

Bulgaria

Chamber of commerce:

Bulgarian Chamber of Commerce
and Industry
42 Parchevich Street
1000 Sofia
Bulgaria

Tel: +359 2 987 2631

Fax: +359 2 987 3209

Email: bcci@bcci.bg

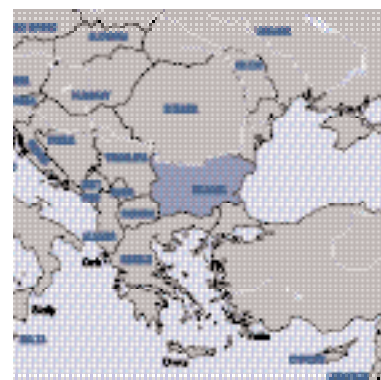
Website: www.bcci.bg

Professional body:

Bulgarian Bar Association
14 Vitosha Boulevard
1000 Sofia
Bulgaria

Tel: +359 2 987 5513

Fax: +359 2 987 6514



Further steps towards economic growth and harmonization with EU laws

Georgi Kalinov
Borislav Boyanov & Co
Sofia

The recent months brought some important legislative changes in Bulgaria aimed at establishing a comprehensive mergers and acquisitions regime and creating more opportunities for investment.

New M&A legislation

The new M&A regulations were enacted through amendments to the Bulgarian Commerce Act, which came into force on January 1 2004. The new regulations actually follow the EU regulations – specifically, the Third Council Directive (78/855 EEC) on mergers and the Sixth Directive (82/891 EEC) on divisions. However, those directives only deal with public limited liability companies, whereas the new M&A regulations in Bulgaria apply to all companies within the meaning of the Commerce Act irrespective of their legal form – in other words, including private limited liability companies.

The regulations developed the previously scarce and over-generalized regulations, and elaborated on the procedures, rights and obligations in all company transformations, including mergers and acquisitions. The new rules established a comprehensive regulatory framework, and provided for two leading principles – first, the protection of minority shareholders' interests, and secondly, protection of third parties' interests, particularly those of creditors.

The new rules provide for detailed regulation of all stages of transformations, including the execution of transformation agreements or transformation plans, management reports, opening and closing balances and so on.

The new regulations also provide for different mechanisms of protection of creditors, depending on the nature of the claim. Generally, any pledge, mortgage, lien or injunction on a transformed company's assets, or on shares in a transformed company's capital, is subject to protection and should not be negatively affected by the transformation. Furthermore, a mandatory six-month separate management of the assets of all participants in the transformation was introduced as a guarantee for creditors, as well as the possibility for non-secured creditors to request either security or performance.

Interests of minority shareholders are also subject to special protection. The new rules emphasize the principle of equivalence of the pre- and post-transformation status of the value of shareholding stakes, as well as the possibility for shareholders to challenge the transformation and even to request that the incorporation of a new company be cancelled. Shareholders are also entitled to request reimbursement in cash, or a termination of their shareholding against a fair compensation.

Promotion of foreign investment

As part of the effort to promote investment and economic growth in Bulgaria, substantial changes to the Foreign Investments Act have been introduced. The new legislation has a new name – the Promotion of Investments Act (the PIA), and the existing Foreign Investments Agency also now goes under a new name – the Bulgarian Investments Agency (the Agency).

The main changes concern the introduction of entirely new requirements for investments to be granted administrative support, as well as the inclusion of a set of quantitative criteria for both local and foreign investments. The amendments emphasize the completely equal treatment of foreign and local investments – the distinction is now only made in respect of the amount of the investment, and not the nationality of the investor. Indeed, the new PIA speaks only of investments instead of foreign investments.

Under the PIA there are three classes of investment, and the support mechanism attached to each class differs accordingly. For example, lower-class investments are granted mainly informational and consultant services by the Agency (or a central or local administrative body as the case may be). In comparison, first-class investments are granted Agency assistance in developing the technical infrastructure needed. The Agency also offers first-class investors the chance to enter into a special agreement, under which the investor undertakes to implement the project within a specified time period, while the Agency undertakes to ensure the performance of the individual administrative support services and the assistance concerning the development of the related technical infrastructure. The Agency may request the central or municipal bodies to grant the investor limited real rights over state- or municipality-owned real estate.

The Agency is also bound to provide post-investment support to first-class investors. The Agency should intervene to help solve any problems that arise between an investor and a central or local administrative body.

Conclusion

The recent amendments to Bulgarian legislation aim, in general, to further promote local and foreign investment and business activity as a whole – a crucial step in the economic development of the country and its successful accession to the EU. Most Bulgarian legislation has already been harmonized with similar EU legislation. However, it is expected that more legislative amendments will come into effect after the accession process.

Banking and capital markets

Recommended firms

Borislav Boyanov & Co

Djingov Gouginski Kyutchkov & Velichkov

Georgiev Todorov & Co

Batkov Stoev Botev & Associates

Boteva & Kantutis

Chernev Komitova & Partners

Deloitte & Touche EOOD

Eastlaw

Landwell Bulgaria

LegaCom Antov & Partners

Lega InterConsult – Penkov Markov & Partners

Eurolex Bulgaria

IKRP Rokas & Partners

InterLex Consult

Kambourov & Partners

Novel Consult

Spasov & Bratanov

Mergers and acquisitions

Recommended firms

Borislav Boyanov & Co

Djingov Gouginski Kyutchkov & Velichkov

Lega InterConsult – Penkov Markov & Partners

Braykov Law Office

Georgiev Todorov & Co

LegaCom Antov & Partners

Novel Consult

Batkov Stoev Botev & Associates

Boteva & Kantutis

Deloitte & Touche EOOD

IKRP Rokas & Partners

InterLex Consult

Kambourov & Partners

KPMG Bulgaria OOD

Landwell Bulgaria

ORAC Dimitrov Petrov & Co

Spasov & Bratanov

Project finance

Recommended firms

Djingov Gouginski Kyutchkov & Velichkov

Borislav Boyanov & Co

LegaCom Antov & Partners

Novel Consult

Boteva & Kantutis

Deloitte & Touche EOOD

Georgiev Todorov & Co

Eurolex

Kambourov & Partners

Spasov & Bratanov

Batkov Stoev Botev & Associates

Founded in 1991, Batkov Stoev Botev and Associates offers advice in all major practice areas, including corporate and commercial, banking, and capital markets. The firm's clients include national and multinational corporations, financial institutions, and emerging and middle-market businesses, as well as not-for-profit organizations. The firm advises on company formation, partnerships, and joint ventures, and represents financial institutions in regulatory and corporate matters. The firm has also been involved in the privatization and foreign investment processes in Bulgaria.

Borislav Boyanov & Co

A firm with a deservedly strong reputation in all areas of financial law, Borislav Boyanov & Co has an impressive client list, including UniCredito Italiano, Alico, EFG

Eurobank, JP Morgan, CSFB, UBS Warburg, Morgan Stanley and Deutsche Bank. Banking deals this year have included acting for BPB (a subsidiary of Alico/CEH Balkan Holdings, a joint venture between Alico and EFG Eurobank Ergassias) on its acquisition of the shares of a local shareholder (as well as advising on its subsequent launch of factoring services), and Bulbank, a subsidiary of UniCredito Italiano, on its acquisition of a Bulgarian leasing company.

It has also been an active year for the firm on the capital markets side, advising JP Morgan as manager on a eurobond issue by First Invest Bank, acting for the Bulgarian Ministry of Finance on an Isda master agreement with IBRD; representing Microsoft, Oracle, Monsanto, General Electric, and Abbot Labs in connection with their stock units and options plans, and advising BPB on an issue of mortgage bonds.

In mergers and acquisitions, the firm advised Dundee Precious Acquisitions on its acquisition of four mining companies, including the company mining the Chelopech deposit, the biggest working gold-copper deposit in south-east Europe; Gort Securities Ltd on its acquisition of the majority of the shares of Interhotel Grand Hotel Sofia; the government of Bulgaria and the Privatization Agency on the privatization of the electricity distribution utilities; HeidelbergCement on the transfer of its business in Bulgaria to Titan Cement Company; and TurkCell on the potential acquisition of Mobiltel, the first GSM operator in Bulgaria. Other clients on the corporate side include Kraft Foods Bulgaria, Diageo, and Interbrew (Central European Holding).

The firm also provides corporate and commercial advice to a variety of clients, including BAE Systems Avionics on a potential contract with the Ministry of Defence on the upgrade of M-17 and M-24 helicopters, advising a US company on the 18-month lease of an aircraft to Bulgaria Air and a Singapore company, and providing competition advice to clients such as Kamenitza and Obedinena Mlechna Compania, one of Bulgaria's main milk and dairy producers.

The busy project finance group has also had a strong year, acting as Bulgarian counsel to Enel on the modernization of power generation units at the Maritsa East 3 power plant, advising the European Bank for Reconstruction and Development, Citibank and others on the syndicated financing of the acquisition of Bulgarian Telecom, acting for Gort Securities UK on a multimillion dollar refinancing project of its Bulgarian acquisitions and advising UniCredito Italiano on a potential gas project in the Misia region of Bulgaria by Italian company AMGA. The group also advised the World Bank and Citibank Bulgaria.

The firm also provides insolvency advice, with the most prominent recent case being the insolvency of Balkan Airlines, in which the firm represented Air BP, National Iranian Oil Products Distribution Company, Iranian Airports Company, the Civil Aviation Organization, Ansett Worldwide Aviation Services, and TotalFina ELF.

The "extremely capable" Borislav Boyanov is well respected for his work in all fields, particularly banking and mergers and acquisitions, and for his strong communication skills.

Key contact partners

Borislav Boyanov
Raina Dimitrova
Yordan Naydenov
Damien Simeonov

Leading lawyers

Boris Boyanov
Yordan Naydenov

Boteva & Kantutis

Boteva & Kantutis offers advice in all areas of financial law, including corporate and commercial, banking, securities, and mergers and acquisitions. The firm's clients include British Airways, Shell, Anglo-American, Best Western Hotels Greece, the European Bank for Reconstruction and Development, Barents Group (Europe), Balkanbank, Bank Austria and Rio Tinto.

The capital markets team at Boteva & Kantutis acts for British Petroleum (BP) and also receives instructions from UK firm Linklaters. Recent deals for the Sofia representative office of BP include work on employee options and share schemes. On the corporate side, the firm has also advised Blasak Media OOD on the formation of a joint venture with Sanoma, and Gerald on a sale purchase agreement with Assarel Medet JSC. The corporate group also advises NetEconomy (a Netherlands company), Commercial Capital SA Greece, and the Finnish Embassy in Sofia. Recent clients for the insolvency team have included Vitamina and Rakita Press.

Key contact partners

Nina Boteva
Eltsa Ivanova

Braykov Law Office

Braykov Law Office is well respected in the market for its mergers and acquisitions practice, which benefits from the firm's long-standing relationships with clients such as IBM, Xerox, British American Tobacco, Alcatel, Diageo, General Motors and Kodak. The firm offers general company, commercial and contract advice, and name partner Valentin Braykov is particularly recommended in the market for his commercial, government and private sector work.

Key contact partner

Valentin Braykov

Djingov Gouginski Kyutchkov & Velichkov

Well established as a leading firm in all areas of financial law, Djingov Gouginski Kyutchkov & Velichkov maintains its position in the top tier in each section of this year's rankings. The firm provides banking advice to clients such as Bank

Austria, Bulgarian Banking Consolidation Company, Credit Suisse First Boston, the European Bank for Reconstruction and Development and IFC, while its capital markets client list includes both companies and institutions, including Carlsberg Breweries, Lukoil, Cereol Holding, Deutsche Bank and the Bulgarian government.

Recent deals include advising JP Morgan as financial advisor on the privatization sale of DSK, Bulgaria's largest retail bank (formerly the State Savings Bank), and UBS, Citibank, Rabobank, JP Morgan on Isda-related and other derivative transactions, including a compliance and enforceability review of Isda and custody agreements, and providing ongoing legal advice to Bank Austria on its Bulgarian operations after its acquisition of Commercial Bank Biochim and the merger of the latter with Bank Austria's wholly owned subsidiary, HVB Bank Bulgaria.

Unsurprisingly for a firm with a strong banking practice, the firm also provides a high standard of insolvency and restructuring advice. Recent deals include providing restructuring advice to Rouen, and its principal subsidiary Orphei, two Bulgarian textile manufacturers; advising Malev Hungarian Airlines, a creditor in the Balkan Airlines insolvency, and representing Deutsche Bank of the debt owed by subsidiaries of Navan Mining.

On the capital markets side, the firm has advised Lukoil on restructuring its shareholding in Lukoil Neftochim Bulgaria, Carlsberh Breweries on the deregistration of its local subsidiary Pirinsko Pivo, a local brewery, from the register of public companies, and Cereol Holding on all securities matters relating to the listing of Kaliakra on the Sofia stock exchange after Cereol's acquisition of Kaliakra.

Djingov Gouginski Kyutchkov & Velichkov has a large mergers and acquisitions team, manned by nine partners, of whom Assen Djingov and Marius Velichkov are highly recommended by the market. Recent deals have included advising a potential buyer on the acquisition of MobilTel, Bulgaria's first and largest GSM operator, the Bulgarian government on the privatization sale of 65% of the capital of the Bulgarian Telecommunications Company, Carlsberg Breweries on the merger of Pirinsko Pivo into Shumensko Pivo, two major privatized Bulgarian breweries, in which Carlsberg is the majority shareholder, and advising CEZ on its ongoing participation in a public tender for the privatization of seven Bulgarian electricity distribution companies.

In addition, the firm provides ongoing corporate and commercial advice to OMV, in connection with its development of a network of pump stations, SKF, after its acquisition of the Bearings Plant, a self-standing unit of Vazov's Machine Building Plants, and Bloomberg, on structuring its presence in Bulgaria.

In project finance, the firm stands alone in the top tier of the rankings, and has enjoyed another strong year. The group advised the European Bank for Reconstruction and Development on financing the rehabilitation of Maritza East II Thermal Power Plant; Credit Suisse First Boston on

a greenfield project for the construction of a hydro-power plant; the National Electric Company and the Ministry of Energy and Energy Resources on a greenfield project involving constructing, building and operating a combined heat and power generation plant; OTP on financing the first shopping mall in Sofia; and the IFC on the refurbishment, modernization and financing of a steel mini-mill plant run by Stomana Industry. The group also advises OMV Bulgaria and the Black Sea Trade and Development Bank. Partners Georgi Gouginski and Stephan Kyutchukov are particularly recommended by peers and clients for their general expertise, technical knowledge and “sound legal judgement”.

Key contact partners

Assen Djingov
Nikolai Gouginski
Stephan Kyutchukov
Vessela Stancheva
Marius Velichkov

Leading lawyers

Assen Djingov
Georgi Gouginski
Stephan Kyutchukov
Marius Velichkov

Eastlaw

Eastlaw, although offering advice in all areas of financial law, including corporate and insolvency, is best known for its banking and finance practice. Partner Angel Kalaydjiev continues to be singled out by the market as an “outstanding banking lawyer,” and is seen as one of the leading Bulgarian banking specialists. Among others, the firm’s client list includes ING Bank, Rexoil, Shell Bulgaria and Shell Gas Bulgaria, as well as the National Bank of Bulgaria.

Leading lawyer

Angel Kalaydjiev

Georgiev Todorov & Co

Founded in 1991, seven-partner firm Georgiev Todorov & Co specializes in corporate law, in particular banking and venture capital. The firm offers advice on syndicated lending (both domestic and international), mergers and acquisitions, insolvency, company formation and registration, share transfers, and corporate governance, as well as offering specialist advice on all areas of debt and equity capital markets, including bond issues and flotations, and international project finance matters.

Clients of the firm include Microsoft Corporation, UPS Europe, ABN AMRO, Commerzbank, the European Bank for Reconstruction and Development, the Bulgarian stock exchange, Cosmo Bulgaria Mobile, Motorola, Heineken

International, Balkan Bulgarian Airlines, Balkantourist, CSKA Football Club, Daewoo, Mitsui & Co and the Greek Piraeus Bank.

Key contact partners

Dimitar Danailov
Valentin Georgiev

Kambourov & Partners

Two-partner firm Kambourov & Partners makes its first appearance in the rankings this year. Despite the firm’s size it has advised on a number of deals over the last year in all areas of financial law.

In banking and capital markets, the firm advised on the €330 million (\$401.4 million) privatization of DSK Bank, Credit Bank Bulgaria on the purchase of debt issued by the International Investment Bank, Moscow, and First Private Bank on insolvency proceedings and a eurobond issue. Insolvency advice was also provided to Rouen, and Balkankar Holding. The firm also advises HSBC, Erste Bank, Austria and Central Cooperative Bank.

On the corporate side, the firm advised Koc Holding on the €700 million privatization of the Bulgarian telecommunications company, various bidders on the €500 million privatization of the energy companies, and Maccar on the acquisition of Jupiter Insurance Company. The firm also provides corporate advice to Nokia, and advises Hit on the financing of greenfield investments for the establishment of retail businesses. The firm is also active in project finance, advising Estol on the construction of wind-driven electricity power stations, and Severn Trent on investments in water supply and distribution in two Bulgarian cities.

Key contact partners

Yavor Kambourov
Vladimir Rangeloff

LegaCom Antov & Partners

On the recommendation of the market, which praises the firm for its privatization work in particular, LegaCom Antov & Partners makes its first appearance in the banking and capital markets rankings this year, and maintains its strong position in mergers and acquisitions, and project finance.

Founded in 1990, the firm has built a strong domestic and international practice, advising predominantly on investment, privatization, banking, finance and general corporate law, and counting the likes of CA-IB Investment Bank, Austria, NCH Corporation, Pfizer International, Solvay, Devnya; Union Miniere, Monsanto Europe and Oiltanking Bulgaria JSCo among its clients. Partner Christo Antov is singled out by the market for his expertise.

Leading lawyer

Christo Antov

Lega InterConsult – Penkov Markov & Partners

The banking and capital markets practice at Lega InterConsult – Penkov Markov & Partners boasts an excellent client list, including institutions such as the European Bank for Reconstruction and Development, Bank Austria, Union Bank and the International Finance Corporation, and, on the capital markets side, companies such as Ariana Brewery, Druzhiba, TBI Asset Management Co, TBI Eurobond and Zlatni Piassatzi. Recent deals have included advising TBI Eurobond on the preparation and approval of a prospectus, and both TBI Invest and TBI Asset Management Co on change of control issues.

In mergers and acquisitions, the firm acted for Brewinvest, a member of the Heineken Group, on the €60 million (\$73 million) merger of Ariana Brewery and Zagorka Brewery, and advised Yioula Glassworks on the €55 million merger between Stind and Druzhiba. The group also advises Coca-Cola Hellenic Bottling Company and Siemens Information & Communication. On the projects side, the firm has been acting for the European Bank for Reconstruction and Development on two projects, including the Stamboliyski paper factory, on which the firm was also instructed by the International Finance Corporation, and also counts Global Finance and Unionbank among its clients. The firm has also represented the European Bank for Reconstruction and Development and the International Finance Corporation on various insolvencies, including Celhart AD and Storco.

The firm is also advising on the €1.1 billion privatization of BulgarTelecom, a deal which was due to close at around the time of going to press.

Key contact partners

Svetlin Adrianov
Ivan Markov
Vladimir Penkov
Lachezar Raichev
Dimitar Slavchev
Roussin Yordanov

Novel Consult

Although one of the younger firms in Bulgaria, Novel Consult has built a good reputation for its advice in financial law, particularly in project finance, in which it is recommended by the market as a good, experienced firm.

The firm offers advice on mergers and acquisitions, and general corporate issues such as company formation, commercial contracts and corporate governance. It also advises on capital markets. Past work includes acting on the pilot public offering of shares in the Bulgarian capital markets, and acting for Varna Shipyards in the creation of the prospectus for a commercial paper issue. The firm has also advised both local and international investors involved in the large-scale Bulgarian privatization process.

Among others, the firm has acted for the European Bank for Reconstruction and Development, ICL Bulgaria, Reuters, Albena Invest Privatization Fund, Centillion, and capital markets brokers Capman International and Elana.

Spasov & Bratanov

Spasov & Bratanov makes its first appearance in the rankings this year on the recommendation of the market, which praises the firm for its involvement in international transactions. The firm offers advice in all areas of financial law, with a particular emphasis on representing foreign investors in connection with their investments and projects in Bulgaria. It has recently strengthened its finance practice with the addition of a fourth partner, Vassil Hadjov, previously in-house counsel at the European Bank for Reconstruction and Development.

Banking deals have included advising an Asian bank in connection with a €200 million (\$243 million) export credit facility associated with an energy project, a consortium of international banks on financing a large-scale private acquisition, acting as sole adviser to a large European bank on a €45 million credit facility to a leading foreign-owned local company, and advising an international financial institution on a €30 million loan to a multinational company to support its greenfield investments in Bulgaria. In capital markets, the firm has advised a large public company on a share redemption deal, and the joint-lead managers on an international private placement of bonds.

The firm's mergers and acquisition practice benefits from the activity of various private equity clients, with deals including advising a leading international private equity fund on the acquisition of a controlling stake in a local financial services company. The group also advised a French manufacturer on a potential acquisition of the assets of a local manufacturer, and advised the vendor on the sale of a meat producer and processor. The firm provides ongoing corporate advice to clients in various business sectors, including oil and gas, tourism and mining.

In project finance, the firm advises both financial institutions and corporates. Recent deals include financing a water and waste water project, and a large-scale energy-saving project intended to benefit from the Kyoto protocol on greenhouse gas emissions.

Key contact partners

Boyko Bratanov
Jana Djambazova
Vassil Hadjov
Georgi Spasov