

Luther

FEST & KAJLI
ATTORNEYS AT LAW

THE LAW SHOOTER

(June, 2007)

THINKING OF AN EXPANSION TOWARDS ROMANIA? (We can help you with any Romanian Legal question – see next page)

Romania as a new member of the EU from 1st January 2007, offers various advantages for foreign investors. From 2001 the economy of Romania is in a dynamic expansion, the growth of the GDP being over 4% in each year (the GDP growth in 2006 was 7,7 %, in the first quarter of 2007 it was 6,3%). Romania has one of the most competitive tax policies in Central Europe, with a flat personal income tax, corporate income tax and domestic withholding tax of 16% and a VAT rate of 19%. The inflation rate is constantly decreasing (8,6% in 2005, 4,87% in 2006 and a prediction of 3,77 % for the year 2007) and the Romanian legislation is creating the basis of a stable capital market. With it's over 22 million inhabitants, Romania is one of the largest markets in Central and Eastern Europe, which is constantly enlarging due to the increase of the real wages. In addition to the human resources, Romania offers countless possibilities with it's natural resources.

It's geographical location, the maritime ports on the Black Sea coast, the fluvial ports on the Danube permit the access to Eastern Europe, the Balkans, Middle East and Northern Africa which gives opportunities in developing and profitable maintaining of logistic centers.

The Black Sea coast, the Delta of the Danube, the Carpathians, the rich mineral and thermal water resources give the primary conditions for expanding in tourism (hotel chains, ski resorts, wellness and sport centers).

The total territory of the country is 237.500 km² from which 60% is agricultural land and this makes Romania an ideal candidate for exporting agricultural products and most of all bio-fuel. The privatization process of the Romanian energy companies is not finalized yet and the Romanian energy sector is in front of major changes, due to the new trends in the energy policy of the EU.

Being the crossing point between East and West the highway infrastructure has to be developed, but there is also the necessity of developing the local infrastructures (roads, gas and water pipes and utilities, electricity) which are financed mostly from public and EU funds.

Bucharest, the capital of Romania (over 2 million inhabitants) and other Romanian cities (seven Romanian cities have more than 300.000 inhabitants) represent the most interesting opportunity for real estate investments and the construction industry because of the development of the suburbs, the supermarket chains, the office market and the hotel and catering trade.

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EXTENDING OUR COMPETENCES AT LUTHER, FEST & KAJLI ATTORNEYS AT LAW

Many of our clients already are, or aspire to be, international and are demanding the same high standards of service wherever they operate. To be able to comply with your increasing needs in terms of legal services, we are continuously adding new competences and extending our services.

What you have got used to

We are organized by Priority Groups and Service Sectors

In order to reassure our clients from the beginning that their adviser is familiar with the relevant environment, our attorneys belong to different "Industry Groups" which focus on advising in clearly defined sectors. Therefore, you can rely not only on formal qualifications, but also on our extensive background knowledge and industry experience. Additionally we are organized by 6 Priority Groups including:

- Merger & Acquisition Priority
- Corporate & Commercial
- Employment
- Banking & Finance
- Real Estate
- IP/IT/Media

Furthermore as a founding member of Pinsent Masons Luther Group (PMLG) we can now offer our clients considerable benefits in terms of enhanced international capability and access to legal advice of consistently the highest quality across Europe and beyond.

What is NEW?

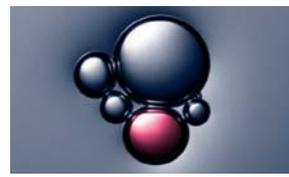
The most recent competences those we have added to our services at Luther, Fest & Kajli Attorneys at Law are including:

Romanian
Legal Desk

Kiev –
Setting up
new office

5 language Desks

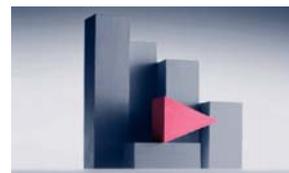
6 Priority Groups



Merger & Acquisition



Employment Law



Real Estate



IP/IT/Media



Corporate & Commercial



Banking & Finance

Luther, Fest & Kajli Attorneys at Law Legal Services

ESTABLISHING A ROMANIAN LEGAL DESK IN BUDAPEST

We have hired a very qualified and registered Romanian Lawyer, Anna-Maria Veres (anna-maria.veres@luther-lawfirm.com). She speaks fluent Romanian (mother tongue), Hungarian (mother tongue), English and French and has some German language knowledge. She has studied law in Romania, Geneva, Bruxelles and Budapest and is experienced in the following areas of law

- Real Estate
- Corporate and M&A
- Labour Law

but she can answer also other Romanian legal questions and is also able to handle litigations in Romania as she has a registered firm in Targu Mures, Romania. She has handled especially real estate transactions, setting up of companies in Romania, heritage litigations, restitution litigations against the Romanian state regarding properties. She will be operating from our office in Budapest.

S STRENGTHEN OF THE REAL ESTATE PRIORITY GROUP

We added another experienced hire from Linklaters to our real Estate Group which now contains of nine professionals. dr. Andrea Gyuró (andrea.gyuro@luther-lawfirm.com) has extensive experience in all fields of real estate law and she has worked with a number of international and local clients. She speaks fluent English and French. She has completed her studies in the Netherlands at Tilburg University.

F FRENCH LANGUAGE DESK

We had some recent hires from Linklaters which increased the number of our French speaking lawyers up to three. Besides English, German and Romanian we are now capable to work in French. The responsible Partner is dr. Attila Fest (attila.fest@luther-lawfirm.com).

U UKRAIN

Prior to setting up an office in Kiev we are now in co-operation with an Ukrainian law firm which is a long standing partner of us and we are capable of dealing with all kind of transactions - especially in Real Estate - in Ukraine through our Budapest office. Key contact is Dr. Arne Gobert, Managing Partner (arne.gobert@luther-lawfirm.com)

E EMPLOYMENT PRIORITY GROUP ANNUAL PAID VACATION

The Hungarian Labour Code ("LC") has been recently amended by Act No. 19 of 2007. The amendments entered into force as of April 1, 2007, and amend, amongst others, the provisions of the LC on giving-out/carry-over of the annual paid holiday ("vacation"), as follows.

One quarter of the vacation shall be given out by the employer according to the request of the employee. The employee is obliged to inform the employer on his/her claim for vacation at least 15 days before the first day of the requested vacation. Pursuant to the new rules, the employer, on the request of the employee, shall give out three days from the quarter of the ordinary vacation (at most three times) immediately, without respect to the above rule on the 15-day notice, if the fulfilment of the employee's working obligations would be harmful to his/her personal circumstances or family.

The principle on use of vacation remained unchanged, i.e. the vacation shall be given out by the employer in the same year it is due. However, in case of an exceptionally important economic interest of the employer or any reason which affects the operation of the employer directly and substantially, the employer is entitled to give out, at the very most, 25% of the vacation until March 31, (in case of a collective agreement until June 30) of the year following the due year. (Pursuant to the LC, the reason shall qualify as "exceptionally important economic reason" provided that it connected to the giving out of the vacation, independent from the organisation of work, and due to the occurrence of which the giving out of the vacation would significantly and disadvantageously influence the economic interest of the employer.)

Deviation from this rule, i.e. carrying over more than 25% of the annual vacation of the employee, is only possible if necessary due to a serious cause concerning directly to the operation of the employer. Such reasons could be, for example accident, calamity, serious damage, or the intention of the employer to prevent or reject any direct and serious danger of person, life or health. However, the quarter of the vacation shall be given out to the employee upon his/her request irrespectively to any operational issues of the employer in the year when it is due.

Furthermore, the amendment clarified the rules concerning the limitation of the claim for giving out the vacation and/or compensation for the unused vacation, as follows. The claim of the employee for giving out the vacation shall not lapse during the employment. The period of limitation of the employee's claim for compensation for the unused vacation shall start as of the date of terminating his/her employment.

For further questions please contact dr. Imre Krisch (imre.krisch@luther-lawfirm.com).

BANKING & FINANCE PRIORITY GROUP

MiFID: the significant milestone for the true single market of investment services in the EU

The provisions of the new EU capital markets directive, the Markets in Financial Instruments Directive 2004/39/EC ("MiFID") will become applicable in November this year. They will also significantly impact the Hungarian regulations and investment services. MiFID applies to investment service providers, their products and auxiliary products, making them subject to the same regulations and this way transforming the operation of European capital markets.

The unified set of rules will become effective on 1 November 2007.

The new directive offers challenges to domestic investment service providers as well as legislators. In future, they will be required to act in accordance with the principle of "best execution", which implies that they are to provide services to their clients under the most favorable conditions based on a number of criteria, moreover, they are required to prove that such conditions have been met. The aforementioned criteria include, among others, the price, the cost, the swiftness of service and the place of execution. The client is to make a statement that he is aware of and accepts the conditions, and, naturally, the existing client contracts will also have to be modified.

In order to fully implement the new regulations, it is necessary to change the trading systems of brokerage firms, i.e. to introduce new functions, restructure existing ones, modify manuals, and also transform IT systems and risk management practices.

At the same time, in addition to the extra burden on market players, these modifications will also contribute to the further opening up of the investment service markets. It will become easier for service providers to move between member states (passporting rights) and the new trading forums like multilateral trading facilities and internalization will significantly challenge the dominance of traditional stock exchanges.

The ultimate beneficiaries of MiFID are the clients of the investment service providers, who will certainly benefit from the new changes, as their essence is a new focus on appropriate and reliable information for making well-prepared investment decisions.

For further questions please contact dr. Attila Egri (attila.egri@luther-lawfirm.com).

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