



PASSPORT
TO SUCCESS



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Dear Reader,

Anyone paying attention to the events of the world around us sees that both international politics and the global economy are undergoing a comprehensive transformation of a magnitude previously unimaginable. A new world order is taking shape, in which the unipolar system is being replaced by a multipolar order, and where old economic axioms no longer hold true.

Hungary was quick to recognize these changes, and the government set the goal of ensuring that Hungary become a winner of the transformation of the global market. We have placed our diplomatic efforts at the service of our foreign trade interests, and we have proved that it is possible to create jobs and to achieve significant economic growth even while maintaining disciplined budgetary policies.

As a result of the work invested, we may safely say that Hungary is among the winners of this new era in the international economy. Since 2014, we have broken foreign trade and investment records each year; and last year, Hungary's exports reached 105 billion EUR. This has contributed significantly to

achieving economic growth that is more than double the European Union average.

These success stories have been dependent on the work and diligence of the Hungarian people, and on the courage and trust of Hungarian entrepreneurs and company executives. The fact that Hungary, as a country of barely 10 million people, has produced exports amounting to over 100 billion EUR, is a tribute to the work of the Hungarian people, and clearly shows that there is serious demand for products manufactured in Hungary and for our services. In terms of export performance, Hungary is 34th in world rankings, while being 81st as far as population size is concerned.

In other words: behind these numbers are Hungarian people and families. The more investments and development that come to Hungary, and the more goods and services we are able to sell abroad, the more people and families will have stable jobs and predictable futures.

While competition is fierce in the global economy, facts show that the labors of Hungarian people do

bear fruit. The government will continue to do everything in the future to ensure that Hungarian companies reach as many opportunities in foreign markets as possible and are able to sell their products and services in as many places around the world as possible. We will continue the work we have begun, and we continue to stand ready to work for every success story.



Péter Szijjártó
Minister of Foreign Affairs and Trade

Dear Reader,

I am tremendously pleased to be able to pen these words of welcome on EXIM's 25th anniversary. In this publication, prepared for the anniversary, we present the past, present and future plans of our organization, and through our success stories showcase what we have achieved together with our clients.

EXIM, under the oversight of the Ministry of Foreign Affairs and Trade, is more than just a bank and insurance company dealing with export finance and export credit insurance. We are two critically important organizations which participate actively in the implementation of our foreign trade strategy and in advancing the expansion of Hungarian companies abroad.

The world economy is changing. Emphases are shifting from west to east, and countries which were previously considered developing nations are striving for leadership positions in the world economy. These include Brazil, India or China. This shift presents an opportunity for Hungarian businesses to expand by acquiring new foreign markets; it is also an opportunity for EXIM to reach more companies through its financing and insurance products.

In recent decades, international markets have weathered several crises, some of them smaller, and some of them larger. The 1998 Russian crisis af-

fected Hungary directly; and as a result of the 2008 global economic crisis, markets shrank worldwide and the willingness to take risks dropped drastically. Each of these crises was unique, but what is common to them is that they presented actors of the economy with new challenges every time. The same held true for EXIM. Yet our two organizations have always played an anti-cyclical role in these times of crisis, thereby contributing actively and effectively to the resolution of financial difficulties affecting the country's economy and Hungarian businesses, and providing the necessary liquidity.

EXIM has become a significant actor in the Hungarian financial institution sector. Since our founding, we have provided financing or insurance to thousands of enterprises working to realize their plans. We are proud of the fact that while in 2012, we had barely more than 200 clients, this number has surpassed 1600 by 2019. Our clients today are present in 44 different countries. Nine out of ten of our clients are micro-, small or medium enterprises, and we allocate approximately one-half of our credit to this segment. We are also proud that our total commitment has exceeded 1000 billion HUF by the end of 2018. Our insurance activities are also expanding dynamically, last year closing with total risk exposure exceeding 220 billion HUF. EXIM's growth trends are thus good – but there are plenty of tasks

and opportunities ahead, since there are tens of thousands of export-ready companies in Hungary.

As part of our long-term strategy, we therefore intend to use our tailor-made financial solutions to become an essential entity in providing resources and insurance to companies entering foreign markets or ones which are already at home there. As part of this, we regularly review our products and transform them in line with client needs.

The year 2019 is a special one for us, as we celebrate the 25th anniversary of the establishment of the two organizations. For this anniversary, we have collected 25 success stories from these last 25 years in this publication. I hope that these interesting stories will serve as examples to you, the Reader, so that you may be inspired by them as you turn to us at EXIM in the future.

I hope you find the information in this publication useful and enjoy perusing it.



Gergely Jákli
President and CEO





ABOUT US / ABOUT EXIM

The goal of the Hungarian Export-Import Bank Private Limited Company (Eximbank Zrt.) and the Hungarian Export Credit Insurance Private Limited Company (MEHIB Zrt.) is to provide effective financing and insurance solutions for Hungarian exporters.

The mission of Eximbank and MEHIB is to support Hungarian exporting enterprises in facilitating the retention of jobs, growth in employment and an expansion of Hungary's export capacities by acting as a tool for providing economic-policy incentives. The state-owned Eximbank and MEHIB – under the oversight of the Ministry of Foreign Affairs and Trade – perform the tasks of Hungary's export credit agency, which are regulated by the legislative frameworks of the OECD and the EU, with the basic objective of facilitating the sale of Hungarian goods and services in foreign markets. The Bank and the Insurer, which operate within an integrated framework, carry out their duties with a shared organization and corporate identity, under the name of EXIM. EXIM is more than a bank and insurer dealing with export lending and export lending insurance: it is one of 38 export credit agencies in the world, providing assistance to exporters in 32 countries through financing and insurance solutions. Our company is a leading ECA: our international network and cooperation offer unparalleled opportunities for us, and thus also for the Hungarian economy. Our key goal

is to assist small and medium enterprises (SMEs) in collaboration with MFAT background organizations to enter, and develop successfully in, international markets.

2018 was the fifth year in a row when the total of the loans provided by EXIM exceeded 300 billion HUF. In 2018, our lending reached 329 billion HUF, exceeding plans by 17.6 percent. While we had 286 clients in 2013, today more than 1600 Hungarian companies use at least one EXIM product. The trend is good, but if we look at the number of companies engaged in exports (which according to one study far exceeds 10,000), there is still plenty to do. The results of our work are visible not only through the projects realized, but are also clear in terms of numbers. In recent years, we have contributed on average 0.6 percent to the Hungarian GDP, amounting to almost 190 billion HUF. The fact, as mentioned above, that we have provided new loans in excess of 300 billion HUF for five years in a row, and have provided nearly 100 billion HUF in insurance commitment annually, has played a key role in this. Our long term goal is to support the strengthening of the Hungarian economy in a sustainable way through our work.

This year, we are celebrating EXIM's 25th birthday. The National Assembly adopted the Act on the Hungarian Export-Import Bank Corporation and the Hungarian Export Credit Insurance Corporation on March 29, 1994. The fact alone that we have operated successfully for so long fills us with pride. We hope to carry this success forward, sharing our knowledge and experience with as many clients as possible.



THE EVOLUTION OF THE PERFORMANCE OF HUNGARIAN EXPORT FINANCING IN THE PAST 25 YEARS

The story of the institutionalization of Hungarian export lending and insurance goes back to the early 1990s: in 1991, the government established the Export Guarantee Insurance Corporation, which may be considered EXIM's predecessor. At the same time, the need arose right at the outset to empower the organization for the performance of financial institution activities to be specified later. This was not possible, however, in a model of a single organization, which is why the National Assembly decided in 1994 to separate the two companies, establishing the Hungarian Export-Import Bank Corporation (Eximbank) and the Hungarian Export Credit Insurance Corporation (MEHIB).

The state-backed bank and insurance duo were founded in order to meet financing and insurance tasks related to Hungarian exports. The two organizations were created with multiple objectives in mind: the incentivization and support of foreign trade relationships, with a special focus on the ex-

port of Hungarian goods and services; enforcing state interests in exports; strengthening the competitiveness of exporters in foreign markets; sharing the financial risks associated with exports which may not be insured through traditional market tools; developing the financial institution system, including export financing and export loan financing, through market economy tools and in line with international norms.

Eximbank and MEHIB get started

The state supports the operations of the two companies in order for them to achieve their objectives. In the case of Eximbank, for instance, the central budget assumes a joint and several guarantee for the fulfilment of obligations resulting from the bank's resource acquisitions. Similarly, there is a state joint and several guarantee backing the guarantee transactions performed by the bank at the commission of the government. Additionally, the bank also benefits from an interest make-up scheme from the central budget, allowing it to provide certain loans with favorable interest rates.

The central budget's joint and several guarantee is also there to back MEHIB's non-marketable risk insurances, just as it is there for payment obligations stemming from loans taken out in connection with its insurance activity. The maximum annual extent of risk exposure is determined by the central budget's global limit numbers.

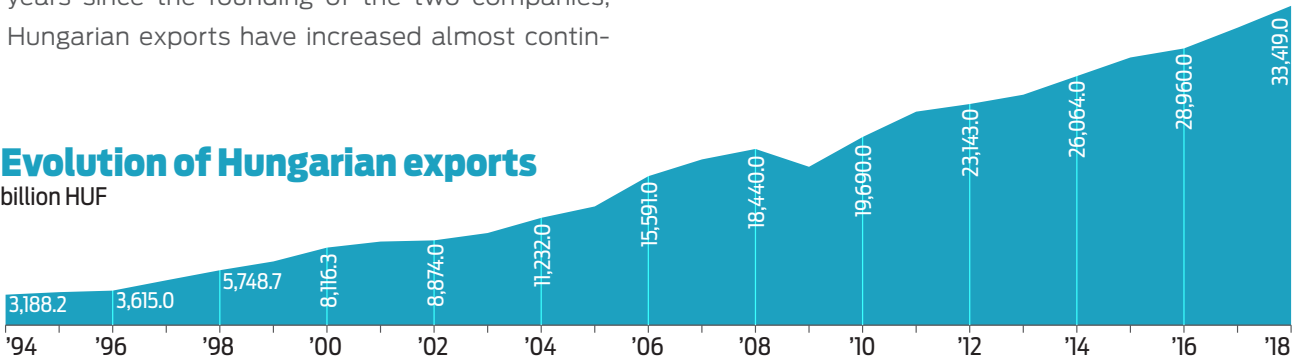
In the 25 years since their founding, Eximbank and MEHIB have designed their portfolio of products and services in close collaboration with one another, and have continued to develop these in line with economic policy objectives. To date, the Bank and the Insurer have provided access to state export promotion resources to several thousand Hungarian exporter enterprises, helping exporters retain existing markets and acquire new ones. In the 25 years since the founding of the two companies, Hungarian exports have increased almost contin-

uously, and today are more than ten times greater than at the time of our founding. EXIM has played an unquestionable role in this.

MEHIB's subscribed capital was 1 billion HUF at the time of its establishment – since 2000, this figure is 4.25 billion HUF. In late 1994, its insurance commitment (including claims payment amounts) was 21.9 billion HUF. Insurances for political risks associ-

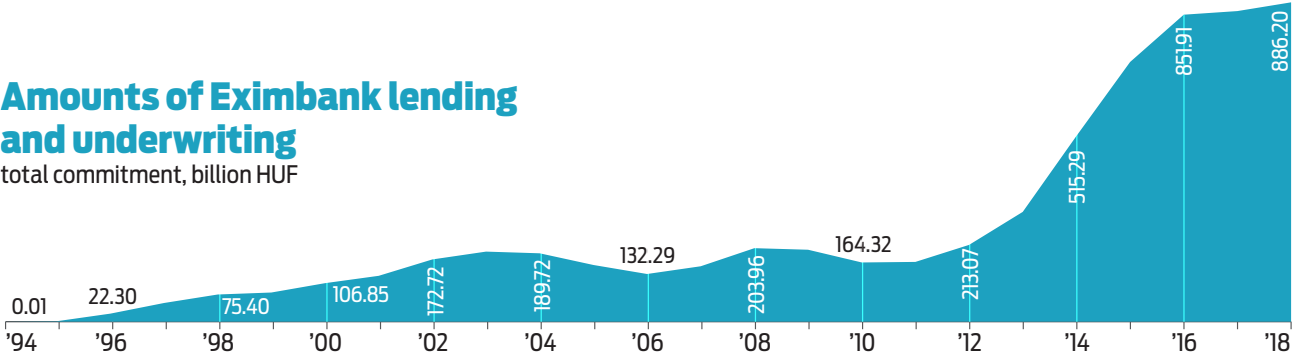
Evolution of Hungarian exports

billion HUF



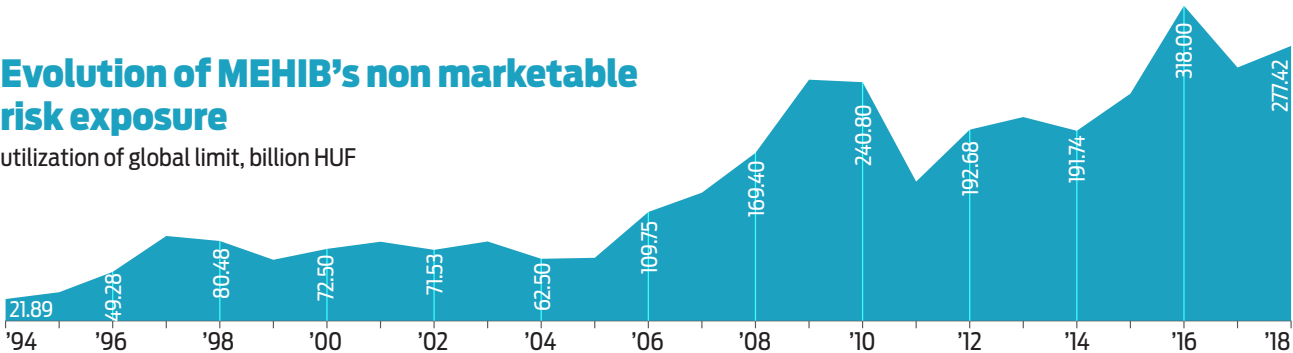
Amounts of Eximbank lending and underwriting

total commitment, billion HUF

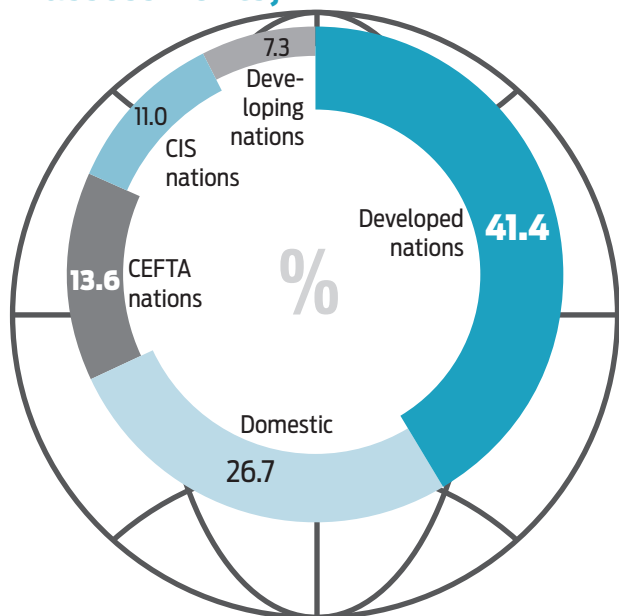


Evolution of MEHIB's non marketable risk exposure

utilization of global limit, billion HUF



Distribution of MEHIB risk assessments, 1999



ated with supplier credit primarily affected Asia (45 percent) and South America (44 percent), but there was also a smaller share for Africa (11 percent). Global limit – the maximum of insurances secured by the Hungarian state’s guarantee – at the time totaled only 45 billion HUF, although it was raised the following year to 80 billion HUF. In 2018, this figure reached 1100 billion HUF.

Eximbank was launched in 1994 with 1 billion HUF in subscribed capital, which today exceeds 146 billion HUF. The bank did not conduct actual business activity in the first year of its founding: the focus was on the establishment of personnel and material conditions and the preparation of a business model and an initial product portfolio. The job of the organization is to provide preferential treatment for the traditional markets of Hungarian exporters, and for export-related financing and guarantee commitment to play a central role in its activity. Because,

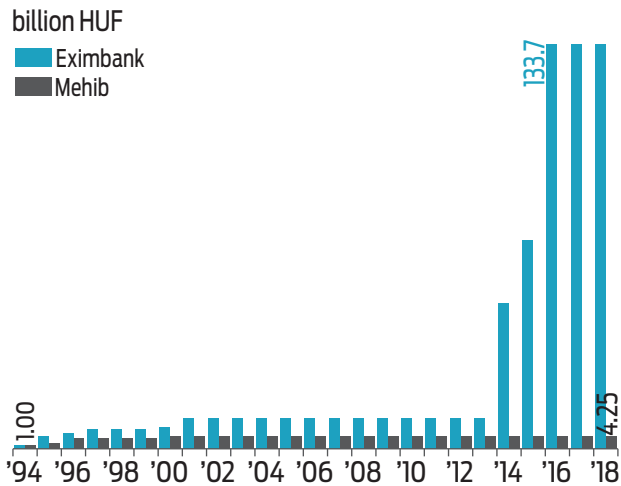
according to the intentions of the government, Eximbank must complement, and not substitute, commercial bank financing, the Bank must be present primarily as a refinancer or as a direct financer in the case of risky markets. The first products of the company were an export prefinancing loan plan, loans provided to foreign buyers, and medium-term refinancing plans offered to small and medium enterprises (SMEs). Eximbank is able to provide guarantees in part through central budget backing and in part at its own risk; the former only in cases of national economic interests. In 1995, the boards of directors of the two organizations were merged, because “the financial and insurance backing, which can help their positions in the international markets, must be provided to Hungarian exporters in one package.”

The balance of the first five years: tens of billions of HUF in loans and risk exposure.

The two organizations celebrated the fifth anniversary of their founding in 1999: Eximbank’s balance sheet total reached 65 billion HUF, its loan portfolio 53 billion HUF, guarantees issued (and primarily backed by the central budget) 28 billion HUF, while MEHIB’s marketable and non-marketable branches built up in recent years provided support to Hungarian exporters in the amount of 60.7 billion HUF, with revenue amounts totaling 600 million.

The 1998 Russian crisis presented Eximbank with major challenges; despite this, growth continued, uninterrupted. Of the loan portfolio, 83 percent – as expected by the owners – are loans provided directly. Beyond buyer credit arrangements with foreign banks, the bank has also supported Hungarian

Evolution of Eximbank and MEHIB subscribed capital



exporters with more than 42 billion HUF of refinancing loans provided through Hungarian commercial banks. EXIM loans provided to small and medium enterprises with interest support have played a key role in our growth – almost 90 percent of the portfolio have been problem-free loans. The international banking relationships established in these five years have covered every country with significant Hungarian exports.

Since May 1996, Hungary has been a member of the Organization for Economic Cooperation and Development; in November, the organization became a full member of the Export Credit and Insurance Guarantee Group. In the working group, Eximbank and MEHIB are responsible for professional representation. The Insurer, since 1998 – as an observer – has been a member of the Berne Union, the international organization bringing together export credit insurers, which works internationally to adopt robust and standard basic principles for export credit insurance. It is in line with these



that products were gradually being transformed to meet OECD guidelines; harmonization with EU law also began.

Joint management of Eximbank and MEHIB was discontinued in 1998, but the collaboration of the two institutions remained intact, since Eximbank remained the main lender in the majority of buyer credit insurance projects taken out by MEHIB.



The economy on an export-led path to growth

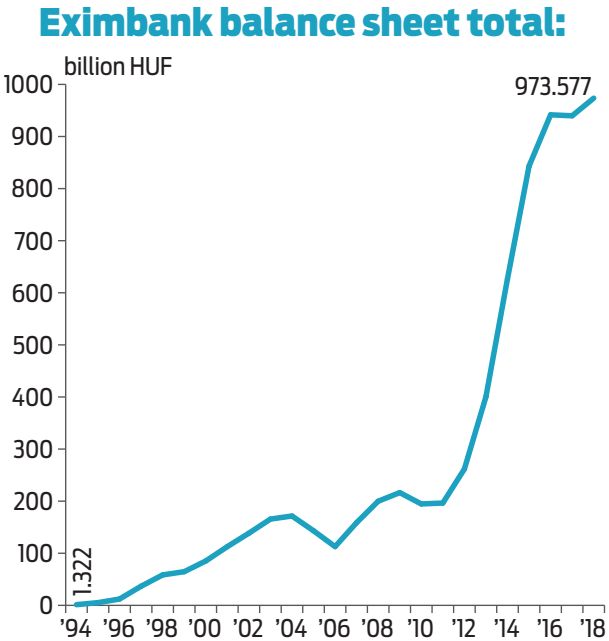
On the tenth anniversary of the founding of the two organizations, Hungary was once again on an export-led path to growth, thanks to improving external conditions. Accession to the European Union brought about several short- and medium-term

consequences for Eximbank and MEHIB. In 2002, the two organizations were once again brought under joint management, in order to strengthen their cooperation. In 2004, both companies became members of the MFB Group.

On the tenth anniversary of its founding, MEHIB saw particularly robust growth in its marketable division; due to banking liberalization, increased com-

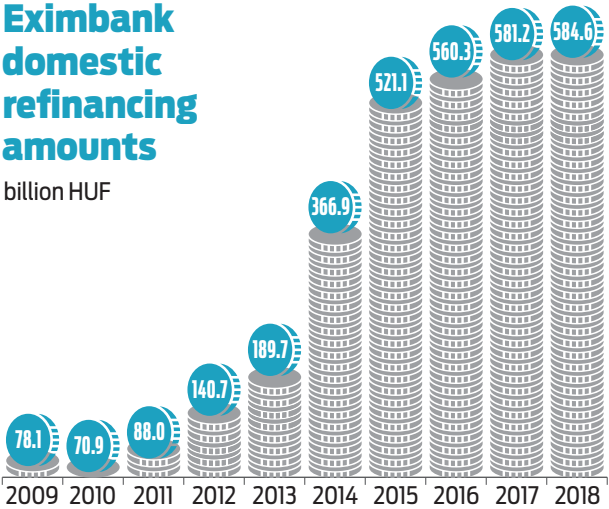
petition was to be expected in the insurance market. The Insurer's balance sheet total was 9.5 billion HUF; non-marketable covered transaction volume was 11.4 billion HUF. In the marketable branch, this figure was 244 billion HUF, amounting to a 26 per-cent market share in 2004. The two branches were completely separated earlier, in accordance with legal requirements. In non-marketable business activity, it was particularly risks related to the Commonwealth of Independent States (CIS) that played a role, and primarily Russia.

The tenth anniversary was celebrated together with Eximbank, with an international export financing conference, where featured presenters included the Secretary General of the Berne Union and the heads of partner organizations of several neighboring states. Since the 2001 establishment of the Prague Club, MEHIB – as a supporting senior member – has played a role in the work of the



Eximbank domestic refinancing amounts

billion HUF



professional organization created for new export lending agencies operating in developing nations. Eximbank, in preparation for EU accession, has harmonized the legal background of its operations and its product range with international regulations. As a result, it became necessary to phase out certain loan types which had previously been in demand. Instead of the financing of EU exports, which in the past had accounted for a significant share, the following regions became priority areas in the organization's business plans: neighboring countries, the countries of Southeast Europe, Russia, Belarus, Kazakhstan and developing nations. As a new element, the bank's activities expanded to include the provision of aid loans based on intergovernmental agreements.

At the tenth anniversary of its founding, the bank's balance sheet total was 171.5 billion HUF, with a loan portfolio of 154 billion HUF. The portfolio of loans and guarantee limits was 37.4 billion HUF, with the overwhelming majority representing loan coverage guarantees. The loans provided assisted the exports of medical tools and chemical indus-

try and machine industry products. In 2004 alone, the organization provided loans totaling 95 billion HUF; 75 percent went to support processing industry exports. Refinanced loans continued to account for the majority of the portfolio. In 2004, 95 percent of the total portfolio was problem-free and in special-watch category; the financial institution managed a total of 379 credit and discounting contracts. In that year, the program Agrár Eximhitel was launched for Hungarian food industry processing exporters, providing them with interest and guarantee fee support.

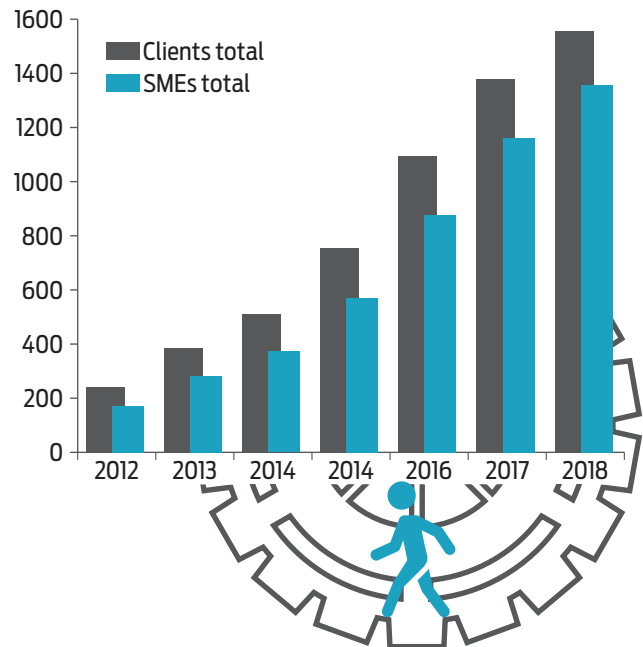
The crisis years

The global economic crisis of 2008, and its protracted effects, played defining roles in the life of the two organizations as they began their 15th year of operations. Eximbank's activities in the years 2008-2009 were characterized by the management of a lack of liquidity resulting from the crisis, and thus by more reserved business activities. Previously dynamic growth came to a temporary halt, and the organization was forced to suspend refinancing cooperation. Access to long-term state resources, however, made it possible to gradually improve the situation. Lower demand as a result of the crisis affected Hungarian exporters adversely, however, and this had a negative impact on Eximbank's portfolio, as well.

Eximbank's balance sheet total was 216 billion HUF at the end of 2009, with a loan portfolio of 160 billion HUF. The loans underwent significant structural changes in preceding years: the share of foreign financing increased, and the share of discounting and risk commitment vis-à-vis foreign banks and corporate clients increased significantly. In addition

to traditional export markets (Russia, Kazakhstan, Ukraine), the bank also supported exports to Belarus, Turkey, Tajikistan, Macedonia, China and Brazil. At the same time, refinancing of Hungarian banks dropped. In 2009, 23 percent of new disbursements were done through Hungarian financial institutions, with 20 percent through foreign institutions; 20 per-

Evolution of Eximbank clientele

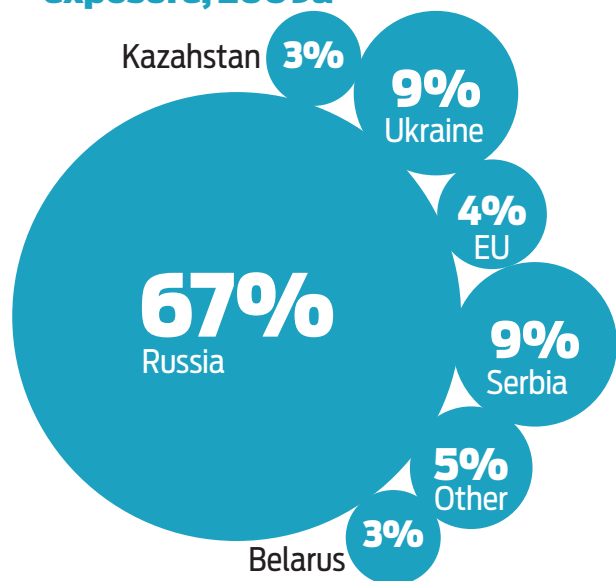


cent went directly to Hungarian businesses, and 33 percent to foreign enterprises.

The overwhelming majority of loans to Hungarian enterprises were export prefinancing loans. By 2009, the portfolio of aid loans rose to 5.8 billion HUF (targeting Bosnia, Montenegro and Laos). The risk composition of the loan portfolio also reflected the changes: while exposure to Hungarian



Distribution of MEHIBrisk exposure, 2009a



banks dropped, the share of MEHIB loans covered by non-marketable insurance increased to 45 percent. At this point, 95 percent of the entire portfolio was problem free and special-watch. The portfolio of guarantees and guarantee limits dropped to 40 billion HUF, which was connected to the reduced risk-taking willingness of commercial banks.

MEHIB celebrated the fifteenth anniversary of its founding by fulfilling its mission: in 2009, in the midst of the global financial crisis and economic slowdown, it defended the interests of Hungarian exporters from non-marketable risks. Through intense product development, regular crisis-monitoring activity in key markets and the introduction of new insurance products for small and medium

Hungarian exporters, it was able to serve Hungarian exporters in defending themselves from losing markets and finding financing opportunities.

Following the crisis, the Insurer took several steps to mitigate negative effects: they managed to have the global limit increased, which was the maximum of the state's counter guarantee; they increased the possible maximum coverage to 100 percent by modifying insurance terms; and they launched crisis monitoring activities in the markets representing high vulnerability. In 2007, they introduced what was to become one of the most important products during the period of crisis management, and the period following. Intended for small and medium enterprises, this was a special insurance, approved by the European Commission, providing insurance coverage with state budget support for SMEs exporting to developed markets. The original permit of the scheme was valid for two years; this was extended multiple times.

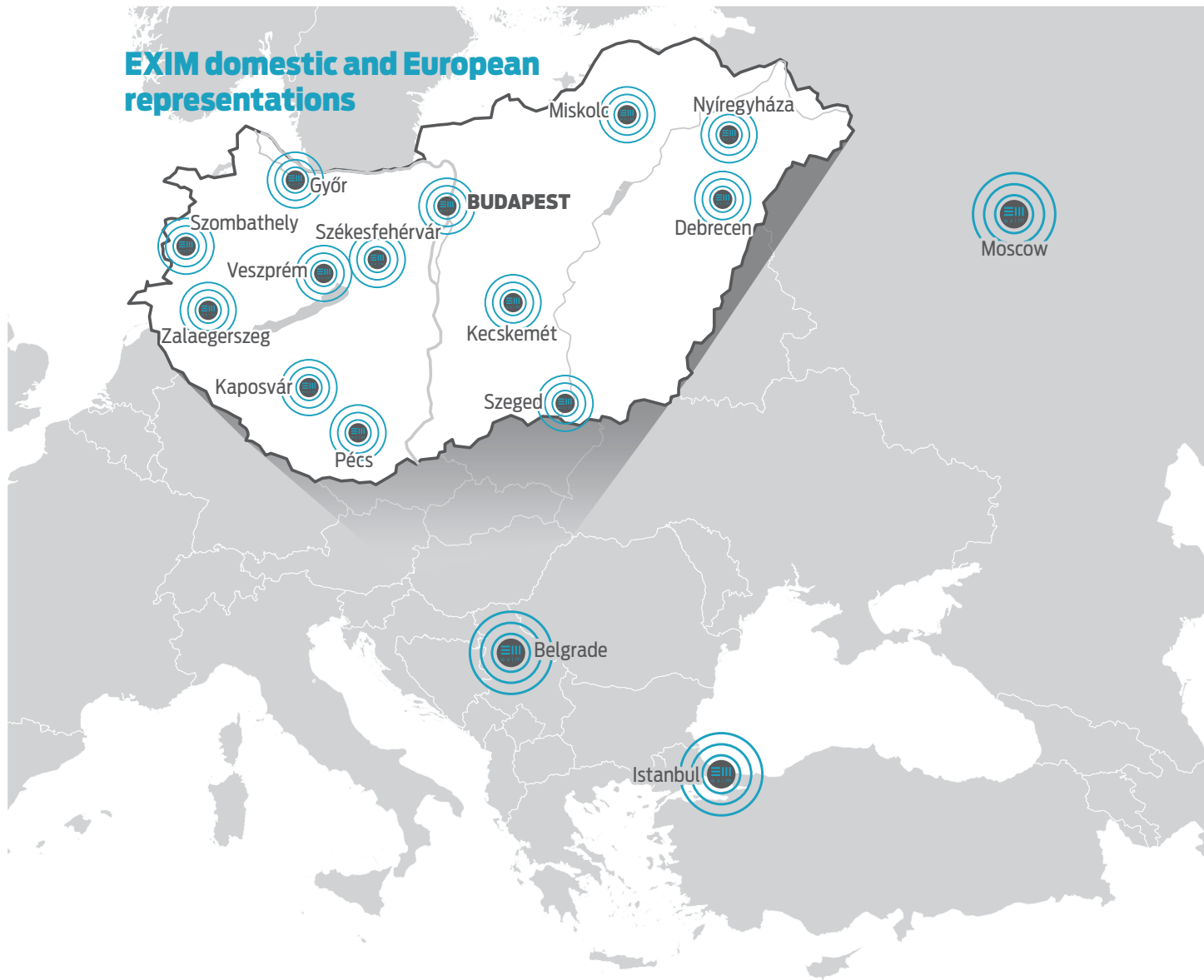
In order to appropriately manage the Russian relationship, which has traditionally represented high vulnerability, the two organizations opened their first foreign representation in 2006: MEHIB's Moscow office played a key role in preparing and executing transactions and in managing situations of damage control.

In 2009, the Insurer provided insurance coverage for almost 80 billion HUF worth of turnover. With non-marketable, medium and long-term individual insurance plans, MEHIB supported exports targeting traditional markets. In short-term insurances, the insurance of exports targeting EU member states also played a role. The fee revenue of the branch came close to 600 million HUF in 2009. That year, a defining part of the insurance portfolio – more than 60 percent – was related to Russia.

Exports to Ukraine, Serbia, Poland and Belarus increased significantly; the combined share of these countries was over 25 percent in the total portfolio. The number of active contracts was 48, with the global limit reaching 450 billion HUF, with 54 percent utilization. The transfer of the marketable contract portfolio was completed on January 1, 2008, meaning that the Insurer only has after-care tasks in connection with this. In 2011, MEHIB was given the opportunity to host the Berne Union's annual general meeting in Budapest.

EXIM is established

The year 2012 saw important changes in the operation of Eximbank and MEHIB. Beginning in May 2012, ownership rights over Hungary's institutions performing export credit agency tasks were exercised by the Minister for National Economy. With the change in ownership, a new, integrated management and organizational concept was created, with the two organizations coming under shared leadership. Beginning that year, the Bank and the



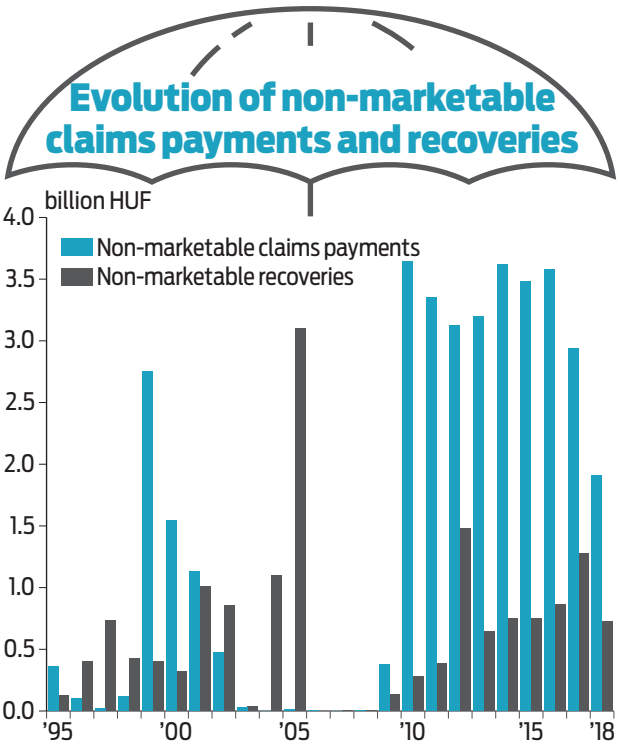
Insurer carried out their duties with a shared organization and corporate identity, under the name of EXIM. Beginning in 2012, EXIM's economic policy promotion role also covered the retention of workplaces, increasing employment and expanding Hungarian export capacities. The government's foreign trade strategy treats the support of Hungarian export activities and the exploration of new foreign markets as strategic priorities. Among the owners' expectations, increasing the business activism of the organizations is of primary importance, especially in terms of helping exporter small and medium enterprises access resources. These goals were included in the organization's business strategy for the years 2013-2016; according to the document EXIM, through coherent lending, guarantee and insurance products covers the full range of

export activities from production to sales support. Additionally, it is also able to serve the financing and insurance of export-oriented developments and investments, as well as supplier processes prior to export activities.

The two organizations celebrated the 20th anniversary of their founding in 2014. Starting that year, ownership rights are exercised by the Ministry of Foreign Affairs and Trade, thereby providing for the close harmonization of foreign affairs and foreign trade institutions, including EXIM's activities, in the implementation of the foreign trade strategy.

SME-focused business activism has become even more important than before, leading to the opening of representational offices in nine cities around Hungary. These offices play a key role in increasing EXIM's visibility: their job is primarily to help as many SME exporters access EXIM products as possible. It was also in the same year that the decision was made to open an Eximbank representation in Moscow, alongside MEHIB's office there. Going forward, the office represents both organizations as an EXIM representation, as one joint body, active in Russia, the CIS countries and Ukraine. In 2014, preparatory work also began for the establishment of EXIM representations in Belgrade and Istanbul.

MEHIB's global limit portfolio was 191.7 billion HUF at the end of the year. Non-marketable transaction value was 81 billion HUF in 2014. The primary reason for the decrease compared to the previous year is that due to the economic and political situation in Ukraine, the Insurer was forced to reduce or withdraw the limits applicable to Ukrainian clients, resulting in significantly lower transaction values for them. Russian-Ukrainian economic and political relations impacted on the transactions of insured exporters to both countries. MEHIB's transaction-type

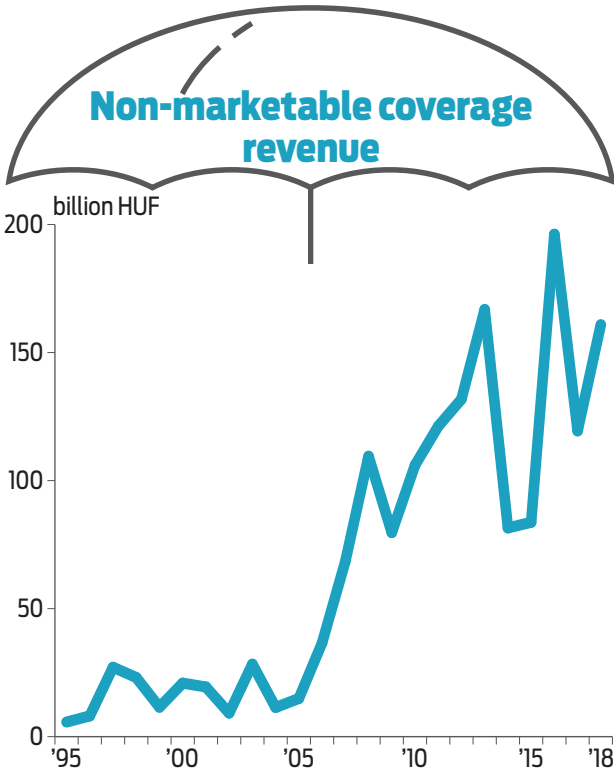


branch assisted the realization of 81 billion HUF worth of exports, which directly and indirectly contributed some 42 billion HUF to nominal GDP. Eximbank's balance sheet total at the time reached 627 billion HUF. The loan and discount portfolio at the end of the year was 510 billion HUF, with guarantee and guarantee limits amounting to 14.9 billion HUF. In 2014, 327 billion HUF worth of loans were denominated, which was 175 percent of the previous year's figures. Of new financing activities, 82 percent were in loan products evincing dynamic growth.

Renewal

EXIM introduced a range of new financing plans in 2014, including lease refinancing, as a new element of export prefinancing options, and factoring refinancing options. To finance foreign loans under two years, EXIM introduced short-term insured loan buying products. The most important change, however, was the launch of the loan program to improve international competitiveness. The product package, offered with state interest support content developed in accordance with EU rules, made it possible for current and future exporters to take out Eximbank's current asset and investment loans, for the purpose of improving their international competitiveness and establishing their export capacity, with fixed interest rates and costs more favorable than market rates. EXIM introduced the product with direct financing and refinancing.

The newly established project financing area also began preparing and contracting for project loans provided as direct financing. EXIM, in keeping with its mandate, is willing to finance transactions with greater risk commitment if there is no financing will-



ingness on the part of commercial banks, or if it is limited. Further, EXIM is only willing to take on the higher risk in the case of projects where the national economy impact and the loan purpose, in line with economic policy goals, provides adequate justification for such participation. The transactions financed typically represented production branches of the economy and tourism.

In 2014, the 327 billion HUF worth of total loan-type products disbursed by Eximbank supported the realization of an estimated some 385 billion HUF worth of export transactions. These exports, directly and indirectly, contributed some 252 billion HUF to nominal GDP.

The Bank has participated in capital funds as an investor starting in 2014. Hungarian and international

capital-side financing structures currently encompass investments in nine capital funds; the total value of investments already made is 38.4 billion HUF. National Acquisition has been operating since 2016 which, in addition to maintaining contact with international organizations and financing institutions, also tends to international tender monitoring tasks in order to supply potential Hungarian exporters with up-to-date, detailed information about new export opportunities.

In 2016, together with EDC, responsible for Canadian export financing, EXIM entered into its largest-value buyer financing transaction to date, helping reinforce its position as a classic ECA in international export financing.

SMEs in the spotlight

EXIM's strategy for the next five years, adopted in late 2016, seeks to maximize its national economy impact. To that end, it aims to strengthen foreign trade performance by expanding EXIM's business activity; it also intends for EXIM to become an essential actor in businesses' export activities and to contribute to increasing the weight of the SME sector in exports. For this reason, the broadest possible support of SMEs – through products and services – has been made more explicit in the strategy.

In 2018, for the fifth year in a row, the total of the loans provided by EXIM exceeded 300 billion HUF. Of transactions disbursed, 89 percent had to do with SMEs, and 47 percent of the amount disbursed went to SME clients. Eximbank's balance sheet total was 973.6 billion HUF at the end of the year. The Bank's loan and discounting portfolio was 872.7 billion HUF, representing an increase of 4 percent compared to 2017. The Bank's total commitment

was 1023 billion HUF at the end of the year, including contracted limits and limits in reserve. The total portfolio of guarantees and guarantee limits was 13.5 billion HUF. The reason for the decrease in the guarantee portfolio was the change in the set of conditions of the loan coverage guarantee products, which was the largest single item, and the improvement of banks' willingness to offer loans at their own risk. In 2018, MEHIB provided insurance



cover in the amount of 221.1 billion HUF, with a total of 116 billion HUF in commitment for non-market-able bonds.

In 2017, EXIM initiated the first V4 Export Lending Credit Insurance Conference, which was followed in 2018 by a conference in Bratislava organized by our Slovak counterpart organization. The banks and credit insurance organizations of the participating countries – CEB and EGAP (Czech Republic), Exim-

banka SR (Slovakia), KUKE and BGK (Poland) and EXIM (Hungary) agreed to boost the position of the V4 countries in international organizations through their collaboration.

2019 marks the 25th anniversary of the establishment of the two organizations. The snapshots of the past quarter of a century also indicate the road the Bank and the Insurer have traveled in support of Hungarian exports.



25 YEARS, 25 SUCCESS STORIES





GLOBAL SUCCESS, GLOBAL BRAND

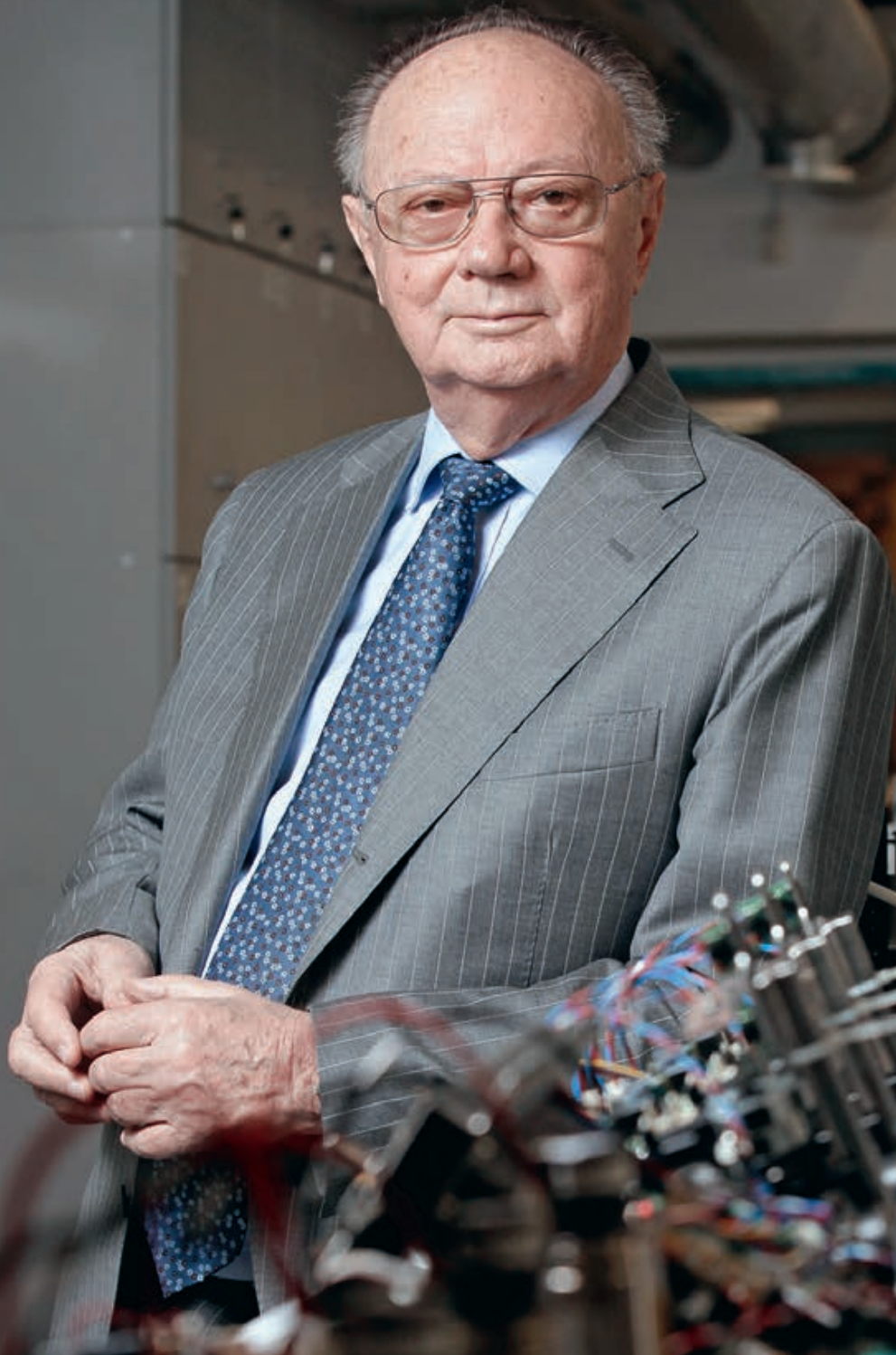
Many people may not know that Hungarian global brands include among them important diagnostics tools. Produced by 77 Elektronika Műszeripari Kft., they have conquered the world in the last 30 years, in part with the help of EXIM.

77 Elektronika Műszeripari Kft. was established in Budapest in 1986. At the time, the company which today employs more than 700 people, was a business with 6-7 colleagues; revenues in the first year totaled 600,000-800,000 HUF. It manufactures medical electronics products developed by the company along two profiles. As their first Hungarian patent, they began producing personal blood sugar monitors - today, they are selling the 71st version of the device, which is now 10 percent the size of the first units, says Managing Director Sándor Zettwitz. Next in their series of developments were small-size urine analyzers, used primarily by general practitioner physicians. They are capable

of determining the 11 most important parameters used most often in urine sample tests. Since then, they have introduced a variety of urine analyzers and achieved important successes in international markets, primarily in Germany, Poland, Russia and Japan. They brought professional, automated urine analyzers intended for laboratory use to the market in 2007, which played a key role in shaping the future of the company. While similar devices had existed before, 77 Elektronika's automated urine analyzers employed revolutionary new technology, which was widely acclaimed in international markets. Their activities have expanded consistently since the founding of the company. Today, in addition to designing their own products and developing their mechanics, hardware and software, the company also boasts significant production capacities and a retail unit, capable of meeting large-scale demands.

Thanks to a coincidence

Thanks to continuous development, the world-class devices - delivering increasingly better services - became known for their outstanding quality and reliability. "These devices today are able to use just a tiny drop of blood to determine blood sugar levels within a matter of seconds. Their memory can store 500 readings, and the results of the users' tests performed at home may be easily accessed by the patient's physician through an online blood sugar journal we developed," the Owner-Managing Director explains the operating principles of the devices. Sándor Zettwitz, who was earlier active in business and retail, took over as Managing Director six years after the establishment of the company, at the



Sándor Zetzwitz

Managing Director of 77
Elektronika Kft.

77 Elektronika Kft.

request of the family. That was when business really took off for the company. Today, the 85-year-old professional manages 77 Elektronika together with his daughter, and believes that many things happen in the world simply as a result of coincidence. “I have to mention in connection with the start of the company that my former son-in-law is a physicist by background, and is a very talented young man. This was when the first personal blood sugar testers were developed in the United States. One of our neighbors at Balaton received one as a present, and asked if it would be possible to produce more like it in Hungary. My son-in-law believed that it is. At the time, Hungarian devices could only be assembled from Eastern European import components, since in 1986, import restrictions were still in place. Our first device was large and ugly, but was precise in its measurements. Professionals loved it,” recalls Sándor Zettwitz. As he tells it, they dominate the majority of the Hungarian market in the field, although a Chinese

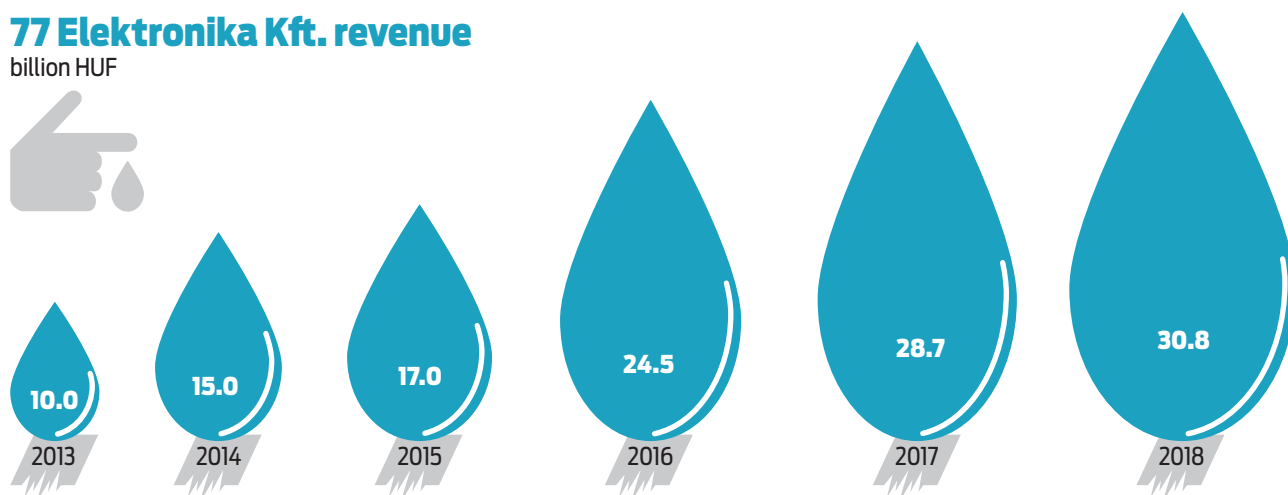
company did enter the market with inexpensive devices 5-6 years ago. Later, the originator of the idea left the company. The new development director who joined the firm then continues to provide dynamic stewardship of their innovative activities to this day.

The effect of foreign market gains

While the company's revenues increased steadily, they were given a new and robust boost when 77 Elektronika began on a path of intensive export growth, primarily as a result of foreign projects insured by EXIM. “We have at least 10 deals going on with EXIM right now. We rely primarily on their insurance services, and we have always had a flexible relationship,” Sándor Zettwitz says. “I can't even recall what our first joint project was.” The company's gains in foreign markets starting in 2015 focused primarily on EU countries, but Russia, Turkey and China are also important markets. The company also

77 Elektronika Kft. revenue

billion HUF





sees considerable turnover in the United States, South America, Southeast Asia and the Arab world. 77 Elektronika exports its products to more than one hundred countries in the world, both under its own brand names, and in OEM-arrangements through market leading multinational companies. Their most prominent buyers are Roche (Switzerland), Menarini (Italy), Analyticon (Germany) and IDEXX (United States). Urine analyzers intended for professional use (hospitals, laboratories) account for the majority of their export sales. "Few people know that we provide 30-40 percent of the global market in urine analysis, and the technology itself is inextricably linked to Hungarian development. Everyone in the market knows that this is a Hungarian invention, except for Hungarians," Sándor Zetzwitz points out.

Development is the key to success

The company's turnover has increased by 15-20 percent annually in recent years. "We are proud of having tripled out turnover over approximately 5 years," the Managing Director highlighted. He says one guarantee of their success is that they put 7-8 percent of their revenues towards development each year, allowing for consistent innovation and development, which are fundamental conditions to operating in this market. This makes it possible to enter the market with new, world-class products each year. Today, the company's development team employs 100 people, with additional engineers working at the company in the fields of manufacturing and technical oversight. They employ fifty people in the field of quality assurance alone, the Managing Director highlighted. For 77 Elektronika Műszeripari Kft., the path to future growth lies not primarily in expanding their profile, but in consistently perfecting and developing their existing products lines: while selling 3rd generation devices, their 4th generation units are already ready, and they have already begun preparing the development of the 5th generation.

The Managing Director says their generation change will come when he no longer feels he can take part in the management of the company. Thankfully, he will be able to pass the baton to his daughter completely, with a well-structured group of directors leading this very successful company. In the meantime, he hopes to remain useful for the company, and to contribute his experience in strategic decision-making.



Tibor Csitkovics

Owner of AgroFeed Ltd.

CONQUERING MARKETS WITH VITAMIN MIXES AND SPECIAL FEEDS

AgroFeed, dealing with animal feeds, has grown into a regional company from a small enterprise in two decades. In addition to the Hungarian market, they have become market leaders in several Eastern European countries.

The story of the company dates back to the turn of the millennium, when it was established as an office with just four people. Initially, animal feeds and premixes were produced in a toll manufacturing arrangement. Because of there being only 10 million Hungarian consumers and due to the numbers of Hungarian animals, any company looking to expand in the feeds sector must begin exporting, the owners decided in the early days already, in 2001. Following the initial difficulties, they gradually began achieving successes. Sales began in Hungary and Moldova, and the following year in Ukraine, Russia and Belarus.

It was clear to the founders that the food industry is a strategic sector everywhere in the world, since the world's population is constantly growing, and it is increasingly difficult to provide quality food to everyone. Animal husbandry is a key component of the food industry, and the associated feeds sector is critical to achieving the necessary production yields. Because this is what the founders had dealt with previously, they quickly saw that they can expect a seller's market in the field in the long run, even if they must count

on significant competition both internationally as well as domestically. The main product of the company is feed premix, a mix of vitamins, minerals, amino acids, enzymes and feed additives. The use of these products is essential in the case of livestock – when kept under modern animal husbandry conditions – for the business to be profitable. The company is active in the case of every major animal group in animal husbandry, with specialists in the field of animal feeds, who are able to provide guidance in all questions related to feeds when raising poultry, swine, fish or ruminants. In fact, their specialists are also able to provide advice beyond feeds science matters, in questions such as ones related to the creation of optimal husbandry conditions, the construction of feed mixers, animal health questions or reproductive biology problems.

“Knowledge which nourishes”

In order for them to be able to accomplish all of this at the right quality, they have a feed test facility in Lovászpátona. This is where their own researchers' ideas (primarily related to feeding biology) are tested, but they also conduct contract research for other multinational feeds and feed additives manufacturers. As a result of their research, the company's partners offer over one thousand different types of premixes. In addition to premixes, meeting the day-to-day feed needs of their partners is also important, through the development and testing of special feeds and feeding programs. They believe that there is an optimal solution adapted for each animal farm, along with a

product and product composition appropriate for the particular solution. As far as the meaning of “Knowledge which nourishes”: this can best be illustrated through the example of poultry farms. Whereas our grandmothers raised a chicken for 100 days, today’s modern farming conditions mean chickens grow up and reach slaughter age in 37 days.

In the last thirty years, food production has seen tremendous development. The farming companies have selected new, more quickly growing breeds, which also produce each kilogram of meat using less feed. Additionally, it is up to the farmer to ensure optimal conditions for the animals’ growth. It is with this in view that they design the floor, heating and cooling of the facilities, including feeders and troughs. Feeds must also be composed such that they perfectly serve the animals. In fact, this may be so tailor-made that in the five weeks it takes for the animal to reach maturity, they may be receiving a different type of feed each week. This differs not only in the quantities of corn, wheat, sunflower seeds or soy in the feed, but also involves variations in the percentage of vitamins and micro-components in the feed each week.

10 percent
They have established their own, modern production facilities in Russia, and control 10 percent of the market.



Russia is a key market

The company built its first facility in Hungary, in Szalkszentmárton, in 2005, shifting from toll manufacturing to their own production. Ten years later, they inaugurated a brand new facility in Russia, equipped with cutting edge technology. Today, they employ over 100 people there, saving logistics expenses and risks when exporting to the local market. Thanks to their perseverance, the company has reached a 10 percent share in the Russian market. The competition there is far more intense than in Hungary, since in Russia, all of the world’s premix producers are present. Because far more capital-rich companies, embedded for decades, tend to be present in western countries, it did not initially seem realistic for the firm to attempt to expand in that direction. Russia, however, is a giant market, in the relative proximity. It was clear that the Russian market would gradually expand, but the pace of growth they encountered there surpassed even their most optimistic hopes. Following the low point in 2000, the company saw explosive growth. In Russia, they have multiplied the number of their animals in the poultry and swine sectors five-fold within 20 years, which was what encouraged the company to implement an investment project, fully owned by the company, worth 3 billion in HUF.

In the meantime, in Moldova - close to Russia - their market share is over 50 percent, although this is a very small market. They are present in Ukraine, Belarus, Poland, the Czech Republic, as well as the countries neighboring Hungary: Romania, Slovakia and the southern Slavic countries. Nonetheless, the majority of the company’s revenues come from Hungary and Russia. They have devoted significant energy in recent years to the African, Central Asian and Near Eastern



László Virág

*Founding Owner and
Managing Director of
Agrota-2L Kft.*

BASED ON DEMAND

Agrota-2L Kft. has cattle sales and fortunate coincidence to thank for its long history. According to founding Owner and Managing Director László Virág, it is difficult to predict business decisions, and the market is just as unpredictable today as it was twenty years ago.

While the predecessor of the company was founded before the system change, it took until the mid-1990s for its activities to truly mature; by then, its profile had also been streamlined. The company made a conscious decision to focus on cattle breeding and cattle sales. As the Managing Director says, this was the decision because this is where they saw the greatest market demand. László Virág, the majority owner and Managing Director, is an agricultural economist by background. Following several years as a section head at the company Agronovo, he founded the predecessor company to Agrota in 1987 with two others.

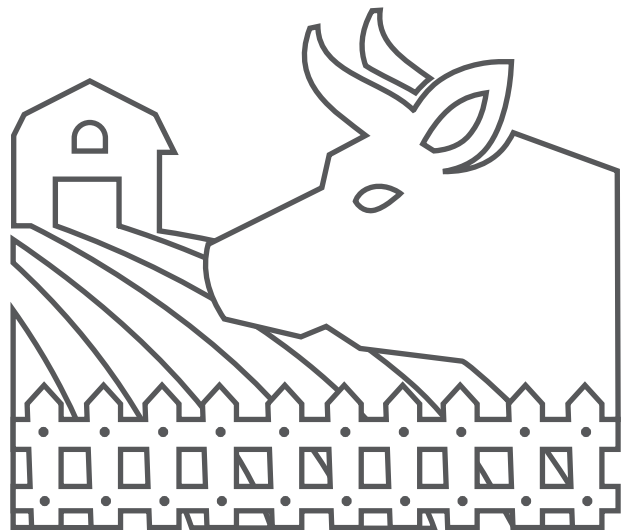
Many challenges to face

Initially, they dealt with the sales of all kinds of animals; they first saw significant turnover around the time of the Balkan wars, in 1992-1993. Subsequently, they had some weaker years, but in

1996-1997, they once again saw robust growth. The year 2001 started off well for them, recalls László Virág, but then came the foot-and-mouth disease in the UK, and all of a sudden, they were unable to export to their largest market. This embargo was thankfully first lifted for Hungarian regions, so the panic stemming from the disease did not result in very significant losses. The 2008 economic crisis, however, affected the company far more adversely.

Fifteen million EUR turnover

It was in these years that they saw that – because they were delivering primarily to the Russian market – deferred payment schemes would help their customers place further orders. “Our contact with EXIM dates back to the late 1990s; our goal then, as it is now, was to help move Hungarian goods – primarily pure-bred cattle, which formed the backbone of our own business – to market through the help of short-term, post-financing and commercial-type insurance options provided by EXIM. I believe that



with the help of EXIM – especially in recent years – we have managed to introduce deferred payment schemes and apply them in practice in the case of several partners (primarily with customers in the CIS region). This is hugely significant because as a result of the 2014 Russian-Ukrainian crisis, financing resources in the region dried up and became very expensive; the options offered by EXIM presented an alternative to buyers so they could access financing indirectly and realize deals with deferred payment opportunities. In the last two years, in addition to MEHIB’s short-term insurance, our company has seen turnover exceed 15 million EUR with the

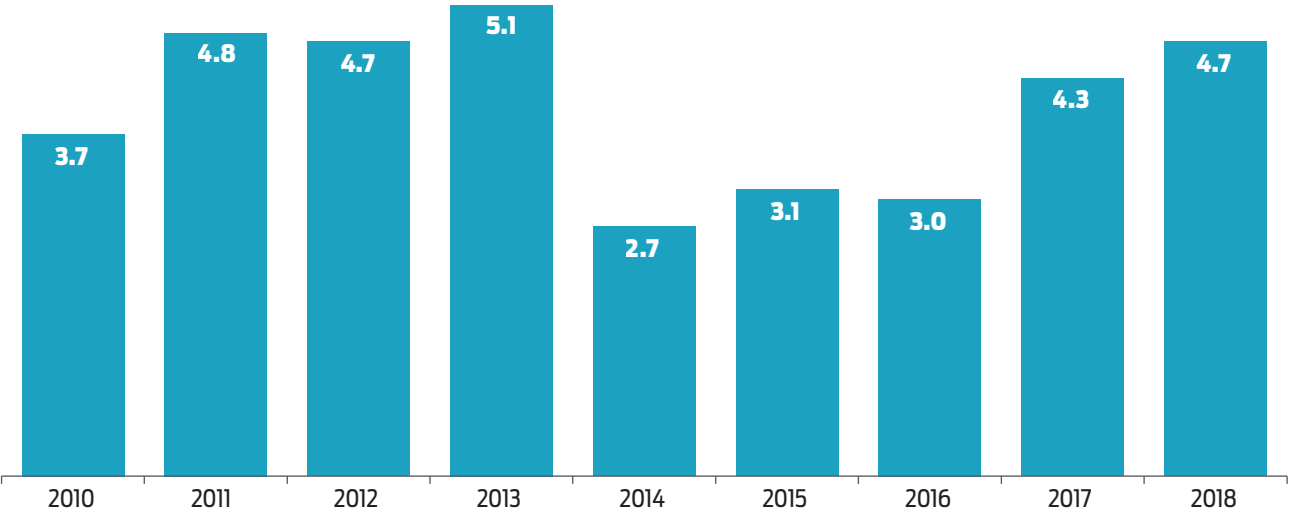
help of options for claims purchases provided by EXIM,” says László Virág.

A good personal relationship is key

As the Managing Director says, they only purchased their first animal-transport truck in 2004; from that point on, each year, they expanded their fleet with 1-2 vehicles. “Turnover is so unpredictable that at times, ten trucks would not suffice; at other times, even one is too many. Thus, for a long time now, we have operated with six vehicles, and we are not planning to add any more. But we are improving our fleet, replacing vehicles older than five years. This allows us to save a great deal on fuel consumption and maintenance costs,” says the Managing Director.

The company has by now grown to a size appreciable in the European market. László Virág says Agrota-2L Kft. is considered one of the 20 largest

Agrota-2L Kft. revenue
billion HUF



pure-bred cattle retailers; domestically, they are the 2nd largest in terms of pure-bred cattle exports, with 8000-12,000 animals sold annually. Naturally, since then the company – with 48 employees – has entered other markets beside Russia; more than 95 percent of their sales are exports.

The Managing Director says it depends on several factors whether or not a company is successful; these include the ability to react rapidly or, similarly, its flexibility. “These are highly important when market conditions or needs change, and this has helped us in similar situations. Learning from our own behavior, we can also highlight how important it is to learn about the special features of one’s target markets, and to teach people about the product and service we are offering,” says the Owner, who says it is a value in today’s world if a company complements its sales with training or education; additionally, in the eastern markets, the ability to establish personal relationships is also important, apart from knowing the local language. “The best way to sell a product or a service is by ensuring that they accept you,” he adds.

Revenues from exports

Looking ahead, the company director is careful to say that market opportunities are strongly dependent on foreign market conditions, making it very difficult to offer predictions. Demand for pure-bred animals or animals for slaughter may change very rapidly, for instance when the currency of the purchasing country is devalued. “This is something we are facing just now vis-a-vis Turkey,” László Virág highlighted. “It is clear that our goal is to further increase our turnover and profit, but this is not something we want to force, as it could

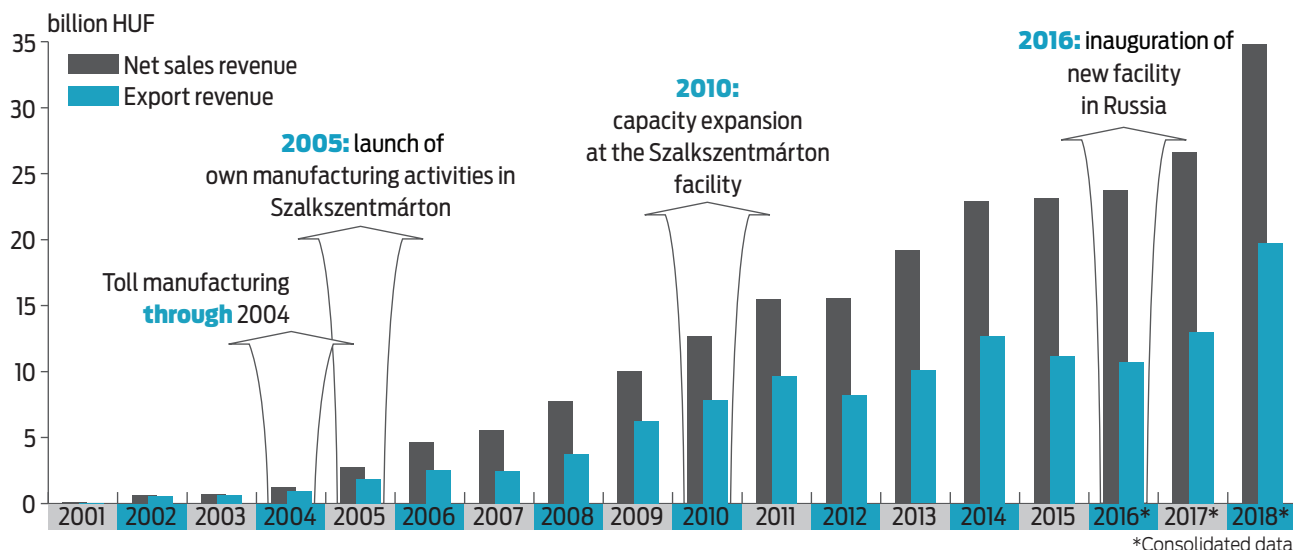
2ND

place

Agrota-2L Kft. is considered one of the twenty largest pure-bred cattle retailers in Europe; domestically, they are the 2nd largest, with 8000-12,000 animals sold annually.

quickly affect quality adversely. One of our goals for the near future is to develop a software which, considering the unique features of our company, is able to supply the management with reliable, up-to-date information,” he says of their plans. He did not wish, however, to discuss long-term plans, noting that everything changes very quickly today, and that it is oftentimes difficult simply to plan one year into the future. “Almost all of our revenues come from exports. This brings in a number of factors which are independent from us in terms of sales. In other words, our exposure is very high. Making use of EXIM’s short-term option is critical for us to defend ourselves from this vulnerability. In this profession, the advantage is not if someone is able to plan 5 years into the future, but if someone is able to respond rapidly to changing circumstances. I will reach retirement age this summer, meaning I will be passing the baton in the next ten years. One of my possible successors is my son, who has been working for the company for 15 years, and has done very well,” the Managing Director explains.

AgroFeed data



regions. The reason for this is that the populations of these regions are growing significantly, and along with them so is the volume of food-production. They hope that in the next several years, their revenues from these countries will approach the extent of revenues from the Hungarian or Russian market.

Great hopes for the future

AgroFeed's relationship with EXIM dates back ten years already. Because, due to the special features of animal husbandry, it takes a relatively long time for them to receive the price of export goods, they generally bridge this long period using EXIM's Euro-denominated loans. They have always found this arrangement very favorable, as far as both interest terms as well as payment conditions are concerned. There is almost no request that EXIM has not had a solution for. In the case of markets outside Europe, they regularly rely on MEHIB's assistance, greatly reducing their risks stemming from non-payment on the part

of the partner. "As far as our future collaboration is concerned, our hopes for EXIM are even higher than what one would expect based on the past," they say. Because they have shifted the production of goods intended for the Russian market to Russia, it is now necessary to involve Middle Eastern and North African markets to make full use of the capacity of their Hungarian facility. In these markets, EXIM's programs will be rather important, because they sell directly to farmers, and must therefore bridge the period until the mature animals can be sold. Even in the case of poultry, this is 35 days; in the case of other breeds, the period is between 6 and 12 months.

Looking a decade into the future, the company's plans call for two plants in Russia, one additional plant in the Eastern European region and one local production base in the Middle East. The Far-East and South America seem too far today - but who knows? With these growth opportunities and the help of such an outstanding partner, perhaps these will also be conquered sooner or later.

ON THE MILKY WAY TO SUCCESS

Strength in unity – it is this old adage that dairy producers, working on their own in the past, put to practice when they established a company together. Their calculations worked out: Alföldi Tej has grown into a large company with nearly seven hundred employees and revenues over fifty billion HUF.

There is no other dairy producing plant in the country where the producers are also the owners, keeping everything in the production process in one hand, from milking to final products. The only large and profitable market segment missing from their portfolio are cheeses – but not for long. The prequel to the establishment of the company is that in the early 2000s, dairy producers tended to sign contracts for various lengths of time one-by-one with processing plants. A few producers in the Great Plains region recognized that they would do well to join forces, because this would allow them to offer larger quantities of milk for sale, which would also enable them to ask for not only better conditions, but also higher prices. The company was ultimately founded in April 2003 by 23 Great Plains-region milk producers – hence the name, Alföldi – in Debrecen. A few years later they were





Mónika Rózsás

Managing Director of
Alföldi Tej Értékesítő és
Beszerző Kft.

already buying a plant: in 2006, they acquired the Parmalat plant in Székesfehérvár, which at the time was being wound up. Still, this was no minor step: they were already employing 350 people, and were processing 80,000-100,000 liters of milk each day, with a smaller capacity. This is when Alföldi Tej's circle of owners expanded: milk producers from the Transdanubian region as well as all over the country were joining the owners, the number of whom thus grew to over 150. As a result of the steady development, they now produce nearly ten times the previous quantity – or 700,000 liters of milk each day in Székesfehérvár. It is in this plant that they produce the majority of their portfolio: long-life UHT milk and cream (which may be kept for 180 days), pasteurized milk, sour cream, butter, yogurt and kefir – plus, all of these in lactose-free varieties.

A crisis-resistant company

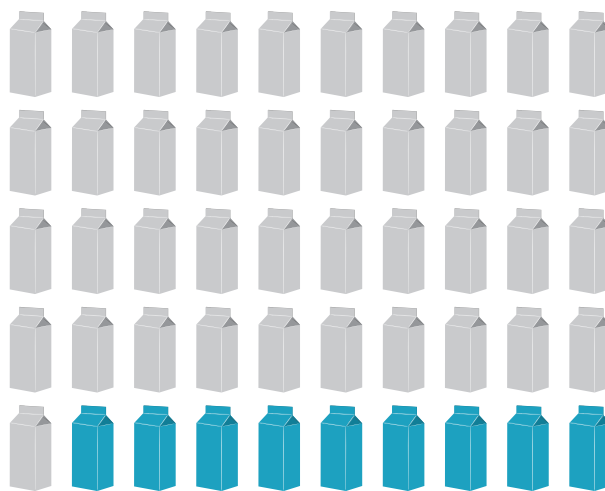
The company has had to weather not just one, but two crises in the last ten years: first the well-known crisis of 2008, then another in 2015, when the EU's milk quota was done away with. This benefited countries like the Netherlands, Germany or France, traditionally strong in milk production, which were producing more than the maximum amount allotted to the country. With the lifting of the quota, Hungary's price-sensitive market opened up for cheap import milk, resulting in losses for domestic milk producers and milk processors, including Alföldi Tej. Despite being affected by the slump, they managed to stay on their feet. And, in fact, this is also when they arrived at an important moment in the life of the company: they purchased Friesland's former plant in Debrecen. "This was the processing plant that in the past the Great Plains region producers,

joining forces, were selling their milk to; then, they could only dream about buying it," says Managing Director Mónika Rózsás of the turn of events.

Constant investment

A little later, it was in the same plant that they realized the largest investment in the Hungarian dairy market in recent decades, with the help of an EXIM loan. The processing plant in Debrecen was developed and expanded in 2017 for a cost of 12 billion HUF. The project was aimed at enabling the plant to first process outstanding Hungarian materials locally, instead of exporting them quickly, leading to significantly higher added value before selling abroad. This is also where they would like to sup-

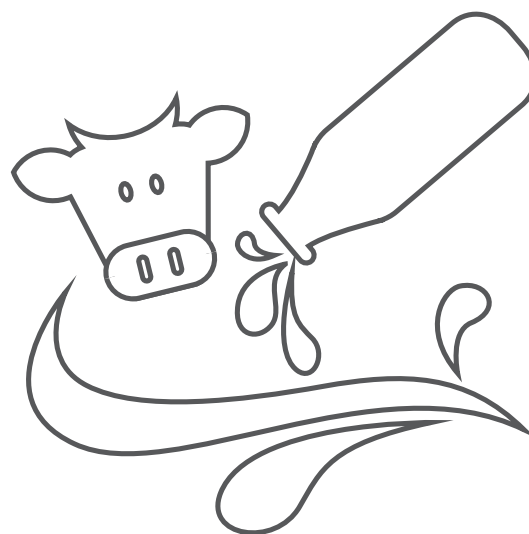
18
percent
Alföldi Tej Kft.'s
share of the entire
Hungarian milk
market.



ply Hungary with high-quality cheese from, while also opening to new markets with a whole product line. With their exports, they place special emphasis on high value-added powdered products, which are very useful in the food industry as ingredients. Alföldi Tej found a market niche that had been vacant for a long time: in the second half of this year, the company's cheese, produced in Debrecen under the brand "Magyar," will hit the shelves of retail stores. They are slated to produce at least 6000 tons a year of this semi-hard, Trappista-type cheese; the plant has the capacity to produce 8000 tons. Because currently almost one-half of the cheese consumed in Hungary comes from imports, their product will have a place on the market, says the Managing Director. They are not looking to produce a mass product, and will target the segment of quality cheeses. The first taste-tests have been encouraging, says Mónika Rózsás; the Trappista cheese produced in the tests of Magyar cheese is already far superior to other products of the same type available in Hungary. Thanks to ongoing investments, Alföldi Tej's market share, already significant to begin with, increased only further. The company is a market leader in the domestic sale of finished products, and is also significant in terms of quantity: their nearly one hundred producers account for about one-third of Hungarian raw milk production.

Proud of their successful brands

It is interesting, and presents a challenge for exports, that Hungarians have a slightly different taste in dairy than other countries. In Hungary, consumers tend to prefer lower-fat milk, of 1.5 and 2.8 percent, while abroad, it is the heavier type, higher than 3 percent, that is in demand. Additionally, sour cream



alone accounts for almost one-third of Alföldi Tej's sales – but this product is not universal, as it is only known and used in the Hungarian-inhabited regions of neighboring states. While the company has been delivering abroad since its founding, this is not the direction that has been most defining. Currently, 3 percent of their total revenues come from outside Hungary, primarily from Italy, Great Britain, Romania and Bulgaria. At Alföldi Tej they are particularly proud of the successes they have achieved with their brands: together, their two largest brands, Riska – targeting young people – and Magyar – designed for consumer consciously looking for Hungarian products – account for over two-thirds of their sales. The remaining some 30 percent comes from toll manufacturing – in other words, producing own-brand products for various chains. Five years ago, the ratio was just the opposite, but with their multiple award-winning brands, they turned the trend around; in fact, in a move unprecedented in Hungary, a German retail chain purchased one of their brands, the Kokárdás.



Li Junyan

*Director of Finance and IT
of Wanhua-BorsodChem*

A CHEMICAL INDUSTRY PIONEER - BORSODCHEM

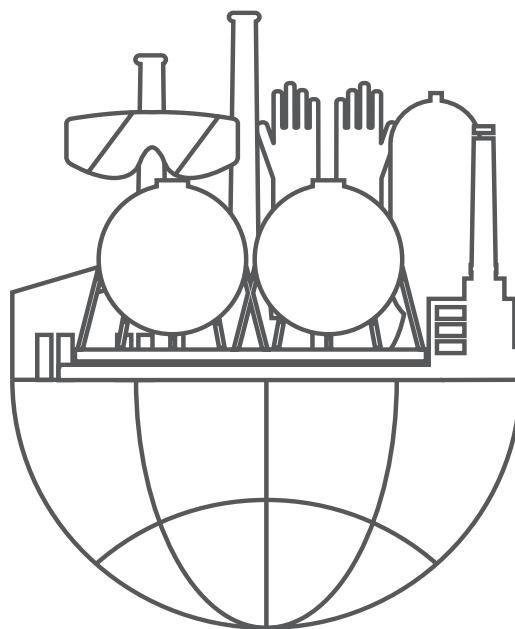
In recent years, BorsodChem has become a leader in the region, under the wings of the Chinese industrial group Wanhua - the Hungarian-founded chemical industry company, turning seventy this year, is experiencing a second rebirth as a result of flexible adaptation to consumer demand.

Anywhere we look around ourselves, we are certain to see items containing plastics - be that a telephone, a sweater, a water bottle or even an artificial leather conference room chair. These are likely to include BorsodChem's main product, MDI. One of the most multifaceted raw materials in the chemical industry today, MDI is in constant, predictable demand. No wonder that they are among the largest MDI producers in Europe, while being market leaders in TDI, used for very similar purposes. Last year, they began work on the construction of a new aniline factory.

Keeping up with trends

With six decades of history, their roots go back a long ways: Borsodi Vegyi Kombinát was established in

1949. The plant, in Eastern Hungary, began as a fertilizer producer. Accomplishing a major technology leap, it was the first in the country to launch PVC production - known to many for its use in flooring materials - in the early 1960s. The world has changed a great deal since then, and other types of plastics are in demand from buyers representing a number of different sectors. The plant in Borsod County has been following trends consistently. Their main product currently is MDI, which they added to their portfolio after the system change, in 1991; thanks to the continuous expansion of their capacity, they have become one of the leading chemical manufacturers in the region. MDI is the basic component of many products essential to daily life. It is often used in the construction industry for insulation; in the automotive industry, it is there in almost every material except for glass and metal; and it is also found in refrigerators or even shoe soles. Their other product is isocyanate, or TDI, which is one of the main components used in the furniture indus-



try. It is no surprise that one of their former competitors, the Chinese Wanhua industrial group, had set its sights on the Hungarian company, and proceeded to buy it up in a favorable moment. The Asian corporation had been looking for investment and acquisition opportunities outside China when they learned about BorsodChem, which had entered a downturn as a result of the 2008 crisis, recalls the beginnings Li Junyan, Director of Finance and IT of Wanhua-BorsodChem. Wanhua attached significance to the acquisition of the European chemicals company because it was lacking production plants outside China - where they are considered a major actor, ruling almost one-half of the MDI market in the most populous country in the world.

EXIM has been a big help

Following a long series of talks, they first purchased 96 percent of BorsodChem's shares in 2011; in 2017, the Chinese corporation acquired full ownership of the company. With the help of the new owner, the company - which had been losing money massively before the acquisition - became profitable within three years.

The 2008 crisis seriously impacted industries strongly dependent on economic growth, including Borsodchem, which was supplying automotive manufacturers and the construction industry. So much so, in fact, that economic logic would have dictated the termination of over 10 percent of its employees. This would have placed an undue burden on the region and city, already underprivileged to begin with, so the company opted instead to retain its workers, recalls the Director. Their headcount has remained constant since, and they have some 3000 employees - the impressive results were due to technological advances

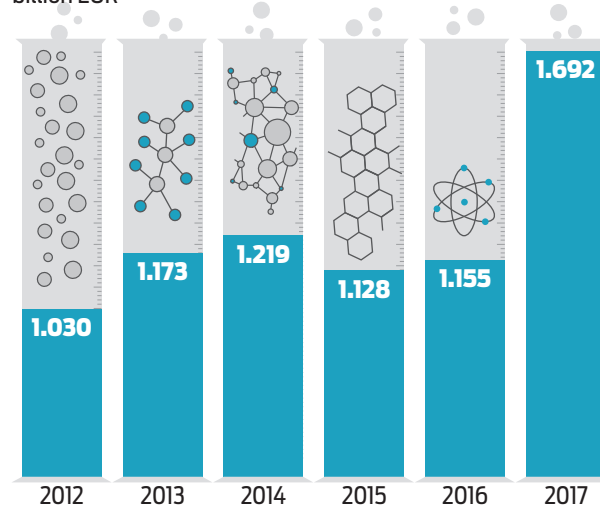
and capacity expansion, which have not required expanding their number of employees. Approximately 80-90 percent of the goods produced at the plant in Kazincbarcika are exported, to almost all of the world's countries - primarily to Europe, North and South America, Russia and Turkey. The share of exports has increased significantly since 2011. In parallel with it, profits have also grown, thanks to favorable market conditions: the global market price of MDI increased greatly with the recovery from the crisis, and this has been very helpful for BorsodChem.

It is precisely as a result of their serious export activities that they maintain a close relationship with EXIM: "We have a very good collaboration with Hungary's EXIM. Since 2013, we have taken out loans of some 100 million EUR, which we have devoted to export financing, says the Director of Finance.

The resources provided by EXIM have also played an important role in the dynamic development and results of BorsodChem to date - liquidity is highly im-

BorsodChem net revenue

billion EUR



portant, as is stable financing. In the hydrochloric acid conversion plant financed through EXIM loans, they use the byproduct of MDI and TDI production (consistently increasing in quantity), hydrochloric gas, to produce chlorine, which is one of the most important materials of the company. One of the important basic components of MDI production (consistently increasing in quantity) is formalin – in order to increase their production capacity, they inaugurated a new plant in 2018, also as part of the investment project financed by EXIM. It was in the fields of technological development and capacity expansion that the firm saw the most investment – and the results are clear: their MDI-production capacity increased by 30 percent, with TDI-production capacity increasing almost threefold compared to 2011 levels. Through this BorsodChem has become Europe's no. 1 TDI producer. In terms of numbers, this means BorsodChem has a market share of some 10 percent in Europe in the field of MDI, while in TDI this is 20–30 percent.

Training for labor

Last fall, the company announced that it would be establishing an aniline factory in Kazincbarcika, with a value of more than 140 million EUR. Aniline is a basic component of MDI; the greater part of the quantity needed is obtained from the company's aniline factory in the Czech Republic (the plant has been running at full capacity there for years), while 40 percent is procured from Wanhua, the parent company in China. This will be replaced by the new factory, where they expect production to commence in 2021. BorsodChem is involved not only in manufacturing activities, but also development. Some forty employees work at their research and development center in Gödöllő, where they conduct basic research for

30

percent growth

in MDI-production capacity, with TDI-production increasing almost threefold compared to 2011 levels. This is thanks to investments and technological developments.

their clients into possible additional usage areas for MDI and TDI. With this information, they are able to provide effective assistance to their sales and marketing team, so they can achieve even better results. According to the Director, one of the largest challenges right now is the lack of appropriately trained technical professionals; they have been seeing this problem for three-four years. Because they are looking for specially skilled professionals, who are difficult to draw away from the major cities, they have established a chemical industry training program with the University of Miskolc; it is expected to launch this September. They hope that their training of successor generations will help alleviate the labor shortage problem in the chemical sector and in the region. For BorsodChem, sustainability, plant safety and environmental protection are priority strategic goals. They continue to investigate the environmental impacts of their activities, and reduce harmful effects through their investments; one example was the establishment of the hydrochloric acid conversion plant. In this field, the Director highlights their management system, introduced at BorsodChem by Wanhua, which helps the Hungarian-rooted company establish itself increasingly well in the international market environment.

Imre Varga

Managing Director of
Chemark Zrt.

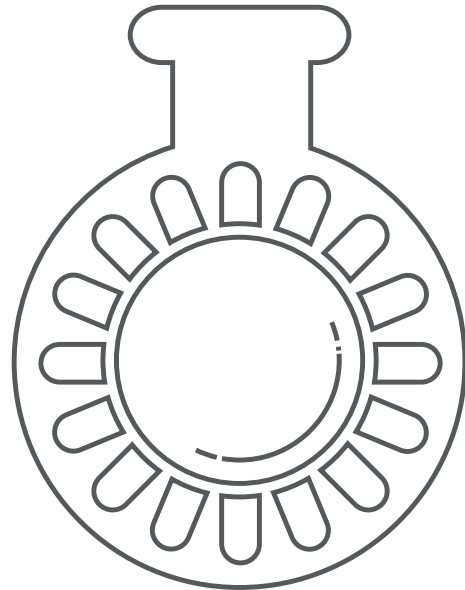
BUILDING ON THE PARTNERS' TRUST

Chemark Zrt. is the second largest toll manufacturer of pesticides in Europe. It is owned wholly by Hungarian private individuals. The company produces 38,000 tons of pesticides each year. Some of the largest multinational companies active in the industry have been its cooperating partners for years. Their revenues have increased steadily since the company's founding.

As a toll manufacturer, Chemark Zrt produces almost 1 billion EUR of goods each year as a company with turnover just under 40 million EUR. It is indicative of their volume that they produce 38,000 tons of pesticide substances annually in Berhida, which is more than double the total amount of the 18,000 tons used annually in Hungary. The company provides employment for more than three hundred persons.

The larger part of their revenues, some 80 percent, is accounted for by pesticide formulation, while approx. 10-15 percent comes from packaging and an additional 5-6 percent from warehousing, logistics and the sale of products used in small gardens. One

of the owners continues to manage the company. Imre Varga graduated in 1984 as a pharmaceutical researcher before going to work in the Balatonfűzfő plant of Nitrokémia. They were established soon after the system change, as a small company; at that stage already, they worked exclusively for the predecessors of today's multinational companies. These companies needed partners with the right know-how, which is something Chemark was already able to provide then. Their first complete business year, 1992, was already profitable. Their revenues continued to increase in the year following, and have done so steadily in recent years, except for one year.



In addition to Imre Varga, the company has three other owners; they, however, do not participate in operative work. Direct management for the company's operations is provided by eight director-level company seniors, with the CEO at the helm. They are supported by several mid- and lower level man-

agers: shift and production managers, warehouse managers and managers of other units, such as lab manager.

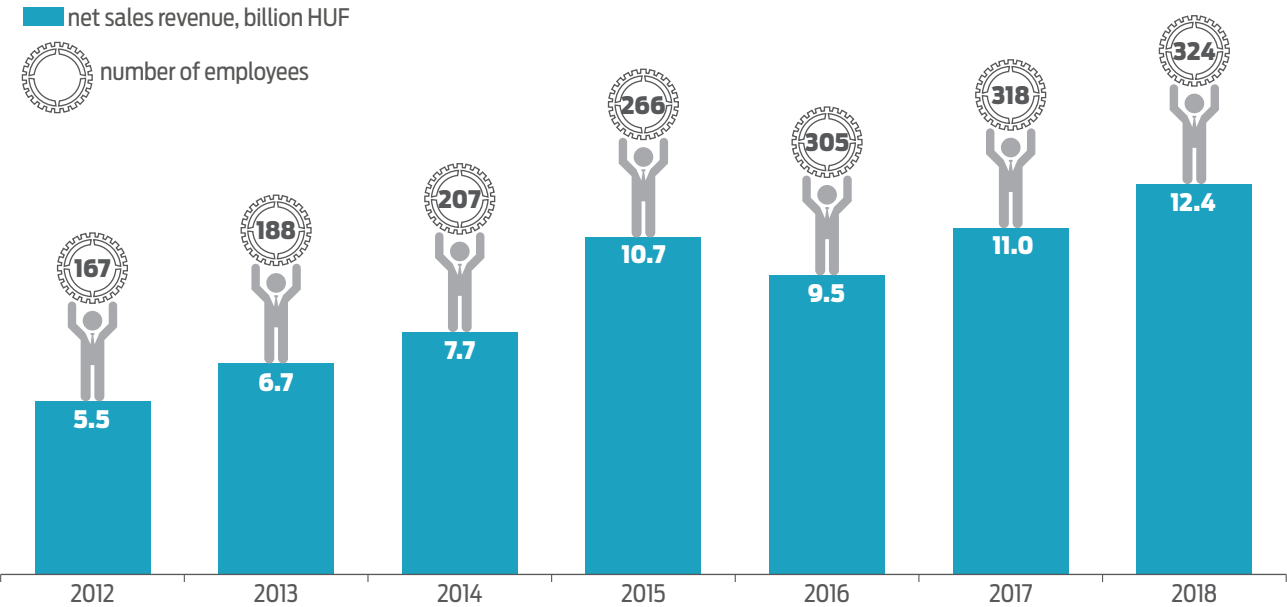
Uninterrupted growth

Before Hungary’s accession to the EU, the company had to face the dilemma and the threat of what to do against increasingly prominent foreign competition. The owners and managers of the company have chosen to get ahead of the competition. For this reason, since 2003, they have implemented a string of developments which continues to this day. The standards of their production facilities therefore are on par with those of Western European factories, and even surpasses them in some ways. It is therefore no coincidence that their partner relationships are so strong.

During the process of pesticide formulation, they use physical and chemical processes, as well as various additives, to formulate active ingredients, which in their original form would be impossible to utilize, and turn them into substances easy to disseminate and use.

They have EXIM to thank in no small part for their level of development, since they have had a long and fruitful relationship for many years through their bank partners. In the last 10 years, they have received loans totaling 49 million EUR for various projects under highly favorable interest conditions, usually with fixed rates. “In addition to the right conditions, our collaboration was favorable for us thanks to their attitude showing an understand-

Select data from recent years



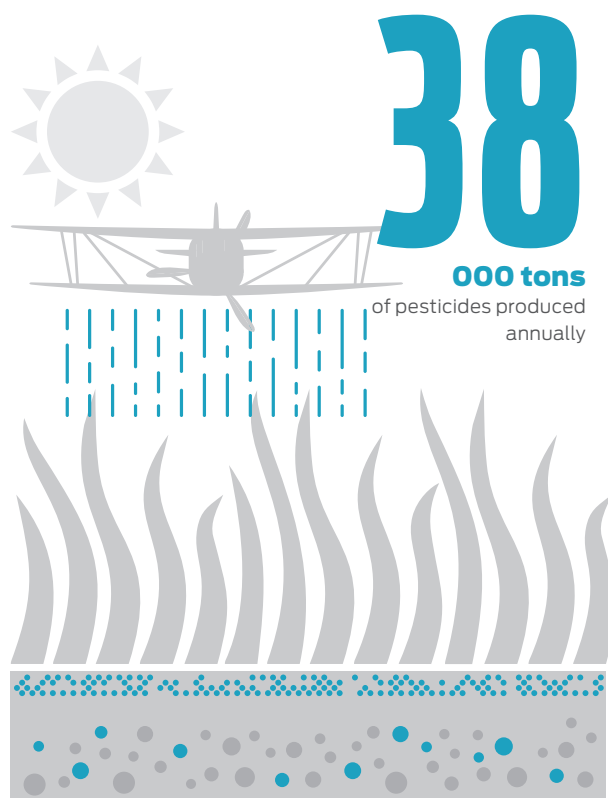
ing of our business environment,” Imre Varga says. “The projects we have implemented with the help of EXIM resources have all helped us grow from a small business into the key toll manufacturer of pesticides in Europe. Few Hungarian companies occupy a similar position in their own sector.”

The CEO says success is visible only from a distance, and from short looks back; failure, however, is something one can truly learn from. As he says, each phase has different problems and brings about different results. Today, the problem, for instance, is that 10-12 people are consistently missing from their production division; their headcount of 323 people is not sufficient to see to day-to-day tasks. “It is the industry itself which is facing critical disadvantages. People do not like working with chemicals, not even if we adhere to strict safety regulations and if we provide wages far higher than average,” says Imre Varga. Because the plant is in the highest threshold hazardous category, and they abide by all regulations, a team from the disaster management authorities regularly visits the plant to conduct exercises, he says.

Good workplace, good investment

An additional obstacle as far as employment is concerned is that the burden is uneven. Because of seasonality, for 4 months of the year they work with 6-day workweeks, while in the remaining months there is far less work. The production process is already highly automated, but in view of the trends taking shape, the company is considering further automation and the use of artificial intelligence.

In coming years, the CEO says, an important wave of consolidation is expected to reach the pesticide market, which presents a serious challenge and



opportunity for toll manufacturers. “The capacity increase we have implemented in recent years makes it possible for us to win new orders,” says Imre Varga. They have every chance of that, since in recent years they built up their partners’ trust step by step. “It is not just about behaving fairly and thinking in the long-term, but also about an innovative and cost-sensitive approach. It is important to have the best knowledge possible of our partners’ operations and positions, and of everything relating to our sector; it also takes a highly-trained, competent and motivated team of employee, he says. A decade from now, Imre Varga hopes to see a developed company that is human-focused and customer-centric; a company that is livable, is a good workplace for its employees; and a good investment for its owners.

IN OUTSTANDING SHAPE

Csaba Metál Öntödei Zrt., initially a one-person enterprise, has gone far: with 1200 employees today, they deliver parts directly to BMW and Volkswagen; passengers of the London and Paris underground systems also ride escalators produced by the company in Békéscsaba.

The story of the Békés County company is one of exemplary success. The aluminum foundry and metal structure manufacturing plant, which was quick to earn the trust of some of the largest German automobile manufacturers, is managed by a father and son duo together; their annual revenues are close to 20 billion HUF. The founder, Béla Majoros, supervises the company as President as of last January; his son, Csaba, took over in the position of CEO.

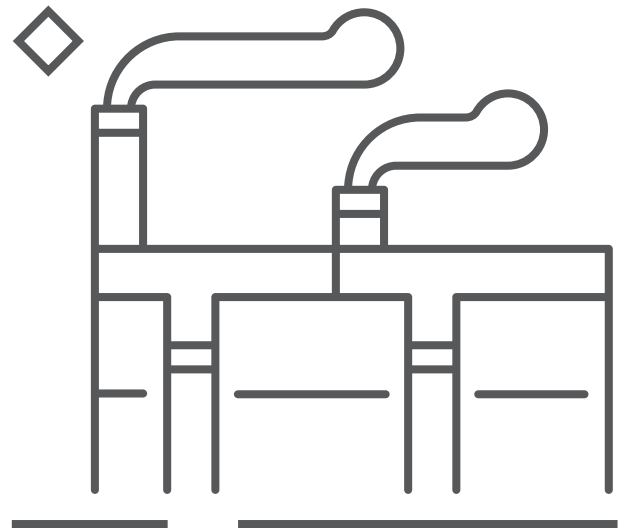
Seamless generation change

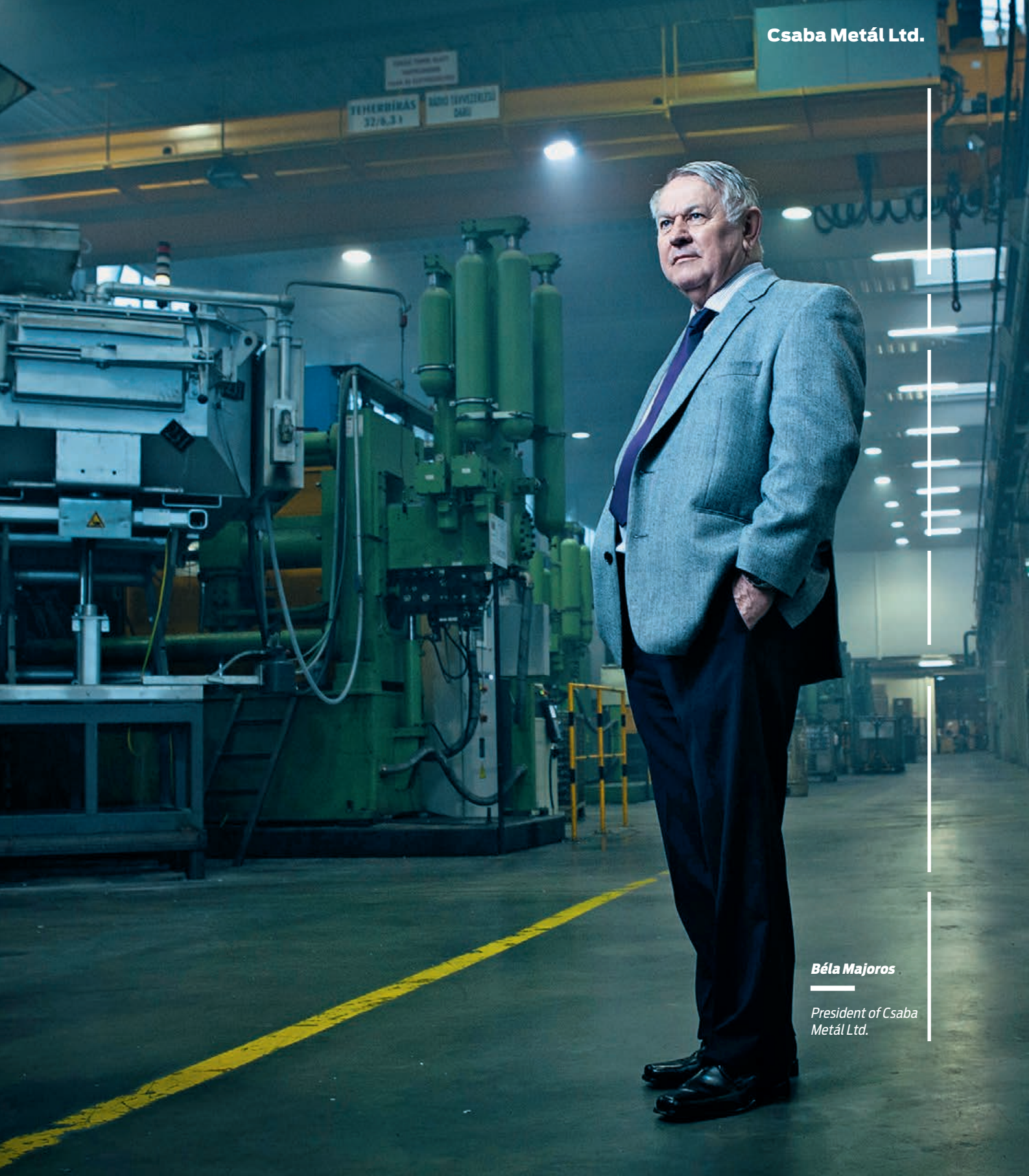
The generation change has been seamless at Csaba Metál: Csaba Majoros, essentially, grew up together with the company. He was there on the first workday in August 1993; he later worked in production in three shifts for more than a year, to learn the real “smell” of the profession. They share an office with his father, with desks next to each other's. Their

relationship is a close and good one: the founder is there at the office each day, consulting and supporting the strategic decisions of the business.

Successful in building the company's reputation

After a brief detour in the world of construction, Béla Majoros fell in love with the world of foundries when he came to Gyula in the early 1980s to work for a company manufacturing concrete elements. Later, he served as director of a foundry in Baden-Württemberg, Germany; he returned to Hungary after the system change and, feeling the winds of change, decided to launch his own company. This is where the story of Csaba Metál begins. The founder thus traded in his comfortable leather chair in the executive office for protective gear worn in the foundry: he worked alone, and simultaneously performed physical work while leading the company. At that point, he did not yet think in terms of the large company they have





Béla Majoros

President of Csaba
Metál Ltd.

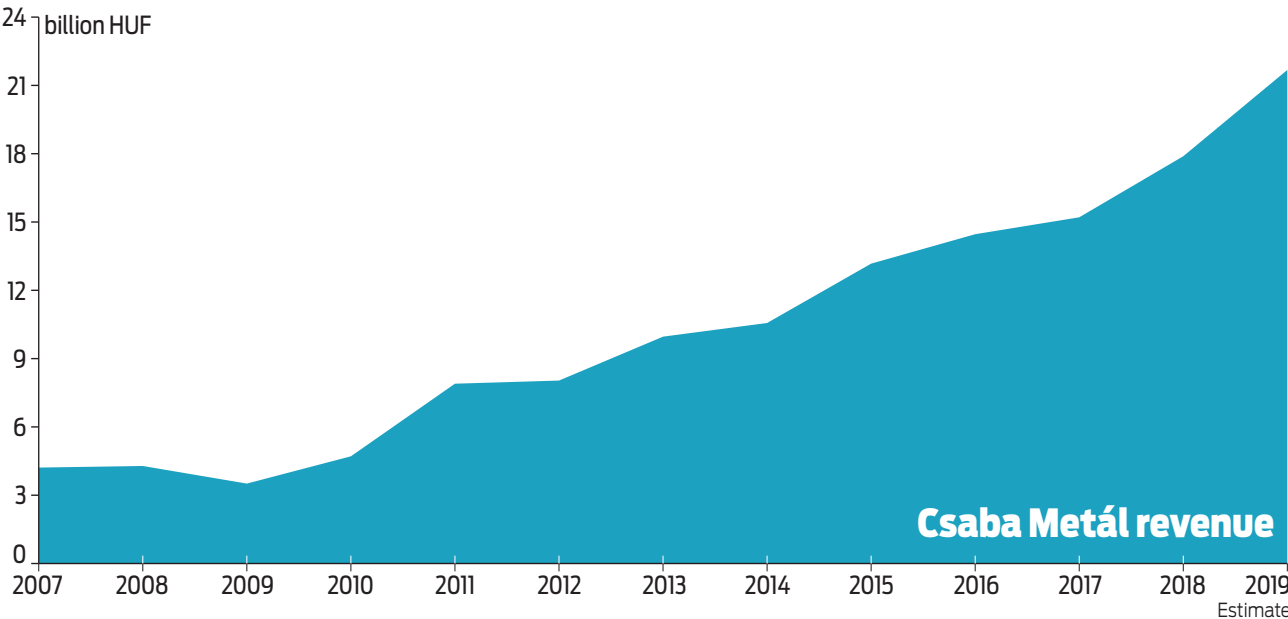
today, employing more than one thousand people; but one order came after the next, since they were producing aluminum molds of outstanding quality.

The company expanded nicely through the turn of the millennium; from then, however, they switched to a higher gear with the first orders from a major automotive company, a Japanese supplier of vehicle electronics. “Because the automotive industry is rather closed, customers tend to come once you establish a good reputation,” says Csaba Majoros. Another important milestone in the life of the company was when they took over the Ikarus facility in Szeghalom in 2005, where they were producing buses developed on site; primarily, however, they were manufacturing automotive metal structures: trailers, chassis or even airplane tugs. Today, two-thirds of the company’s revenues are accounted

for by the foundry; one-third comes from metal structure manufacturing.

A new investment with EXIM

Because they export nearly one hundred percent of their products – either directly or through their customers –, it is no wonder that they have been working with EXIM highly effectively since 2013, directly and without the involvement of commercial banks. “I am pleased that EXIM found Csaba Metál worthy and saw a reason to finance the company directly,” highlights Csaba Majoros. From the very beginning, Csaba Metál’s leaders established a good personal relationship with the earlier CEO of EXIM, Zoltán Urbán; their continuous and intensive collaboration continues to this day. In fact, they are also preparing for another investment with the help of EXIM.



Their remarkable growth is also visible in terms of figures: in addition to an 18.5 million EUR and a 12 million EUR development program financed through their own resources and supported by a special government decision and bank loans, the CEO says their third step will be even bigger than the first two. They have won a project that is huge in terms of both volume and value, the fulfillment of which will require both state support as well as banking relationships, he says.

The crisis was still underway when, as a greenfield investment, they inaugurated an ultra-modern foundry hall in 2012; the technology in the facility, capable of producing large molds, remains extremely rare, according to the CEO. The large-scale investment has been accompanied by prominent results: passengers on the subways of London and Paris are also riding Csaba Metál escalators. Their dynamic growth is evinced by the fact that in a year and a half, they have filled almost the entire new production hall, which has needed further expansion – and in a year, they filled this, as well, with technology. Today, they are in a position of needing to inaugurate new production facilities nearly every single year, with production increasing by 20 percent annually; this requires the expansion of infrastructure.

Great emphasis on training

They became tier-1 automotive suppliers in 2012 – allowing them to deliver their products directly to the car factories –, at such prominent brands as BMW and later Volkswagen. They continue to maintain an exceptionally close relationship with the Bavarian premium car manufacturer. They account for some one-fifth of the company's reve-

90

percent

of their sales revenues come from the automotive industry, they are not concerned about unilateral vulnerability, since they ensure that no single customer exceed a 30 percent share.

nues; Csaba Metál primarily produces transmission boxes for their electric vehicles. They will be tier-1 suppliers to the BMW plant in Debrecen, scheduled to begin operations in 2023, which the CEO expects will further increase this figure. And while more than 90 percent of their sales revenues come from the automotive industry, they are not concerned about unilateral vulnerability, since they ensure that no single customer exceed a 30 percent share.

Due to labor shortages, they place great emphasis on education, continuous training and the education of successor generations – they employ 80 industrial students. Together with the Békéscsaba professional training center, they have launched an automotive metal component track, where the curriculum is proposed by Csaba Metál. Following their three-year studies, the students are either hired directly to work, or can pursue continued studies to earn their high school degrees, and eventually study in a dual track at the Budapest University of Technology and Economic Sciences or the University of Miskolc, with which they also have a cooperation agreement. The CEO maintains that it is important to approach young people as early as possible, so they can consider this profession their life goal.

TAKING FLIGHT

The Gallus-Group expects to sell some 83 million baby chicks this year. Today, more than half of their sales are accounted for by exports.

Gallus Ltd.'s main activity is the raising and breeding of broiler chicken parent stock, egg hatching as well as producing and mixing feed. The company was established at the time of the system change, following the privatization of the Devecser state farm. Managing Director István Szabó first joined the company as an intern, working his way up to division chief and eventually director. Since the company was transformed into an Ltd., he has been at its helm. Under his control, the company soon started on a path to growth. Demand was particularly high in the 1990s, but competitors in the region kept going bankrupt as a result of bad managerial decisions. In order for the company to rest on solid pillars in the long run, they began after the millennium to work on covering the full spectrum of products from the fields to the table. To that end, in 2001, they established Taravis Kft. as part of the company group; Taravis slaughters, processes, packages and sells the chickens raised in the integrated network. The new company was established in Sárvár, with the help of local professionals. Over the years, they have also devoted increasing amounts to research and development. Since 2009, Gallus has had its own accredited laboratory, which





**István Szabó
and Ákos Szabó**

*Managing Directors
of the Gallus-Group*

helps protect against salmonellosis by serving as a public animal health service laboratory.

14 million chickens a year

Six years ago, the company arrived at a milestone: in 2013, the company director's son, Ákos Szabó, joined the Gallus-Group as a second Managing Director; from 2014, he also serves as Managing Director of Taravis Kft. Ákos Szabó is responsible primarily for strategic and international tasks; he also deals with the company's expansion abroad and ensuring the consistent growth of export revenue.

The continuous development typical of the group has also been a part of Taravis's story: the compa-

ny's capacity has increased almost three-fold since its founding. Today, they slaughter 14 million chickens at the company's facility. Currently, the company's Sárvár plant accounts for the third highest number of slaughters among Hungarian broiler chicken slaughterhouses. Meanwhile, the number of units belonging to the company has also increased: currently, the company is active in 6 counties of the Transdanubian region, at 36 facilities. Their poultry processing plant is located in Bakonypölöske, where they produce individually frozen products as well as items ready for the kitchen and a line of marinated products. Their hatching farms are located in Devecser, Bábolna, Zalaapáti and Sármellék. Thanks to their expansion, the Gallus-Group is today one of the largest employers in the region; its average number of employees is more than 1100 persons. Additionally, the integration of Taravis Kft. also provides a living for 50 producers and their employees. In addition to their own integration, they also have a significant impact as far as employment is concerned on their external suppliers. "It is important for us to work with an appropriately trained and satisfied workforce, and that we be able to retain them. It is only in this way, and together, that we can be successful. The company group is proud of its team of professionals; many have been with the company for decades," notes the Managing Director, István Szabó. Currently, their commercial partners include virtually all major retail chains: Auchan, Coop, CBA, Lidl, Penny Market and Spar.

Important foreign markets

As the company continues to expand, the share of exports is also increasing in terms of overall revenue. The Group's monthly export turnover is more than 1 million EUR. This year, they have already signed con-



tracts for the sale of 83 million baby chicks; more than half of these were sold to foreign markets. They deliver fresh products several times a week to Slovakia, Austria, Slovenia, Croatia and Switzerland.

“EXIM has provided all of the conditions for us through which we have been able to expand and develop our export activities in a way and at a pace that has been in line with our business and strategic plans,” the Managing Director states. He adds, “we are proud that as a result of our partnership and collaboration with EXIM, our export revenue has been increasing year by year since 2016; according to forecasts, the growth is set to continue in upcoming years.” According to the Managing Director, EXIM’s product range, in addition to developing export activities, also provides an opportunity to implement investments through which they can advance across the full range of their activities. Through this, they are able to consistently improve the quality of their products, thereby meeting changing consumer expectations and increasing their market share.

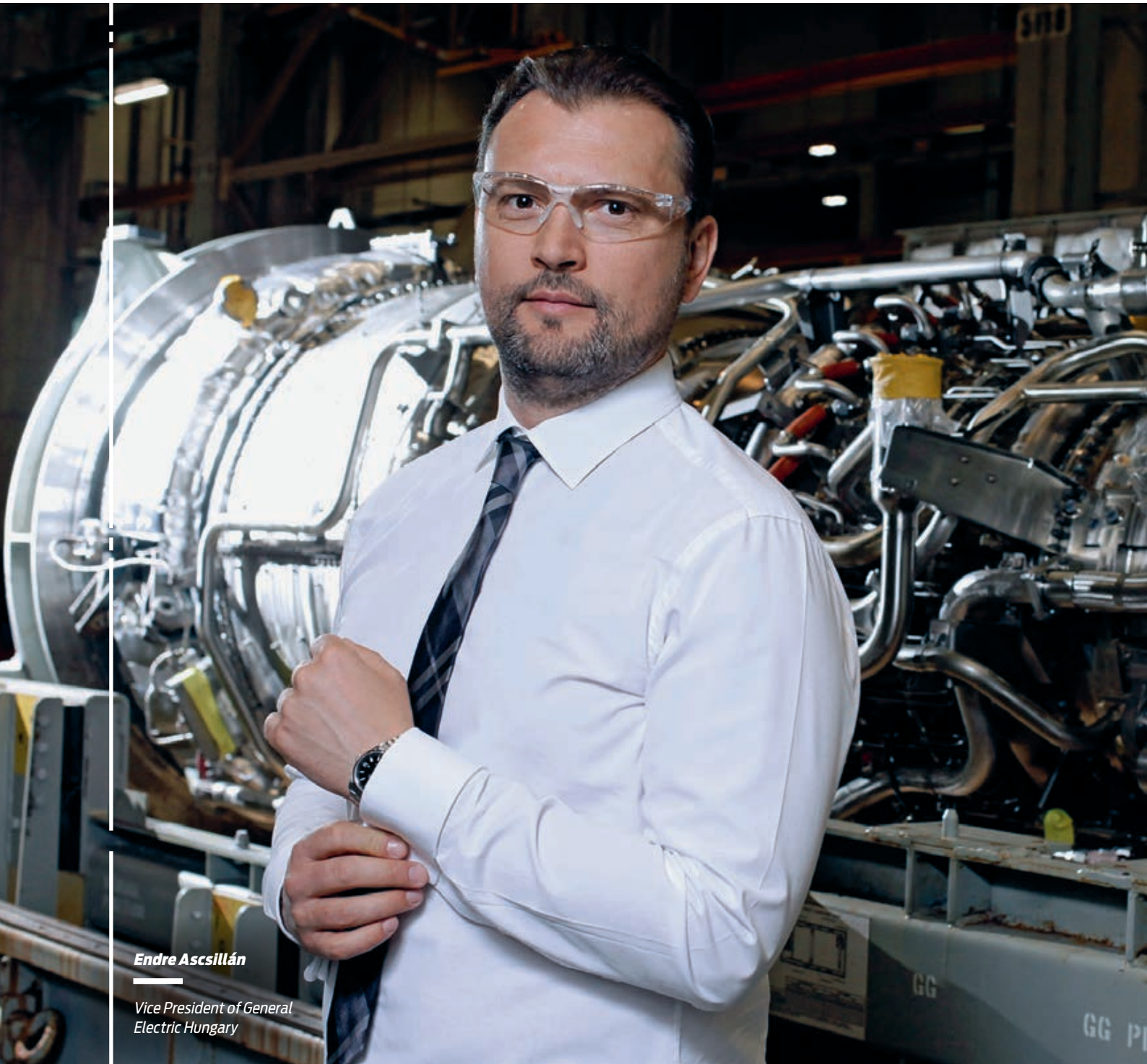
Keeping up with consumer trends

Thanks to the support, the Gallus-Group has implemented significant investments over the last two and a half years. Among other things, they have modernized their slaughterhouse, and expanded its capacity. They have replaced 90 percent of their previous equipment with technologically more advanced units. Their new refrigeration facility was also completed this year.

In the second half of the year, thanks to these new investments, they have further increased their slaughter numbers, also allowing their export activities to increase. As far as future prospects are concerned: the company head says robotics and automation will be-

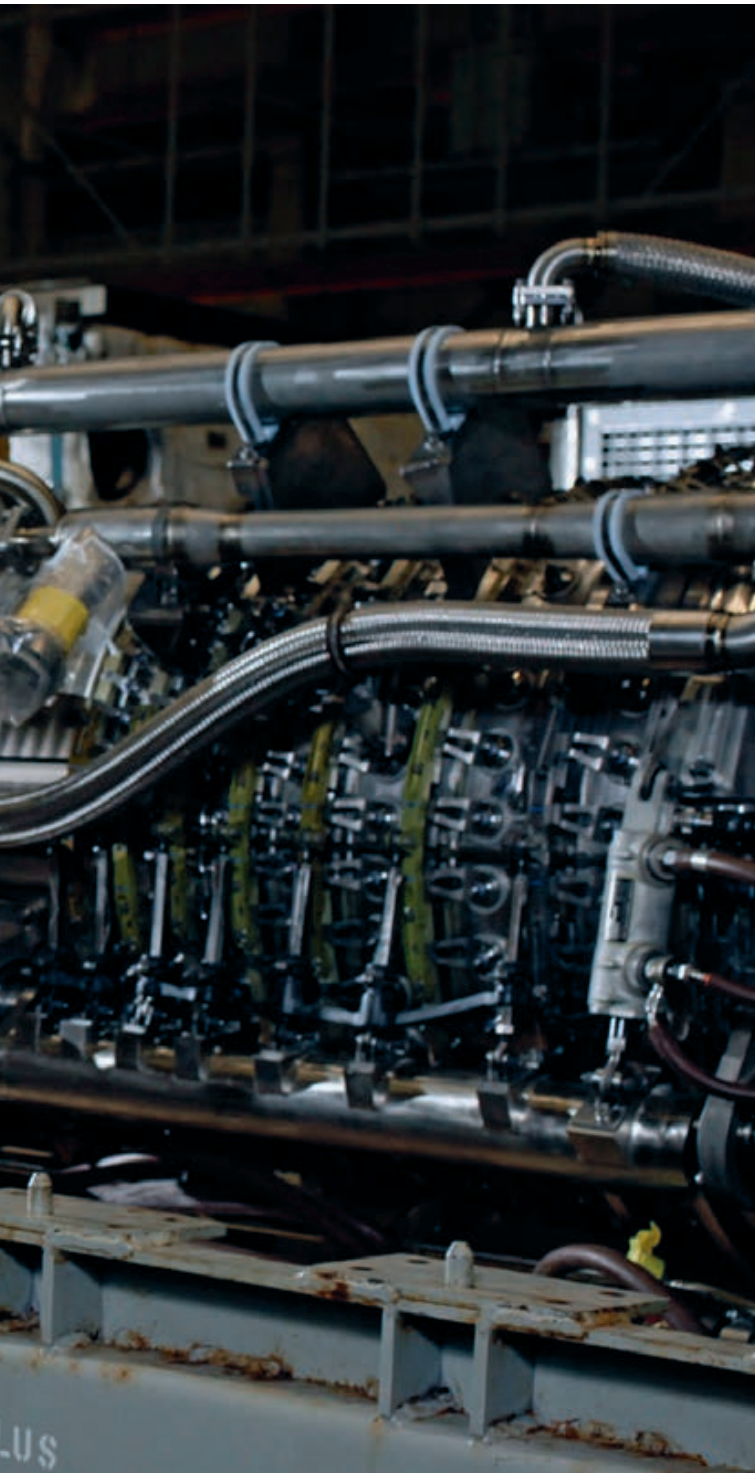


come increasingly important in the poultry industry. Recognizing this trend, they already rely on a Swedish robot in their Sárvár plant; in the future, they expect to replace manual labor with machines in several facilities. They are also keeping up with changing consumer trends: because finished products are increasingly sought-after in stores, they expect to see a time in the next several years when the products emerging from their factories will be ready-to-eat, in some cases even without the need to heat them. They strive to ensure that, based on the foundations of the last 25 years, their progress over the next 25 years will remain uninterrupted. They consider it their mission to contribute to elevating Hungarian agriculture to its rightful place in Europe. Within ten years, they hope to become a profitable company group which is able to deliver not only ingredients, but also processed and packaged products, outstanding in quality, to the quality-focused markets of several countries.



Endre Ascsillán

Vice President of General
Electric Hungary



ALONG SHARED VALUES

The American corporation General Electric has become a key actor of the economy in recent decades, during which it has brought almost its entire portfolio to Hungary.

It has been three decades since General Electric became the first major U.S. investor to enter Hungary. “It was more than simply a market decision on the part of GE to acquire the European lighting company Tungstam, boasting a significant history, in 1989, as the first major privatization step of the system change,” says the Vice President of GE Hungary. According to Endre Ascsillán, the current thirty year anniversary shows that the values GE saw in Tungstam at the time have been borne out. These included a professionally qualified labor force able to deliver quality performance; Hungary’s traditional foreign trade links from the times before the system change; and the production axis of the Visegrád countries - says the Vice President.

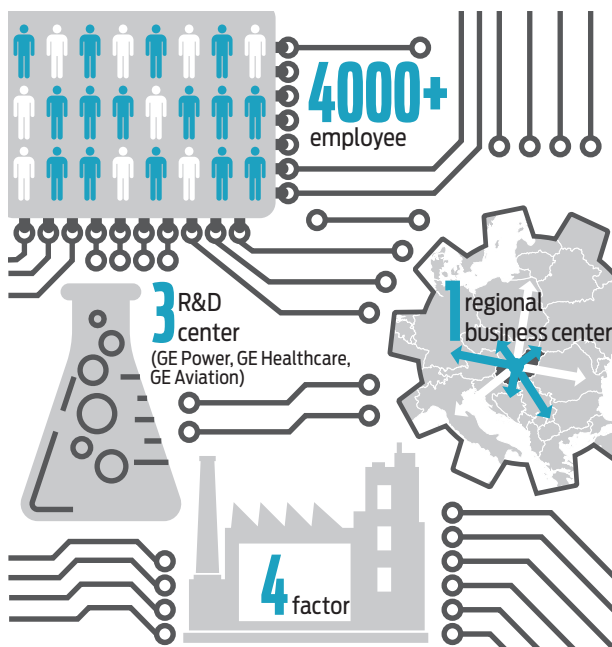
Following initial successes, GE demonstrated further confidence in Hungary, bringing in almost all of their business divisions, from the energy industry to healthcare and oil and gas industry, as well as water treatment, aviation technology and even banking services all forming parts of the portfolio. Their manufacturing activities, industrial, online, innovative and R&D activities producing some of the

highest added value in Hungary are complemented by their Global Operations Center.

Global transformation

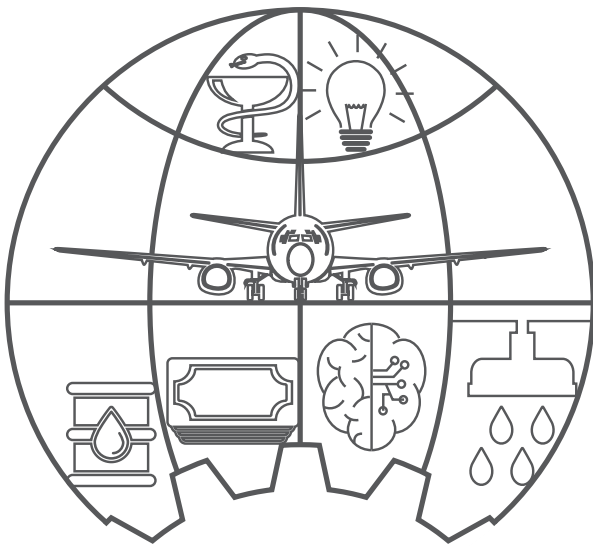
The global transformation of the American GE also affected their activities in Hungary, the Vice President says, moving on to current processes. As a result, the banking, water treatment and industrial solutions branches of the company were transferred to new owners - just like the lighting source division, which employs the most people and which since 2018 is once again an independent company under the name Tungsram Group and under the leadership of former GE Hungary president Jörg Bauer. This makes for a simplification of the portfolio which in the past had been highly diverse. In Hungary, four divisions are of primary importance: the energy, aviation, renewable energy and healthcare

segments, and their Hungarian subsidiaries. The healthcare division intends to expand their team of engineers in Hungary working on software development projects connected to medical imaging diagnostics, growing from the present number of just under 500 to 600 individuals by the end of the year. The aviation branch is particularly significant, with GE Aviation one of the leading companies in the field of aircraft engines, boasting the largest market share in the field globally. "We have invested significant work in ensuring that as many aviation technology related tasks be brought to Hungary as possible," says Endre Ascsillán. One important advantage of the sector is that it is highly predictable. The lifecycle of each engine is approximately 30 years, thus providing continuous work for the Veregyház plant dealing with maintenance and refurbishment, as well as for the increasingly large network of cooperating suppliers. Currently, the plant employs 350 people, and there are plans to expand both capacity and headcount.



Serious results together with EXIM

Because GE Hungary produces 99 percent of its products for exports, it is no surprise that the company is closely engaged with EXIM. "In the last ten years of export capacity increases at the company, the bank and the insurance company have played an important role," notes Endre Ascsillán, who says one key component of the attractiveness of the Hungarian investment environment is the availability and extent of export financing and insurance, as well as EXIM's supportive activity. "There is always intense competition in the international markets: it is not enough to simply deliver the products and devices. You must also provide the financing plans for them," he declares.



They have availed themselves of EXIM's services in several of their branches, but it is GE Power in Vere-segyház which had established the most defining relationship. It was in connection with the turbines produced in the plant that EXIM implemented its largest lending to date in 2016: together with the Canadian export loan agency, EXIM provided a total of 436 million USD in export loans, to help GE put forward a competitive bid for an Indonesian gas turbine system bid worth 500 million USD. "The loan was made possible by the work performed in Hungary, at GE Power in Vere-segyház, along with the value added there and the presence of Hungarian suppliers," the Vice President highlighted. GE Hungary continues to work today with EXIM colleagues on more than four projects similar in scope to the Indonesian one, in order to find the best financing structure most in line with the needs of the particular country.

This requires the consistent development and expansion of the company's circle of Hungarian suppliers, comprised primarily of small and medium enterprises - something in which they have already significant successes together with EXIM. The way the process works is that if the particular business has to invest in development to be able to fulfill,

for instance, an order from GE - thereby expanding their capacities or moving up a level in the supplier structure -, then they are able to rely on EXIM financing, be that a loan, capital or other product.

Key supplier programs

Stable local partners are of critical importance for GE. It is primarily medium sized enterprises which are able to play these roles, since this is the size - in terms of capital, flexibility and capacity - that can be relied on even in the case of multi-million dollar international tenders. Still typical in Hungary, however, are smaller companies employing between 100 and 150 people, which boast outstanding professional qualifications and generally work for one or two major clients. "A company resting on several pillars and delivering to multiple partners is less vulnerable to the shifts of the international market, and in some cases is able to more flexibly change to the manufacturing of different products," says Endre Asc-sillán. Accordingly, they place significant emphasis on supplier programs also in the case of the nearly 800 million EUR Paks steam turbine project awarded to GE Hungary in 2018. "Joining the suppliers of Paks is a serious challenge, but one that is well worth it: for companies working on the project, the world's nuclear energy market opens up, which as a result of the power plant construction cycle of 20-25 years, provides stable orders for the company for several decades to come," says the Vice President.

Thus, GE Hungary, thanks to the "streamlining" of its corporate structure, remains one of the largest market employers in Hungary, continuing to generate important added value in the economy, and helping Hungarian supplier companies advance to the elite of the world's technological companies.

Attila Sárossy

Director of
Gyermelyi Zrt.



THE MILLS ARE TURNING

Pasta means Gyermelyi – yet few know that Hungary’s market leader pasta manufacturer is also at home in “other pastas.”

With a history spanning more than six decades, the company located in Komárom-Esztergom County employs five hundred people. It remains wholly Hungarian owned, and continues to invest, develop and acquire new markets. The company is Hungary’s largest egg producer, is one of the top three in the milling industry, and has recently started dealing with crop breeding and feed production. The company’s management is forging ahead in a careful way, reacting in time to rapidly changing market conditions, making the Hungarian pasta manufacturer – with revenues over 20 billion HUF – an increasingly important player in the region.

Still a familiar atmosphere

It is rare to encounter success stories where a company, which started out as a cooperative, and was able to weather privatization intact and as one entity, is not acquired by a larger market player, and in fact is carried forward by its original owners. Gyermelyi’s growth has been uninterrupted. The company has been successful, but this required several conditions, according to Gyermelyi Zrt. Director At-

tila Sárossy. On the one hand, the physical location of the plant: close to Budapest, but not so close to make real estate overrated. Secondly, the ownership structure has also adapted flexibly to the changes. The earlier cooperative was transformed into a corporation in 1990, and the company remains owned by its managers. Initially, Gyermelyi Zrt. had 700 founders; the concentration of ownership began later, and continued with the establishment of a holding company. Today, there are some 420 owners in the holding company and the corporation – including many small owners, who for instance inherited their shares from their parents. The larger, defining owners are a smaller set, and the company’s managers also belong to this circle. “The atmosphere at our general meetings has therefore stayed familiar, since almost all of our larger owners have local connections, which is a tremendous advantage and makes communication and decision making easier,” the Director says.

The company, involved primarily in pasta production, decided in 1989 to build a mill, so as to be able to produce their own flour ingredients. The product range has expanded since then, from crop breeding to farming on over 8600 hectares and animal hus-

60

000 tons

the production capacity of the new plant This takes them to economies of scale generally appropriate in Europe.

bandry. The decision to place all agricultural production and industrial manufacturing processes in one hand has been proven correct. In fact, since 2013, they have been operating two mills, and recently have become capable of producing durum flour, the ingredient of traditional Italian pasta. What makes it special is that thanks to its high protein content, it does not require the addition of eggs during pasta production. The company's exports are comprised almost entirely of durum flour pasta, since it is durum pasta that has become most widespread in Western Europe, thanks to Italy's influence. It is also important that this type of flour may be produced more profitably than regular flour. The company did feel the effects of the economic crisis which began in 2008, and cut back on investments, but both Gyermelyi and the majority of its partners made it through the downturn. This is a predictable business – there is always demand for pasta, and it is a key food regardless of income levels, so export levels may remain relatively consistent.

Expanding exports

The year 2017 marked a milestone in the life of the company: in this one year alone, they devoted more than 10 billion HUF to development. This was when the company began construction of a new pasta plant, which doubled their capacity (reaching 60,000 tons); they completed their third high-bay warehouse, where automatic loading equipment loads and unloads goods without human involvement. This was also when the company inaugurated its high-performance, modern feed plant, to lay the foundations of later poultry farming developments.

The company has been a market leader in Hungary for many years; since the 1990s, they have steadily



held one-third of the market in the country. “It would not make financial sense to acquire a greater market share than this, because consumers feel choice is important in the case of pasta brands, and multinational companies also prefer to buy from multiple sources,” says Attila Sárossy. The key to further expansion, thus, clearly lies in increasing the share of exports.

Gyermelyi has maintained an excellent relationship with EXIMfor years, evinced by the company's dynamically expanding exports. The Director says making use of the export prefinancing loan available at the bank with favorable conditions, is clearly smart, as it provides a stable financial background for developing in foreign trade markets. The relationship between the company and EXIM is set to intensify in the future: in addition to maintaining the stable level of domestic sales, Gyermelyi is also planning significant export increases.

Currently, export prefinancing loans account for some 15–20 percent of its loans. This is roughly equal to the

company's exports, which also amount to 15-20 percent of their revenues, which had exceeded 20 billion HUF in 2017 already. This led to the fortunate situation that they are able to finance all of their export production through loans with favorable interest rates, while being able to repay them in foreign currency from their export revenue – this takes any exchange rate risk stemming from conversions essentially out of the mix.

Sixty thousand tons of production capacity

Euros come in handy also for development. The majority of investments require importing, and thanks to the loan from Exim, they are able to pay in foreign currency for various machine lines, combines or tractors. They are carefully moving forward, and have a clear goal with the loan: they do not wish to take a lot more

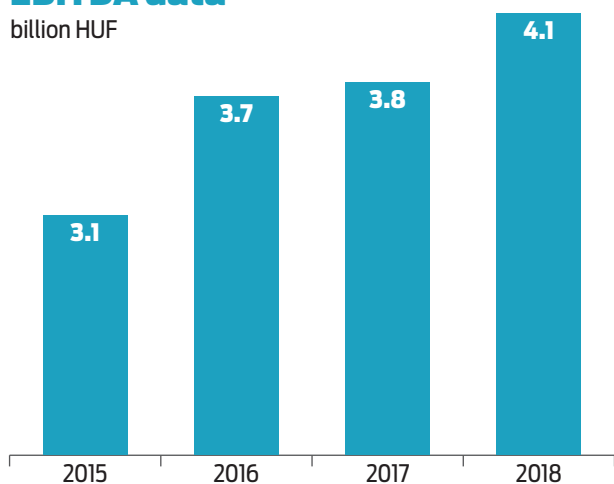
out than what their actual exports demand. "This plan has worked very well for years, and we have a valuable relationship with EXIM," summarizes Attila Sárosy. According to the Director, their increasing exports mean they would benefit from the introduction of the Euro as soon as possible, as it would make the predictable planning of their corporate finances far easier.

They have been delivering abroad since before 1990 – at the time, to the Eastern Bloc. They sold pasta in what is today Russia, Ukraine, Poland and even the Baltic states. It is interesting that Gyermelyi pasta is sold under the Gyermelyi brand only in Hungary, Romania and Slovakia; in other export markets, they sell their products under the own brand names of the particular chain. This is the way ahead, according to the Director: it is possible to be awarded tens of thousands in sale opportunities on the tenders put out by larger retail chains. Just 2-3 of these account for the majority of annual exports. This is why it is important for them to be able to produce goods of consistently high quality, in large quantities. "These types of sales are on the rise in Western Europe, as well. If somebody is not able to adapt to this, they cannot stay in the market," he declared.

According to Attila Sárosy, the new pasta plant represents outstanding foundations for their expansion in foreign markets; these investments increase their production capacity to 60,000 tons per year, up from 35,000 tons. This takes them to economies of scale generally appropriate in Europe. Their next goal is for their egg and flour product divisions to catch up. The Director sketches out an ambitious plan: this could triple their turnover, with exports growing four-fold, and the company becoming a defining player in the region's food industry.

Gyermelyi Company Group EBITDA data

billion HUF



CLEAN WATER FOR THE FURNACE

From Nagykanizsa to Sri Lanka: Hidrofilt Ltd. grew from a garage-based business into a company with billions of HUF in revenue. They have long led the market in Hungary in the field of technological – industrial – water treatment, but the residents of Miskolc and Zalaegerszeg also have them to thank for their ultra-purified potable water.

Modern energy systems require water that is special in quality – which means that anywhere technology relies on heating or cooling, there is also a need for water treatment, says Krisztina Borsos, Managing Director of Hidrofilt Water Treatment Ltd., explaining the company's diverse group of clients. Over the years, the company has been active in almost every industry imaginable, allowing them to collect far-reaching experience from the food industry to chemicals and machine manufacturing, or even the energy field. In fact, they have even dealt with the nuclear energy sector, which few companies in this field get to do: they provided water treatment units to Paks.

The company was founded by Hungarian professionals in 1990, after the system change. Of the founders, György Papócsi remains active in the stewardship of the



company to this day. The founders did not come from far: earlier, they worked at the Nagykanizsa Precision Mechanics Company, which at the time was the designated manufacturer and supplier of water treatment systems in Hungary and in the Eastern European region. There was thus no shortage of professional expertise.

A new boom

The company started delivering units abroad immediately. Initially, exports reached Russia, Kazakh-

**Krisztina Borsos**

*Managing Director of Hidrofilt
Water Treatment Ltd.*

stan and Jordan – thanks primarily to their container solutions, allowing for ease of transport. Several of these pieces of equipment remain in operation to this day, a quarter of a century later; in fact, the container segment is seeing another boom. They, too, were affected by the crisis, with orders dropping, but thanks to the company's conservative business model, they had sufficient reserves. There were no layoffs, so when the market took off again, they were able to respond immediately. They devoted the “quieter” period to innovation and technological

development, which also proved extremely useful later.

Their relationship with EXIM began when they set out on one of their largest and most challenging projects. Their cooperation took them far – literally, in fact. Krisztina Borsos's father, the earlier Managing Director of the company, visited Sri Lanka in 2004 as a tourist, after the tsunami. There, he saw how many people were facing problems accessing healthy potable water. The refurbishment of two water treatment plants outside the capital of Colombo – both of which were

built during colonial times and were thus in bad need of renovation – ultimately began in 2013, with Budapest Waterworks and the National Concrete Road Construction Company acting as main contractors, and Eximbank and MEHIB providing support through an assistance loan plan. Hidrofilt provided the technology for the project, costing some eight billion HUF, and was also responsible for building the water treatment system on site. The project, challenging to begin with, was made more difficult by the fact that during almost the entire construction phase, the water treatment plant was in operation, having to serve 200,000 people living in the area. “The Sri Lanka project took us close to our limits. This was our first multi-year project in a distant land, in a different culture,” the Managing Director recalls. It quickly turned out that they can only rely on local subcontractors to a limited extent, which meant 30–40 of the company’s employees had to be dedicated to the project in Asia for its duration. These colleagues collected experience in working with a different culture, and saw the great need for English-language skills. The engineers thus learned English at lightning speed, as did the actual laborers, which is something that is tremendously useful today, as they work in Poland, the Managing Director says. Today, more than half of the company’s employees use English regularly.

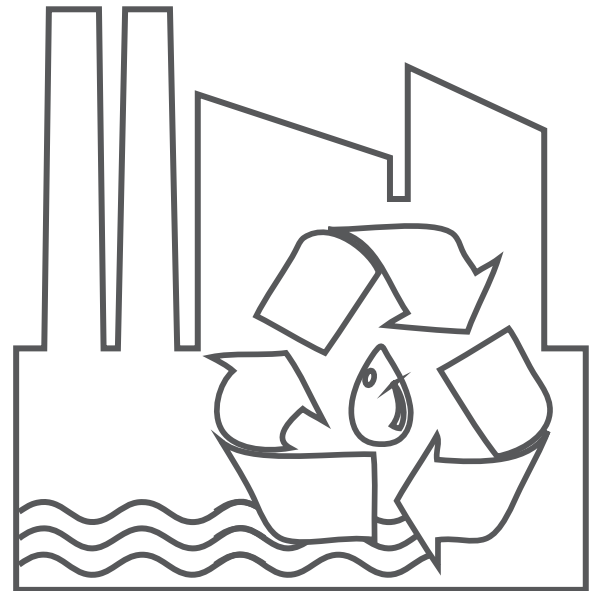
The Far East in sight

According to the Managing Director, EXIM’s favorable loan programs are able to provide important assistance for the export activities of Hungarian industry actors, especially in the field of water treatment, which is a sector where return on investments is slow. She also shared a “business secret”: there is another Far-East project on the horizon, as the foreign minister

200

000 people

had access to water in the Sri Lankan capital of Colombo while refurbishing two water treatment plants dating back to colonial times



of the Philippines during his latest visit to Hungary visited the company’s facilities in Érd, completed in 2017. Hidrofilt is no stranger to developing countries, with projects in recent years in Peru, Cuba and Mexico. In the developing regions, their job is primarily to provide potable water treatment solutions, because industry is not particularly significant. In places where there is already industrial activity going on, there is also a demand for industrial salt-free water and for the purification and recirculation of industrial waste-

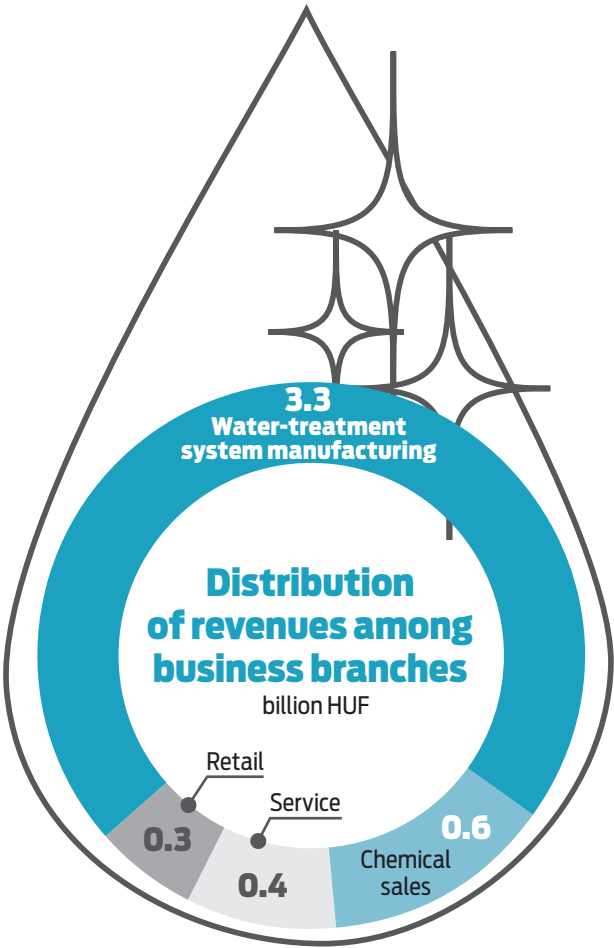
water. They have produced such system for the United Arab Emirates and Iran, as well as for German and Japanese clients. In developed regions, their key tasks have to do with truly special water treatment options.

Innovation in the spotlight

Employing nearly 180 people in the company group, Hidrofilt is a market leader in Hungary in the field of technological water treatment, but is also an important actor in another market segment, residential potable water treatment. There is synergy between the two divisions: because power plants require highly purified water, produced through the use of special technology, they are able to make use of their industrial water treatment expertise in their potable water treatment projects. They are pioneers in the field of membrane technology in Hungary. Thanks to the potable water treatment system, relying on membrane technology, built by the company, the residents of Miskolc and Zalaegerszeg are able to consume excellent quality, healthy and ultra-purified potable water.

Exports accounted for one-third of the company's turnover of 4.6 billion HUF last year. They are active primarily in Poland, but also have subsidiaries in Slovakia and Romania, ensuring a continuous presence in the region. According to the Managing Director, the priority now is innovation, which is why the Ernő Soós Water Technology Research Center, co-founded with Pannon University and the city of Nagykanizsa, is important to the company. Last year, the company created a significant pilot technology park, which in addition to research and development, also serves educational and modeling purposes. Prior to the construction of water technology systems involving

major investments, they use pilot units to model the complex technology and ensure that the water quality produced, and energy use, are in line with plans. In the future, they hope to become one of Europe's defining companies specializing in water treatment, and to do so with even more foreign subsidiaries. In addition to the planning and construction of water treatment systems, they see services playing an increasingly important role, for instance with the operation of entire industrial water management systems, thereby producing even more added value.



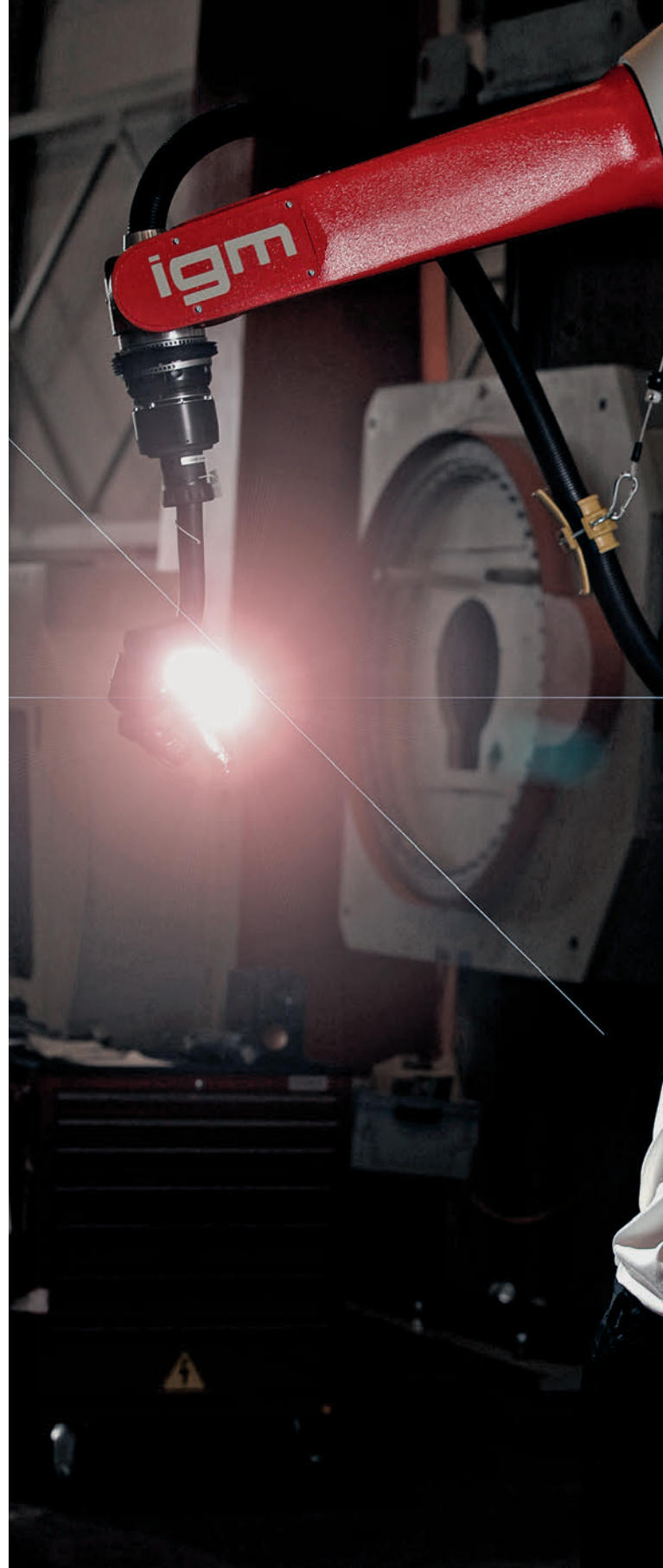
ROBOT MANUFACTURERS

Igm Ltd.'s turnover has increased more than six-fold in the last 18 years. They export some 95 percent of their products, and the number of their partners is constantly increasing.

Igm Robotic Systems Ltd., located in Győr, is the only company in the country dealing with the manufacturing of welding robots. Their parent company was established in Austria 35 years ago. Headquartered in Wiener Neustadt, the company's first machine won the most prestigious Austrian innovation prize, the Staatswappen. The Austrian company established itself relatively early in Hungary, already prior to the system change. Together with the predecessor of Igm Ltd., they first entered into a cooperation agreement; then, 30 years ago, they bought the company. The current Managing Director, Béla Fenyősi, has been leading the company since 2002. By his own admission, he would not have thought at the time that the company would eventually reach this magnitude. What 18 years ago was a company achieving 1.5 billion HUF in revenue last year saw turnover of 10 billion HUF.

Important successes in the last 3 years

While the company has been expanding steadily since the crisis, their growth really took off in the



last three years. There are several reasons for this: in part, demographic figures are declining in an increasing number of countries. The fewer active workers there are, the more companies are looking to automate their processes. And in fact, when it comes to manufacturing, robots have a number of advantages, since they can work in three shifts, if need be, and with proper maintenance, they can perform their tasks precisely every time. Additionally, robotics is beginning to intertwine the world. Today, Hungarian companies are also increasingly reliant on machines. The Győr-based company has more than 35 welding robots operating at 25 companies in Hungary. Last year, a novelty in Hungary was the large-scale automation at Rába Jármű Kft.'s plant. Thanks to Igm Ltd., Rába is now able to meet the most exacting western demands with its three large robotic systems. SBS Kft. and Fortaco Zrt. have also demonstrated similar growth; these companies are regular suppliers to Liebherr, Caterpillar and Volvo.

An export-oriented company

With global demand growing, Igm Ltd.'s owner, their Austrian parent company, grew into a large corporation. Today, they have subsidiaries in Europe, Asia, Australia and North and South America. The Hungarian company enjoys a relatively great amount of independence: while sales are done almost entirely by the parent company, development, production, procurement and the training of employees all takes place in-house. The machines produced by the subsidiary are used, among other places, in freight shipping; their welding robots have also been used in the building of Chinese express railways. In Canada, their machines are used to man-

Béla Fenyősi

Managing Director of Igm
Robotic Systems Ltd.

ufacture earth-moving equipment whose control compartment is the size of a room.

The company is highly export-oriented, with exports accounting for 95 percent of their turnover. One-fourth of their products, intended for export, are delivered to China, and 15 percent to Germany; they have recently targeted the countries of Central and South America. They continue to expand their global sales chain. Last year, their network of sales partners grew to include two new members in the Far East and Australia. Igm Ltd. is always looking for long-term cooperation, and is therefore considered a dependable partner in the foreign and Hungarian supplier industry.

Successful international expansion has required a series of developments. Their investments in the last seven years were financed partly through loans taken out from EXIM.

Outstanding interest environment

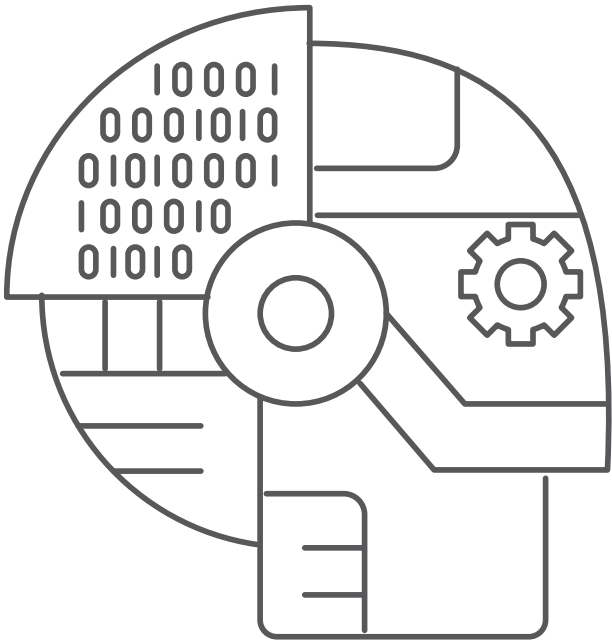
“We have a terrific relationship with the financial institution. We chose EXIM because they are able to provide extremely flexible loans for our building and machine purchases, and because they play an important role supporting our material procurements. We have nothing but the best to say about our collaboration to date,” says Béla Fenyősi. “We always pay attention to the information they share, and always have several outstanding offers to choose from,” he adds. They are particularly satisfied with the interest environment.

It was precisely thanks to these well-timed developments that the Győr-based company was able to achieve a competitive edge in its own market. Because of this, Igm is currently the only manufacturer in the world to offer its partners all major welding

95

percent

of turnover goes to exports. One-fourth of their products, intended for export, are delivered to China, and 15 percent to Germany; they have recently targeted the countries of Central and South America.



jobs from a single source, with its own sales team. In fact, and unlike many of their competitors, they monitor the lifespan of their products from design to handover and even maintenance – or, if necessary, even replacement.

They have an expansive maintenance network, with their own teams present even in China. Additional-

ly, they deliver their equipment with unique sensor technology not available on the market. There is important design work being done in Hungary, although mechanical, electronic and software development is done in Wiener Neudorf, while machine and electric planning is located in Győr. The company employs more than 210 persons; of this, 140 work in production, but even they are not traditional blue-collar workers, since a degree in engineering is required to operate the machines.

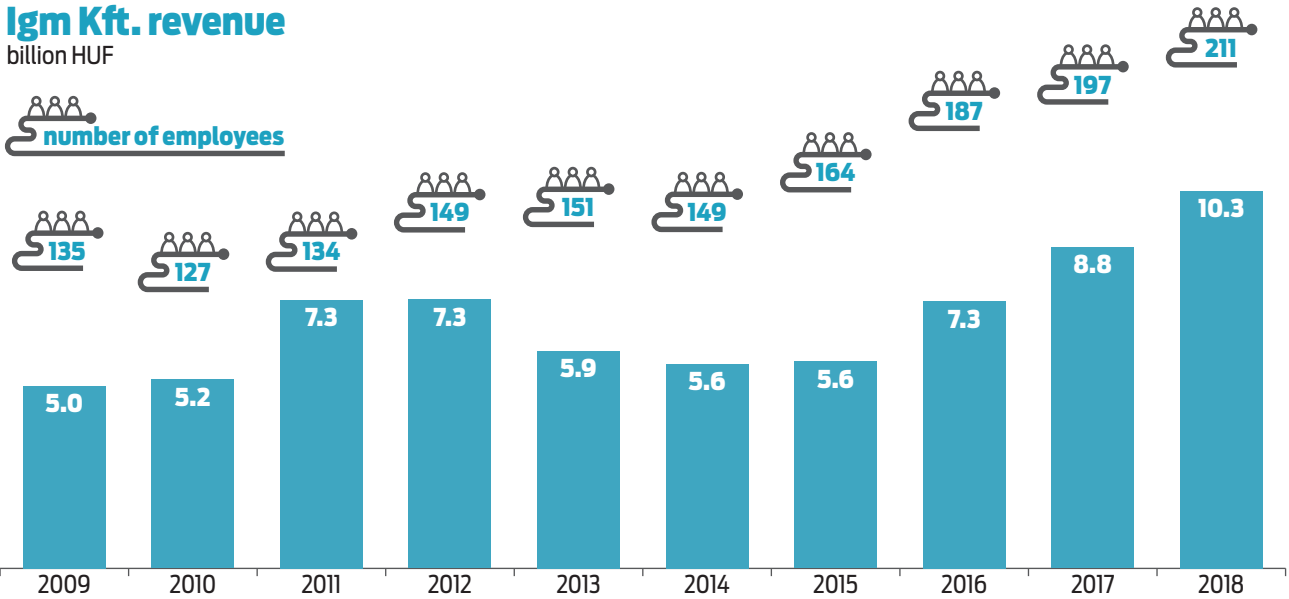
They have fairly few competitors: today, the company group has a market share of some 20 percent in the field of automated arc welding and heavy machine industry. A number of new manufacturers have appeared around the world, but even so, it is only 3-5 major companies that meet most of the demand. For Igm, the greatest challenge is the

supply of materials, since suppliers are often unable to meet deadlines. This, however, is not a problem they are facing alone, but is an issue for the entire sector.

A long-term market

Looking ahead, Béla Fenyősi is filled with hope. “Due to the cyclical nature of the global economy, smaller downturns are to be expected sooner or later, but our market is secure in the long run, since the automation of manufacturing processes is clearly in increasing demand worldwide. One thing is certain: as a specialist in automated welding, Igm wishes to continue playing a defining role in the field and in the global market. Igm-know-how, developed in recent years, will play a key role in retaining our market-leading position,” the company leader says.

Igm Kft. revenue
billion HUF



DEVELOPMENT IS NEVER ENOUGH

It has been worth it to learn constantly, to persevere, to be honest and to think in the long term, Béla Karsai summarizes the lessons of the past thirty years. The company group Karsai leads employs more than 700 employees. He is worth paying attention to: behind his words is his entire oeuvre.

Everyone has held at least one Karsai product in their hands at some point – in 1990, it was they who began producing tubes for Pharmavit's Plusssz effervescent tablets. No one in Hungary had ever seen the kind of revolutionary packaging that the innovative products came in. The packaging was initially imported to Hungary from West Germany, presenting quite a challenge for the young company established only two years earlier, dealing with plastic injection molding, recalls Béla Karsai, President of the company group. An architect by background, the company manager returned to the passion of his youth for machines and tools when he founded his plastics processing enterprise at the dawn of the system change. More precisely: when he took over the company managed by his wife and sister that they founded together – he felt he could

do it better. He fell in love with the world of manufacturing and plastics so much that he left the construction industry behind and began working as a handicraftsman in 1988 after graduating from the Donát Bánki Technical College, with a degree in tool design, a necessity for receiving his industry permit. From the early days, he opted for continuous development and investment, even if his first major machine purchase almost bankrupted him. He was convinced by a Swiss automatic plastic injection molding “super machine” he saw at a professional trade show: the unit was capable of producing a flowerpot in 2.8 seconds, far more quickly than the 30 seconds it took for a manually operated machine. He took a deep breath, and with the help of a bank loan he purchased the 6 million HUF import machine – at a time when one could buy a decent family house for 700,000–800,000 HUF. He did not prepare, however, for exchange rate fluctuations, and to his bad luck, it was that very day that the government decided to devalue the HUF. This meant that something which cost 6 million HUF in the afternoon ended up costing 6.5 million HUF by the evening – presenting a major headache for the businessman.

Cutting edge technology

The investment was still worth it, however, and to this day, the company strives to equip itself with the most modern machines and technology. Proof of this is that the Karsai Group has been using 3D printing, fashionable these days, for 15 years already – but the company executive is quick to dispel a common myth. 3D printing will never replace plastic injection molding machines, because even though it can be used to produce a broad range of



Béla Karsai

Owner of Karsai
Műanyagtechnika Holding
Ltd.

products, these may be used primarily for demonstration purposes only: their quality does not come close to matching that of products produced at high temperatures and pressure, intended for daily use.

Exports to 22 countries

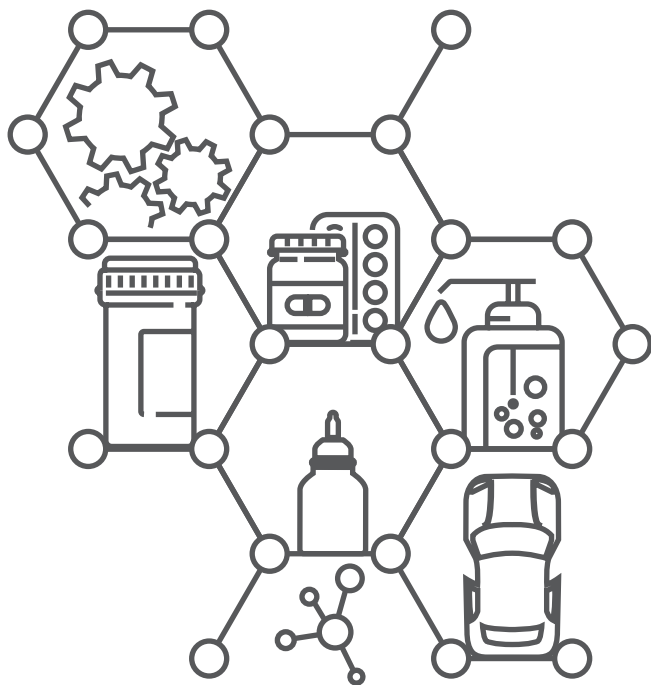
The company began expanding to foreign markets early. Their first foreign order came in the mid-1990s from Slovakia, from a smaller private pharmaceutical manufacturer, which had chosen the company thanks to its track record with the Plusssz tablets. This relationship is an ongoing one to this day. Since then, they export to 22 countries, with products going primarily to Switzerland and Germany, but also as far as Indonesia. The share of exports in the company's revenues is consistently

between 35 and 38 percent. They have expanded considerably in the over three decades: the group includes 9 businesses around the country, with some 80,000 square meters of production space and more than 300 different types of plastic processing machines. The company employs more than 700 people, and also has a 50-person subsidiary in Transylvania, mostly producing cosmetics and pharmaceutical bottles and caps.

Currently, the holding company's two divisions, packaging and automotive, account for an equal proportion of the revenue. The former produces a broad range of packaging materials of different colors and shapes for pharmaceutical, chemical and food industry companies. The automotive division is a tier-1 supplier to several major Hungarian automobile plants. Their express goal is to produce not only specific handles or covers for vehicles, but to sell stand-alone complete products representing higher added value to automotive manufacturers and multinational companies.

Effective competition for labor

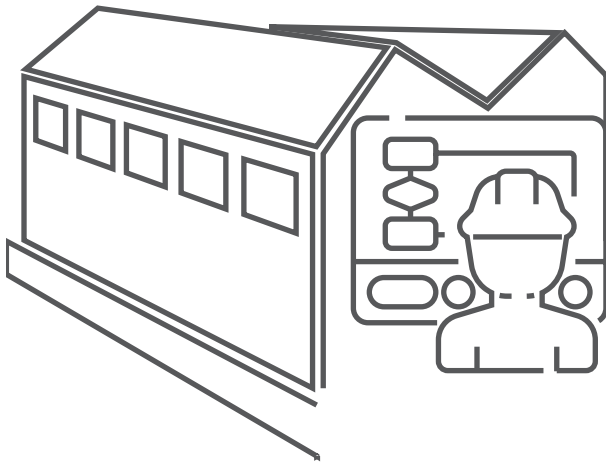
There is no shortage of forward-looking plans at the company: their long term goal is to achieve a 40 percent share of revenue through products developed by the company itself, since there is a higher profit to be made from the sales of innovative products, which provides an increased budget for business development. Béla Karsai takes a realistic approach to labor shortage, perhaps the greatest challenge of the Hungarian economy today. He believes that they are able to compete effectively for labor through at least the improvement of workplace conditions, if not yet in wages – he emphasizes the stability of employment, con-



9

facilities

with more than 300 plastic processing machines and 760 employees serving the company's clients



tinuous challenges, a company vision and trainings conducted within the company. They are active in terms of innovation, with six employees in the company's research and development team. One of their inventions is a heated outfit for motorcyclists, for which the heat is derived from the engine itself. According to Béla Karsai, the primary target group of the product are motorcycle couriers, who are on their motorcycles all winter. Later, this could become a standard feature on motorcycles as a heating system – just as, in the case of cars, air conditioning, radios and power windows have spread over the years.

EXIM and the company began working together at the time of the downturn caused by the 2008 economic crisis. Everyone working for the automotive industry found themselves in a difficult situation. Their luck – or perhaps a result of their foresight – was their business model resting on several pillars, and the packaging branch was able to weather the financially difficult period relatively intact. Banks have gotten very strict, however: liquidation proceedings were initiated after just slight delays with repayments. At Karsai, they did what it takes in these situations: they optimized as much as possible and went in search of new markets. At the time, they were working with one Hungarian and two foreign banks – and because they had wanted Hungarian banks to play a greater role, they entered into cooperation with EXIM. They took out a loan to replace their foreign currency loan, for a duration of five years, which was instrumental in their recovery from the crisis.

Lifesaving EXIM loans

The company manager believes that the loans offered by EXIM are useful from an economic policy standpoint, and also make sense for the company. "This loan helps us save Hungarian companies who deserve better fates. Many Hungarian companies have tried and failed to implement a generation change, leading to the loss of entire lifetimes' worth of work.

Research and development is exceedingly important, as is foresight, since Industry 4.0 does not allow anyone to sit back. Thus, Karsai Holding will continue its investment-driven period in 2019. Plans include the completion of an 8000 square meter hall and the procurement of new machines.



János Kovács

Managing Director of
Kecskeméti Konzerv Kft.

HUNGARIAN SUCCESS IN THE CANNED GOODS INDUSTRY

Built on important traditions, but operating with a new business model, Kecskeméti Konzerv Kft. processes 85,000-90,000 tons of sweet corn and green peas each year, selling large quantities of them in foreign markets. Dynamic growth was significantly aided by EXIM loans.

Most people likely know the predecessor of what is today Kecskeméti Konzerv Kft. for its renowned, quality baby foods. Kecskeméti Konzerv Kft. itself, however, was transformed in 2005, and since then has focused primarily on sweet corn and leguminous vegetables – specifically on green peas. The company has fared very well, as these plants can be produced in a rather favorable agricultural environment in Hungary. The goal is for the company to maintain its profitability and employment level consistently in the long run, and to do so using Hungarian products, which are sold primarily in foreign markets. The essence of the company's philosophy is to deal exclusively with high quality ingredients, and to strive during their processing to maintain ingredient quality to the maximum extent possible. It is also important

that Kecskeméti Konzerv Kft. has relationships with some 50 agricultural partners, which produce for the company 6000-7000 tons of green peas and 80,000-85,000 tons of sweet corn.

Implementing a successful foreign market strategy is only easy for a medium and large Hungarian producer with a strong partner like EXIM. Precisely because it has been able to achieve a relatively high export ratio in the highly competitive Hungarian and international market with EXIM's help, the Kecskemét-based manufacturer today stands on more solid footing than ever since the system change. As Managing Director János Kovács highlights: they produce their products in the shadow of French processing plants, and through their direct retail supply chains must prove in the competitive market that Hungarian ingredients, processed by Hungarian companies, are worth just as much as items produced for the table by French firms.

Good personal relationships are key

According to the Managing Director of Kecskeméti Konzerv, EXIM has assisted the company already prior to Hungary's accession to the European Union, through AgrárExim-plans. Their experiences, even despite the state ownership structure, have been favorable. The extent and structure of the medium-term loan providing current asset financing has always been perfectly aligned with canned food industry activities, which are seasonal in nature.

János Kovács also emphasizes that in addition to business, personal relationships are also important. In this respect, several EXIM staff members are long-time acquaintances, active in the region, meaning the management of the factory is able to trust them. It is also not only their "faith in Excel spreadsheet data" that influenced them when making decisions about

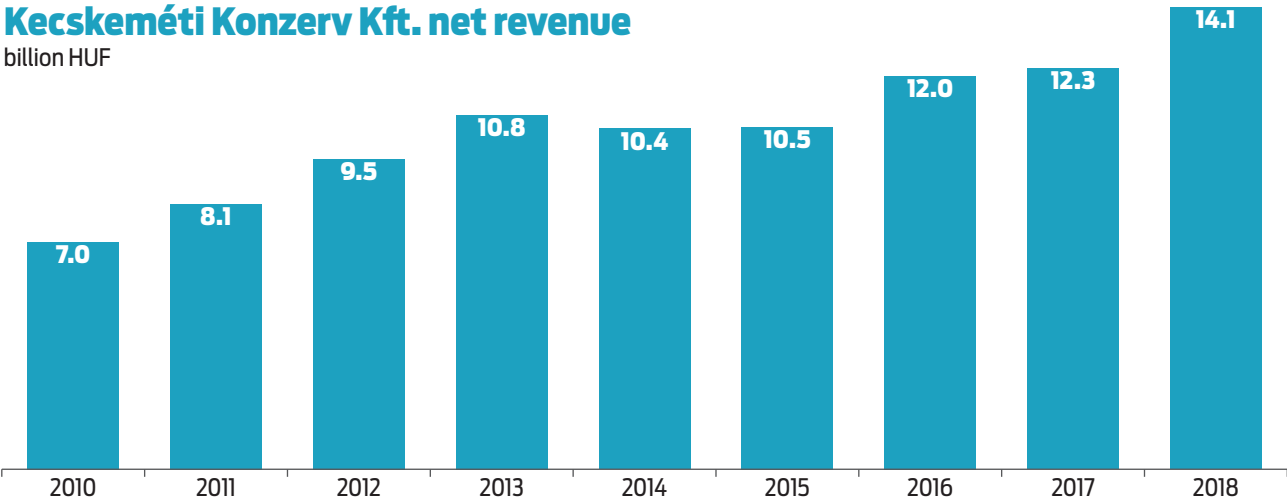
the factory, says the canned manufacturer's leader. It is also important in the case of a major financier like this that the company's changing of commercial banking partners during the repayment period of the EXIM loan in no way interrupted their cooperation with EXIM. As János Kovács says, the progress of the steamer was not impacted by transfers from boat to boat: the loan enabled them to further increase their partners' trust in them. "During the project period, our revenues increased by 40 percent, and our balance sheet total by 80 percent, which is significant because of our seasonal activities," the Managing Director adds.

National strategic branch

Nonetheless, he believes they are facing tough years ahead. The processing and the retail side are both experiencing globalization. "Networks otherwise antagonistic with one another are coming together to form procurement alliances, to make the situation of independent manufacturers more difficult. We have

been fortunate that our good analytical skills are coupled with good market relationships, where personal relationships still matter. The IT revolution is destroying this situation, with machines buying goods from people and selling goods to people," says the company head. This is what we must prepare for, he says, which is fundamentally difficult in a supply chain that hinges on people and is full of decision moments. Because of the above, the Kecskeméti Konzerv Kft. Managing Director hopes to move all "Hungarian, and not French" sweet corn processors into one boat, to improve their interest representation potential. This is almost a hopeless task, but a wise person once said, "Every Central European country has the right to defend the branches of its economy and its markets critical in terms of national strategy." "I believe sweet corn processing is also one of these sectors," argues János Kovács. And, in fact, Kecskeméti Konzerv is one of the larger producers: In 2017-2018, the company saw a capacity expansion of 1.89 billion HUF, which was assisted with nonrepayable state support of 948 million HUF. Thanks to this, the company was able

Kecskeméti Konzerv Kft. net revenue
billion HUF

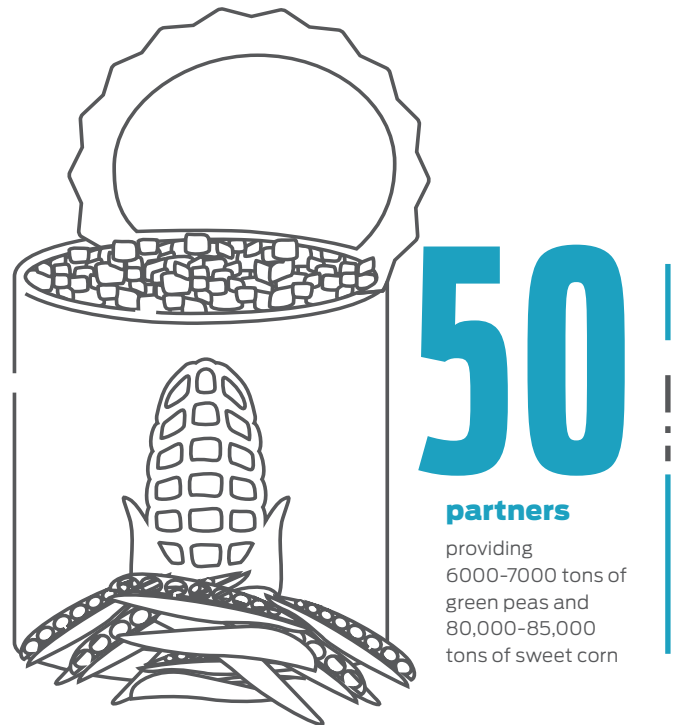


to implement not only an energy development project and product and technological improvements, but also real estate and infrastructure development. Through this, the company also increased its headcount by 40 employees. The company built a storage facility, a heating building, a water descaling and electricity-production system and two water wells; they expanded their sweet corn manufacturing capacity by some 15 percent, and also expanded their product range to include various beans and chickpeas.

Kecskeméti Konzerv Kft.'s sales revenues in 2016 exceeded 12 billion HUF; in 2017, they reached 12.26 billion HUF, and 2018 was also a good year, with revenues increasing by almost 2 billion HUF, to total 14.13 billion HUF. Of their 2017 revenues, 11.15 billion HUF were accounted for by exports; in 2018, exports reached 13.1 billion HUF, which is a notable ratio in this traditional, foodstuff-processing industry. The headcount of the company, which generally employs more than 250 people, can exceed 400 persons in the months from June to October.

One hundred twenty years of history

The first canned goods factory in Kecskemét was opened 120 years ago, thanks to the region's recognized vegetable and fruit producing traditions, ideal weather conditions and the availability of cheap labor. In 1921, following the success of the First Kecskemét Canned Good Factory, a new Fruit-Stew Canned Good Factory was also opened in the city. Later, the two plants were merged, in 1957, resulting in one of the largest canned good factories in the country. In the early years, the factory processed peas, beans, carrots, green beans, asparagus, tomatoes as well as peaches, apricots, greengage, pears, cherries, walnuts, strawberries, red currant and arbutus.



Twenty years later, the product range was expanded to include the first canned and vacuum-sealed sweet corn produced in Hungary, and tomato powder, with the company becoming the first to manufacture it in Central Europe. In September 1980, also as a first, the company inaugurated its factory producing baby foods in glass jars. By 1981, the company was present in the Hungarian market with 32 types of baby foods and four kinds of baby drinks. The system change did not really erode the successful brand, and while there have been serious storms, Kecskeméti Konzerv Kft. is an outstanding example of how a financier like EXIM can help a company achieve great success.

The company's growth really took off, however, in recent years, when the firm – transformed in 2005 – became a real model business in the region with EXIM's help. Significant capital-side assistance and professional management have, together, helped the prominent brand achieve important international success.



Attila Kovács

*Managing Director of KÉSZ
International Kft.*

FROM HUNGARY TO A WORLD LEADING ROLE

The KÉSZ Group is a success story not only in Hungary, but in the international construction sector. Launched in the early 1980s, the company group has completed some 3100 successful projects, including several very large projects, such as the renovation of Kossuth Square, the SkyCourt at Ferihegy, the construction of the Mercedes plant in Kecskemét or the construction of the steel structure of the Duna Arena, the main venue of the aquatic world championships hosted in Hungary. Thanks to the diverse portfolio of the company, KÉSZ is active not only in Hungary, but in over thirty foreign countries. It is also engaged in successful export activities.

The KÉSZ Group was launched as a family enterprise in 1982. In the almost forty years of its operations, it has completed important projects in the construction sector. In the years before the system change, the company was active most of all in agricultural construction projects, foodstuff plants,

and grain and cracker production plants. Following the change of regime, projects connected to various service activities - primarily the construction of petrol stations - were in the focus of the company's activities. It was by building on the experiences

collected during these years that the KÉSZ Group expanded its list of successful projects in the second half of the 1990s with retail store construction projects.

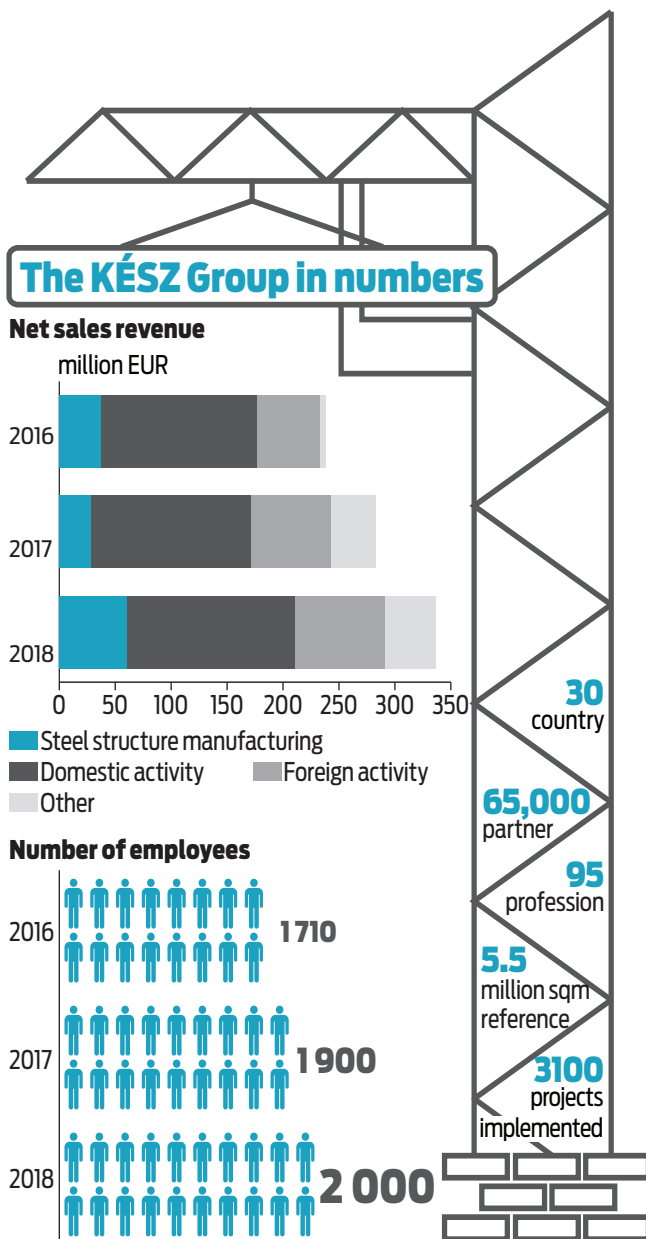
Unchanged strategy for fifteen years

The KÉSZ Group is currently one of the largest corporate groups in the Hungarian construction sector. Thanks to its broad portfolio of services and own resources, it is able to provide complex answers to whatever construction industry and economic service needs may arise not just in Hungary, but also in the international markets. From planning to construction and operation, the company is able to perform any kind of relevant task which clients of today and the market of tomorrow may need.

The KÉSZ Group is fundamentally different from other construction industry companies in Hungary. All this is thanks to the fact that in the last nearly 15 years, it has undertaken international expansion according to a set strategy: first in Romania and Ukraine, then in Serbia, Russia and Germany. In each of these countries, they employ hundreds of people; in Hungary, the KÉSZ Group has approximately 2000 employees, Managing Director of KÉSZ International Kft. Attila Kovács says.

Exports to 33 countries

The other component of joining foreign markets is exporting, since the KÉSZ Group has established a very significant manufacturing base in Hungary, and the company has already begun expanding in this field. In Hungary, the focus is primarily on steel structure manufacturing, with exports currently to





54 Hungarian and international prizes

33 countries around the world - and the number of target countries is increasing continuously, says Attila Kovács.

KÉSZ International was established to support the company's international expansion, and is a full member of the KÉSZ Group. They work in international markets as reliable partners with several renowned multinational companies, such as Procter & Gamble, Jabil and Magna.

Foreign expansion

The international activities of the KÉSZ Group have captured EXIM's attention as well, which

provided support for the company's export development and in their foreign expansion. Additionally, the company is seeking out several opportunities abroad which may be financed by EXIM and in which the company may play a role. The most successful is a project in Azerbaijan worth nearly 20 million EUR, where the planned Hungarian share is 40.15 percent. In the framework of the development project currently underway, plans call for the construction of two glass houses with an area of over 100,000 square meters each, and one technological building of 8640 square meters.

EXIM also has important objectives in the countries where the KÉSZ Group is active; it is thanks to this that we have a harmonious relationship, Attila Kovács highlighted the background of their cooperation.

For the KÉSZ Group, one of the most important pillars is professional training, which is why they have established a vocational secondary school in Szeged, which opened its doors to students in this academic year. Developing the school is a priority for the company.

As far as the future is concerned, the KÉSZ Group's objectives include, in addition to foreign expansion, professional training - in other words, the improvement of human resources, as well as the continuous expansion and development of resources, technology and industry innovation activities.

A BIT OF CHEMISTRY

In the case of Kischemicals, knowledge-intensive development is not merely a slogan that sounds good. The Borsod-Abaúj-Zemplén County-based company dealing with the manufacturing and sale of chemical industry materials has dared to dream big: it has targeted a global market share of 40 percent for one of its products.

Phosgene, a key component in the chemical industry and one of Kischemicals' main products, is used by several sectors, from pharmaceutical manufacturing and plastics production to body care – albeit in different forms in each sector. Kischemicals focuses on agrochemicals – pesticides and polymers –, a product range with which they are present on almost all continents, from the Americas to Africa and the Middle East.

Unparalleled growth

The Hungarian-founded company began operations in 2008, following the purchase of the tools of one-time ÉMV (North Hungary Chemicals) and the relaunch of production. Work began in the Sajóbáony Industrial Park, not far from Miskolc, with a distinguished past in the chemical industry. Kischemicals entered a new era in 2015, when an Indian professional investor acquired majority ownership in the company. At this point in time, one of the company's greatest challenges was renew-





Dr. Olivér Orovecz

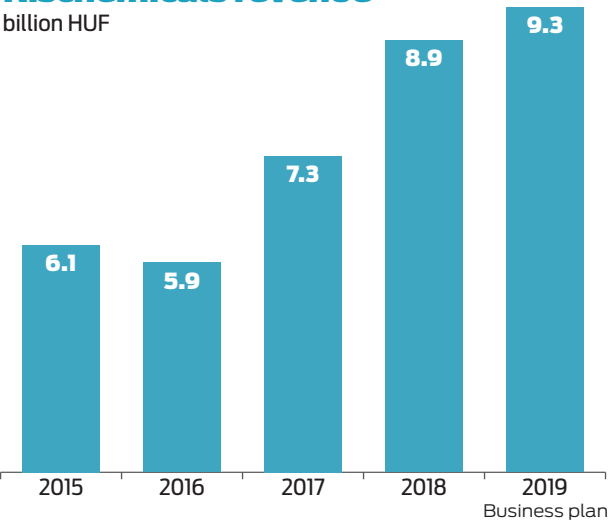
Managing Director of
Kischemicals LLC.

ing its labor force across generations, says Managing Director Olivér Orovecz. At the time, many of those working at the company belonged to the older generation, or were near retirement age, while the new generation had just graduated from the university, and had perhaps a few years of work experience. There was thus no gradual transition between the old and the new members, making it difficult to pass along the knowledge

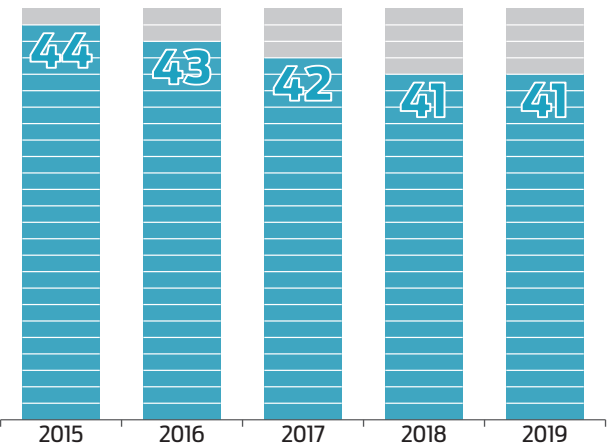
of the older staff members to the younger ones. In the end, however, it worked out. Today, in fact, the majority of the added value of the company during production comes from developments based on these solid foundations. VR Finechem, the Indian investor, was hopeful about the Hungarian company, because it is active in a highly specialized field – phosgene production is a rather small market. Additionally, they had an exact vision for the future of the company, by strengthening the research and development profile. The plan has worked out, with recent years' trends evincing an uptick: while the company was running only at 50 percent capacity in 2015 (with a turnover of 5.4 billion HUF), before the investor joined, revenues increased by 20 percent from 2017 to 2018, and profits came close to 1.5 billion HUF. This is an increase of 35 percent compared to the previous year – the factory is currently running at almost 85 percent capacity, which is considered a very high rate in the chemical industry.

Kischemicals revenue

billion HUF



Average age of Kischemicals employees



A 100-million-dollar target

The company's relationship with EXIM dates back to its 2008 founding. EXIM purchased the short-term deferred payment claims issued by the Hungarian company to foreign customers. Initially, bank instruments offered by the customers' credit institutions served as collateral; from 2014, they used the complex product offered by EXIM, insured claims purchases, where the customer's non-payment was covered by MEHIB. This solution provides a type of insurance and makes exports far easier to developing countries considered risky, such as South Africa, where the company also sells pesticides. "This way, we have been able to build up new customers without taking undue risks; these new customers have been defining in our company's development," says the Managing Director. Addi



tionally, in recent years, Kischemicals has made use of EXIM-provided financing worth 2.8 million EUR, which has also provided essential help for the company to acquire foreign markets.

Research and development are essential parts of their daily activities at the Sajóbáony plant. The company's key driver is to be present in the markets with products they develop themselves, that are environmentally friendly and produced with cost-effective technology. In the last three years, they have developed five new products; two are in production already, and the other three are in a pilot production phase. They have high hopes for one of their fungicide components: they expect to complete the construction of the partial facility for its production this year, as part of a 2.5 billion HUF investment. In case the test phase is successful, the facility can be expanded to a commercial scale, and could produce 1500 tons of fungicides and ingredients each year – almost 40 percent of the total global market output. We must also mention the question of labor shortage. The hiring of appropriately qualified engineers and professionals remains the most important task, for there is no long-term future for the company without robust research and development, says the Managing Director. It was for precisely this reason that they began working together with several higher education institutions, universities and the Hungarian Academy of Sciences; they have also had

experts from India join their development team. In addition to development and the bringing of new products to the market, they also regularly focus on increasing the efficiency of their existing infrastructure. This is key because while production costs continue to rise, the sales price of their products on the global market changes unpredictably – thus, they are able to ensure consistently increasing effectiveness by improving their efficiency.

Environmental protection is a key question in the case of any chemical industry firm. Because phosgene is a highly dangerous and toxic gas, Kischemicals must meet far stricter regulations than what apply elsewhere in the industry. For this reason, they have invested millions of dollars in recent years in improving the security tier of the company: they initiate a rigorous investigation after any minor error, to find the root of the problem. There has never been a serious incident in the more than ten years that the company has been active, since without appropriate work safety, environmental protection and quality assurance measures, no multinational company can expect to be taken seriously in the chemical industry. The field of important plant safety requirements covers not only the process of phosgene production itself, but also the maintenance and renovation of their sewer and potable water network. The best practices developed by the company are in use by several firms around the world. Their relationship with local disaster management authorities is so good that they regularly conduct training programs for them, and hold joint exercises on the company's premises.

Kischemicals' ten-year plan calls for revenues to exceed the 100 million USD figure (or 28 billion HUF), and to become a highly robust and stable supplier in the market of phosgene derivatives, agrichemicals and special chemical materials – while maintaining their serious development expertise.

IN FOCUS: SOUTHEAST ASIA

Through EXIM, Master Good – Hungary’s leading poultry processing company – has made tremendous progress: they now export their products to 40 countries around the world, and their revenues increased significantly, exceeding 50 billion HUF by 2018, some one-half of which is accounted for by exports. Focusing on the promising Southeast Asian markets, they have built a large poultry processing plant in Vietnam. In Hungary, their focus is on capacity building and the expansion of their portfolio, two areas in which they can continue to rely on EXIM’s help.

One of the best-known and most important family-owned food industry businesses in the country is the market leader poultry processor company Master Good Ltd. Owned by the Bárány family, it is headquartered in Eastern-Hungary and is the largest employer in the region. With over 100 years of history to look back on, the company continues to maintain its family traditions. It is one of the most important animal

husbandry businesses in the Eastern Hungarian region, and serves an integrator of suppliers. EXIM began providing financing to the company in 2014; its revenues at the time were under 43 billion HUF. For 2018, they expect revenues to total well over 50 billion HUF, half of which is to come from exports. The company announced a new capacity-increasing development last year, worth 15 billion HUF, and is also building a large poultry processing plant in Vietnam with a local partner.

EXIM has been a big help

EXIM has been able to contribute significantly to the company’s major success. Since 2014, EXIM has been a consistent partner in the company’s financing through refinancing options provided directly and indirectly through commercial banks financing the company. As the company’s management has said:



when the company first began dealing with EXIM, it was placed on such a growth trajectory that no financing bank at the time could support it without EXIM's help either with their limits or financing plans. Because Master Good Ltd. had already demonstrated significant export sales potential at the time already, it was no problem to match the extent of financing to their sales volume. This enjoyed EXIM management's full support, who approved a very attractive additional loan beyond the financing limits of the commercial banks the company had already partnered with. "Through this, the company group was given an opportunity that greatly contributed to the development and solidifying of our current market position," says the company head. He adds, "a part of our food industry investments were realized through resources provided directly or indirectly by EXIM, with favorable, fixed interest and long-term stability. This represented a major step forward. This revolved around the expansion of our selection of processed products, which we have been selling successfully on our export markets ever since."

3500 trucks' worth of products each year

In addition to investment-oriented loans, Master Good was also able to achieve significant progress in current asset financing, obtaining the kind of liquidity that their banking partners at the time were unable to provide.

In Kiszárda, Master Good Ltd. currently operates a poultry slaughter and processing plant with a capacity of 15,000 units per hour, which translates into 72 million units a year, or 183,000 tons of live weight capacity, for 148,000 tons of final product.



László Bárány

*Managing Director of
Master Good Ltd.*

Master Good Ltd.

This amounts to some 3500 trucks worth' of product. A few kilometers from Kiszárda, at their plant in Petneháza, they work on final processing of the products, producing food ready for the kitchen and for consumption. They also operate a dog-food plant, allowing for better utilization of this large factory.

The fact that they operate six days a week, in two shifts, shows how successful the company is. It is thus no surprise that the company plays a market-leading role in Hungary: one-third of all chickens processed in Hungary are processed in the Kiszárda plant. Of the company's 61.55 billion HUF turnover in 2018, 32.98 billion HUF was export revenue, representing a 54 percent share of total revenue. This is accompanied by 2.98 billion HUF of revenues before taxes, considered relatively high in this industry. It is an important indicator that 82 percent of the company's exports are to the European Union,

with Austria, France, Great Britain, Germany and Romania in top positions. The remaining 18 percent is sold primarily to Canadian, Swiss and Southeast Asian markets. They are represented in a total of 40 countries through regular exports.

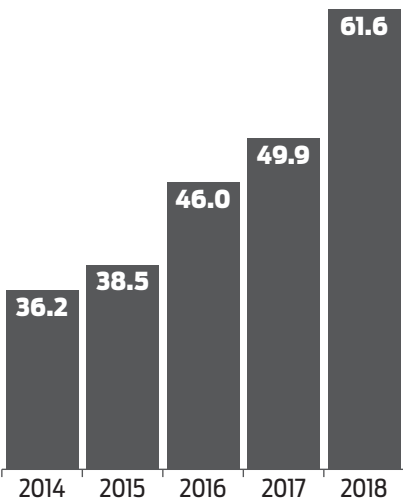
The Southeast Asian region, while not yet particularly high in export sales share, is one of their most dynamically growing regions. So much so that they see tremendous potential in the markets of China, Vietnam, South Korea and Japan, although they are currently unable to deliver chicken products to China, due to the lack of an animal health agreement.

Long-term plans

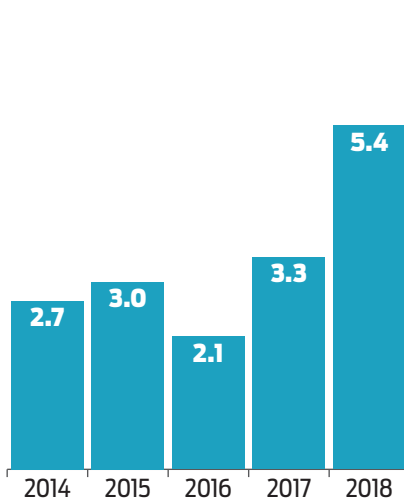
In Vietnam, however, as mentioned, they have begun working with a local partner to build a chicken slaughter and processing plant with an annual ca-

Master Good Ltd. figures

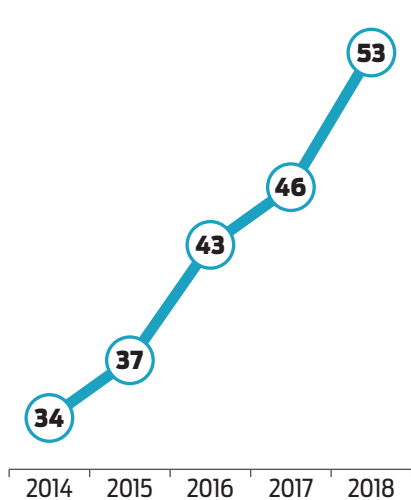
Net revenue
billion HUF

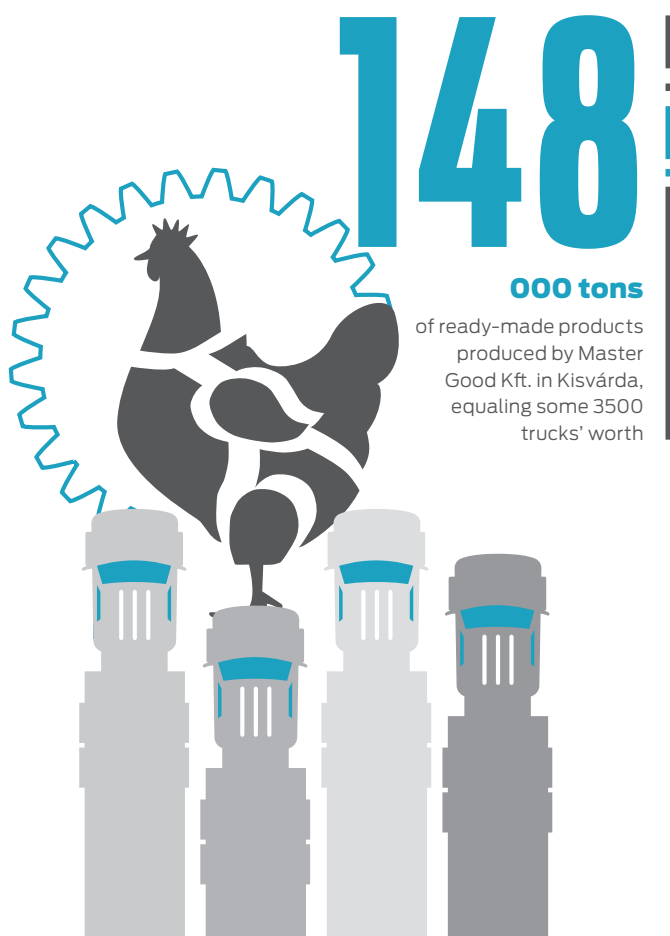


EBITDA
billion HUF



Slaughtered chicken
million units





capacity of 30 million units. This joint venture should be up and running in 2019 already, and should be operating at full capacity within a few years, Master Good promises. The company's further development in this direction may be supported by EXIM's insurance service by providing coverage through its investment insurance product against possible foreign political risks. This investment insurance may serve as coverage appreciable by commercial banks providing loans for foreign investments, thereby boosting the collateral background of the lending activity, and indirectly helping clients develop even more competitive financing solutions.

Looking to the future, they emphasize that the Bárány family, the company's key owners, have a clear vision for the future. They inaugurated a new feed mixer in 2019, and they are building poultry farms as greenfield investments, which will help provide the raw material needs for their increased production capacity.

Looking further ahead, they plan to devote 3-4 of the upcoming six years to harmonizing their integrator capacities and providing market conditions for additional volumes. For this reason, they must decide between 2022 and 2028 if they wish to supplement their existing, and well-functioning integrative production with the establishment of a similar – or different – poultry profile and new activities.

Significant opportunities in Asia

Their short- and medium-term foreign market opportunities are significant not only in Southeast Asian markets. Their market presence can be dynamically increased in other locations around the world, as importers prefer different types of products in each country and on every continent. In Asia, for instance, their growth opportunity will be in the double digits in the next ten years, the company predicts.

The Bárány family believes the recipe for success is simple: to produce products of consistently outstanding quality in large volume, at competitive global market prices. Prices are determined by the world's large poultry exporting countries and the volume they produce. These include primarily Brazil, the United States, Thailand and Poland. In each region, the Master Good group must compete with the products and prices of these countries. Given such large-scale global competition, it takes a financially strong partner like EXIM to help.

Balázs Bokorovics

*President of the Board of
Directors
of PannErgy Plc.*



UNTAPPED TREASURES

Listed in the premium category of the Budapest Stock Exchange, PannErgy Plc. was the first in Hungary to set as its strategic goal in 2007 to produce significant amounts of heat energy through the utilization of Hungarian geothermal sources. The company has considered it its mission to achieve a leading role in the Carpathian Basin region in the field of geothermal energy utilization.

One of Hungary's largest untapped treasures is its network of underground geothermal springs, the utilization of which makes it possible to produce heat energy in environmentally friendly ways. PannErgy's investments make it possible to place geothermal heat at the long term service of residential and industrial users, thereby significantly reducing energy-related expenditures, increasing competitiveness and reducing exposure to imported fossil fuels.

Environmentally friendly heat production

“In May 2013, the PannErgy Group inaugurated Hungary's largest-capacity geothermal energy system (60 MW) in Miskolc. The project made it possible

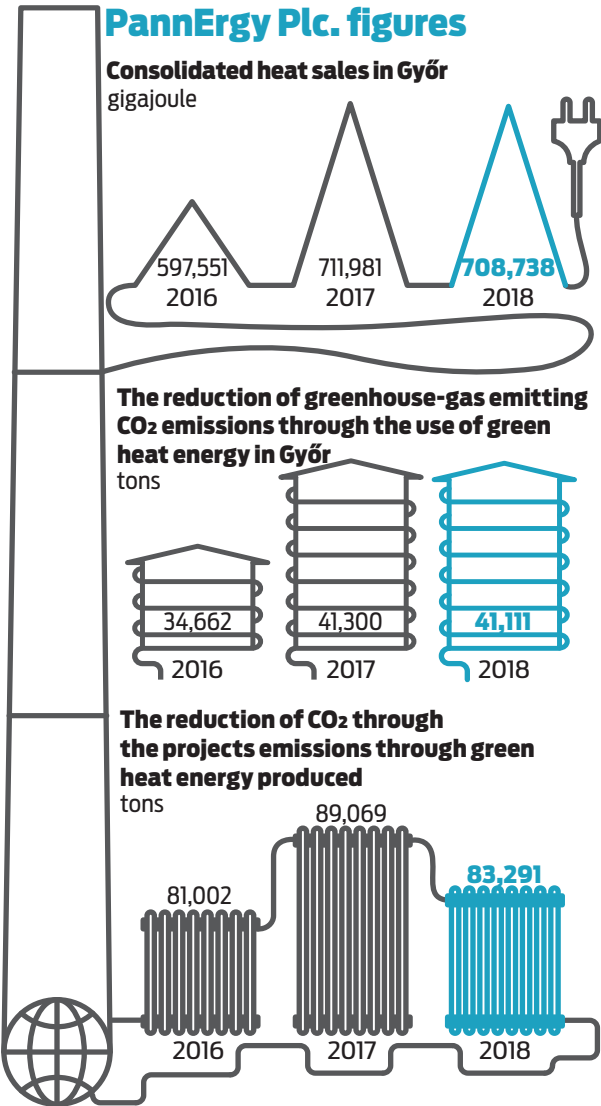
for nearly 32,000 households and 60 percent of an additional one thousand other consumers to access environmentally friendly heat service in the city, through the district heating service provided by Mihő Kft.,” says Balázs Bokorovics, President of the Board of Directors of PannErgy Plc. The project in Miskolc was followed in November 2015 by the Győr Geothermal Project (52 MW). At the county seat in Western

Hungary, the long term heat provision contract concluded between the PannErgy Group and the district heating company Győr-Szol Zrt. provides geothermal energy to almost 24,000 homes and 40 percent of more than one thousand other subscribers belonging to the Győr district heating service. Additionally, the energy produced by the Bőny Heat Center provides at least 80 percent of the heat energy used in Audi Hungária Zrt.’s factory complex in Győr. The geothermal system in Győr was expanded in 2018 to include three production wells. The PannErgy Group, through a concession agreement concluded with the Hungarian state in 2017, acquired research rights in the Győr region with respect to geothermal energy. Under the concession project, a BON-PE-03 well was successfully deepened in 2018, with a diameter some 50 percent larger than the other two production wells. This completed a geothermal system comprised of three wells in the city - unmatched anywhere else in the country. The PannErgy Group, alongside the Miskolc and Győr power plants, also operates two additional, smaller geothermal systems:

- A geothermal heating system in the town of Szentlőrinc, with a useful heating performance of 3 MWth, comprised of a production well and a reinjection well; and
- a gas-engine power plant in Berekfürdő, utilizing geothermal associated gas, with a performance of 350 kWe and 450 kWth.

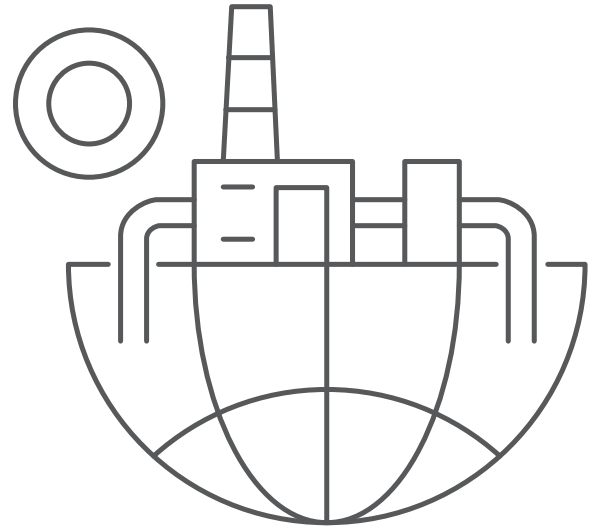
Investment loan from EXIM

The use of traditional fossil fuels has a highly harmful effect on the environment, primarily due to carbon dioxide emissions. As an alternative source of energy, geothermal energy plays an important role in decreasing the burden placed on the environment.



Through PannErgy, Győr-Moson-Sopron County's most significant energy investment was implemented in Győr: certainly most important in terms of geothermal energy, but perhaps most important as such. As long as its capacities last, it will replace the harmful gas emissions of fossil energy sources. "The PannErgy Group has been able to develop the most 'modern' financing source structure using its own resources, European Union support and EX-IM's investment loan. The project companies won 1 billion HUF each in European Union non-repayable support; additionally, an investment financing loan of up to 22 million EUR provided by EXIM has also helped the successful implementation of our projects. In addition to the construction, the modern and unique oversight technology necessary for the operation and monitoring of the system has also been realized," Balázs Bokorovics says.

The PannErgy Group's years of experience and competence in the research and drilling of geothermal sources accessible for energy production, and in the field of geothermal energy utilization, have made the company uniquely capable of successfully implementing further heat harnessing investments in the Carpathian Basin, whether for residential or corporate use. In addition to the traditional construction of the system and the utilization, implementation and operation of geothermal systems, the PannErgy Group has also developed complex energy and management technology systems, which are also available for international use. PannErgy's R&D developments present a type of application in the design and development of any European or non-European geothermal-based district heating service, as well as for the optimization of outdated district heating services based on the use of traditional energy sources or inefficiently operated geothermal energy utilization sys-



tems. Among the PannErgy Group's developments, it is worth noting those technologies which may help extend the life-spans of geothermal wells, thereby significantly improving the sustainability of geothermal systems. One important operational task of geothermal wells is the tracking and continuous monitoring of changes in erosion and moisture components.

Continuous development

As an alternative source of energy, geothermal energy plays an important role in decreasing the burden placed on the environment. The city of Győr and PannErgy hope to serve as pioneers and role models with the developments they have achieved in the field of green energy efficiency. "Because the use of geothermal heat for energy is an innovative solution in itself, we strive to support its operation as much as technology allows, using the most modern solutions; we strive to boost our professional knowledge through continuous research," says Balázs Bokorovics. The PannErgy Group intends to follow in the upcoming ten years the strategy set in 2007, increasing the role of renewable energy sources in Hungary.

Ferenc Hódos

*Strategic Director of
Pannonia Bio*

PUTTING THE MOST ADVANCED TECHNOLOGY IN SERVICE OF ENVIRONMENTALLY FRIENDLY PRODUCTS

It is only a slight exaggeration to say that corn is the new gold. It is not its color, but its multi-purpose use that makes corn one of the most exciting and valuable crops of the 21st century. Bioethanol, GMO-free protein feed, corn oil - just some of the newest products we have this multifaceted plant to thank for, and in the production of which Pannonia Bio is a market leader not just in Hungary, but all over Europe, using the most advanced technology.

“Pannonia Bio was founded by the Irish Mark Turley in 2010, using greenfield foreign capital investment. The plant in Dunaföldvár commenced operations in 2012, and thanks to continuous development, quickly became the world’s largest bioethanol plant outside the United States,” says Strategic Director Ferenc Hódos of the early days.

At the plant in Dunaföldvár, they produce 550 million liters of bioethanol every year, by buying 1.2 mil-

lion tons of local feed corn; as well as 320,000 tons of GMO-free protein feed; and an additional 12,000 tons of corn oil. The bioethanol they produce, over its total lifecycle, can achieve savings of 70 percent in greenhouse-gases as compared to oil, making it an outstanding alternative for the transportation sector, today as well as in upcoming years. Protein feed, produced in the same quantity as bioethanol, is able to offset the protein-import-dependence of both Hungary as well as the European Union. All this is achieved with local raw materials and feed produced locally and in a sustainable manner, thereby reducing Hungary’s export of unprocessed feed corn.

Expanding product line

EXIM became involved in the life of the company as the first Hungarian financier in 2014, supporting capacity development steps undertaken at the time, thereby proving the commitment of the Hungarian government to the local processing of local raw materials. EXIM provided an investment loan of 25 million EUR, intended to support export activities, to Pannonia Bio. “We needed the resources provided by EXIM because renewable energy was a risky business area, since we were introducing an entire-

ly new technology in Hungary. Thanks to EXIM, we were able to further improve Pannonia Bio's market and financial position by expanding our production facilities and our product portfolio, and by establishing stable markets. This created the conditions so that in 2016 – two years after EXIM became involved – our set of financiers, like our suppliers, also became fully Hungarian. Three Hungarian commercial banks took over the financing of the company from the initial American financiers," says Ferenc Hódos.

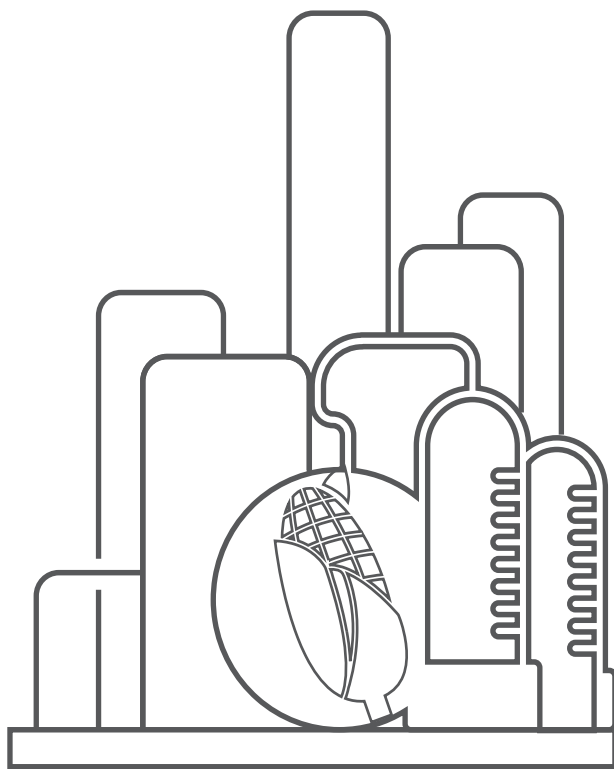
The numbers are impressive, and clearly show the dynamic growth of the company. In the four years since the beginning of EXIM's involvement, Pannonia Bio – with exports to almost 30 countries – has doubled its employee headcount, just as it has dou-

bled the quality of corn purchased and products manufactured (ethanol, corn oil, GMO-free protein feed). Net revenues of the company, from sales, last year (adding the figures from January and February this year) exceeded 92 billion HUF, which is some 40 billion HUF higher than in 2014.

Unmatched achievement

What was behind their success? According to Pannonia Bio founder Mark Turley, the company's objective was primarily to realize the kinds of investments which instead of fossil fuels put Europe on a path towards alternative and renewable energy resources – all this through the use of locally produced agricultural materials, which also create new markets for local farmers. Hungary possesses the necessary infrastructure (riverside ports, railroads and highways) to serve production activities; the proximity and availability of feed corn as a raw material also played a role in choosing Hungary. The plant was completed in record time, in 16 months, and reached maximum production capacity within two weeks after opening, which is a globally unmatched achievement.

Development and innovation are continuous in the history of the company, and are two areas where Pannonia Bio is a world market leader. In addition to their own team of development engineers and technology experts, they are also looking to bring new ideas available elsewhere in the world to Hungary. In the barely nine years since the founding of the company, its Irish owners have invested nearly 250 million EUR in production tools and new technologies, for which they have relied on their own capital as well as bank financing, in addition to development tax incentives.



Hungary and the other countries of the Visegrád region boast significant biomass potential, suggesting plenty of untapped potential. With the participation of 31 bioethanol and bio-fuel producers of seven countries of the Central and Eastern European region, the V4+ Sustainable Biofuels Alliance is focused on developing the regulatory environment of bio-fuels produced from local biomass, so that as much of the potential in this industry may make it to the markets as possible. The introduction of E10 fuel in the region is also a part of these efforts, emphasizes Ferenc Hódos.

Innovative development

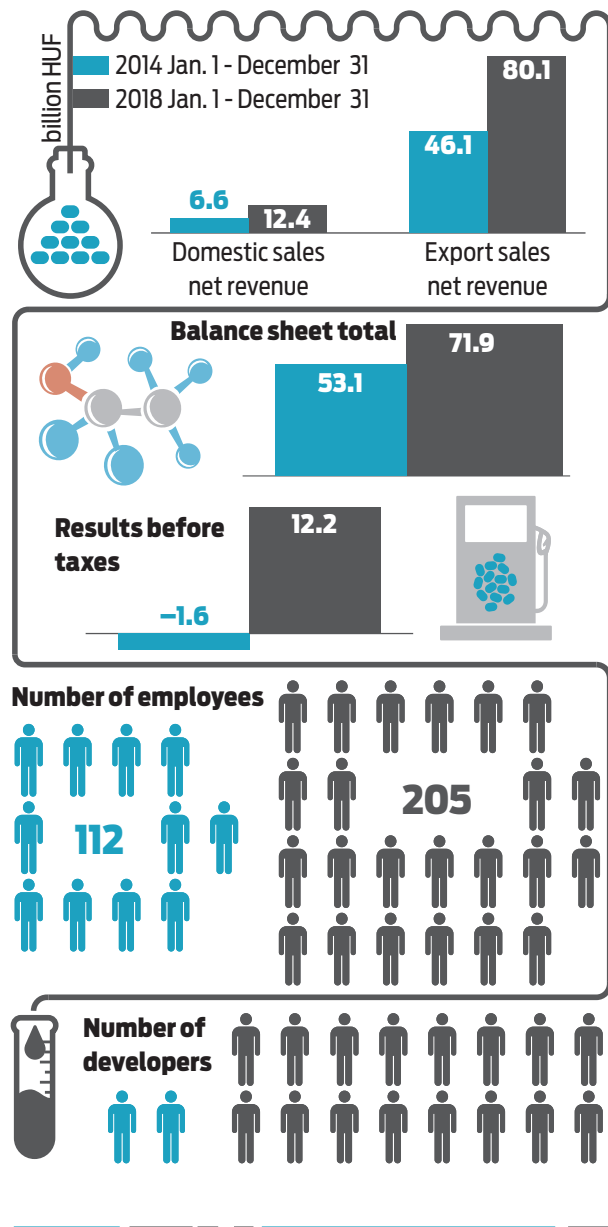
Pannonia Bio, as a bio-refiner, has begun an intensive process of raw material production (along with related, innovative product development), with a view to each component of the raw material processed (starch, fiber, protein, fats and other components). The first part of this is the separation of the fiber content of feed corn, and then using it as an ingredient. This innovative development, unique in the industry, was also launched with EXIM financing in the first half of 2019.

The company's long term plans include turning Pannonia Bio into the largest and most innovative bio-refiner within the next three years; they also intend to further increase their energy efficiency, thereby operating in an environmentally friendly way.

The hundreds of Hungarian farmers, whose produce they purchase and process locally, may continue to look to them as stable and predictable partners, producing significant added value in a rural small region.

According to their strategy, Pannonia Bio in 10 years will be a market leader among bio-

Pannonia Bio by the numbers

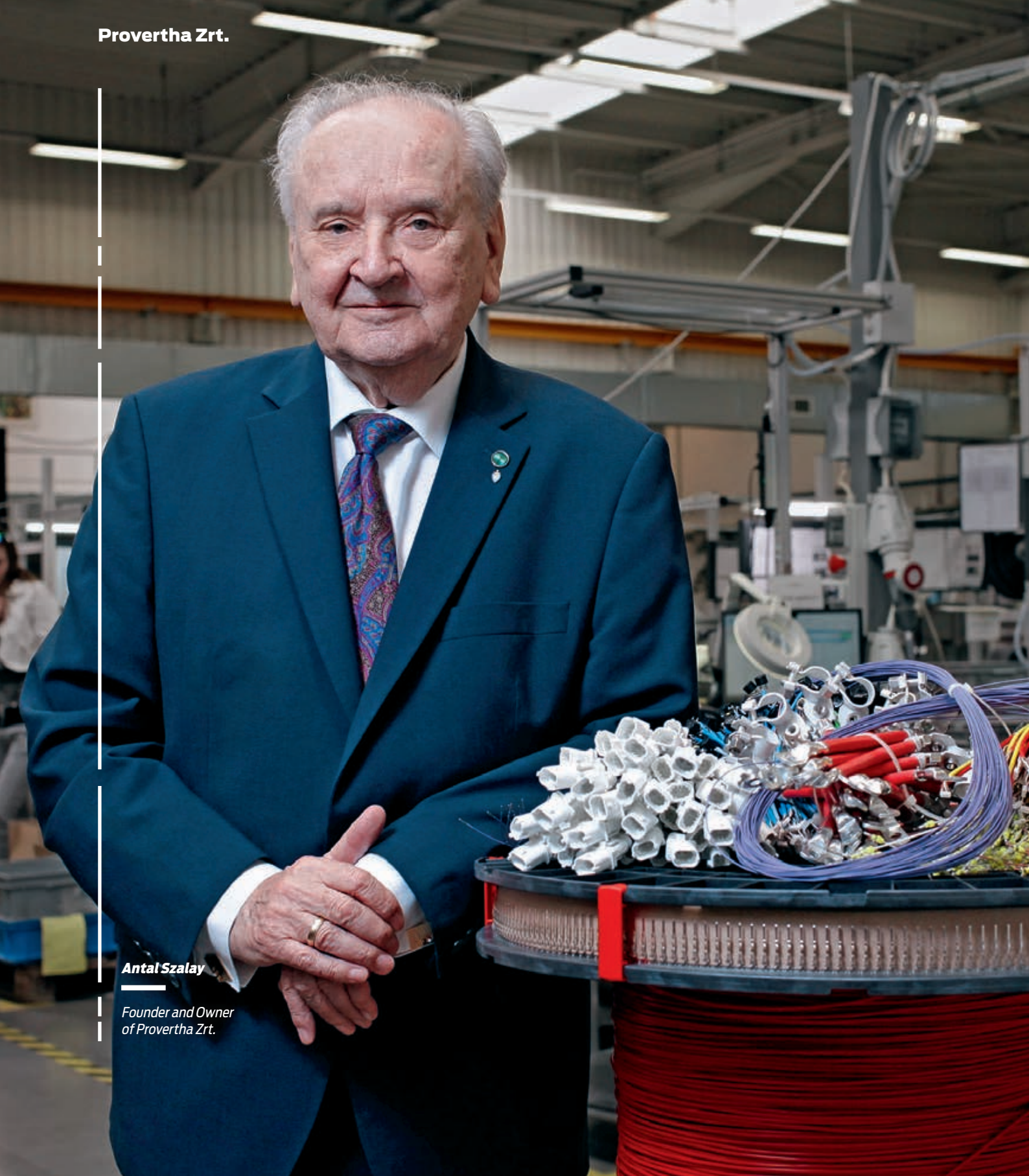


refiners, and as a Hungarian company will play a pioneering role in the realization of a biomass-based, circular economic model.

Provertha Zrt.

Antal Szalay

*Founder and Owner
of Provertha Zrt.*



FROM A FAMILY BUSINESS TO A DRIVER OF THE SMALL PLAINS REGION

The Provertha company group – founded in Pforzheim, Germany in 1981 – has a history spanning nearly four decades. Since then, the company has established production plants in three cities of the Small Plains region, and has maintained an outstanding relationship with EXIM for almost a decade.

Launched as a family business, by 2019 Provertha Zrt. has expanded to provide employment to almost nine hundred people in Hungary. In addition to the manufacturing of electronic components, the company develops and sells its own products. The family continues to play an important role within the company group. The owner, Antal Szalay, was supported for nearly twenty years after the founding by his sister; his three children also work for the company, two of them as members of the board, with a third assisting the business in an advisory role. Additionally, Antal Szalay's wife, of Prussian origin, also helps Provertha's operations. It is interesting to note that she has placed monuments to the 1956 Revolution in both Germany and Hungary in recent years. We encounter components and tools developed and manufactured by the company in nearly every area of life, from postal mail sorting machines to

the automotive industry or railway technology. They note that the latter has become a rapidly expanding sector in recent years.

The owner had worked in business already before founding Provertha; he relied on his prior international experience and knowledge to establish the company group now known throughout Europe.

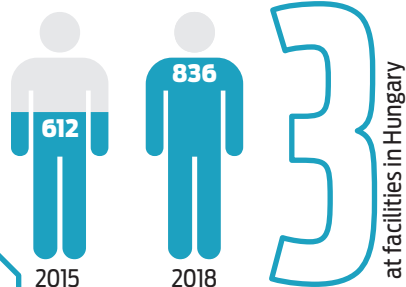
Facilities of symbolic significance

Provertha opened its first facility in Beled, in Győr-Moson-Sopron County, in 1988. As Antal Szalay tells us, the decision was motivated by more than just material and technical conditions. The town has symbolic significance for the family, with the owner having spent the majority of his childhood there. The Beled plant employs nearly 130 people.

The company's success story did not end with Beled: they opened their second plant eight years later, in nearby Sárvár, where the focus was on tool manufacturing and cable assembly. Provertha established its newest, high-tech manufacturing plant in Kapuvár, where they produce approximately one million cables each week. The facility in Kapuvár is unique thanks to its electroplating plant: no other manufacturing plant in the region is equipped with this kind of modern and expensive technology. The facility was opened on the outskirts of the small town in 2008. The operation of the electroplating plant requires a small group of highly trained employees: a team of engineers supports the electroplating operation

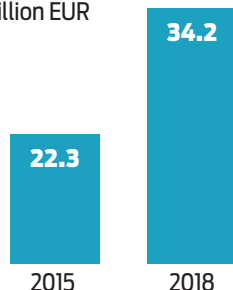
Provertha Zrt.

Employee headcount



Evolution of turnover

million EUR



and ensures that Kapuvár remains accident free. It is important to mention that the Provertha group maintains excellent relations with the leaders of its host towns as well as with the leadership of Győr-Moson-Sopron County.

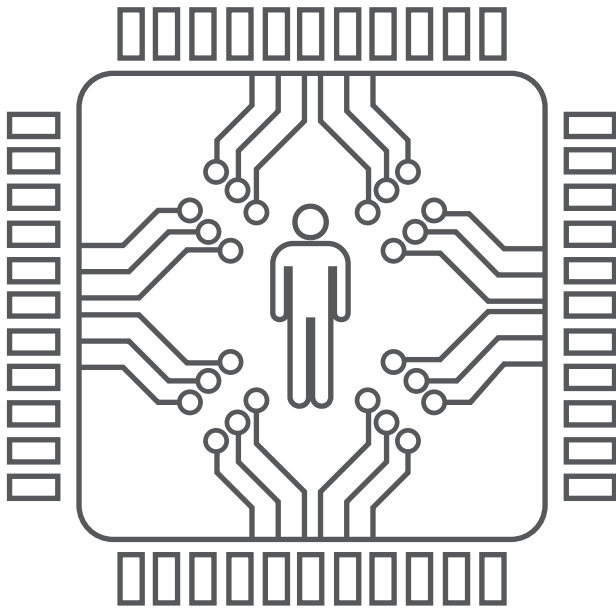
The eighty-seven-year-old owner, who remains engaged in the activities of the company, says half of their products are manufactured for the automotive industry, another forty percent are used in the field of industrial automation, with the final ten percent divided between several smaller sectors.

Employment for nearly 900 people

The equipment developed and manufactured by Provertha is purchased by such globally leading companies as Bosch, Siemens or Sennheiser. The owner states that the company group's annual turnover is nearly sixty million EUR; 25 million EUR is accounted for by the head office in Germany, with the three plants in Hungary producing the remainder of the revenue. Antal Szalay says: in Pforzheim, Germany, Provertha operates as a limited liability corporation; the facilities in Hungary function as a private company limited by shares.

For years, the company group has relied on EXIM's fixed-interest credit options from all its financial institution partners, which accounts for the majority of its financing. Flexible in terms of what it is used for, this provides resources against predictable interest rates for the company's business activities and ongoing developments, thereby assisting Provertha's international expansion and dynamic export growth.

The owner is proud of the fact that since 1981, Provertha has grown to be able to offer employ-



ment to almost nine hundred people. The employment opportunity they offer is particularly attractive to residents living in the region. Antal Szalay also noted that the share of equity is fifty percent in the company, and added that they do not take their profits abroad. Additionally, they seize every opportunity to modernize their production and development systems.

Further expansion planned

As far as future plans are concerned, the company head noted that preparing for the crisis is of critical importance to them. He says he does not want to leave the company group unprepared for any economic downturn. Additionally, they wish to provide stability for their employees; he says he believes predictability is of special importance to employees. Provertha wishes to keep modernizing and developing: to that end, they will implement a proj-

ect of more than 23 million EUR in the near future, having set the goal of opening a second electroplating plant. The company group is also considering further automation steps. Thanks to modernization, the quantity of manufacturing – without sacrificing quality – has multiplied; with their machines, they are able to produce up to several hundreds of thousands of cables.

According to Antal Szalay, all three of the company's Hungarian facilities will be involved in the investment project. Beled will receive 5 million EUR, and Kapuvár 8 million. The largest upgrade will take place at the Sárvár facility, for a total of 10.2 million EUR. The owner's plans call for the investments to be completed at all three facilities by 2021.

There are plans to buy additional real estate in Beled, and also to procure and upgrade high-pressure metal injection molding machines as well as lathes. In Kapuvár, the electroplating plant hall will be expanded with two lines of electroplating equipment; in Sárvár, plans call for the construction of a tool production plant, the repositioning of the machinery from the current production facility, and the expansion of the machinery and production.

According to the company group owner, their philosophy is to make sure not to cut the branch upon which they sit: in other words, they will strive to maintain their own set of values. Antal Szalay emphasized that they regularly keep their profits in the company, to serve as reserves. This, too, makes it clear that they believe in the success of their labor. The cheerful company leader uses the following four notions to describe the group's philosophy: protection of the environment, profit, social behavior and cutting-edge technology. This is at the core of Provertha's activities.



Bálint Horváth

*Managing Director of
Pureco Ltd.*

A hand holding a glass of water against a blue sky with clouds.

CLEAN WATER, CLEAN SOURCE

Through important international successes, the fully Hungarian-owned water technology company Pureco Ltd. has grown to reach revenues of 5 billion HUF. With EXIM's help, the company is establishing increasingly important bridgeheads in Asia and Africa. Most recently, they were commissioned for the construction of a 3.2 billion HUF local waste water purification plant in Ghana.

A fully Hungarian-owned company may be truly successful in the international arena if it is able to provide something that creates real value – not just domestically, but beyond the borders of the country as well. We, Hungarians, are one of the best in Europe when it comes to water technologies, thanks to which we possess truly export-ready solutions for the most part developed in Hungary. Pureco Ltd. is one outstanding example of this: with robust company revenues of 5 billion HUF annually (2019 data estimate), the company has by now grown into a medium-sized enterprise, successfully exporting Hungarian knowledge and technology to Asia and Africa. Of course, all of this requires financial assistance as well, which was provided to a large extent by EXIM.

Managing Director Bálint Horváth is excited to talk about the early days. He himself graduated as an environmental engineer in Veszprém, and met his current business partner, Károly Kovács, at his first workplace, Purátor Hungária Kft., who was then serving as Purátor Hungária Kft.'s managing director. In 2004, he appointed Bálint Horváth as head of the company's branches in Slovakia and the Czech Republic. For Bálint, language was not an issue: he speaks native-level Slovak and Czech. After four successful years, Bálint Horváth was ready for a change,

and the timing was right: Károly Kovács had launched his own, Hungarian, business in wastewater purification under the name Pureco Ltd.

Regional expansion

Certainly, the timing was not ideal, since the company – providing services primarily to local governments and state companies – was still small and quickly found itself facing the financial-economic crisis. The small company, funded through its own capital and thus able to react rather flexibly, was able to weather the turbulent times relatively easily: following the launch of the Slovak subsidiary in 2008, they opened subsidiary companies in the Czech Republic (2010) and Romania (2011). At that time, the company's key activity was trading in special tubes and other construction materials used in public utility construction. Product sales remain an important component of the company group's activities, but today account only for approx. 25% of total revenues.

Wastewater purification projects are currently at their peak, with these projects scheduled to be phased out during the 2014-2021 EU budget cycle. Pureco Ltd. recognized as much early on, and embarked on the realization of an intensive foreign trade strategy. Bálint Horváth tells us that even in 2018, the company built the wastewater purification plants of some twenty small and medium towns (populations between 2000 and 10,000 each), and delivered products and solutions for another twenty. The Managing Director says these major projects are scheduled to be completed by 2022, making it necessary to further reinforce the company's export activities in the long term.

The implementation of this strategy did not begin today. Following initial efforts in the region, and the

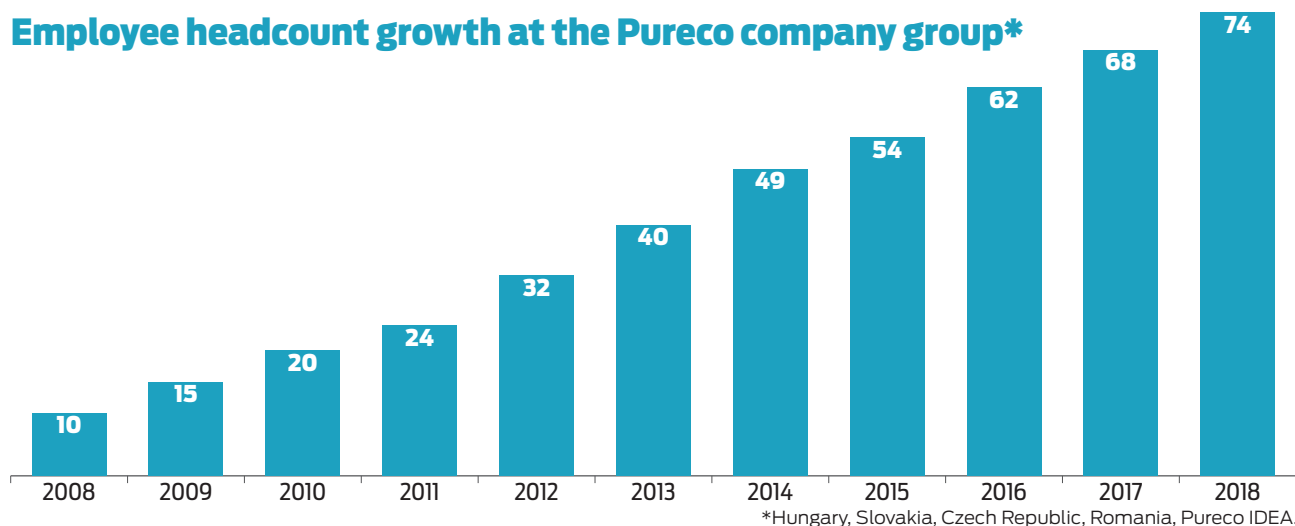
Pureco Ltd., with

5

billion HUF in annual revenues
(2019 data estimate), has grown into
a robust medium sized business.



Employee headcount growth at the Pureco company group*



establishment of product sales bases, the company hired a dedicated export market professional in 2015; it was under their leadership and with the help of Eximbank and MEHIB that they embarked on intensive international expansion. Things took off when, after 2013, under the framework of a Vietnamese-Hungarian intergovernmental agreement, they joined a project in the Asian country. This was completed in 2016, financed through a so-called tied aid loan. Through this, the Hungarian state provides interest and insurance fee support for the loan provided by Eximbank and insured by MEHIB.

Knowledge and technology export

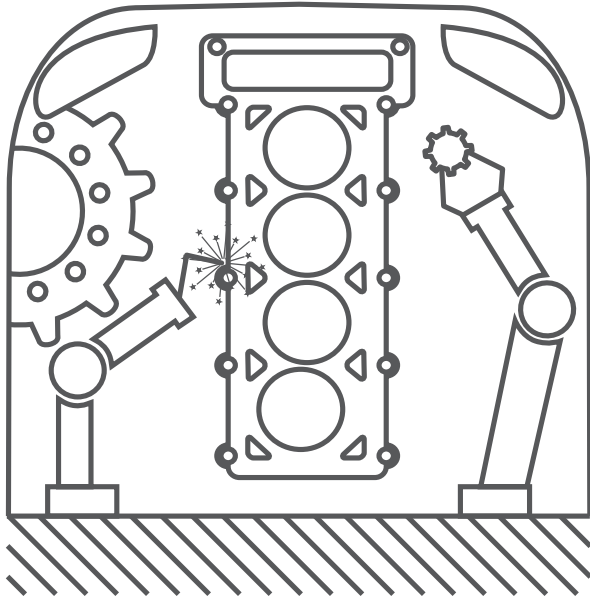
At the same time, this is far from being the only government plan available at EXIM: there are also more flexible options, which can be accessed more quickly and are called buyer's credit plans. These also offer favorable interest rates, and are the preferred method of sales by companies of developed countries in the developing world. According to Bálint Horváth, Western European large and medium sized companies are

better in terms of financing, at least in the water treatment sector he is most familiar with. Through EXIM, however, it has been possible for years now to finally export Hungarian knowledge and technology to developing countries. Pureco Ltd. recently won a significant – 10 million EUR – project in Ghana, precisely through this credit and insurance plan. Fortunately, Ghana is one of the most developed countries in the particular region – yet the country's wastewater purification system still had to be constructed almost from scratch. It is indicative of the local situation that despite this relative welfare, only fewer than 10 percent of households have flush toilets, and there is essentially no communal sewer system in the country. This immense project is only the beginning, however, since the company is working with one of the most significant Ghanaian conglomerates, the Jospong Group. The region continues to offer further opportunities. Sierra Leone, Togo or Benin, for instance, lag so far behind in this field that they will offer ample work not only for Hungarian companies for many years and decades, but for the entire international water management sector – says the Managing Director.

AT THE CUTTING EDGE OF THE AUTOMOTIVE INDUSTRY

QP Zrt., thanks to a new investment project, may soon achieve Tier 1 supplier status.

Qualitative Production Gépipari és Kereskedelmi Zrt., headquartered in Győr, celebrated the twenty-fifth anniversary of its founding last year; it is a lasting and durable presence in the automotive and machine in-

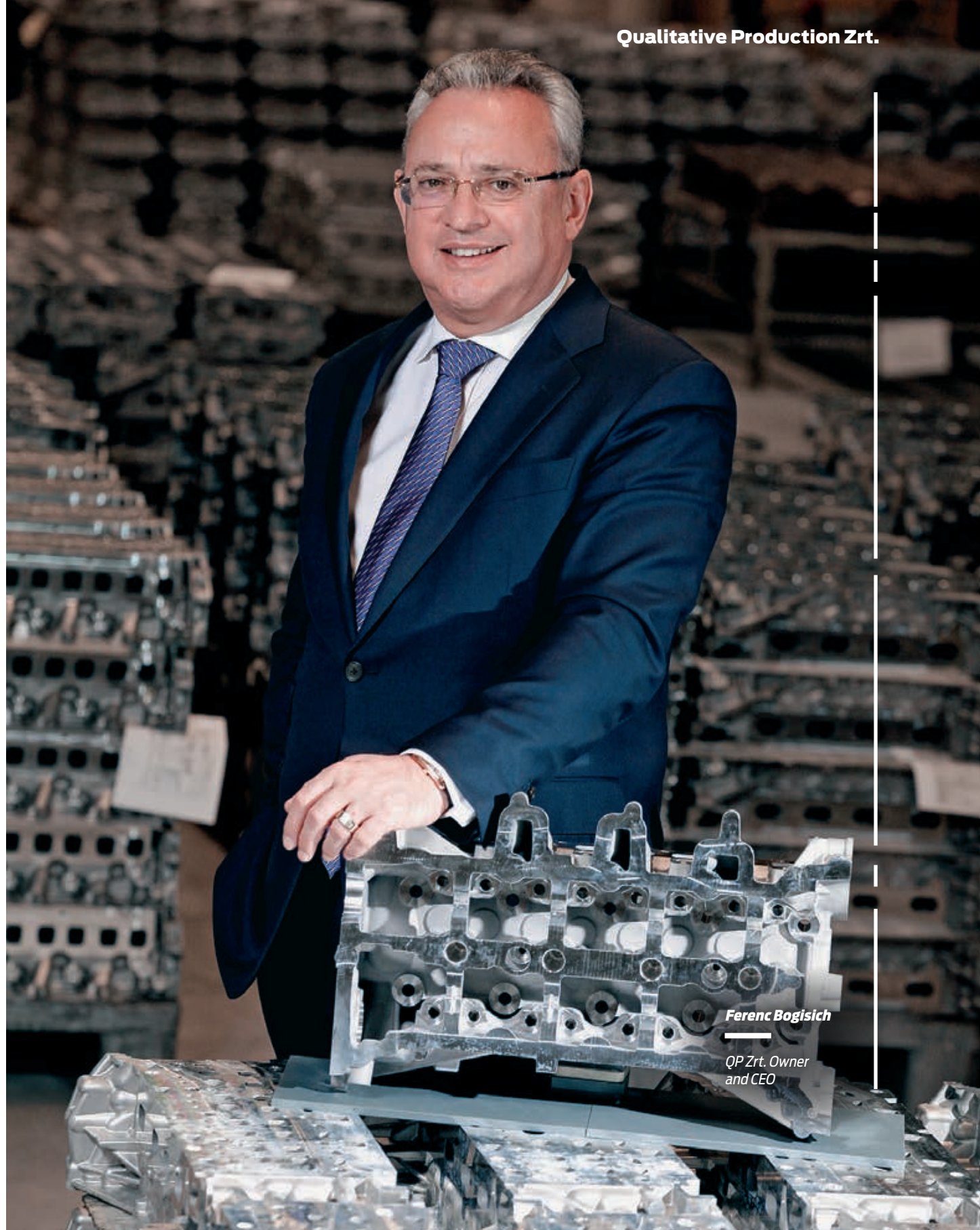


dustry sector of the region. The story of the company is a good example of how a Hungarian small enterprise can achieve significant results internationally, if it is able to appropriately manage the benefits stemming from its flexibility, and if it is able to respond to market challenges with appropriate investments. Following its establishment, QP Zrt. first dealt with the production of hydromechanical door closer mechanisms, produced in the company's first, 450 square meter, hall. As the years went on, they became increasingly familiar with the automotive industry, and one development followed the other at the company. Just before the crisis, in 2008, they inaugurated a 1400 square meter hall, where the company was able to begin the production of large components and machinery. This was also when they began manufacturing cylinder blocks, which has since then grown into its own division within the company. Like all automotive companies, QP Zrt. was also shaken by the crisis, but owner and CEO Ferenc Bogisich was able to keep the company together even in the time of recession. They did not let anyone go, and thus, by the time sales took off again in 2009, they were able to serve their partners without interruptions.

We need not look too far back in time to arrive at the largest development project in the history of QP Zrt.: in September 2018, they completed their third production facility, where they shape cylinder heads in automated mass production.

EXIM is the largest financier

The largest bank financier of the 20 million EUR investment is EXIM, which provided a loan of 7.2 million EUR for a duration of 10 years. EXIM has supported some prior developments of the company through



Ferenc Bogisich

QP Zrt. Owner
and CEO

Qualitative Production Zrt.

commercial banks, but with the contract signed in April 2018, EXIM became a direct financier of QP Zrt. “We have found the institution to be a fair business partner,” notes Ferenc Bogisich. “Their professional attention to detail shone through already during our preliminary talks. We also saw the utmost professionalism during the performance. Calling up the loan and their tracking of the project has also been smooth.”

Automation and data-centeredness

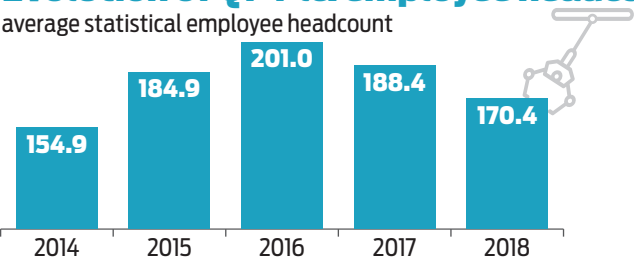
QP Zrt. currently has several direct and indirect relationships with suppliers, thanks to German, Austrian and Swiss partner companies. The investment financed together with EXIM also provides further opportunities in foreign markets. The founder mentioned, in connection with EXIM, that one supporter of the company’s international relationships has been

EXIM’s Day of Hungarian Export, which is a complex professional forum where key participants in the field of exports and imports help companies achieve their foreign trade goals.

This is also important for the company, as they are planning further significant expansion in the near future: the 6000 square meter production hall inaugurated in September changes the performance capacity of the company fundamentally. The fact that the majority of tasks are completed by robots in the new facility helps increase their effectiveness. The company’s second plant also employs robots to complete some sub-tasks. In the newest, third plant, the entire production process is automated. QP Zrt.’s engineers developed the technology and the production processes together with the professionals of the Japanese machine manufacturer ENSHU, well-known in the automotive industry. Several components and parts of the machines and other

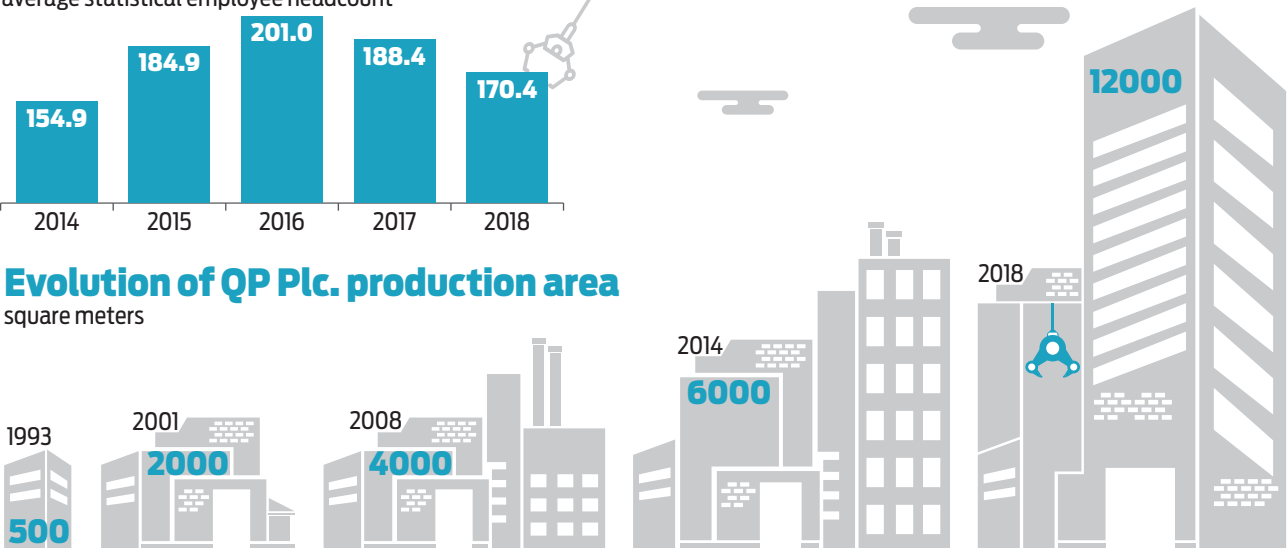
Evolution of QP Plc. employee headcount

average statistical employee headcount



Evolution of QP Plc. production area

square meters



6000

square meters

the production hall inaugurated last year, which will fundamentally change the performance of the company

This is also important for the company, as they are planning further significant expansion in the near future.

equipment were produced by the branch of QP Zrt. dealing with unique production. This shows how the company is able to profit from its own complexity. By relying on the professional experiences collected through mass production over the last ten years, the company expects to double its capacity with the new investment. Ferenc Bogisich also hopes that the project, in addition to the contracts signed already, will make his company the first Hungarian-owned business to become a Tier 1 cylinder head supplier to Audi, thereby making history. This would make QP Zrt. the most important actor in the supply chain, delivering the necessary components directly for the end user. Tier 1 status would also elevate the international position of the company; the resulting business opportunities would transform it into a better-qualified actor of the domestic and international market.

When asked about QP Zrt.'s mission, the owner says they hope to achieve regular breakthroughs in technological development and in meeting ever-more-exacting quality requirements. "We would like to set an example for other Hungarian companies and for members of the younger generation who wish to enter the market of machine manufacturing,

the machine industry and metal processing as educated and valuable professionals. Additionally, we wish to remain stable actors in the European and global competition and in a constantly changing economic environment," says Ferenc Bogisich.

The Győr-based company says, in connection with global trends, that 4.0 solutions are the future in automotive production. Automation, digitalization and data-centered manufacturing are the realities of upcoming years.

The question of generation change

One key question of the near future is how QP Zrt. can blend the unique features and advantages stemming from its size as an SME – flexibility, rapid decision-making processes, direct relationships between employees – with the organizational processes of larger corporations. With the introduction of cutting-edge technology, labor demands also change. Reaching employees versed in digitalization and information technology places the company's HR strategy on new foundations. Concurrently, they are also placing a greater emphasis on the retention of existing employees.

For QP Zrt., some of the tasks for the near future are to provide professional training for company employees, further expanding dual vocational training and developing a scholarship system. Their goals also include intensifying new opportunities for cooperation between vocational schools and universities.

For the company, which currently employs over 200 individuals, the question of generation change will be an important issue in the next 5 years. The head of the company would like to give his children an opportunity, but also understands that the next generation may not wish to take over leadership of QP Zrt.



Béla Balog

*Deputy CEO for Finances of Rába
Járműipari Holding Plc.*

AFTER A CENTURY STILL WORLD-CLASS

Rába is the only Hungarian automotive industry plant to have survived the world wars, the decades of socialism and the economic crisis of the system change, and to have earned important recognition in the international market as the supplier of noted heavy-goods vehicles and work equipment. Its expansion in foreign markets has been assisted greatly by the involvement of EXIM, providing the necessary background as a financial partner.

With 120 years of history, Rába Járműipari Holding Plc. is a flagship company of the Hungarian automotive manufacturing sector. Registered on the stock exchange, the company's decision-making center is located in Hungary; its stocks are included in the BSE's premium category.

Increasing western presence

The company group is built upon three pillars, interconnected but legally independent of one another: the axle, the vehicle and the component branch. In the respective plants of the various branches, the company produces axles, main axle parts and components for heavy-duty trucks, agricultural machines

and earth-moving vehicles; they build components for heavy-duty trucks and automobiles; and manufacture special vehicles. Rába employs nearly two thousand people. A defining part, some 90 percent, of its revenues come from exports to the three strategic regions (USA, EU, CIS).

The vertical structure of the axle branch encompasses an entire set of related services, ensuring that Rába is in turn able to provide a full range of industrial solutions for its customers. The company produces its axle products primarily for export. Traditionally, the company's largest market is the United States, but Rába boasts an increasing presence thanks to its high-quality products in Western Europe and the CIS region.



The component branch is comprised of two plants in the Southern Transdanubian region. The Mór plant is the center of seat and seat systems manufacturing and pressing. In Sárvár, the key technology is cutting and finishing. The branch sells its products primarily to international automotive companies operating in Hungary and the EU.

The vehicle branch manufactures complete vehicles, automotive frame structures and undercarriages. The plant conducts development and adaptation work on, as well as manufacturing of, special all-terrain vehicles, vehicles designed for special delivery and protective needs, a range of military vehicles and chassis-less bus undercarriages. Its largest long-term customer is the Hungarian Defense Force, whose orders the company fulfills by involving significant international partners. The set of strategic goods of the company brands is augmented by public road vehicles used in urban and suburban public transportation.

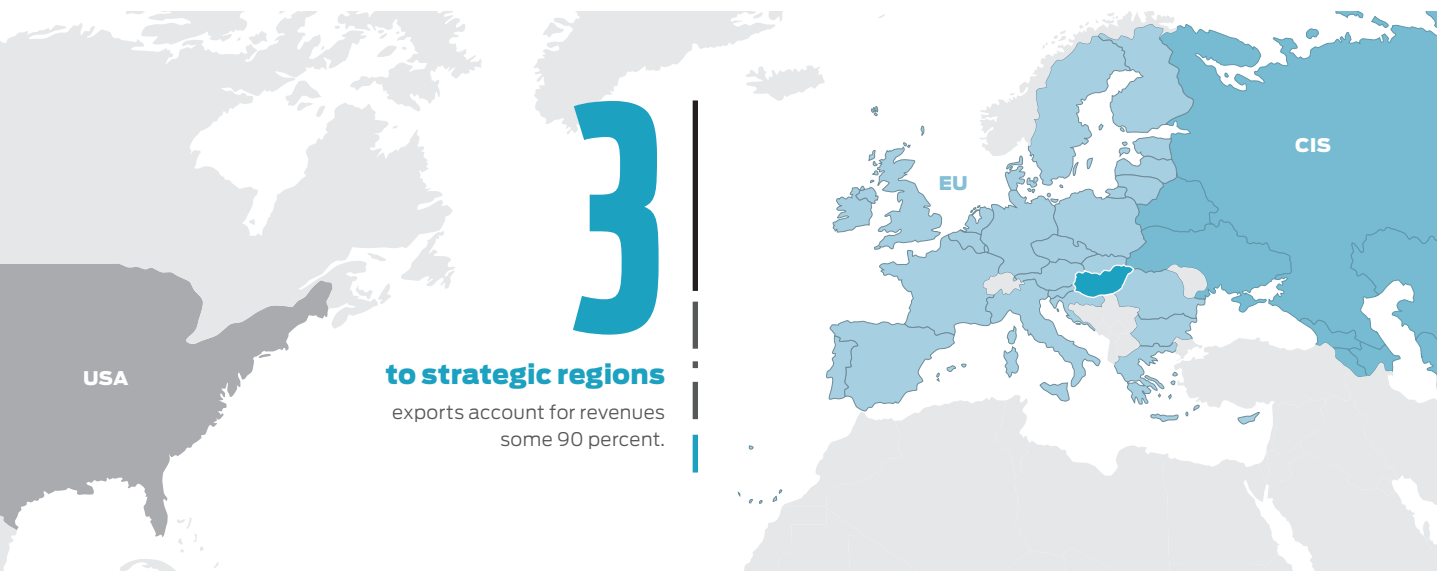
Rába is a company meeting the demands of the global automotive industry and Hungarian users; internationally recognized, the company delivers complex engineering solutions and products. Under the motto “We engineer, you drive,” Rába believes in long-term growth in sync with customers and built on innovative development activities.

During the last 15 years, subsidiaries of the Rába Group have regularly relied on EXIM's financing solutions. The most popular plan has been medium-term export financing refinanced by EXIM, which thanks to its low costs, making it possible to plan for stability in the long run, was a perfect match for Rába's goals.

The key to success

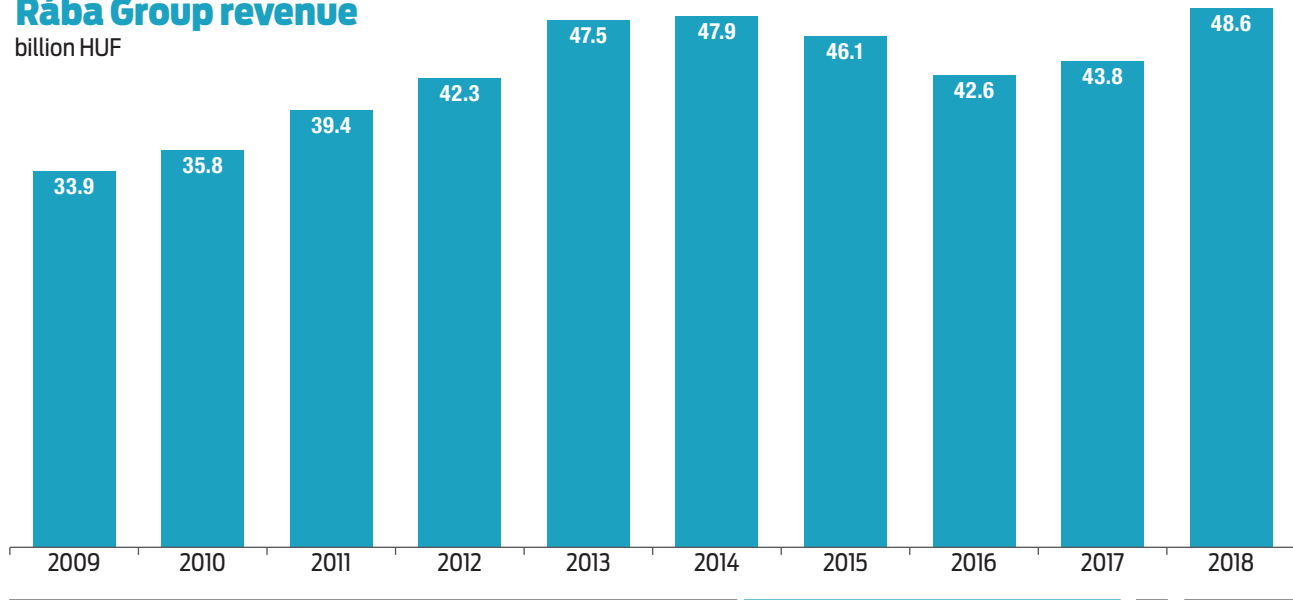
The lending activities were completed each time according to the conditions and timing planned, even if this was no easy task in the period of the earlier financing crisis. The company received maximum support in this both from EXIM as well as from the participating lending banks. Through EXIM's cooperation, Rába was able to significantly improve and solidify its financing positions, at the same time reinforcing its export market presence in strategically key, important regions.

The secret to Rába's international successes has been innovation and flexible manufacturing, tailored to its customers. Customers continue to expect, above all, flexibility, on-time delivery and quality parameters approaching the standards of the automobile industry. These demands may only be met if the company



Rába Group revenue

billion HUF



is able to ensure consistent development, on the level of both the individual as well as the organization, of attitude and technology.

In addition to meeting increasing market demands, the company has also begun to prepare for the next phase of the digitalization of business processes on the level of the organization, and has launched its Industry 4.0 type pilot project.

Through the active development of the business, the acquisition of new markets and effective budgeting, the company has managed to maintain consistently profitable operations.

Ongoing modernization

The technological development and capacity expansion investment program, ensuring Rába's competitiveness in the long term, will soon be completed. The new production line will soon replace the old one. Once these developments are concluded, the plans are for every second heavy-goods vehicle

in Europe to roll off its assembly line containing a front axle manufactured by Rába. By increasing production, it will also be possible for the company to serve new markets and to return to customers whom they have been unable to serve due to capacity shortfalls.

In the interest of ensuring the company's long term competitiveness, Rába's executives monitor defining industry trends and engage in consistent modernization to keep up. It is also open to use innovative, new products to get ahead of customer needs in strategic international markets.

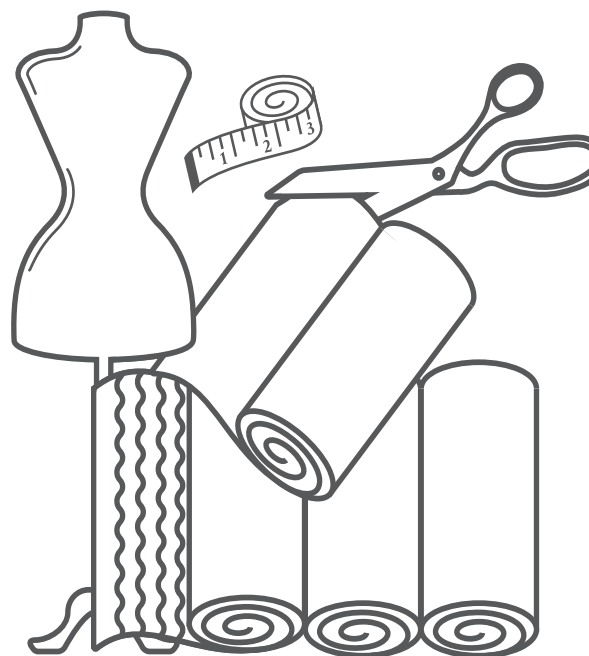
Their hope is that ten years from now, Rába will continue to serve its international partners according to their needs then, and will do so in a stable financial situation, relying on modern technology and manufacturing built on innovative engineering knowledge. They will have to accomplish this in the global automotive industry that is constantly transforming and presenting new technological challenges (e.g.: electric propulsion in heavy-goods vehicles).

RENEWED STRENGTH TO LEAD THE MARKET

With a history spanning over 20 years, the Rovitex Homedeco Group is a wholly Hungarian-owned international manufacturer and retailer of textiles, with a stable financial background. Their annual revenues are more than 2 billion HUF. It is meeting the challenges of the future through consistent development and by maintaining its strict systems and flexibility.

“Our story began in 1995-1996, as a one-person business,” says Owner and Managing Director Norbert Romeisz. “As a child I was already interested in business. At the end of my vacation spent in Germany with relatives, I used my allowance to buy not candy, but German cosmetics which people were already familiar with in Hungary, so I could sell them at a decent profit. I saw that if you work hard enough, you can make it,” says the Owner and Managing Director, whose degree in foreign trade was also important for the company later. As far

as the management of the company is concerned, even in the early days he was convinced that the flexibility of small firms must be combined with the strict accounting and reporting systems of larger corporations. In the earlier years of the company, their biggest step was the construction in 2001 of a 1000-square-meter production hall and warehouse, using interest supported loans; initially, they had three employees at the facility: the Managing Director, a secretary and a warehouseman. “We knew what we wanted, so this was a logical decision, and we needed the space,” Norbert Romeisz says. “In order to establish a network of representatives covering the entire country, we relied on a professional, recruited with the help of a headhunter; myself, I am more of a visionary type. I hired regional representatives, and in 2002, we were already using a company management system to support our success,” he says.





Norbert Romeisz

Managing Director of
Rovitex Hungária Kft.

Two major growth leaps

Norbert Romeisz says they are market leaders in Hungary today, and they serve six other countries in Europe through well-established subsidiaries owned by the company. “We had two major growth leaps: the first, when we began production in Turkey, and thereby had to sell incredible quantities, and the second when we launched our subsidiaries dealing with sales. We first bought companies with similar profiles in Croatia, then in Germany,” the Managing Director recalls. The company’s growth, unimpeded through 2008, was stunted by the years of the crisis. As Norbert Romeisz puts it, they made some serious mistakes in those years. “The members of our management team we had brought together since 2005 fled during the crisis, primarily for economic reasons. In retrospect, this seems to have been a mistaken step, because it took until now to assemble a similarly good team. Over the years, I realized how much colleagues working in various positions, if they are lacking the proper training and commitment, can hinder productivity and effectiveness. For a long time, we thought the market would be slow to pick up, and the uptick would take long: starting in 2013, we saw growth of 2-3 percent or so. We later learned we are capable of far better results,” he says. As a result of a 2017 company audit, they operate far more effectively today with 75 employees and 25 subcontractors.

EXIM is people-centric

In their production facilities, they pattern, print and produce specially designed textiles. They use various materials to meet customer demands, placing great emphasis on innovation. They pro-



million square meters

of curtains produced by Rovitex in 2018, with an additional 400,000 square meters of wallpaper. The company has a total of 4300 partners (2000 Hungarian and 2300 foreign), 3500 retailers, 150 multinational shops and 650 buyers.

duce flame-retardant, antibacterial and other special fabrics. Their production branch is served by their own warehouse, but they operate their own tailor-shop and sewing shop to respond rapidly and flexibly to production needs. Some 15 percent of their total turnover is accounted for by the sale of products they manufacture themselves. Of the textiles they sell, approx. 55-60 percent is manufactured by the company, while 20-25 is commercially procured.

In response to growing market demand, and in order to ensure the highest quality consistently, they inaugurated their 4000-square-meter manufacturing and logistics center in Pécs in January 2014, as a greenfield investment. “The modern building houses a full range of production control, manufacturing, quality control and logistics processes,” says Norbert Romeisz. As he points out, EXIM’s CEO at the time,

Zoltán Urbán, was also on hand for the inauguration of the factory. “With his personable and people-centric approach, he elevated our banking relationship to a higher level of quality. We were able to take out our export financing loan with a fixed interest rate of 2.5 percent, which is highly favorable and predictable,” says the Managing Director of Rovitex. At the time, this was considered an almost cost-free loan, since the transaction did not include any hidden costs that other banks would have added.

All over the continent, and beyond

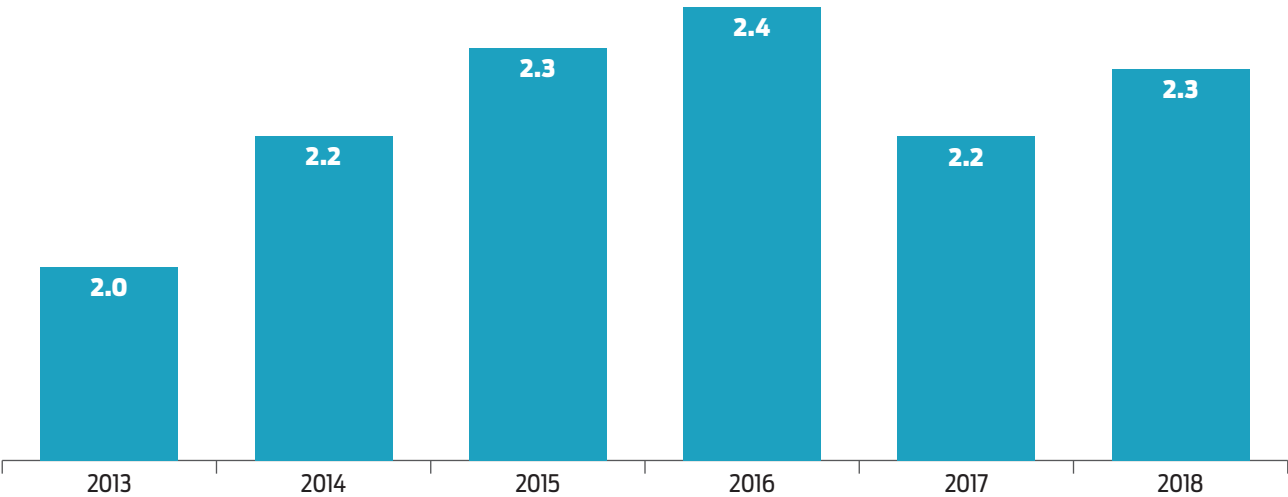
The company, which has since then returned to a path to growth, today has several very large customers, including international retail chains like Kika, Obi, Bauhaus and Hombach; the company acts as their strategic supply partner, and also collaborates with them on developing and manufacturing products sold under their respective corporate

brands. Rovitex also provides a full range of textile supply services, from design to manufacturing, for several hotels, restaurants and public institutions. Their Hungarian head office is responsible for the company’s export activities to their European markets, delivering their products to over 2000 textile retailers in more than 30 countries on the continent and beyond. They meet their partners’ needs through a customized approach, with a dedicated customer service unit dealing with textile retailers, institutional partners and international retail chain customers. “We are perhaps most proud of having won the 2016 tender for the full reconstruction of the Saint Stephen Hall in the Buda Castle,” says the Managing Director.

Looking ahead, Norbert Romeisz says Rovitex cannot forget that digitalization and easy access are critical. In addition, hard work, thinking ahead and the management’s utmost respect for human labor are essential components of success.

Revenue data from recent years

billion HUF





Zoltán Kulik

CEO of
Vitafort Zrt.

WORLD- CLASS QUALITY FROM DABAS

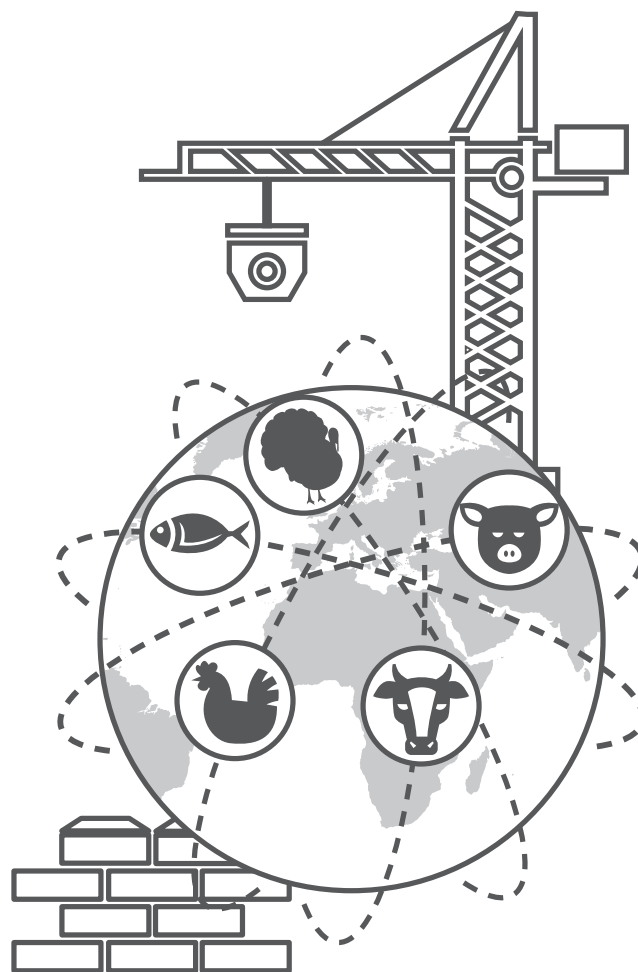
Vitafort Agro Ázsia Zrt., belonging to Vitafort First Hungarian Feed Production and Distribution Zrt., has built feed mixers, pilot farms, food processors and laboratories, and has established complete food safety systems in Laos, with the continuous collaboration of EXIM.

With almost forty years of history, the majority Hungarian owned Vitafort Zrt., based in Dabas, is a market leader of Hungary's 3.6-million-ton feed market, and is one of the most important actors in the Central European region. Activities of the Vitafort company group cover a full range of the feed industry, dominating one-fourth of the Hungarian market with 950,000 tons of feed equivalent finished products. The company is also active in exports, and entered exotic export markets more than twenty years ago. As a result of a one-million-dollar World Bank tender and thanks to EXIM's cooperation, they have established their foothold in Moldova in 1992, for instance, where they are one of the largest agricultural suppliers to large and medium animal farms. They have also been present in Ro-

mania for more than two decades. Their export activities are growing dynamically, and amount to 700,000 tons of feed equivalent products. These are sold in 11 countries in Eastern Europe, the Middle East and Southeast Asia.

Tied aid programs

"With the joint project begun in Moldova 24 years ago, Vitafort is one of the first clients of EXIM, celebrating its 25th anniversary," recalls Zoltán



Kulik, who has led the company as CEO since 1999. As he puts it, these joint efforts were later augmented by an additional dimension. As a result of the collaboration between EXIM and Vitafort Zrt., Hungary has become the EU's largest donor nation in Laos in the field of agriculture and the food industry. Through the tied aid programs in Laos financed by EXIM and insured by MEHIB, projects worth a total of 74-75 million USD have been realized or launched between 2009 and 2020. In Laos, the tied aid program – thanks to the Hungarian knowledge transfer and assistance to the technological knowledge base to reach the market – has helped the establishment of businesses in the fields of feed manufacturing, animal husbandry and aquaculture. The realization of these projects is thus a true success story, and one which has transformed the entire agriculture of Laos. In these successful agricultural efforts, dating back 12 years, EXIM has been an active collaborating partner from the beginning.

Export opportunity for Hungarian firms

The first program in Laos included 8.6 million USD worth of developments involving Hungarian participation, completed in 23 months, in 2009-2011, far more quickly than the four years originally pledged. The project included the construction of three state feed mixers, to produce feed for fish, swine and poultry, to substitute feed imports. They developed fishery and aquaculture, modernized swine and turkey farms and built hatcheries and slaughterhouses. The state-owned facilities built in Laos are operated by Hungarians; additionally, Laotian-Hungarian mixed companies have also been estab-

700

000 tons

of feed equivalent products exported
to 11 countries in Eastern Europe, the Middle East and
Southeast Asia

lished. The second, 30 million USD program, was launched in 2016 and completed in 2019. It is based on three pillars: establishing the legal and institutional background for the food chain safety system, creating the laboratory and diagnostics capacity for the structure, and setting up reference and model farms to test the system. Trainings of various levels are also an important component, focusing on production and foodstuffs processing. The third project, to be implemented in 2019-2021 and worth 35 million USD, also covers several areas. These include soil management, agricultural water management, the improvement of plant cultivation for use in animal feeds, cattle raising, fisheries, improving feed storage, solidifying the food chain safety system and education.

Collaborating partners in the third program are the National Food Chain Safety Office, the Department of Soil Science at the Szent István University, the National Agricultural Research and Innovation Center and the Fishery and Irrigation Research Center of Szarvas, not to mention Hungarian businesses. As the main contractor, Vitafort Zrt. brought nearly 40 Hungarian businesses on board for the first two programs, serving as suppliers or subcontractors.

Small and medium enterprises for the most part, together they employ more than one thousand people. Those participating in the first program, in 2009, achieved more than 16 times their share capital in revenues, and nearly four times their own equity; their earnings before taxes exceeded one billion HUF. Hungarian participation in the Laotian project is more than 70 percent, far higher than the fifty percent required, and the lion's share of the machines and equipment delivered is also Hungarian. „A cornerstone of the collaboration with EXIM is to have as many Hungarian firms access export opportunities as possible, including ones which may not be able to do so from their own resources,” the CEO says. He adds: as an additional fruit of their collaboration, a Hungarian restaurant – Budapest Bistro – was also opened in Laos.

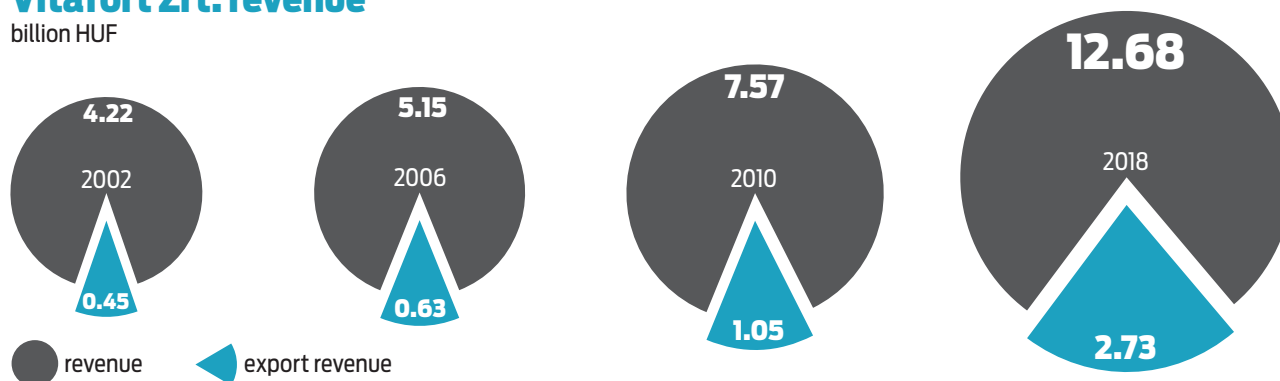
Expansion in Asia and Africa

Vitafort Zrt. is committed to retaining its defining position in the Hungarian feed market. Their strategic goal, at the same time, is to further boost

their foreign market activities. Achieving both goals hinges, in addition to the continuous development and expansion of their manufacturing capacity, on the construction of a new plant, planned for the near future and worth four billion HUF. Their research and development activities are world-class. In addition to their products, the company's know-how is also sought-after abroad. Thanks to the references, new export markets have opened up to Vitafort Zrt. in the past already, through the support of EXIM. The feed company has an important presence, for instance, in Saudi Arabia, Vietnam, Colombia, Pakistan and Kenya; they have also been present in the feed market of Laos, their bridgehead in Southeast Asia, for nearly ten years. This is key, because forecasts suggest the feed market may expand three-fold in Asia and ten-fold in Africa. With its experience implementing tied aid programs financed by EXIM, Vitafort is able to participate effectively in programs targeting food supply in developing countries and the improvement of the living conditions of those living in rural regions there.

Vitafort Zrt. revenue

billion HUF





EXPORT PROMOTION INCENTIVE OPPORTUNITIES AND FUTURE PROSPECTS

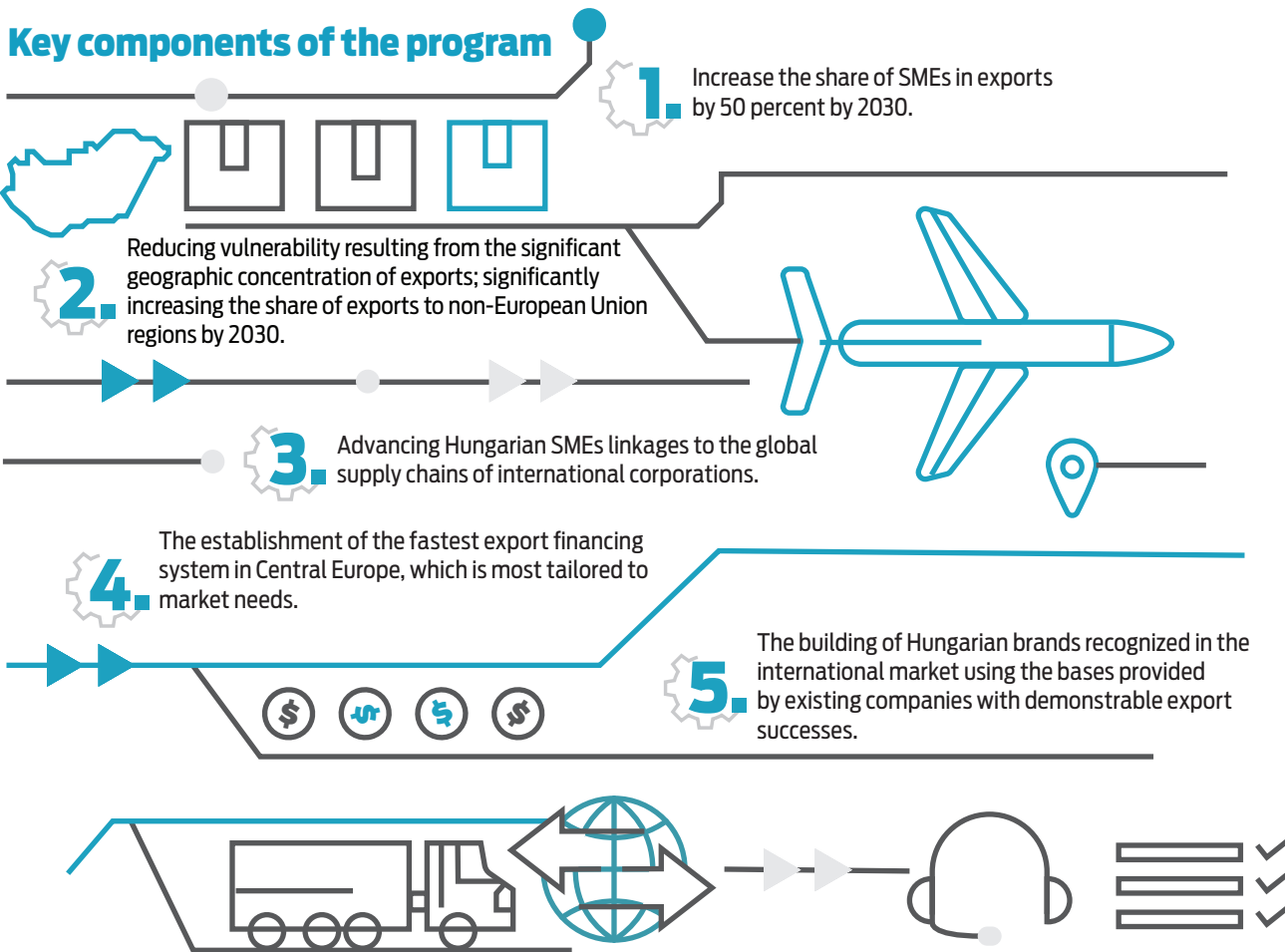
On March 4, 2019, the Government of Hungary adopted the National Export Strategy, a strategic framework for supporting the export activities of Hungarian businesses; its goal is to identify directions for further developing the tools for governmental export support.

**The National Export Strategy
identified five main
governmental objectives**

The tasks include increasing the share of small and medium enterprises (SMEs) in exports by fifty per cent by 2030.

Also in the same timeframe, the share of exports to non-European Union regions is to be increased by

25 percent. Another priority goal is to advance the linkages of Hungarian SMEs to the global supply chains of international corporations. The expected outcome is that Hungarian companies may develop more rapidly and may access global markets more easily. Parallel with this, Hungarian companies must be offered mentoring, necessary for them to become suppliers. Another goal specified in the documents is to establish the fastest export financing system in Central Europe, which is most tailored to market needs.



The costs associated with direct exports, as well as those resulting from preparations to begin exporting, may be significant – especially for SMEs. Ensuring that the Hungarian system of tools supporting this operate according to standardized and coordinated principles is a fundamental goal.

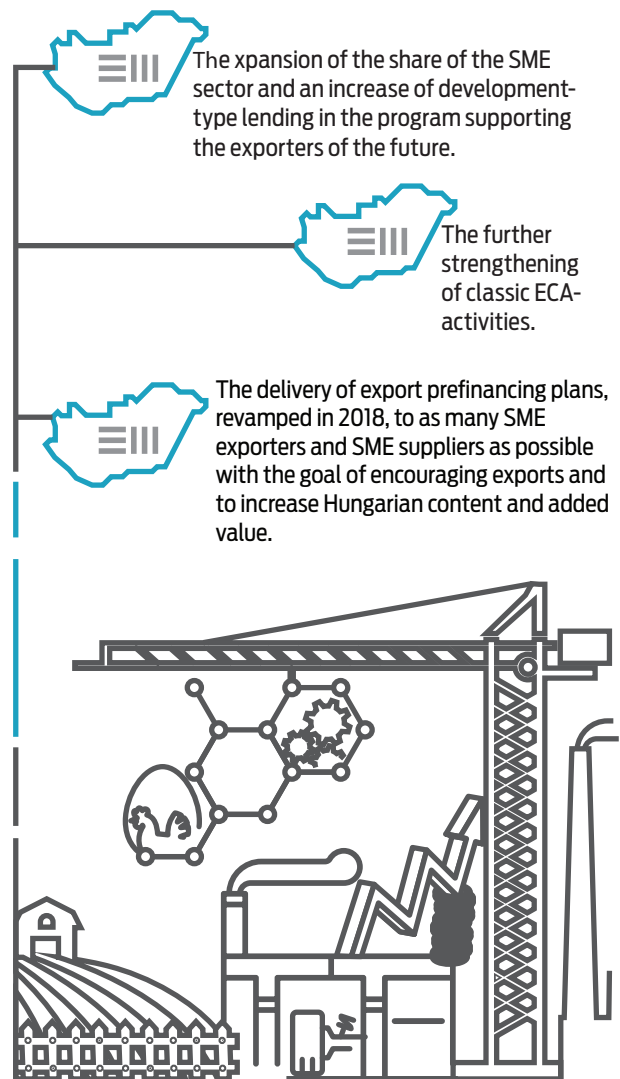
Last, but not least, the building of Hungarian brands recognized in the international market, using the bases provided by existing companies with demonstrable export successes, is also important. In line with international practices, an additional goal is to connect the country's image with the export promotion of the particular product or service.

Support for focus sectors and dynamically growing specialized fields

The sectoral priorities of the National Export Strategy were determined based on market research conducted by Eximbank Plc., the Hungarian Export Promotion Agency Nonprofit Plc. (HEPA) and foreign trade attaches, considering global and regional demand trends, global processes and economic diplomacy relationships.

EXIM, in accordance with its mission, intends to continue to focus primarily on the provision of financing and insurance solutions for the direct or indirect advancement of exports.

Cornerstones of EXIM's 2019-2021 business strategy



Dear Reader,

In the last 25 years, we have worked to help Hungarian exporters achieve as many business successes as possible in foreign markets. In the future, we will continue to work to ensure that, in this ever-changing world, Hungarian business are able to make deals against a secure and predictable financial background, every time.

We hope to welcome you soon among our clients!

the EXIM team



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