

## EFSI Operation Scoreboard<sup>1</sup>

| <b>PROJECT PRESENTATION</b>                       |  |
|---|--|
| <b><u>Project name</u></b>                        | RURAL FIBRE NETWORK POLAND   |
| <b><u>Promoter and financial intermediary</u></b> | NEXERA SP ZOO  |
| <b><u>Country of implementation</u></b>           | Poland   |
| <b><u>Summary project description</u></b>         | <p>The project concerns the rollout of a fibre to the home (FTTH) access network based on a passive optical network (PON) architecture in rural areas of central and north eastern Poland. The promoter will benefit from national and EU public subsidies to fund partially the required investments. Fibre network deployments in rural areas are, in the absence of public subsidies, commercially unviable given their relatively low population density and broadband penetration.</p> <p>The promoter will operate under an open access model providing wholesale services to all interested Polish operators, which will commercialise fixed broadband services in the retail market. The network will pass around 530 000 households, and around 1 400 school sites for the considered period 2019-2022 (c. 1 900 schools including 2018).</p> |

<sup>1</sup> This Scoreboard of indicators reflects the information presented to the EFSI Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

Parts of this document that fall under the exceptions for disclosure defined by the EIB Group Transparency Policy, notably under articles 5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

## PROJECT PILLAR ASSESSMENT

### Pillar 1

| Contribution to EU policy  | Significant |
|--|-------------|
| <b>Cross-cutting objectives</b>  |             |
| EIB Cohesion Priority Regions / Economic and Social Cohesion                   | 87.00%      |
| <b>EFSI</b>  |             |
| Contribution to EFSI   | 100.00%     |
| EFSI: Development and deployment of information and communication technologies | 100.00%     |
| Telecommunications infrastructures of high speed                               | 100.00%     |

### Pillar 2

| Quality and soundness of the project | Good  |
|--------------------------------------|-------|
| 1. Growth                            | [...] |
| 2. Promoter capabilities             | [...] |
| 3. Sustainability                    | [...] |
| 4. Employment                        | [...] |

This pillar evaluates the quality and soundness of the operation. This pillar is composed of up to four indicators, as relevant, among which:

- (i) "Growth" i.e. for example and where relevant the economic rate of return ('ERR'), which considers the project's socioeconomic costs and benefits, including its spillover effects;
- (ii) "Promoter capabilities" i.e. the capacity of the promoter/intermediary to implement the project and create the expected impact at the [final] beneficiary level;
- (iii) "Sustainability" i.e. environmental and social sustainability<sup>2</sup>;
- (iv) "Employment" i.e. the project's direct employment effect;
- (v) "Increasing access to finance and improving financing conditions including for final beneficiaries".

### Pillar 3

| EIB Technical and financial contribution to the project | Significant |
|---|-------------|
| 1. Financial contribution                               | [...]       |
| 2. Financial facilitation                               | [...]       |
| 3. Advice   | [...]       |

This pillar measures the EIB's particular contribution to the project and its financing scheme in the form of financial and non-financial benefits which go beyond what commercial players would normally be able to offer. This dimension of value added is assessed through up to three indicators:

- (i) "Financial Contribution" i.e. improving the counterpart's funding terms compared to market sources of finance (interest rate reduction and/or longer lending tenor);
- (ii) "Financial Facilitation" i.e. helping to attract private financiers (for example through positive signaling effects), promoting synergies in co-financing with other public sources of funds including National Promotional Banks or EU financial instruments;
- (iii) "Technical Contribution and Advice" i.e. providing advice with a view to optimizing the financing package (financial structuring), or technical advisory services in the form of expert input / knowledge transfer - provided in-house by the EIB or in the form of assignments to external consultants - to facilitate the preparation or implementation of a project.

<sup>2</sup> For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website.

## **Pillar 4 - Complementary indicators**

### ***Additionality***

In line with the EFSI objective of the Development and deployment of information and communication technologies, through telecommunications infrastructures of high speed the proposed operation will allow the promoter to deploy further its Fiber to the Home ("FTTH") Ultra High Speed broadband network in fourteen rural areas of Poland. This will contribute to achieving the EU Gigabit society objectives, concretely the target to enable all European households, rural or urban, to have access to Internet connectivity offering at least 100 Mbps, upgradeable to Gigabit speed by 2025. Equally, the operation will address the objective of supporting less-developed regions and transition regions as 87 % of the operation will be deployed in a Cohesion region. The operation will thus also contribute to the Union priorities on convergence and social cohesion, helping reduce regional disparities by supporting investment.

The operation addresses a market failure caused by the fact that the economic lifetime of digital infrastructure exceeds the tenor of loans that are typically available on domestic financial markets. The operation is expected to generate positive network externalities by enabling more users to benefit from the access to information, digital services and better communications. Furthermore, the operation will generate further externalities to other sectors of the economy supporting innovation and competitiveness including the productivity of SMEs and better access to e-services by households. The operation also addresses a sub-optimal investment situation of the privately owned promoter, with limited access to financial markets or commercial banks for similar long-term financing to cover the full investment needs. The EIB intervention under EFSI is expected to ensure the acceleration of the project implementation.

The operation falls under the EIB Special Activities, in particular due to the long tenor, the deployment risk of a multi-site network, the ramp-up risk as well as the demand risk of the operation. The EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI. The operation is expected to benefit from EU funding under the European Regional Development Fund ("ERDF").

The EIB financing is expected to have a strong catalytic effect on private financiers. EIB support for the Project will have a significant "signalling effect" in attracting private investment, as the EIB loan will provide a quality stamp increase the commercial lenders confidence and financial support for the Project. This will be the first EIB non-recourse financing for a high speed broadband network in Poland and the first operation with the promoter.

## Set of indicators related to the macroeconomic environment

### Poland - Economic environment

#### Economic Performance

|   | PL<br>2018 | EU<br>2018 | US<br>2018 | PL<br>2001-2007 |
|---|------------|------------|------------|-----------------|
| GDP per capita (EUR, PPS)   | 22,207.82  | 30,935.11  | 43,569.11  | 14,869.99       |
| GDP growth (%)  | 5.14       | 1.96       | 2.85       | 4.09            |
| Potential GDP growth (%)  | 3.80       | 1.60       | 2.23       | 3.74            |
| Output gap (% of potential GDP)   | 2.10       | 0.61       | 0.74       | -2.64           |
| Unemployment Rate (%)   | 3.80       | 6.60       | 3.90       | 16.31           |
| Unemployment Rate (%) - Y/Y change (% points)                                 | -0.50      | -0.60      | -0.20      | -1.21           |
| Bank-interest rates to non-financial corporations (%)                         | 3.60       | 1.26       | --         | 6.28            |
| Bank-interest rates to non-financial corporations (%) - Y/Y change (% points) | -0.22      | -0.06      | --         | 0.47            |
| Investment rate (GFCF as % of GDP) - Total                                    | 18.18      | 20.54      | 20.84      | 19.59           |
| Investment rate (GFCF as % of GDP) - Public                                   | 4.67       | 2.85       | 3.30       | 3.31            |
| Investment rate (GFCF as % of GDP) - Private                                  | 13.50      | 17.68      | 17.53      | 16.28           |

#### General Sector Indicators

|  | 2014 | 2015 | 2016 | 2017 | EU (latest available) |
|--|------|------|------|------|-----------------------|
| Value added in Telecommunications (% of total VA)        | 1.29 | 1.21 | 1.18 | --   | 1.25                  |
| Employment in Telecommunications (% of total employment) | 0.63 | 0.59 | 0.53 | 0.48 | 0.46                  |

#### Information and communications technology

|  | 2014  | 2015   | 2016   | 2017  | EU (latest available) |
|--|-------|--------|--------|-------|-----------------------|
| The Digital Economy and Society Index (DESI) (composite index)                       | 35.45 | 37.16  | 32.97  | 36.13 | 52.25                 |
| Fixed broadband subscriptions (lines) per 100 people                                 | 18.67 | 18.85  | 18.42  | 18.57 | 32.65                 |
| Fixed broadband Next Generation Access (NGA) coverage/availability (% of households) | 53.36 | 60.70  | 61.06  | 64.80 | 83.14                 |
| Mobile broadband subscriptions per 100 population                                    | 87.17 | 102.77 | 114.55 | --    | 83.89                 |
| Internet bandwidth (kb/s per user)   | 37.00 | 33.00  | --     | --    | --                    |

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms

- EU value for "Bank-interest rates to non-financial cooperations" corresponds to Euro Area average; Country average is the simple average between 2003 and 2007

- The EU value is displayed as the value in the year that corresponds to the latest value of the indicator in a particular country

### Other indicators<sup>3</sup>

| Key project characteristics  | Expected value at PCR |
|--|-----------------------|
| Start of works   | 01.01.2019            |
| End of works   | 31.12.2022            |
| Project investment cost [MEUR]   | 261.75 MEUR           |
| EIB/EFSI eligible investment mobilised [MEUR]  | 0.00 MEUR             |
| External EFSI multiplier   | 0.00                  |
| External EIB (non-EFSI) multiplier   |                       |
| Amount of private financing [MEUR]   | 58.67 MEUR            |
| Quick start (% of expenditure during 2015-2018) [%]  |                       |
| Co-financing with national promotional banks [MEUR]  | 0.00 MEUR             |
| Co-financing with structural funds (ESIF) [MEUR]   | 107.75 MEUR           |
| Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc) [MEUR] |                       |
| Energy efficiencies realised [MWh/a]   | 0.00 MWh/a            |
| Climate Action indicator   |                       |
| Employment during construction - temporary jobs [person years]                                     | 1,357 person years    |
| Employment during operation - new permanent jobs [FTE]   | 50 FTE                |

<sup>3</sup> For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website. The abbreviation PCR stands for Project Completion Report. If applicable, a difference between the amount of Project investment costs and EIB/EFSI eligible investment mobilized might derive from the fluctuation of the underlying exchange rate.