FOOD INDUSTRY IN HUNGARY
OPENING DOORS FOR YOUR INVESTMENT
ABOUT HUNGARY
MAIN FIGURES

FORM OF GOVERNMENT
PARLIAMENTARY REPUBLIC

CURRENCY
FORINT (HUF)

GDP (PPS)
€ 194,248 MILLION (2015, HCSO)

INFLATION
0.4% (2016, HCSO)

UNEMPLOYMENT RATE
5.1% (2016, HCSO)

MEMBERSHIP IN INTERNATIONAL ORGANISATIONS
EU, UN, OECD, WTO, NATO, IMF, EC
EU member: since 2004

CLIMATE
TEMPERATE (similar to the rest of the continental zone)

RISK OF NATURAL DISASTERS
VERY LOW

HUN

AREA
93,022 km²

TIME ZONE
GMT + 1 HOUR

POPULATION
9,830,485 (2016, HCSO)

CAPITAL
BUDAPEST 1,759,407 (2016, HCSO)

OTHER MAJOR CITIES
Debrecen (203,059)
Szeged (162,621)
Miskolc (158,101)
Pécs (145,347)
Győr (129,568)

Food Industry in Hungary

Source: HCSO – Hungarian Central Statistical Office
Hungary is an open economy where particular emphasis is placed on encouraging foreign investment. Partnership with potential investors is a national priority; special attention is paid to the needs of companies already settled in Hungary, and to the further improvement of the business climate.
IN ORDER TO IMPROVE THE BUSINESS CLIMATE THE HUNGARIAN GOVERNMENT...

...has introduced a new incentive scheme supporting tech-intensive investments.

...has created the most competitive CIT in the EU with 9% flat rate.

...further improved the practice-based dual education system built on industry needs.

...is committed to further reduce taxes on employment.

...was the first to implement a Digital Nation Development Program in the CEE region.

...has signed more than 70 strategic partnership agreements giving companies fast access to the Government.

...has modified its taxation and incentive system related to R&D activities to make Hungary the innovation hub of CEE.

...has introduced its unique economic development plan based on Industry 4.0 requirements.

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...is committed to further reduce taxes on employment.

...was the first to implement a Digital Nation Development Program in the CEE region.

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...has modified its taxation and incentive system related to R&D activities to make Hungary the innovation hub of CEE.
GASTRO STORY
The dining scene in Budapest is livelier than ever, practically you can find the cuisines of every culture in the capital, from high-end Michelin-star restaurants to no-frill eateries, small bistros and must-try food trucks. In 2016, Hungary was hosting the European finals of Bocuse d’Or, the most prestigious chef competition of the World and became – if only for a few days – the gastronomic centre of the World.

EXPATS LIKE HUNGARY
Budapest is a city full of surprises and wonders, with its lively centre, pretty parks, majestic river, tall church spires, and lavish spas. One of the most exciting cities in the world, Budapest is full of secrets, hidden spots to explore, and old favourites to revisit. This is the city where being bored is not an option. According to TripAdvisor, Budapest is offering the best price-value ratio in the world. According to Condé Nast Traveler readers, Budapest is the second best city on earth.

EXPLORE THE COUNTRYSIDE
Hungary’s diverse countryside offers a wide range of outdoor activities: 11,000 kilometres of hiking routes; more than 2,500 kilometres of cycle paths; 22 golf courses; ten national parks; and many protected nature reserves for those in love with fresh air. The protected Puszta-region, the Great Plain, the romantic Danube Bend with its historic sites, and pretty baroque towns, such as Eger, attract visitors all over the year. Lake Balaton, the largest fresh water lake in Central Europe, is a perfect holiday resort.
Keeping Hungarian agriculture GMO-free is a matter of extremely high strategic importance. The total abolition of the utilization of GMO in the country’s agriculture represents an ever-increasing competitive advantage for Hungary. The ban on GMO is laid down in the country’s Constitution and in the corresponding legislation. All parliamentary parties have worked together to formulate Hungary’s GMO-free strategy and the process of implementation aimed at its realization is complete agreement.

Johann Marihart
CEO, AGRANA

“AGRANA has substantial and successful affiliated companies in Hungary. Since 1990 at Hungrana, since 1991 at the sugar factory Magyar Cukor in Kaposvar, and since 2002 at four apple juice concentrate plants. All of our investments are characterized by considerable growth over the years. Due to the strategic importance of this region AGRANA stood and stands clear to its investments in Hungary and does not intend to change that.”

100% GMO-FREE INGREDIENTS

Food Industry in Hungary
QUALITY INGREDIENTS ARE AVAILABLE ON A LARGE SCALE

HUNGARY is a major producer of numerous agricultural products in Europe – especially compared to the country’s size.

Among the TOP3 crop producers of the CEE region.
The natural characteristics of the CARPATHIAN BASIN – climatic conditions and soil – establish the large scale production of high quality raw materials for the food industry.

### Fruit Production (thousand tons)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple</td>
<td>651</td>
<td>592</td>
<td>780</td>
<td>511</td>
</tr>
<tr>
<td>Sour cherry</td>
<td>53</td>
<td>70</td>
<td>92</td>
<td>77</td>
</tr>
<tr>
<td>Plum and greengage</td>
<td>43</td>
<td>48</td>
<td>45</td>
<td>46</td>
</tr>
<tr>
<td>Peach</td>
<td>16</td>
<td>44</td>
<td>39</td>
<td>37</td>
</tr>
<tr>
<td>Apricot</td>
<td>11</td>
<td>21</td>
<td>24</td>
<td>20</td>
</tr>
<tr>
<td>Watermelon*</td>
<td>183</td>
<td>190</td>
<td>219</td>
<td>196</td>
</tr>
<tr>
<td>Honeydew melon*</td>
<td>12</td>
<td>22</td>
<td>12</td>
<td>16</td>
</tr>
</tbody>
</table>

### Vegetable Production (thousand tons)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dry peas</td>
<td>43</td>
<td>45</td>
<td>46</td>
<td>64</td>
</tr>
<tr>
<td>Fine bean (string bean)</td>
<td>18</td>
<td>17</td>
<td>18</td>
<td>21</td>
</tr>
<tr>
<td>Green pepper</td>
<td>79</td>
<td>77</td>
<td>84</td>
<td>116</td>
</tr>
<tr>
<td>Tomato pepper</td>
<td>13</td>
<td>10</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Potato</td>
<td>548</td>
<td>487</td>
<td>567</td>
<td>452</td>
</tr>
<tr>
<td>White cabbage</td>
<td>65</td>
<td>67</td>
<td>60</td>
<td>65</td>
</tr>
<tr>
<td>Onion</td>
<td>57</td>
<td>60</td>
<td>62</td>
<td>60</td>
</tr>
</tbody>
</table>

### All Gathered Fruits (thousand tons)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>822</td>
<td>850</td>
<td>1040</td>
<td>778</td>
</tr>
</tbody>
</table>

### All Gathered Vegetables (thousand tons)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1363</td>
<td>1441</td>
<td>1514</td>
<td>1601</td>
</tr>
</tbody>
</table>
The geographical fragmentation and wide range of climatic conditions within the country constitute a source of diversity of production and establish a rich choice for processing.

Food Industry in Hungary

**POULTRY STOCK** (thousand pieces)

<table>
<thead>
<tr>
<th>Year</th>
<th>POULTRY STOCK</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>38,546</td>
</tr>
<tr>
<td>2013</td>
<td>37,900</td>
</tr>
<tr>
<td>2014</td>
<td>38,599</td>
</tr>
<tr>
<td>2015</td>
<td>40,334</td>
</tr>
</tbody>
</table>

Source: HCSO

**RAW COW MILK PRODUCTION** (million liters)

<table>
<thead>
<tr>
<th>Year</th>
<th>RAW COW MILK PRODUCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1765</td>
</tr>
<tr>
<td>2013</td>
<td>1726</td>
</tr>
<tr>
<td>2014</td>
<td>1826</td>
</tr>
<tr>
<td>2015</td>
<td>1890</td>
</tr>
</tbody>
</table>

Source: HCSO
YOU CAN
COUNT ON THE
HUNGARIAN
FOOD INDUSTRY’S
EXPERIENCE

Most relevant segments of the Hungarian food industry:
1. Meat processing
2. Sweets, snacks, and convenience foods
3. Feed and fodder production
4. Milk processing
5. Mineral water and soft drinks

Distribution of the production value of foreign affiliates in the Hungarian food sector by controlling country, 2014:
- USA: 25%
- Switzerland: 12%
- United Kingdom: 12%
- Austria: 8%
- Germany: 8%
- France: 8%
- Netherlands: 8%
- Czech Republic: 3%
- Belgium: 3%
- Other countries: 11%

Regina Kuzmina
Managing Director
Unilever Hungary Ltd.

"The country’s superb geographical location, skilled workforce and qualified professionals all contribute to the prosperous operation of the Budapest HQ and the three factories creating 1,750 workplaces. Our company considers Hungary to be one of its strategic production centres, and throughout the past 25 years, we carried out significant investments in the country."
Hungary has some outstanding breweries with a long history and great expertise in brewing. Our Sopron brewery produces Heineken for export markets as well, and we are very proud that thanks to the vast knowledge and passion for quality of our colleagues, Heineken brewed in Sopron is now a reference beer for other breweries producing this brand all over the world. We also source great quality local raw materials to be processed in our breweries in Hungary and in Europe.
You can rely on globally acknowledged human capital at a reasonable cost.

AVERAGE GROSS EARNINGS IN 2015 (EUR/MONTH/PERSON*)

- 2004 Manufacturing and mining manager: €795
- 2004 Food industry technician: €531
- 2004 Baker, confectioner: €535
- 2004 Food and beverage products machine operator: €680
- 2004 Packaging, bottling, and labelling machine operator: €627
- 2004 Chemical engineer: €1,467
- 2004 Chemist: €1,365
- 2004 Food industry engineer: €1,223
- 2004 Chemical engineer: €1,467
- 2004 Chemist: €1,365

Minas Agelidis
General Manager
Coca-Cola HBC Hungary

"Excellent people in an excellent business destination - this is what Hungary means to our company. We are committed to Hungary since 1968 having invested more than HUF 110 billion only in the last two decades in our production capabilities. The production, transportation and sales of our drinks – including our employees – provide jobs for nearly 13,000 people and two-thirds of the raw materials used for the production of beverages are provided by local suppliers. We export products to 24 countries so Hungary has become a major regional hub in the Coca-Cola Hellenic group. And we are determined to go even further…"
In higher education system, the training of food engineers with bachelor’s or master’s degrees is represented by 11 colleges and universities in Hungary, while the number of programmes approximates one hundred.

There is a traditionally strong institutional system for agricultural training, education and research.

Classical trades and crafts (such as butchers, bakers, machine operators, etc.) are taught in the framework of secondary vocational training, while the system of training technicians, managers, and other mid-level professionals can only be entered by students having completed secondary vocational or grammar schools.

Hungary has a strong and highly differentiated system to develop skills and competencies required by the food industry.
Hungarian basic research is internationally recognized, and applied research has produced a number of new products and technologies.

Similarly to education research activities, Hungary’s agriculture and food industry has a long history. Seed breeding has an important status in agricultural research and is an integral part of each organization on the next page.
Approximately 55 percent of the country’s total area is covered by arable land. It is geographically significant that approximately two-thirds of Hungary’s territory is flat and lie lower than 200 metres above sea level.

“Nestlé is committed to its long term presence in Hungary. The company invested in total 100 billion HUF in the past 25 years and created over 2400 workplaces. The central location and advanced infrastructure of Hungary as well as the agricultural base materials of outstanding quality produced here are excellent basis for effecting further investments.”
“Hungary, and Makó was selected as the site for Givaudan’s biggest green field investment because of the rich heritage of food production in the region and new infrastructure which provides easy access to the fast-growing markets of Central and Eastern Europe as well as Western Europe. The excellent food industry education at University of Szeged, ensures a pool of highly skilled local employees and the region is well connected through road networks providing a good logistics infrastructure.”

Mihály Karkas
Head of Operations
Givaudan Hungary Ltd.
Hungary has direct connection to all significant harbours and terminals in Europe. Several main train lines connect Hungary with the main ports of Western Europe (e.g. Hamburg, Bremerhaven, Rotterdam), the Adriatic (Koper, Rijeka, Trieste) and the Black Sea (Constanta) with regular block train services.
THE HUNGARIAN RAILWAY NETWORK & RAIL-ROAD CONTAINER TERMINALS

THE HUNGARIAN RAILWAY NETWORK

The railway network spans the entire country and is an integral part of the international railway network, thus providing easy access by international express trains from the neighbouring regions and numerous other European countries. The total length of the Hungarian railway system is 7,712 km, of which 1,224 km (15.9%) is double-track, whilst the electrified railway network has a total length of 3,033 km (39.3%).

HUNGARY IS RANKED Nr. 5
BY RAILWAY LINE DENSITY IN EUROPE

* EU Transport in Figures Statistical Pocketbook 2015
The Investment Sites Database lists nearly 1000 green- and brownfield sites, industrial parks and offices throughout Hungary. It simplifies the task of matching investors’ needs to potential locations. Searchable by size, location, available infrastructure and incentives, the database is an excellent starting point for any prospective investor.

IPA operates an internal database of industrial parks, investment sites, and industrial halls in Hungary. The Investment Sites Database is one of the most comprehensive resources of its kind, the HIPA database is part of the information package for potential investors.

Looking back the time when we decided to establish the manufacturing factory in Kecskemét 2004, we were confident and believed that the region will provide us enough support to grow and there would be more business opportunities. Now, it’s been more than 10 years and observing the fact many other companies also decided to build factories here and still more others to come, we consider ourselves that we made the right choice.

Mr. Minoru Iwasaki
Factory Director
Nissin Foods Ltd.
HOW DO WE SUPPORT YOUR FOOD INDUSTRY PROJECT?

BEFORE YOU MAKE A DECISION WE OFFER YOU...

- one-stop-shop management consultancy services to address your business needs
- tailor-made incentive offers and information packages on the business environment, labour market, tax regulations, etc.
- meetings with HR & real estate agencies, law firms and other consultants based on your needs
- location search & evaluation + site visits
- reference visits at companies that are already established in Hungary
- assistance with your incentive application

AFTER YOU HAVE CHosen HUNGARY

We are open to your feedback and offer mediation between government and business based on your inputs.

We support your further expansion and plans.

PLEASE CONTACT US

Address: 1055 Budapest, Honvéd utca 20.
Customer service: investment@hipa.hu
Telephone: +36 1 872 6520
Web: www.hipa.hu
The maximum available aid intensity decreases if the investment is a large investment (exceeding €50 million): 50% of the maximum aid intensity determined in the regional aid map is available for investment between €50 and €100 million, with 34% of the maximum aid intensity for investment over €100 million.

For information on up-to-date and individual incentive packages please contact HIPA directly.

Regional grants are the most typical forms of incentives for greenfield / brownfield investments or reinvestments. The maximum amount of regional incentive is shown on the regional aid intensity map. The map above illustrates that regional aid available for investment for a large enterprise may be up to 50% of the eligible costs of the investment, depending on the region. For investments not exceeding €50 million, the maximum intensity ratio can be increased by 10 percent for medium-sized and by 20 percent for small enterprises.

As a member of the European Union, Hungary's regulations on incentive opportunities are in accordance with the EU rules. One of Hungary’s competitive advantages over other countries in the region is the Government’s strong commitment to increase the competitiveness of SMEs and large enterprises in Hungary. Alongside the regulatory tools that contribute to the competitive business environment of local companies, Hungary offers wide-ranging incentives to facilitate foreign direct investments and reinvestments by local enterprises. Subsidies may be granted as regional aid or specific aid, such as R&D subsidies.

These incentives include, but are not limited to:

- **CASH SUBSIDIES** for investments, training, job creation and R&D
- **TAX INCENTIVES** reduction of corporate tax, social tax, or for encouraging R&D activities.
- **LOW-INTEREST LOANS**

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