

DATA CENTRES IN HUNGARY



HUNGARY

AN IDEAL LOCATION FOR DATA CENTRES

Hungary as a data centre location could be attractive for many data centre services vendors and many end users alike because of its excellent location and competitive prices. Increasing numbers of companies are taking advantage of the **developed ICT infrastructure and well-trained IT personnel** in Hungary and have decided to develop data centre hubs in the country to serve their regional/European operations.

Our main arguments why to host in Hungary:

1 Safe environment

- Protected from extreme weather conditions, and extremely low probability of earthquakes with damaging force
- The impact of terrorism is low in EU comparison

2 Infrastructural development

- Significantly lower ratio of power interruptions than the EU average
- Hungary is among those 10 EU countries where NGA fixed broadband coverage is available on more than 2/3rd of the country's territory since 2014

3 Competitive costs

- Favourable construction prices: 4th lowest in the EU in 2015
- Moderate electricity prices: Hungary offers competitive prices compared to other EU countries

4 Strong ICT sector

- Several leading multinational companies have data centre operations in Hungary
- The percentage of enterprises that employ ICT specialists is among the highest in the EU

5 Supportive Government

- Favourable taxation
- Attractive incentive schemes
- Digital Nation Development Strategy

1 SAFE ENVIRONMENT

Global Terrorism Index (GTI) 2016, score of EU member countries

Hungary is considered to be a **safe country** as it is located in the Carpathian Basin that protects the country from extreme weather conditions. Besides, being far from tectonic collision points there is an extremely low probability of earthquakes with damaging force. Hungary is situated in the temperate climate zone. The average temperature in the country is between 10 and 11 °C.

Source: Institute for Economics and Peace, Global Terrorism Index 2016, Measuring and Understanding the Impact of Terrorism

Remarks: The Global Terrorism Index (GTI) is a comprehensive study analysing the impact of terrorism for 163 countries, covering 99.7% of the world's population. There is no data for Malta and Luxembourg.

EU MEMBER COUNTRY	SCORE
	(0: NO IMPACT OF TERRORISM, 10: HIGHEST IMPACT OF TERRORISM)
Latvia	0
Lithuania	0
Poland	0
Romania	0
Slovenia	0
Slovakia	0
Croatia	0.058
Portugal	0.058
Austria	0.182
Hungary	0.23
Netherlands	0.864
Estonia	1.103
Spain	1.203
Belgium	1.245
Bulgaria	1.631
Cyprus	2.04
Denmark	2.152
Czech Republic	2.179
Italy	2.363
Finland	2.377
Ireland	3.429
Sweden	3.984
Greece	4.218
Germany	4.308
United Kingdom	5.08
France	5.603
AVERAGE SCORE	1.704

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INFRASTRUCTURAL DEVELOPMENT

The ratio of **power interruptions** is significantly lower than the EU average. It is also important to mention that Hungary uses **ground lines for power lines instead of aerials** that provides much more security for the users.

Broadband coverage

What is more, Hungary is among those 10 EU countries where NGA fixed broadband coverage was available on more than 2/3rd of the country's territory in 2014 (according to the map of IHS Technology made by proxy of the European Committee).

UNPLANNED ELECTRICITY SUPPLY INTERRUPTIONS IN EU MEMBER COUNTRIES

(AVERAGE NUMBER OF INTERRUPTIONS PER YEAR, INCLUDING ALL EVENTS, 2014)

COUNTRY	2014
Luxembourg	0.23
The Netherlands	0.28
Denmark	0.31
Germany	0.37
Estonia	0.65
Great Britain	0.72
France	0.74
Austria	0.82
Belgium	1.04
Spain	1.13
Hungary	1.13
Lithuania	1.29
Sweden	1.30
Finland	1.60
Ireland	1.66
Czech Republic	1.86
Portugal	1.89
Italy	1.99
Greece	2.20
Croatia	2.71
Malta	2.75
Latvia	2.78
Poland	2.96
Slovenia	4.31
Romania	5.10
Bulgaria	n.a.
Cyprus	n.a.
Slovak Republic	n.a.
AVERAGE	1.67

Source: 6th CEER Benchmarking Report on the Quality of Electricity and Gas Supply - 2016 (Annex A to Chapter "Electricity - Continuity of Supply")

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COMPETITIVE
COSTS7TH
MOSTCOMPETITIVE ELECTRICITY
PRICES IN THE EU.

Besides, the government of Hungary is firmly **committed to decrease the energy costs of companies** after significantly moderating the energy costs of the Hungarian households. In the long run with the expansion of the Paks Nuclear Power Plant electricity prices are expected to become more favourable.

Moreover, **construction prices are more favourable** in Hungary than in the majority of other EU countries. The construction price level in Hungary accounted for approximately half of that of the EU28 in 2015.

**AVERAGE
ELECTRICITY
PRICES IN THE EU**
(MEDIUM SIZE INDUSTRIAL
CONSUMERS)

Sweden	0.077	1	
Finland	0.085	2	
Czech Republic	0.088	3	
Romania	0.091	4	
Luxembourg	0.094	5	
Poland	0.099	6	
Hungary	0.100	7	
Slovenia	0.103	8	
Netherlands	0.104	9	
Estonia	0.105	10	
Croatia	0.113	11	
Lithuania	0.114	12	
France	0.119	13	
Bulgaria	0.120	14	
Cyprus	0.124	15	
Austria	0.127	16	
Slovakia	0.131	17	
Spain	0.134	18	
Belgium	0.135	19	
Greece	0.136	20	
Portugal	0.138	21	
Latvia	0.141	22	
EU-28	0.145		
Malta	0.149	23	
Ireland	0.150	24	
United Kingdom	0.164	25	
Italy	0.177	26	
Germany	0.197	27	
Denmark	0.266	28	

Source: Eurostat

(first half of 2016, all taxes
and levies included, EUR per
kWh, Band IC : 500 MWh <
Consumption < 2 000 MWh)

4 STRONG ICT SECTOR

DATA CENTRES IN HUNGARY

	DATA CENTRE	SITES	CAPTIVE/OPEN
14400 m ²	T-Systems	4	Open
2820 m ²	Invitel	3	Open
1920 m ²	T-Systems (GTS)	3	Open
600 m ²	Telenor	2	Open
590 m ²	Proserver	1	Open
300 m ²	DoclerNet Hosting	1	Open
2000 m ²	Wigner	1	Captive
2000 m ²	KBC	2	Captive
600 m ²	NISZ	2	Captive
200 m ²	MVM	2	Captive

Quality of the ICT workforce is one of the main reason why many ICT companies have already chosen Hungary (Nokia, Ericsson, Vodafone, IBM, Tata, Microsoft).

Significant modernization investments have been conducted by large data centre service providers T-Systems and Invitel. Moreover, several end-user organizations have decided to expand their captive

data centres. Among these, Wigner providing value added hosting for CERN and the implementation of MVM's (Hungarian Electricity Private Limited Company) data centre have been the most significant recently.

It is also important to mention that there are several data centres in Hungary which are ready to be acquired.

IVSZ CLOUD WORKING GROUP

The largest and most significant interest group of the Information and Communication Technologies industry in Hungary is called IVSZ.

- Approximately 450 precious member companies
- Data Centre and Cloud Workgroup since 2011
- The prime competence centre of this market segment
- Over 25 experts meet regularly to create the basis of the further developments
- Creates significant value to investors via easy access to expertise, fast market overview and mature market conditions

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SUPPORTIVE GOVERNMENT

DIGITAL NATION DEVELOPMENT STRATEGY

The future and success of the Hungarian ICT sector is important to the Government, therefore it has set a so called Digital Nation Development Strategy with goals to be achieved by 2018 and 2020:

Super fast internet:

- By 2018 at least 30 Mbps Internet network throughout the country
- Network connection of local public institutions

Digital community and economy development:

- Providing digital devices (laptop, tablet)
- Smart city services
- Regional economic development programs
- Local SMEs' IT developments (equipment, software, service)

E-government services:

- Creating integrated customer points: contact with citizens and enterprises through 260-280 one stop government
- By 2020 all public services should be electronic and the use of them should be mandatory for enterprises

Digital competence:

- Adult education, e-inclusion, mentoring those without digital competence
- Introduction of new educational program that includes use of digital devices and extra IT lessons apart from the lessons in public educational institutions

FAVOURABLE TAXATION SYSTEM

CORPORATE INCOME TAX

The most competitive corporate income tax rate in the EU.

10%/19% (2016)  **9%** (2017)

SOCIAL CONTRIBUTION TAX

Further plans of lowering the social contribution were announced as a plan (2-2%) during a four-year period.

27% (2016)  **22%** (2017)  **20%** (2018 - planned)

TAX INCENTIVES IN FAVOUR OF R&D ACTIVITIES

Social contribution tax benefit in favour of R&D activities – Based upon 50% of the negative corporate tax base arising from the deduction of the direct costs of R&D activities performed by the company, the stated amount arising from the corporate tax rate of the above indicated amount may be deducted from the social contribution tax paid after the employees.

Development tax incentive – Lower step in criteria is effective: currently an investment with a HUF 3 billion investment amount and 150 new job creation can qualify (in preferential region: HUF 1 billion investment with 75 new job creation). The requirement with regard to the number of newly created jobs has been decreased from 150 to 50 (in preferential regions from 75 to 25).

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...assistance with your incentive application.



AFTER
YOU HAVE CHOSEN
HUNGARY



We are open to your feedback and offer mediation between government and business based on your inputs.



We support your further expansion and plans.



PLEASE **CONTACT US**

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