MOL Group, the petrol company, continues to lead the ranking of Hungarian multinationals

Report dated April 16, 2012

EMBARGO: The contents of this report cannot be quoted or summarized in any print or electronic media before April 17, 2012 2 p.m. Budapest, Hungary; 1 p.m. GMT; and 8:00 a.m. New York, United States.

Budapest and New York, April 16, 2012:

The ICEG European Center in Budapest, Hungary, and the Vale Columbia Center on Sustainable International Investment (VCC), a joint center 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 2011, covers the period 2008-2010.

Highlights

The report includes a ranking of Hungarian multinationals based on their foreign assets (see table 1 below). The 20 multinationals ranked held more than USD 19 billion in foreign assets in 2010. The top-ranked firm, MOL Group (including TVK, majority-owned by MOL Group), accounted for almost USD 18 billion, or more than 91%, of these assets. The top 20 companies together registered foreign sales of more than USD 18 billion in 2010 and employed more than 40,000 workers abroad (table 2 below). In 2010, Hungary was the 23rd outward investor in terms of FDI stock among emerging markets[2] and the 27th largest in terms of outward FDI flows, well below the BRIC countries, but a large investor among the new Member States[3] of the European Union.[4] Outward investment by Hungarian companies went primarily into oil and gas exploration and production (mining and quarrying) and pharmaceuticals. Other investment areas included electronics, construction, transport, energy supply, building materials, plastics production, food products, medical precision instruments, logistics and IT, and other services. The 20 companies on the list have 172 affiliates in 37 countries, with a strong concentration in Europe, mainly in Central and Western Europe (122 affiliates). These are mainly located in neighboring or geographically close countries, such as Romania (28 affiliates), Slovakia (14), Ukraine (11), Germany (9), Poland (7), Bulgaria (6) and the Czech Republic (5). See annex table 2 and annex figure 2 for details.

[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] The new Member States of the European Union are those countries that joined the EU in 2004 and 2007: Cyprus, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, Bulgaria and Romania. See, for instance, on the European Commission's Enlargement website, "From 6 to 27 members and beyond," available at: http://ec.europa.eu/enlargement/the-policy/from-6-to-27-members/index_en.htm.
[4] Ranking based on UNCTAD, *World Investment Report, 2011* (New York and Geneva: United Nations, 2011) .

Table 1. The top 20 [a] **non-financial Hungarian multinationals, by foreign assets** [b]**, 2010** (USD million) [c]

Rank	Name	Industry	Status[d]	Foreign assets
1	MOL Group (includingTVK)	Oil and gas exploration, production, refining and retail	Listed (23.82%, 1 golden share)	17,719
2	Gedeon Richter	Pharmaceutical products	Listed (31.35%)	861
3	Videoton	Manufacture of electrical equipment	Unlisted (Nil)	288
4	KÉSZ	Construction	Unlisted (Nil)	74
5	Waberer's Holding	Transportation and storage	Unlisted (Nil)	67
6	E-Star Alternatív	Electricity, gas, steam and air conditioning supply	Listed (Nil)	64
7	Masterplast	Building materials	Listed (Nil)	39
8	Jász-Plasztik	Plastics production	Unlisted (Nil)	34
9	Fornetti	Food products	Unlisted (Nil)	31
10	Mediso	Manufacture of medical, precision and optical instruments	Unlisted (Nil)	29
11	Abo Holding	Food products	Unlisted (Nil)	28
12	Cerbona	Food products	Unlisted (Nil)	27
13	MPF Holding	Transportation and storage	Unlisted (Nil)	25
14	Arcadom	Construction	Unlisted (Nil)	24
15	IKR	Agricultural products and services	Unlisted (Nil)	24
16	Synergon	IT services	Listed (Nil)	12
17	Kürt	IT services	Unlisted (Nil)	10
18	SMP	IT services	Unlisted (Nil)	8
19	Eurobus-Invest	Professional, scientific and technical activities	Listed (Nil)	8
20	Matusz-Vad	Food products	Unlisted (Nil)	6
Total				**19,379**[e]

Source: ICEG-VCC survey of Hungarian multinationals, 2011.

[a] Although we speak of the 'top 20' 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, 2010: USD 1 = HUF 208.65 and USD 1 = EUR 0.74683.
[d] The percentage in parentheses is the percentage of shares controlled by the state.
[e] 19,379 is given by the rounding method; the concrete value is 19,378.55785 which is rounded up to 19,379.

Profile of the top 20

- **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 and most likely Jász-Plasztik are examples. There are cases of knowledge-seeking investments as well, such as Gedeon Richter"s investments in the Swiss PregLem and in the German Grünenthal GmbH.

- **Concentration.** The company in the first position, MOL Group, held more than 91% of the total foreign assets of the top 20. This is larger than its share in 2009 (almost 89%). The first two companies on our list, MOL Group and Gedeon Richter, held almost 96% of the total foreign assets of the top 20. Another dominant investor is OTP Bank in financial services (not included in our research). Other dominant investors include Hungarian affiliates of foreign multinationals, such as M-Telekom (Deutsche Telekom), the Samsung Electronics Magyar Zrt. (Samsung) and MKB Bank (Bayerische Landesbank), which do not form part of the present research. Thus while the number of Hungarian companies investing abroad may be as high as 7,000, the overwhelming majority of the stock abroad is in the hands of a handful of companies. However, some smaller sized, quickly internationalizing companies, were also able to get into the top 20 (box 1)**.**

- **Size.** In size, Hungarian multinationals clearly lag behind some of their emerging-market counterparts.[5] Only the largest foreign investor, MOL Group, had close to USD 18 billion in foreign assets in 2010 and employed a significant number of people abroad (almost 29,000). Besides MOL Group, Gedeon Richter, the pharmaceutical company, also had substantial foreign employment of over 4,000; Waberer Group in transport employed more than 3,000 abroad and Videoton almost 2,000.

Box 1. Hungarian "born globals"

A few companies on the list of the top 20 realized foreign direct investment very soon after their establishment. Mediso was established in 1990, and the firm set up its first foreign affiliate in Poland in 1996. Arcadom was established in 1996, and its first affiliate was founded in Romania in 1997. Eurobusz-Invest was established in 2000, and its first affiliate was founded in Slovakia in 2002.

These companies can be considered as "born globals", which start exporting and/or realize foreign direct investments soon after their establishment, and before strengthening their position in the domestic market. Their internationalization strategy is proactive. They are able to internationalize rapidly because they are generally innovative, knowledge-intensive and because they usually operate in a high tech sector or target a small market segment. These companies do not need to go through the stages of internationalization, because on the one hand they can learn from other companies, on the other hand, they can collect information about foreign markets easily in the era of informatics. They can even "borrow" or take experts from other companies.
While Hungarian OFDI is usually realized in stages, in certain innovative sub-branches, especially in software development (Graphisoft, Onlinet), data management (Kürt), IT services (Interactive Net Design, Synergon), energy management (Pannergy, Genesis Energy) or production of medical precision instruments (3DHistech, Oncotherm),[6] there are Hungarian small and medium-sized companies that internationalize very early in their life, mainly through exporting but also through realizing investments abroad. In that respect it is important to note that the phenomenon of "born globals" does not limit itself to developed countries; there are "emerging market born globals" as well.

Source: ICEG-VCC survey of Hungarian multinationals, 2011.

- **Changes in corporate players compared to 2009.** Borsodchem, the company in the second position in last year's list[7] of the top 19, was left out for 2010, because of a change in ownership. In June 2010, the Chinese Wanhua Group acquired 38% of the shares, and in February 2011 it increased its share to 96% through buying further shares from the two former owners, both private equity firms, Vienna Capital Partners (with headquarters in Vienna and Warsaw) and the German Permira Funds. Altogether Wanhua Group spent USD 1.647 billion on the transaction, including a capital injection of USD 188 million into the company. There

[5] All of them were not present among the top 100 non-financial TNCs from developing and transition countries; and they are not present in the Fortune Global 500.
[6] Please note that not all of these companies are included in our ranking; they are provided here as examples of the Hungarian "born globals" phenomenon.
[7] Magdolna Sass and Olivér Kovács, "Hungary's global players. A strong presence in their neighbourhood in 2009," in Karl P. Sauvant, Vishwas P. Govitrikar and Ken Davies, eds., *MNEs from Emerging Markets: New Players in the World FDI Market* (New York: Vale Columbia Center on Sustainable International Investment, 2011), pp. 119-142, available at: http://www.vcc.columbia.edu/files/vale/content/EMGP_-_eBook_PDF_2_11.pdf.

are five “newcomers” on our list: Mediso, MPF Holding, IKR, SMP and Matusz-Vad. These are mainly quickly expanding firms, which now target foreign markets as well besides the domestic one.

- **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, accounts for more than 91% of the total assets in table 1 above. MOL Group’s activities include oil and gas exploration, production, refining and retail. Pharmaceuticals come next, represented by Gedeon Richter (box 2). In terms of the *number* of firms, food products (4 firms) and IT services (3 companies) are the leading industries. Two firms operate in construction and in transportation and storage. The group as a whole is distributed fairly evenly between the sectors of manufacturing and services: there are eleven manufacturers and nine service providers.

Box 2. Gedeon Richter’s outward investments

Gedeon Richter, the second company on our list, had a “busy” year in 2010 in terms of its outward investing and other international activities. In 2010, Gedeon Richter acquired the Swiss pharmaceutical firm, PregLem, altogether for approximately USD 462 million. Another important transaction by Gedeon Richter was the acquisition of the contraceptive product portfolio from Grünenthal GmbH, a German company, for approximately USD 334 million.

Gedeon Richter is one of the largest pharmaceutical companies in Central and Eastern Europe. 31.35% of the shares are held by the Hungarian state. However, the company is majority foreign owned: 63% of the shares are owned by international investors, with three financial investors with an above 5% share: Aberdeen Asset Management Plc (United Kingdom, 12.63%), The Bank of New York Mellon (United States, 6.77%) and SkagenKon-Tiki Verdipaprifond (Norway, 5.20%). However, the company is in dispersed foreign ownership without any investor holding a controlling share, thus it is not foreign controlled. Its privatization was similar to that of MOL Group (or OTP); its shares were introduced on the Budapest Stock Exchange. By now, Gedeon Richter is without doubt a regional multinational, owning mainly producing affiliates and representative offices in neighboring or geographically close countries. The company also has affiliates in faraway locations (e.g., in India, Jamaica) and in developed countries. Altogether the company has 38 foreign affiliates (including representative offices and distribution agencies) in 21 countries. This is the company that is the most “spread” geographically, present in Asia, Europe, Eastern Europe and Central Asia, Latin-America and the Caribbean, and North America.

Source: ICEG-VCC survey of Hungarian multinationals, 2011. The exchange rate used is the IMF rate of December 31, 2010: USD 1= EUR 0.74683.

- **Foreign affiliates and geographic distribution.** The 20 companies on the list have 172 affiliates in 37 countries, most of them in Europe (annex figure 2). The second company on our list, Gedeon Richter, has the largest number of affiliates, 38, in Europe and in Central Asia**.** The firm increased the number of its foreign affiliates by 8 in 2010. MOL Group has 36 foreign affiliates, mainly in Central and Western Europe, but it is present even in faraway locations, such as in Iraq, Oman and Pakistan. Masterplast, which produces building materials, comes third and has 23 affiliates, also mainly in Central and Western Europe. Affiliates of the top 20 are concentrated in “Other Europe”, and inside that, in Central Europe (annex figure 2). Like most of the affiliates of the top 20, most of the industries of these firms are concentrated in Central and Western Europe (annex figure 3). Oil and gas exploration, production, refining and retail (MOL Group) are also to be found in Eastern Europe and Central Asia (6), Middle East and North Africa (4) and sub-Saharan Africa (1). Another industry that is more “spread out” is the manufacturing of basic pharmaceutical products (Gedeon Richter), with affiliates in South Asia (1), developed Asia & Pacific (1) and Eastern Europe and Central Asia (8). (See box 2 and annex table 2.)

- **Ownership and status.** None of the companies on the list is a majority state-owned enterprise. However, the state owns a special “B” share in MOL Group that gives it special voting rights (see Box 3). In 2010, state ownership grew significantly in the oil company, as indicated in box 3. The state also has a 31.35% stake in Gedeon Richter, which was privatized through the stock exchange. Of the 20 companies ranked, six are listed on the Budapest Stock Exchange. Three are also listed on foreign stock exchanges: MOL Group on the Luxembourg Stock Exchange and the Warsaw Stock Exchange, Gedeon Richter on the Luxembourg Stock Exchange, and the shares of E-Star Alternatív were introduced on the Warsaw Stock

Exchange in 2011 (annex table 3). The last company on our list, Matusz-Vad, plans to introduce its shares on the Budapest Stock Exchange.

Box 3. Changes in the ownership structure of the leading outward investor, MOL[8]

During 2010, there have been significant changes in the ownership structure of MOL Group, though these did not affect the main characteristic of its ownership structure: it still has a dispersed ownership. In March 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 which 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 voting rights of more than 10%, as it is stated in the Articles of Association of MOL Group. Thus due to the dispersed foreign ownership and the specific rules in the Articles of Association – especially the 10% limit on voting rights and the veto right of the Government – all strategic decisions are taken by the company's management, which is composed entirely of Hungarian nationals, residing in Hungary. Strategic planning regularly takes place at the Hungarian head office in Budapest. That is why MOL Group can be considered a Hungarian company.

In May 2011, the government of Hungary purchased the MOL Group shares (21.22%) owned by the Russian company for USD 2.52 billion. Furthermore, due to the expropriation of private pension funds in Hungary in the same year, further shares landed in state hands. At present, the share of state ownership is 23.82%; the share of Hungarian shareholders (the state, OTP Bank, Hungarian institutional investors, Hungarian private persons and MOL Group's own shares) is slightly more than 40%. Thus, on one hand, the share of the Hungarian state increased considerably in MOL Group, and on the other hand, the share of foreign ownership decreased significantly, though it is still dominant.
Source: ICEG-VCC survey of Hungarian multinationals, 2011. The exchange rate used is the IMF rate of December 31, 2010 USD 1= EUR 0.74683.

- **Location of head offices.** Ten companies have their head offices in Budapest, in the capital city, which is the economic and cultural center of the country. The rest are concentrated in a few counties, predominantly in the Western part of Hungary. (See annex figure 4.)

- **Nationality of management.** As far as the nationality of the top management is concerned, all of the 20 companies are led by Hungarian CEOs. The share of foreigners on the board of directors is relatively low (19%). Furthermore, managers reporting directly to the CEOs are predominantly Hungarians (97%). A brief look at the number of foreigners on the supervisory boards of the relevant companies leads us to the conclusion that the predominant part of the members is Hungarian (98%).

- **Official languages.** The official language of all the companies on the list is Hungarian. However, at least one other language (mainly English; in some cases German) is used; for one company, Polish and Romanian are also indicated as secondary official languages.

- **Transnationality Index (TNI).** A number of Hungarian firms rank relatively high on the TNI (annex Table 1), with SMP in IT services scoring over 90%, MOL Group and Fornetti (food) over 80%, followed by E-Star (energy supply), Mediso (medical precision instruments) and Kürt (IT services) with an over 70% TNI. MOL Group was the first firm among the top 20 to establish a major foreign affiliate, in 1994. Gedeon Richter and Mediso followed in 1996, and IKR and Arcadom in 1997. Videoton, Masterplast and ABO Holding set up their first foreign affiliates in 1999. The affiliates of all the others were established in the 21st century. (See annex figure 7 for details.)

- **Other characteristics.** It appears that the majority of the top 20 outward investing companies does not put special emphasis on gender equality in top management. They are usually not influenced in their investment decisions by local environmental regulations, except for certain sectors, which are more sensitive from that point of view (e.g. oil and gas exploration activities, renewable energy). All of them say that they are making continuous efforts to comply with international standards of responsible business conduct.

[8] MOL Group, because last year we realised that TVK, another outward investor is majority owned and controlled by MOL, and thus we added its data to MOL's.

- **Top mergers and acquisitions.** The leading investors on our list, MOL Group and Gedeon Richter, were responsible for the most important M&A operations in the three-year period 2008-2010. The largest acquisition was carried out by MOL Group in 2008, the acquisition of a further share in INA (Croatia) for approximately USD 1,167 million. Another significant transaction was realised by MOL Group in Iraq, which was the third largest on our list. Gedeon Richter was the most active acquirer in 2010, with two large-scale transactions in Switzerland and Germany, with rounded values of USD 462 and 364 million, respectively; it also acquired a 36.8% stake in a Polish pharmaceutical company for almost USD 43 million in 2008. (See annex table 4.)

- **Top greenfield announcements**. Presumably because of the financial crisis, none of the 2010 greenfield projects could get into the top ten for the period 2008-10. The three largest transactions were realized by TriGránit. However, these transactions are not contained in the relevant data of the Hungarian balance of payments (see box 3 in the last year's report[9]). MOL Group realised the fourth and fifth biggest projects, with more than half a billion US dollars invested in Croatia. (See annex table 5.)

- **Changes in aggregate assets, sales and employment over 2008-2010.** The foreign assets of the top 20 increased by 24% between 2008 and 2010, to almost USD 20 billion (table 2). 2009 recorded a significant rise in foreign assets of 40%. Between 2009 and 2010, there was an almost 1% decline. Foreign sales grew by 5% over the three-year period, with a significant fall in 2009, followed by a compensating increase in 2010. Foreign employment grew by 30%, following a rise of over 58% in 2009 and a decrease of almost 10% in 2010. As in 2009, all these movements were determined by changes in the relevant indicators for MOL Group, the biggest outward investor. Without MOL Group, there was a relatively substantial decrease in foreign employment (-13%), a slight decrease in foreign assets (-1%) and the same rate of increase in foreign sales (5%) as with MOL Group. Foreign assets and sales as a percentage of the total assets and sales of the ranked companies in 2010 were 73% and 77%, respectively. Foreign employment was 66% of the total employment. Here again, without MOL Group, these shares are significantly lower, 33%, 58% and 40%, respectively.

Table 2. Snapshot of the top 20 multinationals, 2008-2010 (USD million and number)

Variable	2008	2009	2010	% change, 2008-2010
Assets				
Foreign	14,632	20,509	19,379	24
Total	21,068	28,227	26,530	21
Share of foreign in total (%)	69	73	73	
Sales				
Foreign	17,530	9,759	18,379	5
Total	24,724	15,900	23,966	-3
Share of foreign in total (%)	71	61	77	
Employment				
Foreign	28,173	44,521	40,478	30
Total	45,817	63,684	61,416	25
Share of foreign in total (%)	61	70	66	

Source: ICEG-VCC survey of Hungarian multinationals, 2011.

The big picture

Hungary is among the leading countries in terms of outward direct investment among the new Member States of the European Union. At present, it is surpassed only by Poland in terms of

[9] Sass and Kovács, 2011, op. cit., pp. 124-125.

the absolute value of foreign OFDI stock, and by Estonia and Slovenia in terms of the OFDI stock/GDP or per capita OFDI stock.

Outward investment from Hungary started to show meaningful values as early as 1997, and outflows exceeded USD 1 billion in 2003; since then, they remained above that level with some peak years of over USD 3 billion in 2006, 2007 and 2008. During the crisis year of 2009, both outflows and the stock of OFDI declined. Annual outflows are still dominated by a few large transactions, which underline the high concentration of OFDI in terms of the number of investing companies.

The outward investors are on one hand Hungarian affiliates of large foreign multinationals, which for various reasons realize their foreign investment through their Hungarian affiliates. For example M-Telekom (owned by Deutsche Telekom) belongs to that group. On the other hand, there are a few "genuine" Hungarian, locally owned multinationals, as it is obvious from our report. Third, there are a few large, formerly state-owned companies that are in majority foreign ownership, though not under foreign control due to their dispersed ownership. We consider these companies Hungarian, as the Hungarian management takes all the strategic decisions. On our list, the two most important outward investors, MOL Group and Gedeon Richter, belong to that group; the leading investor in financial services, OTP Bank, can also be classified there. We can distinguish a fourth group of Hungarian firms investing abroad. As it is obvious from the list of the top greenfield investments, TriGránit is responsible for many enormous projects, but it is not on our list. While we can strongly presume that TriGránit is essentially a Hungarian-controlled investor, we could not find data in the balance sheets of the company about its foreign investments. The reason for that can be that it is owned by a Cyprus-based company (which in turn is majority owned by a Hungarian private person); thus it can be assumed that these foreign investments may be undertaken by the Cypriot parent company.[10]

The above grouping of foreign investors underlines the importance of the early start of Hungary in liberalizing its economy and welcoming foreign investors. Indirect investments were realized by foreign affiliates of large multinational companies in Hungary and locally owned companies could swiftly become competitive enough to invest abroad after the start of the transition process. This was partly due to the competitive pressure exercised by foreign affiliates and partly due to the enhanced productivity of the Hungarian firms through backward and forward linkages with them.

As far as the sectoral composition of the stock of OFDI is concerned, the manufacturing sector is gradually gaining in importance. 2009 was the first year when more than half of the outward stock was in manufacturing. Within manufacturing, coke and refined petroleum and chemicals are the leading industries. Financial services and business services have been dominating the services sector.

The geographical dispersion of Hungarian foreign investment has changed considerably. Neighboring and geographically close countries (especially Slovakia, Romania, Bulgaria, Croatia and Serbia) have always had a relatively large share in outflows. However, there are significant changes in the shares of certain European countries. For example, the share of the Netherlands, decreased considerably, while that of Luxembourg and Switzerland increased. These countries are "popular" among Hungarian outside investors mainly for tax optimisation purposes, however, Richter's large deal also contributed to the increase in the share of Switzerland. One-off large transactions are responsible for the relatively large share of Central America and the Republic of Korea.

The dominant entry mode of the Hungarian companies is acquisitions, especially those related to privatization in neighboring 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.

[10] Sass and Kovács, 2011, op. cit., pp. 124-126.

The policy environment can be considered as neutral toward foreign investment. The institutional framework has undergone significant changes in 2010. The Investment and Trade Development Agency of Hungary, an integrated agency, promoting inward and outward FDI, exports and SMEs, was closed down. A new institute, the Hungarian Investment and Trade Agency, was established to carry out the previous institution's tasks.

For further information please contact:

ICEG European Center

Magdolna Sass
External Research Fellow IE HAS
msass@icegec.hu
+36-30-3974994

Olivér Kovács
Research Fellow
okovacs@icegec.hu
+36-1-2481160

Vale Columbia Center on Sustainable International Investment
Lisa Sachs
Director
lsachs1@law.columbia.edu
+1(212) 854-0691

Victor Z. Chen
Ph.D. Candidate in Strategy and International Business
Beedie School of Business
Simon Fraser University
Global Coordinator and Editor
Emerging Market Global Players Project
emgp.editor@gmail.com

Valentina Bratu
Manager and Editor
Emerging Market Global Players Project
emgp.editor2@gmail.com

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 on Sustainable International Investment. It brings together researchers on FDI from leading institutions in emerging markets to generate annual reports on the leading multinationals in each participating country. Since 2007, reports have been published on 14 countries: Argentina, Brazil, Chile, China, Hungary, India, Israel, Republic of Korea, Mexico, Poland, Russia, Slovenia, Taiwan and Turkey. For further information, visit: http://www.vcc.columbia.edu/content/emerging-market-global-players-project.

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 (VCC), a joint center of Columbia Law School and the Earth Institute at Columbia University, is a leading forum for discussion by scholars, policy makers, development advocates, practitioners, and other stakeholders of issues related to FDI in the global economy, paying special attention to the impact of this investment on sustainable development. The VCC bridges education, scholarship and practice in the field of sustainable investment. Its objectives are to analyze important topical policy-oriented issues related to investment and to develop and disseminate practical approaches and solutions to promote development outcomes. For more information, visit http://www.vcc.columbia.edu.

Annex table 1. Hungary: The top 20 multinationals: Key variables, 2010 (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	17,719	21,499	16,421	20,594	28,876	32,394	84	36	25
2	**Gedeon Richter**	Pharmaceutical products	861	2,870	1,024	1,034	4,147	10,259	56	38	21
3	**Videoton**	Manufacture of electrical equipment	288	478	51	428	1,886	7,122	33	2	1
4	**KÉSZ**	Construction	74	230	149	218	21	485	35	8	7
5	**Waberer's Holding**	Transportation and storage	67	347	218	320	3,108	3,660	57	6	4
6	**E-Star Alternatív**	Electricity, gas, steam and air conditioning supply	64	84	30	38	64	83	78	9	2
7	**Masterplast**	Building materials	39	71	77	113	411	708	60	23	15
8	**Jász-Plasztik**	Plastics production	34	344	96	456	796	3,162	19	2	2
9	**Fornetti**	Food products	31	43	36	44	412	455	81	1	1
10	**Mediso**	Manufacture of medical, precision and optical instruments	29	35	23	32	128	169	77	2	2
11	**Abo Holding**	Food products	28	87	52	105	44	571	30	4	3
12	**Cerbona**	Food products	27	37	10	42	2	277	32	1	1
13	**MPF Holding**	Logistics	25	68	70	79	23	47	42	4	3
14	**Arcadom**	Construction	24	80	59	61	70	89	68	9	7
15	**IKR**	Agricultural products & services	24	176	23	272	230	1,374	14	7	5
16	**Synergon**	IT services	12	43	14	74	195	345	35	3	2
17	**Kürt**	IT services	10	10	5	6	25	70	72	4	4
18	**SMP**	IT services	8	8	18	19	15	17	93	7	3
19	**Eurobus-Invest**	Professional, scientific & technical services	8	10	1	1	5	7	64	5	1
20	**Matusz-Vad**	Food products	6	8	3	31	20	122	37	1	1
Total (average for TNI)			19,379	26,530	18,379	23,966	40,478	61,416	53	172	110

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

[a] The exchange rate used is the IMF rate of December 31, 2010: USD 1= HUF 208.65. [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 20 multinationals: Regionality Index[a] (percentages), 2010

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	**Gedeon Richter**			3	3	3	16	68	5	3
3	**Videoton**							100		
4	**KÉSZ**						38	63		
5	**Waberer's Holding**							100		
6	**E-Star Alternatív**							100		
7	**Masterplast**			17			17	65		
8	**Jász-Plasztik**							100		
9	**Fornetti**						100			
10	**Mediso**							100		
11	**Abo Holding**						50	50		
12	**Cerbona**							100		
13	**MPF Holding**			50				50		
14	**Arcadom**			11			22	67		
15	**IKR**						57	43		
16	**Synergon**							100		
17	**Kürt**	25						50		25
18	**SMP**						29	71		
19	**Eurobus-Invest**							100		
20	**Matusz-Vad**							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 20 multinationals: Stock exchange listings, 2010

Rank	Company	Domestic	Foreign
1	**MOL Group**	Budapest	Luxembourg, Warsaw
2	**Gedeon Richter**	Budapest	Luxembourg
3	**Videoton**	*None*	*None*
4	**KÉSZ**	*None*	*None*
5	**Waberer's Holding**	*None*	*None*
6	**E-Star Alternatív**	Budapest	Warsaw (since 2011)
7	**Masterplast**	Budapest	*None*
8	**Jász-Plasztik**	*None*	*None*
9	**Fornetti**	*None*	*None*
10	**Mediso**	*None*	*None*
11	**Abo Holding**	*None*	*None*
12	**Cerbona**	*None*	*None*
13	**MPF Holding**	*None*	*None*
14	**Arcadom**	*None*	*None*
15	**IKR**	*None*	*None*
16	**Synergon**	Budapest	*None*
17	**Kürt**	*None*	*None*
18	**SMP**	*None*	*None*
19	**Eurobus-Invest**	Budapest	*None*
20	**Matusz-Vad**	*None*	*None*

Source: ICEG-VCC survey of Hungarian multinationals, 2011.

Annex table 4. Hungary: Top 10 outward M&A transactions, 2008-2010 (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
10/07/2010	Gedeon Richter	PregLem SA	Pharmaceutical preparations	Switzerland	100.0	462.63
15/05/2009	MOL Group	Pearl Petroleum Company Ltd.	Oil and gas	Iraq	10.0	341.63
12/01/2010	Gedeon Richter	Grünenthal Contraceptives	Pharmaceutical preparations	Germany	100.0	334.28
07/17/2008	Gedeon Richter	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	100.0	40.95
05/25/2010	Mai Nap, Reform Newspapers	AGO SAS	Business services	France	100.0	14.11
11/16/2010	Admiral Electronic Club	Hotel Carrera, Lima	Hotels and motels	Peru	100.0	5.30
11/22/2010	Állami Nyomda Nyrt.,	GPV Mail Services SRL[11]	Postal services	Romania	50.0	2.01
07/23/2009	Zeneház Online Kft.	ISH Poland Sp zoo	Information retrieval services	Poland	65.0	0.14
Total						**2411.52**

Source*:* Adapted from Thomson ONE Banker. Thomson Reuters, except for the MOL transactions: MOL Annual Report 2009, p. 56 for the INA transaction, and p. 64 for the Pearl transaction.

[11] Starting with October 10, 2011, GPV Mail Service SRL's name is Zipper Data SRL. Source: Állami Nyomda, "State Printing House Plc. Interim management report Jan – Sept 2011 results," p. 9, available at: http://www.allaminyomda.hu/file/1001009.

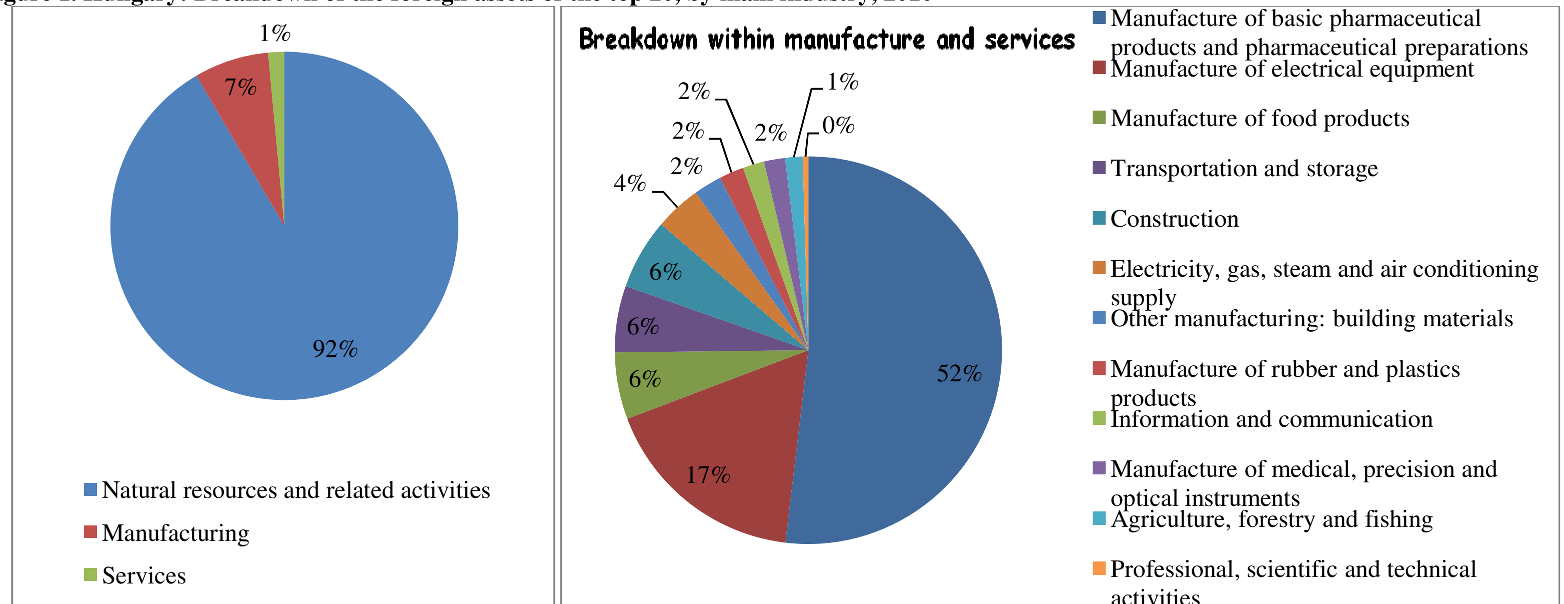
Annex table 5. Hungary: Top 10 outward greenfield investments, 2008-2010 (USD million)

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
Mar-08	TriGranit	Poland	Real estate	781.80
Nov-09	MOL Group	Croatia	Coal, oil and natural gas	523.80a
Sep-08	MOL Group	Slovak Republic	Coal, oil and natural gas	449.50a
Sep-08	TriGranit	Croatia	Real estate	311.00a
Apr-08	TriGranit	Russia	Real estate	289.10a
Apr-08	TriGranit	Russia	Real estate	289.10[a]
Mar-08	Brixxon	Austria	Car manufacturing	236.40a
Jul-08	System Consulting	Ukraine	Renewable energy	197.30a
Total				**6592.25**

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

[a] This is an estimated amount.

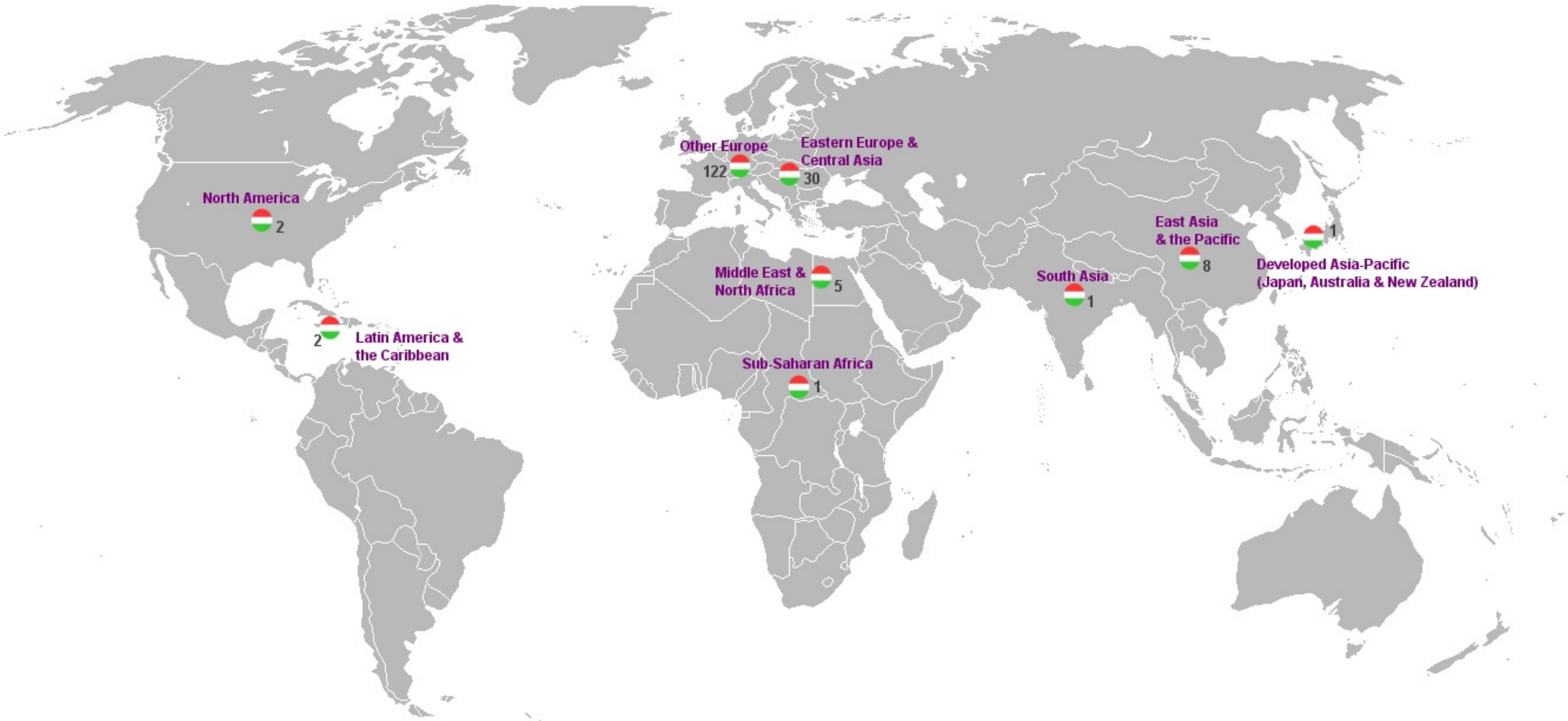
Annex figure 1. Hungary: Breakdown of the foreign assets of the top 20, by main industry, 2010



Industry	Foreign assets (USD millions)	Companies
Mining and quarrying, petrochemicals	17,719	MOL Group
Manufacture of basic pharmaceutical products and pharmaceutical preparations	861	Gedeon Richter
Manufacture of electrical equipment	288	Videoton
Manufacture of food products	92	Abo Holding, Cerbona, Fornetti, Matusz-Vad
Transportation and storage	92	Waberer's, MPF Holding
Construction	98	KÉSZ, Arcadom
Electricity, gas, steam and air conditioning supply	64	E-Star Alternatív
Other manufacturing: building materials	39	Masterplast
Manufacture of rubber and plastics products	34	Jász-Plasztik
Information and communication	30	Synergon, Kürt, SMP
Manufacture of medical, precision and optical instruments	29	Mediso
Agriculture, forestry and fishing	24	IKR
Professional, scientific and technical activities	8	Eurobus-Invest

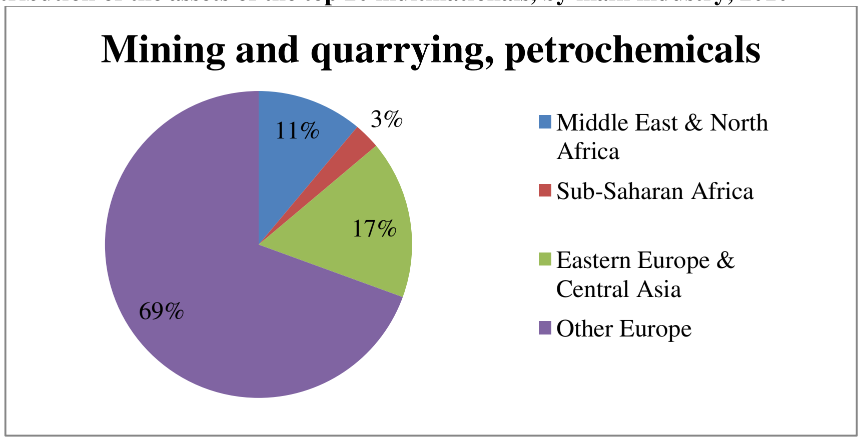
Source: ICEG-VCC survey of Hungarian multinationals, 2011.

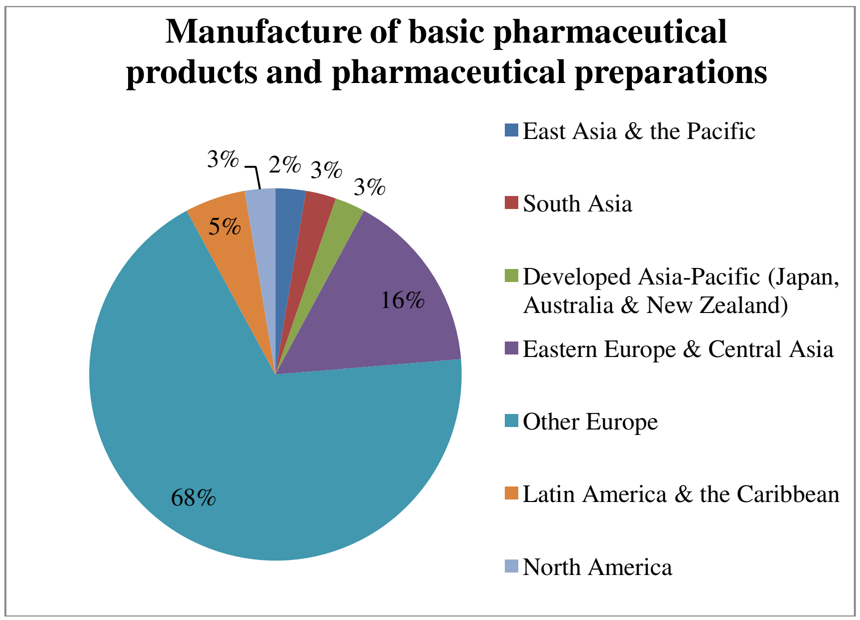
Annex figure 2. Hungary: Foreign affiliates of the top 20, by region, 2010 (number of affiliates)

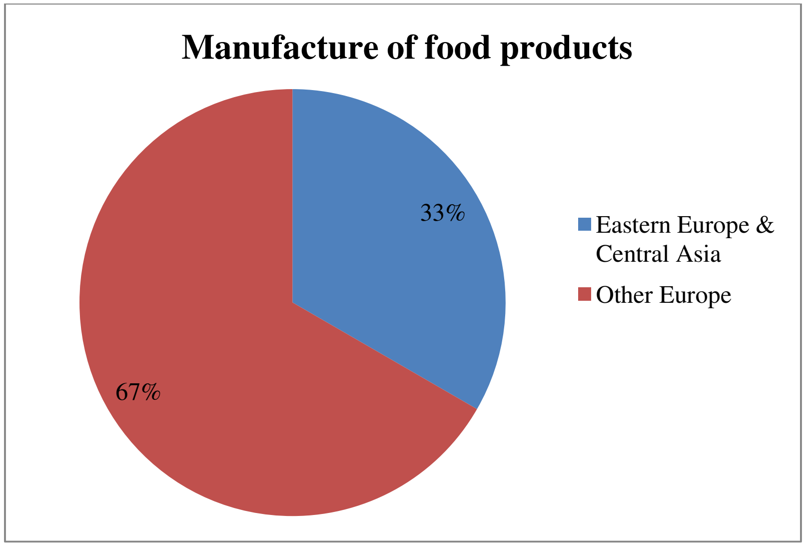


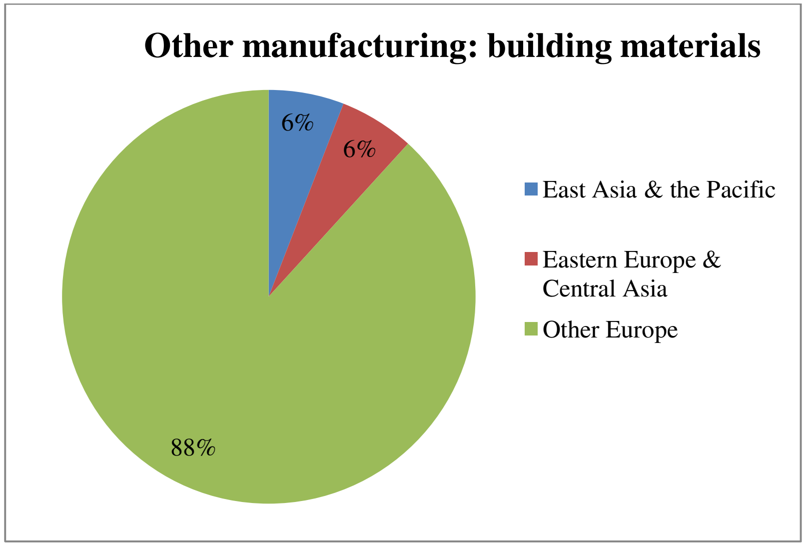
__Source__: ICEG-VCC survey of Hungarian multinationals, 2011.

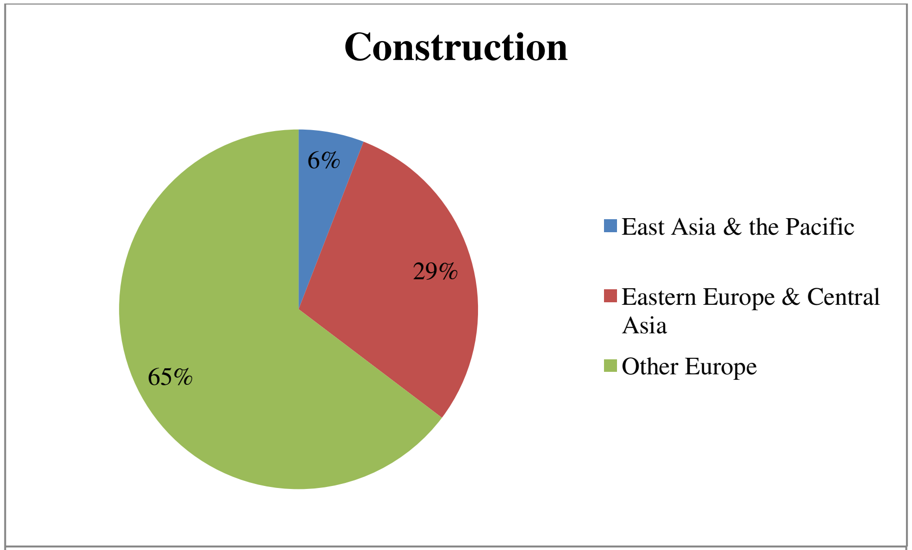
Annex figure 3. Hungary: Geographic distribution of the assets of the top 20 multinationals, by main industry, 2010

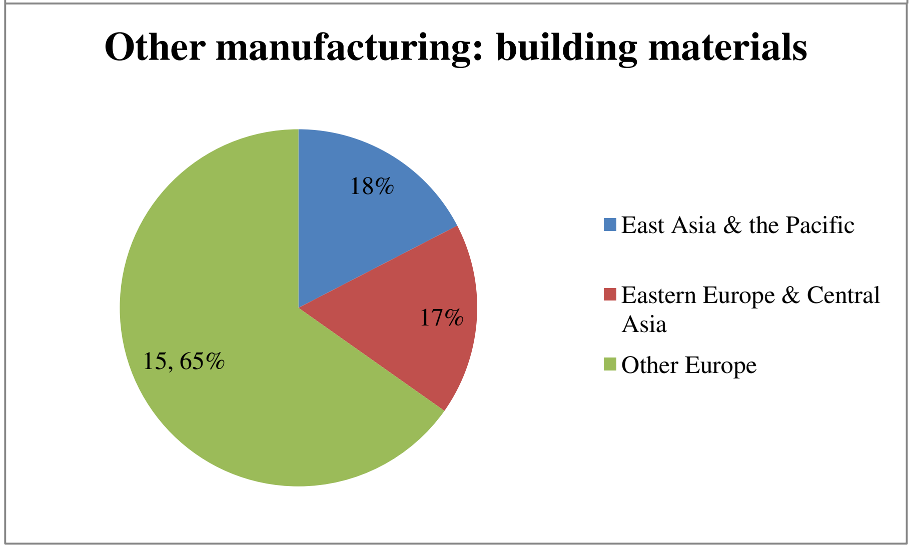


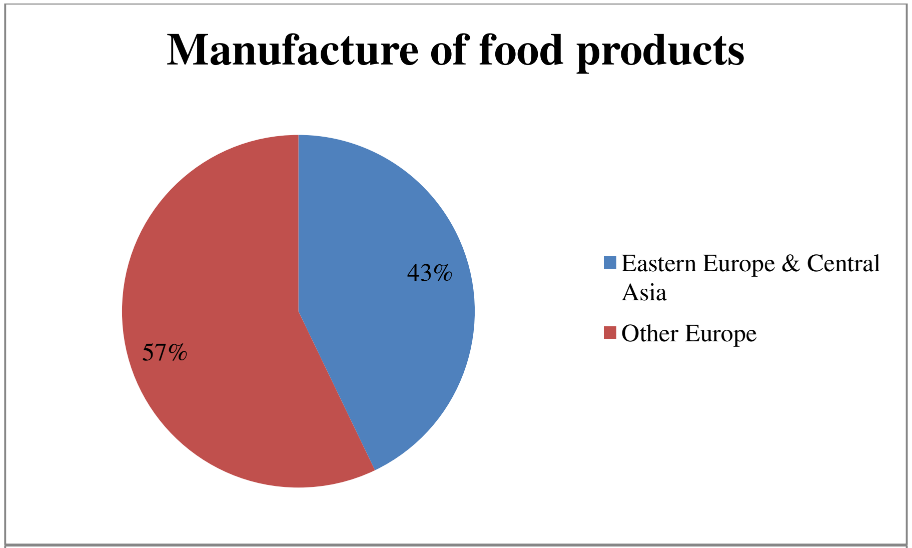


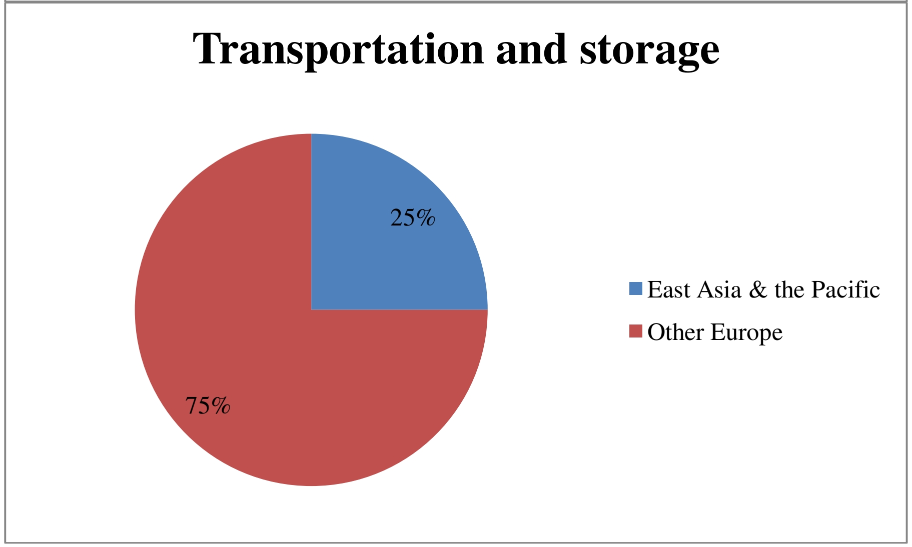

Manufacture of food products
33%
67%
Eastern Europe & Central Asia
Other Europe

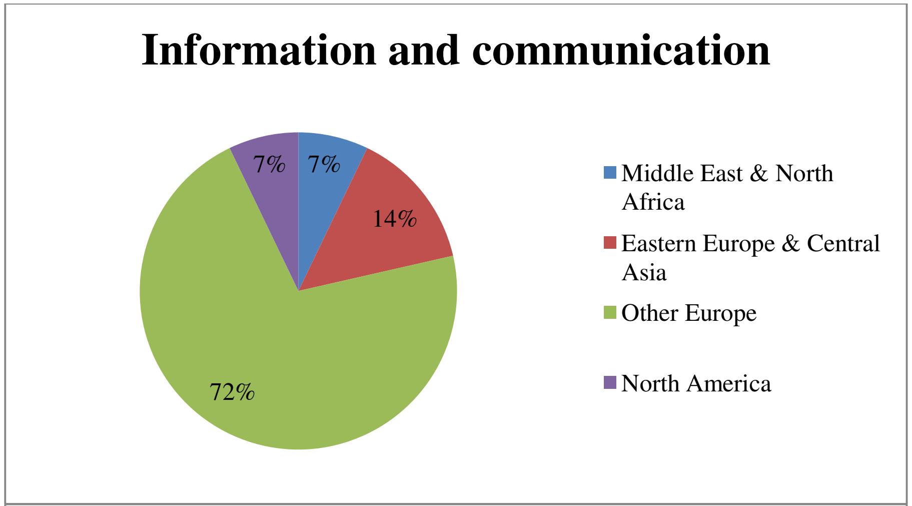

Other manufacturing: building materials
6%
6%
88%
East Asia & the Pacific
Eastern Europe & Central Asia
Other Europe

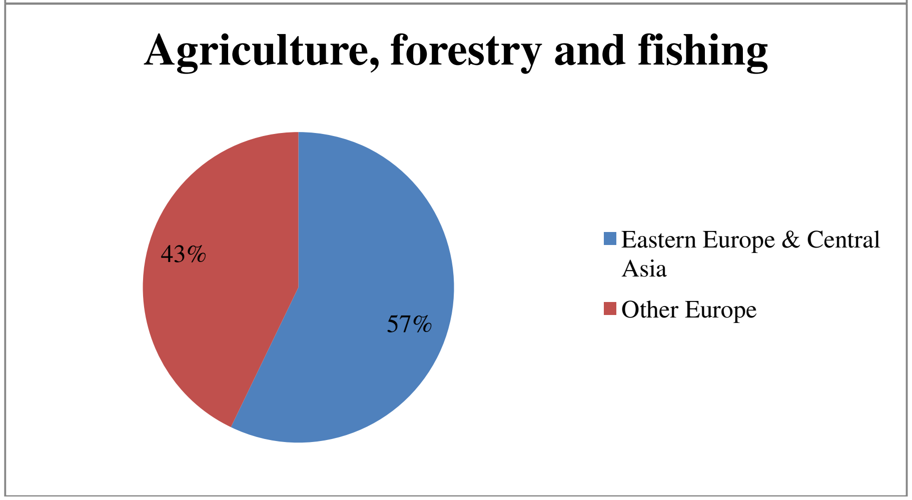

Construction
6%
29%
65%
East Asia & the Pacific
Eastern Europe & Central Asia
Other Europe


Other manufacturing: building materials
18%
17%
15, 65%
East Asia & the Pacific
Eastern Europe & Central Asia
Other Europe


Manufacture of food products
43%
57%
Eastern Europe & Central Asia
Other Europe


Transportation and storage
25%
75%
East Asia & the Pacific
Other Europe

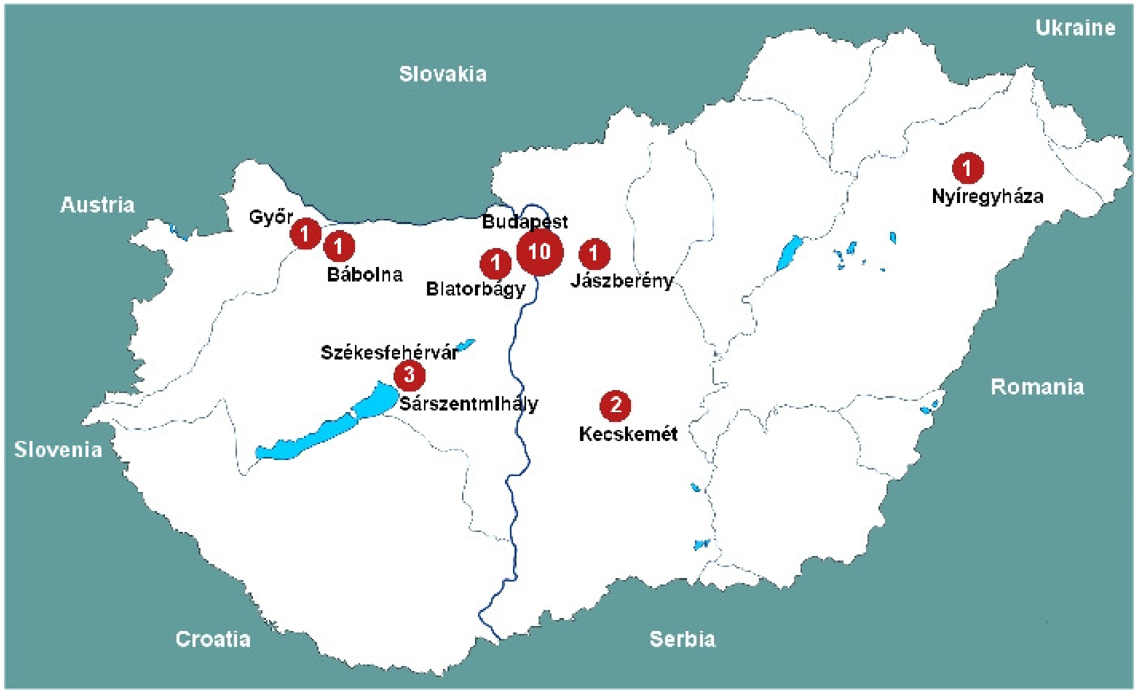




Source: ICEG-VCC survey of Hungarian multinationals, 2011.
Note: The following activities are entirely (100%) in Other Europe: Manufacture of chemicals and chemical products; Manufacture of electrical equipment; Electricity, gas, steam and air conditioning supply; Manufacture of rubber and plastics products; Manufacture of medical, precision and optical instruments; Professional, scientific and technical activities. UN Industry Classification codes are used.

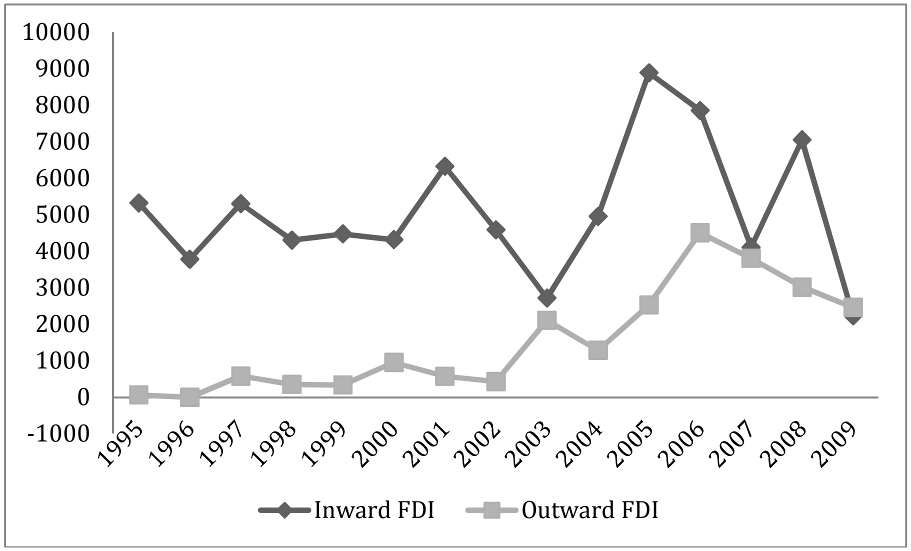
Annex figure 4. Hungary: Head office locations of the top 20, 2010

Companies	Head office
MOL Group	Budapest
Gedeon Richter	Budapest
Videoton	Székesfehérvár
KÉSZ	Kecskemét
Waberer's Holding	Budapest
E-Star Alternatív	Budapest
Masterplast	Sárszentmihály
Jász-Plasztik	Jászberény
Fornetti	Kecskemét
Mediso	Budapest
Abo Holding	Nyíregyháza
Cerbona	Székesfehérvár
MPF Holding	Budapest
Arcadom	Biatorbágy
IKR	Bábolna
Synergon	Budapest
Kürt	Budapest
SMP	Budapest
Eurobus-Invest	Budapest
Matusz-Vad	Győr



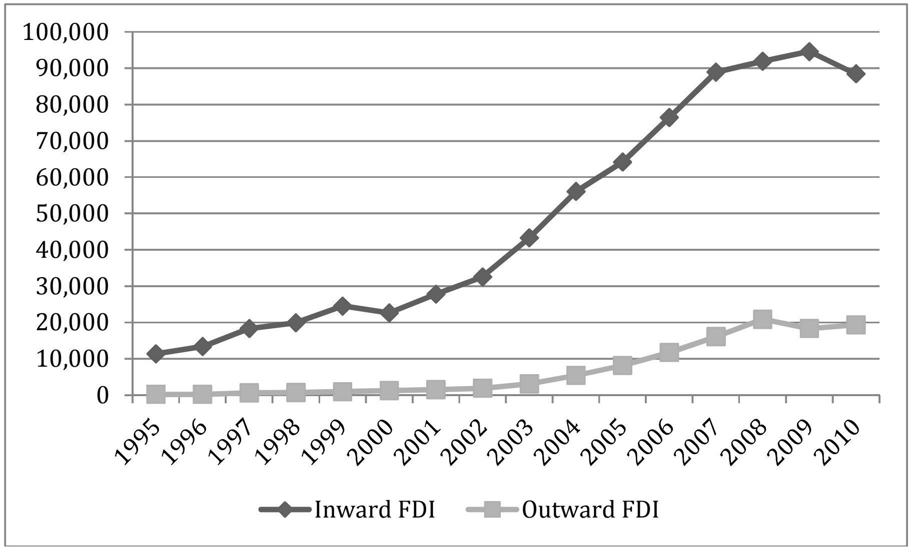
Source: ICEG-VCC survey of Hungarian multinationals, 2011.

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



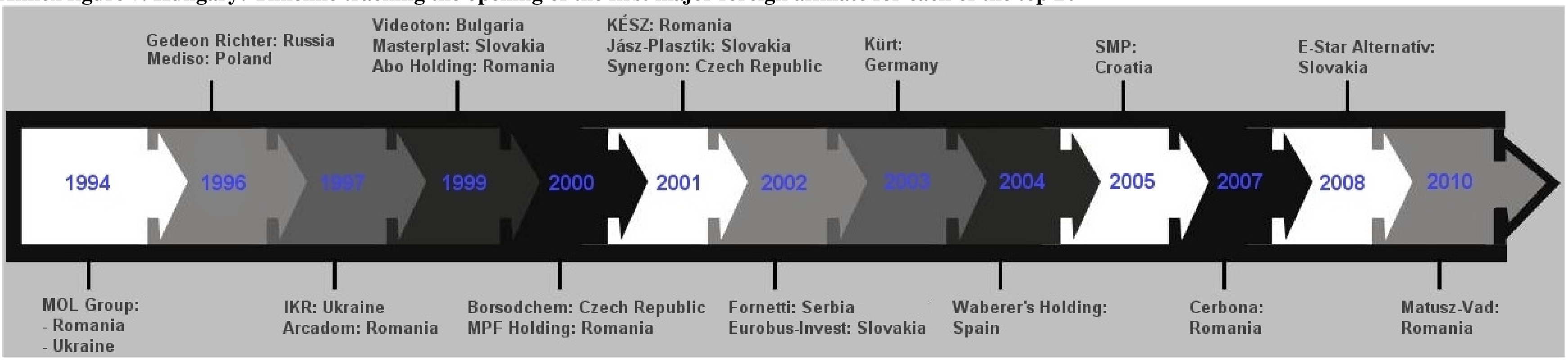
***Source*: Hungarian National Bank (MNB), data without special purpose entities.

Annex figure 6. Inward and outward FDI stock to and from Hungary, 1995-2010 (USD million)



Source: Hungarian National Bank (MNB), data without special purpose entities.

Annex figure 7. Hungary: Timeline tracking the opening of the first major foreign affiliate for each of the top 20



Source: ICEG-VCC survey of Hungarian multinationals, 2011