

# Slovak Republic

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### **Katarína Cechová, Michaela Jurková** **Cechová & Partners** **Bratislava**

2004 and 2005 have been important for the Slovak Republic both at international and national levels. Several years of efforts in the field of economy, law, politics and human rights resulted in the accession of Slovakia to Nato in April 2004 and to the EU in May 2004. Continuing changes in the Slovak legal system, social life and economic environment, and the active participation of Slovak representatives in the European and international politics are reflected by the fact that Slovakia was among the first of the EU member states to approve the EU Constitution by parliamentary vote.

### **Securities and financial markets**

One of the areas in which Slovak legislation had to be modified in connection with the accession to the EU was the regulation of the securities and financial markets. Amendments affecting the Securities Act, the Collective Investment Act, the Stock Exchange Act and certain other related acts transposed into the Slovak legal order several EC directives regulating financial collateral arrangements, additional supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate, insider dealing and market manipulation (market abuse), the presentation of investment recommendations and the disclosure of conflicts of interest.

A new Act on Financial Market Supervision, effective as of January 1 2006, dissolves the Financial Market Authority (the FMA), the main supervisory body of the financial markets, and passes on its competence to the National Bank of Slovakia, concentrating supervisory functions in one authority. Any decisions, licences and consents granted or approved by the FMA before January 2006 remain in force.

### **Accounting**

The amendments to the Accounting Act aim to bring Slovak accounting in line with international accounting standards in gradual steps, so that the transition does not present an unmanageable task to a large number of accounting units. Consolidated accounts must comply with international accounting standards for the accounting period commencing

January 1 2005, while certain types of entities (such as banks, financial institutions and insurance companies) must ensure their individual accounts comply from 2006.

### **New insolvency legislation**

Adopted by the Slovak parliament at the end of 2004 and published in January 2005, an entirely new legislative framework for insolvency and restructuring proceedings has been introduced into the Slovak legal order. Consisting of two principal acts – the Act on Bankruptcy and Restructuring and the Act on Trustees – and several implementing decrees, the new legislation implements EC directives on the reorganization and winding-up of credit institutions and insurance undertakings, financial collateral arrangements and securities settlement systems. The new regulation will become effective on January 1 2006.

The new legislation is expected to accelerate bankruptcy proceedings and stimulate the parties involved to act fast and proactively, as well as to help avoid losses on the value of the bankrupt's property in the period immediately before the commencement of bankruptcy proceedings and in the course of the proceedings.

The act newly introduces the possibility for an entity that is insolvent or under a risk of insolvency to submit a proposal for restructuring, with the aim to resolve the unfavourable situation of the debtor and to maintain its business. A trustee appointed by the court and the court itself supervise the fulfilment of the restructuring plan.

### **European company**

Slovakia was among the first EU member states to harmonize its legislation with the EC Regulation on the Statute for European Company (*societas europaea* or SE) and to transpose the directive concerning involvement of employees in the European company. As of November 1 2004, eligible companies (under the conditions stipulated in the Regulation) that are active in at least two different member states may set up and register an SE in Slovakia.

The form of an SE can give a company greater flexibility to respond to market demands and developments, because an SE can transfer its registered office from one member state to another without the need of a wind-up or creation of a new legal entity. An SE can therefore select the member state with

the best possible conditions for its business, taking into account tax considerations (because an SE is liable for tax in the country in which its registered office is located). However, the future of SEs is still uncertain, because there are only a few examples of an attempt to set up an SE known in the EU, presumably because of a complicated legal regime governed by EU and national legislation at the same time.

### Personal data protection

The Slovak parliament adopted an amendment to the Personal Data Protection Act in February 2005, to harmonize the Act with the EU directive on the protection of individuals with regard to the processing of personal data and on the free movement of such data, as well as with the Convention of the Council of Europe for the Protection of Individuals with regard to Automatic Processing of Personal Data, and its Additional Protocol.

The main requirement is full independence of the supervisory authority – the Office for Personal Data Protection of the Slovak Republic – that must dispose of its investigative powers and perform its competence independently of any other authorities in financial matters and personal policy.

The amendment introduced a more lenient system of registration of personal data filing systems. Special registration applied to personal data filing systems that contain special categories of personal data, provided they are subject to transfer to third countries that do not ensure an adequate level of data protection.

### Taxation

In 2004 Slovakia considerably simplified its tax system and introduced a flat 19% rate both on income tax of individuals and income tax of legal entities, irrespective of their income levels. Dividends as capital gains of a shareholder in a Slovak company are exempt from taxation. The profit acquired by a legal entity and liable for corporate income tax is no longer subject to taxation at the moment of profit distribution to the shareholders or to members/partners of the entity.

A new Act on Value-added Tax, effective May 1 2004, introduced a 19% flat tax rate for any kind of taxable supplies of goods and services. Certain types of supplies are exempt from value-added tax, including postal services, financial services or insurance services.

The reform of the Slovak tax system includes also a change to, and simplification of, the local tax system, as well as a strengthening of the position of municipalities and self-government regions in the area of determination of local taxes and their administration.

## Banking

### Recommended firms

Tier 1

**Allen & Overy Bratislava**

**Linklaters**

**White & Case**

Tier 2

**Cechová & Partners**

**Cernejová & Hrbek**

**Csekes Világi Drgonec and Partners**

**Squire Sanders & Dempsey**

**Weinhold Legal**

Tier 3

**CMS Carnogursky Strommer Reich-Rohrwig**

**Freshfields Bruckhaus Deringer**

### Allen & Overy Bratislava

The banking and capital markets department at Allen & Overy received far more plaudits this year than any of its competitors. Most of this praise was directed at Igor Pálka, widely considered to be the top banking lawyer in the Slovak Republic. Interviewees point to his “experience and deep knowledge of the market,” describing him as “a detail-oriented professional with years of experience.” Others mention his “consistent participation in Slovak legislative projects.” As an example, he was involved in structuring one of the main laws in the country, and thus “he has extra authority, having developed the law rather than simply implementing it.”

Although Igor Pálka might be the pre-eminent practitioner in the department, the other lawyers are not far behind. Patricia Olsovská, a specialist in banking, finance and derivatives, has “a great sense of responsibility for her clients, with whom she has a very good relationship.” Renátus Kollár, a banking and debt finance specialist, is “really making a name for himself in this field,” while Martin Magál is “a junior lawyer with a burgeoning reputation.” Speaking of the department as a whole, clients commented that it is “very precise and thorough,” with service “of a high professional standard, accurate and timely.”

The largest transaction Allen & Overy’s Bratislava office worked on this year was a €350 million (\$428 million) syndicated loan facility to Slovenské Elektrárne, the largest electricity generator in the Slovak Republic. Allen & Overy acted for the syndicated banks, led by WestLB. The firm also advised the Slovak subsidiary of an international textile producer in relation to the rescheduling of its short-term financing by three big Slovak banks. The value of this transaction was more than Sk600 million (\$19 million).

The firm boasts a number of prestigious banking clients, including ING Bank, Citibank, HVB Bank Slovakia, HSBC and the European Bank for Reconstruction and Development.

### Leading lawyers

Patricia Olsovská

Igor Pálka

**Key contact partners**

Hugh Owen  
Igor Pálka

**Linklaters**

Linklaters has a strong banking and finance presence in the Slovak Republic, with banking clients such as Credit Suisse First Boston, Provident Financial, the European Bank for Reconstruction and Development (EBRD) and Vseobecná úverová banka (VÚB). The best-known banking specialist at the firm is Daniel Torsher, who regularly advises Slovak banks and finance institutions on corporate financings and workouts, and frequently acts on Slovak eurobond offerings.

This year Linklaters represented JP Morgan Securities on a due diligence process in relation to 120 debtor files for use in the financial evaluation of the debtors. The transaction was valued at €190 million (\$232.47 million). It also acted for the EBRD regarding the refinancing and restructuring of Bucina Zvolen.

**Leading lawyers**

Jason Mogg  
Daniel Torsher

**Key contact partner**

Daniel Torsher

**White & Case**

White & Case's banking and finance team has considerable depth of expertise and long-standing relationships with most of the Slovak Republic's biggest banks. Regular clients include Citibank, GE Capital Bank, Slovenská sporitelna, Vseobecná úverová banka (VÚB) and Istrobanka.

Under the guidance of Ivo Bárta the department has branched into export finance, fund information and investments, while retaining its traditional strength in sectors such as structured finance and derivatives. Clients praise the team for being "flexible and easy to work with" and having "a good balance between a legal view and a business view."

The department has had an extremely active year, especially in real estate investment funds and export financing. In the former category, White & Case acted for Slovenská sporitelna on two deals: a real estate investment fund in the Netherlands, and a real estate refinancing for the development of a big administrative and shopping mall in Bratislava. The firm also represented VÚB in connection with a bilateral real estate loan to finance the development of a similar mall in Nitra, Slovakia.

At the time of writing, White & Case was acting for VÚB on export financings to ZAO SP Matador Omskshina (a Russian tyre manufacturer) and Dniproshina (a Ukrainian tyre plant), both of which will be insured by Eximbanka. It was also advising Citibank regarding the export financing provided to Nuh Enerji Elektrik Uretim, a Turkish independent energy project company, on negotiating insurance documentation with the Export-Import Bank. This deal was worth \$8.5 million.

The firm again advised Citibank in relation to the financial structuring of the outsourcing of IT services from a transportation company to an IT supplier for €20 million (\$24.5 million).

Ivo Bárta is ably supported by Marek Staron, who was made partner in January 2005 and who clients describe as "knowledgeable, committed to the projects he works on and easy to work with."

**Leading lawyers**

Ivo Bárta  
Marek Staron

**Key contact partner**

Ivo Bárta

**Cechová & Partners**

Cechová & Partners is a six-partner firm that has been operating in the Slovak Republic for over a decade. It is strong in banking and M&A, and also offers counsel on competition law, financial and corporate restructuring, foreign investment and intellectual property matters. As a member of the law firm affiliations Lex Mundi, the World Services Group, and Central and Eastern European Law Offices, Cechová & Partners benefits from excellent international connections and access to a wealth of overseas legal expertise.

From among the team, Tomáš Zárecký is recommended as "a leading lawyer in establishing credit registers for central and commercial banks."

**Leading lawyer**

Tomáš Zárecký

**Key contact partners**

Katarína Cechová  
Zuzana Petrášová Cechová

**Cernejová & Hrbek**

This excellent local firm is led by Alena Cernejová, who is praised for the quality of her advice to corporate clients. Cernejová & Hrbek often acts as local counsel in multi-jurisdictional foreign investment transactions.

**Leading lawyer**

Alena Cernejová

**Csekés Világi Drgonec and Partners**

Csekés Világi is a 10-lawyer practice with offices in Bratislava and Dunajská Streda. The firm has experience providing counsel on joint ventures, foreign investment, securitizations, M&A, real estate, intellectual property and privatization. It advises some international clients and a number of domestic non-governmental organizations, religious institutions and individual entrepreneurs.

Erika Csekés, who leads the firm's transactional business practice, has "very good negotiation skills" and a strong command of regional languages (as well as English and Slovak, she

is fluent in Czech, Hungarian and Russian). Previously she was counsel in the office of the president of the Czech Republic, and a member of the Slovak parliament.

#### Leading lawyer

Erika Csekés

#### Squire Sanders & Dempsey

Squire Sanders & Dempsey was the first non-Slovak firm to set up a practice in Bratislava. The banking team has experience in international transactions and local legislation. Among the firm's banking clients are Ernste Bank and Slovenská Sporitelna.

#### Weinhold Legal

Weinhold Legal was founded in 1996 and now has over 45 lawyers in its Prague and Bratislava offices. One of the largest law firms in the Slovak Republic, it has some excellent banking clients, such as Eurovia and ING Bank.

The firm recently acted for Commerzbank in relation to a revolving loan agreement and syndicated securitization worth about €300 million (\$368 million). It also advised Eurovia in connection with the €3.5 million share capital restructure of the group's companies in the Slovak Republic, and counselled a consortium of banks regarding a syndicated loan agreement and securitization worth €1.4 million.

Ratislav Kuklis is one of the practice's top lawyers, described by interviewees as "flexible, and adept at solving problems."

#### Leading lawyer

Ratislav Kuklis

#### Key contact partners

Marek Belsan  
Ratislav Kuklis

## Capital markets

#### Recommended firms

Tier 1

**Allen & Overy Bratislava**

**Cechová & Partners**

**Cernejová & Hrbek**

**Csekés Világi Drgonec and Partners**

**Linklaters**

**White & Case**

#### Linklaters

A leading firm in capital markets in the Slovak Republic, Linklaters was involved in two high-profile deals this year. It advised Croatian food processing company Lura in relation to the €60 million (\$73.41 million) strategic investment of an international equity investor, and acted for Zentiva on the termination and delisting of global depositary receipts of the largest Slovak pharmaceutical company from the Luxembourg Stock Exchange. As part of the same deal, it also provided counsel on

the delisting of the company's publicly traded shares from the Bratislava Stock Exchange.

From among the team, Jason Mogg and Daniel Torsher are especially talented.

#### Leading lawyers

Jason Mogg  
Daniel Torsher

#### Key contact partner

Daniel Torsher

#### White & Case

According to one client, "White & Case is the top firm with-in capital markets". Another client backs this up, stating that the firm "has a good work ethic and a solid team on the ground that is competent in providing solutions to difficult problems." Others praise the lawyers in the capital markets department for their "high standard of advice and quick response."

The firm frequently acts on the top capital markets mandates in the Slovak Republic. In May 2004, for example, it advised on the largest-ever sovereign bond issue in the country, which was also the first sovereign issue in the CEE region after EU accession. White & Case represented the lead managers (Morgan Stanley, ABN Amro and Dresdner Bank), who arranged the Slovak Republic's issuance of €1 billion (\$1.22 billion) fixed 4.5% notes, which will mature in 2014.

In a sense, the firm was building on its previous success in Slovak capital markets: in 2003 it was involved in the two largest Slovak eurobond and capital markets deals of that year. At the time of writing the firm is advising Slovenská Sporitelna, the largest Slovak bank, in connection with the preparation and negotiation of the 1992 ISDA master agreements and GMRA agreements.

Michal Dlouhy, head of White & Case's central and eastern European practice group, is "a senior partner with a great depth of knowledge of capital markets." Another notable practitioner in the department is Peter Víglasky who, according to one client, offers "a high standard of advice and promptness." These two lawyers spearheaded White & Case's advice in relation to the Republic of Slovakia's €1 billion note issue.

#### Leading lawyers

Michal Dlouhy  
Peter Víglasky

#### Key contact partner

Michal Dlouhy

## Mergers and acquisitions

### Recommended firms

Tier 1

**Allen & Overy Bratislava**

**Linklaters**

**White & Case**

Tier 2

**Cechová & Partners**

**Cernejová & Hrbek**

**Squire Sanders & Dempsey**

**Weinhold Legal**

Tier 3

**CMS Carnogursky Strommer Reich-Rohrwig**

**Csekes Világi Drgonec and Partners**

**Dedák & Partners**

**DLA Weiss-Tessbach**

**Freshfields Bruckhaus Deringer**

### Allen & Overy Bratislava

Allen & Overy's corporate team contains many leading professionals, and sits comfortably in the first tier for M&A in the Slovak Republic. Head of department Igor Pálka is highly respected, as is privatizations and M&A specialist Hugh Owen. Among the firm's many corporate clients are General Electric, Kraft Foods International, Telenor and Tower Automotive.

In the past year Allen & Overy advised Bank of America Securities regarding the privatization of SC Electrica Moldova and SC Electrica Oltenia, two Romanian electricity distribution companies. E.On Energie purchased a 51% stake in SC Electrica Moldova for €100 million (\$122.67 million) and CEZ (a Czech energy company) later acquired 51% of the share stock of Elctrica Oltenia for €151 million.

The firm also represented Vseobecná úverová banka (VÚB) on the acquisition of five Slovak consumer credit companies – TatraCredit, Quatro, Q-Car, Slovenská pozicovna and Slovenske kreditne karty. This was the first big M&A transaction in the consumer finance sector in the Slovak Republic.

#### Leading lawyers

Martin Magál  
Hugh Owen  
Igor Pálka

#### Key contact partners

Martin Magál  
Igor Pálka

#### Linklaters

The corporate team at Linklaters has had a busy year in M&A, working on a number of large deals in the Slovak Republic. The department is led by Patrik Bolf, a specialist in commercial transactions and competition law. Miroslav Németh is highly regarded for privatization advice, while rising star Miroslav

Trencan does "very professional and reliable work" and has previously worked on some major acquisitions by Yukos and Zentiva.

The Linklaters team acted for Suez Tractabel on the disposal of Bratcarl, a €60 million refinancing of a real estate holding company combined with an auction process sale. It also advised Uniqa Versicherungen in relation to its acquisition of, and consequent merger with, Slovak insurance company R+V Poist'ovna, in a deal valued at €5.3 million.

Most recently Linklaters advised Sanofi-Synthelabo Groupe, the largest pharmaceutical company in Europe, on merger control proceedings concerning the acquisition of a controlling stake in Aventis. The hostile takeover was extremely complex, requiring tricky navigation around the complications presented by the French presenting bank concept, and skillful negotiation in the face of Aventis' attempts to thwart the takeover through its groundbreaking defence centered around a warrant relating to Plavix, Sanofi's leading product. The deal won the award for *IFLR's* European M&A deal of the year for 2004.

#### Leading lawyers

Patrik Bolf  
Jason Mogg  
Miroslav Németh  
Daniel Torsher

#### Key contact partner

Patrik Bolf

#### White & Case

White & Case's M&A department has expanded to 10 associates and two partners, following Marek Staron's recent promotion to partner. The team is involved in many significant mergers and acquisitions in the Slovak Republic, with a client base that includes local industries and several international companies. Deutsche Telecom, Electricité de France, PSA Peugeot Automobiles and Mobis are all clients of the firm.

White & Case represented CEZ, a Czech energy corporation, in relation to its bid to acquire Slovak energy company Slovenské elektrárne. Unfortunately CEZ lost out to another international bidder, Italian energy corporation Enel.

White & Case is also acting for Johnson Controls, a US multinational producing automotive interiors and batteries, in connection with two investment projects for production facilities, and a new research and development centre.

Ivo Bárta has much experience on direct investment and multi-jurisdictional transactions, while Marek Staron received several commendations for his abilities in this field.

#### Leading lawyers

Ivo Bárta  
Marek Staron

#### Key contact partner

Ivo Bárta

### Cechová & Partners

Cechová & Partners has three partners and one associate in its M&A team, led by Tomáš Mareta, who is “very diligent in the areas of merger clearances, competitions and anti-draft work, and one of the most recognized experts in the Slovak Republic for M&A.”

The firm has previously advised a number of multinational clients in privatization tenders for major Slovak companies, including the monopoly telecommunications operator and the largest Slovak bank, Slovenská Sporiteľna.

#### Leading lawyers

Katarína Cechová  
Tomáš Mareta

#### Key contact partners

Tomáš Mareta  
Jana Moravčíková  
Tomáš Rybár

### Cernejová & Hrbek

Cernejová & Hrbek has a good reputation in the corporate sector, with partner Alena Cernejová the major player in the firm’s significant M&A deals. The firm has previously advised a foreign investor in connection with the acquisition of a steel wire and steel cord factory in the Slovak Republic.

#### Leading lawyer

Alena Cernejová

#### Key contact partner

Alena Cernejová

### Squire Sanders & Dempsey

Squire Sanders is active in the Slovak corporate sector and has a good track record in privatization deals. Andrew Sandor is recommended as an excellent M&A lawyer.

#### Leading lawyer

Andrew Sandor

### Weinhold Legal

Weinhold Legal has a sizeable M&A team of three partners and eight associates that provides “good service and experience.” Clients comment that the department’s lawyers are “very professional, and know international legislation.”

The firm scored a big success when it represented Italian energy company Enel in the Slovak Republic’s largest-ever privatization project, worth €840 million (\$1.03 billion). Enel was successful in its bid to privatize electricity producer Slovenské elektrárne. Weinhold Legal advised Enel on matters of due diligence, preparation of transactional documents and negotiations with the Ministry of Economy and Slovak National Property Fund.

In another M&A deal of note, Weinhold Legal acted for Slovak gas and oil company Nafta concerning a share sale. The

firm advised Nafta on investor selection process, due diligence and the transactional documentation. The firm also represented the Quinn Group in preparing notification to the Slovak Antimonopoly Office regarding the takeover of the Barlo Group by the Quinn Group.

#### Leading lawyers

Róbert Kováčik  
Ratislav Kuklis

#### Key contact partners

Róbert Kováčik  
Daniel Weinhold

## Project finance

### Recommended firms

Tier 1

**Allen & Overy Bratislava**

**Linklaters**

**White & Case**

Tier 2

**Cechová & Partners**

**Csekes Világi Drgonec and Partners**

**Freshfields Bruckhaus Deringer**

**Squire Sanders & Dempsey**

### Allen & Overy Bratislava

Igor Pálka is singled out by one client as “without any doubt the best” in this area. Hugh Owen is also a respected project finance specialist.

Despite project finance being a dormant sector in the Slovak Republic, Owen led an Allen & Overy team advising Getrag-Ford Transmissions (Getrag) on its foreign investment project in the Slovak Republic. The transaction was a joint venture between Ford Europe and Getrag valued at €345 million (\$425 million), designed to establish a new manufacturing and assembly production site in Kechnec, in the east of the Slovak Republic.

#### Leading lawyers

Hugh Owen  
Igor Pálka

#### Key contact partner

Igor Pálka

### Linklaters

Linklaters’ projects team has been active in automobile production centre and real estate projects – the only sectors of any real activity in the present Slovak project finance market. Jason Mogg, who frequently leads the team in these deals, is recommended as “a genuine international law specialist.”

Among the year’s highlights, Linklaters advised the Kia Motors Corporation on Slovak, Polish and EU issues in connection with the €725 million (\$892 million) development of a

new automotive assembly plant, and acted for Hyundai Mobis on a greenfield project to develop a new autoparts production plant for €183 million. In real estate, meanwhile, Linklaters acted for Ballymore Properties in relation to the €80 million development of a mixed use retail, office, hotel and residential property development.

**Leading lawyer**

Jason Mogg

**Key contact partner**

Jason Mogg

**White & Case**

The project finance department at White & Case is led by Ivo Bárta who, together with recently promoted partner Marek Staron, has worked on some notable project finance transactions in the Slovak Republic. For example, both lawyers previously advised Malzenice Power on the development of a combined-cycle gas-fired plant.

Although project finance is experiencing a quiet period in the Slovak Republic, and there are no transactions of note outside the automotive manufacturing and real estate sectors, White & Case has remained visible. For example, the firm recently advised Peugeot Automobiles in connection with its €700 million (\$858 million) investment to build car plants, which was one of the largest greenfield projects in the Slovak Republic.

White & Case also represented Vseobecná úverová banka in relation to a bilateral loan to a German real estate developer for the construction of an administrative and shopping mall. It also acted for the Slovak Republic's largest bank, Slovenská sporiteľna, in connection with the financing of another administrative and shopping mall development in Bratislava.

**Leading lawyers**

Ivo Bárta

Marek Staron

**Key contact partner**

Ivo Bárta