

## client alert

PRIVATIZATION | SERBIA |

29 AUGUST 2014

### PRIVATIZATION OF STATE-OWNED COMPANIES IN SERBIA

Privatization of state-owned companies in Serbia has gone through different phases under various legal frameworks since the beginning of the 1990s, of which the most effective has been the latest, which followed on from democratic changes in 2000. Nonetheless, a total of 502 parent companies (together with their subsidiaries) that have been publicly offered by the Privatization Agency have failed to attract buyers. Therefore, a new Privatization law was passed in August 2014 as part of a comprehensive legal reform aiming to resolve the accumulated problems of the Serbian economy, substantially burdened by loss-making state-owned enterprises. The Privatization law therefore adopts a new approach, introducing new flexible methods and models of privatization which should be more adaptable to the current investment environment and make the entire procedure efficient and transparent. The main characteristics of the final round of privatizations now underway are the following:

- Strategic partnerships can be implemented by a joint venture, through the establishment of a new company or by a capital increase of the existing privatization entity;
- The Privatization law additionally provides measures for the preparation and disburdening of companies being privatized, such as: conditional debt write-off and debt-to-equity swap (conversion);
- Unlike earlier solutions under which a buyer's contractual obligations were spread over a period of 5 years (in some cases even 10 years), the new law reduces this period to two years;
- The Privatization Agency and the buyer of the capital are obliged to sign a record specifying the property, rights and liabilities of the privatization entity, which forms an integral part of the capital sale agreement;
- Most of the non-privatized companies remaining in the portfolio of the Privatization Agency are engaged in the following industries: metal processing, agriculture, automotive and food processing;
- Among other enterprises, 14 spas and special hospitals are also now in the portfolio of the Privatization Agency;

- The Privatization Agency has invited all potential investors to submit their Letters of Interest for a particular company from the Agency's portfolio by 15 September 2014;
- The Letter of Interest should include: basic data about the prospective investor, basic data on the company being privatized, expression of interest in participating in the privatization process with the proposed model in line with the Privatization law (in the case of an asset sale, the letter must specify the asset), proposed indicative price, investment programme, provisional business plan and number of employees that the investor is prepared to employ on a permanent basis (from the privatization entity or otherwise);
- The Privatization law stipulates the end of 2015 as a deadline for completion of the privatizations (and provides for bankruptcy or liquidation in the event of non-compliance with the deadline).

*With its strategic geographical position and its experienced team of lawyers and legal consultants drawn from various SEE nationalities, our Budapest office is the logical central seat of operations for our SEE Group. In Serbia, we work with a correspondent law firm set up by former Gide lawyers, Marić, Mališić & Dostanić (MMD).*

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