# THE PRIVATE EQUITY REVIEW

SIXTH EDITION

**Editor**
Stephen L Ritchie

THE LAWREVIEWS

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For further information please email
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# CONTENTS

# PREFACE

The sixth edition of *The Private Equity Review* comes on the heels of a solid but at times uneven 2016 for private equity. Deal activity and fundraising were strong in North America, Europe and Asia, but the year ended with uncertainty in the face of Brexit, a new United States administration and continued challenges in developing economies such as Brazil. Nevertheless, we expect private equity will continue to play an important role in global financial markets, not only in North America and Western Europe, but also in developing and emerging markets in Asia, South America, the Middle East and Africa. As large global private equity powerhouses extend their reach into new markets, home-grown private equity firms, many of whose principals learned the business working for those industry leaders, have sprung up in many jurisdictions to compete using their local know-how.

As the industry continues to become more geographically diverse, private equity professionals need guidance from local practitioners about how to raise money and close deals in multiple jurisdictions. This review has been prepared with this need in mind. It contains contributions from leading private equity practitioners in 29 different countries, with observations and advice on private equity deal making and fundraising in their respective jurisdictions.

As private equity has grown, it has also faced increasing regulatory scrutiny throughout the world. Adding to this complexity, regulation of private equity is not uniform from country to country. As a result, the following chapters also include a brief discussion of these various regulatory regimes.

While no one can predict exactly how private equity will fare in 2017, it can confidently be said that it will continue to play an important role in the global economy. Private equity by its very nature continually seeks out new, profitable investment opportunities, so its further expansion into growing emerging markets is also inevitable. It remains to be seen how local markets and policymakers respond.

I want to thank everyone who contributed their time and labour to making this sixth edition of *The Private Equity Review* possible. Each of them is a leader in his or her respective market, so I appreciate that they have used their valuable and scarce time to share their expertise.

**Stephen L Ritchie**
Kirkland & Ellis LLP
Chicago, Illinois
March 2017

**Chapter 18**

# SLOVENIA

*Gregor Pajek and Urh Šuštar*[1]

## I GENERAL OVERVIEW

The market of investing in private equity investment funds remained active during 2015 and it may well be said that it has been a relatively prosperous few years for fundraising in the Slovenian market. Slovenian investors show increasing interest in such investments as an alternative to the traditional bank deposits or securities listed on the Ljubljana stock exchange (or any other organised market). Pursuant to the data of the Slovenian Securities Market Agency, the activity on the private equity fundraising market stagnated compared to 2014. Nevertheless, the overall fundraising dynamics in 2015 may still be seen as one of the strongest in recent years. Namely, in addition to the six Slovenian alternative investment fund managers[2] who managed seven alternative investment funds, marketing of 37 alternative investment funds was notified to the Securities Market Agency based on the EU passport (mainly by EU-based fund managers). Marketing of almost half of all the alternative investment funds, which are currently in the fundraising phase, has been notified in 2015 as opposed to the rest being notified from 2013 onwards.

All the private equity funds, which were in the fundraising phase and were registered at the Securities Market Agency in 2015 were managed by various boutique local alternative investment funds managers (AIFM), and managed a portfolio with an approximate value of €15 million.[3] Apart from that, the pivotal part of fundraising activities was conducted by other EU-based AIFMs, who marketed their EU-based alternative investment funds (hereinafter as 'AIF'). Some notable examples of fundraising are private equity fundraisings lead by EU-based AIFMs Deutsche Alternative Asset Management and KKR Alternative Investment Management, who further strengthened their position on the Slovenian market of private equity fundraising, as they notified the marketing of five newly established alternative investment funds. Further, it is to be noted that an alternative investment fund manager Sankaty Advisors Europe (associated with Bain Capital) entered the Slovenian private equity fundraising market with notification of marketing of two alternative investment funds.

1 Gregor Pajek is a partner and Urh Šuštar is an associate at Rojs, Peljhan, Prelesnik & partners o.p., d.o.o.

2 Register of the AFIMs at the SMA, available on www.a-tvp.si/Default.aspx?id=373, retrieved on 9 February 2016.

3 The estimate is based on the publicly available data for the Slovenia-based alternative investment funds.

## II LEGAL FRAMEWORK FOR FUNDRAISING

As of late May 2015 the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (AIFMD)[4] is transposed into Slovenian law by the adoption of two acts creating a new local regulatory framework for private equity fundraising, namely an amendment of the Investment Funds and Management Companies Act (ZISDU-3),[5] which predominantly applies to UCITS funds, and the newly adopted Act on Managers of Alternative Investments Funds (ZUAIS).[6] The latter may be deemed a pivotal act regulating the majority of private equity investment funds' fundraising apart from ZUAIS investment funds, which invest according to the principles of venture capital, and are further regulated by the Venture Capital Companies Act, which establishes a partially different regulatory regime, which is not described in detail in this chapter. This chapter provides a general overview, and shall thus describe the regulatory framework and market practice with regard to alternative investment funds (AIFs) as the main structural form for private equity fundraising.

### i Jurisdiction and legal form

The above-mentioned legal framework provides for a variety of possible structures for an investment fund, which may suit the majority of investment funds. ZISDU-3 governs investment funds, which are designed for the retail market, including UCITS. Nevertheless, the majority of private equity funds according to Slovenian law shall be deemed alternative investment funds and hence are governed by ZUAIS.

A limited liability company structure is the vehicle of choice for most fundraisings of Slovenia-based investment funds. The limited liability company was chosen as the legal form of investment vehicle in all seven investment funds that are registered at the Securities Market Agency and are currently in the fundraising phase in Slovenia.[7] Nevertheless, the majority of EU-based investment funds, the marketing of which was notified to the Securities Market Agency, are structured in the form of limited partnerships according to the law of England and Wales. Only a minority of investment funds marketed and managed on the EU-passport basis are structured as limited liability companies.[8] The reasons Slovenian-based investment funds are not structured as limited partnerships, but rather as limited liability companies, are hard to identify. However, it may be because Slovenian fund managers are more familiar with the limited liability company form and limited partnerships remain largely unused in everyday business practice. Further,[9] the structural inadequacy may be attributed to the fact that the fundraising market is still in its infancy, and that the applicable tax legislation does not provide adequate incentives.

The vast majority of private equity funds, which were marketed on the Slovenian market in 2015 are UK-based, with Slovenia, Ireland, Luxembourg and Austria following. The choice of jurisdiction is currently limited to EU Member States only, as the ZUAIS abolished the

4 Official Journal L 174 of 1 July 2011.

5 Official gazette of the Republic of Slovenia, No. 31/2015 of 4 May 2015.

6 Official gazette of the Republic of Slovenia, No. 32/2015 of 8 May 2015.

7 Register of the AFIMs at the SMA, available on www.a-tvp.si/Default.aspx?id=373, retrieved on 9 February 2016.

8 Register of the AIFs, marketing of which has been notified to the SMA on the basis of EU passport, available at www.a-tvp.si/Default.aspx?id=376, retrieved on 9 February 2016.

9 See p. 21, in. Žugelj D. et al., Tvegani kapital: Si upate tvegati?, Lisac & Lisac, Ljubljana 2001.

existing private placement regime. Furthermore, the ZUAIS currently limits marketing of non-EU based investment funds and marketing by non-EU based investment fund managers. The jurisdiction for the investment fund is mainly based on investor familiarity, but also taking into account the possible business-friendly and tax-efficient environment.

### ii Key legal terms

The ZUAIS provides for a regulatory framework for two main regulatory types of alternative investment fund (non-UCITS), namely a regime for an AIF and a regime for a special investment fund (SIF). The latter represents a subtype of a general AIF, with certain stricter regulatory requirements.

### iii AIF

The main regulatory regime, which governs the private equity funds, is the one for an alternative investment fund. Generally, there are rather very few limitations in respect to legal structure of the AIF. ZUAIS provides for two main types of legal structure. Firstly, an AIF may be structured as a (separate) pool of assets, whereby the marketable AIF's unit is the share on such pool of assets. Secondly, if the AIF is structured as a company, shares in the capital of such company are units of the AIF. The units of AIFs structured as companies have to be issued in the legal form of securities[10] where an AIF is incorporated as a joint-stock company or in the case of a limited liability company, as business shares (entered into the court or business register of companies).

AIFs are usually managed by an external entity, but may also be internally managed, should the corporate structure of the AIF provide for such possibility and should the management decide not to engage an external AIF manager.

An AIF established and managed as explained above, is not limited in its investment policies. As a counterweight for AIF not to be restricted in its investment policies, the ZUAIS limits the possibility to market such AIF only to professional investors in the sense of the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 (MiFID)[11] and wealthy private (high net worth) individuals, who are in certain circumstances deemed professional investors. Namely, a private individual shall be considered a professional investor (in the sense of MiFID) if such natural person concludes an agreement with an AIFM, whereby it agrees to invest at least €150,000 into the AIF and signs a statement in a separate document testifying that he or she is aware of the risks in connection with such an obligation or investment.

### iv Special investment fund

A special sub-type of AIF is a SIF. A SIF is an AIF that complies with stricter regulatory requirements and obtains the SIF status on the basis of a decision of the Securities Market Agency. The ZUAIS sets forth certain other additional regulatory requirements relating to the permitted types of investments and levels of exposure either to a single investment or to certain types of investments, and also with regard to the AIFM, which manages such SIF.

10 In such case an AIFM may be required to issue and/or passport a prospectus in accordance with the applicable laws.

11 Official Journal L 173 of 12 June 2014.

SIF investments abide by the principle of risk diversification, whereby the fund's exposure to an individual person or a group (entities who are obliged to prepare consolidated accounts) must not exceed 30 per cent of the total net asset value. This limitation does not include different AIFs under the management of the same AIFM, so the SIF which is a fund-of-funds may invest all its assets into its 'sister' funds. The SIF may not invest its assets by granting loans or guarantees for loans, however, the SIF may finance companies with mezzanine capital.

The above-mentioned regulatory requirements with regard to the AIFM and to the permitted types of investments result in the additional possibility of marketing the units of such fund to and raising capital from retail investors, provided that the minimum pay-in requirement amounts to €50,000 (instead of €150,000 as in the case of AIFs as explained above).

All the reasons stated above make SIFs an attractive regulatory option in cases when the target investors include predominately retail investors but the formation of UCITS fund or a fund that is essentially similar to the UCITS fund would impose too strict a regulatory regime.

### v Key disclosure items

For each of the EU AIFs managed by AIFMs and for each of the AIFs that they market in Slovenia, AIFMs have to make available to AIF investors comprehensive information about the marketed funds. Such information is usually made available in the offering memorandum or in the prospectus, should the AIF's units be issued in the form of securities.

### vi A description of the investment strategy

With the aim of ensuring the prospective investors an informed decision prior to investing in the AIF, the ZUAIS prescribes that the AIFM must disclose a set of information. Primarily, the disclosure must include a description of the investment strategy and objectives, the types of assets in which the AIF may invest, the techniques it may employ, along with all associated risks, any applicable investment restrictions, the jurisdiction of establishment of any master AIF and of the underlying funds if the AIF is a fund of funds.

AIFM also has disclose also the circumstances in which the AIF may use leverage, the types and sources of leverage and the associated risks, any restrictions on the use of leverage and any collateral and asset reuse arrangements, and the maximum level of leverage which the AIFM is entitled to employ on behalf of the AIF.

In addition to the above, the offering memorandum also has to include a description of the procedures by which the AIF may change its investment strategy or investment policy.

### vii Financial data

The AIF also has to disclose financial information. This information comprises the latest annual report and, where available, the historical performance of the AIF.

The disclosure must also contain the latest net asset value of the AIF or the latest market price of the unit or share of the AIF. In addition to the net asset value, an AIF's valuation procedure and the pricing methodology for assets valuation (including the methods used in valuation of hard-to-value assets) have to be disclosed.

### viii Risks

Furthermore, the investors have to be provided with a description of the AIF's liquidity risk management, including the redemption rights both in normal and exceptional circumstances, and the existing redemption arrangements with investors. Apart from the information, the required disclosure also includes information on how the AIFM is managing professional responsibility risks.

### ix Legal information and information about the entities engaged in the fundraising

The disclosure in the offering memorandum has to contain a description of how the AIFM ensures a fair treatment of investors. To the extent an investor obtains preferential treatment or the right to obtain preferential treatment, a disclosure must include a description of such preferential treatment, the type of investors entitled to obtain such preferential treatment and, where relevant, their legal or economic links with the AIF or AIFM. In cases where the AIFM delegated the management function or any part thereof or the depositary delegated any of its function, such delegation has to be disclosed.

The disclosure must also contain a description of the main legal implications of the contractual relationship entered into for the purpose of investment, including information on jurisdiction, on the applicable governing law and legal instruments ensuring recognition and enforcement of judgements in that jurisdiction.

### x Procedure and costs

The investors also have to be informed about the procedure and conditions for the issue and sale of units or shares of the AIF that is being offered. This disclosure includes the identity and details of the prime broker, depositary, auditor and other contractually engaged partners, including the conflicts of interest policy and about transfer of liability.

The offering memorandum must include a statement of all fees, charges and expenses and of the maximum amounts thereof, which are directly or indirectly borne by investors.

### xi Additional information

To the extent the AIF is required to publish a prospectus in accordance with the Financial Instruments Market Act (ZTFI)[12] and MiFID, the majority of information required to be disclosed under the ZUAIS is already a part of the prospectus (issued in connection with the AIF's securities). If the prospectus does not include all the necessary information as explained above, the missing information can be disclosed in a separate document (as schedule to the prospectus or an independent offering document).

### xii Methods of solicitation and reverse solicitation

#### *Methods of solicitation*

The regulation of marketing of AIFs set forth in the ZUAIS requires the marketing entity to be duly authorised for marketing of AIFs on the Slovenian market (it may obtain a permit for marketing by the Securities Market Agency or notify the marketing on the basis of the EU passport).

12 Official gazette of the Republic of Slovenia No. 108/10 – official consolidated text, 78/11, 55/12, 105/12 – ZBan-1J and 63/13 – ZS-K.

Provided that the AIFM is authorised to conduct marketing services it may use methods such as unsolicited telephone calls (cold calls), unsolicited written correspondence and materials, responding to requests for proposals, responding to reverse enquiries, industry events (where entrance may be restricted to certain types of investors), multi and single-client meetings (i.e., face-to-face meetings between the AIFM and one or more clients). Furthermore, Slovenian law does not impose any limitations upon the marketing entity with regard to the content of the materials used in the marketing activities, as long as the content does not represent an unfair competition practice.

In the fundraising phase, two sets of promotional activities should be distinguished on the Slovenian market. The first set of promotional activities are those that do not represent marketing of AIFs in the sense of the ZUAIS. The second set are promotional activities that offer more precise information regarding the AIFs offered and are thus deemed as marketing of AIFs. For example, the AIFM or other marketing entity shall not be deemed to undertake marketing activities in the sense of the ZUAIS if it includes in its promotional content some factual information and opinion about the private markets industry, factual information about the AIFM (including track record information) and deal examples (which can include actual or expected returns). In such case, the activities do not require any kind of permit of the Securities Market Agency or notification through another EU Member State (i.e., 'home Member State').

On the other hand, if the promotional or marketing material consists of details of funds available for investment or offer documents, such as offering memoranda and subscription agreements, such activities shall be deemed marketing and hence such conduct requires the AIFM to be duly authorised or notified, as applicable.

***Reverse solicitation***

A considerable amount of fundraising in Slovenia is conducted via reverse solicitation, and the Securities Market Agency adopted a level 2 regulation (detailing the ZUAIS), which (*inter alia*) also defined the reverse solicitation. Reverse solicitation is often used by foreign-based investment fund managers in cases where a major Slovenian company active in the financial sector seeks suitable investments for excess liquidity.

The above-mentioned level 2 regulation sets forth a definition of 'reverse solicitation' in Article 6, in the following wording: 'It is considered that the transaction has not been concluded on the initiative of the manager, if the investor confirms in a written statement before the offer that it has acquired units of an AIF at its own initiative and that the transaction is the result of the investor's request for the purchase of AIF that investor identified in advance.' The definition of reverse solicitation as in force leaves the doors for non-EU or non-authorised managers wide open, so they may reach potential major Slovenian investors on the basis of reverse solicitation.

***Fiduciary duties of the fund's sponsor to the investors***

Slovenia-based investment funds that have been registered at the Securities Market Agency do not differentiate between the managing entity (i.e., the AIFM) and the sponsor. The roles of these two entities are usually embodied in one entity, as Slovenia-based investment funds take the legal structure of a limited liability company and not a limited partnership (in which the AFIM would be the partner with unlimited liability), so there is no practical need for

such separation. The fiduciary duties described hereunder thus usually apply to the AIFM in the case of Slovenia-based investment funds and to the sponsor, if the AIF's management employs that kind of legal structure.

The first group of fiduciary duties that are imposed upon the AIFM by the ZUAIS relates to the obligation to act fairly, professionally, with all due diligence and in the best interests of the AIF under its management and of the investors in those funds.

The second group of fiduciary duties includes the AIFM's obligation to possess and effectively employ the resources and procedures necessary for proper performance of its business activities. Proper performance of the business activities also includes the obligation to adopt reasonable measures to avoid conflicts of interest, or if they cannot be prevented, to ensure that those conflicts are identified, managed and monitored and, where appropriate, disclosed so that they would not adversely affect the interests of the AIF.

## III REGULATORY DEVELOPMENTS

In 2015, the AIFM Directive has been fully implemented into Slovenian legal order by adopting two separate acts, namely the ZUAIS an amendment of the ZISDU-3. The renewed legal framework defines the Slovenian Securities Market Agency as the competent authority for the oversight of the financial markets and hence also of the formation and fundraising of the private equity funds. The ZUAIS conferred an obligation and power to the Securities Market Agency to adopt certain level 2 regulation, by which certain aspects are further determined and are intended to make the renewed regulatory framework fully functional.

### i Registration of sponsors and of private equity funds

An external manager of the AIF has to obtain a special permit from the Securities Market Agency if it exceeds a certain thresholds. Namely, Article 38 ZUAIS sets forth that the permit is mandatory if the AIFM either directly or indirectly manages portfolios of AIFs whose assets under management, including any assets acquired through use of leverage, in total exceed a threshold of €100 million; or, alternatively, when the managed assets in total exceed a threshold of €500 million to the extent the portfolios of AIFs consist of AIFs that are unleveraged and have no redemption rights exercisable during a period of five years following the date of initial investment in each AIF. An EU-based AIFM may also market and manage the AIFs under its management on the grounds of EU passport, whereby the AIFM obtains all the necessary approvals with the competent authority of its home Member State, and only notifies managing and marketing with the Securities Market Agency, as the competent authority in Slovenia. EU passporting in Slovenia is also available to sub-threshold AIFMs that obtained the permit with the competent authority in the home Member State on the voluntary basis.

If the AIFM exceeds the above-described thresholds, the ZUAIS (as the pivotal statute) in the field of private equity fundraising provides three separate regimes regulating AIFMs and AIFs, whereby the main distinguishing factor in determination of which of the three regimes shall be applied is the country where the AIFM or AIF are based. Upon determination of the country of origin, different levels of regulation apply in the cases, if the country of origin is Slovenia, or EU Member State or a third (non-EU) country. This legal framework terminated all of the existing private placement regimes, and should the AIFM or AIF endeavour to be present on the Slovenian market, this may be done solely according to the legal framework set forth by the ZUAIS.

If the AIFM is based in Slovenia, the ZUAIS requires firstly the AIFM to obtain a special permit issued by the Securities Market Agency that may be obtained for the management of the AIFs or only for the marketing (in such case the requirements are not so demanding). If the AIFM obtains such permit, it may commence the marketing of the AIF upon the notification of marketing to the Securities Market Agency.

To the extent the AIFM and the AIF are based in another EU Member State (i.e., their 'home Member State') the requirements attached to the commencement of managing and marketing functions differ to a great extent. In such case an EU-based AIFMs are entitled to manage the AIFs and to market them on the basis of the EU passport. The authority, competent for a full-scope supervision, is the one of the home Member State, and the ZUAIS requires only that the Slovenian Securities Market Agency is notified of such marketing activities on the Slovenian market. The notification process is carried out in front of the competent authority of the home Member State, who later communicates all the necessary documentation and permit to the Slovenian Securities Market Agency.

The third regulatory framework applies if the AIFM or AIF are non-EU based. However, the legal regime governing management and marketing of non-EU AIFs and non-EU AIFMs is not yet in force and shall become valid when the European Commission adopts an implementing regulation pursuant to Paragraph 6 of Article 67 AIFMD. Until that time, there is no possibility of marketing a non-EU AIF that is managed by an EU or a non-EU AIFM in Slovenia (save for the cases of reverse solicitation).

**ii Taxation**

Under the Slovenian Corporate Income Tax Act, Slovenian investment funds and other investment funds with tax residency in Slovenia are effectively exempt from payment of corporate income tax (the applicable tax rate is zero per cent), under the condition that the investment fund distributes at least 90 per cent of the previous year's profits to the investors until the end of November of the relevant fiscal year. If the investment fund is a venture capital fund, the tax exemption applies regardless of the above-mentioned condition for the profits achieved from its venture capital investing activities.

Since the above-mentioned framework applies explicitly to UCITS, venture capital companies (established under the Slovenian Venture Capital Companies Act), certain pension funds and insurance companies (to the extent of they perform pension plans as a business activity), it is still uncertain if the zero per cent tax rate applies also to AIFMs established under the ZUAIS. In the absence of an explicit statutory provision it could also be argued that such tax exemption does not apply to AIFMs established under the ZUAIS – this would then result in an obligation to pay corporate income tax at the rate of 17 per cent of the taxable profit. Such situation obviously calls for a revision of the Corporate Income Tax Act and its amendment in order to include AIFMs under the zero per cent tax rate exemption.

If the investors in Slovenian investment funds are companies with their tax residency in Slovenia, the profits achieved from the units or shares in the investment fund are subjected to the Corporate Income Tax, which is payable by the corporations with a tax residency in Slovenia and which amounts to 17 per cent of the taxable profits.

If the investors in Slovenian investment funds are natural persons with a tax residency in Slovenia, they are generally subject to income taxation pursuant to the Personal Income Tax Act with respect to proceeds received from the funds and with respect to profits achieved from the sale of the units or shares in such funds. The applicable taxation rate is 25 per cent of the profits (dividends).

## IV OUTLOOK

As of 2015, the AIFMD has been fully transposed into Slovenian legal system, whereby the renewed legal framework became fully functional on 10 February 2016, when the Securities Market Agency adopted all the necessary level 2 regulations. Nevertheless, Slovenia's legal order does not provide for a possibility for a fund manager or fund that is based in a third country (non-EU member) to conduct any fundraising on the Slovenian market due to the fact that the newly adopted legislation chose to terminate the existing private placement regimes (except in cases of reverse solicitation). Managing and marketing of non-EU-based managers or investment funds shall be permitted upon the adoption of a delegated regulation according to Article 67 AIFMD by the European Commission.

**Appendix 1**

# ABOUT THE AUTHORS


**GREGOR PAJEK**

*Rojs, Peljhan, Prelesnik & partners o.p., d.o.o.*


Gregor Pajek is a partner at Rojs, Peljhan, Prelesnik & partners and joined the firm in 2010 after his LLM studies and traineeship in the capital markets group at the Frankfurt office of Baker McKenzie. His fields of expertise include banking, capital markets, finance transactions, and M&A, in which he regularly assists foreign and domestic clients. Recently, Gregor acted in privatisations, private acquisitions, public takeover offers, debt refinancing and restructuring, acquisition finance, securitisations and structured finance transactions involving debt and equity. He also advised international banks and asset management companies in various regulatory issues including the cross-border provision of services and provision of services under the AIFMD regime. In the commercial sector he has recently advised companies in covered bonds issue as well as in cash pooling and liquidity management programmes. He regularly advises clients on acquisition financing, takeovers and squeeze-outs, and has recently worked on, *inter alia*, the acquisition of Mercator (the largest Slovenian retailer), a telecommunications operator in Slovenia and in the Helios privatisation. His notable practice area is also the post-acquisition integration process where Gregor advises on general corporate law. Gregor regularly advises domestic and foreign banks and commercial companies in various insolvency-related matters.


**URH ŠUŠTAR**

*Law firm Rojs, Peljhan, Prelesnik & partners o.p., d.o.o.*


Urh is an associate at Rojs, Peljhan, Prelesnik & partners, a leading Slovenian corporate law firm, where he practises corporate law, with a primary focus on M&A and capital markets law, competition law, intellectual property law, and litigation.

Urh graduated from the University of Ljubljana (with a master's degree in commercial law) with honours in 2014. As a part of his commercial law specialisation, Urh has attended courses on German civil law, capital markets regulation and private equity transactions at the University of Munich, and on insurance law at the University of Münster. Recently, Urh has been engaged in private equity transactions involving a white-shoe investment bank acquiring a sports equipment manufacturer, a Luxembourg private equity fund acquiring two shopping malls, and an Austrian MBO transaction in the timber industry. Apart from that, Urh has been advising one of the largest German retail market private equity fund managers on entry into the Slovenian market and a global alternative investment fund manager on the marketing of its investment funds.

**ROJS, PELJHAN, PRELESNIK & PARTNERS O.P., D.O.O.**

Tivolska 48
1000 Ljubljana
Slovenia
Tel: +386 1 23 06 750
Fax: +386 1 43 25 123
pajek@rppp.si
sustar@rppp.si
www.rppp.si

**Chapter 21**

# SLOVENIA

*Gregor Pajek and Aljoša Krdžić*[1]

## I OVERVIEW

### i Deal activity

In 2013, the parliament adopted a resolution under which it consented to the sale of 15 state-owned companies. The latter boosted M&A activity in Slovenia, which in consequence resulted also in an increase of foreign private equity entrances onto the Slovenian market. Despite the fact that in 2014 Slovenia underwent early elections, considered to be a turning point from the perspective of Slovenian state-owned asset management that could compromise the privatisation process, no major changes in the government's commitments to divest have been detected since then. Moreover, in 2015 the parliament adopted the Ordinance on state asset management, which set forth conditions of asset management and classification of investments according to which the state will divest and privatise state-owned companies. All of the above therefore means that the privatisation of state-owned companies continues to be the key source of M&A activity in Slovenia. The parliament and the government therefore continue to support the privatisation process, whereby experience from recent transactions shows that the Slovenian Sovereign Holding (acting on the state's behalf) in principle does not discriminate between private equity investors relative to traditional strategic industrial buyers.

According to our assessment and considering that no official data or statistics are available, the level of private equity transactions in 2016 remained at the level of previous years. After a decline between 2008 and 2012, private equity transactions gained momentum in 2014, and their level has steadily grown since then. According to some interpretations, the level of activity in 2016 exceeded the levels reached in 2007. However, such view may be subject to interpretation and discussion, since Slovenian Securities Market Agency data show that M&A activity in Slovenia in 2015 remained significantly lower than in the years prior to the financial crisis.[2] However, our position regarding the level of private equity activity also takes into account the fact that the Slovenian Securities Market Agency does not include transactions that are not subject to the Slovenian Takeovers Act in its report. The latter means that the data analysed by the Securities Market Agency (although the only available data, and the best approximation to the actual market size and structure) do not include the vast number of smaller, yet still important, transactions. In addition, the numbers for 2007 also included management buyout transactions reflected in the extremely large market value data

1 Gregor Pajek is a partner and Aljoša Krdžić is an associate at Rojs, Peljhan, Prelesnik & partners o.p., d.o.o.

2 Slovenian Securities Market Agency, Report on the status and conditions in the field of financial instruments market for 2015, p. 11, June 2016, available in Slovenian at www.a-tvp.si/Documents/Porocilo_o_stanju_in_razmerah_na_trgu_2015.pdf.

– the data on the value of transactions in 2007 exceeded the yearly average in the years from 2002 to 2005 by more than three times. The data above and our experience in the field of structuring and advising on private equity transactions to various buyers suggests that private equity transactions are expanding and have taken over a significant portion of the M&A market in Slovenia.

### ii Operation of the market

Operations of the private equity market in Slovenia do not significantly differ from the classical acquisitions carried out by traditional strategic (industrial) buyers. The standard sale process usually includes several phases, starting with addressing potential buyers with a teaser containing information about the target (when the state is selling its stakes in companies, public invitations to submit a bid are published to address a very broad investor base) followed by a stage during which an interest to purchase the investment is presented to the opposing party. The latter stage is usually followed by the execution of due diligence, a decision of the seller and the buyer as to whether they wish to enter into further negotiations on the terms of the deal, actual negotiations, the signing of the agreement and finally closing (completion) of the deal, which follows the fulfilment of conditions precedent, if applicable.[3] The latter usually include obtainment of certain approvals and consents by regulatory agencies, if necessary.[4] The length of the sales process depends on the structure of the transaction. Simple share sales in smaller companies may be finalised in a couple of weeks (starting with initial contact between the seller and potential buyer, and ending with the transfer of shares). On the other hand, completion of all major transactions takes longer, since they usually include comprehensive due diligence, buyers are required to obtain certain permits and (regulatory) approvals, and sellers usually perform negotiations with several potential buyers and, therefore, need more time to shortlist the bidders and finally adopt a decision on the best (the most suitable) bidder. In particular, sale processes involving state-owned companies may take longer until completion, even up to nine months.

Our experience enables us to say that investors (a private equity firm or fund that acquires the target) are striving towards achieving and ensuring smooth transition and integration. One of the important aspects of such transition is also the arrangements with the management of the target. In some cases investors decide to continue a business relationship with the incumbent management, whereas in other cases they wish to appoint new management. Slovenian legislation does not restrict incentives through management ownership. The content of such arrangements varies from one company to another and fully depends on the individual agreement between the shareholders and the management, whereby the Slovenian Companies Act expressly lists a shares and options remuneration scheme as a method of incentivising the management. Shareholders in a limited liability company may freely determine the remuneration for management, whereas in joint-stock companies shareholders may influence the remuneration and may incentivise management via a remuneration policy

3 This is a very simplified 'standard' sale process. Recently we have seen also approaches where investors were invited to participate in a capital increase completion, which subsequently may trigger a mandatory takeover offer (to the extent the company falls under the definition of 'target company' set forth in the Takeovers Act).

4 Regulatory requirements are dealt with separately under Section IV, *infra*.

adopted in accordance with Paragraph 7, Article 294 of the Companies Act.[5] If shareholders have not adopted the remuneration policy, the supervisory board still needs to follow the criteria set forth by the legislator with regard to the remuneration policy, and in this case it is up to the supervisory board to assess what the content of the management agreements will be.

## II LEGAL FRAMEWORK

### i Acquisition of control and minority interests

The structure of the transaction depends most and foremost on the organisational form of the target company. The majority of transactions involve acquisitions of shares in joint-stock companies or business shares of limited liability companies, which are two of the most notable organisational forms of companies under the Companies Act.

When a specific private equity investment is made into a Slovenia-based company, the core of the transaction remains the same. This means that the sole acquisition of shares (the method and required step for the transfer of ownership over shares) depends solely on the organisational form of the target. If the private equity entity is buying a business share in a limited liability company, a sale and purchase agreement needs to be entered into in the form of a notarial deed whereby the transfer of the business share becomes effective (in relation to third parties and against the target itself – the acquirer obtains rights and obligations against the target) only after the buyer is entered in the court register (as the holder of the business share). On the other hand, if the target is organised in the form of a joint-stock company it is not required that the share sale and purchase agreement is entered into in any specific form other than that the agreement is in writing. In this case, the transfer of shares (stock) occurs after the acquired shares are entered in the buyer's dematerialised securities (trading) account held with the Central Clearing Corporation (having a position of a central securities depository) and operated by its member.[6] In practice, parties usually agree on the delivery-versus-payment closing mechanism, including appointing an escrow agent (in the case of transfer of shares usually Central Clearing Corporation, in the case of transfer of business shares usually a public notary).

In addition, the structure of the transaction further depends on whether specific provisions of the Companies Act regulating the pre-emptive rights of other existing shareholders should be considered and applied, whether the target (which is organised as a joint-stock company) in its articles of association provides that the company needs to consent to the transfer of shares, whether the Slovenian Takeover Act applies (specifics of mandatory

5 Paragraph 7 of Article 294 of the Companies Act stipulates that the remuneration policy shall foster the long-term sustainability of the company and provide that the remuneration is commensurate with the results and the financial position of the company; that the total remuneration may be composed of a fixed and a variable part, whereby the variable part of the remuneration shall depend on measurable criteria defined in advance; and that severance pay may be paid only in the case of early termination of a contract.

6 The seller and the buyer provide their Central Clearing Corporation members with the bilateral orders (delivery and acceptance order, whereby these two orders need to be paired), and on the basis of such paired orders the Central Clearing Corporation transfers the shares from the seller's trading account on to the buyer's trading account. A list of Central Clearing Corporation members includes all major banks present in Slovenia and also some brokerage companies. The investor may choose freely which member of the Central Clearing Corporation will open a trading account on its behalf.

takeover offers are discussed in Section IV, *infra*), whether the transaction is subject to the merger control rules and whether any specific rules should apply due to the specifics of the business activities of the target.

All of the above means that there is no significant difference between transactions when the investor is acquiring control over the target and transactions when the investor acquires only a minority stake. The main differences are related to the question of whether the transaction is subject to the mandatory takeover rules and whether the transaction constitutes a concentration that might trigger the obligation to obtain a merger clearance.

There is also no material difference when the acquirer is domiciled outside Slovenia. Such acquirer should obtain a Slovenian tax number, in some cases (in asset deals where the acquirer obtains ownership over real estate) the acquirer should also obtain a registration number, and if the transaction refers to shares (stocks), then the acquirer should open a trading account with one of the Central Clearing Corporation members. Several recent acquisitions were conducted through special purpose vehicles (SPVs) established in Slovenia. All administrative issues that need to be resolved when a foreign investor is investing in Slovenian companies through a domestic SPV do not significantly and materially affect the transaction, since all stated procedures are relatively straightforward.

### ii Fiduciary duties and liabilities

According to Article 264 of the Companies Act, any person who uses his or her influence to induce members of the management or supervisory board, a procurator or proxy to act to the detriment of a company or its shareholders shall compensate the company for the resulting damage. Although there is no explicit case law that would deal with situations when such third person would be another shareholder, Slovenian legal theory advocates that even shareholders should be held liable for their unlawful influence on the company's operations, and that in most cases majority shareholders would be held liable for forcing the management to act to the detriment of the company. This means that private equity investors in some situations might be held liable for damage incurred to the company due to their actions as shareholders. On the other hand, there is no uncertainty with regard to the existence of the fiduciary liability of the members of the management or supervisory board of the company. The members of the management or supervisory board may be held liable under Article 263 of the Companies Act, which sets forth the legal standard of their professional diligence. Managers and supervisory board members, regardless of their affiliation to a certain shareholder, must, while performing their duties on behalf of the company, act with the diligence of a conscientious and fair manager and safeguard business (and trade) secrets of the company. Such fiduciary duty of management and supervisory board members includes both their accountability towards the company, and their liability to creditors of the company.

## III YEAR IN REVIEW

### i Recent deal activity

As already discussed in Section I, *supra*, the private equity market in Slovenia remains vibrant, especially as a consequence of the increasing number of foreign private equity investments. The latter are dispersed throughout the extensive range of business sectors. The overall M&A activity depends vastly on the future development of the privatisation process (public-to-private transactions), whereby sales of (either majority or minority) stakes in smaller privately owned companies are also gaining importance in the search for new capital required for

growth and penetration on foreign markets. In addition, and which may be considered as specific to Slovenia in recent years, a significant increase in two-stage transactions may be detected. As a result of the recovery of the banking sector through sale of claims by the state-owned Bank Assets Management Company (BAMC),[7] potential investors in the first stage buy the claims from the Bank Asset Management Company (and maybe also from some other privately owned foreign banks), then at the latter stage execute the capital increase by a debt-to-equity swap, thereby acquiring the target.

Since no official aggregate data on the volume and value of the private equity transactions in Slovenia are available and considering that the official data include various transactions (and not only private equity), we will discuss only the major private equity deals that were executed (but not necessarily finalised and closed) in 2015 and 2016. For example, in 2015 Slovenian Sovereign Holding entered into a share sale and purchase agreement with funds managed by Apollo Global Management, and the European Bank for Reconstruction and Development announced the sale of a 100 per cent share in Slovenia's second-largest bank, Nova KBM, for €250 million,[8] which represents a first sale in the process of the privatisation of state-owned banks. Apollo Global Management has also acquired the Slovenian branch of Raiffeisen Bank (the value of the transaction was not publicly revealed).[9] Among the companies acquired by private equity investors in 2015 (according to information already in the public domain) are the Slovenian national airline carrier, Adria Airways, which was acquired by 4K Invest for €1.1 million,[10] and the sports equipment manufacturer Elan, which was acquired by Merrill Lynch International and Wiltan Enterprises Limited for approximately €12 million.[11]

In 2016, the market remained vibrant. Mercator (the largest Slovenian retailer) divested and sold its sports retail franchise company INTERSPORT ISI to the Polish Enterprise Investors (Fund VII) for €34.5 million.[12] BAMC entered into an agreement with York Global Finance Offshore BDH for the sale of claims towards a group of affiliated companies – DZS (a leading wholesaler and retailer of office supplies), Delo Prodaja (a leading distributor and seller of magazines and other papers in Slovenia) and Terme Čatež (the largest Slovenian natural health resort)[13] – which might represent phase one of an anticipated takeover of listed assets (claims were transferred onto York Global Finance in January 2017). One of the largest transactions (by value) in 2016 was the sale of Cimos (one of the largest manufacturers of various engineering products in Central Europe) to TCH Cogeme (part of Palladio Finanziara group) for €110 million.[14] In recent weeks, however, various information regarding the transaction has emerged, since Slovenian Sovereign Holding and BAMC are struggling to procure fulfilment of one of the crucial conditions precedent for closing. The transaction is

7 The BAMC is a joint-stock company that was established in March 2013 as a company owned by the Republic of Slovenia with the task of facilitating the restructuring of banks with systemic importance that were facing severe solvency and liquidity problems. By the end of 2013, the two largest banks had been recapitalised by the government, and a substantial part of their non-performing assets had been transferred to the BAMC (source: www.dutb.eu/en/about-us). The BAMC is also referred to as the 'bad bank'.

8 Slovenian Sovereign Holding, www.sdh.si/en-us/privatization/nova-kbm.

9 Raiffeisen Bank International, www.rbinternational.com, section: Public Relations, subsection: Archive 2015, date of the news 10 December 2015.

10 Slovenian Sovereign Holding, www.sdh.si/en-us/privatization/adria-airways.

11 Slovenian Sovereign Holding, www.sdh.si/en-us/privatization/elan.

12 Mercator, http://seonet.ljse.si/default.aspx?doc=SEARCH&doc_id=61905.

13 BAMC, www.dutb.eu/Lists/Articles/news-itemSI.aspx?id=694&Source=/si/default.aspx.

14 Slovenian Sovereign Holding, www.sdh.si/en-us/Novica/1404.

therefore still pending, and the outcome (closing) is not clear at the time of writing. After the unsuccessful attempt of Slovenian Sovereign Holding to sell a leading regional manufacturer of hygiene tissue, Paloma, through a capital increase by Abris Capital Partners in 2015 and early 2016,[15] Slovenian Sovereign Holding continued its efforts and eventually reached an agreement with Slovakian Eco-Invest private equity to participate in Paloma's capital increase in an amount of €18.2 million and thus acquire 57.2 per cent share in the company.[16]

In addition to the above-mentioned transactions, there were several other private equity market entrances in 2016 and, although details of those transactions may not be disclosed, according to our estimates the aggregate value of these transactions is roughly €80 to €100 million.

### ii Financing

The question of financing private equity transactions has raised many issues in the past in Slovenia. Debt and leveraged finance has been seen in certain notable transactions. In addition, we can also say that a significant number of those debt financing transactions, especially where acquirers come from Slovenia or regional countries (Bulgaria, Croatia, Serbia, etc.), constitute leveraged buyouts. The sources of such financing are diverse and vary from transaction to transaction. In general, buyers obtain debt finance from bank loans or bonds issuances. In some cases transactions are also financed through mezzanine and second lien financing.

Pursuant to the Companies Act, any transaction resulting in financial assistance of a joint-stock company (to the buyer of its shares) is null and void, and therefore the target company may not provide finance or security for acquisition of its shares. The latest 2015 amendment of the Takeover Act similarly imposes also the obligation of the buyer (the offeror) to prove to the Securities Market Agency (in the procedure for the issuance of permission to announce a mandatory takeover offer) that the target's assets are not used and shall not be used (directly or indirectly) as collateral for obligations arising from acquisition finance used as consideration in the takeover. The same obligation applies also to the target shares (subject to the mandatory takeover offer) that are not yet held (owned) by the offeror. As a result, the offeror must not grant or undertake to grant a pledge over such shares as security for acquisition financing.

In cases where the target company is a limited liability company, the financial assistance rules are significantly different. As a general rule, a limited liability company could not pay to its shareholders any payment to the extent that such payment would affect the company's assets required for maintenance of the company's registered capital and restricted reserves (capital maintenance rule). In effect, a limited liability company could grant security for acquisition finance, but only to the extent and provided that such security does not affect the assets in value equal to the amount of the registered capital and restricted reserves. This results in permissible security for limited liability acquisition finance to the extent of assets in value equal to the value of distributable profit and distributable reserves. The new LLC financing rule now explicitly sets forth that any of the following do not count in the amount of the assets required to maintain the amount of the registered capital:

*a* a shareholder loan;

*b* a loan to any member of the management (or its family member); or

15 Slovenian Sovereign Holding, www.sdh.si/en-us/Novica/1277.

16 Paloma, web.paloma.si/en/news/2016/12/187-Successful-18-2-million-capital-increase-of-Paloma.

c a loan to a legal entity where (x) shareholder or (y) member of the management or (z) its family member or (q) all of persons from (x) to (z) hold at least a 10 per cent controlling share (i.e., in the capital or voting rights).

### iii Key terms of recent control transactions

As far as the terms of recent control transaction agreements are concerned, almost all acquisition agreements contain provisions that regulate the closing procedures (if the finalisation of the acquisition is conditioned with closing), provide for the warranties of both parties, and set forth the mechanism and rules for the indemnification. Particularly in recent transactions, representations and warranties provisions have gained importance, which is a result of foreign buyers being lenient towards such provisions. Provisions on the conditions precedent are sometimes extensive and comprehensive, which is especially true in regard to transactions in which the acquirer needs to obtain certain permissions or when the seller undertakes that the company will divest non-core business assets. However, the terms of each individual transaction are negotiated according to the needs of the seller or the buyer and considering the specifics of each transaction. This means that no provisions are *per se* included in or excluded from the transaction documentation.

Certain changes in trends in 2015 and 2016, mostly related to the fact that quite a considerable number of deals related to the recovery of the banking sector through sales of claims, may be detected. In this context, we have seen a lot of acquisition opportunities related to carve-outs or asset deals. Furthermore, the structure of several deals in 2015 and 2016 included some type of capital increase, and the providing of working capital to the target or refinancing of the target's financial debt significantly affected the key terms of the transaction. Last but not least, deferred consideration or earn-out provisions and price adjustment mechanisms formed a significant portion of transaction negotiations.

### iv Exits

No notable exits occurred in 2016. There were several smaller exits of both Slovenian-based and foreign private equity funds that divested their investments mostly in state-owned companies that were sold in 2015 and 2016. However, according to our information, all such private equity investors remain involved in the Slovenian private equity market; therefore, their exits from certain portfolio investments cannot be considered exits from Slovenia.

## IV REGULATORY DEVELOPMENTS

As already discussed in Section II.i, *supra*, the structure of a transaction depends on various factors. Among those factors that significantly affect all aspects of the transaction (especially its structure and the timeline of the transaction) is the target's potential subjection to the special takeover rules provided in the Takeover Act. The provisions of the Takeover Act impose an obligation to make the mandatory takeover offer apply if the target company is a public joint-stock company (whose shares are listed (traded) on the regulated market), or a private joint-stock company to the extent such company has at least 250 shareholders or more than €4 million of the total equity. The obligation to make the mandatory takeover offer is triggered when the acquirer (acting individually or with persons acting in concert) reaches

one-third of the voting rights in the target company.[17,18] On the other hand, if the investor is acquiring a minority shareholding, namely a shareholding that does not reach the one-third of the voting rights threshold, then the mandatory takeover offer will not be triggered, and consequently the timeline for the execution of the transaction may be substantially shortened and the costs of the transaction, due to fewer administrative requirements, may be lower.[19]

According to Article 24 of the Takeover Act, the potential buyer must, prior to making a takeover bid, notify the Slovenian Securities Market Agency, the target's management and the Slovenian Competition Agency of its intention to make the takeover bid. Within 30 days, and not before the expiry of 10 days after the publication of the intention to make the takeover bid, and in any case after the investor obtains permission to make the takeover bid from the Slovenian Securities Market Agency, the investor needs to publish the takeover bid, which includes the bid itself, the offer document and the prospectus. To obtain the Agency's permission, the investor needs to fulfil certain conditions set forth in Article 32 of the Takeover Act.[20] After the expiry of the takeover bid, the acquirer needs to publish the result of the bid, whereby the success of the bid needs to be confirmed by the Securities Market Agency. After the issuance of the Securities Market Agency's decision announcing the takeover bid as successful, the Central Clearing Corporation then executes all appropriate steps required to enter the (takeover) shares on the offerror's account of dematerialised securities, with the effect that the offeror becomes the lawful holder of the shares.

Note that certain transactions are also subject to merger control regulations. The Slovenian Prevention of Restriction of Competition Act sets forth two general triggering events, namely legal and economic conditions that trigger the obligation of notification of the transaction (concentration) to the Slovenian Competition Authority. The latter means that the execution of the transaction first must result, or may result, in a concentration (legal condition). Secondly, a concentration must be notified to the Slovenian Competition Protection Agency (CPA) if the following turnover thresholds (economic condition) are met (cumulatively):

*a* in the last financial year, the combined annual turnover in the Slovenian market of the undertakings concerned together with other undertakings within the group exceeded €35 million; and

*b* in the last financial year, the annual turnover in the Slovenian market of the target undertaking together with other undertakings within the group exceeded €1 million

17 Paragraph 1 of Article 11 of the Takeover Act defines the takeover bid as a 'public offer made to all holders of the securities to conclude a contract, which, when accepted, shall result in a contract on the acquisition of such securities between the offeror as the buyer and the accepting party as the seller'.

18 The takeover bid also needs to be made or renewed by the offeror who, following a successful bid, has acquired 10 per cent of the voting rights, and the obligation to renew a bid shall cease when the offeror, following a successful bid, has acquired at least 75 per cent of all the target company's shares carrying voting rights.

19 In addition to the obligations under the Takeovers Act, any acquisition below and above the takeover threshold is still subject to a requirement to notify the target company of any acquisition of a 'major shareholding', these being set at 5 per cent, 10 per cent, 15 per cent, 20 per cent, 25 per cent, one-third, 50 per cent and 75 per cent of all voting rights in the target company.

20 For the purpose of this chapter we explicitly emphasise the investors' obligation to provide the Securities Market Agency with the proof that the acquirer has deposited at the Central Clearing Corporation the full amount of consideration in cash required for paying of all securities subject of the takeover offer. Instead of cash, the acquirer may also deposit a bank guarantee covering payment of consideration by the offeror.

or, in the case of the formation of a full-function joint venture, the annual turnover in the Slovenian market of at least two of the undertakings concerned together with other undertakings within the group exceeded €1 million.

A concentration has to be notified to the CPA at the latest 30 days after the conclusion of an agreement, announcement of a public bid or an acquisition of control (the time period of 30 days runs from the first of any of these events) or, in the case of a voluntary notification, within 15 days after the CPA requests notification. Pre-notifications are not expressly regulated but are possible in practice. Notification needs to be submitted to the CPA on a standard concentration notification form, which guides the applicant to provide the CPA with all relevant information with regard to the concentration that is being notified.

In addition, certain specific acts prescribe that the acquisition of certain thresholds – qualifying holdings – requires approval of the competent authority, for example, the Bank of Slovenia, the Slovenian Insurance Supervision Agency, the Securities Market Agency and the Ministry of Culture. In particular, such approvals for the acquisition of qualifying holdings are seen in sectors such as banking, insurance, finance and media.

## V OUTLOOK

According to publicly available information, shareholdings in Unior (one of the largest and most important Slovenian exporters, which operates in four production segments: forged parts, hand tools, machine tools and tourism activities), Nova Ljubljanska banka (the largest Slovenian bank), Gorenjska banka (a bank that recently acquired approximately 9,000 leasing agreements from Addiko Bank) and others will be on sale in 2017, which, together with recent trends related to private equity transactions, suggest that the market will be vibrant and that it will grow. Positive experiences with private equity investors, which were just a few years ago considered as a poorer alternative to traditional strategic buyers, raise our expectations that private equity (especially foreign) investors will be the driving force of the privatisation of state-owned companies, especially considering some news reports that several private equity funds might invest into Slovenia in the near future.

On the other hand, we are witnessing certain adaptations of the Slovenian business environment, which is becoming more and more investor-friendly. In the past, governments of different political orientations have tried to reduce administrative barriers for investors, both national and foreign, and to shape a smart tax environment, which has already been reflected in an increase in investment activities.

We are therefore of the opinion that no significant and material adverse legislative changes are to be expected in the near future, since all stakeholders are aware of the importance of a stable and predictable business environment. While there could be some minor legislative interventions, according to a popular and universally accepted belief, such interventions should aim to strengthen and boost a competitive economy.

**Appendix 1**

# ABOUT THE AUTHORS

## GREGOR PAJEK

*Rojs, Peljhan, Prelesnik & partners o.p., d.o.o.*

Gregor Pajek is a partner at Rojs, Peljhan, Prelesnik & partners and joined the firm in 2010 after his LLM studies and traineeship in the capital markets group at the Frankfurt office of Baker & McKenzie. His fields of expertise include banking, capital markets, finance transactions, and M&A, in which he regularly assists foreign and domestic clients. Recently, Gregor acted in privatisations, private acquisitions, public takeover offers, debt refinancing and restructuring, acquisition finance, securitisations and structured finance transactions involving debt and equity. He also advised international banks and asset management companies in various regulatory issues including the cross-border provision of services and provision of services under the AIFMD regime. In the commercial sector he has recently advised companies in covered bonds issue as well as in cash pooling and liquidity management programmes. He regularly advises clients on acquisition financing, takeovers and squeeze-outs, and has recently worked on, *inter alia*, the acquisition of Mercator (the largest Slovenian retailer), a telecommunications operator in Slovenia and in the Helios privatisation. His notable practice area is also the post-acquisition integration process where Gregor advises on general corporate law. Gregor regularly advises domestic and foreign banks and commercial companies in various insolvency-related matters.

## ALJOŠA KRDŽIĆ

*Rojs, Peljhan, Prelesnik & partners o.p., d.o.o.*

Aljoša Krdžić is an associate at Rojs, Peljhan, Prelesnik & partners. He graduated *cum laude* from the University of Ljubljana in 2012, and in 2015 he passed the state bar exam. Aljoša practises corporate law, with a primary focus on M&A, competition law, banking and finance, and real estate law. Aljoša actively participates in almost all of the firm's M&A deals. Recently he has been actively engaged in private equity transactions involving a foreign private equity fund acquiring shares of a Slovenian paper tissue producer, and a UK private equity management company investing in various companies and assets in Slovenia. Since 2012, when he started working for the firm, Aljoša has also led the team advising a major manufacturer of plastics in the process of its acquisition of the Slovenia-based company and coordinating consolidation of its business, participated in advising a major glass product manufacturer in its pursuit of the acquisition of a well-known Slovenian glass manufacturer, and has advised several private equity investors in their pursuit to acquire shares or assets in various business sectors in Slovenia.

**ROJS, PELJHAN, PRELESNIK & PARTNERS O.P., D.O.O.**

Tivolska 48
1000 Ljubljana
Slovenia
Tel: +386 1 23 06 750
Fax: +386 1 43 25 123
pajek@rppp.si
krdzic@rppp.si
sustar@rppp.si
www.rppp.si

**Appendix 1**

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**GREGOR PAJEK**

*Rojs, Peljhan, Prelesnik & partners o.p., d.o.o.*


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**URH ŠUŠTAR**

*Law firm Rojs, Peljhan, Prelesnik & partners o.p., d.o.o.*


Urh is an associate at Rojs, Peljhan, Prelesnik & partners, a leading Slovenian corporate law firm, where he practises corporate law, with a primary focus on M&A and capital markets law, competition law, intellectual property law, and litigation.

Urh graduated from the University of Ljubljana (with a master's degree in commercial law) with honours in 2014. As a part of his commercial law specialisation, Urh has attended courses on German civil law, capital markets regulation and private equity transactions at the University of Munich, and on insurance law at the University of Münster. Recently, Urh has been engaged in private equity transactions involving a white-shoe investment bank acquiring a sports equipment manufacturer, a Luxembourg private equity fund acquiring two shopping malls, and an Austrian MBO transaction in the timber industry. Apart from that, Urh has been advising one of the largest German retail market private equity fund managers on entry into the Slovenian market and a global alternative investment fund manager on the marketing of its investment funds.

**ALJOŠA KRDŽIĆ**

*Rojs, Peljhan, Prelesnik & partners o.p., d.o.o.*

Aljoša Krdžić is an associate at Rojs, Peljhan, Prelesnik & partners. He graduated *cum laude* from the University of Ljubljana in 2012, and in 2015 he passed the state bar exam. Aljoša practises corporate law, with a primary focus on M&A, competition law, banking and finance, and real estate law. Aljoša actively participates in almost all of the firm's M&A deals. Recently he has been actively engaged in private equity transactions involving a foreign private equity fund acquiring shares of a Slovenian paper tissue producer, and a UK private equity management company investing in various companies and assets in Slovenia. Since 2012, when he started working for the firm, Aljoša has also led the team advising a major manufacturer of plastics in the process of its acquisition of the Slovenia-based company and coordinating consolidation of its business, participated in advising a major glass product manufacturer in its pursuit of the acquisition of a well-known Slovenian glass manufacturer, and has advised several private equity investors in their pursuit to acquire shares or assets in various business sectors in Slovenia.

**ROJS, PELJHAN, PRELESNIK & PARTNERS O.P., D.O.O.**

Tivolska 48
1000 Ljubljana
Slovenia
Tel: +386 1 23 06 750
Fax: +386 1 43 25 123
pajek@rppp.si
krdzic@rppp.si
sustar@rppp.si
www.rppp.si