

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.

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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 green-field 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



Continest'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



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 Continest as another fast-growing and promising Hungarian manufacturer to watch. "It's a smaller company that has become successful in the US," he says. "Continest 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 independence," 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.



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

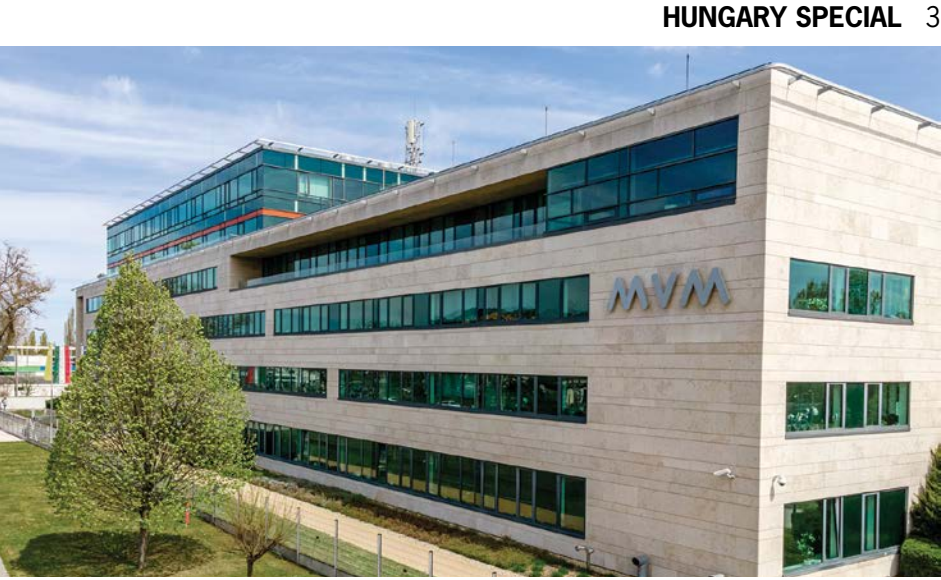
As the backbone of the Hungarian energy sector, it fell to MVM to ensure supplies remained secure, stable and affordable during 2022, a year of energy tensions across Europe and skyrocketing, volatile global prices for gas and electricity. To mitigate the negative impacts of the crisis, the government 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 Innogy 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 supplementary 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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Investor-friendly policies, legal framework and financial incentives

EU membership brings free access to a market of 447 million people

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 in 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

Hungary had 3.9GW of installed solar capacity in 2022, according to trade association SolarPower Europe. The country's goal is to increase this to over 6GW by 2030

Lignite should be phased out at Hungary's last coal-fired power plant, which contributes about 10% of the nation's electricity production

At the end of 2022, Hungarian electricity and gas tariffs were the lowest in the EU, according to global energy consultancy VaasaETT

Hungarian Public Roads

Dr. Tamás Bartal
Chairman of the Board
Road Safety Expert

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The iconic Hungarian House of Parliament on the banks of the River Danube

Budapest: The pearl of the Danube

One of Europe’s most popular tourist destinations, Hungary’s awe-inspiring capital offers diverse experiences to suit all visitors

Tourism in Hungary almost completely rebounded from COVID-19 in 2022, with 14.2 million guests spending nearly 40 million nights in the country, just 5% fewer than in 2019, according to the Hungarian Tourism Agency. “That was the golden year for our tourism, which broke records with 42 million overnight stays. We expect a full recovery of our numbers this year and our goal is to reach 50 million overnight visitors by 2030,” says Zsófia Jakab, the agency’s deputy CEO for marketing and communications.



Zsófia Jakab
Deputy CEO
Hungarian Tourism Agency

ing urban landscapes ... The scenic view of the banks of the Danube as part of the historic urban landscape is a unique example of harmonious interaction between human society and a natural environment.” But the breathtaking surroundings are not the city’s only attraction, states Jakab, “Budapest is a thriving cultural center with countless museums and important centers for the performing arts”

Music lovers in particular are well catered for in the capital of a country that has brought the world so many prominent musicians and composers, including Franz Liszt, Béla Bartók and György Ligeti. One unforgettable venue is the Hungarian State Opera House, a glorious neo-renaissance palace that reopened last year after a 5-year restoration and modernization project. “Budapest has a very unique musical culture, with the freshly renovated opera house being a prime example of that,” agrees Ferenc Marx, general manager of the small boutique 5-star Aria Hotel Budapest, one of the Library Hotel Collections luxury accommodation choices for tourists in Hungary, New York and Toronto.

“Budapest also has one of the best orchestras in the world — the Budapest Festival Orchestra — and the city’s music and opera heritage is very important for some of our guests. We even have our own music director, who used to work at the prestigious local concert venue Műpa, and he helps our guests to navigate through the city’s



St. Stephen's Basilica, which is best viewed from the Aria Hotel's High Note SkyBar

vast cultural and music scene,” Marx reveals. The Aria itself is dedicated to music, he adds: “Our building has four wings and each is dedicated to one genre: classical, opera, jazz and contemporary. Each has its own design language, furniture and background music. Additionally, we organize intimate concerts with world-class artists in the hotel.” Marx points out another of Budapest’s attractions: “Lots of tourists come here for treatments at our many well-known thermal spas, such as Széchenyi and Gellért, we even built our own in-house Harmony Spa.”

Budapest has been one of Europe’s most visited spa cities since the Roman era, due to the numerous hot springs that originate in the tree-covered limestone mountains behind Buda. In total, 13.4% of the city consists of forest and 2.3% is public parks, which provide plenty of opportunities to relax or enjoy sports. Maintaining those natural spaces and environmental sustainability in general are highly valued in a city that, in 2019, elected a green-party politician as mayor, giving Gergely Karácsony a mandate to make the city the greenest, most liveable city in Central and Eastern Europe.

Recently, the capital has also become a hotspot for sporting events, having invested in new stadiums and arenas. For instance, it was the location of the 2017 World Aquatics Championships and will be the setting for 2023’s UEFA Europa League soccer final. “This year, we will host the World Athletic Championships as well, which is huge for us,” notes Jakab.

mature cheeses and fruit brandies. In terms of where to visit in Hungary, highlights include other historic cities, such as Debrecen and Veszprém, the latter of which is sharing the title of European City of Culture 2023 with the Bakony-Balaton region that includes Central Europe’s largest lake. In 2022, however, around 70% of tourists opted to experience its countryside, which is scattered with picturesque towns, fairytale castles, palaces, national parks, rivers and over 1,300 hot springs. Budapest is also an ideal gateway to wider Europe, which particularly appeals to US visitors, says Jakab: “The US is currently our third-biggest source market for tourism. Before the pandemic, it was second and, after a challenging couple of years, we’re seeing a large number of US travelers returning here. When Americans plan visits to Europe, Budapest is often their first or last destination on a round trip.”

The importance of US visitors for the sector is confirmed by Gyula Kanel, cluster general manager at Continental Group Hospitality Management Company, which has eight Hungarian properties in its portfolio, including the 4-star boutique Hotel Moments Budapest on Andrásy Avenue. “We get about 20% of our occupancy from US clients, with the other 80% being a great

ZSÓFIA JAKAB
DEPUTY CEO
HUNGARIAN TOURISM AGENCY
“Budapest is a thriving cultural center with countless museums and important centers for the performing arts.”

The gateway to wider pleasures

The city is the perfect base for exploring the rest of the nation, Jakab declares: “Budapest is a beloved tourist destination, but visitors should not neglect the rest of Hungary. It’s a small country, so it’s easy to experience the different cosmopolitan and rural regions. Maximum drive time from Budapest to any part of the country is 3 hours and we have great road and rail systems.”

Once out of the capital, visitors will find “wonderful countryside, culture, heritage, creative arts and many other things. Hungary offers a full spectrum of options. It’s a blooming country with diverse landscapes and attributes, an excellent quality of life and it’s a safe place. There’s also our fantastic gastronomy, from fine dining in Budapest to traditional bistros in our six wine regions,” she enthuses. Boasting nine 1- and 2-star Michelin restaurants, the growing reputation of Hungarian cuisine is rooted in an increasing number of artisan producers that are reviving traditional animal breeds, plants, grape varieties and production methods to create delectable foods and drinks, such as smoked sausages,

mix from Europe and Asia,” he reveals. Many of those guests stay as part of a vacation that takes in Austria’s Vienna and the Czech Republic’s Prague, Kanel adds: “If you visit those three and maybe Bratislava in Slovakia, you get a wonderful taste of European culture.”

Another key tour is a week-long cruise along the Danube from Passau in Germany, through Austria and Slovakia and finishing in Budapest, Kanel says: “That gives tourists time to discover the city at the end of their trip and we can book museums, restaurants and other programs for them. Guests fall in love with the hotel because they see that we provide something special, and that’s not only about their room; it’s about the Budapest experience. I would recommend everyone to come to Budapest and enjoy it!”



“Budapest is a gemstone,” said Will Smith after filming “Gemini Man” in the city

A booming film and television industry

In just a decade, Budapest has built up its audiovisual sector almost from scratch to become the second-biggest film production service hub in Europe after London

The Hungarian film industry is booming: the total value of registered film projects expanded by 30% in 2021 and then by a further 20% to exceed \$690 million in 2022, a year when more than 300 productions were staged in the country, mainly in its capital. “Budapest is now the second-biggest film production hub in Europe after London,” exclaims Csaba Káel, film commissioner and chairman of National Film Institute Hungary (NFI), the organization tasked with promoting and developing the country’s film, television and moving image industry.

Recent winners of Oscars, Golden Globes, Emmys and BAFTAs have been made in Budapest. “A great example is Denis Villeneuve’s ‘Dune’ for Legendary Pictures and Warner Bros., which won six Oscars in 2022,” Káel states. “Major movies are being shot here by the biggest production companies and Hollywood studios, as well as TV mini-series from the likes of Netflix, Amazon and HBO,” he adds.

Hungary has risen to global prominence in the sector in just the last decades, but its heritage in the industry goes back much further, as Káel explains: “Film, music and arts are very much rooted in Hungarians’ DNA and the country has hosted a professional movie industry for 122 years. Over that time, we’ve fostered huge talents. For instance, at the beginning of the last century, two of our important filmmakers left Hungary for Hollywood: William Fox, who founded Fox Film Corporation, and Adolph Zukor, who set up Paramount Pictures. The actors Bela Lugosi and Zsa Zsa Gabor were also Hungarian, as was the composer Miklós Rózsa and Michael Curtiz, who started his directing career here with silent movies and then became famous with ‘Casablanca’. There are many others.”

CSABA KÁEL
FILM COMMISSIONER AND
CHAIRMAN, NATIONAL FILM
INSTITUTE HUNGARY

“Hungary’s tax incentive, location, infrastructure and strong industry knowledge have opened our doors to big international productions.”

Despite this wealth of talent, Hungary was unable to realize the creative potential of its domestic audiovisual sector until after the fall of the communist regime in 1989. “It then took us 30 years to completely reform our film industry. We began by establishing a national film fund with funding that was guaranteed by the government in order to start financing certain productions. The next step was developing film-business infrastructure, and so on. Today, 20,000 people in Hungary are working in the film industry. It was a fascinating process, because the work was done in parallel by the government and the private sector,” he says.

The culmination of this process came in January 2020 with the launch of the NFI to support the production of movies, TV films, dramatic miniseries, documentaries and animation in Hungary. “As in all European countries, the industry is subsidized by the government, but my plan with the NFI was to combine the promotional and developmental efforts of the public and private sectors in one organization,” notes Káel, who is himself a lauded director and a regular face at the top international film festi-

vals, where he and his team offer comprehensive information about Hungarian films and their creators, and explain why Budapest has become a leading destination for international productions.

A country with numerous advantages

The reasons for that are plentiful, he states: “Among the main ones are economic factors. Every European country offers a tax rebate, but Hungary’s tax incentive is one of the strongest. What’s also important is that it’s guaranteed.” In reality, the financial incentives may be the best on the continent, with a 30% tax rebate available for pre-, during or post-production expenses plus above- and below-the-line wages, financing costs, administration, insurance, accommodation and more. On top of that, the government has set no caps on the incentives and claimants receive their rebates much more rapidly than in other countries as well. Coupled with the tax benefit, overall production costs are low: it is about 25% cheaper to make a film in Hungary than in the UK and 35% cheaper than in the US, for example. In addition, the entire administration process is streamlined, with a single window available that covers everything from tax, to legal registration and location permits.

Then there are all the attractions of the Hungarian capital itself, comments Káel: “Budapest is unique as a local cosmopolitan city. New York is a global cosmopolitan city, but Budapest is a peculiar cultural metropolis of the Central European region, you can really feel the influence from places like the Balkans, Germany and Italy here. It has a wonderful cultural mix that includes opera, theaters, concert halls, museums, galleries, fine food and wine. It’s also a very safe and livable city, because it’s not big, which means international stars who stay in the city center can reach the main studios in 20 minutes, including the NFI’s state-owned national film studios. That’s why Budapest is so special and it’s why people in the film business like to be here.”

The city’s cosmopolitan past and present is reflected in the vast diversity of its fabulous historical, contemporary and industrial architecture, enabling Budapest to stand in for any city in Europe or further afield at any point in history, from classical times to 2023 and beyond. And there are incredible location possibilities in the rest of the country too. “Hungary offers broad historical heritage. For instance, we have plenty of castles, which are great for shooting — you can find English, Hungarian, French and many other styles of castle. It also has stunning natural environments, including amazing forests, lakes, mountains and you can even shoot the desert here. It’s an extremely rich and diverse country,” he discloses.

If Hungary’s cities, towns, villages and countryside cannot provide the right backdrop for a production, the backlots of its film studios can. “There are five large studios in the Budapest area, four privately owned plus NFI Studios. We’ve recreated part of Paris’ Notre-Dame cathedral, a Midwest American street and an old Hungarian castle in our backlots, while scenes in ‘Blade Runner 2049’ were shot in our water tank, the largest outdoor tank in continental Europe. It’s a very special place,” Káel asserts.

NFI is currently expanding the facilities and services at NFI Studios to cater for the ever-growing demand to film in Hungary. Due to be completed next year, four new soundstages are being constructed over 10,000 square meters, which will quintuple the site’s studio space. In addition, 3,000 square meters of office buildings, new catering facilities and a vast warehouse are being built, while NFI Studios’



Origo Studios' complex includes fully equipped post-production facilities



Csaba Káel
Film Commissioner and
Chairman, National
Film Institute Hungary



Márta Feksz
CEO
Origo Film Group

existing buildings are being renovated and modernized to incorporate, for instance, renewable energy.

This investment was essential for Hungary to remain competitive in the European film industry, Káel says: “It was difficult to reach second place after London and it will be difficult to keep it. That’s why the studio development is important and that’s why continually investing in new digital post-production technologies is also vital.”

The NFI Filmlab is Hungary’s most experienced film laboratory and offers a full range of digital services. It is also one of the strongest analog film labs in Europe. “Analog has become very fashionable again. A lot of movies that were shot in digital are being copied back to film, because it is a great material for saving content. The NFI has a wonderful film archive, which is the biggest in Central Europe, and our Filmlab is also responsible for reconstructing and reviving old Hungarian films, such as Michel Curtiz’s movies from the silent age,” comments Káel. Once restored, NFI makes those films available to viewers through channels such as the hugely successful Budapest Classical Film Marathon festival and FILMIO, a unique streaming service in Europe, offering only Hungarian movies.

Káel would like to bolster the country’s post-production activities, he says: “Typically, international productions shoot here, then pack up and leave. But nowadays, post-production can easily take place in Hungary via internet connection. Also, the country offers enormous opportunities in post-production sound. We have eight symphony orchestras in Budapest and we have extremely talented creatives, composers and music writers.”

Nurturing Hungarian talent

As he points out, a further advantage for productions in Hungary are its skilled creative and technical workforces that speak English and are prepared to put in long hours. “We have trained, talented professionals for all phases and fields of film production, including set and costume design and construction, as we have people with extensive backgrounds in fine arts and theater working in our industry. All of our specialists are highly professional and people like working with them. For instance, Ridley Scott, who has directed three films in Budapest, told me he really enjoys shooting here because everyone is warm, friendly and professional,” Káel reveals.

To ensure the country continues to develop its talent ecosystem for the industry, NFI works in close collaboration with Hungarian film schools and runs its own training and mentoring schemes. Among these are training programs that aim to eliminate skills shortages across the sector and its internship program, which connects students and film school graduates with producers looking for interns.

Since it was founded in 2022, NFI has also taken over responsibility for the public funding of domestic productions. It provides grants amounting to a total of around \$47.5 million a year for the development, pre-production, production, marketing and distribution of film and television projects, including documentaries and animations. Foreign projects can apply for this support through registered Hungarian production companies and the NFI is authorized to finance up to one-third of a local-international coproduction budget.

“We have to open our minds and our practice toward coproductions because they can generate higher income and we can reach much larger distribution markets through our international coproduction partners,” states Káel; “Hungary’s tax incentive, location, infrastructure and strong industry knowledge have opened our doors to big international productions. Now, we would like to use our creativeness in the field of collaborations. Hungarians have many unique stories to tell and I would like to invite American producers to collaborate, as they also have incredible DNA in movies. This is the way forward!”

A substantial number of the major international projects filmed in Budapest to date

have chosen Origo Studios, one of the leading private-sector players. Over 90% of its productions come from the US and its partners include names like Warner Studios, Legendary Entertainment, SONY Pictures, Netflix Studios, Amazon Studios, Lionsgate, StudioCanal, Skydance, Gaumont, TNT, Paramount Pictures, Alcon Entertainment, Disney, FOCUS Features, Columbia Pictures and Twentieth Century Fox.

“We’ve worked with some of the biggest names in the industry, including Denis Villeneuve, who returned to Origo Studios to film his multi-million-dollar adaptation of ‘Dune’, and we’ve played a role in some of the most significant recent global productions, such as Marvel’s Disney+ show ‘Moon Knight’, the upcoming ‘Dune’ sequel and the video-game adaptation ‘Borderlands’, says Márta Feksz, CEO of Origo Film Group, the studio’s parent organization.

No more than 20 minutes from Budapest’s center and 30 minutes from its airport, Origo is Hungary’s largest and most versatile movie studio complex, notes Feksz: “We’re the second-most-preferred studio in Europe because we can serve all of our clients’ different needs and demands. Our Hollywood-standard complex is fully equipped and includes 10 soundstages covering 18,000 square meters, post-production facilities, shooting and other equipment, offices, warehouses, backlots, trailer parks and the largest trailer fleet in Central Eastern Europe.”

MÁRTA FEKSZI
CEO, ORIGO FILM GROUP

“We’re the second-most-preferred studio in Europe because we can serve all of our clients’ different needs and demands.”

Origo’s facilities and equipment are state of the art: not only are its high-ceiling studios sound and echo proofed, but it has the capacity to suspend heavy props like tanks, helicopters and planes from the top of its largest stages. “We’ve also managed to support 8 tons of pressure for productions like Ron Howard’s ‘Inferno’, which required a huge water tank during shooting,” she states. Origo’s post-production services are similarly cutting edge and it has in-house capacity for 16mm and 35mm negative processing, 2K and 4K dailies, plus final finishing support for feature film, TV and commercial projects.

Feksz points out that Hungarian tax regulations allow for only post-production or separately ordered screening services to be eligible for the sector’s generous rebate: “Importantly, the film industry’s tax rebate is also independent of any other bilateral taxation agreements and productions can claim VAT as well.”

Origo has a proven track record in delivering a comprehensive range of best-in-class, flexible and professional services that meet and exceed its clients’ expectations. “It’s this level of commitment that makes them return to us time and time again. We’re constantly evolving and adapting to new production and post-production requirements,” declares Feksz.

One illustration of this is how it has adjusted its procedures to address challenges emerging from the recent growth in TV-series projects from global streaming platforms, she explains: “These platforms often need longer-term contracts lasting several years. We offer flexible terms starting with the first season, we prioritize prolonging their contract and presence in our studio, and we grant an affordable ‘holding period’ for their set in our soundstages. In addition, streaming productions rely heavily on our post-production services and require more storage capacity, so we have invested in a highly scalable information technology system to support this.”

There are a number of other attributes that make Origo stand out. These include the fact that its focus on lowering its carbon footprint has made it a ‘green studio’ and it is the only studio in the world with a mobile laboratory for COVID tests. For Feksz, it is little details that make Origo unique: “For example, casts and crew are welcome to bring their furry friends to our dog-friendly site. We’re committed to ensuring our clients have an enjoyable and memorable filming experience.” While Hungarian projects represent a small percentage of Origo’s schedule, it treats them with the same level of care and Feksz believes that its hosting of so many major international productions has had a positive impact on the domestic industry: “We’re creating opportunities for Hungarians to work alongside the best in the world.”

Before the pandemic, Hungary’s business tourism industry was growing by 13% a year, with 30% of events held in the country being organized by international companies and bodies, particularly ones from the US, the UK and Germany.



Gábor Ganczer
CEO, Hungexpo

tor by the International Congress and Convention Association.

“One of Budapest’s key advantages is its accessibility and international connectivity. In addition, the city’s atmosphere and beauty make it exceptional; there are plenty of hotels; gastronomy, social life, museums and culture can all be found; it’s an incredibly safe environment with a reliable economy and impressive infrastructure. When it comes to international congresses, another advantage is worldwide recognition of Hungarian expertise and the presence of Hungarian professors on many international association boards,” explains Gábor Ganczer, CEO of Budapest’s Hungexpo, Central and Eastern Europe’s leading exhibition and conferences organizer that operates the region’s largest multifunctional venue for those events.

“We organize exhibitions in many areas, such as agriculture, construction, travel, even fishing and hunting, not to forget gastronomy events like Sirha Budapest, which is at the heart of Central Europe’s eco-sector. We’re also the only location to have hosted the finals of the prestigious

European Bocuse d’Or cooking competition twice. We organize a lot of congresses as well, for example, in the field of medicine, plus we’ve had FIFA and UEFA congresses, product launches and numerous other corporate, international and national events,” says Ganczer.

Hungexpo has evolved dramatically since 2005 when it was privatized to the French group GL events, which invested in modernizing and expanding the site’s facilities over the next decade. “We successfully changed the perception of Hungexpo so that it was chosen to host national and international events,” he states.

But Budapest was still missing out on attracting major projects that were instead going to European competitors like Barcelona, Vienna and Prague. Something had to be done to improve its market share and, in 2015, it started negotiations with the Hungarian government about buying back the property and investing in its future. Having successfully demonstrated the multiplier factors of business tourism to the economy, the organization now rents the site’s land and buildings from the Hungarian state.

“Concurrently, the government agreed to invest over \$170 million on redeveloping the exhibition area, creating a conference center and a new iconic building that opened in 2021, which is now a symbol for Hungexpo. Finally, Budapest has a modern, multifunctional congress center it can be proud of,” Ganczer asserts. Today, the revitalized site offers 70,000 square meters of flexi-

ble floor space in seven state-of-the-art halls, the outstanding conference center and smaller spaces, while its extensive kitchens can cater for 2,000 covers at a time. With the capacity to host up to 20,000 delegates, the new Hungexpo is forecast to become one of Europe’s top-five conference destinations in the future.

Progress toward that future had to wait until after the pandemic subsided, he discloses: “The one and only positive thing about the COVID crisis was that, as we were in lockdown, we were able to finish our renovations without any obstacles. The forced break was also an occasion to explore new business opportunities. We realized our empty halls are just like film studios. Hungary is a great destination for film shooting as production companies can benefit from tax incentives and well-developed infrastructure. The country is well known within the industry and we noticed that its studios were all booked out, so we introduced Hungexpo Studios to the market.”

With the supply chain already in place for productions, including catering, security and cleaning, Hungexpo rapidly attracted a number of shoots, mainly from the US, he comments: “The most significant ones have been from Disney and Netflix. It was thrilling to welcome the movie stars and we’re planning to keep this part of the business. We’ve proved that Budapest and Hungexpo are the right choice, not just for corporate events, but also for film productions.”



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Top made-in-Hungary productions

Halo Microsoft Studios, 343 Industries, Showtime, Amblin Television	Terminator: Dark Fate Skydance Media, 20th Century Studios, Paramount Pictures
Blade Runner 2049 Columbia Pictures, Alcon Entertainment, Scott Free Productions, Thunderbird	Dune Legendary Entertainment, Warner Bros.
Tom Clancy: Jack Ryan Paramount Television, Amazon	Moon Knight Marvel Studios
The Continental Lionsgate	The Alienist TNT



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Global content demand drives growth

With 95% of the value produced by Hungary's film industry coming from international projects, "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 cafes, 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, spas 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 PORGÁ
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.

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.

Located in northwest Hungary and with a population of 60,000, Veszprém is one of the nation's oldest cities, says its mayor, Gyula Porga: "It was founded around the same time as the state of Hungary in 1001. The first Hungarian king, Stephen I, gifted the city to his wife Gisela and it's been known as the city of queens ever since." Stephen also established Hungary's first archdiocese in Veszprém, which was also home to the country's first higher education institution. "It's always been a center for city, state and government organization, as well as for religion, culture and education. Veszprém is more than a millennium old, but it never seems to age because, as a religious and educational center and with a population that has a strong intellectual background, it's



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-

HERCULES
DIE HARD
THE ALIENIST
THE CONTINENTAL
SHADOW AND BONE
THE WITCHER
TERMINATOR
MOON KNIGHT
BORDERLANDS
BLADER RUNNER 2049
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 Hungary's 2nd-biggest city	 Hub for e-mobility and batteries
 Population of 210,000, with 3 million in its regional sphere	 \$11.7 billion in investment capital already in the city
 137 miles from Budapest and close to Romania and Ukraine	 1,500 hectares of industrial parks and Hungary's 2nd-largest airport



As well as fresh turkey, Gallicoop manufactures a wide range of turkey-based products

‘Hungary can be the food basket for the region’

A strong agribusiness sector is adapting to its challenges and expanding its export capacities

Over half of Hungary's land mass is dedicated to agriculture, a sector that currently contributes about 4% of the economy's gross added value. 4.3 million hectares are taken up by arable farming, with its biggest crops being wheat, corn and oilseeds, while around another million hectares support vast numbers of pigs, cattle and poultry. In 2021, agricultural outputs made up 8.9% of Hungary's exports, led by grains and grain products at 15% of the total, animal feed at 11%, and meat and meat products at 10%. Many in the industry say there is huge potential to grow these exports. "Before 2020, European countries were focused on technology or electronic sectors. When COVID hit and supply chains were destroyed, they started turning toward local production of food. Agriculture is a crucial sector: people need to eat and they can't eat smart phones. Hungary has great land and a good climate for agriculture; we have a population of around 10 million but can produce food for 20 million easily. Hungary can be the food basket for the region, providing high-quality food in abundance," asserts Szabolcs Makai, CEO of Talentis Agro.

With operations covering about 1% of Hungary's farming lands, the Talentis group is one of the country's largest agribusiness enterprises with activities extending across diverse fields, including dairy, milling, pork, game, wineries, starch and sugar. Through its parent, the Mészáros Group, Talentis is also closely affiliated to the country's top turkey player, Gallicoop.

Makai is open about the substantial challenges that Hungary's agricultural sector has experienced in the last few years. "On top of the pandemic, the war in Ukraine and energy price inflation, Hungary had a drought in 2022. It normally yields 8 million tons of corn a year and that went down to 2.8 million." To meet these challenges, the industry is transforming by adopting technologies connected to irrigation, automation and mechanization, for example. "In the old days, we didn't have to focus that much on efficiency, because business was good anyway. Now we must. Talentis is also focusing on managing droughts by searching out the best seeds for the local market and the most efficient ways to irrigate. Like everyone else, we're turning to renewable energies to try and become independent from gas as well."

Agriculture's move to renewables has a double benefit: as well as reducing energy costs, it is helping the country meet its targets under the European Union's Green Deal strategy, which aims to make Europe climate neutral by 2050. "In Hungary and Europe, we're going in a very good direction on this. Sustainability is the main priority for Talentis Agro too. If we don't take care of the environment, we won't be able to do business long term. It's very simple."

Attila Csányi, CEO of the Bonafarm Group, another of Hungary's largest diversified agribusiness conglomerates, says more investment further up the value chain is essential: "The country is well advanced in crop-production technologies, which enable our agriculture to be cost competitive and sustainable. When it comes to food processing, however, we need to renew and modernize our infrastructure. Hungary's agriculture and agro-processing industry offer strong potential, and I see a great oppor-

tunity to invest in these sectors. If we can catch up with Western Europe in processing competitiveness, we will be able to serve a really large market and play a regional role."

A number of multinational giants agree with this assessment and are investing to boost their capacities. This January, for instance, Nestlé announced a \$380-million project to expand and automate its pet food production and warehousing facilities in the country. And just a month earlier, Japan's Nissin Foods disclosed it was investing \$48 million to ramp up manufacturing and logistics at its Hungarian plant that exports instant noodles made from local flour.

Guaranteed GM-free poultry

One Hungarian group that has invested to put itself at the forefront of the agribusiness industry is Master Good, the national and Central Eastern European market leader in poultry. The country has a long tradition as a powerhouse in this sector: in 2021, it produced 550,000 tons of poultry meat with an estimated value of over \$2.3 billion. "In the 1960s, Hungary was one of the first worldwide to start exporting its poultry products globally and it's still a strong exporter. Master Good, for example, exports to 47

SZABOLCS MAKAI
CEO, TALENTIS AGRO

"Hungary has great land and a good climate for agriculture; we have a population of around 10 million, but can produce food for 20 million easily."

countries in Europe, North America, Africa and Asia. The Hungarian poultry sector is famous for its quality. We're a key European player in duck and geese, while the major strength of our chicken sector is that it is completely free of genetically modified (GM) inputs," states László Bárány, CEO of the family owned Master Good and part of the fourth generation of Hungary's oldest poultry dynasty.

The vertically integrated group's activities are mainly focused on chicken and cover the whole value chain, including grain production, feed mills, breeding, hatcheries and broiler-fattening farms, while it also contracts local farmers to produce broiler and free-range chickens for it. In addition to its plants that manufacture convenience foods, cooked and breaded products, sausages, hams and pet food, it operates the world's largest-capacity poultry slaughterhouse. That is the result of a \$50 million investment in 2018, which increased the facility's capacity and brought in cutting-edge automation and robotics, says Bárány: "Since then, we've made further investments. We now have the most modern factory in our industry worldwide and the most efficient — no other company can slaughter up to 16,300 birds per hour."

Master Good is continuing to introduce more efficiency, quality and automation to its operations. "Although we have excellent machinery and technology suppliers already, we're open to having more because, as a vertically integrated



AXIÁL has a 23% share of Hungary's agricultural machinery distribution market



László Bárány
CEO
Master Good



János Ruck
CEO
Gallicoop

business, we still have a lot of problems to solve and things to optimize," he comments.

A key driver of all the group's investments is sustainability and it is among the greenest in the global poultry sector. "We're environmentally conscious and animal welfare is very important to us. As well as our integrated operation, including feed, being GM-free, none of our chickens receive any growth promoters, anti-viral chemicals or anything similar," asserts Bárány. On top of that, the group has taken advantage of its vertical integration to operate a fully circular ecosystem as part of its strategy for becoming carbon neutral by 2030. Everything that can be recycled is: for instance, pet food is made from the byproducts of its primary processing, while the manure from its chicken farms is processed and used as a natural grain fertilizer. It has also installed solar power plants that are generating 34% of its energy needs.

In addition to the challenges faced by the Hungarian agribusiness industry as a whole, Bárány explains that the poultry sector has its own unique challenge: "We have to learn to live with avian flu. It will be here forever and can cause serious economic problems." Despite all of these issues, in 2022 Master Good achieved revenues of about \$750 million and a higher profit volume than in 2021, Bárány notes: "We closed a successful year, thanks to our previous efficiency investments. However, we are living in rapidly changing times and, as a leader, Master Good will remain focused and react quickly to future changes."

Supplying growth in demand for turkey

Within the poultry sector, the country really stands out when it comes to turkey. "Hungary has always been at the top of the list of

turkey-consuming nations," says János Ruck, CEO of Gallicoop, Hungary's frontrunner in the turkey sector. "Gallicoop stands for reliable, healthy, high-quality products. In addition to fresh meat, we offer a wide range of products for direct consumption, including sausages, hams, cold meats and liver; cooked, smoked and dry goods; and breaded products," discloses Ruck.

The \$215-million company operates four plants, has nearly 1,500 employees and produces 3 million turkeys a year. It is also the country's largest closed-integration enterprise. "Our products' journey goes from field to table. We control every phase, from rearing, processing and packaging, until the final products reach the market, which makes it possible to standardize and monitor our processes. That, plus the continuous development of our systems, means we can ensure complete food safety for consumers," he explains.

Gallicoop has gone through many changes since it was founded over three decades ago. The most recent came in 2020, when it was bought by three domestic private equity funds, although it continues to operate under the management of Talentis Agro. The new investors first goal was to increase added value in the company's product portfolio, states Ruck: "We've since built a successful new brand, Gallio, which prioritizes healthier, conscious nutrition." The second goal was export growth, he adds: "39% of our revenue currently comes from exports. We give priority to nearby markets, but our products also reach Italy, England, Ireland, France, Germany, Portugal, Serbia, Japan, Hong Kong and Singapore, and we're planning to expand further in France and into Indonesia."

Gallicoop has consistently invested in high-tech equipment and systems to adapt to new trends, expand capacity and raise its sustainability levels. Those investments are continuing under the new owners, Ruck says: "The food industry — and poultry farming and processing within it — has a significant impact on the environment, which is why the company emphasizes environmentally friendly solutions in all areas of its operations."

The new momentum in Gallicoop's activities puts it in a great position to take advantage of growing demand for turkey, he states: "Turkey meat has the most favorable protein-fat-carbohydrate-energy ratio, high nutritional value, is easily digestible, hypoallergenic and suitable for a wide variety of applications, and those benefits are being widely shared among consumers worldwide."

A transforming sector

Hungarian farmers are embracing cutting-edge agricultural machinery and technologies

Technological transformation of Hungary's agriculture is powering forward, with the sector becoming increasingly sophisticated, automated, digitalized and efficient. As an illustration, in 2021, Hungarian farmers spent \$827 million on new agricultural machinery and equipment — a figure that is likely to have been substantially exceeded in 2022, as \$741 had already been spent in the first nine months of the year, according to the Ministry of Agriculture.

At the heart of this transformation is the AXIÁL Group, which has a 23% share of Hungary's agricultural machinery distribution market and recorded a net turnover of \$410 million in 2022. AXIÁL has 19 branches across the country, a workforce of nearly 1,000 employees, over 20,000 partners, plus subsidiaries in Romania and Slovakia. "We serve the needs of the sector with machinery, rental of equipment and labor, after-sales services, spare parts and financing solutions. As a distributor, we strive to offer the best possible range of equipment and accessories to our clients, tailored to their specific needs," explains CEO Zsolt Harsányi.

That approach is valued by both AXIÁL's customers and its suppliers, which regularly call on the group to help test and give feedback on prototypes, he adds: "Many great models from many brands have been brought to market this way, to the benefit of farmers in Hungary and other nations." Among the hundred of suppliers it collaborates with, the group has exclusive partnerships with some of the biggest and most cutting-edge names in the business, such as Germany's CLASS and Fendt for tractors.

One crucial way AXIÁL has advanced Hungarian agriculture is by investing in a precision farming portfolio that includes US-based Trimble Agriculture's hardware and software, plus its own in-house-developed software and network for real-time global-navigation-satellite-system correction services. The latter incorporates data from four satellite constellations, facilitating highly accurate steering of drones countrywide. "The mission of our team responsible for precision farming technologies is to enable farmers to maximize yields, while decreasing the quantity of input materials used, ultimately helping them to become more profitable by increasing cost effi-

ciency. Over the last decade, we've witnessed rapid development in this field," enthuses Harsányi.

Education empowers farmers

The group has also played a prominent role in improving the sector's understanding of the benefits of adopting digitalization, mechanization and automation in agriculture. "AXIÁL's job is to deliver the right technology to farmers who can rely on these tools and solutions to achieve their goals. For that reason, we place great emphasis on educating our customers. Our goal is to share all the international and national expertise that we possess, including the vast knowledge coming from our strong partnerships with suppliers," he states.

To achieve that goal, AXIÁL's engineers provide its customers with machinery-operator training, while the group also takes part in numerous trade shows and conferences, and organizes many of its own programs every year. For example, it has recently run a series of events across Hungary that addressed one of the agricultural sector's biggest challenges: drought. "There are multiple solutions to this problem aside from irrigation, such as switching to a sustainable cultivation method, which can also help with drought prevention if combined with the right equipment," Harsányi reveals: "With this in mind, our events focused on improving soil condition, the link between no-tillage and soil quality, and highlighted the importance of water retention while showcasing related modern agricultural machinery. They were a great success and we'll definitely continue to run them this year."

AXIÁL is also well connected with Hungarian secondary and higher education institutions as it seeks to empower the next generation of farmers, he notes: "Fundamentally, we want agriculture to be seen as a modern industry and, through our activities, we aim to provide visibility to the dynamic development of this sector, where highly skilled professionals are working with advanced technology to achieve their visions. We would also like to encourage people around the world to try Hungarian agricultural products, which include healthy foods and drinks of exceptional quality — such as wines, wheat, meats and cheeses."

Dynamic food industry, baked in innovation and quality

Hungarian companies are finding their niches on the international stage by creating unique foods and wines that make the most of locally sourced natural ingredients

Hungary's food manufacturing industry is expanding at an impressive rate: its production outputs for 2021 were valued at \$13.1 billion and it generated almost 46% more than that in just the first nine months of 2022, according to the Hungarian Investment Promotion Agency. The sector includes thousands of businesses, only around 60 of which are food giants. Among the remainder are a multitude of smaller players operating in niche areas of the industry that are attracting worldwide buyers for their goods.

Felföldi Confectionery is a prominent example. Hungary's leading confectionery company was founded in 1986 by its charismatic owner and CEO Joseph Felföldi, who is driven by a mission to "offer innovative products and sell happiness," he says. "My first real innovation is still our flagship product: Quick Milk. It's a biodegradable straw with natural flavor inside. When kids sip through the straw, it gives milk color and taste. This is how we made milk drinking fun for kids," he enthuses.

Felföldi has followed this up with many more successful inventions. "At the moment, we have more than 30 active products and over 100 in development. My strategy is to monitor all the markets, figure out what they need and come up with products that are not already on the market. So, innovation is at the core of Felföldi Confectionery, we're always endeavoring to offer something new," he explains.

As well as being innovative, Felföldi Confectionery products are high quality, the CEO states: "We use only natural ingredients! We include no chemicals or any added colors or flavors. It's really vital to me that our products are all natural."

JOSEPH FELFÖLDI
CEO, FELFÖLDI CONFECTIONERY

"Innovation is at the core of Felföldi Confectionery, we're always endeavoring to offer something new."

Every item in the company's portfolio is unique. Among them are enticing brands like Sherbet Wands, Frutta Spray and Funny Gum that will bring a smile to any child's face. Demonstrating their diversity, there is also Classic Kitchen, a range of jar-based, perfectly measured ingredients for tradition home-baking recipes, and Mira Well, a chocolate-coated pretzel snack. "Sales of Mira Well are booming — we export five full trucks of it every week to other parts of Europe. And we produce savory snacks as well: our second-biggest brand is the 100% cheese-based Let's Cheese snack. It's sugar-free, lactose-free and nothing is added — not even oil, as we bake it in an innovative microwave."

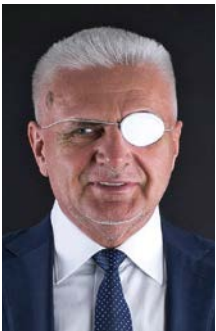
Located in the city of Debrecen, where it employs about 300 people, Felföldi Confectionery does everything in house, from research and development (R&D) to packaging and printing. "Our R&D department can create any flavor or color that the market requires — for example, we've made 50 flavors of our Quick Milk straws so far. We're flexible, which is crucial,"

The company has developed significant amounts of its own production technology to manufacture sweets and snacks at its 10,000-square-meter modern factory. Its Mira Well production line, for instance, is 120 meters long and fully automated, meaning only four people are needed to operate it and it can output a lorry load of pretzels in a working day, says Felföldi: "This is unique in Europe! That being said, I don't want to have the whole factory running on automated machines, because our employees are really important to me. We're like a big family."

The company has an exemplary approach to supporting both employees and its wider community. "One of my goals is to keep young Hungarian people in Hungary and that's why Felföldi Confectionery offers high salaries. I would like to set an example in that regard," he discloses. It also sources local ingredients where possible and follows all best practices for protecting the environment throughout its activities.



The Tokaj wine region is most famous for its sweet and complex golden wines



Joseph Felföldi
CEO
Felföldi Confectionery



András Tóth
Managing Director
Nébar

Having achieved a turnover of about \$16 million in 2022, Felföldi Confectionery is ambitious to double that this year. One way it is growing is by launching a chain of gourmet chocolate shops that will stock all its products. The first of these opened in Hungary this February and the plan is open about 50 stores in France, Austria and other European nations within five years. It is also looking to extend its geographical distribution. "You can find our products in 50 countries around the world now. Our biggest markets at the moment are the UK, Canada, France and Germany, but we're continuously expanding and trying to find new markets," the CEO reveals.

In the US, some Felföldi Confectionery products are available at Walmart, including Quick Milk, Felföldi notes: "We would like to have more products listed by Walmart and add additional US distribution partners in the next two years. Many of our products have already received US Food and Drug Administration approval, which I'm really proud about, and we're closing monitoring the American market in order to fulfill needs of local consumers. And we're developing new flavors they will love — like coffee and cream!"

Nothing added but value and taste

One definite gap in today's US market is easy access to foods that are free of genetically modified organisms (GMOs). Hungary can help fill that gap, says András Tóth, managing director of family owned Nébar, which produces high-quality bakery goods, such as flatbreads and crackers, as well as roasted nut products: "The good thing about Hungary is we 100% forbid any kind of GMO inputs. As a result, we can confidently claim that whatever is produced and processed in the country is GMO-free."

In the last few decades, the Hungarian agribusiness industry has advanced from mainly generating primary goods like grains and flour, to manufacturing and exporting final added-value foods — but there is still plenty of room for further progress, Tóth states: "I would encourage investors who are thinking about stepping into this market to focus on added-value goods with a long shelf-life for export. Nébar is a shining example of what's possible and we've been quite innovative in that regard."

Nébar was established in 1995, with Tóth and his wife taking over the firm from his parents in 2018. "Since then, we've created a wide variety of healthy bakery products that are all 100% natural, free of GMOs, vegan, dairy-free and contain no preservatives. We've also devised a complete range of products that are not only gluten-free, but which taste great as well," he reveals. The company's portfolio is constantly expanding: for instance, it has recently developed a range of organic bakery products for children that are packed with protein, vitamins and minerals.

The dynamic new management team has also beefed up Nébar's production capabilities, says Tóth: "We made a large investment of around \$3.2 million in 2020, which enabled us to almost fully automate our production lines. We now have the capacity to serve export markets and have doubled in size. We can't compete with the very-large-scale global producers, but we're highly competitive in the healthy or functional food sector, which requires much more care and attention."

Nébar has established a presence in 19 countries so far and now generates 80% of its turnover from exports, with its products being sold both under its customers' brands and its own Nébar brand that is copyrighted in the US.



Felföldi Confectionery's Quick Milk straws have made drinking milk fun for kids



Nébar now has the production capacity to serve more export markets

Europe and China. While it wants to carry on building up its in-house brand, the company's strategy for international expansion varies from country to country. "We try to keep a healthy 50:50 balance between our own brands and private-label goods and we're in contact with some huge supermarket chains at the moment. Of course, we strive to provide high quality in all our products, whether it's for our brands or a private label," he declares.

The firm is targeting growth in countries with high health awareness, such as Scandinavian and Western European nations, the US and Canada, while it has also closed deals in Japan, China, Taiwan and Australia. In the US, its focus is on finding the right partners to make its goods more widely available.

It already has a strong partnership with a prestigious US orthodox kosher company, Tóth states: "Currently, our products are only available in the US under orthodox kosher stamps, which we have the capacity for. In the last three years, we've developed and launched four new ranges with this partner, involving commercial flatbreads gluten-free flatbreads, matzo products and crackers. That's one of Nébar's strengths: when our partners ask us to develop something, we have the ability and fast reflexes to be able to find a good solution quickly."

ANDRÁS TÓTH
MANAGING DIRECTOR, NÉBAR

"We've created a wide variety of healthy bakery products that are all 100% natural, free of genetically modified organisms, vegan, dairy-free and contain no preservatives."

Virgin Oil Press is another excellent example of an innovative, entrepreneurial company adding value to Hungary's agricultural output. The young business has created Grapolla, a range of around 20 cold-pressed oils made from locally sourced organic seeds that have won numerous international plaudits, including 11 stars at the UK's Great Taste Awards in 2020. What makes the oils really special is Virgin Oil Press' zero-waste production technology, which recycles all byproducts and converts them into goods like gluten-free seed flours, gourmet creams, animal feed and natural cosmetics.

Many of the country's niche food businesses are producing more traditional fare that is equally high quality. The best and most typically

Hungarian of the country's food products have been classified as Hungarikums, an official designation that aims to protect and promote the country's heritage, culture and craftsmanship. Among the outstanding edible Hungarikums are pork salamis, acacia honey, goose-liver products, the hot pepper paste Erős Pista, Piros Arany creamed paprika, and smoked sausages produced in Debrecen, Csaba and Gyula.

Wines that bring a sparkle to life

Quintessentially Hungarian beverages have also attained Hungarikum status, including three of its wines: the iconic Tokaj Aszú, a concentrated and complex sweet golden wine; Bull's Blood from Eger, a red wine blend made from local grape varieties; and Törley sparkling wine. These awards reflect the nation's long tradition in winemaking that goes back to at least the Roman era.

Thanks to the diversity of its landscapes and climates, Hungary has 22 wine regions that produce a wide array of fabulous wines from both domestic and international grape varieties. As Kornél Müller, Törley's managing director, points out: "In wine, Hungary isn't competing with the large traditional producers, nor should it. Hungarian wines are a niche product, the characteristics of them are incredibly unique and this is something to be celebrated."

Törley has been making sparkling wines in Hungary for 140 years. Today, it is the domestic market leader in both sparkling and still wines, while a third of its produce is exported across the world. The winery's two priorities are maintaining its quality standards and innovation, Müller says: "We aim to build on our history and preserve our heritage, while, at the same time, we try to follow in the innovative footsteps of Törley's founder by always looking toward the future."

The most recent evidence of this is its diversification into non-alcoholic wines. "We're not just a wine company, we're responsible for bringing the joy of celebration into people's lives. We saw an opportunity to become more inclusive by producing a non-alcoholic sparkling wine and we're now making it possible for everyone to celebrate together," he explains.

Müller believes the US offers great export potential for the country's wines: "We certainly have the right products for it. I always encourage people to step out of their comfort zones and try something they haven't experienced before. If Hungarian wine falls into that category, it's a win-win." For those in the US wanting to explore Törley's wines, as well as those from smaller Hungarian wineries, one of the top sources is Taste Hungary, which has a shop in Budapest, runs wine tours and, best of all, imports numerous fine examples of the country's wines into the US.



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 holistic 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.



Levente Kovács
Secretary General
Hungarian Banking Association

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.

Alongside digitalization, the sector's other priority is sustainable financing. “The central bank and the government are pushing banks to accelerate in this area. Everyone is aware that green investments — for example, in renewable energies — can be more costly than traditional ones. However, the banking sector is ready to take this step and we have the resources to do so,” he asserts. Data from the Ministry of Finance suggests the country's banks are indeed well placed to help Hungary meet its environmental goals. As of March 2023, they had healthy credit and balance sheets, a combined capital adequacy ratio 1.5 times that seen in 2008 and their liquidity buffers exceeded required levels by a substantial amount.

Veronika Špaňárová 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 Špaňárová.

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.

More substantial inflows followed last year, including from Israel's Teva, which added a new \$23-million pharmaceutical manufacturing plant to the almost \$1.3-billion in investments it has plowed into Hungary to date. Another major presence is Egis — one of Central Eastern Europe's (CEE's) market leaders in generics — that spent \$24 million in 2022 on increasing capacity, technology and efficiency at its facilities in Körömd.

CEO Csaba Poroszlai explains the reasons behind this new investment: “As a branded generic and value-added manufacturer, Egis has a strong focus on technological development and efficiency. Our main goal is to bring affordable care to people and for that you need to be very efficient in development and production.”

Due to the country's small size, pharmaceutical companies look to international markets for most of their sales and their products represent 5.6% of all Hungary's export income. “80% of national production is exported and the Hungarian pharma industry serves practically the entire globe. In the case of Egis, we export to over 60 countries,” says Poroszlai.

MATT ZELLER
COUNTRY PRESIDENT
NOVARTIS HUNGARY

“There are numerous talented individuals here who are passionate about the same goal: enhancing the health and lives of Hungarians.”

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

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 unattended 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



80% of the pharmaceuticals produced in Hungary are exported



Zoltán Ács
Managing Director
MEDITOP
Pharmaceutical



Dávid Greskovits
Managing Director
MEDITOP
Pharmaceutical

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

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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

Futereal 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 outsource-



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.”

Pressure is on to maintain roads

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

Hungary 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.”

