

The automotive industry in a nutshell

The automotive sector is one of Hungary's core industries and contributes 20 per cent of total exports. Over 600 companies employing a total of 100,000 staff and producing more than 15 billion EUR revenue. Around 92% of their products and services are exported. The majority of these enterprises operate according to the ISO and/or TS 16949 quality management standards.

The number of first and second-tier equipment manufacturers is continually rising. Since the early 1990s, several foreign car manufacturers, such as Suzuki, Audi, General Motors and Daimler as well as 14 of the top 20 Tier 1 suppliers have set up production facilities in Hungary.

Key arguments for investing in the Hungarian automotive sector:

1. **Central location** - At the cross roads of four main European transportation corridors - Ideal logistical centre for the automotive industry.
2. **Access to a talented, creative, flexible and qualified labour pool** - Competitive wages and labour cost/value ratio in European comparison in the CEE region. Companies can expect a 30–50% cost saving compared to Western Europe and the US.
3. **Excellent local supplier network** - The presence of major automotive suppliers in Hungary.
4. **Tradition of innovation** - Long and successful tradition of cooperation between the universities and the producers in R&D.

Central location - an optional hub for Europe

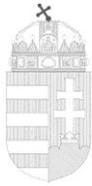
- Hungary is a potential logistics and production base thanks to its favourable geographical position in Europe
- Direct access to the Balkans and Eastern Europe and close to the Western-European markets
- Renault-Nissan and Porsche have chosen Hungary for their part centres from which they can supply not only the Central and Eastern European markets, but also countries further to the East and South including the Ukraine, Russia and the Balkan region
- Four Helsinki-corridors running through the country

Access to a talented, creative, flexible and qualified labour pool at competitive costs

- 100,000 employees in the automotive industry
- World-class training and education of engineers in major cities
- Nearly 20% of engineers are engaged in product improvement, while the rest are active in technological development, production, quality assurance and sales
- Fundamentally lower wages compared to Western Europe combined with the highest productivity rates in the region.

Excellent local supplier network

- Hungary - as one of the “Detroit East” countries - can supply manufacturers and customers throughout the whole of Europe
- The number of orders are on an increasing scale due to considerable investments by CBU manufacturers to expand capacities
- 14 of the 20 leading Tier 1 companies have settled in Hungary
- Hungarian automotive suppliers have several years of experience supplying OEMs & Tier 1s

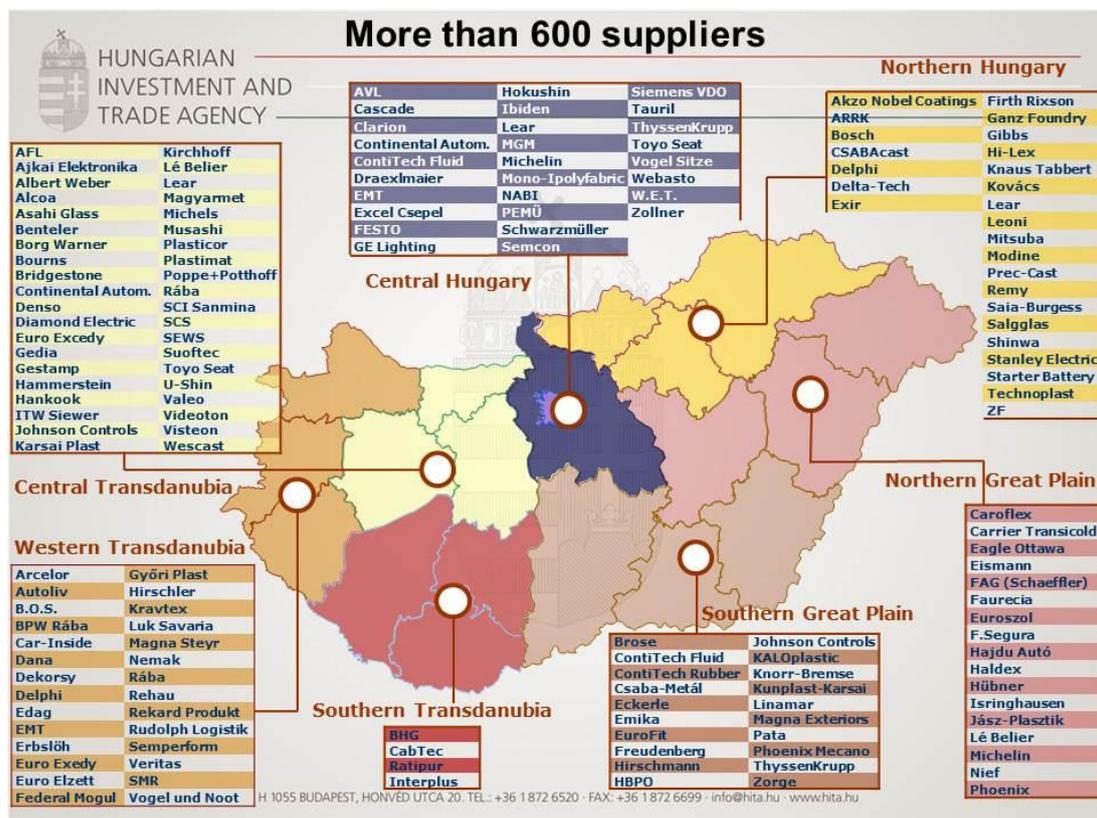


Tradition of innovation

Major Hungarian scientific and technical contributions include:

- electric motor (1828) - Dr. Ányos Jedlik
- carburettor (1890) - János Csonka and Donát Bánki
- organizer of Ford's Model-T mass production (1905-15) - József Galamb
- NASA's Moon Rover and Mars vehicles (1961–1988) - Ferenc Pavlics
- BMW diesel engine development (1981–1999) - Ferenc Anisits
- vehicle safety concepts (1939-1972) - Béla Barényi
- combined engine charger system (1968) - Gyula Cser

Mayor players in the sector

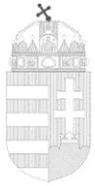


Success stories

Mercedes Benz Manufacturing Hungary Kft. is Fully Operational

Daimler-Benz announced on the 18 June 2008, the establishment of a new car manufacturing plant, producing the new generation Mercedes A and B-class models in Kecskemét, Hungary.

Mercedes will be produced at a rate of 100,000 cars a year. Besides the 3,000 new employees, once at full capacity, it is estimated that it will create approximately 10,000 indirect jobs.



Daimler has chosen Hungary because the best conditions for its investment were here. This was especially true of infrastructure, logistics, workforce-skills, and salary structures. Ahead of the lower cost quotes from rivals, Hungary has also profited from its former economic and industrial politics, and positive experiences from previous automotive investments (Audi, Opel, Suzuki).

The Mercedes plant in Kecskemét officially started production on the 29th March 2012. After less than three months of manufacturing, the plant has produced 10,000 units of the B-class Mercedes. Because of the high demand for the B-class, the number of employees will grow from the originally planned 2,500 to 3,000 by the end of 2012.

Robert Bosch the biggest supplier in Hungary employing 8000 people

Bosch has been present in Hungary since 1899. After reorganisation of the regional commercial company in 1991, it has become the second biggest foreign industrial employer in Hungary.

In the business year 2010, the company had 11 subsidiaries in Hungary. Robert Bosch Elektronika Kft. in Hatvan was established in 1998. This factory is already the largest production site of the automotive division within the Bosch group.

The Hatvan site produces different types of control units for automatic transmissions, ABS, airbags, electrohydraulic servo steering, body electronics, on-board computers, ESP and complete dashboards.

By the end of 2011, the Hungarian Bosch group employed approximately 8,000 workers.

In 2000, the Bosch Budapest Research Centre was established and it has been growing dynamically, where currently 600 development engineers are working.

Audi in Győr becoming a fully featured production plant and the largest engine production plant in the World

On the 23th September 2010, Audi announced the expansion of vehicle production in its Győr plant. With an investment of more than EUR 900 million, 2,100 new jobs will be created in Győr.

As a result of the development, four different Audi models will be completely produced in Győr.

The factory will cover the whole production activity, beginning with the bodywork, through paintwork until the assembly, working at full capacity from 2013. After the expansion project, Audi – including its own headcount, suppliers and service providers – will ensure a livelihood for over 15,000 people in the region.

From 2013 on, 125,000 cars will roll off the manufacturing line in Győr each year including the Audi TT Coupés, Roadsters, A3 Cabriolets and a further version of the A3.

In 2011, the Engine Development Centre celebrated its 10th anniversary. AUDI HUNGÁRIA MOTOR Kft. will now be adding vehicle development to its development activities. In the coming years, the emphasis on this new area will shift to vehicle testing with a focus on manufacturing, thereby assisting the optimal entry of new vehicles into the manufacturing phase.