

Sorainen Law Offices

Parnu mnt. 15
10141 Tallinn, Estonia
Tel: +372-6 400 900
Fax: +372-6 400 901
Email: sorainen@sorainen.ee

Kr. Valdemara iela 21
LV-1010 Riga, Latvia
Tel: +371 7 365 000
Fax: +371 7 365 001
Email: sorainen@sorainen.lv

Jogailos g. 4
LT-01116 Vilnius, Lithuania
Tel: +370-5 2685 040
Fax: +370-5 2685 041
Email: sorainen@sorainen.lt

Museokatu 9 B 17
00100 Helsinki, Finland
Tel: +358-9 4369 0840
Fax: +358-9 4369 0841
Email: sorainen@sorainen.com



Dear clients, co-operation partners,
friends and other readers,

In the beginning of September 2005 Sorainen Law Offices celebrated its 10th anniversary. It was a moment to look back and remember what we have achieved over the past few years. Tallinn in September 1995 marked the start up, consisting of myself and a secretary - now our current Tallinn office manager, Mrs. Kristiina Härms. These were indeed modest beginnings: the first computer and printer were borrowed from the very first client AGA Gas company.

From day one the focus area of our work was very much the same as today: corporate, including mergers & acquisitions, financing, real-estate law, and so on. Even the client profile was very much the same: international corporations entering or expanding in the Baltic markets, and larger local firms doing international transactions. So even though we have experienced fast growth and a vastly changed legal and business environment, some things have remained the same.

By the summer of 1997 we were still a fairly small firm in Estonia with only eight lawyers. But we then decided to push through our initial plan of creating a true Pan-Baltic business law firm. The first step involved opening an office in Riga. The first lawyer there was Gints Vilgerts - today, the office managing partner in Riga. Despite the economic crises in the Baltics in 1998 and 1999, we moved on to open an office in Vilnius in January 1999, thus fulfilling our Pan-Baltic law firm concept. The first three lawyers in Vilnius were Pekka Puolakka, Renata Berzanskiene and Kestutis Adamonis. All are partners with us today.

During our years of operation, we have realised that the most valuable asset we have is our personnel. We have been very lucky to be able to attract some of the best lawyers and administrative personnel on the market, provide on-the-job training - and keep them. Today we number 90 people, of whom 65 are lawyers. So far, we have served more than 3000 corporate clients in the Baltic States and have advised in more than 300 company acquisitions. With over 200 clients in all three Baltic States, on average we receive 300 new assignments every month. Our operation has grown larger and stronger than I ever dreamed of.

To conclude, I would like to thank all our clients, co-operation partners, friends and - last but not least - our personnel for the years spent together thus far. I hope we will continue to enjoy each other's company over many years to come.

Aku Sorainen
Managing Partner

Estonia

Essential amendments adopted to Civil Procedure and Enforcement Procedure Codes

Latvia

More favourable privatisation rules

Lithuania

Road Tax finally abolished

Sorainen Law Offices

Sorainen Law Offices celebrated its 10-year anniversary

Sorainen Law Offices in Riga is organizing a seminar on development of Public Private Partnerships (PPP) in Latvia and Europe

EUROPEAN UNION

Electrical and Electronic Equipment Waste Management and Hazardous Substances

The European Union (EU) identifies waste prevention and management as one of four top priorities in its 6th Environment Action Program. In order to tackle the fast-increasing waste stream of electrical and electronic equipment, the EU adopted Directive 02002/96/EC on waste electrical and electronic equipment (the WEEE Directive) and Directive 2002/95/EC on restricting the use of certain hazardous substances in electrical and electronic equipment (the RoHS Directive). Both Directives will affect not only producers of electrical and electronic equipment, but will also have implications for distributors and end users of these products.

The WEEE Directive aims at minimising the impact of electrical and electronic equipment on the environment both during their life time and when they become waste. It applies to a great number of products (i.e. refrigerators, washing machines etc) listed in the Annexes to the Directive. It encourages and sets criteria for the collection, treatment, recycling, and recovery of waste electrical and electronic equipment. The Directive makes producers responsible for financing most of these activities. It also requires producers to appropriately mark - with a specific symbol - electrical and electronic equipment put on the market after 13.08.2005. Following the WEEE Directive, distributors will have to take back electrical and electronic equipment from private householders free of charge. The Directive also sets the requirement addressed to EU Member states to ensure that by 31.12.2006 at the latest they achieve a rate of separate collection of at least four kilograms on average per inhabitant per year of WEEE from private households. This requirement will materialize in the shape of specific tasks that producers and importers of electrical and electronic equipment must comply with by the given deadline. As a result, the WEEE Directive will oblige producers, importers, and distributors to consider including in their supply and other business contracts requirements for compliance with the Directive and the allocation of liability for treatment and/or disposal and/or recovery of WEEE sold after 13.08.2005.

The RoHS Directive, complementing the WEEE Directive, aims at protecting human health and the environment by restricting the use of certain hazardous substances in electrical and electronic equipment. The RoHS Directive requires the substitution of various heavy metals (lead, mercury, cadmium, and hexavalent

chromium) and brominated flame retardants (polybrominated biphenyls (PBB) or polybrominated diphenyl ethers (PBDE)) in new electrical and electronic equipment put on the market from 01.07.2006. A number of applications for these substances are exempted in the Directive. As a result, the the WEEE Directive will require producers', importers' and distributors' consideration to include in their supply and other business contracts the requirements for compliance with the Directive and the allocation of liability for treatment and/or disposal and/or recovery of WEEE sold after 13.08.2005.

In Estonia, Latvia and Lithuania, the WEEE collection and management system must be organized to ensure that from 01.01. 2009 the volume of collected WEEE reaches at least 4 kilograms of household WEEE per inhabitant per year. Practically speaking, these volumes should be reached in 2008. Moreover, as from 13.08. 2005, producers and importers of electrical and electronic equipment must mark products put on the market after that date with a special symbol.

Additional information:

Marius Urbelis

e-mail: marius.urbelis@sorainen.lt

ESTONIA

EMPLOYMENT LAW

More certainty in labour disputes

On 15.06.2005, the Parliament adopted amendments to the Individual Labour Dispute Resolution Act (*individuaalse töövaidluse lahendamise seadus*). These amendments, entering into force on 01.01.2006, provide that Labour Dispute Committees may not resolve individual labour disputes where financial claims exceed 50 000 Estonian kroons. This means that labour disputes involving higher amounts should be referred directly to the court. Compared to the court, the Labour Dispute Committees are viewed as more favourable to employees, so that this change in legislation should come as welcome news for employers.

Additional information:

Lea Liigus

e-mail: lea.liigus@sorainen.ee

EXECUTION PROCEEDINGS

New Code of Enforcement Procedure makes debt collection easier

Under legislation adopted 15.06.2005, the new Codes of Civil Procedure (*tsiviilkohtumenetluse seadustik*) and Enforcement Procedure (*täitemenetluse seadustik*) take effect on 01.01.2006. The new Code of Civil Procedure was described in the BLU May 2005 issue, and in the current issue we will briefly introduce the essentials of the new Code of Enforcement Procedure.

The new Code provides more exact regulations for the work of bailiffs and improves the possibilities of creditors in collection of debts. The Code makes it possible to obtain better information about a debtor's income, in particular a sworn statement from debtors as to their assets and liabilities. This is especially useful in cases where data available in public databases do not enable execution of enforcement procedures or in cases where a debtor's economic relations are complicated and the pool of assets is relatively volatile.

The Code of Enforcement Procedure extends the possibilities for seizure of a debtor's assets. Now, these can be subject to pledge of seizure. This is based on which claims are to be satisfied, proceeding from the occurrence of pledges of seizure. Therefore, in the future, the creditor should turn to the bailiff as soon as possible to ensure an early right of pledge.

The Code enables seizure of concealed income – for example, when a debtor's salary is paid to a third person or where a clearly too low salary is agreed with the employer.

Another new institution is replacement seizure, according to which an item of value owned by a debtor (e.g. an antique dining table, a valuable watch or clock, expensive tableware) may be seized if a less valuable item or a sum of money for obtaining it is given to the debtor in exchange.

In addition, execution proceedings include a recovery mechanism (i.e. certain transactions by a debtor may be declared null and void for the purpose of restoring the debtor's pool of assets), which until now was only possible in bankruptcy proceedings. Immediate compulsory enforcement will also be significantly more effective – a person who has submitted to immediate compulsory enforcement based on a respective agreement may only dispute the compulsory enforcement by filing a suit with the court. Previously, submitting a declaration of opposition to the bailiff was sufficient ground to suspend the execution proceedings.

To summarise, the application of the new Code should make execution proceedings considerably more efficient and should improve possibilities for collection of debts based on execution documents.

Additional information:
Cary Plaks
e-mail: cary.plaks@sorainen.ee

TAX LAW

Income tax decrease in Estonia

The income tax rate, both for private and public persons, will decrease to 23% on 01.01.2006, according to the changes adopted on 20.06.2005. The current income tax rate is 24%. Further, under these changes the income tax rate will decrease in 2007 to 22%, in 2008 to 21%, and in 2009 to 20%.

The Estonian Parliament previously adopted changes that provided for a quicker reduction in the income tax rate. However, recently the Estonian Parliament decided that the initial reduction is not financially viable for the state budget and, as a result, slowed down the process of reduction in the income tax rate.

Additional information:
Konstantin Kotivnenko
e-mail: konstantin.kotivnenko@sorainen.ee

TRANSPORT LAW

Carrier's responsibility for damage to passengers in international air transport

On 25.05.2005 the Civil Chamber of the National Court delivered its decision in the case of *AS Enimex vs Gjelstad* (3-2-1-51-05). This expands regulation of responsibility of contractual carriers based on the so-called Warsaw Convention and of non-contractual carriers, based on the Guadalajara Convention, which supplements it. According to the Guadalajara Convention, damage caused to a passenger is compensated in accordance with the provisions of the Warsaw Convention in cases where transportation was actually provided by another person than the one with whom the passenger had concluded a personal contract of carriage. This applies if the actual carrier provides transportation on behalf of the contractual carrier and this is based on an agreement concluded with the contractual carrier. Simple renting of a manned aircraft does not give sufficient grounds to consider an entity the actual carrier replacing the contractual carrier – it is also important who gave the orders to the crew of the aircraft in reality. Regarding its decision, the Chamber did

not consider it relevant who is the operator of the aircraft or who holds the operating license, certificate of air carrier, and air service license for an airline on a particular route.

Additional information:
Carri Ginter
e-mail: carri.ginter@sorainen.ee

Selection of relevant acts and amendments adopted 01.06.2005-31.08.2005

- Law on amendment of the Law on Fees for Excess Storage (in force as of 30.04.2005)
- Law on application of the Code of Civil Procedure and Code of Enforcement Procedure
- Law on amendment of the Copyright Law (in force as of 01.07.2005)
- Law on amendment of the Waste Act, Packaging Act, and Packaging Excise Duty Act (in force as of 10.07.2005)
- Law on amendment of the Structural Aid Act (in force as of 01.07.2005)

LATVIA

COMMERCIAL LAW

An essential norm regarding Articles of Association of public limited companies and other amendments to the Commercial Law

Amendments to the Commercial Law (*Grozījumi Komerclikumā*) entered into force on 20.07.2005.

An important norm regarding Articles of Association of public limited companies has been introduced – in the future these may stipulate that upon equal division of votes, chairman of the Management Board or the Council has the casting vote.

A new norm has been introduced, that in a single-holder company transactions between the shareholder and the company represented by them should be executed in writing. The procedure, according to which a commercial register office convenes the Meeting of Shareholders upon request in the event the Board or the Council has failed to do so within the term stated, has also been specified. It is stipulated that the commercial register office convenes the Meeting for a fee.

It has to be considered that henceforth appending the shareholder's register and draft reorganization agreement and their amendments to the registration file is subject to a state duty (in an amount determined by the Cabinet of Ministers, which is not known yet). Information

about the draft reorganization agreement will have to be published in the newspaper "*Latvijas Vēstnesis*".

Additional information:
Brigita Terauda
e-mail: brigita.terauda@sorainen.lv

FINANCIAL LAW

Implementation of EU norms on supervision requirements for financial conglomerates

On 12.07.2005 the Financial Conglomerate Law (*Finanšu konglomerātu likums*) came into force, introducing a number of EU norms stipulating additional supervision provisions for companies that are part of financial conglomerates. A financial conglomerate is a group comprising companies acting both in insurance, banking, and investment sectors, provided their activities in these sectors are of some importance. The aim of the Law is to improve protection of customers of banks, insurance and investment agencies included in financial conglomerates against the insolvency risk of these companies that may increase due to their interrelation.

Additional supervisory provisions apply to those groups of companies that are considered to be financial conglomerates, mainly regarding regular provision of information on performance of capital sufficiency requirements, risk concentration, important transactions, as well as the requirement to implement risk management and internal control systems. Compliance with this Law in Latvia is supervised by the Financial and Capital Market Commission.

Additional information:
Girts Ruda
e-mail: girts.ruda@sorainen.lv

INSURANCE LAW

Importance of insurance rules

In May this year, the Supreme Court issued a survey of practices at the Senate's Department of Civil Cases when adjudging disputes related to performance of contractual obligations with regard to vehicles and their owners' third party liability insurance. The survey pays special attention to one of the most unclear issues in resolving disputes on indemnity payments – gross negligence by either insurer or insured. Up to now no un-ambiguous court opinions as to what behaviour of the insurer is considered gross negligence have been published.

The full article "Importance of insurance rules" is available on our web-page www.sorainen.com.

Additional information:

Anete Rubene
email: anete.rubene@sorainen.lv

PROPERTY LAW

More favourable privatisation rules in Latvia

The Latvian Parliament has recently passed several important laws regarding the further privatisation process, the main ones being the framework law "On the Completion of the Privatisation of State and Municipal Property and Use of Privatisation Vouchers" (*Valsts un pašvaldību īpašuma privatizācijas un privatizācijas sertifikātu izmantošanas pabeigšanas likums*), (the "Privatisation Law", entered into force on 01.09.2005). The main aim of the new regulation is to establish clear procedures and to set reasonable terms that will speed up and simplify completion of the privatisation process, which so far in many cases has been complicated and lengthy.

It is important to stress that privatisation is an option to acquire state or municipal real property for approximately 2/3 of the market value and to pay partly by privatisation vouchers that can be purchased below their nominal value. Any person (including foreigners who have business in Latvia) is entitled to initiate the privatisation process.

The Law also affects future lease of vacant state and municipal lands (i.e. lands without registered buildings). From now on, lease terms for these lands will be limited to 12 years, while the lessees of the current vacant lands will be entitled to apply for privatisation if the construction of a building takes place. It is foreseen that the new procedures will solve various uncertainties with public land and will help ensure a safe environment for secure investments.

The full article "More favourable privatisation rules in Latvia" is available on our web-page www.sorainen.com.

Additional information:

Lelde Lavina
e-mail: lelde.lavina@sorainen.lv

TAX LAW

The electronic transit guarantee management system has started operating in Latvia

Continuing with implementation of the New Computerized Transit System, on 21.07.2005 Latvia joined those eleven

European Union countries – Austria, Italy, Spain, Slovenia, Germany, Lithuania, Czech Republic, Finland, Hungary, Poland and Cyprus - as well as a member of the Common Transit Convention – Switzerland - in which the electronic Guarantee Management System operates.

New Cabinet of Ministers regulation adopted on application procedure of value added tax (VAT)

On 28.07.2005 Cabinet Regulation No. 534 On the Procedure for Applying the Norms of the Law on Value Added Tax (*Likuma "Par pievienotās vērtības nodokli" normu piemērošanas kārtība*) came into force. The new Regulation has mainly been developed for the purpose of specifying the so far unclear issues regarding VAT application, as well as to explain how to apply the norms of the Law on Value Added Tax that came into force on 01.01.2005. For instance, the Regulation includes a new explanation of the moment of providing a service and the procedure for issuing an invoice for product shipment services within EU territory and shipment services related to export, import, or transit. The Regulation also specifies that the restrictions stipulated in the VAT Law regarding preliminary tax deduction are not applicable to VAT amounts overpaid during the process of property construction, reconstruction, renovation, or restoration. Following amendments to the Law, the norms regarding exchange and setoff transactions have also been deleted from the Regulation on the VAT application procedure. With the coming into force of the new Regulation, Cabinet Regulation No. 427 of 22.07.2002 On the Procedure of Applying the Norms of the Law on Value Added Tax is declared no longer valid.

New Cabinet Regulation on the Procedure for Excisable Goods Circulation

A New Cabinet Regulation on the Procedure for Excisable Goods Circulation (*Akcīzes preču aprites kārtība*) entered into force as of 01.09.2005. This replaces the previous Regulation of the same title. In comparison with this, key novelties are that:

1) The Regulation permits registration in the general invoice-waybill registry of invoices-waybills of goods drawn for movement of alcoholic beverages and tobacco products. Further, other goods - in addition to tobacco products and alcoholic beverages – may be included in the same invoice-waybill. Invoices-waybills for fuel may also be registered in a separate invoice-waybill registry.

2) The Regulation also stipulates the need for filing additional reports on fuel, tobacco product and alcoholic beverages circulation at excisable goods warehouses, tax-free outlets and supply of

airplanes and ships with alcoholic beverages, tobacco products, and fuel, as well as for fuel packaging.

3) Additionally now permitted is adding additives to fuel by using the flow method when providing fuel.

Additional information:

Janis Taukacs
e-mail: janis.taukacs@sorainen.lv

Edgars Koskins
e-mail: edgars.koskins@sorainen.lv

Selection of relevant acts and amendments adopted 01.06.2005-31.08.2005

- Cabinet Regulation No. 367 On Detailed Planning development Agreements and the Procedure for Detailed Planning Development and Financing (commenced as of 04.06.2005).
- Cabinet Regulation No. 453 On Construction Company Registration (commenced as of 01.07.2005).
- Cabinet Regulation No. 491 On the Procedure for Licensing and Supervision of Companies Providing Recruitment Services (commenced as of 01.07.2005).
- Amendments to the Financial Instrument Market Law (entered into force simultaneously with the Financial Conglomerate Law, i.e. on 12.07.2005).
- Amendments to the Credit Institution Law (entered into force simultaneously with the Financial Conglomerate Law, i.e. on 12.07.2005).
- Amendments to the Law on Restrictions of Tobacco Product Sale, Advertising and Use (commenced as of 20.07.2005).
- Cabinet Regulation No. 516 Amendments to Cabinet Regulation No. 213 of 29.04.2003 On Residence Permits (commenced as of 01.08.2005).

LITHUANIA

PROPERTY LAW

Expropriation of Land for the Benefit of the Public Good

On 25.08.2005, the Government adopted Resolution No. 924 Regarding Confirmation of Regulations for Submission and Analysis of Applications for Expropriation of Land for the Benefit of the Public Good and Regulations for Arrangement and Implementation of Projects on Expropriation of Land for the Benefit of the Public Good (*Dėl prašymų paimti žemę visuomenės poreikiams pateikimo ir nagrinėjimo taisyklių ir žemės paėmimo visuomenės poreikiams projektų rengimo ir įgyvendinimo taisyklių patvirtinimo*). This establishes mechanisms for submission and analysis of appli-

cations for expropriating land for the benefit of the public good provided by state institutions and municipal councils or their authorized institutions or agencies. In addition, it provides for the content, submission, coordination, confirmation and implementation of projects on the expropriation of land for the benefit of the public good. This Resolution came into force as of 27.08.2005.

Additional information:

Marius Urbelis
e-mail: marius.urbelis@sorainen.lt

SECURITIES LAW

Amendments to the Law on Securities Market

On 23.06.2005, the Parliament adopted a Law Amending and Supplementing the Law on the Securities Market (*Vertybinių popierių rinkos įstatymo pakeitimo ir papildymo įstatymas*). The purpose of this Law is to implement the legislative acts of the European Union.

The new wording of the Law associates the possibility to offer securities publicly and to list them in a regulated market with a publishing of a prospectus and not with registering them with the Securities Commission as was the case before. Requirements regarding the arrangement, confirmation, and publication of the prospectus apply to issuers

of securities with a registered residence in Lithuania, who intend to publicly offer or list securities in the regulated market in Lithuania and (or) any other member state of the European Union.

This Law regulates in greater detail public offering and listing of securities:

- in the regulated market of *other member states* by issuers with a registered residence in Lithuania; and
- in the regulated market of *Lithuania* by issuers without a registered residence in Lithuania.

Particular attention must be paid to the amendment, which states that the Law extends the application of squeeze-outs and compulsory bids to all public companies.

It must be noted that the Law has changed the concept of "issuer", introducing an amendment according to which not only issuers established in Lithuania can publicly offer and (or) list their securities in the regulated market. Therefore periodic information and information on material events now must be presented by all issuers whose securities are publicly offered or listed in the regulated market of Lithuania.

Additional information:

Mindaugas Lescius,
e-mail: mindaugas.lescius@sorainen.lt

TAX LAW

New Temporary Social Tax Law will be applied in Lithuania

On 07.06.2005, the Parliament adopted a Temporary Social Tax Law (*Laikinasis socialinio mokesčio įstatymas*). This introduces the temporary social tax, to be applied during the tax periods 2006 and 2007. This temporary tax is intended to offset revenue loss resulting from abolition of the road tax and cuts in individual income tax.

The social tax has been construed on the basis of corporate profit tax. The main elements of social tax (taxpayer, tax basis, tax period etc.) are generally the same as in the case of normal corporate profit tax.

The social tax is applied on an annual basis. The rate of social tax for 2006 is 4%, while in 2007 it will be 3%. In fact, one could say that the corporate profit tax at the standard rate of 15% will increase by 4% in 2006 and 3% in 2007.

Social tax has to be paid by companies whose profits are subject to corporate profit tax (with some exceptions).

Social tax must be paid in advance, calculated on the taxable profit of the previous year. The same applies to social tax payable for 2006. Therefore, in 2006

Please be informed that
on **24 October 2005**,
within the 11th international conference
**"BANKING AND FINANCE
IN THE BALTICS"**,
Sorainen Law Offices in Riga
is organizing a seminar

**"Development of Public Private
Partnerships (PPP)
in Latvia and Europe".**

For more detailed information please see www.lbsconferences.lv

LEGAL UPDATE

companies will be required to pay in advance social tax calculated on the basis of profits earned during 2005.

Additional information:

Tomas Davidonis
e-mail: tomas.davidonis@sorainen.lt

Road Tax is finally abolished

Road tax is abolished as of 01.07.2005. According to the general rule, road tax was imposed on all income recognised for corporate profit tax. Special provisions as to the application of road tax were established in respect of certain types of income, such as income of construction companies, intermediaries, or capital gains received from the transfer of long term assets.

The basic rate of road tax was 0,48%. Trading companies were required to pay tax of 0,3%, undertakings trading in liquid gas for vehicles were paying 0,1% tax, while road tax of 1% payable on the margin and other services, was imposed on credit institutions.

Additional information:

Tomas Davidonis
e-mail: tomas.davidonis@sorainen.lt

Reforms of Real Estate Tax

On 07.06.2005 the Parliament adopted a Law on Real Estate Tax (*Nekilnojamojo turto mokesčio įstatymas*), which will come into effect on 1 January 2006. The new law establishes that this tax is levied on premises, buildings and constructions registered in the Lithuanian Real Estate Register, owned by corporate undertakings or individuals.

Until now, in case of individuals the real estate tax was applied only in respect of land. Thus, in contrast to companies, individuals were not required to pay tax on other real estate, such as buildings.

In the opinion of tax officials, the law aims at creating a transparent system for real estate, introducing internationally accepted valuation methods in respect of the tax value of real estate and preventing tax evasion through transfer of real estate to natural persons and subsequent lease back schemes.

Real estate tax will be applied on an annual basis and the rate will be 1%. The tax will be applied on the market value of real estate calculated by way of mass valuation conducted by State valuers. Taxpayers who do not agree with the value established under mass valuation will have the right to apply for an individual valuation.

Further, as from the application of the new Law on Real Estate Tax, valuation will be conducted on the basis of internationally accepted valuation methods. This replaces the recuperation

method, which in future will be used only in a limited number of cases.

Additional information:

Tomas Davidonis
e-mail: tomas.davidonis@sorainen.lt

Selection of relevant acts and amendments adopted 01.06.2005-31.08.2005

- Law on Amending and Supplementing Articles 2, 32, 33(1), 44, 66, 67, 68, 95, 177 of the Value Added Tax Law (enters into force as of 01.01.2006 (with exceptions)).
- Resolution of the Government Amending the Resolution of the Government 28.01.2003 No 115 Regarding Confirmation of Model Form of Labour Agreement (in force as of 26.08.2005).
- Resolution of the Government Amending the Resolution of the Government 14.05.2003 No 587 Regarding List of Work which may Require Performance of up to 24 Hours per Day; Peculiarities of Work and Rest Time in the Economic Sphere of Business; Work and Conditions under which Summary Recording of Working Time may be Introduced, Approval of the Procedure for Introduction of Summary Recording of Working Time in Enterprises, Institutions and Organizations (in force as of 26.08.2005).
- The Minister of Social Security and Labour issued Order No. A1-169 approving Description of the Procedure for Providing Information on Posted Employees (in force as of 22.06.2005).
- Order No. A1-192 of 05.07.2005 of the Minister of Social Security and Labour Amending Order No. A1-179 of 16.07.2004 of the Minister of Social Security and Labour On Approval of the Procedure for Issuing Labour Permits to Foreigners.

Contributed by Lea Liigus, Katri-Helen Agur, Estonia; Gita Rivdike, Latvia; Tadas Milasius, Lithuania. Edited by Girts Ruda, Latvia

NEWS IN SORAINEN
LAW OFFICES

Recent deals

Advice on Benchmark Property M&A

Sorainen Law Offices advised the Finnish listed property investment company, Citycon Oyj, in acquisition of the Rocca al Mare Shopping Centre in Tallinn, Estonia. Citycon also acquired neighbouring land with city planning for future extension. The total debt-free purchase price was EUR 62,1 million. This acquisition has been cited as the first major property M&A and benchmark transaction in Estonia. The team of lawyers, led by partners Toomas Prangli and Kaido Loor, provided support in all phases of the transaction, including legal due diligence, negotiations, and closing the transaction.

Assisting Valio Oy in takeover of shares of AS Võru Juust

Tallinn office advised the largest Finnish milk processing and marketing company Valio Oy in its attempt to acquire 100% of the shares in Estonia's largest and oldest cheese producer, AS Võru Juust. The takeover of shares for monetary compensation was successful – via its subsidiary, Valio Oy became the sole shareholder of AS Võru Juust, with none of the minority shareholders disputing the takeover of shares. The case was handled by partner Karin Madisson and associate Lea Liigus, who provided assistance, starting with negotiations with minority shareholders, leading the takeover process, drafting required relevant documents and concluding with the takeover of shares.

Assisting YIT Group's company in acquisition

Tallinn office advised Nordic building system services market leader, YIT Group's YIT Building Systems Oy, in its acquisition of a majority holding in the Estonian company Aktsiaselts Emico and its wholly owned subsidiary Osauhing EMICO ELEKTER, both engaged in electrical contracting and servicing operations. YIT Building Systems Oy offers electrical, lighting, HEPAC, security, automation and A/V systems. The case was handled by partner Pekka Puolakka and associate Anne Adamson, providing legal assistance to YIT

starting with conducting legal due diligence on the target companies, assisting in negotiations for prior sale of immovable by the target company, acquisition of the shareholding and various post-acquisition issues.

Support to a UK and local property investor

Tallinn office provided a legal due diligence report, acquisition and post-acquisition advice to a joint venture between a UK and Estonian property investor in the purchase of a medium-sized shopping centre real estate in Tallinn from three local investors. The case was handled by partner Kaido Loor and senior associate Ene Soop.

Advice to a major Finnish property investor

Tallinn office assisted the client in legal due diligence and acquisition of a SPV operating a yet-to-be-constructed industrial building from a well-known construction company. "Lesson learned on the way was that even most theoretical risks can materialise 36 hours before signing of the SPA. Had this happened after signing, the SPA and other transaction documents would have mitigated the exposure of the buyer to this risk," commented partner Kaido Loor.

Sale of shares in recreation business

Tallinn office defended the client against claims of pre-emption and post-closing reduction of sales price. The case was handled by partners Kaido Loor and Pekka Puolakka.

Establishing a subsidiary for world-leading insurance broker

Leading global insurance brokerage group - Colemont – has established a subsidiary, Colemont Eesti Kindlustusmaakler OÜ, in Estonia. A team of associates Jane Eespõld and Kai Kaljaste provided legal advice and assistance in establishing the company and entering it into the list of insurance brokers kept by the Estonian Financial Supervision Authority.

Assistance in acquisition of the largest meat processing company in Latvia

Riga office represented Askembla Growth Fund KB, a Swedish private equity fund, in a recently finalised transaction for acquisition of a shareholding in SIA Trials, the largest meat processing company in Latvia. Legal advice from Sorainen Riga office included performing legal due diligence,

preparing and negotiating the share purchase agreement and other transaction documents, obtaining approval for the transaction from the Latvian Competition authorities, and other assistance up to closing the deal.

Acquisition of the Business Center in Vilnius

A team from Vilnius office, led by partner Kestutis Adamonis, assisted foreign investor ECE European City Estates AG in acquiring the Business Center in Vilnius. The case involved advice on acquisition of the building and land, as well as on the lease of the acquired premises.

Assistance in dispute settlement

Attorney-at-Law Renata Berzanskiene, a partner at Vilnius office, assisted one of the biggest work-wear and mat rental companies, amicably settling a dispute initiated by a customer of the company.

Employees

The offices in Tallinn, Riga, and Vilnius have rapidly expanded during the last half of the year. In particular, a number of talented new employees have joined us. At present, our offices employ 90: of these, lawyers and attorneys number 28 in Tallinn, 20 in Riga, and 17 in Vilnius.

Luc Nijs has been invited to join Sorainen Law Offices as a partner, head of tax, to strengthen and build up Sorainen Law Offices' Pan-Baltic tax practice. Mr. Nijs' main areas are tax-efficient supply chain management, financing, company valuation, asset management, and non-adversarial dispute resolution. Previously he has worked for Arthur Andersen and Deloitte in Belgium, The Netherlands, and Portugal and lately in Central Europe where he fulfilled a regional business development role for the international tax service line.

Senior Associate, Attorney-at-Law, **Triin Toomemets** and **Leho Pihkva**, Associate and Attorney-at-Law, have joined the Tallinn office. Triin previously worked in law office Laus & Partnerid and has extensive experience in litigation and real estate matters. She has a Master of Law (LL.M) degree from the Central European University in Budapest,

Hungary. Triin speaks Estonian and English. Leho has worked previously in Kadrioru Law Office, Hansapank, and Rodi Law Firm. Specialising in real estate and construction matters, he graduated from the Tartu University and speaks Estonian and English.

Riga office was joined by a new lawyer, **Debora Pavila**, who graduated Oxford University this summer, acquiring a MA Honors in law. Her key fields of specialization are merger and acquisition issues, competition, and EU law. Debora is fluent in Latvian and English.

Riga office lawyer **Julija Jerneva** has returned from studies abroad. She obtained an MA in law at the College of Europe in Brugge, Belgium.

Associate **Sergejs Trofimovs** and senior associate **Algirdas Peksys** have joined the Vilnius office team. Sergejs graduated from Concordia International University Estonia Law School (LL.B.) and Riga Graduate School of Law (LL.M.). His key specialization is European Union law. He speaks English, Latvian, Lithuanian and Russian. Algirdas graduated from Vilnius University, Faculty of Law (LL.M.). His key specialization area is securities market law and he has experience in providing legal services to Vilnius stock exchange. He speaks English, Lithuanian and Russian.

This summer's honours students at Oxford University also include lawyer **Martins Paporinskis** from Riga office. He will continue his studies on the PhD program in Oxford from October this year.

Riga office lawyer **Edgars Briedis** is beginning his studies on the MA program at the University of Essex, UK, in October 2005.

Reimo Hammerberg, a senior associate at Tallinn office, has received a William Fulbright scholarship, leaving the office in July 2005 for one year to obtain a master's degree in Law (LL.M). He will study at the University of San Diego, School of Law (USA) with focus on real estate and financing law.

Rosa Rotko, an associate at the Tallinn office, will be away from the office for one year from October 2005 to obtain a master's degree in Law from the University of Oxford (England).

Articles

You may read articles written by lawyers from Sorainen Law Offices by visiting our website www.sorainen.com.

Seminars

The 10-year anniversary conference on Baltic M&A and post-acquisition corporate practices was a great success

On the occasion of Sorainen Law Offices' 10-year anniversary, a conference on Baltic M&A and Post-Acquisition Corporate Practices was held on 8 September 2005 in cooperation with HVB Bank. The subject of the conference was chosen due to record growth in direct investments in the Baltic States via corporate mergers and acquisitions. According to Mr. Aku Sorainen, founder and managing partner of Sorainen Law Offices, corporate mergers and acquisitions are of continued interest owing to expanding global markets and favourable interest rates. "We are now living in a peak season of M&A transactions, where globalisation has also led to numerous corporate mergers and takeovers in the Baltic States," Sorainen explained. "Acquisition of a firm can be characterised as a very complex activity of high-risk nature, requiring meticulous planning and a solid legal framework", he added.

The conference was attended by more than 110 participants and received high evaluation.

Hosting annual meeting of Young Lawyers' Exchange Program

On 2-4 September 2005 the Vilnius office hosted the annual meeting of the Young Lawyers' Exchange Program. The meeting took place in the beautiful surroundings of Utena district near lake Alauas, the country tourism homestead. Young lawyers from six European countries participated in this event. Representatives from law firms Tærø Nielsen & Hulgaard, Mazanti-Andersen, Korsø Jensen & Partners and Sorainen Law Offices Vilnius prepared presentations for this event.

Participation in the Baltic Real Estate Investment Forum

On 19-20 September 2005, the Baltic Real Estate Investment Forum took place in Vilnius. This two-day international conference examined

opportunities in the fast-growing real estate investment property market in the Baltic States. Focus was on prospects for the Office Sector, Retail, Residential Development and Real Estate Finance. This year's conference brought together almost 200 developers, financiers, investors, agents and end-users for an often lively discussion of trends, predictions, and the future of the market. Kestutis Adamonis from the Vilnius office delivered a presentation and Aku Sorainen from the Tallinn office was one of the Chairmen of the conference. For more detailed information please see www.baltic-forum.com.

Support to the international conference on Insurance and Reinsurance in the Baltics 2005

Sorainen Law Offices is supporting the IX Annual International Conference "Insurance and Reinsurance in the Baltics 2005", which will take place on 7 October 2005 at the Radisson SAS Daugava Hotel in Riga. Gints Vilgerts, partner at Sorainen Law Offices in Riga, will give a lecture on the topic "Insurance news: laws, regulations and court practice". For more detailed information please see www.laa.lv.

Seminar in cooperation with Aon Latvia

Sorainen Law Offices will take part in the seminar „Liability of the Management“ organized by international insurance brokers and consultancy company Aon Latvia. The seminar will take place at the hotel Konventa Seta in Riga, Latvia on 18 October 2005. The issues presented by the Riga office of Sorainen Law Offices will cover the liability of administrative bodies, jurisprudence and company management risks. Additional information on the seminar is available from Ms Linda Pukite, Aon Latvia, tel. +371 7892551.

Other news

Sorainen Law Offices to publish its 2nd edition of the Insurance Baltic Legal Update (IBLU)

At the end of September 2005 our Insurance Practice Group is preparing and releasing the 2nd edition of the IBLU. More information on the previous and upcoming editions is available on our webpage www.sorainen.com

Sorainen Law Offices rewarded the best Bachelor's theses in law

In August, Sorainen Law Offices declared the winners of the scholarship contest which began in the spring; they were Karin Mölder and Ivan Kuznetsov from the Faculty of Law of the University of Tartu and Annemari Öunpuu from the Institute of Law, University of Tartu.

"Through the competition we intend to promote improved implementation of theoretical investigations in practice," commented scholarship commission member and Sorainen Law Offices' Attorney-at-Law Carri Ginter. "Very often students write interesting works which do not make it into practice or make it only in an edited form. This type of information loss is regrettable, because the vast majority of students' valuable work hours could be better used towards raising the quality of the practice of law. The provision of scholarship creates a good foundation for the exchange of information and cooperation", Ginter added. In addition to Ginter, members of the scholarship commission included Paul Varul, representative of the Faculty of Law of the University of Tartu, and Kalev Saare, representative of the Institute of Law, the University of Tartu.