## Professional body:

The Bar Association of the Czech Republic  
Narodni 16  
Prague 110  
**Tel:** +42 2 2491 2284  
**Fax:** +42 2 2491 4386 /  
+42 2 2491 0162

**Tomas Otruba**

**Brzobohaty Broz & Honsa**

**Prague**

The regulation of the Czech capital markets has been overhauled. As of the May 1 2004, coinciding with the country's accession to the EU, a new set of laws came into force that aims to harmonize Czech capital market legislation with that of the EU.

The basic legislative framework is contained in the new Act 256/2004 Coll, *On Undertaking on the Capital Market* (the Capital Markets Act). The Capital Markets Act sets out detailed rules addressing a wide range of issues, including the regulation of investment firms and investment services, the registration of securities, the public placement of securities and the protection of the capital markets and investors. The Capital Markets Act also introduces many internationally standard processes, such as close-out netting.

In the collective investment sector, the new Act 189/2004 Coll, *On Collective Investment* (the Collective Investment Act) was introduced. The aim of the Collective Investment Act was to harmonize Czech legislation with Council Directive 85/611/EEC of December 20 1985, *On the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (Ucits)*. The Collective Investment Act is generally considered to be innovative because it introduces seven new types of special funds, such as real estate funds.

Regulation of the bond market was also provided for by the new Act 190/2004 Coll, *On Bonds* (the Bonds Act), which deals with a wide range of bonds, such as government and municipal bonds, mortgage bonds, changeable and priority bonds and subordinated bonds. Among other things, the Bonds Act widens protection for investors and clarifies certain matters whose interpretation was unclear under the old legislation.

To complete this transition, Act 257/2004 Coll was enacted, under which all related legislation (such as bankruptcy legislation) was modified to reflect and comply with the changes above.

Apart from a wide range of other changes, the new capital markets legislation also introduced the possibility of setting up, maintaining and investing in real-estate funds.

## Real estate funds of collective investment

The Collective Investment Act allows for the provision of collective investment (that is, collecting financial means from the general public, investing according to the principle of spreading risk, and further management of these assets) through the subscription of shares in an investment fund or unit certificates of a unit trust. The Collective Investment Act recognizes two basic types of collective investment funds: *standard funds*, set up in compliance with EU law, and *special funds*, regulated exclusively by national legislation.

There are seven different types of special funds, depending on the kind of assets acquired by the fund. One of the types of funds introduced by the new legislation is a *special fund trading in real estate* (a real estate fund), which specializes in real estate property investments. A real estate fund can exist in a variety of legal forms prescribed by the Collective Investment Act – as an investment fund, an open-ended unit trust or a closed-ended unit trust.

The basic requirements for real estate funds (which exclude most retail investors) are:

- the equity of the fund must reach at least Kc50 million (\$2 million) within one year from the day on which the licence was granted by the SEC;
- the nominal or actual value of the shares or unit certificates must be at least Kc1 million; and
- the minimum investment of a single person or entity must be at least Kc2 million.

Certain legal restrictions (particularly relating to the supervision real estate assets) have meant that the creation of real estate funds has so far proceeded slowly. However, the Ministry of Finance seems to be developing amendments to the criteria for collective investment, drawing inspiration from real estate funds in Germany and Austria. The proposed amendments will lead to a rapid expansion of collective investing in real estate in the Czech Republic.

## Netting

A long-anticipated endeavour of market professionals has been accomplished and, as of May 1 2004, the legal framework setting out the effective regulation of close-out netting (that is, settlement of mutual payment obligations from a terminated transaction on a net basis) was enacted.

Although the previous regulations contained some provisions relating to netting (it was applicable only to brokers and after an adjudication of bankruptcy), netting was generally not enforceable. The Czech Republic has therefore not previously been considered an effective netting jurisdiction by Isda, and this deficiency has caused difficulties for Czech entities operating in relevant markets. In particular, this situation increased the need to provide security and collateral to the full value of derivative obligations.

On May 19 2005, when Isda published its netting opinion for the Czech Republic, the Czech Republic officially joined the group of countries with appropriate netting legislation.

However, certain classes of transactions that are usually considered to be derivative transactions may not qualify as derivatives under Czech law, and might therefore be ineligible for netting. This would seem to apply especially in the case of commodity trades that are settled physically. Furthermore, the eligibility of buy/sell back transactions and swap options for netting, although likely to apply, will depend on legal interpretation, because the legislation in these cases is not entirely clear.

Despite the above exceptions, the adoption in the Czech Republic of the new netting regulations will have a positive influence on the position of Czech entities as parties to such contractual instruments when used within the derivative business, and should establish new standards. In particular this should (among other things) reduce the requirement of automatic early termination of derivatives contracts upon the bankruptcy of a Czech counterparty, reduce the necessity and volume of credit support and collateral, and further develop dealings with derivatives as a result of the need for lower capital and other regulatory requirements on transactions with counterparties from netting jurisdictions.

Although the newly introduced netting legislation might undergo certain changes to improve the wording and to allow for all the possible contingencies, its incorporation into the Czech legal framework is a step in the right direction.

## Banking

### Recommended firms

Tier 1

**Allen & Overy**

**Clifford Chance**

**White & Case**

Tier 2

**Linklaters**

**Weil Gotshal & Manges**

Tier 3

**Baker & McKenzie**

**Balcar Polansky Norton Rose**

**Brzobohaty Broz & Honsa**

**CMS Cameron McKenna**

**Glatzová & Co**

**Procházka Randl Kubr**

**Squire Sanders & Dempsey**

Tier 4

**Gleiss Lutz**

**Holec Zuska & Partners**

**Kocián Solc Balastik**

**Lovells**

**Nörr Stiefenhofer Lutz**

**Salans**

**Weinhold Legal**

**Wolf Theiss**

### Allen & Overy

Allen & Overy consistent presence in the top tier for banking is a reflection of the firm's "very decent practice, focused on banking" in Prague. Lead partner Václav Valvoda is highly recommended by the market, one lawyer noting that "everyone speaks very well of him". Partners Jan Myska and Mikuláš Touska are also "well-known lawyers".

Allen & Overy set up its Prague office in 1992, and its experience of Czech legal matters won the firm a choice mandate from JP Morgan. The firm advised the bank on the Czech, English and Dutch law aspects of the complex refinancing of a syndicated loan to Czech oil company Oskar Mobil. The refinancing included the issue of a multi-currency syndicated loan worth €40 million (\$50 million) and Kc6.6 billion (\$260 million).

The firm's experience is not confined to advising on the lender side in banking transactions - the firm's advice is increasingly sought after by borrowers. For example, Czech chemical company Chemopetrol hired the firm to work on its Kc832 million and €68.9 million term facilities with Citibank, which closed in July 2004.

### Leading lawyers

Jan Myska

Mikuláš Touska

Václav Valvoda

**Key contact partners**

Jan Myska  
Mikulás Touska  
Václav Valvoda

**Clifford Chance**

Clifford Chance's Prague office is "strong in banking, particularly for syndicated loans". The "very knowledgeable lawyer" Vlad Petrus heads the practice, and considered by many in the market to be "the name that you see most". His practice is supported by "quality people" in the firm, who keep Clifford Chance buoyant in the top tier. The firm has grown this year, promoting Emil Holub to partner and hiring corporate specialist Alex Cook from Allen & Overy in Budapest.

The banking highlight for Clifford Chance last year was advising Bayerische Hypo- und Vereinsbank and Erste Bank on a secured loan to Karbon Invest for the acquisition of a 45.8% stake in OKD, the largest Czech coal mining company, from the Czech National Property Fund. Vlad Petrus and Zuzana Bartová led the team working on the deal, which is the largest ever leveraged buyout (LBO) in the Czech Republic and one of the largest LBOs in central Europe to date.

The two lawyers teamed up again to advise HSBC Bank on a Kc3 billion (\$130 million) secured loan to finance the acquisition of Feron by Steel Investment Group.

Other deal highlights for the year included acting for Citibank in the Kc832 million and €68.9 million (\$89 million) loans for Chemopetrol, and advising Bayerische Landesbank, Calyon and L'Yonnais Bank Praha on a \$200 million multi-currency syndicated revolving credit facility for Česká exportní banka, the Czech state-owned export bank.

**Leading lawyers**

Zuzana Bartová  
Vlad Petrus

**Key contact partner**

William Knowles  
Vlad Petrus

**White & Case**

White & Case moves up to the top tier for banking work this year. The promotion reflects market recommendations and an impressive growth in the amount of banking mandates the firm has received over the past year. White & Case's prominent tax practice, taken from Arthur Anderson when the accountancy firm collapsed, allows the firm to structure deals in a tax efficient way.

White & Case managed to win a major mandate from new clients Citibank and ABN Amro in the Czech Republic. The firm represented these banks and Česká spořitelna on a secured syndicated financing granted to tyre manufacturer Česká gumarenská Group, worth Kc3.6 billion (\$147 million). The complex financing comprised of three syndicated loans provided to Česká gumarenská společnost and two of its subsidiaries.

White & Case received more instructions from ABN Amro and Česká spořitelna, including acting for Citibank in its capacity as agent, arranger and security agent on a secured syndicated loan to SMVaK, a water utility company. The Kc1.75 billion facility was the largest ever granted to a water company in central Europe. The firm also advised on a Kc2.3 billion syndicated facility to finance Vitkovice Steel, and acted for the Czech subsidiary of Austrian bank, Raiffeisenbank, on a €71.5 million (\$87 million) syndicated long term facility for the reconstruction and refurbishment of City Tower, one of the largest office buildings in Prague.

The firm found itself on the other side of the negotiating table, meanwhile, when it acted for CEZ, the largest Czech energy producer, in connection with a €70 million syndicated facility from the European Investment Bank.

At the beginning of the year, White & Case made David Plch a partner and added another four associates to the practice to cope with the sharp increase in mandates. Plch now works closely with Ivo Bárta on export finance matters. It is a point of pride for the Prague office of White & Case that it has not lost a lawyer to its competition for over eight years.

**Leading lawyers**

Ivo Bárta  
Jan Matejcek  
David Plch

**Key contact partner**

Jan Matejcek

**Linklaters**

Linklaters has had a good year in banking, guiding its key clients through their dealings in the Czech Republic. Francis Kucera, who covers the Czech Republic from London, is the managing partner of the firm's Prague office and the head of its banking practice. "Francis Kucera means Linklaters" according to one respondent from the legal market. The firm retains its second tier rating this year thanks to a wide range of mandates from, among others, HVB and CSOB.

Partner Lukas Sevcik and "rising star" Roman Stastny acted both for HVB and CSOB on the Kc2.65 billion (\$106 million) syndicated loan to J&T to finance the acquisition of 34% of PRE. The transaction formed the largest syndicated acquisition financing in the Czech Republic over the past year.

Again acting for HVB, in March 2005 Linklaters worked on the bank's financing of TMW Immobilien's acquisition of the Prague Stock Exchange building.

**Leading lawyer**

Francis Kucera

**Key contact partner**

Francis Kucera

## Weil Gotshal & Manges

Weil Gotshal & Manges is regarded by peers and clients as “extremely competent in banking”. The firm has the clients and deals to support this claim.

Weil Gotshal & Manges receives much of its work from long-term client HVB Bank. This year the firm represented the bank in connection with the Kc1.5 billion (\$63 million) refinancing of Korado, and also assisted with the financing of Ingramm International’s purchase of a majority shareholding in Kablo Elektro, one of the largest Czech cable manufacturers.

Of course, the firm has also advised other clients, on both sides of banking transactions. Among the year’s highlights, borrower-side work included acting for Prokom Software in the financing of its takeover of PVT, the fifth largest Czech software services provider, and for Vitkovice Steel on its Kc2.3 billion financing. And on the lending side, Hypo Real Estate Bank International hired the firm for its €40 million (\$50 million) financing to the ProLogis Group, a logistics company.

Weil Gotshal & Manges has proved capable of advising on regulatory as well as transactional matters. Both HVB and GE Capital Bank use the firm on issues such as consumer finance regulation and the rules applying to purchasing subsidiaries in the Czech Republic.

### Key contact partners

Karel Drevinek  
Karolina Horakova  
Petr Severa

## Brzobohaty Broz & Honsa

Brzobohaty Broz & Honsa is a 32-lawyer Czech firm with “a good banking practice,” according to the market. The firm has existed since 1990, during which time it has built up a reputation as one of the leading local firms in Prague. The firm also enjoys particularly close ties with UK law firms Simmons & Simmons and Freshfields Bruckhaus Deringer. Tomasz Otruba leads the banking practice and “certainly has experience,” as maintained by competitors in the legal market.

Brzobohaty Broz & Honsa can count among its clients some of the biggest names in central European banking, and handles both advisory and transactional work. The firm has been on the panel of Česká spořitelna, the second largest bank in the Czech Republic since 2003. And Komerční Banka, part of Société Générale, also makes use of Brzobohaty Broz & Honsa’s expertise.

The firm put in a strong performance this year in banking transactions. Standout work included acting for PPF Banka in a Kc1.1 billion (\$45 million) bilateral loan facility, and representing Home Credit Slovakia in connection with the negotiation of a Sk3.4 billion (\$109 million) syndicated loan financing.

### Leading lawyer

Tomasz Otruba

### Key contact partner

Tomasz Otruba

## CMS Cameron McKenna

Paul Stallebrass leads the CMS Cameron McKenna banking practice in Prague, and has achieved much with a small team. Recently the firm has cultivated good client contacts and won mandates on several large transactions. There are also signs of expansion, as Ivo Keltner recently joined the firm as an associate from Czech bank CSOB.

CMS Cameron McKenna has enjoyed most of its success acting for borrowers on banking transactions, with particular expertise advising on the financing of real estate acquisitions. Deal highlights in the last year included acting for Deka Immobilien Investment on the €27 million (\$34 million) syndicated financing of the acquisition of the Florenc Office Center (KPMG’s Prague headquarters), and representing TMW Immobilien on financing its purchase of the Prague Stock Exchange building.

On the lending side, CMS Cameron McKenna was brought in by JP Morgan, AIG and Baring Communications Equity to advise on a Kc1.9 billion (\$78 million) syndicated financing for Karneval Media.

### Key contact partner

Paul Stallebrass

### Other notable firms

**Baker & McKenzie** has had a good year in banking. The firm clinched a central role acting for Karbon Invest when it borrowed from Erste Bank to fund its purchase of a 45.8% stake in OKD from the Czech National Property Fund. Baker & McKenzie has over 25 people in Prague, and has more than doubled the size of the office over the last three years. **Glatzová & Co** is singled out as a “young and energetic” firm that in 2004 advised on (among other deals) a review of facility agreements for the assets of Kendrion. Martin Aschenbrenner at **Procházka Randl Kubr** received many plaudits from the Czech market. He is considered “very knowledgeable” on banking matters and the firm itself “leads the way” for other local firms in finance. Lastly, the market describes **Kocián Solc Balastik** as “very strong across the board”.

## Capital markets

### Recommended firms

Tier 1

**Allen & Overy**

**White & Case**

Tier 2

**Clifford Chance**

**Linklaters**

**Procházka Randl Kubr**

**Weil Gotshal & Manges**

Tier 3

**Brzobohaty Broz & Honsa**

**CMS Cameron McKenna**

**Glatzová & Co**

**Kocián Solc Balastik**

**Salans**

**Squire Sanders & Dempsey**

**Weinhold Legal**

### Allen & Overy

Leading lawyer Mikuláš Touska heads up Allen & Overy's capital markets practice, but it is "well-known" debt specialist Václav Valvoda who has been most visible on the firm's stand-out deals this year.

The most noteworthy of his instructions came from Sazka in the Sazka Aréna Stadium financing deal last year. Valvoda joined forces with London partner Roger Wedderburn-Day to draft the bond documentation for lottery company Sazka on its €175 million (\$238 million) high-yield bond issue, the first ever high-yield issue from a Czech company and the first ever secured high-yield bond issue by a Czech issuer. Half of the documents were governed by Czech law, the other half were governed by English law. The team also drafted the legal documentation relating to the bond's listing on the Luxembourg Stock Exchange.

Valvoda then worked on Oskar Mobil's October 2004 refinancing through a €325 million high-yield bond and loan facility, this time advising lead arrangers JP Morgan. Another landmark deal, this was the first ever example of a deal featuring a *pari passu* bank debt/bond structure, and the first high-yield deal to fully finance a UMTS build-out strategy.

#### Leading lawyers

Mikuláš Touska

Václav Valvoda

#### Key contact partners

Mikuláš Touska

Václav Valvoda

### White & Case

According to one competitor, White & Case "deserves to be on top because it's been around so long that everyone else is playing catch-up". The firm has had another monumental year, advising on almost all of the major capital market transactions in the Czech

Republic. Michal Dlouhy heads the capital markets practice, and continues to be mentioned by many as a leader in this field. As one peer simply puts it: "He's the guy". Dlouhy's experience is not only transactional – among other things, he has for the past seven years sat on the board of appeal for the Czech securities commission, and as such he has developed close relationships with the Czech regulators.

The \$100 million Zentiva initial public offering and offering of global depository receipts stands out as the firm's biggest deal last year. White & Case represented Merrill Lynch in its capacity as global lead manager on the offering, which was the first of its kind in the Czech Republic. The shares were listed on the Prague Stock Exchange and the global depository receipts were quoted on the London Stock Exchange.

On another equity deal, Dlouhy's specialist knowledge of the ins and outs of Czech listing rules were useful when he advised JP Morgan on the dual listing of the Orco Property Group's shares and convertible bonds on the Prague Stock Exchange and Euronext.

White & Case racked up valuable instructions on three debt deals over the past year. On the lender side, the firm advised Morgan Stanley and Deutsche Bank as joint arrangers of the Czech government's €3 billion (\$3.8 billion) bond programme. The initial €1.5 billion Luxembourg-listed drawdown under the programme was the first international bond issue by the Czech Republic.

In the first of the borrower side deals, White & Case advised CEZ, the dominant Czech energy company, on a €400 million issue of notes, which were issued by a special purpose vehicle due to tax structuring and had to be fully guaranteed by CEZ. In the second, it represented the City of Ostrava in connection with its €100 million Luxembourg-listed, Deutsche Bank lead managed note issue.

At the time of going to press, White & Case was advising Česká spořitelna on its domestic subordinated floating rate bond issue. The bond is to be listed on the Prague Stock Exchange and will be only the second subordinated bond issued in the Czech Republic.

#### Leading lawyer

Michal Dlouhy

#### Key contact partner

Michal Dlouhy

### Clifford Chance

Clifford Chance has had another solid year in the capital markets, both for debt and equity issues, with a couple of real highlights. Lead partner Vlad Petrus continues to garner plaudits from clients and legal practitioners alike in the Czech Republic.

The firm's coup for this year was its role advising pharmaceutical manufacturer Zentiva on its \$100 million initial public offering (IPO) on the Prague Stock Exchange. The offering was five times oversubscribed and is considered a landmark by many in the industry as it was the first IPO to have

successfully reached the market since the exchange was set up in 1993. The Zentiva IPO was accompanied by a London Stock Exchange listing through an issue of global depository receipts. Vlad Petrus led the Clifford Chance team working on the deal.

On the debt side, in July 2004 Clifford Chance acted as Czech legal counsel to lead manager Deutsche Bank in connection with the City of Ostrava's €100 million (\$123 million) bond issue. The firm also flexed its securitization muscles when it helped an international financial institution to restructure a securitization transaction arranged for a large Czech consumer loan provider.

And in another standout deal, Clifford Chance advised on arranging secured loan facilities relating to Karbon Invest's acquisition of 45.8% of the shares in OKD, the largest Czech coal mining company, from the Czech National Property Fund, and on the acquisition of a majority shareholding in Karbon Invest by a group of financial investors through a special purpose vehicle. This was the largest ever leveraged buyout (LBO) in the Czech Republic, and one of the largest LBOs in central Europe to date.

#### Leading lawyer

Vlad Petrus

#### Key contact partner

Vlad Petrus

#### Linklaters

Linklaters has a firmly established capital markets practice in Prague led by Francis Kucera and Lukas Sevcik. The firm's knowledge of Czech securities law enabled Sevcik to advise the Ministry of Finance and the Czech Securities and Exchange Commission on the regulatory aspects of EU capital markets law in preparation for the Czech Republic's EU accession in May 2004.

Linklaters maintains close ties with the Czech government, and this paid dividends this year when the firm won the mandate to advise the state on setting up its €3 billion (\$3.7 billion) euro medium-term note programme and on the subsequent €1.5 billion issue under the programme – the Czech Republic's first sovereign bond.

Kucera and rising star Roman Stastny represented BNP Paribas and Merrill Lynch as joint-lead managers of CEZ's €400 million bond issue. At the time of writing, the firm is advising the City of Prague on entering into Isda master agreements with various leading international banks, which marks the first time the city has entered into derivative agreements with major banks.

#### Leading lawyer

Francis Kucera

#### Key contact partner

Francis Kucera

#### Weil Gotshal & Manges

Weil Gotshal & Manges handles a mixture of transactional and advisory capital markets work in the Czech Republic. Lead partner Karel Muzikar receives praise for building a "very successful" capital markets practice, while young partner Karol Drevínek is clearly making a name for himself, being a practitioner who "does a lot of work".

Among the year's highlights, the firm represented Credit Suisse First Boston as the lead manager of €175 million (\$215 million)-worth of bonds issued by Sazka, the Czech lottery company, listed on the Luxembourg Stock Exchange. It also advised the Ministry of Labour and Social Affairs on a share exchange involving two regional power companies, Jihoceská energetika and Jihomoravská energetika. The deal was worth Kc2.4 billion (\$98 million). The firm received further instructions from the Czech government when it advised the Czech Consolidation Agency, a bail-out agency, on its Kc20 billion euro medium-term note programme.

In equity work, Weil Gotshal represented Cesky Telecom on the \$1 billion secondary offering by Telsource of its 27% shareholding, and acted for Merrill Lynch in connection with Czech IT company Ness Technologies' initial public offering (IPO) on the New York Stock Exchange.

Looking ahead, Weil Gotshal & Manges is advising the Czech Airport Authority on its expected privatization. This looks set to include an IPO on the domestic and international capital markets.

#### Leading lawyer

Karol Muzikar

#### Key contact partner

Karol Muzikar

#### Other notable firms

**Brzobohaty Broz & Honsa** has the distinction of being the only local firm affiliated to the International Securities Derivatives Association (Isda). As a result of this connection, the firm attracts instructions from banks such as PPF Bank and Bawag Bank on derivative documentation. **Glatzová & Co** are carrying out regulatory work in connection with the Securities Commission (SEC) and Czech National Bank (CNB). **Procházka Randl Kubr** is said to be "the strongest firm in the local bond market" and is led by the "very experienced" Martin Aschenbrenner. **Salans** advised Czech GSM operator Oskar Mobil on its refinancing, in which Oskar issued €325 million (\$403 million) of senior secured notes in a private placement. Prague partners Chris Berlew and Ladislav Storek led the Salans team for Oskar. Meanwhile, Simon Renton at **Balcar Polansky Norton Rose** also had a busy year; his stand-out deal involved advice to Swisscom in relation to the €2 billion tender of 51.1% of the shares of Cesky Telecom.

## Insolvency and restructuring

### Recommended firms

Tier 1

**Allen & Overy**

**Clifford Chance**

**Weil Gotshal & Manges**

**White & Case**

Tier 2

**Brzobohaty Broz & Honsa**

**Glatzová & Co**

**Havel & Holasek**

**Kocián Solc Balastik**

**Peterka & Partners**

**Procházka Randl Kubr**

### Weil Gotshal & Manges

Weil Gotshal & Manges wins a lot of work as a result of its reputation for expertise in advising on financial restructurings. This aspect of the practice helps the firm provide a full service to its corporate clients in the Czech Republic.

Some of the firm's most impressive matters including acting for GE Consumer Finance in its corporate restructuring in the Czech Republic, and representing Ceska Sporitelna in connection restructuring its subsidiaries. The firm also advised Prokom Software, the largest central European software services provider, on the restructuring of its Czech subsidiary PVT.

#### Key contact partner

Karel Muzikar

#### White & Case

Ivo Bárta and David Plch are the Czech insolvency specialists at White & Case. One respondent noted that "they do everything to avoid insolvency," an important quality as changes in Czech bankruptcy law have led to uncertainties. The partners have built a strong reputation as the people to call for advice on complex restructurings.

Over the past year the firm advised Česká sporitelna on the sale of a portfolio of receivables from its non-performing loans. This was the largest ever sale of non-performing loans by a private entity in the Czech Republic, and was worth around \$530 million. Bárta and Plch also advised a leading Czech bank on the restructuring of a Czech musical instruments maker.

At the time of writing, White & Case is advising Odien Asset Management on a rare M&A and insolvency crossover deal. It involves the acquisition of the debt of Daewoo Avia, the largest truck manufacturer in the Czech Republic, from the Daewoo receivership trustee, and will be followed by a debt-for-equity swap and restructuring of the company. Odien's acquisition of 98% of Daewoo Avia's shares involved an application to the Czech Securities and Exchange Commission to grant an exception from the mandatory tender-offer obligation. Only a few similar cases exist.

#### Leading lawyers

Ivo Bárta

David Plch

#### Key contact partner

Michal Dlouhy

#### Glatzová & Co

Glatzová & Co has a well-respected corporate practice, and its insolvency department plays an important role within the firm as a whole. The practice's numbers were boosted recently following the hire of associate Martin Dancisin, previously at Urge & Cernohlavek.

Over the last 12 months Glatzová & Co has been busy representing Ford on the bankruptcy of Horák Spol, one of the biggest Ford dealers in the Czech Republic. It also acted for the WoodPulp and ILIM Groups in connection with the restructuring of Plzeoská papírna, a major Czech paper producer, and advised the Flow Corporation and DB UK Bank on the bankruptcy of Trend, an investment fund.

#### Key contact partners

Dana Schweigelová

Renata Zbranková

#### Peterka & Partners

A new addition to the insolvency rankings, local firm Peterka & Partners has had an impressive year, winning mandates to advise on some high-profile matters.

Bankruptcy highlights have seen the firm advising Česká pojistovna in bankruptcy proceedings against IPB (formerly one of the five biggest Czech banks), acting for Delvita in bankruptcy proceedings against a guarantor of the liabilities of a Delvita contractor, and representing a subsidiary of Valeo in bankruptcy proceedings against a contractor. The firm also handles restructurings, as evidenced by it having prepared the relevant documents for Česká správa letist's restructuring from a state-owned entity into a joint-stock company.

#### Other notable firms

Local firm **Brzobohaty Broz & Honsa** is engaged in the restructuring of the TV Nova Group, a long-term corporate client that has also been particularly active in the M&A market. And, making its first appearance in the insolvency rankings this year, **Havel & Holasek** has been busy providing advice to: Union banka's bankruptcy administrator on the administration and disposition of about €300 million-worth of bankruptcy assets; US car component maker Johnson Controls on the restructuring of its Czech group of companies; and one of the largest Czech steelworks on its contemplated restructuring and merger with its parent company.

## Mergers and acquisitions

### Recommended firms

Tier 1

**Weil Gotshal & Manges**

**White & Case**

Tier 2

**Allen & Overy**

**Linklaters**

Tier 3

**Baker & McKenzie**

**Brzobohaty Broz & Honsa**

**Glatzová & Co**

**Kocián Solc Balastik**

**Salans**

**Squire Sanders & Dempsey**

Tier 4

**Clifford Chance**

**CMS Cameron McKenna**

**Dewey Ballantine in association with Kotlík Bourgeault Andrusko**

**Procházka Randl Kubr**

Tier 5

**Balcar Polansky Norton Rose**

**Lovells**

**Weinhold Legal**

**Wolf Theiss**

### Weil Gotshal & Manges

Weil Gotshal & Manges has “a very good approach to M&A” that, says one client, helps make it “the most visible firm out there”. The market praises Karol Drevínek in particular for being “the man to turn to” for companies needing guidance through a merger or acquisition. Fellow leading lawyer Karolina Horakova also continues to garner much praise from the market.

Weil Gotshal & Manges has excellent links with the Czech government and has benefited from instructions to work on several of the large privatizations to have taken place in the past year. The largest of these – and the largest Czech M&A deal of the year – involved the sale of Cesky Telecom to Spanish telecoms operator Telefonica for \$3.3 billion. Weil Gotshal advised the government on the sale.

The government ties also landed the firm a mandate from Osinek, a government-owned holding company, to work on the privatization of 99% of the shares of Vitkovice Steel, one of the largest Czech steel mills. The firm also represented the National Property Fund on the Kc300 million (\$12 million) privatization of CKD Holding, a machinery producer, to Fite.

At the time of writing, Weil Gotshal is representing the interests of CEZ in the process of the privatization of Dolna Odra and Kozenice, large power plants in Poland. It is also advising Czech Airlines on its acquisition of Travel Service, a charter carrier, and acting for CKD Hronov on the purchase of all shares in Skoda Gear from Skoda Holding.

### Leading lawyers

Karol Drevínek

Karolina Horakova

Karel Muzikar

### Key contact partner

Karel Muzikar

### White & Case

White & Case “does an excellent job” for its clients in M&A and, according to more than one competitor, “should definitely be in the top tier”. Three partners – Ivo Bárta, Michal Dlouhy and Jan Matejcek – head the department, which has grown rapidly over the past year. Three associates joined in the past year and two more are expected to follow them soon.

White & Case has an impressive array of deal highlights, including instructions from government agencies to advise on many of the country’s privatizations. The firm acted for the National Property Fund on the privatization of Unipetrol, the dominant Czech petrochemicals group. The deal was signed in June 2004, and the firm continues to advise the client on antitrust approvals for the transaction both at local and at EU levels.

White & Case assisted Czech energy company CEZ on its successful participation in a tender for the purchase of a 67% equity stake, worth €281.5 million (\$347 million), in three Bulgarian electricity distribution companies sold by the Bulgarian Ministry of Energy. This landmark deal – executed as part of CEZ’s programme of international expansion – was the largest foreign investment ever undertaken by a Czech company, and one of the largest privatization projects to date in Bulgaria.

The firm also represented CSOB, the largest Czech commercial bank, in connection with Sokolovská tezební’s purchase of a 94% stake in major Czech coal producer Sokolovská uhelná. The €168 million deal was one of the biggest leveraged buyouts in the Czech Republic. Managing partner Jan Matejcek led the White & Case team.

Private equity has been an increasingly important facet of the M&A market in the Czech Republic, and White & Case advised on three of the largest private equity deals last year. The firm acted for Riverside Group on the sale of Primalex, a Czech producer of interior and exterior paints and coatings, and its Slovak subsidiary. And Genesis Capital, a private equity fund formed by Česká sporitelna, instructed the firm on two acquisitions – the purchase of a 53% stake in Pietro Filipi, a Czech clothing company, and of a majority interest in Candy Plus, a Czech confectionary manufacturer.

### Leading lawyers

Ivo Bárta

Michal Dlouhy

Jan Matejcek

### Key contact partner

Michal Dlouhy

### Allen & Overy

Although it does not handle the same high volume of cases as some of its competitors, Allen & Overy's Czech M&A practice is, according to one respondent, "well ahead in terms of quality". Three of the office's four partners are capable of handling M&A transactions; the firm's highly recommended Jan Myska leads the group.

Over the last year, Allen & Overy has advised 3i and Veronis Suhler Stevenson on the €1.8 billion sale of the YBR group to a consortium that included Macquarie Bank, Caisse de Dépôt et Placement du Québec and Nikko Principal Investments. Mikulas Touska in Prague worked on the deal, alongside lawyers from the firm's Dutch, Polish, French and Slovak offices – an impressive display of how the firm is equipped to handle international deals of this magnitude.

The firm's other M&A work in the Czech Republic includes a mandate from SigmaKalon regarding its purchase of Primalex from Riverside Europe Paint Holdings. It previously landed a plum role advising Cesky Telecom on the €745 million (\$916 million) financing of its acquisition of 49% of Eurotel, the largest Czech mobile telephone network operator.

#### Leading lawyers

Mikulás Touska  
Václav Valvoda

#### Key contact partner

Jan Myska

### Linklaters

Linklaters excels in M&A, and partners Ludek Vrána and Lukas Sevcik have advised on a varied portfolio of transactions. Both are recommended by the market and both have been particularly active this year.

The Prague M&A team has worked alongside its German colleagues on two deals this year. In the first it advised Dresdner Bank on the sale of its Czech subsidiary to the Austrian Bawag Group, and in the second it acted for the German buyer of Czech shopping mall Metropole in a deal worth €80 million (\$98 million). A team led by Ludek Vrána also teamed up with colleagues in Bucharest to advise CEZ on its acquisition of a Romanian power producer.

Linklaters' representation of Global Payments on its \$66 million acquisition of a majority stake in Muzo, a Czech credit card processing company, from Komerční banka, marked the client's first acquisition in Europe. The team, led by Sevcik, also represented the client before the Czech Competition Office in the merger control proceeding.

The firm's experience of handling competition matters enabled it to advise Ceskomoravská stavební spořitelna on its appeal concerning an alleged cartel of all Czech banks. Linklaters was instructed on the matter just one week before the deadline for filing the appeal.

#### Leading lawyers

Lukas Sevcik  
Ludek Vrána

#### Key contact partners

Lukas Sevcik  
Ludek Vrána

### Brzobohaty Broz & Honsa

Local firm Brzobohaty Broz & Honsa has had a fantastic year in M&A, and worked on a number of large and innovative transactions. Its reputation derives partly from the fact that it has a number of high-profile long-term clients, providing a steady stream of work.

Over the past year, TV Nova Group, and its owner PPF Group, brought the firm in to advise on its sale to Central European Media Enterprises for Kc15 billion (\$640 million). And Skoda Holdings sought Brzobohaty Broz & Honsa's advice on the sale of its steel manufacturers Skoda Hute, Skoda Kovarney and Skoda JS to OMZ in Russia. The €30 million (\$37 million) transaction represents the largest single investment by a Russian company in the Czech Republic.

And again, when Skoda Holdings bought CKD Vagonka, a manufacturer of passenger rail vehicles, Brzobohaty Broz & Honsa's Jiri Nemecek provided Skoda with advice.

#### Key contact partners

Jiri Nemecek

### Glatzová & Co

Glatzová & Co is, according to one client, "the firm to mention for M&A," and it has certainly garnered recognition from the market after a great year. The market singles out managing partner Vladimira Glatzová as a leading lawyer for mergers and acquisitions advice.

The firm is particularly adept at advising on mergers and acquisitions in the energy sector, and receives most of its mandates from this source. One standout deal saw Vladimira Glatzová advise Cinergetika on the sale of 99% of shares in Cinergetika to Slavia Capital Asset Management.

But the firm's M&A practice is definitely not a one-trick pony, and it wins plenty of mandates for non-energy transactions. Among these, Glatzová & Co advised the shareholders of Aliatel, one of the largest Czech telecoms operators, on the sale of all of their shares. The group included RWE, E.ON Bohemia and several Czech and Slovak energy companies.

#### Leading lawyer

Vladimira Glatzová

#### Key contact partner

Vladimira Glatzová

## Other notable firms

**Squire Sanders & Dempsey** “should definitely be mentioned somewhere,” said one market respondent, because its lawyers “are frequent advisors on interesting transactions”. Another backed this up, noting that “you often see them on deals”.

**Baker & McKenzie** is a firm “respected for its technical expertise” according to the market. The firm has developed “a good name brand” for M&A work in the Czech Republic.

**Clifford Chance** does not focus particularly on M&A in the Czech Republic, but had success advising OMZ, a major Russian machinery maker, on the acquisition of a group of three engineering companies owned by Skoda Holding. This was the largest Russian investment in the Czech Republic to date.

Among other mandates, **CMS Cameron McKenna** advised the Czech state (specifically, the National Property Fund) on the €87 million (\$107 million) privatization of a state-owned brown coalmine, Sokolovská uhelná.

The market maintains that “**Salans** has come a long way in a short time,” due at least in part to the fact the firm has “a good network”.

**Kocián Solc Balastik** is promoted to the second tier this year on the back of overwhelming market recommendations. It is, according to one competitor, “one of the best local firms in the area,” and has “very competent lawyers who get deals done”. Name partner Martin Solc is singled out as “an impressive person,” and Jiri Balastic “has the experience and business approach to analyze all the issues”.

**Balcar Polansky Norton Rose** specializes in corporate transactions, particularly shareholder squeeze-outs, and has had a solid year. The firm advised the Czech and Slovak Private Equity Fund on its acquisition of Vltava Stores for Kc100 million (\$4 million) and acted for American Standard on the squeeze-out of the minority shareholders of Ideal Standard.

Lastly, David Weinhold and Thilo Hoffman have been building the M&A practice at **Weinhold Legal**. The team has seen an increase in the number of instructions from larger clients; this year, for example, it advised Italian energy company Enel on its successful €840 million bid for Slovakian electricity company Slovenské elektrárne.