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PAN-BALTIC MERGERS AND ACQUISITIONS

Welcome to cross-border mergers

All three Baltic States have now adopted measures to transpose the Cross-Border Mergers Directive concerning limited liability companies (2005/56/EC; "the Cross-border Directive"). Amendments to the Estonian Commercial Code are already in force since 15.12.2007. Although the Lithuanian Parliament adopted a law implementing the Cross-Border Directive on 13.12.2007, the law has not yet been promulgated. The Latvian Cabinet of Ministers has also adopted amendments to the Commercial Law. These amendments are not yet in force but are anticipated soon.

The purpose of the cross-border merger legislation is to simplify the procedure for mergers between limited companies registered in Member States. The cross-border merger legislation prescribes general requirements for merger agreements and related documents and procedures that are uniform for all parties. The cross-border merger legislation will further facilitate company mergers in the Baltics and throughout Europe.

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COMPETITION AND REGULATORY

Launch of Baltic League of Competition Law

On 17.12.2007 Sorainen initiated the founding of the Baltic LIDC (Baltic League of Competition Law) in Estonia, Latvia, and Lithuania. LIDC is a worldwide organisation uniting practitioners and academics in the field of competition law/economics. Ivar Kurvits, a lawyer from Sorainen, was elected President of the Baltic LIDC, which will organise seminars and coffee mornings for those interested in competition law.

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ESTONIA MERGERS AND ACQUISITIONS

Sell-out mechanism for minority shareholders

As harmonization of Estonian securities regulation

with the Takeover Bids Directive (2004/25/EC "the Takeover Directive") was finalized November 2007 with enactment of amendments to the Securities Market Act ("the SMA"), a sell-out mechanism was introduced providing additional rights for minority shareholders in Estonian companies listed on the regulated market.

Under the revised SMA, minority shareholders of a company may use their sell-out right to compel a shareholder directly or indirectly acquiring at least 90% of the shares of the company during a takeover bid to purchase their shares. The precondition to this rule is that minority shareholders' shares must be sold at a fair price. The statutory minimum fair price is set at the highest value paid for the share of the company during the last six months; however, a higher price can also be offered.

This new protection provides a symmetrical balance for minority shareholders in correlation to the existing right established for majority shareholders holding 90% of the shares of the target company to squeeze out the minority. The sell-out rule provides minority shareholders with a three-month period to decide whether to sell their shares. The protection is enacted explicitly for shareholders who have opposed a takeover or who are indecisive about selling their shares. It will also enable them to receive the highest consideration for their shares in the target company.

The Takeover Directive creates a common set of rules for all EU Member States and thus promotes the idea of unifying the Common Market. Entrepreneurs can rely on the same possibilities tackling probable threats while acquiring companies through takeovers pan-Europe. However, it must be noted that the 90% threshold for exercising the sell-out (or squeeze-out) right may vary by jurisdiction to a maximum of 95% in some Member States.

The new regulation only applies to shareholders of companies listed on the local regulated market.

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CORPORATE ADVISORY

Recognition for Entrepreneurs' Portal in European Enterprise Awards Competition

The Entrepreneurs' Portal was acknowledged at the European Enterprise Awards 2007 as one of two projects considered best in red tape reduction. The jury recognised the Entrepreneurs' Portal as the best example of reducing costs and simplifying

Pan-Baltic

Welcome to cross-border mergers

Estonia

Sell-out mechanism for minority shareholders

Latvia

A range of changes in tax law

Lithuania

Approval of new version of Law on Collective Investment Undertakings

EU

European Court of Justice delivers two important judgments for the Baltics

Sorainen

Sorainen is organising finance and real estate seminars in February in Tallinn and Riga respectively

LEGAL UPDATE

procedures.

The Entrepreneurs' Portal was opened on 02.01.2007. Since then, 30% of new companies in Estonia have been formed by this means. The Entrepreneurs' Portal enables formation of private limited companies, registration of sole proprietors, general partnerships or limited partnerships as well as changes in company data entered in the commercial register. Companies can also deliver through the portal their annual reports and other documents for submission to the registrar.

In the opinion of the jury, the Entrepreneurs' Portal also serves as an example for other EU Member States. While forming a company takes an average of 12 days in other Member States, the Entrepreneurs' Portal enables company formation in Estonia in 2 days.

The Entrepreneurs' Portal can currently be used for expedited operations only by holders of an Estonian identity card. The future aim of the Entrepreneurs' Portal is to enable people from other Member States to form companies. This could happen after recognition of cross-border digital signatures.

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COMPETITION AND REGULATORY

First criminal punishment for cartel practice

On 21.12.2007 Harju County Court made a ruling which established that AS Spacecom (a company active in the transit sector) and its member of the management board Mr. Oleg Ossinovski were guilty of an attempt to agree upon practices violating free competition. The company was fined in the amount of EEK 500,000 (approximately EUR 32,000) and Mr. Ossinovski respectively EEK 180,736 (approximately EUR 11,550). This is the first court decision made in Estonia which imposes criminal punishment to a natural and a legal person for violating competition law and is a clear indication of the increasing activity by Estonian enforcement authorities in the field.

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COMMERCIAL CONTRACTS

More efficient protection of consumer interests

On 12.12.2007 amendments to the Consumer Protection Act entered into force. These transpose Directive 2005/29/EC of the European Parliament and of the Council concerning unfair business-to-consumer commercial practices. The Directive addresses commercial practices directly related to influencing consumers' transactional decisions in relation to products and services. The direct purpose of the Directive is to protect consumer economic interests. At the same time, the Directive also indirectly protects the interests of traders – fair competition is promoted by hindering the activities of businesses that use unfair practices. The Directive, as well as the Consumer Protection Act, applies to all traders whose activities are related to advertising, sale or supply of products or services to consumers.

The scope of application under the Consumer Protection Act has been expanded by the amendments. Hitherto, the Consumer Protection Act treated any product as a movable. Under current regulation, a product is anything offered for sale, sold or marketed to a consumer in any other way, likewise any immovable, service or right.

The amendments prohibit unfair commercial practices in relation to any consumer. A commercial practice is unfair if it is contrary to the requirements of professional diligence observed in the economic or professional activities of the trader and distorts the average consumer's economic behaviour with regard to the product or service. Under the Act, commercial practices are unfair if they mislead the consumer or are aggressive with regard to the consumer. The Act explains what kind of commercial practices fit into these categories. The Act defines requirements concerning information that the trader has to communicate.

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LATVIA

TAX

Corporate Income Tax law amended regarding luxury cars and groups of companies

On 28.11.2007 changes to the law On Corporate Income Tax came into operation to further clarify expense deductions that will not be allowed in respect of motor vehicles classified as representative (luxury) motor vehicles. The amendments amend the method by which the value of a representative motor vehicle is to be calculated and also deny deductions for interest paid in respect of the purchase or lease of a representative motor vehicle. A deduction is also not allowed for losses incurred on the sale of a representative motor vehicle if the vehicle has been classified as a fixed asset but has not been depreciated for corporate income tax purposes.

Changes were also made to the conditions associated with transfer of losses within a group of companies that includes companies registered in countries with whom Latvia has a Double Taxation Treaty or a European Economic Zone country. The changes require the relevant corporate income tax declarations for the group members to be prepared in accordance with the laws regarding preparation and auditing as applicable in their country of residence.

Real Estate Tax rate decreases, tax base increases

As of 01.01.2008 the law On Real Estate Tax amendments became effective to clarify and expand the categories of real estate that will not be subject to the tax. The rate of tax applicable from 2008 has also been amended. Up to 31.12.2010 the rate of tax will be 1% of the property's cadastral value. From 01.01.2011 the rate will reduce to a base rate of 0.4% and municipalities will be able to impose an additional supplementary rate not exceeding 0.6% of the property's cadastral value. The additional rate to be imposed by the municipality must be published by October of the preceding tax year.

New transitional provisions apply in regard to 2008 - 2010 tax assessments. These state that if the use of the property does not change during these years, an increase in tax payable due to a new cadastral valuation is limited to an increase of no more than 25% of the tax payable in the previous year. The changes operate from 01.01.2008.

Excise Tax rates increase; import of oil may have additional customs procedure in free zones or warehouses

On 01.01.2008 amendments to the law On Excise Tax came into force. With these amendments, the excise tax payable on petrol, diesel fuel, bio-diesel fuel and their mixture products were increased by approximately 8%. Excise duty on tobacco products was increased by c. a. 32.2%. In addition to the increase in excise tax, the amendments provide that in cases where in free zones or free warehouses mineral oil products are imported, to these products may be applied not only normal processing customs procedure but also inward (temporary) processing procedure, on the condition that products will not be released for free circulation in Latvia.

Personal Income Tax – untaxed minimum income increases

On 01.01.2008, Cabinet of Ministers Regulation No. 443 came into force. This provides that from 01.01.2008 the amount of monthly untaxed minimum income will be increased to LVL 80, whereas the monthly non-taxable amount that can be claimed for each dependant person (e.g., children, unemployed spouse) will be increased to LVL 56.

Personal income tax payable by self employed persons – the rate is down to 15%; increased risk of re-qualification of services contracts as employment contracts

From 01.01.2008, those who earn their income as self employed individuals will no longer pay 25% personal income tax but 15% on this income. Amendments have also come into operation from 01.01.2008 which will allow self employed individuals having a small-scale business to alternatively choose to pay a fixed amount of personal income tax based on the level of their gross turnover rather than the 15% rate of personal income tax on their net business income.

As a consequence of these changes, the law On Personal Income Tax has been amended with anti-avoidance provisions, to introduce six criteria. If one of these is found to exist, then the Latvian State Revenue Service can reclassify a services (*uzņēmuma*) contract as an employment contract and impose 25% personal income tax and 33.09% social security contributions on the earnings from the contract. We understand that it will be the clients (i.e. 'employer') that will have to prove that the agreement is not 'substance over form' an employee – employer relationship.

Changes to Cabinet of Ministers Regulation No. 41 adopted 18.12.2007 on procedures for completing personal income tax declarations have simplified the process. Individuals who are filing declarations only to report non-taxable income above a certain level need only complete these sections and not the whole declaration. Taxpayers who use double entry bookkeeping will have to complete a new appendix D3. The appendix contains tables to be completed where in the prior taxation year the taxpayer suffered losses or reclassified business assets as assets for personal use.

Registration as a VAT payer simplified

With amendments to the Cabinet Regulations No. 933, effective as of 01.01.2009, registration as a VAT payer will be possible upon registration of a newly established company with the Company Register of the Republic of Latvia. To register the company as a VAT payer, a legal or authorised representative of the company will have to submit to the Company Register a VAT registration form completing sections B and C. The current practice of registration as a VAT payer by submitting an application to the State Revenue Service will also continue.

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REAL ESTATE AND CONSTRUCTION

New regulations on lease of land owned by the state and municipalities

On 30.10.2007, the Cabinet of Ministers adopted new regulations on lease of land owned by the state and municipalities. These Regulations on lease of state and municipal land establish a procedure for determining the amount of lease payments on land plots with construction not assigned for privatization or alienation, lease of vacant land plots owned by the state or municipality, and lease of land plots with construction assigned for privatization or alienation.

A lease payment is determined to be in an amount no less than 1.5 % of the land plot's value established for the purposes of privatization. Expenses for establishing the value are paid by the lessee when concluding the lease agreement. In addition to these lease payments the lessee has to pay all related taxes including immovable property tax.

The Regulations also stipulate provisions compelling owners of buildings located on land plots owned by the state or municipalities to register the buildings with the Land Book as an independent property.

The amount of lease payment is multiplied by 1.5 if buildings located on the land plot are not registered with the Land Book but should be registered according to the Law On Recording of Immovable Property in the Land Book. The same applies if the title transfer of the buildings is not registered with the Land Book.

Lease agreements, concluded before these Regulations came into force, remain valid and the amount of lease payment may be increased according to the regulations only if the right is explicitly provided to the lessor in the lease agreement.

The Regulations provide that lease payments determined under these regulations may be modified not earlier than by 30.12.2009 and only if the regulations on determining the amount of lease payment for lease of state or municipality land are amended.

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BANKING AND FINANCE

Substantial amendments to main legal act regulating securities and investment services in Latvia

The Law on the Financial Instruments Market (LFIM), the main legal act regulating securities and investment services in Latvia, saw substantial amendments with effect from 08.11.2007. These amendments implement into Latvian law the Markets in Financial Instruments Directive, commonly referred to as MiFID, which has been widely discussed across the European Union for the past couple of years. With these amendments, LFIM imposes significant new requirements for investment service providers (for example, investment advisers, fund managers, stockbrokers and banks offering investment services), who have activities in Latvia. In addition, these amendments provide for easier access of EU and EEA-based investment service providers to the markets of all EU and EEA Member States due to the enhanced passporting system, as well as creation of less strictly regulated alternative investment markets (referred to as multilateral trading facilities) which will provide new opportunities for small to medium size companies with growth potential seeking to raise capital.

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INSURANCE

Competition in the insurance intermediaries market will increase

As of 01.01.2008 amendments to the Activities of Insurance and Reinsurance Intermediaries Law came into force. The aim of the amendments is to increase competition in the insurance intermediaries market. The amendments introduce a special insurance intermediary category – credit institutions – who may engage in insurance mediation on behalf of and in the interests of several insurance brokers or branches of non-Member State insurers, if insurance is additional to services provided as basic activities of the credit institution. Simultaneously, credit institutions may not advise or prepare an offer on the basis of analysis of offers.

Under the amendments, officials and employees of an insurance agent (legal entity) directly involved in insurance mediation are forbidden from employment with another insurance intermediary. Furthermore, an insurance broker and insurance agent must inform the FCMC on suspending or ceasing insurance and reinsurance mediation services.

The amendments stipulate penalties for proven violations, including cases when an insurance or reinsurance agent violates anti-money laundering laws, where the FCMC is entitled to impose a money penalty up to LVL 100,000.

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CORPORATE ADVISORY

Improvement of the existing regime for insolvency in Latvia

On 01.01.2008 a new Insolvency Law entered into force repealing the old law on Insolvency of Companies.

The new law provides substantial changes in the existing regime for insolvency in Latvia and aims to improve it. The new law applies to insolvency proceedings not only against companies, but also against associations, foundations, individual merchants, and, to a certain extent, participants in financial and capital markets. Also an individual may be subject to insolvency proceedings and even declared bankrupt. An individual may petition for insolvency if unable to settle a debt i) which is due, if such debt exceeds 50 times the minimum monthly wage, currently amounting to LVL 8,000, or ii) which will be due after 1 year, if the individual can prove it and if such debt exceeds 100 times the minimum monthly wage, currently amounting to LVL16,000.

The law provides for changes in insolvency proceedings of legal persons. The most important change is that a creditor may petition for insolvency of a debtor (legal person) only if the debt due exceeds LVL 1,000 and if the creditor gives 3 weeks to the debtor. If the debt due exceeds the assets of the debtor, the creditor may apply for insolvency without giving three weeks' notice. Under the old law, insolvency proceedings could be initiated for any outstanding debt (no matter how small the amount), thus allowing creditors to misuse insolvency proceedings against solvent debtors. Further, the law provides a new process of judicial composition. This is intended to restore the solvency of a company when it temporarily lacks money to settle its debts due. A company may apply for judicial protection if its assets exceed debts due and if the company has been registered for at least three years and has submitted annual reports for the last three years. Instituted insolvency (incl. liquidation) proceedings preclude judicial protection of a company.

As a result of the Insolvency Law, further amendments to the Law on Civil Procedure and the Law on the Company Register have been introduced. These provide for establishment of an insolvency register, where information about ongoing insolvency proceedings will be available.

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Sales pitch limited, consumer protection increased

On 01.01.2008 the Law on Prohibition of Unfair Commercial Practices came into force. The new law implements the norms of Directive 2005/29/EC concerning unfair business-to-consumer commercial practices.

The Law provides that unfair commercial practices are prohibited. Commercial practices relate to any action (including inaction) by a trader, service provider, or producer directed at promotion or sale of goods, or provision of services to a consumer.

A commercial practice is unfair if within the meaning of the law it is either contrary to the requirements of professional diligence and it materially distorts or is likely to materially distort the economic behaviour of the average consumer, or if it is misleading or aggressive.

As a result, producers and providers of services and traders will be liable, for example, for making false claims about goods – such as their approval by a public or a private body, their limited availability, or their ability to cure illnesses.

LEGAL UPDATE

Producers and providers of services and traders will likewise be liable if, e.g., they display a trust or quality mark without authorization, deliver materially inaccurate information about the market, claim to offer a prize promotion but with no actual reward, or describe a product as free when consumers have to pay something in addition to the cost of reply and delivery of the item.

The law will also apply to such aggressive practices as persistent and unwanted solicitations by telephone, fax, e-mail or other remote media, visiting a consumer's home ignoring requests to leave or not to return.

As a result, producers, service providers and traders will have to be cautious when choosing their strategies related to promotion and sales.

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LITHUANIA

BANKING AND FINANCE

New version of Law on Collective Investment Undertakings approved

With effect from 01.03.2008, a new version of the Law on Collective Investment Undertakings, correcting inadequacies in practices established in the previous law, will come into force.

This version of the Law extends the list of legal entities allowed in Lithuania. One of these is a closed-end investment company (CEIC), defined as a public company issuing a fixed number of shares redeemable for a period stipulated in the statutes of a public company or at any other time established in its statutes in advance. After the new version of the Law comes into effect, investment of assets of special collective investment undertakings will be allowed in real estate, as well as in securities of companies admitted to trading on a regulated market in trade and in other alternative investment instruments.

Under the new version of the Law, only a public company holding a CEIC licence issued by the Securities Commission may engage in CEIC activities. The Law further stipulates that the words "akcine bendrove" (eng. public company) in the name of a company with variable capital or their abbreviation AB, are not obligatory.

A public company seeking engagement in CEIC activities is required to apply to the Securities Commission annexing its programme of intended activities and other requisite information, on the basis of which the Securities Commission would be able to decide if the company meets requirements for licensed activities.

Managers of management companies (i.e. companies engaged in managing investment companies or funds) will henceforth be subject to extremely strict standards of good repute, which were not emphasised in the previous wording of the Law.

The competence of the Securities Commission has been extended by establishing procedures for use of financial derivative instruments of collective investment undertakings and assessment of related risks, for merging unit trust/common funds, and for distribution of units and shares of collective investment undertakings.

Issues regarding acquisition of a qualifying holding of a management company are considered separately. If a person wishing to acquire a qualifying interest in a management company is a licensed management company in another Member State, or a financial brokerage company, credit institution, insurance company, or a parent company or a controlling person of any of those undertakings, the Securities Commission is required to seek an opinion from the regulatory authority of the relevant Member State.

With effect from 01.03.2008, a permit of the Securities Commission will be required for approval, change of or supplement to the digest of instruments of incorporation, and for merging unit trust/common funds administered by a management company.

The license of a management company (CEIC) may be cancelled as soon as the business period established in the statutes of the investment company expires and the license holder fails to apply in writing requesting annulment of the license.

This version of the Law was intended for harmonising the existing Law on Collective Investment Undertakings with Council Directive 85/611/EEC of 20.12.1985 on the coordination of laws, regulation and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), as well as with Commission Directive 2006/73/EC of 10.08.2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (OL 2006 L 241, p. 26).

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CORPORATE ADVISORY

New rules for issuing certificates of permanent residence in Lithuania for EU citizens

With effect from 01.11.2007, a description of the procedure for issuing a certificate approving the right of a citizen of an EU Member State allowing permanent residence in the Republic of Lithuania came into effect.

The description specifies cases based on which EU citizens and members of their families who have resided in Lithuania less than five years, may be issued certificates validating their right to permanently reside in Lithuania.

EU Member State citizens wishing to obtain a certificate must generally apply in person to the Migration Department through the Migration Agency within whose service territory they declare or intend to declare their place of residence.

In addition, separate groups of persons defined in the Law have to provide the Migration Agency with other documents.

Once a person submits all the requisite documents, a file regarding the right to permanently reside in Lithuania is compiled.

An application by an EU citizen has to be reviewed and decided not later than within one month after filing with the Migration Agency.

The description also stipulates grounds for forfeiture of the right of EU citizens to permanently reside in Lithuania.

If an EU citizen changes their residence in Lithuania, the local Migration Agency, upon request, transfers the file to the Migration Agency local to the new place of residence. Required forms include:

- register of applications to approve the right of an EU Member State citizen to permanently reside in the Republic of Lithuania,
- form of personal data of a foreigner,
- register of issuance of applications for approval of the right of an EU Member State citizen to permanently reside in the Republic of Lithuania,
- register of decisions regarding the right of an EU Member State citizen to permanently reside in the Republic of Lithuania.

New procedure for issuing work permits to foreigners residing in Lithuania

On 05.10.2007 an Order of the Minister of Social Security and Labour came into effect changing some provisions relating to issuance of work permits to foreigners residing in Lithuania.

The Order repeals the requirement for employers wishing to employ a foreigner to provide the territorial labour exchange with a copy of the registration certificate of a legal entity. In addition to other requisite documents, an employer wishing to employ a foreigner will now have to provide the territorial labour exchange with a copy of a document evidencing the foreigner's three-year work experience according to their professional qualification over the preceding five years.

The Order establishes a new shortened term of one month for analysis of a request by an employer to issue a work permit to a foreigner, i.e. a high qualification specialist. Additionally, employers must register a vacancy one month in advance before applying to the territorial labour exchange.

Upon expiry of a work permit, a foreigner is required to leave Lithuania and may not be employed in Lithuania for at least one month from expiry of the work permit.

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EU NEWS

European Court of Justice delivers two important judgments for the Baltics

In December 2007, the European Court of Justice (ECJ) handed down its first judgments in cases which directly relate to application of the EC's fundamental freedoms in the Baltics, namely – freedom of establishment in Estonia (the Viking Line case) and freedom to provide services by a

Latvian company in Sweden (the Laval case). Both cases are important for overall development of European law and in particular a balance between fundamental rights such as the right to strike, and fundamental freedoms under European law such as freedom of establishment and freedom to provide services.

In its judgment of 11.12.2007 in the Viking Line case (C-438/05) the ECJ confirmed that the right to take collective action, including the right to strike, is a fundamental right under European law. But exercise of such right may none the less be subject to certain restrictions. The court reiterated its case law that protection of fundamental rights is a legitimate interest which may be called on to justify a restriction of the obligations imposed by European law, including freedom of establishment. Such restriction may be justified in certain cases for overriding reasons of public interest, such as protection of workers, provided that such restriction is suitable for securing the attainment of the objective which it pursues and does not go beyond what is necessary in order to attain it. It left the national court to decide if in the present case the two latter conditions are fulfilled.

In its judgment of 18.12.2007 in the Laval case (C-341/05) the ECJ, while confirming the right to take collective action, held that collective Swedish trade union action (blockade of all Laval's sites in Sweden) constitutes a restriction on the freedom to provide services. As in the Viking Line case, the court held that such restriction may be justified by overriding reasons of public interest and if that is the case, it must be proportionate. The court accepted that in principle the right to take collective action for protecting workers of the host state against possible social dumping might constitute an overriding reason of public interest. However, the court held that a restriction on providing services by Laval in Sweden cannot be justified on such grounds taking into account the directive on posting of workers (96/71/EC) and its implementation in Sweden. The court further held that Swedish rules, which do not take into account collective agreements with Latvian trade unions concluded by Laval, give rise to discrimination against Laval, in so far as under Swedish rules Laval is treated in the same way as Swedish undertakings which have not concluded any collective agreement. Such discrimination can be justified only on the basis of public policy, public security or public health, none of which are present in this case.

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NEWS IN SORAINEN

■ Recent deals

Major Baltic M&A transaction

Coopernic Alliance has agreed to acquire an 80% shareholding in UAB Palink, operator of retail chain IKI. As the second largest retailer in Lithuania with an 18% market share, IKI is a major player there and is also growing fast in Latvia. With its 209 stores generating annual revenues of 635 MEUR, IKI is among the ten largest companies in the Baltics. This acquisition is one of the largest M&A transactions announced in Lithuania and the Baltics in 2007. The Sorainen team, led by partner Laimonas Skibarka and senior associate Raminta Karlonaite, acts as lead legal adviser for buyers in the transaction.

Advising landmark transaction in the Baltics

Our M&A and real estate teams advised North European financial group SEB in a landmark transaction involving sale and lease-back of SEB's entire property portfolio in the Baltics. With a value of approx. 200 MEUR, it is the largest and probably most complex real estate transaction in the Baltics to date. The project was led by partners Kaido Loor, Kestutis Adamonis and Girts Ruda.

Assistance on sale of Vicus properties in the Baltic States

Sorainen assisted Vicus Limited, a Finnish real estate investor and developer, in selling three large-scale commercial properties in the Baltics to Cattella Real Estate AG's investment fund Focus Nordic Cities. The real estate portfolio sold consists of Efore's office, storage, and production facilities in Pärnu, DHL's logistics centre in Riga, and Rautakesko's K-Rauta hardware store in Liepaja. The total value of the transaction is approx. 24 MEUR. The client was assisted by a team of lawyers led by partner Kaido Loor in Estonia and partner Girts Ruda and senior associate Renate Purvinska in Latvia.

Arco Capital acquired Hanseatic Capital

Sorainen M&A team advised Arco Capital Corporation in its acquisition of Hanseatic Capital from Baltic-American Enterprise

Fund. Arco Capital Corporation is a premiere credit investment platform that serves emerging markets. Hanseatic Capital is a dedicated provider of mezzanine capital to growth oriented businesses in Estonia, Latvia and Lithuania, and recently expanded its geographic reach to Poland and Finland. Sorainen team, led by partners Toomas Prangli and Janis Taukacs, advised in all phases of the transaction regarding the Baltic matters.

Acquisition of Seesam Life Insurance SE

Sorainen's M&A and Insurance teams are advising Wiener Stadtische Versicherung AG Vienna Insurance Group in the acquisition of 100% shares in Seesam Life Insurance SE from Suomi Mutual Life Assurance Company. The completion of the transaction is subject to regulatory approvals. Seesam Life Insurance SE has ten branches in all three Baltic countries and provides services for 45,000 clients with a staff of approximately 200 employees. "This transaction is notable also for the fact that it is the first direct acquisition of the shares in SE (the new European company type) in the Baltics and one of the first ones in the whole Europe," says Toomas Prangli, Sorainen's M&A partner in charge of the transaction along with Tomas Kontautas, the head of Sorainen's Insurance team.

Two syndicated loan transactions at year end

Towards the end of 2007, Riga office advised Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB) on two syndicated loan transactions with local banks, with a total value of 38 MEUR. Our client RZB acted as Mandated Lead Arranger for a 16 MEUR syndicated loan to AS Trasta Komerbanka, and also as Mandated Lead Arranger together with Kaupthing Bank Luxembourg for a 22 MEUR facility to AS Norvik Banka. These transactions strengthen the stable track record of Sorainen as a leading legal adviser on large financing transactions in the Baltic markets. Senior associate Rudolfs Engelis acted on the Trasta Komerbanka deal, while associate Inese Rendeniece advised on the Norvik Banka facility.

Acquisition of Latvia's leading electrical wholesalers

One of Finland's leading electrical wholesalers and professional lighting suppliers, Elektroskandia Oy, was advised by Riga office associate Julija Jereneva in its acquisition of three of Latvia's electrical wholesalers: Energo SIA, Baltlauva SIA, and Kolorits SIA. The buyer was advised at all stages of the transactions. With these Latvian acquisitions, Elektroskandia becomes market leader in electrical wholesaling in the region, with estimated joint sales of well over 30 MEUR.

Sorainen Riga office in cooperation with Latvian Chamber of Commerce and Industry invites you to the seminar

HOW TO KEEP OFF LEGAL PROBLEMS IN REAL ESTATE PROJECTS?,

to take place on 22 February 2008 at the Monika Centrum Hotels in Riga, Latvia.

Seminar language will be Latvian. For more detailed information please visit our website: www.sorainen.com or contact Ms Gita Rivdike (phone: +371 6 7365000 or email: gita.rivdike@sorainen.lv).

Advising on major real estate acquisition in Lithuania

Verdispar, the Norwegian investment banking group, acting on behalf of clients and assisted by Sorainen, has acquired a complex of properties on land plot of some 2 ha in central Vilnius. Previously the complex of properties was owned by Kalnapilio-Tauro Grupe AB, the major Lithuanian brewer, owned by Royal Unibrew, Denmark's second largest beer producer. The client was assisted by partner Tomas Milasauskas and senior associate Rita Svedaite, led by partner Kestutis Adamonis.

HeidelbergCement Group enters Lithuanian market

HeidelbergCement Group, the leading global building materials producer, acquired a controlling shareholding in UAB Gerdukas, a major cement distributor in Lithuania. HeidelbergCement's core products include cement, ready-mixed concrete, aggregates, and related products. With group turnover in 2006 of 9.2 billion euros, the entry of HeidelbergCement is a significant development for the whole building materials industry in Lithuania. In this acquisition HeidelbergCement was advised by Sorainen's Vilnius office team led by partner Laimonas Skibarka and senior associate Raminta Karlonaitė.

Banking and finance team advised Royal Bank of Canada

Vilnius office has advised Royal Bank of Canada, one of the world's leading and most highly rated financial institutions, regarding enforceability of the close-out netting provisions under ISDA documents and validity and enforcement of collateral arrangements under ISDA Credit Support documents. The client was advised by senior associates Dr. Tomas Kontautas, Agne Jonaityte and associate Tadas Milasius.

■ Employees

New partner for Sorainen

Mrs **Eva Berlaus-Gulbe**, Attorney-at-Law with the Riga office has become a partner

of Sorainen. Eva is heading the firm's Corporate Advisory pan-Baltic team. Since joining Sorainen in 2000 she has participated as a counsel in major cross-border M&A deals in Latvia both on the side of sellers and buyers on behalf of listed and non-listed companies in various business sectors: media, utilities, food, construction, property development, energy, consumer finance, environment, etc. She is Legal 500 recommended practitioner in Latvia.

At the end of 2007, five significant arrivals at Sorainen marked the high tide of the strong growth of our team in 2007

In October our Real Estate & Construction Team was strengthened by the arrival of associates **Mari Mois** to Tallinn office and **Indre Jonaityte** to Vilnius office. With more than six years of experience with SEB, Estonia's second largest commercial bank, Ms Mois offers extensive knowledge of the Estonian banking and leasing sector. She has advised clients in matters related to property, financing, leasing, public procurement, public private partnership, amongst others. Previously Ms Jonaityte worked for four years with law firm Lideika, Petrauskas, Valiunas ir partneriai LAWIN. Additionally to her legal practice she lectures in law at Vilnius University.

Our M&A and Competition and Regulatory teams welcomed the arrival of senior associate **Lauras Butkevicius**. He has substantial experience in M&A, competition and corporate matters gained during four years with law firm Norcus & Partners. He has also worked for leading Lithuanian bank Hansabankas and has been a visiting lawyer at Helsinki law firm Roschier. Mr Butkevicius also has a strong academic background from Vilnius and Utrecht Universities and is currently involved in PhD studies at Vilnius University.

Senior counsel **Paulius Koverovas** is the most significant addition to our Dispute Resolution and Competition and Regulatory teams at Vilnius office. Previously he was State Secretary at the Lithuanian

Ministry of Justice where one of his most significant achievements was representing the Government in the first ICSID case against Lithuania. Currently he is involved in PhD studies at Vilnius University and lectures at its Faculty of Law.

Also to strengthen our Dispute Resolution team, Tallinn office has employed associate **Tonis Saul**, who has gained experience from working at a notary's office.

■ Other

Sorainen is top-10 M&A law firm in Central Eastern Europe in 2007

According to leading M&A intelligence company Mergermarket, the Sorainen M&A team ranked No. 9 by deal volume in the league tables of legal advisers in M&A transactions within the CEE region in the full year of 2007. "This means that Sorainen is No 1 regional M&A law firm in CEE. Ahead of us are only global law firms who have offices in most major CEE cities" said Toomas Prangli, Sorainen partner heading its pan-Baltic M&A team.

Sorainen is highly recommended in the Baltics by several international legal directories

Quality of our work has again been recognized by the 2007/2008 editions of *IFLR1000*, *PLC Which Lawyer?*, *Tax Handbook and Chambers Global*, directories which research the legal markets worldwide to identify the firms and individuals that the market considers to have expertise.

Furthermore in 2007 *PLC Which Lawyer?* included Estonia to their private equity research and straightaway recognized Sorainen as the only highly recommended law firm in the country for private equity practice. Sorainen is the only major law firm which has a specific focus on private equity and separate private equity specialisation within its M&A team. Also partner Toomas Prangli was named by *PLC Which Lawyer?* As a recommended practitioner in private equity in Estonia.

Clifford Chance and Sorainen lawyers publish book on EU and Estonian competition law

On 17 December, the authors - Carri Ginter, a Sorainen partner, and Kaarli H Eichhorn, a lawyer with leading global law firm Clifford Chance - presented their book on competition law. The book covers the basics of free competition in Estonia and the EU and contains a selection of adjudications of the European Court and decisions of the European Commission, describing competition law practice. The book is useful as a manual both to experts and students.

Sorainen in cooperation with Äripäev invites you to the seminar

NEW AND ADDITIONAL POSSIBILITIES FOR INVOLVING CAPITAL IN THE CHANGED ECONOMIC ENVIRONMENT OF 2008,

to take place on 20 February 2008 at the Radisson SAS Hotel in Tallinn, Estonia.

Seminar language will be Estonian. For more detailed information please visit www.aripaev.ee/seminar or our website www.sorainen.com or contact Ms Tiina Erik (phone: +372 6400 900 or email: tiina.erik@sorainen.ee).