

CEE LEGAL MATTERS

IN-DEPTH ANALYSIS OF THE NEWS AND NEWSMAKERS THAT SHAPE
EUROPE'S EMERGING LEGAL MARKETS



**THE 800 POUND GORILLA IN THE ROOM:
WESTERN SANCTIONS ON RUSSIA**

- ACROSS THE WIRE: SUMMARY OF DEALS AND CASES IN CEE ■ MARKET SPOTLIGHT: RUSSIA ■
- EXPERTS REVIEW: PRIVATIZATION AND PPP/INFRASTRUCTURE ■ THE GLASS CEILING (PART II) ■
- CEE LEGAL MATTERS ROUND-TABLE: THE FUTURE FOR INTERNATIONAL LAW FIRMS IN CEE ■
- ROOTS IN REVOLUTION: MILLER CANFIELD IN POLAND ■



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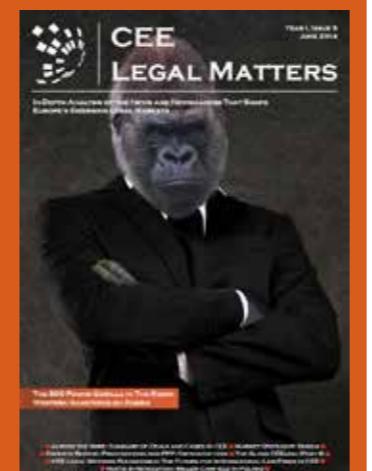
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Editorial: The Lingering Legacy of Russia



IN-DEPTH ANALYSIS OF THE NEWS AND NEWSMAKERS THAT SHAPE EUROPE'S EMERGING LEGAL MARKETS



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Russia, it need not be said, is enormous.

Russia is bigger than Pluto.

Russia is huge.

I lived in Russia from 1995-1998, first in a small community outside of Vladivostok – eight hours ahead of the country's capital – and then in Moscow itself. I was able to experience the excesses and wonders of that chaotic period, and I left for law school in the United States just as the ruble collapsed and the country entered one of its darker periods.

But my memories are neither chaotic nor dark. From the kind school teachers I worked with to the bright and eager young kids in the beach-side community I lived in, I was astounded by the kindness, hospitality, and hearts of the people I met – obviously as large as the country they beat in. I was changed by the experience, and I consider it a priceless and powerful part of my life.

My personal experience is, perhaps, not particularly relevant – but the truth is, it's impossible for me to edit an issue focusing on Russia without reflecting on those memories, those experiences, those people. And, after all, living in Russia exposed me to Eastern Europe for the first time – I also traveled to Prague during my stay in Moscow – and I don't doubt that my presence in this part of the world now can be tied to its affect on me.

I'm not the only one who watches Russia, and we transition awkwardly from the personal to the professional: from Russia's affect on a young American in the mid-90s to Russia's affect on the global business community in the middle years of this decade.

In fact, the tremors that affect the Russian economy and its powerful political and business leaders are felt far outside of Russia's enormous borders. And as a result, the sanctions that the West has imposed on Russia in recent months as a result of its accession of Crimea, and the possibility of additional sanctions that may appear in the future, are of enormous significance to the global business community -- and therefore to the dozens

of large law firms that serve it. In our report on the subject in this issue, Bill Reichert, the Managing Partner of K&L Gates in Moscow, describes the Western sanctions on Russia as "The Gorilla in the Room" – impossible to ignore, dangerous, and all anyone can talk about.

Similar adjectives can be used to describe Russia itself, of course. And our Market Spotlight in this issue shines brightly on Russia, and includes interviews with several Russian General Counsel, an Expat on the Market Q&A with Dentons Senior Partner and Russian expert Doran Doeh, and more.

In addition, just as the countries of CEE find it difficult to fully escape Russia's shadow, many of the other articles and features in this issue seem affected by the history, power, and machinations of the region's – and the world's – largest country. The Experts Review feature in the issue focuses on Privatization – a process which in many CEE markets still, now decades after the fall of the Berlin Wall, involves the ongoing dismantling of lingering communist (and primarily Moscow-imposed) infrastructure. The Top Sites feature considers law firm websites in Hungary and Russia. A Russian lawyer in Turkey takes over as Country Manager of a Russian company in that country. And the fascinating story of Miller Canfield's beginnings in Poland involve the Polish Solidarity movement in the late 1980s, as that country strove to break free of the Soviet grip.

Of course, there's other important content in this issue as well. Part II of our "Glass CEE-ing" report on women in private practice in CEE provides the perspectives and explanations of law firms in the region on hiring practices and partnership promotions.

And the issue is, as always, full of news about law firm office openings and closings, new alliances, practices, and business models, our regular summary of all the deals from CEE reported in the last two months, and much more. The issue is packed with valuable information, and the process of gathering it, compiling it, and presenting for our readers it has been exciting.

Now. Enjoy the World Cup. Enjoy the summer. And enjoy this June issue of the CEE Legal Matters magazine.

David Stuckey, Executive Editor

Guest Editorial: Expect the Unexpected



The last couple of months have taught legal practitioners in CEE (including Russia and Turkey) that this region requires quite a bit of foresight when advising on transactions of any kind: the de-facto occupation and integration of Crimea into the Russian Federation is unlikely to have been reflected in the SPAs or long-term contracts that were negotiated in late 2013/early 2014. The occupation of a significant portion of a country sharing a common land border with four EU-member states is something few people would have thought of as a realistic scenario at that time. Well, that has changed now.

Direct impact

But what does this development mean for legal work? How do you deal with a de-facto change of borders and control over a territory that is not recognized by the EU, the US, or any other significant economic power – but is by Russia? How do you deal with assets located in Crimea and the power of Russian authorities exercised there: do you consider them Rus-

sian or Ukrainian or both when looking into merger control scenarios in a current transaction on the group level? Ignoring the authority of either of the two may have a negative impact on your client's remaining business in Ukraine or Russia, whichever authority has been disregarded.

The muddy crystal ball

The events in Ukraine and in particular in Crimea remind us that in CEE even the most diligent research will not guarantee the ability to anticipate what will happen even during the relatively short period of time that typically takes place between the signing and the closing of a pretty standard M&A transaction. This makes it even more important to provide contractual mechanisms that offer reasonable protection for both parties to a deal: the purchaser will need to have some say once certain assets of the transaction are suddenly in a territory over which the central government no longer exercises control and the government that in fact exercises control is not recognized by the purchaser's own government; at the same time, the seller may argue that the relevant assets operate as usual without disruption and that there is no impediment to going ahead with the inked deal. All of us are in a position to bring sound arguments under law and equity for both sides here ...

But how would such contractual protection work in practice? Will standard material adverse change clauses (MAC) from now also include the factual disintegration of countries, or is this situation covered anyway as a force-majeure event? I tend to lean towards MAC language that also covers to a reasonable extent the political risk of the region, a risk of which we have just been reminded.

Rethinking the subjective feeling of comfort

Until earlier this year, I, for one, had the impression that the current international framework provided reasonable protection for investments in CEE. Most countries had signed a reasonable number of BITs and had already experienced their first ICSID trials. With the events in Crimea, I have had to rethink my subjective feeling of comfort. How should one proceed in case of an expropriation of assets located in Crimea? Go against Ukraine, which in fact does not exercise power there anymore? Against the Russian Federation, given the fact

that no EU country has recognized the splitting off of Crimea and its integration into the Russian Federation? One could argue that protection and justice may currently only be sought in the courts of the Republic of Crimea and of the Russian Federation. I am not sure how comforting that thought is for a client, though.

Pragmatism, the core quality in CEE

Having raised all these questions, I am still very optimistic about the region and its future development due to CEE's unique pragmatism in dealing with situations that in other parts of Europe would likely create insurmountable problems. While it may take quite a while until the national and international legal framework is formally adapted to the factual situation, business across the region will continue more or less as usual and business transactions, also with foreign partners, will continue as before. The one key difference from before? Today we are more aware of the fact that the unexpected can happen at any time in this region.

Marcus Piuk, Partner,
Schoenherr Attorneys at Law

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Letters should include the writer's full name, address and telephone number and may be edited for purposes of clarity and space.



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Legal Ticker: Summary of Deals and Cases

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
April 11, 2014	Schoenherr, Fenech & Fenech	Schoenherr advised Oesterreichische Volksbanken (OeVAG) on the sale of its fully-owned subsidiary Volksbank Malta, to Malta-based Mediterranean Bank, which was advised by Fenech & Fenech Advocates.	N/A	Austria
April 24, 2014	CHSH Cerha Hempel Spiegelfeld Hlawati, Schoenherr	CHSH and Schoenherr advised on negotiation and completion of a shareholders' agreement between Oesterreichische Industrieholding and America Movil relating to shares the two hold in Telekom Austria.	N/A	Austria
April 24, 2014	Dentons	Dentons advised Gortz Beteiligungsgesellschaft in the company's obtaining of investment from AFINUM Management.	N/A	Austria
April 29, 2014	Baker & McKenzie	Baker & McKenzie advised on a "New Strategic and Financial Partnership" between Store Electronic Systems and iMAGOTAG.	N/A	Austria
April 29, 2014	Luther, KWR Karasek Wietrzyk Rechtsanwalte	Luther and KWR Karasek Wietrzyk Rechtsanwalte advised MUT Holding on its acquisition of the Austrian Theysohn Extrusionstechnik, as well as its German subsidiary Extruder-Komponenten Salzgitter, from Diligenta Holding and RLB – Beteiligungs- und Treuhandgesellschaft.	N/A	Austria
May 2, 2014	Hogan Lovells	Hogan Lovells advised Ivanhoe Cambridge on the disposal of a European portfolio of 18 hotels operating under the IHG brands of Crowne Plaza, Holiday Inn, and Holiday Inn Express.	N/A	Austria
May 6, 2014	Binder Grosswang	Binder Grosswang advised the Poell family on the sale of the Salzburg Schokolade company to Viennese investors Philipp Harmer and Christian Schugerl.	N/A	Austria
May 7, 2014	CHSH Cerha Hempel Spiegelfeld Hlawati, Binder Grosswang, Linklater, bpv Hugel, Clifford Chance	CHSH, bpv Hugel, and Clifford Chance advised IMMOFINANZ and BUWOG on capital market aspects and financing in connection with the IPO of BUWOG.	N/A	Austria
May 15, 2014	CHSH Cerha Hempel Spiegelfeld Hlawati	CHSH advised the HERZ group in connection with its acquisition of the majority of the shares in HIRSCH Servo.	N/A	Austria
May 15, 2014	Schoenherr, Dorda Brugger Jordis	Schoenherr and Dorda Brugger Jordis advised on establishment of a mutual capital interlinking between PALFINGER (and individual selling PALFINGER shareholders) and SANY Heavy Industries Co.	EUR 220 million	Austria
May 20, 2014	Wolf Theiss	Wolf Theiss advised the Helvetia-Group on its purchase of Basler Versicherungs-Aktiengesellschaft.	N/A	Austria
May 22, 2014	Linklaters	Linklaters advised buch.de internetstores on the squeeze-out of its minority shareholders by Thalia Holding.	N/A	Austria
May 27, 2014	Wolf Theiss and Latham & Watkins	Wolf Theiss advised lifebrain, a medical diagnostic laboratory group headquartered in Austria, on its acquisition of the Italian Guidonia Group.	N/A	Austria
May 28, 2014	Hogan Lovells	Hogan Lovells is advising Mitsubishi Heavy Industries (MHI) on its participation in a global joint venture between Mitsubishi-Hitachi Metals Machinery and Siemens.	N/A	Austria
May 30, 2014	Binder Grosswang and Dorda Brugger Jordis	Binder Grosswang advised the Scout24 Group on its acquisition of Austrian IMMOBILIEN.NET real estate portal from sellers Markus and Alexander Ertler, who were represented by Dorda Brugger Jordis.	N/A	Austria
June 4, 2014	Binder Grosswang, Milbank, and Eisenberger & Herzog	Binder Grosswang, Milbank, and Eisenberger & Herzog advised on the sale of Software AG's Austrian SAP Consulting business to the Scheer Group.	N/A	Austria
June 4, 2014	Dorda Brugger Jordis	Dorda Brugger Jordis advised the Frauenthal Group on its acquisition of all shares in OAG, a leading Austrian wholesaler of sanitary and heating products.	N/A	Austria
May 8, 2014	Hengeler Mueller, Linklaters	Hengeler Mueller and Linklaters advised on Axel Springer sale of regional newspapers, TV program guides, and women's magazines to Funke Mediengruppe.	EUR 920 million	Austria, Czech Republic, Hungary, Poland, Russia, Serbia, Slovakia
May 22, 2014	Sayenko Kharenko	Sayenko Kharenko advised Capiton in connection with its acquisition of a Ukrainian subsidiary of the Finnish Dynea-Group.	N/A	Austria, Romania, Ukraine

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May 15, 2014	Karanovic & Nikolic	Karanovic & Nikolic advised Mid Europa Partners on the sale of SBB/Telemach Group to Kohlberg Kravis Roberts & Co.	N/A	Bosnia, Croatia, Macedonia, Montenegro, Serbia, and Slovenia
May 23, 2014	Boyanov & Co.	Boyanov & Co. advised Citigroup Global Markets Limited as underwriter of new notes issued by Glasstank, a Dutch SPC of the Yioula Group.	EUR 185 million	Bulgaria
June 4, 2014	Velchev & Co	The Bulgarian Velchev & Co law firm is representing the GANT clothing brand in Bulgaria.	N/A	Bulgaria
May 16, 2014	Wolf Theiss	Wolf Theiss Zagreb successfully assisted Split-based Adria Steel in enabling customs-free exports of Croatia-produced steel products to Algeria.	N/A	Croatia
May 20, 2014	Divjak, Topic & Bahtijarevic	Divjak, Topic & Bahtijarevic law firm advised the Dogus Group on its assumption of majority control of Tenos Ltd.	N/A	Croatia
April 16, 2014	Divjak, Topic & Bahtijarevic	Divjak, Topic & Bahtijarevic advised the Turkish Dogus Group on its purchase of a majority stake in the Villa Dubrovnik hotel from the Croatian Heruc Group.	N/A	Croatia, Turkey
April 23, 2014	Chadbourne & Parke and Baker & McKenzie	Chadbourne & Parke represented the Bank of Cyprus Public Company on the sale of its Ukrainian subsidiary, PJSC "Bank of Cyprus" (and associated debt), to Alfa Group, which was represented by Baker & McKenzie.	EUR 202.5 million	Cyprus, Ukraine
April 19, 2014	CMS Cameron McKenna	CMS advised LMS Outlets on its sale of the Fashion Arena Outlet Center, a 25,000 square metre outlet centre consisting of 110 stores.	EUR 71.5 million	Czech Republic
May 30, 2014	Clifford Chance	Clifford Chance advised the Constellium Group on a May 2014 private offering of two high-yield bonds, in both Euros and Dollars, and a revolving credit facility.	EUR 700 million	Czech Republic
June 3, 2014	Gleiss Lutz	Gleiss Lutz advised AVIC Electromechanical System Co. (AVICEM), on its acquisition of the German automotive supplier KOKINETICS.	N/A	Czech Republic
June 3, 2014	Edwards Wildman	Edwards Wildman advised GTS on the completion of its sale to Deutsche Telekom	EUR 546 million	Czech Republic, Poland, Romania, and Slovakia
May 2, 2014	DLA Piper	DLA Piper advised EVRAZ on the auction sale of its wholly-owned Czech subsidiary EVRAZ Vitkovice Steel to a consortium of private investors.	USD 287 million	Czech Republic, Russia
May 28, 2014	Squire Sanders	Squire Sanders announced that it won a significant international arbitration for the Slovak Republic against the Dutch company Achmea.	N/A	Czech Republic, Slovakia
May 8, 2014	CMS Cameron McKenna, Allen & Overy	CMS Cameron McKenna and Allen & Overy advised on MOL Group sale-purchase agreement with Eni for Eni's downstream businesses in the Czech Republic, Slovakia, and Romania, including a retail network currently under the Agip brand.	N/A	Czech Republic, Slovakia, Romania
April 24, 2014	VARUL	VARUL advised Pigu on the acquisition of remaining shares of DLB e-shop.	N/A	Estonia
April 29, 2014	TRINITI	The Tallinn office of TRINITI advised Ducto with regard to its expansion in Estonia and entrance into the Finnish market.	N/A	Estonia
April 30, 2014	LAWIN, Lextal	LAWIN successfully represented the Government of the Estonian Republic in a dispute against the City of Tallinn, the City of Narva, and a father of a pupil from Narva, who demanded that upper secondary schools continue using Russian as a language of instruction. The cities were represented by Lextal.	N/A	Estonia
May 6, 2014	Hedman Partners	Hedman Partners advised the founders of the Taxify smartphone app in drafting the financing and shareholders' agreements under which angel investors from the USA, Europe, and Asia made a USD 100,000 seed round investment into the company.	USD 100,000	Estonia
May 9, 2014	Red, Sorainen	RED Attorneys-at-law advised the EPI Baltic I real estate fund on the sale of 100% shareholding in subsidiary DLG Holding to Lepidus Invest, represented by Sorainen.	N/A	Estonia
May 23, 2014	Hedman Partners	Hedman Partners is advising the Estonian Uuskasutuskeskus on employment and labour law issues to help the NGO revise its employment contracts with its staff.	N/A	Estonia
May 26, 2014	Red	The Red law firm advised UAV Factory in cross-border financing for development of unmanned aerial vehicles and platforms.	N/A	Estonia

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June 5, 2014	LEXTAL	LEXTAL advised Tallegg and Rakvere Lihakombinaat, Estonian subsidiaries of the HKScan group, on a merger and business name change.	N/A	Estonia
June 3, 2014	Mannheimer Swartling and Borenius	Mannheimer Swartling and Borenius advised on Intersnack Group acquisition of Estrella Maarud from Herkules Private Equity Fund II.	N/A	Estonia, Latvia, Lithuania
April 18, 2014	LAWIN, Sorainen, Linklaters, Soltysinski Kawecki & Szlezak, Slaughter and May, and Gorrisen Federspiel	LAWIN, Sorainen, Linklaters, Soltysinski Kawecki & Szlezak, Slaughter and May, and Gorrisen Federspiel advised on sale of RSA Insurance Group companies in the Baltics and Poland to the Polish Powszechny Zaklad Ubezpieczen insurance company.	EUR 360 million	Estonia, Latvia, Lithuania, Poland
May 5, 2014	Papapolitis & Papapolitis	Papapolitis & Papapolitis advised Intracom Holdings in the sale of its 49% shareholding participation in Intracom Telecom to investors in Dubai.	EUR 47 million	Greece
May 14, 2014	Kyriakides Georgopoulos	Kyriakides Georgopoulos advised on new agreement for the construction of ten public schools in Attica, made via Public Private Partnership.	EUR 52 million	Greece
May 26, 2014	Linklaters, Baker & McKenzie	Linklaters and Baker & McKenzie advised on formation of Bundesdruckerei joint venture with Giesecke & Devrient.	N/A	Greece
June 6, 2014	Papapolitis & Papapolitis	Papapolitis & Papapolitis advised Goldman Sachs International and Morgan Stanley & Co. International as joint global coordinators and joint book runners in connection with an offering of 1,136,363,637 new ordinary shares by National Bank of Greece	EUR 2.5 billion	Greece
April 18, 2014	Sorainen	Sorainen Latvia advised the London branch of Deutsche Bank on financing it provided Baltics Credit Solutions Latvia, the buyer of performing and non-performing credit portfolios from Latvijas Krajbanka, which is in insolvent liquidation.	N/A	Latvia
May 14, 2014	Sorainen	SORAINEN's Latvia office is representing BIGBANK in a dispute with the Consumer Rights Protection Centre of Latvia.	N/A	Latvia
May 16, 2014	Sorainen	SORAINEN advised Sanoma, a European consumer media and learning company, on the divestment of its Apollo online news service in Latvia.	N/A	Latvia
May 19, 2014	Spilbridge, LAWIN, Sorainen, and BLS Kronbergs & Cukste	Spilbridge, LAWIN, Sorainen, and BLS Kronbergs & Cukste argued in Latvian court on validity of freezing injunction and receivership order by the English High Court.	N/A	Latvia
May 19, 2014	Spilbridge	Spilbridge prevailed in the Kurzeme Regional Court in dispute between the Latvijas Naftas Transzits company and the Ventbunkers oil products transfer terminal at Latvia's Ventspils port	N/A	Latvia
June 3, 2014	TRINITI	Riga-based Partner of the TRINITI law firm is participating in the reform of State-Owned Enterprise governance in Latvia.	N/A	Latvia
June 5, 2014	Sorainen	Sorainen convinced the Latvian Competition Council not to initiate a case of possible abuse of dominant position in the activities of TV3 Latvia.	N/A	Latvia
June 5, 2014	Sorainen	Sorainen successfully obtained merger approval from the Latvian Competition Council for the merger of the Polish Powszechny Zaklad Ubezpieczen and the Latvian Balta insurance companies.	N/A	Latvia
June 9, 2014	FORT	Baltic FORT law firm's complaint filed on behalf of the Latvian Renewable Energy Federation (LREF) resulted in action from the European Commission.	N/A	Latvia
April 28, 2014	Sorainen	The Lithuanian and Latvian offices of SORAINEN advised Novaturas on its acquisition of shares in Novaturas, the company's Latvian subsidiary, from minority shareholders.	N/A	Latvia, Lithuania
June 10, 2014	LAWIN	LAWIN advised the Danish Ingleby Farms & Forests on the acquisition of shares in SIA Agro Duo, a subsidiary of the Danish company Agro Duo.	N/A	Latvia, Romania
May 6, 2014	Sorainen	The Lithuanian office of SORAINEN successfully represented Zalvaris and Balthal in significant tax disputes with the Customs Department.	EUR 290,000	Lithuania
May 7, 2014	Tark Grunte Sutkiene	Tark Grunte Sutkiene represented AB City Service, a shareholder of Ecoservice, in a sale of its shares in the company.	N/A	Lithuania
May 7, 2014	FORT	The Lithuanian office of the FORT law firm is representing 262 plaintiffs in a class action against the state-run Deposit and Investment Insurance Company (DIIC).	EUR 1.7 million	Lithuania
May 21, 2014	GLIMSTEDT	Glimstedt's Lithuania office advised SweDeltaco on its agreement to acquire 100 % of the shares in UAB AG Trade from UAB Topo Grupe.	N/A	Lithuania
May 23, 2014	Sorainen	Sorainen advised Amber Grid on the acquisition of 38.9% of the shares of EPSO-G from E.ON Ruhrgas International	EUR 49.76 million	Lithuania
June 4, 2014	GLIMSTEDT	GLIMSTEDT in Lithuania advised E.ON Ruhrgas on "a major energy deal" that closed on May 21, 2014.	N/A	Lithuania
May 7, 2014	Tark Grunte Sutkiene	Tark Grunte Sutkiene advised Baltic Champs in structuring and implementing a merger with the Agrowill Group.	EUR 30 million	Lithuania, Poland, Ukraine

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
May 26, 2014	Borenius and Cravath, Swaine & Moore	Borenius advised the Helsinki-based Paroc Group in connection with an offering of high-yield notes to international investors as part of the Group's refinancing.	EUR 430 million	Lithuania, Russia
May 1, 2014	Eversheds	The Court of Appeal in Lodz dismissed the appeal by mBank in the class action brought by a group of 1,247 consumers, which Wierzbowski Eversheds represented.	N/A	Poland
May 2, 2014	Chadbourne & Parke and Weil, Gotshal & Manges	Multimedia Polska announced on March 26, 2014 that it is seeking to sell 49.2% of its stake in its TV operations in an IPO scheduled for June, 2014.	N/A	Poland
May 8, 2014	Greenberg Traurig	Greenberg Traurig advised on Cyfrowy Polsat's acquisition of Polkomtel, the operator of the "Plus" mobile network.	N/A	Poland
May 13, 2014	Wardynski & Partners	Wardynski & Partners, acting pro bono, obtained hearing of cassation appeal in civil rights case by The Supreme Court of Poland.	N/A	Poland
May 13, 2014	Bird & Bird	Bird & Bird is advising Lexmark International Technology on its recommended cash offer to the shareholders of the Swedish ReadSoft company.	EUR 133 million	Poland
May 16, 2014	Wolf Theiss	Wolf Theiss obtains significant victory before the Polish Supreme Court	EUR 2 million	Poland
May 16, 2014	Greenberg Traurig, Allen & Overy	Greenberg Traurig and Allen & Overy advised BNP Paribas Poland and its French main shareholder, BNP Paribas, in the public offering of shares of BNP Paribas Poland.	EUR 55 million	Poland
May 16, 2014	CMS Cameron McKenna	CMS advised Zabka (MEP portfolio company) on the acquisition of Spolem Zabrze	N/A	Poland
May 23, 2014	Greenberg Traurig	Greenberg Traurig advised the PZU Group in the tender procedure for selecting an HR management & payroll system supplier.	N/A	Poland
May 23, 2014	Studnicki Pleszka Cwiakalski Gorski	Studnicki Pleszka Cwiakalski Gorski represented Enterprise Investors in negotiations concerning the taking-up of shares in Nu-Med Grupa.	N/A	Poland
May 28, 2014	K&L Gates	K&L Gates obtained a costs award and a dismissal of all claims for the Republic of Poland in an investment treaty dispute with U.S. investors David Minnotte and Robert Lewis.	USD 1.2 million	Poland
May 29, 2014	Studnicki Pleszka Cwiakalski Gorski	Studnicki Pleszka Cwiakalski Gorski advised the PTE Warta pension fund on the sale and transfer of its management to PTE Allianz Polska.	N/A	Poland
June 3, 2014	Studnicki Pleszka Cwiakalski Gorski, Hengeler Mueller, and Vinga	Studnicki Pleszka Cwiakalski Gorski, Hengeler Mueller, and Vinga advised on Shiloh Industries acquisition of 100% shares in Finnveden Metal Structures.	USD 56.5 million	Poland
June 4, 2014	BWW Law & Tax	The Polish BWW Law & Tax firm advised New Media Ventures and Paszport Korzysci in the "Paszport Korzysci" project – a new loyalty program for the clients of Cyfrowy Polsat, Polkomtel, and Plus Bank.	N/A	Poland
June 4, 2014	Binder Grosswang, Wolf Theiss, Wardynski & Partners, Domanski Zakrzewski Palinka, and Pillsbury Winthrop Shaw Pittman	Binder Grosswang, Wolf Theiss, Wardynski & Partners, Domanski Zakrzewski Palinka, Pillsbury Winthrop Shaw Pittman advised on sale of MeadWesvaco Beauty and Personal Care Folding Carton Business to the ASG Shorewood Group.	N/A	Poland
June 10, 2014	Dentons	Dentons' Warsaw office advised ERG Renew on its purchase of shares in EW Orneta 2 from the Vortex Energy Group.	EUR 65 million	Poland
May 20, 2014	Schoenherr, Domanski Zakrzewski Palinka, and Tuca Zbarcea & Asociatii	Schoenherr advised VB-Leasing International, on the sale of VB Leasing Poland and VB Leasing Romania to the Polish company Getin Holding, which was represented by Domanski Zakrzewski Palinka and Tuca Zbarcea & Asociatii.	N/A	Poland, Romania
May 13, 2014	Debevoise & Plimpton, Latham & Watkins, and Clifford Chance	Debevoise & Plimpton, Latham & Watkins, and Clifford Chance are advising on Clayton, Dubilier & Rice agreement to acquire Mauser Group from Dubai International Capital.	EUR 1.2 billion	Poland, Russia, Turkey
May 19, 2014	Buzescu, Tuca Zbarcea & Asociatii, Vilau Mitel	The Buzescu law firm secured a victory in the Romanian High Court on behalf of Wizz Air in a dispute against Timisoara Airport and Carpatair. Carpatair was represented by Tuca Zbarcea & Asociatii, and Timisoara Airport by Vilau Mitel.	N/A	Romania
June 5, 2014	Kinstellar	Kinstellar's Bucharest office advised ERBD on a EUR 57 million loan for the development of the Topolog-Dorobantu wind park in the South-East of Romania.	EUR 57 million	Romania
May 26, 2014	Allen & Overy	Allen & Overy advised on a EUR 66 million financing of Azomures to be used for modernizing its plant in Targu Mures, Romania.	EUR 66 million	Romania, Czech Republic

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
April 24, 2014	Nektorov, Saveliev & Partners	Nektorov, Saveliev & Partners advised the Russian MIR management company on an investment agreement with Koltech.	N/A	Russia
April 28, 2014	Liniya Prava	Liniya Prava succeeded in having a Decision and Order of the antimonopoly authority for the north Caucasus on the alleged imposition of loan repayment through annuity payments by Sberbank of Russia to its borrowers overturned and invalidated by the Arbitrash Court for the Rostov Region of Russia.	N/A	Russia
April 29, 2014	Gleiss Lutz, Akin Gump, Borenius, and Hengeler Mueller	Gleiss Lutz, Borenius, Akin Gump, and Hengeler Mueller advised on Sistema JSFC joint venture with Fresenius Kabi to establish a pharmaceuticals joint venture for operations in Russia and the CIS.	N/A	Russia
May 2, 2014	Squire Sanders	Squire Sanders advised Ozon Holdings on a fund raising from Sistema and Mobile TeleSystems.	USD 150 million	Russia
May 26, 2014	YUST	The YUST law firm represented the Russian Public Library and the Russian Ministry of Culture in their claim against the United States for return of books from the rare Schneerson Collection to Russia.	N/A	Russia
May 26, 2014	Monastyrsky, Zyuba, Stepanov & Partners	Monastyrsky, Zyuba, Stepanov & Partners lawyers protected the interests of Uralvagonzavod in patent litigation in the Ninth Appellate Court.	N/A	Russia
May 28, 2014	Debevoise & Plimpton	Debevoise & Plimpton advised Titan Group on the establishment of Poliom, a joint venture based on the Omsk Polypropylene Plant.	N/A	Russia
May 28, 2014	Nektorov, Saveliev & Partners	Nektorov, Saveliev & Partners advised Ozon on antitrust issues related to its acquisition of controlling shares in the LitRes and Best-book online bookstores.	N/A	Russia
May 30, 2014	FBK Legal	FBK Legal participated in an audit of the Bank of Russia.	N/A	Russia
June 3, 2014	Slaughter and May, Wiersholm, and ALRUD	Slaughter and May, Wiersholm, and ALRUD are advising on a long term Investment and Co-operation Agreement between North Atlantic Drilling (NADL) and Seadrill Limited with Rosneft.	N/A	Russia
June 3, 2014	Integrites	Integrites acted as Russian legal counsel to the London and Utrecht branches of Rabobank International in connection with revolving facilities.	EUR 120 million	Russia
June 4, 2014	FBK Legal	FBK Legal prepared notification on controlled transactions in 2013 on behalf of client Alexion Pharma.	N/A	Russia
June 5, 2014	FBK Legal	FBK Legal assisted SEVERALMAZ in the placing of additional shares in the company by open subscription.	RUB 16 billion	Russia
June 6, 2014	Orrick	Orrick advised Sberbank CIB as the arranger on a complex refinancing for MLP Group, a leading warehouse distribution operator in Russia and Ukraine.	USD 500 million	Russia, Ukraine
May 6, 2014	JPM Jankovic Popovic Mitic	JPM Jankovic Popovic Mitic advised the owners of Milos Klinika on the sale of 100% of its stake to the Blue Sea Capital Investment Fund.	N/A	Serbia
June 9, 2014	Karanovic & Nikolic	Karanovic & Nikolic assisted Croatia's Agrokor in successful applications for merger clearance in relation to its combination with Slovenia's Mercator.	EUR 240 million	Serbia, Croatia, Slovenia
April 17, 2014	Cechova & Partners, Snell & Wilmer, and S. Horowitz & Co.	Cechova & Partners, Snell & Wilmer, and S. Horowitz & Co. advised AFS Technologies on its acquisition of 100% of Visicom.	N/A	Slovakia
May 19, 2014	bpv Braun Partners	bpv BRAUN PARTNERS is providing legal advice on the construction of a multipurpose City Arena complex in Trnava, Slovakia.	N/A	Slovakia
May 14, 2014	Asters	Asters advised on Memorandum of Understanding signed between Eustream and Ukrtransgaz on transmission of gas from Slovakia to Ukraine.	N/A	Slovakia, Ukraine
April 29, 2014	Schoenherr	Schoenherr advised a group of shareholders of Slovenia's Helios Domzale and pledgees in Helios shares in the sale of a majority stake in Helios to Ring International Holding, a Vienna-based industrial group.	EUR 106 million	Slovenia
May 14, 2014	Schoenherr, Wolf Theiss	Schoenherr advised Slovenian creditor financial institutions in the debt restructuring of the Lasko Group, a major regional beverage manufacturer and distributor, which was represented by Wolf Theiss	EUR 330 million	Slovenia
May 16, 2014	Wolf Theiss	Wolf Theiss advised the Slovenian Pivovarna Lasko brewery on debt restructuring.	EUR 300 million	Slovenia
May 6, 2014	Allen & Overy, Atim & Atim	Allen & Overy advised the Industrial and Commercial Bank of China on its proposed acquisition of 75.5 percent of the issued share capital of Tekstil Bankasi from GSD Holding (which was represented by Atim & Atim).	USD 316 million	Turkey
May 7, 2014	White & Case	White & Case advised GMR Infrastructure and its group companies on the sale of their 40 percent stake in Istanbul's Sabiha Gokcen International Airport.	EUR 209 million	Turkey

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
May 12, 2014	Hedman Partners	Hedman Partners is advising the Estonian Uuskasutuskeskus on employment and labour law issues to help the NGO revise its employment contracts with its staff.	N/A	Turkey
May 16, 2014	Baker & McKenzie	Baker & McKenzie advised ING on a covered term loan facility to Izmir's Metropolitan Municipality.	EUR 55 million	Turkey
May 21, 2014	Baker & McKenzie	Baker & McKenzie's advised the Marubeni Corporation on its acquisition of a 49% stake in Temsa Is Makinalari Imalat Pazarlama ve Satici from TEMSA GLOBAL Sanayi ve Ticaret.	N/A	Turkey
May 22, 2014	Mayer Brown	Mayer Brown advised Standard Chartered Bank and BNP Paribas on a five-year loan facility to Canadian-based First Quantum Minerals.	USD 3 billion	Turkey
May 28, 2014	Baker & McKenzie	Baker & McKenzie advised Nafiz Kerim Kotan and Murat Zorlu on the acquisition of 99% of the share capital of Arma Portfoy Yonetimi.	N/A	Turkey
May 30, 2014	DLA Piper	DLA Piper completed the financing for the USD 4 billion Third Bosphorus Bridge Project, acting for the sponsors, IC Holding, and the Astaldi Group.	USD 4 billion	Turkey
May 30, 2014	Vinson & Elkins, Allen & Overy, Paksoy, YukselKarkinKucuk	Vinson & Elkins, Allen & Overy, Paksoy, and Yuksel Karkin Kucuk advise STAR Rafineri on development and financing of a greenfield oil refinery on the Aegean Sea.	USD 5.6 billion	Turkey
April 24, 2014	Asters	Asters acted as Ukrainian counsel to the EBRD on secured lending to the New Europe Property Fund, which is managed by NCH Capital.	USD 40 million	Ukraine
May 9, 2014	Sayenko Kharenko	Sayenko Kharenko advised on a binding agreement pursuant to which Hapag-Lloyd will take over the container division of Compania Sud Americana de Vapores.	N/A	Ukraine
May 13, 2014	Egorov Puginsky Afanasiev & Partners	Egorov Puginsky Afanasiev & Partners Ukraine advised Dynea Chemicals in the sale of 100% of the shares of its subsidiary Dynea Ukraine to the German Mellifera Zehnte Beteiligungsellschaft.	N/A	Ukraine
May 15, 2014	Integrites	Integrites advised Olam Ukraine on legal regulations and other aspects of grain trading activity, including on currency issues, risk hedging, and warehouse activity.	N/A	Ukraine
May 22, 2014	Vasil Kisil & Partners	Vasil Kisil & Partners announced that it provided legal advice to the EBRD on its April 2013 loan to UBC-Promo.	USD 10 million	Ukraine
May 22, 2014	Vasil Kisil & Partners	Vasil Kisil & Partners acted as sole legal advisor to the European Commission on its granting of macro-financial assistance to Ukraine.	EUR 610 million	Ukraine
May 26, 2014	Sayenko Kharenko	Sayenko Kharenko advised Pamplona Capital Management in its acquisition of a majority stake in Alvogen.	N/A	Ukraine
May 27, 2014	Egorov Puginsky Afanasiev & Partners and Baker Botts	Egorov Puginsky Afanasiev & Partners and Baker Botts advised Richmont Holdings on its acquisition of Agel Enterprises.	N/A	Ukraine
May 29, 2014	Integrites	Integrites is advising the Ecopharm manufacturer of herbal medicines on its search for project financing.	N/A	Ukraine
June 2, 2014	Lavrynovych & Partners, DLA Piper	Lavrynovych & Partners and DLA Piper defended Swissport International in the Kiev Economic Court against Ukraine International Airlines.	N/A	Ukraine
June 4, 2014	Sayenko Kharenko	Sayenko Kharenko acted as legal counsel to the EBRD on its provision of a EUR 35 million loan to Danosha, a major Ukrainian pig farming company.	EUR 35 million	Ukraine
June 5, 2014	Sayenko Kharenko	Sayenko Kharenko advised the EBRD on a USD 26 million loan to the Ukrainsky Grafit public joint-stock company.	USD 26 million	Ukraine
June 10, 2014	Egorov Puginsky Afanasiev & Partners	Egorov Puginsky Afanasiev & Partners in Ukraine obtained regulatory approval for H2 Equity Partners' acquisition of a major European producer of fresh frozen vegetables, fruit, and potato products.	N/A	Ukraine

Full information available at: www.ceelegalmatters.com

Period Covered: April 11, 2014 - June 10, 2014

Did We Miss Something?

We're not perfect, we admit it. If something slipped past us, and if your firm has a deal, hire, promotion, or other piece of news you think we should cover, let us know. Write to us at press@ceelm.com

On the Move: New Homes and Friends

Firm Moves

Hogan Lovells and Norton Rose Fulbright Give Up in Prague



Norton Rose Fulbright closed its Prague office on May 1, 2014 – and Hogan Lovells announced it will be following suit shortly thereafter.

This marks the second time that Norton Rose has closed in Prague, as it also withdrew from the Czech capital in September, 1996, before re-opening 10 years later. Corporate Partner Milana Chamberlain has returned to the firm's main office in London, while Czech Partner Pavel Kvicala and his team have joined Havel, Holasek & Partners – making that firm, the largest in the Czech Republic, even larger. Havel, Holasek Founding Partner Jaroslav Havel stated that: “Joining forces with prominent Partner Pavel Kvicala and his experienced team will give us an opportunity to provide expert legal services to a number of global and local clients.”

Hogan Lovells announced that its doors will close on July 31, 2014. At the moment, the office has 14 fee earners, including Partners Miroslav Dubovsky and Pavel Skopov, and 14 support staff. David Harris, Hogan Lovells' global co-CEO, stated: “We have taken the decision to close the Prague office following a review of the market and our investment priorities. The partners in Prague understand the decision and are considering the possibility of the office becoming an independent local firm with an informal referral relationship with Hogan Lovells. We are very grateful to all of our people in Prague for their hard work over the years.”

In Prague, Miroslav Dubovsky, the firm's local Managing Partner, confirmed the news: “Hogan Lovells has operated in the Czech Republic since 1991 working for both domestic and international clients. Obviously, global and local markets and priorities have changed since then. We firmly believe that we have a good practice and that there are market opportunities that we can take advantage of, including working with Hogan Lovells in the future. We look forward to the new challenges.”

Squire Sanders in Global Merger with Patton Boggs



On June 1, 2014, the merger between Squire Sanders and Patton Boggs became official, and the firm began operating under the name Squire Patton Boggs.

The new entity – which added Patton Boggs' 300 lawyers to Squire Sanders' 1300 – has 1,600 lawyers and 45 offices in 21 countries, which the firm claims places it squarely among the top 25 firms globally by headcount, and 8th in number of offices around the world. According to a jointly-issued press release announcing the merger in May, “the combined firm will bring together Squire Sanders' top ranked global legal platform and Patton Boggs' preeminent public policy, white collar and other practices to provide clients with unparalleled geographic reach, breadth and depth of practice capabilities and unmatched knowledge in matters where law, government and business intersect.”

Jim Maiwurm, the Chair and Global CEO of Squire Sanders, was unsurprisingly enthusiastic about the news on the day the merger was announced. “Today marks an important day in the history of our firm. Patton Boggs is the premier public policy firm in the world, and this combination establishes us as the ‘go-to’ firm for public policy work. We also gain a leading position in the Middle East and several new locations in the United States, while deepening our bench in a number of important practices areas, all of which strengthen our service platform,” he said. “Through our discussions we have gained a great deal of respect for the partnership and culture of Patton Boggs. We are very pleased to combine leading global and public policy firms with diverse and strong practices and client bases, strong regional positions and international orientations. Together we will be uniquely positioned to respond to the needs of business clients around the world.”

Ed Newberry, the Managing Partner of Patton Boggs, shared Maiwurm's confidence. “Squire Sanders is recognized as one of the industry's leading global law firms with practice and industry expertise in key financial markets spanning the Americas, Europe, Asia-Pacific and the Middle East,” he said. “The platform and collective expertise created through this combination provide considerable opportunities to access new markets, engage clients in new ways and attract and retain top talent. I couldn't be more excited for the future of our firm.”

Merger Between Sinanides & Sinanides and Drakopoulos in Greece



On June 10, 2014, the Drakopoulos Law Firm in Greece announced that it had merged with the Greek Sinanides & Sinanides law firm. Sinanides & Sinanides has been active in the Greek legal market for over 35 years.

Hero Sinanidou-Sideridou, the founder and Managing Partner of her eponymous firm, is a leading authority in Gaming law. She will lead the Drakopoulos Gaming law practice across the firm's 11 jurisdictions in Southeastern Europe, based out of the firm's Athens headquarters.

George Sinanides, the co-founder at Sinanides & Sinanides, is a prominent litigator in Greece, as well as a Lecturer in Civil Procedure at the Athens Law School and Deputy Director of Legal Services at Alpha Bank. He joins Drakopoulos as Of Counsel, and will be the Head of the firm's Litigation practice, while Maria Sinanidou, also joining as Of Counsel, will lead Drakopoulos's Copyright practice.

Pepeliaev Group and Russin & Vecchi In Strategic Alliance For Russian Far East

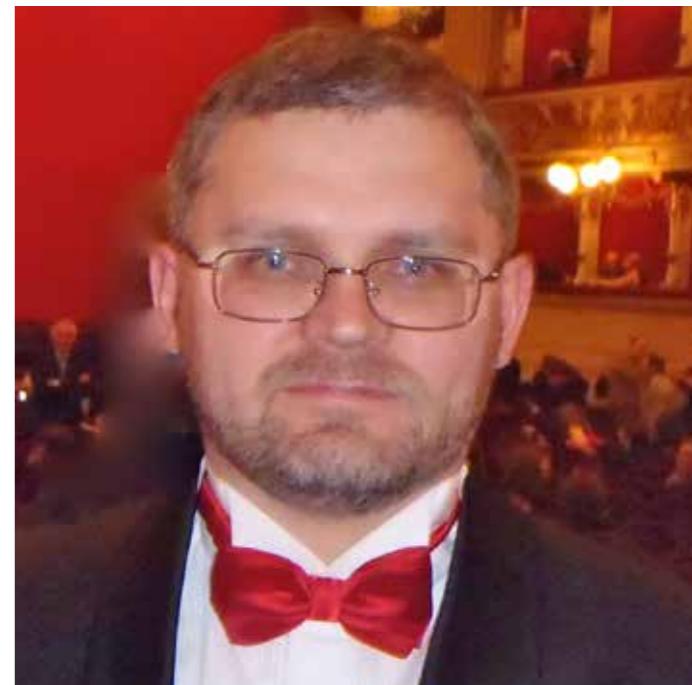
The Russian Pepeliaev Group and the Washington D.C.-based Russin & Vecchi have agreed to form a strategic alliance for Vladivostok, the Primorskii Krai region of Russia, and the Russian Far East. The alliance's representatives will provide legal support in areas such as the fuel and power industry, natural resources law, transport, construction, tourism, healthcare, pharmaceuticals, telecoms, marine law, agriculture and timber processing.

The firms report that they have already started to collaborate actively in the context of the alliance: in early April they held a seminar in Vladivostok on the “Legal Aspects of Doing Business in the Russian Far East in 2014.” During this event, the firms discussed tax difficulties, amendments to the Civil Code, and issues occurring as a result of the move towards deoffshorization, along with many other matters of interest to businesses in the region. Those taking part in the seminar included representatives from the Consulates

General of South Korea and the USA, as well as Heads of Legal and senior managers from foreign companies doing business in the Far East, and senior figures from companies in the region.

The alliance is designed to take advantage of Russin & Vecchi's existing office in Vladivostok and the Pepeliaev Group's strong reputation in tax and other matters. The firms, combined, have more than 170 lawyers and more than 1,500 clients in Moscow, St Petersburg, Krasnoyarsk, Vladivostok, and Yuzhno-Sakhalinsk, among other cities.

Maalouf Ashford & Talbot Opens in Russia



Maxim Tafintsev, Head of Moscow Office, Maalouf Ashford & Talbot

Maalouf Ashford & Talbot has opened an office in Moscow. The firm, which now has offices in 7 countries (and is affiliated with another 30 offices globally) will be led in Moscow by Russia House International Lawyers law firm Managing Partner Maxim Tafintsev, who will wear two hats.

Senior Partner John Maalouf, based in New York, says that MAT focuses primarily on international financial transactions and oil & gas – he calls his firm “one of the leading oil & gas firms in the world,” and says the decision to open a formal Moscow office was necessitated by the substantial amount of work they've had in Russia in recent years.

Tafintsev founded the Russia House International Lawyers law firm back in 1997. He maintains his separate role as Managing Partner of that firm, which retains its offices in Moscow, Vladivostok, Luxembourg, Petropavlovsk-Kamchatsky, and Kazan. He is also the Co-Founder of the Arab European Lawyers Association, and he hopes to hire several Arab lawyers and expand his firms' services for clients from the Middle East this year.

Maalouf Ashford & Talbot continues to plan additional expansion as well, and John Maalouf notes that his firm is doing a lot of work in both Poland and Turkey, and that he and his partners are “strongly considering” opening offices in both countries.

On the Move: New Homes and Friends

Eversheds Hires Former White & Case Director of HR

Human Resources specialist Moira Slape has agreed to join Eversheds as HR Director. Slape joins the firm from White & Case, where she was Director of HR across Europe, Middle East and Africa (EMEA).

Slape has over two decades of experience in the legal sector. She worked at White & Case since 2010, initially as the London HR Director before being promoted to Director of HR for the EMEA region, where she had responsibility for 2000 people and 250 partners, as well as the leadership of the EMEA HR team. Before White & Case, Slape spent nine years at Linklaters, where she was Global Head of Learning & Development before being promoted to Head of HR for Global Business Services, where she had responsibility for HR services to Business Services in London and in the definition and implementation of global initiatives, practices, and policies for Business Services.

According to Eversheds, "in her new role as Eversheds HR Director, Moira will be responsible for people strategy, covering talent, reward and employer brand as well as global integration across the firm's offices."

Commenting on her appointment, Slape said: "I am thrilled to be taking up the role of HR Director at Eversheds, a firm which over the last few years has been at the forefront in tackling important industry issues such as diversity, social mobility and corporate responsibility. I look forward to working collaboratively with teams across the globe in devising and promoting best practice in HR across Eversheds offices."

Adriatic Firms Gearing Up For Regional Alliance Launch



Top-tier Legal Adriatic

Law firms in Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia, and Slovenia are preparing to launch a new legal alliance: Top-tier Legal Adriatic (TLA).

The six firms participating in the alliance – one from each market – are: Tkalcic-Dulic, Prebanic, Rizvic, Jusufbasic-Goloman in Bosnia and Herzegovina; Savoric & Partneri in Croatia; Debarliev, Dameski & Kelesoska in Macedonia; Law Office Vujacic in Montenegro; Jankovic, Popovic & Mitic (JPM) in Serbia; and Rojs, Peljhan, Prelesnik & Partners in Slovenia.

According to Nikola Jankovic, Senior Partner at JPM and one of the initiators of the TLA alliance, the "main driver was the growing need of clients and international law firms which are confronted with uncertainty when they are choosing their local partner." He pointed to global players who are not necessarily familiar



Nikola Jankovic, Senior Partner, JPM Jankovic, Popovic & Mitic

with the region and require support for multi-jurisdictional projects as the primary target. "Those difficulties would be overcome by establishing a reliable alliance with strong internal structure and close cooperation of the members," he added.

When asked why JPM opted to create a new alliance rather than join an already existing one, Jankovic commented: "The main idea was to be a part of a legal network providing exceptional legal services to clients within a 'one-stop shop' concept but with added value gained by connecting top-tier only law offices from the Adriatic region, bringing together more than one hundred lawyers operating as one team. As such an alliance did not exist, the only

"There are some law firms that try to cover the region as a whole already, but aiming to be tier 1 in all of the markets is simply not feasible."

- Ales Rojs

solution was to create one." Ales Rojs, Managing Partner at Rojs, Peljhan, Prelesnik & Partners, further explained that "there are some law firms that try to cover the region as a whole already, but aiming to be tier 1 in all of the markets is simply not feasible. Our firm did have a subsidiary in Belgrade in the past, for example, but we closed it because our operation was simply too small and we wanted something bigger which our clients could use as a real one-stop shop solution. Our idea is to bring the absolute best of each of these markets together."

Jankovic is enthusiastic about getting started: "Our main goal for the following year is to introduce TLA to the business community and international legal professionals and to present it as the unique legal network on the Adriatic market whose legal experts, although from six different jurisdictions, are operating synchronously." He also identified being able to "correspond in the same or similar native languages" as facilitating this ability. With regards to his expectations for the same timeframe, Rojs commented: "To be honest, I do not know yet – we will see what will happen. I am hoping we will receive great and useful constructive feedback from clients to help us shape this up into an excellent project."

The projected official launch of the new alliance is set for September 2014.

Budapest Gide Co-MP and Team Leave Firm and Launch Boutique



Gide Loyrette Nouel's Co-Managing Partner in Budapest Eszter Kamocsay-Berta and a team of lawyers from the firm have left and will set up a new boutique in Hungary under the name KCG Partners.

Calls and e-mails addressed to Kamocsay-Berta resulted a simple notice of her departure devoid of any other details.

A source that asked to remain anonymous informed CEE Legal Matters that Kamocsay-Berta left the firm with colleagues Levante Csengery, Head of the office's Employment and Litigation practice, Gabriella Galik, a senior lawyer in charge of the Real Estate practice, Rita Parkanyi, a key lawyer in the Employment and Litigation practice, Marton Hajnal, key lawyer in the Projects and Tax practice, and Klaudia Ruppl, a junior lawyer expert in Data Protection.

Neither Kamocsay-Berta nor Gide would comment on the move.

This is the second team that the firm loses in CEE this year after it close down the office in Bucharest in February (reported on by CEE Legal Matters on February 10, 2014).

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Summary Of New Partner Appointments

Date Covered	Name	Practice(s)	Firm	Country
April 15, 2014	Szabolcs Mestyan	Hungary	Lakatos, Koves & Partners	Hungary
April 29, 2014	Przemyslaw Kucharski	Real Estate	CMS Cameron McKenna	Poland
April 29, 2014	Assen Georgiev	Litigation/Dispute Resolution, Regulatory	CMS Cameron McKenna	Bulgaria
April 29, 2014	Martin Wodraschke	Litigation/Dispute Resolution, Regulatory	CMS Cameron McKenna	Hungary
April 29, 2014	Lukas Janicek	Energy, PPP/Infrastructure	CMS Cameron McKenna	Czech Republic
April 29, 2014	Valeriy Fedoreev	Labor	CMS Cameron McKenna	Russia
May 2, 2014	Julian Hansen	Corporate/M&A, Energy	DLA Piper	Russia
May 2, 2014	Yury Bortnikov	PPP/Infrastructure	VEGAS LEX	Russia
May 6, 2014	Alexia Hatzimichalis	Banking/Finance	Watson, Farley & Williams	Greece
May 8, 2014	Simona Marin	Project Finance, Real Estate	CMS Cameron McKenna	Romania
May 8, 2014	Loredana Mihailescu	Energy	CMS Cameron McKenna	Romania
May 15, 2014	Mihai Nusca	Litigation/Dispute Resolution	Biris Goran	Romania
May 15, 2014	Ana Fratian	Corporate/M&A	Biris Goran	Romania
May 21, 2014	Anton Dzhuplin	Banking/Finance	ALRUD	Russia
June 4, 2014	Ibrahim Yamakoglu	IP/TMT	Yuksel Karkin Kucuk	Turkey
June 4, 2014	Onur Yalcin	Litigation/Dispute Resolution	Yuksel Karkin Kucuk	Turkey

Firm Practice Area Launches

Date Covered	Firm	New Practice	Headed By	Country
April 16, 2014	KIAP	International Commercial Arbitration	Konstantin Astafiev	Russia
May 19, 2014	Wardynski & Partners	New Technologies	Anna Pompe	Poland
June 4, 2014	Pepeliaev Group	Korean Desk	Cheong Noh-Chung	Russia

Summary Of In-House Appointments

Date covered	Name	Appointed to	Company	Moving From	Country
April 17, 2014	Marian Radu	Head of Legal	ID Group	GRIVCO	Romania
April 22, 2014	Umit Bilgen	Head of Legal	AssisTT	TTNet	Turkey
April 24, 2014	Isil Yilmaz	Legal Director	Multi Development	Alstom Transport	Turkey
May 10, 2014	Andras Mohacsi	Global Commercial Compliance Counsel	British American Tobacco	British American Tobacco (Formerly Assistant General Counsel for Western Europe)	United Kingdom

Summary Of Partner Lateral Moves

Date covered	Name	Practice(s)	Firm	Moving From	Country
April 15, 2014	Raul Mihu	Competition, Life Sciences	Dentons	Voicu Filipescu	Romania
April 24, 2014	Pavel Kvicala	Corporate/M&A	Havel, Holasek & Partners	Norton Rose Fulbright	Czech Republic
May 8, 2014	Varinia Radu	Energy	CMS Cameron McKenna	RVR Energy	Romania
May 10, 2014	Igor Panshensky	Competition	Antitrust Advisory	Dechert	Russia
May 10, 2014	Alexander Egorushkin	Competition, Corporate/M&A	Antitrust Advisory	Dechert	Russia
May 13, 2014	Ruslan Nagaybekov	Corporate/M&A	Liniya Prava	Kirovskiy Zavod	Russia
May 15, 2014	Alexander Dolgov	PPP/Infrastructure	Hogan Lovells	Gide Loyrette Nouel	Russia
May 16, 2014	Viorel Dinu	Litigation/Dispute Resolution	Bondoc & Asociatii	Musat & Asociatii	Romania
May 20, 2014	Julia Semeniy	IP/TMT	Asters	Konnov & Sozanovsky	Ukraine
June 2, 2014	Harald Stingl	Corporate/M&A	CHSH Cerha Hempel Spiegelfeld Hlawati	Wolf Theiss	Austria
June 4, 2014	Michalis Kosmopoulos	IP/TMT	Drakopoulos	Giannoulas & Kosmopoulos	Greece
June 4, 2014	Despina Doxaki	Banking/Finance, PPP/Infrastructure	Chadbourne & Parke	Kyriakides Georgopoulos	Greece, United Kingdom
June 9, 2014	Rosario Sapuppo	Italy Desk	Schoenherr	Gur Law Firm	Turkey

Other Appointments

Date Covered	Name	Firm	Appointed to	Country
May 12, 2014	Alex Cook	Clifford Chance	Managing Partner in Prague	Czech Republic
May 15, 2014	Stanislav Gerasymenko	Arzinger	Chairman of the Real Estate and Construction Committee of the Ukrainian Bar Association	Ukraine
May 16, 2014	Natalia Meshcheriakova	Astapov	Head of Intellectual Property and Advertising Law Committee at the Ukrainian Bar Association	Ukraine
May 16, 2014	Burkhart Goebel	Hogan Lovells	Managing Partner for Continental Europe	Croatia, Russia, Hungary, Poland
May 22, 2014	Beata Gessel-Kalinowska vel Kalisz	GESSEL	President of the Lewiatan Arbitration Court affiliated with the Polish Confederation of Private Employers	Poland
May 22, 2014	Cristiana Stoica	Stoica & Asociatii	Vice-President of the World Link for Law legal Network	Romania
May 22, 2014	Vitalii Kasko	Arzinger	Deputy Prosecutor General of Ukraine	Ukraine
May 26, 2014	Oleksii Reznikov	Egorov Puginsky Afanasiev & Partners	Member of the High Council of Justice of Ukraine	Ukraine
May 28, 2014	Roger Gladei	Gladei & Partners	Amcham BoD	Moldova
May 28, 2014	Alexandru Munteanu	PwC Moldova	Amcham BoD	Moldova
May 28, 2014	Octavian Cazac	Turcan Cazac	Amcham BoD	Moldova
June 6, 2014	Philip Carrington	Herbert Smith Freehills	Head of Disputes in EMEA	United Kingdom
June 9, 2014	Irina Nazarova	Egorov Puginskiy Afanasiev & Partners	Chair of the Ukrainian Bar Association's Alternative Dispute Resolution Committee	Ukraine

Legal Matters: The Frame

NNDKP Introduces New “Legal & Tax” Tagline

On June 2, 2014, Romania’s Nestor Nestor Diculescu Kingston Petersen (NNDKP) announced that the firm is fine tuning its brand message and identity by introducing a new “Legal & Tax” tagline. The move, the firm explained, does not reflect a new capability, but is instead designed “to emphasize its professional leadership in these areas.”

NNDKP Partner Ana-Maria Miron, who co-heads the firm’s Tax Advisory Services division, agreed to sit with CEELM and discuss the significance of the new tagline.

CEELM: Is this primarily a branding/marketing exercise - emphasizing an integrated approach - or does the new emphasis refer to a genuine organizational or structural change in the firm?

NNDKP: This initiative did not involve structural or organizational changes. However, given that it aims at emphasizing a perfectly mature synergy between our legal and tax consultancy, our strategy focuses extensively, in the long run, on a better integration of these services across all the levels of the organization, so that every attorney, whether a legal consultant/litigator or a tax consultant, can better tailor the optimum solutions from both perspectives.

In other words, we do things similarly, but we micro-manage all processes in the firm in the context of a stronger internal emphasis on the elements that differentiate us in the market - which we also have chosen to communicate formally (among these, authentic know-how and resources which translate into strong teams of 23 tax consultants and tax lawyers, 115 attorneys, consistent support from our mixed teams not only when the client makes the decision, but also when he implements it, etc.).

CEELM: Is this a response to client feed-back that the previous approach was unsatisfactory, or was this simply an internal decision that a more closely integrated approach would be more effective?

NNDKP: As a result of a six-year close collaboration between our legal and tax teams, this was a natural step in our development strategy and a response to client demands - in a context where the value added came from the consultant’s ability to harmonize the pressure on fees with the same quality of legal and tax services and a team structure that would continue to provide the optimum and most viable recommendations for their businesses.

CEELM: Will clients need to request an additional review of tax implications, or will those implications be automatically factored into any advice you give them?

NNDKP: Technically, our team is fully equipped and dimensioned to factor any legal advice from the tax perspective as well. However, this will not be done automatically, but depending on the project specifics, as we’ll effectively manage, in an adapted manner, the tax implications of the requests we receive.



Ana-Maria Miron, Partner and Co-Head of the Tax Advisory Services Division, Nestor Nestor Diculescu Kingston Petersen

CEELM: What is the history of the firm’s tax practice? Was it part of the firm’s original offering, or was it added subsequently?

NNDKP: Although legal advice on general tax matters has been provided to clients since 1997, the specialization occurred gradually, so that a distinct tax practice was established in the firm in 2006, under my coordination. Two years later, the business challenges and opportunities on the legal and tax consultancy markets created the perfect framework to capitalize on the firm’s existing capabilities, with the addition of a highly-experienced team of tax consultants, former managers of companies in the Big4, led by Alina Timofti and Marius Ionescu. Thus, 2008 was the year which marked the beginning of the NNDKP legal and tax synergy, through the creation of the Tax Advisory Services division affiliated with the law firm.

CEELM: The firm has managed to build the largest tax consultancy in terms of revenue in Romania outside the Big 4. What were the keys to its success?

NNDKP: It was not without challenges that we created this and developed the tax division from three professionals to 23 tax specialists and an impressive client portfolio for a “young” entrepreneurial venture. Our long-term business strategy encompassed a series of key strategic aspects that we first designed and then implemented, such as: measurable performance indicators, good talent management translated into the selection of the best tax professionals on the market and optimum retention strategies, adaptive account management, focus on brand growth and reputation management of the newly created entity.

And the initiative launched six years ago did not only pass the test of time, but proved that we made the best possible choice, confirmed in terms of team strength, evolution of turnover, and the client portfolio.

CEELM: Of the three NNDKP Tax co-heads, two are originally accountants, not legal professionals. How common is this in the Romanian market? What are the unique advantages/perspectives that accountants bring to a law firm’s tax practice?

NNDKP: In some European jurisdictions, only lawyers can act as tax consultants. In others, including Romania, economists can also provide tax advice.

While lawyers benefit from a holistic legal approach, which is essential in addressing a tax issue, the value added by professionals with accounting background resides in their good understanding of basic accounting and financial management aspects, rounded-up by the macro-economic know-how and 360 degree perspective (especially considering the higher number of projects where tax issues derive from accounting rules).

CEELM: What are the most complex tax projects that your firm has advised on recently?

NNDKP: Among our most recent projects there can be mentioned significant deals in several industries:

Assistance provided to an important international bank in a cross-border merger between its Romanian subsidiary and the UK headquarters, where we advised on all tax implications including the implementation advice.

During the last post-privatization stages of a major automotive player, the tax assistance included the final tax restructuring of the privatized company, as well as complex negotiations with the State authorities for finalizing the process.

Design of tax procedures in relation to the inventory management and stocktaking for a major player in retail; our delivery consisted of a procedures mapping dealing with relevant profits tax and VAT aspects.

Advice to a major real estate developer in selling two office buildings totaling a value of above EUR 120 million; we were involved in structuring the transactions, the advice during the negotiations, drafting the tax-related clauses in the sale-purchase agreements, etc.

Advice related to the restructuring of an important agribusiness investment, restructuring caused by the Cypriot banking crisis. We provided not only legal and tax advice, but also tax assistance in relation to the compliance component of such a restructuring.

David Stuckey

ANY NEWS YOU THINK WE SHOULD COVER? WRITE TO US AT
PRESS@CEELM.COM

Taylor Wessing elnlwlc Celebrates 10 Years in The Slovak Republic



Raimund Cancola, Managing Partner and Andrej Leontiev, Bratislava Managing Partner, Taylor Wessing elnlwlc Attorneys at Law

Taylor Wessing elnlwlc’s Slovakia office celebrated its 10th anniversary in May, 2014, with a large public gathering and a private firm event for the firm’s lawyers, both in Bratislava. The first event, on Thursday, May 15, was designed for clients, and featured 150 guests and a speech by Slovakian Minister of Finance Ivan Miklos. The next morning some 80 Taylor Wessing elnlwlc lawyers from across CEE gathered in the Bratislava office for a day of meetings and trainings – which concluded with a large party into the evening.

Taylor Wessing elnlwlc Bratislava Managing Partner Andrej Leontiev, who opened the office in 2004 with colleague Radovan Pala, notes with pride that it has grown from two lawyers and a secretary into the 3rd largest international law firm in the country, with a team of 25 employees, including 19 lawyers. In that time he has witnessed Slovakia’s accession to the European Union, the country’s adoption of the Euro, the enactment of “modern” laws and creation of special anti-corruption courts, and the establishment of public registers, all of which the firm claims “have led to a high level of legal security,” in the country, “comparable to that of ‘western’ standards.”

Leontiev is pleased not only by his office’s increased size, but also by its growing reputation – he points to the decision last year by former two-time Slovakian Minister of Justice Lucia Zitnanska to join the team – and brand strength, after the 2013 tie-up with international player Taylor Wessing. Leontiev says, “we were a very strong CEE firm, but to acquire clients from the top segment of American and French and English companies we needed something more. Taylor Wessing has helped us a lot.”

But that goes both ways, and the office now is reported to generate 11% of total Taylor Wessing CEE revenue. And Leontiev is hardly resting on his laurels. He emphasizes that the office is building an IP/IT department, and he is intent, he says, “on becoming the leading firm for startups in Slovakia.”

In the meantime, he and his colleagues are looking forward to the upcoming celebration of the firm’s 10-year anniversary in Warsaw this fall.

David Stuckey

Glimstedt Launches New Website for Start-Ups in Estonia



"A lot of my clients are start-ups, I love them, I love them for being so innovative. I think they're changing us as much as they're changing the world, and in this sense we're really grateful to them for making us see our services and wanting to be better every single day, wanting to be more transparent, wanting to be more user-friendly."



Anne Veerpalu, Senior Associate, Glimstedt

Entrepreneurs rarely lack enthusiasm or passion. What they often do lack, however, is information about best practices, sources of capital, and applicable laws and regulations. To address this need, the Estonian office of the Glimstedt law firm has launched the new "LegalBooster" website, which claims to provide "all the legal stuff you need to know to get your start-up going."

Anne Veerpalu, one of the the Glimstedt lawyers behind the LegalBooster site, describes the venture as "basically a knowledge database for start-up companies, including not only template agreements, but basically using everything we've done before, meaning all the training materials that are relevant, and explanations regarding how to use them, as well as all the videos for trainings we've provided, presentations, blogs, and so on."

The user-friendly site is divided into four sections: Blog, Materials, Videos, and Fund. The home-page contains regular updates of cautionary and/or success stories, as well as useful tips and recommendations. Templates for useful and common procedures like a Power of Attorney form and a Transfer and Licensing Agreement are provided, as is information about upcoming presentations, conferences, and other events of potential interest to new entrepreneurs.

The website's content reflects what's happening at the moment, Veerpalu explains. "We are using all of the experience that we gain every day in our practice and trying to put it into words and share it with the start-up community. For example at the moment we have lots of option agreements coming in ... and we are seeing a lot of different kinds of option agreements or option terms, and then we blog about what we see and what we experience, and how it's better to do it, and at what point it's best to introduce the template, and so on."

The team of lawyers behind the project (including Veerpalu, Glimstedt Partner Priit Latt, and Associates Merit Lind, Triin Tuulik, Mari-Liis Orav, and Maarja-Liis Lall, as well as Auditor Liis Laanesaar) isn't worried about providing the information free of charge. Veerpalu explains that, "I think the trend of the legal services market is going towards transparency ... and I think this is the way it must be done – it has to be done." She points out that, "what start-ups actually do a lot when they start is they go around talking to other start-ups. This is the same sort of information they would collect anyway from the market. So basically what we're doing is collecting it into one place and putting it in a structured form."

Although the site is created by and man-

aged by Estonian lawyers, Veerpalu believes the great majority of the information it contains is of general value, and useful to start-ups in other jurisdictions as well. And though "powered by" Glimstedt, Veerpalu insists that, "it wasn't meant to be a marketing tool, and I've kept it as much as possible not being a marketing channel."



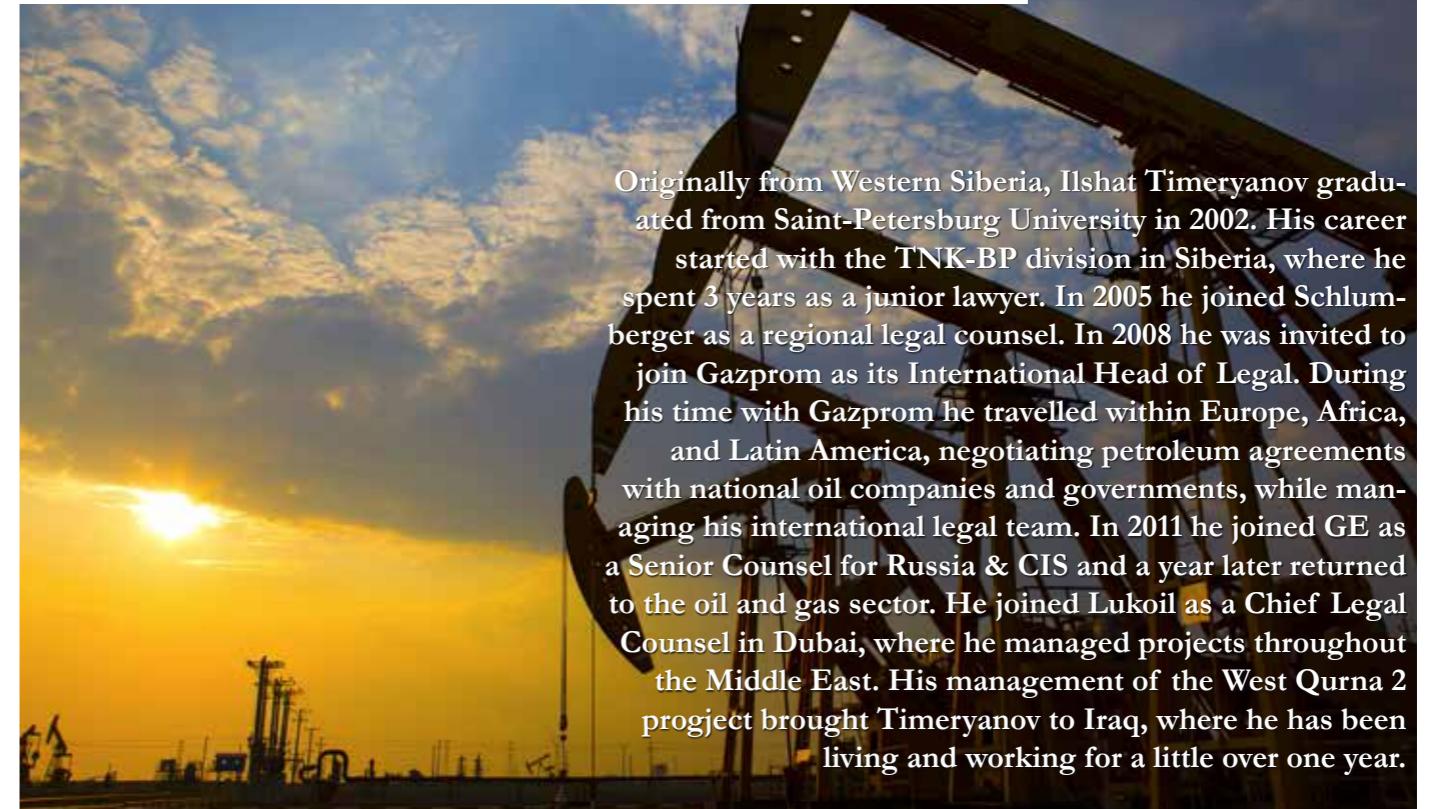
Priit Latt, Partner, Glimstedt

But that's not to say its completely disconnected from the firm. Partner Priit Latt sees LegalBooster as another demonstration of Glimstedt's commitment to its clients – and the community at large. He says, "LegalBooster delivers our message really clearly - keep your IP safe and take care of your investment proactively. Glimstedt is an innovative law firm mostly due to the booming technology sector pushing us lawyers to innovate our services. LegalBooster serves as merely one example of it."

David Stuckey

Interview: Ilshat Timeryanov

Chief Legal Advisor, Iraq at Lukoil



Originally from Western Siberia, Ilshat Timeryanov graduated from Saint-Petersburg University in 2002. His career started with the TNK-BP division in Siberia, where he spent 3 years as a junior lawyer. In 2005 he joined Schlumberger as a regional legal counsel. In 2008 he was invited to join Gazprom as its International Head of Legal. During his time with Gazprom he travelled within Europe, Africa, and Latin America, negotiating petroleum agreements with national oil companies and governments, while managing his international legal team. In 2011 he joined GE as a Senior Counsel for Russia & CIS and a year later returned to the oil and gas sector. He joined Lukoil as a Chief Legal Counsel in Dubai, where he managed projects throughout the Middle East. His management of the West Qurna 2 project brought Timeryanov to Iraq, where he has been living and working for a little over one year.



Ilshat Timeryanov, Chief Legal Advisor, Lukoil

of the specific industry but about the business itself: its operations, the technology involved, the processes from extraction to refining and transportation, the people and main players in the industry both within a specific country and worldwide. As an external counsel you tend to work on a specific issue with a fixed, clear goal. I do enjoy working in-house a lot but, in all fairness, I do not really have any experience working as an external counsel.

CEELM: Indeed, you have quite an international career, having worked in Russia, the Netherlands, UAE, and now in Iraq, to name a few. From your experience, in which of these markets is the life of a lawyer most difficult and why?

I.T.: [laughs] It is probably not a surprise that the top of that list is held by Iraq. It is a very complicated and difficult market and there are a few specific reasons for this. Firstly, we are talking about "New Iraq" – after Saddam Hussein. At the moment, there is little, if any, stable legislation or general principles of business in place in the country. This ambiguity is very difficult to handle for a lawyer but it does present an incredibly interesting opportunity to be involved in shaping all of it as it is being built.

I would say that Iraq has a fascinating culture. People have a good moral standard that make it easier to build bridges for communication. They want to grow, to cooperate with foreigners, and, the country is open for international exchanges. It is a very interesting period in the country at the moment and I am excited to be a part of it.

CEELM: Having worked in so many places around the world, what did you

I.T.: I think that the energy sector is a leader in many ways. Especially in Russia, Oil, Gas, and Energy represent some of the most important sectors and I think that some of the most interesting legal work revolves around them as well.

The other aspect that I like about it is the mobility it presents. You get the opportunity to participate in main local and international projects, discover other markets, countries, cultures, and people much more often than in most industries.

"borrow" from other cultures?

I.T.: Working out of Russia has taught me that the world tends to be different outside of it – which is really hard to grasp while stuck in one country. I felt first hand the fact that there are no two countries in the world that are the same but I also learned that, fundamentally, people do share pretty much the same objectives: to be happy, to continue to grow, and to leave peaceful lives. Naturally, I did grow professionally immensely throughout my experiences as well, but at the end of the day, it is this understanding of multiple cultures that I believe was key for me.

CEELM: You have moved with Lukoil from UAE to Iraq to provide Legal and Compliance support for the West Qurna 2 Project in Iraq. What type of work does that entail specifically for you?

I.T.: This is one of the biggest ongoing petroleum projects in the world. And it is not just about drilling and extracting oil. It represents a huge investment to the country – with Lukoil committing itself to spending USD 25 billion by 2025, after having already invested USD 4 billion to date.

As I mentioned, it involves a lot of aspects from building up an infrastructure in the country, building processing facilities, pipelines, water intake facilities, training centers, living spaces for employees, developing training programs for local personnel. Simply put, it represents an integrated green field project where the end goal is not just to extract oil, but to build a whole new petroleum industry in the country from the ground up.

The nature of Iraq does complicate things considerably. It is a rather unsafe work environment and we need to look out for a team of over 1000 people, both Russian expats and local workers. Safety considerations end up taking a lot of coordination – and time and resources – with simple meetings with custom officials, for example, requiring that we put on body armor and travel in armored vehicles on designated routes accompanied by bodyguards.

There are also a lot of legal and compliance issues that need addressing. This is made particularly difficult because, as I mentioned, there is no real system of legislation in place. There are considerable sources that need to be considered from local regulations or official orders/letters, sharia law in some parts, central government regulation



Block 10 and the West Qurna-2 megaproject

Source: lukoil-overseas.com

tions, and so on.

Working with locals is also a dimension that takes up a lot of time. There are communities who have lived historically in some parts of the huge contract area and they need to be communicated with, and we need to reach agreements with them and compensate them accordingly. Building consensus with them takes a lot of communication and negotiations and this is particularly important because failing to do so can stop our operations all together at any point.

CEELM: Why was it preferable for the company to have you move there as a Russian lawyer rather than hiring a local legal advisor?

I.T.: There are two broad reasons. The first is that Lukoil, like any other global company, prefers to have its own people in a top positions – someone who knows its policies and internal workings well and whose track record can be tracked.

The second aspect is related to the local legal market in Iraq, which, much like the rest of the country, is at its early stages. There are very few legal professionals on the ground able to work in a big international company at a very senior level. Many of them need to improve their English language skills and even fewer are familiar with

Radu Cotarcea



Roots in Revolution: Miller Canfield in Poland

Date unknown. Members of the Solidarity Foundation and Fund signing a deal with unknown US company in Gdansk. Sitting, from left: Andrzej Spiker (Vice President of the Solidarity Fund); Jerzy Kobylniski (President of the Solidarity Fund), unknown American partner on project. Standing, from left: Unknown, unknown, Wojciech Babinski, Andrzej Kozakiewicz (President of the Solidarity Foundation), Unknown, unknown.

The decision to open a law office in a foreign country is not ever a purely economic analysis – it inevitably involves personalities, history, personal enthusiasms, connections, client base, and more. Miller Canfield's offices in Poland can be traced to all of the above.

In fact, Miller Canfield's reach into Poland can be traced primarily to the passion and commitment of one young American lawyer.



Richard A. Walawender, Principal and Corporate Group Leader, Miller Canfield

Richard Walawender's Polish parents emigrated to the United States after being deported to Siberia during WWII. Walawender studied Political Science and Russian/Eastern European Studies at the University of Michigan, and he followed the news of the Lech Wałęsa-led Solidarity uprisings in Poland closely. The call to action was irresistible: "So in 1981 I went over there and enrolled in the Jagiellonian University in Krakow, spent a summer and semester there, but ... you know, my real motive at that time was to support and join the movement and help out the revolution. I studied during the week, and would hop on a train every Thursday night or Friday morning and go to where the strikes were taking place and the factories were being taken over. And then in the late summer of 1981, when I had a little more free time, I went to Gdansk and volunteered my services with Solidarity's press office. Literally, every weekend was spent at some sit-in or factory strike. It was pretty intense."

Walawender returned to the University of Michigan in the fall of 1981, only a few months before martial law was declared in Poland. As President of the university's Polish Club, he collaborated with other Pol-

The first international law firm to open an office in Poland – one of the first to open an office in any Eastern European country – had headquarters not in New York or Chicago, nor in the closer European capitals of London, Vienna, or Paris. Instead, the first international law firm to open an office in Poland was based at 150 West Jefferson in downtown ... Detroit.

And the story of how and why that Detroit firm's first office outside Michigan was in Poland, some 4300 miles away, is ultimately a story of two people, and a shared commitment to a fledgling republic.

ish student groups in Poland and Western Europe in what he describes as "an informal student Solidarity underground support network." After completing his undergraduate education and then obtaining his law degree – also at the University of Michigan – he joined Miller Canfield's Public Finance practice in Detroit.



Michael McGee, CEO, Miller Canfield

In July of 1989, shortly after the first free Polish elections, Jerzy Milewski, the new Ambassador at Large, then traveling extensively to rally support for the new government, contacted Walawender for help in



Summer 1990, in the United States. From left to right: Jerzy Kobylnski (President of the Solidarity Fund), Andrzej Kozakiewicz (President of the Solidarity Foundation); Wojciech Babinski; unknown.

starting a bank and in helping find other mechanisms to finance the government's plans for change. Walawender says, simply, "so we described for them how the Polish bond program could raise money for the new government ... and they said 'ok, can you get on a plane?' So we did."

set up an office in Gdansk, with Wojciech Babicki – he was Solidarity's lawyer – sort of across the street from his office. We didn't even have a phone line, I remember, so he had to use the phone in his house."

Miller Canfield CEO Michael McGee laughs at Walawender's use of "we" to describe the firm's start in Poland. He says of Walawender that, "Rick wasn't just personally involved; he did it. As a second-year associate."

When asked why he was entrusted with such authority and autonomy at such a young age, Walawender – now a partner himself – laughs "I don't know!" But Mc-

Gee is less uncertain. "Rick has always been a person who projects a lot of confidence, and the truth is that he was a star associate, he was a person that the firm was happy to have, is and was regarded as a really smart guy. His work was very highly regarded, so that when Rick Walewander brought this forward, I think the partners at the time said, 'you know, this kid's pretty smart, why don't we see where this goes?'"

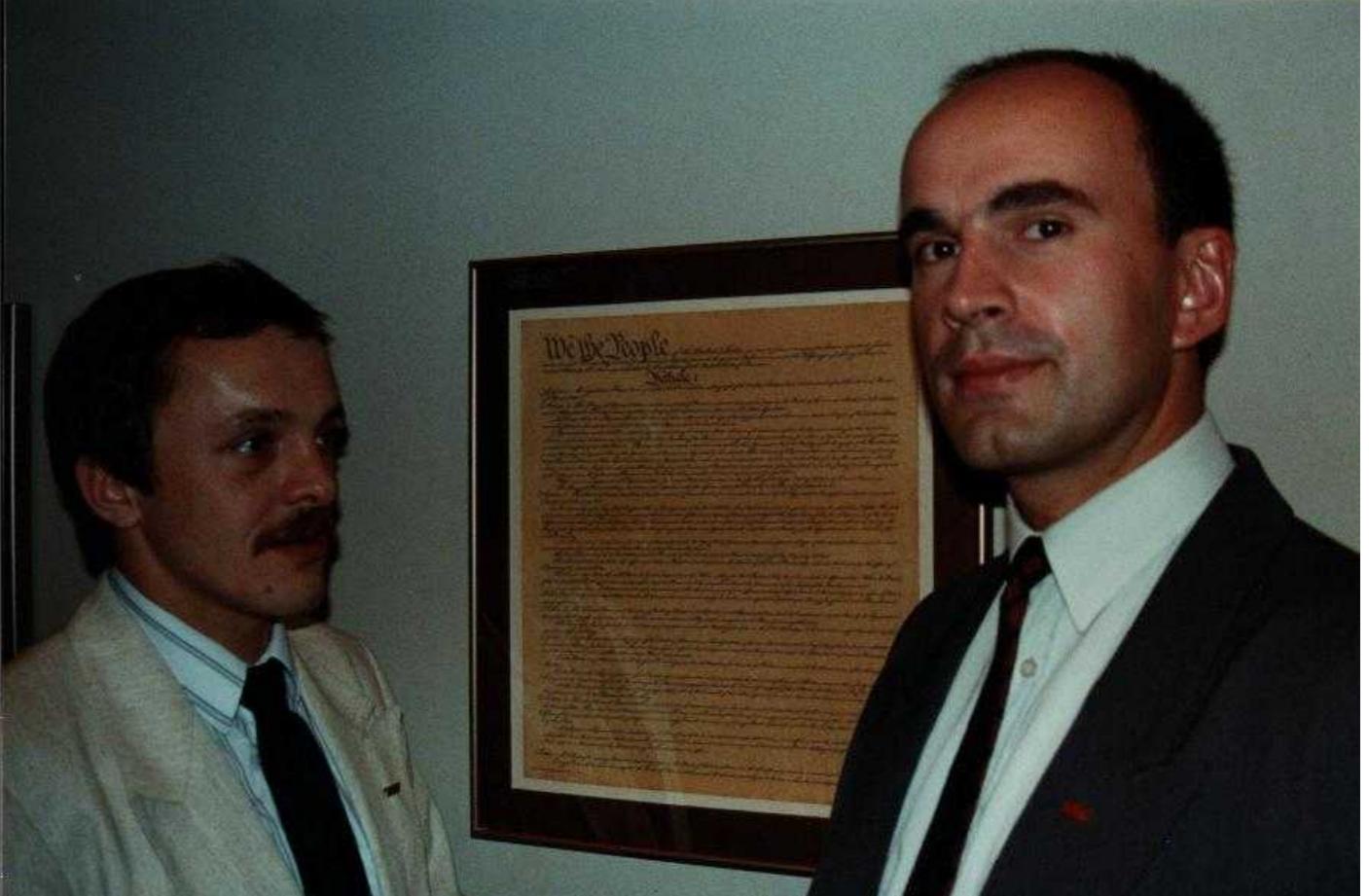
And McGee's pride in the result is obvious. "I don't know that it's possible to know who might have been the first foreign consultants to be formally engaged by the new Republic of Poland with the task of assisting the new government, but it's fair to say we were among the first, because this all happened so quickly. To some extent Solidarity coming to power was quite unexpected, even within Solidarity, so all of a sudden 'they have to run a country??!' It's not as if there had been a great deal of advance planning in terms of having people thinking about a transition. That's one point of pride that we have institutionally, is that there certainly weren't many – very many at all – who were asked by the Poles to help before we were, and we were flattered and still are flattered to have been asked so quickly."

Of course, international firms need to connect and cooperate with strong, connected, and competent lawyers on the ground. For Miller Canfield, Wojciech Babicki was the obvious choice.

Babicki, like Walawender, had been drawn



Summer 1990, in the United States. At a plant manufacturing items to commemorate Solidarity. From left to right: Unknown American partner; Wojciech Babinski; Andrzej Kozakiewicz (President of the Solidarity Foundation); Jerzy Kobylnski (President of the Solidarity Fund); Frank Tsamoutales (US advisor to the Solidarity Fund and Foundation).



Summer 1990. Jerzy Kobylnski (President of the Solidarity Fund) and Wojciech Babinski standing next to the US Constitution.

to Solidarity's call. He recalls that, "I just wanted to do something. I wasn't a freedom fighter, but I wanted to do something, because it was a great time in Poland." At the time Babicki was working for the Solidarity Fund and the Solidarity Foundation, and was one of the team of lawyers on Lech Wałęsa's Presidential campaign ("the first one – the one he won," he laughs). He recalls seeing the Solidarity Fund and Solidarity Foundation flooded with new proposals – "some of them totally crazy, some of them very interesting, some of them simply stupid" – but the suggestion that the new government set up a bank resonated. Even-

tually David Chase, a Polish Jew who left Poland for Connecticut after WWI, agreed to invest, and in July 1991 the Solidarnosc Chase D.T. Bank (named with Chase's first and middle initials after Chase Manhattan objected to the version without them) was established in Gdansk – in the building which had until recently been occupied by the provincial headquarters of the Communist party. "And that's how we met," Babicki recalls, "because David Chase hired Miller Canfield to do this deal for him in Poland, and that's how I met Rick and that's how I first heard about Miller Canfield of Michigan, and after the deal was done, my current partners called me and said 'look, maybe we can do something together in Poland.'"

Babicki smiles at the memory of the early days. "In the very beginning I tried to practice normal law – in terms of going to the courts, like any Polish lawyer – and tried to work on Miller Canfield projects which were not at the time very huge. I did everything from home, and I just bought a fax machine, and that's how it started."



Wojciech Babicki, Principal and Polish Managing Partner, Miller Canfield

history with both lenders and manufacturers, including – unsurprisingly for a firm based in Motown – with the automotive industry. The firm's Poland presence has grown over time as well, of course, and Miller Canfield now has over 40 lawyers in three offices in the country: the headquarters in Gdania (where Babicki sits), one in Wrocław, and the largest in Warsaw.

And despite the firm's beginnings in Poland as an offshoot of Walewander's commitment to the Solidarity movement and to helping the new government off the ground, McGee laughs that the firm has "absolutely" been profitable in the country. "We did not open offices for the sake of opening offices. The offices and the attorneys are successful and profitable on account of the work we are asked to do by our clients. The clients come first; they drive what we do."

Undoubtedly. Nonetheless, it's difficult to see the profit motive as the only consideration. And everything taken together, as law firm expansion stories go, Miller Canfield's is a pretty good one.

All 1990 photos courtesy of Wojciech Babicki.

David Stuckey

Moving In, Moving On: Natalie Petrushevskaya Enters and Emre Derman Departs From Non-Lawyer Positions in Turkey



Experienced lawyers sometimes take non-lawyer Country Manager positions, where the challenges, responsibility, and autonomy may be greater. Natalie Petrushevskaya and Emre Derman have been Country Managers of multi-nationals in Turkey. But while Petrushevskaya's adventure is just beginning, Derman's has come to an end.



Natalie Petrushevskaya, Turkish Country Manager, Eriell Group

In May 2014, Russian native and lawyer Natalie Petrushevskaya became Turkish Country Manager at the Eriell Group, a Russian-based manufacturer of oil drilling equipment. But Petrushevskaya has lived and worked in Turkey since 2006, when her Russian employer, the Mosmetrostoy construction company – having won the tender to build the Melen hydraulic tunnel under

the Bosphorus Strait – asked her to move to Turkey (“without even an office, without anything!”, Petrushevskaya laughs). When the project ended and it was time to go back to Russia, Petrushevskaya recalls, “I said no, I’m staying.”

She joined Tekfen in Istanbul, and for several years she advised the company on its

taxation and property ownership issues in Kazakhstan, Turkmenistan, Turkey, and Russia. In 2010 Petrushevskaya started in private practice with the Gur Law Firm, where she helped the Istanbul-based firm open its Moscow office and expand its Russian client base. Two years later she joined the Akinci arbitration boutique. And in January of 2014, having grown dissatisfied at Akinci, she joined Bezen & Partners.

Shortly thereafter Eriell, a Bezen client, asked her to come on board as Country Manager, and she leapt at the opportunity.

Petrushevskaya says that Eriell had been searching for someone like her – Russian, multi-lingual, and familiar with the Turkish legal system – for some time. She explains that “for Russian lawyers it’s always difficult to understand the way the system works in Turkey. They need someone who can really explain it from the perspective of a Russian, you know? Everything’s super slow here in Turkey, and quite different, and sometimes it doesn’t speak to a Russian lawyer mind, so you need to explain it.”

Petrushevskaya’s home remains in Istanbul, but she spends most of her time in Konya, where she oversees the production and sale of the company’s Turkey-produced oil &

gas drilling equipment and manages some 100 employees. She laughs that the nature of the industry makes for some unique challenges: “There are only two ladies working with the company in Konya. Me ... and one working in the kitchen. That’s it.”

Strength of character, at least, should not be an issue. Petrushevskaya admits to having driven a junior lawyer to tears at a previous position, but that same fierceness should work to her advantage with Eriell. She says that “In Konya if you don’t supervise everything is so slow. It’s amazing. You have to be there physically and push and push and push, otherwise it won’t work. That’s why I feel comfortable there, because that’s who I am.”

The company has no in-house legal team in Turkey, and part of Petrushevskaya’s job is to select external law firms – most of the company’s work is divided between Bogazici Avukatlik Burosu and Bezen & Partners in Istanbul and the Turkmenoglu Hukuk Burosu in Konya – and supervise their work. She’s still adapting to the non-legal aspect of the role, however. “I feel different, to be honest with you. I feel different, but I like my new position, because it’s more challenging. Of course there are more responsibilities now, but it’s more interesting. I can use a lot of my knowledge, because after practicing here for 7-8 years, and knowing commercial law and the way Turkish people work, for me it’s easier now to lead the company through the Turkish ways of working.”

On May 29, Erme Derman, the Managing Director and Senior Country Manager at JP Morgan in Turkey, sent out a short email to his contacts. The email, titled “Change is Good”, stated simply that: “Tomorrow is my last day at JP Morgan. It has been a great 3 years and I am grateful for your support and custom. It’s time for me to seek other challenges.”

Derman’s departure from JP Morgan follows several years after a similar departure from White & Case, which he led in Istanbul for almost a decade. When he left that firm in 2008, Derman recalls, he felt slightly stifled in the law firm world. “As much as I enjoyed being a manager in a law firm, law firms are very horizontal structures, and do not easily lend themselves to active management. It was more about practicing, doing the business, as opposed to doing



Erme Derman, Former Managing Director and Senior Country Manager Turkey, JP Morgan

the administrative side. And I had a passion for the administrative side, I felt that I was good at it, so I was seeking some sort of a management role.”

Of course, he doesn’t deny that JP Morgan’s appeal lies beyond the purely practical. “When the role at JP Morgan came up, obviously there were a couple of other things. JP Morgan is a very prestigious name. The position itself was very prestigious. I was looking forward to perhaps proving to myself, and to others, that I was not just a lawyer, I was someone that could do a bit more than that, if given the opportunity.”

Mission accomplished. Derman explains that, as Senior Country Officer, “the job was essentially to be the face of the bank vis-a-vis regulator and clients and to act as the interface between the head office in London and the bankers on the ground.” Derman oversaw a staff of 60 and business lines that included investment banking, corporate banking, and treasury services.

And, though he occasionally used his legal skills and knowledge to help his colleagues (“or at least steer them in the right direction”), Derman emphasizes that “it wasn’t a significant part of my job, actually, and on paper it wasn’t part of my job at all.”

Nonetheless, Derman ultimately found the particular structure of JP Morgan not completely conducive to his interests. “JP

Morgan is a great place, but it’s also a very big place, and because of its size, JP Morgan has, justifiably, a very large bureaucracy. So the role that I took on was more of an ambassadorial and less of an actual management role. So in that respect I didn’t get as much of [the management responsibility] as I wanted. But again, and I am always at pains to stress this, that is no fault of JP Morgan, it’s just the way the bank is, and given the regulatory pressures on the bank and given the size on the bank, I now understand why it is that way, and why it probably has to be that way. But I can say that from that narrow perspective it fell short of what I was trying to do.”

And, as he was in 2008, Derman is sanguine about departing from one position without having another set. “I like the flexibility associated with putting yourself out and saying, ‘ok, I’m unemployed, I’m enjoying myself, and I’m open to all kinds of discussions, ideas, etc.’” he explains. “That allows people to approach me without any hesitation and to discuss all kinds of interesting ideas, and one or two of them might be interesting enough for me to put my mind to it and pursue.”

So one of Turkey’s best known lawyers is on the market. One assumes he won’t be unemployed for long.

David Stuckey

Behind the Deal: LEGO's New Plant in Nyiregyhaza



“Witnessing it first hand makes me be quite optimistic with regards to the country’s ability to welcome and accommodate future foreign investments of this magnitude.”

On March 25, 2014, in the presence of the Hungarian Prime Minister, the newly rebuilt LEGO plant in Nyiregyhaza, Hungary, had its grand opening. The new complex, located on a 100-hectare site, created 250 new jobs, increasing LEGO's headcount to 1,500 in Hungary, and was built in just under 12 months – a record in Hungarian construction for a project of that magnitude. The head of the legal team advising LEGO on the EUR 354 million project to expand the plant in Nyiregyhaza was Eszter Kamocsay-Berta, then with Gide Loyrette Nouel in Budapest, who was happy to reflect on the deal and its main challenges.

Kamocsay-Berta started by pointing out that LEGO's presence in Hungary actually dates back several years. Until 2008, the plant in Nyiregyhaza had been operated by Flextronics, which was producing toys for the Danish company under contract. That year, Kamocsay-Berta pointed out, “LEGO decided to take over the full operation, assets, and staff, as it is always much easier to supervise standards of production of

an in-house plant rather than a contractor.” Kamocsay-Berta advised LEGO on the 2008 acquisition of the plant from Flextronics, and in 2011 LEGO returned to her for assistance in rebuilding the plant. “As a Danish company, in line with most Nordic Countries' culture,” she recalls, “LEGO valued the trust and relationship built with specific counsel rather than the law firm brand.”

Kamocsay-Berta praised the assistance provided on the 2011 project by colleague Gabriella Galik, who “had a critical operational/executive role throughout the deal.” Galik wasn't the only lawyer putting in hours, of course, and Kamocsay-Berta noted that, “the team fluctuated considerably throughout the various stages of the project from 4-5 lawyers working on it at certain points up to 10-15 in more intensive periods.”

The deal also involved a lot of cross-practice coordination -- “as is to be expected in such a large scale greenfield project,”



Gabriella Galik

When asked about the particular challenges she faced while advising on the deal, the first examples that came to Kamocsay-Berta's mind were practical in nature. “For example, the 100-hectare area where the plant was to be built was incredibly segmented – it had over 100 land owners. All of them had to be reached out to, negotiated with, and draft individualized contracts for, all of which leading up to a lot of contract work and quite a logistical challenge to coordinate,” she recalled.

She also points out specific characteristics arising from LEGO's preferences, which at the time were rather particular: “Most companies, for a project of this magnitude, would prefer to identify one construction partner and contract them as relevant. LEGO's approach was different. It segmented the different aspects into five main areas of specialization and aimed at identifying the best possible specialists in each of them. This meant coordinating with not only one general contractor but selecting, signing up, and coordinating/following-up with at least five of them.” She also added that “it was fascinating to see this huge global company that specializes in toy manufacturing, managing something completely different – actual construction of a manufacturing facility.”

The really interesting challenges, however, stemmed not from the scale and complexity of the deal but from the nature of the stakeholders involved. In many ways, Kamocsay-Berta described the role of the legal advisors on the ground as that of a “bridge between stakeholders with considerably different cultures.” She elaborated: “Danish culture, again, like most Nordic countries, tends to be heavily focused on consensus building by involving all possible stakeholders in the dialogue to ensure that everyone is ‘onboard’ with what is going on. While this is great for the morale of those stakeholders – and, personally, I believe it tends to generate better results in general – it did, at times, frustrate local partners because of its well-considered nature for something that mattered far less in their minds,” she explained. Accordingly, the legal team was expected to approach the project as more than just another lawyers' assignment: “It wasn't about purely managing legal risk. We had to act like real business partners who did not focus on the ‘why we shouldn't’ but on the ‘how can we get this done?’ In the end, this approach was highly appreciated by the client.”



Eszter Kamocsay-Berta

The Danish culture, famous for its emphasis on clean hands, also raised challenges when, as Kamocsay-Berta put it, “that drive for a high standard of integrity was faced with the realities given.” She explained that, “what you need to understand is that this project was going to add a lot of jobs in an otherwise rather under-developed part of the country, and it wasn't even just about the 1,500 jobs since it also created other ‘side industries’, it generated work for contractors, and developed the local infrastructure. As a result, it was very much welcome by the Government – both central and local – but the corporate culture of LEGO dictated that it would actively distance itself from anything that might remotely affect its neutrality towards political institutions.” It was, in Kamocsay-Berta's view, the need to navigate between these two drives that required her to focus heavily on the “building bridges” aspect of the project.

In retrospect, Kamocsay-Berta explained, working on this kind of a project showed

As CEE Legal Matters reported on June 13, 2014 (see page 15), Eszter Kamocsay-Berta and several colleagues have recently left the Gide Budapest office. Both she and Gabriella Galik are now partners at the newly-formed KCG Partners Law Firm.

Radu Cotarcea



The Glass CEEling: Connecting the Dots

Part 1 of the CEE Legal Matters 2014 report on women in law firm partnership across CEE appeared in the April 2014 issue of CEE Legal Matters, and provided the number and percentages of female partners at leading law firms across CEE. In this Part 2 of our report, managing partners of law firms from across the region provide their perspectives on the data.

All Partners who agreed to speak on the



Manuela Nestor, Co-Managing Partner, Nestor Nestor Diculescu Kingston Petersen

matter insisted that the numbers did not reflect an explicit policy vis-a-vis gender equality. Even Manuela Nestor, Co-Managing Partner of Nestor Nestor Diculescu Kingston Petersen (NNDKP) in Romania – the firm with the highest percentage of female partners in CEE (84%) – stated that, “NNDKP did not propose itself to hire or appoint as partners female lawyers,” and asserted that the firm’s selection criteria for hires at any level never included gender. Instead, she said, the firm’s partners look at “the professional skills, attitude, loyalty, [and] reputation” of prospective candidates, and any gender imbalance is simply because, “it happened that at every selection, the female lawyers meeting the criteria outnumbered the male lawyers.”

Sebastian Gutiu, the Managing Partner of Schoenherr in Romania – the office with the second highest percentage of female partners (63%) – made the same claim: “it might simply be a coincidence that we simply ran into a higher number of highly skilled professionals and high potentials that were women. It is not like we went out there and only recruited women.”

And on the other side of the spectrum, offices with relatively low percentages of female lawyers in partnership made the same



Tomasz Wardynski, Managing Partner, Wardynski & Partners

Similarly, Tomasz Wardynski, the Managing Partner of Wardynski & Partners in Poland (45%), stated that while “women have always played a vital part in the life of our firm we have never differentiated between women and men when promoting our lawyers to partnership positions.”

Some partners are less convinced. Partners in both Bulgaria and Romania, for instance, claimed that no such stereotypes exist in their markets. Assen Djingov, the Managing Partner of Djingov, Gouginiski, Kyutchkov & Velichkov (40%), explained that: “In



Martin Brodey, Partner, Dorda Brugger Jordis

claim. Martin Brodey, Partner at Dorda Brugger Jordis in Austria (4%), asserted that: “We have an approach strictly focused on performance and gender is completely irrelevant for that.” He noted that “in fact the firm was co-founded by one of the first and most respected female lawyers in Austria, Theresa Jordis, who unfortunately passed away in September 2013.”

“Romania evolved from a socialist political regime. During that period of time, the active population, both male and female, was obligated by law to perform a ‘useful activity for society’ ...At both political and social levels for 50+ years women were not discriminated in terms of the possibility of being hired or promoted in decisional positions.”

- Manuela Nestor

The Issue of Culture

One of the primary aspects all commenters pointed to is the effect of national or regional culture on the partnership track for women. Patricia Gannon, Senior Partner at Karanovic & Nikolic in Serbia (40%), said that, “I believe as the only foreign/woman partner that the issue is predominantly cultural with women in this region still rather governed by local cultural expectations regarding the family.” Similarly, according to Ayse Herguner Bilgen, Managing Partner of Herguner Bilgen Ozeke in Turkey (50%), “though there has been much progress on women entering the legal profession, we believe that there is still the stereotype of gender roles, unfortunately.”

Some partners are less convinced. Partners in both Bulgaria and Romania, for instance, claimed that no such stereotypes exist in their markets. Assen Djingov, the Managing Partner of Djingov, Gouginiski, Kyutchkov & Velichkov (40%), explained that: “In

Bulgaria you do not see much of the ‘house wife’ phenomenon, which I would explain based on the communist period of our history when one salary was not sufficient to feed a family. As a result the tradition is that male and female are generally equally active in searching for a job position including the legal profession.” Also referring to the communist era, Manuela Nestor says: “Romania evolved from a socialist political regime. During that period of time, the active population, both male and female, was obligated by law to perform a ‘useful activity for society’ – therefore to be employed in various sectors of activity. At both political and social levels for 50+ years women were not discriminated in terms of the possibility of being hired or promoted in decisional positions. On a contrary, they were obligated to work and be involved in the political activities, as limited and imposed as they were. As a result, culturally, Romanians have always been accustomed in the past 60 years to seeing women in all kind of professional positions, from simple worker to the highest decisional positions

(0%): “While we are in a lucky position in countries like Germany or Austria that it is generally far more common for women to have full time jobs and a strong career, it may to some extent probably be a cultural issue in other regions.” This may be true – but it is nonetheless worth pointing out that according to the data, Austria has the lowest percentage of female partners in the region, with an average of 14%, while Turkey was as high as third, with a percentage of 34%. It appears cultural stereotypes and assumptions are of limited usefulness in explaining the numbers.



Patricia Gannon, Senior Partner at Karanovic & Nikolic

Job Markets and Education

The percentages of men and women in job markets as a whole was also highlighted as playing a role. In Romania, Gutiu claimed that “anywhere between 65-70% of lawyers in Bucharest are female and I think that rolls out throughout the entire country – at least the feeling we get.” Similarly, Nestor pointed out that “statistically, the Romanian female population was constantly outnumbering the male population. This triggered a certain situation as regards the number of employed and promoted women.”

And the percentage of women pursuing legal educations may turn out to be a significant influence on how the percentages of women in partnership may change in the future. In Bulgaria, Djingov said, “I would not be surprised if the percentage of female law students in Bulgaria is higher than male.” The same is pointed out for Romania, as according to Nestor, “the number of female graduates of the law faculties was and still is higher than the male graduates.” In Turkey too, according to Bilgen, “the number of female students in the legal profession has largely approached very close to



Ayse Herguner Bilgen, Managing Partner, Herguner Bilgen Ozeke

that of the number of male students. The female applicants who apply to our office have among the best GPAs and other traits when compared to the male applicants."

According to Gun, this growing trend of increased percentages of women graduating high school can also explain the gap between the current percentages of female associates versus that of female partners in Turkey: "My general impression is that the percentage of female law students is actually higher than male at the moment. In Turkey, at least, entry into law school is based on an exam in which female students seem to generally be doing better. This did not use to be the case in the past and is a trend that is a few years old – law schools were traditionally a lot more male-heavy. This means that while it then is natural to expect an increase in the percentage of women at the associate level, it might take some time for that to resonate at partner levels as these young professionals move up the ladder."

"The number of female students in the legal profession has largely approached very close to that of the number of male students. The female applicants who apply to our office have among the best GPAs and other traits when compared to the male applicants."

- Ayse Herguner Bilgen

Brodey, however, noted that high female graduation rates have been the norm in Austria for decades, despite the persistently low percentages of female partners, so it's not clear that the two phenomena are inevitably connected.

Life in a Law Firm

When it comes to actions law firms can take themselves to increase partnership oppor-

tunities for women the obvious first step in avoiding sexist hiring practices is avoiding gender bias in the creation of a formal career path. And not surprisingly, as already highlighted, all firms that we spoke with explained that productivity and job performance are the main drivers for hiring/promoting partners. "Becoming a partner in our office is based on clear criteria and performance reviews," said Bilgen in Turkey, for instance. "This corporate structure allows a female associate to be evaluated on equal grounds with any other associate – whether female or male – minimizing the 'glass ceiling effect' for our female associates." Nestor as well insisted that "productivity is the main driving principle" in her firm's partnership/promotion evaluations.

Many of the commenters, however, believe that a passive "we will not discriminate" approach is insufficient given some of the particular challenges women face in pursuing both motherhood and career. Gutiu explained that: "One of the main reasons why women are behind men is simply because in most instances it is a matter of choice. In most cases, if they choose to grow a family with 2 or 3 children, as harsh as it sounds, it is hard to make partner or compete with male partners because of the 6 to 9 or so month breaks. The reality is that maternity packages still tend to be primarily taken by women." And Wardynski explains that "women often feel that the existing corporate model at many law firms means that they have to give up some of their ambitions if they want to have a family life."

Of course, firms are taking active steps to minimize the impact of this. Gannon emphasized: "We take a very flexible approach to the needs of women and family balance

naturally soon." Bilgen pointed to such helpful options as "offering telecommunicating and home offices as flexible working premises for both single and married female associates."



Asen Djingov, Managing Partner of Djingov, Goujinski, Kyutukov & Velichkov

According to Gun, firm cultures as a whole need to adapt: "We believe in work-life balance for all our members, not only female lawyers. A constant push to bill creates a need to spend a lot of time in the office, meaning you tend to sacrifice on the personal life front. The reality is that even men, if pushed hard in such an environment, stop being productive and turn into mindless zombies churning away." Hugh Owen, Partner and Head of South Eastern Europe Desk at Allen & Overy, explained the path his firm is taking towards achieving its goal of 20% female partnership by 2020: "In 2010, Allen & Overy introduced formal arrangements for full equity partners to work part-time. These arrangements have the key aim of retaining more women through to partnership. Open to all partners globally, part-time partnership aims to provide a genuine option for men and women to adjust the amount of time they work, while continuing to progress as an equity partner, for a maximum period of eight years."

And law firms aren't operating in a vacuum. Lawmakers in many CEE jurisdictions are taking steps as well to liberalize labor regulations and expand options for both motherhood and career – though some lawyers sound conflicted about the overall effect on efficiency. Djingov, for instance, commented that: "Bulgaria (bad for business in general) has one of the most liberal employment law regimes during pregnancy and the length of maternity leave – 2 years with an option for an extension of one more year. It is obvious that such a liberal regime does

not force female lawyers to make a hard choice between 'my family or my job.'



Mehmet Gun, Partner, Mehmet Gun & Partners

The Difficult Choice

Of course, to some extent there's only so much law firms can do to minimize the demands made by BigLaw on those who practice within it. Groller noted that life in a law firm is by its nature dynamic. As a result, he said, the real challenge is keeping female lawyers with the firm long enough to get them promoted to partner: "We have a strong commitment to promote female lawyers to partners and do not see any reason why this should not work. We actively support female lawyers to extend their careers with us in order to broaden the pool for female partner candidates. It is a myth that a senior lawyer life cannot be combined with that of a family and we clearly see in our Associate base that this is by no means a women only topic."

Owen too referred to this almost unavoidable fact of big law firm life: "It is a complex issue taking into account the nature of Allen & Overy's client work which is mostly transactionally driven, which is not appealing for all female lawyers striving for work-life balance." Owen too referred to this almost unavoidable fact of big law firm life: "It is a complex issue taking into account the nature of Allen & Overy's client work which is mostly transactionally driven, which is not appealing for all female lawyers striving for work-life balance."

And, of course, alternatives to the partner track do exist. In Turkey, Bilgen explained, "it is very common for female associates working in law firms to opt for different roles (such as in-house counsel) as opposed to being a law firm partner since one can argue that an in-house role offers more flexibility in balancing work and personal life because there are no billable hours per se." Brodey commented on a similar trend in Austria as well.

Thus, not surprisingly, firms that registered a high number of female partners link it

generally to an ability to retain their female associates for longer than most. For example, Wardynski took pride in the fact that his firm has, "created a working atmosphere and a culture at W&W where women feel that their knowledge and qualifications are appreciated and rewarded and that no distinction is made between women lawyers and their male counterparts."

At the end of the day, systematic change rarely happens overnight. According to Groller, while positive steps are being made, "this is a theme that really only came in the focus in certain regions in recent years and it will likely take a while before real change will be visible. It is however, without a doubt, very much at the top of the mind of a lot of partners of law firms." Owen too emphasized this: "It is early days in terms of assessing the long term impact of such initiatives but we will continue to support and find ways to track our progress of our firm and the wider profession in achieving greater diversity at all levels and in all jurisdictions."

The reasons for the need to increase the number of women partners is also bottom-line focused. As Gutiu explained: "It is only normal to not have any form of gender bias in your selection/promotions – it can only mean that you have a larger talent pool to select from." Groller made a similar link: "It is reasonable to expect that talent is spread evenly between men and women. As a result, if a firm had a talent pool of for example 90% males, you are sure to miss out on great talent. Fortunately, we are able to attract a balanced talent pool." He also pointed out that it becomes a business issue since this is not just a topic at the top of law firm partners' minds, but clients' as well: "A lot of our clients have legal teams led by women, who can be very picky with regards to this as well aside from the usual law firm performance metrics."

Beyond the Numbers

The data presented in the survey was gathered from law firm websites. Aside from the natural limitations of this methodology, several other interesting points were raised by the partners we spoke to.

The first was that looking at individual offices, especially in the case of international law firms, might not always yield the most accurate results. As Owen explained: "Given the smaller size of some of these offices, in some cases two partners, the numbers can vary quite considerably."

Comparing countries in terms of partnership numbers might also be an exercise of comparing apples and oranges. As Groller pointed out, "there are considerable differences in what the title of Partner means across different markets." He explained: "Freshfields has a worldwide full lockstep system. This means that there are no regional or specific office partners – rather only global equity partners – meaning that global numbers for firms are far more relevant." As a result, he pointed out, some firms in general have a smaller number of partners relative to the total number of lawyers when compared to other firms who would sometimes call associates that qualify as lawyers partners, even if they share an equal remuneration and responsibility status as associates in other firms.



Hugh Owen, Partner and Head of South Eastern Europe Desk, Allen & Overy

Another aspect that might skew the statistics, Groller suggested, is the nature of the firms considered, as "one could expect that if one looks at the legal market as a whole, the ratio of female partners might be much higher." This is certainly possible – though the opposite could be true as well.

Finally, Owen explained that, "this is not just a CEE issue, it is a profession-wide and society-wide issue."

Conclusion:

Patricia Gannon has the last word: "My strong recommendation is to encourage law firms to deal flexibly with female partners at certain stages of their lives but at the same time to have strong expectations as to what they can achieve. Lowering the goal posts is not in the interest of the business or ultimately the female partner in the long term."

Radu Cotarcea

CEE Legal Matters Round-table: The Future for International Law Firms in CEE

News that an international law firm has closed a CEE office is becoming routine. In the first six months of 2014 alone, Gide Loyrette Nouel and White & Case closed their offices in Bucharest, and Norton Rose Fulbright and Hogan Lovells closed theirs in Prague. With this as a background, CEE Legal Matters invited partners from four international law firms in London to a roundtable discussion about the future of the region for international firms.

Philip Abbott, Denise Hamer, Matthew Jones, and Simon Cox convened at the Richards Kibbe & Orbe offices in London on Tuesday, April 29, 2014, for a wide-ranging discussion on the markets of CEE, prospectives for growth, and the ability of local firms to satisfy the needs of international clients. What follows is a short excerpt of a much longer conversation.



Denise Hamer is a Partner with Richards Kibbe & Orbe, concentrating in the areas of financial restructuring, distressed debt, asset disposition/acquisition, and special situations, with a particular focus on developing markets. She has, in her diverse career, held senior positions with Citigroup, Societe Generale, Weil Gotshal and Manges, White & Case, Arthur Andersen, Schoenherr, and the Austrian bank portfolio company of Cerberus Capital Management, BAWAG P.S.K. She has lived and worked in CEE and CIS for many years. Richards Kibbe & Orbe has offices in New York, Washington D.C., and London.



Matthew Jones is a Partner with Taylor Wessing's Construction and Engineering team. He advises primarily on aspects of construction legal matters, particularly procurement, drafting and negotiation of building and engineering contracts, consultancy appointments, and related construction agreements. His clients and work are global, with projects in the UK and also from time to time in other jurisdictions, including Australia, Italy, Romania, Norway, Egypt, Turkey, Libya and Nigeria. Taylor Wessing has offices around the world, and has been in CEE since its 2012 merger with Vienna-headquartered ENWC Attorneys at Law.



Philip Abbott is a Banking and Finance Partner at Field Fisher & Waterhouse, with a strong focus on funds finance, real estate finance, and restructuring, as well as acquisition finance, receivables finance, and lending in the TMT and life sciences sectors. He has a significant focus on emerging markets, in particular Libya, Turkey, and the Middle East. Field Fisher & Waterhouse has 9 offices around the world.



Simon Cox is a Partner with McGuire Woods, where he advises on UK and international M&A, securities, private equity, privatization and joint venture projects, across a wide range of sectors (including energy & utilities, financial institutions, automotive, real estate, brewing & distilling, shipping, hotels and natural resources). In his 25 year legal career, Cox has worked on transactions in the UK, Central and Eastern Europe (principally in Bulgaria, Romania, Czech Republic, Ukraine, Russia, and Turkey), and in the Far East. McGuire Woods has offices across the United States, as well as London and Brussels.



From left to right: David Stuckey, Simon Cox, Denise Hamer, Mathew Jones

CEELM: You all operate regularly with clients from across CEE, despite not having offices on the ground. So your clients are sitting in CEE, investing into the UK or on an international basis. How are you pitching your know-how, if you don't have a local office?

Philip Abbott: We have the know-how, so far as the CIS is concerned. We have a legal team of Russian lawyers, based in London. They're not practicing Russian law from London, but they are Russian, and therefore have Russian clients and clients from other jurisdictions in the region. So, what we're not doing is trying to sell local law services. We're advising the local client base on English law. Then if a client in the region is investing in, say, France, we'll generally work with either our local offices or with a partner firm there.

Matthew Jones: We have offices in Austria, Poland, Slovakia, Hungary, Czech Republic and Ukraine. We don't have a presence in Russia but we don't see that as a gap necessarily. We have staff across the office network who can service our Russian work.

Simon Cox: You have to tailor your offering to meet the client's needs. You can't say "we can't do work locally, but we could find a firm that you've maybe never heard of that's a local firm, not an international firm." I'm looking for clients coming out of these countries and expanding internationally. For example, Turks looking at setting up in the UK, or Russians buying stock exchange funds, or a stock exchange listing. For that we need some Russian experience, and we need Russian language skills. We

work or M&A work, big projects, and they just are not continuing. But the region's not done. From the whole M&A finance side it's now rolling over to distressed debt and restructuring. So, there's definitely a demand for legal services in the region, just that it's changed and they're not necessarily enough to sustain offices on the ground in each location. In addition, local firms are more capable of handling the more sophisticated matters than they used to be in the past. They've hired laterally. They've hired Anglo-Saxon lawyers. If you look at the local firms, they also have very sophisticated local lawyers, who are politically connected.

Matthew Jones: Many local lawyers have trained at the international firms. They've been on the ground with an international local office of an international law firm. So many will have had quality background and training. Some should then be capable of handling international deals. There has also been a greater focus on pricing in recent years and local firms may have greater ability to absorb fee pressures than say Magic Circle or large international firms.



From left to right: Phillip Abbott, Simon Cox

Simon Cox: I think a couple of questions that international firms are asking increasingly often is "do you need to practice local law, or do you want to practice English law only?" You can see a couple of examples of international firms, in Turkey for example, who initially have said that they will only practice English law – and then changed tack. The question is, what services are you going to provide? And I think that most firms in London are deciding that they are not going to do everything. You need to be very good at what you say you're going to do, and not average. So, apart from probably four or five firms, most firms are no longer 'full-service' in London. In that case how can you be full-service internationally? Perhaps that's the reason for withdrawing. They can't support having an office that

can't do half the things that they want to do there.

Denise Hamer: The worst thing you can have is mediocre or inconsistent services across the jurisdiction; it sullies the entire brand. Another thing is that when you have a full-service firm with such a diverse client base, you're regularly constantly conflicted on matters as well.

Philip Abbott: I would agree with that, and also endorse the need to be able to select the best lawyers that you can to work with you in a particular jurisdiction. A client won't necessarily stay with the same firm all the time. It depends on the type of work that they're doing. I've found in the last couple of years bank clients being much more selective about who they want to act for them internationally. They know the London market, they've obviously gone out and done due diligence on the firms that they plan to use and the individuals of those firms that they're prepared to use. In other jurisdictions, sometimes the clients tell me who they're going to use. At my previous firm, there were a couple of situations where I used other offices of other



From left to right: Denise Hamer, Mathew Jones

main, whether international or local, there should be reasons for hope, with signs that some EU countries are emerging from the economic crisis. And If you look for instance at macroeconomics, I know people that think the UK is leading the developed world in terms of a recovery. But if you look there are other parts of Central and Eastern Europe which are doing well – the GDP economic growth is the same in Poland and Hungary as it is in the UK presently. But I don't think people would necessary see that.

Simon Cox: I treat Poland differently from the rest of CEE, like Russia. I think if you've ever been to Central Europe as a big firm, you'll be in Warsaw. And there are some very well-known people and international firms in Warsaw that are doing quite well. But I think if you look at Prague or Bucharest or the former Yugoslavia Republics, or all the different regions, I think the war for talent is the issue. International law firms cannot go to set up an office in CEE and throw money at it. It has to earn its own money. And to attract good partners or stars, you have to pay top bar, and you can't pay top bar if you're not earning enough to pay them. Part of this is simply that the home offices are much more focused on the particular reasons for opening a foreign office. They're saying: "We want a good year. We want to take some money out of our practices this year. We want to sort of refill our coffers after having funded another office opening." I think office openings are – you see far fewer these days.

Denise Hamer: What's happening in Turkey, obviously there's been a huge boom



From left to right: Simon Cox, Denise Hamer, Mathew Jones

there, but you guys are quite expert on Turkey. Do you see this as a bubble that's going to implode very shortly?

Philip Abbott: It hasn't imploded. I think it's run into buffers politically. But there's 70/80 million people there. It's done very well. It's got a good infrastructure. It's getting better. If it can settle down and get over its exchange rates issues, and follow suit as to its currency, I think Turkey's still got a long way to go to grow. International law firms – there aren't that many there. I'd say probably fewer than 20.

Denise Hamer: Is it a language issue? What is it that's holding the firms back?

Simon Cox: It was a bar issue originally. The Turkish bar doesn't allow Turkish lawyers to work with international law firms. So, they set up dual practices. Plus I think it's a market that people haven't really focused on until relatively recently. I was first asked to look at it eight years ago now, and I thought it was a great opportunity. And when I was looking at it White & Case were the only international firm with an office on the ground. They were asked by the government of Turkey years ago to go to Turkey to do all of the government's work. They've made a massive success with it. They've suffered that problem of being the 'only show in town' so when people get to a certain level and are not promoted, they go somewhere else and set up a competitor. So, the market has sprung up with lots of White & Case alumni, founding new law firms in Istanbul. But it's a much nicer place to go and work than some of the Central and Eastern European countries.

David Stuckey



Market Spotlight: Russia

Guest Editorial: A Reasoned Perspective



Russia is the largest market in Europe with more than 140 million people, a growing middle class, and GDP per capita twice that of China. In Central and Eastern Europe, Russia's average annual household income of USD 23,000 is surpassed only by Slovenia and the Czech Republic. In recent years the Russian government has been very conservative in managing its financials and the country's budget deficit is currently less than -1.0 percent, and public debt stands at about 12 percent (compared to 80–100 percent in most European countries).

In the past decade, Russia has been one of the most profitable markets in the world for foreign investors with growth rates in double digits. Many multinational companies that entered this increasingly competitive market early have a turnover in excess of USD 1 billion. Russian consumers appreciate quality in goods and services and are prepared to pay a premium for established brands. In addition, Russia is still one of the best markets for human talent.

Russia's image in the Western press has never been good, as the country has historically received a disproportionate share of negative coverage as successor to the Soviet empire – primarily due to wide-spread corruption and the government's unwillingness to accept certain liberal Western values.

In March 2012 Vladimir Putin swapped roles with Dmitry Medvedev, winning an election, and became Russia's President for a third term. Many in Russia were dismayed by this swap, thinking that a new Brezhnev-style era was looming and that Russia would be governed by a for-life ruler quietly aging and losing touch with reality. It looked as if this would give a boost to the opposition and help create an alternative to political dominance by Mr. Putin. Street protests in Moscow and a few other cities, primarily by the growing middle class, heightened expectations of change and structural reforms. Mr. Putin, however, was quick to react to the demand for changes, launching a publicized anti-corruption campaign and introducing some of the changes proposed by the opposition. Unfortunately, none of Mr. Putin's political opponents were able to challenge him and gradually the opposition was discredited, mainly because of their own inability to connect with voters and also due to pointed campaigns in the state-controlled media.

The latest stand-off with the West over Ukraine has made Russia an international pariah. In the past few months the business community – both Western investors and local business people – has watched with alarm, fearful of industry-wide Western sanctions and a shut-down of access to Western financial institutions, as well as retaliatory measures which may be expected from the Putin government.

Despite this threat to business, support for President Putin has surged to record highs, including among local business people who stand to lose most from Western economic sanctions, as many Russians welcomed his tough stance on Crimea and swift actions in taking it.

However, even prior to the confrontation over Ukraine the Russian economy was slowing down. This and the increasingly assertive middle class presented a political challenge. Mr. Putin and his team were struggling to identify a theme that would consolidate society and be a political boost. In this respect, the "blitzkrieg" in the Crimea turned out to be exactly what was needed, propelling Mr. Putin's popularity and approval ratings to unprecedented highs.

The price paid so far has been limited to insignificant sanctions against a small group of government officials and businessmen, plus a large neighbor whose people may be expected for decades to fume over the loss of territory. It remains to be seen what additional price Russia will pay economically if Western investors turn away. So far, many capital markets transactions in Russia have been put on hold, it has become difficult or more expensive for Russian companies to raise funds from Western banks, and access to certain high-end technology has been cut. Mr. Putin has publicly shown willingness to de-escalate tensions and refrained from threatening retaliatory sanctions, putting on a pragmatic hat. He signed a major deal to supply gas to China, in an effort to compensate for losses in trade with the West. The message to foreign investors has been that those who continue to expand their business in Russia, despite negative signals from their own governments, will be appreciated.

Despite the negative rhetoric in the media, most multinational companies are looking for ways to grow their Russian operations and locally it is business as usual. It may be expected that the economic slow-down and political tensions with the West will prompt the Russian government to focus on further structural reforms and rely on its own resources, as well as be more welcoming to those foreign investors who decide to invest in this uncertain environment. Russia may be expected to continue to cooperate with its European partners (to the extent they are willing), but will also increasingly try to diversify economic ties with China and other regions in Asia. At the same time, Russia is increasingly assertive of its interests and local businesses (including subsidiaries of multinational companies) are highly competitive and prepared to fight for their market share.

In general, Russia is a big, complex emerging market which may be quite profitable if developed in a sophisticated and focused way. Many multinational companies have been very successful in this market. The Russian government is continuing efforts to improve the legal environment, address corruption, and make doing business easier, and it may be expected to embark on several large infrastructure developments. All this offers opportunities for investors who are prepared to give priority to economic interests and not be overwhelmed by short-term political risks.

Our firm has been on this market for 25 years – longer than any other international law firm. We thought we had witnessed it all – the uncertainties and boom years of the 1990s, the crisis of 1998, the crisis of 2008, and now the threat of sanctions. However, we are still Russia's largest international law firm, and we are confident that our people and experience will help us grow and navigate through the current uncertainties.

Sergei Voitishkin, CIS Managing Partner, Baker & McKenzie

“Sanction”: noun: an action that is taken or an order that is given to force a country to obey international laws by limiting or stopping trade with that country, by not allowing economic aid for that country, etc

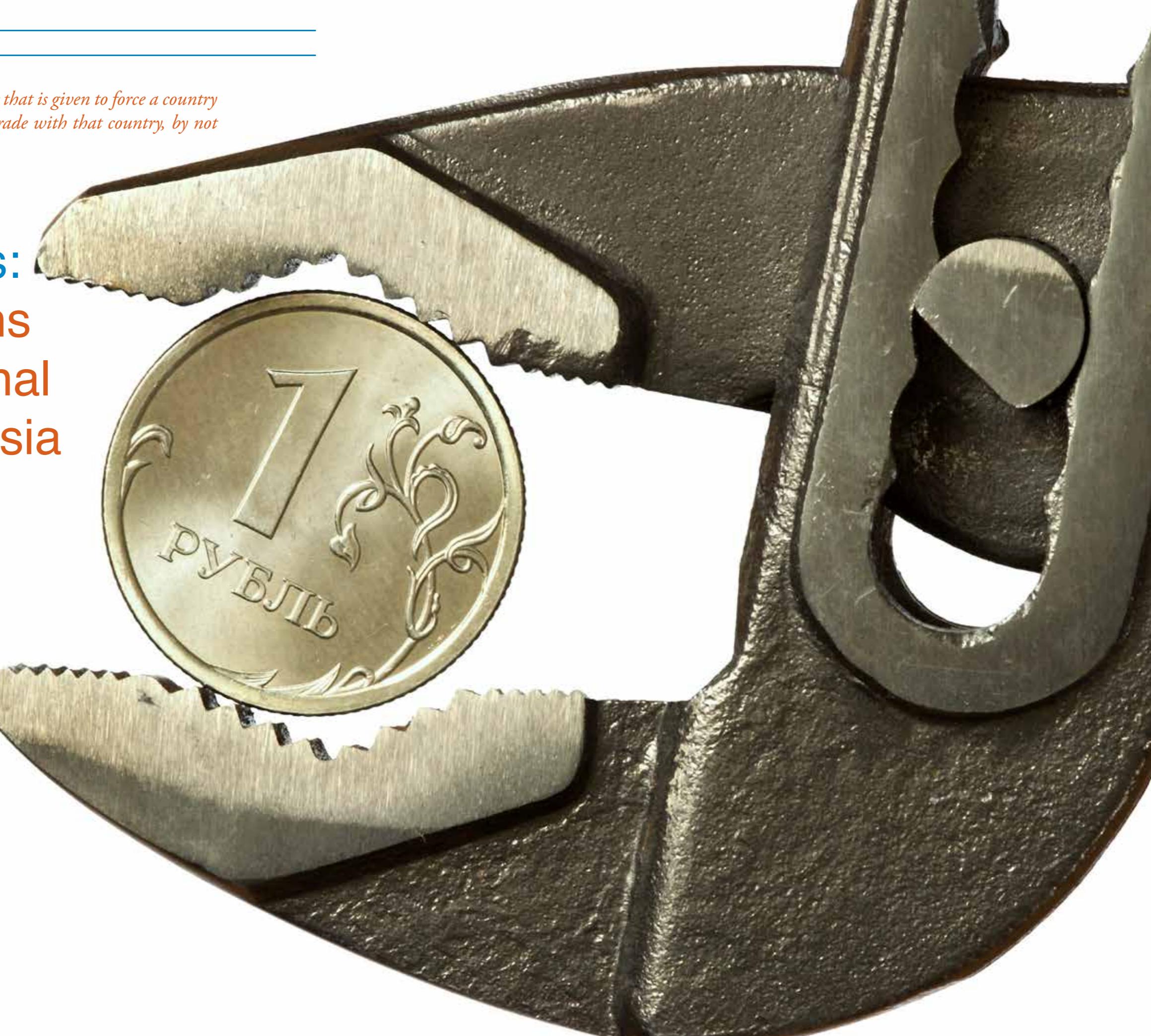
Bad For Business: Western Sanctions Impact International Law Firms in Russia

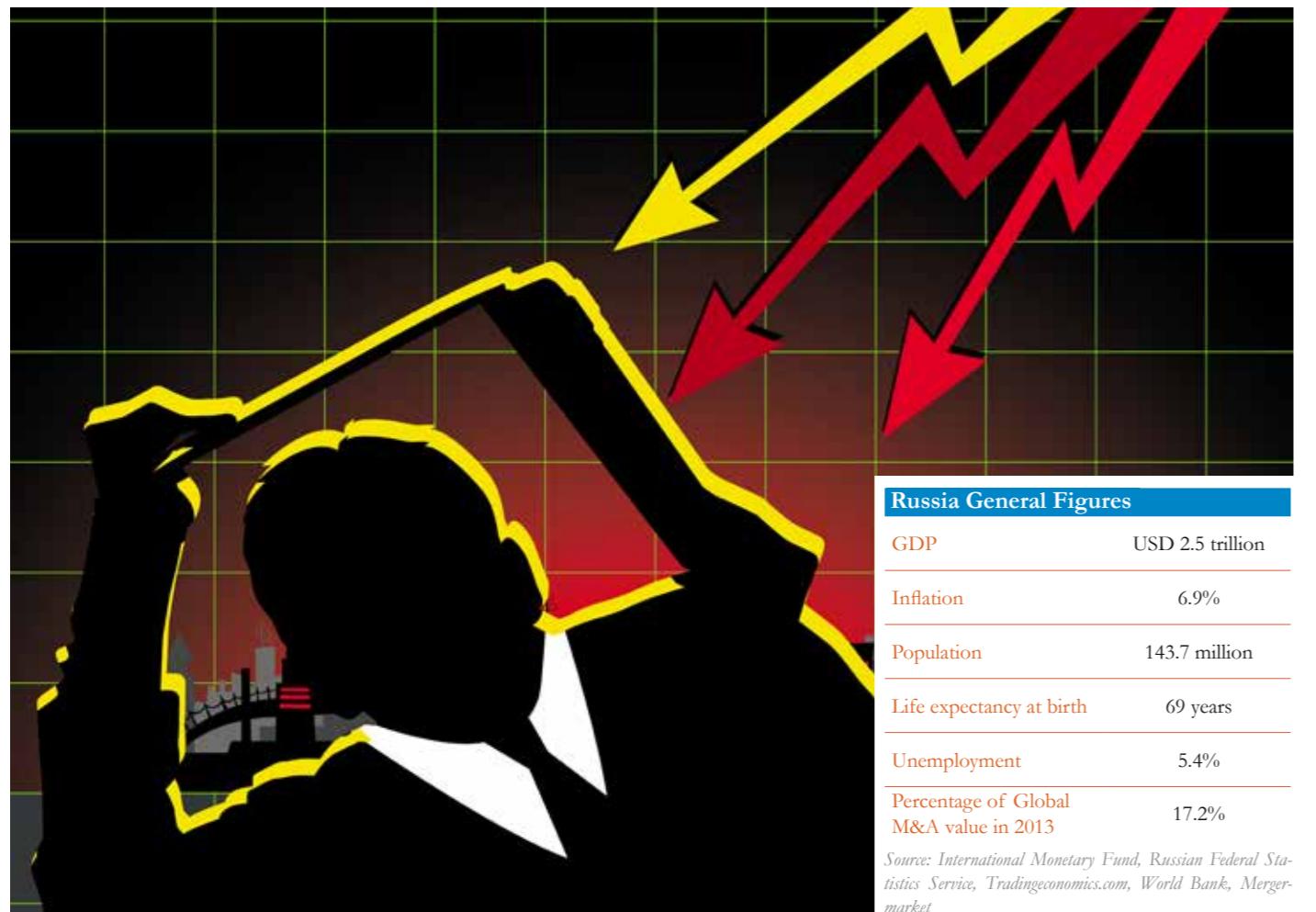
The prospect and then the reality of the sanctions imposed on Russia by Europe and the United States have been the primary concern for the many law firms with offices in Moscow – both Russian and foreign – since the secession crisis began on the Crimean peninsula in late February. As the effect of the sanctions imposed by the West became real, and as the likelihood of additional sanctions loomed, anxieties deepened, and the prospect of military engagement in Eastern Ukraine raised those anxieties into even higher relief.

Conversations with Managing Partners at leading international and Russian firms reveal that the fears of the early spring appear to have calmed somewhat as a geo-political status quo has developed, and as the prospects of a Russian intervention into Eastern Ukraine have lessened. But to a man, each Russia expert we spoke to conceded that the subject remains front and center in their focus – and the primary concern of their clients.

Thus, the questions lawyers in Russia have become familiar with answering for the past three months – what’s happening with sanctions, what’s going to happen next, and how will they or might they effect my business – remain an unavoidable part of the daily routine. Nobody seems to think those questions will go away anytime soon.

A history of the recent events in the Crimea is provided on the longer version of this article found at www.ceelegalmatters.com.





America and EU Impose Sanctions

As a result of Russia's March 18, 2014 accession of Crimea, Canada, the United States, and the European Union imposed various travel and economic sanctions against many members of the Russian-backed former Ukrainian government, as well as several mid-to-high-ranking Russian officials. In a second round of sanctions, the United States expanded the list to include a number of high-profile corporate entities such as Bank Rossiya and Chernomoneftegaz (a Crimea-based gas company), InvestCapitalBank, and others. The European Union, to date, has not taken a similar action.

A complete list of the individuals and corporate entities subject to sanctions is provided on the longer version of this article found at www.ceelegalmatters.com.

Sanctions Are Felt – and Resisted

Subsequent to the mid-March imposition of sanctions, the Fitch and Standard & Poor ratings agencies downgraded Russia's credit outlook, Russian banks warned of a sanctions-induced recession, and Rus-

sian government-bond issues plummeted by three-quarters compared with the same period the previous year. Novatek, Russia's second-largest gas producer, was reported to have lost USD 2.5 billion in market value at one fell swoop out when its shares sank by nearly 10%.

Business News Europe put the potential damage to the Russian economy as high as USD 400 billion. And on March 14, the Financial Times reported that Russian companies had started pulling billions of dollars out of Western banks to avoid any asset freeze.

The *unquote* private equity specialists claim deal flow in Russia and Ukraine dropped by 42% in Q1 2014 compared to the preceding quarter – a stark contrast to the rest of CEE, where Q1 2014 deal flow reportedly reached a high point in volume terms across a five-year sample, and a 38% increase on the previous quarter.

that: "It is with pride that I have found myself on the black list, this means they have noticed my stance on Crimea."

President Putin's approval rating among the Russian public increased by nearly 10% since the crisis began, up to 71.6% – the highest in three years, according to a March 19 poll conducted by the All-Russian Center for Public Opinion Research. The same poll showed that more than 90% of Russians supported unification with the Crimean Republic.

Another by-product of the Ukraine crisis is Russia's much-discussed "pivot to the East" – the Kremlin's search for foreign investment, sales, and cooperation from Korea, Japan, India, and China – countries which have stayed away from any sanctions and shown themselves less bothered by Russia's accession of Crimea than those countries in closer geographic proximity.

The Initial Effect of Sanctions on International Law Firms

Still, there was disagreement on whether the sanctions would have any lasting effect, and many Russians remained defiant. Sergei Mironov, for instance, the head of the opposition "A Just Russia" party, stated

whether a client's business was involved with what the US calls a "specially designated national" and the EU a "designated person" – a process which often required substantial research into corporate trees, sometimes murky documentation, and multiple shells – then decide what actions were necessary or recommended.

And the initial mood in Moscow after the sanctions were issued mood was – if not grim – at least nervous. In mid-April, Bill Reichert, the Managing Partner of K&L Gates in Moscow, described the issue of sanctions as the "800 pound gorilla in the room," and said "it's all anyone's talking about." He reported that new business was on hold, as clients and lawyers alike waited to see what would happen.

Sebastian Lawson at Freshfields reported that his team was being kept busy answering phones. "Ever since the Crimean process started we've been getting calls from clients to see how sanctions will effect their business." These calls, he reported, came from Russian clients as well, inquiring about actual or proposed investments outside of Russia. And some clients were "already starting to think about restructuring deals or structures to avoid sanctions."

The Current State of Affairs

CEE Legal Matters reached out to a number of Russia experts in late May for an update on the current state of affairs.



Bill Reichert, Managing Partner, K&L Gates:

CEELM: Is the "800 pound gorilla" still around?

B.R. Maybe the gorilla's gone on a diet. Lost

a little weight. Maybe down to 650 pounds or so? He is still a big beast and he's still in the room. It's definitely still an issue – I think it has calmed a bit, but it's still on the front of people's minds. But whereas before it was a lot of posturing on both sides ... now there's been a sort of understanding as to where the line is in the sand. Both sides – Russia and the West – don't want to push any further.

CEELM: Are clients responding positively to the current calm?

You know, investors want stability. More importantly, they want predictability. They don't want uncertainty. If you're deciding to invest or not, and you're really not sure, that's the worst thing. You can't plan for what you can't expect. Now that there's a bit more calm, perhaps a bit of predictability out there, which is giving people a bit more comfort. But there's still a bit of a wait-and-see approach.

Now, again, while the gorilla is still in the room and still pretty sizable, it's still early days in terms of this so-called stability. The Ukrainian government has just been elected. It's going to take them a little while to get things in place. It's still a volatile situation, and a divided country. But hopefully what we're seeing is that both sides understand that fighting each other, in whatever sense, is counter-productive.

CEELM: Regarding the Russian "pivot" to the East:

Traditionally there hasn't been a whole lot of cross-investment between Russia and Asia, like there has been with Europe. And we're trying to see if that will change. I suspect that it probably will, but these things don't change overnight. If there is change it will probably transform over the course of a couple years.

CEELM: How high was the level of anxiety in the firm in earlier months?

I think everyone, for the most part, whether through wishful thinking or naivete, sort of assumed this would pass. And I think that's true. If you read certain media stories in the West, and if you have no idea what Russia and Ukraine are really like, you may have a tendency to think the worst. So I occasionally would get calls from others in the firm wondering the extent of how bad the situation was in Moscow, while in reality it's pretty much day to day here. That's one example of where there was probably more

concern elsewhere than there was here. But maybe we are simply naïve here!



Sebastian Lawson

Sebastian Lawson, Partner, Freshfields Bruckhaus Deringer:

CEELM: Has anything changed?

I think the short answer is "not really." I think there's still a great deal of uncertainty as to how events will unfold and therefore what implications it will have on the legal and business environment. I think the good news is that the perception is that Russia has decided to pull back from the brink and certainly no invasion of Ukraine is in the cards now, if it ever was, and fears of Russian aggression were exaggerated.

CEELM: We've seen the worst then?

That's certainly the hope here, and the way the equity markets in Russia have been rallying in recent weeks, shows that's certainly the general view of market participants. I think there is clearly a worry that events on the ground may not improve. And I think a lot of people are worried that – the way we had in Bosnia 20 years ago – the two sides are so completely polarized that it becomes impossible to get back to the status quo. But I think that the general view is that the likelihood of Russia sucked into all of that is much less than it was, and much less potential for actual conflict for Russia and Ukraine.

CEELM: How are Freshfields' clients reacting?

It's still very much a holding pattern. And in the Oil & Gas sector we see very little impact, and we see deals going on regardless. In Oil & Gas there doesn't seem to be any impact. What we're seeing a lot of, as you'd expect, is a lot of caution in the

documentation phase, so people are coming up with lots of additional requirements for documentation in terms of sanctions warranties, compliance undertakings, all that sort of stuff, but it's more limited than I think people initially feared.

CEELM: Are you seeing increased business from Asia?

Yes we are, absolutely. We're seeing several prospective projects coming from that part of the world, so one thing we're working on at the moment for example which was announced several weeks ago was a bridge between Russia and China over the Amur River, which is very interesting, so we're seeing more and more on the infrastructure side, and there are port developments being looked at in the Russian Far East region, which would typically be structured as co-investments between Russian parties and parties from either Japan, Korea, or China.

CEELM: Was there genuine anxiety by Freshfields lawyers or was it primarily concern about the effect on day-to-day business?

Very much the last one. And obviously there was concern about who would get put on the sanctions list and what form the sanctions would take, and of course there is still general concern about how long it will take to get things back to where it was, but ...

CEELM: Are you hopeful for the next few months?

Much more hopeful than the last time we talked. The immediate clamor of clients around sanctions has receded significantly, so to that extent it's become almost part of the ordinary course, it's just one of those boxes we tick.

Edwin Tham, Partner, Allen & Overy:

CEELM: Is the effect of US and European sanctions on Russia still the primary concern for your colleagues and clients?

Sanctions are of course still a concern but we view them as a temporary issue. For us the long term concern remains whether the Russian government will follow through on the structural reforms needed to improve the business and investment climate and, of course, the degree of success which it will have in doing this. This is not a new issue - even before the Ukraine crisis the structural weaknesses of Russia (excessive red tape, corruption, weak rule of law, etc) were already exerting a drag on GDP

growth. Of course the crisis, and resultant sanctions, has not made the job of "selling" Russia as a destination for investment any easier.



Edwin Tham

CEELM: Is the effect of the sanctions more clear now, or is it still somewhat up in the air?

I think businesses are much more sanguine about the sanctions. Those which have been imposed so far have had little impact and it appears that there is little appetite among most EU countries to add to these. The fact that presidential elections in Ukraine have taken place and Russia has said that it is prepared to work with Poroshenko will make businesses more confident that things will return to normal. Also, the fact that Russia succeeded in concluding several landmark deals with China seems to suggest that Russia is not as isolated as hardliners in some Western governments would like to believe. The Russian stock market and ruble have strengthened over the past few weeks and the Central Bank has announced that capital flight slowed down - all of which are positive signs of returning confidence.

CEELM: How has Allen & Overy's business in Russia been impacted?

Capital markets activity is down significantly but our core banking and corporate practices do not seem to have been significantly affected. Business is down slightly from the first quarter but still higher than at the same time last year.

CEELM: How do you expect things to play out in the months to come?

I'm pretty confident that it will be back to business as usual by the end of the sum-

mer. Now that Ukraine has a new president he will need to get on with the difficult job of rescuing the economy. That won't be possible without unless he agrees some sort of modus vivendi with Russia. Asian - and in particular Chinese - investors seem happy to do business with Russia and this will underline, for European businesses especially, that it doesn't make sense to disengage from the Russian market. Crimea will remain an open sore but will eventually settle down into another "frozen conflict" in the former Soviet space.

Sergei Voitishkin, Managing Partner CIS, Baker & McKenzie:



Sergei Voitishkin

CEELM: Is the effect of the sanctions more clear now than it was in April, or is it still up in the air?

There is still a "wait-and-see" feeling. The sanctions that have officially been imposed are unlikely to have any material effect. However, the extent to which foreign investors will curb their activities in Russia as a result of the worsening of relations between Russia and Western countries is still unclear. We will have a better picture in 3 to 6 months.

CEELM: How has Baker & McKenzie's business in Russia been impacted?

We have not yet felt any meaningful impact in Russia - a very minor number of deals have been put on hold. Overall, there has been a slight uptick in billable hours with clients seeking advice in connection with sanctions.

CEELM: How do you expect things to play out in the months to come?

I expect work levels to remain flat - as investors consider their strategies in Rus-

sia. Those companies with large business in Russia may be expected to carry on as has been the case in the last three years. We don't anticipate any major new in-bound investments or acquisitions in the short-term. However, large M&A deals between Russian clients may well be expected. We have not seen any down-sizing of mid-market deals, particularly joint ventures. We also anticipate more deals involving Chinese companies.

Overall, I expect the Russian government to be more "friendly" towards investors who continue to invest in Russia. In the last few days, the official rhetoric has been too play down the tensions and emphasize that it is business as usual.

Sergey Yuryev, Partner, CMS Russia:



Sergey Yuryev

CEELM: Is the effect of the sanctions more clear now than it was in April, or is it still up in the air?

The issue of sanctions remains quite a hot topic in Russia since they were first imposed. The practical implications on international and domestic business in Russia, however, have actually been quite limited so far and have primarily affected banks and companies directly named in the sanctions list. Even for these directly affected entities, the consequences have been relatively unremarkable (i.e. no bankruptcies, liquidations, etc). Additions to the sanctions lists predictably attracts substantial public and media attention in Russia, but as noted, affects only a limited number of businesses.

Mikhail Kazantsev, Partner, Egorov Puginsky Afanasiev & Partners:

The Russian government also provides certain support including preferential regimes for the affected businesses in order to minimize the potential losses and overall potential negative effect for the economy.

While the sanctions have so far affected only a limited number of companies, the

general perception is that there could be further sanctions in the event of any escalation of the situation in Ukraine and indeed, the position that Russia may take in respect of such developments. As such, there are still concerns in respect of potential "sectorial" or "industry-focused" sanctions or sanctions against major Russian companies (including Gazprom, Rosneft, LUKoil, Sberbank, etc) which may be implemented in case of any further escalation of the conflict in Eastern Ukraine.

CEELM: How has CMS's business in Russia been impacted?

There is an increasing volume of "legal due diligence" work being instructed by certain US and EU clients prior to entering into new relationships with Russian counterparties. Additionally, a number of instructions followed the joining of the Crimea to Russia where internationally operating clients seek legal advice in respect of structuring their existing business in the Crimea in the current sanctions environment. Furthermore, CMS itself had to undertake an additional KYC exercise to ensure compliance with the EU sanctions.

CEELM: How do you expect things to play out in the months to come?

As noted, the further development of the sanction regime will largely depend on further development of the situation in Ukraine and particularly the possible federalization of the territory of Eastern Ukraine. The Russian Government did not take any active steps to join such territory to Russia (due to various political and economic reasons) despite numerous requests from within the territory. Currently the Ukrainian Government is conducting a military operation in that region leading to the increasing number of human casualties, so Russian authorities are facing serious political and humanitarian pressures that may lead to various actions by the Russian Government. If such steps are not coordinated and agreed with the EU and the US, new sanctions will be imminent.

Mikhail Kazantsev, Partner, Egorov Puginsky Afanasiev & Partners:

CEELM: Is the issue of sanctions still something everyone's talking about, or has it died down in recent weeks?

The amount of work increased due to the fact that our firm picked some of the work that was previously done by foreign law firms. Russian companies that do not trust foreign law firms even though those companies are not on the sanctions list at the moment. The risk being that if the companies will be put on the sanctions list they will immediately lose legal support.

CEELM: How do you expect things to play out in the months to come?

It's difficult to say as this is not the legal issue and more on the side of the politics. We closely monitor the situation and have a plan for multiple scenarios.



Mikhail Kazantsev

the presently enacted sanctions, everybody is waiting what will happen next – either a cancellation of sanctions as a result of the Ukrainian elections or a new wave of sanctions if Russia will not accept the legality of elections.

CEELM: Is the effect of the sanctions more clear now, or is it still somewhat up in the air?

Most of the parties effected by the sanctions already received advice from their US counsel. Although the problem is that OFAC did not clarify some controversial points as to how the sanctions should apply. Most of the interested parties are still waiting for official OFAC clarification.

CEELM: How has Egorov Puginsky Afanasiev & Partners' business been impacted?

The amount of work increased due to the fact that our firm picked some of the work that was previously done by foreign law firms. Russian companies that do not trust foreign law firms even though those companies are not on the sanctions list at the moment. The risk being that if the companies will be put on the sanctions list they will immediately lose legal support.

CEELM: How do you expect things to play out in the months to come?

It's difficult to say as this is not the legal issue and more on the side of the politics. We closely monitor the situation and have a plan for multiple scenarios.

FINAL NOTE: Thank you also to Dentons Partner Doren Doeh, Morgan Lewis Partner Brian Zimbler, and Linklaters Partner Matthew Keats for their assistance in preparing this article.

David Stuckey

Interview: Alexander Kotlyar

Head of Legal & Compliance Department at Danfoss Russia



Alexander Kotlyar is the Head of Legal & Compliance for Danfoss Russia, the Russian subsidiary of the Danfoss Group. Kotlyar joined Danfoss in 2012, after working as a Senior Lawyer with Schneider Electric for a little over a year. He began his career with Gruzovozoff LLC, where he moved up the ranks from a young in-house counsel to Deputy Head of Legal.

CEELM: To start, please tell our readers a bit about yourself and your background leading up to your role with Danfoss Russia.

A.K.: After graduating from the International Law faculty of the Moscow Institute of International Law and Economy named after A.S. Gribodoyev, I worked in different companies gradually 'growing up' from the role of a sole lawyer, to a senior lawyer, then to a Deputy Head of Legal Department. The support of daily activity in various areas of business gave me a solid foundation of the legal profession.

Finally, in 2012 I applied for a position of Head of Legal Department in Danfoss Russia, the Russian subsidiary of the Danfoss Group, the world leader in the manufacturing of energy and heating solutions, refrigeration equipment, power electronics, and many other appliances well-known all over the world. Luckily I was chosen, and in 2013 I held the position of Head of Legal and Compliance Department, adding some interesting and valuable functions to my current role.

CEELM: You have worked as an in-house lawyer for over 14 years -- much of which in senior/management positions. What best practices have you developed over the years in hiring and developing a strong in-house legal team?

A.K.: I always instruct my subordinates to keep in mind, as they draft or propose any terms and conditions, that the time may

generally prefer outsourcing to external counsel and what types of legal matters do you prefer to handle in-house? Why?

A.K.: If possible, I prefer outsourcing IP rights lawsuits and mergers/acquisitions deals support: these do not require deep knowledge of interconnections inside the Group and the company, and providing counsel with necessary documents is quite sufficient – unlike the main activity, which requires keeping abreast of Group activities, and thus must be handled in-house.

CEELM: What would you say was the most complex project you worked on during your time at Danfoss?

A.K.: Currently we are rendering legal support to a manufacturing plant construction in Dzerzhinsk, Nizhniy Novgorod Area. The complexity of this project lies in the necessity of suggesting a reasonable balance between the interests of all participants (many of which are major stakeholders in their areas) while strongly protecting our interests – but such legal support is giving a feeling of involvement in the creation process from scratch.

I would like to admit that every project is both interesting and complex in its own way. It is rather problematic to emphasize a specific one, because ordinary projects are not reflected in memory, whilst unique ones have their own aspects and particularities complicating a comparison. Notwithstanding this, we succeed in solving both ordinary and unique tasks equally.

CEELM: Since you mentioned you prefer handling elements outside of IP and merger/acquisitions within your legal team, do you handle all aspects related to this new manufacturing plant in-house?

A.K.: As for legal support at present – yes. But I would leave open the possibility of putting some matters to a tender, particularly if these matters by their specific nature require the involvement of specialists with a narrow focus.

CEELM: What types of legal work related to this project end up being most time-consuming?

A.K.: I estimate obtaining internal consents and discussions with counter-parties related to the essential terms and conditions of contracts as most time-consuming.

CEELM: From a regulatory standpoint, what would you identify the main recent or upcoming pieces of legislation that will impact your business?

A.K.: We are aligned with both Russian legislation and foreign applicable laws such as FCPA and Bribery Act. Moreover, we are an ethical company and do the best to prevent possible unethical steps, which can be made by our employees, as well as the breach of our Code of Conduct by sup-

pliers, contractors and service providers. Constantly changing Russian legislation gives many challenges and promises much more in the future, but we know how to deal with them.

CEELM: Since you mentioned constantly changing legislation in your jurisdiction, what are the main resources you use to keep track of them? Do you follow direct sources from relevant regulatory bodies, attend seminars, read up on legal academic journals, interact with regulatory bodies directly, use external counsel, etc?

A.K.: We do our best to use all sources you

noted, but we prefer to attend seminars which open the floor to speeches of the regulatory bodies' officers.

CEELM: Looking back at your career, if you could go back to give one piece of advice to yourself fresh out of law school, what would it be?

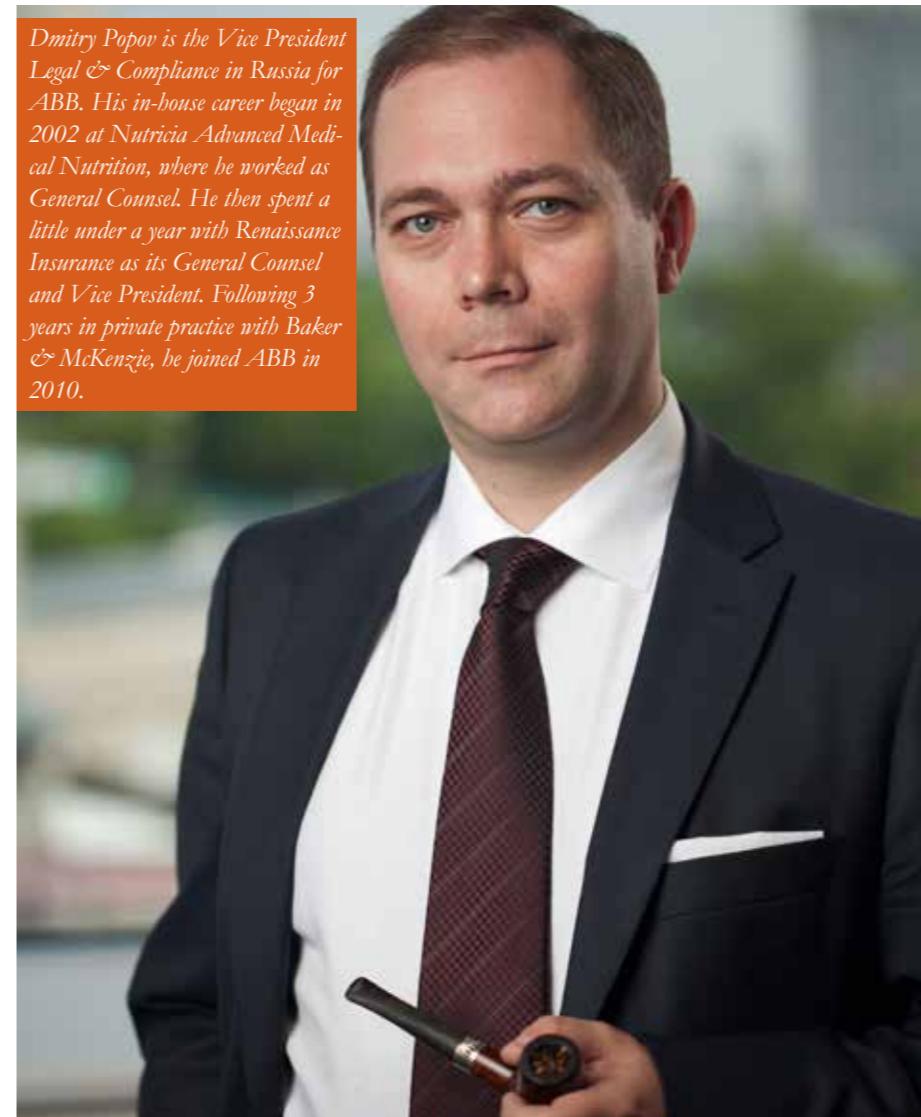
A.K.: If that young guy, full of his own impressions and expectations, listened to me, I would advise him to risk more in looking for the job of his dreams. Who knows, I might have held this position much earlier...

Radu Cotarcea

Interview: Dmitry Popov

Vice President Legal & Compliance for Russia at ABB

Dmitry Popov is the Vice President Legal & Compliance in Russia for ABB. His in-house career began in 2002 at Nutricia Advanced Medical Nutrition, where he worked as General Counsel. He then spent a little under a year with Renaissance Insurance as its General Counsel and Vice President. Following 3 years in private practice with Baker & McKenzie, he joined ABB in 2010.



CEELM: To start, please tell us a bit about your career leading up to your current role with ABB.

D.P.: My background is in fact a technical one with the first university I attended focusing on engineering. I did start studying for my law degree in parallel with the first one, which led to me graduating from both universities in 1997. My very first job in the legal world was in the Prosecutor's Office but I found early on that it was much more interesting to work on civil cases rather than in criminal law, which I personally hate but which was almost mandatory for a career there. I then decided to leave the office and started working with a very small law firm.

I soon realized what a great asset my dual qualification represented. My technical background helped me understand technically complicated contracts, meaning I could support my clients much better. A telecommunications company, for example, is always going to be serviced better by a lawyer who understands not just the law but also the technology, and, importantly, the core business behind a contract.

Later on, I started my own small law practice in Nizhny Novgorod – a city where I was living at the time. I then came to the conclusion that all the interesting law work is really done in Moscow so I decided to relocate the city, where I worked for a large European company for 5 years. Within it, I

started as an in-house counsel and moved my way up the ranks gradually to the position of General Counsel. After this experience I worked briefly for Renaissance Insurance after which I received an offer from Baker & McKenzie.

I have to say, what followed were probably the most exciting years of my professional life. When I joined the international firm, I expressed a strong wish to work on challenging/unusual cases, which have solutions neither in law, nor in court practice, and the firm offered a great platform to expose me to such projects.

“I see two types of General Counsel: there is the “9 to 6 GC”, who really only acts as a communication tool between external counsel and the Board, and the “real GCs” who take advice and handle problems themselves.”

In 2010, when the crisis hit firms, I realized that my dream of becoming a partner within 3 years of joining the firm might be a bit of a stretch, not because the firm was hurting necessarily, but because the capacity to assimilate more lawyers within the partnership ranks at the time did not look so evident. As a result, I accepted an offer from ABB to join the company – though I do not exclude the possibility of returning to the firm as a partner one day [laughs].

I was also attracted by the idea of joining ABB because I knew they had very good Contracts and Corporate departments – but such important (for a large-industry company) areas as antitrust, regulatory (including customs and tax), IP, and litigation were not covered at the level which I believed sufficient. In light of my specialization with Baker, I thought those would be gaps I could definitely plug into and take upon myself the challenge of building up. In fact, looking back, I take pride in the fact that I built a small law firm with different practice areas within the company over the years, including a two-person litigation team that now is capable of handling large/complex litigations in-house. The same applies with other practice areas such as IP or antitrust, and even some M&A. Having said that, I must say how much I appreciate the very professional support from ABB headquarters.

CEELM: Do you see this approach as a trend in the market?

D.P.: Indeed, I do. I think it makes sense

for it to be a growing trend actually since it offers both the advantage of working with lawyers who know the business inside-out and it tends also to save money. Further, from my experience with Baker & McKenzie as well as from my communication with other consultants I understand that now in Russia we have a new generation of lawyers who are highly professional in their core law areas.

CEELM: You have worked both in-house and spent a considerable time in private practice -- which do you prefer and why?

with my team and update us on some of the recent updates taking place in relevant legislation – and in Russia, there's often quite a few of them. There is also the element of building up internal cases – a sort of “externally-powered internal legitimacy” provided by the expert opinion of an outside consultant.

CEELM: Since we mentioned external counsel, when you do decide to outsource legal work, what are the main criteria you use in choosing law firms?

D.P.: It really does depend considerably on the transaction. If I have a specific question I tend to know a lot of good lawyers – and I am referring here to specific individuals, irrespective of the colors of their brand – in Russia and would know who is best to ask for input.

If I had to pick one criteria, I value a law firm that “monitors” what we do on a regular basis as a business. For example, now that we are building a new plant, when we looked for external counsel for a specific real estate matter, it was important for us that the counsel knows already how we work and how we like things done – in terms of internal processes and such. This saves both time and money as we waste neither on answering question and clarifying what we need and how we need it, although “long term relations” is never the main criteria.

And if I have a complex project which may involve several areas of law, I choose between law firms who are strong in all those areas, and in this case the “best individual professional” approach does not play a main role.

CEELM: What are your main sources of information about the capabilities of any specific law firm: Law firm websites, legal directories, network/referrals, direct contacts, their track records?

D.P.: The reality is that for a General Counsel to be effective, he/she needs to understand all the legal spheres related to his/her business from real estate to IP to antitrust, tax, etc. I personally used to specialize primarily in antitrust as well as corporate law but that does not mean that I never externalize this type of work. Even if I feel that the greater part of my team is “fluent” in antitrust issues, which is mandatory with all my lawyers, I still would sometimes, for example, invite external lawyers to sit down

to meet regularly (even across each other at a table in a deal or in courts), but we do nevertheless. I've even exchanged best practices on how to handle various regulatory bodies with a direct competitor so exchanging impressions/referrals on external counsel is definitely a useful tool. Disclaimer: in full compliance with antitrust law, nothing to do with the disclosure of the commercially sensitive information [laughing]

managing the legal department to make sure it runs smoothly and in an organized manner. This means managing 9 lawyers out of a full staff of 18 (we include in the legal team other technical staff such as archives or contract managers), their daily tasks and long term projects, their interactions with other business units, and so on. It also means working constantly to streamline processes which involve the legal team so as to eliminate unnecessary red-tape to ensure the legal team operates as a facilitator, rather than a “sales prevention team” for the overall business.

CEELM: How does a regular day in the office look like for you? What takes up the most time of your day?

D.P.: Two broad things end up taking up the greatest part of my day. The first is

come up and reacting to them on the spot means distractions from other projects and a lot of time invested in them.

CEELM: On a lighter note, what is your favorite item in your office and why?

D.P.: I have a small model car – a Jaguar XK – which is my favorite car in the world. Obviously, I hope to one day own the car itself, not just a model of it. My team members' favorite item, however, is my table hockey. We actually have a legal department tournament twice a year. The prize is obviously something small, such as show tickets, but they all love it and it is an excellent team builder.

Radu Cotarcea

Interview: Anna Gritsevskaya

Legal Director Russia at PPF Life Insurance



Anna Gritsevskaya is the Legal Director for Russia at PPF Life Insurance (formerly Generali PPF). She has spent over 11 years in the Insurance sector, holding Head of Legal and Compliance positions in a number of foreign-owned insurance companies in Russia including Allianz, Ariva, Fortis, and Generali PPF.

CEELM: To start, please tell us a bit about yourself and your career leading up to your role with PPF Life Insurance

A.G.: I was born in Moscow and graduated from the Moscow State University Law Department. To tell you the truth, I never wanted to work as a lawyer and saw myself as a future law scholar. I was strongly encouraged by my professors to devote myself to legal science. However, the times were rough in Russia in early 90s, so I started working in a corporate rather than academic environment. Completely by accident I joined a Russian insurance company in 1995 and have been in the insurance industry ever since.

CEELM: Your current role is that of Legal Director for Russia. In your own words, how would you define the role of a Legal Director/General Counsel?

A.G.: Perhaps, my role is best described by the name of my position [smiles]. I do counseling - I advise the company's management and the employees on most complicated and tricky legal issues. In other words, I am responsible for the peace of mind of the management. But I am also a manager myself and, as such, I have to organize the work of my department and supervise many insurance matters including product design, claims handling, and litigation. Corporate, employment, and various other general legal issues come on top.



"I do not believe in long hours at the office desk. Certainly, there may be cases when it is necessary but then it is a crisis and everybody should mobilize"

CEELM: You have been working in the Finance sector for over 11 years in senior in-house roles. What excites you about the industry the most?

A.G.: As I said, it was by accident that I started working in insurance. But I have never regretted it. Insurance is a service industry, where the client is always right. As a result, I have the challenging task of keeping the balance between the need to satisfy the client to the maximum possible extent and the need to protect the interests of my company. At the same time, the legal framework for insurance in Russia is rather general, so insurance lawyers often have to make decisions with little or no guidance at all. It means responsibility but it also drives me a lot!

CEELM: What does a typical day look like for you as the Head of Legal of an insurance business in Russia? What takes up the most of your time in the office?

A.G.: I usually start with accessing the scope of work, defining priorities, and distributing assignments among the team members. As the day unfolds, I supervise the performance of tasks by my staff, consult with my colleagues from other depart-

A.G.: I have 8 people on my team. Each of them has his/her own area of main responsibility but I try to give them tasks beyond their usual routine. I strongly believe that lawyers must have a wider vision – a sense of law if you want. I think one cannot become a good lawyer without working on different tasks and always learning something new. As a result, I try giving assignments to my staff beyond their comfort zones to develop and to train them. To be fair to the members of my team they understand this and look for new challenges themselves.

CEELM: If you need to outsource legal work, what criteria do you use in choosing your external counsel?

A.G.: I work in a company that is a member of an international group of companies. The group has preferred legal advisors that it usually uses in various countries. In case I pick external counsels I expect them to be very responsive, practical, straight-to-the-point and ... brief! I am prepared to accept a higher cost but it must present real value for money.

CEELM: There is a great deal of hype in Russia at the moment over the various sanctions imposed on the market. Do they affect your business in any way? If yes, how?

A.G.: As a matter of policy we do not comment on political topics. However, I need to correct you in a sense that no sanctions have been imposed on the Russian insurance industry. All our reserves are invested in Russia and we meet our obligations towards regulators and our clients in full.

ments to learn their needs for legal advice, prepare reports for the management team, and deal with urgent matters. A fair share of my time is taken by meetings on many different topics, brainstorming sessions, project management, or review meetings where I am often required to give legal advice on the spot. You will not believe how varied the topics of required legal advice are sometimes [smiles]!

CEELM: According to urban myth, unlike lawyers in private practice, in-house counsel wrap up at 5 pm on the dot. How accurate is this impression?

A.G.: I believe this is not a matter of where the person works. It depends on the person's ability to manage his or her time properly. My day is always planned ahead. I try to spend my working hours on work-related matters only and encourage and train my staff to organize their time in the same way. I do not believe in long hours at the office desk. Certainly, there may be cases when it is necessary but then it is a crisis and everybody should mobilize.

CEELM: How is your in-house team designed? Do you specialize your individual lawyers on specific areas or are they all generalists?

Radu Cotarcea

Interview: Irina Novikova Head of Legal Russia & Ukraine at Groupon



Irina Novikova is the Head of Legal of Groupon responsible for the Russian and Ukrainian markets. After graduating from the Law Faculty in St. Petersburg, she first worked in the securities market – a field that she describes as being “very trendy in the country at the time.” She then proceeded to work in a number of industries leading up to her joining what she describes as the fascinating world of a young, flexible, fast growing e-commerce company.

CEELM: You have worked as an in-house counsel almost throughout your entire career. What do you enjoy the most about this side of things?

I.N.: Early on in my career, I wanted to work in what I felt was a “real sector” of the economy. I did try working as a freelancer/external counsel but I soon learned that I was an in-house lawyer at heart. The difference in my mind is considerable, primarily resulting from the fact that, as an external counsel, you have to deal with specific problems that are passed on to you by the client. In contrast, working in-house allows you to focus a lot more on prevention. I am very big on tackling issues proactively before they get a chance to impact an organization.

It is also great to be able to interact with the other business functions of a company. You encounter considerably different mindsets and different angles/perspectives of looking at things. Working as an external lawyer will rarely allow you to look at the world around you without your “legal glasses” on.

Last, but definitely not least, you get to feel close to the business. You feel like you are a part of something great that creates value around it.

CEELM: What does a typical day look like for you as the Head of Legal of an

e-commerce business in Russia? What takes up the most of your time in the office?

I.N.: The first thing I do in the morning is address my inbox. Our company is quite widespread geographically, meaning I tend to have a full inbox by the time I get into the office. Based on that I plan and prioritize my day – both for me and for the rest of my team. Of course, there are also quite a few of regular administrative tasks – primarily basic housekeeping – that need addressing and I try to get those out of the way as quickly as possible. These can be anything really from signing off on time sheets to basic reporting for the global legal teams. After lunch I tend to look back at my day to make sure there isn’t anything particularly important or urgent that I let slip through.

In terms of actual work carried out, I tend to be very hands-on with my team. All the lawyers on our team are involved in reviewing contracts regularly or attending courts as needed though, naturally, I tend to tackle the bigger or more strategic aspects.

CEELM: How is your in-house team designed? Do you specialize your individual lawyers on specific areas or are they all generalists?

I.N.: We have a fairly small team – there are three legal team members on site. I see it as a trend to shrink the size of in-house teams. I would say we are all generalists. We use a group e-mail address where we receive requests for support regularly and, based on the morning exercise that I mentioned, we coordinate on who will take over what issues/requests.

CEELM: You mentioned you believe there is a growing trend to shrink the size of legal teams. What do you believe drives this? Is it because of budgeting considerations?

I.N.: I do think that part of it is the economic reality, indeed, the economic climate is rather challenging at the moment, both in Russia and globally. But I think it is more a matter of efficiency than anything else. Technology for example, has greatly in-

creased the work capacity of smaller teams than it was feasible to provide in the past. For example, based on input from our US headquarters, we have switched to electronic signatures of documents. One year into using this feature we have found that it greatly reduces the workload on legal teams – despite the slightly increased risk resulting from the fact that the Russian market is still very big on having a paper trail. Even having pre-reviewed templates for contracts built into our systems which our sales force can simply use helps a lot as it means a lot less time spent on contract review. We then really only need to spend time on complex and non-standard deals – which are relatively few in a company such as Groupon.

CEELM: As a lawyer, what best practices have you developed for communicating effectively with your colleagues from other business functions (IT engineers, finance teams, etc).

I.N.: Over the years I realized that face-to-face communication is critical. It helps you convey your logic, not just the request, if you take the time to talk to stakeholders directly. It lets you explain your train of thought that allows you to position yourself as someone focused on solutions rather than risk breaks.

The biggest challenge for a graduate fresh out of university is also his/her zeal in taking risks. A lawyer needs to learn quick that there is no business without any risk what-

soever and, if all you do as an in-house lawyer is to try to push that into other business functions, you cannot build a relationship where you are seen as in the “same boat”, meaning you lose internal impact whenever there is something important you need to push through.

CEELM: What are the main legal aspects that an e-commerce business needs to handle on a regular basis in Russia?

I.N.: As is usual with new industries, the main issues always revolve around blanks in legislation or too many grey areas. As an in-house lawyer in such an industry, you end up having to navigate using principles, or the spirit of law, rather than the letter of law because the letter is simply not there yet.

CEELM: If you need to outsource legal work, what criteria do you use in choosing your external counsel?

I.N.: For me it is very important that we understand each other in the sense in which I am very demanding with regards to my external counsel. If I feel at any point that an external counsel is acting superficially and not taking the time to provide sophisticated advice, it is very unlikely that I will work with such outside counsel in the future.

The second is a commercial consideration. In a world where no one pays for billing hours anymore, I expect an external counsel to be as open and predictable in terms

of the fees we can expect as reasonably possible. Of course, aspects will come up that will bump up the price tag from the original estimates, but we need those to be communicated in due time, and explained, not surprised by them when we receive the invoice.

CEELM: Looking back at your career, what are you most proud of? On the flip side, if you had to point to one regret, what would it be?

I.N.: I think every lawyer has his moments or deals that they look back to with pride and I do think that happens to lawyers more than in most professions. For me, one particular project that I worked on I felt pushed my professional limits, and I take pride in having managed it successfully. It was a squeeze-out of minority shareholders that resulted from a privatization deal. When it was privatized, shares of a plant went to a lot of its workers, meaning that, when the majority shareholder wanted to acquire the full company, over 200 deals had to be made. That took a lot of coordination, negotiations, and paper work and I pride myself on having spearheaded it.

If I had to point to one regret, I would probably skip coming back to the industries that I feel I have exhausted professionally. I am very happy working in e-commerce and I find it truly interesting and I regret not having moved into the sector earlier.

Radu Cotarcea

Inside Insight An In-depth Look at the Lives of CEE GCs

Subscribers to CEE Legal Matters have access to our Inside Inside section on the website, which features regular interviews with General Counsel in CEE markets.

The Expat On the Ground Interview: Doran Doeh, Partner, Dentons



Doran Doeh is a Partner in Dentons' Moscow office and a member of the firm's global Energy practice. He has been working in and with Russia since 1991, first with Allen & Overy, where he was the Managing Partner in Moscow for many years, then since 1999 with Dentons, and in its previous iterations (Denton Hall, Denton Wilde Sapte, SNR Denton), he also served as Managing Partner in Moscow. Doeh is a well-established and widely recognized Energy/Natural Resources expert in Russia, and he is commonly listed among the preeminent practitioners in the market. A longer version of his interview is available on the CEE Legal Matters website.

CEELM: To start, how and where did your legal career begin – and how did you end up in Russia?

D.D.: Having done history as a major at Dartmouth, I read philosophy, politics and economics (PPE) at Oxford – I thought I was far too young to start such a serious subject as law ... so I spent a year running luxury tours in Morocco. My father thought I was on the road to ruin, so he called me up and suggested that since I liked the old world, why didn't I think of getting qualified in England, as he had heard they had good lawyers there. That seemed like a good idea, so I joined Lincoln's Inn and qualified as a barrister.

At the time North Sea oil was emerging and often featured in the press. So, I found myself a job in the North Sea oil industry. I joined Burmah Oil (North Sea) Limited virtually on the day that it was announced that it would be taken over by The British National Oil Corporation (BNOC). Most importantly for my long term future, BNOC was at the centre of development of the legal documentation that underlay the workings of the North Sea oil industry, and over time these forms became global standards for the industry as a whole. I enjoyed the feisty interaction with other lawyers in the industry – I had to learn how

down in 1989 ... I was part of the team that set up the firm's office in Moscow in 1993 and, for my efforts, I was appointed head of the office in 1995 – which is how I ended up in Russia.

CEELM: What is your role, exactly, in Dentons? Does being an expat in the Moscow office involve different responsibilities than the Russian partners have?

D.D.: I was head of the Denton Wilde Sapte/SNR Denton Moscow office for twelve years. That is about the maximum that anyone should do a senior role – one of the lessons of Margaret Thatcher's and John Browne's experiences is to move on while the going is good. I have to admit that it is a great relief to no longer to be responsible for management issues – such as overseeing budgets and other partners' performances – and I am having a great time in the new combined Dentons.

An important part of my current role is on the integration of the two Moscow offices resulting from the combination of the SNR Denton and Salans practices in Russia. This has proved to be much smoother than I had anticipated. The partners are delightful and we all have a lot in common, not least our aspirations for our firm and office. We now have the largest international law firm presence in Russia, including the St Petersburg office, and the most extensive network of offices in the CIS.

Another part of my job is to boost the development of the oil and gas practice. I was well known as an oil and gas practitioner in London before I came to Russia and developed a similar reputation when I was here with A&O in the '90s. I returned to London after the Russian crash in 1998, and joined what was then Denton Hall to become more focused on pure energy work – in that field, the firm was then streets ahead of any other firm. It had an extraordinary roster of partners who were energy lawyers recognized by the legal directories – and I took my place among them. After the experience of A&O, which as a firm was so focused on finance, it was great to be back in the energy sector, and at the highest level. Dentons did not hire me to be a Russia

specialist, but when there were problems with the Moscow office in the early '00s, they asked me to go back to Russia on a temporary basis to head up the office. As they say, there is nothing so permanent as the temporary, as I found out. I took the view, based on my earlier experience, that to build a viable office we needed much more than just an oil and gas offering and put my back into developing the banking and finance practice. Banking transactions were never my mainstream work, but I had to cope with a few of them at A&O! My earlier experience as a financial services and banking regulatory lawyer (plus a long term interest in finance from my PPE days) enabled me to "walk the walk and talk the talk" with bankers.

Today, as part of the much larger combined Dentons office, I leave the banking partners to get on with their practice and I have reverted back to my original role as an oil and gas partner. I am delighted to say that this is really going well. I have attracted a good volume of work, including some very interesting, cutting edge and challenging deals.

As an expat and experienced oil and gas practitioner working with a large team of energetic and ambitious younger partners whose practices focus on other areas, I am often called in to deal with matters where my specialist skills are needed. This applies not only to my Russian colleagues – but also to the American, French and German partners as well – and an important part of my offering is not just oil and gas expertise but also my background as a London practitioner. English law has become the currency of international legal business in a way similar to that of the US dollar in international financial affairs, and having a senior practitioner such as myself on board provides a degree of assurance to clients.

CEELM: What were the main challenges you faced when starting to work in Russia, and are those the same challenges you face today?

D.D.: When I first started working in Russia, it was almost impossible to find locally qualified people who could function effectively in an international law firm. There were very few Russian lawyers who could speak English fluently and of those who could, even fewer had the grasp of commercial and financial affairs at the sophisticated level that was needed. To build an office, we had to hire the best people we

could find and closely supervise their work. Finding the best talent was difficult – the recruitment agents who do this as a matter of course nowadays were non-existent at the time – and, given that they were coming from such a different background, managing them was tricky. "Never assume" was a good rule of thumb, but to do that you had to work out what your assumptions were, and that was not easy in a country where the normal ways of conducting business were so completely different to those in the western world. In addition, it was important to get to grips with Russian law.

To make the situation even worse, in the early days Russian law itself was inaccessible. When I first came to Russia, there was no standard system of publication of the laws, and many of them would just appear in the newspapers. I used to go around with a Russian lawyer on our team who, whenever he met another Russian lawyer, would offer to exchange copies of newspaper clippings. Fortunately, the new Russian constitution provided that the laws are not valid until published, and this required the Russian government to establish a system for publication of laws. Because old-fashioned printing of publications was so problematic in Russia, the systems normally used in the West were soon superseded by state-of-the-art electronic databases that became very sophisticated. It was then a relatively short step for the providers to publish translations of the main laws – otherwise getting translations, which were essential for a law firm in order to prepare legal work of the quality required, would have been a major problem.

There was also the problem that the legal system was almost totally unsuitable for late 20th century business – the Fundamentals of Civil Legislation of the Soviet Union was a nightmare to deal with – and often laws were mutually contradictory or had very significant gaps. Over time, this was remedied by a complete overhaul of Russian law.

Fortunately, all the international firms had similar problems and there was a degree of camaraderie and mutual assistance between competitors in Moscow that would have been unthinkable anywhere else.

The situation now is totally different and unrecognizable from what it was in the early '90s. Russian law has been very effectively revised and modernized based on German, Netherlands and Swiss prece-

dents. There are now lawyers at all levels of seniority who have been developed by the international law firms. In addition, lawyers in some leading local firms have picked up know-how from international firms and are able to produce work in certain practice areas to the necessary standard. So the legal scene in Moscow is becoming much more what one would expect in the capital of a big country, with a mixture of local and international firms in the market. University students now graduate having learned the basics which enables the firms to train them up in a way that was inconceivable 20 years ago.

CEELM: In general terms, how do you think the lawyers in Russia compare with those in the more established legal markets of the UK or US? Have you seen improvement in the market since you arrived? Are there particular areas they need to improve even more?

D.D.: My colleagues are all excellent lawyers and very commercial in their approach, so I don't have the problems that I hear about from other people. As I said before, there has been a vast improvement over the past 20 or so years – like night and day – although it is possible that our firm has been more effective at developing our people than some of the others.

Where there is room generally for improvement is simply in Russian lawyers having more confidence in themselves – there is a tendency to think foreigners do things better. It is true that the English legal profession has the advantage that their law is the default choice for international transactions, but that does not mean they are necessarily better lawyers, cleverer or more appreciative of client needs. The top Russian lawyers in international practice (and I include in this partners in the top local firms) can hold their own with anyone.

Probably what is needed is a sense of esprit de corps, of being part of a profession. That is held back by the fact that, apart from advocates, the legal profession is unregulated in Russia. There have been government efforts to establish a regulated profession, but there has been strong resistance from the leading private practitioners. I can understand the reasons for this and would not seek to impose something that so many distinguished lawyers think is inadvisable in their country.

David Stuckey

August Market Spotlight



Czech Republic

Experts Review: Privatizations and PPP/Infrastructure



Top Ranked Practitioners in Each CEE Jurisdiction Discuss
and Review Privatizations and PPP/Infrastructure



Experts Review

The definition of “Privatization” is, simply, the transfer of a company or organization from government to private ownership and control. But of course in practice it’s rarely simple, and the complicated process often results in charges of incompetence or misjudgment, accusations of corrupt insider trading, and multiple other challenges.

Our Expert Review feature for this issue focuses on Privatization across CEE. In those jurisdictions where privatization is not a current concern our experts turn to the subject of PPP instead, as it involves many similar issues and opportunities.

The articles are presented in this issue in the order of the countries’ military and paramilitary personnel per thousand people, as of 2009. Thus the article from Belarus, which had the highest number of military and paramilitary personnel per thousand people that year out of the countries included (49) comes first, with Greece (42.7) coming second, and Serbia (29.3) coming third. Macedonia’s numbers for 2009 were not available, so its article comes last – just after that of the Czech Republic, which had the fewest people per thousand (2.8) in the military or paramilitary service of those listed and participating.

Belarus

Privatization in Belarus: A faint wind of change



Belarus is one of those countries where a good part of key industrial assets still belongs to the state. Changes in regulations on privatization introduced within past two years were aimed at making the procedures more flexible and investor-friendly. What are the outcomes?

Nowadays an interested investor may choose one of the following ways to acquire a stake in a state-owned enterprise.

First, the investor can become a shareholder in an enterprise in the process of being transformed into a joint-stock company. Transformation is required as the legal form of state-owned companies is a unitary enterprise (a rudimentary form from Soviet times) which has no shares to be traded. A prospective investor should wait for contests to be organized by the State Property Committee. From time to time the Committee publishes announcements about certain major enterprises on its official website (www.gki.gov.by).

Mass transformation of state enterprises has been under way for several years now in accordance with three-year plans approved by the Belarusian President. The current plan for 2014-2016 will most likely include around 40 unitary enterprises.

Second, an investor can participate in a privatization contest or auction at which state-owned shares are offered. The procedures for acquiring shares through contest and auction are very similar. The difference is that in an auction the only criteria for determining the winner is the acquisition price, while in a contest the conditions include certain additional investment commitments to be undertaken by the acquirer.

Third, investors can acquire additionally-issued shares of transformed enterprises, injecting capital in the company and diluting the state as a shareholder. Quite a few potential acquirers are interested in this option as it implies investment straight into the enterprise rather than transferring the purchase price to the Belarus state budget. One should bear in mind, however, that in this case local municipal authorities may have a pre-emptive right to buy additionally-issued shares.

In early 2012 President Lukashenko cancelled ineffective privatization plans and declared a new privatization strategy which may be summarized as follows: if we have an enterprise and an investor is interested, the deal must be negotiated and closed if the state finds it beneficial. The new concept caused some confusion among the authorities involved, as well as investors and advisors, so that for about a year and a half no deals took place.

Finally, the legal framework was adjusted, the State Property Committee started to publish lists of potential targets, and the new algorithm to be used by potential investors may now be briefly described as follows:

A prospective acquirer may either find a privatization target on the list published by the State Property Committee or pick a target of its own accord and send an expression of interest to the government, the template for which is available on the State Property Committee website. Additionally, the Committee itself sometimes announces a “study of interest” in a particular enterprise. In these cases, the Committee posts

information on the privatization target and sets a deadline for sending expressions of interest.

Upon receiving an expression of interest a special commission within the Committee considers it and sends a draft decision on privatization to the President of Belarus. Upon approval by the President, a privatization contest or auction should be announced. Therefore, by expressing interest, the investor initiates the procedure for selecting the best buyer of the shares, and later finds itself bidding along with other prospective investors. Announcements on contests and auctions are also published in the printed media and on the State Property Committee website.



One should note that there is no specific timeframe for this procedure. Naturally, this causes considerable uncertainty since an investor cannot know for sure when exactly the target will be available for privatization. This in turn may lead to fading of previously expressed interest.

Unlike other economies in the region in their time, Belarus is not likely to commence mass privatization, at least in the near future. However, we may see some transactions completed even in 2014. The year has already marked its first transaction: the sale of 99.5% shares in BELGIPS to Russia’s Volma Corporation. The largest transactions expected to be signed soon are the sale of Mozyr Oil Refinery shares to Russia’s Rosneft and sale of a stake in Grodno-Azot, a large fertilizer producer, the contest for which was announced recently. In addition, in summer 2014 we expect several contests to take place within the framework of the “pilot privatization” program administered by the National Agency of Investment and Privatization under the auspices of the World Bank, covering eight companies from various sectors (e.g., food & drink, road construction, production of medical devices).

Maksim Salahub, Partner, and Nadezhda Fomenok, Legal Assistant, Sorainen

Greece

Greek banks: From private ownership to public and back in less than ... 14 months!



Greek banks have successfully attracted substantial private investment and diluted public ownership, only a few months after their recapitalization and ensuing de facto nationalization.

Although historically conservative and well-capitalized, the aftermath of the Lehman crisis and the ensuing Greek sovereign debt crisis took its toll on Greek banks: (a) depositors feared a potential exit from the Eurozone (Grexit) and the possibility of bank insolvency and about one third of deposits were withdrawn from Greece, thereby draining the Greek banking system’s liquidity; (b) non-performing loans (NPLs) and related provisioning needs spiked; (c) deterioration of Greece’s sovereign creditworthiness led to a deterioration of banks’ creditworthiness and capital markets borrowing closed; (d) the Balkans and other countries where Greek

banks had operations (such as Egypt, Ukraine, Albania etc.) experienced similar recessionary trends or political turmoil and the need for the financial support and liquidity of such operations increased; and (e) deleveraging (i.e. accelerating loans and ceasing the provision of new ones) was available only to a limited extent.

Consequently, liquidity was severely affected and Greek banks became wholly dependent on European Central Bank funding. Unprecedented losses incurred from the restructuring of Greek sovereign debt and the increase in NPLs adversely affected capital ratios. To sum up, Greek banks were a threat to systemic stability and in dire need of recapitalization, and radical measures were therefore implemented.

The Hellenic Financial Stability Fund (HFSF) was created in order to supervise the recapitalization and consolidation of the banking sector and manage the holding of banking shares. HFSF was funded with EUR 50 billion.

The Bank of Greece (BoG) did not allow the default of any Greek bank on its deposit obligations and enforced an aggressive consolidation agenda whereby weak banks were dissolved and their assets eventually sold to other stronger banks. International banks that decided to exit the Greek market recapitalized and subsequently sold their Greek banking operations (typically for negative consideration). To-date, only four large banks and two smaller banks have survived.

To address investors' mistrust on NPL formation and provisioning, BoG engaged Blackrock Solutions to conduct an independent review. Blackrock concluded its work in December 2012 and predicted NPL total losses of approximately EUR 31 billion for the next 3 years.

The first recapitalization took place between April and July 2013, after the Greek government's debt restructuring and the conclusion of Blackrock's review. HFSF contributed EUR 25.5 billion and ended up holding 81% to 95% of the total capital of all banks while the private sector contributed EUR 3.1 billion.

Under the recapitalization law, if: (i) the private sector contributed at least 10% of the total recapitalization amount required; and (ii) the bank complied with its restructuring plan, HFSF would not be entitled to elect a bank's board of directors and its management and would only exercise veto rights. Accordingly, Piraeus, Alpha, and NBG's incumbent private management was retained and only Eurobank's management was replaced (given the absence of private sector contributions).

As an additional incentive, all private investors that participated in the recapitalization of the aforementioned three banks were allocated free warrants, a listed security granting a call option with a 4.5 year duration on HFSF's shares at the original issue price (plus interest).

After the completion of the first recapitalization, market conditions started to improve, international markets became optimistic, political instability and the Grexit talk subsided, and investors began returning to Greece. BoG commissioned a second review by Blackrock, which was released in early March 2014 and depicted a more positive outlook than expected in the market at the time.

The banks quickly seized the opportunity that arose to: (i) raise additional capital; (ii) strengthen capital ratios, particularly given the application of Basel III reforms; (iii) address capital deficiencies under the second Blackrock review; and (iv) with respect to Alpha and Piraeus, partially repay state aid received in 2009.

The second recapitalization took place between April and May 2014, raising EUR 8.3 billion from the private sector and resulting in the HFSF's dilution.

The second recapitalization dramatically changed the Greek banking

arena. Eurobank, the weakest bank, most severely affected and almost totally owned by the HFSF, has now passed 65% of its total capital to private shareholders, including a group of prime international investors intending to supervise management. Piraeus and Alpha are clearly the two largest players in the market with HFSF participation or approximately 68 to 70%, whereas NBG now has ample time to prepare for the sale of its significant Turkish subsidiary, Finansbank.

The Greek crisis has endured drama and it is impossible to predict its end. However, the above developments constitute a remarkable achievement: the transfer of the Banks from private ownership to public and back again in less than ... 14 months! Despite the financial turmoil, the Greek banks succeeded in attracting private investment and are now on their way to recovery.

Note: An expanded version of this article, with important additional information, can be found on the CEE Legal Matters website.

Cleomenis Yannikas, Partner, Dryllerakis & Associates

Serbia

Privatization in Serbia



Privatization in Serbia began in 1989 with the major social and economic reforms introduced by Ante Markovic, the last Prime Minister of former Yugoslavia. Despite Serbian authorities harshly criticizing Markovic's privatization program as an impermissible sale of socially-owned property (a form of ownership used in socialist countries, not quite equal to publicly-owned property as the rest of the world knows it), in 1991 Serbia enacted a law on transformation of ownership with internal increase of the capital of socially-owned companies by employees with discounts and repayment from workers' salaries in multi-annual installments. This concept was painless for the government and did not endanger established social relationships. The law de facto halted Markovic's program of privatization, but when the country was thrown by war and UN sanctions into a whirlwind – with inflation reaching thousands of billions of percentage points by the end of 1993 – companies for which revaluation was carried out once a year were privatized en masse and the shares were paid by employees from inflated salaries. When Serbia brought inflation down to 0% in January 1994, payment for shares ceased and the privatization process was halted; the subsequent law on revaluation of paid shares almost annulled the effects of the privatization and the percentage of private capital in companies was decimated.

Noting the advanced state of privatization in other countries, in 1997 Serbia launched a new privatization concept with a system of issuing and distributing shares in two rounds. In the first round, 10% of shares were transferred to state funds without consideration, while up to 60% of shares were distributed to employees free of charge. In the second round the remaining shares were sold to the shareholders from the first round with discounts and a 6-year payment period. However, this concept was unattractive, as individual rights to free distribution and to discounts in payment for shares were based on employees' years of service, and according to the official exchange rate for the Deutschmark, while the actual exchange rate for the Deutschmark according to which the company was evaluated was several times higher. Like the one before it, this privatization model was also the product of

lack of political will for crucial economic change in Serbia.

Real political will for reform of the Serbian economy was demonstrated after the political changes of October 2000, when the newly-formed government created a Privatization Law in 2001. The privatization model was a sale of 70% of shares and transfer of the remaining shares free of charge, through two separate forms: (1) tenders for sale of the largest and most important socially-owned companies to buyers that had to meet certain qualification criteria, and (2) auctions for all other companies and a large number of interested buyers. Moreover, trade of the shares issued under previous regimes was enabled at this time by establishment of financial market institutions.

Through this model some of the largest Serbian companies were bought by renowned companies such as Telenor, Lafarge, Henkel, Michelin, Veolia, Beneton, Philip Morris, BTA, Stada, and Fiat, among others.

However, privatization in Serbia has still not lived up to expectations. The governments that succeeded the government from 2001 have not inherited its reformative potential, and after the 2003 assassination of Prime Minister Djindjic reforms in Serbia were delayed and postponed. Meanwhile, the revenues from the sale of privatized companies were spent and the state was forced to take loans in order to maintain the system and implement essential infrastructure projects. Serbia, as a society struggling to depart from the socialist model, relied on resources from "socially-owned property" for a long time, until it finally faced the fact that these resources have been distributed, spent, or were simply insufficient, and that fundamental reforms were now in order.

The new Serbian government elected on April 27, 2014, founded on just one political party, has been fully empowered by voters to carry out the reforms it announced in its electoral campaign. At its very inauguration the government announced a swift and sharp turnaround and reforms in all segments of society, with clear goals and dynamics and the emphasized priorities of decreasing the fiscal deficit, downsizing administration, strengthening the economy, and increasing employment.

As a result, the government has announced its intention to complete a series of amendments to several systemic laws by July 15, 2014, in order to clear the path for speedy reforms. In particular, amendments to bankruptcy law and privatization regulations are planned to facilitate swift privatization of the remaining unsold socially-owned companies and over 160 socially-owned companies that have been in the process of organizational and financial reorganization for a long time, and are of particular strategic importance for Serbia. All such companies will now either be sold or declared bankrupt. These companies include the Zelezara Smederevo steel mill, the Simpo Vranje furniture factory, the Prva Iskra, Zorka, Petrohemija, and Azotara chemical industries, the Krusik and Magnohrom special-purpose industries, the IMT and IMR agricultural machine factories, the Jumko and Niteks clothes factories, and large agricultural companies with tens of thousands of hectares of agricultural land such as PIK Zemun, PKB Beograd, Agrobacka, and others. The government has announced that privatization processes will be initiated for most state-owned companies at the very beginning of the government's term of office, and that the Telekom national telecommunications operator, parts of the Elektroprivreda Srbije state electric company, the Serbian Zeleznice Srbije railways, the Dunav Osiguranje insurance company, and the Galenica pharmaceutical company will be up for sale. Strategic partners will be sought for the Belgrade Airport and the Serbian Lottery, as will a solution for the RTB Bor mining complex and Srbijagas gas company. The government is preparing new energy projects with value of up to EUR 8 billion. Infrastructure projects have already been arranged and prepa-

rations for commencement of works are under way, while further investments by way of concessions and PPP are expected.

Aleksandar Hadzic, Partner, JPM Jankovic Popovic Mitic

Ukraine

Privatization in Ukraine



Privatization was a high priority for new-born Ukraine in the early 1990s. The first Ukrainian privatization act was adopted within the first months of independence of our country. The privatization process underwent a great deal of review and scrutiny and faced issuance of "privatization certificates," a mass sale of state-owned objects, forming of industrial and financial groups, etc.

The key legislation regulating privatization in Ukraine is the "On Privatization of State Property" Law adopted in March 1993. The Law envisages a classification of privatization objects based on the number of employees, current profits, and strategic importance for the State. The most interesting for large investors are the objects of the "G" group, which includes those having strategic importance for Ukraine, companies in the defense industry, and companies using unique resources (such as know-how, unique production methods, etc.). Privatization of such objects requires an individual approach.

The chief governmental authority responsible for the privatization process in Ukraine is the Fund of State Property of Ukraine (the FSPU). The FSPU overviews and participates in privatization processes, manages state property, and protects and represents the interests of Ukraine in companies with a State share.

Privatization in Ukraine is conducted in line with the three-year State Privatization Program. Yearly reports on the execution of the program are delivered by the FSPU and approved by parliament. The State Privatization Program defines the goals and expected results of privatization, as well as the methods by which they are to be achieved.

The Privatization process in Ukraine has been political-driven and reflected changes in the power elites of the country. One of the most illustrative cases is the double privatization of ArcelorMittal Kryvyi Rih (former Kryvorizhstal), in which the new government cancelled the sale of the company to the son-in-law of the former President.

The company was privatized for the first time in 2004 when it was purchased by two Ukrainian tycoons (the son-in-law of the President and another oligarch with substantial support in the government). In the result of the purchase agreement more than 93% shares of the company were sold for USD 800 million. Following the Orange Revolution that year the privatization and its results were cancelled by the new government, and the money returned to the unsuccessful purchaser. Return of Kryvorizhstal to State ownership and then re-sale were among the key promises by new President Victor Yushchenko and his "comrade-in-arms" Yulia Timoshenko. The new government kept its promise and re-sold Kryvorizhstal at an open auction to Mittal Steel Germany GmbH for USD 8 billion (10 times more than the price paid by the first "investor").

Unfortunately, in 2010-2013 Ukraine faced another difficult period of business history related to the governance of criminal President Ya-

nukovich and the concentration of key business assets in the hands of the President, his family, and other close associates.

The privatization processes during this period were mostly unfair, unclear, and heavily corrupted. The most prominent case was the privatization of the Ukrainian telecommunications giant Ukrtelecom. Notably, the process was restricted to those companies in which a state had more than a 25% stake and those companies which already had a substantial share in the Ukrainian telecommunications market. As a result the company was sold to the only participant – the Austrian company EPIC – that then indirectly re-sold Ukrtelecom to the oligarch supporting the former President.

The expected result of privatization for the State is an additional boost to the budget, and the benefits to the privatization object include development and modernization. By signing a privatization sale-purchase contract the purchaser undertakes to preserve the main activity types of the target, to conduct technical modernization, to settle any debts of the company, to ensure social guarantees of the employees, etc. Grounds for the termination of such contracts include non-payment of the purchase price within 60 days following execution of the agreement, non-execution or improper execution of the privatization conditions for the development of the privatization object, and non-fulfillment of contractual obligations due to insolvency of the object or the purchaser.

Ukraine is now facing difficult economic and financial times due to the plunderous policy of the former President and his cronies, and the annexation of Crimea and unrest in the East of Ukraine fueled by the hostile actions of Russia. According to information from the official web-site of FSPU there are 560 companies in which Ukraine holds stakes of different sizes. Privatization of State-owned objects may serve as a good source of budget revenues. Privatizations of many small and middle-size objects are almost complete, and a number of large strategic state-owned companies are expecting their turn to be sold to potential investors. Among them are the Odessa pre-port plant, a huge machine-building complex in Mariupol (Azovmash), a chemical giant in Sumy (Sumykhimprom), the Kharkiv turbomachinery producer Turboatom, and others. Large-scale privatization (including privatization of coal mines) is among the IMF's demands to Ukraine in exchange for substantial financial support to our country.

Election of the new President of Ukraine, as well as the shift in foreign policy of Ukraine from Russia to the EU, brings a hope that foreign and national investors will find Ukrainian State-owned objects attractive and will participate in fair and competitive privatization processes in Ukraine for the mutual benefit of all parties.

Timur Bondarev, Partner, Arzinger

Russia

Privatization in Russia: Contesting Determinations of Cadastral Value in Privatizations of Land



Unlike in most European jurisdictions, land plots and buildings aren't considered uniform real estate objects in Russia, and as a result there are situations where a building and the land plot under it have different owners. In many cases, the State owns the land, while individuals own the buildings or other constructions thereon. As a result, privatization of land plots in Russia remains on

the agenda mainly in this context.

The applicable privatization procedure of land plots by the owners of these buildings is rather simple. The most commonly-disputed matter in this procedure is the question of the repurchase price: by law, it is defined as equal to the cadastral value of the land plot.

The question of how to determine the price of a privatized land plot has become especially pertinent now because, after July 1, 2012, the ability to apply for preferential price at privatization is only rarely available, though before that date it was a matter of right.

Current legislation determines that the cadastral value of a land plot can be established either as a result of carrying out the state cadastral appraisal or upon the resolution of a dispute regarding the determination of cadastral value. Cadastral value is relevant as the basis for calculation of land tax, rent payment rates, land privatization rate, and other payments collected by the State acting as the owner of land.



The basis for carrying out a state cadastral appraisal is a decision made by a relevant regional executive authority of the Russian Federation – or, where so authorized by legislation of the Russian Federation, by local government. The appraisal is carried out en masse, rather than on particular land plots – so particularities of specific plots of land are not taken into account – and the results are approved by the State authority which initiated the appraisal.

Cases often arise in which the re-established cadastral value of the land plot is several times higher than its real market price. Market price is determined by the results of an independent appraisal and – unlike the cadastral appraisal – is established not en masse, but individually for the specific land plot.

The owner applying for privatization of a land plot has the ability to challenge the declared repurchasing price of the land plot when he believes that the basis for establishing the repurchasing price (100% of cadastral value) was incorrect. To do so he must obtain the market cost of a corresponding site by means of carrying out an independent appraisal, and then he may appeal to the court or to the commission tasked with considering disputes regarding determinations of cadastral value at the territorial administration of the Russian State Register. Within any of these procedures the establishment of cadastral value of a land plot equal to its market cost is imposed.

In case of a successful contest of cadastral value and formal recognition of the market price, the price of the land plot and tax payments will be calculated from its market price.

As establishment of market value of a land plot is almost the only instrument for defining a fair repurchasing price of a land plot now, currently a large number of claims are raised before the court challenging the cadastral value of land plots – and that number continues to increase, as a majority of cases succeed, causing the cadastral value of land plots to decrease. Thus it should be noted that within consideration of similar affairs questions may arise on which there haven't yet been decisive precedents. For example, whether the tenant planning to redeem the land plot can challenge cadastral value. Generally tenants are refused in their claims, but several recent judgments have sustained the claims of tenants of land plots regarding the determination of cadastral value proceeding from their market costs.

Thus, contestation of the cadastral value of land plots (as bases for calculation of the repurchasing price of a site during privatization) in most cases is quite successful, but the process itself takes a lot of time. Quite often after a successful contestation of the cadastral value a competent authority initiates a new revaluation within an administrative procedure that eventually ends with return to the original cadastral value after all. Modification of the legislation regulating the state cadastral assessment is planned now to limit the use of such revaluations in administrative proceedings, and also to increase the term of contestation of determination results of cadastral value in the commission and to establish obligatory pre-judicial consideration of the corresponding disputes in the commission.

Sergey Patrakeev, Partner, and Irina Dyubina, Associate, Lidings

Poland

Challenges of Privatization



It has been almost 25 since the privatization program in Poland was launched. However, despite of the length of the period the process is still ongoing. And it also looks like we will be involved in privatization and post-privatization transactions for many years to come.

In Poland there are still 24 State-owned enterprises, 172 State-owned companies, and 47 companies in which the State Treasury holds a majority stake.

But the number of entities to be privatized is not the only reason why the legal and non-legal aspects of privatization are and will remain so crucial to transactional attorneys. Instead, the many elements of the Polish privatization and post-privatization process are so diverse and challenging that in Poland some say that you have not lived as an M&A lawyer if you have never done a privatization or post-privatization transaction.

There are several reasons for this, most of which relate especially to post-privatization transactions. Whatever the reason, being a true transactional lawyer requires some experience with privatization processes.

One reason which deserves special attention is the participation of employees in the privatization process (a right ensured by Polish law). This also applies to farmers and fishermen as suppliers in cases of agricultural product processing or seafood processing enterprises.

Employees' participation includes three substantial rights: (a) the right to acquire up to 15% of shares in the share capital of the company set up as a result of the commercialization of a State-owned enterprise (i.e., a stock option); (b) the right to appoint some of the members of the supervisory board; and (c) the right to appoint a member of the management board.

The first of these rights may be the most crucial in the subsequent transformation and M&A processes. Someone who has never gone through the management and acquisition process of former State-owner enterprises transformed into State-owned companies may not imagine challenges it brings.

Many of the commercialized state-owned enterprises (commercialization constitutes the first step of so-called "indirect privatizations"

(involving a share deal), as opposed to direct privatizations (which are usually asset deals)) first undergo a restructuring. Once this process has been completed companies are offered for sale to private investors. The potential investors then have two challenges: (a) limitations on acquisition of 15% of the shares in the company; and (b) subsequent management of the process of acquiring shares from dozens or in some cases hundreds of shareholders.

The first challenge – the legal limit on acquisition of shares – prohibits employees (including farmers and fisherman) from disposing of their shares for 2 years after the State Treasury disposes of the first portion of its shares in the company. This is a sort of non-competition clause imposed in favor of the State Treasury. This obstacle is manageable, as there are several legal instruments which may be used (individually or in aggregate) to secure the position of the investor until the right time comes to definitely purchase the shares from the employees.

Manage the second challenge – the necessity of acquiring shares from a great number of shareholders – requires both legal expertise/experience and psychological and sociological skills. The minority and at the same time numerous shareholders do not usually constitute one solid conglomerate. Various competing interests come to light in the process of acquiring shares from those shareholders. Transactional lawyers dealing with this issue often need not only basic transactional skills, but also some familiarity with inheritance regulations and family law.

It can be difficult – but at the same time it can also be also very exciting and challenging. Either way: it is doable.

Thus, privatization involves many aspects beyond the strictly legal. As such it also brings M&A transactions much closer to society and to everyday life. And this is the real challenge lawyers should be prepared to face.

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Moldova

Privatization in Moldova: Opportunities Still Available



Are there any special laws regarding privatization in Moldova or are the ordinary private M&A laws applicable?

Similar to all post-Soviet countries, Moldova adopted privatization laws to facilitate the transition from a planned to a market economy. The first regulation of the early 1990s allowed for privatizations to be carried out in all economic sectors, including the social sector.

Today, all privatizations are regulated by the Law on Administration and Divestiture of Public Property of 2007, with the exception of the privatization of public newspapers, which is regulated by a law specific to it.

What are the most important past privatizations of Moldova?

The energy sector was the first in the privatization wave. The initial goal was to break up the existing monopoly and share out the activities of generation, transmission, and distribution among different entities. In 1997, the state company Moldenergo was divided into entities for electricity production (i.e. CET-1 Chisinau SA, CET-2 Chisinau SA,

and CET-Nord Balti SA) and distribution (i.e. RE Chisinau SA, RED Nord SA, RED Nord-Vest SA, RED Center SA, and RED Sud SA). A cash privatization followed in 2000, when the Spanish Union Fenosa company acquired three of the distribution companies: RE Chisinau SA, RED Center SA and RED Sud SA. The transmission function has remained under state control.



Despite countless efforts at demonopolization, the gas sector is still dominated by a single supplier. In 1995, the major public company Moldova Gaz was converted into a joint-stock company. Later, since gas prices did not reflect the high costs of gas provision, the state offered company shares on the basis of its public debt – a novel privatization approach. As a result, the Moldo-Russian company MoldovaGaz SA emerged in 1998, with 51% of shares owned by the Russian Gazprom and 35% by the Moldovan state.

Recently, state minority stakes in Hotel Jolly Alon (34.96%) and the meat manufacturer Carmez SA (0.110%) were sold.

What are the assets that the state is not willing to privatize?

The Moldovan Government has established a list of assets excluded from privatization. The list, which is subject to amendments by the Parliament, includes the national Cricova SA wine manufacturer (100% state ownership), the Franzeluta SA bakery (52.51%), the MoldovaGaz SA gas supplier (35.33%), the Moldexpo SA international exhibition center (100%), the Moldova-Film SA film production studio (100%), and the Chisinau heating power stations (100%), among others.

Notably, in February the Government suspended the privatization of 13 of the largest companies, citing a lack of transparency in the process of privatizing sizable companies. These included the national airline Air Moldova, the Moldtelecom telecom monopoly, the Tutun-CTC tobacco company, the Aroma and Barza Alba spirits companies, and the national circus Circul din Chisinau.

What are the current efforts of the state in Privatization?

Large-scale privatization is over. The state currently focuses on PPPs and on developing a list of goods, services, and works to be supplied through public-private partnerships. Such projects are already underway in the healthcare sector (equipping the radiology, hemodialysis, and rehabilitation sections of medical institutions with modern technology), sports (building a multi-functional national stadium with a capacity of about 30,000 seats), new technologies (creating a technological park with at least three local companies by the end of 2014, which is to become a “smart city”) and public transportation (modernizing the bus station services offered by the public enterprise “Garile si Statiile Auto”).

How can an investor keep track of privatization opportunities in Moldova?

Privatization opportunities are announced by the Agency of Public Property (“APP”) on its website: www.app.gov.md

How can an investor engage in a privatization?

Foreign investors may participate in local privatizations as long as they fulfill customary legal criteria and provide the requisite information. An investor would first submit a request for participation alongside a

registration certificate and the incorporation documents and financial statements for the previous year, the offered price and commitments to be undertaken, as well as a detailed investment program. In addition, the bidder must provide a bank guarantee of at least 50% of the initial price, which, for investment tenders, must cover at least 25% of the total investment value. There is also a participation fee of MDL 200,000 (about EUR 10,600) for each property/asset bid for.

The investor is entitled to carry out full financial, legal, and technical due diligence of the target. The investor also has the right to receive access to privatization documentation, visit the company, and request that management discloses all material information.

As of 2008, a sale and purchase agreement cannot be negotiated directly. The sale of public assets, irrespective of the method of privatization, is subject to competitive bargaining that takes place in the presence of all participating investors. Nonetheless, the APP may end the process at any stage without selecting a winner if the offered price is unsatisfying. The sale and purchase agreement shall be signed within 30 days after a winner is designated.

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Turkey

Recent Developments on Turkey's Privatization Adventure



Turkey started its privatization adventure in 1984, with the transfer of incomplete facilities to the private sector for completion or establishment of new facilities in their place. Since 1985, Turkey's privatization portfolio has included shares in 270 companies, 22 incomplete facilities, 1439 real property assets, eight highways, two bridges (i.e., the Bosphorus and Fatih Sultan Mehmet Bridges), 120 operation facilities, six ports, and the licenses for the national lottery and vehicle inspection stations. In addition, certain companies and real property assets in the portfolio were removed from the process for various reasons. In the past 29 years, more than half of the companies in the privatization portfolio have been privatized. Today, 23 companies, 565 real property assets, 37 operation facilities, two ports, eight highways, two bridges, and the licenses for the national lottery remain in the privatization portfolio.

The total value of privatizations completed between 1985 and 2014 is USD 59.3 billion. Between 1985 and March 2014, while the net proceeds generated from privatizations totaled USD 52 billion, the total revenue (including dividend income, interest and other income) is USD 58.2 billion. The generated total revenue reached its peak in 2013, with USD 12.5 billion.

Overview of Legal and Regulatory Framework

Turkey's first piece of legislation related to privatization was enacted in 1984. When the need for comprehensive and fundamental legislation became obvious, the Privatization Law was enacted. Under the Privatization Law, the Privatization High Council (the “PHC”) and the Privatization Administration (the “PA”) were established to carry out privatization procedures. While the PHC is the ultimate decision-making body, the PA acts as the executive body for the privatization

process.

Major Privatizations of 2013

Although numerous real property assets were privatized (often in return for small amounts of money) in 2013, it was primarily a year of energy privatizations. With the privatization of the last eight distribution companies, the privatization of all state-owned electricity distribution companies was completed and USD 7.3 billion was generated for the State. Additionally, several electricity generation assets and a significant natural gas distribution company (i.e. Baskent Dogalgaz Dagitim) were privatized in 2013.

A list of major 2013 privatizations in Turkey can be found in the version of this article that appears on www.ceelegalmatters.com

Surprisingly, none of the completed privatizations constituted the most important privatization news in 2013. The cancellation of a tender made more impact. The PA cancelled the tender for the privatization of eight highways and two bridges which had been held in December 2012. The highest bid was USD 5.72 billion for the operating rights for 25 years.

Major Privatizations of 2014

As of May 2014, the total value of privatizations completed in 2014 is USD 725 million. So far, the most significant privatization of 2014 has been the privatization of Salipazari Port (Galataport), with an approximate bid value of USD 702 million. The winning bidder now has the operating rights for Istanbul's only cruise port for 30 years. The initial tender in 2005 resulted in an offer of EUR 3.5 billion that was eventually cancelled the following year.



Additionally, the privatizations of (i) Kemerkoj Thermal Power Plant (“TPP”), Yenikoy TPP and Kemerkoj Port Area for USD 2.671 billion; (ii) Catalagzi TPP for USD 351 million; and (iii) Fenerbahce-Kalamis Marina for USD 664 million, are all still in the approval phase. In the past few weeks, the final bids for many privatizations were submitted to the PHC. Among these are the April 30th privatization of the assets and operating rights of Yatagan TPP, the May 9th transfers of the operating rights of Esenval and Isiklar Hydroelectric Power Plants (“HPP”), the Kayakoy HPP, and the Dere and Iviz HPPs, and the May 28th transfer of the operating rights of the Derince Port.

In addition, the PHC has announced the closing dates for submission of final bids for the following privatizations: The National Lottery (June 27), Hidrogen Peroksit Sanayi (July 14), and Anamur, Bozyazi, Mut Derinçay, Silifke, and Zeyne HPPs (August 6).

According to the Turkish Statistical Institute, over the past decade, Turkey has experienced stable economic growth with an average annual real GDP growth rate of 5%. One of the main drivers behind this economic success is privatization. Considering that there are still many significant items in its portfolio (especially the package of eight highways and two bridges), and that this portfolio is expanding each year, it seems that Turkey's privatization agenda may continue to be active in the upcoming years.

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Croatia

Sale of Crown Jewels



The recent revival (2013-2014) of privatization in Croatia is, paradoxically, not driven by the country's recent membership in the European Union, but instead by a simple desire to save the state budget. The budget deficit was (and still is) so huge that the current Government has been forced to put its crown jewels on the table and try to sell them as fast and as efficiently as possible.

Accordingly, the largest Croatian insurer (Croatia osiguranje), the last remaining state-owned bank (Postanska banka), a network of motorways – a source of national pride – were offered to investors in the middle of 2013. The results have been quite ambiguous.

The insurance company sale was closed on April 22, 2014 and the new owner of 39.05% of shares is Adris – he largest Croatian tobacco producer. The sale price had the largest premium on share in Croatia ever (the market price was around USD 700 and the purchase price was around USD 1350) which makes the premium on share 87.4% (the average premium was around 46.5%). Also, the new owner is obliged to make a capital increase of around USD 150 million, whereupon Adris will hold a majority stake (60%), and the State will remain able to affect only a few major shareholders' decisions (by holding 28%). Intriguingly, Adris won the tender in competition with a potential strategic investor – the Polish insurance company PZU, which, though being more skilled in the relevant industry, was not ready to offer such a huge premium. Even more interestingly, Adris has in the past five years invested significant amounts of cash in the tourism and agriculture sectors, and is now entering a fourth, completely different industry sector! These moves raise the eyebrows of insurance experts who are concerned about whether the company will be able to, in light of its potential over-stretching, preserve its market-share.

The tender for sale of Postanska banka was a different story. Initially, plenty of interest was shown by important players from the regional banking market who lined-up for the tender. However, over time – and after due diligence – interest started to dim, and at the end, only Erste & Steiermaerskishe Bank and OTP Bank remained in the race. In December 2013 only Erste & Steiermaerskishe Bank submitted a binding offer – and it was around USD 37 million lower than the non-binding offer (USD 180 million). The Government decided to reject this offer as inadequate because the offered share-price was 24.5% lower than the market price at the time. Since then, the Government has been striving to find another model (or another buyer) for the bank.

Finally, the largest and the most important privatization (formally called “monetization”) regards a 12500-kilometer network of motorways across the country. The State engaged various advisers who, at the end, concluded that a concession model would best fit the needs and expectations of the State and potential investors. The level of expectations is fairly high – the Government expects to receive around USD 4.2 billion for a 30-50 year concession. Though this number is widely considered as unrealistic, the line-up of bidding consortiums is impressive, and 4.2 billion may not be unreachable after all. Companies such as Goldman Sachs/Vinci, Macquarie, Cintra, and Strabag deserve high respect and promise tough competition and an interesting

auction for the winning prize. However, despite the interest of consortiums armed with an army of top international and local law firms and financial advisers, the tender process hit a snag. Reportedly, due to internal disagreements and other administrative problems, the data room is still empty, no other transactional documentations have been offered for review (such as, in particular, the concession agreement), and there are no firm indications when the process will be started in earnest. Such postponements of process (which in this case started in autumn 2013), usually bring a "the magic has gone" sentiment to the bidders, and passion for the deal evaporates rapidly.

With public perception of the monetization as a sale of national pride, and upcoming parliamentary elections in 2015, the current Government has less and less time to successfully close this demanding deal. On the other hand, if there are no proceeds from this privatization, what will save the budget and how will the gaps be closed? Will the inevitable need for money be more important than the political future of the current coalition government?

There are only a few jewels left to be offered instead. One of those is ACI, the largest network of more than 20 marinas on the Croatian Adriatic. The sign that something may be cooking with ACI is the recent announcement that strategic legal, financial, and operational due diligence of the company has been initiated. Then there is the Croatian Electricity Company (HEP). Only the production segment of the company can actually be sold under the law, but one may ask if even this is realistic at all, since HEP is the largest state-owned contributor to the state budget.

Damir Topic, Senior Partner, Divjak, Topic & Bahtijarevic

Romania

New PPP Legislation In Romania: When It Will Come And What It Will Cover



It appears that, after many delays in Parliament and a rejection by the President, Romania should soon have a new PPP law.

Although in other countries PPP projects are organized as ordinary commercial contracts under general public procurement legislation, Romania has chosen to provide a specific legislative structure to regulate this. The current legislation was passed in 2010 and

has since been amended. It is fair to say that it has not been a resounding success in attracting PPP projects to Romania and drafts of new legislation were circulated for the comments of the legal and business community some while ago. Progress of the proposed new law has not been without difficulties and political controversy: the President refused to promulgate the new law when it was sent to him by Parliament in December 2013 and asked Parliament to review the draft, particularly as regards concerns on rights to terminate PPP projects early on the grounds of public interest. Since then, the Senate has however re-adopted the proposed law without changes and it has now passed back to the Chamber of Deputies for a final review.

The last active steps to pass the law appear to have been taken in March 2014 and, bearing in mind the impending summer parliamentary recess and the presidential elections later this year, it is not clear when the new law will be issued, although there appears to be political will by the Government for this to happen. When Parliament sends

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the proposed law back to the President for promulgation, the President would no longer have the right to ask the Parliament to reconsider it further.

If it is passed in the form of the current draft, the proposed law would replace the existing 2010 PPP Law in its entirety. As such, the proposed law should be a step forward in general, in providing a single coherent (and, hopefully, stable) legal framework for PPP projects, notwithstanding that there is political debate over some points of detail.

It should however be noted that the proposed new law appears to be limited in scope and that it will not regulate all PPP projects. The new law is apparently intended to regulate specifically only those PPP projects in which the revenue of the private partner will primarily depend upon payments from the public partner, such as the provision of prisons, public hospitals, and defense facilities. PPP projects in which the private partner's revenue will be derived mostly or entirely from payments from users appear to fall outside the scope of the new law and will presumably continue to be covered by the existing legislation on the concession and operation of public assets. Classic models of such projects would be toll roads and bridges. It will be interesting to see whether the Romanian government regards projects which depend partly on shadow tolls and partly on actual tolls as falling within the scope of the existing concession regime or under the proposed new law.

As is the case with many pieces of Romanian legislation, it is expected that the implementation of the proposed new PPP law will depend upon detailed subordinate legislation (norms). At the time of writing no draft of the norms was available and it is understood that they are still being worked on, which may explain the apparent lack of progress of the proposed law itself since March 2014. The new law envisages that the norms will be approved by a Government decision within 90 days of the new law itself entering into force. As Romania is in competition with other countries for funding for PPP projects, it is to be hoped that the passing of the new law and the issue of the norms will be coordinated, so that potential private PPP partners and investors can consider them as a coherent whole. I would certainly not expect any potential PPP investors to make any decision about investing in Romania until both the new law and the norms are available. Legislative instability is also the curse of investors and it is to be hoped that the Government will take time to ensure that the new law and the norms do form a single coherent and stable package which will not require changes to be made by Emergency Ordinance, as was the case with the existing 2010 PPP Law.

In conclusion, the new law is unlikely to be successful unless it recognizes that the risk in a PPP project where the revenue flow is derived from the state is primarily borne by the private partners, particularly the finance providers. Many models of PPP projects work in other EU countries in which it has been recognized that in order to be bankable, the project must commit the public partner to pay for the asset or service over an extended period. Private partners and their bankers need to be convinced their revenue stream is assured over the full payback period, regardless of which political parties are in power from time to time over that period.

Neil McGregor, Managing Partner, McGregor & Partners

Hungary

PPPs In Hungary



During the early 2000s, the Hungarian Government strongly supported the implementation of public-private partnership programs (PPPs) in Hungary. At that time, PPPs were considered to be instrumental in the revival and the required upward surge of the Hungarian economy. Thus, Hungary took the lead in the implementation of PPPs in the CEE region.

The European Union also promoted PPPs in Hungary by providing guidance and support to the Hungarian Government in order to ensure compliance with applicable EU legislation. Most of the projects were structured and documented in line with the EUSTAT requirements so that the projects did not increase the deficit of the state budget. In addition, there were remarkable changes in Hungarian law with a view to creating a robust legal framework for PPPs. Changes included amendments to the State Budget Act, the Civil Code, the Municipalities Act, and other fundamental laws of Hungary.

We saw a number of successfully completed projects in the infrastructure, education, cultural, and healthcare sectors as well as in judicial execution. The most successful projects were the motorway projects (for example, the M6 motorway stretching from Budapest to the southern borders of Hungary), student dormitories, cultural centers, and prisons.

As PPPs became more popular in Hungary an ever greater number of State and Municipal projects were intended to be implemented in this scheme. This artificial promotion of the PPPs proved to be unsustainable when the global financial crisis arrived in Hungary at the end of 2008. Realizing the serious contagious effects of the crisis on the Hungarian economy, the Government of the time suspended all ongoing PPPs.

In 2010, there were general elections in Hungary and the new right-wing Government (winning 2/3 majority in the Parliament) cancelled all ongoing and future PPP projects. Furthermore, they declared all PPP projects to be among the biggest failures of the previous left-wing Government, and accused the program of significantly undermining the growth potential of the Hungarian economy. This approach completely accorded with the economic program of the new Government. They announced their intention to strengthen the state's position and to minimize the participation and influence of the private sector in the economy. They were of the view that the global crisis was a consequence of the failure of the efficient operation of the markets, which could only be cured if the state became a key player by acquiring a dominant position. They started nationalizing the key sectors of the Hungarian economy (for example, the energy sector) and increasing the weight and influence of state institutions.

As part of its first actions, the State Budget Agency investigated the financial and legal background of all completed PPP projects. The most important conclusion published by the State Budget Agency was that PPPs in Hungary were extremely expensive and imposed significant burdens on the central budget and the budget of local municipalities. The report also asserted that the operation of certain municipalities and state institutions was limited by the maintenance of PPPs. As a result, the report concluded, the Government should provide relief to

those municipalities and state institutions.

The Government initiated a complete revision of the contractual framework of all completed and existing PPPs. They announced that they were considering the termination of all PPP contracts and the takeover of the projects by the state. They proposed to establish a separate fund in the central state budget to cover the termination costs of PPP contracts but, as far as we know, this action has never been implemented.

Currently, we are only aware of a few projects that have been terminated. The contracts of the most important projects (for example the M6 motorway project) were left unchanged and appear to be running smoothly. Some of the terminated PPP contracts are subject to ongoing legal proceedings launched by private investors challenging the right of the state to terminate their contracts and/or the amount of compensation offered by the state.

In our view it would not be appropriate to judge all PPPs in the same manner. It is fair to say that there are a number of projects which are probably rightly considered to be unnecessary, expensive, and not offering value for money. However, other projects are undeniably for the benefit of the country as a whole, since they provide value for money. We believe that it is uneconomical to terminate a project if it serves the needs of the people of Hungary and contributes to the development of our country. However, any PPP projects which do not fulfill these principal criteria and thus are not true PPPs should be revised and restructured as soon as possible.

Laszlo Hajdu, Partner, HP Legal / Hajdu & Pazsitka Law Office

Lithuania

Privatization In Lithuania: Current Trends and Perspectives



General

The privatization process in Lithuania – which lasted for more than 20 years – is about to end. The most hectic period has already passed and the biggest objects have already been privatized. As the Lithuanian state-owned Property Bank and State Property Fund, which are authorized to perform privatization procedures, do not have the high amount of privatization work they did 20 years ago, the merger of these enterprises is expected in the near future.

Current Privatization Trends

One of the recent major privatizations was performed in 2012 when the Lithuanian embassy building in London was privatized and the state budget was replenished with more than EUR 6 million. Lithuania is also trying to sell its embassy building in Warsaw. However, the building in the Polish capital – initially valued at EUR 2.6 million – has gone unsold for a few years now, and real estate experts are advising the government to reduce the price. If the government follows this advice this might be the next interesting privatization object. Another interesting object is a huge territory of 1,8191 hectares in the very heart of the Vilnius old town – the former territory of the Red Cross hospital – which the purchaser may transform into commercial and residential real estate. It will be sold by public auction.

Also in the local market minor objects like apartments, garages, ware-

houses are popular among buyers, as the prices are usually reasonable and such objects require low maintenance costs. Privatization of the remaining large and more expensive real estate objects is pretty slow as real estate objects are sold along with land plots and the banks refuse to finance such transactions – banks do not finance acquisitions of land – therefore, many public auctions fail.

Common problems of privatization

Privatization of the few remaining state objects is problematic. According to a report prepared by the National Audit Office of Lithuania in 2013, many of the objects are not formed as separate units, or formal registration has been performed improperly, or real estate objects are illegally occupied by natural persons and eviction of them is complicated.

In addition, the National Audit Office of Lithuania has stated that the land plots needed for exploitation of the object have not been formed and properly registered within the state. According to the jurisprudence of the national courts, it seems that the latter problem is quite common. The other common problem is that the object may be situated on a plot possessed by natural person or private legal entity. This situation usually necessitates negotiating lease conditions or even going to court to establish easements.

Most state entities do not conduct any activities or are being liquidated or bankrupt, and therefore do not interest potential buyers.

Privatization of strategic companies

There are several major state-owned strategic companies which could be privatized. It is believed that the privatization of these companies could improve the current condition of these objects and the money obtained would help finance other strategic state projects – and relieve taxpayers from the burden of maintaining them. Such major state strategic companies as Klaipedos Nafta (the state oil company, one of the most up-to-date terminals in Europe), Lietuvos Energetika (the state energy company), and Lietuvos Gelezinkeliai (the national railway) would be of great interest of private investors. It must be noted that these strategic companies have special status provided by law, and investment into them must satisfy certain requirements (e.g., a potential investor must be a member state of the EU or NATO).

Also, it is not possible to acquire a controlling stake of shares of such companies, as the law requires that the state possess more than half of all voting shares. Moreover, privatization of strategic companies always attracts public attention and involves long political discussions; therefore, the process is inevitably drawn out. As political discussions are still continuing, a decision on a possible sale of these companies has not yet been reached.

Ruta Radzeviciute, Partner, and Aurelija Grigoraviciute, Lawyer, FORT

Slovenia

Privatization in Slovenia



Almost one year since the Slovenian National Assembly gave a “go-ahead” to the sale of state equity investments, the privatization procedure in the country is generating critical reactions from experts. While the majority of European countries are still struggling to recover from the economic crisis, the success of current privatization in Slovenia is being called into question, especially in light of recent affairs connected to the sale processes and political turbulence

Considering the current high unemployment rate in Slovenia, this con-

tinues to be a concern.



Two of the fifteen companies to be privatized, Helios and Fotona, have already been sold, while the sale of Adria Airways, Aero, Aerodrom Ljubljana, Elan, Cinkarna, NKBM, Telekom Slovenije, and Zito are currently in progress. Companies to be privatized operate in various sectors, including communications, transport, banking, food & beverage, chemicals, electrical equipment, industrials, and health care. Noticeably absent from the list of companies to be privatized are Luka Koper (Slovenia's largest seaport and logistics company), the Krka pharmaceuticals company, the Peko shoe manufacturer, and the Petrol gasoline retailer.

Uros Cufer, the Minister of Finance, recently stated that the last two of these companies are included in the current plan for the sale of state assets, which has not yet been passed by the National Assembly. According to unofficial information, the government is now preparing to sell state equity investments in 80 different companies.

The largest profit is to be expected from the sale of Telekom Slovenije, the largest provider of communication services in Slovenia. Although the sale of a 75.5% stake of the company will open the Slovenian market to foreign investors, the government's decision to sell the equity investment in Telekom Slovenije has sparked controversy, as Telekom Slovenije is among the biggest tax payers in Slovenia, with an annual profit of several million EUR even in times of recession, and is also among the least indebted European telecommunications companies. Regardless, the announcement of the privatization of Telekom Slovenije had a major effect on the stock market, as the sale of company's shares increased significantly. Deutsche Telekom is expected to be the most likely buyer of Telekom Slovenije.

Twenty potential investors showed interest in buying Aerodrom Ljubljana, the company operating the largest airport in Slovenia. Another company to be privatized is Elan, one of the top manufacturers of skis and snowboards in the world. The biggest controversy with respect to Elan is the recent entry of the Finn Jari Robert Koivula into the sales process, interrupting the key stage of sale coordination with the American financial fund WAB Capital. Koivula introduced himself as an interested party and was given permission to conduct due diligence of Elan. Shortly after being given insight into company's proprietary and confidential documentation, Koivula disappeared without submitting an offer and is supposedly being sought by the police.

Many potential buyers of state-owned companies, from financial investors to strategic buyers, became worried by the recent resignation of the Slovenian Prime Minister, Alenka Bratusek, under whose leadership the privatization process was approved. The Minister of Economic Development and Technology, Metod Dragonja, reacted immediately and assured the investing community that all privatization processes will remain intact and will be carried out as planned, regardless of political perturbations.

Closely monitoring the privatization process are Slovenian workers' unions, which draw attention to a common pitfall of privatization – layoffs after company acquisition. Such consequences unfortunately are not rare, and are reported to have happened in one of the recent sales, despite the buyer's promises that layoffs would not happen.

Considering the current high unemployment rate in Slovenia, this con-

cern is certainly not negligible and increases the lack of trust in foreign investments, which at the same time appear to be one of Slovenia's most convenient emergency exits from the economic crisis and indebtedness.

The European elections of May 25, 2014, will probably be an indication for the national parliamentary elections to be held later on (currently the date is not yet set). The latter will however be decisive and will surely set the pace and direction for future developments in the field of privatization in Slovenia.

Mojca Muha, Partner, and Dalia Cerovsek, Attorney Trainee, Miro Senica and Attorneys



Latvia

PPP Cautiously Revives in Latvia



The beginning of the PPP story in Latvia can be dated to February 16, 2000, when the first Concessions law entered into force. Partnership in 70 concession projects were launched on the basis of that law until October 1, 2009, when the Law on Public-Private Partnership broadened PPP options as well as confirming decision-makers' interest in developing that style of partnership. However, the 2009 PPP reform coincided with the start of the global economic crisis, which hit Latvia even more than other CEE countries. The subsequent international loan program for Latvia contained a prohibition on state and municipalities entering into any long term PPP relationship. In fact, all decisions on further PPP projects were frozen for three years and were allowed again only recently after closure of the international loan program in 2013. Thus a new start is awaited for PPP projects.

The majority of the projects in the first decade of this century were connected with public transportation services for regional municipalities. The others related to public utilities such as heating and waste management services, construction and management of public schools, municipal data processing services, and so on. Accordingly, given the local nature of those projects, their total value was a mere LVL 31 million (approximately EUR 45 million). Importantly, no road construction or similar scale projects have so far been carried out in Latvia. The task of boosting PPP infrastructure projects is expected to be one of the most challenging for decision-makers during the coming years.

During the PPP moratorium period, voluminous research was carried out in cooperation between the Latvian Investment and Development Agency and the Norwegian Financial Mechanism regarding the promotion and development of PPP in Latvia and the impact of PPP on the quality and accessibility of public services. This research project lasted from 2008 until 2011, and included within its framework several different feasibility studies, including the development of procurement documentation for a PPP project on the construction and maintenance of Olaine prison, a study for a project on constructing and maintaining custody spaces in Skrītava and Kurzeme, and a study for the project to develop infrastructure and maintenance for the main state universities: the Technical University, the University of Latvia, and Riga Stradiņs University.

Investment in those studies was particularly significant regarding the

construction of Olaine prison, where procurement documentation was already drafted. However, a last minute decision stopped further PPP progress. The principal argument for this turn was that direct and exclusive allocation of finances from the state budget would allow more transparent supervision of expenditure as well as a more predictable realization of the project than entering into a public-private partnership to implement it. In addition, that decision coincided with the unsuccessful purchase of vehicle speed traps for the state police, which was often publicly (and incorrectly) referred to as a PPP project. The conclusion has to be that a clear need exists for a win-win test case to prove not only to the public but also to decision-makers themselves that PPP is an effective tool for involving additional investment.

Currently, effort in the PPP field is being concentrated on its traditional track, in particular on infrastructure development. For example, two larger projects are in the spotlight, in particular the Kekava bypass road project and the Riga bypass road. Preliminary investment in these projects could start in 2017-2019. However, decisions to process them through PPP procedures have still not been made.

As mentioned above the core reason for slow progress in decision-making is very likely uncertainty and unpredictability of a project's course. One way of simplifying the legal element of cooperation is making standard legal documentation more available, both for procurement and for entering into an agreement. Nevertheless, the rest depends on the ability of the state or municipality to follow project development through all its stages.

Theis Klauberg, Partner, and Esmeralda Balode-Buraka, Senior Associate, bnt Attorneys-at-Law

Bulgaria

The Special Rights of State's Preferential Share in Incumbent VIVACOM: Revoked. What Now?



In 2004, 65% of the capital of the incumbent telco Bulgarian Telecommunications Company (VIVACOM) was sold to Viva Ventures Holding by the Bulgarian Government in a privatization procedure. In 2005, a public offering of the remaining shares was launched with 34.78% of the company's capital being offered on the Bulgarian Stock Exchange. During the next few years the company went through several major restructurings, in the process becoming, it claimed “leader in developing modern telecommunication services.”

Although the company was fully privatized, the State retained some special rights through the holding of the so-called “golden share.” A golden share is a commonly-used type of special right which is typically enshrined in a company's Articles of Association. Its alteration is subject to governmental consent and it is usually held for a definite

period of time. Typically, the golden share enables the State to veto specific events and structural changes in the company.

The existence of a preferential share in the Articles of Association of VIVACOM entailed the limitation of certain significant rights of the shareholders, related both to resolutions of the General Meetings of Shareholders and to decisions of the company's boards. The preferential share could only be held by the Ministry of Transport, Information Technologies and Communications, a State body, or another representative of the State. The golden share entitled the State to veto a broad range of decisions of the Managing Board, such as resolutions on the disposal of assets of strategic importance for the business of the company, approval of employee support programs, execution or amendment of agreements between VIVACOM and any of its shareholders, persons with an interest in a shareholder, or affiliated parties to the shareholders. The special rights of the State also included the right to veto resolutions regarding amendment of the company's name, its place of business and address, its term of existence, the scope of its activity, the share classes, number, and percentage of the State's shares, to name but a few.

In the past two years VIVACOM has undergone a major transformation in that it changed its capital owner and the State's special rights were obliterated. The Articles of Association stipulated that the preferential share could be redeemed (buy-back) at par value, at the option of its owner or the company, by serving a 14-day prior written notice to the other party. The transfer was possible only upon meeting the investment commitments according to the Privatization Agreement. The holder of the golden share was obliged to accept the company's offer to redeem the preferential share subject to provisions of the law and the Shareholders Agreement executed between Viva Ventures Holding, the Ministry of Transport, Information Technologies and Communications and VIVACOM back in 2004. Considering that the preferential share played its historical role, the Ministry of Transport, Information Technologies and Communications proposed that the Council of Ministers adopt a decision in favor of revoking the State's special rights materialized by the golden share.

Hence, in September 2013 the General Meeting of the Shareholders voted to revoke the special rights of the golden share. They also agreed upon delisting the company from the stock exchange and changing the company's name from BTC AD to BTC EAD, as a result of the acquisition of all shares of the company by the majority shareholder Viva Telecom Bulgaria EAD. Thus, VIVACOM is no longer a publicly traded company and the State is not entitled to exercise any special rights as regards the management of the company.

Two major consequences stem from this resolution. First, the State has finally come in line with the prescriptions of the European Commission and the case law of the Court of Justice of the European Union in that special rights – while not completely ruled out – should be employed only in special cases and to the extent that they do not distort the free movement of capital. Second, VIVACOM has made the final step towards being a completely independent private entity whose development is shaped by standards set by the company itself.

It is not exaggerating to say that by virtue of revoking its special rights, the State removed the last obstacle to the independent development of the company subject to the rules of free-market competition and regulation. Over the years, the preferential share proved itself an effective tool for restraining the impulses of private investors and protecting public interests. Ultimately, every privatized company should emerge from the shadow cast by the State. In this regard, the revocation of the preferential share was the final step for the incumbent VIVACOM.

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Austria

Privatization in Austria



State-Owned Enterprises in Austria

In order to renew its largely destroyed industries after World War II, the Republic of Austria has experienced an extended period of strong governmental intervention, in particular due to nationalization measures of important industry sectors including manufacturing and energy.

Although Austria has successfully privatized the majority of its large manufacturing industries, it is estimated that it still holds capital ownership in more than 100 state-owned enterprises ("SOE"), in particular on the regional level of its federal states (Bundeslaender). Austria also owns other public institutions in their entirety, such as the Austrian national public service broadcaster ORF (Oesterreichischer Rundfunk).

OIAG

In 1967 Austria established a state-owned holding company to hold and govern a significant part of Austria's nationalized post-war industry. This holding company underwent several reforms and restructurings, and is now called Oesterreichische Industrieholding AG ("OIAG").

The OIAG focuses on two core functions on the basis of a special act – the OIAG-Act.

Pursuant to this act, the OIAG is primarily an investment management body and administers its Austrian shareholdings. The OIAG has to ensure the maintenance of influence over its SOEs by either holding at least 25% plus one share of the voting share capital in each company (giving OIAG certain statutory approval rights) or by exerting influence on the basis of shareholder agreements.

Secondly, the Austrian Federal Government can issue a privatization mandate to OIAG authorizing the OIAG to further privatize the companies it owns.

Currently the OIAG holds a minority share in the international oil, gas and energy company OMV (31%) and the telecommunications provider Telekom Austria Group (28%). OIAG also owns 53% of the shares of the postal service provider Oesterreichische Post AG. In terms of recent developments, OIAG just concluded a shareholders agreement with America Movil in order to ensure Austrian interests in Telekom Austria Group for the next 10 years. OIAG's total shareholding portfolio is currently valued at around EUR 5.6 billion.

At present there are political discussions about either transferring other major SOEs to the OIAG or winding down OIAG and selling off its shareholdings. An amendment of the OIAG-Act could also lead to the OIAG taking on new responsibilities such as the promotion of small and medium-sized businesses. This is ongoing and has not been decided yet by the Austrian Government.

Legal Framework of Privatisations

Pursuant to the Austrian privatization act (Privatisierungsgesetz), all privatizations of SOEs have to be based on a privatization concept and must be authorized by the Austrian Federal Government. For any privatization of companies currently held by OIAG, the OIAG-Act has also to be taken into consideration.

Although the OIAG is dependent on a privatization mandate of the Austrian Federal Government, it is free to determine the specific structure of an individual privatization, within the scope of the OIAG-Act. Additionally, the OIAG has to consider the interests of the respective company and the Republic of Austria in all privatizations it undertakes.

Privatization Waves in Austria



Austria has a long history of transferring governmental responsibilities to publicly-held companies. For example, Austria's road pricing and road maintenance is handled by a publicly-held company called ASFINAG. Although not privatization per se, the transfer of governmental responsibilities to publicly-held companies is often an important first step for a subsequent privatization.

In particular due to Austria joining the EU and in order to increase income for the Austrian budget, there have been several waves of privatization in nearly all kinds of state-owned areas, including telecommunication, the cultural sector, public transport, and the research and development sector. During the last 15 years, OIAG alone handled 24 privatizations, including some major SOEs such as the Austria Tabak cigarette manufacturer, the Dorotheum auction house, the Vienna Airport, and the Oesterreichische Postsparkasse postal bank. This provided total placement and privatization gains of around EUR 6.3 billion, mostly via the Vienna Stock Exchange.

Future Perspectives of Privatization in Austria

The OIAG currently holds no privatization mandate for a specific SOE. From our point of view, there still is a considerable potential for privatization of SOEs in Austria, including both full privatizations as well as the complete sale of partly privatized/partly state-owned companies. Since the OIAG only holds three major participations, there are two possibilities for its development in the immediate future, both mainly dependent on the outcome of political discussions: Either its role as primary state-owned holding for SOEs will be reinforced and other SOEs such as ASFINAG will be transferred to OIAG, or the concept will be abandoned altogether and the remaining participations will be transferred back to the Republic of Austria. Either path will lead to an interesting future for privatizations in Austria.

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Albania

Privatization in Albania: A Snapshot



The privatization era in Albania began in 1991, following the adoption of the country's new Constitution and the "On Sanctioning and Protection of Private Property, Free Initiatives, and Privatization" Law

The provisions of this new law laid the foundations for the transition from a centralized state-controlled economy to a free market

economy, opening the door to the process of privatization. In addition, a series of laws were adopted to provide a further regulatory layer and to sanction the creation of private property and subordinate rights.

Law no. 7501, "On Land", dated July 19, 1991, and law no. 8053,



"On Transfer Without Compensation of Agricultural Land Ownership", dated December 21, 1995, stipulated that agricultural fields, which had been previously controlled by collective and state farms, were to be divided into plots and distributed to the collective members and farm employees in a system of family ownership.

Law no. 7652, "On State Housing Privatization", dated December 23, 1992, required residential properties, including apartments and houses with small land plots, to be transferred into the ownership of their occupants.

Law no. 7698, "On Restitution and Compensation of Properties to Former Owners", dated April 15, 1993 (which was revised by law no. 9235, "On Restitution and Compensation of Property", as amended, dated July 29, 1994), enabled families that had owned land and property prior to 1945 to claim restitution of their non-agricultural properties, or alternatively to receive other property or financial compensation.

The following five years saw successive governments engage in a program of accelerated privatization; the process was carried out under the guidance of the World Bank and the International Monetary Fund. During this period, the majority of small-and-medium-sized enterprises in the country were sold, leased, or liquidated. By 1996, much of Albania's economy had shifted into private hands.

A mass privatization program, enabling citizens to buy equity in public enterprises, also began in 1995. However, this process proved difficult to implement, and it was halted in 1997.

The process suffered from lack of strategy and organization in the liberalization of the market. The lack of capital available, due to an underperforming financial and banking system, also impaired the process.

In April 1998, the government approved the Strategic Sectors Privatization Strategy and began privatization of strategic sectors, including large, state-owned industries. Law no. 8306, dated March 14, 1998, provided a privatization strategy for sectors considered to hold significant importance for the country's economy.

Examples include: telecommunications; posts; mining; oil and gas; forests and waters; airport; insurance companies; and state-owned second tier banks. State enterprises and companies with state-owned capital operating in strategic sectors were, as a result of the law, also open to privatization. In order for a state-owned enterprise to be privatized, a specific law had to be approved by the Albanian parliament. This practice remains in force today.

In the years following law no. 8306, numerous companies operating in strategic sectors were entirely or partially privatized.

The privatization of the energy sector was a special focus in the last decade, and it remains so today. Between 2005 and 2010, the Albanian government unbundled the industry's transmission and distribution

systems, introduced a new power market model, and granted concessions for the development of new hydropower plants to private investors.

The privatization of the Transmission Operator System was followed by the privatization in 2013 of four existing medium-sized hydropower plants on the Mat and Bistrica rivers, which have a combined capacity of 76.7 megawatts. The four plants were privatized through competitive international tenders.

However, the wave of privatization seen in previous years has declined recently as Albania, like many countries, was hit by the global economic crisis. The failed sale of the shares held by the Albanian state in INSIG SHA, the only state-owned insurance company, is a particular example of the effects of the financial crisis. The Albanian parliament

authorized sale of the state's shares in 2006; there were also attempts to offer the shares to strategic investors in the international markets – and later in the domestic market, too. The offering did not attract investors, however, and the company, which has subsidiaries in the Republic of Kosovo and FYROM, continues to be owned entirely by the Albanian state.

Genc Boga, Senior Partner, and Sabina Lalaj, Senior Associate, Boga & Associates

Czech Republic

Privatizations: The Czech Government Proceeds with Caution



Since the last large-scale privatizations in the Czech Republic almost a decade ago, the sales of state-owned enterprises have been few and far between. The most recent headline privatization was the 2013 sale of a minority stake in the national airline CSA to Korean Air. The sale had become somewhat crucial as the government no longer wanted to support the loss-making airline. Despite the nominal price paid for the stake, the government successfully secured the future of the airline and potential new business for Prague Airport. With a new government in place since January 2014 there has been talk of privatizing some of the remaining state-owned assets. However, for the time being the government seems to want to hold on to the most profitable assets.

The first wave of Czech privatizations in the early 90s was not without its challenges. Like in other post-communist countries the state was the dominant sector of the national economy. In a neo-liberal market economy, the belief of the politicians at the time resulted in an “all-must-go” sale of state enterprises. The Czech government had set itself the goal of privatizing a majority of the state-owned companies within 3 years. Taking into account the number of companies concerned, the lack of available domestic capital, and hesitation among foreign investors, it was not possible to achieve this goal through standard means such as direct sales and auctions. As a result the so-called voucher privatization – under which all citizens had the opportunity to get shares in state-owned companies - came to be one of the main methods used.

Although the government secured the effective privatization of a majority of the economy, the country lacked an adequate legal framework to protect investors and secure a successful continuation of business.

The Czechs have recently been painfully reminded of some of the failures of the past. A case in point is the privatization of coal mining company Mostecka uhelná společnost, which for many Czechs still symbolizes the dark-side of the “wild privatization” of the 90s. It took until late last year for five Czechs held responsible for “tunnelling” that company to be finally sentenced by a Swiss court, which seized USD 725 million from the accused in the process.

Through some of its ministries the Czech government still controls various companies, including the famous Budvar brewery and companies in the weapon industry, but also more traditional state assets such as the Czech Post, the National Rail, and the key oil distribution and electricity transmission infrastructure. The Ministry of Finance alone owns a share of over 40% in 26 companies, including the CEZ energy producer, the Cesky Aeroholding aviation holding, and the CEPERO fuel distributor, representing a combined share value of about CZK 100 billion.

It has been the policy of successive governments to reduce the number of state-controlled companies, especially those without much strategic importance. But in recent years the actual number of state-owned companies is only slowly declining, and mostly as a result of either mergers or the liquidation of smaller companies.

The current government, which is a coalition between the Social Democrats, the Christian Democrats, and the central right Action of Dissatisfied Citizens, is not pursuing a very active privatization agenda. Although there have been rumors around private companies being interested in acquiring the Czech Post or some of the military equipment producers, it might take some time for such deals to come to fruition – if they do at all.

However attractive it may be to sell off some of these assets, the annual incomes they generate currently make a significant contribution to the state budget. Czech Finance Minister Andrej Babis is trying to maximize the contribution to the state budget from state-owned companies, including the Czech Post, the National Forestry Company, and oil pipeline operators MERO and CEPERO. He publicly called for a full dividend pay-out by the CEZ energy company, in which the state holds about 70%. The proposed State budget for 2015 is based on a contribution of several billion crowns from state-run companies.

Moreover, in an effort to save some of the struggling coal mines nationalization is back on the agenda. A particular case is that of the OKD coal mining company, owned by New World Resources, a UK-listed coal miner based in the Czech Republic. OKD's loss-making Paskov mine is threatened with closure by its owners, putting 3,000 jobs at risk. In the end the government has offered financial support to keep the mine open for three more years, but nationalization had been on the table as a serious alternative. The situation is politically sensitive as many hold current Prime Minister Bohuslav Sobotka, who was the Czech Finance Minister at the time of OKD's privatization in 2004, responsible for selling the government's stake in that company far below market value. The European Commission is currently investigating whether the sale was indeed undervalued and as such could be considered illegitimate state aid to the buyer.

Although foreign investment into the Czech Republic is expected to pick up again over the coming years and many domestic investors have the funds to invest in acquisitions, it remains to be seen whether the



Czech state will use these favorable conditions to put some of the remaining assets on the block. Current debates over past privatizations might make the government proceed with additional caution.

Lukas Janicek and Radim Kotlaba, Senior Associates, CMS Cameron McKenna

Macedonia

Privatization of JSC Macedonian Power Plants



Overview of Privatization in the Energy Sector

The energy sector in Macedonia has been one of the areas where privatization has progressed with the most difficulty. Up to 2004, the vertically-integrated and state-owned JSC Macedonian Electricity Company (MEC) exclusively provided the generation, transmission, distribution, and supply of electricity, as well as imports, transits, and maintenance of the integrity of the electricity system. In 2004, MEC was split into two independent new joint-stock companies. Its legal successor MEPSO assumed the transmission function, while ESM assumed the electricity generation, distribution, and supply functions. In 2005, ESM was further unbundled into two independent joint-stock companies: Macedonian Power Plants (MPP), which assumed the electricity generation part of the company, and ESM, which retained the electricity distribution and supply parts. In 2006, ESM was privatized by Austria's EVN AG and was rebranded into the EVN joint-stock company. As a result of the restructuring and privatization process, therefore, the key players in the electricity market currently are three separate and regulated monopolies: (i) generation – the state-owned MPP; (ii) transmission – the state-owned MEPSO; and (iii) distribution and supply – the privately owned EVN.

Privatization of MPP

Recently, the Government has announced its intention to privatize the 100% state-owned MPP by increasing its share capital and offering private investors the opportunity to purchase up to 49% of newly issued shares. The process for hiring a privatization consultant is underway, and it is therefore likely that the international public call for the privatization will be published in 2015.

Why is the privatization of MPP important?

MPP generates more than 90% of the nation's electricity. It owns and operates the main national generation facilities: (i) the thermal power plants in Bitola and Oslomej, with a total installed capacity of 800 MW; and (ii) seven large hydropower plants, with a total installed capacity of over 500 MW. It also acts as the wholesale electricity supplier for the retail supplier EVN. The estimated value of 49% of MPP's shares is approximately EUR 750 million. Therefore, this will be the largest privatization in Macedonian history (the largest Macedonian privatization to date was the EUR 388 million sale of Makedonski Telekom to Hungarian Matav in 2001). For now, the largest privatization in the energy sector remains the sale of EVN's shares in a transaction of EUR 225 million and an investment obligation amounting to EUR 96 million in the three-year period following the sale.

How will be the privatization organized?

The key legislation that governs the privatization process in Macedonia is the Law on Transformation of Enterprises with Social Capital

(OJ 38/93) and the Law on Privatization of State-owned Capital (OJ 37/96). Both laws provide foreign investors with equal rights to domestic investors in the tendering and privatization process for sale of Government's shares in state-owned enterprises. It is very likely that the privatization will be organized similarly to the sale of EVN, which was organized through an international public call for a trade sale in a one-round bidding process. The ranking criteria for the received bids were the purchase price and a three-year investment commitment. In the case of MPP, it is reasonable to expect that the Government will also apply an investment commitment criterion, as it has announced that it expects the successful bidder to make additional investments in the development of electricity generation facilities.

What will be the main legal concerns?

Any attempts by the Government to “clean” or restructure MPP prior to its sale (e.g. write-off state debt, debt-to-equity conversion, and capital increases before privatization) will in many instances constitute state aid if they are not compliant with the “market economy investor principle” (i.e. if a public authority invests in the enterprise on terms and in conditions that would be acceptable to a private investor operating under normal market economy conditions, the investment is not considered as state aid). The Government's enthusiastic efforts to attract foreign investment by providing various incentives to international corporations are well known. Therefore, it is of critical importance for the Government to organize the privatization through a well-publicized, transparent, unconditional, and competitive tendering process, to provide prospective bidders with access to all relevant information for valuation of the share package and to ensure that there is no discrimination based on the nationality of the prospective bidders.

The Government will remain the majority shareholders in MPP (51%) and will therefore retain control of management. The successful bidder will want to ensure that it has a voice in MPP's management and that there is an effective dispute resolution mechanism in place. The memory of the dispute between the Government and EVN AG in connection with EVN's sale is still fresh. In 2009, EVN was ordered by the Macedonian courts to pay EUR 200 million to MPP on the basis of a debt deriving from unpaid electricity bills from consumers, before the privatization. Not long after EVN AG filed a claim for arbitration against the Government alleging a breach of the Bilateral Investment Treaty between Macedonia and Austria, the parties settled.

Gjorgji Georgievski, Partner, ODI Law Firm

Next Issue's Expert Review: Attracting Foreign Direct Investment



In Closing: TopSite Award

Like diamonds in the rough, the finalists of the 2014 Top Sites awards for the Russian and Hungarian markets stand out from their peers. And the winners – the websites of Lidings in Russia and Jalsovszky and VJT & Partners in Hungary (in a tie) – demonstrate that there's more than one way for a law firm to effectively communicate its mission and capabilities online.

Russia



The Lidings website is colorful and busy, effectively identifying the firm's clients and capabilities by both sector and practice group with attractive design, perfect English, and full contact details for all its lawyers. The firm also presents a full component of press releases and thought-leadership articles in a creative way, allowing visitors to sort the information by practice area or industry sector.

Julia Zhabina, Lidings' Head of Business Development, claims that when creating the site in summer of 2012 the firm "aimed at a simple yet bright and eye-catching interface." She explains that, "our website is an essential source of information for both internal and external users, and we invest significant time and resource to ensure that the information it offers is the most up to date and is presented in a logical and visually attractive manner."

Zhabina believes that the substantial thought-leadership articles and the provision of full contact details for all the firm's lawyers are distinguishing factors in the firm's marketing efforts. "At Lidings we believe that sharing information rather than purely accumulating it is what truly distinguishes leading law practices today. Thought leadership is one of the top priorities for our website content. The other thing that distinguishes Lidings is the effort we put into personal branding and marketing of our key employees."



The Goltsblat BLP professional and technologically impressive website ranked a close second to that of Lidings. Though the firm is proud to declare its association with the international Berwin Leightner Paisner firm, the Russian office did not settle for its mother ship's website but instead created its own, which nicely breaks down the Goltsblat BLP partners into their respective areas of expertise and includes an unusually thorough and impressive client and deal list.

Hungary



Two firms share the Top Sites Award for Hungary, as the websites of Jalsovszky and VJT & Partners impressed the judges equally. Both sites are more restrained and sober than those of the Russian winners, and though neither site provides news of recent deals or transactions, they are undeniably competent, elegant, and polished.

The Jalsovszky website has an unusual interface on its team page, which provides a group black and white photo of all the lawyers at the firm, with each individual identified and illuminated into color as the cursor hovers over his or her image. The firm's site is elegant and restrained.

Pal Jalsovszky was pleased to be informed of his firm's award. He explains that Hungary's Allison Group designed the website for his firm in 2010, and that, "with the website we tried to reflect our core values: we are, on one hand, young and dynamic but on the other hand deeply professional." The restrained professionalism of the site was no accident, Jalsovszky says, as "we wanted to be informative but without using the 'general bullshits'."



The VJT & Partners website is similarly restrained, though in contrast to Jalsovszky's professional photos of lawyers and the office, VJT instead provides whimsical photos of penguins, a feather, and other metaphors of the firm's focus and capabilities.

Like the Jalsovszky site, the VJT & Partners' website provides a focused and easily negotiable recitation of the firm's capabilities and the profiles and competencies of its lawyers, along with the requisite thought leadership articles. Alone among this issue's four finalists, the site does not provide contact details for the firm's associates, though it does identify them by name and image.

Janos Tamas Varga, the firm's Managing Partner, responded enthusiastically to the news of the award. He explains that: "This award is a great honor for us. It recognizes our efforts to express our values in every tiny detail. We are not satisfied until every sentence, every image, every color and the layout of the website are in accordance with our values. This is the very simple way in which we made our website and how we work in our day to day legal practice."

David Stuckey

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