

EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
<u>Project name</u>	EPIC BROADBAND NETWORK DEVELOPMENT
<u>Promoter and financial intermediary</u>	EPIC LTD
<u>Country of implementation</u>	Cyprus
<u>Summary project description</u>	<p>The promoter EPIC Ltd. is the second largest mobile operator in Cyprus, however it ranks at the fourth position as fixed operator. Its fixed network services are built on the incumbent's wholesale offer mainly relying on copper networks.</p> <p>The project relates to the roll-out of a FTTH network based on the GPON technology. With this fibre access network, the promoter will be able to provide better services to the areas covered. The technology allows for a variety of new services, including new symmetric products with 1Gbps download and upload speeds.</p> <p>The project concerns the first half of a 7-years fibre rollout programme. At completion of the project, 65,000 Households ("HH") will be covered, representing close to 21% of the Cyprus HH, while the entire programme aims at covering 190,000 HH (60% of the Cypriot living units). For the implementation of its FTTH network, the promoter will install over 1,600 linear km of fibre and 42 Multi-Services Access Nodes in street cabinets. During the project implementation period, the promoter will perform over 9,500 customer connections.</p> <p>In addition to the FTTH roll-out, the project also covers investments in a national fibre backbone, the modernisation of the existing transmission infrastructure and various business related IT tools, such as a new Customer Relationship Management system.</p>

¹ 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5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].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
EFSI	
Contribution to EFSI	100.00%
EFSI: Development and deployment of information and communication technologies	100.00%
Broadband network	100.00%

Pillar 2

Quality and soundness of the project	Excellent
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 sustainability²;
- (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	Moderate
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.

² 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

The proposed operation is in line with the EFSI objective of supporting the development and deployment of information and communication technologies, namely through broadband network investments focused towards the ultra-high speed segment. The loan under EFSI guarantee will allow the EIB to support and accelerate the deployment of broadband infrastructure in Cyprus, which has one of the lowest ultrafast broadband take-up rate in the EU.

This project addresses the failure to invest in alternative/competing digital infrastructure, because of the market power of the incumbent. The resulting infrastructure competition will lead to lower end-user prices and thereby an increase in take-up rate of Very High Capacity Network services. Furthermore, the project addresses failures in the financial market caused by the fact that the economic lifetime of digital infrastructure exceeds the tenor of loans that are typically available on domestic capital markets and from commercial banks. This is exacerbated for very small market players like the Obligors, which are not externally rated.

The operation falls in the Special Activity category based on the higher credit risk profile of the promoter and guarantor, which are small market players with a very limited geographical scope of activity since active in small countries, and because of the long tenor of the EIB loan that is commensurate with the economic lifetime of the project. The EIB funding will enhance the overall debt sustainability of the promoter, in a period where a large capex plan is needed to increase its competitiveness towards other market players. The EIB would not be able to provide such type of financing support during the period in which the EU Guarantee is available, or not to the same extent, without EFSI.

The EIB participation in financing the promoter's investment plan provides a signal of confidence to the market, given the long-term commitment and the economic terms of the loan, which are expected to make the investment plan sustainable and contribute to the promoter's financial stability. The EIB loan will catalyse additional private financing resources from the promoter.

The promoter would be a new counterparty to the Bank and the operation would be the first financing under EFSI to a privately-owned corporate counterparty in Cyprus.

Set of indicators related to the macroeconomic environment

Cyprus - Economic environment

Economic Performance

	CY 2018	EU 2018	US 2018	CY 2001-2007
GDP per capita (EUR, PPS)	26,504.30	30,935.11	43,569.11	27,246.26
GDP growth (%)	3.88	1.97	2.86	4.28
Potential GDP growth (%)	1.91	1.60	2.24	3.65
Output gap (% of potential GDP)	2.77	0.62	0.74	3.34
Unemployment Rate (%)	7.50	6.60	3.90	4.36
Unemployment Rate (%) - Y/Y change (% points)	-2.90	-0.60	-0.20	-0.11
Bank-interest rates to non-financial corporations (%)	3.40	1.26	--	--
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.11	-0.06	--	--
Investment rate (GFCF as % of GDP) - Total	19.41	20.54	20.84	21.86
Investment rate (GFCF as % of GDP) - Public	5.52	2.86	3.31	3.55
Investment rate (GFCF as % of GDP) - Private	13.89	17.68	17.53	18.31

Information and communications technology

	2014	2015	2016	2017	EU (latest available)
The Digital Economy and Society Index (DESI) (composite index)	33.84	38.03	37.64	40.45	52.25
Fixed broadband subscriptions (lines) per 100 people	28.76	30.72	32.58	34.59	32.66
Fixed broadband Next Generation Access (NGA) coverage/availability (% of households)	79.80	83.50	87.50	87.50	83.15
Mobile broadband subscriptions per 100 population	57.34	75.24	89.38	--	83.90
Internet bandwidth (kb/s per user)	43.00	38.00	--	--	--

- 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 indicators³

Key project characteristics	Expected value at PCR
Start of works	01.09.2019
End of works	31.12.2022
Project investment cost [MEUR]	38.32 MEUR
EIB/EFSI eligible investment mobilised [MEUR]	37.38 MEUR
External EFSI multiplier	1.97
External EIB (non-EFSI) multiplier	0.00
Amount of private financing [MEUR]	19.32 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]	0.00 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]	336 person years
Employment during operation - new permanent jobs [FTE]	34 FTE

³ 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.