

EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
<u>Project name</u>	MEGALIS BRETAGNE TRES HAUT DEBIT
<u>Promoter and financial intermediary</u>	MEGALIS BRETAGNE
<u>Country of implementation</u>	France
<u>Summary project description</u>	<p>The project relates to the design and rollout of a publicly owned fibre broadband network PIN (Public Initiative Network) in the Bretagne Region in France. The objective of the project is to deploy a Fibreto-the Home ("FTTH") network covering nearly 426,000 households ("HH") throughout the four departments. The access network will be deployed in areas where private operators are not present with very high-speed broadband services due to lack of commercial interest. The project represents the Phase 2 of a larger project aiming to cover 1,330,000 HH's in the Region. Phase 1 is currently being completed covering around 250,000 HHs, while the remaining 654,000 HHs will be covered in Phase 3 as from 2024.</p> <p>The Promoter is the public entity syndicat mixte Mégalis Bretagne, a public entity created by: (i) the Bretagne Region, (ii) the four Departments in Bretagne and (iii) all of its communautés de communes (municipalities grouped under the so-called EPCI). The promoter, under a public works and supply contracts structure, will build the network. The promoter has awarded public service concession for the operation and commercialisation of the network to the Leaseholder THD Bretagne, owned by the incumbent operator Orange, under an leaseholder agreement ('Affermage' in French).</p> <p>The main project components are the deployment of 89 optical network central offices ("NROs) and 1,069 optical splitters ("SROs") typically installed in street cabinets. The project foresees laying 600 km of fibre cable on the NRO-SRO segment and 18,000 km of fibre on the SRO-PBO (PBO-last point of the FTTH network before the final connection to the customer) segment.</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5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].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	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 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	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.

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

In line with the EFSI objective of developing and deploying information and communication technologies, the operation will deploy high-speed telecommunication infrastructure in the municipalities of Bretagne helping to provide high-speed connectivity and addressing the area's 'digital divide'. It will have a substantial positive impact on employment in terms of jobs supported within their intervention area and jobs directly created during the implementation phase. The Project contributes to the "Digital Agenda for Europe" flagship initiative of the Europe 2020 strategy in reaching the objective of making broadband speeds of over 30 Mbps available to everyone, and over 100 Mbps to 50% of the population, in the EU.

This project addresses the failure to invest in very high capacity networks digital infrastructure as a result of the historical market power of the incumbent for basic broadband, as this is further exacerbated in the relevant rural areas. The resulting stepchange in broadband infrastructure will lead to significantly better broadband services as well as competitive end user prices reflecting the open access model of the FTTH network. This will in turn lead to higher take-up rates of very high capacity network services in the Bretagne region. The project also 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. As such, the promoter would find itself in a sub-optimal investment situation as it would not be in a position to invest heavily in such infrastructure with its own resources, which would in turn limit or slow-down the geographic reach of the project.

The operation will fall under the EIB Special Activities risk category, mainly due to the long tenor, the unsecured nature of the loan and the riskiness of the underlying operation (construction, commercial and technology risks) that, to a certain extent, is further exacerbated by the COVID-19 effects. The EIB would not be able to provide such type of financing support, or not to the same extent, without EFSI.

The EIB financing will have a good catalytic effect on the operation, with crowding in of commercial lenders on top of the promoter own resources. The EIB participation will put a quality stamp on the technical viability and will contribute to increase the commercial lenders' confidence and financial support for the current and future phases of the project.

This will be the first direct operation for the EIB with the promoter, and would be the third financing to a public syndicate in the broadband sector in France, under EFSI.

Set of indicators related to the macroeconomic environment

France - Economic environment

Economic Performance

	FR 2018	EU 2018	US 2018	FR 2001-2007
GDP per capita (EUR, PPS)	31,988.40	30,935.11	43,569.11	31,052.71
GDP growth (%)	1.58	1.97	2.86	1.90
Potential GDP growth (%)	1.21	1.60	2.24	1.78
Output gap (% of potential GDP)	0.36	0.62	0.74	1.69
Unemployment Rate (%)	8.90	6.60	3.90	8.50
Unemployment Rate (%) - Y/Y change (% points)	-0.20	-0.60	-0.20	-0.19
Bank-interest rates to non-financial corporations (%)	1.37	1.26	--	3.53
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.03	-0.06	--	0.00
Investment rate (GFCF as % of GDP) - Total	22.92	20.54	20.84	21.76
Investment rate (GFCF as % of GDP) - Public	3.39	2.86	3.31	3.91
Investment rate (GFCF as % of GDP) - Private	19.53	17.68	17.53	17.84

General Sector Indicators

	2014	2015	2016	2017	EU (latest available)
Value added in Telecommunications (% of total VA)	1.25	1.26	1.27	1.18	1.26
Employment in Telecommunications (% of total employment)	0.43	0.42	0.40	0.39	0.47

Information and communications technology

	2014	2015	2016	2017	EU (latest available)
The Digital Economy and Society Index (DESI) (composite index)	43.49	46.23	42.97	45.56	52.25
Fixed broadband subscriptions (lines) per 100 people	39.26	40.48	41.54	42.49	32.66
Fixed broadband Next Generation Access (NGA) coverage/availability (% of households)	42.61	44.80	47.01	51.89	83.15
Mobile broadband subscriptions per 100 population	64.36	78.68	80.71	--	83.90
Internet bandwidth (kb/s per user)	17.00	12.00	--	--	--

- 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	01.01.2020
End of works	31.12.2023
Project investment cost [MEUR]	442.00 MEUR
EIB/EFSI eligible investment mobilised [MEUR]	442.00 MEUR
External EFSI multiplier	2.95
External EIB (non-EFSI) multiplier	
Amount of private financing [MEUR]	50.00 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]	660 person years
Employment during operation - new permanent jobs [FTE]	25 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.