

Rating object

Orange S.A.
Long Term Local Currency Senior Unsecured Issue Orange S.A.

Rating incl. outlook / watch

BBB+ / stable
BBB+ / stable

The present rating is, in the regulatory sense, a public unsolicited rating.

Date of inception / disclosure to rated entity / maximum validity:

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
Orange S.A.	17.12.2020	18.12.2020	Until withdrawal of the rating
Long Term Local Currency Senior Unsecured Issues Orange S.A.	17.12.2020	18.12.2020	Until withdrawal of the rating

There occurred no changes after the communication of the rating to the rating object.

Rating summary:

Creditreform Rating (CRA) has confirmed the ratings of the unsolicited, public corporate issuer rating of Orange S.A., in the following called 'Orange' or 'the Company', as well as the unsolicited corporate issue ratings of the long term local currency senior unsecured notes issued by Orange S.A. at **BBB+ / stable**.

While in 2019 a further improvement in revenues and results was achieved compared to the previous year, with a significant impact on rating-relevant key figures, a slight decline in revenues and EBITDA occurred in the second quarter of 2020 in the wake of the lockdowns in Europe brought on by the Covid-19 pandemic. After the lockdown measures were lifted, however, business development recovered again, so that Orange was able to record a slight revenue growth of 0.7% and a marginal EBITDA decrease of 0.7% in the first nine months of 2020 in comparison with the same period of the previous year. Nevertheless, Orange's segments Europe, including Spain (without France), Business, and International Carriers & Shared Services continue to record declines in revenue in the third quarter, mainly due to persistent travel warnings and restrictions which had an adverse effect on roaming. In addition, we expect a further deterioration in sales activities, and increasingly in roaming in the fourth quarter, due to the renewed lockdown measures implemented to contain the second major wave of infections, in particular in France and Spain, representing Orange's largest markets in terms of sales. However, due to the Company's diversified business model, we do not expect a sharp downturn here either. In addition, the Company is currently also benefiting from co-financing with other operators of its French fiber networks, reducing capex (excluding licenses). The improvement in the financial ratios in 2019 also has a compensating effect, therefore a moderate deterioration would not put pressure on the rating, so that we can confirm the rating at BBB+ / stable. The key position of the Company in the French market, strengthened by acquisition of the largest bloc of 5G frequencies, as well as its solid financial figures in connection with a comfortable liquidity position and proven access to financial markets, also contributes positively to the rating. In spite of this, the current situation is highly uncertain, as it is still unknown how long the pandemic will last and what the actual economic consequences will be. Besides reduced sales activities and a decline in roaming as a result of short-term lockdowns and travel restrictions, a worsening economy could generally affect demand with B2B and B2C customers in the medium term. Should the consequences for Orange prove more serious and protracted than currently expected, an adjustment of the outlook or the rating would have to be considered.

Primary key rating drivers:

- + Strong market position in Europe, Africa and the Middle East (market leader or one of the top providers in most of the countries)
- + Geographical and service-related diversified business model
- + Continuous improvement of its operating performance and financial key figures until 2019, generating solid financial figures
- + Slight revenue increase despite COVID-19 crisis
- + Reduction of capex through co-financing with other operators
- + Comfortable liquidity position and proven access to debt capital markets

- Slight deterioration of EBITDA and sales declines in various operating segments due to consequences of COVID-19 pandemic
- Renewed containment measures in central markets, which could burden business development and economy
- Generally high degree of uncertainty as to the further economic consequences, as well as the further course of the pandemic

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In The Case Of Orange S.A., we have not identified any ESG factor with significant influence.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here:

<https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/The%20Impact%20of%20ESG%20Factors%20on%20Credit%20Ratings.pdf>

Rating scenarios:

Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Best-case scenario: BBB+

In our best-case-scenario for one year, we assume a rating of BBB+. In this scenario, we assume that the impact of the COVID-19 pandemic only has a limited influence on the relevant key figures without worsening the rating level, also due to the buffer achieved through operational improvement in 2019 as well as a rapid economic recovery in 2021, especially in France and Spain in the wake of successful government measures. As a result of successful containment measures travel restrictions are gradually being lifted, hence traffic volumes are slowly rising, but without reaching pre-crisis levels. Given the current circumstances, we consider an improvement in the rating to be unlikely.

Worst-case scenario: BBB

In our worst-case scenario for one year, we assume a rating of BBB. In this scenario, we expect longer-lasting travel restrictions and negative economic consequences in the course of the COVID-19 pandemic, leading to a slowdown or to postponement of the economic recovery, with consequences of reduced demand and higher bad debt losses among other things, and sustainably affecting the operative performance of Orange and its ability to deleverage.

Analysts / Person approving (PAC):

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Initial rating:

Rating object	Event	Rating created	Publication date	Monitoring until	Result
Orange S.A.	Initialrating	04.09.2019	12.09.2019	16.12.2020	BBB+ / stable
Long Term Local Currency Senior Unsecured Issues issued by Orange S.A.	Initialrating	04.09.2019	12.09.2019	16.12.2020	BBB+ / stable

Status of solicitation and information basis:

The present rating is, in the regulatory sense, a public **unsolicited** rating. The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

Rating methodology / Version / Date of application:

Rating methodology	Version number	Date	Website
Corporate Ratings	2.3	29.05.2019	https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Corporate%20Ratings.pdf
Non-financial Corporate Issue Ratings	1.0	October 2016	https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf
Rating Criteria and Definitions	1.3	January 2018	https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/CRAG%20Rating%20Criteria%20and%20Definitions.pdf

Regulatory requirements:

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

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In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

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