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January 2015

CEE Legal Matters

In-Depth Analysis of the News and Newsmakers That Shape Europe's Emerging Legal Markets

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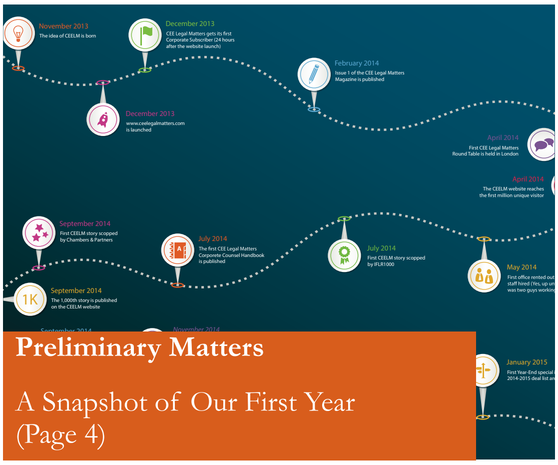
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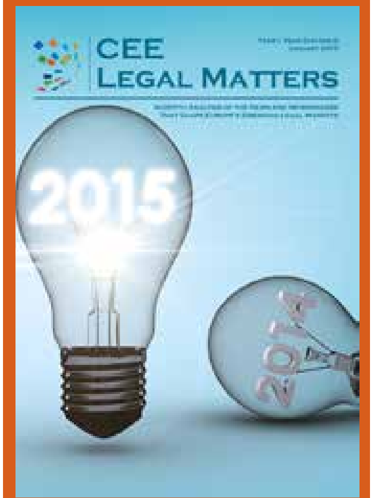

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If you like what you read in these pages (or even if you don't) we really do want to hear from you. Please send any comments, criticisms, questions, or ideas to us at:

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Disclaimer:

Editorial: Something Good

Six regular issues, plus a "special issue." That's what we promised subscribers to CEE Legal Matters. A new issue every two months, and then a Special Issue. Sure, for the first half of 2014, we weren't sure what the Special Issue would look like, but Radu and I had committed ourselves to creating it, and we were confident we'd come up with something good.

Sure enough, as summer turned into fall, ideas began to suggest themselves. I had been campaigning for a special event to celebrate our first year of existence, and we realized that informed analysis from some of the top lawyers in Central and Eastern Europe would dovetail nicely with a "Regional Perspective and Analysis" feature in the Special Issue. So we invited business lawyers with genuinely regional practices and decades of experience working across sectors, borders, and industries, to come together in Vienna for an unprecedented evening of conversation with their peers. The 2014 CEE Legal Matters Summit was born. And the summary of that conversation – along with special essays the participants prepared on the current state and future of legal markets across Central and Eastern Europe – form the center of this Special Issue.

Or at least, they form <u>**a**</u> center.

Because at almost the same time, Radu had a very different idea. He had labored intensively, over the past year, to put together the extremely popular Summary of Deals for each issue of the magazine. Now, struck by inspiration — and once again falling victim to his strange (but useful!) habit of creating labor-intensive projects for himself — he suggested not only aggregating those summaries into one year-end report for the Special Issue, but also reaching out directly to every business-law firm in CEE we knew of to invite them to supplement the deals we already knew of and had reported with any and all deals that we didn't and hadn't. The results of these efforts became the Year in Deals (**page 44**): the "second center" of the Special Issue.

A quick digression: We pride ourselves on being a publication with a human face. Those of you who know me and Radu know you can call either of us directly and ask questions, propose subjects, inquire about subscriptions or advertising, and — especially, always — invite us for a beer. We don't hide behind a wall of faceless secretaries or name-takers, and we don't avoid responsibility or shirk obligations. We take great personal pride in having created and managing a remarkable website — www.ceelegalmatters.com (if you don't visit it regularly you should) — and, with the CEE Legal Matters magazine, putting together, 6 times a year plus one Special Issue, an unbiased, interesting, and useful source of information for lawyers interested in this interesting part of the world.

No doubt about it: it's fun. Because it's personal, it's fun. The title of the publication? We thought it up. (My fondness for plays on words). The advertising slogans you see? We thought them up. (I particularly like "Because CEE Legal Matters" — and yes, I thought that one up). The graphics that you see? We thought them up. (Radu especially likes the deep blue sky balloon ad — and yes, he thought that one up). Every single word on every page that isn't specifically credited to another author … we thought up. (Have you read the boilerplate on this page? I wrote that). We are proud of what we do.

And because it's personal, we care about it. Deeply. We care that it's accurate. We care that it's useful. We care that it's good.

Why this digression? Because we initially expected this Special Issue to come out sometime in mid or late December. But we discovered that editing the essays and chasing down all the participants for their edits of the Round Table transcript, over Christmas, was less a "mission" and more an "impossibility" – and we discovered that reviewing, categorizing, proofreading, and analyzing the Year of Deals was truly a monster of a task, which would not admit defeat – nay, not despite the mountains of Red Bull and Diet Dr. Pepper cans and crumpled cigarette packages we threw at it – any sooner.

In short, you are holding this in your hands now, and not sooner, because ultimately every single issue of CEE Legal Matters is a Special Issue, and when it comes to conceiving, writing, drafting, reviewing, preparing, organizing, designing, laying-out, and publishing this magazine ... we take care. We don't send it out in a form that falls short of our expectations for it. It goes out when it's good.

This Special Issue is that. We hope you like it.

And don't worry. We've already restocked our supplies of Red Bull and Diet Dr. Pepper for the February issue.

David Stuckey, Executive Editor, CEE Legal Matters

November 2013
The idea of CEELM is born

December 2013
CEE Legal Matters gets its first Corporate Subscriber (24 hours after the website launch)

December 2013
www.ceelegalmatters.com is launched

A Snapshot of Our First Year.
Thank you for joining us on this great journey!

September 2014
First CEELM story republished by Chambers & Partners

July 2014
The first CEE Legal Matters Corporate Counsel Handbook is published

September 2014
The 1,000th story is published on the CEELM website

September 2014
"@CEELegalMatters just a quick note to say your feed is useful and appreciated. Good job, folks!"
Mike Nash, Editor of The Legal 500 Europe, Middle East & Africa

November 2014
The CEELM website crashes due to server overload cause by too much traffic. "A good problem to have but a problem nevertheless."

CEE Legal Matters

February 2014

Issue 1 of the CEE Legal Matters Magazine is published

April 2014

First CEE Legal Matters Round Table is held in London

April 2014

The CEELM website reaches its millionth unique visitor

May 2014

Office opened and first staff hired (yes, up until this point, CEELM was two guys working in a coffee shop)

July 2014

First CEELM story republished by IFLR1000

December 2014

The first CEE Legal Matters Summit takes place in Vienna

January 2015

First Year-End special issue and 2014-2015 deal list are published

Looking Forward to 2015: A Changing Landscape

I was speaking at an M&A conference in Budapest earlier in 2014 and the mood was one of post-traumatic optimism. Six, seven years of shelling and trench warfare and finally the smoke was clearing. It wasn't just the pipeline that had improved – everyone was busier than they could remember being for some time. Then someone from the audience asked the (slightly tortuous) final question: "Is there anything else that the panel hasn't covered, which in one year's time we will look back on and realise that a particular factor might have been overlooked that will have a major impact on M&A in the year ahead?". "War in Ukraine," I said, perhaps a little too glibly. There was a very nervous silence in the room, and the panel host asked the panel if there was anything else they could think of. Further silence followed and we shuffled off, me a little chastened that perhaps I had been too melodramatic.

As it turned out, the war in Ukraine has indeed had an unexpected and disproportionately negative effect on the CEE economies, relative to those of the US, Europe, and Asia. That is hardly surprising, given the geographical proximity and interwoven economies, but it continues to show that even in spite of the so-called 'wall of finance' and general pent-up demand that one has continued to expect would finally break through after all these crisis years, events still have a habit of knocking back fledgling signs of recovery.

"25 years after the fall of the Berlin Wall, the situation in Central Europe is different from the one we expected..."

25 years after the fall of the Berlin Wall, the situation in Central Europe is different from the one we expected, back in the 90s, would emerge from its communist past. With a huge influx of investment from the US and Western Europe, pending EU membership, and a predicted massive overhaul of infrastructure and pretty much every aspect of society and the economy, it was expected that CEE would slowly converge to European standards and norms in every respect. Western banks would move in to provide retail as well as corporate lending, Western utilities would provide power, water,

"Whereas in the 1990s we were guiding international companies through uncharted CEE waters, we are equally now guiding local players on their expansion plans into international waters."

and communications, and other Western companies would dominate retail and consumer markets. While nobody imagined that local civil code systems would be replaced or superseded, it was assumed that English, US, and to a lesser extent German, Swiss, and Austrian law were to set the tone, with English law dominating international finance and M&A.

Western companies have still influenced CEE economies in a fundamental way, and we should not underestimate the profoundly positive influence of international professional services firms and the relative certainty of their legal systems. Nevertheless, I don't think we expected that one or two sectors of the economy would feel almost like occupied (though not abandoned) villas of a lost empire. This is of course a too melodramatic metaphor, but it may be interesting to think for a moment about where in CEE regional or global brands remain influential, and about where those brands have retreated, and why. One reason might be the relative lack of the ultimate fungibility and portability of some of the goods and services within the region. For example, in the case of retail banking once you went over the border from Slovakia into Hungary it didn't seem to make any practical difference that you also had a bank account in Slovakia with XYZ Bank. Similarly, perhaps it didn't make any practical difference to a consumer in one country that there were energy companies with operations in various other CEE countries, and those synergies were hard to identify or understand. I'm not suggesting that the partial retreat of some companies from CEE was solely because of that – too many other well-documented reasons exist – but maybe those companies that now view the region with the greatest optimism might be those whose products and services really are more portable (such as technology or life sciences), or those who genuinely identified and extracted real synergies (i.e., call-centers, logistics, etc.), or those which made optimal use of local talent and resources (for example, automotive companies). Whilst the transfer of know-how has enabled many Western brands to make great in-roads into CEE markets, it is those who have successfully retained and continually developed new know-how who have the edge, rather than those who have in fact transferred it (or built it and sold it).

So if I look forward to 2015, I look at it as one of a few years of a profound state of flux, some behind us, some still ahead of us, where there will be some areas which will go more local, and other areas which will continue to grow as part of a homogenised globalisation process. In terms of where international law firms sit in that process, as always, it is about being adaptable. Whereas in the 1990s we were guiding international companies through uncharted CEE waters, we are equally now guiding local players on their expansion plans into international waters. A strong and ambitious local company will be just as unsure about expanding into Poland or Germany as a US company may have been about investing in the Czech Republic all those years ago. And besides, for as long as I can remember, when someone asked me how much of our business was made up of 'local' or 'international' clients, that became harder and harder to answer, as international clients acquired local businesses; identifying whether your client was under 'local' or 'international' management didn't really matter (and often because after a short time often 'local' management in fact became international management too).

"...the situation should normalise and companies will once again set about implementing growth strategies, developing infrastructure and above all developing technology and products, still ultimately as part of a globalised market"

Perhaps in the short term, the market may look to be dominated by decisions whether to exit (non-core divestments and so on) but after a period of rationalisation and shake out (which is broadly coming to an end), the situation should normalise and companies will once again set about implementing growth strategies, developing infrastructure and above all developing technology and products, still ultimately as part of a globalised market (funded by a globalised financial services market). For that reason, international law firms have to continue to evolve and innovate to remain at the forefront of the markets and clients that they service. As part of a global law firm, we feel the changes that affect global finance markets and the trends in finance and M&A in particular, and how these feed into the structure and negotiations of deals. We feel, too, how those changes from the UK and US (and also Asian and Middle Eastern) markets have affected the structure and methodology of the legal industry. But we also have long experience in understanding what is appropriate and what works and what does not on the local CEE markets.

So I hope that 2015 allows the recovery to spread it wings a bit. It will be interesting to observe some of the trends and some of the divestment and investment plans to develop more fully, and for the CEE landscape to show its true colors. There are clearly a lot of unfulfilled plans for development and investment waiting for the right conditions, and although these days it seems that we continue to play the waiting game a little longer, I hope that a measure of stability will return for things to get moving at the rate it seemed they would earlier last year.

Hugh Owen

The opinions expressed in this article are the personal opinions of the author and do not necessarily represent the views of Allen & Overy.

Hugh specialises in mergers and acquisitions, joint ventures, takeovers and privatisations. He has extensive experience advising clients in various sectors, particularly financial institutions, energy, infrastructure, telecommunications and media. He has managed major cross-border transactions in Central Europe and heads Allen & Overy's South Eastern Europe Desk.

"English Law on the Ground": An Ingredient for Success

Throughout 2014 the legal trade press has meted out the departure and re-sizing of international law firms in Central and Eastern Europe. Undeniably, more international law firms in 2014 than in any previous year decided to shut down (some of) their operations in the region. This is in stark contrast with the many firms in the region achieving pre-crisis levels of revenue and profit and markets gaining momentum, leading many to question whether the model used by international law firms in CEE – with expats present on the ground – is still valid.

I believe it is.

When I first came to Prague in 1999 the city was swarmed with young and ambitious international lawyers, mostly – but definitely not all – UK-trained. In our own perception the Iron Curtain had only just fallen and we were operating on the new frontier. Our services were in high demand and within a few years we had all managed to build strong track records of advising both sellers and buyers on the most prominent privatizations, the first private equity investments, and various parties in international disputes. Even now, after having (just recently) celebrated the 25th anniversary of the end of the socialist regimes in the region, there are still many English-qualified lawyers around. Actually, it is mostly the same people who stuck it out.

"Undeniably, more international law firms in 2014 than in any previous year decided to shut down (some of) their operations in the region."

This is quite contrary to many other industries, where multinationals have started to replace their expats with well-educated local managers (who are in increasing supply). One might argue that this has had a detrimental effect on international law firms, which lack strong relationships to such local managers. This argument, however, overlooks the fact that no law firm consists exclusively of expat partners, and that in fact locally-educated partners already form a majority at most international firms.

"English law is often considered to be important only in M&A and finance transactions. Although this is where a majority of our work stems from, we are witnessing an increasing number of commercial contracts – including outsourcing arrangements and regional agreements with all kinds of service providers – which are governed by English law."

In fact, many of the firms that have recently decided to leave the region no longer had any English-qualified partners on the ground. They had therefore actually lost their differentiating factor – their USP, if you like – and were thus competing with domestic firms for work. Their departures were thus the result of developments over time, rather than sudden decisions or unexpected changes of strategy. For market observers who follow the region closely, the departure of some of these global firms was no surprise. In addition, a number of the firms in question had just come out of global mergers, which had resulted in strategic changes of course in which CEE was no longer a priority.

The markets in CEE over time have become more local, both in terms of the management at multinationals and the increasing share of transactional activity that is driven by domestic investors. We have all had to adapt to this. That being said, English law capability has remained a key message in winning these new market players as clients, and I believe that international firms are increasingly successful in adding local companies to their clientele. It often takes time to convince domestic companies of the advantages of working with an international law firm, but as these companies have started to invest outside their home markets and become involved in increasingly sophisticated transactions their demand for international lawyers has steadily increased. As the number of law firms they use increases it becomes almost inevitable that they will decide to formalize their relationships with external counsel by putting a panel or other formal arrangement in place. This offers the international firms that have advised the company on transactions abroad the opportunity to cement the relationship and win work in new markets, including the company's home market.

English law is often considered to be important only in M&A and finance transactions. Although this is where a majority of our work stems from, we are witnessing an increasing number of commercial contracts – including outsourcing arrangements and regional agreements with all kinds of service providers – which are governed by English law. In addition, few domestic law firms are retained to advise on the most complex regulatory matters, as they lack the ability to discuss these with colleagues in more advanced markets.

Moreover, English-qualified lawyers in CEE are hardly ever dedicated to just one market. They may work in one country more than another, but in principle they advise clients across the region. This puts them in a position to advise on complex, first-of-a-kind agreements, not because these would be governed by English law, but because the lawyer can add value by transferring his or her knowledge from a previous transaction elsewhere.

Just as with managers in other industries, the skill level of local lawyers has improved tremendously over the last twenty-five years. The quality of local law faculties has improved, and law students have gained language skills and additional degrees abroad. Thus far, this has not led to a dramatic decrease of English lawyers in the region. The recruitment market is a good measure of the continued demand for English-qualified lawyers. Domestic law firms are eager to obtain English law capability and international lawyers with experience in CEE still find employment with London-based firms without their own network of offices in the region.

In short, English law capability remains an important differentiating factor for law firms in CEE. For international firms operating with English-qualified lawyers in the region, it is important not to take this for granted. It will become an important task to convince young lawyers to pack up all they have to come to CEE. As law firms expand their global network, offices in CEE will start to compete for talent with other offices from their own firm in what one might consider more exotic places. After all, we all want our own new frontier.

Helen Rodwell, Managing Partner, CMS, Prague

Since May 1, 2012, Helen Rodwell has been the Managing Partner of CMS in Prague. She is the Regional Head of Corporate and is ranked the number one lawyer in CEE for financial services M&A by Mergermarket, having advised banks and insurers on corporate and M&A matters in this region for more than 10 years.

Although mainly based in the Czech Republic and Ukraine, Helen has worked on transactions in the Slovak Republic, Slovenia, Croatia, Serbia, Russia, Romania, Poland, Bulgaria, Hungary, Albania, Switzerland, the UK, and Australia. She has extensive experience in privatizations in the region, particularly in the banking sector.

Helen is Austrian Erste Bank's preferred counsel for bank acquisitions, having acted for Erste Bank in more than 10 separate privatization transactions in the region since their initial acquisition of Ceska sporitelna (the Czech Savings Bank) in 1999–2000. She is also focused on the energy and projects market.

Helen advised a bidder in the first attempt to privatize the Czech generator CEZ in 2001 and has advised the Slovak Government on the privatization of Slovenske elektrarne, a.s. She has extensive experience leading large teams on complex transactions and ensuring clients receive excellent, commercially oriented advice.

Helen is a member of the Victorian Bar Association in Australia and the Czech Chamber of Advocates.

Why Things are Different This Time (Or Not)

A full decade apart, the Romanian real estate market booms that began in 2004 and 2014 have key similarities but at the same time some important differences.

Then as now, we as a law firm remain leaders in real estate and finance both in Romania and the broader region. While our name has changed from Salans to Dentons, the team and offices have never stopped setting the standard for superior legal advice by fully integrated practice groups, wherever our desks happen to be located. This year alone, we have been proud to assist on (i) the acquisition by TPG (via P3) of CA Immo's portfolio in Romania, Poland and Serbia; (ii) the sale by Aberdeen Asset Management of the iconic Metropolitan office building in Warsaw to Deutsche Asset & Wealth Management; (iii) the acquisition by Blackstone of a portfolio of 6 logistics and distribution parks located throughout Poland and the Czech Republic from Pramerica Real Estate Investors; and (iv) the sale by ING Real Estate of 50 percent shareholding in Allee Shopping Center to Allianz, and the remaining 50 percent to REI Investment Central Europe.

"As 2014 draws to a close, we witness a pile of cash chasing too little product in the entire region, similar to the situation in 2004. Yet this time, it is a wall of equity that fuels the impending boom rather than bank debt."

As 2014 draws to a close, we witness a pile of cash chasing too little product in the entire region, similar to the situation in 2004. Yet this time, it is a wall of equity that fuels the impending boom rather than bank debt. When an investor can plunk down EUR 150 million in cash to buy a shopping center in Bucharest, we know that bank debt has moved from "must have" to a "nice to have." Until more banks enter or re-enter the Romanian real estate market, and until margins drop from 400+ bp to more realistic levels, we expect the equity to continue to flow. Many investors, at any rate, are betting that they will be able to refinance once debt becomes cheaper and lighter on the covenants.

"Romania's keenest regional competitors are arguably no longer part of the region anymore. Romania is the elephant in the middle of the room: geographically and population-wise too big to miss. A freshly minted president with German roots has inspired confidence among foreign investors and optimism among Romanians who voted him into office."

Speaking of cash chasing too little product, yield compression in this Romanian real estate revival appears to be on the way to mirroring yield compression in the 2004-2008 boom. Of course, that may beg the question of what ARE current yields. With two players – NEPI and Globalworth – snapping up the lion's share of assets in the past year, it is difficult to gauge true yields in such a distorted market. But the trend seems clear. Unless of course it is made unclear by assets securing NPLs that are expected to flush through the system and affect pricing on residencial, office, and retail. Massive portfolios – a few valued at half a billion euro each – have this year been sold or are on sale by Erste, Volksbank, Bank of Cyprus, and other lenders.

Ten years on, the rest of CEE has evolved irreversibly. Poland is now more like Western Europe than CEE. Czech Republic – although less liquid – is close behind. Chasing yields leads the way to Romania, which in the meantime has joined the European Union and found itself the beneficiary of intensified strategic interest by NATO. I, for one, don't think there is any going back this time around. Romania's keenest regional competitors are arguably no longer part of the region anymore. Romania is the elephant in the middle of the room: geographically and population-wise too big to miss. A freshly minted president with German roots has inspired confidence among foreign investors and optimism among Romanians who voted him into office. Vital infrastructure projects are, in fact, inching ahead despite doubts, qualms, and naysaying. While in the last boom, blue-chip real estate investors joined the stampede mostly toward the middle or end, this time it is the blue-chip investors (e.g., TPG, Lone Star, Cerberus) who lead the way. These remarkable changes underlie my belief that Romania is transforming into the new Poland.

Anecdotally, there seems to be a greater degree of comfort with the Romanian legal system and use of Romanian law documentation even among first-time investors. (Query whether this is justified!). This may be a result of an improved perception about the level of corruption, partly based on a number of astonishingly successful high-level prosecutions in recent years, including one involving a former prime minister, another involving the head of a political party that formed part of the governing coalition, another an infrastructure mogul, and the list goes on. It may be that, by and large, the judicial system has proven itself fairly sturdy and able to deal better than expected with sometimes difficult contractual disputes. Or maybe it's simply familiarity with a system that, despite its flaws and frustrations and occasional blatantly incorrect court judgments (of which I have seen my share over the 11.5 years I have lived here), now has a proven track record to evaluate.

"While we skip merrily along the yellow brick road over the coming months, singing happily as the Romanian real estate market regains its froth, let's remember that it is a long way to the Emerald City, and the wicked witch could yet land in our path and cast us into a downturn sooner than expected."

Back in 2007, many a developer and many an investor concluded that the financial crisis had mercifully and magically bypassed Romania. Who could blame them? Bankers were still dumping bundles of euros on conference room tables. Margins were low and tumbling. Yields were compressing at a dizzying rate. Speculative development was bounding ahead. The party continued. Until it stopped. Flash forward to 2014. The boom we are witnessing has barely started and already dire economic figures are being announced. In Romania, unemployment is comparatively low, growth is higher than expected, and labor costs remain attractive. Yet Germany is flat. Italy is in recession. Aggravating economic factors is the simmering geopolitical dispute with a revanchist Russia. While we skip merrily along the yellow brick road over the coming months, singing happily as the Romanian real estate market regains its froth, let's remember that it is a long way to the Emerald City, and the wicked witch could yet land in our path and cast us into a downturn sooner than expected.

Perry Zizzi, Partner,
Dentons

Perry V. Zizzi is the coordinating partner of Dentons Bucharest banking and finance group and a core member of the real estate team, with over 19 years of experience practicing law in the US, Western Europe, the emerging markets of Central and Eastern Europe, and elsewhere. Perry has advised on numerous transactions in Romania, Ukraine, Poland, Czech Republic, Slovakia, Turkey, Hungary, Russia, Croatia, Serbia, Montenegro, and Bulgaria. His experience in finance is particularly broad, spanning syndicated loans, receivables securitizations, capital markets, senior and subordinated debt, recapitalizations, and acquisition finance.

Perry earned his J.D. degree at Columbia University Law School and his A.B. in Government (with honors) at Georgetown University. He is a licensed practitioner of law and a member in good standing of the New York Bar, the Bucharest Bar and the Czech Chamber of Advocates.

In addition to his native English, he speaks French, Italian, and Spanish, and has some ability in Portuguese, Romanian, and Russian.

Stirring Times: 2014 a Challenging Year in the Hungarian Legal Market

In 2014, three factors seem to have had the greatest influence on CEE legal markets: intensifying competition, marked local/regional (geo)political developments, and the slight recovery in the global economy. Due to the diversity of the economic, social, and cultural backgrounds of the CEE countries as well as the differences in the maturities of the local legal markets, these three factors have had different impacts on these jurisdictions. As I know the Hungarian market better than the other CEE markets, I will illustrate the combined effect of these three factors by presenting a snapshot of the Hungarian legal market.

In Hungary, political developments have had a profound impact on the legal market. The Hungarian government has articulated clearly that one of its key objectives is to transform the "strategic sectors" by increasing Hungarian ownership in these areas, with a simultaneous decrease in foreign influence. This interventionist

"Further, because of high tax burdens, companies that operate in these sectors have become extremely cost-conscious, adopting measures such as limiting their use of outsourced legal services and increasing price competition between outside advisers."

policy has had a double impact on the Hungarian market for legal services.

On the one hand, it has decreased demand for Hungarian legal services, as entire sectors are losing their attractiveness as potential investment targets for foreign financial and strategic investors. The "emergency" and "sector" tax-riddled banking, energy, and media industries are prime examples of this "devaluation." The plunging FDI numbers clearly show the decrease in capital inflows and the absence of high-value inbound acquisitions. Further, because of high tax burdens, companies that operate in these sectors have become extremely cost-conscious, adopting measures such as limiting their use of outsourced legal services and increasing price competition between outside advisers. As a result, there is a con-

"However, regardless of all current or expected dynamics of the Hungarian legal market, one overriding force remains: the cut-throat competition."

tinuing drop in the demand for "ordinary" legal advice, from both potential and existing clients.

On the other hand, the Government's activism has triggered a substantial demand for specialist legal services from both the Government and private sector players impacted by the new policies. To mention but two examples: the repurchase of formerly privatized strategic companies by the Government and the complete re-regulation of entire sectors (from energy to the trading of alcoholic beverages and tobacco) have provided opportunities for local transactional, regulatory, and litigation teams, and have often necessitated input from their integrated or best-friend offices in the West and/or also in the East. Accordingly, to some extent the extra demand for specialist legal services created by the interventionist policies has counterbalanced the decreased demand for "ordinary" legal services.

It is an undoubted phenomenon of the Hungarian legal market that the public sector has become one of the largest sources of legal work for many local and some international law firms. As public sector clients often require a different type of client care, one can see a clear segmentation among these legal services providers in terms of quality, responsiveness, and application of international professional rules such as the US FCPA or the UK Bribery Act. It has been interesting to learn that the Government is now considering setting up one or more centralized legal panels to replace the currently highly mixed, ad hoc, and fragmented legal adviser pool with a more homogeneous, pre-selected group of quality advisors. And one can expect competition to get on one or more of these panels to be fierce.

Looking ahead to next year, there are already some signs that this process will continue. In the coming years, I also expect significant transactional activity. Although it does remain the case that a substantial part of the workload is still "outside the ordinary course of business," the outlook is not all gloomy for those law firms that have a quality offering in sophisticated services.

First, exits of foreign strategic investors from strategic sectors (banking and energy being the biggest) are expected to continue.

Second, the Hungarian Government has already articulated that it does not intend to own the repurchased/re-nationalized strategic companies (e.g. banks) in the long run, but instead plans to transfer them to Hungarian investors (via trade sales or IPOs).

Third, the relatively high proportion of non-performing loans (NPLs) in Hungarian bank portfolios remains a grave problem for the Hungarian finance sector. The establishment of a "bad bank" by the Central Bank of Hungary (MNB) in November 2014 is expected to stimulate the NPL market. Further, once the re-regulation of the banking sector has been completed and the banks have a clearer picture of the way forward, they are expected to become much more active in the clearing of their distressed portfolios. Accordingly, the dynamics in the NPL market are not simply the result of the intervention by MNB. Similar tendencies can be observed across CEE: investors are showing a growing interest in investing in NPLs in the region, attracted by improving economic conditions, returning optimism, and a less competitive loan-sale market overall than in Western Europe.

Fourth, there appears to be a segment where "life is normal": this is the segment of innovative Hungarian start-ups. This segment does not appear to have been adversely affected by high politics. Acquisitions of such companies by Western European/US financial and strategic investors have continued – and are expected to continue going forward. These are not huge transactions, but they do create some opportunities for "usual" transactional advice.

Finally, it has also become apparent that those manager-owners who acquired their business via MBOs during the privatizations in the 1990s have arrived at a turning point. These manager-owners are now in their late 60s and, where there is no intention/possibility of passing on the business to the next generation, an exit is inevitable. This type of engagement has recently become visible in the legal market and it is definitely expected to intensify, given the relatively positive market sentiment.

However, regardless of all current or expected dynamics of the Hungarian legal market, one overriding force remains: the cut-throat competition. It is a hard fact that the overall supply of legal services continues to significantly exceed overall demand, and it is therefore the buyer – whether the client is the Government or a company in the private sector – that dictates prices and terms. In this connection, it is also clear that the brand value of the most prestigious law firms seems to be losing its lustre, as clients (including general counsel) now increasingly select outside law firms based on price and efficiency and not on reputation alone. The time seems to have passed when complex, large-scale matters were "reserved" almost exclusively for "go to"/"magic circle" law firms. Regional champions and law firms of the "large enough" category have emerged as able competitors to the privileged elite. This reshuffling is very clearly present in the Hungarian legal market. The increased price competition and the lack of mega deals comparable to those in Western Europe and the US (with their mega fees) of course put an enormous pressure on law firms in CEE and very heavily test the adaptability of their respective operational models. Accordingly, the recent exits by major international law firms from CEE markets are most likely not the last ones.

Andras Posztl, Country Managing Partner,
DLA Piper, Hungary

Andras Posztl is a Corporate Partner at DLA Piper and also the Country Managing Partner of DLA Piper's Budapest office. He has been with the firm and its predecessor office in Budapest since 1994. With more than 20 years of experience, he has been involved in numerous international cross-border and domestic corporate, financing, and other commercial transactions.

CEE Recovers, Greece Plays Leading Role in Region

When looking at the legal services market in CEE during 2014, one should take into account the expectations and anticipations raised in late 2013, when the bitter experience of previous years had moderated optimism about the economy and prospects for investment growth in the region. As a result, at the dawn of 2015, it seems that the prudent approach adopted by investors and traditional businesses represent substantial steps towards stability and sustainable growth for the near future.

Prices and costs incurred over the years before the global economic crisis were – and some would argue they continue to be – steep and unduly high. However, a long-term assessment, considering the situation before 2008 and throughout 2014, would point towards a rationalization of values that will govern and regulate the building-up of a saner and sustainable market.

Multinational corporations are increasingly viewing CEE as a single regional business area where obstacles for economic growth are gradually being lifted. This shift in perspective comes from the harmonization of laws following accession or candidacy to the EU and aligns with the need to decrease the corruption rate and increase respect for the rule of law.

Greece claims a leading role in the region, by linking its geographical embeddedness with its role as a strategic transport node, thus securing a strong comparative advantage towards neighboring countries. The recent unfavorable economic conditions and challenging political climate, as well as the lack of institution-level stability, have only temporarily affected the country's potential, as it remains a focal point for foreign investors.

Following a dark period of economic stagnation and fading volatility, foreign investors are now showing renewed interest in Greece, albeit mostly related to yield investments, rather than greenfield projects. This short-to-medium-term investment preference comes about as an attempt to reduce exposure to a fickle administrative and regulatory framework that may lead to increasing levels of confusion and uncertainty for foreign investors, who seek investment returns much higher than what a country like Greece should justify (being a mature economy, old EU member, etc.)

The massive reforms implemented – mainly as a result of Troika's involvement – at both the legislative and administrative levels, all geared towards transparency and the creation of an investment-friendly environment, have already started to produce the desired effect of luring investment – a trend that is expected to grow even more in 2015, mainly in the areas of tourism, energy, and real estate.

Romania, an EU and NATO member with a population of over 20 million, is gradually evolving into an engine of considerable international business activities in the region and emerging as a greenfield project itself: green energy and real estate were noted as top investments in the region, strongly encouraged by legislators and providing investors a field day.

For example, governmental incentives with respect to energy produced in wind farms or PV parks have triggered chain investments and contributed to the decrease of electric power consumption.

At a time when the real estate market for housing and office buildings has stabilized, mortgage loans have tripled credit scores, and spin offs or acquisitions keep luring investors, the law regarding the purchase of agricultural lands by non-Romanian EU citizens is finally setting ground rules that were expected seven years ago, following Romania's entry into the EU. This renders Romania, Europe's so-called granary, a top destination for investors across Europe.

Moreover, certain more general legislative measures, such as the newly amended and introduced criminal and criminal procedure codes, will frame an entirely fresh scheme in protecting legitimate businesses and achieving a fortified investment and development environment in Romania.

Albania is the least developed of the countries where Drakopoulos has offices, a fact that brings out challenges as much as opportunities. The recent change in that country's government resulted in a grave disruption in economic activity, with most large scale projects put on hold – but at the same time it signaled the will to "tidy up" the market, to level the playing field, strengthen the rule of law, and ensure that the public administration and judiciary adopt a more effective and equitable stance for all investors.

In the same spirit of "tiding things up", public spending in Albania was also severely trimmed in 2014, with very few large-scale projects related to infrastructure or major reforms going forward.

Many therefore expect that 2015 will be the year they will begin reaping the benefits of the new Albanian government's conservative approach during the previous year, with investment being revived in areas such as energy, tourism, and infrastructure.

In light of the above, the key point is to promote CEE not as a reflection of regional variations but as one geographical region presenting top investment opportunities in the right areas. And newly introduced legislative amendments, boosted by the powerful presence of Asian investors in many countries of Central East Europe, can only point to CEE as one of the top and most interesting and challenging markets for investors that are keen to diversify and, importantly, exploit the investment potential of the region.

Adrian Roseti, Partner,
Drakopoulos Law Firm

Adrian Roseti is a Partner in Drakopoulos Law Firm Romania. He represents several domestic and multinational clients, mainly with regard to infringement disputes, and has an impressive track record in litigations related to trademark infringements, successful raids on counterfeits of production and storage facilities and seizures of shipments of counterfeits by Customs. Adrian has worked as an expert in the Romanian Chamber of Deputies, Vice-President's office (2000-2008). He is an authorized IP agent and a contributor to various prestigious IP publications.

Political Risk: Real or Perceived, It's Squarely On the Agenda

The call of emerging and frontier markets has been a tempting one for the private equity industry. The higher risk of emerging market private equity has often been touted as the quid pro quo for opportunities that generate higher returns. However, as political and social unrest continue to stir across different parts of the region, the industry is recalibrating its attitude to the lingering question of 'political risk.'

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Whether GPs are being driven by development-focused DFI money or swash-buckling private LPs with bullish allocations to emerging markets, private equity has often found itself at the tip of the spear of institutional investment into the region. But today many formerly stable economies – both high-growth and developed – are facing unrest and/or changes in their perception of political risk. Several countries in the region over the past year have seen industrial action, mass demonstrations, civil war, and even full-scale armed conflict – adversely impacting many (politically and/or economically stable) neighboring countries through 'regional association.'

Aside from dampening overall LP appetite for the region, this is also having another affect – a decrease in support for country-specific funds. Just a few years ago, funds targeting single countries were very much in vogue. At Edwards Wildman Palmer, we work with funds throughout the CEEMENA re-

"Several countries in the region over the past year have seen industrial action, mass demonstrations, civil war, and even full-scale armed conflict – adversely impacting many (politically and/or economically stable) neighboring countries through 'regional association.'"

gion (Central & Eastern Europe, Middle East and Northern Africa) and have seen GPs raise capital exclusively for high-profile, high-growth markets like Turkey; unfashionable markets like Ukraine; and, even less fashionable, post-conflict markets like Iraq.

To a limited partner in 2009, a Turkey-focused fund looked very attractive – particularly in comparison to recession-besieged neighbors. Turkey was outside of core private equity markets, but the impressive economic growth and favorable demographics made it a compelling macro play. In 2012, private equity firms raised a total of EUR 1.7 billion to invest exclusively in Turkey, as limited partners sought to tap into the growth story.

Since June of last year, when protests about urban development escalated into widespread demonstrations, the environment has changed dramatically, and it has become much more difficult for GPs to raise capital for or invest capital in Turkey. Political uncertainty suddenly made it very hard to transact. Whilst many perceive the environment to have become more stable since the elections earlier in the year and transactions are back on the agenda, things are admittedly moving at a much slower pace in Turkey.

"Funds with the ability to invest on a pan-regional basis have maintained significantly better investment prospects than their single-country-focused counterparts."

As we have seen, political instability can choke deal flow and derail fundraising processes, casting doubt on a general partner's future. However, the type of conflict currently underway in the likes of Ukraine and Iraq is another thing altogether. For general partners operating in a country that becomes subject to armed conflict, it can prove 'terminal' as LPs quickly decide to cut their losses.

There typically is no trigger clause in a limited partnership agreement that automatically frees an LP from its fund commitment in the event of civil unrest or conflict. If the environment does deteriorate to the extent the LPs reasonably want to cancel their exposure, however, they generally have two obvious options: either they can exercise a "no fault divorce" clause, which is fairly typical but requires a supermajority vote, or they can just default on their capital commitment and assume/ hope that the GP won't go to extraordinary lengths to pursue them. If the political situation is sufficiently unstable, the LPs generally will not have a problem achieving the necessary supermajority.

"Any way one looks at it, political risk has moved up the agenda in the minds of LPs and GPs alike. A number of regions and a number of private equity 'hotspots' have experienced shifts – both in reality and in perception."

Funds with the ability to invest on a pan-regional basis have maintained significantly better investment prospects than their single-country-focused counterparts. The optionality of different markets in which to invest has proved critical for funds investing in Central and Eastern Europe. It is not surprising, therefore, that we have seen a trend away from the country-specific fund model in what many institutions would consider "emerging" markets.

Of course there are number of considerations that go beyond those mentioned above in deciding the geographical scope of a fund. Having personnel on the ground and the ability to source proprietary deals are much sought-after qualities for a GP. This does not sit easily with a wide geographic remit, which can be expensive to establish and maintain. Similarly, an LP with significant exposure to the asset class will seek to manage country risk at a portfolio level through geographic diversification.

Any way one looks at it, political risk has moved up the agenda in the minds of LPs and GPs alike. A number of regions and a number of private equity 'hotspots' have experienced shifts – both in reality and in perception. The industry will no doubt adapt, and those with a wide regional remit will likely find those opportunities necessary to succeed in these changing times.

Ted Cominos, Partner,
Edwards Wildman Palmer

Ted Cominos is a corporate attorney specializing in private equity and complex, international mergers & acquisitions. He is Chair of the CEEMENA Practice Group at Edwards Wildman Palmer LLP and has significant experience serving as lead transaction counsel organizing and coordinating large-scale, private equity-backed cross-border M&A transactions across scores of emerging markets (with a particular emphasis on the CEEMENA region).

Ted is a licensed member of California State Bar, licensed member of Illinois State Bar and a Registered Foreign Attorney with the U.K. Law Society.

The Legal Landscape in CEE/CIS: Setting the Agenda for 2015

We at Freshfields Bruckhaus Deringer remain very busy across the entire CEE region. We have been continuing to grow our revenues in the region year on year, and it seems that the ongoing year will be another good one. In terms of sector and client groups, we focus on those areas which are most active, i.e. FIG, GFI, Energy, TMT, and Infrastructure. In terms of practice groups, for instance, our disputes team continues to be busy with investment arbitration disputes across the region. We are also seeing a good number of debt and equity capital markets deals, as well as a decent amount of M&A work in the banking, energy, and infrastructure sectors. Our banking and finance teams are keeping busy with sales of non-performing loans.

Markets with Potential for 2015

The region as a whole, in the last 25 years, has seen uneven but strong economic growth. Its strategic location, educated workforce, and low-cost labor have attracted a high level of FDI. The result is that the gap between western Europe and CEE has narrowed and CEE private companies have grown significantly. The potential I see is that these companies are now looking for financing and are branching out in the region and internationally.

"Soon after the merger with Freshfields in 2000 we looked at the region and realized that we could not have offices in all markets that were booming at the time. For example, Poland was a huge market but was already flooded in terms of legal services. We also reached the conclusion that it was not realistic to expect to successfully grow what we believed to be a 'real Freshfields' office..."

In terms of markets with the most potential for legal work, certainly Poland needs to be mentioned, as well as the Czech Republic and the Slovak Republic. Hungary is a busy market given the current political situation. Croatia and Slovenia are undergoing further privatization. Some say that Romania should be an interesting market given the recent change in government. A number of legal battles are ongoing in Bulgaria, both in the energy sector and in the banking sector.

The answer to that question may also depend on where the private equity funds find interesting assets, either due to exits of foreign investors or coming from other opportunities, such as the sale of non-performing portfolios (an issue especially in the Balkans, given the high value of bad loans there).

Are Capital Markets in CEE Essentially "Dead"?

Both Bulgaria and Romania had several capital markets transactions this year, including high-yield sovereign as well as large corporate issuances. Also, according to the recent undertaking of the ECB to revive securitizations in Europe and to purchase some eligible securities as part of its quantitative easing, European capital markets as a whole are expected to get more active in 2015, which will in turn have a positive impact on the region.

The Baltics and the Balkans: Potential for Regional Firms?

The Baltic countries seem to be much more integrated than the Balkan countries. Maybe this is the reason why in the Baltics a number of strong integrated firms emerged a number of years ago. In the Balkans, we have so far only seen law firm alliances, and history will show if there is enough business, both within the Balkan countries and also from outside into the region to allow alliances to prosper.

Legislative/Regulatory Changes

In general, each EU member state made regulatory and legislative changes in order to comply with EU-driven regulatory requirements, such as those set forth in – for example – Basel III, EMIR, and RRD. Other governments, such as those in Hungary, the Czech Republic, and Romania, have introduced new civil codes, making the contractual framework of local and cross border transactions more sophisticated. More problematic issues such as the foreign denominated loans on the Hungarian market are slowly being solved, as the FX loans will be converted into HUF under a new program implemented by the National Bank of Hungary. We also see emerging trends from the Balkan countries to address the problem of non-performing loans.

International Law firms in CEE

The CEE legal markets are not easy to operate in. Freshfields has a long history in the region, and we have had our own offices in Hungary, Slovakia, and the Czech Republic. Through these offices, we capitalized on the massive investments from Austria, Germany, and other western European markets into CEE in the mid-90's.

Soon after the merger with Freshfields in 2000 we looked at the region and realized that we could not have offices in all markets that were booming at the time. For example, Poland was a huge market but was already flooded in terms of legal services. We also reached the conclusion that it was not realistic to expect to successfully grow what we believed to be a "real Freshfields" office in each of these markets – a true full-service firm and top ranked across the board. It would have also implied a lot of handholding of the local teams, which we did not feel worked with our overall strategy. We changed our strategy to cooperating with 2 or 3 top firms in each of the CEE countries, which allows us to bring the best qualified people to each job, a must for a firm like ours.

Freshfields was, as we all know, not the only international firm to take this approach. Our current model – which we practice on a worldwide level – is working very well for us, as a third of our global revenue comes from jurisdictions where we do not have offices.

Turkey

Turkey certainly continues to be a very exciting market for us. The underlying economic fundamentals remain strong – GDP at USD 820 billion, up 3.8%; FDI at USD 12.6 billion in 2013. Turkey has a cost-competitive labor force, is experiencing growing private consumption, and is a strategic location for expansion, all positive factors for growth. The sectors that we see offering the greatest opportunities for international investors in that country include energy, agriculture, healthcare, retail, and financial services.

Quite in contrast to the positive economic factors, however, the Turkish legal market is one of the most difficult in the region. There is a fierce price war going on, partly triggered by new market entrants – both international firms and local newcomers – but also caused by the tradition of Turkish corporates using in-house counsel rather than engaging (and paying good fees to) external law firms.

How Welcome are Short-Term "Emergency" Situations, Such as Those in Ukraine and Hungary?

Generally, we prefer stable markets, although of course we regularly deal with crisis situations and we always serve our clients under challenging circumstances. Short term emergencies in our experience often do not change the volume of work, they just change its scope.

Willibald Plesser, Co-Head CEE/CIS,
Freshfields Bruckhaus Deringer

Willibald Plesser is a Partner in Freshfields Bruckhaus Deringer's Vienna office. As a member of the corporate practice group his specialist focus includes investments in new markets, esp. in CEE/CIS and Turkey. He focuses on the energy, FIG, and media sectors. Presently, he serves as Head of the Energy Group in Vienna. Willibald is consistently ranked as a leading CEE lawyer in all major international legal directories and in the local Austrian law firm rankings. Willibald's core skills lie in negotiating transactions and structuring complex matters. Clients appreciate his implementation skills and his talent at finding innovative solutions whenever required. He frequently leads large teams and has the particular strength of identifying and drawing on the best people for each project wherever they might be located.

South East Europe: What's Hot and Trending in the Region?

Karanovic & Nikolic is a leading law firm in South East Europe with offices in Serbia, Montenegro, Bosnia (both in Sarajevo and Banja Luka), Croatia, Macedonia – and now Slovenia, which we are pleased to announce has just opened. We are a full-service integrated firm with over 100 lawyers and growing.

2014 has been an exciting year for the firm, which achieved the anticipated growth despite the ongoing legal strike in Serbia, which impacted our last quarter. The top transactions of a regional character were the Agrokor/ Mercator deal (where we played a strong role in competition and other matters), and the sale of SBB to KKR (where we advised MidEuropa Partners on their Euro 1 billion regional exit). This latter deal is of major significance for the region as it represents a successful exit in a consolidated business throughout the former Yugoslavia, an approach which we expect to emerge as a regional trend. KKR has declared its intention to continue pursuing a consolidation strategy, with the aim of possibly listing the company on the Warsaw stock exchange or selling it to a mobile phone operator willing to offer other services to its customers.

"The appetite within Europe remains sluggish, and international conflicts, still-low consumer confidence, and uninspiring institutional leadership have resulted in limited deal flow."

Looking to 2015 I would like to focus a little on what we may expect. Certainly global markets have recovered slightly – predominantly in the US, which is seeing an increased number of very large transactions with high pricings. The appetite within Europe remains sluggish, and international conflicts, still-low consumer confidence, and uninspiring institutional leadership have resulted in limited deal flow. In South East Europe – with the exception of a few highlights – there has been little transactional activity of substantial size. The long-awaited restructurings have been slow to emerge, although I do expect them finally to arrive in 2015. Serbia will see its last privatizations and Slovenia will remain a hotbed of activity.

The impact of the Ukranian crisis will never be far away, and it will threaten not only our region but all of Europe if we cannot avoid the escalation of military aggression from Russia. So far it appears that we have not been able to dampen it, and as a result there will be an unstable political climate in 2015.

On the other hand there are a large number of investors appearing in South East Europe for whom unstable environments are less off-putting. Serbia in particular has seen more than its fair share of investment from the UAE, China, Azerbaijan, and Russia, and we expect this trend to continue in all non-EU states. This investment takes the form mostly of state financial institutions investing in a portfolio of activities, including infrastructure projects and projects in the energy sector, real estate, and banking. We also expect renewed interest in natural resources and telecom next year.

Much of the investment in the region has been in large scale infrastructure projects. Recent announcements in Serbia include the 528 kilometres of railroad planned to be built over the next three years. The City of Belgrade has also announced several projects which have quickly become part of the national discussion, including the Belgrade Metro project, which – aside from being one of the most talked about – is probably the longest in the making (it is planned to begin by 2016). Sanitary issues presented by the Vinca sanitary landfill will also be tackled with the construction of a co-generative facility with separation and recycling facilities in a EUR 250-300 million investment. The city has also announced plans to construct four underground parking garages in the spring of 2015. The Serbian government has also announced plans to offer a twenty year concession for the development of the Belgrade airport, an investment valued at approximately USD 1 billion.

Similarly, Macedonia is currently using PPP for its financing model for the construction of Corridor XIII. Electricity is another big story dominating the investment scene, with nearly 70 small hydro power plants under construction that are expected to be fully operational by 2015. It is also expected that the first wind power plant, in Bogdanci, will become operational. The park is an investment worth EUR 55 million with an installed capacity of 36.8 MW.

Bosnia & Herzegovina, although a relatively small country, has

"On the other hand there are a large number of investors appearing in South East Europe for whom unstable environments are less off-putting. Serbia in particular has seen more than its fair share of investment from the UAE, China, Azerbaijan, and Russia, and we expect this trend to continue in all non-EU states."

enormous energy potential. The country is able to fully satisfy domestic electricity demand and export to neighbouring countries as well. However, energy production capabilities have not been fully exploited and there is significant opportunity in this area, which is a key area of interest for foreign investment. The Chinese have invested heavily in the Stanari thermal power plant, which is scheduled to be completed in late 2016 and will produce up to 2 million MWh of energy per year. The China Development Bank provided a EUR 350 million loan for the construction of the facility and Dongfang Electric Corporation was recently hired to build it. The oil company Shell has expressed their interest in a concession agreement with the Government of Bosnia & Herzegovina for oil exploration and recently tenders for the construction of another thermal power plant in Banovici have also been announced.

Croatia also saw its first offshore tender this year in a licensing procedure to grant a 30-year license for the exploration and production of hydrocarbons on part of the continental shelf of the Croatian portion of the Adriatic. Montenegro also initiated tender procedures for exploration of the southern and eastern part of the Montenegrin sea floor, and negotiation with the bidders are expected to be completed by the end of the year. Both countries have agreed to joint participation in the project in the spirit of good cooperation and economic prosperity for the regional economy.

All in all throughout the former Yugoslavia there are many opportunities keeping the firm busy and we hope 2015 will remain stable and growing.

Patricia Gannon, Senior Partner,
Karanovic & Nikolic

Patricia Gannon is a founding Partner of Karanovis & Nikolic. She is a Senior Partner, with a focus on the firm's management, business development, strategy, and expansion.

Patricia qualified as a solicitor in Ireland and the UK and after a short period working at the European Commission in Brussels and at the German law firm Haarman & Hemmelrath, she moved to Serbia in 1993 and established Karanovic & Nikolic in 1995.

She is a member of the International Bar Association and is a council member of the European Forum, which has a membership of more than 8,000 lawyers from all over Europe. She is a former board member of the American Chamber of Commerce and legal advisor to the Foreign Investors Council, a leading network of foreign investors in Serbia. In 2010 she founded the Serbian Philanthropic Forum, an umbrella forum of leading foundations in the country. In 2011 she founded the Serbian Private Equity Association and sits on the Board of Directors of that group.

She has authored numerous publications on Serbian law and is a regular speaker at international legal gatherings. She works closely with a number of start-up companies mentoring and advising them on financing options.

Thoughts of a Law Firm Managing Partner About CEE

Consolidation

As someone with well over a decade of experience of living in Bucharest and working within Central Europe, the past and present of the region is simultaneously on my mind.

While we have seen enormous changes that are visible to everyone travelling to CEE countries, there are old haunts that still survive.

What has not changed in the last 10 years is the perception by the rest of Europe that CEE is "different"; and, paradoxically, the desire of each CEE country to distinguish itself from all the others is equally there. Both phenomena pose everyday challenges to deal with if you are managing a law practice, or indeed any other international business.

What I am here to say about 2014 is not just true for the current year. As life in business is fast and fast changing, it may well have been true for the last two or three years.

"What has not changed in the last 10 years is the perception by the rest of Europe that CEE is 'different'; and, paradoxically, the desire of each CEE country to distinguish itself from all the others is equally there."

First, about the legal market, which seems to have maintained a slow but dynamic growth – though possibly at a pace less obvious than most of us law firm managers would like. Although statistics about the CEE legal sector are hard to find and less in the public domain than they are in most developed markets, it is well known that, in line with global trends, those in the lead with a well-established client base and brand are growing faster than some of the challengers.

Overall, I see in most CEE markets a degree of stabilization, *"[The legal marker] seems to have maintained a slow but dynamic growth – though possibly at a pace less obvious than most of us law firm managers would like."*

which can be described in the following simple terms: (1) the slowing down of people's movement – a stabilization of offices among peer group firms in terms of size; (2) the accomodation of the status quo, in that there is a shared understanding of the need to be innovative and flexible when it comes to structuring fees; this being the direct result of (3) clients becoming more demanding and selective when decisions on the selection of external counsel are taken; (4) the rise of national law firms, which, overall, has given a new dimension to the competitive landscape; and – last but not least – (5) no major new entries or departures seen or expected, so that it appears that today's legal market is possibly here to stay for some time to come.

As far as the business environment is concerned, there is also a status quo developing that sets the scene for new challenges and opportunities in 2015. CEE has never been precisely defined, either geographically or otherwise. Some businesses include SEE and the former Yugoslavian nations in their understanding of the region, others extend the definition to the Baltic states and often to Ukraine. For us at Noerr, CEE includes the five countries (Czech, Hungary, Poland, Romania and Slovakia), where we are present – but we also regard the wider CEE (including South Eastern Europe) as a natural extension of the core markets and a potential geography for doing business as well.

In spite of the political turmoil of late in our next door neighbourhood, we have experienced a degree of stabilization across the markets in respect of business activity as a whole.

Although market volatility fuelled by government policy pops its head up in many countries from time to time, investors have developed a better understanding over the decades of how to deal with uncertainties resulting from government intervention or unpredictable policy making. As businesses aspire to find new destinations, CEE, although certainly less sexy today than it was after EU accession 10 years ago, is still seen by many as an obvious place to go, and a land of perhaps modest but still attractive opportunities. Among the newcomers are an increasing number of Asian investors.

For a law firm like Noerr, whose principal business is in Germany, it is particularly good news that the German economy is

"In spite of the political turmoil of late in our next door neighbourhood, we have experienced a degree of stabilization across the markets in respect of business activity as a whole."

back on a growth track, and we cannot deny that the well-being of our region is still very much dependent on how German firms perform and how confident German and other West-European and US investors are in the region.

Looking ahead to 2015, I do not foresee any dramatic changes, as the economy does not jump or fall according to the calendar. However, having browsed through various EU forecasts and analyses, it appears the region continues to be seen as one producing higher than EU-average GDP growth, and all in all the outlook is positive for its core markets.

"As businesses aspire to find new destinations, CEE, although certainly less sexy today than it was after EU accession 10 years ago, is still seen by many as an obvious place to go, and a land of perhaps modest but still attractive opportunities. Among the newcomers are an increasing number of Asian investors."

As global M&A activities are expected to increase, companies in CEE are also hoping to get a fair share of them, for example in the private equity, telecom, and energy sectors. We also see the property market as being stable and offering new investment opportunities. We look at the overall outlook with the same cautious optimism as we have done in recent years.

In conclusion, CEE has retained its character as a niche but stable market that has been successful in adapting to market challenges in the last 20 years or so,

For Noerr, CEE is an important market where we aim to achieve an increased level of regional integration, and we aim to be seen as a truly regional top-quality advisory force with a powerful backup from Germany.

Joerg Menzer, Managing Partner,
Noerr, Bucharest, Budapest, and Bratislava

Prof. Dr. Joerg K. Menzer is Managing Partner of the Bucharest, Budapest, and Bratislava offices of Noerr. He is also responsible for the coordination of the CEE practice of Noerr for international clients.

He specializes in M&A transactions and concentrates on structuring major foreign investments in CEE. He has experience in acquisitions, privatizations, and greenfield investments, based on his knowledge of the business and legal environment in CEE. In addition, Prof. Dr. Joerg K. Menzer has worked on many restructurings, private equity investments, and capital measures as well as for listed companies.

Looking Back – and Forward

When I began working in Central and Eastern Europe in the early 1990's, the region was undergoing fundamental changes. The transformation of the former command systems operating in the countries of the region into Western style market economies has proceeded by way of different means and at varying speeds, and some countries have undoubtedly adapted better than others. But one thing there can be no doubt about is that the entire region is very different today from the rather drab, soulless place that I first visited in 1990.

The "early days" were most certainly challenging for an English-qualified lawyer with very little knowledge of the local languages. Polish legislation was typically published several months after it came in to force. My application to open a business account at one of Poland's largest banks was rejected because "the bank is full." There was a two year waiting list for telephone lines in Hungary, and when you finally succeeded to get a line the connection would often fail when it rained!

"A particularly important contributory factor in this period of transformation was the adoption by most CEE countries of privatization programs..."

From these (for me at least!) rather unpromising beginnings, CEE became one of the fastest growing economic regions in the World. Much of the initial investment took place in the Czech and Slovak Republics, Hungary, Poland and Russia, with the transition in the former Yugoslavia largely postponed pending the end of the hostilities in the region in the mid/late 1990's.

A particularly important contributory factor in this period of transformation was the adoption by most CEE countries of privatization programs – through voucher/mass-privatization schemes (in Russia, the Czech Republic and many of the former CIS countries), sector-strategic sales (e.g. in Hungary, Romania, Bulgaria), stock market offerings (in Hungary, Estonia, Russia), or – in most cases – a combination of the three.

Although every country used a variety of privatization methods, the overall effect on the region as a whole was a remarkable shift from public to private ownership, with the majority of economic activity transferred from State to private hands in little more than a decade.

Looking back from late 2014, how successful has the privatization experiment in CEE been? There is no doubt that the message is mixed – I have met a number of prominent names in the region in recent months who have questioned the "successes" of some of the former programs. This is particularly true of some of the larger privatized utilities, where increasing prices and poor service (which is inevitably connected by the detractors of privatization with foreign investor "profiteering" and excessive redundancy programs) has led to public dissatisfaction. Whilst the State may have received significant sales proceeds, this does not always mean that the political decision to sell is still considered to have been right. [This statement applies equally to a number of historic privatizations in the United Kingdom!].

The decision of the Hungarian Government to re-purchase MKB from Bayern LB in the summer of 2014 (for a fraction of the price paid by Bayern in 1994-6) marked a fundamental change from the past when the majority of Hungary's commercial banks were privatized. Prime Minister Orban has been quoted as saying that he wants to see "at least" 50% of the Hungarian banking system in domestic hands, and has adopted a similar approach to the energy and communications sectors (which again, were largely privatized in the 1990's). More recently, Romanian President Basescu has called for the nationalization of the Russian-owned Ploiesti oil refinery (a move rejected by Prime Minister Ponta).

But while it is perhaps easy to be critical about some of the decisions that were made, particularly in the early days, one has to remember the context. As EBRD wrote at the time, "There is no historical precedent for the process of change now underway." Yes, mistakes were (we see with hindsight) made – but what would have happened if privatization had not been implemented on such a wide scale?

In this context, it is interesting to follow recent developments in Slovenia, where Prime Minister Cerar has committed to proceed with the planned privatization of Telekom Slovenia and a number of other State assets. This despite the fact that two members of the coalition government have opposed a large scale sell-off of State assets. With foreign direct investment in the region still significantly less than it was during the period before the global financial crisis in 2008, this will clearly be challenging; the second failure of the Kosovo government to privatize Post and Telecommunications Kosovo last year provides an indication of the difficulties that may lie ahead.

"Economic growth is projected to be lower in CEE than most other regions in the World, and the attractiveness of the region as a destination for foreign direct investment has been adversely impacted by the apparently negative approach to foreign investment in a number of the countries in the region."

So how does 2015 look? Economic growth is projected to be lower in CEE than most other regions in the World, and the attractiveness of the region as a destination for foreign direct investment has been adversely impacted by the apparently negative approach to foreign investment in a number of the countries in the region. There is no question that the ongoing tension between Russia and Ukraine has a wider impact than just within the borders of those two countries. Countries which are relatively large exporters to Russia and Ukraine, such as Hungary, Lithuania and Poland, could in particular be negatively affected in the event of the imposition of significant economic sanctions against the Russian Federation and/or a disruption in the flow of natural gas through Ukraine. And foreign investment in the CIS countries is likely to continue to be adversely affected while the current uncertainty continues.

That having been said, almost all CEE countries are expected to register positive growth rates in 2015. And I hear optimistic comments from many correspondent lawyers and intermediaries based in the region about business prospects in 2015.

One thing I can be sure about – it will certainly be easier to open a bank account in Poland than it was in 1992!

David Shasha, Senior Consultant,
Watson Farley & Williams

David Shasha has been practicing English law at leading international law firms for over 35 years, and has extensive experience of advising on complex and challenging transactions in emerging market jurisdictions.

He has been actively involved in Central & Eastern Europe since 1991, and has advised on transactions in Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Kosovo, Latvia, Poland, Romania, Serbia, Russia, the Slovak Republic, and Ukraine. His experience includes advising on privatizations (acting for governments, bidders and financial advisers), mergers and acquisitions, international joint ventures, and development projects in the power, oil & gas, water, mining, financial services, and telecommunications sectors.

He was responsible for opening and managing the Clifford Chance offices in Central & Eastern Europe (Warsaw, Budapest, and Prague) between 1992 and 1997. He headed the Energy & Infrastructure sector at both Simmons & Simmons and Gowlings (for the EMEA region). He is a Senior Consultant in the London office of Watson Farley & Williams, having joined the Firm in early 2014.

Currents (and Undercurrents) of Bank Lending in CEE

It is trite these days to observe that financial crises that originate in the United States hit Europe harder and last longer than they do in the United States itself. It appears to be an equal truism that, within the varied economies of continental Europe, such crises move slowly but inexorably eastwards, with increasing depth and longevity. This is the general backdrop to the experience of the credit markets in CEE since at least 2009. In addition, political events, some related to the credit crisis and some not, have exacerbated its effects, particularly in the last 12 months, and look set to have a lasting impact into 2015 and beyond. Legal developments, too, have contributed to a sense of instability, in some cases regardless of the merits of the new rules adopted (cf. the new Czech Civil Code).

Although often spoken of as a single region, CEE is loosely divided into sub-regions that have experienced the effects of the credit crisis unevenly. Central Europe (CE), consisting of Poland,

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the Czech Republic, Slovakia, Slovenia and Hungary, is relatively more developed than the other sub-regions, with a consequentially greater capacity to attract FDI than the others (though political conditions in Hungary are already narrowing its earlier promise). Southern and Eastern Europe (SEE), consisting of the Western Balkans, Serbia, Croatia, Romania, and Bulgaria (the latter three fortunate enough to have achieved EU membership), offer less attractive investment environments both economically and legally. The reduction of investment and exit opportunities in these markets consequent on a more restrained credit environment has resulted in a palpable and rapid decline in transactions, with a few

"For banks active in the region, these macroeconomic conditions have conspired with the particular challenges of the European banking sector post-crisis to reduce lending capacity and (employable) liquidity, while at the same time increasing competition, with consequent effects on yield."

privatization and infrastructure projects to lighten the gloom.

The most dramatic change, though, has been in the third sub-region, the Commonwealth of Independent States (CIS) and other former-USSR countries, and is largely unrelated to the economic crisis per se. Both political events and the turnaround in US oil and gas production capacity (a political development in itself) have turned already weakening Russian growth into another example of the inherent flaws of a resource-based economy, as well as the dangers of political adventurism in an increasingly globalized world.

For banks active in the region, these macroeconomic conditions have conspired with the particular challenges of the European banking sector post-crisis to reduce lending capacity and (employable) liquidity, while at the same time increasing competition, with consequent effects on yield. The past year has been characterized by over-subscriptions for large investment-grade facilities and acquisition facilities for significant regional financial sponsors and (less so) strategic investors, with the remaining activity generally involving refinancing or covenant amendment of existing credits rather than a healthy level of mid-tier, new-money lending.

On the borrower side, CFOs of sub-investment-grade companies face less accommodating senior banks and are increasingly turning to other funding sources. We have already seen bank/bond transactions in the Czech Republic (EPE), Bulgaria (Vivacom), and Croatia (Agrokor), and this market will continue to make inroads in 2015 as the senior bank market makes its slow way to recovery and local companies improve their financial reporting and company structures to become issuers. How long before we see the first USD-denominated term loan B closed on purely CEE-based credit?

And the road ahead for senior banks appears to be very challenging indeed. Notwithstanding the attempts by national and international institutions, including the European Commission and European Central Bank, to spur economic growth in the EU and its periphery (most notably, the ECB holding interest rates well down), banks have not been entirely successful in finding creditworthy pathways to pass the benefit on to the commercial sector and contribute to regional economic growth. High leverage has made the banks risk-averse, decreasing the leverage on offer to borrowers and increasing expectations with respect to collateral packages. Projects that, even a few years ago, would have seemed viable or even attractive are not able to find the funding necessary to launch. Tightening capital requirements have coincided with a rise in NPLs and a battening-down of bank balance sheets in a low-growth/risk-aversion cycle characteristic of economic stagnation. Some observers have expressed the view that NPLs are the single most important factor in the restriction of the credit supply in Europe, with the problem being greater the further east and south you go. These circumstances are not likely to improve in 2015.

"High leverage has made the banks risk-averse, decreasing the leverage on offer to borrowers and increasing expectations with respect to collateral packages."

In addition to the challenging (though variable) economic circumstances in the three sub-regions, the legal environments of CEE countries present differing challenges to creditor enforcement and value realization relative to the rest of Europe, and though some legal regimes have undergone a certain degree of updating and renewal, particularly with respect to creditors' rights, capital flight has nevertheless occurred to jurisdictions with more settled, creditor-friendly laws.

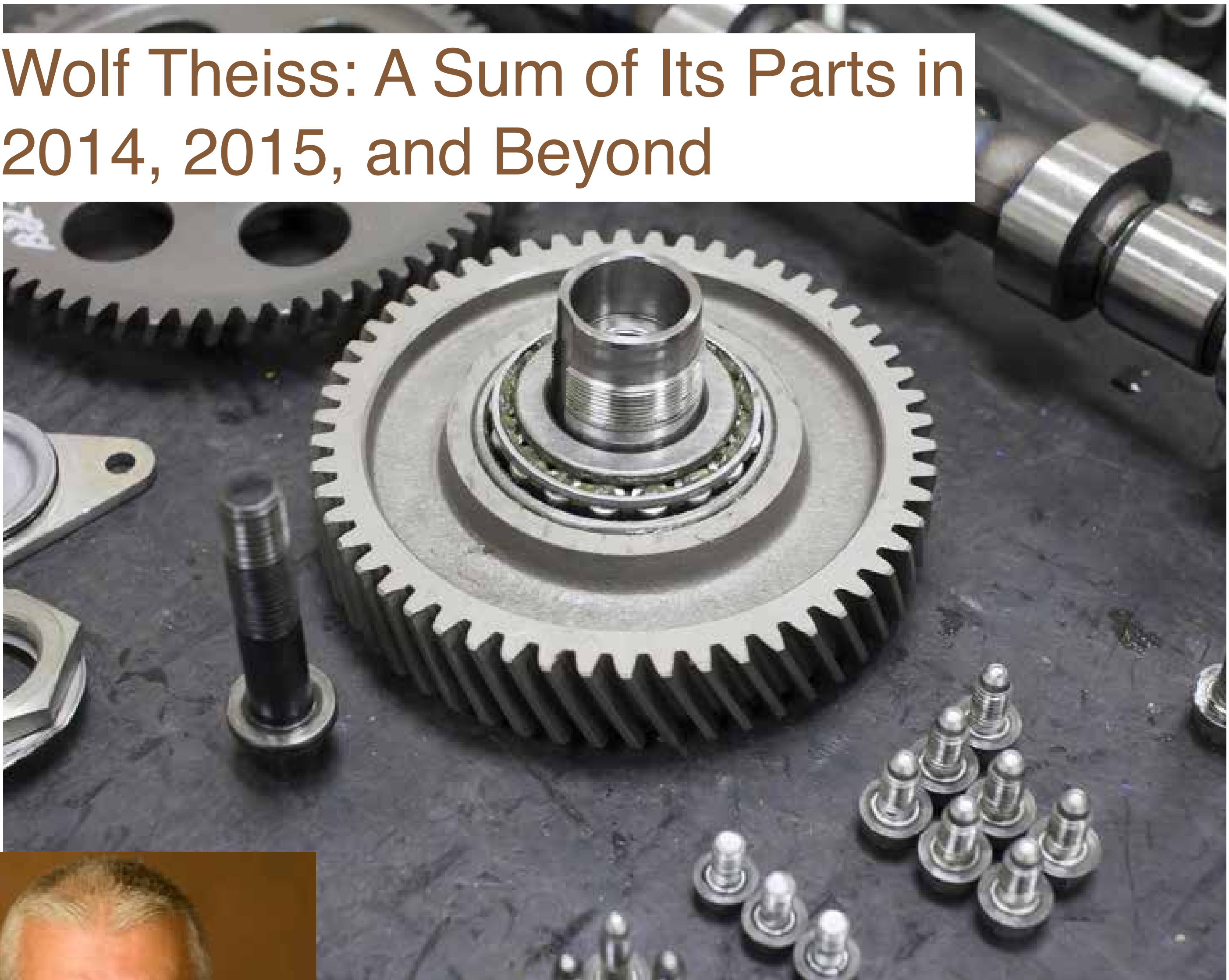
One positive response to this in the market has been the more widespread implementation of English law in loan and inter-creditor arrangements which, although still dependent on local rules with respect to the enforcement of security, nevertheless often provides a greater degree of flexibility and reliability than local law. In addition, we have seen creditors to distressed credits resorting to UK schemes of arrangement as an alternative to piecemeal enforcement or local bankruptcy regimes, to achieve positive (from the point of view of senior banks and the companies themselves) results, using English law financing agreements as the jurisdictional "hook" on which the competency of the High Court is hung (cf. Vivacom, Cognor). The encroachment of English law also supports the implementation of bank/bond and other complex structures with multiple and fluid investor classes, a natural accompaniment to the hunt for alternative financing by local CFOs.

We expect this shift towards English law and more complex, mixed-tranche transactions, at least for higher-value credits, to continue and have positioned ourselves accordingly. With senior, English-qualified staff across the region, we are helping banks and borrowers navigate the changing landscape and take advantage of the opportunities that all change ultimately presents.

Jonathan Weinberg, Partner,
White & Case

Jonathan Weinberg is the senior English law banking and finance Partner in White & Case and is based in the Prague office. He has extensive experience in a wide range of finance transactions, having acted, for lenders, equity sponsors, and corporate borrowers at all levels of the capital structure, in deals ranging from asset finance, project finance, and LBOs, to securitizations and other structured financings.

Wolf Theiss: A Sum of Its Parts in 2014, 2015, and Beyond



The geographic footprint of Wolf Theiss covers 13 CEE/SEE countries, each with its own language, historical legacy, and stage of societal/governmental/economic development. This mixture of EU and non-EU countries, with a total population close to 200 million, challenges generalizations even from those of us who lawyer within it on a daily basis.

Overall, Wolf Theiss has done significantly (but not dramatically) better revenue-wise in 2014 than we did in 2013. The year end is shaping up strong, as, although we have seen growth in our transactional base, our disputes practice continues to constitute an ever larger portion of our book of business.

The year has certainly dealt us some notably large transactions. Recent examples include the reported sale by state-owned Austrian bank Hypo-Alpe-Adria of its SEE network to a US private equity firm, and Enel's contemplated sale of its stake in the Slovak Republic's Slovenske Elektarne.

The Hypo deal is emblematic of this year's trend of finally addressing financial institution balance sheet issues and of new players arriving on the scene for clean-up transactions. For example, sales of non-performing loan portfolios have been especially active in many of our jurisdictions, notably Romania, with Anglo buyers participating more than the traditional Austrian/German interests. This trend should continue and accelerate, and the sales may morph into securitizations if countries like Serbia enact more accommodating legislation. The multiple-jurisdiction nature of many of these deals plays to the advantages of regional firms like Wolf Theiss.

Borrower-side restructurings have also been active. In Slovenia we represented Pivovarna Lasko in a EUR 330 million debt restructuring. Similar work is occurring regularly in all of our markets, and we expect it to continue for the immediate future.

We have been fortunate enough to see growth even in one of our most competitive markets, the Czech Republic. Prague has been home to an abundance of fine international firms for many years. Some have simply not been able to adapt to changed circumstances, as evidenced by the closures of Norton Rose and Hogan Lovells (which may also be explained as a simple recalibration of their worldwide priorities). A number of Prague firms are clearly on the ropes, so we do not believe the changes have come to an end. Other firms seem to thrive on the current Czech scene, Havel Holasek being a shining example.

One driver of Wolf Theiss's Czech growth is the ascendency of firms like EPH, a leading Central European energy investment group which actively invests internationally. For offices outside of Vienna many of our traditional clients have been foreigners investing into the region. Now we are seeing clients within the region reaching outside their national borders and demanding the higher level legal help that is necessary for success with such deals. The sophistication of these clients (including sophistication in the selection of lawyers) is really world class. We also see a lot of this phenomenon in Poland, our most mature market outside of Austria. It is generating exactly the type of work we want, and we expect the trend to continue.

Business has been good even in markets where you might not expect it. We are holding steady year on year in Ukraine, and 2013 was our best year ever there. Ukrainian opportunities abound, particularly in the IT/IP, energy, and agricultural sectors, but a degree of political certainty is a condition precedent to really moving forward on a sustainable basis. If we don't see that certainty within the next six months or so, long term damage may well be done to that market.

Serbia finds itself in an interesting position amidst the current tensions between the US/EU and Russia. Although beginning the EU candidacy process, the country also has a free trade agreement with Russia which is of a great benefit to investors into the country. That agreement may be extended to the automotive sector, making it all the more useful.

Less dramatic politics have had an impact in other parts of our region. Hungary has not been business friendly for some time. Recent elections have extended the current government's mandate for another four years. Although the players remain the same, we see a more positive environment for business arising out of this stability (notwithstanding the recent Internet tax dust up). We are guardedly positive about governmental developments in Albania, Bulgaria, Serbia, the Slovak Republic (although we note recent negative changes in rules relating to the purchase of agricultural land by foreigners), and Ukraine. Next year's elections in Croatia will undoubtedly be disruptive, however.

The regional focus on privatizations has generally been positive for us. We were on the buy side of the sale of Slovenian car parts manufacturer Letrika and on the sell side (representing the government) of the sale of Croatia Osiguranje (an insurance company). The privatization push should continue in those jurisdictions and in Serbia, the Slovak Republic (e.g., Slovak Telecom), and Bosnia-Herzegovina, as well. In Slovenia we also represented a Chinese interest that bid on the Lublijana airport privatization. Chinese interests are already prominent players in Serbia and Bosnia-Herzegovina, and we expect their role to become increasingly prominent across the region. Also involving governments, PPP projects – particularly in infrastructure and healthcare - remain brisk in Poland for us. Governments everywhere are talking infrastructure and we hope to see more than just talk in the future in markets like Bosnia-Herzegovina, Romania, and Serbia.

"Legislative changes in our markets have also had an impact, but generally not in a dramatic way. We have seen new civil codes introduced in the Czech Republic, Hungary, and Romania that certainly increased corporate housekeeping work and required us to freshen up our templates."

Some areas remain very slow. Real estate is a prime example in just about all of our markets, with Prague being a notable exception. Renewable energy projects have suffered greatly due to legislative changes, particularly in the Czech Republic, Hungary, and Romania. Renewables have never really gotten off the ground in Poland due to the lack of appropriate underlying legislation. However, renewables have had something of a comeback in Bulgaria as a result of a mid-year favorable judicial ruling on a tax issue.

Legislative changes in our markets have also had an impact, but generally not in a dramatic way. We have seen new civil codes introduced in the Czech Republic, Hungary, and Romania that certainly increased corporate housekeeping work and required us to freshen up our templates. New bankruptcy laws in Serbia, Slovenia, and Romania should help move moribund assets. We expect Romania's new law to be applied to a number of renewables projects next year as the value of green certificate holdings will then reflect their unsold status. An exception to the "dramatic" standard might go to Serbia's new notary act which has shifted legal work to that profession and has led to a country-wide lawyers strike that is being enforced by the local bar association! We don't see similar fundamental legislative changes occurring in the near future in any of our other jurisdictions, although we are keeping a close eye on the "Fair Banking Act" currently coming together in Hungary. On the positive side there are new energy and capital markets laws that deserve watching in Albania. More employer/investor-friendly employment laws have also been enacted in Croatia and Serbia that should have good long term effects.

Croatia's second year in the EU has led to a pronounced increase in competition-law work for Wolf Theiss, including dawn-raid counseling and general compliance work. Our lawyers and others are playing a critical role in helping ministries and the judiciary make the accession a palpable reality. We have seen no immediate increase in foreign investment, however, as a consequence of EU membership.

There are a few other bright stars. Croatia has begun a program of onshore and offshore oil and gas concessioning which has already been positive for legal work. Bulgaria and Romania are becoming major destinations for information technology and business-process outsourcing. In Bulgaria we have seen an increase in telecom work that necessitates specialized legal skills that firms like ours are equipped to offer. We are also hopeful that the "Belgrade Waterfront" real estate project being pursued by Serbia's current government will get some traction.

Our business remains very competitive, particularly on pricing. For example, this year saw a return of large, more price-friendly transactions for us in Romania. However, such transactions seem to take longer to get going, are sometimes side-tracked by commercial issues, and often just don't happen. There are many smaller transactions on the Romanian market that don't seem to have these problems, but those deals are often priced at a level outside of what we have defined as our strike zone. Facing such pricing pressure truly tests your resolve on the type of firm you want to be. So far we have been able to stick to our mission.

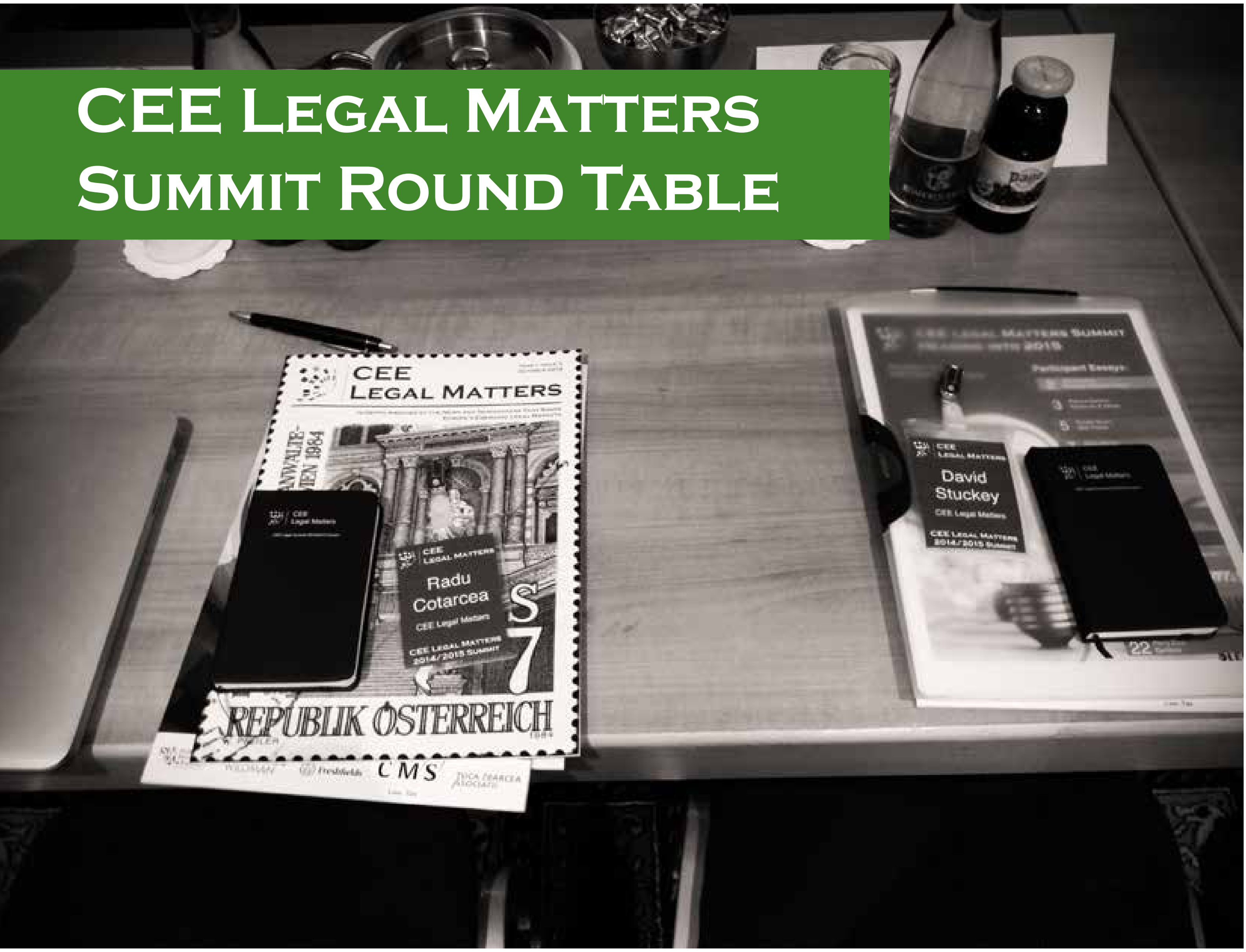
You can't simply rest on your laurels. The challenge of getting it right never stops. A few of our competitors have given up on getting it right in some of our markets. In addition to the Prague exits, we have seen Chadbourne & Park, Beiten Burkhardt, and Noerr leave the ring in Kyiv. White & Case and Gide departed Bucharest. The fact that these departures have not dampened the competitive environment in those markets says something about either the supply or demand for legal services, or perhaps both. On the flip side, we know one or two additional firms will enter the Sofia market. It should also be noted that the competitive market is clearly strengthening some firms. I believe Wolf Theiss is one such firm. Dentons is, in my view, also a firm that is deepening its roots and growing its practice across the region. We expect them to generate a healthy amount of competition for us for many years to come.

Having looked back on 2014, what can be said generally of 2015? We know the economic forecasts for Europe are hardly rosy and this will certainly affect us. Ukraine remains a wild card and, although a remote possibility, potential civil unrest in countries like Bosnia-Herzegovina and Serbia could dramatically change regional economic prospects. Faced with these realities, we will concentrate on things within our control. We want to focus on our existing geographic footprint and don't expect expansion into markets such as Turkey (which many of us, including apparently DLA Piper, believe has lost at least a bit of its luster). We will continue to refine our firm's collaborative culture, size ourselves correctly for the opportunities we target, and constantly work on improving on our execution. This is exactly what most of our clients will be doing, and we fully expect to succeed, no matter what, together with them.

Ronald Given, Managing Partner,
Wolf Theiss, Zagreb

Ronald Given joined Wolf Theiss in 2008 after a long career as a corporate and banking partner with the international firm of Mayer Brown and several years as the General Counsel of a NASDAQ-listed, Bermuda-based international insurance holding company. He is a hands-on practitioner who has led teams on public offerings, mergers & acquisitions, project financings, securities compliance, litigation, executive employment arrangements, and virtually every other type of legal assignment arising in the international corporate context. Ron serves as the Managing Partner of the Zagreb office of Wolf Theiss. He also serves in a resident Senior Partner capacity supporting the firm's offices in Kyiv and Prague and assists the firm's Evaluation Committee with its work involving all offices. Ron is admitted in the U.S. states of Indiana, Illinois, and New York and is authorized to practice international law in Croatia and the Czech Republic.

CEE Legal Matters Summit Round Table







WILLIBALD
PLESSER

JELENA
MADIR




CEE Legal Matters Summit Round Table: A True Expert Review

On December 3, 2014, a select number of the best and most experienced CEE business lawyers and legal experts gathered at the Hotel InterContinental in Vienna for the first CEE Legal Matters Legal Summit, which included a Round Table conversation on the present and future of CEE from a law firm and in-house counsel perspective. The wide-ranging conversation touched on the legal markets in the region, the changing prospects for international firms, the growing sophistication of local firms, the needs and requirements of in-house counsel in CEE, and much more.

The first part of the Round Table conversation focused on the pressures facing international law firms in CEE, the need to adapt traditional structural models to face current challenges, and the options available to in-house counsel.

1. International Law Firms in CEE

CEELM: Let's jump right into it. A managing partner we've spoken to at an international law firm in the region suggested that "growth is dead in CEE" – referring both to business prospects for international law firms and to expansion opportunities. Is that true?

Michael Mullen: It's certainly not dead for the Big 4, which are moving globally into legal services again. Most of that growth will go into markets that will grow more than Europe and CEE, such as Africa and Asia. But since CEE is growing more than Western Europe, we will look into these markets as well. We have a lot of money to spend for Partners.

Joerg Menzer: I think it will be a positive time. If you look at Europe, outsiders mix up the countries, but CEE deserves more attention than before, and there is more movement here than in other parts of Europe. Russia is not a reliable partner, certainly, but at the same time, Central Europe now has more stability than before. Economically, the region will move closer to the heart of Europe and will be more integrated. This self confidence means that the markets will be more mature, using easier concepts, and moving forward. The old concept of high quality service will prevail. Yes, there will be a separation in commodities where we can't compete, and not as high a volume of transaction. But if you are good in the market, you won't be pushed down.

Ronald Given: Certainly Wolf Theiss looks for growth where it can be supported. We spend a lot of time figuring out how to keep our people motivated. The partner track has become longer. We are a people business. I read all the essays and think that everywhere in the world there is a great degree of uncertainty. Not just in the law business. It is a special business, still, and probably everyone in private practice has reason to be optimistic since there will be winners and losers.

Hugh Owen: We are in a different place than we were in the '90s. There was a period of rapid expansion when quite a few partners were made up, and quite young. But we can't expect all the law firms to continue growing exponentially. Secondly, many of the

CEE Legal Matters Summit Panel

Private Practice

Patricia Gannon
Co-Founder and Senior Partner
Karanovic & Nikolic

Ronald Given
Managing Partner
Wolf Theiss, Zagreb

Michael Mullen
Partner and Head of CEE Legal
PriceWaterhouseCoopers

Hugh Owen
Partner
Allen & Overy

Willibald Plesser
Partner, Co-Head CEE/CIS Group
Freshfields Bruckhaus Deringer

Andras Posztl
Managing Partner
DLA Piper, Budapest

Helen Rodwell
Head of Corporate Practice for CEE
CMS

Adrian Roseti
Managing Partner
Drakopoulos Law Firm, Bucharest

David Shasha
Senior Consultant
Watson, Farley & Williams

Jonathan Weinberg
Partner, Head of CEE and CIS B&F
White & Case

Joerg Menzer
Managing Partner
Noerr, CEE

Perry Zizzi
Partner
Dentons

In-House

Gergo Budai
General Counsel
Invitel

Jelena Madir
Senior Counsel
EBRD

Ingo Steinwender
Group Head of Legal Affairs
CA Immobilien Anlagen

Agnieszka Dziegielewska-Jonczyk
Country Legal Counsel
Hewlett-Packard, Poland

Christopher Fischer
Associate General Counsel and Head of Legal EU Region
Western Union

Alexey Amvrosov
Head of Legal
IBM, Russia/CIS

expats have moved on and their places have been taken by young locals who are still there, who are relatively young and unsurprisingly not showing signs of moving on. The demographic is still young. But the former model – the pyramid model – is not fully in line with what clients are asking for nowadays.

Jon Weinberg: The pyramid model used to be considered the most profitable because of the clients. It turns out that in many situations, the partner-centric model is more efficient and it's better to have smaller teams, but more concentrated, more responsive, and doing transactions more efficiently. With massive expansions, there came the hub and spoke model. In this more aggressive environment, what do we do with those that don't make it? How do we motivate them and find alternate career paths? It's not fair just to park people in Counsel positions. The fact is that it's a harsher environment. Volumes are expanding and some people are not carrying their loads. Clients do not appreciate it if you staff dead wood to their accounts.

CEELM: Do clients think lawyers put in the Counsel role are "dead wood"?

Jon Weinberg: I don't think that clients care that much about the particular designation, but they do see the persons that are put on their accounts. They want aggressive potential. The best thing is a highly sophisticated and motivated person on the account.

Helen Rodwell: I think there is a generational issue in our busi

"I think it will be a positive time. If you look at Europe, outsiders mix up the countries, but CEE deserves more attention than before, and there is more movement here than in other parts of Europe. Russia is not a reliable partner, certainly, but at the same time, Central Europe now has more stability than before. Economically, the region will move closer to the heart of Europe and will be more integrated. This self confidence means that the markets will be more mature, using easier concepts, and moving forward. The old concept of high quality service will prevail."

– Joerg Menzer

"Even the largest of the international firms has finite resources, so in the economic conditions we have experienced in the last 6 years it isn't surprising that a number of these firms have closed some offices. This doesn't mean that they are no longer interested in the region, just that they no longer consider it necessary to maintain their own offices in certain places. Indeed, it is not unusual to still see these firms continuing to be involved in large transactions in the region in collaboration with lawyers from their former offices."

– David Shasha

ness – which is an opportunity for us. Young lawyers working in private practice often don't want pressure and long work hours. People who are doing interesting work who don't necessarily want my lifestyle and long working hours. It doesn't mean they're not fantastic lawyers. Increasingly important are non-transactional partners – litigation lawyers, for instance – who don't want to sacrifice their lifestyle but who can contribute to our firm. In the 90s, any Czech lawyer who came into our firm [in the Czech Republic] thought they would become partner. Now, colleagues in our firm in London want to leave work in the evenings – and now people from countries in this region want that as well.

Joerg Menzer: Another issue is hourly and flat fees in CEE because they're not at the same level as they are in the US, UK, and Germany. This notion that the client wants a full equity partner is good, but he cannot pay the fees to support the income an equity partner expects. The informed client will not pay you EUR 600 per hour. You need a certain leverage to generate the revenue. It's healthy that the young people have understood that there's more to life than work, and they don't have to show off as much any more, but they still need to accept the fact that there is a pyramid. Otherwise it's not possible to achieve that higher leverage. Local firms, by comparison, claim that it's easy to make partner – but their salaries are lower. They just give titles away.

Andras Posztl: "Franchise firms" like ours – DLA Piper – are moving successfully into the region, and this may be an answer as to which firms act in a particular market. You have to remember that recent decisions [made by some firms to close offices] were made on a country-specific basis, not a regional basis. And yes, the pyramid model is dead, but the cylinder model may have a very important effect on the region. We can't see that yet but it will come.

CEELM: Moving to the next question: As a corollary to his initial statement, that same managing partner predicted that 50% of international firms in CEE may be gone within the next 5 years. Do you agree with this assessment?

Perry Zizzi: Well, in some countries that probably won't happen. Poland and Romania, for instance, are too big to miss. Who knows what will happen in the Ukraine? Prague and Budapest are important as well. Slovakia and Slovenia, on the other hand, are less important countries.

David Shasha: Clearly every firm takes strategic decisions about where it wants – or feels it needs – to have offices. These decisions are regularly reviewed, based on many factors including short-term profitability and longer-term prospects, and sometimes the decision is taken to withdraw. Even the largest of the international firms has finite resources, so in the economic conditions we have experienced in the last 6 years it isn't surprising that a number of these firms have closed some offices. This doesn't mean that they are no longer interested in the region, just that they no longer consider it necessary to maintain their own offices in certain places. Indeed, it is not unusual to still see these firms continuing to be involved in large transactions in the region in collaboration with lawyers from their former offices.

Patricia Gannon: An important question to ask is why they might leave the region. Are the locals taking over?

Michael Mullen: I think there's a place for both local and international firms. International firms have the advantage of, if deals go bad, who will you call? Your local firm in the country might not be able to fix the problem. When it's in international firms clients will pay the extra price to buy the insurance of having experts available if necessary. But clients who know the local market better have more confidence in the local players and prefer to pay the lower prices they charge. So there's a place for both the local and international firms. In addition, of course, some local firms have bribery issues. I think in many international firms you can get a higher level of security as a client since there isn't something else happening on the side. Regional deals might go to international firms.

Jon Weinberg: There is a geographic market segmentation because of the financial crisis. Price pressure is horrendous. The international firms are vulnerable to price pressure. During the expansion phase, firms that haven't built local links and done mid-market deals can't make enough for lunch now and will leave. Pricing and client's experience is important. You can't service clients with a lot of leverage without sacrificing reputation. So there's no way any serious international firm can lower prices without taking a reputation risk. But local firms won't have the depth of bench to do more complicated structure deals. Clients expect a more partner-centric model of transaction where the partner stays involved. In those you can have a linear team model and you have a decent profit and it's still cheaper than doing such deals in London. There are enough of those deals left, where clients have no realistic alternatives.

Joerg Menzer: The big firms have sometimes moved out because it's a mathematical calculation of new markets. They got big shares of the markets, moved in with privatization across CEE, and now can go to Asia where they can apply the same business model. We're going back to a commodity market here. Firms with inter-

"When it's in international firms clients will pay the extra price to buy the insurance of having experts available if necessary. But clients who know the local market better have more confidence in the local players and prefer to pay the lower prices they charge. So there's a place for both the local and international firms."

– Michael Mullen

national backgrounds will survive because they understand that we can give knowledge transfer. But of course it's hard for some who have only two or three deals per year. That's not enough. Markets don't accept such high fees any more – and many firms can't ask for less. Hengeler Mueller, for instance, in Germany, is slowly starting to see that they can't ask for the same fees any more. Other firms are as good as they are – but are more reasonable on fees.

Hugh Owen: If international firms are managing their equity sensibly, they can run deals profitably. No doubt many international law firms will continue to close down certain offices. The minimum requirement is to remain profitable – of course, if you lose money you won't stay. And even if you do make money, the decision to remain in a particular country or region is still a strategic decision a firm needs to make. We have to think of our long term interests. That's the strategic question Linklaters had to address. Although they were making money, they pulled out, as a strategic decision. On the other hand, Allen & Overy is making the strategic decision to stay. We are long term optimistic. When things pick up again, we'll be glad that we continued to be in the region. And we think that things will pick up again. We have made alliances with local strong players. You have to have a holistic approach. We are in 5 CEE centers, and we have best friend relationships with local strong players throughout the rest of the region. For us it makes sense – if you have critical mass. Whereas if you shut down two of five key CEE offices, I think it raises questions about your commitment to the region.

Willibald Plesser: I represent a firm that does not have offices in CEE (other than Austria) – but did in the past. We withdrew, and though was difficult, it ended up being beneficial for us. But we started talking about growth, and whether the boom years are over. Maybe. But that can also mean opportunities for qualitative growth. To not have offices across CEE gives you more flexibility in terms of pricing and in which experts to go with and which not. All of us are struggling, but if you manage to integrate relationship firms with your own firms, then working with a team of specialists is almost an ideal world. This way have the best local firms around that really want to contribute and bring their best people to your team. We do have a pricing challenge but you adapt your system. I've been in business for long enough that I'm always worried, but still successful.

Of course, there's always a portfolio of jobs that are not price sensitive, as some clients don't care as much about the money and the fees. Other deals are more price sensitive. This means firms have to be more efficient. We need to change our style to suit the need of the client. The creation of service centers is one answer to the same question – it's to adapt to the market. We need to change our style and get the best quality possible and still produce quality at the highest level but adapt to the market or we will be dead. In a way, I see this neutral, not bad or good, but a challenge to find the right answers.

Hugh Owen: I agree. Some firms cut overheads and pursue only high end work. We recognize that it works for you at Freshfields – and anyway our London guys also chase high end work with the same type of focus as you do. But at A&O we feel like we are doing both, we have a local presence to monitor the local markets better and to pick up local work as well as the high end work. And in countries where we do not have offices, such as SEE, like you we have a similar network of local law firms feeding us intel, but in SEE it's of course not the same as having an actual office in those countries.

Willibald Plesser: The problem that we are facing is that in a way the office on the ground might be better for clients. In many cases, its a question of sophistication. I work on deals where people find out later that I am based in Vienna. Some people mind, some people don't.

Hugh Owen: For multi-jurisdictional cross border deals you don't need a local office in every country. The clients get used to the fact that at some point there will be a number of countries where you will team up with best friends. Once you've gone over that hurdle

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it's easier to get over the rest.

David Shasha: The first half of my career I spent in regional offices. I spent the second half of my career in firms which did not have offices in the region. So I know both. While it is difficult to generalize, my experience has been that certain clients prefer to have the combination of an experienced sector specialist firm operating from, say, London working alongside one of the top independent local law firms in the country of the transaction. That kind of arrangement has kept me actively involved in the region for much of the last eleven years!

Alexei Amvrosov: It depends on the client or company. We at IBM have our own offices in many CEE countries, if not all. We also have a big pool of highly specialized and professional outside lawyers and experts, including centralized global lawyers in the UK or the US who specialize in strategic outsourcing, so they fly in and act as outside counsel when we need them. But for a smaller company, they might need a local law firm who knows the market better.

Christopher Fischer: It depends on the law firm. In acquisitions, we [at Western Union] look for someone that has a good partner network in those jurisdictions, and we will work with those law firms. It's not important to us to see that there are people on the ground in the region.

Gergo Budai: If you need cross-border support, it's important. To have feet on the ground, it's important, and depending on the transaction to either have your own partner or a local expert is important. I used to work as regional counsel for Pfizer for many years and always needed the local expertise.

Jelena Madir: I agree. It gives you an assurance of the quality that can be obtained only from someone with the knowledge of and expertise in local law.

CEELM: When you use an international firm, they may not have feet on the ground, but you have the brand, no?

Jelena Madir: Yes, but sometimes a local lawyer is needed.

Hugh Owen: Even though there might not be a local office, you want to be certain that your firm can arrange for you the expertise you are after.

Agnieszka Dziegielewska-Jonczyk: When I think of the situations where we engage outside counsel, I can see four different scenarios. First, we go outside when a particular question arises on which we don't have in-house expertise. In this scenario, it is not important to us whether the firm is local or international, we just look for the best expert in that particular area. Secondly, there are instances when we do know the answer to the question, but there is a need of an external legal opinion. In these cases, we prefer international law firms with well-known brands. For the most cases, we choose international law firms with offices in Poland. Then I can say that they combine the local market knowledge with a broad international perspective. It's the preferred option in this scenario. Thirdly, we may need outside legal support when there is no internal capacity. There are times when we have too much work and some tasks have to be outsourced. In these cases, we want to keep the costs low so we choose a local provider. The fourth scenario is an international transaction involving the whole company, worldwide. In these situations, we work with international law firms mostly because of the standardization. We need to have similar structures in all the countries, involved therefor it is essential that a firm we work with has its own or corresponding offices in all impacted countries.

CEELM: What about local Hungarian firms, Gergo? Do you believe as a purchaser you're safer going with the international names?

Gergo Budai: If you're used to a certain quality you would continue to go to them. For the prominent local firms, there's a market for them, such as litigation. In Hungary, they are going after the big deals, contracting work – but not as much litigation or regulatory or standard corporate housekeeping work. Currently that is the slice of the market that's available to them.

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– Agnieszka Dziegielewska-Jonczyk

Jon Weinberg: A lot of this conversation assumes the hub and spoke model, but it has been reversed. The top ranked full service firms send deals back to London at a London price. We didn't want to generate outposts. We have had deals done through London and have won two more from the Czech Republic. Both models can work but there is a higher transactional risk where you have divided law firms.

CEELM: There's of course also a sort of third class of firms in CEE: those firms that were once part of Magic Circle firms, but are now independent. Oppenheim in Hungary, for instance, which was once the Budapest office of Freshfields, or Kinstellar, which

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sprang from Linklaters. And both they and other local firms are getting an increasing number of foreign-trained and/or qualified lawyers. Are local markets getting more sophisticated?

Gergo Budai: I think that all of these have a future and a valid position on the market, whether big law firms or smaller firms that are the remaining parts of big players. Each of them has a business segment that they are good at. For smaller, more directed matters there's the local segment. Clients want quality for lower fees and the small local firms deal with various segments.

Joerg Menzer: I think there are excellent local players. Some local players get a piece of business because they are good, they might be a brand, but in the end, it's because they are connected to the political parties. They might go skiing together – I don't know – or there are other relations which are honored. On one hand it's quality, yes, but on the other, it's connections.

Gergo Budai: That may happen, but often you also see an international firm working under them.

CEELM: In contrast to the suggestions by some that growth is over, some of you suggested in your essays that some firms are achieving pre-crisis levels of profit. Are the good times back?

Andras Posztl: There's a big question mark in Hungary. If they're really flexible on rates then firms can stay pretty busy. The real issue is sustainability. In the long run I am cautious to see how it will end up. In the long run the prospects will be different in different markets. The issues are the same but the prospects are different. Governments in this part of Europe are very active in one way or the other from an investor perspective. If you're successful then you can earn. The earnings are not too high but we have to acknowledge that you can make a decent living. The question is how to adapt? The answer is: You invest in the future. Changes are common – especially in Hungary. The government is changing the targets and sectors, for instance the retail sector. This will bring further opportunities for law firms.

Joerg Menzer: We are improving. In the last few years we've been recovering slowly, but in other offices there were downturns. So it's not like it was pre-crisis – but in all discussions with clients we discuss transactions. We don't talk about commodities. We like to talk about numbers, but it can be a simple contract. Let's be honest: we do a lot of commodities work. We're not always doing the greatest transactions. If I look at it – the fees were higher pre-crisis, but we have stable growth.

Helen Rodwell: Our model is about coverage. Since the '90s we've been committed to the region. More coverage, more lawyers, more deals. In order to do this, our approach is not just transactional. Transactions are key to our firm – but we do others things as well, and during the downturn, during the crisis, the broader range of services that we offer was very important to get us through. In the last 18 months it's been consistent with the recovery of Europe. The front cover of the Financial Times recently declared that investment has returned to a pre-2011 level. The transactional pie has come back in force in most of CEE jurisdictions except Ukraine and Russia. US and UK investors are back. Croatia and Slovenia are growing.

CEELM: A number of originally-local players in CEE have developed over the last decade into full service regional firms, such as Schoenherr and Wolf Theiss branching out from Vienna, Drakopoulos from Athens, and Karanovic & Nikolic from Belgrade. I'm curious to hear from the representatives of these firms what circumstances led to their growth?

Patricia Gannon: We grew out of Serbia during the privatization period 20 years ago, and we've established ourselves in the former Yugoslavian markets. It made sense to open up in those countries. We recognized that the markets are small. We targeted international investors to come into those markets. We want to grow interregional work.

Ronald Given: Wolf Theiss is a similar story. Our model is to always be a good referral firm for large UK, US and Western European firms. I agree with Patricia that in places, say, like the Czech Republic and Poland, we're seeing entrepreneurs having bigger plans and stepping up their choice of lawyers.

Adrian Roseti: The Greek business is family oriented. A couple of years ago, business migrated from Greece and Cyprus. They channel Middle East investments.

2. The Needs of In-House Counsel

In the second part of the Round Table, the conversation turned first to a consideration of what General Counsel need from their external lawyers, and then to a review of specific CEE markets, opportunities, and hot-spots.

CEELM: Let's switch subjects. What are our General Counsel participants looking for when they retain external counsel?

Christopher Fischer: As for outside counsel, I manage our legal spend carefully. I may not need the partner to devote that much time as long I can guarantee quality even if done by a counsel and not a partner. However, I prefer years of experience to even an aggressive young lawyer. It's specialization that I need, which may only be able to come from someone who understands the nuances that I seek from outside counsel. And of course there are times where there are nuances that arise or local specialities that we need, where our lawyers will not be able to go into at that level of detail. And so, when the issue comes up, we will need outside counsel. There will be areas that you won't be able to cover in-house. That's why we look for whatever lawyer meets our needs.

Jelena Madir: Lawyers' levels and titles are not critical in my selection, because different law firms have different titles associated with the same level of experience. Unfortunately, very often it is the very senior lawyers who secure the project, but the work is then done by very junior lawyers because of the lower costs. This is certainly not an effective way to ensure client's satisfaction with the end product.

CEELM: But presumably much or all of that pressure on fees comes from clients. Do you pressure firms to lower their fees?

Jelena Madir: Not really – the lowering of fees is driven by the competition in the law firm market.

Ingo Steinwender: I agree. At the end of the day, we as in-house counsel have to ensure quality, whoever provides it. The result is what counts and it counts to meet the budget.

Gergo Budai: From the outside, and from the inside, you see that sometimes you need partners, associates and counsels and some times the associate is more competent than the partner. He gives security to the deal. In CEE, markets are changing and you can't validate huge fees, so it's important that you're able to solve the problem internally. It's important to keep the people in the company. You need to keep people motivated, whatever their status, because if you don't they will leave your big firm and will become your competition and will take your deals from you at a fraction of the cost.

CEELM: Do the partners here find that expectations of clients are changing?

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– Christopher Fischer

Willibald Plesser: We have to see which clients are there. 10 PE funds are interesting to us in Eastern Europe. Some groups of clients are sophisticated. Others are corporate and don't have the know-how, they sometimes have a different style. There are governments that are very professional with a high level of preparation. It's diverse and relationship driven. I'm leaving out the Russian clients, who are unorthodox. There's no real trend but at the high end it's very professional.

Michael Mullen: In the West, the largest clients are institutional. In CEE it's more relationship based. Lawyer to lawyer. It's easy for good lawyers to establish themselves in the market. They're not as institutional.

Helen Rodwell: More clients have started to request value-added services than ever before. All the services that have been offered in the UK for years are now being requested in the CEE. In addition, a lot of domestic clients have moved to setting up panels, either at the local level, the regional levels, or both.

CEELM: Is this a frustrating development? Suddenly you have to fight for a place on panels?

Perry Zizzi: While those panels have been put in place, there is a lack of understanding how to evaluate firms and proposals. For instance, you can't compare the PI cover of a small firm to a large firm. Within our hourly rates, a client is paying for the professional indemnity insurance. I have tried to explain this to in-house counsel, but many are only looking at the headline hourly rate.

Patricia Gannon: We've never been asked about our PI. No-one has ever asked to raise our PI cover.

Perry Zizzi: We've been asked about our PI cover and even had to get local counsel in Austria to increase their cover for a particular deal, which frankly was ridiculous, as the firm is one the leading firms in Austria and has a higher PI cover than any other firm in the market.

CEELM: In light of this PI dynamic, I'm curious to hear from the GCs – are there unique selling points that firms are trying to leverage on a continuous basis that you do not really care about?

Ingo Steinwender: The USP they all try to sell is that they are well-equipped, internationally-experienced, and market leaders. For us, the decisive points are response time, quality of work experience, and industry knowledge. The fees are comparable and negotiable.

Ronald Given: Do you consider rankings?

Ingo Steinwender: No. I don't take them seriously.

Joerg Menzer: Industry knowledge, track record, all points taken. How open are you to firms who don't have the track record but you still give them a chance maybe? How do you deal with this – is industry knowledge only valid if you work on a large number of deals in that industry?

Ingo Steinwender: If we give a chance to those law firms without industry knowledge, this lack of expected quality and increased effort for our in-house team has to result in lower fees from the beginning of the cooperation. That´s the trade-off. However we do give such law firms a chance from time to time and in particular have developed a great cooperation with a single-lawyer law firm in Austria for leasing issues.

Gergo Budai: I fully agree with that. You can decrease the rate in project financing in return for training a person and giving chances – but it has to be a win-win situation.

3. Country-Specific Analysis

CEELM: Let's turn to some specific countries. How does the ongoing conflict in Ukraine affect confidence in the region? Are foreign investors able to distinguish between markets, or does unrest in the Ukraine suggest to them a regional instability?

Jelena Madir: The EBRD is engaged in anti-corruption efforts in the Ukraine and sees an opportunity to do more work there. As a development bank, we want to be involved across the region.

David Shasha: At the beginning of the year I was advising on a proposed joint venture between a large institution in Ukraine

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– Patricia Gannon

"I would say that probably at least the Europeans can distinguish between Central and Eastern Europe in terms of the legal system. Ukraine is close to Russia, of course, so people who are in America – for instance – may not understand this wholly. But in Europe there isn't a big link."

– Alexei Amvrosov

and a significant Russian organization, though not surprisingly that transaction has not gone ahead. Other clients are monitoring the situation, though without a speedy resolution to the problem – which I fear is looking increasingly unlikely – then it is likely that there will be significantly less investment in Ukraine in the coming year. And yes, I do think that will have a negative impact on transactions involving neighboring countries and/or those with close economic ties to Russia.

Agnieszka Dziegielewska-Jonczyk: My company is present in almost all CEE countries, including Ukraine. However, I may presume that for some investors, Ukraine may seem risky, Luckily, Poland is not. Therefore, there may be a prefernce to locate CEE headquarters in Poland or Czech Republic rather than in Ukraine. But, in my opinion, the region as a whole is not much impacted.

Patricia Gannon: Serbia is an interesting case, as the country has not applied sanctions on Russia. We've been waiting to see if there's some form of blowback there, but so far, there's been no effect on Serbia. But we've not seen a lot of investment to Russia as a result of this position to date.

Alexei Amvrosov: IBM is present in the Ukraine, and we don't want to decrease that presence because of the crisis. We see an economic impact, but frankly, the decline started before the current political crisis. Government clients started delaying payments to us in early 2013 without reason. On the legal side, I would say that probably at least the Europeans can distinguish between Central and Eastern Europe in terms of the legal system. Ukraine is close to Russia, of course, so people who are in America – for instance – may not understand this wholly. But in Europe there isn't a big link.

CEELM: Chadbourne & Parke, for instance, left Kyiv this past summer, saying that even if the conflict ends soon, things still won't return to normal anytime soon.

Michael Mullen: The private side is dead, but the public side is

not. I see the balkanization of Ukraine on the business side extending for a number of years, maybe 5, depending on the conflict and the amount of money EU pumps into the country. It could shorten the time.

Ronald Given: I agree somewhat with Chadbourne's analysis. If the conflict continues much longer then who knows? There are a lot of clients who have been there and may soon go elsewhere if there's not a clean end to this sometime soon.

Perry Zizzi: Both pre-and-post crisis, I spent much time from April 2013-April 2014 in Kyiv. It was quite active. But real estate never really took off, and now two major banks want to get out. Without bank lending, a recovery is going to be particularly difficult. What will be left? Russian banks.

Helen Rodwell: There was a wave of investment for 4 or 5 years. A lot of people burnt their fingers and it will take a long time to get over that.

Ingo Steinwender: We've only got two undeveloped land plots projects for logistics, but we don't have a critical mass there, so our strategy is to leave the market. Unfortunately, it's impossible to sell at the moment. It's too risky. There is no market for our logistic projects. We want to get out of the Ukraine.

CEELM: Some have suggested that Turkey may be losing its appeal for international law firms. Others have asserted that Turkey is moving up. I would like to get your perspective. Is Turkey "done"?

Jelena Madir: It's on the upside – one of the largest countries we work in. I'm not based there, so I can't comment with complete authority, but we have lawyers on the ground, and we see a lot of opportunities.

Willibald Plesser: I think it's one of the most challenging markets. There are a number of high calibre projects, but fees for law firms are a disaster. Even the Turkish corporates who pay reasonable fees to international firms use them primarily on the outbound business. We're not considering opening an office for that reason. It's an interesting market but in some sectors only and only in complex transactions.

CEELM: Why is the price competition so fierce?

Willibald Plesser: It's full of family businesses that keep deals in-house. There's no tradition for external lawyers, and it can take twenty to thirty years to build a relationship. There are international companies working essentially for free just to get Turkish business and enter the market. Local law firms get very low rates from local clients. And there are a lot of spinoffs from firms that are young and hungry. It's a tough market.

Perry Zizzi: This isn't really a new phenomenon. Even before – 10 years ago – there were a lot of long-standing local firms that were excellent. The competition was tough even then.

CEELM: It's been said that the Czech Republic in particular is hot for real estate. Is that the only place?

Ingo Steinwender: Well, for us certainly Prague is an important market. And we'd like to expand. Prices are high.

Helen Rodwell: I think Poland is really hot as well.

Perry Zizzi: In Romania, we have a huge pipeline. Investors that are coming in are really impressed with opportunities in Romania.

Michael Mullen: Real Estate is hot in Prague, in Poland, and starting to get hot in Romania. Shopping centers are being transacted right now, warehouses, but not so much office space. I think that's linked to changing work places, changing distribution models, changing retail models.

CEELM: What makes it special in Poland, Romania, and the Czech Republic, as opposed to Hungary or Austria, for example?

Joerg Menzer: In Western countries they don't sell their assets because they won't get the money they want for it. The size deal is maybe bigger in those countries. Banks are reluctant. Hedge funds can be sold off. In the good days no-one cared about shopping centers. They weren't interested in projects to up to 150 million. Now, in those markets, nobody sells, everybody wants to buy. People pay 50 times the value of apartment houses because they don't know how else to secure their money. They hope the market will pick up. They don't buy in Romania or Poland because they love the country – they buy simply to spend their money.

CEELM: While Romania and Bulgaria tend to be compared as similar markets in CEE, this year has seen two international firms pulling out of Romania, while Kinstellar has opened up its office

"More of our successful referral work has so far come from Hong Kong. There seems to be a greater degree of sophistication with Hong Kong referrals. We have also noticed that many Chinese investors believe the Ukraine situation might be an opportunity for them."

– Ronald Given

in Sofia. What is your take on these two markets?

Ronald Given: Generally, there has been a positive vibe about the market potential [in Bulgaria] recently from what I've seen.

Patricia Gannon: From my point of view, having been in Bulgaria a couple of weeks ago, people are really deflated there. The feeling I got is that the outlook is not positive.

CEELM: Perry, in your essay you mentioned that Romania has the potential to be the next Poland of CEE. Why do you say that?

Perry Zizzi: Romania has a long way to catch up with Poland. Yet the population is well educated, the tax rate is attractive – 16% flat tax is good – they elected a president who brings stability and transparency. Well, he is perceived to bring stability and is perceived to be better than the last president.And the legal system, the judiciary, has proved to be not as bad as people have feared when things were tough. I've seen horrible decisions that were inexplicable to our clients, including a criminal case involving an issue that in Romania they are still trying to deal with that was dealt with immediately in a German court. Still, the outcome in cases is generally satisfying, and things are not as bad as people feared they would be. I think there's more development and improvement coming.

CEELM: Finally, we'd like to turn to work coming from China. Ronald Given was just there, and we know others of you have been too. Are you doing China work?

David Shasha: A number of clients are actively involved in the Ukrainian market, and they're waiting to see how things will play out there. I am not getting China work right now. The reluctance of Chinese clients to pay Western rates and their unfamiliarity with the services we provide is a problem. They often don't understand what Western lawyers do. Corruption also is a factor. Governments have done deals that they subsequently felt bad about.

Ronald Given: Wolf Theiss believes that you can't ignore China – but yes, we've also noticed the idiosyncrasies about paying bills. Our business development strategy has been to visit everybody we can and to develop a basis for referrals – we leave the really heavy investment to the large international firms. In China – both Hong Kong and Beijing – there is great interest in CEE.

David Shasha: Did you find a difference between Hong Kong and Beijing?

Ronald Given: Yes, absolutely. More of our successful referral work has so far come from Hong Kong. There seems to be a greater degree of sophistication with Hong Kong referrals. We have also noticed that many Chinese investors believe the Ukraine situation might be an opportunity for them.

Helen Rodwell: There's always a lot of interest in Central Europe from China, and the potential of Chinese investment is exciting ... but so far it has come to zero as far as I can see. The main investment in the region is Korean and Japanese, in fact, who are quiet in the way they go about their business, in energy, real estate and in airlines, in the Czech Republic. They go under the radar.

Ronald Given: You see a lot of real activity in Bosnia and Serbia. Croatian airlines wants to do the same thing that Czech Airlines did, but so far no other airline seems interested. There's a funny story about the Czech airlines deal, by the way. It turns out there is a soap opera in South Korea that is based in Prague – so every Korean wants to come to Prague because of the soap opera. The interest that soap opera created is one of the reasons Korean Airlines invested.

Willibald Plesser: A lot of potential with Chinese investors is using the vacuum in Russia and the Ukraine. Also in Austria. Eventually they will be an important clientele. But it takes time. The challenge is that the Chinese need to be educated as clients regarding advanced payments.

I also have a funny story. I was wondering, once, why we were having so much trouble collecting our fees from Chinese clients, and one night, at a Chinese restaurant, it occurred to me that you pay in such restaurants in advance. Based on that experience, I decided to demand up-front payment for our services from our Chinese clients, and it turned out they paid without any problems. That's the model they're used to, in fact.

CEELM: Okay, I think that's all the time we have this evening. Thank you all for coming to the first-ever CEE Legal Matters Summit, and we hope all of you have successful and profitable 2015s. We look forward to hearing about them at next year's event!

CEE Legal Matters
2014 Year in Deals

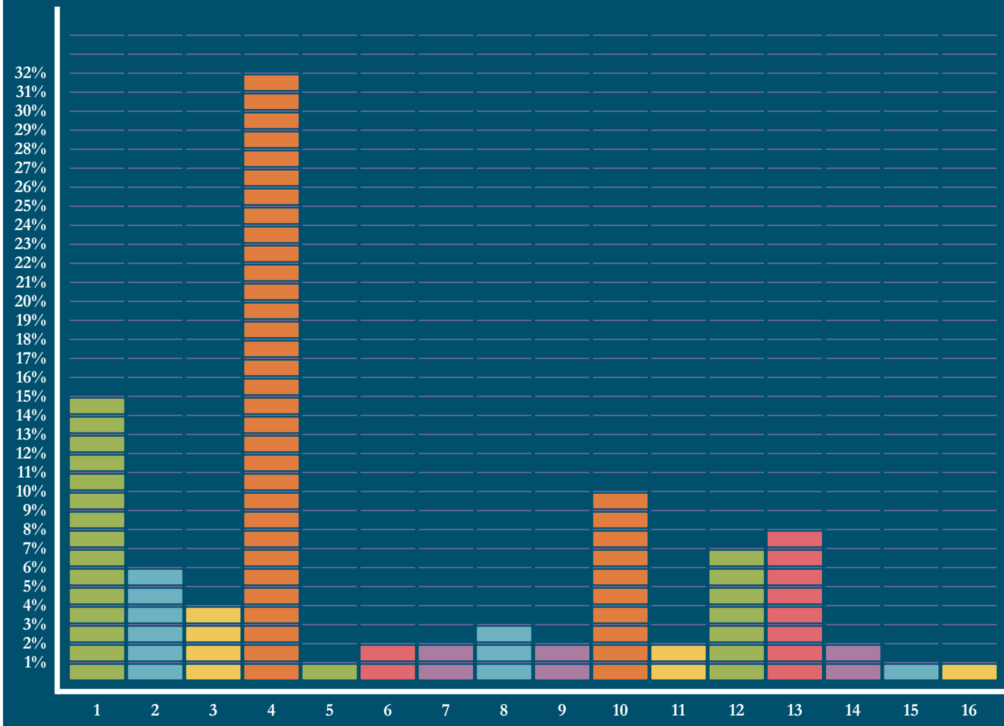
The following pages contain a summary of the legal work in CEE between December 2, 2013 and December 2, 2014 (advisory, deals, and litigations/disputes). This report is based both on stories reported on the CEE Legal Matters website throughout the year and on individual law firm submissions at the end of 2014.

A full and searchable list of all captured deals, litigations/disputes, and advisory work can be found at:

www.ceelegalmatters.com/2014-deal-list

2014 Year in Deals: CEE Overview

Law Firm Work by Practice Area



Practice Area	% of work
1. Banking/Finance	14.9
2. Capital Markets	6.2
3. Competition	4.1
4. Corporate/ Commercial/M&A	32.6
5. Debt Recovery	0.07
6. Energy/Natural Resources/Utilities	2.2
7. Insolvency/Restructuring	2.7
8. IP/Trademarks	3.1
9. Labor Law	1.6
10. Litigation/ Dispute Resolution	10.2
11. PPP/Infrastructure and Public Procurement	2
12. Private Equity	7.3
13. Real Estate/Construction	7.9
14. Tax	2.3
15. White Collar Crime	0.4
16. Other	1

Law Firm Work by Industry

Agribusiness: 3%

Alcohol/Tobacco: 0.5%

Aviation/ Transportation/ Logistics: 3.5%

Banking/ Financial Services: 18%

Energy/Natural Resources/Utilities: 14.1%

Life Sciences/ Pharmaceutical: 3.6%

Manufacturing/ Heavy Industry: 14.6%

Real Estate/ Construction: 11.9%

Retail/FMCG: 8.4%

Sports/Tourism/ Hotels/ Entertainment: 3%

TMT: 13.1%

Waste Management: 0.6%

Other: 5%

Industry categorization was based on:
(a) the main industry of the company receiving advice when we categorized the type of work as "advisory"
(b) the main industry of the claimant when we categorized the type of work as "disputes"
(c) the main industry of the target company when we categorized the type of work as "transactional"

Law Firm Work by Type

Disputes: 13.4%

Transactional: 36.8%

Advisory: 50.6%

We distinguished between "transactional" representation in cases where shares or assets are transfered and "advisory" (providing legal advice on matters such as financing or IP but also on obtaining a merger clearance for a transaction).

Top 5 Disputes by Reported Value

*Disputes where the value was not available were not included
**Confidential Disputes were not included

Date covered	Firms Involved	Litigation/Dispute	Dispute Value (Million EUR)	Country/ Countries	Claimant	Defendant
July 28, 2014	Baker Botts; Cleary Gottlieb Steen & Hamilton; Shearman & Sterling	Shearman & Sterling obtained what it called a "historic arbitral award" from the Arbitral Tribunal in the Hague for the former shareholders of the Yukos Oil Company against the Russian Federation regarding the Federation's breach of obligations under the Energy Charter Treaty. Cleary Gottlieb Steen & Hamilton and Baker Botts represented the Russian Federation	50,000	Russia	Yukos Oil Company	Russian Federation
August 4, 2014	White & Case	White & Case secured victory for Turkish conglomerate Cukurova Holding in a seven-year dispute with Russia's Alfa Group, with Cukurova regaining its controlling interest in Turkcell, the largest mobile telecommunications company in Turkey.	1,300	Russia; Turkey	Cukurova Holding	Alfa Group
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.	1,000	Poland	Republic of Poland	David Minnotte; Robert Lewis
October 6, 2014	White & Case	White & Case persuaded an arbitration tribunal at the World Bank's International Centre for Settlement of Investment Disputes to reject all claims brought by Vigotop Limited against Hungary under the Cyprus-Hungary Bilateral Investment Treaty.	300	Hungary	Vigotop Limited	State of Hungary
September 25, 2014	Cleary Gottlieb Steen Hamilton; CMS; Grischenko & Partners; King & Spalding	Grischenko & Partners announced that it and King & Spalding represented Ukraine in a UNCITRAL arbitration against Tatneft, represented by Cleary Gottlieb Steen Hamilton.	93.8	Russia; Ukraine	Tatneft	Ukraine

Top 5 Transactional Matters by Reported Value

*Transactions where the value was not available were not included
**Confidential transactions were not included

Date covered	Firms Involved	Deal	Deal Value (Million EUR)	Country/ Countries	Buyer	Seller
January 15, 2014	White & Case	White & Case represented the Slovak Republic, acting through the Ministry of Economy, in connection with acquisition of 49% of shares in Slovensky plynarensky priemysel a.s.	2,500	Slovakia	Ministry of Economy	Slovensky plynarensky priemysel
June 18, 2014	Clifford Chance; Moratis Passas	Clifford Chance advised Citi on the sale of its consumer banking business in Greece, including the Diners Club of Greece credit card operations, to Alpha Bank.	1,800	Greece	Alpha Bank	Citi
September 26, 2014	Akin Gump; Hogan Lovells; Fried Frank; Skadden Arps	Skadden Arps, Akin Gump, Fried Frank, and Hogan Lovells played various roles in United Capital Partners' sale of a 48 per cent stake in social media site VK.Com Limited to Mail.Ru Group Limited.	1,700	Russia	Mail.ru	United Capital Partners
May 15, 2014	CMS; Karanovic & Nikolic;	Karanovic & Nikolic advised Mid Europa Partners on the sale of SBB/Telemach Group to Kohlberg Kravis Roberts & Co. The Buyer was advised by CMS Reich-Rohrwig Hainz.	1,000	Austria; Bosnia and Herzegovina; Croatia; Macedonia; Montenegro; Serbia; Slovenia	Kohlberg Kravis Roberts & Co	Mid Europa Partners
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.	920	Austria; Czech Republic; Hungary; Poland; Russia; Serbia; Slovakia	Funke Mediengruppe	Axel Springer

Top 5 Advisory Matters by Reported Value

*Advisory work where the value was not available was not included
**Confidential advisory work was not included

Date covered	Firms Involved	Deal	Deal Value (Million EUR)	Country/ Countries	Client
June 18, 2014	Linklaters	Linklaters advised HSBC Bank plc as arranger on the EUR 30 billion Euro Medium Term Note Programme 2014 Update issued by Alpha Credit Bank plc	30,000	Greece	HSBC Bank plc
March 28, 2014	Linklaters	Linklaters advised Rostelecom, Russia's national telecommunications operator, on its joint venture with Tele2 Russia, one of the leading Russian mobile communications operators. The JV will combine the entire Tele2 Russia group and the mobile assets of Rostelecom.	5,700	Russia	Rostelecom OAO
February 13, 2014	Linklaters	Linklaters advised Merrill Lynch International Limited as arranger on the Global Medium Term Notes Program issued by NBG Finance plc and guaranteed by National Bank of Greece S.A.	5,000	Greece	Merrill Lynch International Limited
May 30, 2014	Allen & Overy; Paksoy; Vinson & Elkins; DLA Piper (YukselKarkinKucuk)	Vinson & Elkins, Allen & Overy, Paksoy, and Yuksel Karkin Kucuk advised STAR Rafineri on the development and financing of a greenfield oil refinery on the Aegean Sea.	4,690	Turkey	STAR Rafineri
March 12, 2014	Squire Sanders (now Squire Patton Boggs)	Squire Sanders advised shareholder of Lenta on sale of shares as part of Lenta's IPO and GDR listing on the Main Market of the London Stock Exchange and the Moscow Exchange	3,600	Russia	Lenta

*** For all tables above, work carried out by local firms or offices on otherwise global deals (e.g. obtaining relevant merger clearances) were not included

2014 Year in Deals: Private Equity Overview

PE Investments by Target Industries

- Agribusiness: 1.6%
- Aviation/Transportation/Logistics: 1.6%
- Banking/Financial Services: 10.7%
- Energy/Natural Resources/Utilities: 4.1%
- Life Sciences/Pharmaceutical: 6.6%
- Manufacturing/Heavy Industry: 15.7%
- Real Estate/Construction: 25.6%
- Retail/FMCG: 4.9%
- Sports/Tourism/Hotels/Entertainment: 2.4%
- TMT: 19%
- Waste Management: 0.8%
- Other: 6.6%

PE Investments by Target Countries

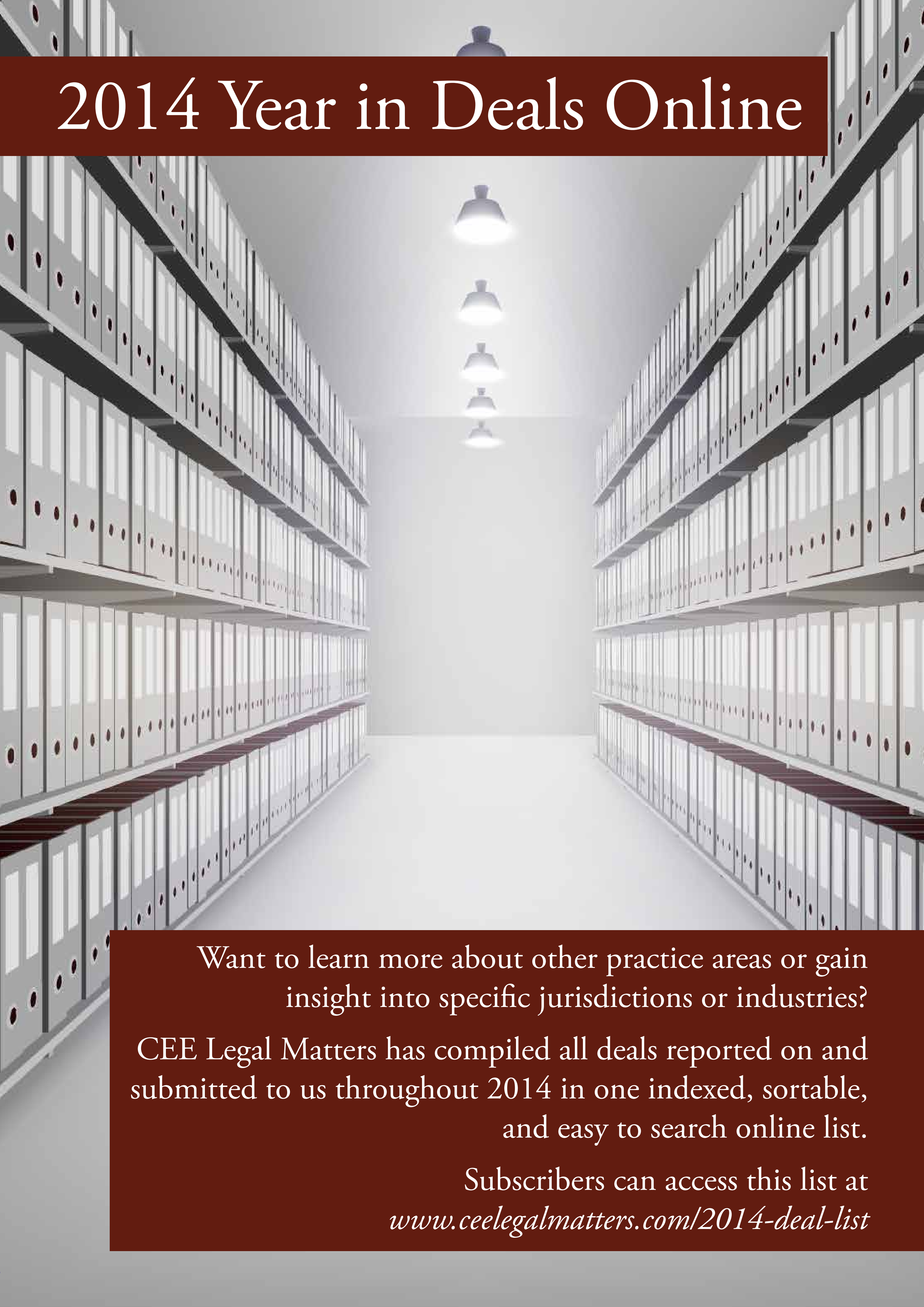
- Austria: 12.8%
- Bosnia and Herzegovina: 0.6%
- Bulgaria: 0.6%
- Croatia: 2%
- Czech Republic: 10.8%
- Estonia: 8.1%
- Greece: 0.6%
- Hungary: 3.3%
- Latvia: 5.4%
- Lithuania: 9.4%
- Macedonia: 1.3%
- Poland: 17.5%
- Romania: 5.4%
- Russia: 7.4%
- Serbia: 2%
- Slovakia: 2.7%
- Slovenia: 1.3%
- Turkey: 4.7%
- Ukraine: 3.3%

Based on number of transactions not value. Where acquisitions were carried out in multiple countries, the deal was counted for each country.

Top 10 Law Firms in PE Transactions

Firm	Number of PE Deals*	Highlighted Deal (Editor's Pick)	Other Firms Involved in Highlighted Deal
CMS	16	Mid Europa Partners sold SBB/Telemach Group to Kohlberg Kravis Roberts & Co.	Karanovic & Nikolic
Dentons	13	Blackstone acquired a portfolio of 6 logistics and distribution parks from Pramerica Real Estate Investors.	
Raidla Lejins & Norcous	9	Intersnack Group acquired Estrella Maarud from Herkules Private Equity Fund II.	Borenius; Mannheimer Swartling
White & Case	8	Invel Real Estate acquired a 66% stake in NBG Pangaea Real Estate Investment Company from the National Bank of Greece. (EUR 653 million)	Ardent & Medernach; Baker & McKenzie; Bonelli Erede Pappalardo; Karatzas and Partners; Reed Smith; Sidley Austin; Papapolitis & Papapolitis; Van Doome
Baker & McKenzie	7	B2Holding purchased the entire share capital of Ultimo.	CMS
Sorainen	6	Apollo Cinema acquired Solaris Cinema from Solaris Property Partners.	
Borenius	6	CVC Capital Partners acquired the Paroc Group. (approx. EUR 700 million)	Eversheds; Freshfields; Macfarlanes
Lawin	5	IAC acquired Ask.fm	Fort
Tark Grunte Sutkiene	4	ABB sold its Full Service business unit to Nordic Capital Fund VIII	Baker & McKenzie; Lawin; White & Case
Allen & Overy	4	Riverside Company acquired Optima srl and its related companies (dba Mec3)	
CHSH	4	The KGAL Group acquired the Oberwart shopping center from the Rutter Immobilien Group.	

* Non-CEE deals on which CEE-based lawyers were involved are included in the deal list available online but were not counted for this table.



2014 Year in Deals Online
Want to learn more about other practice areas or gain insight into specific jurisdictions or industries?
CEE Legal Matters has compiled all deals reported on and submitted to us throughout 2014 in one indexed, sortable, and easy to search online list.
Subscribers can access this list at
www.ceelegalmatters.com/2014-deal-list

Austria

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
CHSH; Schoenherr	CHSH and Schoenherr advised on negotiation and completion of a shareholders' agreement between Osterreichische Industrieholding and America Movil relating to shares the two hold in Telekom Austria.	2,800
Binder Grosswang; bpv Hugel; CHSH; Clifford Chance; Linklaters	CHSH, bpv Hugel, and Clifford Chance advised IMMOFINANZ and BUWOG on capital market aspects and financing in connection with the IPO of BUWOG.	3,500
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.	920
CMS; Karanovic & Nikolic;	Karanovic & Nikolic advised Mid Europa Partners on the sale of SBB/Telemach Group to Kohlberg Kravis Roberts & Co. The Buyer was advised by CMS Reich-Rohrwig Hainz.	1,000
DLA Piper; Kirkland & Ellis; Shiva Austin; Wolf Theiss	Wolf Theiss advised the US pharmaceutical giant Baxter on the sale of its commercial vaccine business to Pfizer.	532
Allen & Overy; Cerha Hempel Spigelfeld Hlawati; Clifford Chance; Dorda Brugger Jordis; Eisenberger & Herzog, Schoenherr; White & Case	Allen & Overy, CHSH, Clifford Chance, Dorda Brugger Jordis, Eisenberger & Herzog, Schoenherr, and White & Case advised various parties on the capital increase announced by Telekom Austria of up to EUR 1 billion, designed to prepare for the planned network expansion for the fourth generation of mobile LTE and other acquisitions.	N/A

Highest Reported Value Deal/Dispute in Austria:

CHSH; Mayer Brown	Mayer Brown and CHSH advised Raiffeisen Bank International as arranger and dealer on the establishment of a Debt Issuance Programme of Raiffeisen Zentralbank Osterreich AG as issuer.	5,000

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	0.0	3.1
Alcohol/Tobacco	0.0	0.5
Aviation/ Transportation/Logistics	0.9	3.5
Banking/Financial Services	22.7	18.0
Energy/Natural Resources/Utilities	10.9	14.1
Life Sciences/ Pharmaceutical	7.3	3.6
Manufacturing/Heavy Industry	20.0	14.6
Real Estate/Construction	14.5	12.0
Retail/FMCG	4.5	8.4
Sports/Tourism/Hotels/ Entertainment	5.5	3.1
TMT	11.8	13.2
Waste Management	0.9	0.7
Other	0.9	5.1

Industry with the Highest Total Deal/Dispute Value in Austria:

Banking/Financial Services: EUR 14.5 Billion

Bosnia and Herzegovina

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
Kavcic, Rogelj & Bracun; Wolf Theiss	Wolf Theiss advised Mahle in its acquisition of the Slovenian car parts manufacturer Letrika, conducted as part of Slovenia's ongoing privatization process. The consortium of sellers – consisting of the state-owned BAMC, the Slovenian State Holding, Modra zavarovalnica, NLB, Alpen Invest, and Triglav skladi – was represented by Kavcic, Rogelj & Bracun.	4.2
Sajic	Sajic represented Hypo Alpe-Adria-Bank in successfully completed litigation against Trgoprodaja	1.6
Wolf Theiss	Wolf Theiss advised HTG Development Group Inc China on the acquisition of shares in a project company developing the 1st Gas-fired Combined Heat and Power (CHP) Plant in Bosnia and Herzegovina.	N/A
Sajic	Sajic advised Hypo Alpe-Adria-Bank in the process of acquisition of the meat factory Impro Prijedor	2.4

Legal Work by Type

Disputes: 26.6% (CEE: 13.4%)

Transactional: 33.4% (CEE: 36.8%)

Advisory: 60% (CEE: 50.6%)

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	0.0	3.1
Alcohol/Tobacco	0.0	0.5
Aviation/ Transportation/Logistics	0.0	3.5
Banking/Financial Services	29.6	18.0
Energy/Natural Resources/Utilities	22.2	14.1
Life Sciences/ Pharmaceutical	3.7	3.6
Manufacturing/Heavy Industry	14.8	14.6
Real Estate/Construction	3.7	12.0
Retail/FMCG	7.4	8.4
Sports/Tourism/Hotels/ Entertainment	0.0	3.1
TMT	18.5	13.2
Waste Management	0.0	0.7
Other	0.0	5.1

Industry with the Highest Total Deal/Dispute Value in Bosnia and Herzegovina:

Banking/Financial Services: EUR 217.4 Million

Bulgaria

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
CMS	CMS advised Delhaize on the sale of Bulgarian operations.	N/A
Boyanov & Co.	Boyanov & Co. advised Sofica Group AD in relation to acquisition by TeleTech Holdings	N/A
Wolf Theiss	Wolf Theiss advised a syndicate of senior lenders, including UniCredit Bank AG, UniCredit Bulbank AD, UniCredit Bank Austria AG, the EBRD, Raiffeisen Bank International AG, Royal Bank of Canada, Export Development Canada, BNP Paribas, the Canadian Imperial Bank of Commerce, and Raiffeisenbank/Bulgaria/EAD, with regard to the structuring and restructuring of a USD 275 million credit facility extended to a leading mining and exploration company operating in Bulgaria.	230.3
Boyanov & Co.	Boyanov & Co. advised Citigroup Global Markets Limited as underwriter of new notes issued by Glasstank, a Dutch SPC of the Yioula Group.	185
Kambourov & Partners	Kambourov & Partners advised WITTE Automotive Bulgaria, a subsidiary of Germany's WITTE Automotive, on the opening of its new auto part manufacturing plant in the city of Ruse, in Bulgaria.	532
CMS	CMS advised Quinn Group on the sale of the Hilton in Sofia and on a multi-stage acquisition of the Hilton Hotel in Sofia. Algonquin SA acquired the Sheraton Hotel in Krakow while a consortium of Bulgarian investors acquired the Hilton Hotel in Sofia.	N/A

Highest Reported Value Deal/Dispute in Bulgaria:

Freshfields; Tsvetkova Bebov & Partners	Freshfields Bruckhaus Deringer advised Citigroup, HSBC, and J.P. Morgan in relation to the issue by the Republic of Bulgaria of 2.95% Notes due 2024.	1,493

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	0.0	3.1
Alcohol/Tobacco	0.0	0.5
Aviation/Transportation/Logistics	0.0	3.5
Banking/Financial Services	18.7	18.0
Energy/Natural Resources/Utilities	22.1	14.1
Life Sciences/Pharmaceutical	0.0	3.6
Manufacturing/Heavy Industry	7.5	14.6
Real Estate/Construction	12.5	12.0
Retail/FMCG	12.5	8.4
Sports/Tourism/Hotels/Entertainment	2.5	3.1
TMT	17.5	13.2
Waste Management	0.0	0.7
Other	7.5	5.1

Industry with the Highest Number Deals/Disputes in Bulgaria:

Energy: 37 deals

Croatia

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
Allen & Overy	Allen & Overy advised OTP Bank on the purchase by Croatian subsidiary OTP Banka Hrvatska of 98.4% of Italy-based Banco Popolare's branches in Croatia.	14
Cleary Gottlieb; Squire Sanders (now Squire Patton Boggs)	Squire Sanders and Cleary Gottlieb successfully obtained an affirmation of the summary judgment against a Serbian entity in US Court of Appeals on behalf of Republics of Croatia and Slovenia	N/A
Wolf Theiss	Wolf Theiss advised the Government of the Republic of Croatia in connection with the privatization of Croatia Osiguranje, a state-owned insurance company.	250
Divjak, Topic & Bahtijarevic	Divjak, Topic & Bahtijarevic advised the Croatian state-owned provider of postal services, Croatian Post, on its bond issuance on October 10, 2014.	52
Mamic, Peric, Reberski Rimac	Zagreb-based Mamic, Peric, Reberski Rimac advised the EBRD on a loan to SG Leasing, a Croatian subsidiary of Societe Generale Splitska Banka, to expand lease financing for equipment, light commercial vehicles, trucks, and trailers.	20

Highest Reported Value Deal/Dispute in Croatia:

Clifford Chance; Jadek & Pensa; Karanovic & Nikolic; Kavcic, Rogl, Bracun; Rojs, Peljhan, Prelesnik & partners; Schoenherr; Slaughter and May	Rojs, Peljhan, Prelesnik & partners acted for Agrokor in the company's acquisition of the Mercator Group, while Kavcic, Rogl, Bracun represented the sellers, which included several Slovenian banks. Karanovic & Nikolic assisted Croatia's Agrokor in successful applications for merger clearance in relation to its combination with Slovenia's Mercator.	240

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	2.9	3.1
Alcohol/Tobacco	0.0	0.5
Aviation/Transportation/Logistics	0.0	3.5
Banking/Financial Services	29.4	18.0
Energy/Natural Resources/Utilities	5.9	14.1
Life Sciences/Pharmaceutical	8.8	3.6
Manufacturing/Heavy Industry	20.6	14.6
Real Estate/Construction	2.9	12.0
Retail/FMCG	11.8	8.4
Sports/Tourism/Hotels/Entertainment	5.9	3.1
TMT	5.9	13.2
Waste Management	0.0	0.7
Other	5.9	5.1

Busiest Practice Areas in Croatia:

Practice Area	% of work
Corporate/Commercial/M&A	34.2
Banking/Finance	14.9
Labor Law	11.6

Czech Republic

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
White & Case	White & Case represented Societe Generale as co-ordinating mandated lead arranger and then Citibank Europe plc, Credit Agricole Corporate and Investment Bank, ceskoslovenska obchodni banka, a.s., Deutsche Bank AG, London Branch, ING Bank N.V., The Royal Bank of Scotland plc, and UniCredit Bank Austria AG as further mandated lead arrangers in the financing of the acquisition by PPF Group of Telefonica Czech Republic.	2,300
White & Case	White & Case represented New World Resources Plc in the sale of OKK Koksovny (a wholly-owned subsidiary of NWR NV), to the METALIMEX group.	95
Clifford Chance; White & Case	White & Case advised Falcon Group and Clifford Chance advised Deutsche Telekom on the conclusion ofa binding agreement for sale of Falcon Group's stake in T-Mobile Czech Republic to Deutsche Telekom	828
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.	240.5
Allen & Overy	Allen & Overy advised Barclays Bank PLC, BNP Paribas, and Raiffeisen Bank International as joint arrangers and lead managers on Raffeisenbank's issuance of covered bonds – the first public international Czech covered bond issuance.	500

Highest Reported Value Deal/Dispute in the Czech Republic:

Firm	Deal	Value (Million EUR)
Allen & Overy	Allen & Overy advised a club of banks led by CSOB on the CZK 4.1 billion financing of acquisition of German E.ON's stake in the city's gas distributor Prazska plynarenska by Prazska plynarenska Holding.	3,400

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	1.5	3.1
Alcohol/Tobacco	0.7	0.5
Aviation/ Transportation/Logistics	1.5	3.5
Banking/Financial Services	10.9	18.0
Energy/Natural Resources/Utilities	12.4	14.1
Life Sciences/ Pharmaceutical	4.4	3.6
Manufacturing/Heavy Industry	23.4	14.6
Real Estate/Construction	20.4	12.0
Retail/FMCG	10.9	8.4
Sports/Tourism/Hotels/ Entertainment	3.6	3.1
TMT	8.0	13.2
Waste Management	0.0	0.7
Other	2.2	5.1

Industry with the Highest Total Deal/Dispute Value in the Czech Republic:

Manufacturing/Heavy Industry: EUR 12.73 Billion

Estonia

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
Lawin; Lextal	Lawin successfully represented the Government of the Estonian Republic in a dispute against 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
Varul	Varul represented the Estonian branch of Nordea Bank Finland Plc in constitutional review proceedings in the Supreme Court concerning legal issues related to permanent establishment and income taxation matters between the branch and the parent company.	7.6
Eversheds; Sorainen	Sorainen advised Eesti Energia on its agreement to sell Eesti Energia Vorguehitus to Leonhard Weiss Baltic Holding, which was advised by Eversheds.	7
Sorainen	Sorainen advised Vicus Capital Advisors in the sale of a newly developed single tenant shopping center in Tartu.	75
Allen & Overy; Lawin	Lawin acted as joint counsel for Viru Keemia Grupp (VKG) in the entrance of the EBRD into VKG's existing syndicated financing arrangements. Allen & Overy's London office assisted Lawin on English law aspects of the transaction.	N/A

Highest Reported Value Deal/Dispute in Estonia

Firm	Deal	Value (Million EUR)
Gorrissen Federspiel; Lawin; Linklaters; PWC Legal (Advokaadiburoo PricewaterhouseCoopers Legal OU); Slaughter and May; Soltysinski Kawecki & Szlezak; Sorainen	Lawin, Sorainen, Linklaters, Soltysinski Kawecki & Szlezak, Slaughter and May, and Gorrissen Federspiel advised on sale of RSA Insurance Group companies in the Baltics and Poland to the Polish Powszechny Zaklad Ubezpieczen insurance company. The LDD exercise was led by PwC Legal in Estonia.	360

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	2.8	3.1
Alcohol/Tobacco	0.0	0.5
Aviation/ Transportation/Logistics	4.2	3.5
Banking/Financial Services	13.9	18.0
Energy/Natural Resources/Utilities	5.6	14.1
Life Sciences/ Pharmaceutical	1.4	3.6
Manufacturing/Heavy Industry	9.7	14.6
Real Estate/Construction	12.5	12.0
Retail/FMCG	8.3	8.4
Sports/Tourism/Hotels/ Entertainment	5.6	3.1
TMT	18.1	13.2
Waste Management	1.4	0.7
Other	16.7	5.1

Industry with the Highest Total Deal/Dispute Value in Estonia:

Banking/Financial Services: EUR 782.6 Million

Greece

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
Ardent & Medernach; Baker & McKenzie; Bonelli Erede Pappalardo; Karatzas and Partners; Reed Smith; Sidley Austin; Papapolitis & Papapolitis; Van Doome; White & Case	Baker & McKenzie, Bonelli Erede Pappalardo, Karatzas and Partners, and Reed Smith advised Invel Real Estate on its acquisition of a 66% stake in NBG Pangaea Real Estate Investment Company (advised by Sidley Austin) from the National Bank of Greece. The Reed Smith team also supported in negotiating the terms of a EUR 125 million investment by York Capital Management Europe Advisors (advised by Ardent & Medernach, Papapolitis & Papapolitis, Van Doome, and White & Case)	653
Karatzas and Partners; Linklaters Norton Rose Fulbright	Norton Rose Fulbright acted for the lenders, including 26 banks and the European Investment Bank, on the re-structuring of the Elefsina-Korinthos-Patras-Pyrgos-Tsakona motorway. Linklaters advised Olympia Odos, the project company, and Karatzas and Partners advised on the Greek legal aspects of the restructuring.	1,800
Watson, Farley & Williams	Watson, Farley & Williams advised HSH Nordbank on transfer of 10 distressed vessels to the Navios Group.	254.5
Clifford Chance; Moratis Passas	Clifford Chance advised Citi on the sale of its consumer banking business in Greece, including the Diners Club of Greece credit card operations, to Alpha Bank.	1,800
Kambourov & Partners	Kambourov & Partners advised WITTE Automotive Bulgaria, a subsidiary of Germany's WITTE Automotive, on the opening of its new auto part manufacturing plant in the city of Ruse, in Bulgaria.	532

Highest Reported Value Deal/Dispute in Greece:

Linklaters	Linklaters advised HSBC Bank plc as arranger on the EUR 30 billion Euro Medium Term Note Programme 2014 Update issued by Alpha Credit Bank plc.	30,000.00

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	0.0	3.1
Alcohol/Tobacco	0.2	0.5
Aviation/Transportation/Logistics	0.1	3.5
Banking/Financial Services	7.3	18.0
Energy/Natural Resources/Utilities	7.7	14.1
Life Sciences/Pharmaceutical	0.0	3.6
Manufacturing/Heavy Industry	2.7	14.6
Real Estate/Construction	4.5	12.0
Retail/FMCG	4.5	8.4
Sports/Tourism/Hotels/Entertainment	0.9	3.1
TMT	6.4	13.2
Waste Management	0.0	0.7
Other	2.7	5.1

Industry with the Highest Total Deal/Dispute Value in Greece:

Banking/Financial Services
40.5 Billion

Hungary

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
White & Case	White & Case represented Credit Agricole Corporate and Investment Bank in the provision of facilities to a number of Czech and Hungarian companies which are members of the CBRE group for the purpose of refinancing their existing indebtedness.	79
Gide Loyrette Nouel	Gide Loyrette Nouel advised LEGO on the construction of a Hungarian plant.	354
Wolf Theiss	Wolf Theiss advised GdF Suez on the sale of the Dunamenti Power Plant in Hungary to MET AG (Switzerland).	N/A
Lakatos, Koves & Partners	Lakatos, Koves & Partnes advised BayernLB on its sell of MKB, to the Hungarian Government.	55
DLA Piper; Grama Schwaighofer Vondrak; Freshfields; Oppenheim	DLA Piper and Grama Schwaighofer Vondrak advised Vienna Capital Partners on its acquisition of a major part of the Hungarian operations of Ringier AG and Axel Springer SE, which were represented by Freshfields from Vienna and Oppenheim from Budapest.	N/A
Allen & Overy; White & Case	White & Case advised a large group of lenders, including ING Bank NV, Credit Agricole Corporate and Investment Bank, and other mandated lead arrangers, and Bank of America Merrill Lynch as Facility Agent, on a new revolving credit facility provided to MOL Group. Lawyers from Allen & Overy advised the MOL Group.	1,300

Highest Reported Value Deal/Dispute in Hungary:

Kinstellar; Linklaters	Linklaters and Kinstellar advised existing and incoming senior lenders on the structuring and refinancing of debt facilities for the Budapest Airport.	1,400

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	0.0	3.1
Alcohol/Tobacco	0.0	0.5
Aviation/Transportation/Logistics	4.2	3.5
Banking/Financial Services	11.1	18.0
Energy/Natural Resources/Utilities	8.3	14.1
Life Sciences/Pharmaceutical	4.2	3.6
Manufacturing/Heavy Industry	16.7	14.6
Real Estate/Construction	19.4	12.0
Retail/FMCG	6.9	8.4
Sports/Tourism/Hotels/Entertainment	2.8	3.1
TMT	18.1	13.2
Waste Management	1.4	0.7
Other	6.9	5.1

Industry with the Highest Total Deal/Dispute Value in Hungary:

Energy:
EUR 1.78 Billion

Latvia

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
Borenius	Borenius advised Grigory Guselnikov, the owner and leading partner of London-based investment fund G2 Capital Partners, in acquisition of 50%+1 share of Norvik Bank.	2,300
BLS Kronbergs & Cukste; Lawin; Sorainen; Spilbridge	Spilbridge Spilbridge, Lawin, Sorainen, and BLS Kronbergs & Cukste argued in Latvian court on the validity of a freezing injunction and receivership order by the English High Court.	N/A
Fort; Lawin	Lawin's Riga office advised the international digital media company IAC on the acquisition of the popular social networking website Ask.fm, which was represented by Fort.	N/A
Baker & McKenzie; Lawin; Tark Grunte Sutkiene; White & Case	White & Case and Lawin advised ABB on the sale of its Full Service business unit to Nordic Capital Fund VIII, which was represented by Baker & McKenzie and Tark Grunte Sutkiene.	N/A
Freshfields Bruckhaus Deringer; Tark Grunte Sutkiene	Tark Grunte Sutkiene and Freshfields Bruckhaus Deringer, working together, successfully represented the Financial and Capital Market Commission of the Republic of Latvia against a claim brought in the International Arbitration Court.	21.8

Highest Reported Value Deal/Dispute in Latvia

Gorrissen Federspiel; Lawin; Linklaters; PWC Legal (Advokaadiburoo PricewaterhouseCoopers Legal OU); Slaughter and May; Soltysinski Kawecki & Szlezak; Sorainen	Lawin, Sorainen, Linklaters, Soltysinski Kawecki & Szlezak, Slaughter and May, and Gorrissen Federspiel advised on sale of RSA Insurance Group companies in the Baltics and Poland to the Polish Powszechny Zaklad Ubezpieczen insurance company. The exhaustive LDD exercise was led by PwC Legal in Estonia.	360

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	3.8	3.1
Alcohol/Tobacco	0.0	0.5
Aviation/Transportation/Logistics	11.5	3.5
Banking/Financial Services	26.9	18.0
Energy/Natural Resources/Utilities	1.9	14.1
Life Sciences/Pharmaceutical	0.0	3.6
Manufacturing/Heavy Industry	9.6	14.6
Real Estate/Construction	9.6	12.0
Retail/FMCG	11.5	8.4
Sports/Tourism/Hotels/Entertainment	3.8	3.1
TMT	15.4	13.2
Waste Management	0.0	0.7
Other	5.8	5.1

Legal Work by Type in Latvia

Disputes: 16.9% (CEE: 13.4%)

Transactional: 47.1% (CEE: 36.8%)

Advisory: 35.8% (CEE: 50.6%)

Lithuania

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
Gorrissen Federspiel; Lawin; Linklaters; PWC Legal (Advokaadiburoo PricewaterhouseCoopers Legal OU); Slaughter and May; Soltysinski Kawecki & Szlezak; Sorainen	Lawin, Sorainen, Linklaters, Soltysinski Kawecki & Szlezak, Slaughter and May, and Gorrissen Federspiel advised on sale of RSA Insurance Group companies in the Baltics and Poland to the Polish Powszechny Zaklad Ubezpieczen insurance company. The exhaustive LDD exercise was led by PwC Legal in Estonia.	360
Glimstedtt; Raidla & Norcous; Sorainen	Raidla & Norcous advised UAB ePSO-G on the acquisition of 38.9% of shares in AB Amber Grid from E.ON Ruhrgas International GmbH and also coordinated the continuing process of the further acquisition made by ePSO-G of 37.1% shares in Amber Grid from Gazprom and minority shareholders. Sorainen advised Amber Grid and Glimstedtt advised E.ON.	49.8
Sorainen	Sorainen advised Amber Grid on state-owned holding company EPSO-G's mandatory takeover offer.	59
Sorainen	Sorainen advised the Norwegian companies Woodfarm and Woodham on the disposal of their 27% shareholding in Libros holdingas.	N/A
Lawin	Lawin advised the DNB asset management company on its takeover of the second pillar pension fund management in Lithuania from ERGO Life Insurance.	N/A

Highest Reported Value Deal/Dispute in Lithuania

Lawin; Sorainen	Lawin and Sorainen assisted the Lithuanian Ministry of Finance in borrowing EUR 1 billion in the international capital markets for a 12-year period at 2.125% — the lowest coupon in the country's history.	1,000

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	3.0	3.1
Alcohol/Tobacco	0.0	0.5
Aviation/Transportation/Logistics	7.5	3.5
Banking/Financial Services	16.4	18.0
Energy/Natural Resources/Utilities	7.5	14.1
Life Sciences/Pharmaceutical	1.5	3.6
Manufacturing/Heavy Industry	7.5	14.6
Real Estate/Construction	7.5	12.0
Retail/FMCG	10.4	8.4
Sports/Tourism/Hotels/Entertainment	4.5	3.1
TMT	20.9	13.2
Waste Management	4.5	0.7
Other	9.0	5.1

Legal Work by Type in Lithuania

Disputes: 10.4% (CEE: 13.4%)

Transactional: 62.6% (CEE: 36.8%)

Advisory: 26.8% (CEE: 50.6%)

Poland

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
Eversheds	Wierzbowski Eversheds advised Siemens on the procurement process of ERTMS/ETCS systems for railway Kunowice – Warszawa by PKP Polskie Linie Kolejowe	17.5
CMS; White & Case	White & Case advised P4 on inaugural, dual-tranche high yield bond issue and entry into a new super senior revolving credit facility. CMS advised Alior Bank and Bank Zachodni on the PLN 400 million super senior multicurrency revolving credit facility for the P4. The credit facility was provided alongside a EUR 870 million three-tranche high yield bond issue.	962.9
Linklaters; Weil, Gotshal & Manges	Linklaters advised Alinda Capital Partners on the acquisition of 100% of Emitel from Montagu Private Equity, advised by Weil, Gotshal & Manges.	N/A
CMS; Weil, Gotshal and Manages	CMS advised PZU on issuing of guarantees in connection with an execution of a contract between the Rafako Mostostal consortium and the Tauron Group. Weil, Gotshal and Manages also acted as a representative of all guarantors.	1,100
Gide Loyrette Nouel; Greenberg Traurig	Greenberg Traurig and Gide Loyrette Nouel advised on an unsecured revolving credit facility for KGHM Polska Miedz.	2,100

Highest Reported Value Deal/Dispute in Poland

Linklaters	Linklaters acted as the adviser to the Polish State Treasury as the selling shareholder in a transaction consisting of the public offering of secondary shares in Energa SA, which is owned by the Polish State Treasury. The transaction constituted first phase of privatisation of Energa SA.	3,100

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	3.1	3.1
Alcohol/Tobacco	0.5	0.5
Aviation/ Transportation/Logistics	3.1	3.5
Banking/Financial Services	17.9	18.0
Energy/Natural Resources/Utilities	14.4	14.1
Life Sciences/ Pharmaceutical	2.6	3.6
Manufacturing/Heavy Industry	15.9	14.6
Real Estate/Construction	14.9	12.0
Retail/FMCG	6.7	8.4
Sports/Tourism/Hotels/ Entertainment	2.1	3.1
TMT	13.3	13.2
Waste Management	0.5	0.7
Other	5.1	5.1

Busiest Practice Areas in Poland

Practice Area	% of work
Corporate/Commercial/M&A	60.1
Banking/Finance	21
Private Equity	20.8

Romania

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
Clifford Chance; Popovici Nitu & Asociatii; Voicu & Filipescu	Hidroconstrucia received a EUR 60 million credit from a bank consortium consisting of BRD-Groupe Societe Generale and Allianz-Tiriac Insurance.	60
Allen & Overy	RTPR Allen & Overy advised the EBRD, Erste Group Bank, Banca Comerciala Romana and Eksport Kredit Fonden in connection with a project financing extended to Crucea Wind Farm.	125
Allen & Overy; Popovici Nitu & Asociatii	Allen & Overy advised Ceska sporitelna and Ceskoslovenska obchodni banka as the main creditors (in collaboration with Banca Comerciala Romana) on a financing of Azomures. Popovici Nitu & Asociatii advised Azomures.	66
CMS; Dentons	Dentons advised the AFI Europe Group on a financing agreement with a consortium of banks – represented by CMS – for the refinancing of the AFI Palace Cotroceni.	220
Clifford Chance; Schoenherr; Tuca Zbarcea & Asociatii	Schoenherr represented Volksbank Romania in its sale of a portfolio of non-performing loans to a consortium of foreign investors. Tuca Zbarcea & Asociatii and Badea Clifford Chance advised the buyers.	495
David si Baias; Tuca Zbarcea & Asociatii	Tuca Zbarcea & Asociatii advised UniCredit Tiriac Bank on its acquisition of the corporate business of RBS Romania, the Romania branch of The Royal Bank of Scotland. David si Biaias assisted the RBS Bank with the liquidation of the Romanian subsidiaries.	575

Highest Reported Value Deal/Dispute in Romania

Linklaters	Linklaters advised the Romanian Ministry of Public Finance as issuer on its EUR 1.25 billion Series 2014-3. 3.625% Notes due 2024.	1,250

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	4.2	3.1
Alcohol/Tobacco	0.0	0.5
Aviation/ Transportation/Logistics	2.5	3.5
Banking/Financial Services	12.6	18.0
Energy/Natural Resources/Utilities	24.4	14.1
Life Sciences/ Pharmaceutical	0.8	3.6
Manufacturing/Heavy Industry	10.9	14.6
Real Estate/Construction	14.3	12.0
Retail/FMCG	9.2	8.4
Sports/Tourism/Hotels/ Entertainment	4.2	3.1
TMT	13.4	13.2
Waste Management	1.7	0.7
Other	1.7	5.1

Legal Work by Type in Romania

Disputes:
11.2%
(CEE: 13.4%)

Transactional:
45.6%
(CEE: 36.8%)

Advisory:
43.2%
(CEE: 50.6%)

Russia

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
Baker & McKenzie; Herrington & Sutcliffe; Orrick	Baker & McKenzie advised a Novatek and Gazprom joint venture on the acquisition of a 60 percent stake in Artic Russia from the Italian Eni oil and gas company.	2,500
Morgan Lewis	Morgan Lewis advised Russian VTB Bank on cash tender offer closings. The tender offer involved USD 750 million Loan Participation Notes due February 2018s USD 2 billion Loan Participation Notes due May 2018 and USD 1 billion Loan Participation Notes due October 2020.	3,100
Squire Sanders (now Squire Patton Boggs)	Squire Sanders advised shareholder of Lenta on sale of shares as part of Lenta's IPO and GDR listing on the Main Market of the London Stock Exchange and the Moscow Exchange	3,600
Linklaters	Linklaters advised Rostelecom on its joint venture with Tele2 Russia. The JV will combine the entire Tele2 Russia group and the mobile assets of Rostelecom.	5,700
Linklaters; White & Case	White & Case advised EuroChem on a project financing from a syndicate of international and Russian banks in connection with its Usolskiy potash project. The lenders, including Societe Generale, Sberbank, HSBC, Credit Agricole CIB, Unicredit Bank, Rosbank, Banque Societe Generale, and ING Bank, were advised by Linklaters.	3,140

Highest Reported Value Deal/Dispute in Russia

Firm	Deal	Value (Million EUR)
Baker Botts; Cleary Gottlieb Steen & Hamilton; Shearman & Sterling	Shearman & Sterling obtained what it called a "historic arbitral award" from the Arbitral Tribunal in the Hague for the former shareholders of the Yukos Oil Company against the Russian Federation regarding the Federation's breach of obligations under the Energy Charter Treaty. Cleary Gottlieb Steen & Hamilton and Baker Botts represented the Russian Federation.	50,000

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	1.5	3.1
Alcohol/Tobacco	0.0	0.5
Aviation/Transportation/Logistics	3.1	3.5
Banking/Financial Services	26.2	18.0
Energy/Natural Resources/Utilities	17.7	14.1
Life Sciences/Pharmaceutical	2.3	3.6
Manufacturing/Heavy Industry	22.3	14.6
Real Estate/Construction	4.6	12.0
Retail/FMCG	6.9	8.4
Sports/Tourism/Hotels/Entertainment	2.3	3.1
TMT	9.2	13.2
Waste Management	0.0	0.7
Other	3.8	5.1

Industry with the Highest Total Deal/Dispute Value in Russia:

Energy:
EUR 59.4 Billion

Serbia

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
Drakopoulos	Drakopoulos advised US developer Cleanearth Capital in relation to the financing of a mixed-use project in the city of Nis.	165
Wolf Theiss (Law Office Miroslav Stojanovic in cooperation with Wolf Theiss)	Law Office Miroslav Stojanovic in cooperation with Wolf Theiss advised the Swiss Emil Frey Group on the acquisition from Germany's Daimler AG of the entire assets and operations of Mercedes-Benz Srbija i Crna Gora.	N/A
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
CMS; Karanovic & Nikolic;	Karanovic & Nikolic advised Mid Europa Partners on the sale of SBB/Telemach Group to Kohlberg Kravis Roberts & Co. The Buyer was advised by CMS Reich-Rohrwig Hainz.	1,000
CMS	CMS Reich-Rohrwig Hainz advised Heta Asset Resolution AG (Heta) on all legal, regulatory and tax aspects across Croatia, Serbia, Slovenia, and Montenegro on the Heta and Hypo Group Alpe Adria sale of a portfolio of non-performing loans in the amount of EUR 168 million to B2Holding.	168
BDK Advocati	BDK Advokati/Attorneys at Law advised the EBRD on a secured loan to the Serbian soft drinks producer Nectar.	23

Highest Reported Value Deal/Dispute in Serbia

Firm	Deal	Value (Million EUR)
CMS	CMS Serbia advised South Stream on its agreements with Gazprom subsidiary Centrgaz regarding the construction of the section of the South Stream natural gas pipeline that will pass through Serbian territory.	2,100

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	0.0	3.1
Alcohol/Tobacco	3.1	0.5
Aviation/Transportation/Logistics	0.0	3.5
Banking/Financial Services	12.5	18.0
Energy/Natural Resources/Utilities	9.4	14.1
Life Sciences/Pharmaceutical	9.4	3.6
Manufacturing/Heavy Industry	12.5	14.6
Real Estate/Construction	15.6	12.0
Retail/FMCG	9.4	8.4
Sports/Tourism/Hotels/Entertainment	6.3	3.1
TMT	15.6	13.2
Waste Management	0.0	0.7
Other	6.3	5.1

Busiest Practice Areas in Serbia

Practice Area	% of work
Corporate/Commercial/M&A	32.2
Litigation	19.35
Competition	16.1

Slovakia

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
Allen & Overy	Allen & Overy advised GlaxoSmithKline on the acquisition of the entire business of de Miclen, a leading contract manufacturer of toothpaste and cosmetics in Slovakia.	N/A
Allen & Overy; BMH Brautigam; Cechova & Partners	Allen & Overy advised the shareholders of Moneta S on the sale of its flexible packaging business to Schur Flexibles	N/A
Cechova & Partners; Snell & Wilmer; S. Horowitz & Co.	Cechova & Partners, Snell & Wilmer, and S. Horowitz & Co. advised AFS Technologies on its acquisition of 100% of Visicom.	N/A
Allen & Overy; CMS	CMS 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
Squire Sanders (now Squire Patton Boggs)	Squire Sanders announced that it won a significant international arbitration for the Slovak Republic against the Dutch company Achmea.	N/A
Wolf Theiss	Wolf Theiss has acted as a Slovak counsel for the Facility Agent Credit Agricole Corporate and Investment Bank and the original lenders on all relevant aspects of Slovak law pertaining to the refinancing and all matters relating to the securities.	1,200

Highest Reported Value Deal/Dispute in Slovakia

White & Case	White & Case represented the Slovak Republic, acting through the Ministry of Economy, in connection with acquisition of 49% of shares in Slovensky plynarensky priemysel a.s.	2,500

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	0.0	3.1
Alcohol/Tobacco	1.9	0.5
Aviation/Transportation/Logistics	1.9	3.5
Banking/Financial Services	5.8	18.0
Energy/Natural Resources/Utilities	11.5	14.1
Life Sciences/Pharmaceutical	7.7	3.6
Manufacturing/Heavy Industry	28.8	14.6
Real Estate/Construction	9.6	12.0
Retail/FMCG	13.5	8.4
Sports/Tourism/Hotels/Entertainment	5.8	3.1
TMT	11.5	13.2
Waste Management	0.0	0.7
Other	1.9	5.1

Busiest Practice Areas in Slovakia

Practice Area	% of work
Corporate/Commercial/M&A	57.6
Banking/Finance	21.1
Real Estate	9.5

Slovenia

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
Linklaters	Linklaters advised the Ministry of Finance of the Republic of Slovenia on its EUR 2 billion issue of 1.75% Notes due 2017 and 3.00% Notes due 2021.	2,000
Schoenherr; Wolf Theiss	Schoenherr advised Slovenian creditor financial institutions in the debt restructuring of the Lasko Group, which was represented by Wolf Theiss	330
Wolf Theiss	Wolf Theiss advised the Slovenian Pivovarna Lasko brewery on debt restructuring.	300
Linklaters	Linklaters advised the Republic of Slovenia on its USD 3.5 billion issue of 4.750% Notes due 2018 and 5.850% Notes due 2023.	2,900
Clifford Chance; Jadek & Pensa; Houlihan Lokey; Lazard; Schoenherr	Schoenherr, Clifford Chance, and Jadek & Pensa advised on the successful restructuring and refinancing of Slovenia's Mercator Group.	1,000
Wolf Theiss	Wolf Theiss advised J.P. Morgan Securities on the issuance of bonds by Petrol, d.d, Ljubljana, the leading Slovenian energy company.	265
Clifford Chance; Jadek & Pensa; Karanovic & Nikolic; Kavcic, Rogl, Bracun; Rojs, Peljhan, Prelesnik & partners; Schoenherr; Slaughter and May	Rojs, Peljhan, Prelesnik & partners acted for Agrokor in the company's acquisition of the Mercator Group, while Kavcic, Rogl, Bracun represented the sellers, which included several Slovenian banks.	240

Highest Reported Value Deal/Dispute in Slovenia

Linklaters	4.125% Notes due 2019 and 5.250% Notes due 2024 were issued by the Ministry of Finance of the Republic of Slovenia, which was advised by Linklaters.	3,500

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	3.1	3.1
Alcohol/Tobacco	9.4	0.5
Aviation/Transportation/Logistics	3.1	3.5
Banking/Financial Services	21.9	18.0
Energy/Natural Resources/Utilities	6.3	14.1
Life Sciences/Pharmaceutical	3.1	3.6
Manufacturing/Heavy Industry	15.6	14.6
Real Estate/Construction	3.1	12.0
Retail/FMCG	15.6	8.4
Sports/Tourism/Hotels/Entertainment	0.0	3.1
TMT	9.4	13.2
Waste Management	0.0	0.7
Other	9.4	5.1

Legal Work by Type in Slovenia

Disputes: 12.5% (CEE: 13.4%)

Transactional: 37.5% (CEE: 36.8%)

Advisory: 46.8% (CEE: 50.6%)

Turkey

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
ELIG	ELIG represented Eren Enerji Elektrik uretim A.S. on a facility agreement with Turkiye Garanti Bankasi A.S. and Turkiye Is Bankasi A.S., concerning the financing of two 1,390 MW coal-fired thermal power plants.	674.60
Moroglu Arseven; Turunc	Turunc acted as counsel to the private equity firm Royalton Partners in its acquisition of On Iki Levha, a Turkish publishing house. Moroglu Arseven advised the sellers.	N/A
Edwards Wildman	Edwards Wildman advised the Turkish Privatization Administration on privatization of Salipazari Port.	588.1
Dentons (Balcioglu Selcuk Akman Keki Avukatlik Ortakligi)	Balcioglu Selcuk Akman Keki Avukatlik Ortakligi advised D-Smart on challenging an agreement between Digiturk and the Turkish Football Federation before the Turkish Competition Authority.	671.6
DLA Piper (YukselKarkinKucuk)	DLA Piper completed the financing for the USD 4 billion Third Bosphorus Bridge Project, acting for the sponsors, IC Holding, and the Astaldi Group.	3,350
Linklaters	Linklaters advised Turk Telekomunikasyon on the issuance of USD 500 million 3.750% Notes due 2019 and USD 500 million 4.875% Notes due 2024.	833
White & Case	White & Case secured victory for Cukurova Holding ins a seven-year dispute with Russia's Alfa Group, with Cukurova regaining its controlling interest in Turkcell.	1,300

Highest Reported Value Deal/Dispute in Turkey

Allen & Overy; Paksoy; Vinson & Elkins; DLA Piper (YukselKarkinKucuk)	Vinson & Elkins, Allen & Overy, Paksoy, and Yuksel Karkin Kucuk advised STAR Rafineri on the development and financing of a greenfield oil refinery on the Aegean Sea.	4,690

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	1.8	3.1
Alcohol/Tobacco	0.0	0.5
Aviation/Transportation/Logistics	5.4	3.5
Banking/Financial Services	22.3	18.0
Energy/Natural Resources/Utilities	17.0	14.1
Life Sciences/Pharmaceutical	2.7	3.6
Manufacturing/Heavy Industry	17.9	14.6
Real Estate/Construction	2.7	12.0
Retail/FMCG	8.0	8.4
Sports/Tourism/Hotels/Entertainment	1.8	3.1
TMT	17.9	13.2
Waste Management	0.0	0.7
Other	2.7	5.1

Busiest Practice Areas in Turkey:

Practice Area	% of work
Banking/Finance	37.5
Corporate/Commercial/M&A	32.1
Competition	12.5

Ukraine

Highlighted Deals (Editor's Pick - Chronological Order)

Firm	Deal	Value (Million EUR)
Wolf Theiss	Wolf Theiss advised MND Drilling & Services, the largest drilling contractor in the Czech Republic, on its Ukrainian market entry.	N/A
Sayenko Kharenko	Sayenko Kharenko counseled Russian JSC VTB Bank on an export loan facility to the National Nuclear Energy Generating Company of Ukraine	33.5
Baker & McKenzie; Chadbourne & Parke	Chadbourne & Parke represented the Bank of Cyprus Public Company on the sale of its Ukrainian subsidiary, PJSC Bank of Cyprus, and associated debt, to the Alfa Group, which was represented by Baker & McKenzie.	202.5
Vasil Kisin & Partners	Vasil Kisil & Partners acted as sole legal advisor to the European Commission on its granting of macro-financial assistance to Ukraine.	610
Cleary Gottlieb Steen Hamilton; CMS; Grischenko & Partners; King & Spalding	Grischenko & Partners announced that it and King & Spalding represented Ukraine in a UNCITRAL arbitration against Tatneft, represented by Cleary Gottlieb Steen Hamilton.	93.8
Avellum Partners	Avellum Partners acted as legal counsel to ING Bank in connection with a sunflower oil pre-export loan facility to Myronivsky Hliboproduct Group.	83.8
Baker & McKenzie	Baker & McKenzie acted as Ukrainian legal counsel to Siemens Ukraine on matters relating to forming the joint venture of Siemens and Mitsubishi Heavy Industries.	N/A

Highest Reported Value Deal/Dispute in Ukraine

Sayeknko Kharenko	Sayenko Kharenko counseled Deutsche Bank, Raiffeisen Centrobank, and UBS on the capital increase of Raiffeisen Bank International	2,800

Legal Work by Industry

Industry	Country %	CEE Average %
Agribusiness	18.0	3.1
Alcohol/Tobacco	1.5	0.5
Aviation/Transportation/Logistics	6.8	3.5
Banking/Financial Services	16.5	18.0
Energy/Natural Resources/Utilities	9.8	14.1
Life Sciences/Pharmaceutical	6.0	3.6
Manufacturing/Heavy Industry	11.3	14.6
Real Estate/Construction	6.8	12.0
Retail/FMCG	13.5	8.4
Sports/Tourism/Hotels/Entertainment	0.0	3.1
TMT	5.3	13.2
Waste Management	0.0	0.7
Other	4.5	5.1

Legal Work by Type in Ukraine

Disputes:
24%
(CEE: 13.4%)

Transactional:
18%
(CEE: 36.8%)

Advisory:
58%
(CEE: 50.6%)