

SUMMARY AND STEP-PLAN
REGARDING THE ESTABLISHMENT
OF A LIMITED LIABILITY COMPANY IN HUNGARY

This summary and step-plan briefly summarizes the procedure to establish a limited liability company in Hungary. It describes the documents which must be prepared as well as the information which is required for that purpose.

1 General

Under Hungarian law, a limited liability company ("korlátolt felelősségű társaság", "Kft") is a business organization established with a predetermined amount of capital. The liability of the owner of the Kft (the "Founder") is limited to the amount of its contribution to the Kft's capital, with certain exceptions. In exchange for the contribution, the Founder obtains a "quota" representing its ownership interest in the equity of the Kft.

The Kft is established pursuant to its corporate establishment document, which is the Deed of Foundation.

The Kft must be registered with the Court of Registration. All Hungarian companies, including Kfts, are deemed to legally exist only once they have been registered with the Trade Registry by the Court of Registration. However, a Kft may begin to conduct business, including entering into agreements, during the period between the date of submission to the Court of Registration of its corporate establishment document, and (assuming successful registration) the date on which the Court of Registration registers the Kft. The only exceptions are activities for which a licence or permission is needed, which may be commenced after the Kft's registration and the issuance of the licence.

2 Time frame

The Court of Registration is obliged to register the Kft within 15 days of the filing of the application for registration. If the application is incomplete or the Court of Registration requests further information, this deadline may be extended by 45 days.

In case of using a "Form Deed of Foundation", The Court of Registration is obliged to register the Kft within 1 business day.

3 Specific Matters Concerning the Establishment of the Kft

A Kft is established pursuant to a corporate establishment document signed by and countersigned by a registered Hungarian attorney.

Instructions concerning the below matters are required in order to prepare the Kft's corporate establishment document and related founding documents:

3.1 Corporate Name of the Kft

The full official name of the Kft must include its legal form and may reflect its actual business activities. Full business name and abbreviated name must be registered in Hungarian and may be registered in any other languages, such as English.

3.2 Registered Address of the Kft

The corporate establishment document must specify the Kft's registered office address or "domicile". The domicile will be the Kft's mailing address, to which, amongst others, official communications to the Kft from courts, authorities and third persons will be sent.

3.3 Information About the Kft's Founder

In order to register the Kft, the Kft's registration application must include a certificate of good standing or a trade registry extract, as the case may be, of the Founder. On the date on which the Kft's application for registration is made, this document should not be older than 3 months.

If the Founder has its registered seat abroad, we recommend to appoint a Hungarian delivery agent based on a delivery agent agreement.

3.4 Capitalization of the Kft

Hungarian corporate law requires that a Kft have a minimum capital of three million Hungarian Forints (HUF 3.000.000.) (approximately EUR 9.500 at current exchange rates), which may be contributed in cash or in-kind.

3.4.1 Cash Contribution

Upon the establishment of a Kft at least half of the contribution in cash must be deposited into the Kft's bank account or otherwise contributed to the Kft.

3.4.2 In-Kind Contribution

In case of wholly owned Kft, the total amount of the in-kind contribution must be put at the Kft's disposal by the time of submission of the application for registration. The value attributed to the in kind contribution must be confirmed to the Court of Registration.

3.5 Scope of Activities of the Kft

The Kft's permitted scope of activities must be specific and must be described by reference to the Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2.

3.6 Management Structure

The management of the company consists of the Founder and of the Managing Director(s) and Procurist(s) and may, in certain cases, also consist of the Supervisory Board and Auditor.

Certain major corporate decisions fall within the exclusive competence of the Founder, such as, for example, the increase and decrease of the Kft's registered capital, the appointment of Managing Director(s), the merger of the Kft with another company or the dissolution of the Kft.

The day-to-day management of the Kft and its representation vis-à-vis third parties is the responsibility of one or more Managing Directors, who will be appointed for a maximum 5 years definite period of time or for an indefinite period of time.

In addition, the Founder may appoint one (or more than one) of the Kft's employee(s) as Procurist (or "company secretary") for the Kft. This employee will have a general authorization to represent the Kft vis-à-vis third parties, identical in scope with the powers of the Managing Director in this respect; however, in exercising such authority, the Procurist must follow the instructions of the Managing Director(s).

The Managing Director(s) may appoint employees to sign on behalf of the Kft in connection with certain specific matters.

The corporate establishment document may limit the signing authority of the Managing Directors.

3.7 Supervisory Board

The Founder of a Kft must appoint a Supervisory Board if the average annual number of the Kft's full time employees exceeds 200. A Supervisory Board may be established, however, even if these conditions are not met.

The Supervisory Board performs a limited function. It supervises the management of the Kft for the Founder. The Supervisory Board may request information from the Managing Director(s), the Procurist or other managerial employees of the Kft, and may inspect the Kft's books and documents.

3.8 Auditor

Statutory auditor must be appointed in Kft of which (i) the annual average net turnover exceeds HUF 100.000.000 or (ii) the annual average number of the employees exceeds 50.

- 4 Documents Required to Register the Kft with the Court of Registration
- 4.1 the corporate establishment document (Deed of Foundation) which must be countersigned by a Hungarian attorney;
 - 4.2 trade registry extract concerning the Founder (only if the Founder is a Company);
 - 4.3 the incumbency certificate concerning the Founder, certifying that the individual who signs the corporate establishment document of the Kft is authorized to sign such document on behalf of the Founder (when information concerning the signing authority does not appear on the trade registry extract, a certificate of good standing);
 - 4.4 the Declaration of Acceptance of each of the Managing Directors, Procurists (if any) and of each Supervisory Board member (if any), acknowledging his acceptance of the position and stating that he has no criminal record and is not otherwise prohibited under Hungarian law from accepting the position;
 - 4.5 the signature specimen(s) of the Managing Director(s) and the Procurist(s) (if any) which must be countersigned by a Hungarian attorney or legalized by a Hungarian notary.
 - 4.6 the delivery agent agreement signed by the Founder, Managing Director and Supervisory Board member (if any) not having a residence in Hungary, appointing a person resident in Hungary to be its/his/her delivery agent. This agreement must also be signed by the delivery agent, evidencing his/her acceptance of that position;
 - 4.7 the declaration of the statutory auditor (if applicable), acknowledging its acceptance of the position;
 - 4.8 the declaration of the Kft's Managing Director(s), confirming that the in-kind contribution (if any) to the Kft's equity has been placed at the Kft's disposal;
 - 4.9 if real property is contributed to the Kft. as in-kind contribution, the Land Registry Extract concerning said real property certifying the contributing Founder's entitlement to the real property;
 - 4.10 (i) the bank certificate verifying that the cash contribution to the Kft's registered capital has been paid into a bank account opened in the Kft's name at a commercial bank in Hungary or (ii) the declaration of the Managing Director that the cash contribution has been placed at the disposal of the Kft.;
 - 4.11 Membership List indicating that the Founder owns 100% of the interest in the Kft;
 - 4.12 the power of attorney authorizing a Hungarian law firm or lawyer to countersign the corporate establishment document and to represent the Kft before the Court of Registration and other authorities in connection with its registration, as required by Hungarian law.

Other documents clarifying the submitted documents may be required by the Court of Registration.

Particular signature formalities apply to the signing of the above documents, depending on the country in which the document is to be signed. As well, official Hungarian translations of the documents not prepared or issued in Hungarian must be obtained from the official translation agency in Hungary, before the Kft's registration application may be submitted.

The Kft will also be required to register with the tax authorities and the local municipality, as well as the statistical office, for informational purposes. However, after having registered with the Court of Registration, the Kft must complete certain additional forms for filing with the tax authority.

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Important Notice

This overview is for information purposes only. Its contents do not constitute legal advice and it should not be regarded as a substitute for detailed advice in individual cases.

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