



ITD
HUNGARY
INVESTMENT AND TRADE
DEVELOPMENT AGENCY

Offshoring and Nearshoring **in Hungary:**



Dear Partners,

Hungary is a bustling business hub in the very heart of Europe. Located along Europe's main crossroads, the country is the perfect place for investors seeking to expand their operations in Central and Eastern Europe. In Hungary, your company will also find a highly skilled, creative, motivated, flexible and hard-working workforce.

Hungary is a land of creativity, with information and communications technology undoubtedly one of the main drivers of innovation and economic growth. Scores of multinational companies have based their manufacturing and service operations and, in some cases, European headquarters and R&D centres in Hungary, bringing in some EUR 70 billion in foreign direct investment over the years. An advantageous geographical location, a safe legal environment, an advanced business infrastructure and a committed labour force are the main ingredients in the "Hungarian Mix" – an effective stimulant of long-term progress and prosperity, even during these challenging times of global recession.

Two of the most dynamic growth areas are Business Process Outsourcing and Shared Service Centres. A host of companies looking to streamline their global operations through BPO and SSCs have already found attractive locations and productive workforce in Hungary.

ITD Hungary, the government's investment and trade development agency, is committed to promoting Hungary as a prime investment location and a reliable business partner. This strong commitment and the steady interest towards Hungary as an ideal SSC venue have encouraged ITD Hungary to publish this brochure and introduce the Hungarian shared services environment, the many investment opportunities this sector offers and the main stimulants the government deploys in order to be even better positioned in the global race for foreign direct investments. The booklet provides a brief overview of the costs, skills, infrastructure and real estate available in Hungary, as well as a selection of success stories from multinational companies that have already moved key processes to the heart of Europe.

Csaba Kilián

CEO / Executive Investment Director

ITD Hungary

Published by ITD Hungary. | Editor: András Hirschler | Contributors: Emőke Barabás, Kitti Kirilla, Colliers Hungary

Statistical data by courtesy of the Hungarian Central Statistical Office | Graphic design and layout: Zoltán Ökrös / Pozitiv Logika Kft.

Printed by Printing Solutions | All rights reserved. | © ITD Hungary, 2010

Hungary has proven to be one of the most popular locations in Europe

- High quality graduated labour pool with strong language skills
- Low wages compared to Western Europe
- New personal and corporate taxation
- Government incentives and tax relief granted to foreign companies
- Stable interest for multinational working environment
- Hungarian Outsourcing Association highly supportive of Business Process Outsourcing (BPO) and offshoring activities
- Rising office vacancy, high level of new supply, low rents
- Flexible leasing conditions, tenant-favoured market

Source: Ernst&Young European Investment Monitor



SUCCESS STORIES



TATA CONSULTANCY SERVICES

Tata Consultancy Services (TCS) is one of the world's leading information technology companies. Through its Global Network Delivery Model™, Innovation Network, and Solution Accelerators, TCS focuses on helping global organizations address their business challenges effectively.

The TCS Hungarian Branch was established in 2001. The Delivery Centre in Budapest has been the first centre established outside India to provide innovative, best-in-class consulting, IT solutions and services from Europe for Europe.



The current team of more than 700 associates is mostly Hungarian, with a few from Central and Eastern Europe and other countries all over the world. TCS Hungary boasts of diversified culture amongst its employees.

"The unique advantages of the Hungarian branch can be summarized as favourable location, all European countries easily accessible within 2 hours, growing economy, EU accession, technically qualified and highly skilled professionals with language knowledge at a reasonable cost" SV Mani // Head of TATA Consultancy Services Hungarian Branch

A proven location for business support services

The business buzzwords of the last decade or more have been "globalization", "business process outsourcing", "offshoring" and "shared services". But as countries around the world vie for a share of this important and fast-growing market, the meaning behind these concepts has often been lost.

Originally, "globalization" referred to the transfer of manufacturing to low cost areas and the spread of multinational companies to every corner of the world. Today, the term applies equally to the proliferation of the information and telecommunications technologies that allow people to work together wherever they are. This extends the meaning of offshoring and shared services beyond the conventional understanding of call centres and routine data entry to more complex tasks of international innovation and integration.



Of course, reduced labour costs will always be a factor in encouraging companies to move key tasks abroad, but levels of education, cultural awareness and language skills are equally important – if not more so – in this new age of shared services and BPO.

Because of its business- and tech-savvy population, dozens of companies have chosen to offshore – or rather nearshore – finance, accounting, human resources, customer services and IT activities to Hungary. And their experiences have been overwhelmingly positive – many companies are currently extending their shared services operations in Hungary, taking on new employees and increasing the complexity, scope and added value of the tasks they carry out.

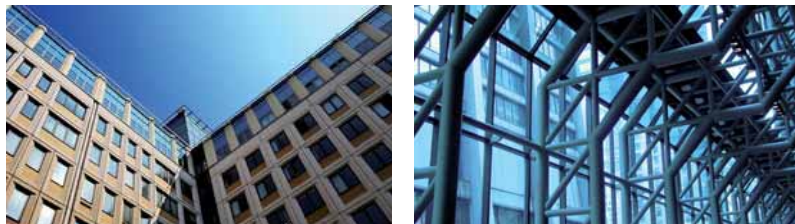
Follow their lead

In the heart of Europe, boasting a sophisticated IT and telecommunications infrastructure and renowned for its highly educated and productive workforce, Hungary has already attracted a host of international companies. It's no wonder a third of new shared service centres established in Central and Eastern Europe have been set up in Hungary.

Offshoring at a glance

Although the primary goal of companies who decide to outsource is still to cut costs, choosing a location for offshoring is always an extremely complex process. A recent study by Cushman & Wakefield listed the following seven key considerations cited by companies looking to offshore:

- Cost savings
- Availability of labour
- Skills of labour force
- Cultural compatibility and language skills
- Expertise in particular back-office or service sectors
- Technological and other infrastructure
- Business security and intellectual property regulation



Hungary scores highly in all these areas:

Cost savings

Although it cannot compete with the likes of India in terms of labour and real estate costs, Hungary compares very favourably to Western Europe and the US. Not only is the average gross wage in Hungary just 722 euro per month (Central Statistical Office, 2009), labour productivity is the highest in the CEE region.

Availability of labour

With a population of 10 million, Hungary is a small country in global and even regional terms, but in Budapest and its abundance of university towns, a new generation of young, talented and highly educated Hungarians has emerged. In many towns, unemployment is as high as 10.3. per cent, meaning that a wage spiral is unlikely for some time.

Skills of labour force

Hungary has always been renowned for its extremely high standards of schooling and further education – reflected in the groundbreaking contributions to science and technology made by dozens of world-famous Hungarians. In addition to an aptitude for problem-solving and innovation, international companies also report that Hungarians are inquisitive, quick to learn and eager to understand.

The service sector - in a nutshell

The first regional service centres appeared in Hungary in 2000. So far, around 50 companies have established their long-term presence here, employing a total of 25,000 employees, including ExxonMobil, IBM, Sykes, GE, Morgan Stanley, Diageo, Avis Europe, Lexmark and Celanese. In the past three years 14 centres have benefited from the government's special incentive package.

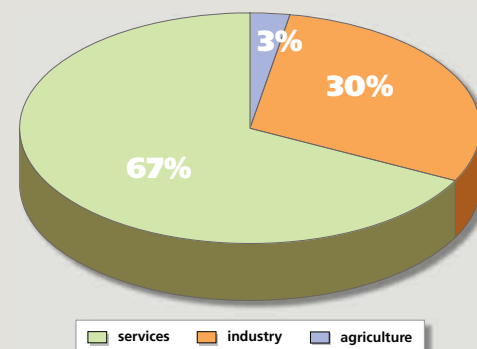
Service centres are usually founded with a relatively low registered capital and gradually build up and expand their operations adding new, high value-added activities to those initially introduced.

Employing mainly fresh graduates and those speaking foreign-languages, each of these companies create several hundreds of new jobs. They establish a captive centre in Hungary for serving their own subsidiaries whose clients are mainly firms from the CEE-region.

Most of the regional centres established in Hungary are involved in financial, accounting, HR, ICT and other back-office activities.

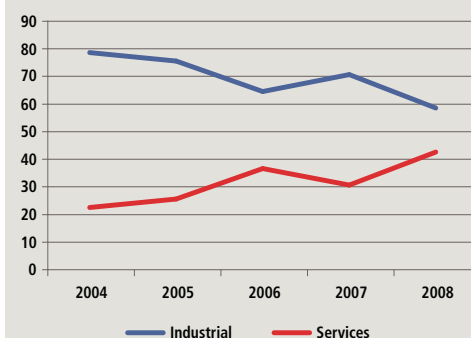
Shifting towards a service profile

GDP per sectors in 2009



Source: Hungarian Central Statistical Office

Distribution of industrial / services projects (% of total project number)



Source: Ernst & Young European Investment Monitor

Mapping talent in Hungary

The CEE Talent Index (the result of an ongoing collaboration between Heidrich&Struggles and the EIU) quantifies and maps the quality of human capital and recruiting talent, in 2007 and 2012, in 13 CEE countries. The Index measures not only a country's natural potential for producing talent in socio-demographic terms, but also the conditions necessary to realise this potential. **The index ranked Hungary fourth, with only Austria, the Russian Federation and Poland (in this order) scoring better.**



SUCCESS STORIES

The Food and Agriculture Organization of the United Nations is an international forum dedicated to combating hunger around the world. In March 2007, FAO and the Hungarian Government signed an agreement to open two new offices in Budapest. The FAO Regional Office for Europe and Central Asia and the FAO Shared Services Centre are attached to the Organization's Subregional Office for Central and Eastern Europe, which has operated in Budapest since 1996. The Shared Services Centre provides administrative services for the FAO European, Middle Eastern and African regions related to human resources policy, finances, travel and procurement.

The FAO Services Centre employs 86 highly skilled Hungarian specialists.



Morgan Stanley

In autumn 2005, **Morgan Stanley** established the Mathematical Modelling Centre in Budapest to provide quantitative analysis to support the company's global fixed income trading business. The decision to locate the centre in Budapest was based on Hungary's outstanding mathematical traditions. Morgan Stanley is one of the world's largest investment banks and global financial services providers, serving a diverse group of corporations, governments, financial institutions and individuals. In July 2006, Morgan Stanley furthered its presence in the region by opening the Business Services and Technology Centre in Budapest to support business activities in North America and Europe. The office in the state-of-the-art Millennium City Centre provides support across a variety of services including financial control, tax, application development, information technology, credit analysis and documentation.

Morgan Stanley currently employs approximately 700 people.

Cultural compatibility and language skills

Historically, this small country has always been a melting pot of cultures, influences and even languages. Despite more than four decades of isolation, today's Hungary is embracing its ancient cosmopolitan roots once again. Its university towns are attracting ever increasing numbers of foreign students, while Hungarian graduates score highly for their language ability in international comparisons.

Expertise in particular back-office or service sectors

With almost a quarter of all students majoring in business and administration and a further 13,200 specialising in IT, Hungary has a large pool of graduates with a profound understanding of international business processes. Thanks to their natural discipline, analytical, technical and business skills, they can also be put to work on higher value-added tasks.

Technological and other infrastructure

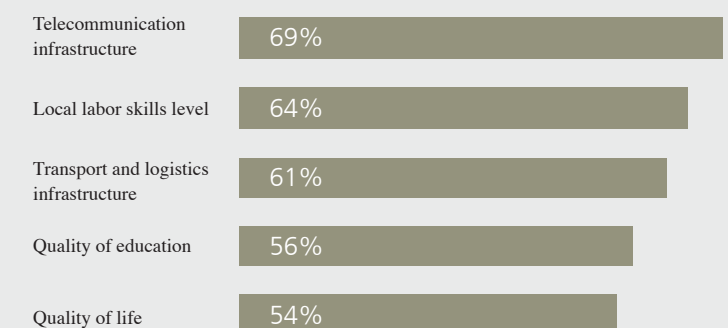
Hungary leads the way in the region for investment in telecommunications. Broadband and particularly wireless Internet are rapidly growing in penetration and coverage. The office market is currently enjoying a construction boom and Hungary already has 200 state-of-the-art industrial parks that have proved popular with multinational companies. In terms of physical infrastructure, the motorway network was recently expanded to reach all major cities, while Budapest, Lake Balaton and Debrecen are now served by a host of international air carriers.

Business security and intellectual property regulation

Hungarian business practices and taxation policies are closely aligned to those of the EU, so there are no major barriers to transferring tasks to Hungary. While banks and other financial institutions who have offshored sensitive client transaction systems to Asia have encountered concerns over data security, Hungary ranks ahead of all of its rivals in this area.

CSA Research, a US-based consultancy firm, interviewed 202 international business leaders and found that **Hungary is perceived as a quality location**

Top 5 satisfaction assets



Source: Reproduced from Ernst & Young Attractiveness Survey 2009.

Why nearshoring in Hungary?

India and China may be stealing the headlines when it comes to offshoring due to the sheer size of their labour pools, but for European countries, it makes sense to look closer to home. Hungary is within a two-hour flight of most major European capitals and a key bridge between Western Europe and the fast-growing markets to the east.



- Hungary has been a target of significant foreign direct investment in recent years, which has led to rapid adoption of best business practices.
- Hungary has been a member of the EU since 2004, resulting in increased mobility of labour and a homogenous tax, legal and business environment.
- Hungary has invested heavily to build the most extensive motorway network in the CEE region.
- Internet and mobile penetration are 44.9% and 101% respectively, reflecting a sophisticated telecommunications infrastructure and a technologically aware population.
- Hungary is a surprisingly cosmopolitan country – people of all nationalities live and work here, speaking a wide variety of languages.

Average gross wages (in EUR)			
	Hungary	Slovakia	Czech Republic
Call Operator (Administration)	572	600	680
Account manager	1349	1180	1741
HR Manager	1403	1510	1832
Accountant	734	790	825
Finance Manager	1573	1860	2437
Billing Clerk	663	660	708
Call Operator (Telecommunication)	548	670	751
Help Desk Worker	806	870	853
Head of Client Services (Customer Support)	1257	1270	1293
Client Advisor (Customer Support)	707	800	916

Source: Mercedes Salary Survey 2009.

Call centre remuneration data		
City	Gross income per year in USD	Weekly working hours
New York	38,400	40
Chicago	36,300	40
Berlin	31,400	38
London	29,900	38
Vienna	27,600	40
Ljubljana	14,100	38
Prague	10,700	40
Bratislava	9,800	40
Budapest	9,200	43

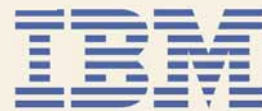
Source: UBS, Wealth Management Research, Prices and Earnings, 2009.

About the Hungarian Outsourcing Association (HOA) - www.hoa.hu

HOA, the Shared Services Community, was established by leading Hungarian and multinational companies in 2004, to promote and support activities in the area of outsourcing. HOA provides valuable information to the entire Hungarian business community and offers the following services to its members:

- Operates an information network promoting the benefits and positive impacts of outsourcing
- Provides a forum to members to discuss outsourcing-related issues and common problems (best practices, techniques, market developments)
- Collects and distributes market information
- Maintains contacts with foreign purchasing and outsourcing organisations
- Establishes and operates a certification system to outsourcing suppliers
- Carries out intensive lobbying towards versus the Hungarian Government to improve the legal and administrative environment for outsourcing (e.g. labour code, taxation, etc.)

SUCCESS STORIES



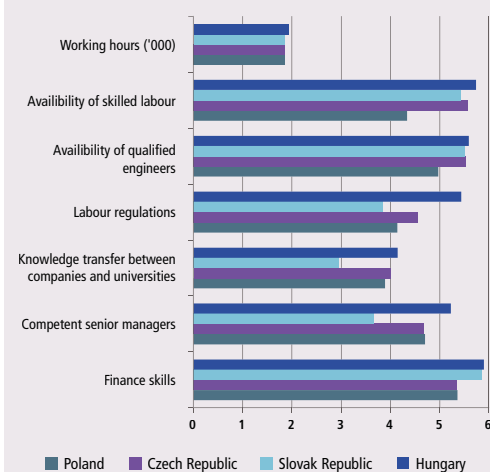
Integrated Delivery Centre Central Europe Székesfehérvár

In 1998 the Székesfehérvár IBM IT Delivery site started its operation with services work transferred from Germany, with only 20 people working on IBM internal account low level operation support. Based on the positive experiences of Hungarian employees' skill level and right resources available on the local labour market, the management decided to growth of the site. In several phases the employee population reached the number of 1200 at the end of 2009.

IDC Székesfehérvár offers excellent opportunities for those companies who want to outsource their IT services. We have over 1200 professionals who are supporting Server Systems Operation on all computer platforms, Application Hosting Services and a Global mission of Security and Compliance Operation. IDC SFV is the European strategic SAP Base Operation Delivery Site of IBM. The company is a US Export Regulation certified one and this gives extra competitiveness compared to Asian competitors. The industrial park, where the site is situated, is able to provide all business resiliency requirements. Independent electrical power inputs from different directions, redundant IT network connections from

In the spring of 2008 we started a project to build the third wing which support further growth of the service delivery centre. This investment was supported by the ITD Hungary and finished in 2009. Now the total office is more than 7000 sq meters and we have more than 850 workplaces which makes us able to provide work more than 1200 employee in different shift patterns.

Strengths of the Hungarian labour force



Source: IMD World Competitiveness Yearbook 2009. IMD measures 57 countries on the basis of 329 criteria. The rankings are based on the replies of senior business leaders asked to evaluate the present and expected competitiveness conditions for the country in which they work and have resided for the previous year.

SUCCESS STORIES



HP Enterprise Services delivers one of the industry's broadest portfolios of infrastructure, applications and business process outsourcing services to more than 1,000 customers in 90 countries.

As a unit of HP Enterprise Business, HP Enterprise Services works to transform businesses, helping customers drive measurable value from technology investments to dramatically reduce the time, cost, complexity, disruption and risks associated with creating and managing dynamic data centres as well as updating existing applications.

HP founded its Hungarian subsidiary in 1991. As a result of its successful operation, HP Enterprise Services is present in nearly all industry segments, with strong presence in the telecommunication and public segments. The local operations has strategic role in the region providing professional system integration and outsourcing services with its 1600 employees in 19 languages to its regional clients.

Now that HP's acquisition of EDS is complete, clients will benefit from an outstanding portfolio of technology services on which to help build and execute their IT strategy. The complete HP Enterprise Services portfolio includes:

- Infrastructure Technology Outsourcing (ITO)
- Applications Services (AS)
- Business Process Outsourcing (BPO) Services

Skilled and loyal labour

Highly qualified population

Hungarians are attending institutions of higher education in increasing numbers. Of 25–34 year olds, 85% have some form of university or equivalent qualification, while the number of 15–19 year-olds registering for courses has jumped from 64% in 1995 to 87% today. Both of these figures are well above the OECD average.



Exceptional standards of education

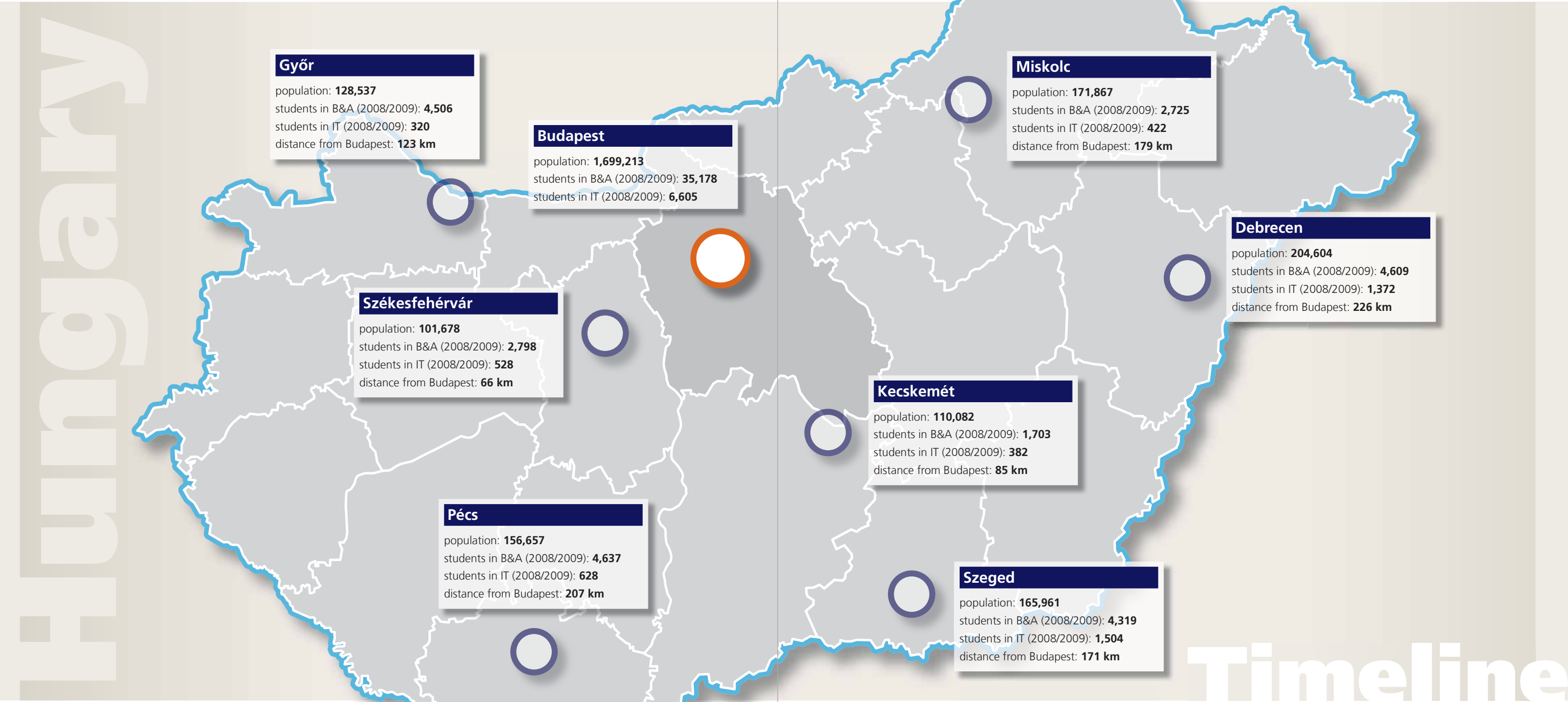
Hungary has always been known for its high standards of schooling and education, and those standards are improving all the time:

- While there were approximately 940,000 degree holders in Hungary in 2001, this number will reach 1.6 million by 2012, according to the Hungarian Central Statistics Office (KSH) figures.
- The proportion of those with college or university degrees rose from 14.5% to 21.4% in around a decade – and half of this increase occurred in the last couple of years. This can be partly attributable to, beside the shift in labour demand, the dynamic expansion of tertiary education.
- The government is committed to increasing the active labour force in Hungary by means of a series of reforms in education, pensions and support. Despite a decrease in total population, the labour pool is expected to increase in the coming years.
- The most popular areas of study are IT and business administration.

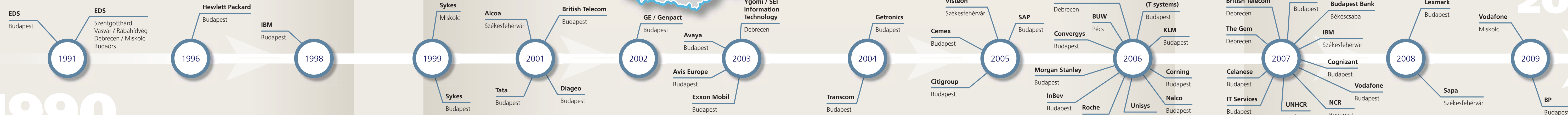
Training support

In Hungary, more than 150,000 people are employed in CRM-related jobs, of which more than 15,000 are in call Centres and more than 130,000 in personal customer care. Another 25,000 specialists are involved in BPO and SSC operations.

Growing demand for well trained labour led to the foundation of special training programmes in Customer Relations Management. Special vocational training courses for Customer Care Assistants and Integrated Customer Relations Assistants are provided in Budapest, Győr, Debrecen, Pécs, Szeged, Szekszárd and Komárom. Since the initiative was launched three years ago, almost a thousand young professionals have completed these courses.



1990



Highways and superhighways

IT and Telecommunications

Communications expenditure is nearly twice as high as that of the EU-25 average and Hungary boasts an extensive and high quality telecoms network. The Hungarian telecoms market is one of the most competitive and well-regulated in the region and the presence of strategic investors (such as Deutsche Telekom, Telenor and Vodafone) shows the attractiveness of the sector. The European standard telecoms infrastructure is readily available throughout the country and this applies to both mobile/fixed-line and internet coverage. Mobile phone penetration is above 100% and Hungary is linked to the international fibre link network. Dial-up internet traffic is gradually being substituted by broadband (xDSL, cable), serving around 1.724 million subscribers in November 2009. Internet penetration currently at 52 %, is expected to reach 60 % by 2011 and broadband penetration is estimated to increase to 18%. There are some 230 internet providers in the country, larger providers including T-Com, Invitel, UPC, Eternet, Freestart, GTSDatanet, Tvnet, Inet.net, Euroweb and PanTel controlling some 90 % of the market.

Transport

Hungary boasts a 160,000 km long road network, producing road density of 1.7 km/km². The government has dedicated EUR 4 bn to developing the road and rail infrastructure in the next seven years. Thanks to this intensive development, the road network will be extended by 770 km by 2013. Four vital European transport corridors pass through Hungary, providing unparalleled access to all parts of Europe. As a result of intensive construction work along the main transport routes, all motorways and trunk roads reach the national borders, ensuring faster and safer transportation. The railway density of 13.7 km/100 km² in Hungary is the highest in the CEE region, giving transport and logistics an increasingly important role in Hungary's future.



Budapest Airport handles almost eight and a half million passengers annually. With its EUR 261 million modernisation program, the way is open for further air traffic growth as well as improved customer service and comfort. Major Hungarian cities have also reopened and are continuing to modernise their airports.

SUCCESS STORIES



vodafone

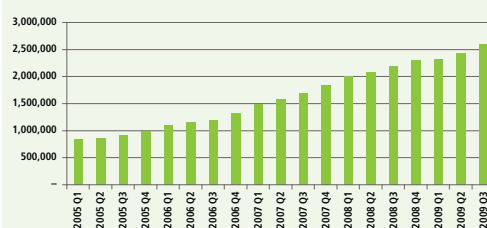
Vodafone Hungary Ltd. is the fully owned subsidiary of Vodafone Group Plc. which is the world's leading mobile telecommunications company, with a significant presence in Europe, the Middle East, Africa, Asia Pacific and the United States.

Vodafone Hungary launched its mobile communications services on November 30th, 1999 and now it has more than 2.5 million customers. Using international best practices Vodafone is strongly focused on offering services that best suit the needs of Hungarian customers. As a result of a committed high-quality work, and customer oriented approach, the number of Vodafone subscribers is rising sharply.

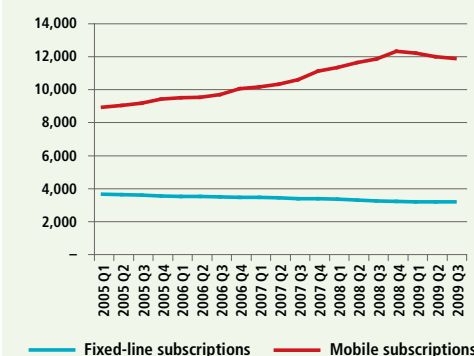
Vodafone has established a Shared Service Centre in Budapest to deal with common financial processes and transactions across the bulk of the Group. Vodafone Operations Centre Hungary (VOCH) handles simple business transactions such as accounts payable and business-to-business billing, enabling existing Vodafone employees to focus more on business analysis and strategy.

Telecommunication trends 2005-2009

Fixed-line subscriptions Mobile subscriptions



Internet subscriptions



Source: Hungarian Central Statistical Office, 2010

SUCCESS STORIES

LEXMARK

Lexmark International is a leading provider of printing solutions and services- including laser, inkjet printers and multifunction products, associated supplies and services - for offices and homes. Lexmark sells its products in more than 150 countries. Lexmark employs 14000 people worldwide.

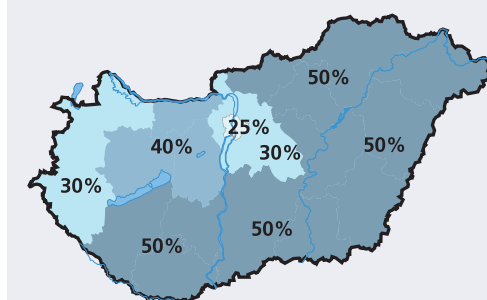
Last June 2008, Lexmark International opened its European competence centre in Budapest. The competence centre provides high-added-value services primarily in the fields of finance, marketing, after sale and customer support to the European, Middle Eastern and North-African entities of Lexmark. The highly educated and foreign languages-skilled workforce in business and technical areas made Budapest the location of choice for Lexmark's competence Centre.

Lexmark is committed to being a socially responsible company in the global community and continually evaluates its business practices using the principles of sustainability. The European competence Centre in Budapest has been designed with sustainable development and carbon footprint reduction in mind.

The opening of the Lexmark competence Centre in Hungary was supported by the European Union and ITD Hungary, the Hungarian Investment and Trade Development agency.



Maximum regional intensity rates



Cash subsidy + tax allowance + any other state subsidy (excluding training subsidy) combined cannot exceed the maximum regional subsidy intensity rate for the given location. These are between 25% and 50%, depending on the state of development of the region.

Investment incentives

The Hungarian Investment and Trade Development Agency (ITD Hungary) supports investments aiming to establish new Regional Services Centres in the country with a one-stop shop service. ITD Hungary undertakes all-inclusive project management for the special incentives packages, and provides comprehensive information about other subsidies available for larger investment projects.

Special incentive package for shared service centre investments with an investment value exceeding EUR 10 million within, or above EUR 25 million outside the Central Hungarian region.

The package may include the following elements:

- a.) Non-refundable cash subsidy**, defined as a percentage of wage-related costs, awarded by individual government decision
 - Investment must create at least 25 new jobs
 - Decision factors: wage-related costs, location, number of jobs created, ratio of graduates, training costs

b.) Non-refundable cash subsidy, co-financed by the European Union, offered for SSC projects located outside the Central Hungarian Region

- Investment value min. HUF 1.5 billion (approx. EUR 5 million) up to HUF 7.5 billion (approx. EUR 25 million)
- Investment must create at least 25 new jobs
- The amount of the subsidy may vary between HUF 200 to 1500 (EUR 0.7 to 5 million) depending on the investment value, location, sector and jobs created

Development tax allowance for the post-investment period. Eighty per cent of the corporate income tax (currently at 19%) can be deducted for a period of up to 10 years following installation. The amount of allowance available is limited by the maximum intensity ratio (see map).

- Minimum HUF 3 billion (approx EUR 10 million) investment with at least 150 new jobs in developed regions, or HUF 1 billion (approx EUR 3.3 million with 75 new jobs in preferred regions)

Training subsidy: from 25% to 90% of eligible training costs, but max. HUF 600 million (approx EUR 2 million) depending on the type of training and location of investment

- Granted only if cash subsidy has been awarded

Job creation subsidy: a non-refundable cash subsidy of HUF 0.8-1.5 million (approx. EUR 3,000-5,000) per new job if at least two new jobs are created

- Application: March-April every year, through the relevant regional labour office

Speaking your language

Proficiency in foreign languages is a key criterion for successful SSCs and business process outsourcing. Equally, young Hungarians know that to get ahead in today's Europe, language skills are essential. Since the fall of the Iron Curtain, the number of Hungarians speaking at least one foreign language has increased steadily thanks to intensive language education programs in primary and high schools, as well as at universities.



Almost 40% of students taking language exams are below the age of 20, and 80% are younger than 34. Between 80 and 100% of students entering university education in the fields of economics and IT have already passed a language exam. All diplomas require at least one internationally approved language exam, except business administration which requires two language exams. Almost all graduates under the age of 40 have a language certification. The most spoken languages are English, German, French, Russian and Spanish. Furthermore, ethnic minority groups speak Romanian, Slovakian, Serbian and Croatian.

In addition, there are 164 bilingual primary and secondary educational institutions in Hungary where 29,000 young Hungarians study in English, German, French, Italian or Spanish.

Since Hungary entered the EU, there is also a growing pool of native foreign language speakers among university students, the current total is 13,600, while increasing numbers of Hungarians are taking the opportunity to study abroad. Around 20% of graduates have foreign experience participating in various scholarships and 61% have professional experience abroad. Since 1997, Hungary has participated in the Erasmus programme, the European Union's largest and most successful mobility programme, offering scholarship to more than 15,000 Hungarian students throughout Europe. Hungary is also an active participant in the Life Long Learning programme which helps place students on international internships.

Number of students taking foreign languages at school in 2008/2009

	Secondary education	Tertiary education
English	378,907	40,357
German	253,716	16,784
French	28,195	3,215
Other	42,077	16,949

Source: Central Statistical Office



Convergys Corporation is a global leader in relationship management by providing customer care, human resource administration and information management. Convergys employs nearly 75,000 employees who serve clients in over 70 countries, speaking more than 35 languages, from 79 sites across the globe.

Convergys Hungary covering the EMEA region was established in Budapest in 2004. The company employs more than 140 people today. The site is located at Dorottya Udvar, with a planned capacity of 300 people. Clients are currently supported in 21 countries

Convergys applies advanced Shared Service Centre solutions with highly skilled and resourceful HR support teams leveraging innovative service delivery tools and technologies.



Originally founded in 1912 by two brothers in Switzerland, **Celanese Corporation** has nearly 100 years of history as a manufacturer of intermediate and downstream chemical products. Net sales totaled \$6.8 billion in 2008, with approximately 65% generated outside of North America. Based in Dallas, Texas, the company employs approximately 8,000 employees worldwide.

Celanese Hungary Kft. opened its Business Services Centre in Budapest in September 2007. The BBSC supports financial, administrative, and supply chain functions of Celanese Corporation's North American, European and Asian businesses. Located at the heart of Budapest in a 4,500 m2 office, the rapidly expanding Celanese BBSC employs over 250 highly qualified young professionals with multi-language skills in the field of finance and accounting, delivery and logistics and customer service.

Typical office rental fees in Budapest and selected country towns

Location	Monthly asking rents in Euro / sqm
Budapest CBD	16-24
Central Buda	14-15
Central Pest	13-16
Soroksári úti corridor (M5)	12-14
Váci út corridor (M2)	11-13
Úllői úti corridor (Airport, M5)	10-12
South Buda (M1-M7-M6)	9-11
Salgótarján (N-Hungary)	8-12
Miskolc (N-Hungary)	6.50-10
Debrecen (N-E Hungary)	8-12
Kecskemét (C-E Hungary)	10-12
Eger (N Hungary)	4-8
Pécs (S-W Hungary)	6-12
Székesfehérvár (CW Hungary)	5-13
Győr (W Hungary)	8-18



SUCCESS STORIES



BT's (British Telecom) office in Budapest, opened in 1999, marked the company's first foray into the rapidly growing markets of Central and Eastern Europe.

Five years later, BT decided to step up its investment into the region by opening a regional customer service centre in Budapest. Today, the centre focuses on customer service management and commercial operations support with a geographical focus on Europe, Middle East and Africa (EMEA). It also serves as the first point of contact for service related issues of customers based in Central and Eastern Europe.

In 2007, BT further enhanced its commitment to the region by opening an extension of the regional customer service centre in Hungary's second city, Debrecen. The Debrecen office in the heart of the city is an integrated unit of the regional service centre in Budapest. It provides BT high level of operational resiliency and access to a large pool of graduates and highly skilled work force available in Debrecen.

Office bonanza

Colliers International considers the Hungarian office market a reference case. Fuelled by years of continuous growth and a strong private sector (which continued to grow in 2007 despite the introduction of an austerity package by the government), developers started the construction of several projects, expecting demand to grow and/or hold.

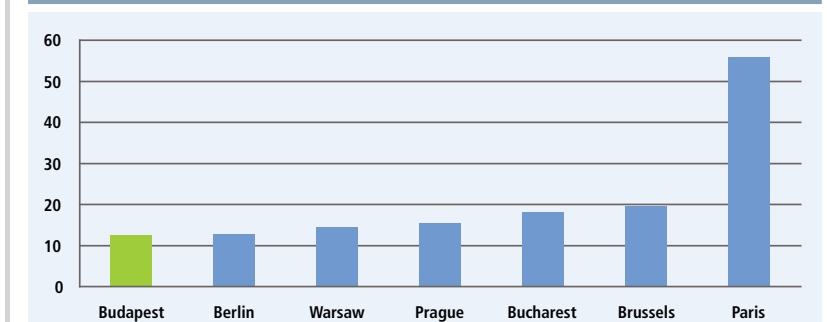
In all, 202,600 square meters (sqm) of new Class A office space was delivered to the market in 2007, followed by an additional 249,000 sqm in 2008 and about 270,000 sqm in 2009 across 29 projects.

Demand kept pace with new supply up to September 2008. The global recession, however, has slashed demand well below even the most pessimistic forecasts. Vacancy rate, which averaged 12.7% between 2006 and the third quarter of 2008, reached 16.8% by the end of 2008 for Class A and B buildings. Figures in 2009 show how challenging the period was for developers, owners, and even for agencies. The stocks and vacancy rates have increased and the absorption rates have decreased, which actually turned negative in the last quarter.

Fortunately it appears that new supply in 2010 will be limited, however the ongoing crisis will leave a significant overhang of partially completed buildings which are sure to have an impact on the market over the course of the next few years. Colliers forecasts some 175,000 m2 of office space to be handed over in 2010. On the short run the shared service centres entering Budapest will impact the absorption rate. There is continuous interest towards Hungary regarding business outsourcing, the crises had less impact on this business line in comparison to the others.

Rents across all building classes have decreased by 10-30% over the course of the past year. Rents have decreased as building owners and developers compete to secure future cash flows.

Average rents in the CEE and in Europe



Source: Jones Lang LaSalle, 2009

Life to the full

Quality of life is always an important factor when a business chooses a new location. Foreigners living and working in Hungary have found Budapest to be an exciting and interesting city to live in, while the country's smaller university towns continue to blossom and develop at a rapid pace. Every corner of the country is steeped in art, culture and natural beauty, while wellness, sporting and leisure facilities are never far away. Budapest, in particular, has adapted to cosmopolitan life without sacrificing its traditions and charms – making it a fascinating and vibrant place to live.



Schools

Expatriates looking to stick with the curricula of their home countries may choose private international schools for their children. There are also many English, German and French public and private pre-schools for children ages 3 to 6. The school year starts in September and ends in June and school buses are usually available at private schools.



Sports

For a landlocked country, Hungary boasts more than its fair share of swimmers and Olympic gold medal winners. Hungary literally floats on a vast pool of thermal water. Expatriates can find a variety of wellmaintained pools and thermal spas throughout the country. Meanwhile, sailing enthusiasts will find fine yachting clubs around Lake Balaton or Lake Velence. Fishing is off-limits between April 20 and May 20, but the rest of the year is almost entirely open and ice fishing is also possible. Golfers will not be disappointed either, the Hungarian Golf Association currently incorporates 13 private golf clubs.

SUCCESS STORIES



BP is one of the world's largest oil and gas companies, serving millions of customers every day in more than 100 countries across six continents. BP's main activities are exploration and production; refining and marketing; and alternative energy. Through these businesses, BP provides fuel for transportation; energy for heat and light; retail services; and petrochemicals products for textiles and packaging.

As part of Global Programs to improve our overall business efficiency, BP is establishing a European Business Service Centre in Budapest, providing Customer and Business services for our European Refining and Marketing (R&M) businesses.

We believe Budapest offers a highly skilled and diverse workforce and together we can achieve our goal to build a successful service centre, combining activities currently dispersed across many European locations. Moving these operations to one location in Budapest will enable us to improve and streamline the way we provide these services to our business."

"The decision to select Budapest was as a result of a detailed location analysis conducted across a number of European cities. Selection criteria included suitable labour availability (population size and growth, skills and language availability), costs (labour and real estate) and risks (economic, political and social factors). Budapest offers a highly skilled and diverse workforce, with the broad language skills and the technical and customer facing skill sets we are seeking. Furthermore, it has an established and proven service industry track record recognized across Europe."

Kevin James, Vice President of Business Services Transformation, BP Refining & Marketing Segment – in an interview with SSON's Barbara Hodge



HR testimonials

Hungary is a great place for recruitment firms as there is a very strong pool of talents with excellent language skills. Both experienced professionals and ambitious young graduates may find it a great place for making a career within the Shared Services environment.

Hungary has a traditionally very strong education system with a strong focus of learning foreign languages. It creates an ideal environment for multilingual service organisations.

Increasing competition on the Hungarian Shared Services labour market over the last 10 years created a great environment for the multilingual services providers to establish their businesses in the country. The knowledge and experience of the labour force in this specific environment provides an immediate advantage to all foreign investors. *Tamás Fehér, Country Manager, Grafton Employment Group*



Slovak company Profesia operates many of Central Europe's largest job search sites, including Workania.hu, one of Hungary's most popular online job portals. The company considers its time in Hungary to have been a success and its many years of experience have shown Hungarian employees to be reliable, flexible and highly qualified. *Workania.hu*

Shared service centre and call centre staff with proficiency in several languages and often with a relevant background can be recruited in Hungary at relatively short notice. In terms of language skills, level of experience and work ethic, foreign managers are consistently pleasantly surprised by the quality of the Hungarian workforce. Kelly Services has an impressive track record in recruitment for SSCs and call centres. Over the past five years, Kelly has provided insight and recruitment services for eight foreign companies that have chosen Hungary as a location for greenfield investments in new offices and production sites. *Anikó Jónás, Managing Director of Kelly Services Hungary*

Entertainment

Most foreigners are impressed with the classical music scene in Hungary. The Budapest Opera House and the Franz Liszt Music Academy are among the most evocative symbols of this rich heritage. The recently built MŰPA Palace of Arts houses one of Europe's most acoustically sophisticated concert halls. In cities and towns outside the capital, local chamber halls and theatres also cater to classical fans. Hungary is also the venue for several, internationally noted art festivals of classical and world music, jazz and rock. Most renowned of these are the Budapest Spring Festival (which has extended its events to other big cities outside the capital) and the "BudaFest" Opera and Ballet Festival. The Sziget Festival is the largest multicultural event in Central Europe, drawing thousands of visitors from all over the world.

Food and wine

One of Hungary's traditions enjoying a Renaissance is food and wine, with almost every part of the country boasting its own distinctive flavours. There are nine distinctive wine regions in Hungary, the most famous of which lies at the foothills of the Zemplén Mountains producing the world renowned Tokaj wines. Other internationally acknowledged varieties include the reds from the Villány and Szekszárd regions and white specialities not found anywhere else in the world, such as Furmint, Hárslevelű, Kéknyelű, Juhfark, Irsai Olivér, Cserzezi Fűszeres, Királyleányka and Leányka.

International Schools in Budapest

Chinese

Hungarian-Chinese Bilingual Primary School – *primary*

English

BME International Secondary Grammar School – *secondary*

Britannica International School – *secondary*

British International School – *kindergarten, primary and secondary*

Greater Grace International School – *kindergarten, primary and secondary*

International School of Budapest – *primary*

International Christian School of Budapest – *primary, secondary*

Lauder Javne Jewish School – *kindergarten, primary and secondary*

SEK International School in Budapest – *kindergarten, primary and secondary*

The American International School of Budapest – *primary, secondary*

French

Lycée Francais de Budapest – *kindergarten, primary and secondary*

German

Austrian-Hungarian Europe School – *primary*

Deutsche Schule Budapest – *primary, secondary*

Österreichische Schule Budapest – *secondary*

Japanese

The Budapest Japanese School – *primary*



Hungary's One-Stop Shop for Business

ITD Hungary, the government's investment and trade development agency was established in 1993 to promote inward investment and bilateral trade. With representative offices in eight regional centres of Hungary and a foreign network operating under Hungary's diplomatic services and by special assignments in more than fifty countries, ITD Hungary is a single point of contact to support decision-makers looking for new business opportunities in Hungary.

The Agency provides foreign investors with high-quality support and a wealth of supplementary services.

In the decision-making process:

- Tailor-made, comprehensive information packages on the macro environment
- Information on SSC-specific issues
- Site visits, liaising with local, regional and government authorities
- Advice on project partners and project financing

During implementation

- Site selection assistance
- Accelerated permitting procedures
- Assistance in incentives applications

In the operation phase

- Special follow-up services / After Care
- Advice and assistance to companies seeking to expand
- Advocacy to improve the business climate

Contact

Mr. Csaba Kilián

CEO & Executive Investment Director

Ms. Emőke Barabás

Deputy Director (Knowledge-based Sectors)

ITD Hungary

The Hungarian Investment and Trade Development Agency

Address: Andrássy út 12 H-1061 Budapest, Hungary

Phone: +36 1 472 8100 • Fax: +36 1 472 8180

E-mail: investment@itd.hu

www.itdh.com

ITD
HUNGARY
INVESTMENT AND TRADE
DEVELOPMENT AGENCY

WWW.ITDH.COM

