

## **Hungary's New Right of First Refusal: What Changed in the Regulation of Foreign Investments in 2025?**

**In the summer of 2025, the Hungarian government significantly amended the notification and approval system for foreign direct investments (FDI). The essence of the changes is that, in the name of protecting economic sovereignty, the Hungarian state has been granted new powers – which in practice may even mean that a Hungarian company targeted by a foreign buyer could ultimately be acquired by the state itself, on the same terms. This development is of particular importance for any company considering international expansion or seeking foreign investors, whether for an exit strategy or capital raising purposes.**

### **Extended review periods**

One of the key changes concerns deadlines. Under the amendment, the Minister for Economic Development now has 45 business days to review a notified transaction, instead of the previous 30. Furthermore, this period may be extended three times, by an additional 30 business days each time, if clarification of the transaction's facts so requires. As a result, the entire review process may last up to 135 business days. This means that what was previously a relatively predictable FDI procedure of at most one and a half months may now take as long as half a year.

### **The state's new right of first refusal**

Even more far-reaching is the provision allowing the state, if the minister rejects a transaction notified by a foreign investor, to step into the buyer's shoes through the State Asset Management Company (MNV Zrt.) or another designated body. In such cases, the state may exercise a right of first refusal and acquire the company or its shares on the same price and contractual terms as those offered by the foreign buyer. The state has 90 days from its decision to do so, and neither the seller nor the foreign investor may refuse or renegotiate the deal.

This power applies to all transactions involving Hungarian companies deemed of strategic importance and falling under the scope of the FDI regulation. The range of affected sectors is broad, covering energy, telecommunications, defence, and extending to digital and innovation industries.

### **Applicability to ongoing procedures**

It is important to note that the amendment applies not only to new notifications but also to those already pending. This means that company executives currently negotiating with foreign investors, where notification obligations exist, must already take into account the longer review period and the potential application of the state's right of first refusal.

### **Practical implications for businesses and investors**

In practice, the changes create a new landscape for both Hungarian business owners and investors. On the one hand, administrative and legal uncertainty increases: the state can block a deal even if it would otherwise make competitive sense. On the other hand, transaction timelines and exit strategies become

far more complex. For investors, there is also the issue that ministerial decisions are not always publicly reasoned, and there is no clear framework for why a foreign party may be deemed a “risk.”

Based on our experience, it is already advisable to prepare for these changes. The most important step is to assess the structure of planned transactions to determine whether a notification obligation applies. It is also worth considering, from the start of negotiations, scenarios where the state – rather than the foreign buyer – ultimately completes the transaction. In such cases, pricing, payment schedules, and liability allocations may need to be reconsidered.

We also recommend that affected clients review their business documents (including investment term sheets and pre-emption or option agreements), with particular regard to the fact that the state has now become a potential statutory participant in transactions. Alternative investment structures may also be worth evaluating, such as phased acquisitions or joint venture models, which may reduce FDI exposure.

Finally, it should not be overlooked that the current regulatory framework was introduced under a special legal order linked to the geopolitical emergency concerning Ukraine, and may not necessarily remain in place long-term. However, the fact that this right has now been enshrined in legislation suggests that the role of national economic control is likely to strengthen further in the coming years.

Our firm is closely monitoring developments in the application of these rules and provides our corporate clients with tailored advisory services, pre-transactional due diligence, and strategic timeline planning. The goal is to ensure that no deal collapses because of an unexpected state decision – and if it does, that the client is in the strongest possible negotiating position.