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Contact: ir@polygoninv.com

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Polygon Response to the Orange Belgium Financial Expert Report

Polygon Global Partners LLP is the investment manager for the Polygon European Equity Opportunity Master Fund and certain client accounts which collectively are the holders of 5.29% of Orange Belgium's (Ticker: OBEL) total share capital.

As indicated in its Open Letter to the Board of Directors of Orange Belgium of 7 December 2020 and its public release of 1 February 2021, Polygon believes that Orange SA's offer of €22 per share substantially undervalues Orange Belgium on a standalone basis.

Degroof Petercam (DP) has recently prepared an independent financial expert report at the direction of the independent directors of Orange Belgium, which in contrast concludes that the €22 per share offer does not disregard the interests of the minority shareholders. Polygon has reviewed this report and believes that DP's analysis fails to sufficiently explain or justify certain assumptions and reaches conclusions that, in Polygon's opinion, do not logically follow from a reasonable analysis. Most importantly, as discussed in detail below, DP does not attribute any value at all to Orange Belgium's substantial telecom tower portfolio which, in Polygon's opinion, fails to reflect the reality of the economic situation.

The Report Appears to Downplay Orange Belgium's Expected Growth

Notably, the DP report made public for the first time Orange Belgium's business plan, which in Polygon's view is significantly more bullish than analysts' published consensus numbers and which extends to the 2024 fiscal year. ING Bank, in a research note sent to investors, recently commented on Orange Belgium's 2021-2024 business plan: *"It is highly supportive at the top line, EBITDA level and e-capex levels. These estimates are, despite the loss of Mobile Vikings, well above consensus and our estimates. The 2024F EBITDA of management stands at €391m, which is 6.7% above our estimate of €366m. The e-capex of management for 2024F is €188m, which is close to our €186m. This means the 2024F Operating FCF of management is €202m, +12% above our €181m estimate (!)..."*

Despite management's upbeat assessment of the business, DP uses what Polygon believes to be overly aggressive capex assumptions for the business beyond 2024 (purportedly to account for the need to invest in fiber to the home (FTTH)). Further, without explanation, DP indicates that these investments will yield zero return – neither revenue growth nor improvement in EBITDA margin. Post 2024, DP's model indicates that sales growth will drop to 0.25% in perpetuity, significantly below Belgium's long-term inflation rate of 1.25%. In other words, DP appears to assume that post 2024, management's significant investments in FTTH will simply result in a standstill – no gain in market share, no growth in ARPU, no convergence gains, no margin improvement from moving clients to its own infrastructure and no wholesale revenues in FTTH.



DP's assumption that Orange Belgium will gain no market share appears to stand in stark contrast to statements made by Xavier Pichon – the company's new CEO – who, in interviews with the Belgian press at the end of 2020, stated that he was targeting 25% market share in broadband in the coming years (up from 7.2% in 2020). Analysts generally also expect Orange Belgium to increase its market share in the medium term. ING, for example, expects Orange Belgium to reach 11% market share by 2025. Why, then, would DP seemingly fail to consider additional growth beyond 2024?

The Report Appears to Overplay Orange Belgium's Expected Costs

DP has also assumed what Polygon views to be unrealistically high future spectrum acquisition costs. For instance, DP assumes that Orange Belgium's 5G spectrum auction costs will be €280 million. This assumption contrasts with the average cost per operator at the 2001 3G auction of €150 million and the average cost per operator at the 2013 4G auction of €120 million. DP also assumes that this €280 million will be payable in a single lump sum (despite the Belgian government generally allowing spectrum payments to be spread over the life of the spectrum). DP further assumes that this cost will be replicated every eight years – that is, that Orange Belgium will spend €36 million per annum on spectrum presumably in perpetuity. Finally, DP assumes that these annual expenditures would begin in 2027, barely five years after the initial auction.

Polygon finds it surprising that DP apparently attributes no benefit in sales growth or margin enhancement from this new spectrum. We believe that this is an unrealistic and overly pessimistic view of the European telecom landscape, which we do not believe is shared by analysts in their published research on European telecom companies. In effect, our view is that DP has treated these spectrum payments as an annual "tax" on the business.

Orange Belgium's Telecom Tower Portfolio — The Lost Picasso?

Of particular note, DP's analysis attributes zero value to Orange Belgium's telecom tower portfolio, a key monetizable infrastructure asset on the company's balance sheet. DP supports this approach on a theory (or so it seems) that the towers are not currently for sale and thus Orange Belgium would not contribute them to the tower vehicle (TOTEM) announced by Orange SA in February of this year. DP goes on to say that, even if the towers were contributed to TOTEM, this would not create value which should be paid to minority shareholders.

The argument that an asset does not have value simply because its potential owner does not intend to sell it astounds Polygon. We liken the tower portfolio to a prized Picasso. If a neighbour offered to buy your house and its contents — including your Picasso — would you agree to discount the value of the Picasso to zero simply because your neighbour claims they do not have plans to sell it? The notion seems absurd. But, if Orange SA succeeds in its takeover bid at the current offer price, Orange Belgium's shareholders who tender in the offer will lose the value of the company's Picasso.

And it is a Picasso that Polygon believes Orange SA particularly covets. Orange SA has specifically articulated a value creation rationale for putting all of its French and Spanish towers into TOTEM. Tower companies currently trade at multiples of 15 to 20 times EV/EBITDA and DP is only valuing Orange Belgium at five times EV/EBITDA (which



Polygon believes is already a material discount to Orange Belgium's European peers, even ignoring any takeover premium that would be paid to take the company private).

Polygon estimates the value of the Picasso, as it were, could exceed €8 per share.

Investment Bank Ondra Supports Polygon's Analysis

As indicated in its public release of 17 February 2021, Polygon has hired investment bank Ondra as its financial advisor in relation to Orange SA's takeover bid, and Ondra has produced a valuation report for Polygon that values Orange Belgium's shares, on a standalone basis, in a range between €32 and €36 per share, with the possibility of a value of up to €45 per share in the case of a partial or total monetization of its telecom towers. Ondra has since produced an addendum to explain the valuation methodology used regarding the 5G license, and most recently, it has produced an analysis of the DP report, which takes into account Orange Belgium's 2021-2024 business plan. All of these documents can be viewed at <https://www.polygoninv.com/eventdrivenpressreleases/>. Copies of these documents have also been sent to Orange Belgium's Board of Directors.

Although Polygon's analysis has now been updated to take into account Orange Belgium's business plan through 2024, it continues to believe that that the company is worth more than €40 per share and that the €22 per share offer from Orange SA is derisory.

Considering the above, Polygon does not currently intend to accept the offer and believes that other shareholders will similarly resist tendering their shares unless and until a fair offer is made.

About Polygon:

Polygon is a global private investment firm founded in 2002 managing approximately \$1.6 billion across a number of asset classes and businesses. Its investment capabilities are supported by a robust operational and risk infrastructure. Polygon is a part of Tetragon Financial Group Limited's alternative asset management platform, TFG Asset Management.

This press release has been issued for information purposes only and does not constitute investment advice. Orange Belgium shareholders should seek their own advice in relation to the Orange SA tender offer. The information in this press release should not be interpreted as implying that Polygon's clients who currently hold positions in Orange Belgium will increase or retain those positions during any particular time period. Polygon reserves the right to reduce or increase the clients' positions in Orange Belgium at any time.

For further information, please contact:

Polygon:

Investor Relations
ir@polygoninv.com

Press Inquiries:

Prosek Partners
Pro-tetragon@prosek.com

United States
Andy Merrill and Ryan FitzGibbon
+1 212 279 3115 ext. 216 and 234

United Kingdom
Harriet Sloane
+44 (0) 7771 810 803