Hungary
an ideal location
for Investors
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CEO
| 1. General economic overview of Hungary |
| 2. Hungary: a competitive economy |
| 3. Incentive system |
| 4. Sectors targeted by FDI |
| 5. Tourism |
| 6. About ITD Hungary |
General economic overview of Hungary
Hungary in Europe

Land: 93,030 km²
Population: 10,1 mn people
GDP at current prices: EUR 89.2bn
Export value: EUR 60.4 bn
Factors of the favorable business climate

- **Economy**
  - Dynamic macroeconomic growth

- **Productive, qualified, available workforce**
  - The highest labor productivity in the region, motivated and qualified workforce is available

- **Infrastructure**
  - Well developed telecommunication and highway infrastructure

- **Location**
  - Hungary: a bridge between East and West, 4 Pan-European Corridors

- **Capital attraction**
  - Highest FDI stock per capita in the region
Rate of growth: during last 10 years 4.5%

EUR 4.9 billion

Industrial boom: over 10% every year during last 10 years

Export growth: varies in a 12 – 15% range

7.5% in 2006

3.9% in 2006
Cumulated FDI* in Hungary
in million euros

Hungary is a preferred target of FDI in the region

FDI stock per capita in 2006

Poland: 2,307
Slovakia: 2,970
Slovenia: 2,987
Czech Republic: 5,552
Hungary: 5,761

Source: WIIW forecast
FDI Stock in Hungary by Sectors

- Manufacturing: 44%
- Energy, water supply: 4%
- Services: 49%
- Other: 3%

Trade: 10.1%
Transport, telecom: 9.9%
Finance: 10.5%
Business services: 16.8%

Food: 5.2%
Chemical: 5.7%
Electronics: 8.8%
Automotive: 10.9%

Source: National Bank of Hungary
FDI Stock by Countries, 2005

- Germany: 28%
- Holland: 15%
- Austria: 11%
- United Kingdom: 7%
- France: 5%
- USA: 4%
- Luxemburg: 3.5%
- Asian countries: 18.5%
- Belgium: 0.3%
- Finland: 0.2%
- Norway: 0.1%
- Other: 0.8%

Source: Hungarian National Bank
Hungary: a Competitive Economy
Top FDI Locations in 2006

Based on the interviews with 1,019 international executives on their expansion plans

1. Germany 13%
2. Poland 12%
3. Russia 9%
4. France 7%
5. Hungary 6%

Source: E&Y European Attractiveness Survey
Central Hungary Wins Award for The Best Location in the CEE region

CATEGORIES & CRITERIA

• Economic potential

• Cost effectiveness

• Human resources

• Telecommunications and IT infrastructure

• Quality of life for expatriates
  Transport

• Security

• Best FDI promotion strategy

Source: fDi Magazine
University Towns:

- Number of institutions in higher education: 72
- Number of students in higher education: 428,600
- Majoring in:
  - Business and Administration: 96,546
  - Informatics: 13,025
- Number of graduates in 2006: 61,513

90% of students speak **English**

2\textsuperscript{nd} most popular foreign language: **German**

Followed by: **French, Italian, Spanish**

**All diploma with foreign language certificate and computer skills!**
Googles and Microsofts are coming: and the winner is...

Germany 18%
Great Britain 11%
Poland 7%
France 6%
Hungary 4%
Russia 3%
Ireland 3%
Spain 2%
Czech Republic 2%
Other 26%

E&Y „European Attractiveness Survey 2006”
## Monthly Wage Costs in Hungary, 2006

### Total costs paid by employer: HUF 230,502 (EUR 872.12)

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount (HUF)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training contribution</td>
<td>+HUF 2,568</td>
<td>1.5%</td>
</tr>
<tr>
<td>Unemployment insurance premium</td>
<td>+HUF 5,136</td>
<td>3%</td>
</tr>
<tr>
<td>Health care contribution</td>
<td>+HUF 1,950</td>
<td>fixed</td>
</tr>
<tr>
<td>Health insurance</td>
<td>+HUF 13,696</td>
<td>8%</td>
</tr>
<tr>
<td>Pension insurance</td>
<td>+HUF 35,952</td>
<td>21%</td>
</tr>
</tbody>
</table>

### Average Gross Wage Paid

- HUF 171,200 (EUR 647.82)

1 EUR = 264.27 HUF

Source: Hungarian Central Statistical Office
Hungary - The Natural Regional Logistic Centre

- **Central location** in Europe
- **Border with 7 countries:**
  - 4 EU, 3 non-EU member states
- **Four major European transport corridors** - among them the river Danube - cross Hungary.
- **Innovation-logistic ring** around Budapest
- **Záhony** - the junction and reloading centre of the European narrow gauge railway and the wide gauge railway system of CIS and Asia
- **Easy access** to the Balkans and Europe
- **The 11 logistic districts** and the **13 logistic centres** are located in the focal points of the international movement of goods.
- **Competetive and high-level logistic service structure**
- **Combined Transportation**
Incentive System
- Tax-related benefits
  - Tax deductible items
  - Development tax benefit

- Direct Incentives
  - Special Incentive Package for large investments
  - EU financial grants
The European Union all over the EU determines the following bands for the maximum amount of subsidies and grants by the size of investment:

<table>
<thead>
<tr>
<th>Investment band</th>
<th>as percentage of the intensity ratio</th>
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<tbody>
<tr>
<td>Up to EUR 50 million</td>
<td>100 %</td>
</tr>
<tr>
<td>For the part between EUR 50 – 100 million</td>
<td>50 %</td>
</tr>
<tr>
<td>For the part over EUR 100 million</td>
<td>34 %</td>
</tr>
</tbody>
</table>

Investment value of the previous 3 years is also taken into account!

+ 10 % for medium enterprises
+ 20 % for small enterprises

*from 2011: 10%
Sectors targeted by FDI
Major electronics firms in Hungary

BOSCH
SONY
Zollner
PHILIPS
LEONI
DENSO
Aikawa
SANYO
FCI
CLARION
TDK
SANOJ
SANMINA-SCI
JABIL
Rex Electronics
Toshiba
Electrolux
GE

ITD
Hungary
Mobile Media Solutions
Some major automotive companies in Hungary

- Bridgestone
- Delphi
- Valeo
- Bosch
- ArvinMeritor
- AGC Asahi Glass Company
- ThyssenKrupp
- GM
- Knorr Bremse
- Alcoa
- Ibi
- Autoliv
- Bombardier
- BorgWarner
- Michelin
Some examples of Shared Service Centers in Hungary

- Morgan Stanley
- Cisco Systems
- Diageo
- EDS
- Getronics
- ITD Hungary
- ExxonMobil
- Convergys
- IBM
- Transcom
- Alcoa
- Sykes
- BT
- AVIS
### Some R&D examples in Hungary

#### Automotive
- Audi
- Continental Teves
- Denso
- Draxlmaier
- EDAG
- General Motors
- Knorr – Bremse
- Magna Steyr
- Michelin
- Remy Automotive
- Temic-Telefunken
- ThyssenKrupp
- Valeo Auto-Electric
- Visteon
- W.E.T.
- ArvinMeritor
- ZF Hungária

#### Electronics
- Elcoteq
- Electrolux
- Flextronics
- GE Lighting
- Samsung

#### Life science
- Astra-Zeneca
- GE Medicor
- Novartis-Sandoz
- Sanofi-Aventis (Chinoin)
- Servier (Egis)
- Teva-Biogal

#### ICT
- Cisco
- Ericsson
- IBM
- Nokia
- SAP
- Siemens/Sysdata
- TATA-Consulting
- T-Systems

#### Machinery
- AFT
- Bosch Power Tool
- Zenon
Tourism
Some major international investors in tourism

Le Méridien Hotels & Resorts
Radisson Hotels & Resorts
InterContinental Hotels & Resorts
K+K Hotels
Corinthia Hotels International
Hilton
Carlton Hotel
Mercure Accor hotels
Novotel Accor hotels
NH Hoteles
Best Western
Four Seasons Hotels and Resorts
over 80 projects:

- Hotels
- Recreation centres
- Castle renovation
- Other touristic and real estate projects
- Energetics
- Biotechnics
- Logistic facilities
Hungarian Investment Opportunities
Project examples

Mesteri Thermal Holiday Centre
Total Investment Volume: € 33,170,000
Project Concept: thermal holiday centre to be built
Project Location:
Western Transdanubia Region, Mesteri

Lake Szelidi – Dunapataj
Total Investment Volume: € 44,000,000
Project Concept: a 100-room thermal hotel with wellness facilities and sport grounds to be realized
Project Location:
Southern Great Plain Region, Dunapataj

Thermal Hotel, Szarvas
Total Investment Volume: € 14,000,000
Project Concept: hotel with thermal bath and wellness park to be realised
Project Location:
Southern Great Plain Region, Szarvas
Swimming Pool and Wellness Hotel
Total Investment Volume: € 44,000,000
Project Concept: new hotel and bath to be built
Project Location: Hódmezővásárhely
Southern Great Plain Region

Premium Health Park and Anna Thermal Hotel
Total Investment Volume: € 60,000,000
Project Concept: hotel, bath, medical centre, golf course to be realised:
Specially thermal water and unique dry carbon dioxide (CO2) therapy.
Project Location:
Western Transdanubia Region, Kapuvár
About ITD Hungary
Hungarian Government's Investment and Trade Development Agency

Non-profit organization
Information and consultation centre for foreign investors in Hungary, providing:
- General and comprehensive information about the Hungarian economy
- Tailor-made site proposals
- Detailed programs

Network:
- Central Office in Budapest
- 6 Regional Offices
- 56 Foreign Trade Offices
- 8 Representative Offices in the border regions of neighbouring countries

ITDH has handled 14 tourism investment projects recently.
First-class support by ITD Hungary

- Detailed tailor-made information package about economy, politics, financial incentives, business environment, tax system, sectors incl. electronics, etc…
- Site visits, meeting with local, regional and government bodies, experts, service providers, consultants, potential suppliers, etc….  
  - Accelerating permitting procedures, evaluation of potential investments.
  - Assistance in incentive application
  - VIP treatment for expatriates (visa, working permits etc.)
  - Press conferences, ground-breaking ceremonies

- Decision

- Implementation

- Aftercare
  - Special aftercare contact services
  - Assistance in further investments, expansions.
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Thank you for your attention!