

TOURISM IN HUNGARY: A natural choice for investors

2010

QITTD HUNGARY

Dear Investor,

Tourism is one of the fastest growing sectors in the world economy, and it is an industry that promotes global peace and understanding.

With this in mind, the government's New Hungary development programme has ranked tourism as a priority industry to drive future growth. Within the industry itself, we have defined a clear methodology, known as the National Tourism Development Strategy, to guide all stakeholders towards this common goal.

Without attempting to cover every detail, we have produced this brochure to introduce just some of the opportunities open to investors and outline the state and EU incentives available to promote long-term development.

The economic crisis has affected everyone, and obviously the tourism industry could not remain unscathed either. But even through these difficult times, we cannot lose sight of our strategic goals. Because recession - no matter how long and painful it turns out to be - would not last forever. It gives hope for the future that our industry has always adapted well to new challenges, and it has been able to reinvent itself drawing strength from adversity.

I am confident investors choosing Hungary will help us develop the innovative ideas and products that will make our country more attractive to tourists from around the world than ever. We hope to capture your imagination and look forward to a bright future together.

Dr. Miklós Kovács
State Secretary for Tourism
Ministry of Local Government

Dear Partners,

Hungary is not only one of the region's most attractive tourist destinations, but also 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.

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 is why we have embarked on co-publishing this brochure to introduce the Hungarian tourism industry, 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.

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.

Csaba Kilián
CEO / Executive Investment Director



When CP Holdings invested into the Danubius Hotels Group, it was attracted to Hungary because of its impressive architecture, its healing natural thermal waters and mud, its good food and wine, its reputation for hospitality and its well educated people. With a fine site on the Danube, Budapest is a diamond in the heart of Europe and Hungarian spas are amongst the best in the world. In fact, Hungary has all the right ingredients for a successful hotel business, including MICE business, health spa, leisure and recreational tourism.

John Smith, Director, CP Holdings Ltd
and Vice Chairman, Danubius Hotels Group



Hungary and Budapest was an obvious choice when Interstate Real Estate Developer PLC., the investor of the Ramada Resort - Aquaworld Budapest complex project decided to build one of the biggest indoor water theme parks in Europe.

The country is literally floating on a sea of medicinal water. Since Roman times, the area has been scattered with baths and the healing power of thermal springs has been known for centuries. This exceptional gift of nature coupled with an excellent location, advanced infrastructure and lively business climate has encouraged our company to build the centre, a giant dome, five storeys high and with a diameter of 72 m along the M0 Budapest ringroad, in a green area, yet close to the town centre. Through the project, our company assumes a significant part in the development of the wellness market, a prospective world-leading industry, and it contributes to boosting the tourist appeal and competitiveness of Budapest.

Katalin Pfandler, President
Aquaworld Hotel and Water Theme Park PLC.

The top 15 nationalities visiting Hungary in 2008

Rank	Country	Visitors	Guest nights
1.	Germany	562,057	2,348,304
2.	Austria	244,824	687,750
3.	UK	255,276	623,114
4.	USA	184,219	478,317
5.	Italy	171,203	443,011
6.	Romania	243,376	427,505
7.	Poland	154,627	419,090
8.	Spain	141,547	353,543
9.	Holland	92,123	349,882
10.	France	135,792	331,868
11.	Russia	88,529	311,565
12.	Czech Rep.	108,767	302,906
13.	Denmark	43,934	208,072
14.	Sweden	61,813	179,978
15.	Japan	72,710	162,867

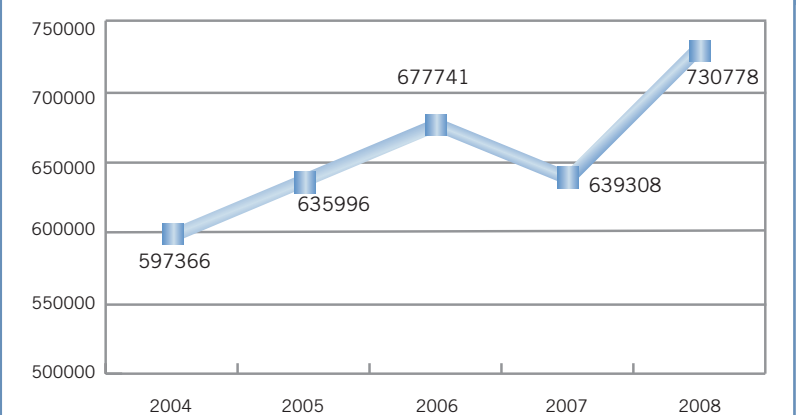
Source: HNTO 2009



Why invest in the Hungarian tourism industry?

- Steady increase in foreign visitor arrivals. Neighbouring countries are also potential senders due to their economic improvement.
- Hungary's relevance as a tourist destination will increase due to its favourable geographical features, its security and easy road access.
- Unique geothermal characteristics of Hungary contribute to the growth of wellness and health tourism. Long traditions and know-how in the usage of thermal water also attracts foreign tourists.
- Great potential in conference tourism in the regional capitals. Budapest has already grown into a popular MICE destination.
- Growing occupancy rate in the 4* and above category accommodation.
- Six cultural and two natural locations in Hungary have been assigned World Heritage status. These include the wine region of Tokaj, the city centres of Budapest and Pécs, the Abbey of Pannonhalma, the traditional village of Hollókő, the national park in Hortobágy, the Fertő lake landscape and the stalactite caves of Aggtelek. In addition Hungary's natural treasures are well protected: 10% of the territory of Hungary is under environmental protection.
- There is still a relative lack of quality accommodation (especially in the countryside) due to under-development of the sector and a lack of financial capital.
- Investment projects are available in the field of theme parks, thermal, golf and casino tourism, and castle renovation.
- Competitive wages: less than half of the Western European average according to Eurostat.
- A National Tourism Strategy has been developed. Government bodies and ITD Hungary provide effective support for tourism investments.

Spending of foreign tourists in Hungary (million HUF)



Source: Central Statistical Office

The importance of Hungarian tourism for the national economy

Tourism has developed into a global driver of economic development in recent years and the European Union remains the world's most popular destination. The attractiveness of Eastern Europe has also grown significantly. There are large numbers of sites in Hungary of great interest to European and global tourists.

The significance of the tourism sector is supported by official figures showing the industry accounting for 8.5% of Hungary's total GDP with multiplier effects factored in. Almost 400,000 people are employed in the sector.

The economic and social role of tourism is equally significant, with investment in the sector leading to rapid growth in standards of living for locals and the quality of services offered to visitors. The promotion of science and culture would also be unthinkable without strategic development of the tourist industry.

Against this background, development of tourism is one of Hungary's strategic linchpins. The main goal of this strategy is the long-term and sustainable improvement of living standards through the economic, social and environmental factors related to tourism. This strategy will be built on the following five pillars.

1. Competitive, sustainable development
2. Product and destination development
3. Development of general and tourist infrastructure
4. Development of human resources
5. Institutional structures

The country is blessed with a remarkable range of tourism products, making it an important destination for health, historical and conference tourism. Domestic tourism development represents a further opportunity to develop golf and hunting tourism, castles and theme parks.

There is already a large number of foreign companies present in Hungary, which tends to inspire confidence in new investors.

The importance of health is increasingly noticeable all over the world, a phenomenon that is no longer a possibility for Hungary but a fully developed industry, thanks to the country's highly developed network of thermal and wellness spas. The thermal and medicinal springs all over the country and the related services offered already play a key role in health tourism. Around 80% of the country's surface has access to thermal water and favourable geothermal characteristics to rival Japan, Iceland, Italy and France.

The strategy is based on promoting cultural and historical values and emphasising their collective national importance. Historical tourism includes cultural and world heritage sites, as well as protecting natural values and national parks, equestrian and village tourism, gastronomy and wine tourism, and special festivals and events.

Based on statistics published by the highly respected International Congress & Convention Association (ICCA) in 2008, Budapest ranks sixth among the world's top conference destinations.

The development of strategic destinations is a top priority both in areas yet to maximise their potential and those that draw the largest numbers of tourists.

Hungarian tourism in figures

Inbound tourism

In 2008, 12.7 million foreign tourists arrived in Hungary, an increase of 4.6% on the previous year. (Visitors from neighbouring countries crossing borders just to do some shopping, fill up their tanks or dental cavities are not counted.) The overall spending of foreign tourists amounted to 730.8 billion HUF, a 14.3% increase over 2007. Fifty percent of commercial accommodations was occupied by foreign visitors.

Compared to 2007, the number of foreign visitors grew by 1.1% in 2008, while the number of foreign guest nights decreased by 2.3% with 3.5 million foreign visitors spending a total of 9.9 million guest nights in paid accommodation. Foreign guests spent eight out of ten nights in paid accommodation.

After 2007, a record year for Hungarian commercial accommodations, figures for 2008 have remained more or less unchanged: 7.6 million guests (a slight increase of 1.5% over 2007) spending 19.8 million guest nights (a drop of 1.5% over 2007) in hotels and other commercial accommodations. In line with international trends, the average stay shortened to 2.6 nights per visitor.

The majority of hotel guests arrived from various European countries with citizens of EU member states accounting for 75% of guests nights in 2008. Growth of guest nights in three-, four- and five-star hotels was highest, while one and two-star accommodation saw a fall in business. In addition to a consolidation of hotel capacity, the popularity of premium services also experienced steady growth.

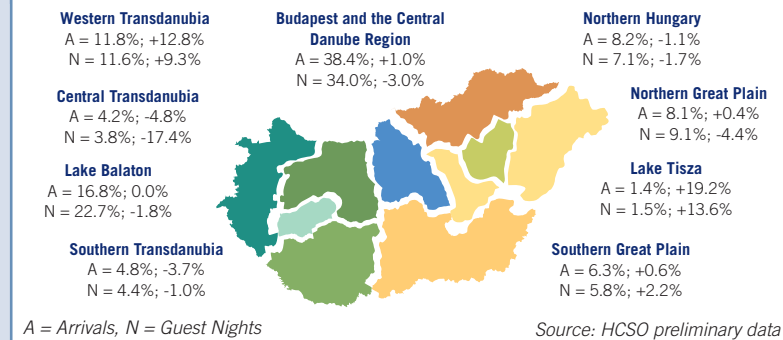


Domestic tourism

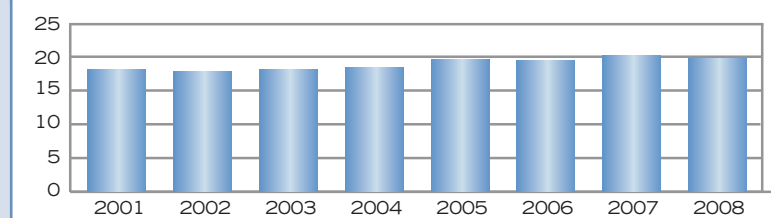
The number of domestic guests at paid accommodation grew by 2.0%, while the number of domestic guest nights dropped by 0.77% in 2008, totals of 4.1 million and 9.9 million respectively. Intense marketing and promotion campaigns lead to half of total guest nights being spent by domestic customers. The average length of domestic stays was 2.4 days.

Sixty-three percent of domestic guest nights were taken at hotels.

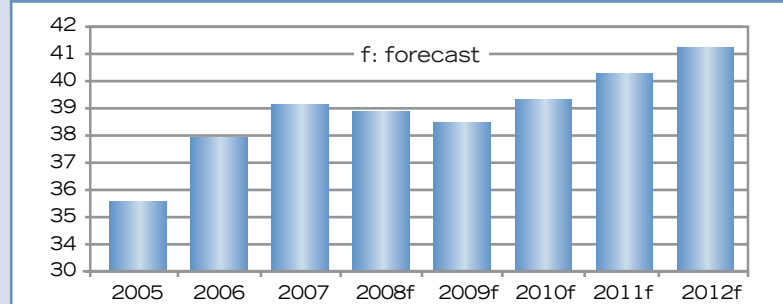
Breakdown of arrivals by tourist regions



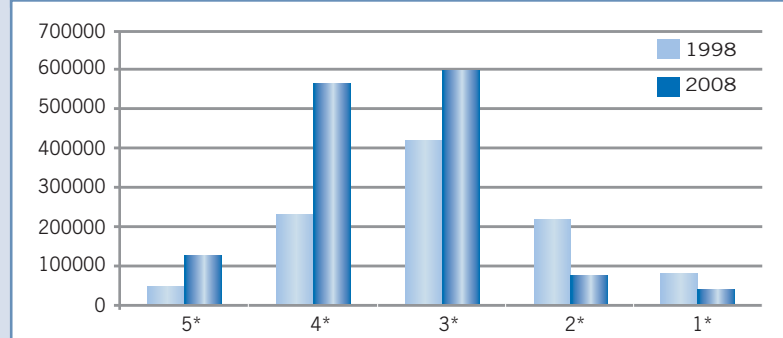
Guest nights in paid accommodations (million nights)



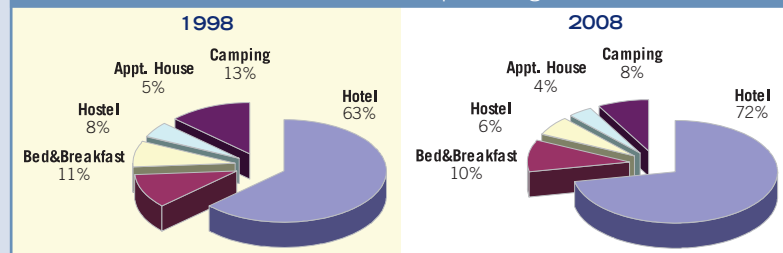
Foreign visitor arrivals (millions)



Breakdown of guest nights in hotels



Breakdown of guest nights by form of accommodation (in percentage of total)



All data by courtesy of the Central Statistical Office www.ksh.hu

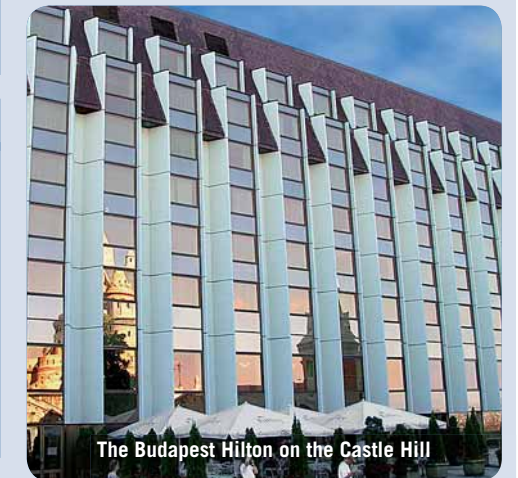
Hotel capacity and occupancy

In mid 2008, there were 297,000 beds available at 2,857 hotels and other paid accommodation in Hungary.

Growth in guest numbers at hotels, has been accompanied by a steady increase in hotel capacity: Over the past ten years, total hotel capacity has grown by 25.4%. The number of higher quality rooms has grown fastest, with four-star hotel capacity increasing by 133.9%, and five-star rooms by 161.1% since 1998. At the same time, one- and two-star hotels have fallen in number. It is worth noting that despite the increase in capacity, occupancy has grown from 47.5% in 1998 to 48.1% in 2008.

In addition to commercial hotels, private accommodation – village tourism and B&B accommodations have grown in importance: some 39,000 private guest houses offer 223,000 beds to visitors.

A fall in private accommodation year-on-year has been accompanied by a growth in guest numbers, resulting in a growth in occupancy rates.



Private accommodation

Growth in the number of visitors to private accommodation was also promising in 2007: 913,000 guests spent more than 3.7 million nights, the best figures of recent years. Both paying guests and village tourism showed an increase in visitor numbers for domestic and international tourists, with the number of Hungarian guest nights growing 33.1% and foreign guest nights increasing by 2.3%.



European Union funding for Hungarian tourism

Accession to the European Union and the resulting EU funding has presented new opportunities for the country and for Hungarian tourism especially.

In the period from 2004 to 2006, the first National Development Plan distributed HUF 31 billion (EUR 116 million) in European Union funding to the sector. Between 2007 and 2013 the New Hungary Development Plan will support tourism development by ten times that amount, HUF 300 billion (EUR 1.1 billion). In addition to private financing and enabling investments for development projects, this represents total investment of HUF 500-600 billion (EUR 1.9-2.2 billion).

There are very many untapped possibilities in Hungary and competitiveness can be increased according to world market trends and demands. The wide variety of thermal waters, rich cultural heritage, national parks, culinary traditions and centuries of viticulture are all waiting for investors. The new Hungary Development Plan is focused on promoting these areas, while tourist development projects are primarily managed by individual Regional Operative Programmes.

The key goal is to increase the attractiveness of the region for tourists and to develop related infrastructure and tourism products, services and accommodation in line with the demands of visitors.

The development of attractions will emphasise those values typically attractive to visitors and the creation of sophisticated product packages. European Union co-financing will assist development of thermal and medicinal baths, renovation of castles and palaces for tourist purposes, high-quality services in conjunction with museums and heritage sites, environmental protection visitor centres, and theme and adventure parks. There is also potential for the development of event infrastructure, sport and conference facilities, as well as construction of golf courses and renovation of narrow-gauge railways.

New hotels offering high-quality services are also required to increase tourist capacity alongside the renovation of existing hotels and updating of their services. In addition to hotel accommodation, business developments such as conference and incentive facilities must also be promoted.

Some of the funds available for tourism initiatives will be issued in the form of tenders, while those public investments of strategic importance will receive support in the form of priority projects. From 2009, expressly profit-oriented, privately funded tourism investments will also benefit from support.

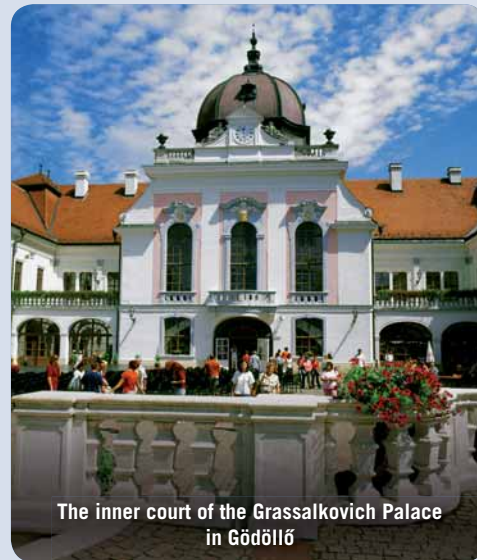
In assessing applications, the goals of the National Tourism Development Strategy, the nature of the project, the expected number of visitors and guest nights, the number of jobs created and financial viability are all key factors.

In the period 2007-2008, a total of 247 projects benefited from more than HUF 67 billion (EUR 251 million) in funding to develop tourist attractions and accommodation. The resulting investments were worth more than HUF 175 billion (EUR 657.6 million), while priority tourism projects received a further HUF 42 billion (EUR 157 million), resulting in total investment of HUF 63 billion (EUR 236.7 million).

In 2009-2010, HUF 72 billion (EUR 270.5 million) will be made available to promote tourism via tender processes, while HUF 30 billion (EUR 116 million) of EU money will be available for priority tourism projects.

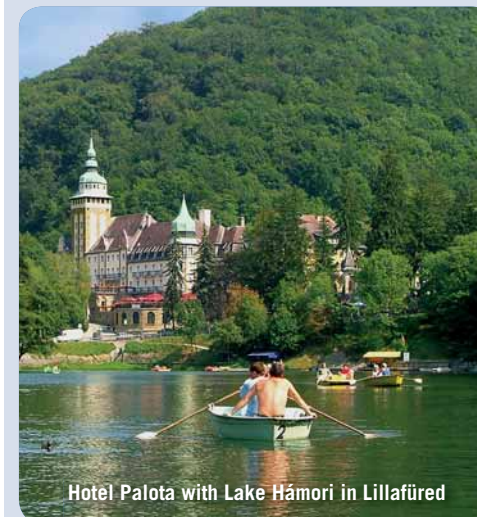
Examples of EU funding

- HUF 1.67bn contract to renovate the park of the Grassalkovich Palace in Gödöllő, near Budapest, and convert one of the building's wings into a museum. EU funding will finance 90pc of project costs. The palace's 5,200-square-metre English garden will also be restored to its original form. Later, a HUF 1.5bn-1.6bn four-star hotel is to be built at the palace with the involvement of a private investor.



The inner courtyard of the Grassalkovich Palace in Gödöllő

- Hunguest Hotels will complete a spa complex in Szeged by the end of 2009. The company is paying for the complex with HUF 3bn in EU funding, a HUF 3bn loan from the Hungarian Development Bank (MFB) and HUF 1bn from a capital raise and inter-group loans. Another HUF 1bn will come in the form of an in-kind contribution of property by the Szeged local council.



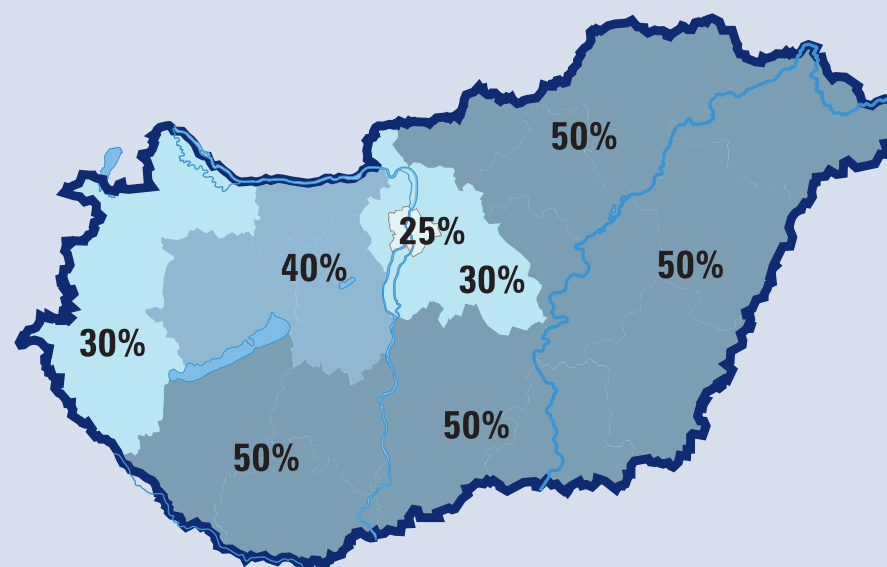
Hotel Palota with Lake Hámori in Lillafüred

- Hunguest Hotels is undertaking HUF 900m in developments at three of its hotels in northeast Hungary. The company has signed a contract for HUF 350m in state and EU development funding for the projects. Hunguest Hotels will renovate the three-star Hotel Flora's wellness centre in Eger, set up a 300-seat conference room in the four-star Grandhotel in Galyateto and convert the three-star Hotel Palota in Lillafüred into a four-star hotel. The developments are expected to boost guest nights at the three hotels by 20pc within five years.

- In April, Hoffmann Hotel laid the cornerstone for a HUF 1.8bn expansion of its Hotel Ozon, in Matrahaza (NE Hungary), at the same time a contract for HUF 600m in state and EU support for the project was signed. Hoffmann Hotel will add 33 rooms and suites to the hotel, which currently has 46 rooms. A 220-seat conference centre and a wellness centre will be completed by the winter holidays, he added. Another new element will be a pub with a capacity for 120 guests.

Maximum regional intensity rates of state subsidies

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.



Incentives

The Hungarian Investment and Trade Development Agency (ITD Hungary) supports high-value investments aiming to establish new tourist facilities with a one-stop shop service. As part of the support package, ITD Hungary undertakes all-inclusive project management for projects granted direct cash subsidies (EKD), and provides VIP treatment and comprehensive information about other subsidies available for high-value investment projects.

I. The Hungarian Government offers a special incentive package for projects with eligible costs exceeding EUR 50 million. The Package may consist of the following elements:

1. Direct subsidy assessed by individual Government decision (EKD)

- Non-refundable subsidy, defined as a percentage of eligible costs, based on the Government's decision
- At least 100 (or, in preferred regions, 50) new jobs must be created
- On receipt of all necessary project data, ITD Hungary will send an official incentive offer within 30 days

2. Development tax allowance

- Minimum HUF 3 billion (approx. EUR 11.1 million) investment with 150 new jobs in developed regions and HUF 1 billion (approx. EUR 3.7 million) with 75 new jobs in less developed regions
- 80% of corporate income tax (currently 19 %) can be deducted for a period of up to 10 years

3. Training subsidy

- From 25% to 90% of total training costs, depending on the type of training, the size of the applicant and the location of the investment
- Available for investments creating at least 50 new jobs

4. Job creation subsidy

- Issued to projects for which cash subsidy based on individual Government decision is granted; in preferred or most preferred locations, and which create at least 500 jobs, or at least 200 in most preferred locations). The ratio of registered unemployed within the newly-recruited staff exceeds 50% and 30%, respectively.
- Subsidy per investment:
 - HUF 260 million (EUR 0.9 thousand) if headcount increases by at least by 500
 - HUF 160 million (EUR 0.5 thousand) if headcount increases by at least by 300
 - HUF 80 million (EUR 0.3 thousand) if headcount increases by at least by 200

II. Support schemes for investments below EUR 50 million through tenders co-financed by the European Union. Three forms of schemes are available:

1. EU co-financed cash grant (through ROP tenders)

- This is a non-refundable cash subsidy issued by the National Development Agency and approved by the EU. ITD Hungary provides full information on currently open tenders on request.

The other two forms, i.e. **Development tax allowance** and the **Job creation subsidy** are offered under similar conditions as in the package outlined in section I. In this scheme the amount of the non-refundable cash subsidy for job creation ranges between HUF 0.8-1.5M (EUR 3000-5000) per new job, depending on the location and the ratio of disadvantaged employees.

Priority Sectors: Projects and Opportunities

HEALTH TOURISM

Hungary is extremely rich in thermal waters and its thermal water reserve is significant even on a world scale, rivalling that of Japan, Iceland, Italy and France. Thermal water can be found under some 80 % of Hungary's surface and in most cases it is rich in minerals and with strong curative power. The thermal water reserve is huge but not inexhaustible so its utilisation needs extreme care and the protection of existing resources.

Of the country's 150 hot water spa baths, there are 36 special medicinal baths in which the water contains radioactivity, sulphurous acid, salt bromine carbonate or iodine. Europe's only cave-spa is in Northeast Hungary, in Tapolca, while Hévíz lake near lake Balaton is the best known thermal (33 C°) medicinal lake in Europe. For decades, Budapest enjoyed the moniker "the world's spa capital" and some of its baths were already in operation during Turkish rule (16th-17th centuries). Currently there are some two dozen baths and 13 spas in the capital.

Reasons to invest in health tourism in Hungary:

- unique geothermal characteristics
- long tradition and know-how in thermal water utilisation
- acknowledged medical education excellence

Project Proposals:



Artistic impression of the Keszthely project

1.1 Lakefront Resort Village Keszthely The project concept includes constructing a scenic lakefront resort village in Keszthely, the capital of Lake Balaton. The future development will accommodate 2,000-2,500 people in a 4* 172-room convention and wellness hotel, a retirement home with 60 rooms, 400 holiday apartments and 180 residential apartments, all with sports and shopping facilities. The area is adjacent to the Phoenix Yacht Harbour with capacity for 200 sailboats. The investment volume is EUR 25 million.

1.2 Premium Health Park Kapuvár The aim of the development is to build an incomparable health park in the city of Kapuvár. Two four- and five-star health-medical hotels each with 200 rooms with a health-medical bath and medical center, with a premium category park and outdoor facilities are to be built. The complex medical services offered by the hotel include medical water treatments, unique carbonic acid gas bath therapy, hydrotherapy, electrotherapy, other local therapies together with other auxiliary medical activities. In addition to the recreational and wellness services, horseback riding, tennis and swimming pools are available as well as facilities suitable for conference and cultural events. Total investment volume: EUR 63 million.

Major investments in recent years:



Hungary's third Hilton Hotel is scheduled to open in Visegrad, about 40km north of Budapest, in Q4 2009. The EUR 40m, five-star, 12-floor hotel will have 211 rooms, conference halls and a presidential suit.



The city of Debrecen (NE Hungary) plans to invest HUF 10bn to renovate and expand its spa over the next two years. The city will spend HUF 2.5bn on swimming pools, for which it will apply for HUF 935m in state and EU development funding. It will spend HUF 2.2bn on developments at the spa area of the facility, for which it will apply for HUF 600m in development funding. A further HUF 5.5bn will go toward the construction of a four-star hotel at the site. The hotel is expected to be opened in 2010.



A consortium of Aquaprofit and Proform has won a tender to build a 220-room four-star hotel as part of a HUF 2.7bn investment at the Hungarian spa town of Zalakaros (W Hungary). The hotel will be operated by the Danish hotel chain Park Inn, part of Rezidor Hotel group, and will be the chain's second unit in Hungary. Construction is expected to start in the autumn of 2009 and completed in 2011.

Spain's Iberalta Group has signed contracts to make three tourism investments in Hungary. The group will build tourist complexes at Tiszakécske and Szolnok (both C Hungary) with a conference centre and entertainment facilities. Iberalta will seek international hotel chains to operate the hotels.



A Dutch investor plans to build a leisure centre in Ásványrőd, on 50 hectare for 3,5 billion HUF (13 million EUR). In 3 phases, a lake with small houses, a 4-star camping and a bath complex will be built.



Hungarian investors opened a HUF 10.5bn five-star conference and spa hotel in Sárvár, near Hungary's Western border. The hotel, called Spirit Hotel Thermal Spa, has 273 double rooms, an event centre with a capacity for 500 guests and a spa area with 22 pools covering a total of 10,000 sq m.

Hungary's Mellow Mood Group plans to complete an HUF 8bn transformation of a run-down hotel next to the Hungexpo Budapest Fair Center into a four-star accommodation that will serve all of the needs of expo-goers by the end of the summer. The 160-room hotel will have three conference rooms with a combined capacity for 250 people.

GOLF TOURISM

Although still regarded as the sport of the elite, golf is becoming more and more popular in Central and Eastern Europe. There are currently seven 18-hole golf courses and five 9- or 6-hole courses operating in Hungary, mainly in the western part of the country, and some other developments are also in planning phase. Profitability, compared to other European destinations is still not very high, but experience shows that a golf course is often the draw card to attract demand to other more profitable development components including hotels, conference facilities, spa and wellness centres, casinos, etc. Additionally, the building of new golf courses may offer a good opportunity for the regeneration of environmentally damaged areas and landscaping. Hungary's abundance of water resources may be an advantage when it comes to reducing operating costs.



Reasons to invest in golf tourism in Hungary:

- 220 days suitable for golfing a year
- diverse terrain conditions, attractive natural environment
- high-quality hotel, spa and wellness centres

Project Proposals:

2.1 Alföld Golf Club The current 6-hole golf course is to be enlarged to a 9- or 18-hole course with a new clubhouse added. The total investment volume is EUR 1.3 million.

2.2 Mátra Golf and Spa Resort A 41-hectare plot is available in North-Eastern Hungary for a five-star hotel (180 keys), a four-star hotel (170 keys), an event hall, a conference centre, a 27-hole golf course and villas. Total investment volume: EUR 115 million.

WINE TOURISM

Hungarian wine is enjoying a renaissance that began when the Communist regime collapsed in 1989. Winemakers now employ state-of-the-art production methods but are also committed to maintaining the traditions that once made Hungarian wine famous all over the world. Increasingly popular wine tours are designed to provide a balance of culture, cuisine and tasting while visiting top cellars along more than 30 wine routes in Hungary's 22 wine regions.

Project Proposals:

3. Wunderlich Wein, Wellness & Conference Hotel The project aims to create a new, four-star hotel in Villány, one of the most popular wine regions in Hungary. The hotel will include wellness and conference facilities and will be equipped with the most modern, environmentally friendly technology. Total investment volume: EUR 6.3 million.

MICE TOURISM

MICE tourism also ranks high among Hungary's priority tourism sectors. Hungary has been recognised as an excellent convention venue, especially in areas in which the country's academic achievements are also outstanding, such as medical science, biotechnology and mathematics.

Reasons to invest in MICE tourism in Hungary:

- There is a lack of large-capacity conference halls (suitable for 4000 to 5000 guests)
- Favourable cost-to-value ratio
- Skilled and inexpensive service professionals
- A variety of exciting side-programmes including sporting events, cultural heritage and wine tours, recreation, etc.

Project Proposals:

4.1 Tópark EXPO - www.topark.eu One of Europe's most modern and high-quality event and exhibition centres to host international exhibitions, trade fairs and tour events is going to be built at the western gate of Budapest. TóPARK's management co-operates with the biggest international exhibition organizers to make the Hungarian capital the event centre of Central Eastern Europe within a short time. 30,000 square meter open and 37,400 square meter underground exhibition area's will be developed, the latter lit by lotus-shaped glass bubbles on the surface. Buildings occupying a total of 36 hectares, and underground car parks with 8,000 parking lots will be interconnected by underground corridors. Two hotels and an array of service providers located next to the EXPO Centre will provide all kinds of logistics, technical and manpower services to cater to even the largest events. The development of the new exhibition area will be completed by 2012. Total investment volume: EUR 400 million. Both professional and financial investors are welcome: the management is open to any kind of partnership arrangements.



Castles and mansions in Hungary

Roman „castellum” (cottages) were spread along the River Danube as early as in the Roman period. Remains of early Romanesque and Gothic style palaces and houses can only be found as parts built in subsequently raised buildings. Castles built after the destruction of the Tartar Invasion (1241-1242) were again devastated during the Turkish occupation (which extended to over 2/3 of the Hungarian territories in the 16th-17th century). A part of these buildings were converted into fortresses in the war against the Turks.



Medieval ruins at Sámsonháza (N-Hungary)

150 years of Turkish occupation ended at the end of the 17th century when Hungary came under the rule of the emerging Austrian Hapsburg Empire. The first new Baroque castles and palaces were built by renowned Italian and French master builders along with Hungarian architects at the beginning of the 18th century as the cultural and administrative centers of the aristocracy.



The Eszterhazy's Fertőd Castle built in a Rococo style between 1763 - 1766

During the 18th century, from large ecclesiastical and royal palaces to small rural mansions, castles were built by the thousand to represent status and wealth. At the beginning of the 19th century, the influence of rising national feelings appeared also in the architecture with the dominance of the cold elegance of classicism and neoclassicism (Fót, Seregélyes). For a short time following the revolution and the war of independence in 1848-49, Hungarian romanticism was seeking its own style. In this period, fashionable palaces and grandiose public buildings were designed by famous Hungarian architects (Ybl, Hauszmann, Polláck),

while at the end of the 19th century, a new style, “the Hungarian Jugendstil” appears with oriental stylistic elements and modern interiors. During this peculiar Hungarian Secession era modernly equipped cottages and summer residences took over the role of palaces.



The facade of the REOK Palace in Szeged. Designed by Ede Magyar and built in 1907 originally as a family house, it is now a regional cultural centre

After World War I, Hungary lost almost 2/3 of its territories and half of its inhabitants. Most of the largest and oldest castles found themselves in neighbouring countries, mainly in Czechoslovakia and Romania. In World War II, many of the castles were destroyed or damaged, their owners killed or forced to escape. The neglected palaces were plundered, libraries and galleries ransacked, furniture burnt or stolen. In 1949 all castles were taken into state ownership, and most of them converted into hospitals, schools, or offices. Only a few survived as museums.

There was very little money spent on the maintenance of the remaining buildings. Due to inappropriate use and neglect their conditions deteriorated continuously. Castles were classified as national heritage and a campaign was launched to save them in 1980. The restoration gained further momentum after the change of regime in 1989-1990 when descendants of former owners re-appeared and bought back their former family assets.



The Ráday Palace in Pécel, for instance (see picture above), was built between 1755 and 1774 and confiscated from its owners by the Communist state in 1950. The ransacked palace operated as a hospital until 1998 when the building was completely restored by the Hungarian National Heritage Trust and opened to the public. Recently, more and more investors have appeared on the scene, wishing to convert these properties buildings into high-quality hotels and leisure complexes.

THEME PARKS

Although the demand of Hungarian and foreign tourists for such attractions is continuously increasing, paradoxically this is the least developed area of the Hungarian tourism industry, thus offering vast opportunities for creative investments. Those who embark on these opportunities first, could grab large chunks of Central European visitors whose countries also lack this form of popular entertainment.

Reasons to invest in theme parks in Hungary:

- Huge pool of potential visitors (also from neighbouring countries)
- Huge former industrial areas available for redevelopment
- Moderate building costs
- Rapid return of investments

Project Proposals:

5.1. Sigismund Park A historical theme park that will recreate the landscape and atmosphere of the city of Buda during the rule of King Sigismund in a spectacular, interactive and entertaining way. The park will be organized around a unique evening show demonstrating Sigismund's incredibly fascinating life. Total investment volume: EUR 72 million.

5.2. Kárpátia Theme Park An educational, recreational and entertainment tour representing the history and traditions of the peoples in the Carpathian Basin, covering a 70-hectare area. Total investment volume: EUR 28.4 million.

CASTLES

There are almost a thousand buildings in present-day Hungary that qualify as chateaux, castles or mansions and 800 of them are registered as historic monuments, including their parks.

6.1. Castle Hotel in Komárom The projected 120- to 150-bed 3* or 4* hotel will be constructed next to the historic Fort “Monostor” on the bank of the Danube. Total investment volume: EUR 6 million.

6.2. Castle Hotel in Tiszaroff This late baroque-style castle was built in 1789, and has been operating as a hotel since 2002. The castle and hotel buildings are in a nice 3,5-hectare fenced park. The hotel is for sale. Total investment volume: EUR 4 million.

For more details about the projects outlined above, Mr. Miklós Csuhay Deputy Director at miklos.csuhay@itd.hu or Mr. Tamás Székely Investment Consultant at tamas.szekely@itd.hu, quoting the project number for easy reference. For additional investment leads, please visit the Hungarian Investment Opportunities (HIO) database at www.hio.hu. To subscribe free to ITD Hungary's weekly electronic newsletter and our quarterly business magazine “HINT”, contact editor@itd.hu

Produced by ITD Hungary in co-operation with the Ministry of Local Government, 2009. Graphic design: Pozitivlogika Kft., (Front page design by Gábor Homolya) Printed by Komáromi Nyomda.



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Key Players

Ministry of Local Government, Tourism Department

The government control over tourism activity at national level has been vested to a State Secretary working within the organisation of the Ministry of Local Government and assisted by the Ministry's Tourism Department.

The State Secretary proposes short-, mid- and long-term development policies for tourism and leisure industries and prepares various development and marketing concepts. He also acts as a co-ordinator in the implementation process of the National Tourism Development Strategy which has been drafted in line with the EU's planning period and specifies tourism priorities until 2013. The State Secretary represents the government in the board of the Hungarian National Tourist Office. He is also involved in elaborating a supportive legal framework for tourism development, including incentives and other forms of government support, and represents Hungary at international tourism organisations.

Hungarian National Tourist Office

HNTO is the national tourist marketing board responsible for promoting Hungary as a destination. Its main goal is to increase visitor numbers, guest nights and overall income from tourism. One of its key activities is to work closely with strategic partners in the industry. It wishes increase its focus on the role of "service partners of the tourism industry". With this in mind, it is organising more promotions than ever to invite industry participation. This will include joint marketing campaigns with tourism service providers and strategic partners will not only allow resources to be focused more effectively, but will also be significantly more effective in presenting existing products and services.

The international activities of HNTO are largely channelled through its 22 representative offices operating in twenty countries, while domestic marketing is coordinated by seven regional marketing directorates and two tourism project centres.

ITD Hungary – A One-Stop Shop for Business

The government's investment and trade development agency was established in 1993 to promote inward investments 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's investment services include:

- In-depth, tailored information on the local economy and the legal environment; sector-specific overviews
- Liaising with local and central authorities, suppliers and service providers
- Information and advice on available incentives and finalisation of incentives agreements
- Assistance in accelerating permitting procedures, recruitment and visa procedures
- Mediation between companies operating in Hungary and the government sector to improve the business climate
- Support and generation of reinvestments
- Promotion of Hungarian direct investments abroad

ITD Hungary also co-ordinates the Hungarian activities of the Enterprise Europe Network, supported by the European Commission. The network offers support and advice to businesses across Europe and helps them make the most of opportunities in the European Union.

