



CEE

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LEGAL MATTERS

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

Guest Editorial by Anna Szepletowska of Kochanski & Partners ■ Across the Wire: Deals and Cases ■ On the Move: New Homes and Friends
The Buzz ■ Telekom's Legal Service Evolution: The Squad and The Magic Book ■ Spend It All Before It's Gone: Investment Safe Harbors in CEE
Unstoppable Force Meets Immovable Object: Green Claims in Pharma ■ Activity Overview: Croatia ■ Croatia's Euro-Vision
A Paradigm Shift in Providing Legal Services in Croatia ■ Market Snapshot: Croatia ■ Know Your Lawyer: Nina Radic Kuzik of Savoric & Partners
Activity Overview: Albania ■ The Status of FDI in Albania ■ A Building Spree in Albania ■ Market Snapshot: Albania
Know Your Lawyer: Aigest Milo of Kalo & Associates ■ Experts Review: Life Sciences in CEE



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EDITORIAL: GOOD RIDDANCE!

By Radu Neag

December is as good a time as any to look back at the year and reflect on the challenges and the journey that got us to this point. My first instinct – and I'm sure many would agree – was to file the whole year under the "I'd rather that did not happen" category, wishing for it to end already, only so I could say "And good riddance!"

But then all the cat-poster wisdom came rushing back in and I had to deal with the nagging feeling that 2022 was a complicated beast – not easily filed away. I'll spare you the lessons learned and the personal-demon fights and cut right to the chase: Yes, 2022 was a shit year. And while I'm not a fan of turkey as food (I think the bird is quite awesome), I discovered I had a bunch of stuff to be thankful for.

The elephant in the room – there's a war raging outside, and people are dying. While not many people would say (I hope) they are thankful for that, I discovered I was indeed thankful for the overall reaction that we – as a planet or a species – had to that conflict. There are of course exceptions. But I must say I was quite surprised by the reaction of both neighboring and far-away countries, and the reactions of their people, to the conflict. The world came together in a way that (mostly) exceeded my expectations and we all changed. Somewhere along the way, we discovered the belief that we can feed our energy demand without Russian oil or gas. If only we had done that sooner, Germany. Still – I'll take it.

Related to that – and perhaps more importantly – I'm thankful that Ukraine has remained strong and has continued to grow stronger. I have no potential idea of how it would feel to live through such a conflict and see your loved ones, and your country, obliterated. That is why each and every time we reach out to and connect to our friends in Ukraine, I'm humbled. By their strength. By their perseverance. By their inexplicable (for me) positivity. I would take the whole year and change it if I could – but while I can't, I'll always look back on this time in

awe of the Ukrainian people.

I'm also thankful for much smaller things. Things closer to home. 2022 was not a straightforward journey. But all of us writing and reading this managed to put food on our (and other people's) tables. And that's not nothing.

We even got to enjoy that food with friends and family from time to time. Like at the CEELM 2022 Winter Gala in Belgrade two weeks ago. I'm happy I could make it and appreciated all the participants who joined us. Hope you ladies and gentlemen had fun (I thought it was great) and hoping to see you all again real soon! (spoilers: Istanbul)

I got to watch my son age a year, and grow, and develop a genuinely funny personality. I got to nurture the relationship with my wife through good times (there were some) and bad (more than some). I got to build stuff with my own two hands. And it's still standing.

Finally, I'm thankful for having gotten to spend my first full year on the CEELM team. From January to December, I got to – as David would put it – see how the sausage gets made. Incidentally, that particular phrase is a reference to a surprisingly topical quotation attributed to either Otto von Bismarck or American poet John Godfrey Saxe: "If you like laws and sausages, you should never watch either one being made." Still, I got to see it all get made for a whole year and have lived to tell the tale.

During that process, I also managed to work with, get to know better, and get closer to my colleagues. And they are awesome, one and all. Dajana and Gabriela – we'll miss you a bunch! I know you're going to go places, I hope you'll have fun while doing it. Anna, Zviko, Radu, Bianca, Jason, David, Teona, and Andrija – just: Thank You! ■



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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: press@ceelm.com

GUEST EDITORIAL: WHAT SHOULD WE WISH FOR WOMEN LAWYERS IN 2023?

By Anna Szepletowska, Partner and Marketing & PR Director, Kochanski & Partners



I wish us wider representation in senior positions in the legal profession, equal treatment, access to promotion, full and effective participation, and equal opportunities for leadership. And I wish for none of us to experience diminished opportunities or unfavorable career limitations because of gender. The question is not how to make these wishes come true over the next 12 months, but rather what steps in this direction can be taken in the coming new year,

because – while we are certainly on the right track – we’ve still got a long way to go.

Under the ambitious goals of *Envision 2030*, we must achieve gender parity at the most senior levels by 2030, consistent with *UN Sustainable Development Goal 5* (gender equality). And so, the clock is ticking. In a matter of weeks, we will not only be a year more mature, but we’ll have a year less to achieve this.

Today, the average figure across the CEE market is only 30% female partners but this figure is not reflected in all countries of the region. While Croatia or Romania have already achieved the benchmark ratio promoted by the IBA’s Diversity and Inclusion Council, Poland, with a result of 25%, has a lot of catching up to do (*CEE Legal Matters*, November 2021). A smaller number of female partners in relation to male partners is, however, not only seen in the European market. In comparison, slightly poorer average results were noted by the National Association of Women Lawyers in the *2019 Survey Report on Retention and Promotion of Women in Law Firms*. Among the largest U.S. firms, women remained about 30% of non-equity partners and about 20% of equity partners. The progress of recent years is visible, but women still struggle to access leadership positions and the number of females progressing to partnership is still small. Why? According to the 2021 HRK (an HR consultancy) report *Female Leaders in Law Firms*, four out of five female lawyers at the largest Polish law firms have

encountered the so-called “glass ceiling” resulting from negative appraisals based solely on gender.

Building a stronger presence of women on the market can be facilitated by choosing legal brand management as an alternative legal profession path, allowing women in public-facing roles to shape the perception of women’s roles in the profession. This can be seen by women who – in addition to their professional achievements in law – are engaged in social, charitable and educational, and pro bono causes, support other women, and, often, are also qualified in management, sociology, or social sciences. The experience gained from practicing law is invaluable in managing a law firm, in addition to first-hand experience on the subject matter of being a female lawyer.

These are the reasons why some of us want to work in the legal business, at first as lawyers, and then as managers responsible for the development of law firms. Not only do we want to be responsible for brand growth (in numbers), but to shape the direction of this growth. We want to underline the importance of work culture, diversity, and inclusivity – in a particular organization and the wider legal market. There are crucial decisions to make: which practices to develop, which projects to apply for, whom to hire, and whom to promote internally. The desired direction is about dealing flexibly with female partners at different stages of their professional lives, which mix with personal lives. For this, one needs the right long-term optics, and the ability to view female partnerships as a long-term partnership.

In 2019, I was interviewed on the occasion of my nomination on *The Legal 500 GC Powerlist*. At that time, I wished for the legal profession to be a model of women’s unity and solidarity, and this is still my wish today. This vision is becoming closer thanks to the tireless work of today’s forward-thinking and brightest legal organizations. Thanks to their involvement in social, political, and professional activities, the role and position of women lawyers are growing. My thanks to *CEE Legal Matters* for the invitation to present the Guest Editorial and for making this magazine a space open for statements such as mine. ■

TABLE OF CONTENTS

PRELIMINARY MATTERS

- 3 Editorial: Good Riddance!
- 4 Guest Editorial: What Should We Wish for Women Lawyers in 2023?

ACROSS THE WIRE

- 6 Across The Wire: Deals and Cases
- 15 On The Move: New Homes and Friends

LEGAL MATTERS

- 16 The Buzz
 - 16 Increasing Financing Costs and Investment Pressure in Poland: A Buzz Interview with Christian Schnell of Dentons
 - 17 TMT Leading the M&A Charge for Croatia: A Buzz Interview with Tarja Krehic of Krehic & Partners
 - 18 Doing Well in Bulgaria's Hard Times: A Buzz Interview with Borislav Boyanov of Boyanov & Co
 - 19 North Macedonia Has Its Work Cut Out: A Buzz Interview with Kiril Papazoski of Papazoski and Mishev Law Firm
 - 20 Slovenia's Busy Deals and Disputes Pipeline: A Buzz Interview with Janja Zaplotnik of Jadek & Pensa
 - 21 Romania's Shifting Goalposts: A Buzz Interview with Adriana Gaspar of NNDKP
 - 22 Building Trust in Kosovo: A Buzz Interview with Sokol Elmazaj of Boga & Associates
 - 23 Estonia Experiences a Slowdown but Not a Crisis: A Buzz Interview with Juri Ploom of Pohla & Hallmagi
 - 24 Austria Will Be Alright: A Buzz Interview with Christoph Mager of DLA Piper
 - 26 A (2020) Familiar Vibe in Lithuania: A Buzz Interview with Ruta Armone of Ellex
 - 27 Relearning Military Law in Ukraine: A Buzz Interview with Mikhail Ilyashev of Ilyashev & Partners
- 28 Telekom's Legal Service Evolution: The Squad and The Magic Book
- 30 Spend It All Before It's Gone: Investment Safe Harbors in CEE
- 32 Unstoppable Force Meets Immovable Object: Green Claims in Pharma

MARKET SPOTLIGHT: CROATIA

- 35 Activity Overview: Croatia
- 36 Croatia's Euro-Vision
- 40 A Paradigm Shift in Providing Legal Services in Croatia
- 42 Market Snapshot: Croatia
 - 42 The Croatian Banking Sector – A Bittersweet Symphony
 - 43 Legal Aspects of the Introduction of the Euro in Croatia
 - 45 Parallel Enforcement of EU and Croatian Competition Law After the New EU Vertical Block Exemption Regulation
 - 46 New Chapter for Croatian Platform Workers
 - 47 Data Protection News and Views from Croatia
- 48 Know Your Lawyer: Nina Radic Kuzik of Savoric & Partners

MARKET SPOTLIGHT: ALBANIA

- 51 Activity Overview: Albania
- 52 The Status of FDI in Albania
- 54 A Building Spree in Albania
- 55 Market Snapshot: Albania
 - 55 Renewable Energy in Albania
- 56 Know Your Lawyer: Aigest Milo of Kalo & Associates

EXPERTS REVIEW

- 58 Life Sciences in CEE

ACROSS THE WIRE:

DEALS AND CASES

Date Covered	Firms Involved	Deal/Litigation	Value	Country
21-Oct	Act Legal (WMWP); Karasek Wietrzyk Rechtsanwalte	Karasek Wietrzyk Rechtsanwalte advised the Myneva Group on the acquisition of Mocca Software. Act Legal WMWP advised the sellers on the deal.	N/A	Austria
26-Oct	Herbst Kinsky	Herbst Kinsky advised the Uniqa Insurance Group on a syndicate agreement with Raiffeisen Holding Lower Austria-Vienna, Haselsteiner Privatstiftung, and Hans-Peter and Klemens Haselsteiner for maintaining the existing controlling interest in Strabag.	N/A	Austria
28-Oct	CMS	CMS advised Swedish-Swiss technology group ABB on its acquisition of Austrian energy optimization company ASKI Energy.	N/A	Austria
1-Nov	Herbst Kinsky; Norton Rose Fulbright	Herbst Kinsky, working with Norton Rose Fulbright, advised Treis on the sale of Cycleenergy Holding to an Austrian investor group consisting of Invest AG, Industrieliegenschaftenverwaltung, and the company's management team.	N/A	Austria
2-Nov	E+H; Gibson, Dunn & Crutcher; Schoenherr	Schoenherr advised the shareholders of Vienna-headquartered biotech company Eucodis Bioscience on the sale of the company to the Biosynth Group. Reportedly, Gibson Dunn & Crutcher and E+H advised the Biosynth Group.	N/A	Austria
3-Nov	42Law; Cerha Hempel	Cerha Hempel advised NC Management and the NC Growth Fund I on a EUR 12 million series B financing for Pimcore. 42law advised Pimcore and its shareholders and founders.	EUR 12 million	Austria
14-Nov	Schneeweiss Weixelbaum; Wolf Theiss	Wolf Theiss advised Midway Holding subsidiary Haki on its acquisition of Ekro Bausystem. Schneeweiss Weixelbaum advised the seller.	N/A	Austria
17-Oct	CMS; KPMG Legal	CMS advised CTP on the acquisition of two Transcapital logistics projects in Sofia from the Andreew Investment Group. KPMG Legal advised Andreew on the deal.	N/A	Bulgaria
18-Oct	Djingov, Gouginski, Kyutchukov & Velichkov	Djingov Gouginski Kyutchukov & Velichkov advised both sides in Purcari Wineries' acquisition of a 76% stake in Angel's Estate Winery.	N/A	Bulgaria
20-Oct	Clifford Chance; Djingov, Gouginski, Kyutchukov & Velichkov; Linklaters; Tsvetkova Bebov & Partners	Djingov Gouginski Kyutchukov & Velichkov, working with Linklaters, advised the joint lead managers on the increase of Bulgaria's global medium-term note program to EUR 12 billion and the EUR 2.25 billion issuance of sovereign bonds. Eversheds Sutherland member firm Tsvetkova Bebov and Partners and Clifford Chance reportedly advised the Republic of Bulgaria.	EUR 2.25 billion	Bulgaria
2-Nov	CMS; Gugushev & Partners	Gugushev & Partners advised the shareholders of Tillbase Holdings on the sale of their subsidiary 60K to US-based ResultsCX. CMS reportedly advised the buyer.	N/A	Bulgaria
3-Nov	Djingov, Gouginski, Kyutchukov & Velichkov; Gospodinov & Genchev; Tsvetkova and Partners	Djingov Gouginski Kyutchukov & Velichkov advised Utah-headquartered MarketStar on the acquisition of Out2Bound. Tsvetkova & Partners and Gospodinov & Genchev advised Out2Bound.	N/A	Bulgaria
7-Nov	Djingov, Gouginski, Kyutchukov & Velichkov	Djingov Gouginski Kyutchukov & Velichkov advised the Invenio Partners Fund II SCSP on its EUR 3 million investment in SAT Health.	EUR 3 million	Bulgaria

Date Covered	Firms Involved	Deal/Litigation	Value	Country
10-Nov	CMS; Dentons; Hristov Partners	Hristov & Partners, working with Dentons, advised the EBRD on its investment in the USD 25 million Series A financing round for US-based Alcatraz AI. CMS reportedly advised Alcatraz AI.	USD 25 million	Bulgaria
14-Nov	Schoenherr	Schoenherr advised Oiltanking on the sale of a 91.1% stake in a liquid storage terminal at the Black Sea in Devnya, Varna, to Astra-Finance.	N/A	Bulgaria
19-Oct	Bennani & Associates; Creel, Garcia-Cuellar, Aiza y Enriquez SC; Khaitan & Co; Kinstellar; KP Law; Lefosse; Linklaters; Paksoy; PwC Legal; White & Case; Willkie Farr & Gallagher	Kinstellar and Paksoy, working with Linklaters' Paris office, advised Plastic Omnium on its EUR 520 million acquisition of Varroc Lighting Systems from Varroc Engineering Limited. PwC Legal, working with Willkie Farr & Gallagher, advised Varroc on the sale of its automotive lighting systems business in the Czech Republic. White & Case advised a syndicate of banks on restructuring the existing financing for VLS. KP Law advised VarrocCorp Holding BV on the share transfer of VLS Turkey. Khaitan & Co, Creel Garcia-Cuellar Aiza y Enriquez, Lefosse, and Bennani & Associates reportedly advised Plastic Omnium in India, Mexico, Brazil, and Morocco, respectively.	EUR 520 million	Bulgaria; Czech Republic; Turkey
4-Nov	Addleshaw Goddard; Gugushev & Partners; SZA Schilling, Zutt & Anschuetz	Gugushev & Partners advised Blackpeak Capital on its acquisition of a stake in Telelink Bulgaria. SZA Schilling Zutt & Anschuetz and Addleshaw Goddard reportedly advised Blackpeak Capital as well.	N/A	Bulgaria
20-Oct	Kinstellar (Zuric i Partneri)	Kinstellar Croatian affiliate Zuric i Partneri advised Robin Powered on its acquisition of Flow and Form. Sole practitioner Marko Kapetanovic reportedly advised the seller.	N/A	Croatia
24-Oct	Divjak Topic Bahtijarevic & Krka; Schoenherr	Divjak Topic Bahtijarevic & Krka advised Allianz on the sale of its 11.72% stake in Zagrebacka Banka to the UniCredit Group and on Allianz Holding Eins' purchase of Zagrebacka Banka's 16.84% stake in insurance company Allianz Croatia. Schoenherr reportedly advised UniCredit on the transactions.	N/A	Croatia
7-Nov	CLM Bitai & Partners; Dimitrov Petrov & Co.; Drakopoulos; Kinstellar (Zuric i Partneri); Kirm Perpar; Vojcik & Partners; Wardynski & Partners;	Drakopoulos advised the European Commission's Directorate-General for Energy on reviewing the transposition process of Directive 2018/2001 (RED II) on the promotion of the use of energy from renewable sources into the Greek legal framework. Dimitrov Petrov & Co, Kirm Perpar, Wardynski & Partners, and Kinstellar Croatian affiliate Zuric i Partneri advised on the transposition review in Bulgaria, Slovenia, Poland, and Croatia, respectively. CLM Bitai & Partners and Vojcik & Partners also reportedly advised the European Commission.	N/A	Croatia; Greece; Hungary; Poland; Slovakia; Slovenia
31-Oct	CMS	CMS advised a consortium of Zagrebacka Banka, the Croatian Bank for Reconstruction and Development, and the EBRD on financing Taaleri Energia and Encro's EUR 126 million project to build two onshore wind farms near Zadar.	N/A	Croatia; Poland
17-Oct	Kocian Solc Balastik	Kocian Solc Balastik advised Solitea on the acquisition of the Vasco and Gesteem Society IT companies.	N/A	Czech Republic
18-Oct	Kinstellar; White & Case	Kinstellar advised a syndicate of Czech banks led by Komerční Banka on providing financing to the FutureLife Group for the acquisition of a reproductive clinic in the UK and the group's future expansion. White & Case advised FutureLife.	N/A	Czech Republic
18-Oct	CMS; Herbert Smith Freehills; Kinstellar	CMS advised Gelsenwasser on the sale of its Czech water supply, wastewater disposal, and heat and power generation business to the Accolade Group. Kinstellar and, reportedly, Herbert Smith Freehills advised the Accolade Group.	N/A	Czech Republic
24-Oct	PRK Partners	PRK Partners advised Karo Leather on the public subscription of its shares on the START market of the Prague Stock Exchange.	CZK 132 million	Czech Republic

Date Covered	Firms Involved	Deal/Litigation	Value	Country
26-Oct	Cytowski & Partners; Sparring	Cytowski & Partners advised Kaya VC on a USD 1.05 million financing round for Upheal. Sparring advised Upheal.	USD 1.05 million	Czech Republic
28-Oct	Havel & Partners; Kocian Solc Balastik	Kocian Solc Balastik advised the Bjarke Ingels Group on the agreement for the architectural study and project documentation regarding the Vltava Philharmonic Hall project. Havel & Partners advised the City of Prague on organizing an architectural competition for the selection of the hall's design.	N/A	Czech Republic
9-Nov	Havel & Partners	Havel & Partners advised the City of Prague on Passerinvest Group's CZK 184 million investment to develop the area where its real estate project is being implemented, according to the new Prague methodology of investor participation.	CZK 184 million	Czech Republic
10-Nov	Kinstellar; Moore Legal	Kinstellar advised the Genesis Private Equity Fund I on its acquisition of JP-Prolak from Jaroslav Prokop. Moore Legal CZ advised Prokop on the sale.	N/A	Czech Republic
14-Nov	Act Legal (Randa Havel)	Act Randa Havel Legal successfully represented Seznam.cz in a defamation dispute against Jan Hamacek regarding articles published on the topic of the former minister's planned trip to Moscow.	N/A	Czech Republic
8-Nov	Arday Sisa and Joosz; DLA Piper; Kocian Solc Balastik; Szecskay	Kocian Solc Balastik, Szecskay, and DLA Piper advised Sandberg Capital on its acquisition of a majority stake in the Green Fox Academy. The Arday Sisa and Joosz Law Firm reportedly advised the sellers.	N/A	Czech Republic; Hungary
10-Nov	Kocian Solc Balastik	Kocian Solc Balastik advised the VGP Group on expanding its warehouse space in Slovakia and Hungary.	N/A	Czech Republic; Hungary; Slovakia
26-Oct	Allen & Overy; White & Case	Allen & Overy advised the UniCredit Bank Czech Republic and Slovakia on the update of its international mortgage-covered bond program and EUR 500 million issuance of mortgage-covered bonds. White & Case advised the joint lead managers.	EUR 500 million	Czech Republic; Slovakia
15-Nov	CMS; Kinstellar	CMS advised Marsh on its sale of an 80% stake in Insia to the Unilink Group. Kinstellar advised the buyer.	N/A	Czech Republic; Slovakia
17-Oct	Sorainen	Sorainen advised Riigi Kinnisvara on a public procurement procedure for the purchase of electricity produced from renewable sources.	N/A	Estonia
19-Oct	Clifford Chance; Ellex; Freshfields; Sorainen	Sorainen, working with Clifford Chance, advised joint lead managers Citibank, Goldman Sachs, and Societe Generale on the EUR 1 billion issuance of ten-year government bonds by the Republic of Estonia. Ellex and, reportedly, Freshfields advised the Republic of Estonia.	EUR 1 billion	Estonia
21-Oct	Sorainen	Sorainen, working with the UK's Lee & Thompson, advised Head Gear Films on the financing of the Burial movie in Estonia, including securing eligibility for the local film cash-rebate scheme.	N/A	Estonia
25-Oct	Cobalt; Ellex (Raidla)	Cobalt advised the BaltCap Private Equity Fund III on the acquisition of Rahva Raamat. Ellex advised Rahva Raamat.	N/A	Estonia
26-Oct	Cobalt	Cobalt advised venture capital fund Change Ventures on leading a EUR 2 million seed round into Estonia-based green tech start-up Cloud Factory.	EUR 2 million	Estonia
27-Oct	Cobalt	Cobalt advised the Nordic Secondary Fund II on investing in Estonian start-up Eurora Solutions.	N/A	Estonia
27-Oct	Cobalt	Cobalt advised Northzone on its investment in technology start-up Katana. New investors Northzone and Lightrock and existing investors Atomico and 42CAP participated in the USD 35 million series B round.	N/A	Estonia
7-Nov	Sorainen	Sorainen provided pro bono advice to circular economy start-up FudLoop on the administrative law and compliance aspects of its daily operations.	N/A	Estonia

Date Covered	Firms Involved	Deal/Litigation	Value	Country
9-Nov	Sorainen	Sorainen advised Estonian energy research start-up Efenco on raising EUR 1 million to develop a carbon-neutral combustion solution for fossil fuels.	EUR 1 million	Estonia
14-Nov	Cobalt	Cobalt advised Levinum on the establishment of the fine wine investment fund WineFortune.	N/A	Estonia
31-Oct	Cobalt; Ellex (Raidla)	Cobalt advised LHV Asset Management and LHV pension funds on their financing for the share buyout of the Dimedium Group. Ellex advised Dimedium.	N/A	Estonia; Latvia; Lithuania
25-Oct	Ellex; Linklaters; Sorainen	Sorainen advised Sunly on raising approximately EUR 200 million to expand its renewable energy portfolio in the Baltics and Poland. The fundraising included existing shareholders and new investor Mirova. Ellex and Linklaters advised Mirova on the investment.	EUR 200 million	Estonia; Latvia; Poland
17-Oct	Zepos & Yannopoulos	Zepos & Yannopoulos advised the Schur Flexibles Group on its successful financial restructuring.	N/A	Greece
21-Oct	Zepos & Yannopoulos	Zepos & Yannopoulos advised Piraeus Bank on entering into a strategic partnership with Resolute Asset Management Group subsidiary Resolute Hellas for the management of the bank's real estate portfolio.	N/A	Greece
20-Oct	Baker McKenzie; Dentons	Dentons advised Groupama Gan REIM on its acquisition of the Freedom Palace in Budapest. Baker McKenzie advised La Societe Generale Immobiliere on the sale.	N/A	Hungary
21-Oct	Ban, S. Szabo, Rausch & Partners	Ban, S. Szabo, Rausch & Partners advised E.ON Hungaria on the merger of trading companies Elmu-Emasz Energiaszolgáltato and Elmu-Emasz Energy Supplier into E.ON Energy Solutions.	N/A	Hungary
26-Oct	Lakatos, Koves & Partners; Stevens & Bolton	Lakatos Koves & Partners, working with Stevens & Bolton, advised the Zenitech group on the acquisition of Autsoft.	N/A	Hungary
27-Oct	Lakatos, Koves & Partners	Lakatos Koves & Partners advised the Japan-based Toyo Ink Group on its market entry and operation of its new battery component plant in Hungary.	HUF 7 billion	Hungary
18-Oct	Ellex; Storm Legal; Vilgerts	Ellex advised the Draugiem Group on its EUR 1.14 million investment into Prime Prometics. Vilgerts and Storm Legal advised Prime Prometics on the deal.	EUR 1.14 million	Latvia
18-Oct	Cobalt	Cobalt advised energy infrastructure contractor Enersense SIA on the formation of a joint venture with Siemens Energy Global.	EUR 114 million	Latvia
9-Nov	Cobalt	Cobalt successfully represented biogas power plants Ziedi JP, AD Biogazes Stacija, Bio Future, Gas Stream, Conatus Bioenergy, International Investments, Agro Lecava, RZS Energo, and Macibu un Petijumu Staimnieciba Vecauce before Latvia's Constitutional Court in a dispute related to specific requirements for the efficient use of thermal energy under mandatory procurement.	N/A	Latvia
11-Nov	Allen & Overy; Clifford Chance; Cobalt	Cobalt, working with Clifford Chance, advised joint lead managers Citi, Deutsche Bank, Erste Group, and Nomura on the EUR 850 million issuance of 4-year eurobonds by the Republic of Latvia. Allen & Overy reportedly advised the Republic of Latvia.	EUR 850 million	Latvia
17-Oct	Cobalt; Noor	Cobalt advised British venture capital fund Piton Capital on investing in Lithuanian car parts trading start-up Ovoko. Noor reportedly advised Ovoko on the investment.	N/A	Lithuania
26-Oct	Cobalt; Sorainen	Sorainen and Cobalt successfully represented buyer UAB Mezon and seller Lietuvos Radijo ir Televizijos Centras, respectively, before the Supreme Administrative Court of Lithuania in a dispute against Telia Lietuva over the transfer of frequencies together with the sold Mezon business.	N/A	Lithuania
3-Nov	Deloitte Legal	Deloitte Legal advised Van Oord Dredging and Marine Contractors on its successful bid in a tender for a capital dredging works project in Klaipeda Port.	EUR 45 million	Lithuania

Date Covered	Firms Involved	Deal/Litigation	Value	Country
8-Nov	Motieka & Audzevicius	Motieka & Audzevicius successfully represented Kauno Energija before Lithuania's Supreme Administrative Court in a dispute with the State Energy Regulatory Council.	N/A	Lithuania
8-Nov	Dentons; Sorainen; TGS Baltic	Sorainen advised Deutsche Bank and JP Morgan on the Republic of Lithuania's EUR 1.2 billion international capital markets bond issuance. TGS Baltic and, reportedly, Dentons advised the Republic of Lithuania.	EUR 1.2 billion	Lithuania
11-Nov	Glimstedt; Sorainen	Sorainen advised the Green Landscaping Group on its acquisition of Stebule from Stanislovas Tamulevicius. Glimstedt reportedly advised Tamulevicius on the sale.	N/A	Lithuania
14-Nov	Cobalt; Ellex (Valiunas); Freshfields; Schjodt; Wiersholm Law Firm	Cobalt, working with Wiersholm, advised Visma on the sale of its Custom Solutions business to CVC Capital Partners. Ellex, working with Schjodt and Freshfields, advised the buyer.	N/A	Lithuania
15-Nov	Ellex; Sorainen; Walless	Sorainen advised Litilit on its series A investment round. Ellex advised Taiwan Capital on its EUR 3.5 million investment. Walless advised existing investor Iron Wolf Capital on a further EUR 200,000 participation.	EUR 3.7 million	Lithuania
24-Oct	DLA Piper; Sorainen	Sorainen advised the INVIL Baltic Sea Growth Fund on its investment in LuxVet through INVIL portfolio company MiniVet. DLA Piper's Luxembourg office reportedly advised the INVIL Baltic Sea Growth Fund as well.	N/A	Lithuania; Poland
14-Nov	Dolea & Co	Dolea & Co successfully represented Gribnaya Strana in the recognition and enforcement procedures of an arbitral award before the Chisinau Court of Appeal.	N/A	Moldova
10-Nov	Komnenic	Komnenic & Associates advised BIG Shopping Centers special purpose vehicle City Mall DOO on its acquisition of the Podgorica City Mall shopping center.	N/A	Montenegro
10-Nov	Komnenic	Komnenic & Associates advised Sunny Estates on the acquisition of the former Hotel Galeb location in Ulcinj from the Roksped Group.	N/A	Montenegro
14-Nov	Komnenic; Schoenherr	Komnenic & Associates advised KrolBay DOO Podgorica in the development of Phase II of the five-star hotel located in Boka Bay to be operated by Hyatt. Schoenherr reportedly advised Hyatt on the deal.	N/A	Montenegro
17-Oct	Clifford Chance; Think Legal	Clifford Chance advised Whitepress on the acquisition of Senuto. Think Legal reportedly advised the sellers.	N/A	Poland
17-Oct	Gessel; Soltysinski Kawecki & Szlezak	Gessel advised Lentex on the sale of its subsidiary Lentex Wyladziny to Mohawk Group-owned Unilin for EUR 20 million. Soltysinski Kawecki & Szlezak advised Unilin on the acquisition.	N/A	Poland
17-Oct	Greenberg Traurig; Norton Rose Fulbright	Norton Rose Fulbright advised Bank Gospodarstwa Krajowego on the financing of the construction of the 17.5-megawatt Kazimierz Biskupi wind farm in Poland for ZE PAK. Greenberg Traurig advised ZE PAK on the deal.	N/A	Poland
18-Oct	CMS; Norton Rose Fulbright	Norton Rose Fulbright advised PKO Bank Polski on financing the construction of the 113-megawatt Milkowice solar farm sponsored by Spanish investor Q-Energy. CMS advised Q-Energy.	N/A	Poland
19-Oct	MFW Fialek	MFW Fialek advised the Polish Development Fund on the sale of all its shares in PPP Venture to a closed-end investment fund.	N/A	Poland
20-Oct	Act (BSWW); JDP	JDP Drapala & Partners advised facility management company Apleona on its acquisition of Poland's FM Solutions. Act BSWW advised the owners of FM Solutions on the sale.	N/A	Poland
20-Oct	Rymarz Zdort	Rymarz Zdort advised Poland's Bank Guarantee Fund on the resolution process of the Getin Noble Bank.	PLN 10.34 billion	Poland
20-Oct	Gessel	Gessel advised the Lux Med Group on its acquisition of the Mediss Dental Clinic in Gdansk.	N/A	Poland

Date Covered	Firms Involved	Deal/Litigation	Value	Country
21-Oct	Gessel; Greenberg Traurig	Gessel advised Asist and its founder Rafal Cwiklinski on the sale of a stake in the company to the PIB Agency. Greenberg Traurig advised the buyers.	N/A	Poland
24-Oct	Kubas Kos Galkowski; Schoenherr	Kubas Kos Galkowski advised IMS Budownictwo on the sale of office building B in the Zablocie Business Park complex in Krakow to the Uniqa Group. Schoenherr reportedly advised Uniqa.	N/A	Poland
27-Oct	B2RLaw	B2RLaw advised Vestas on the establishment of a factory for offshore wind turbines in Szczecin.	N/A	Poland
27-Oct	Baker McKenzie; CMS	Baker McKenzie advised Equilis and Acteeum joint venture Ace 6 on its EUR 40 million sale of the Galeria Andrychow shopping center to BIG Shopping Centers. CMS advised the buyer.	EUR 40 million	Poland
31-Oct	Rymarz Zdort; White & Case	White & Case advised Eurowag subsidiary WAG Payment Solutions on its full acquisition of Grupa Inelo from Innova Capital, European Telematics Holding, and others. Rymarz Zdort advised the sellers.	N/A	Poland
31-Oct	Allen & Overy; Clifford Chance; Linklaters; Norton Rose Fulbright	Norton Rose Fulbright advised Gaz-System's senior lenders on the arrangements for Gaz-System's new PLN 1 billion subordinated loan from the Polish Development Fund. Allen & Overy advised Gaz-System. Clifford Chance advised the European Investment Bank. Linklaters reportedly advised the Polish Development Fund.	PLN 1 billion	Poland
31-Oct	Gessel	Gessel advised Medicalgorithmics on its approximately PLN 220 million sale of a 49.99% stake in the company to investor Biofund.	PLN 220 million	Poland
1-Nov	CMS	CMS advised Volkswagen Financial Services on a PLN 410 million bond issuance under an updated bond program with a new total maximum of PLN 5 billion.	PLN 410 million	Poland
7-Nov	Clifford Chance; MFW Fialek	Clifford Chance advised Hillwood Polska on a joint venture agreement with Develia for the development of a Malin logistics center. MFW Fialek advised Develia.	N/A	Poland
7-Nov	B2RLaw; BDB Pitmans	B2RLaw, working alongside BDB Pitmans, advised Westcoast on Polish aspects of its merger with Komsa.	N/A	Poland
7-Nov	SSK&W Stoklosa Syp & Wspolnicy	SSK&W Stoklosa Syp & Wspolnicy advised CofounderZone and business angels including Mateusz Bodio and Bartosz Hojka on investing in Carein.	N/A	Poland
8-Nov	B2RLaw; CMS; King & Wood Mallesons; Norton Rose Fulbright	CMS advised a company from the SINO-CEEFF group on the construction and sale of a 51-megawatt photovoltaic power plant portfolio in Poland to a consortium of two Chinese investors. B2RLaw, working with King & Wood Mallesons, advised the unidentified buyers on their acquisition. Norton Rose Fulbright advised the Bank of China (Luxembourg) Poland Branch on financing the acquisition.	N/A	Poland
8-Nov	Rymarz Zdort	Rymarz Zdort advised PKO Bank Polski on the accelerated book-building transaction concerning the sale of shares in Polski Koncern Naftowy Orlen to domestic and foreign investors.	PLN 715 million	Poland
9-Nov	Wardynski & Partners	Wardynski & Partners advised Dar Al-Handasah Consultants on winning bid for the contract to serve as the master civil engineer in the Solidarity Transport Hub planning process.	PLN 412.7 million	Poland
11-Nov	Crido Legal	Crido Legal advised Amplifon on its full acquisition of a medical products company to expand its portfolio and market share in Poland.	N/A	Poland
11-Nov	MFW Fialek	MFW Fialek advised Milestone Real Estate on its acquisition of shares in the project companies that own the development projects of BlueRock in Poland.	N/A	Poland
15-Nov	B2RLaw; SSW Pragmatic Solutions	B2RLaw advised Auxilius Pharma and its founders on receiving investments from venture capital investors CofounderZone Corporate Angel Fund ASI and Augebit together with several business angels and existing investors. SSW Pragmatic Solutions advised CofounderZone.	N/A	Poland

Date Covered	Firms Involved	Deal/Litigation	Value	Country
15-Nov	Jakub Kapica; SSK&W Stoklosa Syp & Wspolnicy	SSK&W advised the investors in the Open Innovation by YNM-led investment round in Intelliseq. The Jakub Kapica law firm advised Intelliseq on the round.	N/A	Poland
17-Oct	CMS; Dentons	Dentons advised Vetroelektrane Balkana on a EUR 205 million refinancing of the 158-megawatt Cibuk wind farm located in Mramorak, Serbia. CMS advised the lenders on the deal.	EUR 205 million	Poland; Serbia
8-Nov	CMS	CMS advised Bank Gospodarstwa Krajowego on a EUR 600 million bond issuance related to providing support to Ukraine.	EUR 600 million	Poland; Ukraine
17-Oct	Popovici Nitu Stoica & Asociatii; Vlasceanu, Nyerges & Partners	Vlasceanu Nyerges & Partners advised Eurowind Energy on its acquisition of a 48-megawatt wind project in Pecineaga, Romania. Popovici Nitu Stoica & Asociatii advised the seller.	N/A	Romania
20-Oct	Cooley; Stratulat Albulescu	Stratulat Albulescu advised GapMinder Venture Partners on its investment in OutThink. Cooley reportedly advised OutThink on its USD 10 million funding round.	N/A	Romania
24-Oct	EY Legal (Bancila, Diaconu si Asociatii)	EY-associated firm Bancila, Diaconu and Asociatii advised the Revolut Bank on the launch of its first lending product in Romania.	N/A	Romania
24-Oct	Deloitte Legal (Reff & Associates); Tuca Zbarcea & Asociatii	Deloitte Legal affiliated firm Reff & Associates advised NEPI Rockcastle on its acquisition of Carrefour's stake in Ploiesti Shopping City. Tuca Zbarcea & Asociatii advised Carrefour.	N/A	Romania
26-Oct	Filip & Company; Wolf Theiss	Wolf Theiss advised the Dr. Max Group on the acquisition of Gedeon Richter's pharma retail and wholesale operations in Romania. Filip & Company advised Gedeon Richter.	N/A	Romania
26-Oct	Schoenherr; The Law Chamber	Schoenherr advised Eurobank Greece on the sale of the Eliade Tower office building in Bucharest to One United Properties in a share deal. The Law Chamber advised One United Properties on the acquisition.	N/A	Romania
27-Oct	RTPR	Radu Taracila Padurari Retevoescu advised Multimedia Est on its acquisition of the Hotnews group from Media Bit Software and Smile Media. Solo practitioner Oana Coroian reportedly advised the sellers.	N/A	Romania
28-Oct	BPV Grigorescu Stefanica; Filip & Company	BPV Grigorescu Stefanica advised Innoship Technology, its shareholders, and investor Gapminder on an investment by Abris Capital Partners portfolio company Alsendo. Filip & Company advised Alsendo.	N/A	Romania
1-Nov	Suciu Popa	Suciu Popa successfully represented Strabag before the ICC International Court of Arbitration in three construction and infrastructure disputes with claims exceeding EUR 20 million in total.	EUR 20 million	Romania
8-Nov	Pelipartners; Popovici Nitu Stoica & Asociatii	Popovici, Nitu, Stoica & Asociatii advised Paval Holding on its acquisition of U Center 1 from Forte Partners. PeliPartners advised Forte.	N/A	Romania
10-Nov	Berechet Rusu Hirit; Biris Goran; Clifford Chance	Clifford Chance advised Rezolv Energy on the acquisition of a 1,044-megawatt solar plant in Arad County from the Monsson Group. Biris Goran and Berechet Rusu Hirit advised Monsson on the sale.	N/A	Romania
11-Nov	SLV Legal; Stratulat Albulescu	SLV Legal advised Yarooms on its EUR 2 million seed round led by GapMinder VC. Stratulat Albulescu advised GapMinder.	EUR 2 million	Romania
11-Nov	Coman Mindru Popescu	Coman Mindru Popescu successfully represented Chenda Filoteia against Romania's Ministry of Health, National Health Insurance House, and National Agency for Medicines and Medical Devices in a dispute over national health insurance coverage of the usage of Avastin for the glioblastoma therapeutic indication.	N/A	Romania

Date Covered	Firms Involved	Deal/Litigation	Value	Country
11-Nov	AS Legal Advice; EY Legal (Bancila, Diaconu si Asociatii)	AS Legal Advice advised Golden Food Snacks on its acquisition of Derpan. EY-affiliated firm Bancila, Diaconu si Asociatii reportedly advised Golden Food Snacks on competition matters.	N/A	Romania
20-Oct	Harrisons	Harrisons advised the EBRD on a EUR 25 million loan to the MK Group.	EUR 25 million	Serbia
20-Oct	NKO Partners; SOG	NKO Partners advised CTP on its acquisition of almost 33 hectares of land in Simanovci, near Belgrade, from EBP Development. The SOG Law Firm advised EBP Development.	N/A	Serbia
21-Oct	BDK Advokati; N Law Office	BDK Advokati advised Hodler Asset Management on the acquisition of a 45% stake in Superior Foods. The N Law Office reportedly advised Milica Gacic on the sale.	N/A	Serbia
24-Oct	Harrisons	Harrisons advised the EBRD on a EUR 25 million loan to OTP Bank Serbia for on-lending to small and medium-sized enterprises.	EUR 25 million	Serbia
26-Oct	Bojovic Draskovic Popovic & Partners	Bojovic Draskovic Popovic & Partners advised CWP Global on three new renewable energy projects in Serbia with 680 megawatts in total electricity generation capacity.	N/A	Serbia
28-Oct	Andrejic & Partners	Andrejic & Partners advised Eyemaxx Real Estate and Eyemaxx International Holding & Consulting on the wind-up procedures for their Serbian subsidiaries Log Center, Bega ING, and Logmaxx.	N/A	Serbia
4-Nov	Harrisons	Harrisons advised the EBRD on its EUR 15 million loan to Banca Intesa Beograd.	EUR 15 million	Serbia
17-Oct	BBH; Dentons	Dentons advised a club of banks led by Tatra Banka and including UniCredit Bank Czech Republic and Slovakia, Slovenska Sporitelna, and Ceskoslovenska Obchodni Banka on a EUR 160 million ESG-linked syndicated loan to MH Teplarensky Holding. BBH reportedly advised the borrower.	EUR 160 million	Slovakia
4-Nov	BVK Partners; Kinstellar; Linklaters; Majernik & Mihalikova	Majernik & Mihalikova, working with BVK Partners, advised KME on the financing of its acquisition of Aurubis' flat-rolled products business. Linklaters and Kinstellar reportedly advised the lenders.	N/A	Slovakia
11-Nov	Dentons	Dentons successfully represented Mariano Ruiz and his husband Jakub Sanko, on a pro bono basis, before the Regional Court in Zilina in residency proceedings.	N/A	Slovakia
14-Nov	Kinstellar; Wise 3	Kinstellar advised Powerful Medical on its EUR 6.2 million seed funding round from investors including Arieli Capital, Venture To Future Fund, CB ESPRI Impact One, BPD partners, and several angel investors. Wise3 advised CB ESPRI Impact One.	EUR 6.2 million	Slovakia
17-Oct	Arikan Law Firm; Paksoy	Paksoy advised Sensient on its acquisition of Endemix from Baris Bilen. Arikan Hukuk Burosusu reportedly advised the sellers on the deal.	N/A	Turkey
18-Oct	Clifford Chance	Clifford Chance advised the Development and Investment Bank of Turkey on its EUR 100 million sustainable bond issuance with Agence Francaise de Developpement.	EUR 100 million	Turkey
19-Oct	Dentons (BASEAK); KECO Legal; Thompson Legal Advisory Services	The Kumkumoglu Ergun Cin Ozdogan Attorney Partnership advised Turkish casual mobile game developer Cypher Games on its USD 3.2 million pre-seed financing round. Dentons Turkish affiliate Balcioglu Selcuk Ardiyok Keki Attorney Partnership advised 500 Global on its investment. Thompson Legal Advisory Services reportedly advised Play Ventures on leading the round.	USD 3.2 million	Turkey
20-Oct	SCH Legal; Turunc	Turunc advised Bogazici Ventures on its investment in Perculus. SCH-Legal reportedly advised Perculus on the deal.	N/A	Turkey

Date Covered	Firms Involved	Deal/Litigation	Value	Country
21-Oct	Morgan Lewis; Paksoy; White & Case; White & Case (GKC Partners)	White & Case and Turkish affiliate GKC Partners advised Enerjisa Enerji Uretim on a USD 102 million export credit agency-backed commercial green financing provided by the HSBC Group. Paksoy and, reportedly, Morgan Lewis advised HSBC.	USD 102 million	Turkey
24-Oct	Dentons (BASEAK); Fladgate; Orrick Herrington & Sutcliffe	Dentons Turkish affiliate Balcioglu Selcuk Ardiyok Keki Attorney Partnership advised Magic Games on its USD 5 million seed stage investment round, led by Makers Fund. Reportedly, Orrick advised Magic Games as well, and Fladgate LLP advised Makers Fund.	USD 5 million	Turkey
25-Oct	Kinstellar; Kinstellar (Gen Temizer Ozer)	Kinstellar and its Turkish affiliate firm Gen Temizer Ozer advised Unifonic on the acquisition of Sestek.	N/A	Turkey
25-Oct	Bezen & Partners	Bezen & Partners advised the Asian Infrastructure Investment Bank on its USD 50 million loan to Akbank financial leasing subsidiary Aklease.	N/A	Turkey
26-Oct	BTS & Partners; Dentons (BASEAK); Gokce; Kolcuoglu Demirkan Kocakli; Nazali Legal	Dentons Turkish affiliate Balcioglu Selcuk Ardiyok Keki Attorney Partnership advised Sabanici Ventures and Türkiye Development Fund's TKYB Sermaye Fonu on their investment in Figopara. Nazali advised L2G Ventures on leading the USD 11 million round. The Gokce Attorney Partnership advised Figopara. Kolcuoglu Demirkan Kocakli advised Logo Yazilim on its investment. Reportedly, BTS & Partners advised Eczacibasi on participating in the round.	USD 11 million	Turkey
28-Oct	Dentons; Dentons (BASEAK); Ffooks Gokulsing; Satis Partners	Dentons and Turkish affiliate Balcioglu Selcuk Ardiyok Keki Attorney Partnership advised Dutch Development Finance Corporation's venture capital program FMO Ventures on a EUR 5.5 million subscription for convertible notes and redeemable shares in SolarX. Satis Partners reportedly advised FMO in Mali, Burkina Faso, and Senegal. Ffooks Gokulsing reportedly advised SolarX.	EUR 5.5 million	Turkey
2-Nov	Aksan; Caliskan Okkan Tokar	The Aksan Law Firm advised Livzym Biotechnologies on its latest investment round. Caliskan Okkan Tokar advised the Turkey Development Fund on its investment.	N/A	Turkey
4-Nov	Dentons (BASEAK)	Dentons Turkish affiliate Balcioglu Selcuk Ardiyok Keki Attorney Partnership advised Qnbeyond Ventures on its investment in FirstBatch.	N/A	Turkey
8-Nov	Bezen & Partners	Bezen & Partners advised the EBRD on its EUR 75 million loan to the Istanbul Metropolitan Municipality for the construction of the Goztepe-Atasehir-Umraniye metro line in Istanbul.	EUR 75 million	Turkey
11-Nov	Ilker & Colak	Ilker & Colak advised the Yildizlar Group on its collaboration with Enercon for the high-volume capacity extension project for the Gulpinar Wind Farm.	N/A	Turkey
14-Nov	Akol Law Firm; Surmen Law Firm	Akol Law advised Paket Mutfak on its USD 3 million seed investment round from Nokta Yatirim, Kadri Samsunlu, and Ersan Ozturk, alongside existing investors. The Surmen Law Firm reportedly advised Nokta Yatirim.	USD 3 million	Turkey
3-Nov	Integrites	Integrites provided pro bono advice to the urban community of Truskavets, Ukraine, regarding temporary accommodation for internally displaced persons.	N/A	Ukraine
4-Nov	Baker McKenzie	Baker McKenzie advised the IFC on channeling EU funds up to EUR 25 million in grants across Ukrainian cities to help renovate municipal buildings for internally displaced people, create jobs, and drive economic recovery.	EUR 25 million	Ukraine
10-Nov	Ilyashev & Partners	Ilyashev & Partners successfully represented the interests of PVC profile manufacturers Viknaland, Mayado, Open Teck, and Miroplast in a Ukrainian imports investigation.	N/A	Ukraine
15-Nov	Ilyashev & Partners	Ilyashev & Partners successfully represented the interests of Ukrainian glass-producer association Glass of Ukraine and its members in securing the introduction of provisional anti-dumping duty on imports to Ukraine of glass containers originating from the Republic of Belarus.	N/A	Ukraine

PARTNER MOVES

Date	Name	Practice(s)	Moving From	Moving To	Country
25-Oct	Radoslaw Biedeki	Corporate/M&A	Noerr	DWF	Poland
2-Nov	Petar Orlic	Real Estate	JMW Solicitors	NKO Partners	Serbia

PARTNER APPOINTMENTS

Date	Name	Practice(s)	Firm	Country
7-Nov	Dominik Juster	Corporate/M&A; Insolvency/Restructuring; Capital Markets; Banking/Finance	E+H	Austria
18-Oct	Petr Hudec	Capital Markets	White & Case	Czech Republic
18-Oct	Eva Svobodova	Capital Markets	White & Case	Czech Republic
18-Oct	Aleksandra Oziemka	White Collar Crime	White & Case	Poland
18-Oct	Jakub Wolkowicz	Litigation/Disputes	White & Case	Poland
9-Nov	Grzegorz Dudek	Corporate/M&A; Data Protection	Wozniak Legal	Poland
17-Oct	Adrian Fenesan	Insolvency/Restructuring; Litigation/Disputes; Life Sciences	BNT Gilesu Valeanu & Partners	Romania
17-Oct	Andrei Zamfirescu	Corporate/M&A	BNT Gilesu Valeanu & Partners	Romania
17-Oct	Tudor Oancea	Real Estate	BNT Gilesu Valeanu & Partners	Romania
7-Nov	Oana Olteanu	Insolvency/Restructuring; Litigation/Disputes	Biris Goran	Romania

OTHER APPOINTMENTS

Date	Name	Firm	Appointed To	Country
10-Nov	Irina Stanimirova	Komarevski, Dimitrov and Partners	Head of Real Estate & Construction	Bulgaria
19-Oct	Pawel Hincz	Baker McKenzie	Head of Healthcare & Life Sciences M&A	Poland
19-Oct	Juliusz Krzyzanowski	Baker McKenzie	Head of Healthcare & Life Sciences Regulatory	Poland
8-Nov	Szymon Sieniewicz	Linklaters	Head of TMT/IP	Poland
3-Nov	Liviu Togan	Dentons	Head of White Collar Crime	Romania
15-Nov	Illya Tkachuk	Integrites	Senior Partner	Ukraine

IN-HOUSE MOVES AND APPOINTMENTS

Date	Name	Moving From	Company/Firm	Country
25-Oct	Balazs Mak	Paramount Global Content Distribution	Paramount Global's Amsterdam office	Hungary
27-Oct	Judyta Sawicka	Globalworth	Echo Investment	Poland
7-Nov	Adina Burlacu	PepsiCo	Kyndryl Romania	Romania
19-Oct	Mehmet Tekergul	Volkswagen Dogus Finansman	Turkiye Finans	Turkey
20-Oct	Sebnem Onder	British American Tobacco	Sabancı Holding	Turkey
24-Oct	Necati Karabayir	SOCAR Turkey Compliance Group	SAP	Turkey
9-Nov	Nihat Ozbek	Loomis Turkey	Guleryuz Partners	Turkey
10-Nov	Asli Yildiz	DMA UK	S4 Capital Group	Turkey

THE BUZZ

In “The Buzz” we check in on experts on the legal industry across the 24 jurisdictions of Central and Eastern Europe for updates about professional, political, and legislative developments of significance. Because the interviews are carried out and published on the CEE Legal Matters website on a rolling basis, we’ve marked the dates on which the interviews were originally published.

Increasing Financing Costs and Palpable Investment Pressure in Poland: A Buzz Interview with Christian Schnell of Dentons

By Andrija Djonovic (November 4, 2022)



Poland has been experiencing a boom in its renewable energy sector – with work originating from the auction support system and also from corporate PPA transactions – which is flowing over to other market segments, according to Dentons Partner Christian Schnell.

“What we see right now is a sharp increase in financing costs all over the region,” Schnell begins. “It is, for certain projects, becoming prohibitively expensive, and return expectations for most investors are significantly impacted,” he shares. Schnell continues by adding that it is “impossible to obtain financing in zloty with a cost below 10%. There is a chilling effect on the market, and money is becoming more and more expensive to obtain,” he reports.

Strong investment pressure is palpable, even with a number of investors adopting a waiting position, so there is promise looking ahead.

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Schnell goes on to explain that the markets are not “expected to normalize before 2024, meaning that especially financial investors are likely to be reconsidering their positions regarding their commitments. We can already see this clearly in the

real estate and energy sectors, where investments that were initialized a few years ago are looking quite different right now,” he says. Schnell goes on to report that he expects there to be more portfolio re-orientation so as to future-proof investments. “Looking at the interbank rates in the financial markets in the region – this is a normal condition. Even looking at ten-year state bonds, costs are going up,” he says.

Poland, specifically, finds itself in a bit of a bind, as Schnell reports problems with “obtaining EU funding, meaning that money prices are likely to stay at the current level in 2023.” With the country looking at yet another election cycle in October 2023, it is increasingly more difficult to predict how matters will unfold. Giving a specific example of regulatory issues, Schnell points to the “10H distance rule. The rule regulates onshore wind farms in a way as to prevent their construction in the proximity of residential areas – at a distance of ten times the tip height of a turbine,” he explains. “This has been blocking investments as it prevents further renewable energy production sites from being constructed – the rule must change in order to unblock further development in this sector and to bring the energy prices down.”

Finally, Schnell takes a step back, looking at the entire market. “All market transactions have been impacted, not only real estate and energy – we are increasingly seeing private equity investors adopting an approach of choosing to funnel funds into investments that could be more easily flipped within a couple of years,” he explains. “All of this, of course, means a vibrant legal market and more work for us,” he says. “Strong investment pressure is palpable, even with a number of investors adopting a waiting position, so there is promise looking ahead,” he concludes. ■

TMT Leading the M&A Charge for Croatia: A Buzz Interview with Tarja Krehic of Krehic & Partners

By Andrija Djonovic (November 11, 2022)



High levels of M&A activity in Croatia, originating from both domestic companies and foreign investors, are reshaping a number of sectors – primarily IT and media – according to Tarja Krehic, Managing Partner of Krehic & Partners in cooperation with

Deloitte Legal.

“There is a lot of activity in the M&A market, and we see a markable increase in transaction numbers this year when compared to 2021 and 2020,” Krehic begins. “Also, we see a number of new investors moving in, including private equity funds and venture capital funds – which is a novelty for Croatian markets,” she says.

Zeroing in on the most active sectors, Krehic reports that IT takes first place. “There has been a lot of activity in the IT sector, primarily driven by M&A takeovers, such as, for example, those made by our unicorns,” she says. “Infobip took over a number of local, regional, and global start-ups, and Rimac entered into a joint venture with Bugatti, all of which engaged the IT sector and brought more investor attention to it,” Krehic explains.

“This is the first time in the history of our markets that we can see such a strong wave of novel kinds of companies taking charge, as opposed to traditionally strong players such as telecommunication companies,” Krehic characterizes this as a welcome trend in so far as it depicts not only the strength of the Croatian IT sector but also that “the manufacturing industry, as a whole, is doing great and that there is a lot of added value when doing business in our country.”

Krehic also highlights “one of the largest deals in the ICT sector: Nasdaq-listed outsourced digital services and next-generation customer experience provider TaskUs has acquired

Heloo, a European and Croatian provider of outsourced specialized services.” She notes the acquisition “enhances TaskUs’ European language capabilities, diversifies its client mix with referenceable, EU-based clients, and helps to scale TaskUs’ global operations by expanding further into Eastern Europe,” with the buyer also benefitting from “strong cross-selling opportunities to Heloo’s clients across Germany, Austria, Switzerland, and Finland, among other countries.”

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Additionally, Krehic also reports there is significant activity in the media sector. “Recently, we’ve seen RTL sold to CME for EUR 50 million, a regional media company owned by the Netherlands-based PPF Group. This made waves in the hitherto highly-condensed media market that saw little to no movement for almost two decades,” Krehic explains. “This transaction was also a ground-breaking one because it was the first one to have been completed following an overhaul of the electronic communications legal framework of 2021. The new set of regulations made the electronic media industry a very, very tightly and comprehensively regulated one, and this transaction paves the way for others,” she says.

Finally, Krehic shares that there is a noticeable trend of family-owned companies being sold. “After several decades of operating in an open market environment, there is a significant number of medium-sized companies that have been family-owned since inception, that are now changing hands,” she says. “Mostly, the investors that are coming in and scooping them up come from the US or Asia, in that way gaining a foothold in not only Croatian but also European markets,” Krehic explains. “IT companies, tourism companies, manufacturing businesses, and tourism entertainment sector players – these were but some of the targets for foreign investors coming in recently.” ■

Doing Well in Bulgaria's Hard Times: A Buzz Interview with Borislav Boyanov of Boyanov & Co

By Teona Gelashvili (November 15, 2022)



Going through hard times, Bulgaria's newly elected political parties are still unable to form a government, yet the market is showing positive developments in some sectors, according to Boyanov & Co. Managing Partner Borislav Boyanov.

"The country is going through the most complex time in, maybe, the past sixty years, with high energy prices, inflation, disruption in supply chains, and rising concerns about recession and the eventual escalation of the war in Ukraine," Boyanov begins. "Added to this, political instability continues in Bulgaria, as we had four elections in the last two years and, after that, the political parties with seats in parliament are so fragmented that it is not clear whether they will be able to form a government." According to him, one month after the elections, people still "do not see the light at the end of the tunnel."

10,000 new people joined IT companies last year, and their revenues increased by EUR 1 billion to almost EUR 9 billion in total. There are acquisitions and investments as well, both from larger Western corporations and from some local companies that have become global players. We also have a first unicorn – Bulgarian fintech company Payhawk.

Still, Boyanov highlights the progress in terms of some parliamentary activities. "Last week, the parliament did vote that Bulgaria will provide weapons to Ukraine, and a discussion has started on anti-corruption rules – but also on a controversial law on the elections process – so certain things have started to

move," he says. "Yet, we have a package of more than 20 pieces of outstanding legislation that need to be adopted quickly, in order for Bulgaria to receive portions of the EUR 12 billion funding from the EU as a part of its national recovery and resilience plan." About the anticipated legislation, Boyanov says that "there are sensitive issues, such as the laws related to judicial reform, anti-corruption, transparency, etc."

Regardless of the difficulties, Boyanov reports that there are positive developments in the country. "The country did pretty well after the COVID-19 pandemic. We had a GDP growth of 7.4% in 2021, and during the first two quarters of this year that number is around 4%. When the war started in February, investors practically stopped many activities, but now we see an increasing number of M&A transactions, with Eastern Europe again becoming an attractive destination for investments in infrastructure, ITC, and energy," he notes. Boyanov also says that "during the yearly meeting of the Three Seas initiative – which includes 12 EU countries in CEE – there has been strong participation from Japanese, American, and EU companies showing an increased interest in the region." He adds that "the importance of the region might actually be increasing because of the war."

"We feel that the economy is still doing well," Boyanov continues. "Some sectors, in particular, IT, pharma, construction, defense, and energy have been doing extremely well. We had about a 31% increase in exports and a 33% increase in imports in the first half of the year." As for IT, he notes that "10,000 new people joined IT companies last year, and their revenues increased by EUR 1 billion to almost EUR 9 billion in total. There are acquisitions and investments as well, both from larger Western corporations and from some local companies that have become global players. We also have a first unicorn – Bulgarian fintech company Payhawk."

Still, he notes that there are expectations of a recession. "Last year, Bulgaria's support for families and businesses has been dramatically increased, which is currently leading to a deficit in the budget. We need to find a solution for that deficit, at the latest, at the beginning of next year, as this is an important socially relevant issue, while also being an economic and political one," he concludes. ■

North Macedonia Has Its Work Cut Out:

A Buzz Interview with Kiril Papazoski of Papazoski and Mishev Law Firm

By Teona Gelashvili (November 16, 2022)



Harmonizing national law with EU legislation, implementing sizeable renewable energy projects, and addressing production shutdowns are high on North Macedonia's domestic agenda, according to Kiril Papazoski, Director, Papazoski and Mishev Law Firm, an independent law firm in cooperation with PwC.

"Recently, North Macedonia has implemented some legal acts with far-reaching implications," Papazoski notes. "A new law transposing the EU Revised Payment Services Directive into our legal system will come into force on January 1, 2023." According to him, "this is revolutionary legislation, changing the entire payment system in the country, introducing a dramatic shift not only for banks and financial institutions but for the new payment institutions looking to join the market, including fintech and other players."

"Besides, we, as an EU candidate country, are already in the process of screening our legislation in order to align it with EU standards," Papazoski adds. "Recently, a new consumer protection law has been adopted, also transposing an EU directive." Additionally, he notes that ESG-related legislation is in the pipeline. "In that regard, the Macedonian stock exchange has published ESG guidelines for listed companies for the first time. At this point, they are not mandatory but provide directions on how regulatory matters are likely to develop in the future."

According to Papazoski, the hot topic for the past year has been the energy crisis. "A lot of renewable energy projects – such as wind farms, photovoltaics, and hydro energy projects – are either being developed or ready to be developed," he notes. "Our biggest hydro-project, Chebren, is planned to be developed, and the government has been looking for a private partner for a long time. With the closing of the recent tender,

we have a viable bid from a regional energy company, so, hopefully, the project will start soon." Other than that, he says there are a lot of private initiatives on photovoltaics and wind farms, with some projects ready to start after having secured licenses and regulatory approvals.

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A lot of renewable energy projects – such as wind farms, photovoltaics, and hydro energy projects – are either being developed or ready to be developed.

Related to the energy crisis, Papazoski points out that "North Macedonia has only one connection with a gas pipeline, through Bulgaria, and that connection is practically 100% leased by Gazprom. Consequently, only Russian gas can come through that connection. The Macedonian transmission system operator has now agreed with the Greek TSO to connect the two gas transmission systems with a new gas interconnector and, thus, diversify gas suppliers in order to boost energy security."

"To tackle the energy crisis, there is a push from the business community asking the government to subsidize energy prices," Papazoski adds. "The government has already awarded such subsidies to food production facilities, but other businesses are still struggling." Additionally, he says that "a couple of quarries, mines, and production facilities have closed production due to energy and gas prices," noting that "they are not shut permanently but – being energy-intensive businesses – they decided to close production and send employees on paid leave for an indefinite period."

On a more positive note, Papazoski highlights the movements in the IT industry. "We have highly educated IT engineers in the country and a very high interest in universities for computer sciences and programming," he says. "And, considering the crisis, the banking sector is quite stable as well. There are a lot of distressed assets, triggering increased interest in M&A transactions. So there are some positive signs, definitely. And, hopefully, the crisis will also lead to some opportunities." ■

Slovenia's Busy Deals and Disputes Pipeline: A Buzz Interview with Janja Zaplotnik of Jadek & Pensa

By Teona Gelashvili (November 21, 2022)



Corporate reorganizations, spin-offs, and a generational change among family-owned companies are among the key features of Slovenia's current market, and the number of collective claims for damages is rising, according to Jadek & Pensa Partner Janja Zaplotnik.

"These are turbulent times, with macroeconomic conditions affecting businesses and the legal sector," Zaplotnik says. "Slovenia faced a quarterly 1.4% decline in GDP in the third quarter of this year, and that, with a rather pessimistic outlook for Germany's GDP growth, which is Slovenia's biggest trade partner, creates uncertainty for many businesses. Larger investment projects in private sector companies are noticed to be put on hold, and cost control is becoming stricter."

Overall, the number of mergers notified to the competition regulator so far this year is almost double the number of the same period in the past year.

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"The government announced another set of measures to support the economy, to address increased energy prices," she continues. "The situation in terms of gas seems better now – October's warm weather reduced the consumption of gas, and according to Slovenia's gas regulator we have sufficient supplies for this winter," she says, adding that still, the country is vulnerable, "as we don't have our own gas storage capacities."

Zaplotnik notes that, in terms of M&A, the Slovenian market remains quite vibrant. "Compared to previous years, there is a lot of work on corporate reorganizations," she says. "Many companies are going through spin-offs – major telecommunication companies are mostly the ones spinning off their

infrastructure business into separate companies and real estate ones are increasingly separating into smaller companies." At the same time, she says, Slovenia also has a strong sector of small- and medium-sized family-owned companies, where generations are now changing. "Several founders of companies that were set up in the early nineties are now retiring and passing them to the newer generation," Zaplotnik notes. "The number of exits is high and there are a lot of opportunities for investors in such family-owned businesses."

"We are also facing much more transactions triggered by private equity funds – we now have our own Slovenian ALFI private equity fund, active in Slovenia and the region," Zaplotnik adds. "The Generali private equity fund was also involved in several transactions during the past year. Overall, the number of mergers notified to the competition regulator so far this year is almost double the number of the same period in the past year."

Looking beyond M&A, Zaplotnik notes that "another important feature of the Slovenian market is the rising number of collective actions being filed on behalf of allegedly harmed consumers. In the last year, Apple and 12 Slovenian banks were sued by the same claimant for alleged unfair commercial practices." According to her, "just recently, another consumer organization announced such actions against all four telecom operators in the country, claiming that these operators have contracts that allow them unilaterally change the prices without previously agreed grounds and methodology, and the harms allegedly amount to EUR 200 million. Consequently, these actions can have wide implications on the affected businesses."

Finally, Zaplotnik highlights that Slovenia is also facing political changes. "In November, we have elections almost every week. We just elected a new president and local elections and a referendum are also happening this month." Still, despite the political changes, she says that the government's primary focus is still energy, noting that "bringing investments in renewables, especially in photovoltaics, is the government's top priority. At the beginning of the next year, an act will be adopted which is aimed to facilitate investments in renewable energy. Energy will likely still be a focus of the next year." ■

Romania's Shifting Goalposts: A Buzz Interview with Adriana Gaspar of NNDKP

By Andrija Djonovic (November 22, 2022)



Energy availability prospects, which have unsurprisingly taken center stage and the interest of governments, investors, and organizations across the world, are the strongly dominating priority in Romania, according to NNDKP Senior Partner Adriana Gaspar.

“Each day has brought a heavy load of transformative challenges, for over 30 years, like elsewhere in the region, and I have always felt that living in such a dynamic environment was a real privilege,” Gaspar begins. “Last year’s dynamism has been replaced by a blind struggle with unpredictability – which is hard to contain in financial models or strategies – to come out on top.”

Illustratively, Gaspar flags a matter that, while initially coming as good news, “unveils a real concern for EU countries. In 2020, Romania secured long-term financial packages to support the much-needed investments in energy and infrastructure, catalyzing carbon-neutral energy independence, and the achievement of the European Green Deal commitments. Notably, the US Government agreed to replace China’s commitment to financing the refurbishment of an existing reactor and the building of two new reactors for Romania’s Cernavoda Nuclear Power Plant,” Gaspar reports.

Just as the first US EXIM Bank letters of interest for USD 3 billion “advance the nuclear cooperation plans towards fruition, the compatibility of nuclear power (and fossil gas) with the EU climate change deterrent policies is placed under long-term precariousness,” she explains, adding that Romania is not alone with such questions. “Austria has recently taken legal action before the ECJ against the European Commission’s condoning of nuclear (and gas)-powered electricity generation as sustainable, and many environmental NGOs have launched their own greenwashing challenges. Enthusiasm for investment in the Cernavoda plant could be tempered from

now on,” Gaspar explains. “US-backed small modular reactor projects might also be inhibited.”

Moreover, the National Resilience and Recovery Plan included up to “EUR 80 billion that could be directed to energy, infrastructure, and digital – including to a mix of renewable sources and gas new generation capacities – but, also, energy efficiency, energy storage, and intelligent networks, coupled with better interconnection with the neighboring countries’ energy infrastructure that could position Romania as a regional energy hub,” she continues. “Unless and until a negotiated solution settles Austria’s and the NGOs’ claims, the future of those projects is foggy and certain versatility might need to be embedded in the engineering strategy for new capacities, to secure good use of the investments.”

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Notably, the US Government agreed to replace China’s commitment to financing the refurbishment of an existing reactor and the building of two new reactors for Romania’s Cernavoda Nuclear Power Plant.

Generally, regarding public procurement contracts, Gaspar believes that they need “significant adjustments, in consideration of the current environment.” She says that “as much as Romania has kept on passing legislation aiming to allow price adjustments under these contracts, this is insufficient. The presently applicable legal and contractual frameworks were not designed for the trying times we live in.” According to Gaspar, “ongoing and future contracts are not fully protected under a price adjustment formula, which often fails to cover all unavoidable cost increases, and they also face unbudgeted delays, the scarcity of previously available materials, disruptions in supply, and distressed subcontractors.”

“Inflexible, anachronistic public contracts practice taboos will not get those projects done. We need to open up to a real – and transparent – partnership between authorities and contractors to pursue the projects in the new reality,” she concludes. ■

Building Trust in Kosovo: A Buzz Interview with Sokol Elmazaj of Boga & Associates

By Teona Gelashvili (November 22, 2022)



Arbitration is growing in popularity in Kosovo and notable legislative updates are now in place, including the one establishing the Commercial Court, according to Boga & Associates Partner Sokol Elmazaj.

“Going through the events this year, there have been some notable legislative changes,” Elmazaj begins. “In June, a new *Law on Protection of Competition* was adopted ensuring approximation of the latest EU directives and improving the clarity of the conditions triggering companies’ obligation to file for merger control clearance with Kosovo’s competition authority. There is new legislation adopted on the protection of trade secrets, patents, and industrial design.”

The biggest generator is the state-owned Korporata Energjitike e Kosoves SH.A. There are few small private generators, and the rest of the energy is imported. The imports can fluctuate, as the generation facilities are old and hard to maintain.

According to Elmazaj, there are some pending pieces of legislation as well. “We have an older initiative to adopt Kosovo’s *Civil Code*. While we do have a separate law on obligation relationships (i.e., torts and contracts), real rights and security interest, etc., we still don’t have a civil code. It has been pending in the parliament for a while now and we don’t expect any big changes soon,” he says.

Still, Elmazaj notes that one of the most interesting fields in Kosovo is arbitration. “We’ve had the arbitration body in

Kosovo for over ten years, but now there is an increased number of arbitration cases brought by local businesses,” he says. “It is a good development – we are finally seeing the fruits of a long marketing campaign made by the American Chamber of Commerce and funded by USAID in Kosovo, including training of judges and lawyers. Both the American CoC of Kosovo and the Kosovo CoC have done a good job of introducing arbitration as an alternative dispute resolution tool. As a result, companies have massively started including arbitration clauses in their contracts.”

According to Elmazaj, earlier this year, the parliament passed a new law establishing the Commercial Court in Kosovo, “Hopefully, it can also help address disputes of a commercial nature promptly,” he says. “It’s still too early to reach conclusions, but we see that the cases are picking up.”

“We have some progress on wind farms,” he says, noting that “energy remains critical in Kosovo, as local energy generation is still suffering. The biggest generator is the state-owned Korporata Energjitike e Kosoves SH.A. There are few small private generators, and the rest of the energy is imported. The imports can fluctuate, as the generation facilities are old and hard to maintain. The government provided some subsidies last year and we hope it will happen this year as well.” According to him, one of the pressing issues looking for a political solution is the energy problem in the four northern communes of Kosovo. “This remains part of a broader issue to be resolved with Serbia. In these last weeks, we saw some developments and, hopefully, both parties will be able to find common grounds, calm the situation down, and work out solutions to make this region safer for businesses.”

“Unfortunately,” he adds, “we haven’t seen an increase in the FDIs in Kosovo. Foreign investors with big names, such as Zara in the fashion industry, decided to include Kosovo in their maps, but still, these are rare cases.” However, he points to “the good sign that the EBRD and IFC are financing projects in Kosovo, especially for small and medium-sized businesses. The trust of these organizations in our local economy is an important aspect here, proving that Kosovo is slowly moving forward.” ■

Estonia Experiences a Slowdown but Not a Crisis: A Buzz Interview with Juri Ploom of Pohla & Hallmagi

By Teona Gelashvili (November 23, 2022)

Estonia's real estate experiences a slight slowdown and layoffs are on the radar for some sectors, but others remain active, with a promising prognosis for the next year's small economic growth of 0,7% according to the European Commission, explains Pohla & Hallmagi Partner Juri Ploom.

"Being not far from Ukraine and sharing a joint border with Russia, a lot is happening in Estonia all the time," Ploom begins. "We have had around 70,000 refugees from Ukraine, which is the biggest proportion per capita after Poland. What we have been seeing in the past few months is that foreign investors have become more careful and a few transactions have been put on hold." According to him, banks are also extremely careful about giving out loans, and interest rates have increased. "The risks have gone higher as well – we used to have low government debt but, nowadays, the interest rate on governmental borrowing has gone up close to 4%," he notes. "These are the result of the war and our dependence on Russian oil and gas, even though we've been very successful in terms of cutting those links recently."

Ploom notes that, in general, the market has been doing well. "Our figures are better than ever and sectors such as renewable energy and IP/IT are very active," he points out. "Estonia has been a bit slow on renewables in the past ten years, but now due to the need to restructure our energy market, there is heavy pressure primarily from Scandinavian countries to start new on-shore and offshore wind renewable projects. There are many funds coming from the EU, mainly focused on the eastern part of Estonia, previously a mining and industrial area where many standby projects have resumed."

At the same time, Ploom highlights that there's a lot of instability in the market. "Whatever is certain today, might change tomorrow," he says. "We have had some success stories, but recently one of such technology companies, Pipedrive, announced layoffs – about 150 people were fired. There are layoffs in the production sector as well, such as in the case of wood and furniture companies. On top of that, recently, a new regulation was introduced affecting crypto-companies and we will probably see its effect soon."

"There is a relative decrease in terms of real estate transactions," Ploom notes. "The real estate market is slowing down, as a result of high-interest rates. In the past, the interest rate amounted to 2%, but now the number is around 5% altogether and, consequently, there are fewer buyers on the market."

Other than that, Ploom notes that during the past 30 years of independence, Estonia faced several different major crises, which partially prepared the country for what is to come. "There are some expected insolvency and restructuring cases, but it will probably not be a huge number," he says. "Still, the current situation is not as dire – what we have is rather a slowdown more than a crisis. It seems that Estonia solved the energy problem for the coming winter on a large scale and we expect a small economic growth rate for the next year. Obviously, many people lost their jobs, but once spring comes and energy becomes less of a factor, the situation will likely change." ■



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The risks have gone higher as well – we used to have low government debt but, nowadays, the interest rate on governmental borrowing has gone up close to 4%.

Austria Will Be Alright: A Buzz Interview with Christoph Mager of DLA Piper

By Andrija Djonovic (November 23, 2022)



The increasing US-based investor interest in Austrian tech start-ups – despite the hard times and a certain lack of governmental decisiveness – is creating a buzz in the country, according to DLA Piper Austria Managing Partner Christoph Mager.

“There has been a markable uptick in the levels of US-based investor attention looking at the Austrian market,” Mager begins. “One of the contributing factors to this has been a government initiative to support local technology and technology-adjacent sector start-ups,” he explains. “The growth cycle of these kinds of start-up companies has been heavily incentivized by the Austrian government, to the point of establishing dedicated agencies to evaluate these companies.”

Based on a start-up’s capacity to attract financing, their business plans, and business models, as well as professional backgrounds, Mager says the Austrian government offered “targeted incentives – especially during the worst COVID-19 moments – and these companies started growing and growing. In particular, software development companies and those making efforts to usher in digitalization are at the forefront,” he reports.

Mager goes on to explain that, even with the Austrian market being “rather small, there are promising start-ups that are knocking on the door of such growth levels as to attract venture capital or even private equity financing. Given such promise, it is not surprising that US-based investors are coming around.” Even with Austria having a somewhat stringent regime for screening foreign direct investments, Mager says that investor appetite is not affected. “US investors are accustomed to heavy screenings and rigorous regulations – so it is not an obstacle,” he says. “Overall, these are massively beneficial signs for our economy – all of these companies being local – there is a huge amount of know-how entering the country.”

And, speaking about the economy, Mager reports that it is still quite internationally orientated, even in trying times. “The economy is doing great overall, though there are companies that are struggling – primarily those that have energy-heavy production processes,” he reports. “Those who are struggling the most could see their customers and investors seeking to get what they need, and there is a lot of competitive pressure, especially coming in from Asia and America,” Mager reports.

Finally, assessing the current status of legislative activities, Mager explains that he is surprised the “government isn’t introducing more initiatives. There is no clear focus or decision for increasing the focus on helping the economy and businesses survive these tough times. The primary focus for the government has been the population, with a lot of talk about introducing safety measures such as energy price caps – however, more determination would be needed when it comes to businesses,” he says. In conclusion, Mager shares that he feels “nothing major will change over the next six months. There is still comfortable investor interest in the Austrian markets, and the economy is robust – we’ll do okay,” he concludes. ■

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Those who are struggling the most could see their customers and investors seeking to get what they need, and there is a lot of competitive pressure, especially coming in from Asia and America.



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A (2020) Familiar Vibe in Lithuania: A Buzz Interview with Ruta Armone of Ellex

By Teona Gelashvili (November 24, 2022)



While Lithuania is registering an overall slowdown in M&A transactions, the renewables, technology, and healthcare sectors remain dynamic, according to Ellex Partner Ruta Armone.

“Lithuania’s M&A landscape is interesting,” Armone points out. “Last year was a record-breaking year in terms of large M&A

projects, but this year we have a bit of a slowdown – we are going back to 2020 levels. We are still busy, with the top sectors being energy and renewables, technology, and healthcare.” According to her, “one area with fewer M&A activities is manufacturing, maybe except for high-technology lasers, pharmaceuticals, and biotechnology. The reasons for that are global trends and macroeconomic factors, such as inflation, uncertainty, and high-interest rates.”

Last year was a record-breaking year in terms of large M&A projects, but this year we have a bit of a slowdown.

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“Initially, this was related to the war in Ukraine, but probably not anymore,” Armone explains. “Some projects were suspended or terminated, but the activity resumed in the next few months. However, some of the big infrastructure projects still remain on hold.” In general, she notes, “there are fewer large transactions, but rather medium-sized ones. Investors are still interested, however, the demand is not that high and the process of negotiations is more structured.”

According to Armone, the circumstances are different when it comes to renewables. “Wind and solar parks are very attractive targets in Lithuania nowadays, and whenever there is a new project on the market, competition is high as everyone wants a piece of it,” she notes, adding that, unlike regular M&As, re-

newables are sold at early stages, even before they are ready to be built. “Oftentimes, the sellers sell the company but continue developing projects until it becomes operational,” Armone points out. “In addition to what’s typical for M&As, energy transactions include provisions for project development and environmental considerations, so these are more complex transactions, especially when they take place at an early stage.”

Armone highlights that Lithuania is preparing to launch the first auction for a 700-megawatt Baltic offshore wind park in September 2023. “The first auction will have some state subsidies, while the second auction for another 700-megawatt offshore development most likely will not get governmental support,” she says. “There are a few joint ventures intending to bid in the auction, one of which is Polenergia which entered into a joint venture with GreenGenius to join the bidding in the first auction for the offshore park. Everyone is looking forward to this, as the project will also ensure Lithuania’s energy independence.”

“We are still dependent on energy imports, which is why the government is also trying to help developers to develop local energy sources,” Armone continues. “In July there have been some changes in legislation on renewables, allowing for some restrictions to be lifted and for the project development to become quicker. The sector will likely remain very active in the future.”

Armone also highlights that there have been large transactions among technology companies. “Our second unicorn – Nord Security – recently attracted Novator Partners as an investor,” she says. “The financing round led by Novator Ventures amounted to USD 100 million and is a good development for the startup ecosystem in the country. Lithuanian fintech company Kevin recently also attracted USD 65 million, which is the biggest Series A transaction in the Baltics, and the company is on track to become a unicorn.” According to her, there is also a consolidation trend in Lithuania’s life science market – Invalda, for example, is buying private clinics and now has a big portfolio of both medical and dental clinics. “Overall, while we are missing last year’s massive deals, our M&A landscape still shows the country’s huge potential,” Armone concludes. ■

Relearning Military Law in Ukraine: A Buzz Interview with Mikhail Ilyashev of Ilyashev & Partners

By Andrija Djonovic (November 24, 2022)



The War in Ukraine left no market sectors unaffected and, according to Ilyashev & Partners Managing Partner Mikhail Ilyashev, things were no different for lawyers.

“The most pressing concern was to secure documents and infrastructure when the war started,” Ilyashev begins. “A few weeks before the war started, we circulated a memo with instructions on what to do in case of an invasion – I was 100% certain that there would be a war,” Ilyashev says. He reports that Ilyashev & Partners successfully relocated to homes and special shelters and managed to “secure our databases as well, in addition to having done backups outside of Ukraine even before the war.”

Ilyashev shares that the firm successfully managed to operate in a home office paradigm because “electricity and internet were both running. Still, with all state authorities ceasing their operations – there was less work for lawyers overall. It was easy to see that lawyering was not the most important profession in war times,” he says. Still, there was work, and Ilyashev reports a strong stream of “inquiries with respect to leaving the country, crossing the border, as well as mobilization aspects. Additionally, there was a high number of asset transfers to the army on both a mandatory and voluntary basis – for example, we gave our old conference call system to the military – as well as the matter of paying taxes in advance. And our maritime law practice was even busier than before the war, due to the situation with the shipping in the Black Sea,” Ilyashev reports.

While March still saw some activity – especially in criminal law, dispute resolution, employment, and military law – Ilyashev reports a “massive slowdown of many departments” afterward, including real estate, intellectual property, M&A, competition,

and international trade. “After the initial shock abated, and the courts began opening up on urgent criminal prosecution matters, people began returning to the cities – I came back to the office in April,” he reports. “As Kyiv became safer, so too the legal market began picking up – mainly for dispute resolution, employment, criminal, and military law aspects. We had to crack open the books and relearn military law – not a popular subject matter in peace times,” Ilyashev says.

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As Kyiv became safer, so too the legal market began picking up – mainly for dispute resolution, employment, criminal, and military law aspects. We had to crack open the books and relearn military law – not a popular subject matter in peace times.

As life started coming back to the cities, Ilyashev reports that their firm began “promoting office work” and that, by June, “about 70% of all our staff was back in our offices. Subsequently, we saw a rise in some real estate and corporate work, as well as daily corporate activities,” he reports. “Dispute resolution, competition, and international trade work began again later and, from June to November, the scope of services started resembling the realities before the war, with the exception of intellectual property and M&A,” he explains. While the figures are not at their 2021 levels, Ilyashev reports that there is some “degree of predictability now” and that the firm can now “make plans for December. In the early days of the war, we had to plan things on a day-to-day basis.”

Finally, Ilyashev reports that the firm had to “go lean – we lost about 20% of our office staff that went abroad during these times, but, on the other hand, our top priority was to secure salaries for those that stayed in Ukraine,” he explains. “This helped us be more clear in terms of the capacities we have to deploy,” Ilyashev concludes. ■

TELEKOM'S LEGAL SERVICE EVOLUTION: THE SQUAD AND THE MAGIC BOOK

By Teona Gelashvili

On November 9, 2022, Magyar Telekom's Legal Service Evolution Squad unveiled its largest service development project yet – the Legal Magic Book – during the company's annual Love Your Lawyer Day event. We sat down with Magyar Telekom Group Legal Director **Daniel Szeszler** and Legal Service Evolution Squad Product Owner **Botond Ungvary** to learn more about the book and the team behind it.



Daniel Szeszler

CEELM: What is the Legal Service Evolution Squad and how did it come to be?

Szeszler: This is the result of our focus on well-structured legal process and service management; and our willingness to engage in legal technology and innovation. Before the Squad, we used to have an innovation team within the Legal Directorate. Later, we realized a

phenomenon that, in our opinion, is a typical one for many in-house legal teams – while they often have the willingness to develop processes and themselves as a team – most of them don't have the dedicated resources and a clear setup to develop services. We set up the Legal Service Evolution Squad this January, with a team of dedicated and focused individuals from within the Legal team. We carved out some resources from our colleagues' full-time work, to focus their

attention and time on matters beyond our core legal activities. Botond, as the head, dedicates 75% of his time to the Squad, which also involves junior and senior employees. Now that ten months have passed, we're very enthusiastic to see some significant results becoming a reality.

CEELM: Where does the Squad fall within the broader legal department of Telekom?

Szeszler: Magyar Telekom has a team of 35 lawyers in total. We have four CoEs (Centers of Expertise), focusing on B2C, B2B, data protection and labor law, and corporate governance and general legal matters. We also have two squads: the Cross-Functional Legal Services Squad and the Legal Service Evolution Squad. The latter is the only one not providing legal services directly to clients but working on our internal endeavors.

CEELM: When did you feel the need to establish the Legal Service Evolution Squad?

Ungvary: It was a natural process. There were moments

when we reflected on how we should innovate and change our internal processes within the Legal team. We started with different projects and organized courses for the Legal team to upskill them digitally and, in that process, we started using specialized IT tools. When we received excellent feedback, we began to work on specific projects, i.e., how to digitalize small processes. After establishing the Squad, we started with planning. Now we have a solid roadmap with clear goals, milestones, and steps to continue the development.

CEELM: What projects has the Squad been focusing on?

Ungvary: The keywords would be uploading, upskilling, and upgrading. We want to move to a digital work environment – to upload every useful tool for lawyers into common shared storage that is searchable. One of the first steps was building a unified template database, that includes more than 400 documents as of today, such as contract and letter templates. This is integrated into our text editor application and, accordingly, it won't be necessary to switch to another application to work with these documents. We also launched an app called Time Saver to address workload – colleagues who are overloaded can now signal their need for support from their team leads on a regular basis with just one click, without the need to proactively engage. This tool replaced a rather complicated timesheet application we used in the past.

Szeszler: The Squad is also responsible for professional development and soft skill development within the team, with internal training programs every semester. These programs are not limited to legal knowledge development but also aim to improve technical and soft skills, such as assertive communication, simple writing and IT skills, as well as background knowledge on relevant finance and technology topics. We also have a well-established internship program, with the interns doing substantive work. We realized, over the years, that it is an excellent recruitment tool – we have hired seven former interns after graduation as full-time colleagues so far.

CEELM: What is the Legal Magic Book and when was it launched?

Ungvary: The Legal Magic Book is our largest service development project in 2022. It is a self-service tool for our internal clients. It was launched on November 9, during our Love Your Lawyer Day event. It is the platform holding all our digital legal services together, including our Template Database (available not only for in-house lawyers but for internal clients as well), several legal guidance pages (approximately

100 pages at the moment), and self-service interfaces. Our newly developed digitalized legal services will be provided through this platform to our internal clients going forward. It will automate and semi-automate many processes: for instance, requests for e-signatures can already be made

through this platform. Another key element of the platform is a legal chatbot, helping clients to navigate through the platform and find simple answers to their questions.

Szeszler: It's fair to say that the Legal Magic Book has two target audiences: one is our in-house legal team, and the other one is our internal clients. Our lawyers will be able to reach quite a lot of information through this platform, while for internal clients it will be a self-service tool. The general idea is that internal clients shouldn't have to run to lawyers every time they have a simple, frequently asked question, but they should be able to find the answers themselves. We believe that it will save lawyers' time, avoid having to answer the same questions repeatedly, and keep them busy with bigger topics.

CEELM: What tasks does the Legal Magic Book aim to streamline?

Ungvary: There are two big improvements. First, the internal clients' need to access legal document templates will be solved, as they will have easy access to document generation and editing. Second, internal clients' inquiries for information either regarding existing contracts or legal questions can be addressed by the tools we mentioned.

CEELM: What lessons have you learned on the way here and how do you plan to leverage those?

Ungvary: One key message is that planning is essential. We are being reasonable with our resources and try to not overstep. What we do differently is that we do not start with buying software showcased to us, but rather see the problem and look at the potential solutions. Our colleagues and lawyers realize that a computer is much more than a typewriter. Often, it is not necessary to buy specialized software, but rather look at in-built digital functions, as there are many. There are many opportunities to unlock if a team can identify what their truly relevant needs are. ■



Botond Ungvary

SPEND IT ALL BEFORE IT'S GONE: INVESTMENT SAFE HARBORS IN CEE

By Teona Gelashvili

Considering the current state of affairs in CEE, market dynamics have shifted in terms of where investors are looking for safe investment opportunities, with some sectors seeing steadier capital flows and others struggling. Our experts chart the current hotspots and consider whether the markets are set to shift again.

Energy: Booming



In Bulgaria, Romania, and Poland, energy is among the major sectors where capital is flowing steadily these days. Schoenherr Local Partner Ilko Stoyanov notes that energy has “been historically attracting a high demand for products and services” and that, with the war in Ukraine, energy is again on the rise. “This high demand does not look like it will change in the near future, which makes energy less susceptible to day-to-day market volatilities,” he says.



“Money is still out there in the markets, at least for now,” Tuca Zbarcea & Asociații Managing Partner Florentin Tuca says. According to him, “there are investment funds and private equity firms on the lookout for opportunities in various sectors,” while “Romania is going through a prolific period as regards investments in the production of renewable energy.” Energy in general is on the up – including “nuclear, renewables, and gas – from exploration, to exploitation, and energy production.” Tuca adds that “Romania must continue the Black Sea gas extraction projects, to ensure independence from energy imports but, at the same time, new sources of energy production should be found.”



Penteris Head of Banking & Finance Katarzyna Sawa-Rybaczek also believes that the coming years will see a “growing energy sector” and that the Polish public sector will likely “maintain and even increase its spending levels in the near future, which in turn

increases the number of transactions and investments in the energy sector.”



In Ukraine, however, those circumstances look different. “Ukraine is obviously at the epicenter of the war, affecting all businesses in the country,” Avellum Managing Partner Mykola Stetsenko notes. “Obviously, energy, steel production, agriculture, real estate, leisure, luxury goods, and high-end services were affected the most.” Still, he says that once the war is over, “energy – both electricity production and oil and gas extraction” – is one of those sectors “where there is potential for JVs between Ukrainian owners and Western investors.”

IT: The Perpetual Darling

Tuca explains that, in Romania, “money is still available in sectors such as IT&C.” According to him, “the IT market has always had impressive growth rates mostly because of the highly skilled workers available locally. After all, Romania has one of the highest per capita numbers of certified IT professionals, with the high quality of their services offered for reasonable prices.” Tuca also highlights that “big global technology corporations are also present locally in cities such as Bucharest, Cluj-Napoca, and Iasi. In addition, the IT sector seems to be among those least impacted by the crisis, and it will continue to be an important growth factor for the Romanian economy.”

Similarly, Stoyanov notes that “IT has been traditionally strong in Bulgaria,” however, “given the ever-rising hiring appetite of the industry, talent is now scarce.”

This, also, is rather different in Ukraine. “While most companies remain in Ukraine, others decided either to move or

to expand to Eastern Europe,” Stetsenko points out. “Some IT companies and specialists also moved to Portugal, for tax reasons.” Still, he says “banking, retail, healthcare, and FMCG – as well as the IT sector – are among the more resilient ones today.”

Real Estate: Solid but Not Sustainable

Stoyanov and Sawa-Rybaczek highlight that, in Bulgaria and Poland, the real estate sector has been very stable so far. In Bulgaria, “real estate development is now at one of the highest levels in recent history,” Stoyanov notes. “Consumers have turned again to buying real estate, seeking safe harbor from the high inflation and the low or negative returns on bank deposits.” However, according to him, “the overall expectation is that this trend will soon reverse, considering that credit has become more expensive and bank deposits are turning a little more attractive.”

According to Sawa-Rybaczek, even though “ballooning inflation and high interest rates resulted in a slowdown on the housing sales market,” occupier demand has increased in the private rented sector. For 2022, “due to the high interest rates offered by banks, less affordable mortgages combined with growing prices resulted in the decreasing number of individual acquisitions of apartments.” At the same time, according to her, “more than one million refugees are estimated to currently be staying in Poland,” and all those factors together mean that “demand for rented apartments has increased – and rental prices have grown right along.” Still, “factors such as high construction costs – resulting from increasing energy and raw material prices and unsteady supply chains – and the growth of financing costs forced some investors to temporarily suspend new projects,” Sawa-Rybaczek notes.

Industry: Bet on Logistics and Military Production

Additionally, in Poland, “the industrial & logistics sector is still growing, and investor capital continues to flow into this sector in 2022,” Sawa-Rybaczek notes, adding that “throughout the whole of 2021 it was the main source of profit for investors in Poland.” According to her, “investors have allocated nearly EUR 3 billion into warehouses, logistic facilities, and industrial space, which is more than 50% of the total investment volume.” Sawa-Rybaczek adds that, “in 2022, in the logistics sector, demand stayed resilient but is down from peak levels, due to the limited availability of land for industrial purposes and the relatively long legal process to adapt other

types of land for this type of investment.”

“One of the most important accelerators of the development of the Polish warehouse market are e-commerce services,” she continues, on account of pandemic and post-pandemic trends. Stetsenko similarly highlights the potential of the logistics sector in Ukraine to attract Western investors after the war, alongside infrastructure and, potentially, agriculture.

Meanwhile, he reports it was primarily military production that has been on the rise this year. “The war focused the Ukrainian economy in two directions: the basic needs of its people and the active support of the Ukrainian army,” Stetsenko notes. “From the sector-specific perspective, there is more activity in industries that relate to military equipment and anything else the army needs.” For example, he adds, “drone production is on the rise.”

The Kicker: NPL Market Dynamics

While the number of debt defaults might potentially increase, Tuca and Stetsenko predict some changes in the market dynamics. “I would expect bank loan defaults to surge in the upcoming year, largely due to the continued increase of interest rates – both in euros and, especially, in lei – doubled by staggering inflation, the rise of energy prices, as well as the uncertainties generated by the Russia-Ukraine war,” Tuca says. “At the same time, I think that, having the experience from the financial crisis of 2007-2008, for the most part, we will see assets and not necessarily businesses that will be put up for sale or be executed by the banks. Moreover, it is likely that the banks would rather opt to sell or divest NPLs as a package, instead of enforcing each and every single customer who is in payment default.”

Stetsenko believes that, “once the war ends, there will be a large debt restructuring wave in Ukraine, for sure.” However, he says, “banks will likely be flexible in restructurings because of the gravity of this force majeure situation in Ukraine,” and ventures that, “potentially, some real estate developments could be up for sale.”

Stoyanov, on the other hand, says that “the levels of NPLs have been traditionally low in Bulgaria, which to some extent is due to the conservative business lending practices of the banks.” Consequently, he says, “we do not expect that loan defaults would be so widespread as to create a market on their own.” ■

UNSTOPPABLE FORCE MEETS IMMOVABLE OBJECT: GREEN CLAIMS IN PHARMA

By Teona Gelashvili

The ascendant popularity of ESG across business sectors has also empowered the rise of its evil twin: greenwashing. To look at the interplay between the two and their implications for the pharma industry in CEE, we sat down with CMS Partners **Gabriela Staber** and **Tomas Matejovsky**.



Gabriela Staber

CEELM: Considering the recent ESG updates, what green claims are pharma industry companies making and how are they communicating them?

Staber: First of all, pharmaceutical companies are known not for their product-related green claims, but rather for their company-related ones. If you

look at pharmaceutical companies' messaging, they frequently communicate about reducing their water consumption and carbon dioxide emissions, as they do, traditionally, consume vast amounts of water and produce sizable emissions as part of their production process. They also produce significant amounts of hazardous and non-hazardous waste, so they also communicate about their efforts to reduce that.

Pharmaceutical companies might have to comply with injunctions, pay administrative fines or annual turnover-based penalties, and deal with reputational damage. The latter might actually have the most severe impact.

Some of these claims are very vague and difficult to substantiate, such as "being committed to sustainability." Even when these claims are less vague, they can sometimes be misleading, for example, if companies do not use reliable data or recognized standards to calculate their environmental footprint. Frequently, these companies only highlight their positive steps and policies but do not mention the overall balance, by

advertising projects reducing emissions but disregarding those activities with negative environmental impacts.

Matejovsky: The main risk pharma companies face (and will continue to face) concerning green claims is potentially related to the use of "natural" versus "chemical" compounds and communications related to those. Despite the fact that these may fall more into well-regulated health claims, there will be a risk of miscommunication and misunderstanding – and pharma companies should be very careful in drafting any such communications.

CEELM: What are the current regulations on such green claims? And what are the existing enforcement practices?

Staber: Normally, companies making green claims can be challenged or sued in relation to those claims. The features of these lawsuits depend on the country – sometimes lawsuits are initiated by competitor companies or consumer associations, on unfair competition or consumer protection grounds. In other cases, they focus on specific laws regulating advertising standards. In Austria, for example, it's usually unfair competition – but the markets vary wildly – so we've created the *CMS Green Globe*, a platform to track the latest developments on sustainability claims and greenwashing in each country. It currently covers nine CEE jurisdictions. Also, under new EU rules, when there are cross-border infringements of a severe nature, very high fines based on annual turnover might be imposed.

Consequently, pharmaceutical companies might have to comply with injunctions, pay administrative fines or annual turnover-based penalties, and deal with reputational damage. The latter might actually have the most severe impact. Companies care to be associated with sustainable policies – that's why they are incentivized to advertise as such – but in terms of reputational damage, it can backfire dramatically.

For example, in Austria, a consumer association frequently conducts “greenwashing checks” and publishes the results on its website, which shows that a lawsuit is not a prerequisite to incurring reputational damage.

Matejovsky: The consumer protection regulatory authorities have already started to focus more on green claims – and we already see the first inquiries and proceedings being conducted – where the companies risk fines for misleading advertising. There are also self-regulatory bodies (usually “Advertising Councils”) involved and dealing with complaints both from consumers and competitors.

CEELM: What legal updates on the EU level are we looking at, down the line?

Staber: We don’t yet have any EU-wide regulation dealing with green claims specifically. Some countries have developed legislation or non-binding codes of conduct on the national level. However, we do have a proposal addressing green claims – an update to the *Unfair Commercial Practices Directive*. It might take until 2025 or 2026 for that update to come into force after transposition into national law.

We also expect another proposal – an EU regulation on how to substantiate green claims. It will include more details on what standards to apply when substantiating relevant claims, and will also be pertinent for monitoring future-oriented claims.

Still, these legal texts are coming from different parts of the EU Commission, and we’ll see how well they will work together, with different Directorates working on each.

Matejovsky: With the lack of EU-wide regulation, the authorities in several CEE countries have already published guidelines and soft laws containing recommendations with respect to green and environmental claims, which can help companies to address these issues in a more compliant way.

CEELM: What will change for pharmaceutical companies, according to these proposals?

Staber: According to the new proposals, companies cannot advertise vague claims, as they are required to substantiate them. They need to be very specific in their claims and have data ready to be provided, whenever necessary. Moreover, companies cannot selectively ignore their negative impacts: they will have to be open about those as well. And another thing: they won’t be able to advertise green achievements

resulting from their compliance with the law – or compliance with industry standards – that’s just doing the bare minimum. Such messaging will be considered misleading claims. Some of this is already the standard in some countries, but it will now be regulated uniformly on the EU level.



Tomas Matejovsky

In addition, there’s news related to future-oriented claims. For example, a company might announce that it will be climate neutral by 2040. In such cases, the new EU rules would require substantiation, through a robust and verifiable strategy to meet that goal, and an independent monitoring system, to monitor and certify whether companies are on the track to meet their promises.

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[Companies] won’t be able to advertise green achievements resulting from their compliance with the law – or compliance with industry standards – that’s just doing the bare minimum.

CEELM: From your perspective, what will be the key impacts of the new regulations?

Staber: First of all, we’ll have to see the specific legislation, once it is adopted. The rules on substantiation will be helpful, pointing to specific standards for calculating companies’ effects on climate and the validity of their green claims. They will likely improve legal certainty for companies. But we still need to figure out what happens to claims that are already out there, such as future-oriented claims, if the substantiation standard changes under the new rules. This may require companies to correct previous statements and to make sure all their communication is compliant with the new standards. There will, of course, be a transition period but it might prove challenging for many pharma players.

Matejovsky: Another crucial factor with respect to green claims will be the adoption of a clear set of rules for the verification of those claims and, especially, verification of those companies or agencies issuing the relevant certifications, including their auditing and oversight. ■

MARKET SPOTLIGHT: CROATIA



ACTIVITY OVERVIEW: CROATIA

Firms with the most client matters reported by CEE Legal Matters.



39



17



13



13



12

Partners with the most client matters reported by CEE Legal Matters.



21

Damir Topic



8

Tarja Krehic



7

Ivan Zornada



7

Mario Krka



7

Mate Lovric



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CROATIA'S EURO-VISION

By Andrija Djonovic

On January 1, 2023, Croatia will finally gain a much-coveted place in the eurozone club. Making the switch is a massive undertaking that will impact every person living and working in the Adriatic country. Eight Croatian legal experts share their insights on how the market will adapt, how the legislative framework will change, and who will stand to gain the most.



CROATIA

Pressing Issues

“Joining the eurozone could have come in some (economically) better times, as it is known that this step had spurred inflation in all the countries that joined earlier,” Divjak Topic Bahtijarevic & Krka Senior Partner Damir Topic begins. “So, on top of high inflation caused by the worldwide crisis, we will face another inflation hit. However, in the long run, we all believe this will be a good move and will bring more benefits than the imminent downsides.”

The massive project necessitates a major legislative overhaul, and Poro-bija & Spoljaric Managing Partner Marko Porobija feels that the most pressing concerns are related to compliance and regulatory matters. “As much as currency conversion is one of the main topics in Croatia, most people and businesses feel like they don’t have all the relevant information,” he says. “From micro-businesses to large corporations, each has its own ambiguities to settle. Also, the conversion cost is not negligible and presents an additional burden on the budgets already hit with inflation and a crawling recession.”

Speaking of the conversion rate – it poses a different cause for concern. “The applicable conversion rate of HRK 7.53450 for EUR 1 makes foreign goods cheaper and domestic production less attractive,” chimes in Vidan Law Office Partner Hrvoje Vidan. Croatia is facing its highest tracked inflation rate, according to him, “reaching the peak of 12,8% in September this year,” with causes including the imminent eurozone entry, the “current crisis in Ukraine, and the global energy crisis.”

Additionally, there might be issues at the very start of the euro’s life in Croatia. According to CMS Partner Marija Zrno Prosic, one pressing concern is “ensuring sufficient cash in euros during the dual circulation period, from January 1 to January 14, 2023, when both euro and kuna will be used as a means of payment in cash, while change should be made in euros (with certain exceptions, of course).”

On a more everyday level, consumers are concerned about potential price rounding, according to Macesic & Partners Partner Miroljub Macesic and three other experts. “For the commonfolk, a more practical worry may be that of the price rounding likely to occur post-euro implementation,” Vukmir & Associates Partner Ivan Cuk says. “Many vendors could attempt to take this opportunity to round up their converted prices, which will have a direct impact on the average Croatian consumer.”

“The overwhelming concern among the public is that implementing the euro as currency will entail increased prices of products and services due to the round-up effect,” Kovacevic Prpic Simeunovic Partner Ana Novakovic Stipanicev adds. “Most Croatian economists agreed that, according to the experience of other member states” and previously conducted research on the round-up effect, it “should, in general, cause only a marginal increase (approximately 1 to 2%, on average) on the



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Porobija & Spoljaric



Miroljub Macesic,
Partner,
Macesic & Partners



Vladimir Batarelo,
Partner,
BDV Legal

total CPI.” Still, she does caution that this research was “mostly conducted in the pre-pandemic and pre-inflation era of overall low-interest rates, healthy economies, and optimistic business horizons.”

Novakovic Stipanicev explains that “state institutions are actively working” on preventing that outcome, and that their “most effective tool for the purpose is the double-pricing obligation for business subjects,” included in Croatian law. From September 5, 2022, until December 31, 2023, all businesses “must display the prices of their products and services in both kuna and euro in all relations with consumers.” Furthermore, she reports that the Ministry of Economy “designed a special Ethical Code which any business subject may join and thus acquire the Ethical Code seal of approval to display on their premises or websites” to indicate compliance with euro implementation rules. However, only about 1,000 business subjects had enlisted for Ethical Code by November, Novakovic Stipanicev reports.

Ultimately, all still agree that joining the eurozone is a good thing. Specifically, BDV Legal Partner Vladimir Batarelo outlines three benefits, including eliminating the possibility of exchange rate depreciation, Croatian banks having access to the monetary operations of the Eurosystem, and the country having access to financing from the European Stability Mechanism. “Furthermore, the positive effects should be reflected in more favorable borrowing options and less exposure to global shocks. Public finances will no longer be exposed to currency risk, which will mean a lower indirect risk for investors and, thus, a lower volatility risk premium,” he explains.

Accommodating Legislation

“Croatia must change every law in which some provisions, like fines or monetary thresholds, are quoted in kuna and put forward the appropriate euro counter value,” Topic explains. “There is also a very specific issue with the registered capital of all companies in Croatia – each will have to undergo a re-registration procedure, adjust its capital to the euro value, and round it to the amounts divisible into a relevant number of shares,” he reports. Porobija agrees, adding that “changes are all around us – from corporate structuring, capital markets, and commerce all the way to court procedures – there is no aspect of legal work that isn’t impacted by the conversion.”

And legislative changes spell client inquiries: “in the past few months, we have noticed an increase in inquiries regarding the implementation of the euro – most related to the appropriate manner of double-pricing and the criteria for determining the related increase of prices ... as (un)justified,” shares Novakovic Stipanicev. “While double pricing is relatively clear in terms of its implications and sanctions, the criteria for assessment of justifiability of price increases remain unclear, so it remains to be seen how the competent authorities will tackle this issue

and set the bars for assessment,” she explains.

Overall, the legislation accompanying the switch is so massive that it overshadows that of other member states. “The euro changeover act introduces the main points of the process, including main principles, rounding rules, supply and physical changeover, verification of the authenticity, dual circulation, dual display, continuity of legal instrument, supervision, misdemeanor provisions, etc.,” Batarelo explains. “As the entire process is regulated in more detail than in other member states that had undergone the changeover, it is expected that the process will be carried out with as little uncertainty as possible.”

And Accommodating Investments

However, all this work is expected to result in keen benefits. Topic believes that it will become easier to make investments, seeing as how there will be “no obligation to pay for shares in kuna and some other domestic red-tape matters will cease to apply.”

Agreeing with Topic, Macesic adds that the switch “should generally cause positive market changes and simplify and attract foreign investments.” Moreover, he states that the “eurozone already increased Croatia’s credit ratings with leading rating agencies,” which should improve the investment climate.

Cuk also agrees, stating that joining the eurozone will make the “Croatian economy more resilient to the external shocks of economic and financial crises.” He believes that “access to different financial markets – such as the market for debt securities and the equity markets” will only improve the agility of the economy and adds that Croatia’s overall more effective participation in the “making of its monetary policy” should increase investor confidence.

Novakovic Stipanicev adds that the switch will “contribute to the strengthening of international exchange and investments through the reduction of transaction costs and currency conversion costs, as well as greater transparency and easier price comparability.” Such a reduction in uncertainties and overall currency risk is also in the minds of Zrno Prosic, Porobija, and Batarelo. “Positioning Croatia as a member of the eurozone, a better credit rating, and other positive consequences of this change are generally expected to make our market more attractive for investment,” Zrno Prosic says.

“The currency fluctuation risk will become a non-issue, especially for investors from the EU,” Porobija says. “Credit risk on a national level is dropping significantly, which will

positively impact interest rates, the availability of cross-border financing, etc.” Still, he feels more work is needed: a push for “the policymakers to continue implementing further reforms toward removing administrative barriers and simplifying doing business.”

Vidan concedes the positives on interest rates and foreign investments but shares some causes for concern: “the global crisis may affect the availability of cheap money which will inevitably flow over to Croatia.” Remaining cautious, Vidan explains that the switch “will have a positive psychological impact on foreign investors; however, the major issue of high working costs will remain one of the key obstacles for boosting domestic-based production.”

Winners and Losers

“Around 95% of the business community will gain from the conversion,” Porobija says. He reports that, with Croatia joining the Schengen area in 2023 as well, the country will now “truly become an integral part of the single market. Naturally, some sectors will be negatively impacted, primarily those living off currency exchanges.”

Zeroing in on specific sectors, Topic underlines that “tourism, financial services, IT, and, generally, all services industries will gain the most.” Agreeing with Topic and Porobija, Vidan says that better integration into the single market should be beneficial for foreign investments, primarily in real estate and hospitality.

Resonating this, Cuk says that benefits for the tourism sector are to be expected, given that it “generates a fifth of Croatia’s GDP. Because of the significance of the tourism industry ... any removal of obstructions to holidaying in Croatia – such as the major hindrance of currency exchange for tourists – will spell substantial economic growth for the country,” he explains.

On the other hand, Cuk feels the “national banking sector will most likely bear the brunt of the euro’s adoption. This is because the currency conversion service, estimated to net the banks around HRK 1 billion annually, will no longer be able to rely on the very prevalent exchange between kuna and euro.” Additionally, he says “banks will be forced to invest in various one-time expenditures aimed at adapting to the euro, like adjustments to ATM networks and the IT services offered.” While these short-term expenses may be significant, the banks will still benefit from the “expected lowering of the interest rates and improved credit ratings,” Cuk concludes. ■

A PARADIGM SHIFT IN PROVIDING LEGAL SERVICES IN CROATIA

By Teona Gelashvili

Legal markets, much like other markets, are susceptible to global tendencies and changes shaping the industry. CEELM sat down with **Divjak Topic Bahtijarevic & Krka** Partner **Ema Mendjusic Skugor** to discuss the Croatian legal market and its growing pains in keeping up with global trends.

CEELM: Please give us a broad overview of the Croatian legal market.

Mendjusic Skugor: The legal market in Croatia has traditionally been small and rather closed – there are still formal obstacles to the entry of foreign law firms. Therefore, we have a certain lag in the industry when it comes to picking up trends. However, over the few last years, the number of corporate law firms has been growing steadily. Due to this growth, which has generated a stronger need to communicate with corporate clients, we started talking about lawyers being service providers and business consultants. This stands in strong contradiction to the traditionally perceived role of lawyers being in charge of fixed tasks only, such as representing clients before courts.

CEELM: How are external factors shaping the Croatian legal market?

Mendjusic Skugor: One of the factors influencing the change that we are seeing now is that we started listening to European and global trends and movements more. For example, the increased use of technology has become a part of our everyday business, as a way to not only connect to each other but also to share work and ideas, as well as to cooperate on new, different levels. The tale about the digitalization of legal has begun sweeping into our professional discussions with clients. For instance, what could be done to streamline the processes for all? Some other areas, such as legal design and legal project management have also become hot topics. In the past, we were not talking about the user and customer experience enough, as it happens in other industries and businesses. Overall, there is a greater tendency towards output-based service providing and output-based fees.

CEELM: How is Croatian legal education keeping up with the changing trends in the world?

Mendjusic Skugor: These days, there is more discussion about the setup of the Croatian legal education system and whether we are preparing the new generation of lawyers for what corporate law will look like. This is positive, since I think we are not up to date with the current trends. Despite numerous research reports suggesting otherwise, we are still preparing students to be legalists – as if they were going to be individual lawyers serving individual clients. We don't teach them how to collaborate in legal teams or how to deliver meaningful, business-oriented advice to their clients. We also don't teach them to understand and use the rising influence of technology on their daily work.

Enrollment in law schools dropped by about 50% since I graduated – probably, in younger generations' eyes, a legal career seems old school and unappealing. But perhaps this is also due to the mismatch between what students are taught in law school and what happens in practice. The legal education system and providers need to get on board with the changes in the legal industry.

What's more, the newer generation is a lot more focused on work-life balance and mental well-being, in addition to the package that we were focused on as a generation, which included working hard and being well rewarded for that work. The "big leave" in the wake of the COVID-19 pandemic is also happening in Croatia. To change this trend, law firms need to work on their employer branding and communicate expectations and realities with the employee market.

CEELM: What are the key improvements that are already noticeable in the local legal market?

Mendjusic Skugor: Lately there has been a number of positive changes, not only in law firms but also in corporate legal teams. We are seeing a lot of innovation in practices being implemented in the field and see how they're impacting the daily



work of our colleagues in legal departments.

In the past, a lot of our corporate clients consistently pointed out that they had issues with communicating their legal departments' needs to management – legal was perceived as a cost center, not generating revenue or value. This might look true on the surface but, if you think about it, legal generates huge value by managing risks and thus avoiding future costs. A lot of practitioners are now working hard to reverse that surface-level perception – primarily by continuously improving communication between legal and other functions.

Also, the role itself is becoming more and more diverse. What was once a department filled purely with legal experts is now becoming a truly multidisciplinary function. Perhaps the best current example is that we recently had the first legal operations manager appointed in Croatia.

CEELM: What can lawyers do to help adjust these trends to the local situation and make the best of it?

Mendjusic Skugor: It is definitely the right time to start addressing the topic, as there is a need for a paradigm shift when it comes to law students and graduates, law firms, and legal departments. And, on top of that, there is an interplay between those players, and each of them is influenced by the general trends.

We need to realize and make peace with the fact that the situation and the market have changed. Our role has similarly become different – we are no longer passive spectators. We can and should all be proactive in assuming a role to make changes. We should participate in implementing the recent trends and practices into our local realities. For that, we need to initiate and foster more professional dialogue between law firms on the market and, later, with our clients and universities as well.

Some time ago, I did an introductory lecture on legal-as-a-business, and the feedback from the audience was immensely positive. They asked for more opportunities to have an open and constructive dialogue about this. Which is a good step forward. In general, we should also embrace the fact that, normally, a change that is transformative also tends to be disruptive. Therefore, it's likely not going to be a pleasant process for everyone – but as long as we'll be happy with the results, it's well worth it. ■

MARKET SNAPSHOT: CROATIA

THE CROATIAN BANKING SECTOR – A BITTERSWEET SYMPHONY

By Pavo Miskovic, Partner, Miskovic & Miskovic



Nothing worse than something spoiling your party. Croatia had a perfect tourism season, with plenty of guests staying at hotels, resorts, camps, or yachts. Other industries are doing great as well. On top of everything – Croatia is admitted to the eurozone as of January 2023, and the National Bank reduced the required reserve ratio and abolished the minimum foreign currency liquidity, strongly increasing banks' cash resources! Everything was ready for a 2023 party – plenty of funds within the banks, industry in its upward trend, the real estate sector developing, new unicorns ahead of us – it seemed like financing possibilities would be all around, with low interest rates and plenty of opportunities!

But the geopolitical situation produced a 2022 buzzword – inflation. Hitting its decade's time high like it's climbing Everest, combined with the unimaginable increase in energy prices, is spoiling what should have been a great party. Yes, no-interest loans aren't realistic, but we hoped for at least a few years of "cheap money" in our long-awaited eurozone status. And we've spent on that party approximately EUR 300 million. Or invested.

OK, the party is not canceled, since the Croatian banking sector is well capitalized without any liquidity issues, even above the EU average, and it is also very mature. The commercial banking market is dominated by systemically important EU-based banks. The National Bank has historically imposed measures that resulted in banks' capital levels substantially above their EU peers (and owners). Moreover, despite Ms. Inflation (or maybe Mr.?), lending activity in Croatia is increasing compared to 2021 on a half-year basis, by 8.7%, and predominantly in a corporate sector where focus is mostly on working capital financing, which emerged as a consequence of increased inputs and energy prices. However, project financing in the real estate and hospitality sector, logistics, and FMCG appears to be growing as well. It is expected that levels of financing will continue to grow but only up to the point of the visible economic slowdown.

One of the spoilers was Sberbank – sanctions imposed against Russia were likely to cause a "bank run", i.e., Sberbank was likely to fail due to a rapid deterioration in its liquidity situation. The

superman of the banking union, the Single Resolution Board, applied suspension of payments, enforcement, and termination rights, known as a moratorium, to Croatia's Sberbank, and all shares of the local Sberbank were transferred to Hrvatska Poslovska Banka. This decision has been adopted to ensure financial stability, avoid economic disruptions, and protect the public interest and clients. Once again, banking superman showcased its superhuman powers to full effect!

In case you still intend to join the party, tickets might be cheaper than in the EU – mostly because Croatia is entering the eurozone and, due to the measures of the central bank, Croatia should experience more modest interest rate increases.

As reference rates are increasing, commercial banks may get pressured by alternative financing competitors, which is also an opportunity for the expansion of Croatia's financial sector.

Too many people can ruin a party – in an environment of increasing lending activity with so many spoilers, the risks for banks' operations are growing. Increases in the share of IFRS Stage 2 loans indicate the beginning of deterioration of loan portfolio quality. Further increases in the price of energy sources and the complex geo-political situation might result in the increase of NPLs and new portfolio sales in the first half of 2024.

Nobody knows what the 2023 party will look like, but it is for sure going to be interesting. The question is whether fintech companies would also be allowed to join. So far, they have been left aside, but they increase their market share in the PSD2 playground every day, and we can see them polishing their shoes for the dance.

Finally, the party will never be a blast if engaged and trusted personnel aren't there to analyze, estimate each guest's capacities and offer them a suitable menu, and, at the end, clean up everything. So, the question is whether banks are still able to attract top talents and keep top performers – or is the party boring, and are those talents and performers looking to join someone else's party? The bittersweet symphony is already playing. ■

LEGAL ASPECTS OF THE INTRODUCTION OF THE EURO IN CROATIA

By Tin Tezak, Partner, Hanzekovic & Partners



On 1 January 2023, the Republic of Croatia will enter the eurozone and replace the Croatian kuna (HRK), the existing national currency, with the euro. Although the change

has been welcomed by most stakeholders, it also leads to increased demands for regulatory compliance and additional expenses.

The process leading to the introduction of the euro in Croatia has been ongoing for a long time. The national strategy was enacted in 2017. It presented a review of the costs and benefits of switching to the euro and its conclusion was that the currency change should be implemented as soon as possible.

In July 2020, Croatia became a member of ERM II – the EU's Exchange Rate Mechanism. In June 2022, the European Commission concluded that Croatia had fulfilled the four convergence criteria set out in Article 140 of the *Treaty on the Functioning of the European Union*, as well as the economic and legal requirements.

Following the Commission's assessment, in July 2022, the Council of the European Union passed the *Decision (EU) 2022/1211* confirming that Croatia fulfills the necessary conditions for adopting the euro and that the derogation in Article 5 of the 2021 *Act of Accession* is abrogated effective January 1, 2023.

The final set conversion rate shall be HRK 7.53450 for EUR 1.

In May 2022, Croatia enacted the *Law on the Introduction of the Euro as the Official Currency in the Republic of Croatia* (*Official Gazette no. 57/2022*), which introduced a set of rules and obligations for currency conversion.

A dual display of prices in HRK and euro was implemented in September 2022, mostly as a measure of consumer protection, especially in the circumstances of an elevated inflation rate. The dual display of prices shall continue to be in force until December 31, 2023, and shall apply respectively for government institutions, the state budget, and the tax authority decisions.

Further preparations for the conversion will include supplying commercial banks, government institutions, and enterprises with euro banknotes and coins.

On January 1, 2023, a number of changes will be implemented simultaneously. All bank deposits and loans denominated in HRK will be automatically converted to euros. The Croatian HRK payment systems (HSVP and NKS) will cease to operate and will be replaced by TARGET2-HR, EuroNKS, and NKSInst, in accordance with SEPA standards. All ATMs will issue only euro banknotes.

The first two weeks in 2023 will be the period of dual circulation, when both HRK and EUR will be accepted as legal tender. From January 15, 2023, all payments shall be made only in EUR, and the exchange of HRK banknotes and coins will be possible in banks and some other institutions until December 31, 2023.

Tax forms and filings due in 2023 that refer to the period prior to the introduction of the euro will be calculated and filed in HRK. If a tax or accounting document comprises both periods prior to and after January 1, 2023, all currency references shall be in euros. Salaries for December 2022, payable in January 2023, shall be paid in euros but shall contain a dual denomination.

The contracts in force shall remain valid without the need for amendment. Any amounts defined in HRK shall be considered converted to EUR as of January 1, 2023, at the final conversion rate.

Croatian joint stock companies, limited liability companies, and simplified limited liability companies shall have the obligation to adjust the amount of their registered share capital and the nominal amount of all shares to the euro. The minimum amount of share capital for joint stock companies shall be EUR 25,000 and the minimum nominal amount of shares shall be EUR 1. For limited liability companies, these shall be EUR 2,500 and EUR 10 respectively. Simplified limited liability companies shall have both minimum amounts set at EUR 1. The amendment and registration of the new denominations have a one or three-year implementation period, depending on the company type.

The Croatian National Bank and commercial banks in Croatia have been among the entities who bear the highest regulatory burden to prepare and adapt for the conversion, including the intensive activities to prepare for the physical conversion of the currency, adapting their internal software databases and ATMs, as well as notification obligations. ■

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PARALLEL ENFORCEMENT OF EU AND CROATIAN COMPETITION LAW AFTER THE NEW EU VERTICAL BLOCK EXEMPTION REGULATION

By Iva Basaric, Partner, and Lovro Klepac, Senior Associate, Babic & Partners



On June 1, 2022, *Commission Regulation (EU) 2022/720 on the application of Article 101(3) of the Treaty on the Functioning of the European Union* (TFEU) to categories of vertical agreements and concerted practices (EU VBER) entered into effect in all EU member states. The new EU-level rules were adopted, *inter alia*, to align the existing framework with the specifics of the online platform economy which plays an important role in the distribution of goods and services across the whole EU. Still, although the new VBER has significantly changed the rules on the application of Article 101(3) TFEU to vertical agreements, the existing *Croatian Regulation on Block Exemption of Vertical Agreements between Undertakings* (Croatian VBER) has not (yet) undergone a similar revision.

The Croatian VBER entered into force on April 7, 2011, and is still applicable to vertical restraints falling under Article 8(1) of the *Croatian Competition Act* (modeled upon Article 101(1) TFEU). As a result, and despite the fact that the *Croatian Competition Act* requires domestic law to be interpreted consistently with EU rules, the statutory provisions of Croatian and EU law are currently in conflict when it comes to several aspects of vertical agreements. This conflict may reduce legal certainty due to different possible outcomes of proceedings conducted by the Croatian Competition Agency (CCA), depending on whether it applies EU or Croatian law, or both. Ultimately, this may have a negative effect on legal certainty and undertakings distributing goods and services in Croatia.

Regulation (EU) 1/2003 requires national competition authorities that, where they apply national competition law to agreements and practices within the meaning of Article 101(1) TFEU, they also apply Article 101 TFEU, and where they apply national competition law to any abuse prohibited by Article 102 TFEU, they also apply Article 102 TFEU. In addition, under Article 3(2) of *Regulation (EU) 1/2003*, the application of national competition law may not lead to the prohibition of agreements, decisions by associations of undertakings or concerted practices which may affect trade between EU member states but which do not restrict competition within the meaning of Article 101(1) TFEU,

or which fulfill conditions of Article 101(3) TFEU, or which are covered by a block exemption regulation (on the application of Article 101(3) TFEU).



Specific conflicts between the new EU VBER and Croatian VBER may result in a situation where the application of national competition law would lead to the prohibition of agreements that are otherwise block exempt under the EU VBER, notably where the CCA would hold that there is an effect on trade between member states and that it should therefore apply both Croatian and EU competition law. For example, a conflict would arise when applying the amended rule on pass-on restrictions to buyer's customers from Article 4(b)(i) EU VBER. Based on the EU VBER, the restriction of active sales by the exclusive distributor and its direct customers into a territory or customer group reserved for a supplier or allocated to a maximum of five other exclusive distributors may be block exempt. On the other hand, within an exclusive distribution system, the Croatian VBER still qualifies restriction of active sales imposed on an indirect buyer (i.e., a customer of the buyer) as a hardcore restriction of competition which cannot be exempt from the prohibition laid down in Article 8(1) of the *Croatian Competition Act*.

Since the CCA is prevented from applying the rules of Croatian VBER if this would lead to a prohibition of agreements that are exempt based on EU law, the above conflict is not an issue in cases with an effect on trade between member states. However, in a purely domestic situation, the application of Croatian competition laws would result in the qualification of the contractual clause as a hardcore restriction of competition, while the same clause would be legal under new EU rules, resulting in legal uncertainty for many undertakings dealing with both Croatian and EU-based distributors. Considering these opposite outcomes triggered solely by whether or not there is an effect on trade between member states in a specific situation, a revision of national rules on vertical block exemption is required to improve legal certainty and to adapt to the requirements of the digital economy recognized by the EU VBER and accompanying guidelines. ■

NEW CHAPTER FOR CROATIAN PLATFORM WORKERS

By Marija Gregoric, Partner, and Matija Skender, Senior Associate, Babic & Partners



The start of the 21st century has seen the biggest changes and developments in employment law since its birth in the flames and smoke of the industrial revolution. The norm of the second half of the 20th century, comprising eight-hour shifts and nine-to-five office jobs, is now being dismantled. From remote working, flexible hours, compressed workdays and workweeks, all the way to platform work, the spectrum of employment law has never had so many colors. Even though Croatia represents a small jurisdiction, worldwide trends are certainly not bypassing it.

In order to keep up with the recent EU directives and trends, the Croatian government has submitted to the Croatian parliament a draft bill amending the *Employment Act* (Draft Bill). Although the Draft Bill is introduced primarily to implement *Directive 2019/1152 on transparent and predictable working conditions in the European Union* and *Directive 2019/1158 on work-life balance for parents and carers*, the Croatian government has used the opportunity to also tackle some of the contemporary issues of the Croatian employment law and practice, such as fixed-term and part-time employment contracts, temporary work agencies, and the remote work landscape. Last but not least, the Draft Bill will attempt to tame an ever-more expanding phenomenon – platform work.

Under the Draft Bill, platform work is defined as work performed by a natural person through digital technology (either on-site or remotely via electronic means, such as internet pages or mobile applications) for remuneration, and for a digital work platform or an aggregator. In this context, the Draft Bill recognizes both the situation where a platform worker is in a direct contractual relationship with a digital work platform and the situation where an aggregator acts as an intermediary between a digital work platform and a platform worker. The existence of aggregators in the market is not a novelty, as many platform workers are employed by companies established solely for the purpose of intermediating between workers and the platform. What is new, however, is that under the Draft Bill the digital work platform will be jointly liable with the aggregator for all obligations the aggregator has toward the employees who perform work for the digital work platform –

unless the platform acquires, on a quarterly basis, pre-defined documents evidencing, among others, that the aggregator has no outstanding tax debts and that the aggregator regularly pays a salary to its employees.



One of the problems that the Draft Bill is also trying to solve is employee misclassification. It has been recognized that, in practice, platform workers are often engaged on the basis of a contract other than an employment agreement, although the nature and circumstances of their work are more resemblant to an employment relationship. To this end, the Draft Bill provides a non-exhaustive list of factors that are indicative of an existence of an employment relationship with either a digital work platform or an aggregator, regardless of the type of contract in place.

The list of such factors includes, for example, limiting the freedom of the worker to refuse performance, specifying the time, place, and manner for the performance of work, etc. By way of exception, a platform worker will not be considered an employee – even if all statutory factors indicative of the existence of an employment relationship are met – if the platform worker earns less than 60% of three monthly minimum gross salaries within each quarter by working through a digital work platform. To put it in perspective, this means that if a worker earns less than about EUR 1,300 within Q1 of 2024, they will not be considered to be an employee of the digital work platform or an aggregator, unless explicitly contracted otherwise. It will be interesting to see whether the platform algorithms will take this income criterion into account when allocating work to its platform workers.

Although the Draft Bill is intended to apply as of January 1, 2023, the provisions regulating platform work are scheduled to enter into force only on January 1, 2024. One may hope that this one-year grace period will be effectively used by both digital work platforms and the government in order to resolve any questions that may yet arise in practice. ■

DATA PROTECTION NEWS AND VIEWS FROM CROATIA

By Olena Manuilenko, Head of IP & TMT, Divjak Topic Bahtijarevic & Krka



So, what has the Croatian Personal Data Protection Agency (AZOP) been up to lately?

Forewarned Is Forearmed

On November 17, 2022, AZOP publicized its recommendations for Croatian football fans traveling to Qatar for the World Cup.

Do not let your privacy be the least important of the most important things when you travel to spectate the most important of the least important things in life.

Puns aside, apparently, both official mobile apps that all the fans arriving in Qatar are required to install – the World Cup app (Hayya) and the COVID-19 monitoring app (Ehteraz) – contain spyware. The fans have been warned that both apps can access data on cell phones, track user location, read, alter, or even delete content on/from the phone, and prevent the device from going into sleep mode.

So, AZOP advises going to Qatar with a so-called *burner phone*. If you have not heard of burner phones so far, you must have seen them in many crime TV shows. The term is used for cheap empty cell phones often used by criminals to cover up their tracks from the authorities. Isn't it delightfully bizarre that the authorities advise people on using burner phones?! Strictly for privacy reasons, though.

In a nutshell, if you want to go to the World Cup, buy a cheap cell phone, set a strong password for unlocking your phone, keep the phone as empty as possible, and do not keep photos, videos, or other digital content that do not comply with the legislation of the country you are traveling to (read my lips: Q-A-T-A-R). Install the required official apps only upon arrival in Qatar, use the Internet only if it is a matter of life and death, especially do not use any services that require authentication. As soon as you return back home, delete those apps, reset or, even better, destroy the phone, move to another city, and change your name. This article will self-destruct in two months.

Awareness Is the First Step Toward Change

In September, AZOP announced the beginning of *Project ARC II – Awareness Raising Campaign for SMEs*. The project is aimed at helping micro, small, and medium businesses to comply with the GDPR.

The first project ended in August this year. AZOP held numerous GDPR awareness trainings for SMEs in different industries across Croatia. Several practical guides have been published under the project's name, including on such topics as cookies, video surveillance (CCTV), data protection impact assessments, cloud services, data transfers, and so on.

The Arc II project partners are Garante Privacy, the Italian data protection authority, the Faculty of Organization and Informatics in Varazdin (University of Zagreb), the Free University of Brussels, and the University of Florence. AZOP acts as the coordinator of the project.

According to the project's official website, "the main project goal is the development of the digital tool Olivia with knowledge base integrating all the education materials, templates, FAQs already developed within ARC and SMEDATA I project, all at one place and in one digital tool, available to SMEs to use free of charge."

Administrative Fines

In July, AZOP publicized two fines for GDPR violations. One amounted to HRK 2.15 million (a bit over EUR 285,000), which is the highest known fine in Croatia so far. Although the publication was "anonymized," AZOP disclosed it was one of Croatia's three telecoms and the violations related to a recent data breach. So, it was not too hard to deduce what company was fined for failing to implement proper data security measures.

The other fine was drastically lower, HRK 30,000 (a little under EUR 4,000). Interestingly, AZOP acted on its own initiative and, without prior notice, performed a supervision at a car sales and service center in Zagreb. The company's video surveillance practices were found incompliant with Article 27 of the *Croatian GDPR Implementation Act*. Namely, the business premises and outside area under surveillance were not properly marked. ■

A professional portrait of a woman with long, wavy, light brown hair, smiling at the camera. She is wearing a black long-sleeved top and a black skirt with a wide black belt featuring three silver buckles. Her hands are in her pockets. The background is a solid blue color with vertical creases, suggesting a curtain.

**KNOW YOUR
LAWYER:
NINA RADIC KUZIK OF
SAVORIC & PARTNERS**

Career:

- Savoric & Partners LLC, Partner, 2018-present
- Savoric & Partners LLC, Junior Partner, 2015-2017
- Savoric & Partners LLC, Senior Associate, 2013-2015
- Savoric & Partners LLC, Associate, 2010-2013

Education:

- University of Zagreb, Faculty of Law, Postgraduate Doctoral Study, Corporate and Commercial Law – ongoing
- University of Zagreb, Faculty of Law, Graduate Jurist (dipl.iur.), 2010

Favorites:

- **Out of office activity:** Spending time with my kids, traveling, running and working out
- **Quote:** “Either you run the day, or the day runs you.”
- **Book:** *The Lord of the Rings* by J. R. R. Tolkien
- **Movie:** *Intouchables* by Olivier Nakache and Eric Toledano

What is one thing clients likely don't know about you?

Radic Kuzik: I do not usually share with my clients the fact that music was important part of my life and that I play two instruments (flute and guitar).

What would you say was the most challenging project you ever worked on and why?

Radic Kuzik: The acquisition of a 65% stake in Pan-Pek, a leading bakery producer and retailer in Croatia, by Enterprise Investors is certainly one of the most demanding projects I have worked on. This was the first investment by Enterprise Investors in Croatia and our first collaboration, which is always challenging. The transaction included extensive due diligence, negotiating transaction documents – including share purchase agreement and shareholders' agreement – obtaining merger clearance, and negotiations of financing. As the transaction included multiple streams, it was quite intense. Due to the fact that, at the same time, I was working on a separate acquisition deal for the same client, and due to my personal circumstances (being pregnant), I would qualify this project as one of the most challenging in my career so far.

Top 5 Projects:

- Acting for SoftBank for the EUR 350 million investment in Croatian Unicorn Rimac, in a EUR 500 million funding round that gives this leading electric vehicle manufacturer and technology group a valuation of more than EUR 2 billion;
- Acting for Enterprise Investors in the acquisitions of the Studenac, Istarski Supermarketi, Sonik, Pemo, and Lonia retail chains;
- Acting for Invera Equity Partners as a head coordinator in multi-jurisdictional acquisition of 65% stake in Metamorfoza d.o.o. – engaged in the international franchising business under the name Museum of Illusions – including negotiation of shareholders' agreement and exit rights;
- Acting for Erste Bank Group AG, Erste&Steiermarkische Bank d.d., Societe Generale SA, Societe Generale Splitska Banka d.d., and Eksport Kredit Fonden in financing of the construction, equipment, and placement into operation of the 42-megawatt Wind Farm Ogorje, valued at approximately EUR 115 million;
- Acting for IKEA and Inter IKEA in the start up of business operations in Croatia, which included resolving all property-related legal issues for the overall area of development of approximately 300,000 square meters and the IKEA store itself, of approximately 38,000 square meters; and in the subsequent development of the fashion outlet by Designer Outlet Croatia, indirectly held by IKEA Centers Europe and Mutschler Outlet Holding.

And what was your main takeaway from it?

Radic Kuzik: The main takeaway was that the organization of work and delegating tasks is crucial. In addition, the finalization of this project confirmed that hard work and commitment pay off.

Name one mentor who played a big role in your career and how they impacted you.

Radic Kuzik: When it comes to that one person who played a big role in my career, it would most certainly be Boris Savoric, Senior Partner at our law firm. Seeing his commitment, availability, and overall support to the clients was inspirational and pushed me towards the partner track in the early stage of my career.

What is the one piece of advice you'd give yourself fresh out of law school?

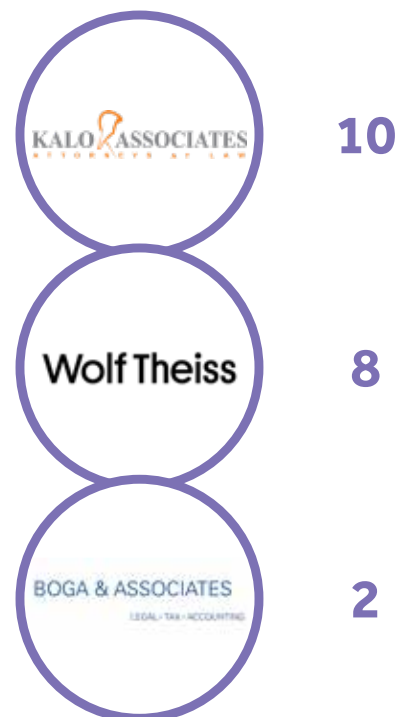
Radic Kuzik: Everything will turn out OK – trust your judgment.



MARKET SPOTLIGHT: ALBANIA

ACTIVITY OVERVIEW: ALBANIA

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THE STATUS OF FDI IN ALBANIA

By Andrija Djonovic

With interesting transactions taking place recently and an overall uptick in FDI numbers, it would appear that Albania is fertile ground for high ROI. **Deloitte Legal Local Partner Sabina Lalaj** and **Kalo & Associates Co-Managing Partner Eni Kalo** zero in on the status of FDI investments in Albania, explore the most appealing sectors and investors, and make predictions for the future.

Legal Framework



"In general terms, the Albanian legal framework for FDI is firmly established on the principles of non-discrimination and equal treatment," Lalaj begins. "The foreign investments in the Republic of Albania are not conditioned by a prior authorization; they are allowed and treated on the basis of conditions no less favorable than those recognized to domestic

investments under similar conditions – with the exception of ownership of land – which is regulated by a special law," she explains.

"To incentivize and promote FDI, Albania has built institutions such as the Agency for Promotion of Foreign Investment, Agency for Export Promotion, Agency for SMEs, etc. and has signed and is implementing free market agreements with other countries in the region," Kalo says. "Laws that affect foreign investments are also other pieces of legislation like the law on foreigners, labor code, civil code, banking laws, securing charges law, investment schemes, capital markets, etc. and also the respective regulatory frameworks."

Biggest Investments and Their Origin

"Albania offers great investment opportunities in sectors with stable economic growth," Kalo reports, pointing primarily to the energy and mining industry, transport and logistics, tourism, agriculture, and manufacturing. "Logically, the biggest market entries can be found in those areas, especially in oil and gas, construction, energy, mining, and financial services," she reports.

Specifically, in recent times, there have been significant moves made primarily by Hungarian investors. "The largest market entries in the last years come from the Hungarian market," Lalaj says, pointing to OTP Bank acquisitions. "In 2019, the

OTP Group acquired a 100% interest in the Albanian unit of France's Societe Generale, which was renamed OTP Bank Albania." Then, in December 2021, OTP Bank acquired a "100% interest in Alpha Bank Albania SH.A., the Albanian unit of Greece's Alpha Bank." Lalaj reports that OTP Group plans to "complete the integration of Alpha Bank Albania with its local subsidiary OTP Bank Albania in 2023, creating a banking group with a market share of about 11% in terms of assets."

Furthermore, Lalaj reports that, in 2021, "4iG Plc has signed a final agreement to acquire 80.27% of the shares of ALB Telecom, Albania's leading fixed line internet and TV operator, the largest owner of a fiber network in the country, and a mobile operator with a significant network of its own." Then, in March 2022, "4iG Plc has acquired a 99.899% indirect stake in One Telecommunications," Lalaj reports. According to her, the Albanian mobile operator, with a history of 25 years, has an outstanding infrastructure in the region. With this acquisition, she says, Hungarian 4iG has "become a leader in the Albanian telecommunications market" and is currently ranked among the largest foreign investors in the country. "The merger of One Telecommunications and ALB Telecom is expected to be finalized shortly, further consolidating the position of 4iG in the Albanian telecommunications market," she reports.

Additionally, Kalo says there are investors from European countries such as Austria, Switzerland, Greece, Italy, Netherlands, Italy, and Turkey most frequently. "Canada and Germany have also marked a constant investment rate, while the US, Kosovo, and Bulgaria have recently shown an increase in investment rates," she reports. Specifically, Kalo explains that "Switzerland, the Netherlands, and Canada are currently the countries with the highest Direct Investment Stock values. Until 2017, Greece was the country with the highest value but, since 2018, it was replaced by Switzerland, which is mainly focused on energy, such as the Trans Adriatic Pipeline and the Ballshi factory investments."

Currently, Swiss FDI makes up for 17.4% of all investments and Kalo reports that, with the Netherlands growing its investment to EUR 1.65 billion, it takes second place with 16%. Dutch presence manifests itself in Albania “through operations of Shell and some other companies operating in Albania as branches or subsidiaries of companies registered in the Netherlands, including Vodafone Albania, Devoll Hydropower, Solar Karavasta, American Hospital, etc.,” Kalo explains. Rounding out the list of largest investors is Canada, with 13% of the total FDI stock.

Areas of (Long-Term) Interest

In addition to the telecommunications deals mentioned above, Lalaj stresses that “the energy sector has become a hot topic,” with “many new initiatives for investments in energy from investors from the US and Europe.” She also reports that LNG is an attractive area, “with the government launching a project for an LNG terminal in Vlora Bay and the reconstruction of Vlora Power Plant. On the other hand, the latest decision for the expansion of the Trans Adriatic Pipeline capacities enhances the opportunities relating to transmission and sale of gas in the Balkan region, and further in Europe.”

Additionally, Lalaj stresses that “the tourism sector is also seeing a lot of attention,” and “considering that Albania is one of the last undiscovered countries in Europe, the developments in tourism will continue to grow, also due to the incentivizing fiscal regime approved lately.”

Kalo agrees, adding that tourism and agriculture represent “high investment values,” reaching investments as high as EUR 50 million.” Also, she adds the oil industry to the list, as well as the banking and finance sectors. “There is a gradual increase of demand for capital to commercial banks,” Kalo reports.

Looking at the longevity of investments, Kalo reports that “the biggest deals, such as the ones in energy or gas, include projects that require many years to be implemented, so they are so far investments made once, but they might include more transactions to be made in order to finalize them successfully.” According to her, there are structural factors at play in favor of direct investment. “The government has created a one-stop-shop service, the Albanian Investment Development Agency, to assist the investor by carrying out all preparatory work and the relevant applications under an accelerated procedure,” she explains.

In addition, Kalo reports that the government has “accelerated procedures and shortened deadlines for giving priority to applications rendered by the strategic investors and by offering to grant the right to use immovable property in support of investments,” all as means of incentivizing FDIs.



Sabina Lalaj

Incoming!

Looking at the bigger picture, it would appear that Albania has vibrant, diversified, and attractive market sectors which draw in various foreign investors. The best part? It does not seem to be slowing down.

“Currently, foreign investments in Albania are at an all-time high, with FDIs reaching 23% of the property market value in Albania,” Kalo reports. Moreover, she shares that the “first trimester of 2021, with a total of EUR 59 million, marked almost twice the amount of investment conducted in the same period of 2020” in Albania’s real estate.

“In the first half of 2022, FDI reached a record of EUR 634 million, the highest historic level ever registered for this time of year,” Kalo continues. “So far, the statistics have recorded a 35% increase in FDIs compared to last year. The second trimester, on its own, marked a record flux of foreign investments, at EUR 337 million, which is 43% higher than last year and the highest amount ever recorded in one trimester,” she reports. During this trimester, investments focused primarily on the “hydrocarbon sector at 18%, energy at 13%, financial mediation at 5%, and communications at 2%.”

With the numbers telling a tale of strength, the regulators are looking to make the most of it. Kalo reports several incentives, such as the “feed-in-tariffs or contracts for difference, allowing solar and wind power producers to sell their energy to public off-takers, in the first case, and the market, in the second case.” In addition, there are import duty exemptions “for machinery used in solar power plant construction, excise tax refunds for fuel used in electricity production ... and customs duties and VAT exemptions for solar panel systems for ... buildings or technological processes in industry,” under certain conditions.

Considering all these incentives and figures, “the Albanian FDI market seems to be on a definite rise,” Kalo concludes. ■

A BUILDING SPREE IN ALBANIA

By Teona Gelashvili

With Albania's construction industry accelerating, we spoke with **Hoxha, Memi & Hoxha Partner Andi Memi** and **Tonucci & Partners Partner Enklid Milaj** to find out what is being built and where.

Albania's One-Sided Construction Boom



Andi Memi

"Albania is going through a building spree – a trend that has been ongoing for some years now and, surprisingly, has continued during the COVID-19 pandemic," Memi says. "During the last decades, Albania has been going, from time to time, through construction boom cycles, which are evidence of the different stages of transition that the country is going through," Milaj

adds.

According to Memi and Milaj, the statistics show an interesting trend in the construction industry. "For example, in 2020, 50% of the total domestic investment was focused on housing, as opposed to that of the other countries in the region, which was 25%," Milaj notes. "For the year 2021, the number of building permits issued in Albania increased by almost 50% compared with the previous year," Memi says, adding that the value of approved contracts "also increased, by around 30%, to EUR 819 million."



Enklid Milaj

Among the new projects, "the large majority of new constructions include residential buildings in major cities such as Tirana, Durrës, Elbasan, Korça, and Vlorë," Memi says. In addition to residential buildings, "there are interesting construction projects that seem to be designed for tourism, especially in the coastal areas,"

Milaj points out. And Memi agrees: "large accommodation structures are being built along the coastline, mostly in the south." On the other hand, he points out "there are almost no new constructions for industrial purposes."

Hopes and Fears

With overall expectations that the construction spree will contribute to economic progress for the country, there seem to be some concerns about the potential outcomes. "Construction represents one of the most important sectors of the Albanian economy and employs almost 8% of the workforce

of the country," Memi says. Despite the construction sector's central role and the positive numbers, Milaj points out that "the construction boom is not becoming attractive enough to slow down emigration."

One of the concerns, according to both Memi and Milaj, is the preservation of Albania's landscapes. According to Memi, new buildings and hotels mustn't "considerably damage Albanian nature and heritage, which are the main attractions for foreign tourists." On the flip side, Milaj says that tourism-related projects, "if they are finalized and their destination is preserved, will likely have a significant impact in terms of the national economy."

Looking back, Milaj says that "unfortunately, during the first phase of the transition and until recently, these construction projects developed in a chaotic manner and were characterized by abuse or lack of law enforcement. As time went by, there has been a moderate improvement." According to him, the new construction projects still "certainly alter the skyline, the surrounding urban and social environment, and eventually raise the value of the property." But he feels "they bring positive effects to the economy itself in a limited number of people – key stakeholders involved in these projects, such as investors, builders, and landowners."

Finally, both lawyers report that the construction sector in Albania has frequently been financed by informal sources. "In a fragile economy like the Albanian one, construction is the sector where income from immigration and the gray economy can be easily channeled and recycled," Milaj notes. "This impact on the economy is further facilitated by an often-unclear normative system, the lack of medium and long-term vision, and an unstable real estate regime."

"Continuous concerns are expressed by both international and national financial organizations and authorities," Memi also says. On top of that, he points out the construction sector's central position in the country's economy is a double-edged sword, noting the International Monetary Fund "has warned that the current construction boom carries risks to Albania's financial stability, considering that the Albanian economy is vulnerable to a reversal in the rise of real estate prices." ■

MARKET SNAPSHOT: ALBANIA

RENEWABLE ENERGY IN ALBANIA

By Shpati Hoxha, Partner, and Ilir Johollari, Senior Associate, Hoxha, Memi & Hoxha



During the past decade, the Albanian energy sector has benefited from a wave of domestic and foreign investments in hydro-power generation. Photovoltaic and wind energy generation has lagged behind for a long time. Increasing environmental concerns over the excessive use of water resources and the continuous reduction in technology costs are now shifting the government's focus toward photovoltaic and wind energy generation.

Currently, photovoltaic projects in excess of 300 megawatts in capacity have been awarded, and the government is planning to award wind projects of approximately 100 megawatts in capacity.

Additionally, the energy crisis caused by the war in Ukraine will likely speed up the development of the domestic renewable energy sector. As such, Albania is expected to continue offering new opportunities for potential investors in renewable energy.

Renewable Energy Incentives

Currently, the feed-in tariff is the main financial incentive available to existing hydro-power producers (with an installed capacity of up to 15 megawatts) and small wind (capacity of up to three megawatts) and photovoltaic (capacity of up to two megawatts) energy producers.

The value of the feed-in tariff is approved annually by the energy regulator (ERE) considering the reasonable return on investment, according to the type of technology used, in accordance with the methodology approved by the Council of Ministers. Under the current legal framework (*Law no. 7/2017 on the promotion of the use of energy from renewable sources*), larger-size wind and photovoltaic energy producers must compete in public auctions to receive financial incentives under the *contract for difference* (CfD) mechanism. Under this mechanism, renewable energy producers receive or pay back – as the case may be – the difference between their auction bid price and the market price they effectively achieve in the energy exchange.

At the time of writing, no CfD has been awarded, as the Albanian energy exchange is not effective and the renewable energy fund that will finance the CfD was not established.

Therefore, for large-size wind and photovoltaic generation projects, the current practice of the government has been to

launch auctions where investors are offered a bid-based feed-in tariff for a portion of their generation (usually 50%), to be later converted into a CfD mechanism once this is operational.

New Act on Renewable Energy

The Albanian government has recently published a new draft law on the promotion of renewable energy for discussions with stakeholders. The proposed act is intended to substitute and repeal the existing *Law no. 7/2017*, which has the same scope. The proposed act is generally similar to the existing *Law no. 7/2017*, but it provides for some notable changes.

First, the proposed act aims to write into law the above-described practice that has been applied by the government in absence of the energy exchange and the CfD mechanism. As such, the financial support schemes available under the proposed act are (1) power purchase agreements (PPA); (2) contracts for difference (CfD); (3) premium contracts (PC), all bid based and valid for a period of 15 years. The PPA is treated as a temporary mechanism, until a liquid day-ahead electricity market is established, to be later converted into a CfD. The PC is defined as financial support, where the renewable energy producer receives a fixed premium (positive or negative depending on the outcome of the competitive process) or a variable premium (as the difference between the guaranteed price and the reference price).

Moreover, the proposed act no longer excludes hydropower producers larger than 15 megawatts from the definition of renewable energy. Also, the proposed act no longer offers specific financial support for small renewable energy producers.

The proposed act provides that already awarded support mechanisms shall not be affected by the new act, which shall only be applied to future projects.

Finally, the proposed act aims to establish the renewable energy fund within a period of six months after the entry into force of the new law, to be financed through a renewable energy tariff payable by end customers.

As the published draft is still in the stage of early stakeholder discussions, the final policy choices could differ from what has been currently published for discussions. ■



A portrait of a man with a beard and mustache, wearing a dark blue suit jacket over a light blue button-down shirt. He is standing outdoors with a blurred background of a city and mountains. The text is overlaid in the bottom left corner.

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Career:

- Kalo & Associates, Co-Managing Partner, 2020-present
- Kalo & Associates, Executive Partner, 2019-2020
- Kalo & Associates, Partner, 2017-2019
- Pay and Go, Chief Legal Officer, 2015-2017
- Kalo & Associates, Associate, 2009-2015

Education:

- University of San Francisco, LLM Degree in Taxation, 2021-present
- Universite de Bordeaux, Master's in Business Administration, 2013-2015
- Universite Paris Ouest Nanterre La Defense, LLB Degree in Business Law, 2005-2009

Favorites:

- **Out of office activity:** I take every opportunity I get to read, but I also enjoy spending time over a glass of wine with friends and family.
- **Quote:** "Success is not final; failure is not fatal: it is the courage to continue that counts." – Winston S. Churchill
- **Movie:** I love historical movies but, if I should choose, I would mention *Schindler's List* and *Saving Private Ryan*.

What is one thing clients likely don't know about you?

Milo: If I have to choose one, I would say the sale by Societe Generale of its subsidiary in Albania. The transaction was quite complicated as there were also minority shareholders involved, who had a pre-emption right for the acquisition of the shares. Therefore, in addition to the main negotiation with OTP Bank (the buyer) there were difficult negotiations with six different shareholders, who were continuously threatening to exercise their pre-emption rights, hence risking the whole transaction. Finally, we did succeed on a satisfactory arrangement for all the parties – Societe Generale purchased the shares of the minority shareholders, became the sole shareholder, and transferred the shares to OTP Bank – and the transaction was closed.

And what was your main takeaway from it?

Milo: This was one of the moments when I realized that we as lawyers, quite often, can make or break a deal.

What is one thing clients likely don't know about you?

Milo: In our profession and day to day dealing with the clients, we rarely have the opportunity or the time to talk

Top 5 Projects:

- Advising the EBRD (and other lenders) in relation to the project financing of the Trans Adriatic Pipeline;
- Advising Albania Telecom Invest and One Telecommunications SHA on the refinancing of a EUR 48.5 million acquisition loan from First Investment Bank. The refinancing loan was made by a club consisting of three banks of the OTP group – OTP Bank (Hungary), DSK Bank (Bulgaria), and Banka OTP Albania;
- Acting as tax and legal advisor to Alpha Bank S.A. on the sale of its 100%-owned Albanian subsidiary Alpha Bank Albania SHA to OTP Bank;
- Advising Agence Francaise de Developpement in the negotiation of two credit facility agreements (EUR 100 million) with the Republic of Albania;
- Advising Societe Generale on the sale of its participation in Societe Generale Albania to OTP Bank.

of ourselves, and it is really a pity as I believe that the more personal you get with a client, the better you will be able to assist and advise. That being said, I do, from time-to-time, try to convince those clients who are brave enough to try my cooking skills (while listening to Italian music).

Name one mentor who played a big role in your career and how they impacted you.

Milo: I have started at Kalo & Associates fresh out of school and, in the early years of my career, I had the opportunity to work with all the Partners of the firm at the time. They had a big influence in my professional development but, if I must single out one, I would choose our Founding Partner, Perparim Kalo, for his work ethics and believing in my capacities from day one.

What is the one piece of advice you'd give yourself fresh out of law school?

Milo: Learn as quickly as possible how to organize your work and how to delegate. This will allow you to dedicate some time for yourself and your family.

EXPERTS REVIEW: LIFE SCIENCES

This issue's Experts Review section focuses on **Life Sciences**. The articles are presented ranked by life expectancy at birth, according to World Bank 2020 data, indicating the number of years a newborn infant would live if prevailing patterns of mortality at the time of their birth were to stay the same throughout their life.

The articles from the Czech Republic and Croatia lead the way, as frontrunners with a life expectancy at birth of around 78 years, while the articles from Bulgaria and Ukraine wrap up the issue.

Country	Life Expectancy	Page
■ Czech Republic	78.23	Page 60
■ Croatia	77.72	Page 61
■ Poland	76.6	Page 62
■ Hungary	75.62	Page 64
■ Romania	74.35	Page 66
■ Serbia	74.23	Page 67
■ Bulgaria	73.61	Page 69
■ Ukraine	71.19	Page 70



CZECH REPUBLIC: ELECTRONIZATION OF HEALTHCARE AND TELEMEDICINE

By Petr Samec, Co-Head of Life Sciences, and David Hron, Junior Associate, DLA Piper



The electronization of healthcare (eHealth) streamlines processes in healthcare and improves the quality and availability of medical care. Some elements of eHealth already existed in Czech law, but the legislation was fragmented. To set the general framework, basic rules, and standards for the functioning of eHealth, a new *Act No. 325/2021 Coll., on electronization of healthcare* (Act) was adopted, with effect from January 1, 2022.

Existing Elements of eHealth

Czech law already recognizes the ePrescription system regulated by the Medicines Act (*Act No. 378/2007 Coll.*). The ePrescription system is a central repository of electronic prescriptions and, with effect from January 1, 2022, also a central repository of vaccination records. The ePrescription system allows authorized people to consult patients' medication records, which contain data on prescribed and dispensed medicines, and allows them to view data on vaccinations administered to a particular patient. Another electronic tool in the field of sickness insurance is the eSick leave card, an electronic sickness absence report issued by a doctor. Also anchored in legislation is the patient summary, regulated in the Health Services Act (*Act No. 372/2011 Coll.*). This is an electronic set of patient data, which is intended primarily for the purpose of sharing information with health service providers in another EU country through the *National Contact Point for eHealth*.

New Legislation

The Act introduces a comprehensive legal framework for the basic infrastructure of electronic healthcare and defines the roles and responsibilities of entities in the electronic healthcare system. The new legislation has a split effect. The first part of the Act came into force on January 1, 2022, and other parts will come into force in 2023 and 2024. The full Act should then come into force on January 1, 2026.

The Act is the first phase of the electronization of healthcare. It sets forth the concept of eHealth, which includes a central infrastructure, known as the integrated data interface. Building an integrated data interface is intended to ensure uniform access to eHealth services and provides the basis for sharing information between healthcare service

providers, patients, and insurers. Patients will be able to find out what information is held on them in registers via the eHealth portal.

The integrated data interface will include core registers – a patient register, a provider register, and a health worker register. The Act also introduces and defines a patient identifier to replace birth numbers (personal identification numbers) and healthcare worker identifiers used in the healthcare system as unique identifiers of people in the electronic healthcare system. The main part of the law establishing the integrated data interface and personal identifiers will come into force on January 1, 2023.

The law also defines eHealth standards, the issuance of which is entrusted to the Ministry of Health. The obligation to comply with them will apply from January 1, 2026.

Obligations of Healthcare Services Providers

From January 1, 2023, providers of healthcare services will be required to record data in the scope provided for by the Act in core registers, which will be established by the Ministry of Health on the same date. Healthcare services providers will be required to ensure a gradual transition from the birth number to the newly introduced identifiers and to use and follow data from the core registries effective January 1, 2024.

What to expect in the future?

The Act prepares the background for the electronization of processes in healthcare with a view to making the electronic route the primary one and replacing paper-based systems. The existing processes in the healthcare system are not changed by the Act – the actual anchoring of the maintenance of medical records in electronic form is left in the existing regulation, especially in the *Health Services Act*.

The next phase of the electronization of healthcare should be the introduction of a health documentation index, as an information system describing the basic typology of existing health documentation and bringing together metadata about the documentation. ■



CROATIA: HOW THE PRICING OF GENERICS AFFECTS ORIGINATORS – A CASE STUDY

By Marija Musec, Partner, and Dora Mrsic, Associate, CMS



The total consumption of medicines increased by 5% in 2021 compared to 2020. In financial terms, that is an increase of HRK 9.88 billion (or 17.4%) compared to 2020. Prescription-only medicines accounted for 92.9% of all consumption, while over-the-counter products accounted for 7.1%.

The Croatian reimbursement system splits the reimbursed medicines held by the Croatian Health Insurance Fund (the reimbursement body) into two lists, A and B. List A medicines are wholly reimbursed, so the patient receives these medicines free of charge. List B medicines have a higher price and are subject to a co-payment. Co-payment is either covered by the patient themselves or by complementary (additionally purchased) health insurance.

Steps taken before or after the launch of a generic product on the market may impact a proprietary product's price and eventually lead to its drop. The proprietary product (PP) is impacted by the generic one, and the reimbursement status of the PP may change as a result.

Steps prior to launch are pricing and reimbursement. These are performed in three phases. In the first phase, the pricing phase, the Agency for Medicinal Products and Medical Devices sets a maximum permitted wholesale price for medicines (and, exceptionally, a price above the maximum permitted). That price is often referred to as an "input" or "orientation" price. In the second phase, the reimbursement phase, the Health Insurance Fund (HZZO) sets the price of a medicine in the reimbursement system, i.e., the price the HZZO will be paying for the medicine. That price is often referred to as a "final price". In the third and final phase, the HZZO performs a pricing harmonization by internal pricing referencing:

When a generic product reaches the second (reimbursement) phase, if the generic is a "first" generic product, its price cannot exceed 70% of the price of a PP. If the generic product is a "new" generic, its price cannot exceed 90% of the price of the first generic. If the generic product is a "subsequent" new generic, its price cannot exceed 95% of the price of a medicinal product of the same non-proprietary name. This system is often referred to as a "cascade system" because of the gradual price drop.

In the third, internal pricing harmonization phase, the price of the PP is the most affected by the price of a generic. In this phase, the HZZO performs pricing harmonization once a calendar year. The purpose of this process is to harmonize the prices of all medicines (PPs and generics) within a reference therapeutic group and/or subgroup of medicines ("therapeutic harmonization") and to level out the price of PPs and generics. Pricing harmonization by internal pricing referencing is performed for both hospital-only medicines and prescription-only medicines.



The reference therapeutic group and/or subgroup of medicines is decided upon by the Management Board of the HZZO. The HZZO then monitors the net price of the medicines within a single reference therapeutic group and subgroup. In the case of price differences between prescription-only medicines within the single reference therapeutic group and/or subgroup, the HZZO will standardize the price to the reference price. The reference price is determined based on the medicine that accounts for 5% of the market share within the same reference group, or 10% of the market share within the same reference subgroup and has the lowest price at the same time. That price becomes the reference price against which prices of all other medicines within the reference group and/or subgroup will be leveled out. All prescription-only medicines that have prices beyond the reference price must be leveled out with the reference price in a manner that the difference between the then-current price and the reference price is paid by the patient in the form of a co-payment.

Should a pharmaceutical company refuse to accept the adjustment, it runs the risk of the medicine being de-registered from List A.

Croatia is currently amending its rules on reimbursement and the "cascade system". These amendments are still under discussion and subject to a currently ongoing public debate – but are likely to result in a further drop in medicine prices. Should they be accepted, pharmaceutical companies will face, in addition to growing inflation, sky-high energy prices, and constantly increasing raw material prices, a new challenge: the anticipated drop in medicine prices. ■

POLAND: ADVERTISING MEDICAL DEVICES – THE NEW EUROPEAN AND POLISH REGULATORY FRAMEWORK

By Isabel Jakobs, Associated Partner, and Anna Mirek, Senior Associate, Noerr



Medical device manufacturers, importers, and distributors are advised to prepare for an important change in European and Polish laws on advertising for medical devices. Manufacturers do not always properly supervise their distributors in creating or revising promotional materials. This lack of oversight can lead to unexpected regulatory problems, especially under recent

legal amendments. Preventive measures can help companies to avoid these problems.

In recent years, many European countries have voluntarily tightened their advertising regulatory frameworks for medical devices with measures such as prohibiting the promotion of professional equipment to lay persons and requiring premarket notification or approval of advertising and/or promotional materials.

Poland is also rapidly moving in this direction. The provisions of the new Polish *Law on Medical Devices* concerning advertising will enter into force on January 1, 2023, so market players must react quickly to align their policies with the new standards. The Polish requirements will not be as strict as those in place in France, Italy, or Spain because no formal pre-approval procedure will be required before the first publication or use of advertising. However, the option of advertising to the general public will be limited to medical devices which may be used by laypersons, and public advertising of other medical devices – for use solely by healthcare professionals (HCPs) – will only be allowed if addressed to HCPs only.

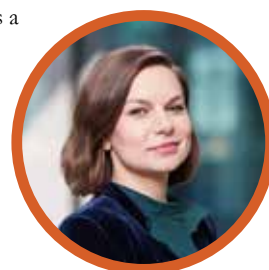
The Polish Ministry of Health is also working on a draft list of mandatory warnings and minimum content that every advertisement must include, and fines for non-compliance in Poland will increase drastically. For example, advertising a device in a manner non-compliant with the *European Union Medical Device Regulation* (MDR) or the *European Union In Vitro Diagnostics Regulation* (IVDR), i.e., use of texts, names, trademarks, images, and symbols or other signs that may mislead a user or patient as to the intended use, safety, and performance of the device, is subject to a fine of up to PLN 5 million (USD 1 million).

Manufacturers must also remember that other changes have been introduced at the European level by the MDR and IVDR. These regulations require manufacturers to develop, coordinate, and evaluate

compliance and monitoring programs as a part of their post-market and vigilance systems on a regular basis. Such programs must be designed in such a way that all market players throughout the distribution chain are able to investigate complaints, including those regarding promotion and advertising. Manufacturers must also proactively exchange information with each other about any non-compliance, particularly

product withdrawals or recalls. For example, a manufacturer may be informed by a competitor or local authorities that its distributor is promoting a product in such a manner as to create a false impression or even suggesting uses for the device other than those of the intended purpose for which the conformity assessment was carried out. In such cases, it is the joint responsibility of the manufacturer and distributor to investigate and determine whether a law or regulation has been violated and to make sure that questionable promotional and advertising materials are not further used and/or removed from the market. Thus, manufacturers should routinely review promotional and advertising material created by their distributors and business partners. Any serious discrepancies identified during these reviews, especially those resulting in unintended use, should be reported to regulatory authorities if the improperly advertised device presents a serious risk.

The internet is an extremely important medium for advertising, promoting, and providing information on medical devices, and it is important to remember that the MDR and IVDR require manufacturers to make available and keep up to date on their websites the information needed to identify the device and its manufacturer, as well as any safety and performance information relevant to the user or any other person (if the manufacturer has a website!). Therefore, manufacturers must ensure that new or modified labeling, including promotional and advertising materials, remains in compliance with applicable legal requirements, and will pass a regulatory review. This remains of particular importance because it is often difficult to determine whether statements made in new or modified advertising may change the intended use or overall impression of the device's functions, as declared to the notified body and authorities. Consequently, periodic regulatory reviews of the content of the website, promotional and advertising materials, as well as scientific literature should become a standard post-market monitoring procedure for manufacturers. ■





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HUNGARY: NEW TRENDS IN INVESTIGATIONS AND CASE LAW ON MEDICINAL PRODUCT PROMOTION

By Helga Biro, Partner, and Mate Laczko, Associate, Baker & McKenzie



A new trend is emerging in the National Institute of Pharmacy and Nutrition's (OGYEI) recent case law on medicinal product promotion in Hungary. The OGYEI is more active, imposes higher fines, and its investigations extend to longer time periods and to a variety of promotional practices of pharma companies, instead of focusing on specific infringements as before. In

numbers, the OGYEI published two to three times as many decisions annually in the past two years than before. Further, the imposed fines regularly exceed USD 75,000 and, in 2022, the OGYEI imposed its highest fine (approximately USD 100,000) in the last ten years.

This new trend follows legislative amendments of the past year introducing stricter requirements for medicinal product promotion. While most pharma companies actively promoting in Hungary aim for high-level compliance, they must now face the combined challenge of changing legislation and increased authority scrutiny. Case law shows that not all of them were able to meet this challenge.

The legislative changes introduced strict conflict of interest rules. Healthcare professionals (HCPs) engaged by healthcare service providers may only be involved in scientific activities or activities under copyright protection independent of the company's commercial practice. If the OGYEI considers an HCP's activities to be promotional, that could result in an infringement of the conflict-of-interest rule.

As an example, the OGYEI often reviews speaker engagements of HCPs. Case law provides that supporting, background materials may be provided to the speakers by the pharmaceutical company, at the speaker's express written request. However, their content may not be promotional and may not be used in copy-paste form in the speaker's presentation, because it may improperly influence the speaker's professional independence and render the presentation to be "promotional." This requirement should be interpreted strictly as, in a recent case, the OGYEI considered a presentation to be promotional due to the fact that six out of 35 slides were identical to the supporting material provided by the pharmaceutical company.

In another case, the OGYEI investigated the contractual relationships between a pharmaceutical company and HCPs engaged as speakers, identifying a number of presentations that were identical in many respects. The company did not keep records of the supporting

materials provided to the speakers. The OGYEI found that this "bad practice" infringed the laws, which require the company under investigation to provide to the OGYEI the documents demonstrating that its conduct is in line with the laws and does not constitute an unlawful commercial practice. Essentially, the burden of proof has been shifted from the OGYEI to the investigated company.



As to other types of professional services contracts, the OGYEI noted that they must not aim at activities that HCPs are required to perform on the basis of a legal obligation (e.g., HCPs may not be engaged to provide patient education services because this task is clearly part of the HCPs' obligation under healthcare laws). Any remuneration payable under infringing contracts constitutes a prohibited benefit to HCPs.

In recent cases, the OGYEI challenged companies' practices to invite HCPs for business meals outside events. Investigated companies argued that these business meals were not related to their promotional activities, however, the authority stated that companies promoting medicinal products may not separate their activities from their promotional intents. As a result, the business meals provided to HCPs beyond events were considered an unlawful benefit because a meal is not associated with the HCPs' professional practice.

The OGYEI regularly investigates if the threshold for costs (applicable to items such as hospitality, room rental fees, etc.) of own events is complied with. Other typical practices challenged by OGYEI include the provision of samples and donations to HCPs or to hospital departments, which is not acceptable as samples and donations may only be handed over to the institutional pharmacy of the hospital.

Companies often fail to comply with administrative tasks such as filing with the OGYEI the hand-over minutes on donations of reimbursed medicines on a quarterly basis, notifying certain types of events (e.g., advisory board meetings), or submitting to the OGYEI the payment certificates on the extra pharma taxes.

Considering the above, it is recommended to continuously monitor the OGYEI's guidelines and case law on promotional practices and to regularly align internal trainings and company SOPs with this evolving set of requirements. ■



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ROMANIA: PUTTING THE PUZZLE OF THE PHARMACEUTICAL SECTOR TOGETHER

By Alina Lacatus, Partner, DLA Piper



The Romanian pharmaceutical sector has been constantly subject to legislative amendments and also scrutiny by numerous (tax, competition, criminal, regulatory) authorities. The base law on the healthcare system alone was modified more than 170 times in 16 years. While each authority has dealt with its own matters when regulating this sector, one of the main shortcomings

is the lack of an integrated approach that, to the benefit of Romanian patients, looks holistically at aspects from clinical trials to pricing and reimbursement and claw-back tax.

Measures taken individually by each authority have not managed to solve the shortcomings and enhance Romanian patients' access to medicines. According to Eurostat data, Romania is still among the EU countries that allocate the lowest GDP percentage to healthcare (5.5% in 2020). Despite certain measures being implemented in the healthcare system to enhance prevention and treatment, Romania still maintains a disincentivizing and rigid pricing policy.

The pricing regulations use the lowest price tool (or even lower than the lowest price) against 12 European selected reference countries (with multiple additional constraints concerning catalogs, currencies, and applicable exchange rates), which triggered the withdrawal of medicines from the Romanian market – some estimations state around 2,000 medicines, out of which 400 innovative medicines without therapeutic alternative. It has a very long reimbursement process – the most recent European Federation of Pharmaceutical Industries and Associations data shows that Romanian patients wait 883 days to have access to new therapies, the longest waiting time in Europe. It also has a rather rigid framework for cost-volume/cost-volume-result agreements, as opposed to more diverse managed entry agreements, allowing taking into account the type of molecules and disease. Some of the main topics to watch out for would be:

Pricing and Reimbursement: While patients' court trials to obtain free treatment with molecules not yet reimbursed in Romania have re-emerged, health technology assessment legislation would need to be more adapted for treatments meant to solve specific clinical issues with a significant spread among the Romanian population as opposed to other EU countries.

Distribution Models: Companies will have to adapt their distribution models to market needs as well as to regulatory and tax rules.

Romanian authorities keep an eye on the sector and, once an issue is identified, it could trigger a domino effect on all companies presumed to have the same model. Transfer pricing is crucial, as it is of key importance to adapt the remuneration model to the market trends given that the Romanian tax authorities are becoming increasingly aware of the international assessments. Boilerplate distribution and remuneration models are history, and every multinational group of companies will have to design their model by reference to the actual functions and risks allocated to the local entity.

National Cancer Plan: On October 19, 2022, the Romanian Parliament adopted the *Law for Prevention and Fight Against Cancer*, which will enter into force on January 1, 2023. It is the first time Romania has a law grounding measures for the prevention and fight against cancer at a national level. The law will cover the period between 2023-2030. Application norms will be issued through a government decision within 180 days of its entry into force. There are many measures targeted that imply budgetary impact analysis and planning as well as allocation of important financial resources. The implementation by the Ministry of Health, the Ministry of Finance, and the National Health Insurance House will thus be essential to achieve the objectives of this plan.

Claw-Back Tax and Cost-Volume/Cost-Volume-Result

Contributions: These specific contributions meant to bring additional money to the Healthcare Fund have been long debated and challenged, including in courts and before the Constitutional Court. Given that the current regime of the cost-volume/cost-volume-result contributions was enacted in 2018, an impact assessment should be performed to make this regime more adapted and balanced, while allowing more types of managed entry agreements.

Competition Law: The Romanian Competition Council is the most active competition authority in CEE in actions concerning the pharmaceuticals sector. After two sector inquiries in this field (finalized in 2011 and 2017), with detailed assessments and recommendations, the authority recently announced a new sector inquiry into retail pharmaceuticals – the aim being to identify elements that can limit patients' access to medicines from pharmacies (availability for patients will be analyzed and suggestions for improvement will be made). In addition, fines were applied to pharmaceutical companies for behaviors deemed as abuse of dominance, export bans, and cartels (a total of more than EUR 100 million since 2010) while other investigations into novel practices (promotion tactics) are pending. ■

SERBIA: WELCOMING THE DIGITALIZATION OF THE HEALTHCARE SYSTEM?

By Goran Radosevic, Partner, and Anja Mihajlovic, Junior Associate, Karanovic & Partners



The “digitalization” buzzword can easily be found in the 21st century’s most-frequently-used vocabulary section. Something all businesses aspire to, digitalization can, depending on the specific area, represent a multitude of things, always being an inexhaustible power drive on a journey towards a modernized and efficient business playground.

While privately-owned businesses are well-acquainted with this buzzword by now, the public sector has generally been slower on the digital transformation journey. When it comes to the Serbian public sector, particularly in healthcare, it is some time now since the advantages of going digital were noticed. The COVID-19 pandemic only accelerated the realization that digitalization is not only advantageous but a necessity.

To kick this off, the Serbian government formed a specialized body coordinating the digitalization of the healthcare sector in 2021, which adopted a comprehensive *Program for Digitalization of the Healthcare System 2022-2026*, together with an action plan on how to tackle the program. The program kicked off by identifying the most vulnerable legal, organizational, and technological obstacles toward digitalization and proceeded with outlining the measures, responsibilities, and expected numbers as the campaign moves forward to 2026.

Analyzing the numbers indicated in the program, it seems that the government wished for this to be an intensive switch to the digital stage. For example, by the end of 2022, 50% of healthcare providers (including private practices) should use e-prescriptions when prescribing medicines, while by the end of 2023 the number should reach 95%. When compared to the 25% measured back in 2021, these numbers might be a bit too bold for the envisaged timeline, especially since those healthcare providers would first need to be provided with adequate technology supporting e-prescriptions, the staff would need to be adequately trained, and the general public educated on how to obtain and make use of e-prescriptions. As the end of 2022 is fast approaching, we will soon be able to assess whether the numbers have indeed risen to expectations.

Another noticeable novelty for the Serbian life sciences discipline is the announcement of a brand-new IT system, set to integrate the public and the private healthcare sector. The project is initiated and

led by the Republic Fund for Health Insurance (Fund), which announced the new system should be running beginning of 2023, another bold promise for such a large-scale project. The Fund also announced that it partnered with the Serbian Post Office (SPO) and declared to “use the software potentials of the SPO,” assuring us that the software already exists to a certain degree.



While it may come as a surprise that the SPO is involved in the integration of the public and private healthcare sectors, the appeal of the new system remains tempting, as it should enable healthcare providers to offer higher quality services, having insight into the patient’s entire medical history, from both the public and private sectors. This should imply better control of the medicines supply chain and the ability to predict market vulnerabilities.

However, these changes will need to be accompanied by substantial legislative action. The current legal framework recognizes some level of electronic administration (e.g., potential keeping of electronic medical records), although the framework is not ready to switch to digital as a default, nor to facilitate the interplay between private and public entities. Privacy and cyber security aspects will also play a significant role, as the system will need to balance out who would be able to access patient data and how and if the patient will be able to (dis)allow some or any access to their medical history, especially taking into consideration the sensitivity of health data.

Finally, the partnership between the Fund and the SPO got even more peculiar with talk of another interesting option that may be available soon – the SPO delivering prescription medicines directly to patients’ homes. While this functionality does sound like a step in the right direction at first glance, at this moment it feels far-fetched, especially on the logistics and privacy side of it all.

Looking forward, it remains to be seen whether the current legal and practical prospects of the Serbian healthcare system will facilitate all-out digitalization or if they pose significant difficulties along the way. While digitalization activities are a big bite for Serbia, the eagerness to include the country in the race towards achieving digital competitiveness can only be saluted. ■

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BULGARIA: RECENT LIFE SCIENCES DEVELOPMENTS

By Elena Todorova, Head of Healthcare and Life Sciences, Schoenherr



In this article, we will review some long-awaited changes in Bulgarian legislation, as well as one particularly interesting precedent from the Supreme Court of Cassation case law. These were the highlights of autumn 2022 and we expect them to influence the development of national legislation in the field of healthcare/life sciences and consumer protection.

Recent Amendments to Ordinance No. 2

The summer of 2022 was marked by turbulence, including budget shortfalls in the National Health Insurance Fund (NHIF) related to the approval, use, and reimbursement of off-label medicinal products in Bulgaria.

At the beginning of August, after a landslide vote in Parliament, an amendment to the *Medicinal Products in Human Medicine Act* (Act) was promulgated in the State Gazette, allowing an exception to the legal ban imposed two years ago on using public funds to pay for medicinal products that are applied outside the conditions of their authorization for use (i.e., off-label prescription medicinal products).

This allowance guarantees that off-label medicinal products for the treatment of persons up to the age of 18 (predominantly drugs for treating childhood cancers or rare diseases) or medicinal products that cannot be provided in the country, for which no other financing mechanisms are foreseen, will be covered by funds from the state budget, municipal budgets, and the budget of the NHIF.

Due to the amendment to the Act, the long-awaited amendment to *Ordinance No. 2 of 2019 on medical and other services and the terms and conditions for their approval, use, and payment* (Ordinance) was also promulgated in the State Gazette on October 25, 2022. Among other things, it regulates access to medicinal products and services for which no financing mechanisms are provided.

According to the latest amendments to the Ordinance, persons up to the age of 18 have the right to medical support outside compulsory health insurance, which includes payments from public funds not only for the medicinal products discussed above, but also for medical devices, highly-specialized apparatus/devices for individual use,

dietary foods for special medical purposes (including for enteral nutrition), and medicinal products that are not included in the *Bulgarian Positive Drug List*. Treatments for oncological and onco-hematological diseases which have started before patients have reached the age of 18 will continue to be paid from public budgets until the treatment is completed.

Finally, the updated Ordinance establishes that upon submission of the application for payment of medicinal products, an informed consent, a commission protocol for prescribing a certain medicinal product, a written opinion from a master pharmacist, etc., also have to be submitted to the NHIF.

Decision No. 46

A noteworthy recent case law development is a cassation appeal that was allowed regarding the Supreme Court case law on the conduct of a person and the factual causality with the damages caused.

In the practice of the Supreme Court of Justice, it is accepted that there is a causal relationship in the case of unlawful damage when the act is a necessary condition for the occurrence of the damage, where without the act, but with a typical and lawful development of the causal process, the damage would objectively not have occurred. Where the act is not the only cause of the delict, tort liability is not excluded and only its dimensions must be determined.

With its *Decision No. 46* of September 16, 2022, the Supreme Court of Justice confirmed the existing case law but accepted that, for injury compensation claims, the behavior of the injured person (plaintiff), even if causally connected with the illegal result, is not a reason for excluding the defendant's liability, unless it is established that the illegal result would still have occurred even if the defendant's action or inaction indicated in the process were completely excluded.

The decision was made in a dispute over compensation for non-pecuniary damages caused by unfulfilled obligations under a contract on testing for a chromosomal abnormality by means of Chorionic villus sampling and consequent genetic analyses. In our view, the decision will also be applicable to consumer claims, especially in light of the draft *Consumer Class Action Directive*. ■

UKRAINE: RECENT LEGAL DEVELOPMENTS ON MEDICAL CANNABIS

By Yevgeniya Ocheretko, Co-Head of Life Sciences and Healthcare, Arzinger



Ukraine's approach towards the circulation of cannabis has traditionally been strict: the cannabis market in Ukraine is not legalized, and the circulation of both cannabis itself and cannabinoids is generally prohibited. Both the *Criminal Code of Ukraine* and the *Code of Administrative Offences of Ukraine* provide for liability for illegal sowing or cultivation, manufacture, acquisition, storage, transportation, or shipment of cannabis.

However, as the legal status of cannabis and its derivatives is undergoing significant changes worldwide, and the approach of foreign regulatory bodies is shifting towards liberalization of the cannabis market both in terms of medical and recreational use, Ukraine's legislators have gradually started a discussion on the liberalization of their approach as well.

The first step towards liberalization has been made in April 2021, when the Cabinet of Ministers of Ukraine adopted a resolution that specifically permits the limited circulation of three cannabinoids (dronabinol, nabilone, nabiximols) on the Ukrainian market. Yet, circulation of these substances is only permitted as ready-to-use medicinal products or substances for the preparation of medicinal products. The resolution also clarified that isolated CBD is not subject to restrictions and is not considered to be a narcotic substance subject to state control.

The ongoing Russian war against Ukraine – resulting in multiple patients requiring medical cannabis to relieve them from suffering caused by PTSD and injuries – has led to the development of a draft law aimed at regulating cannabis circulation in Ukraine. In June 2022, the Cabinet of Ministers submitted for consideration by the Parliament of Ukraine the draft law *On Regulation of the Circulation of Cannabis Plants for Medical, Industrial, Scientific and Technical Purposes to Create Conditions for Expanding the Access of Patients to the Necessary Treatment of Cancer Diseases and Post-Traumatic Stress Disorders Obtained as a Result of the War*.

As it follows from the explanatory note, the gist of the draft is to create the conditions for expanding the access of patients to the necessary treatment with cannabis-based medicines, to induce scientific research and development in the pharmaceutical industry – including

by conducting clinical trials of cannabis-based medications – to ensure the legalized commercial activity of cannabis cultivation, as well as to attract foreign investments. The draft law is aimed at regulating the process of receiving the necessary licenses and permits and sets rules for laboratory testing, traceability, labeling, transportation, medical use, prescribing, and selling of cannabis-based medicinal products to patients.

At the same time, the wording of the draft law allows for the medical use of only cannabis-based medicines that have undergone state registration and clinical trials. This means that, on the Ukrainian market, medical cannabis can only be in the form of registered medicinal products. And there are not that many ready-made medicinal products based on cannabis in the world, as many countries apply a more liberal approach allowing the sale to patients of pharmacy-made cannabis medications that do not require formal registration.

Among other important changes proposed by the draft law is the right of the Cabinet of Ministers to establish the percentage of tetrahydrocannabinol (THC) in the dry mass in varieties of cannabis for medical purposes. The determination of THC content in plants shall be carried out by laboratories managed by the State Service of Ukraine on Medicines and Drugs Control. An active discussion is ongoing to ensure that the limits of THC content in cannabis for industrial purposes shall be harmonized with the European approach (currently Ukraine only allows industrial cultivation of those sorts of cannabis that contain less than 0.08% THC, while the EU regulations allow for up to 0.2% THC content).

While the adoption of the draft law will become an important step to further liberalize Ukraine's approach towards cannabis circulation, considering the high demand of Ukrainian patients for cannabis-based medications, there is still significant room for improvement in the regulation to ensure that the interests of the state, businesses, and patients are well-balanced.

The amendments to Ukrainian legislation introduced in 2021 have made Ukraine open to the registration of medicinal products containing dronabinol, nabilone, nabiximols, and isolated CBD. Yet, at the time of writing, no medicines with such active ingredients have been registered in Ukraine. Which only means that the market comprising at least 2 million potential patients (based on various estimations) remains open for those suppliers that are brave enough to enter a new market. ■

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