



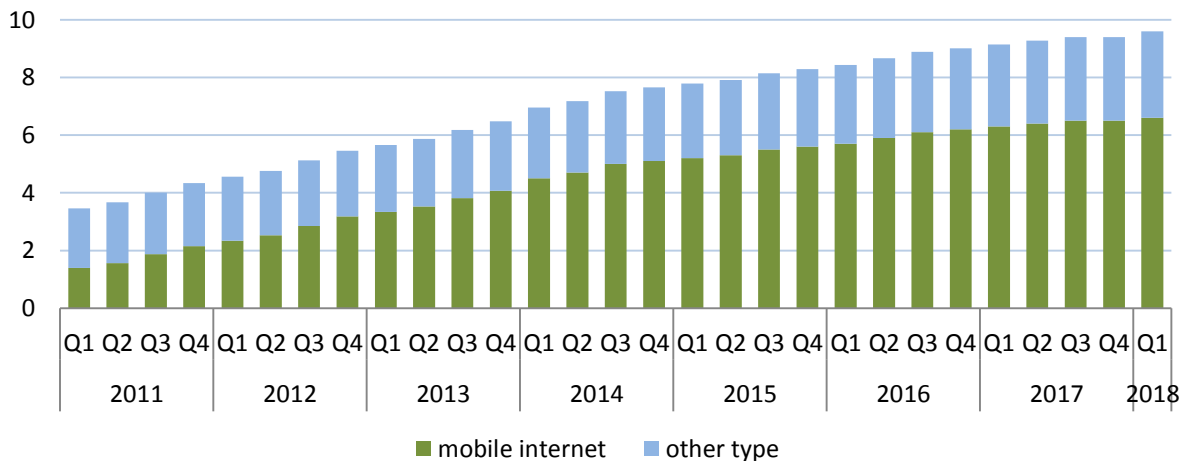
### *Hungary's Internet market growing dynamically*

According to the latest report of the Hungarian Central Statistical Office (KSH), the dynamic growth trend in the use of Internet continued in the first quarter of 2018. The number of Internet subscriptions rose to some 9.6 million by the end of the quarter, up by 5.2 percent compared to the first quarter of the previous year. The great majority of subscriptions, 69 percent, were for mobile Internet connection.

In accordance with Government objectives, the Internet market has expanded steadily over the past couple of years in Hungary (Fig.1). The number of subscriptions since Q1 2011 has almost tripled, and hit some 9.6 million at the end of the first quarter of 2018. The growing use of smart phones has caused the number of subscriptions for mobile Internet to gain weight within the total number: while at the end of the first quarter of 2011 subscriptions for mobile Internet had accounted only for 40 percent of the total number of contracts, this share grew to 60 percent in the two years after that. In the period since then, the growth trend has continued, at a steady albeit slower pace.

At the end of Q1 2018, the existing 6.6 million contracts for mobile Internet access constituted 69 percent of total. In the period January-March 2018, the number of subscriptions for mobile Internet increased by 5.5 percent year-on-year.

*Fig.1: Change in the number of Internet subscriptions (million)*



*Source: Hungarian Central Statistical Office (KSH)*

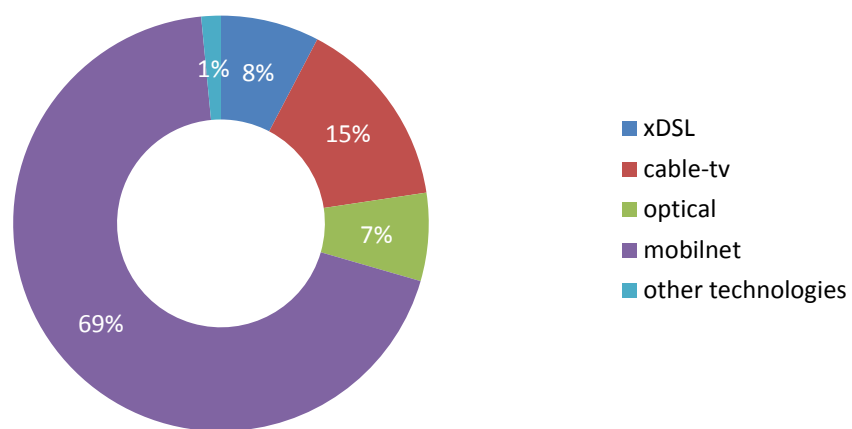
In Q1 2018, when the number of fixed-line subscriptions increased by 4.5 percent, contracts for cable TV services accounted for half of the total number of subscriptions and those for xDSL comprised a little over one-fourth of them. The number of contracts in the former category grew by 4.9 percent while those in the latter were down by 4.5 percent year-on-year. The number of



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contracts for Internet access provided through fiber optic cables shows dynamic growth: these increased by 17 percent year-on-year in the first quarter of 2018. Thus, about one-fourth of fixed-line Internet services use this technology (Fig.2.). Although the share of subscriptions for fixed-line Internet has fallen to only 30 percent of total now, the bulk of data traffic still flows through these networks. In Q1 2018, the volume of data downloads and uploads through fixed-line Internet connection increased by 45 percent and 30 percent, respectively, year-on-year.

**Fig.2: Distribution of Internet subscriptions by type of technology (% , 2018 Q1)**



*Source: Hungarian Central Statistical Office (KSH)*

In Q1 2018, net revenues from Internet services totalled HUF 59bn (EUR 180 million), up by 12 percent at current prices, compared to the same period of the previous year. The rate of revenue growth, however, has far exceeded the rate of growth in the number of subscriptions. 45 percent of revenues from Internet services stemmed from mobile Internet subscriptions, the number of which increased by 19 percent compared to the period January-March 2017.

The market has been highly concentrated: more than 96 percent of subscriptions are held by 10 service providers. Of the total volume of Internet subscriptions, 80 percent have been made with private and 20 percent with corporate clients.

One of the major initiatives of the Europe 2020 Strategy is to expand broad-band networks with the aim of facilitating social integration and boosting competitiveness within the EU. The EU's Digital Agenda aims to make high-speed broad-band Internet access (of min 30Mbps) available for every citizen of the EU until 2020. In order to meet these EU targets, in the Superfast Internet Programme the Government of Hungary has made the commitment that, as the very first country in the EU, it would provide a country-wide infrastructure and build a high-speed

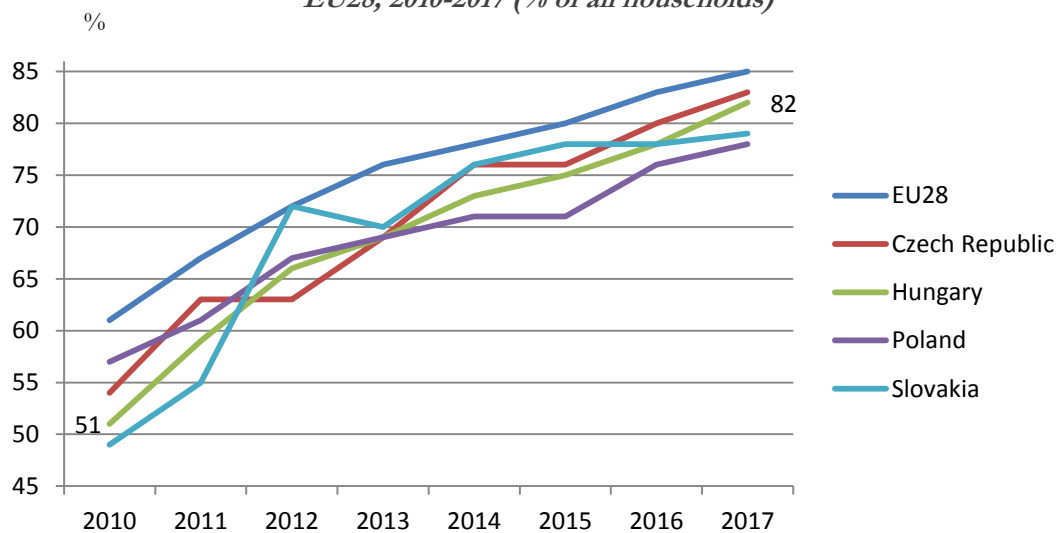


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broad-band network required for access to and use of digital public services by as early as the end of 2018.

According to data compiled by the Eurostat, the EU's central statistical office, the availability of broad-band Internet for private persons has improved rapidly in the entire European Union and within the Visegrad Four since 2010. While in 2010 only half of households had had broad-band Internet connection in Hungary, this indicator showed three-quarters in 2015 and as much as four-fifths last year. Accordingly, in percentage terms, Hungary and the Czech Republic are at the top of the ranking in the region, and we are also performing well within the EU.

**Fig.3: Change in broadband Internet connection of households in the V4 countries and in the EU28, 2010-2017 (% of all households)**



*Source: Eurostat*

The fact that VAT on the use of Internet has been reduced in two steps, from 27 percent to 18 percent as of 1 January 2017 and then again from 18 percent to 5 percent as of 1 January 2018, was a remarkable achievement. In order to meet the target of having super-fast Internet all across the country two years ahead of the proposed EU headline, by the end of 2018, development projects in the value of HUF 150bn, partly financed from EU funds, are scheduled to be completed by the end of this year in Hungary. Besides providing a new Internet network which covers the entire country, it is also a Government priority to make high-quality Internet services available to everybody and therefore free Wi-Fi hot spots are also projected to be created in every Hungarian settlement by the end of 2018.