

# HUNGARY

In the last decade, Hungary has transformed from a sluggish economy into a record breaker for investments and exports

Between 2014 and 2022, US companies invested \$1.7 billion in the Central European nation of Hungary and many US multinationals have bases there, including names like General Electric, Coca-Cola, ExxonMobil, General Motors, IBM, Lear Corporation, Procter & Gamble, Citi, Microsoft, Oracle and Pfizer to name a few.

**Szabolcs Takács, as Hungary's ambassador to the US, how significant is US investment in the country?**

The US is one of Hungary's most important foreign investors and it usually ranks as the second or third largest every year. 1,700 US companies have invested in Hungary so far and various economic sectors have attracted them. I would single out electronics as one leading area of business cooperation and the automotive industry, in which US subcontractors, providers and manufacturers are present. And, of course, there are also information and communication technologies, innovative sectors and other value-added industries.

**Hungary and the US celebrated 100 years of diplomatic relations in 2021. How has this relationship evolved over the years?**

The 100th anniversary was an important landmark for Hungarian-US cooperation, which is long established and rich: Hungarians participated in the American Revolution, for example. After Hungary gained independence from the Soviet Union in 1989, it joined NATO in 1999, followed by the European Union in 2004 and we have since become an integral element of transatlantic cooperation, which has enriched our connections.

As well as the very robust US business presence in Hungary, there's a sizable community of 1.4 million Hungarians in the US, some of whom have become important players in US political, social, academic and business circles, and the many personal connections between the two countries have also had a positive impact on the ties between us.

**Hungarian society is highly innovative and the 2022 Global Innovation Index ranks the country in fifth place worldwide for the percentage of high-tech manufacturing in its production output. Is the US taking full advantage of this strength?**

Hungary has a good education system with excellent universities, which makes it a great launchpad for young entrepreneurs and innovators. It's no surprise that we've seen a lot of Hungarians find success in places like California's Silicon Valley. There are also groundbreaking Hungarian scientists working in the US: for instance, Katalin Karikó, one of the developers of the COVID-19 mRNA vaccine, was educated and trained in Hungary.

One focus of Hungary's government is to move the country from basic manufacturing to value-added research-based technologies. We try to be flexible toward any potential investors in innovation and technology. We have a system of incentives for them, competitive infrastructure and it's important to note that, when an investor comes to Hungary, they're not just investing in its 10-million-strong national market, they're investing in an almost 500-million-strong European single market.

**US companies are currently helping Hungary to boost its energy security by exporting liquefied natural gas to the country via Croatia. How else are the US and Hungary collaborating to address challenges and opportunities they face?**

Because of our geographical location and history, we're extremely dependent on energy coming from Russia, which has created a difficult situation since the outbreak of the war in Ukraine. Hungary is landlocked and that means we're cut off from direct access to energy trade. We have a good level of cooperation with neighboring countries, but we need continuous international debate about energy and energy dependence, because this is vital for the further development of the Hungarian economy.

Hungary is also a nation that believes in nuclear energy and it would be very difficult to meet our climate targets without our existing nuclear power plant. We're currently looking for US business investors that have something to offer in the nuclear industry and we're already working with GE on a major multinational project: we would like to build a second nuclear facility, which has been endorsed by the EU.

Defense is another successful element of Hungarian-US cooperation. As well as both being members of NATO, we signed a bilateral defense cooperation agreement with the US in 2019. The US government and the Pentagon see Hungary as a strong and reliable NATO partner. During the crisis in Ukraine, we've been providing Ukrainians with a lot of humanitarian aid as a neighboring country and we're also involved in strengthening NATO's eastern flank.

Apart from our countries' traditional cooperation in defense, trade, business and energy, space-related issues have become new areas of partnership. For example, we've signed a memorandum of understanding with US human spaceflight developer Axiom Space, as part of which a Hungarian astronaut will be sent to the International Space Station to carry out research. We're hopeful that this will move Hungary to the next level of innovation and technological capabilities in this promising area.



Hungary's capital Budapest lies alongside the magnificent River Danube, Europe's second-longest river that flows through 10 countries



**Szabolcs Takács**  
Hungarian Ambassador to the US



**István Joó**  
CEO  
Hungarian Investment Promotion Agency

#### All-time high for FDI in 2022

While the ambassador has discussed Hungary magnetism for US companies, they are not the only ones flocking to the country: half of the world's biggest multinationals now have a presence there. And last year, it secured an all-time-high \$7.1 billion in new large-scale investment projects that will create over 15,000 jobs.

48% of the 92 projects came from countries in Asia, 42% from Western nations and the remaining 10% from domestic sources. István Joó, CEO of the Hungarian Investment Promotion Agency (HIPA), a one-stop shop for investors, explains: "The majority of our foreign direct investment (FDI) inflow used to originate from the West, but this has shifted toward the East. Between 2014 and 2022, we closed 147 deals with South Korea, China, Japan and India worth \$14.8 billion. However, the flow of Western investment remains very substantial and Germany, the US, France, Austria, Switzerland and the UK are some of our other major investors."

In 2022, Hungary's automotive, electronics, battery and food sectors attracted 80% of all new investments. "Almost 50% of our FDI flow went into battery manufacturing last year and we now have an entire battery-production ecosystem in Hungary, including cell manufacturers, electrolyte producers and companies that specialize in battery recycling," states Joó.

**SZABOLCS TAKÁCS  
HUNGARIAN AMBASSADOR  
TO THE US**  
**"One focus of Hungary's government is to move the country from basic manufacturing to value-added research-based technologies."**

The country already has a vast automotive sector, which supplies around 21% of Hungary's exports. As a result, the majority of battery projects in the country are related to e-mobility. Among the prominent recent investors in this area is Contemporary Amperex Technology Co. The Chinese giant is spending around \$8 billion to set up a lithium-ion battery gigafactory, a deal that represents Hungary's largest-ever greenfield investment project. Others include BMW Group, which is putting about \$2 billion into a plant in the city of Debrecen that will produce electric vehicles and their batteries, while South Korea's W-Scope is building a \$784-million battery separator film factory and Samsung SDI's expansion of its Hungarian electric-vehicle battery plant is valued at \$1.3 billion.

"The biggest expectation we have for new FDI projects in Hungary is that they create many jobs with high added value. The automotive industry and battery manufacturing will, therefore, remain high on our agenda. We're also having a lot of talks with potential investors in life sciences at the moment and another sector growing in importance is business services: between 2014 and 2022, HIPA guided more than 100 new investment projects in that sector, which now employs over 70,000 people. In addition, the government is committed to further diversifying the economy and HIPA doesn't exclude any kind of industry from its investment portfolio. Our mission is to attract as many investments as possible and I'm optimistic that we will continue along our very positive path in this," Joó reveals.

Zoltán Kovács is Secretary of State for International Communication and Relations and spokesperson for a government that has been in place for 12 years. He confirms that FDI is a pillar of Hungary's economic strategy: "Apart from ensuring a very high level of employment

and careful, disciplined fiscal policies, attracting as much FDI as possible is key to the healthy, productive economy we want to create: every year for the past three or four, we've broken FDI inflow records."

This strategy appears to be paying off: Hungary was the EU's second-fastest expanding economy after Ireland before the COVID-19 pandemic hit, recording 4.9% growth in its gross domestic product in 2019. Its GDP shrunk by 5.1% in 2020 but rebounded by 7.1% the following year. Despite the huge challenges it faced in 2022, including the war in Ukraine and an energy crisis caused by sanctions on Russia, its GDP increased by a further 4.6%.

"The Hungarian economy performed exceptionally well last year and our industrial production outputs showed incredible resilience to increase by 6% over the first 11 months. We're one of the most open economies in the world and exporting is a crucial factor in our success. Globally, we're ranked 95th in terms of population size but 34th for export volumes," discloses Joó, who notes that the government's current forecast is for GDP growth of 1.5% in 2023 and around 4% in 2024.

Throughout 2022, Hungary was also able to retain its investment-grade ratings with Fitch, Standard & Poor's and Moody's; reduce its public debt ratio; maintain reliable supplies of gas and electricity to keep households and businesses running; and its labor market remained strong too, Joó notes: "In 2010, we had a policy objective to create 1 million new jobs over the next 10 years. We exceeded that, pushing the number in employment up to 4.7 million. In October 2022, our unemployment rate was only 3.6%, which was the fifth lowest in the EU."

#### Best choice for investors in Central Europe

Kovács admits that the country is still experiencing challenges, including continuing high energy prices and global disruption to supply chains. "However, over the last twelve years, we've always come out of crises stronger than we entered them and the way out of these crises is for Hungary to keep FDI as high as possible. In addition, those companies that are now investing in Hungary obviously care about supply chain resilience and they're adjusting their investment policies to the new realities by investing here. Hungary is located halfway between the West and the East, it plays a useful bridging role in connecting those markets," he asserts.

Alongside Hungary's economic and political stability and strategic central location, it offers other benefits to investors, says Joó: "For example, our 9% corporate tax rate, which is the lowest in the EU, has enabled us to have one of the most dynamic business environments in the bloc. We've significantly decreased the social contribution tax rate that is paid by employers for each employee as well: in 2016, this was 27% and it's now 13%. We also have great infrastructure, a large and highly skilled labor force, our investment decision-making processes are extremely quick and we offer substantial investment incentives in terms of cash subsidies, not just for establishing factories, but for related activities like training. These are just a few reasons why I think Hungary is the best choice for investors in Central Europe." Kovács sums up the country's advantages more succinctly: "Hungary is probably the most competitive and investor-friendly environment you'll find in Europe."

Hungary's business community concurs with the investment promotion agency's optimism regarding the nation's economic position and its

attractiveness as a place to invest. An illustration of current corporate sentiment is provided by Matty Ryan, managing director of Vistra Hungary, part of the global Vistra group and one of the leading players in the country's corporate management and financial services sector. "Our business outlook is very robust and I've never seen Hungary so strong. For me, the economy is booming; I acknowledge that inflation is high and there is a war in a neighboring country, but I can't see that affecting my pipeline, which has also never been so strong. We're presenting a huge number of new proposals and taking on new clients every month," he states.

**ISTVÁN JOÓ  
CEO, HUNGARIAN INVESTMENT  
PROMOTION AGENCY**

**"We're one of the most open economies in the world and exporting is a crucial factor in our success."**

In fact, Vistra's biggest challenge at the moment is hiring some of the additional staff he needs to handle the extra work, Ryan says: "Accounting is by far the number-one service we offer, followed by tax compliance, reporting, payroll, corporate secretarial and directorship services. It's challenging to find good accountants right now as the market is so hot."

#### Beyond the EU's lowest corporate tax rate

Vistra's pipeline is busy thanks to the constant flow of international companies coming into a country ranked seventh worldwide in the International Tax Competitiveness Index 2022. "If an inbound investor is looking at Central and Eastern Europe today, Hungary wins. The 9% corporate income tax on its own is good, but if you pair it with the 0% withholding tax, that's the crunch. You can pay a dividend to a legal entity outside Hungary without any withholding tax and we also have very favorable double-tax treaties. On top of that, we have an extensive university structure in all key cities that is generating young, relatively cheap graduates; that's a big attraction," explains Ryan.

Another is HIPA's packages for new entrants to the market, he adds: "If you invest a significant amount of money and hire at least 100 employees, HIPA will help you with massive funding and find a location for you. The government is also offering a fair number of additional financial incentives for FDI's in focus sectors, such as information technology and renewable energy. Sometimes people look at Hungary and assume it presents a political risk. Savvy investors know the risk is more perceived than real and the corporate sector here is exceedingly strong. So, investors are looking at these financial incentives and, when their tax advisers describe Hungary's tax regime to them, they are putting two and two together — it's not rocket science."

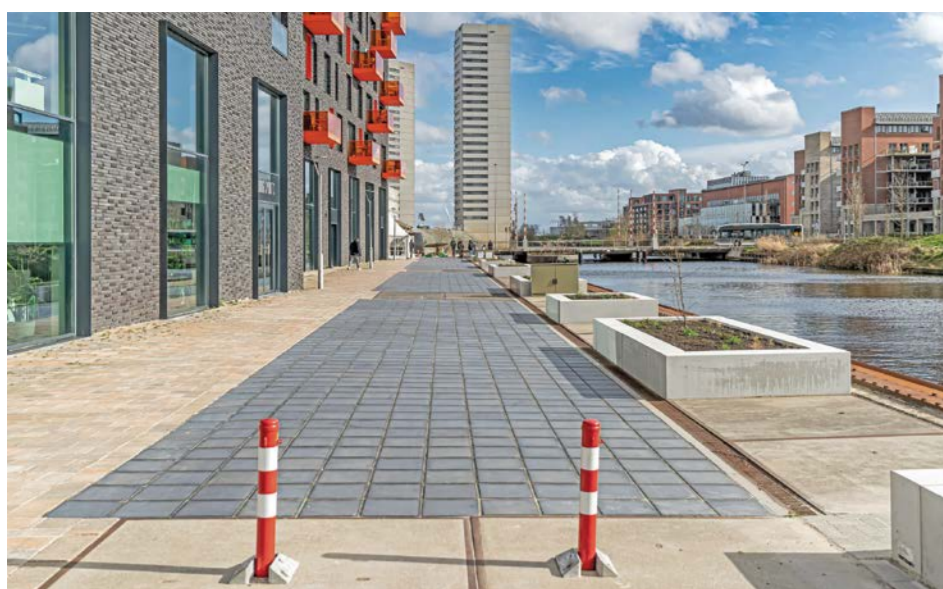
Ambassador Takács points out that there is more to Hungary than just its investment potential: "The country has a lot to offer in the way of culture and all kinds of entertainment — and that's not limited to the capital, Budapest, which is one of the most vibrant places in the world and a friendly city that expats enjoy living in. I would encourage American tourists and business people to come to Hungary, come to Budapest and discover the country for themselves."

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A Platio Solar footpath in the Netherlands, part of the EU's net-zero project Making City



Contintest's foldable containers provide sustainable and portable building solutions

## High-value manufacturing empire

Companies based in Hungary are creating and exporting top-quality, innovative and increasingly complex products and services

The World Intellectual Property Organization's 2022 Global Innovation Index ranks Hungary fifth worldwide for the percentage of high-tech manufacturing in its industrial outputs and 10th for the complexity of its products and exports. Those positions indicate how well the country has succeeded in steering its industries toward value-added, high-quality, innovative and knowledge-based sectors in recent years.

Nowhere is this more evident than in Hungary's automotive sector, which contains more than 700 companies producing goods valued at \$28.2 billion a year. The global importance of this automobile ecosystem is demonstrated by the fact that it is the only one outside Germany and China that includes all three German giants: Volkswagen, Daimler and BMW. And this strength has enabled the country to become a key player in electromobility — as vehicle manufacturers switch their output to electric models, their local suppliers are reinventing their output and Asian battery producers are flooding into the market.

BALÁZS GELLÉRT  
MANAGING DIRECTOR  
NATURTEX

**"Hungarian goose down is already renowned in the US and we're excited about the huge potential. Not many other firms can match the requirements of that market."**

Among the suppliers to the domestic industry are Hungarian companies that are internationally recognized in their own right. A prime example of this is Rába Automotive Holding, which is best known for the complex engineering that goes into its axles and axle components. Registering sales of around \$180 million in 2022, most of Rába's production is exported, with the US representing its biggest market.

### Hungary provides the best sleep experience

Throughout the country's diverse economy, you can find standout Hungarian businesses creating world-class, unique goods that have gained international markets. One is Naturtex, the family owned specialized bedding company that manufactures premium and luxury items like comforters, pillows and toppers, which are exclusively stuffed with Hungarian goose or duck down. Established in 1989, Naturtex holds around 35% of the Hungarian bedding market, although about 80% of its turnover comes from exports that reach over 50 countries.

"We're growing at a very fast pace," says Balázs Gellért, Naturtex's managing director; "Our reputation is strong and increasing, as a lot of international customers have realized we're aiming for trusted, long-term partnerships. Everybody knows we're not the cheapest in the market, but our quality level is outstanding and consistent." Those standards are driven by the firm's mission, he states: "Providing the highest-quality and best sleeping experience is Naturtex's main goal. On average, people spend over 24 years of their lifetime asleep: this means that customers



Balázs Gellért  
Managing Director  
Naturtex



Veronika Špaňárová  
Managing Director  
and Country Officer  
Hungary, Citi

will spend one-third of their life wrapped in our products. So, we want to ensure they sleep exceptionally well." To do that, the company refuses to engage in any form of trickery that might help it lower prices to make easy sales. "Our products are labeled entirely correctly and certified according to legal requirements. They're all filled with Hungarian down and nothing else, and their content, hygienic and physical values will always receive positive tests from any laboratory," asserts Gellért.

As well as offering unbeatable quality, Naturtex is defined by state-of-the-art production processes. The family has invested over \$35 million into the company over the last 15 years, much of which has been spent on developing one of the most advanced textile manufacturing facilities in Central Europe. "We do everything in house," he discloses; "For example, one of our biggest unique selling points is the natural thermal-water technology we use for washing our down and feathers that we source directly from certified Hungarian farms. We can reach a higher washing temperature and can clean them much better using fewer chemicals. They are then sterilized at 275°F in our special drying system. With this technology, we can exceed all standard requirements worldwide. That's one of the main reasons we've received huge orders from a major US outdoor clothing brand, as we were the only company in Europe that could produce down that could be labeled as hypoallergenic."



All Naturtex's bedding products are filled with 100% Hungarian goose down

Naturtex is also a green manufacturer: its production facility is powered by solar energy and its washing water is filtered after use and recirculated in an entirely closed system. In addition, Naturtex is the only company globally that is currently recycling down from waste. "We're working with other businesses to collect used down-filled bedding and jackets. We make fertilizer from the 20% of the down and feathers that can't be reused as bedding, and we create new filling material from the remaining 80%. That filling is then used in new products that we sell under our Re:Down brand name," Gellért explains.

The company has recently opened an office in Washington DC in order to expand its US footprint, he enthuses: "Hungarian goose down is already renowned in the US and we're excited about the huge potential. Not many other firms can match the requirements of that market in terms of quantities, qualities, certifications and testing, and we have a really wide portfolio of products that allows us to be a partner for discounters, as well as for customers in luxury sectors like business aviation and yachting. Plus, we're the original Hungarian company offering real Hungarian goose down!"

### Innovation and R&D-driven products

Another interesting innovator in the Hungarian market is Platio Solar, a firm that has developed a solar paver based on recycled waste to provide green energy for buildings or electric vehicles. The product is as easy to install as a normal paving stone and can be laid in a variety of urban, rural and industrial locations. Its solar cells are protected by heavy-duty, anti-slip and impact-resistant glass, while the recycled-plastic base frame is harder and lasts longer than concrete.

Hungarian ambassador to the US Szabolcs Takács points to Contintest as another fast-growing and promising Hungarian manufacturer to watch. "It's a smaller company that has become successful in the US," he says. "Contintest is producing convertible and foldable containers that can be used for various purposes, including providing humane temporary housing for people. Its products have made an important contribution to the crisis in Ukraine, where the firm has been collaborating with the former governor of New York George Pataki."

In sports as well, Hungarians have proven their talent as disruptors. A prime example in that regard is Teqball, a new sport that marries table tennis with football. Players use their feet and heads to pass the ball over curved tables designed and manufactured by Teqball in Hungary. Launched in 2012, there are already 122

national federations for the sport, including one in the US.

### Business service centers flock to Hungary

Aside from manufacturing, Hungary is also home to a thriving business services sector that is growing by about 9% a year and currently hosts 176 companies. Just like manufacturing, this sector has also shifted from routine functions to value-added, complex operations in fields like finance, human resources, information technology (IT), procurement, logistics and customer service.

VERONIKA ŠPAŇÁROVÁ  
MANAGING DIRECTOR AND COUNTRY  
OFFICER HUNGARY, CITI

**"We continue to invest here and are focusing more and more on high-value areas such as financial reporting, risk management, IT and cybersecurity."**

Global bank Citi, for example, is active in Hungary not only as a corporate bank but also as a business services provider. "Citi has been present in Hungary since 1985 and we've been enlarging our footprint ever since. In 2005, we decided to put one of our global BSCs — called Citi Solutions Centers — in Hungary, which provides highly specialized services for other Citi entities all over the world," explains Veronika Špaňárová, managing director and country officer for Hungary at Citi. "We continue to invest here and are focusing more and more on high-value areas such as financial reporting, risk management, IT and cybersecurity."

Hungary has many advantages for BSC operators, including its time zone, competitive costs and superior infrastructure. It also offers a large and skilled pool of potential employees: 78% of the sector's workforce are graduates and several of the country's universities, including the prestigious Corvinus University of Budapest, have established education programs related to the industry.

"Citi currently employs more than 3,000 people in Hungary. We grew by over 600 people between 2020 and 2021, by another 250-plus in 2022 and we will continue to strengthen that talent base. We've always seen Hungary as a place where we can attract and grow talent, and we can find people here that are very proficient and experienced in the professions we're interested in, such as finance or IT," Špaňárová states.

Oil and gas giant ExxonMobil is another long-term investor in Hungary's talent pool. Its BSC opened in 2004 and currently counts around 2,000 employees, making Hungary the largest ExxonMobil office in Europe. "We support the corporation's global operations, delivering value with roles across IT, commerce and finance — roles of higher complexity that require critical and strategic thinking and decision making," explains ExxonMobil Hungary's lead country manager Byung Kim. "Our primary competitive advantage here is people: the caliber of the talent pool in Hungary has enabled us to deploy that talent straight into some of these complex roles or to rapidly upskill them into the roles."

Like Citi, ExxonMobil will remain a firm fixture in the country's expanding BSC ecosystem, says Kim: "Hungary has been designated as a strategic location for ExxonMobil. We're committed to continuing to make significant investments in our employees to grow skills and capabilities for the future, and we're very excited about where we're headed."

## Beefing up in a highly volatile energy market

To support its industrialization and decarbonization goals, Hungary is investing in cleaner energies and its power systems

Hungary's goals for dramatically expanding its manufacturing capacities present a challenge for a country that has also set its energy sector formidable environmental objectives. In 2020, it became one of the first nations worldwide to pass legislation committing it to carbon neutrality by 2050, plus it aims for 90% of its electricity to come from low-carbon sources by 2030.

On top of that, Hungary is focused on continuing to offer some of the European Union's lowest electricity and gas tariffs, while also boosting its energy independence: according to the International Energy Agency, it relies on imported oil and gas for around 59% of its energy needs at the moment, with its domestic production being generated from natural gas, oil, coal, expanding amounts of renewables such as biomass and solar, as well as nuclear power, which is seen as a crucial component of Hungary's current and future energy mix if it is to meet its goals.

"Due to the ambitious national decarbonization targets, massive industrialization and the extensive electrification of the country, we expect a continuous increase in demand for a great volume of base-load carbon-free electricity in the upcoming decades, which cannot be supplied by intermittent sources exclusively if we want to secure energy independency," explains László Fazekas, chief financial officer of the state-owned MVM Group, Hungary's largest vertically integrated energy and utility enterprise that has a predominant role in implementing the nation's energy strategies.

LÁSZLÓ FAZEKAS  
CHIEF FINANCIAL OFFICER  
MVM GROUP

**"Our vision is to become a top regional utility company with a strong focus on clean energy and end-to-end customer solutions."**

MVM's activities cover the entire energy value chain and, to give an indication of the importance of the group, it employs more than 18,000 people and generates around \$8 billion in revenues a year, making it Hungary's second-biggest business overall and the 10th largest in Central Europe. It has a presence in 23 countries and over 11 million customers, mainly in Hungary but also in other European nations, particularly the Czech Republic.

Fazekas describes MVM as an asset-heavy utility: "We have the largest power generation portfolio in Hungary, with more than 3.9 gigawatts installed capacity, which in 2021 contributed over 20 terrawatt hours of electricity, 60% of domestic power generation." Central to this portfolio is the country's only nuclear power plant, the 2-gigawatt Paks facility. MVM also operates the 0.9 gigawatt coal-fired Mátra power plant, a 300-megawatt fleet of renewable energy that is rapidly expanding and 700 megawatts of gas-fired units, which are essential for providing flexibility to the electricity system.



A Heller-Forgó cooling tower at Mátra Power Plant

### Hungary's energy transformation

Hungary's strategic priorities are energy sovereignty, decarbonization and low tariffs

It currently generates only 41% of its energy needs domestically

Hungary passed a law committing to carbon neutrality by 2050

It targets 90% low-carbon electricity by 2030, buttressed by new capacity in nuclear and renewables

Paks nuclear power plant generated almost 45% of its electricity output in 2021



László Fazekas  
Chief Financial Officer  
MVM Group

"Beyond power generation, the other major part of our assets is extensive energy infrastructure, including massive grid infrastructure as we have a monopoly in Hungary's transmission system, natural gas pipeline infrastructure and over 4.4 billion cubic meters of gas storage facilities — that is about 65% of Hungary's total capacity, which is the sixth-highest in the EU," states Fazekas.

He goes on to summarize MVM's core asset-light activities: "Our subsidiaries include Hungary's largest power and gas wholesalers, we are market leader in the open-market retail sector, all Hungarian households are supplied with power and gas by MVM and we have a downstream presence in many countries in the region. We are also strong in alternative mobility in terms of e-mobility and compressed natural gas in both Hungary and the Czech Republic, and in small-scale behind-the-meter solutions."

### A sustainable and independent future

As the backbone of the Hungarian energy sector, it fell to MVM to ensure supplies remained secure, stable and affordable during 2022, a year of energy tensions across Europe and skyrocketing, volatile global prices for gas and electricity. To mitigate the negative impacts of the crisis, the government implemented a seven-step action plan with the active participation of MVM Group.

"Our main focus was preparing for winter's supply of natural gas and we filled Hungary's gas storage facilities. We also increased domestic power generation, which meant intensifying production at Mátra for a temporary period, and we started to be more active in the gas upstream segment. We regard this as a strategic investment and see some promising opportunities in this area in the region," he reveals.

The results of that investment started bearing fruit in February when, after positive drilling and production tests, MVM and its partner, a subsidiary of US-based Aspect Holdings, fired up a new unconventional field in the southeast of the country. Hungary hopes to raise annual domestic gas output from 1.5 billion cubic meters to 2 billion.

While contributing to Hungary's energy security is a top priority for the group, becoming net zero for carbon by 2050 is similarly important and its electrical and thermal energy generation activities are already over 78% carbon neutral. "MVM's sustainability efforts are fully in line with the decarbonization goals of the EU and Hungary. Our decarbonization strategy has four pillars: on the one hand, direct emissions reduction through phasing out coal, more clean energy generation and fostering energy efficiency. And on the other, transitioning from coal to gas with combined-cycle gas turbine projects. We're also looking at gas alternatives like hydrogen, biomethane and biogas, plus we're taking voluntary carbon reduction measures and participating in other sustainability programs," Fazekas says.

The main element of MVM's decarbonization strategy is to phase out lignite use at Mátra, Hungary's last remaining coal-fired power plant, and a substantial transformation project is underway that is converting the site to gas, biomass and solar power. The group's program



The headquarters of Hungary's leading electricity and gas player in Budapest



MVM Group's solar power plant at Felsőzsolca in northeast Hungary

to expand the life of its Paks nuclear plant is another key to securing both adequate clean power supplies and greater energy independence in the future. The plant consists of four blocks, which were set to expire between 2032 and 2037 — however, in 2022 MVM began preparatory work to extend their lifetimes by 10 to 20 years.

In addition, the country is planning to construct a second nuclear plant near to the current Paks site. As Fazekas is keen to stress, "This project is fully owned and sponsored by the state but, due to EU competition law, it is entirely independent from MVM. It is very clearly stated in Hungary's energy strategy that we would like to preserve nuclear power generation in our energy mix and I believe that both the lifetime extension of Paks I nuclear power plant and the new Paks II project are vital for energy sovereignty."

The country's energy strategy also calls for the share of renewables in its mix to rise from around 14% to 21% by 2030, with solar expected to account for the majority of that increase, and MVM is playing a considerable part in keeping the country ahead of schedule to meet this ambition. "Renewables have been MVM's fastest-growing generation sector and we plan

LÁSZLÓ FAZEKAS  
CHIEF FINANCIAL OFFICER  
MVM GROUP

**"Both the lifetime extension of Paks I nuclear power plant and the new Paks II project are vital for energy sovereignty."**

to continue to build our portfolio to reach at least 800 megawatts by 2025-2026. In the long term, we would like to attain a 25% market share in the renewable segment. Besides solar photovoltaic facilities, we are also preparing biomass and geothermal projects, and we are going to revisit the possibilities of installing further wind-power capacity," he comments.

Hungary's accelerated installation of intermittent renewable capacity requires wider investment from MVM in the nation's energy networks, Fazekas adds: "A core goal for the next

five to eight years is to strengthen our power grid in terms of both transmission and distribution systems to integrate more renewables. Extensive digital transformation is one of the key pillars of MVM's strategy. We are focused on asset digitalization to foster renewables and on the development of smart-energy solutions."

### Ambitious for regional growth

The power giant is also investing in expanding its footprint within Central Europe. It already has a significant presence in the region, particularly as an energy wholesaler, while its energy exchange subsidiary HUPX is the most liquid power exchange in Central Eastern Europe and provides reference prices for the Balkan countries as well.

Fazekas notes that: "MVM's aim is for 25% of our earnings before interest, taxes, depreciation and amortization to be coming from international activities by 2025. We have some primary target markets — like the Czech Republic, Romania, Serbia and Croatia — and our largest acquisitions have been in downstream operations. A very important milestone for us was 2020's purchase of Innoogy Česká Republika, the largest gas and a growing power retailer in the Czech Republic. That brought us 1.1 million new gas customers and 0.4 million new power customers. Last year, we also acquired two leading Serbian energy engineering, procurement and construction companies."

Parallel to this geographical expansion, in recent years MVM has invested in diversifying its portfolio into sectors outside but complementary to energy, such as telecommunications, financial, security and insurance services. "Our base of over 11 million customers represents huge value for additional services and so we're working to become a complex solution provider for those households and businesses with regard to needs they have that are connected to energy supply," he explains.

Despite this diversification, energy will remain the heart of the group's business, Fazekas insists: "Our vision is to become a top regional utility company with a strong focus on clean energy and end-to-end customer solutions, which means we are concentrating our efforts on decarbonization, renewables, flexibility capacities, power infrastructure development and international acquisitions. These are the central elements of MVM's strategy for the coming years."

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### 8 reasons to invest in Hungary

- Strategic Central European location for manufacturing, services and logistics
- Dual education system: 293,566 students in tertiary education and 129,046 in vocational training
- First-class transport, communication and business infrastructure
- Highly educated, skilled, multilingual and cost-effective workforce
- Favorable tax regime, with the EU's lowest corporate tax rate at 9%
- 120 industrial parks and 1,400 green and brownfield sites available for investors
- Investor-friendly policies, legal framework and financial incentives
- EU membership brings free access to a market of 447 million people

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# Global content demand drives growth

With 95% of the value produced by Hungary's film industry coming from international productions, "Hungary is now a manufacturing base for foreign films and a production service provider for international companies," says György Rajnai, CEO of Korda Studios, an extensive, highly advanced film studio complex about 18 miles west of Budapest, whose recent credits include Paramount+'s science-fiction series 'Halo' and Marvel's 'Black Widow'.

For Rajnai, finance is the key to Hungary's attraction of international productions: "You can have the best location, facilities and weather, the most stable legal system and streamlined procedures, but if you're not offering the right tax incentive, your industry won't develop. Korda was established in 2006 and it took us a few years of lobbying to get the government to introduce the film tax incentive. The country now gives 30% back, which is a major magnet to producers and has put our film industry into Europe's top tier."

The second-most important factor is Hungary's state-of-the-art technical capabilities, he believes: "While facilities throughout Europe are very aged, Hungary's are brand new and have the capacity for large projects. Our crew and entire talent ecosystem have also evolved over the last 15 years to match the needs of high-level projects."

Korda's own facilities and skilled workforce are at the forefront of the Hungarian industry. At present, it offers seven soundstages covering 17,000 square meters, around 15 hectares of empty backlots, 10 hectares of backlot sets, nearly 3,000 square meters of accommodation and 7,000 square meters of warehouses and workshops. "Our largest studio is the biggest in the European Union! It's the size of a soccer pitch, 6,000 square meters. That enabled Korda to attract top-level producers and directors such as Ridley Scott even before Hungary's tax rebate for productions was raised," states Rajnai.

Other distinct features include a built-in water tank that can be filmed from outside with no special equipment and Korda's well-maintained backlots, he adds: "Our backlot sets include a renaissance town, a New York street and a medieval village that has been used for all five seasons of Carnival Films' 'The Last Kingdom' television series, plus its feature film. In addition,

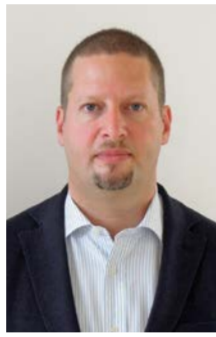
Already a sought-after location for international movies and TV productions, the expansion of Hungary's film industry is speeding up to cater for the rise in streaming platforms



At Korda Filmpark, visitors can discover the stories behind the studio's productions

because we are located outside Budapest, we've been able to position ourselves as the outdoor guys: a lot of productions want to shoot in the many splendid landscapes such as forests, mountain ranges and lakes that are easy to travel to from our studio."

Korda's world-class in-house services embrace all aspects of a project from pre- to post-production, and it also acts as a 'fixer', linking international filmmakers with the top local suppliers of any other services they might require.



György Rajnai  
CEO, Korda Studios

"The relationships we build with production and service companies is what gives us an edge: we really work from the heart. Our parent firm has a huge Eastern European property portfolio and yet our goal is not only about making more money, it's about building trust," Rajnai asserts.

As he explains: "Our job is to provide the best logistics and workflows, and to maintain our equipment at the highest standard, so that we don't cause any delays. For example, a \$100-million proj-

ect might be with us for 6-8 months. However, the highest-paid actors will only come in for a few days and we have to be sure that everything works perfectly on those days."

Over the last 5 years, Hungary has seen colossal growth in international streaming companies wanting to shoot in the country and Rajnai is conscious that this could lead to a drop in national standards if not managed correctly: "There's a lot of demand, but it's fragile. Studios have to be careful and serve all producers with their heart and soul. That's been key to Korda's success." To take advantage of the global clamor for more audiovisual content, the studio is one of the few in Hungary to have started developing its own productions, he highlights: "We're

GYÖRGY RAJNAI  
CEO, KORDA STUDIOS

**"There's a lot of demand, but it's fragile. Studios have to be careful and serve all producers with their heart and soul. That's been key to Korda's success."**

using all our strengths that we've built in the last 10-15 years and taking a step-by-step approach, starting with the Hungarian market. People worldwide are eager for stories that touch the heart — that's a global characteristic we want to exploit."

Others in the industry are confident that Hungary can handle the increase in demand with ease. One of them is Gergely Varga, CEO of Budapest-based Shooteasy Production Services, which provides experienced fixers, crew, equipment and locations to international productions.

In his view: "Hungary has numerous competitive advantages as a filming location. Almost everything is possible here and the people working in the Hungarian film industry are as good as those in the US. Yes, we're seeing really tremendous growth in activity within the local film sector — that's why more and more studios and stages are needed and they are being constructed right now."



New exhibition spaces have been created on Veszprém's historic Castle Hill

lous natural environments. "The forested Bakony hills in our immediate vicinity offer great trekking routes throughout the year and skiing slopes in winter. Veszprém is also less than 15 minutes away from Central Europe's largest sweet-water lake, Lake Balaton, which is the country's most popular holiday destination during the summer," he reveals.

Reasons for that abound: with the lake and its shores providing plenty of opportunities for water sports, hikes, cycling or relaxing on the beach. The many small villages and chapels in the hills above the lake are fascinating to explore too, as are the slightly larger waterside towns like Balatonfüred. As Porga puts it, "I would encourage everybody not to miss out on visiting Veszprém and the Bakony-Balaton region, where you'll enjoy experiences similar to those in French Provence or Italy's Tuscany as well as our famous Hungarian hospitality."

#### Culturally rich community

The region as a whole is a dynamic hub for culture and creativity, which is why in 2018 an international independent jury working on behalf of the European Union selected Veszprém and the Bakony-Balaton region as European Capital of Culture for 2023. "Veszprém is the second Hungarian city to receive this prestigious title. The first was Pécs, which is bigger, and it was presumed that another large city would be awarded the title next. However, Veszprém and the Bakony-Balaton region is a culturally rich community and our regional approach to being Capital of Culture won over the international jury," explains Porga.

It is not the only time Veszprém has been recognized for its cultural significance, he adds: "In 2019, we were designated as a UNESCO City of Music and our music festivals are popular worldwide." The outdoor VeszprémFest that incorporates all genres from jazz to opera and Utcazene Street Music Festival are among the most well-known of those annual events and both take place in July this year. Music has a central role in Veszprém's cultural life, as evidenced by the sheer number of venues for classical and modern performances, but the city also has thriving theatrical and visual arts scenes, while its inviting cafés, bistros and restaurants serve up a myriad of culinary delights. Veszprém-Balaton's European Capital of Culture 2023 program shines a spotlight on all of the city's cultural diversity, gastronomy and traditions, with a wide variety of daily events taking place throughout the year in Veszprém and 118 nearby towns and villages in the Bakony-Balaton region.

Recent developments will ensure visitors to Veszprém during 2023 and beyond are not disappointed. "We've renovated historically significant buildings in the city center, which we're filling with cultural content, and we're reconstructing

our medieval Castle District to create new exhibition spaces. We've also increased our accommodation capacity by a large margin, our railway station is being revamped and we're establishing a new Digital Experience Center in the heart of Veszprém," says Porga. As well as benefiting tourists, these developments are aimed at enhancing the city for residents, he reveals. "The European Capital of Culture title is a tool for reaching our long-term goal, which is to make Veszprém one of Europe's top-20 most-livable cities in its category. It's quite an ambitious undertaking, as we're currently in 54th place. We're working toward being a vibrant, green city, with people-oriented public spaces and a focus on creative industries — a place where it's enjoyable to work, raise a family and live an eventful life. The 20th century was the era of big, metropolitan cities. I believe that the 21st century will be the era of mid-size cities, with Veszprém being a leading example."

Less than an hour's drive south of Budapest is another medium-sized city with a historic past and a flourishing present: Kecskemét. Favored by tourists that relish Art Nouveau architecture, gastronomy, spash and horse riding, the city has a very modern economy. "Mercedes-Benz's construction of a plant here in 2008 gave a substantial boost to our region; it created thousands of jobs, opened up possibilities for smaller businesses and

GYULA PORGA  
MAYOR OF VESZPRÉM

**"The European Capital of Culture title is a tool for reaching our long-term goal, which is to make Veszprém one of Europe's top-20 most-livable cities."**

it has since established a second plant for electric cars. However, our economy is diversified, with not only the automotive industry, but also food processing, plastics and logistics being significant sectors. We're an open, innovative city. Small by US standards, but on the global economic map," says the city's mayor, Klaudia Szemereyné Pataki.

With a future-proofed economy secured, her attention has turned to building up other aspects of Kecskemét: "It's time for a change in priorities. The pandemic highlighted the importance of real values: human relations, community building and culture, and I would like to put higher emphasis on developing cultural activities. This period of the 21st century is full of challenges for families, cities, countries and even continents. Focusing on eternal human values will help us to get through these years and to preserve a future for the next generation."



Pedestrianized Kossuth Square is the setting for many of Debrecen's public festivals

# Debrecen city: Hungary's investment champion is second to none

With a history going back over 1,000 years, the country's second-largest city has a thriving, modern economy that is attracting growing numbers of investors

Strategically located just 137 miles to the east of Budapest, the historic, cosmopolitan city of Debrecen's stunning mix of architectural, cultural and natural treasures has made it one of Hungary's top tourist destinations. Home to 200,000 people, the dynamic metropolis is also Eastern Hungary's hub for commerce, industry and administration. We asked Debrecen's mayor, László Papp, to introduce the city and its ambitions.

Debrecen has always played a crucial part in Hungarian history and it was the capital of the nation twice, during very critical periods. Today, Debrecen is not only Hungary's second-largest city, it is also one of the country's strongest development centers that is currently experiencing unprecedented growth across various economic sectors.

It's important for people to realize that there is more to Hungary than just Budapest. Hungary is a small 10-million-inhabitant country and, beyond our city's borders, Debrecen has a regional sphere of influence that includes 3 million people, which is one and a half times more than the population of a nation like Slovenia. We don't aim to compete with Budapest, which has great values and assets, but I believe the country would benefit from having multiple strong regional city centers for future development possibilities. Debrecen is in a better position than most other cities in that regard and our ambition is to be a viable regional center that is at par with the capital.

Debrecen has undergone exceptional development and economic transformation since you were first elected mayor in 2014, as evidenced by the fact that the business taxes the city collects have more than

LÁSZLÓ PAPP  
MAYOR OF DEBRECEN

**"In its most recent global rankings, the Financial Times' fDi Intelligence recognized Debrecen as one of the world's 10 best investment promotion destinations."**

doubled and by the number of international investors that have moved into the city, which attracted \$940 million in foreign investments in 2021 alone. What lies behind this metamorphosis?

When I was elected, my top priority for the next decade was to strengthen the city's economy — that was Debrecen's only weak link. The city already offered political stability, which makes it a very attractive place to do business in, and it was known as a traditional work base.

However, in spite of our high quality of education at both secondary and higher education levels, we noticed that young people were unable to find jobs in the city. So, in 2014, we started to create a new kind of economic development strategy for the city: we developed industrial infrastructure and established a new local support system for the economy. We also devised a very coherent and well-grounded city development plan, because another of my priorities was to adopt a long-term strategy that covered several decades and not only my term as mayor.

In comparison with other cities, we aim to always be one step ahead as well. Although we applied for quite a lot of central government support for our development projects, we didn't wait for approval, but proactively created a financing system for our local investments to

ensure our projects could start as soon as possible. As a result of those efforts, we currently have \$11.7 billion in investment capital within the city. Debrecen has managed to attract such a high volume of investment because it has a strategic plan for the future that makes it look reliable in the eye of investors that are choosing a location. In fact, in its most recent global rankings, the Financial Times' fDi Intelligence recognized Debrecen as one of the world's 10 best investment promotion destinations, alongside places like New York, Dubai and Berlin. This is a huge achievement for us.

Two new arrivals to the city stand out. Last year, BMW Group started constructing a \$2-billion factory that will produce electric vehicles and their batteries. According to Milan Nedeljković, a member of BMW's board of management: "In Debrecen, we are building the most advanced plant in the world. With our iFactory, we are setting new industry standards." Also in 2022, China's Contemporary Amperex Technology Limited (CATL) announced it is investing \$7.5 billion in a 100-gigawatt-hour lithium-ion battery plant. A CATL spokesperson stated that Debrecen was chosen for its business environment, infrastructure, logistical connections, long-established automotive industry and competitive workforce. Both investors have committed to using green energy in their new operations. What do these projects mean for the city's economy and what role does sustainability play in Debrecen?

BMW and CATL are the most important entities within Debrecen's new economic development and we are very proud that two of the largest industrial factories of the 21st century will be here in our city, one working in the field of electromobility and the other in energy conservation and storage. Together, they are employing thousands of Hungarians and contributing to a healthy and dynamic local economy. The future of Debrecen will be rewritten by the arrival of these two companies and, going forward, electromobility and energy storage will be our two economic priorities. These are decisive areas for industries globally and I cannot imagine the green transition will be possible without them.

In line with our economic expansion ambitions, one of our top priorities is green and sustainable development. We started a program to transform the city's energy supplies toward more sustainable energy sources in 2014, with the objectives of cutting down use of natural gas and replacing fossil fuels with solar and geothermal sources. The global energy crisis that we are all experiencing is accelerating our energy transition and we are implementing photovoltaic projects across the city at the moment.

Over 50% of the workforce in the Debrecen region has vocational or higher education qualifications and the city is renowned for fostering cooperation between industry and its world-class education institutions, which include one of Hungary's best and most research-focused universities. BMW has recently revealed that it is launching a dual-education program with local partners, indicating how capable those institutions are at nurturing skills companies need. How pivotal is education and training to your Debrecen 2030 master plan?

Human resources development is key for us and Debrecen has been investing in higher education and schooling for a long time. Our Debrecen 2030 plan is also very centered around education, which will be a core pillar for the future of our city. Competition for tomorrow's labor market starts in schools and we must ensure that our schools cater to the needs



Debrecen's airport offers direct flights to an increasing number of destinations



László Papp  
Mayor of Debrecen

times more industrial space available for investors. In practice, the western side of the city hosts our industrial parks, while the eastern part is mainly residential. Economic development and expansion is also bringing huge changes in our real estate market. 16,000 new jobs have been created in Debrecen in recent years and we need to accommodate this new workforce by enlarging our housing supply. We also plan to develop community transportation, which includes the airport's modernization and expansion.

#### Local experts in infrastructure

Two locations that demonstrate the range of infrastructure available to companies moving into the city are Debrecen Regional Innovation Science and Technology Park and the multimodal logistics, industrial and service center at the airport. The first is a well-established 135-hectare site where over 60 national and international manufacturing, service and research firms currently operate. The second is a newer initiative: to date, 35,000 square meters of industrial and logistic halls have been completed, as well as air cargo facilities, a railway connection and a sea container terminal. Both are part of the portfolio of XANGA Investment and Development, a private-capital investment enterprise whose core activity is the development of industrial and service units equipped with modern infrastructure, utilities and technology. Guiding businesses from first enquiry to tailor-made premises and services, XANGA is a leading example of the local experts that are on hand to help investors set up business in Debrecen.

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# Hungarian cities of the past, present and future

The country's flourishing smaller cities and regions include one that has been named European Capital of Culture 2023

In 2021, a new must-attend annual event entered the calendars of those working or interested in Hungary's film industry: the Hungarian Motion Picture Festival that showcases about 100 of the best of the country's latest releases across feature films, television films and series, plus documentaries. Just like the previous editions, 2023's festival will take place in June at venues in and around the city of Veszprém.



Gyula Porga  
Mayor of Veszprém

constantly adapted and developed," Porga asserts.

This adaptability is reflected in an incredibly robust economy, with Veszprém currently boasting an unemployment rate of just 1.5%. Many multinationals are based in the area that are predominantly operating in the automotive, robotics, automation and electronics industries. "As well as manufacturing, those companies have a strong foothold in research and employ more than 3,000 research engineers here," he states. Examples of this include Germany's Thyssenkrupp that is developing

smart driving systems for autonomous vehicles, and Balluff, which is researching sensors and network devices for industrial automation. Local businesses work closely with the city's most important education institution, notes Porga: "The University of Pannonia's strongest faculties cover engineering and information technology. It works with companies on research and innovation and is a great contributor to our workforce supply."

Another major industry is tourism. Veszprém is packed with architectural reminders of its long rich history, particularly on Castle Hill that stands proud over the city. And it is surrounded by fabu-

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# Banks see a brighter economic outlook on the horizon

Despite facing an onslaught of crises over the last two years, including the COVID-19 pandemic, the war in Ukraine, supply chain disruption and rampant inflation, Hungary's gross domestic product expanded by 7.1% in 2021 and 4.6% last year. The country has also retained its investment-grade credit ratings from Fitch, Standard & Poor's and Moody's.

**Pál Simák, chairman and CEO of one of the country's largest financial institutions, CIB Bank, gives his perspective on the nation's recent and future economic performance.**

In the first half of 2022, Hungary was still on a very robust growth trajectory. It rebounded from COVID-19 quickly and we were all optimistic that our economy would continue to outperform the European Union average — typically, Hungary's GDP growth has outperformed the EU average by 2%-3% and this seemed to be on the cards again. However, as a result of the various crises, the Hungarian economy slowed down in the second half of the year. CIB Bank currently expects to see a flat growth in GDP over 2023, although the good news is that I don't see this as anything but a one-year issue. I believe that we will be beyond the problem by 2024 and Hungary will be back to 3%-5% growth going forward.

The biggest issue at the moment is inflation, which peaked close to 26% in January, and I think that's one of the highest rates in the EU. It will take a while for this to subside: even though it might come down in the second half of 2023, ideally to close to single-digit levels, our year-on-year inflation rate could still be near to 17%-18%. One response to the high inflation rate has been a rise in interest rates. In this environment, wealth management is an increasing priority for customers, who need advisory services about how to manage their money in a smart way that still matches their risk profile and maximizes their return on investment.

**Hungary's banking sector consists of 40 institutions: 21 commercial banks, 11 specialized credit institutions and eight foreign bank branches. As a whole, the industry achieved revenues of around \$2.2 billion in 2021, effectively doubling its 2016 performance, while the value of the sector's total balance sheet rose 15.9% over the year. CIB Bank itself serves around 425,000 individual and corporate customers across the country and had a balance sheet total of \$7.8 billion at the end of 2021. How is CIB Bank positioned within the wider industry?**

CIB Bank was founded in 1979 and it is 100%-owned by Intesa Sanpaolo Group, the biggest bank in Italy and one of the largest in Europe in terms of market capitalization. Belonging to a large, pan-European group enables CIB to harness significant synergies and take full advantage of Intesa Sanpaolo's distinctive financial, operational, technological and organizational strengths.

CIB Bank is a universal bank with about a 6%-7% market share in all the main banking

Hungary's robust banking sector is supporting the country economy through difficult times and toward a sustainable future



Built in 1896, Liberty Bridge is one of eight bridges that cross the Danube in Budapest

segments. The culture of our bank is engaged, motivated and we take a team-based approach. It's also a great place to work, as it's inclusive and empowers its employees.

One thing that sets us apart is that, although we went through some turbulent times between 2008-2010 like many other banks in the region, we had a very prudent focus on risk management. As a result, we are now one of the banks in Hungary with the lowest delinquency rates among customers. So, CIB Bank is a very safe and resilient bank. The other thing that distinguishes CIB Bank is our focus on innovation and digitalization.

**How is the sector and CIB Bank in particular supporting Hungarian banking customers and enabling the sustainable development of the country's economy?**

CIB Bank was able to grow its loan book by 15% in 2022, slightly outperforming the average in the Hungarian banking sector, and we're providing loans to customers faster than the average bank in Hungary. That is one way we're supporting customers.

In terms of sustainable development, we believe that one of the key enablers for CIB Bank



Pál Simák  
Chairman and CEO  
CIB Bank

to fulfill its role within the financial sector is the gradual implementation of environmental, social and governance (ESG) aspects into all our operations.

As well as providing preferential mortgage pricing to individuals who want to buy properties that meet or will meet energy efficiency criteria, we offer financial incentives to corporations that are investing in renewable energy or other energy efficiency systems. We're supporting them to become more sustainable. Sustainable finance is a core part of our strategy in Intesa Sanpaolo Group and CIB Bank, and providing funds for these types of activities will remain a clear focus for us.

Just as importantly, the Hungarian central bank, Magyar Nemzeti Bank (MNB), is very committed to green finance and the entire ESG ecosystem of issues. MNB sets strict rules in these areas and has high expectations for the sector's compliance with those rules. That has pushed us to, for example, develop an ESG scorecard solution for corporate customers that we will use to assess their credit worthiness.

**Hungary is known for being an enthusiastic adopter of financial technologies. Can**

**you describe some of the groundbreaking solutions it has introduced and how does CIB Bank stand out in this area?**

A unique aspect of Hungarian banking is its innovative instant payments system: when you send money, it shows up in the other person's account in 2 seconds. This is now supported by QR-code payments, which are further revolutionizing the payment market in Hungary.

We're probably the leading bank in the country in terms of having the highest digital penetration into our customer base: more than 80% of our customers use digital channels and about 45% of our total sales are made solely through those channels. For example, it takes 7 minutes to get a personal loan from us through a mobile phone from the time the process is initiated to dispersing the funds. The ability to incorporate remote signatures and remote contracting is also expanding in the country and CIB Bank has recently introduced one of Hungary's first fully online mortgage processes.

A lot of our digital solutions are not just developed by ourselves, we integrate the services and tools of fintech partners. There are Hungarian fintech firms working in all areas of banking and we have a symbiotic relationship with them, as we are leveraging their competencies and optimizing the use of their innovations by incorporating them into our day-to-day client services.

**PÁL SIMÁK  
CHAIRMAN AND CEO, CIB BANK  
"A unique aspect of Hungarian banking is its innovative instant payments system: when you send money, it shows up in the other person's account in 2 seconds."**

Of course, the more you have a digital presence, the more you have to be careful about the potential for digital fraud. To address that, we are constantly investing in educating our customers and in state-of-the-art technical solutions.

Intesa Sanpaolo has a centralized digitalization strategy for the group's subsidiaries in this region and, highlighting CIB Bank's strength in this area, new elements of this strategy are launched by us first. That means our customers are the first to benefit from innovations and new digital solutions.

**Could you sum up in one sentence why you think CIB Bank is a good banking choice for US investors moving into the country?**

If someone is looking to invest in Hungary, then CIB Bank is here as a potential partner with a strong focus on customer care, a historic presence and innovative solutions that is supported by the financial strength and capital solidity of our parent company, Intesa Sanpaolo.

terms of numbers, revenues, profit levels and export volumes. At present, the majority of firms in that ecosystem are small entrepreneurial businesses working in high-value-added fields such as financial software development, payment services, data analytics and business intelligence.

Around 25% of Hungary's fintech firms have secured venture capital investment to date. One prominent example is Seon, which has developed a platform to combat identity fraud that has been adopted by organizations as diverse as Revolut, Patreon, AirFrance and Ladbrokes. Last year, Seon raised \$94 million in Series B funding in a round led by three venture capital firms — Silicon Valley's IVP, Sweden's Creandum and Hungary's PortfoLion — which the startup is using to grow its presence in the Americas and the Asia-Pacific region.

Kovács explains why he thinks the nation is a hotbed for financial startups: "My experience is that fintech companies are successful in places where science education is good and it's well known that Hungary is among the top countries worldwide for mathematics, chemistry and physics, which is reflected in the number of Hungarian Nobel and Abel Prize winners there have been. I'm seeing wonderful ideas coming out of our fintech companies and the banking sector is monitoring those. It's also willing to spend a lot of money on cooperating with and investing in these businesses." MNB is at the forefront of supporting innovative fintech, as illustrated by the fact that it became a digital pioneer among Europe's central banks by launching its own chatbot that utilizes AI technologies developed by local firms in 2020.



Levente Kovács  
Secretary General  
Hungarian Banking Association

combined capital adequacy ratio 1.5 times that seen in 2008 and their liquidity buffers exceeded required levels by a substantial amount.

Veronika Spánárová is managing director and country officer for Hungary at the global bank Citi. She confirms this assessment: "While 2022 was highly volatile, not only in Hungary but everywhere, the Hungarian banking sector has remained resilient, it's well capitalized and it continues to support businesses and individuals." Citi operates two divisions in the country: a business service center and a corporate bank. "As a bank, we serve corporate and institutional clients and we work a lot with international investors, as well as with Hungarian companies growing abroad. Hungary is attracting investors from all over the globe and we're providing them with top banking solutions to make their investment successful," says Spánárová.

Kovács gives his view on the current influx of foreign investors into Hungary: "New businesses, including banks, are coming here because they see the country as a good market offering superb opportunities."

## Hotbed for fintech entrepreneurs

- The Hungarian fintech ecosystem includes 146 companies
- 79% of fintech firms are micro or small businesses
- 62% of companies are involved in software, payment services, analytics and business intelligence
- The sector directly employed over 8,000 people in 2021
- 25% of firms have secured at least 1 round of venture capital funding
- The combined sales revenue of Hungarian fintech companies was over \$475 million in 2020

# Pharma research and development accelerates

Highly experienced, innovative and export-focused, the Hungarian pharmaceutical industry is a major contributor to the health of the nation's economy

Life sciences make up one of Hungary's most important economic sectors, contributing 10% of total added value in manufacturing and employing about 50,000 people. In 2021, its pharmaceutical companies alone generated \$3.9 billion, eight of the world's top-10 pharma and biotech giants have Hungarian bases, and the sector is growing: between 2014 and 2021, 36 new foreign investment projects worth over \$1 billion were established.



Matt Zeller  
Country President  
Novartis Hungary

Innovative Pharmaceutical Manufacturers.

**Robust healthcare partnerships**

"In comparison to peer countries within CEE, Hungary definitely leads the way in some areas of healthcare research and innovation," confirms Matt Zeller, country president for Novartis Hungary. The global giant itself spends significantly on R&D in Hungary and is responsible for around 10% of all clinical trials. "Novartis has a huge presence here and we reach around one in four Hungarians with our medications across a wide range of therapeutic areas. We're the largest pharmaceutical company in the country, one of the biggest investors in trials, and we're committed to investing in the long-term success of the Hungarian healthcare sector and ensuring that Hungarian patients with unmet needs can access the latest breakthrough innovations," asserts Zeller.

Through its worldwide research operations, Novartis Group has developed a vast portfolio of healthcare products. Within that, Novartis Hungary has contributed game-changing solutions against challenges such as cancer, heart and inflammatory diseases, and it has achieved substantial advances in treating rare diseases with cell and gene therapies.

Zeller is focused on driving effective partnerships within Hungary's healthcare ecosystem so that the population benefits from breakthroughs like these quickly: "Novartis and the wider industry has been working closely with the government to determine how we can adapt systems and policies to accelerate access for patients. Hungary is unique in that it has a national, standardized, end-to-end unappended healthcare data universe: there is one national payer, one patient portal and hospitals are moving to a standardized electronic medical record system. The government and many companies see the potential in this and recognize that, by investing now in next-generation analytics and software, Hungary could leapfrog other markets."

Another illustration of how Novartis is collaborating to fight diseases in Hungary is the three-way Cardiovascular Intervention partnership it launched in 2022 with the government and Semmelweis University. "Our goal is to help 25,000-50,000 Hungarians affected by cardiovascular disease. We're working together on new and innovative approaches — for example, we aim to use machine learning and artificial intelligence to uncover what interventions will have the greatest impact on reducing heart disease. This partnership between the leading healthcare university, the largest pharmaceutical company and a government ministry demonstrates that Hungary is committed to trying new public and private models to improve health," he states.

Novartis was also instrumental in Semmelweis becoming a certified ophthalmic gene therapy center last year. The university already had expertise in cell and gene therapies for spinal muscular atrophy and is now one of the few centers worldwide that is qualified in this cutting-edge area across multiple conditions.

"This is a big deal, and it really puts Semmelweis and Hungary on the map," Zeller enthuses; "I hope Novartis continues to be a positive agent for

He believes that Europe's current efforts to boost health security by shortening distances between production and treatment will lead to even more pharmaceutical manufacturing in Hungary: "Being on the cost-competitive side of the continent gives us an advantage. As a vertically integrated company, we hope that the growing nearshoring trend will benefit both our active ingredients and finished products."

As Poroszlai points out, the Hungarian pharmaceutical industry covers the sector's whole value chain: "There is a full ecosystem here, incorporating universities and spanning across all areas of research and development (R&D). It's Hungary's most research-focused industry." Indeed, data from the Hungarian Investment Promotion Agency shows that over 32% of all manufacturing-related R&D spend comes from life sciences, while about 300 clinical drug trials are registered every year that generate an annual \$280 million for the economy, according to the Association of



80% of the pharmaceuticals produced in Hungary are exported



Zoltán Ács  
Managing Director  
MEDITOP  
Pharmaceutical



Dávid Greskovits  
Managing Director  
MEDITOP  
Pharmaceutical

Today, MEDITOP has 13 patented pharmaceuticals with more in the pipeline and, among other specialisms, it is a leading player in the treatment of epilepsy. According to Greskovits, "One of our focuses in that area is a unique film-coated tablet form of eslicarbazepine we developed, which doesn't infringe on the originator's patent. Our process has been granted a patent covering Europe and we've registered it in Italy, Spain, Portugal, France and Germany, plus many Asian and Middle Eastern countries so far." In 2021, MEDITOP won the Hungarian Industrial Innovation Award for its development of a similar manufacturing process for Favipiravir that is used to treat flu and COVID-19 symptoms. Registered in Hungary, Romania and Vietnam, that medicine is now under evaluation by the European Patent Office. "Our biggest ongoing R&D project relates to generating clinical evidences for a new spasmolytic and muscle relaxant. We're also running clinical studies on some old Hungarian molecules that had been forgotten or neglected," notes Ács.

change in Hungary. There are numerous talented individuals here who are passionate about the same goal: enhancing the health and lives of Hungarians. With a collective focus on extracting the right data, searching for innovative solutions and partnering on new approaches, I see a bright future for the health of the country."

**Huge expansion forecast for exports**

As well as pharma giants, the Hungarian healthcare ecosystem includes hundreds of innovative smaller firms. A prime example is MEDITOP Pharmaceutical, which is privately owned by its founders and managing directors, Zoltán Ács and Dávid Greskovits. MEDITOP was the first new Hungarian pharmaceutical business to gain a manufacturing license after the fall of communism and it rapidly picked up contract manufacturing partnerships with the likes of what-is-now Novartis, Merck and AstraZeneca. "At that time, we were mainly producing solid dosage forms of pharmaceuticals, according to our licenses, including tablets, powders and capsules. Contract manufacturing activity still makes up about 30% of our sales," Greskovits reveals.

In 1995, MEDITOP established an R&D laboratory and began developing its own products.

### Healthy life sciences sector

- CEE's biggest exporter of medicinal and pharma products
- \$6.2 billion in foreign direct investment stock
- 8 of the 10 top pharma and biotech giants manufacture in Hungary
- 13 Hungarian life scientists have won Nobel prizes
- 5,300 new Hungarian life science graduates every year
- Around 300 biotech and medtech SMEs and startups

# Full steam ahead for banking digitalization

Hungarian banks and their customers have taken a huge leap forward in their use of digital tools in the last two years

Hungarian banking is rapidly going digital. According to the central bank Magyar Nemzeti Bank (MNB), almost 20% of all payments made in the country in the last quarter of 2022 were completed using mobile wallet apps, while mobile and internet banking platforms are now the main channels for Hungarian banks' communication with customers. In addition, 95% of their business clients are banking digitally and almost all banks have a dedicated person responsible for digitalization at board level.

"The banks in Hungary have invested a lot in digitalization over many years and achieved major results. For instance, receiving a text message after you have made a banking transaction was a Hungarian invention and that has now become general practice among banks internationally. As a result of this investment, banking

wasn't one of the bottlenecks for everyday life during COVID lockdowns, because Hungarian people could access advanced remote channels, cutting-edge banking applications and internet banking solutions," reveals Levente Kovács, Secretary General of the Hungarian Banking Association, the advocacy body for the sector.

But the pandemic encouraged even greater investment, he adds: "Hungarian banks and our customers have experienced a 10-year shift ahead in digitalization since 2020. Even robust artificial intelligence (AI) research and development efforts are being made by some of our banking players, which could put Hungary on the global map for AI."

Established banks are not the only ones driving innovation in the financial sector, as Hungary is fostering an ecosystem of around 150 fintech companies that is quickly expanding in

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# 'An era of escalating industrialization lies ahead of us'

New investments in industrial and logistics parks testify to Hungary's expanding strategic role as a European hub for those sectors

**F**utereal Group has established itself as a major developer and investor in European real estate. Its portfolio contains over 220 development projects in Hungary, Poland, Romania, Germany, Spain, the UK and the US, covering 43 million square feet in total and valued at more than \$6 billion. Could you summarize the group's main activities?

Futereal Group is the preeminent real estate group in Hungary and it's made up of three parts: Futereal, Cordia and HelloParks. Futereal is focused on commercial real estate as well as asset management and it has become the market-leading office developer in Budapest over the last decade. Its developments serve as headquarters for several Fortune 500 companies — for example, we have tenants like Oracle, Vodafone and British Telecom. Cordia has been the country's top residential developer for 16 years and is now a European-wide diversified group. Its specialty is large-scale, mixed-use urban regeneration projects. In 2020, we also started to cater for the logistics sector by setting up HelloParks, which is one of the most promising branches of our portfolio right now. We've assembled an amazing team that has already turned HelloParks into the market-leading industrial and logistics developer in Hungary in terms of market share, with a portfolio of 10 million square feet of completed and potential developments. Today, HelloParks is responsible for 40% of all industrial and logistics projects in the country that are for rent.

**HelloParks is currently developing four state-of-the-art megaparks for companies working in logistics, urban distribution, light industry and assembly on the north, west, south and east outskirts of Budapest: HelloParks Fót, Maglód, Alsónémedi and Páty. The sites cover a total of 602 acres, are in prime locations close to key transport nodes and offer flexible spaces at favorable rents, from the largest big-box halls available in the Budapest area to 21,500 square feet. Why are you investing so heavily in Hungarian industrial and logistics real estate?**

The Hungarian industrial and logistics market is booming because of world events and because Hungary occupies a central position in Europe. The COVID crisis disrupted supply chains and marked the end of an era in which optimization, efficiency and just-in-time delivery were the main drivers of the global outsour-



HelloParks' top-quality industrial and logistics parks on the outskirts of Budapest incorporate the highest environmental standards

ing movement. Instead, global firms are striving to make supply chains more resilient, which entices them to bring manufacturing and storage closer to the consumption markets for their products.

Meanwhile, we're seeing a political polarization of the world: the war in Ukraine, Russian sanctions and the stress around Taiwan and China are impacting how we think about global supply chains. As a result, international companies are increasingly trying to relocate part of their manufacturing closer to home and to countries outside the Chinese sphere of interest: "China plus one" is the new trend. At the same time, Russia has become a no-go zone. Suddenly, there is a need for all of this outsourcing to go to countries that are geographically and politically closer to Western and European markets. Hungary, as well as the rest of Central Eastern Europe, was already an interesting destination for multinationals, but these supply-chain factors have made it even more so.

Beyond fostering a supportive industrial policy, major grants and tax breaks, Hungary also offers a highly educated workforce, industry-friendly labor laws, political stability and a huge cost advantage. Hungary has a strong value proposition for US companies going into Europe, for European enterprises selling in Europe, and for Korean and Chinese businesses that need to be inside Europe to access that market.

I believe an era of escalating industrialization lies ahead of us in Hungary and that is accelerating the need for space. Hungary can only beat the competition to attract these companies if it is able to provide extremely high quality, green and readily available large industrial and logistics spaces with full infrastructure, next to major population centers. HelloParks, is creating those spaces. But Hungary's growing popularity



Gábor Futó  
Co-Founder  
Futereal Group

with multinationals is not just about manufacturing and logistics, it's also about brain power and innovation. The wider Futereal Group is seeing many Fortune 500 companies coming here to set up value-added businesses ranging from medical science to financial services, as well as research and development operations. They recognize that there's a lot of great talent in the country.

**The HelloParks sites include ParkCenters with offices, conference rooms, catering and leisure services. The ParkCenters are designed in accordance with the International WELL Building Institute's Mind and Community standards. The parks are being developed at full capacity: 1.7 million square feet of space had been completed by the end of 2022 that is now 100% occupied. Can you give some examples of firms moving into the parks?**

HelloParks is the leader in developments that offer a full service to the companies coming into Hungary from the West or the East. For example, we've just signed a second long-term lease with the Chinese electric car and battery company BYD, which is establishing a battery assembly plant, and Samsung has moved substantial logistics operations to us recently.

While our incorporation of WELL building standards is a reflection of our focus on the well-being of people working at HelloParks, another key attraction for new tenants is that Futereal Group is spearheading the green transformation of Hungary's real estate industry. As an illustration, HelloParks has constructed the first logistics buildings in Hungary to meet the exacting sustainability requirements for BREEAM Excellent and Outstanding certification in the new construction category.

**HelloParks also provides its tenants with smart solutions to help them reduce their carbon footprints, including expandable solar panels on rooftops, car chargers and an app that allows them to monitor and manage energy consumption. Sustainability is central to all of the Futereal Group's activities, from its smallest projects to the award-winning Corvin Quarter urban regeneration scheme, Budapest's largest mixed-use development. Why do you put so much emphasis on environmental impact?**

The environment, energy efficiency, carbon emissions and embedded carbon will be major drivers of the real estate industry over the next decade and Futereal intends to be a leader in this. If you're an international company that needs to meet its sustainability targets, you need

**GÁBOR FUTÓ  
CO-FOUNDER, FUTUREAL GROUP  
"Hungary has a strong value proposition for US companies going into Europe, for European enterprises selling in Europe, and for Korean and Chinese businesses."**

really green, future-proofed industrial, warehouse or office buildings. For example, our biggest new project is Marina City in Budapest, an outstanding urban regeneration scheme featuring over 3,000 apartments and 1 million square feet of offices with direct access to the Danube river. In this, we're going to achieve the highest energy rating for every building and we're incorporating the latest technology so that the whole project has zero local emissions. That's the new standard for Futereal Group's developments.

## Pressure is on to maintain roads

The country's excellent road network and its users are supported by highly innovative intelligent transport systems

**H**ungary has one of the highest road densities and transit traffic flows in the European Union. "Due to its central location, Hungary has always been a transit country and we have substantial international traffic on our transit routes," explains József Szilvai, CEO of Hungarian Public Roads, one of the country's largest state-owned enterprises with over 5,500 employees, which is tasked with operating and maintaining nearly 20,000 miles of major and secondary national roads, 180 miles of freeways and 650 miles of bicycle roads as its main mission.

In fact, the number of vehicles using those roads is growing: between 2016 and 2021, truck traffic alone increased by 16.5% a day, reflecting Hungary's growing status as a logistics hub for Europe. "As a result," says Szilvai, "Our roads are under heavy pressure, which is a substantial challenge, but this is why the systematic development of our motorway network started many years ago. The aim is to improve east-west and north-south connections, and to ensure that road users need no more than half an hour to reach the motorway network from anywhere in Hungary. This major program is on schedule and approaching completion."

Hungarian Public Roads is equally focused on guaranteeing that highways and secondary roads offer strong connectivity and smooth, safe traffic flows, he adds: "In parallel with the expansion of our motorway network, the government has been carrying out a significant program for upgrading secondary roads. Since 2010, 5,000 miles of roads have been upgraded." This program would seem to be accelerating: in 2022, external contractors overseen by Hungarian Public Roads renovated 597 miles of state roads in investments valued at around \$500 million, while the public company upgraded another 500-plus miles itself with its own in-house equipment.

Limiting the environmental impact of the country's expanding road network is a priority



József Szilvai  
CEO, Hungarian  
Public Roads

for Hungarian Public Roads. "We set up a pilot committee to pursue new solutions in sustainability in 2018, which is providing a platform for innovative products and technologies that will help us do our job more efficiently, more economically and in support of the circular economy. Examples of our successful experimental developments include glass-fiber paving and bitumen made from rubber. We also organize road works and traffic management in a way that minimizes congestion and unnecessary greenhouse gas emissions," states Szilvai.

Among the company's other roles, it is responsible for issuing route permits for oversized vehicles, inspecting trucks at weight control stations and training professionals in the road sector. It is also constantly advancing the Hungarian road network's digital infrastructure, through which it is automating its own processes, creating a traffic control and information system that can easily incorporate connected and autonomous vehicles, promoting electromobility and environment-friendly transport, and providing road users with real-time intelligent traffic information systems through its extensive digital national access point.

"Road management is increasingly relying on information technology systems: we use digital logbooks, get up-to-date information from electronic systems like roadside weather stations, and we have an extensive fleet management system to keep track of our vehicles' locations. Hungarian Public Roads has defined its long-term goals around the most efficient and comprehensive exploitation of the possibilities inherent in innovative technologies," he notes.

The company carries out some of its development of novel technologies with research partners like Budapest University of Technology and Economics at Hungary's ZalaZONE, the largest testing facility in Central Europe for conventional, electric and automated vehicles. One recent breakthrough that has gained global attention is a project creating cloud-based digi-



Hungarian Public Roads operates and maintains nearly 20,000 miles of national roads

tal twins for the smart management of any road transport issue. As Szilvai points out: "Hungary is at the forefront of intelligent transport systems and Hungarian Public Roads is taking a leading role in several EU projects in this area. We're active not only in the planning stages, but we're managing specific projects aimed at guaranteeing that road infrastructure and vehicles will be able to communicate with each other as efficiently as possible in the future as well. We're also working to ensure that these new technology systems can send signals to other road users, thus improving road safety."

In addition to being an active member of all the important road and smart-transport organizations at a European and global level, the company has formed beneficial partnerships with ASFINAG, the public body in charge of Austria's autobahns, and Dars, which is responsible for

Slovenia's motorways, to jointly develop intelligent transport systems and prepare the three countries for the challenges that automated mobility will bring. Since last year, for instance, citizens in Hungary have been able to access live feeds from Slovenia's traffic monitoring webcams through Hungarian Public Roads' online road information service.

Hungarian Public Roads' prominent and central role in the development of transport and mobility systems for the future is recognized by its international peers, as Szilvai attests: "For example, Hungary has been chosen to host the Transport Research Arena in 2026, which is the most important European forum for transport and mobility. The direction our company wants to follow is clear: we intend to continue being an outstanding innovative player in the field of road transport."

