

Current Report 4/2021
Orange Polska S.A. – Warsaw, Poland
12 April 2021

Pursuant to Art. 17 clause 1 of the Regulations (eu) no 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (hereinafter “MAR Regulations”), The Management Board of Orange Polska S.A. (“Orange Polska”, “the Company”, “OPL”) hereby informs about the creation of the joint venture partnership with APG Group (“APG”) operating under name Światłowód Inwestycje sp. z o.o. (“Światłowód Inwestycje”, “FiberCo”).

Orange Polska partners with APG to rollout fibre network to 1.7m households through a 50/50 joint venture valued at PLN 2,748m

On 11 April Orange Polska has signed an agreement to sell to APG 50% stake in a joint venture partnership operating under name Światłowód Inwestycje, which will build fibre infrastructure and offer wholesale access services.

Key elements of the project include:

- Światłowód Inwestycje will aim to build by 2025 fibre network to c.1.7m households located mainly in low and mid competition areas.
- OPL will contribute to FiberCo c.0.7m households of its current fibre footprint and will buy wholesale access for c.160k of existing OPL customers in this footprint
- FiberCo will operate in open access model providing wholesale access to its fibre network to OPL and other interested operators
- FiberCo will be a co-controlled entity, 50/50% owned by OPL and APG. It will be reflected in OPL balance sheet as an investment and will not be consolidated by full method. OPL will have an option to buy additional c.1% of FiberCo and gain control in 2027-2029.
- FiberCo will finance its investments (rollout capex estimated at PLN 3bn) mainly from its own debt facility with no recourse to OPL.
- OPL will be an important customer and supplier for the FiberCo rendering wide range of services including network construction management and maintenance, lease of elements of the network, as well as other support services. OPL will guarantee network construction within a fixed budget.
- Transaction values Światłowód Inwestycje at PLN 2,748 million (debt-free cash-free basis). OPL will sell 50% stake in the JV to APG for a total consideration of PLN 1,374 million. Out of that amount PLN 887 million will be paid on closing (subject to customary adjustments). Payment of the remaining PLN 487 million will occur in 2022-2026 and will be conditional on Orange Polska delivering on agreed network rollout schedule. The transaction assumes equity contributions for each party of around PLN 300 million to be made in 2023-2026.
- The transaction is expected to close by the end of August 2021.
- OPL will inform about expected impact of this transaction on its financial statements as soon as possible.

In line with its strategic ambition to sustain strong commercial momentum through further focus on fibre and convergence, this landmark partnership gives Orange Polska the flexibility to reinforce its fibre rollout, notably in currently undersupplied areas, while also enabling immediate deleveraging. Proceeds from the sale will significantly strengthen Orange Polska balance sheet and will be an important element of the new strategy that will be announced in 2Q 2021.

In the opinion of OPL further fibre rollout in mid and low competition areas in open access model will provide best conditions for fast customer take-up and will allow OPL to monetise its fibre investments both in retail and wholesale operations. With the 2.4m households footprint Światłowód Inwestycje will be Poland's leading independent open access FTTH wholesale operator.

Julien Ducarroz, the CEO of Orange Polska commented:

"I am very pleased that we entered into a partnership with APG who shares our vision regarding further market potential in fibre infrastructure in Poland. Attractive transaction terms reveal the underlying value of Orange Polska infrastructure assets and demonstrate strong shareholder value creation attached to our ambitious FTTH roll-out strategy initiated 6 years ago. Fibre is a key engine for our commercial strategy and I am convinced that this network will constitute our competitive advantage for decades to come. It will significantly contribute to the development of digital infrastructure of the country and will fight digital exclusion."

Maciej Nowohoński, Orange Polska management board member in charge of carriers market and real estate sales stated:

"Successful signing of the FiberCo project confirms that Orange Polska is in the global league of innovative ways to explore market opportunities in fibre area. We have designed and monetised a new start-up-like project that will benefit from the strong market demand and will utilise unique OPL expertise and capabilities in fibre production and delivery. This is a win-win story for the customers, operators and the entire telco market in Poland. We did this extremely challenging and transformational project working almost completely online, which proves that pandemic did not hamper at all our ability to innovate. All my credits and thanks go to the highly motivated teams of Orange Polska who relentlessly delivered in every complex step of the project."

Detailed terms of the partnership will be governed by shareholders' agreement between OPL and APG and various agreements that will be concluded between OPL and Światłowód Inwestycje by the time of closing. The transaction is conditional upon its approval by relevant competition authorities and upon contribution of the fibre assets by OPL to Światłowód Inwestycje after confirmation by the relevant authorities of the legal basis of the transaction.

Moreover, the Company informs that on 15 March 2021, pursuant to article 17 clause 4 of the MAR Regulations, it decided to delay disclosure to the public of the inside information. In the view of the Management Board the progress of negotiations for the establishment of partnerships in the further construction of fiber-optic network by a jointly controlled entity, i.e. company Światłowód Inwestycje sp. z o.o., constituted from 15 March 2021 inside information within the meaning of Article 7 of the MAR Regulations. However, having in mind that immediate disclosure to the public of this information could prejudice the legitimate interests of Orange Polska.