Hungarian multinationals a strong presence in neighborhood, survey finds

Report dated January 21, 2011

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Budapest and New York, January 21, 2011:

The ICEG European Center in Budapest, Hungary, and the Vale Columbia Center on Sustainable International Investment (VCC), a joint undertaking of the Columbia Law School and the Earth Institute at Columbia University in New York, are releasing the results of a survey on outward investors today.[1] The survey is part of a long-term study of the rapid global expansion of multinational enterprises from emerging markets. The results released today focus on Hungarian multinationals in particular. The present survey, conducted in 2010, covers the period 2007-2009.

Highlights

The report includes a ranking of Hungarian multinationals based on their foreign assets (see table 1 below). The 19 multinationals ranked held almost USD 22 billion in foreign assets in 2009. The top-ranked firm, MOL Group (including TVK, majority-owned by MOL), accounted for more than USD 19 billion, or almost 89%, of these assets. The top 19 companies together registered foreign sales of more than USD 10 billion in 2009 and employed more than 40,000 workers abroad (table 2 below). In 2009, Hungary was the 21st outward investor in terms of FDI stock among emerging markets[2] and the 22nd largest in terms of outward FDI flows, well below the BRIC countries, but a large investor among the New Member States of the European Union.[3] Outward investment by Hungarian companies went primarily into oil and gas exploration and production (mining

[1] This report was prepared by Magdolna Sass (external expert IE HAS) and Olivér Kovács (research fellow), both of them affiliated with the ICEG European Center. It is based on a survey of likely outward investors as well as on official company reports.

[2] Understood as a group of countries including all developing and transition economies, as well as the 10 former economies in transition (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) that the United Nations has reclassified as developed countries after their entry in the European Union.

[3] Ranking based on UNCTAD, *World Investment Report, 2010* (New York and Geneva: United Nations, 2010) and corrected by deducting Hungarian outward FDI by special purpose entities, which is counted statistically as FDI but does not reflect outward investing activities by Hungarian multinationals.

and quarrying), chemicals and pharmaceuticals. Other investment areas included transport, plastics production, building materials, electronics, food products, and IT and other services. The 19 companies on the list have 149 affiliates in 32 countries, with a strong concentration in Europe, mainly in Central and Western Europe (115 affiliates). These are mainly located in neighbouring or geographically close countries, such as Romania (23 affiliates), Slovakia (16), Germany (15), Poland (12) Czech Republic (11), Bulgaria (8) or Ukraine (7). See annex table 2 and annex figure 2 for details.

Table 1. The top 19[a] non-financial Hungarian multinationals, by foreign assets,[b] 2009 (USD million)[c]

Rank	Name	Industry	Status[d]	Foreign assets
1	MOL (+TVK)	Oil and gas exploration, production, refining and retail	Listed (0.0 %, 1 golden share)	19,301
2	Borsodchem	Chemicals	Unlisted (Nil)	1,341
3	Richter	Pharmaceutical products	Listed (25.12%)	730
4	Waberer's Holding	Transportation	Unlisted (Nil)	95
5	Jász-Plasztik	Plastics production	Unlisted (Nil)	49
6	Masterplast	Building materials	Unlisted (Nil)	45
7	Videoton	Manufacture of electrical equipment	Unlisted (Nil)	38
8	KÉSZ	Construction	Unlisted (Nil)	36
9	Fornetti	Food products	Unlisted (Nil)	33
10	Cerbona	Food products	Unlisted (Nil)	19
11	Kürt	IT services	Unlisted (Nil)	13
12	Abo Holding	Food products	Unlisted (Nil)	10
13	Eurobus-Invest	Professional, scientific and technical services	Unlisted (Nil)	9
14	Synergon	IT services	Listed (Nil)	6
15	Genesis Energy	Manufacture of electrical equipment	Listed (Nil)	6
16	Wallis	Professional, scientific and technical services	Unlisted (Nil)	3
17	Regionális Fejlesztési Vállalat (RFV)	Electricity, gas, steam and air conditioning supply	Listed (Nil)	3
18	PannErgy	Electricity, gas, steam and air conditioning supply	Listed (Nil)	2
19	Interactive Net Design	IT services	Unlisted (Nil)	2
Total				**21,741**

Source: ICEG-VCC survey of Hungarian multinationals, 2010.

[a] Although we speak of the 'top 19' here, information was not available on *all* likely candidates for the top places, among other things because not all companies responded to our survey. The multinationals on this ranking may thus not be *the* largest outward investors from Hungary but they are certainly *among* the largest.
[b] The foreign assets of a multinational enterprise are the current and fixed assets abroad that it controls. They are usually much larger than the multinational's total outward FDI.
[c] The exchange rate used is the IMF rate of December 31, 2009: USD 1 = Hungarian Forint 188.07.
[d] The percentage in parentheses is the percentage of shares controlled by the state.

Profile of the top 19

- **Key drivers.** Among the companies surveyed, the primary motive for investing abroad was to find new markets. Thus Hungarian outward investment abroad is mainly of a market-seeking nature. There were a few efficiency-seeking investments that looked for lower factor costs, mainly lower wage costs, of which Videoton is an example. Among the small and medium-sized companies carrying out high-tech activities, there are also knowledge-seeking investments abroad.

- **High concentration.** As noted earlier, the company group in the first position, MOL Group, held almost 89% of the total foreign assets of the top 19. The first two, MOL Group and Borsodchem accounted for almost 95%. Including financial services companies and Hungarian affiliates of foreign multinationals investing abroad from Hungary results in a similarly high level of concentration. Thus while the number of Hungarian companies investing abroad may be as high as 7000, the overwhelming majority of the stock abroad is in the hands of a handful of companies.

- **Modest size.** In size, Hungarian multinationals clearly lag behind some of their emerging-market counterparts. Only the largest foreign investor, MOL Group, had close to USD 20 billion in foreign assets in 2009 and employed a significant number of people abroad (over 26,000). Besides MOL Group, the OTP Bank in financial services (not on our list) has significant foreign assets and foreign employment – see box 2 below. Richter also had substantial foreign employment of over 5000.

- **Foreign affiliates and geographic distribution.** The 19 companies on the list have 149 affiliates in 32 countries, most of them in Europe (annex figure 2). MOL Group has 36 foreign affiliates, mainly in Central and Western Europe (see box 1 below), followed by Masterplast, which produces building materials and has 34 affiliates, also mainly in Central and Western Europe. Richter in the pharmaceuticals business comes third with 30 affiliates, in Europe and Central Asia. Affiliates of the top 19 are concentrated in 'Other Europe', and inside that in Central Europe (annex figure 2).

Box 1. The leading outward investor: MOL Group

MOL Group is one of the leading companies in Central and Eastern Europe in petroleum and natural gas exploration, production, refining and retail. It is the largest company in Hungary in terms of turnover, operating profits, exports and capital, and the fourth largest in the number of employees. It has a dispersed ownership and there is no controlling owner. As of March 31, 2010, 26.5% of the shares were held by a number of foreign institutional investors and 21.2% by the Russian oil and gas firm Surgutneftegas. Other shareholders, all of whom hold less than 10%, include Oman Oil Ltd. (7%), the Czech group CEZ MH B.V. (7.3%), and Magnolia Finance Ltd. (5.7%) registered in Ireland. The Hungarian Government owns a voting preference share which entitles it to veto certain strategic decisions, including those affecting the ownership changes in the company. None of the shareholders or groups of shareholders may exercise the voting rights of more than 10 %. Thus while the company is 78.7% foreign-owned, all strategic decisions are taken by the company management, which is composed mainly of Hungarian nationals, residing in Hungary. Strategic planning regularly takes place at the Hungarian head office in Budapest. MOL's board of directors has eight Hungarians and three foreigners.

In 2009, MOL Group had majority ownership of 36 foreign affiliates, as indicated in box table 1.1 below.

Box table 1.1. Distribution of MOL Group's foreign affiliates, excluding representative offices, by country

Angola	1	France	2	Kazakhstan	1	Serbia	1
Austria	2	Germany	3	Pakistan	1	Slovakia	4
Bosnia-Hercegovina	1	Kudistan region of Iraq	1	Poland	3	Slovenia	1
Croatia	1	Italy	3	Romania	2	Syria	1
Czech republic	1	Oman	1	Russia	4	Ukraine	2

MOL Group's investment abroad has followed a gradual strategy. Its first two affiliates were established in neighbouring Romania and Ukraine in 1994 through greenfield investments, which were followed by other greenfield investments in other neighbouring countries. However, there was a clear change in strategy in 2000, when MOL decided explicitly that its main aim should be to become a leading regional multinational. Since then, privatization-related acquisitions have dominated and the size of foreign projects has become bigger. In 2000, the company became the dominant shareholder in Slovnaft, the leading Slovakian oil firm, with the proportion of its shares reaching 98.4% in 2004. MOL Group also owns 47,15% of the shares of the Croatian INA, the national oil company. In December 2007, MOL Group concluded an agreement about a strategic alliance with the Czech energy company CEZ and established a joint venture for investment in gas power stations in Central and Eastern Europe. Other affiliates of MOL Group include companies in Asia, the Middle East and Africa, which are smaller in size and focussed on exploration and production. Other European affiliates are mainly in distribution and wholesale and retail trade. Thus while in 2000-2005 MOL Group concentrated on acquiring downstream assets, between 2005 and 2010 the company built up a significant upstream exploration portfolio.
As part of the new strategy, MOL Group also acquired a majority stake of 29.8% in the leading Hungarian petrochemical company TVK in 2000, thus establishing a basis for an integrated petrochemical operation. This share has been increased gradually to a direct 86.79% and to an additional indirect 8.1 % (through the Slovakian MOL affiliate, Slovnaft) by further acquisitions. TVK itself is a foreign investor with affiliates in Italy, Great Britain, Germany, France, Poland and Ukraine.

Through its greenfield investments and acquisitions abroad, MOL Group itself became an interesting target for acquisition and ÖMV, the Austrian oil and gas firm that already owned a 21.1% share in MOL Group, launched a series of hostile takeover bids in 2007-8. The effort was abandoned when the European Commission conveyed its disapproval to ÖMV. However, ÖMV then sold its share in MOL Group to the Russian Surgutneftegas in March 2009, an act seen as unfriendly by both the MOL board and the Hungarian authorities.

Source: ICEG-VCC survey of Hungarian multinationals, 2010.

- **Principal industries.** The companies on the list are from 13 different industries. In terms of foreign assets, the industry of the leading company, MOL Group, is the most important, since it accounts for almost 89% of the total assets in table 1 above. MOL Group's activities include oil and gas exploration, production, refining and retail. And petrochemicals through TVK Chemicals and pharmaceuticals come next, with Borsodchem and Richter. In terms of the *number* of firms, food products and IT services are the leading industries, with three firms in each. Two firms operate in professional, scientific and technical services. The group as a whole is distributed fairly evenly between manufacturing and services: there are nine manufacturers and ten service providers.

Box 2. The leading role of financial services

The share of the financial intermediation sector was well over half in Hungarian outward FDI stock in 1998. Ten years later, in 2008, it was still close to a quarter (23.3%). This high share can be attributed mainly to the activities of the OTP Bank, and to a lesser extent to the MKB Bank, an affiliate of Bayerische Landesbank (89.79%) and Garancia, an insurance company previously affiliated with OTP Bank but acquired by the French Groupama in 2008. These firms are regional players: they have affiliates in many countries in Central, Eastern and Southeastern Europe: OTP Bank in Bulgaria, Croatia, Montenegro, Romania, Russia, Serbia, Slovakia and Ukraine; MKB Bank in Bulgaria and Romania; and Garancia in Bulgaria, Romania and Slovakia. In their ownership structure, they represent very different types of investors. MKB and now Garancia are completely foreign-owned. As of 30 September 2010, two-thirds (67.3%) of OTP's shares are held by foreigners but they are widely dispersed, with no controlling shareholder. Hungarian shareholders are also numerous and none of the foreign or domestic shareholders own more than 10 per cent of the shares. Hungarian shareholders include the Government (0.4 %), employees and senior officers of OTP Bank (1.7 %), own shares (1.5 %) and other domestic investors (29 %). Thus, strategic decisions about outward investment, among other things, are taken by the Hungarian management, residing in Hungary. In the senior management (CEO and 6 deputy CEOs) and the members of the Board of Directors (3 executive and non-executive members) there are no foreign citizens; nor are there any foreign managers reporting directly to the executive director. The official language of the company is Hungarian. Thus OTP is similar to MOL: while on paper it is majority foreign-owned, all decisions of strategic importance are taken by the Hungarian management.

The outward investment of these financial firms is clearly of a market-seeking nature. Their entry mode is predominantly connected to the privatization of state-owned banks in former transition countries. Their competitive advantage may also be connected to their ability to manage the restructuring and transformation of formerly state-owned banks and enabling them to compete successfully in a market economy.

Source: ICEG-VCC survey of Hungarian multinationals, 2010.; and https://www.otpbank.hu/static/portal/sw/file/101118_OTP_20103Q_h_final.pdf, p. 49

- **Distribution by region and industry.** Like most of the affiliates of the top 19, most of the industries of these firms are concentrated in Central and Western Europe (annex figure 3). Oli and gas exploration, production, refining and retail (MOL Group) is also to be found in Eastern Europe and Central Asia (6), Middle East and North Africa (4) and Sub-Saharan Africa (1). Another industry which is more 'spread out' is the manufacturing of basic pharmaceutical products (Richter), with affiliates in South Asia (1), Developed Asia & Pacific (1) and Eastern Europe and Central Asia (8).

- **Dates of opening the first major foreign affiliates.** MOL was the first firm among the top 19 to establish a major foreign affiliate, in 1994. Richter followed in 1996 and Abo Mill, Masterplast and Videoton in 1999. The affiliates of all the others were established in the 21st century. See annex figure 7 for details.

- **Transnationality Index (TNI).** A number of Hungarian firms rank relatively high on the TNI, with MOL Group, Borsodchem (chemicals) and Fornetti (food) scoring over 80%, followed by Kürt (IT services, 78%), Masterpalst (building materials, 77%), and Eurobus-Invest (professional services, 65%).

- **Ownership and status.** None of the companies on the list is a state-owned enterprise. However, the state owns a special 'B' share in MOL that gives it special voting rights, as indicated in box 1. The state also has a 25% stake in Richter, which also was privatized through the stock exchange. Of the 19 companies ranked, seven are listed on the Budapest stock exchange. Three are also listed on foreign stock exchanges: MOL on the Luxembourg Stock Exchange and the Warsaw Stock Exchange, Richter on the Luxembourg Stock Exchange, and Genesis Energy on the Frankfurt and Stuttgart Stock Exchanges.

- **Location of head offices.** Ten companies have their head offices in Budapest. The rest are concentrated in a few counties, predominantly in the Eastern part of Hungary, such as Bács-Kiskun (2), Borsod-Abaúj-Zemplén (3), Fejér (2), Jász-Nagykun-Szolnok (1) and Szabolcs-Szatmár-Bereg (1). (See annex figure 4.)

- **Nationality of management.** As far as the nationality of the top management is concerned, we can claim with reasonable certainty that all of the 19 companies are led by Hungarian CEOs. The share of foreigners on the board of directors is relatively low (22%). Furthermore, managers reporting directly to the CEOs are overwhelmingly Hungarian (96%).

- **Official languages.** The official language of all companies on the list is Hungarian. However, they use at least one other language (mainly English, in some cases German). In MOL Group for example, most documents are prepared in English and meetings and presentations are also held in English if there is at least one foreigner. In the case of firms offering services to locals, they use the local language as well, though not in intra-firm communication.

- **Top mergers and acquisitions.** The most significant M&A operations in the three-year period 2007-2009 are those involving MOL Group: in 2007, the acquisition of the Italiana Energia e Servizi SpA (Italy) , in 2008, the acquisition of a further share in INA (Croatia) and in 2009, of the Pearl Petroleum Company Ltd. (Iraq) for USD 660 million, USD, 1167 million and USD 342 million, respectively. From our top 19, Richter Gedeon acquired a 36.8 % stake in a Polish pharmaceutical company for USD 43 million in 2008. (Annex table 4)

- **Top greenfield announcements.** The four largest greenfield projects over the three-year period 2007-2009 were realized by TriGránit. TriGránit is a special case: see Box 3. MOL Group realised the fifth largest greenfield project in this period, with more than half a billion US dollars invested in Croatia. (Annex table 5)

Box 3. The case of TriGranit

TriGránit is the leading Hungarian greenfield investor abroad. It is better called the TriGránit Group, as at least three companies with cross-ownership among them are responsible for the greenfield investments listed in Annex table 5: Arcadom, Polus and TriGránit. Data on the ownership structure of TriGránit and changes in it are hard to come by. According to the latest available news,[a] Sándor Csányi, President of OTP Bank, holds 10 % and Nathaniel Rothschild (British investor) holds 15 % of the shares. A further 54% is owned by Sándor Demján, President of TriGránit and a Hungarian citizen, though he seems to control the company through some Cyprus-based offshore firms, and 20 % is owned by Peter Munk (Canadian investor and Chairman of Barrick Gold). Thus, on paper, the company is majority foreign-owned, although the ultimate controlling investor seems to be the President of the company, Sándor Demján, who is a Hungarian citizen resident in Hungary. Arcadom and Polus are also controlled by Sándor Demján.

The TriGránit Group is active in real estate management, development and construction mainly in the East-Central, Southeastern and Eastern European regions. Arcadom has foreign operations, including affiliates in Romania, Montenegro, Russia, Serbia and Poland. Outside Hungary, TriGránit has operations in Poland, Slovakia, Romania, Croatia, Slovakia, Montenegro, and Russia. It has offices in Belgrade, Bratislava, Budapest, Cluj, Katowice, Ljubljana, Moscow, Warsaw, and Zagreb. Polus is active mainly on the Russian market.

Because of a lack of data, only a rough estimate of the ranking of the TriGránit Group is possible: it may be among the top three outward investors from Hungary.

Source: ICEG-VCC survey of Hungarian multinationals, 2010.
[a] See Népszabadság (a leading Hungarian daily newspaper) at: http://www.nol.hu/archivum/archiv-374260.

- **Changes in assets, sales and employment over 2007-2009.** The foreign assets of the top 19 increased by 48% between 2007 and 2009 to almost USD 22 billion (table 2). Both 2008 and 2009 recorded a rise in foreign assets, of 10 % and 39 %, respectively. Foreign sales grew by 25% over the three-year period, having grown by 117 % in 2008 and declined by 42 % in 2009. Foreign employment increased by 48 %, mainly due to a substantial rise of over 32 % in 2009. Note that all these movements are determined by changes in the relevant indicators for MOL Group, the biggest outward investor. Without MOL Group, changes are relatively substantial only in foreign employment (+18.5 %), while there is a slight decrease in foreign assets (-6.5 %) and no change in foreign sales. Thus, leaving MOL Group out of the reckoning, the foreign expansion of the top 18 came to a halt in the crisis period. Foreign assets and sales as a percentage of the total assets and sales of the ranked companies in 2009 were 74 % and 63 %, respectively. Foreign employment was 63 % of total employment. Here again, without MOL Group, these shares are significantly lower: 48%, 52 % and 46 %, respectively.

Table 2. Snapshot of the top 19 multinationals, 2007-2009 (USD million and number)

Variable	2007	2008	2009	% change, 2007-2009
Assets				
Foreign	14,448	15,897	21,739	48
Total	19,813	22,278	29,430	48
Share of foreign in total (%)	73	71	74	
Sales				
Foreign	8,250	17,911	10,170	25
Total	14,148	24,918	16,075	14
Share of foreign in total (%)	58	72	63	
Employment				
Foreign	27,490	30,764	40,552	48
Total	45,165	47,515	64,122	42
Share of foreign in total (%)	61	65	63	

Source: ICEG-VCC survey of Hungarian multinationals, 2010.

The big picture

Hungary is one of the leading foreign investors among the new member states of the European Union. In per capita terms, only Estonia and Slovenia have higher indicators, while in terms of absolute value, only Poland has a larger FDI stock abroad. Hungary's leading position is based partly on its earlier start in attracting FDI; partly on the government strategy of privatization through the stock exchange, which helped the privatized firms later to become important foreign investors; and, finally, on the organizational or technological advantages built up by strong domestic private firms. There are now even a few 'born global' small and medium-sized firms in Hungary in technologically advanced sectors, such as medical precision instruments or software, that are expanding abroad. It is worth noting that, although our list is very top-heavy because of MOL Group, which accounts for more than four-fifths of the total foreign assets of the top 19, the estimated number of Hungarian firms that invest abroad is around 7,000!

Hungary's outward FDI accelerated after 2003. That was the year when outward flows first exceeded USD 1 billion and they have done so ever since, reaching almost USD 4 billion in 2006 and 2007 (annex figure 5). The global financial and economic crisis then had a significant impact on outward FDI flows from Hungary, which declined by 21%in

2008 and by 18% in 2009, according to the data of the National Bank (annex figure 5). As for outward FDI stock, it grew till 2008 but declined by 27% in 2009 as Hungarian assets abroad fell in value (annex figure 6). Preliminary data for the first half of 2010 show a modest recovery. Another consequence of the crisis was the halting of large cross-border M&A deals with a few exceptions. This slowdown has resulted partly from the structure of Hungarian outward investment, especially the dominance of horizontal projects that are vulnerable to demand side factors. Anecdotal evidence suggests that some firms had to postpone or reduce planned projects because of financing difficulties, for example, TriGránit in Zagreb, Croatia.

The dominant entry mode of Hungarian companies is acquisitions, especially those related to privatization in neighbouring countries. This is understandable, as Hungarian companies have a clear competitive advantage based on their own experience in privatizing and restructuring formerly state-owned firms. More recently, greenfield investments, especially by TriGránit and related companies, have been much larger in value than cross-border M&A deals. While we could not find traces of these significant outward investments in the balance sheets of TriGránit and related companies, we suspect that they are made through the related firms based in Cyprus (see box 3 above).

The leading Hungarian investors abroad are on paper majority-owned by foreigners, as is the case for MOL Group, Richter and Synergon on our list, and also for the OTP Bank. (The government owns a significant amount of shares in Richter, a golden share in MOL and 0.4 % in OTP.) The shares of these companies are listed on the Budapest Stock Exchange. A common feature is that the ownership structure of these companies is dispersed and the Hungarian management takes all strategic decisions. This calls the attention to a more thorough analysis of the nationality of investors and of the added value of the present approach to analysis as the questionnaire used by the EMGP project deliberately addresses certain aspects of this problem. Others on our list represent properly Hungarian-owned firms. There are also a relatively large number of foreign-owned affiliates in Hungary that invest abroad, such as M-Telekom, owned by Deutsche Telekom; MKB, owned by Bayerische Landesbank; and the Hungarian affiliate of Samsung.

In Hungary's total investment abroad countries that are geographically close dominate: Slovakia, Romania and Croatia. Other countries in the region – such as Bulgaria, Poland, the Czech Republic, Ukraine, Russia, Macedonia and Serbia – play an important role as well. The Netherlands, the United Kingdom, Luxemburg, Switzerland and Cyprus act mainly as mediators in investment destined for other locations or else serve a tax optimization purpose. (South Korea is a major destination due to a single transaction.) The case is similar for outward investment by the 19 firms on our list; the main geographic orientation of the top Hungarian outward investors is mainly the neighbouring and geographically close countries, with only a very small number of affiliates operating in other regions.

Services dominated Hungary's outward investment at first. Then the share of manufacturing increased gradually to a more than a third by 2008. The concentrated nature of Hungary's investment abroad can be detected in the sector composition as well: within services, it is financial intermediation, real estate and business services that dominate; while in manufacturing, it is coke, refined petroleum products, and electrical and optical equipment. The share of mining and quarrying (oil and gas exploration) had grown to a relatively significant 7% by 2008, which, together with the high share of manufacturing of coke and refined petroleum, is mainly due to the activities of MOL Group, the top company on our list.

Supporting outward investment has never been a priority of government policy, although the government has not been inactive either. A number of government agencies and institutes offer some assistance to outward investors, mainly in the following three ways. First, information and consultancy services are provided free of charge or at reduced prices to potential investors abroad. These are used mainly by small and medium-sized enterprises (SMEs). Second, assistance is offered in the areas of investment financing and insurance, which is used primarily by the larger companies or by those investing in faraway and relatively risky locations. Third, the government also lobbies for Hungarian investors and investment in foreign countries, although, according to the larger investors, this activity is neither as frequent nor as supportive as that undertaken by the governments of their competitors.

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Emerging Markets Global Players Project

This report on Hungarian multinationals was prepared in the framework of the Emerging Markets Global Players (EMGP) project, an international collaborative effort led by the Vale Columbia Center. It brings together researchers on FDI from leading institutions in emerging markets to generate annual reports on the leading multinationals in each participating country. Ten country reports have been published so far: on Argentina, Brazil, China, India, Israel, Korea, Mexico, Russia, Slovenia and Turkey. Up to 15 countries are expected to be covered in 2010. For further information, visit: http://www.vcc.columbia.edu/content/emerging-market-global-players.

ICEG European Center

The ICEG European Center is an independent economic research institute based in Budapest that was founded by Dr. Pál Gáspár in 2001. The Center focuses on research, policy advice and the dissemination of its research output through conferences and publications. The main research topics of the Center are: European macroeconomic issues, empirical and policy-oriented research on economic growth, competitiveness, and the role of multinationals and FDI. Another important research area is public economics with particular attention to the analysis of tax systems, healthcare and public administration. Finally, the Center also carries out research on regional economics and regional developments. For a full picture of the Center's activities and publications, visit: http://www.icegec.hu.

Vale Columbia Center on Sustainable International Investment

The Vale Columbia Center on Sustainable International Investment, headed by Karl P. Sauvant, is a joint Columbia Law School – Earth Institute venture at Columbia University. It seeks to be a leader on issues related to FDI in the global economy, paying special attention to the sustainability aspect of this investment. The Center focuses on the analysis and teaching of the implications of FDI for public policy and international investment law. Its objectives are to analyze important topical policy-oriented issues related to FDI, develop and disseminate practical approaches and solutions, and provide students with a challenging learning environment. For more information, visit http://www.vcc.columbia.edu.

Annex table 1. Hungary: The top 19 multinationals: Key variables, 2009 (USD million[a] and number)

Rank by foreign assets	Name	Industry	Assets		Sales		Employment		Transnationality Index (TNI)[b]	Number of foreign affiliates	Number of host countries
			foreign	total	foreign	total	foreign	total			
1	**MOL Group**	Oil and gas exploration, production, refining and retail	19,301	23,612	7,982	11,540	26,635	34,090	82	36	25
2	**Borsodchem**	Chemicals	1,341	1,456	585	852	2,486	2,736	84	3	3
3	**Richter**	Pharmaceutical products	730	2,286	618	1,422	5,248	10,090	42	30	16
4	**Waberer's Holding**	Transportation	95	360	494	651	3,103	3,900	61	8	5
5	**Jász-Plasztik**	Plastics production	49	311	77	387	200	2,981	14	1	1
6	**Masterplast**	Building materials	45	72	163	163	491	712	77	34	17
7	**Videoton**	Manufacture of electrical equipment	38	507	27	409	1,027	6,884	10	3	2
8	**KÉSZ Holding**	Construction	36	265	45	171	49	607	16	7	4
9	**Fornetti**	Food products	33	53	40	57	602	514	83	1	1
10	**Cerbona**	Food products	19	60	27	55	2	380	27	1	1
11	**Kürt**	IT services	13	14	10	10	25	70	78	4	4
12	**Abo Holding**	Food products	10	141	46	166	40	97	25	4	3
13	**Eurobus-Invest**	Professional, scientific & technical services	9	12	1	1	5	7	65	5	1
14	**Synergon**	IT services	6	54	12	94	105	245	22	1	1
15	**Genesis Energy**	Production of solar modules	6	24	0	2	4	12	20	2	2
16	**Wallis**	Professional, scientific & technical services	3	77	3	3	9	25	47	1	1
17	**Regionális Fejlesztési Vállalat (RFV)**	Electricity, gas, steam & air conditioning supply	3	26	4	15	6	62	15	3	2
18	**PannErgy**	Electricity, gas, steam & air conditioning supply	2	92	36	67	450	581	45	3	3
19	**Interactive Net Design**	IT services	2	6	2	10	65	129	36	2	2
Total (average for TNI)			21,741	29,430	10,170	16,075	40,552	64,122	48	149	94

Source: ICEG-VCC survey of Hungarian multinationals, 2010.

[a] The exchange rate used is the IMF rate of December 31, 2009: USD 1= HUF 188.07. [b] The TNI is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales, and foreign employment to total employment.

Annex table 2. Hungary: The top 19 multinationals: Regionality Index[a], 2009

Rank	Company	Middle East & North Africa	Sub-Saharan Africa	East Asia & the Pacific	South Asia	Developed Asia-Pacific[b]	Eastern Europe & Central Asia	Other Europe[c]	Latin America & the Caribbean	North America
1	MOL Group	11%	3%				17%	69%		
2	Borsodchem							100%		
3	Richter				3%	3%	27%	60%	7%	
4	Waberer's Holding							100%		
5	Jász-Plasztik							100%		
6	Masterplast			49%			38%	6%		
7	Videoton						33%	67%		
8	KÉSZ Holding							100%		
9	Fornetti						100%			
10	Cerbona							100%		
11	Kürt	25%						50%		25%
12	Abo Holding						25%	75%		
13	Eurobus-Invest							100%		
14	Synergon							100%		
15	Genesis Energy				50%			50%		
16	Wallis							100%		
17	Regionális Fejlesztési Vállalat (RFV)							100%		
18	PannErgy							100%		
19	Interactive Net Design							100%		

Source: ICEG-VCC survey of Hungarian multinationals, 2010.

[a] The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.
[b] Developed Asia-Pacific' stands mainly for Japan, Australia and New Zealand. [c] 'Other Europe' stands roughly for Western and Central Europe.

Annex table 3. Hungary: The top 19 multinationals: Stock exchange listings, 2009

Rank	Company	Domestic	Foreign
1	MOL Group	Budapest	Luxembourg, Warsaw
2	Borsodchem	*None*	*None*
3	Richter	Budapest	Luxembourg
4	Waberer's Holding	*None*	*None*
5	Jász-Plasztik	*None*	*None*
6	Masterplast	*None*	*None*
7	Videoton	*None*	*None*
8	KÉSZ Holding	*None*	*None*
9	Fornetti	*None*	*None*
10	Cerbona	*None*	*None*
11	Kürt	*None*	*None*
12	Abo Holding	*None*	*None*
13	Eurobus-Invest	*None*	*None*
14	Synergon	Budapest	*None*
15	Genesis Energy	Budapest	Frankfurt, Stuttgart
16	Wallis	*None*	*None*
17	Regionális Fejlesztési Vállalat (RFV)	Budapest	*None*
18	PannErgy	Budapest	*None*
19	Interactive Net Design	*None*	*None*

Source: ICEG-VCC survey of Hungarian multinationals, 2010.

Annex table 4. Hungary: Top 10 outward M&A transactions, 2007-2009 (USD million)

Date	Acquirer's name	Target name	Target industry	Target economy	% of shares acquired	Value of transaction
17/10/2008	MOL Group	INA	Oil and gas	Croatia	22.15	1,167.48
07/30/2007	MOL Group	Italiana Energia e Servizi SpA	Oil and gas	Italy	100.0	659.82
15/05/2009	MOL Group	Pearl Petroleum Company Ltd.	Oil and gas	Iraq	10.0	341.63
05/18/2007	AIG New Europe Fund	SC Digital Cable Systems	Cable and other pay television services	Romania	n.a.	60.79
07/17/2008	Gedeon Richter PLC	Grodziskie Zaklady	In vitro and in vivo diagnostic substances	Poland	36.80	42.99
05/07/2008	OTP Bank Nyrt	OOO Donskoy Narodny Bank	Banking	Russia	100.00	40.95
08/10/2007	Investor Group	Strathmann Biotec GmbH & Co KG	Biological products, except diagnostic substances	Germany	n.a.	31.57
11/18/2009	Tech in Central & Eastern	Internet Corp SRL	Miscellaneous publishing	Romania	n.a.	2.99
02/09/2009	Tech in Central & Eastern	Investor BG AD	Computer facilities management services	Bulgaria	16.77	1.67
03/09/2007	EMG Mediacsoport Kft	Boomerang Reklam Kft	Direct mail advertising services	Netherlands	100.00	1.06
07/23/2009	Zenehaz Online Kft	ISH Poland Sp zoo	Information retrieval services	Poland	65.00	0.14
Total						**2,413.26**

Source: Adapted from Thomson ONE Banker. Thomson Reuters. Information on MOL transactions is based on data of fDi Intelligence, a service from the Financial Times Ltd.,except for the MOL transactions: MOL Annual Report 2009, p. 56 for the INA transaction, p. 64 for the Pearl transaction, MOL Annual Report 2008, p. 123 for the IES transaction.

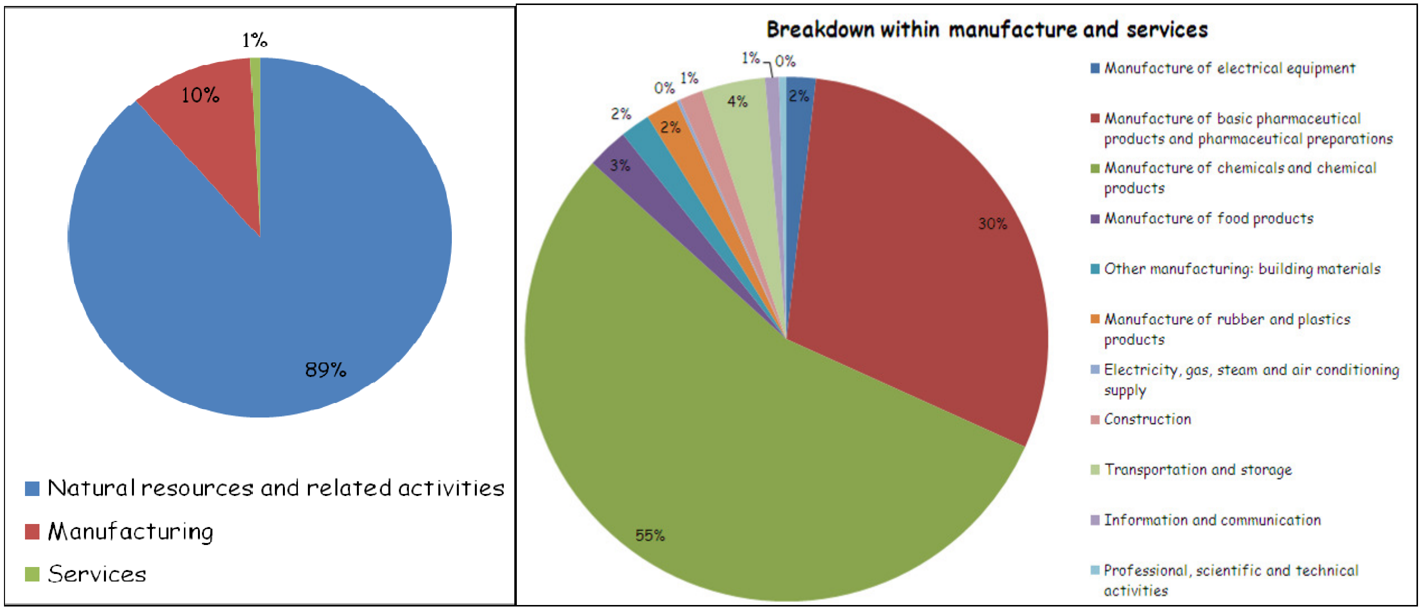
Annex table 5. Hungary: Top 11[a] outward greenfield transactions, 2007-2009 (USD million)

Date	Company	Destination	Industry	Value of transaction
Oct-09	TriGranit	Slovak Republic	Real estate	2,230.35
Apr-08	TriGranit	Romania	Real estate	1,573.00
Jan-07	TriGranit	Russia	Real estate	1,000.40
Mar-08	TriGranit	Poland	Real estate	781.80
Nov-09	MOL Group	Croatia	Coal, oil and natural gas	523.80[b]
Nov-07	Central European Estates (CEE)	**Serbia**	**Real estate**	513.30
Sep-08	MOL Group	Slovak Republic	Coal, oil and natural gas	449.50[b]
Sep-08	TriGranit	Croatia	Real estate	311.00
Dec-07	Euroinvest	Russia	Food and tobacco	295.47
Apr-08	TriGranit	Russia	Real estate	289.10[b]
Apr-08	TriGranit	Russia	Real estate	289.10[b]
Total				**8,256.82**

Source: Adapted from fDi Intelligence, a service from the Financial Times Ltd.

[a] The usual number is 10. However, in this case, two investments of equal amounts were tied for 10th place. So both have been included.
[b] This is an estimated amount.

Annex figure 1. Hungary: Breakdown of the foreign assets of the top 19, by main industry, 2009



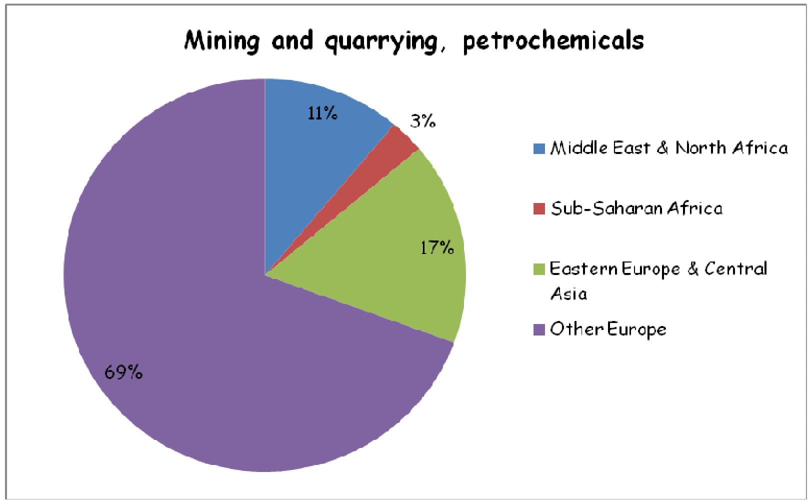
Industry	Foreign assets (USD millions)	Companies
Mining, cquarrying, manuf. of oil products, petrochemicals (Oil and gas exploration , production, refining and retail)	19.301	MOL Group
Manufacture of electrical equipment	44	Genesis Energy, Videoton
Manufacture of basic pharmaceutical products and preparations	730	Richter
Manufacture of chemicals and chemical products	1.341	BorsodChem
Manufacture of food products	62	Abo Mill, Cerbona, Fornetti
Other manufacturing: building materials	45	Masterplast
Manufacture of rubber and plastics products	49	Jász-Plasztik
Electricity, gas, steam and air conditioning supply	5	RFV, PannErgy
Construction	36	KÉSZ Holding
Transportation and storage	95	Waberer's
Information and communication	21	Synergon, Kürt, Interactive net design
Professional, scientific and technical activities	11	Eurobus-Invest, Wallis

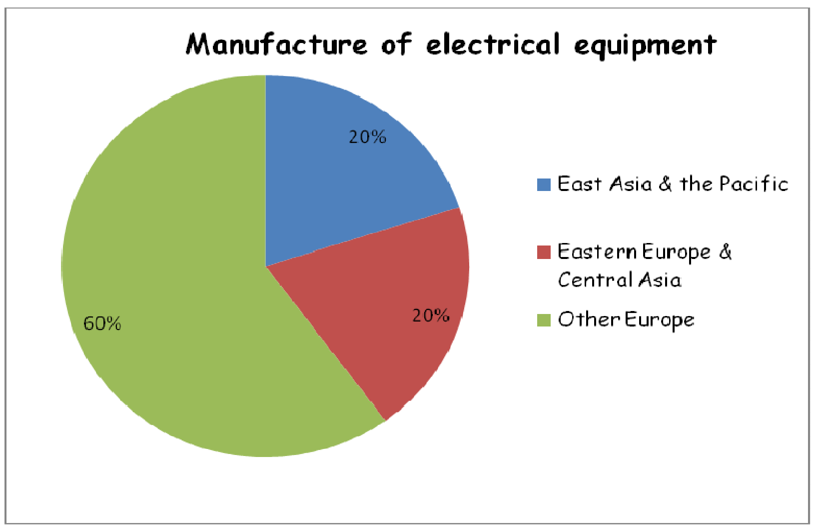
Source: ICEG-VCC survey of Hungarian multinationals, 2010.

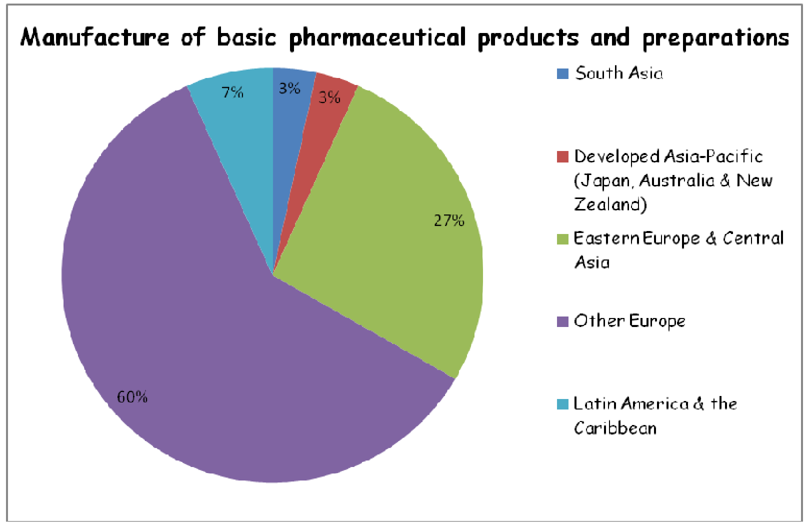
Annex figure 2. Hungary: Foreign affiliates of the top 19, by region, 2009 (number of affiliates)

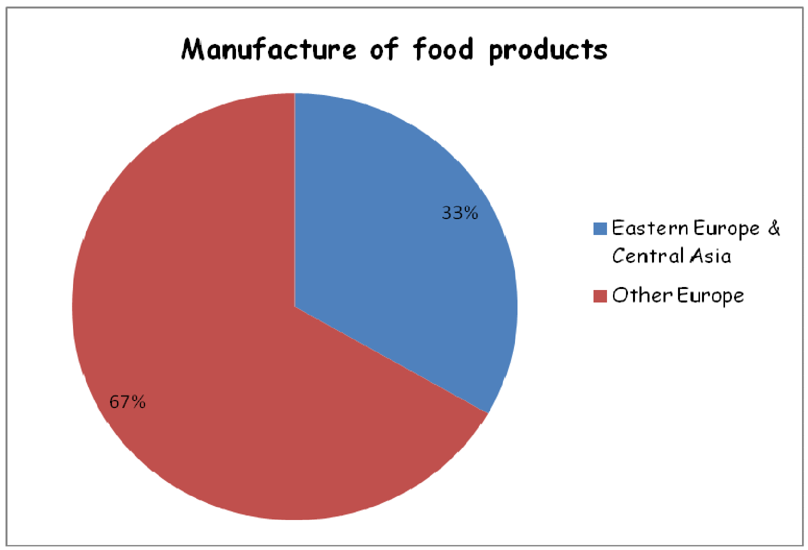
Source: ICEG-VCC survey of Hungarian multinationals, 2010.

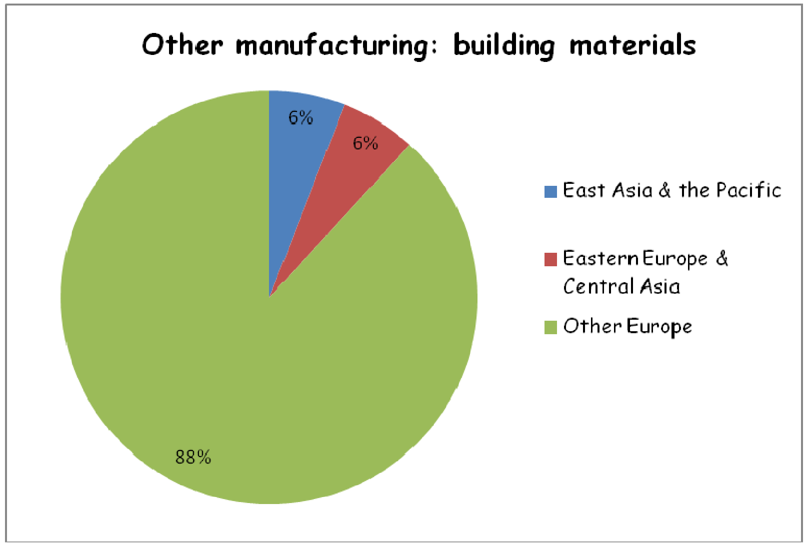
Annex figure 3. Hungary: Geographic distribution of the assets of the top 19 multinationals, by main industry, 2009

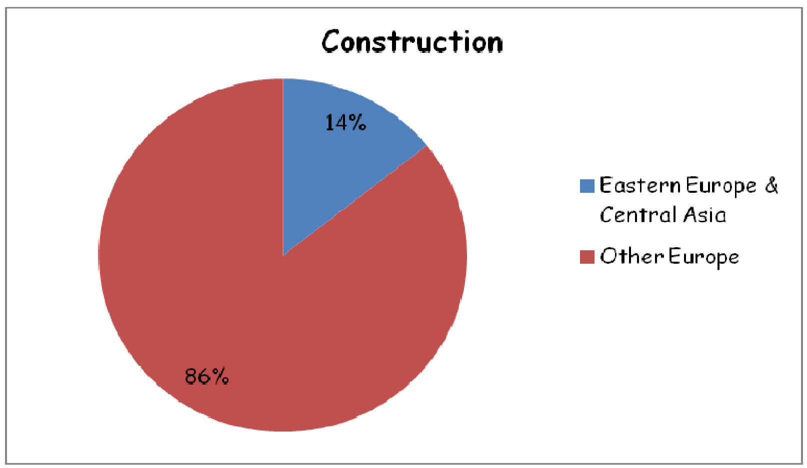


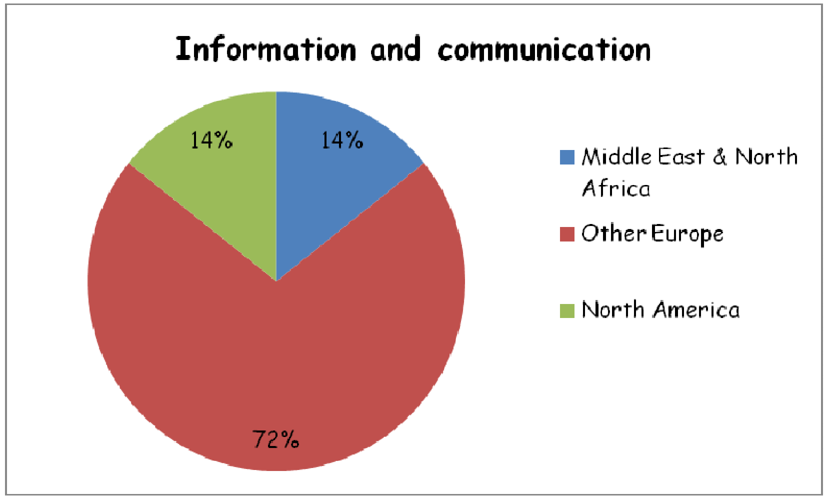



Manufacture of basic pharmaceutical products and preparations
3%
3%
27%
60%
7%
South Asia
Developed Asia-Pacific (Japan, Australia & New Zealand)
Eastern Europe & Central Asia
Other Europe
Latin America & the Caribbean


Manufacture of food products
33%
67%
Eastern Europe & Central Asia
Other Europe


Other manufacturing: building materials
6%
6%
88%
East Asia & the Pacific
Eastern Europe & Central Asia
Other Europe


Construction
14%
86%
Eastern Europe & Central Asia
Other Europe



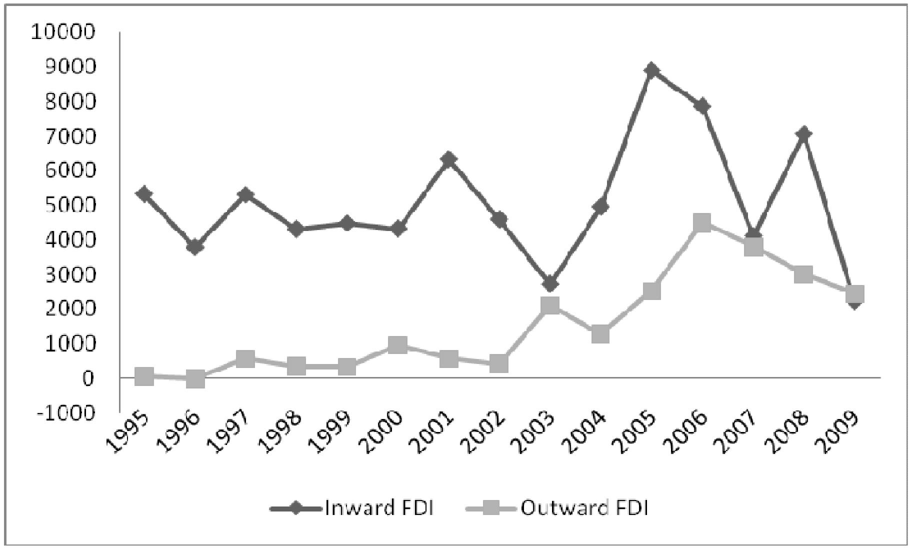
Source: ICEG-VCC survey of Hungarian multinationals, 2010.
Note: The following activities are entirely (100%) in Other Europe: Manufacture of chemicals and chemical products; Manufacture of rubber and plastics products; Electricity, gas, steam and air conditioning supply; Transportation and storage; and Professional, scientific and technical activities. UN Industry Classification codes are used.

Annex figure 4. Hungary: Head office locations of the top 19, 2009

companies	head office
MOL	Budapest
Borsodchem	Kazincbarcika
Richter	Budapest
Waberer's Holding	Budapest
Jász-Plasztik	Jászberény
Masterplast	Sárszentmihály
Videoton	Székesfehérvár
KÉSZ	Kecskemét
Fornetti	Kecskemét
Cerbona	Székesfehérvár
Kürt	Budapest
Abo Holding	Nyíregyháza
Eurobus-Invest	Budapest
Synergon	Budapest
Genesis Energy	Budapest
Wallis	Budapest
Regionális Fejlesztési Vállalat (RFV)	Budapest
PannErgy	Budapest
Interactive Net Design	Miskolc

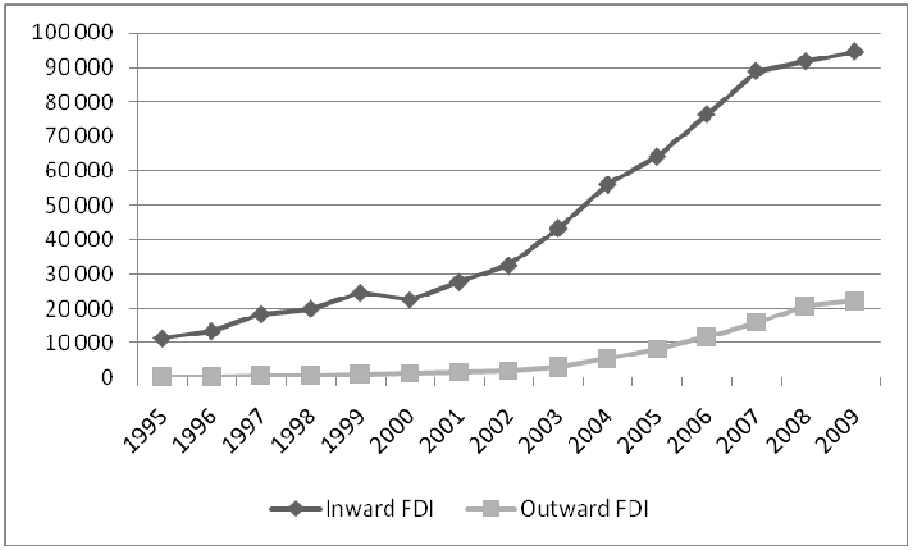
Source: ICEG-VCC survey of Hungarian multinationals, 2010.

Annex figure 5. FDI inward and outward flows to and from Hungary, 1995-2009 (USD million)



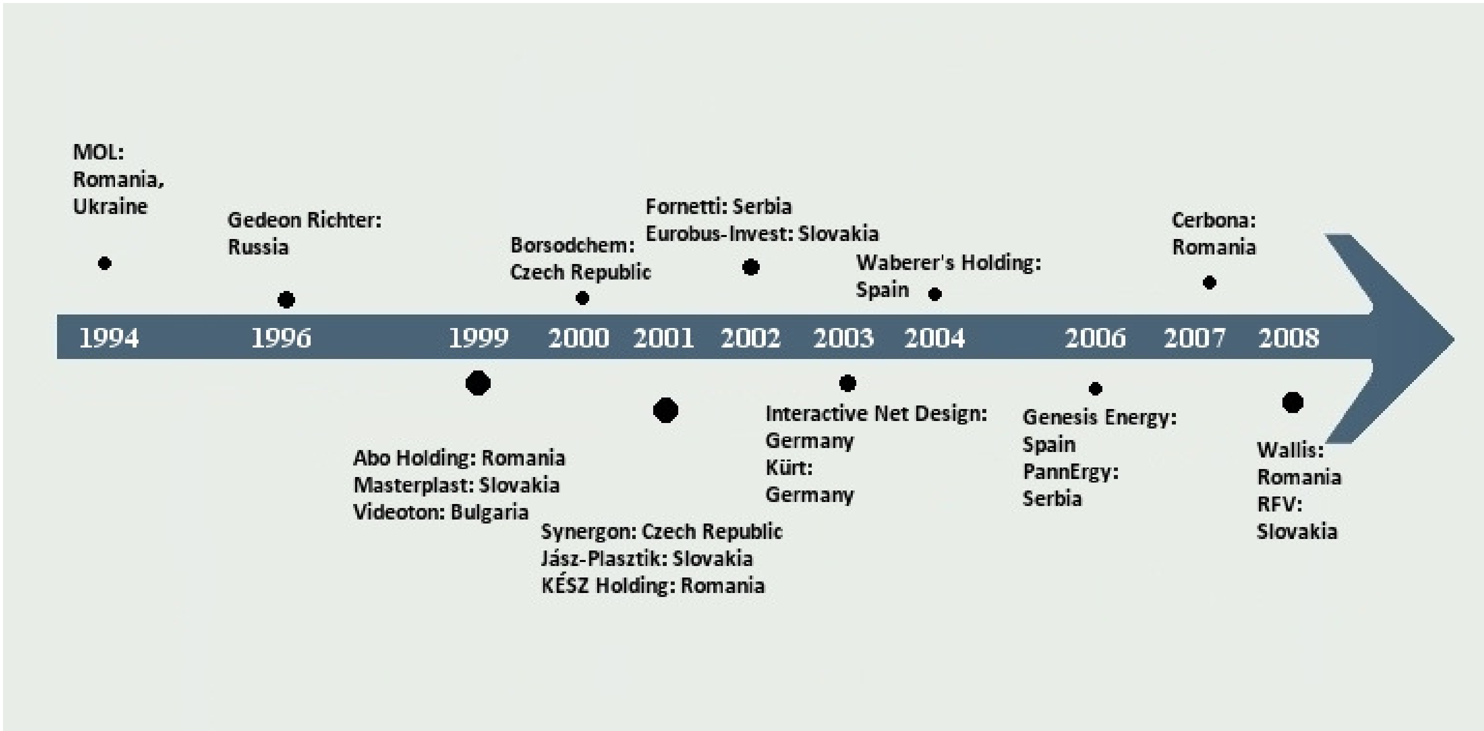
Source: Hungarian National Bank (MNB), data without special purpose entities, see footnote 3 in the main report.

Annex figure 6. Inward and outward FDI stock to and from Hungary, 1995-2009 (USD million)



Source: Hungarian National Bank (MNB), data without special purpose entities, see footnote 3 in the main report.

Annex figure 7. Hungary: Timeline tracking the opening of the first major foreign affiliate by each of the top 19



Source: ICEG-VCC survey of Hungarian multinationals, 2010.