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CEE GUIDE

ECOVIS

A PRACTICAL GUIDE FOR INVESTORS AND ENTREPRENEURS

in cross-border transactions across Central and Eastern Europe

3. **M&A & Investment Framework**

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Introduction

Mergers and acquisitions are not a stand-alone strategy, they are a key instrument for executing a company's broader agenda and creating long-term value. Delivering a successful transaction requires more than accurate documentation – it requires comprehensive transaction services supported by business insight, sector expertise and a strong understanding of local markets. This is where Ecovis adds value: international experience rooted in Europe, combined with robust local teams across Central and Eastern Europe.

Through the cooperation and commitment of Ecovis members in the CEE region, we have developed a regional platform for entrepreneurs and investors seeking a reliable partner for transactions in these markets. As part of Ecovis International – a leading global consulting firm originating in Continental Europe – we link cross-border capabilities with on-the-ground knowledge in each jurisdiction.

CEE Guide 2026 – "*Every Move Counts*" reflects our core belief that in transactions, market entry and everyday compliance there are no neutral decisions: each step can either reinforce or weaken the process.

The idea "Every Move Counts" was inspired by the Rubik's Cube. Just like solving the cube, every transaction requires precision, balance and awareness of how one move influences the whole structure.


poland
czech republic
slovakia
croatia

Poland

Market Overview and Investment Context

Poland remains the largest M&A market in Central and Eastern Europe. Its position is supported by EU and NATO membership, a strategic location, a large domestic market and a diversified economy. The industrial, manufacturing, technology, financial services, logistics, consumer and business services sectors all play an important role.

Located at the intersection of major European transport routes and supply chains, Poland attracts strategic investors, regional consolidators and private equity funds pursuing growth strategies across the CEE region.
The Polish M&A market is driven primarily by transactions involving private companies. Typical targets include family-owned businesses, founder-led companies, subsidiaries of international groups and businesses seeking capital for further growth, succession or international expansion.

The limited liability company, or sp. z o.o., remains the most common legal form for conducting business. Larger enterprises often operate as joint-stock companies, particularly where they have a broader shareholder base, conduct regulated activities or access capital markets. Polish law also provides for the simple joint-stock company, or P.S.A., designed as a more flexible structure for start-ups, technology companies and businesses financed by venture capital funds.

The principal legal framework governing M&A transactions includes the Commercial Companies Code, the Civil Code, the Competition and Consumer Protection Act, the Act on the Control of Certain Investments, tax legislation, the Labour Code, capital markets regulations and sector-specific laws.
From an investor's perspective, Poland is a mature and commercially significant market. Transaction execution, however, requires careful management of corporate, regulatory, tax and procedural requirements.
Depending on the target's profile, the transaction structure and the investor's origin, the process may require corporate approvals, filings with the National Court Register, updates to beneficial ownership information, merger control clearance, foreign investment screening or sector-specific authorisations.
As in other CEE markets, the success of a transaction depends on combining international M&A standards with precise consideration of local legal, tax and regulatory requirements.

Transaction Structures and Deal Mechanics

A share deal is one of the most common transaction structures used in Poland. Under this model, the buyer acquires shares in a limited liability company or a joint-stock company, while the target continues to operate as the same legal entity.

From an operational perspective, this is generally an efficient solution. Contracts, employees, licences, permits and commercial relationships remain with the target, unless change-of-control clauses, contractual restrictions or specific regulatory requirements apply.
At the same time, the buyer acquires the company together with its entire legal, tax, employment, regulatory and commercial history. Thorough due diligence and appropriately structured contractual protections are therefore essential.

In the case of a limited liability company, the review should cover the articles of association, shareholder arrangements, restrictions on the transfer of shares, rights of first refusal or pre-emption rights, consent requirements, management authority and any pledges, usufructs or other encumbrances over the shares.
Depending on the provisions of the articles of association, a share transfer may require the consent of the company or the relevant corporate body.

The transfer of shares in a limited liability company generally requires written form with signatures certified by a notary. The ownership change should also be reflected in the share register, beneficial ownership records and, where required, the National Court Register.
In non-listed joint-stock companies, shares are generally recorded in an electronic shareholders' register maintained by an authorised entity. The transfer process should therefore take account of the applicable registration requirements and the point at which the transfer becomes effective.
An asset deal offers an alternative structure. Under this model, the buyer acquires selected assets, an enterprise or an organised part of an enterprise without acquiring the legal entity itself.
This structure may be suitable where the investor intends to acquire a specific production facility, real estate, equipment, contracts, intellectual property rights, customer relationships or a separate business line.
An asset deal allows the parties to define the transaction perimeter more precisely, but it is usually

more complex to implement. Individual contracts, licences, permits, real estate and intellectual property rights may require separate transfer procedures, third-party consents or new registrations.
Where the transaction results in the transfer of an undertaking or part of an undertaking, employment relationships may transfer to the buyer by operation of law.

Polish law also provides for mergers, divisions, transformations and other forms of corporate reorganisation. These instruments are used in group restructurings, pre-sale carve-outs, post-acquisition integration and preparations for the disposal of a business.
A typical Polish M&A process follows international market practice. It usually involves signing a non-disclosure agreement, providing a teaser or information memorandum, submitting a non-binding offer, conducting due diligence, negotiating transaction documentation, signing the agreement, satisfying conditions precedent and completing the transaction.
Larger transactions frequently use locked-box or completion accounts mechanisms, representations and warranties, indemnities, escrow accounts, holdbacks, deferred payments and earn-out structures.

Due Diligence and Key Risk Areas

Due diligence is one of the most important stages of the M&A process. Its purpose extends beyond identifying risks. The findings should directly influence the valuation, transaction structure, conditions precedent, scope of representations and warranties, indemnities, liability caps and post-closing actions.
Corporate due diligence should confirm the company's legal existence and status, ownership structure, share capital, articles of association and the authority of its management bodies.
The review should also cover historical transfers of shares, corporate resolutions, powers of attorney, shareholder arrangements and any encumbrances over ownership rights.
It is also important to compare the information disclosed in the National Court Register, corporate records, shareholder registers and beneficial ownership records with the actual ownership and control structure of the business.
Tax and financial due diligence should cover corporate income tax, VAT, withholding tax, transfer pricing, related-party transactions, tax audits, public liabilities, financing arrangements, subsidies, grants, off-balance-sheet liabilities and hidden debt.

In international groups, particular attention should be paid to intra-group financing, management fees, intellectual property licensing, cash pooling and transfer pricing documentation.
Tax rulings, the ability to utilise tax losses, mandatory disclosure obligations and potential risks arising from historical tax settlements may also be relevant.

Employment due diligence should cover employment contracts, management agreements, civil-law contracts, bonus and incentive schemes, working time, holiday liabilities, non-compete obligations, employment disputes, collective arrangements, trade unions and social security compliance.

In manufacturing, logistics, retail and construction businesses, particular attention should be paid to shift work, temporary employment, occupational health and safety, working time records and the classification of individuals engaged under civil-law contracts or self-employment arrangements.

Where the target owns or leases real estate, the review should cover title, mortgages, easements, lease agreements, zoning, building and occupancy permits, access rights and environmental matters.
It should also confirm whether the actual use of the property is consistent with the relevant planning and construction documentation.

In industrial, energy, logistics, chemical and waste management businesses, material risks may arise from environmental permits, emissions, waste handling, soil contamination and historical environmental liabilities.
Regulatory due diligence should address licences, concessions, sector-specific permits, change-of-control clauses, data protection, anti-money laundering, sanctions, cybersecurity, public procurement and state aid.

Typical red flags include incomplete corporate documentation, discrepancies in register data, unclear beneficial ownership, undocumented related-party transactions, tax exposures, insufficient transfer pricing documentation, non-transferable permits, unresolved real estate issues, inadequate compliance procedures and contracts requiring consent upon a change of control.

Regulatory Framework: FDI, Merger Control and Sector Approvals

Regulatory analysis should begin at an early stage of the process. In Poland, the principal areas requiring review are foreign investment screening, merger control and sector-specific approvals.
The foreign investment control regime is based on the Act on the Control of Certain Investments. It applies to specified transactions involving protected entities and activities relevant to public security, public order or public health.
The rules are particularly important in strategic sectors such as energy, critical infrastructure, digital and IT technologies, defence, pharmaceuticals and healthcare.

The scope of the analysis depends, among other factors, on the status of the target company, the investor's origin, the transaction structure and the level of control or influence to be acquired.

The review should cover the investor's identity, ownership structure, country of origin, the target's business activity, the rights to be acquired and whether the investment results in control, significant participation or another form of material influence.

Merger control is administered by the President of the Office of Competition and Consumer Protection under the Competition and Consumer Protection Act.

A concentration generally requires notification where the combined worldwide turnover of the participating undertakings exceeded EUR 1 billion in the preceding financial year or their combined turnover in Poland exceeded EUR 50 million.

The application of these thresholds remains subject to statutory exemptions and specific turnover calculation rules.

A notifiable transaction must not be implemented before clearance has been obtained. Regulatory requirements should therefore be reflected in the conditions precedent, long-stop date, cooperation obligations and the allocation of regulatory risk between the parties.

The transaction timetable should also account for the possibility of an extended review where the concentration raises competition concerns, requires a market investigation or involves complex market definitions.

Additional approvals may be required in regulated sectors, including banking, insurance, payment and investment services, energy, telecommunications, media, healthcare, pharmaceuticals, transport, defence, gambling, waste management, aviation and infrastructure.

The acquisition or increase of a qualifying holding in a regulated financial institution may require approval from the Polish Financial Supervision Authority or an appropriate notification.

In asset transactions, a key issue is whether the licences, concessions, permits and administrative decisions required to operate the business can be transferred. Where transfer is not permitted, the buyer may need to obtain new authorisations before commencing or continuing operations.

Documentation, Closing and Investor Takeaways

Transaction documentation in Poland generally follows international M&A standards, but must be adapted to domestic corporate law, formal requirements and the practice of courts, registers and public authorities.

At the preliminary stage, the parties typically use non-disclosure agreements, teasers, information memoranda, process letters, letters of intent, term sheets and exclusivity agreements. Most provisions are non-binding, although confidentiality, exclusivity, costs, governing law, jurisdiction and negotiation conduct are often binding.

The principal transaction document is usually a share purchase agreement or an asset purchase agreement. Minority investments may also involve an investment agreement and a shareholders' agreement.

Key provisions typically address the purchase price, adjustment mechanisms, locked-box or completion accounts, conditions precedent, representations and warranties, indemnities, liability caps, covenants, non-compete and non-solicitation obligations, closing mechanics, post-closing obligations and dispute resolution.

Closing formalities may include notarial certification, corporate approvals, filings with the National Court Register, updates to shareholder and beneficial ownership records, regulatory clearances, certified translations, banking documentation and changes to management or supervisory bodies.

Documents submitted to Polish courts, registers and public authorities generally need to be prepared in Polish or accompanied by an appropriate translation. Foreign documents may also require an apostille or legalisation.

Tax structuring should be considered at an early stage. The choice between a share deal and an asset deal may affect VAT, corporate income tax, tax on civil law transactions, withholding tax, real estate taxation, depreciation, financing costs, transfer pricing, tax losses and exposure to historical liabilities.

Employment matters are particularly important in asset deals. Where the transferred business constitutes an undertaking or part of an undertaking, employment relationships may transfer to the buyer by operation of law.

Transaction disputes most often concern representations and warranties, indemnities, purchase price adjustments, earn-outs, non-compete obligations and post-closing settlements. Larger transactions frequently provide for arbitration, while accounting disputes may be referred to an independent expert.

Poland remains the largest and one of the most diversified M&A markets in Central and Eastern Europe. Successful execution, however, depends on early regulatory analysis, thorough due diligence, appropriate tax structuring and disciplined closing.

Combining these elements with international M&A standards helps protect investment value, improve deal certainty and reduce execution risk.

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Czech Republic

Market Overview and Investment Context

The Czech Republic is one of the most established M&A markets in Central and Eastern Europe. Its industrial base, strong manufacturing tradition, proximity to Germany and Austria, developed infrastructure and EU membership mak Contracts, employees, real estate, licences, permits and IP rights may require separate transfer steps, third-party consents or new registrationse it a natural destination for strategic investors, private equity funds and regional consolidators.

The Czech M&A market is mainly private-company driven. Most transactions involve privately held companies, family-owned businesses, subsidiaries of international groups or founder-led companies. The most common corporate form for operating businesses is the limited liability company, known as s.r.o. Larger businesses may operate as joint-stock companies, or a.s., especially where there is a broader shareholder base, more complex governance structure or capital markets angle.

The main legal framework for M&A transactions includes the Civil Code, the Business Corporations Act, competition law, tax legislation, employment law, sector-specific regulations and the Act on the Screening of Foreign Investments, which introduced the Czech FDI screening regime from 1 May 2021. See our article on this Czech FDI legislation.

From an investor's perspective, the Czech Republic is a mature and predictable market, but transaction execution remains formal. Depending on the target and structure, the process may require notarial involvement, Commercial Register filings, corporate approvals, beneficial ownership updates, merger control clearance, FDI approval or sector-specific notifications. As in other CEE jurisdictions, the safest transactions combine international M&A standards with precise local legal, tax and regulatory execution.

Transaction Structures and Deal Mechanics

The most common transaction structure in the Czech Republic is a share deal. The buyer acquires shares or ownership interests in the target company, while the company continues its business as the same legal entity. This structure is usually efficient from an operational perspective because contracts, employees, permits and commercial relationships generally remain with the target, unless specific change-of-control clauses apply. The key risk is that the buyer also acquires the company's legal, tax, employment, regulatory and commercial history.

In the case of an s.r.o., share transfers must be reviewed against the company's articles of association, shareholders' arrangements, pre-emption rights, consent requirements and any encumbrances over the ownership interest. In practice, officially certified signatures on the share purchase agreement, corporate approvals and Commercial Register updates are required. Notarial deeds are generally not required for the transfer agreement itself unless explicitly stipulated by the company's articles of association.

An alternative structure is an asset deal, where the buyer acquires selected assets, an enterprise or a business line. This structure is useful when the investor wants to acquire a production facility, technology, real estate, customer portfolio, contracts, IP rights or a defined part of the business without taking over the entire legal entity. Asset deals allow for more precise definition of the transaction perimeter, but they are usually more complex to implement. Contracts, employees, real estate, licences, permits and IP rights may require separate transfer steps, third-party consents or new registrations.

For a detailed comparison of the legal and tax implications between acquiring individual assets and purchasing an active business unit, please refer to this comprehensive guide on the asset deal and sale of a business enterprise in the Czech Republic.

Czech law also allows mergers, divisions, demergers, spin-offs, transformations and other corporate reorganisations. These tools are frequently used in group restructurings, pre-sale carve-outs, post-acquisition integration or preparation of a business for disposal.

A typical Czech M&A process follows international practice: NDA, teaser or information memorandum, non-binding offer, due diligence, negotiation of SPA or APA, signing, satisfaction of conditions precedent and closing. Larger transactions often use locked-box or completion accounts mechanisms, representations and warranties, indemnities, escrow, holdback, deferred payments or earn-out structures.

Due Diligence and Key Risk Areas

Due diligence in the Czech Republic is a key stage of the transaction process. Its role is not only to identify risks, but also to translate those risks into valuation, transaction structure, conditions precedent, warranties, indemnities, liability caps and post-closing actions.
Corporate due diligence should confirm the target's existence, good standing, ownership structure, registered capital, articles of association, management authority, historical transfers of shares or ownership interests, corporate approvals, powers of attorney, shareholder arrangements and any encumbrances. Investors should pay particular attention to consistency between the Commercial Register, corporate files, shareholder records and actual control structure.
Tax and financial due diligence should cover corporate income tax, VAT, withholding tax, transfer pricing, related-party transactions, public liabilities, tax audits, subsidies, grants, off-balance sheet liabilities and hidden debt. In international groups, intra-group financing, management fees, licensing arrangements, cash pooling and transfer pricing documentation often require detailed review.

Employment due diligence should analyse employment contracts, management agreements, contractor arrangements, bonus schemes, working time, holiday liabilities, non-compete undertakings, disputes, collective arrangements, trade unions and social security compliance. In manufacturing and industrial businesses, special attention should be paid to working time, health and safety, agency workers and collective employment arrangements.

Where the target owns or leases real estate, due diligence should verify title, easements, mortgages, leases, zoning, building permits, occupancy permits and environmental issues. For industrial, logistics,fv energy, waste management or chemical businesses, environmental permits, emissions, waste handling and historical contamination may be material.

Regulatory due diligence should cover licences, permits, sector authorisations, change-of-control clauses, data protection, AML, sanctions, cybersecurity and public procurement. Typical local red flags include incomplete corporate documentation, outdated register data, unclear beneficial ownership, undocumented related-party transactions, tax exposures, weak transfer pricing files, non-transferable licences, insufficient compliance procedures and contracts requiring consent upon change of control.

Regulatory Framework: FDI, Merger Control and Sector Approvals

Regulatory analysis should be carried out at the beginning of the transaction. In the Czech Republic, the key areas are FDI screening, merger control and sector-specific approvals.
The Czech FDI regime applies to foreign investments by non-EU investors in certain sensitive sectors. Mandatory prior approval may be required where the investment concerns areas such as defence, dual-use goods, critical infrastructure, selected information systems or other activities relevant to security and public order. The Czech Ministry of Industry and Trade is the central authority for FDI screening. The review of non-risky investments generally takes 90 days, while risk-prone cases involving Government discussion may take 135 days, with possible extensions in complex situations.

Merger control is handled by the Czech Office for the Protection of Competition. Czech merger control is governed by the Act on the Protection of Competition (Act No. 143/2001 Coll.), and the Office is the authority responsible for enforcing the merger control rules.

A concentration is generally notifiable if the turnover thresholds are met. The standard thresholds as per the Act on the Protection of Competition include situations where the combined net turnover of the parties in the Czech market exceeds CZK 1.5 billion and at least two parties each achieved Czech turnover exceeding CZK 250 million. Alternative thresholds may also apply depending on the turnover of the target, acquirer or joint venture parties. A 2026 legislative proposal has discussed increasing these thresholds to CZK 2.5 billion and CZK 350 million, but unless and until the amendment is adopted and effective, transactions should be assessed against the binding rules in force at the relevant time.

Sector-specific approvals may be relevant in banking, insurance, payment services, energy, telecommunications, media, healthcare, pharmaceuticals, transport, defence, gambling, waste management, public procurement, real estate and regulated infrastructure. In asset deals, a critical issue is whether licences and permits are transferable. If not, the buyer may need to obtain new approvals before operating the acquired business.

Documentation, Closing and Investor Takeaways

Czech transaction documentation generally follows international M&A standards, but must be adapted to local corporate law, formal requirements and filing practice. At the preliminary stage, parties usually use NDAs, teasers, information memoranda, process letters, letters of intent, term sheets or exclusivity agreements. Most preliminary provisions are non-binding, but confidentiality, exclusivity, costs, governing law, jurisdiction and negotiation conduct are often binding.

The main transaction document is usually a share purchase agreement or an asset purchase agreement. In minority investments, parties may also use an investment agreement and shareholders' agreement. Key provisions include purchase price, price adjustment, locked-box or completion accounts, conditions precedent, representations and warranties, indemnities, liability caps, covenants, non-compete, non-solicit, closing mechanics, post-closing obligations and dispute resolution.

Local formalities may include officially certified signatures, notarial deeds, corporate approvals, Commercial Register filings, beneficial ownership updates, regulatory clearances, apostille or legalisation, certified translations, banking documents and management changes. Documents submitted to Czech authorities generally need to be in Czech or accompanied by an appropriate translation.

Tax structuring should be considered early. The choice between share deal and asset deal may affect VAT, corporate income tax, withholding tax, real estate transfer considerations, depreciation, financing costs, use of tax losses and exposure to historical liabilities. Employment issues are also important, especially in asset deals where employee transfer rules may apply if the transferred business constitutes an economic unit.
Transaction disputes most often concern warranty claims, indemnities, purchase price adjustments, earn-outs, non-compete obligations or post-closing settlements. Larger transactions may use arbitration, while accounting disputes are often referred to expert determination.

The key investor takeaway is clear: the Czech Republic is a mature, industrially strong and transaction-friendly CEE market, but successful execution depends on local precision. risk.

A safe transaction should combine international M&A documentation standards with reliable due diligence, early regulatory analysis, proper tax structuring and disciplined closing formalities. This combination protects deal value and reduces execution

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Slovakia

Market Overview and Investment Context

Slovakia is a mature M&A market in Central Europe, underpinned by its membership in the European Union and the eurozone, a strong industrial base and a strategic location between Austria, the Czech Republic, Poland, Hungary and Ukraine. Key sectors include automotive manufacturing, electronics, shared services and logistics. The country's close integration into European supply chains continues to attract strategic investors, regional consolidators and private equity funds.

M&A activity in Slovakia is driven primarily by transactions involving private companies. Typical targets include privately held and family-owned businesses, subsidiaries of international groups and founder-led companies. The most common legal form for operating businesses is the limited liability company, known as an "s. r. o." Larger enterprises may operate as joint-stock companies, or "a. s." Slovakia also recognizes the simple joint-stock company, a structure frequently used for venture capital investments and start-ups.

The principal legal framework governing M&A transactions comprises the Commercial Code, the Civil Code, the Act on Transformations of Companies and Cooperatives, the Competition Act, tax legislation, the Labor Code, sector-specific regulations and the Act on the Screening of Foreign Investments. Slovakia's comprehensive foreign investment screening regime entered into force on 1 March 2023, with the Ministry of Economy designated as the competent authority.
From an investor's perspective, Slovakia offers a structured and relatively predictable environment. Transaction execution, however, remains procedurally formal. Depending on the target company and transaction structure, the process may involve notarial certification, filings with the Commercial Register, corporate approvals, updates to beneficial ownership information, merger control clearance, FDI screening or sector-specific authorizations.

As in other CEE jurisdictions, successful transactions require international M&A standards to be combined with precise local execution. Documents submitted to Slovak authorities must be prepared in Slovak or accompanied by a certified translation. Foreign documents may also require an apostille or legalization.

Transaction Structures and Deal Mechanics

A share deal is one of the most common transaction structures used in Slovakia. Under this model, the buyer acquires shares or equity interests in the target, while the company continues to operate as the same legal entity. From an operational perspective, this structure is generally efficient, as contracts, employees, permits and business relationships remain with the target, unless change-of-control provisions or specific regulatory requirements apply.

The principal risk is that the buyer also assumes the target company's legal, tax, employment, regulatory and commercial history. In the case of an equity interest transfer in an "s. r. o.", signatures generally require official certification, while certain transactions may also require a notarial deed. The transfer typically becomes effective vis-à-vis third parties upon registration of the ownership change in the Commercial Register.
For an "s. r. o.", the review should cover the articles of association, shareholder arrangements, restrictions on transfers, pre-emption rights, consent requirements, management authority and any encumbrances over the ownership interest. The public Commercial Register, including the Collection of Deeds, provides access to key corporate documents and represents an important source of information for corporate due diligence.
Where Slovak law requires officially certified signatures, this requirement may apply to selected corporate documents and filings. Recent legislative changes also affect Commercial Register procedures and the related provisions of the Commercial Code.

An asset deal offers an alternative structure. In this model, the buyer acquires selected assets, an enterprise or a defined business line. It may be particularly suitable where the investor intends to acquire a production facility, technology, real estate, contracts, intellectual property rights, customer relationships or another specified part of the business without taking over the entire legal entity.
Although an asset deal allows the parties to define the transaction perimeter more precisely, it is usually more complex to implement. Contracts, employees, real estate, licenses, permits and intellectual property rights may require separate transfer procedures, third-party consents or new registrations. The transferability of permits and licenses is therefore a critical issue. Where a transfer is not possible, the buyer must obtain new authorizations before commencing operations.

Slovak law also provides for mergers, divisions, spin-offs, transformations and other forms of corporate reorganization. These mechanisms are commonly used in group restructurings, pre-sale carve-outs, post-acquisition integration and preparations for the disposal of a business.

A typical Slovak M&A process follows international market practice. It usually includes an NDA, a teaser or information memorandum, a non-binding offer, due diligence, negotiation of the SPA or APA, signing, satisfaction of conditions precedent and closing.

Larger transactions often incorporate locked-box or completion accounts mechanisms, representations and warranties, indemnities, escrow arrangements, holdbacks, deferred payments or earn-out structures.

Due Diligence and Key Risk Areas

Due diligence is a central stage of the Slovak M&A process. Its role extends beyond identifying potential risks. The findings should also be reflected in the valuation, transaction structure, conditions precedent, representations and warranties, indemnities, liability caps and post-closing actions.

Corporate due diligence should confirm the target's legal existence, good standing, ownership structure, registered capital, articles of association and management authority. The review should also cover historical transfers of ownership interests or shares, corporate approvals, powers of attorney, shareholder arrangements and any encumbrances.

Investors should verify that the information recorded in the Commercial Register and the Collection of Deeds is consistent with the shareholder documentation and the actual control structure of the business. Beneficial ownership records should also be reviewed to confirm that they are accurate and up to date, together with any obligations to update them following completion of the transaction.

Tax and financial due diligence should examine corporate income tax, VAT, withholding tax, transfer pricing, related-party transactions, public liabilities, tax audits, subsidies, grants, off-balance-sheet liabilities and hidden debt. In international groups, particular attention is often required in relation to intra-group financing, management fees, intellectual property licensing, cash pooling and transfer pricing documentation.

The VAT treatment should also be considered when selecting the transaction structure. The sale of an enterprise or a separate organizational unit may fall outside the scope of VAT as a transfer of a going concern. By contrast, the sale of individual assets is generally subject to VAT, while a share deal does not usually trigger VAT.

Employment due diligence should cover employment contracts, management agreements, contractor r arrangements, bonus schemes, working time, holiday liabilities, non-compete obligations, disputes, collective arrangements, trade unions and social security compliance. In automotive, manufacturing and industrial businesses, the review should place particular emphasis on shift work, agency workers, occupational health and safety, collective employment arrangements and employee transfer issues.

Where the target owns or leases real estate, due diligence should verify title, easements, mortgages, leases, zoning, building permits, occupancy permits and environmental matters. In industrial, logistics, energy, waste management and chemical businesses, environmental permits, emissions, waste handling and historical contamination may represent material risks.

It is essential to verify ownership rights and claims recorded in the Real Estate Cadastre, as well as the consistency of building permits with the actual condition and use of the property.

Regulatory due diligence should address licenses, permits, sector-specific authorizations, change-of-control clauses, data protection, AML requirements, sanctions, cybersecurity and public procurement matters.

Typical local red flags include incomplete corporate documentation, outdated register data, unclear beneficial ownership, undocumented related-party transactions, tax exposures, insufficient transfer pricing documentation, non-transferable licenses, inadequate compliance procedures and contracts requiring consent in the event of a change of control.

Regulatory Framework: FDI, Merger Control and Sector Approvals

Regulatory analysis should begin at an early stage of the transaction. In Slovakia, the principal areas requiring review are foreign direct investment screening, merger control and sector-specific approvals.

Slovakia's FDI regime applies to certain direct and indirect investments by foreign investors in Slovak target companies. Its purpose is to protect security and public order in Slovakia and across the European Union. The Ministry of Economy is responsible for the screening process and may rely on information provided by other public authorities, including the police and intelligence services where relevant.

In practice, FDI screening may apply to investments involving critical infrastructure, defense, dual-use goods, energy, cloud services, healthcare, industrial activities, data, cybersecurity and other sensitive sectors. According to 2026 market commentary, cloud services, healthcare and industrial or manufacturing activities

were among the sectors most frequently reviewed under the Slovak FDI regime. Voluntary screening proceedings for non-critical investments lasted approximately 60 days on average.
Merger control is administered by the Antimonopoly Office of the Slovak Republic under the Competition Act. The Office is generally responsible for reviewing concentrations that meet the applicable turnover thresholds. Slovak merger control currently relies on objective turnover criteria, although there have been discussions concerning the introduction of a call-in mechanism for transactions falling below those thresholds.
A notifiable concentration must not be implemented before clearance is obtained. Merger control requirements should therefore be reflected in the conditions precedent, long-stop date, cooperation covenants and contractual allocation of regulatory risk.

Sector-specific approvals may be required in banking, insurance, payment services, energy, telecommunications, media, healthcare, pharmaceuticals, transport, defense, gambling, waste management, public procurement, real estate and regulated infrastructure.

In regulated financial sectors, including banking, insurance, securities and payment services, the acquisition of a qualifying holding requires prior approval. The applicable thresholds are generally harmonized and may include 10%, 20%, approximately 33% and 50% of voting rights, as well as the acquisition of control.

In asset transactions, a key issue is whether the relevant licenses and permits can be transferred. Where transfer is not permitted, the buyer may need to obtain new authorizations before commencing operations.

Individual licenses and concessions in the telecommunications and energy sectors may also be non-transferable. Following an asset deal, continued operation will therefore usually require a new authorization or formal consent to the transfer.
Public sector contracts and concession arrangements frequently contain change-of-control provisions requiring prior consent from the contracting authority, service provider or licensing authority.

Documentation, Closing and Investor Takeaways

Transaction documentation in Slovakia generally follows international M&A standards, but it must be aligned with local corporate law, formal requirements and filing procedures.
At the preliminary stage, the parties typically use NDAs, teasers, information memoranda, process letters, letters of intent, term sheets and exclusivity agreements. Most provisions included in these documents are non-binding. However, clauses relating to confidentiality, exclusivity, costs, governing law, jurisdiction and the conduct of negotiations are often intended to be binding.

The principal transaction document is usually a share purchase agreement or an asset purchase agreement. Minority investments may also involve an investment agreement and a shareholders' agreement. Core contractual provisions typically address the purchase price, price adjustment mechanisms, locked-box or completion accounts, conditions precedent, representations and warranties, indemnities, liability caps, covenants, non-compete and non-solicitation obligations, closing mechanics, post-closing obligations and dispute resolution.
Local closing formalities may include officially certified signatures, notarial deeds, corporate approvals, filings with the Commercial Register, beneficial ownership updates, regulatory clearances, apostille or legalization, certified translations, banking documentation and changes to the management bodies. Documents submitted to Slovak authorities generally need to be prepared in Slovak or accompanied by an appropriate translation.
Tax structuring should be addressed at an early stage. The choice between a share deal and an asset deal may affect VAT, corporate income tax, withholding tax, real estate-related tax matters, depreciation, financing costs, transfer pricing, the use of tax losses and exposure to historical liabilities.
Employment matters also require careful consideration, particularly in asset deals. Employee transfer rules may apply where the transferred business constitutes an economic unit.
Transaction disputes most frequently concern warranty claims, indemnities, purchase price adjustments, earn-outs, non-compete obligations and post-closing settlements. Larger transactions may provide for arbitration, while accounting-related disputes are often resolved through expert determination.
For investors, the conclusion is clear. Slovakia is a strategically located and industrially strong M&A market in Central and Eastern Europe, but effective transaction execution requires close attention to local requirements. A well-structured process should combine international M&A documentation standards with robust due diligence, early regulatory analysis, appropriate tax structuring and disciplined closing procedures. This approach helps preserve transaction value and reduce execution risk.

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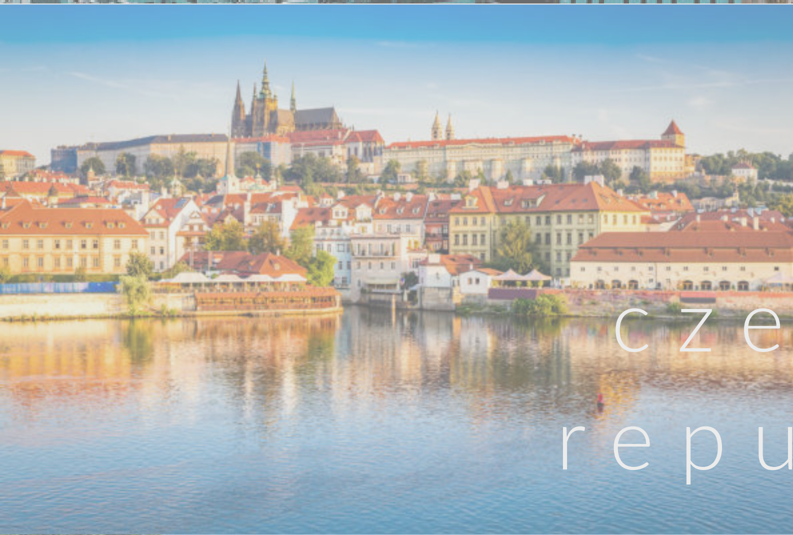


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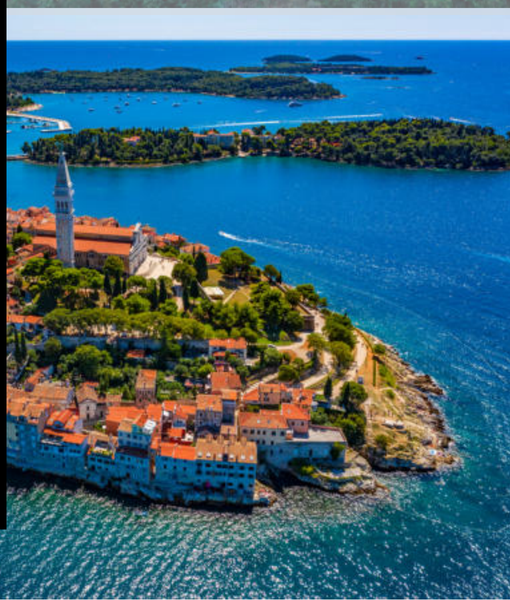

croatia

Croatia

Market Overview and Investment Context

Croatia is becoming an increasingly relevant M&A market in South-Eastern Europe. Its membership in the European Union and the eurozone, Adriatic location, strong tourism sector, infrastructure connections, industrial base and expanding technology and services ecosystem continue to attract strategic investors, regional consolidators and private equity funds focused on the broader CEE and Adriatic region.

The Croatian M&A market is driven primarily by private-company transactions. Typical targets include privately held and family-owned businesses, subsidiaries of international groups and founder-led companies.
The most common legal form for operating businesses is the limited liability company, or d.o.o., which remains the predominant corporate structure in Croatia. Larger enterprises may operate as joint-stock companies, known as d.d., particularly where they have a broader shareholder base, conduct regulated activities or have a capital markets dimension.

The principal legal framework governing M&A transactions includes the Companies Act, the Civil Obligations Act, the Competition Act, the Labour Act, tax legislation, the Capital Markets Act, the Takeover Act, sector-specific regulations and, under the most recent legislative framework, the Foreign Investment Screening Act.

From an investor's perspective, Croatia offers a structured and increasingly sophisticated market, although transaction execution remains procedurally formal. Depending on the target company and transaction structure, the process may involve notarial participation, filings with the Commercial Court registry, shareholder approvals, beneficial ownership updates, merger control clearance, foreign investment screening or sector-specific authorisations.
The most secure transactions combine international M&A standards with careful and precise local implementation.

Transaction Structures and Deal Mechanics

A share deal is the most common transaction structure in Croatia. Under this model, the buyer acquires shares or business interests in the target, while the company continues to operate as the same legal entity.

From an operational perspective, this structure is generally efficient because contracts, employees, licences and commercial relationships remain with the target, unless specific change-of-control provisions or regulatory requirements apply. The principal risk is that the buyer also assumes the target company's legal, tax, employment, regulatory and commercial history.

Croatian M&A transactions are most frequently structured as share deals, while asset and business transfer transactions are less common.
In the case of a d.o.o., the parties should review the articles of association, shareholder arrangements, restrictions on transfers, pre-emption rights, consent requirements, management authority and any encumbrances over the business interests.

A change of shareholder must be registered with the court registry maintained by the competent commercial court. Where securities are held through the central securities system, the Central Depository & Clearing Company may also play a relevant role.
An asset deal offers an alternative structure. In this model, the buyer acquires selected assets, an enterprise or a defined business line. It may be suitable where the investor intends to acquire real estate, a production facility, contracts, intellectual property rights, customer relationships, equipment or another specified part of the business without taking over the entire company.
Although an asset deal allows the parties to define the transaction perimeter more precisely, it is generally more complex to implement. Contracts, employees, licences, permits, real estate and intellectual property rights may require separate transfer procedures, third-party consents or new registrations.

Croatian law also provides for mergers, divisions, transformations and other forms of corporate reorganisation. These mechanisms are frequently used in group restructurings, pre-sale carve-outs, post-acquisition integration and preparations for the disposal of a business.

A typical Croatian M&A process follows international market practice. It usually includes an NDA, a teaser or information memorandum, a non-binding offer, due diligence, negotiation of an SPA or APA, signing, satisfaction of conditions precedent and closing.
In Croatian private transactions, signing and closing are often separated by an interim period during which the applicable conditions precedent are satisfied.

Due Diligence and Key Risk Areas

Due diligence is a central stage of the Croatian M&A process. Its purpose extends beyond identifying potential risks. The findings should also be reflected in the valuation, transaction structure, conditions precedent, warranties, indemnities, liability caps and post-closing actions.

Corporate due diligence should confirm the target's legal existence, good standing, ownership structure, share capital, articles of association and management authority. The review should also cover historical transfers of shares or business interests, corporate approvals, powers of attorney, shareholder arrangements and any encumbrances.

Investors should pay particular attention to whether the information contained in the court registry, corporate files and shareholder records is consistent with the actual ownership and control structure of the business.
Tax and financial due diligence should examine corporate income tax, VAT, withholding tax, transfer pricing, related-party transactions, public liabilities, tax audits, subsidies, grants, off-balance-sheet liabilities and hidden debt. In group structures, intra-group financing, management fees, intellectual property licensing, cash pooling and transfer pricing documentation often require detailed review.

Employment due diligence should cover employment contracts, management agreements, contractor arrangements, bonus schemes, working time, holiday liabilities, non-compete obligations, disputes, collective arrangements, trade unions and social security compliance.
In tourism, hospitality, retail, construction and other seasonal businesses, particular attention should be paid to fixed-term contracts, seasonal employment, working time and occupational health and safety compliance.
Where the target owns or leases real estate, due diligence should verify title, encumbrances, mortgages, easements, lease terms, zoning, building permits, occupancy permits and environmental matters. Real estate issues are particularly significant in transactions involving tourism assets, hotels, logistics, retail, energy, infrastructure and industrial facilities.

Regulatory due diligence should address licences, permits, sector-specific authorisations, change-of-control clauses, data protection, AML requirements, sanctions, cybersecurity and public procurement matters.

Typical local red flags include incomplete corporate documentation, outdated registry data, unclear beneficial ownership, undocumented related-party arrangements, tax exposures, non-transferable permits, unresolved real estate issues, inadequate compliance procedures and contracts requiring consent in the event of a change of control.

Regulatory Framework: FDI, Merger Control and Sector Approvals

Regulatory analysis should be undertaken at an early stage of the transaction. In Croatia, the principal areas requiring review are foreign investment screening, merger control and sector-specific approvals.
Croatia has introduced a Foreign Investment Screening Act as part of its updated M&A and investment framework. The regime should be considered in transactions involving investors or ownership structures that may fall within the screening rules, particularly where the target operates in a sensitive or strategic sector.
The analysis should cover the investor's identity, ownership chain and country of origin, as well as the target's activities, the level of control or influence to be acquired and whether the transaction concerns assets relevant to security, public order or critical infrastructure. The Foreign Investment Screening Act is listed among the key pieces of Croatian M&A legislation under the 2026 framework.
Merger control is administered by the Croatian Competition Agency. The applicable rules are set out in the Competition Act and related secondary legislation, while specific provisions may apply to concentrations involving media publishers.

Notification is mandatory where the applicable turnover thresholds are met. Concentrations involving printed media publishers may be subject to notification irrespective of turnover.
The standard Croatian merger control thresholds are cumulative. Notification is required where the aggregate worldwide turnover of all parties to the concentration reached at least EUR 132.72 million in the preceding financial year, provided that at least one party has its registered office or a subsidiary in Croatia, and where each of at least two parties generated turnover of at least EUR 13.27 million in Croatia during the same period.

A notifiable concentration must not be implemented before it has been approved or deemed approved by the Croatian Competition Agency. The Agency generally has

30 days from receipt of a complete filing to assess the notification. Failure to notify, or implementation before clearance, may result in financial penalties.

Sector-specific approvals may be required in banking, insurance, payment services, energy, telecommunications, media, healthcare, pharmaceuticals, transport, tourism, gambling, defence, waste management, public procurement, real estate and infrastructure.

In asset transactions, a key issue is whether the relevant licences and permits can be transferred. Where transfer is not possible, the buyer may need to obtain new approvals before continuing the acquired business.

Documentation, Closing and Investor Takeaways

Croatian transaction documentation generally follows international M&A standards, but it must be adapted to local corporate law, formal requirements and filing practice.

At the preliminary stage, the parties typically use NDAs, teasers, information memoranda, process letters, letters of intent, term sheets and exclusivity agreements. Most provisions included in these documents are non-binding. However, clauses relating to confidentiality, exclusivity, costs, governing law, jurisdiction and the conduct of negotiations are often intended to be binding.

The principal transaction document is usually a share purchase agreement or an asset purchase agreement. Minority investments may also involve an investment agreement and a shareholders' agreement.

Core contractual provisions typically address the purchase price, price adjustment mechanisms, locked-box or completion accounts, conditions precedent, representations and warranties, indemnities, liability caps, covenants, non-compete and non-solicitation obligations, closing mechanics, post-closing obligations and dispute resolution.

Local closing formalities may include notarial certification, corporate approvals, filings with the Commercial Court registry, beneficial ownership updates, regulatory clearances, apostille or legalisation, certified translations, banking documentation and changes to management bodies. Documents submitted to Croatian courts, registers or public authorities generally need to be prepared in Croatian or accompanied by an appropriate translation.

Where a company was incorporated while the Croatian kuna was still the official currency, there is no fixed deadline for converting its share capital into euros. The adjustment must, however, be completed upon the first amendment to the deed of incorporation or articles of association, partnership agreement, structural change of the company or change affecting its business shares.

The alignment is not required solely as a result of the transfer or other disposal of a business share. Once undertaken, however, it must cover both the company's share capital and all of its business shares.

Tax structuring should be considered at an early stage. The choice between a share deal and an asset deal may affect VAT, corporate income tax, withholding tax, real estate-related taxes, depreciation, financing costs, transfer pricing, the use of tax losses and exposure to historical liabilities.

Employment matters also require careful consideration, particularly in asset deals. Employee transfer rules may apply where the transferred business constitutes an economic unit.

Transaction disputes most frequently concern warranty claims, indemnities, purchase price adjustments, earn-outs, non-compete obligations and post-closing settlements. Larger transactions may provide for arbitration, while accounting-related disputes are often referred to expert determination.

For investors, the conclusion is clear. Croatia is an attractive M&A market within the Adriatic and wider CEE region, with strong opportunities in tourism, infrastructure, energy, services and industry. Successful execution, however, depends on precise local implementation.

A well-structured transaction should combine international M&A documentation standards with robust due diligence, early regulatory analysis, appropriate tax structuring and disciplined closing procedures. This approach helps preserve transaction value and reduce execution risk.

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Market Overview and Investment Context

Lithuania is an attractive investment destination in Central and Eastern Europe, supported by its membership in the European Union and NATO, strategic location, well-developed infrastructure and strong technology, manufacturing and financial services sectors.

The Lithuanian M&A market is driven predominantly by private-company transactions, most commonly involving private limited liability companies, or UABs. Typical targets include privately held and family-owned businesses, subsidiaries of international groups and growth companies seeking strategic or financial investment.

The principal legal framework governing M&A transactions includes the Lithuanian Civil Code, the Law on Companies, the Law on Competition, tax and employment legislation, sector-specific regulations and national security screening rules.

Lithuania provides investors with a transparent and efficient legal environment. Depending on the transaction structure and the sector in which the target operates, the process may require regulatory approvals, notarial formalities and corporate filings.

Management Structure

For foreign investors, the management structure in Lithuania is relatively flexible but legally well-defined. In both the private limited liability company (UAB) and the public limited liability company (AB), the general meeting of shareholders is the highest decision-making body. Day-to-day management and external representation are entrusted to the company manager, who acts as the mandatory single-person executive body. Lithuanian law does not recognise a joint CEO model (i.e. co-CEOs acting collectively as a single executive body), which results in a more centralised executive structure compared to some other jurisdictions.

At the same time, companies may establish additional collegial bodies, such as a management board and/or supervisory board, to strengthen governance, strategic oversight and internal control.The management board is a collegial body composed of natural persons (at least three members), typically appointed for a four-year term, responsible for key strategic and operational decisions, including the appointment and dismissal of the CEO, approval of significant transactions and eoversight of company performance and compliance. The supervisory board, where established, performs a higher-level oversight function.

From a liability perspective, the CEO is primarily responsible for day-to-day management and operational compliance, while the board (and supervisory board, where applicable) is responsible for strategic decision-making and oversight; board members and managers ar

Transaction Structures and Deal Mechanics

A share deal is the most common transaction structure in Lithuania. Under this model, the buyer acquires shares in the target company, while the business continues to operate through the same legal entity.

In the case of a UAB, a share transfer typically requires a share purchase agreement, updates to shareholder documentation and, where applicable, filings with the relevant registers.

An asset deal provides an alternative structure. In this model, the buyer acquires selected assets or a business without acquiring the legal entity itself. Although this approach offers greater flexibility in defining the transaction perimeter, it often requires separate transfers of assets, contracts, licences and other rights.

Lithuanian law also permits mergers, divisions and other forms of corporate reorganisation. These mechanisms are commonly used in restructurings and post-acquisition integration projects.

Transaction processes generally follow international M&A practice and may be subject to merger control, national security assessment or sector-specific regulatory approvals.

Due Diligence and Key Risk Areas

Due diligence is a critical stage of every M&A transaction. Its findings should be reflected in the valuation, transaction structure, contractual protections and post-closing actions.

Corporate due diligence should confirm the target company's legal status, ownership structure, corporate

Lithuania

governance arrangements, shareholder agreements and any encumbrances over its shares. Particular attention should be paid to discrepancies between internal corporate records and information disclosed in public registers.
Tax and financial due diligence should assess tax compliance, transfer pricing, public liabilities, financing arrangements, grants and subsidies, as well as any potential undisclosed liabilities.

Employment due diligence should cover key employment and management arrangements, employee benefits, disputes, social security compliance and the use of contractors.
Where the target owns or leases real estate, the review should verify ownership rights, encumbrances, lease arrangements, permits and environmental risks. Environmental permits and compliance matters may be particularly significant in industrial and regulated sectors.
Regulatory due diligence should address licences, permits, sector-specific requirements, data protection, anti-money laundering obligations, sanctions and cybersecurity compliance. In asset deals, particular attention should be paid to whether licences and permits can be transferred to the buyer.

Regulatory Framework: Security Assessment, Merger Control and Sector Approvals

Regulatory analysis should be undertaken at an early stage of the transaction. In Lithuania, the principal considerations are national security assessment, merger control and sector-specific approvals.
Lithuania operates a national security assessment regime under the Law on the Protection of Objects Important for Ensuring National Security. The regime may apply to transactions involving strategic sectors, critical infrastructure or other assets considered important to national security.

The assessment generally examines the investor's ownership structure and background, as well as the level of influence or control to be acquired through the transaction.
Merger control is administered by the Lithuanian Competition Council. A concentration must generally be notified where the combined turnover generated in Lithuania by the undertakings concerned exceeds EUR 20 million and at least two of those undertakings each generate turnover in Lithuania exceeding EUR 2 million.

A notifiable transaction may not be implemented before clearance has been obtained. The Competition Council may also require notification of certain transactions that fall below the statutory thresholds.
Sector-specific approvals may be required in regulated industries, including financial services, energy, transport, telecommunications, healthcare, pharmaceuticals, gambling, defence and certain infrastructure sectors.
Depending on the applicable regulatory framework, the acquisition or increase of a qualifying holding, a significant ownership interest or control may require prior approval from, or notification to, the competent authority.

Documentation, Closing and Investor Takeaways

Lithuanian transaction documentation generally follows international M&A standards. The principal transaction document is typically a share purchase agreement or an asset purchase agreement. Depending on the nature of the investment, the parties may also enter into an investment agreement or a shareholders' agreement.
Transaction documents commonly regulate the purchase price, conditions precedent, representations and warranties, indemnities, limitations of liability, closing mechanics and post-closing obligations.
Local formalities may include notarisation, regulatory clearances, register filings and updates to shareholder and beneficial ownership information. Certain documents may need to be prepared in Lithuanian or accompanied by certified translations.
Tax and employment considerations should be assessed at an early stage, particularly where the transaction is structured as an asset deal.
Lithuania offers a transparent and investor-friendly M&A environment. Successful execution depends on careful planning, thorough due diligence and effective management of regulatory and closing requirements.

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Hungary

Market Overview and Investment Context

Hungary is an important M&A market in Central and Eastern Europe. Its attractiveness is supported by EU membership, a central geographic location, a developed industrial base and strong automotive, electronics, logistics, energy and services sectors. The country also benefits from a significant presence of international investors. Its role in regional manufacturing and supply chains continues to attract strategic investors, private equity funds and groups pursuing consolidation strategies across CEE.

The Hungarian M&A market is driven primarily by private-company transactions. Typical targets include privately held businesses, founder-led and family-owned companies, subsidiaries of international groups and industrial businesses.
The most common legal form for operating companies is the limited liability company, or Kft. Larger businesses may operate as private companies limited by shares, known as Zrt., while public companies limited by shares, or Nyrt., are relevant mainly in listed and capital markets transactions.
The principal legal framework governing M&A transactions includes the Civil Code, the Companies Act and company registration rules, competition law, tax legislation, employment law, sector-specific regulations and Hungary's foreign investment screening regimes. Hungary has one of the region's more actively discussed FDI screening frameworks, with recent commentary highlighting its practical impact on transaction structuring and timing.

From an investor's perspective, Hungary is a mature and commercially significant market, but transaction execution requires careful preparation. Depending on the target and transaction structure, the process may involve corporate approvals, filings with the court of registration, beneficial ownership review, merger control clearance, FDI screening or sector-specific approvals.
As in other CEE jurisdictions, successful transactions require international M&A standards to be combined with precise local legal, tax and regulatory implementation.

Transaction Structures and Deal Mechanics

A share deal is the most common transaction structure in Hungary. Under this model, the buyer acquires quotas in a Kft. or shares in a company limited by shares, while the target continues to operate as the same legal entity.
From an operational perspective, this structure is generally efficient because contracts, employees, permits and commercial relationships remain with the target, unless specific change-of-control provisions or regulatory requirements apply. The principal risk is that the buyer also assumes the target company's legal, tax, employment, regulatory and commercial history.

In a Hungarian private M&A transaction, legal title to quotas or shares is transferred under a quota or share purchase agreement. The parties should review the articles of association, shareholder arrangements, pre-emption rights, consent requirements, management authority and any encumbrances over the quotas or shares. Depending on the company documents and transaction structure, pre-emption right waiver letters may also be required at completion.

An asset deal offers an alternative structure. In this model, the buyer acquires selected assets, an enterprise or a defined business line. It may be suitable where the investor intends to acquire a production facility, technology, real estate, contracts, intellectual property rights, customer relationships or another specified part of the business without taking over the entire legal entity.
Although an asset deal allows the parties to define the transaction perimeter more precisely, it is generally more complex to implement. Contracts, employees, real estate, licences, permits and intellectual property rights may require separate transfer procedures, third-party consents or new registrations.
Hungarian law also provides for mergers, demergers, transformations and other forms of corporate reorganisation. These mechanisms are commonly used in group restructurings, pre-sale carve-outs, post-acquisition integration and preparations for the disposal of a business.

A typical Hungarian M&A process follows international market practice. It usually includes an NDA, a teaser or information memorandum, a non-binding offer, due diligence, negotiation of an SPA or APA, signing, satisfaction of conditions precedent and closing.
Larger transactions frequently incorporate locked-box or completion accounts mechanisms, representations and warranties, indemnities, escrow arrangements, holdbacks, deferred payments or earn-out structures.

Due Diligence and Key Risk Areas

Due diligence is a key stage of the Hungarian M&A process. Its purpose extends beyond identifying risks. The findings should also be reflected in the valuation, transaction structure, conditions precedent, warranties, indemnities, liability caps and post-closing actions.

Corporate due diligence should confirm the target's legal existence, good standing, ownership structure, registered capital, articles of association and management authority. The review should also cover historical transfers of quotas or shares, corporate approvals, powers of attorney, shareholder arrangements and any encumbrances.

Investors should verify that the company records, court of registration data and shareholder documentation are consistent with the actual control structure of the business.

Tax and financial due diligence should examine corporate income tax, VAT, withholding tax, transfer pricing, related-party transactions, public liabilities, tax audits, subsidies, grants, off-balance-sheet liabilities and hidden debt. In international groups, intra-group financing, management fees, intellectual property licensing, cash pooling and transfer pricing documentation often require detailed review.

Employment due diligence should cover employment contracts, management agreements, contractor arrangements, bonus schemes, working time, holiday liabilities, non-compete obligations, disputes, collective arrangements, trade unions and social security compliance.

In automotive, manufacturing, logistics and industrial businesses, particular attention should be paid to shift work, agency workers, occupational health and safety, collective employment arrangements and employee transfer issues.

Where the target owns or leases real estate, due diligence should verify title, easements, mortgages, leases, zoning, building permits, occupancy permits and environmental matters. In industrial, energy, logistics, waste management and chemical businesses, environmental permits, emissions, waste handling and historical contamination may represent material risks.

Regulatory due diligence should address licences, permits, sector-specific authorisations, change-of-control clauses, data protection, AML requirements, sanctions, cybersecurity and public procurement matters.

Typical local red flags include incomplete corporate documentation, outdated register data, unclear beneficial ownership, undocumented related-party transactions, tax exposures, insufficient transfer pricing documentation, non-transferable licences, inadequate compliance procedures and contracts requiring consent upon a change of control.

Regulatory Framework: FDI, Merger Control and Sector Approvals

Regulatory analysis should begin at an early stage of the transaction. In Hungary, the principal areas requiring review are foreign direct investment screening, merger control and sector-specific approvals.

Hungary operates foreign investment screening rules that may have a significant impact on cross-border M&A transactions. The regime is particularly relevant in strategic and sensitive sectors, including energy, transport, healthcare, ICT, digital infrastructure, telecommunications and critical infrastructure.

Notification may be required where foreign participation reaches specified levels, including 25%, or where an existing investor increases its holding to higher thresholds such as 30%, 40%, 50% or 75%, depending on the applicable regime and the target's activities.

Recent commentary also indicates that Hungarian FDI rules may affect transaction structuring and timing, and that transactions blocked under the special regime may be null and void.

Merger control is administered by the Hungarian Competition Authority, or GVH. Hungarian merger control thresholds have changed in recent years. Following amendments, the principal combined turnover threshold increased to HUF 20 billion, while the individual turnover threshold increased to HUF 1.5 billion.

Hungary also applies a supplementary notification rule where the combined Hungarian turnover of the undertakings concerned exceeds HUF 5 billion and it is not evident that the transaction will not significantly restrict competition.

A notifiable concentration must not be implemented before clearance has been obtained. Merger control requirements should therefore be reflected in the conditions precedent, long-stop date, cooperation covenants and contractual allocation of regulatory risk.

Sector-specific approvals may be required in banking, insurance, payment services, energy, telecommunications, media, healthcare, pharmaceuticals, transport, defence, gambling, waste management, public procurement, real estate and regulated infrastructure.

In asset transactions, a key issue is whether the relevant licences and permits can be transferred. Where transfer is not permitted, the buyer may need to obtain new authorisations before commencing operations.

Documentation, Closing and Investor Takeaways

Transaction documentation in Hungary generally follows international M&A standards, but it must be adapted to local corporate law, formal requirements and filing procedures.

At the preliminary stage, the parties typically use NDAs, teasers, information memoranda, process letters, letters of intent, term sheets and exclusivity agreements. Most provisions in these documents are non-binding. However, clauses relating to confidentiality, exclusivity, costs, governing law, jurisdiction and the conduct of negotiations are often intended to be binding.

The principal transaction document is usually a share purchase agreement or an asset purchase agreement. Minority investments may also involve an investment agreement and a shareholders' agreement.

Core contractual provisions typically address the purchase price, price adjustment mechanisms, locked-box or completion accounts, conditions precedent, representations and warranties, indemnities, liability caps, covenants, non-compete and non-solicitation obligations, closing mechanics, post-closing obligations and dispute resolution.

Local closing formalities may include corporate approvals, filings with the court of registration, beneficial ownership review or updates, regulatory clearances, apostille or legalisation, certified translations, banking documentation and changes to management bodies. Documents submitted to Hungarian authorities generally need to be prepared in Hungarian or accompanied by an appropriate translation.

Tax structuring should be addressed at an early stage. The choice between a share deal and an asset deal may affect VAT, corporate income tax, withholding tax, real estate-related tax matters, depreciation, financing costs, transfer pricing, the use of tax losses and exposure to historical liabilities.

Employment matters also require careful consideration, particularly in asset deals. Employee transfer rules may apply where the transferred business constitutes an economic unit.

Transaction disputes most frequently concern warranty claims, indemnities, purchase price adjustments, earn-outs, non-compete obligations and post-closing settlements. Larger transactions may provide for arbitration, while accounting-related disputes are often referred to expert determination.

For investors, the conclusion is clear. Hungary is a commercially significant and industrially strong M&A market in Central and Eastern Europe, but successful execution depends on early regulatory analysis and precise local implementation.

A well-structured transaction should combine international M&A documentation standards with robust due diligence, FDI and merger control assessment, appropriate tax structuring and disciplined closing procedures. This approach helps preserve transaction value and reduce execution risk.

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