



# HUNGARIAN WATCH

Spring 2015



## Hungarian Watch Spring 2015

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Hungarian Watch is a quarter yearly issued brochure. It contains comprehensive, up-to-date information about Hungary, focusing on breaking news in the fields of law, economics, business and other situations which could have a major impact on the course of Hungarian events.

Hungarian Watch is primarily prepared for those who are thinking about Hungary from an investment point of view. The investment perspective runs through this brochure by leading the reader through the actual Hungarian business climate including current business and investment opportunities.

We hope that Hungarian Watch will keep you regularly informed on relevant Hungarian news, enabling you to know how and when to seize a business opportunity before it vanishes.

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The Hungarian Investment Promotion Agency makes a consistent effort to attract foreign investors. After closing a successful year in 2014, HIPA offers dozen of projects in various industries including agriculture, manufacturing, energy, innovation, tourism and real estate. This is the right time to invest. [Read more...](#)



TATA decided to establish a new plant to step into the European market with its car manufacturing division. Hungary is already hosting several eminent players of the automotive sector having a qualified and recognized support industry of numerous suppliers to great car manufacturers. TATA started negotiations with two major Hungarian cities. The ball is now in TATA's court. [Read more...](#)



The Minister of National Development has recently published the calls for tenders for the exploration and production of brown coal as well as for the prospection, exploration, and production of hydrocarbon under concession contracts. This new opportunity may attract the major players in the Hungarian upstream energy sector. [Read more...](#)



The construction of the laser centre in Szeged is a milestone for the Hungarian research & development (R&D) sector. Hungary will get its first world-class research centre. The second phase of this project has been just announced. Bids may be submitted by 31 December 2015. The project deserves great attention as it is one of the largest investments in the CEE region.

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# New investments ahead

## The Hungarian Investment Promotion Agency negotiating hundred projects in 2015

*The Hungarian Investment Promotion Agency makes a consistent effort to attract foreign investors. After closing a successful year in 2014, HIPA offers dozen of projects in various industries including agriculture, manufacturing, energy, innovation, tourism and real estate. This is the right time to invest.*



In order to make investment promotion more efficient, the Hungarian government established the Hungarian Investment Promotion Agency (HIPA). HIPA makes a regular effort to find investors, boost investments and also encourages reinvestments with after care activities.

HIPA was very successful in 2014. It participated in more than 60 new investment projects with a total value over EUR 1.6 billion. The support of the foreign direct investments also created more than

11 thousand work opportunities which is more than a 50% increase compared to 2013. In terms of investment volume realized by the help of HIPA, the automotive sector closed a very strong year (more than EUR 800 million), but other sectors such as renewable energy industry, chemical industry and shared-service centre industry were also successful.

In this context, it shall be also noted that Budapest was awarded the prize, “The best foreign direct investment city in Central Europe”. Apart from being the first in the region, it is also significant that Budapest was the only Central European capital ranked in the “Top 10 major European cities” by winning the ninth position after major European hubs such as London, Paris, Brussels, Berlin.

HIPA believes that 2015 will have similar outcome. The president of HIPA, Róbert Ésik notes that HIPA is currently negotiating on about 100 active investment projects. Moreover, HIPA already offers dozen of projects in various sectors including agriculture, manufacturing, energy, innovation, tourism and real estate.

This is the right time to invest.

EUR 1.6 billion  
worth investments

Budapest,  
the best foreign direct investment city  
in Central Europe

## Investment projects offered by HIPA

(Source: HIPA)

Sectorial overview	Projects	Short description	Implementation	Founding (M EUR)	Overall Budget (M EUR)
<b>Agriculture and food industry</b>	Hungarian Pre-mium Quality Beef	Production of good quality beef	6 years	66	86
	Composit materials to improve low fertility soils	Complex agricultural developmental investment	2014 - 2017	26.8	26.8
	Organic Garden Paradise	Establishment of a climate-controlled greenhouse relying on geothermal energy	1 year	26.64	33.3
	Large scale oyster mushroom production	Production of 3000 tonnes of oyster mushroom annually	12 months	15	15.31
	MentalFitol: Food For Thought	Production of a novel blend of botanics to prevent the risk of developing Alzheimer's disease	2014 - 2017	6.7	6.7
<b>Capital Goods Manufacturing</b>	Varion - Ion-Exchange Resin Factory	Building a modern ion-exchange resin factory in Hungary	2 years	45.3	45.3
	Eneron -The New Light On The World	Setting up an LED lighting manufacturing base in Europe	2014 - 2018	31	31
	Pirolisis Projects - Waste Tyre Recycling	Opening new factories with a new technology for rubber waste pyrolysis	first factory in 15 month	25	25
	Dispomedicor - Cannula And Needle Production	Setting up a factory producing 55 million pcs of cannula/months	2014 - 2018	12,6 - 21,5	42
<b>Energy sector and renewable energy</b>	NES - Waste Utilization With Thermoselect Technology	Implementation of a thermic waste recycling plant with the aim to treat local domestic and industrial waste	2014 - 2015	110	146
	3 BIO - Bioethanol, Biogas And Biomass Plant	Production of fuel quality bioethanol and green energy	2014 - 2015	33.6	112
	Visonta Eco Fuel - Bioethanol, Production In Hungary	Establishment of a bioethanol plant for the production of fuel quality bioethanol	2014 - 2015	6.8	34
	TESLA - Underwater Hydroelectric Power Plant	Production and testing of an innovative renewable energy hydro power plant technology prototype	18 - 24 months	2	3.25

Sectorial overview	Projects	Short description	Implementation	Founding (M EUR)	Overall Budget (M EUR)
Innovation sector	Solo-Duo - Multi-Hybrid Electric Car	Distribution of multi-hybrid electric cars	2014 - 2019	51.5	51.5
	Cellum - Comprehensive Mobile Payment Solutions	Providing mobile payment solutions to a wide range of customers	2014 - 2018	24	24
	Holografika - Revolutionizing 3D Display	Reaching new markets with the developed technology of Light Field 3D Display	2014 - 2018	12	12
	Innomed - Innovative Medical Products	Launching the sales of three electro-medical products	2014 - 2015	11	11
	Lifechair - Safety Aircraft Chair	Safety aircraft chair enhancing air passengers' chances of survival	2014 - 2018	6.5	6.5
Medical, Recreational and Wellness Tourism	Premium Health Park Kapuvár	Construction of two hotels, an apartment medical village and a complex therapeutic and spa centre	24 months	63	-
	Construction of Zara Springs Resort	A new 5-star hotel with a spa, villas, apartments and the first RTJ II golf course in Central-Eastern Europe	18 months	63	-
	Hungarian Mansion Hotel Chain	Construction and operation of two 5-star mansion hotels	24 - 36 months	57.8	-
	Hotel Arboretum	Construction and operation of a 214-room 5-star hotel and 60 apartments	18 months	42	54
	Saloc International Spa & Golf Resort	Thermal/Calcium spa with Medical and Wellness centre, plus Golf, Tennis, Riding, Cycling, Swimming pools	7 years	20	120
Real Estate	Budapest Airport Hotel	Development of the first full service mid-market-on-site airport/conference hotel with direct access to the terminal	Opening: 2016	20.3	20.3
	Budapest Airport Cargo City - Airport Development	Construction of 11.000 sqm warehouse + 4.000 sqm office space next to Terminal 2	2015 - 2016	20 - 100	20 - 100



# TATA is about to join the Hungarian automotive sector

## A potential new player in the Hungarian driving production

*TATA decided to establish a new plant to step into the European market with its car manufacturing division. Hungary is already hosting several eminent players of the automotive sector having a qualified and recognized support industry of numerous suppliers to great car manufacturers. TATA started negotiations with two major Hungarian cities. The ball is now in TATA's court.*



TATA is a truly international Indian firm present in more than 80 countries and involved in a variety of industries from steel production, energy, telecommunication, finance to automotive industry. Out of all these businesses car manufacturing is the key element of the TATA name.

TATA is widely known in the automotive industry being that it owns the two premium British brands Jaguar and Land Rover. It also produces highly affordable global cars, like the TATA Nano. With both its premium and low cost products, TATA wants to have

a strong European base to expand further. TATA takes the position that the European market is decisive; cars that are successful in Europe can be so globally as well.

In this context, market rumours suggest that TATA may build its European plant in Hungary. Allegedly TATA has made serious negotiations with two major Hungarian cities – (Szombathely and Debrecen) about the construction of a new Jaguar-products production plant. It is also speculated that such a Hungarian plant would cover an enormous 600 hectares with a need for 8000-10000 employees.

Hungary could be an excellent choice for TATA as the Hungarian automotive sector is the driving force in Hungary. According to some fresh market data this sector includes more than 130 000 employees and produced a production value of more than EUR 20 billion last year. The big four, the German Opel, Audi and Mercedes plus the Japanese Suzuki have plants in Hungary. Moreover, 15 world-class car suppliers are also present in Hungary.

But apart from this excellent general impression, TATA also has direct networks with suppliers in the Hungarian market. Namely, Dräxlmaier and NNG already participate in the design and manufacturing of Jaguar models. Of course, this may also strongly factor into TATA's final decision.

Whilst it is still not known whether TATA will choose Hungary, the positive decision

Hungary may  
produce new Jaguar  
cars

Hungary could be an  
excellent choice for  
TATA



would undoubtedly bring major opportunities for construction and major car suppliers. Out of many competitors, the Hungarian automotive sector not only has outstanding experience, a good industrial environment and affordability but also a qualified work force. Such valuable references make Hungary capable to serve yet another car maker, TATA, in the global car production market. The ball is now in TATA's court.

The ball is in TATA's court

# Call for tenders for brown coal and hydrocarbon mining concessions

## A new opportunity for the Hungarian upstream energy sector

*The Minister of National Development has recently published the calls for tenders for the exploration and production of brown coal as well as for the prospection, exploration, and production of hydrocarbon under concession contracts. This new opportunity may attract the major players in the Hungarian upstream energy sector.*

Exclusive concessions via tenders



The Minister of National Development has just issued calls for tenders for the exclusive right of exploration and production of brown coal at the mining site known as “Dubicsány I – Coal” as well as for the prospection, exploration and production of hydrocarbon at further nine sites. The investors will have the chance to win exclusive concessions via such tenders.

Who will be the winner this time?

Obviously, the Government strives to give a boost to the Hungarian upstream energy as this will already be the third round of bids in the last two years. The winners of the prior rounds include – among other players – the Canadian Vermilion, the Australian Green Rock, or the Hungarian oil giant MOL.

Who will be the winner this time?

### The main details of the tenders

	Brown coal	Hydrocarbon
Language of tendering procedures	Hungarian	Hungarian
Participants	Any domestic or foreign natural person/entity on condition they meet tender specifications	Any domestic or foreign natural person/entity on condition they meet tender specifications
Area (sq km)	20,6701 sq km	From 353 to 877 sq km

	<b>Brown coal</b>	<b>Hydrocarbon</b>
<b>Overburden and bedrock of concession designated areas</b>	<p>The overburden of the designated area is 365 metres above the Adriatic.</p> <p>The bedrock of the designated area is 20 metres measured below the Adriatic.</p>	<p>The overburden is the surface of the designated area.</p> <p>The bedrock of the designated area is 5000 metres below Baltic sea level</p>
<b>Minimum net concession fees</b>	HUF 10 000 000 (approx. EUR 30 000)	From HUF 189 000 000 (approximately EUR 600 000) to HUF 432 000 000 (approximately EUR 1.4 million)
<b>Participation fees</b>	HUF 1 000 000 (approx. EUR 3000)	HUF 10 000 000 (approx. EUR 30 000)
<b>Financial bid securities</b>	HUF 5 000 000 (approx. EUR 15 000)	HUF 50 000 000 (approx. EUR 150 000)
<b>Duration of concession</b>	35 years plus may be extended for another 17,5 years without a further call for tender	20 years plus may be extended for another 10 years without a further call for tender
<b>Lowest rate of mining royalty</b>	0% (a bid for higher mining royalty may be entered into the tendering procedure)	19% (a bid for higher mining royalty may be entered into the tendering procedure)
<b>Deadline for bid submissions</b>	23 September 2015	Depending on the concession area: 23 or 24 September 2015

# World-class laser centre to be built in Szeged

## Just announced, the call for proposals for the second phase of the project

*The construction of the laser centre in Szeged is a milestone for the Hungarian research & development (R&D) sector. Hungary will get its first world-class research centre. The second phase of this project has been just announced. Bids may be submitted by 31 December 2015. The project deserves great attention as it is one of the largest investments in the CEE region.*



World-class laser  
centre

The government deems that the R&D sector should enjoy top priority. It plans to burn through several EUR billion from the EU 2014-2020 financial framework. In order to make Hungary competitive in the highly challenging R&D sector, the government decided to build a world-class laser [Extreme Light Infrastructure-Attosecond Light Pulse Source (ELI-ALPS)] centre in Szeged.

The ELI-ALPS centre will be a world class science facility that will play a significant role not only in Hungarian R&D sector, but will be an important player in R&D activities for the whole CEE region. The facility will be able to produce ultra-short laser pulses which will allow researchers to conduct analyses not attainable earlier. Applicable uses will be employed in numerous fields from biology to nuclear physics.

The second phase of the construction project has just been announced.

Bids may be submitted up to 31 December 2015. Bidders have the right to apply for approximately EUR 100 million worth non-refundable state support.

It is widely believed that as one of the largest R&D investment in the CEE region it will provide major boost to research capacity of Hungary and create valuable networks within the scientific and the business world. This is the right time to step into this exceptional industry.

EUR 100 million  
worth state support

# About VJT & Partners

## The Firm

VJT & Partners is a Hungarian commercial law firm advising international and domestic corporate clients and entrepreneurs. The firm was founded by Janos Tamas Varga, who has created a highly successful team based on values including inspiring leadership, striving for perfection, commitment, courage and harmony.

VJT & Partners is recognised as one of Hungary's leading commercial law firms and also as an excellent collaborative partner, working hand-in-hand with its clients. Clients value the firm's absolute commitment, leading to effective and enduring relationships. The firm combines the highest degree of professionalism, the efficient delivery of legal services with dynamism, flexibility, responsiveness and personal attention.

Lawyers in the firm have developed an in-depth understanding of both the legal and the commercial realities of business. The firm prides itself in giving direct, honest and practical advice, tailored to its clients' needs. The shared values of VJT & Partners are at the very core of the creativity and 'fresh thinking' approach of the firm.

As a member of the EU, but not the single currency, Hungary has a unique language and business culture and a complex legal system bringing particular challenges. All lawyers at VJT & Partners have extensive experience of working with international and domestic companies alike, to help navigate these challenges and to achieve their objectives in Hungary, and to ensure appropriate regulatory approvals.

The leading legal directories rank VJT & Partners highly across a range of practice areas.

VJT & Partners is a full-service law firm that satisfies the needs of clients across a broad range of industries and professions. The firm's legal services include aviation, commercial contracts, competition, corporate M&A, data protection, dispute resolution, finance, immigration, employment, intellectual property, outsourcing, private equity, real estate, regulatory, restructuring and insolvency, and technology.

## Practice Areas

The firm is especially active and highly ranked in the following areas:

### Corporate mergers and acquisitions

VJT & Partners believes that advising on M&A transactions is to provide more than just legal advice. Understanding the logic and dynamics of the industry sector in which the client and other participants operate is a prerequisite for success.

We advise clients on international and Hungarian M&A transactions including acquisitions, disposals, mergers and demergers, from deal inception through due diligence and negotiations to post completion. The expertise of our multi-disciplinary team in the areas of corporate, commercial, competition, real estate, employment and regulatory enables us to provide excellent service.

### Employment

The highly-rated employment lawyers at VJT & Partners have a wealth of experience in all aspects of contentious and non-contentious employment matters. Fully appreciated for understanding their clients' business goals, lawyers design structures and procedures that are watertight and defensible in many court proceedings.

We regularly advise employers on general employment matters including drafting employment agreements, internal policies, termination agreements, termination notices and complex mass dismissal structures as well as employee incentive schemes. We have particular expertise in managing work permit and business immigration applications as well as advising on the different employment and labour related issues which arise with commercial transactions such as outsourcing.

Our team has successfully represented employers and executive employees in all types of court proceedings in Hungary. In particular, we represent clients in disputes concerning issues which include unlawful termination, overtime payment and bonus claims.

### Business Immigration

Immigration is built upon a system of complex legal rules. It is difficult for non-experts to fully understand the law and identify the best immigration strategy to pursue. VJT & Partners' immigration lawyers handle all aspects of business immigration cases, advising medium to high-net worth foreign individuals and multinational corporations in various matters from dealing with residence permit applications based on investment or setting up a Hungarian business to representing our clients in their Hungarian naturalization procedures.

Immigration lawyers at VJT & Partners have experience in tailoring solutions to the individual needs and circumstances of the client. We have the courage to develop new creative solutions even in the most difficult immigration cases.

## How We Work

Lawyers at VJT & Partners are encouraged to develop, to enjoy their work and to become real 'Masters of Collaboration'. Clients comment on the firm's cooperation, communication and its absolute commitment to what they are trying to achieve.

In turn, we find that this leads to effective and enduring relationships. We combine the highest degree of professionalism and the efficient delivery of legal services with dynamism, flexibility, responsiveness and personal attention.

## Our Values

The values that lie at the heart of our business ethos are the building blocks of our business. Nurturing the following values brings the 'hearts and minds' of VJT & Partners' lawyers together as one successful team. We would be happy to talk you through them, what they mean to us, to our business and our clients:

- Inspiring leadership
- Striving for perfection
- Commitment
- Courage
- Harmony

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