MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis summarizes the significant factors affecting our results of operations and financial condition during the year ended December 31, 2019. The historical information discussed below for the Group is as of and for the year ended December 31, 2019 and is not necessarily representative of the Group's results of operations for any future period or our financial condition at any future date. We have prepared the audited consolidated financial statements for the Group from January 1, 2019 to December 31, 2019 included herein, in accordance with IFRS.

The following discussion includes forward-looking statements based on assumptions about our future business. Our future results could differ materially from those contained in these forward-looking statements. Percentages may be calculated on non-rounded figures and therefore may vary from percentages calculated on rounded figures.

The "Group", "we", "our" and "us", unless otherwise indicated, collectively refer to La Financière ATALIAN S.A.S. and its consolidated subsidiaries.

1. Overview

We are a leading independent provider of outsourced building services. As at December 31, 2019, we operated in 35 countries, including France and the United Kingdom, our principal markets, serving a diverse range of more than 32,000 customers in the private and public sector. Originally established in 1944 as a provider of cleaning services in France, we began transforming ourselves into a multi-disciplinary provider of outsourced building services in 1999. Our comprehensive multi-service and multi-technical offering covers many market segments for outsourced building services. We provide our services by relying primarily on in-house expertise and resources. We are an important provider of the various types of outsourced building services in each of the countries in which we operate.

We have experienced growth in recent years mainly through the acquisition both inside and outside of France of companies with services, expertise and geographical scope that are complementary to our own but also organically. In particular, in France, we significantly expanded our operations through the acquisitions in 2009 of Véolia Propreté Nettoyage et Multiservices (''VPNM''), a cleaning services provider with a significant portfolio of large corporate customers, and Eurogem, a multi-service provider of outsourced building services. Our expansion in France since 2014 included the acquisition of various entities specializing in cleaning services, including Vitsolnet, HEI, Net'Express, Facilicom Services Group France SA (''Facilicom''), a French wholly owned subsidiary of the Dutch Facilicom group, and Clean Residences. Our expansion in France has recently continued, notably with the acquisition in 2018 of Limpa and BBA, two companies specializing in cleaning services. Our acquisitions have allowed us to expand our service offering and expertise to include a broad range of outsourced building services.

We have also used the business model developed in France to significantly grow our presence in international markets outside France, both in response to, and in anticipation of, our clients' needs. Since 2003, we have acquired approximately 300 entities in 35 countries (including France). Since 2015, we acquired companies in the United States, Central and Eastern Europe and Turkey and expanded our operations into Southeast Asia and North and West Africa. In particular, in January 2016, we acquired Temco Service Industries, Inc. (''Temco''), a company providing cleaning and facility management services to clients in Europe and the United States, in order both to expand our European presence and to gain a foothold in the US market. In 2017, we further expanded our presence in the United States with the acquisition of Aetna Building Maintenance Inc. (''Aetna'') and Centaur, two companies offering cleaning services, and Suburban Integrated Facilities (''Suburban''), a company specializing in cleaning and technical maintenance services. We also acquired Cleaning Express Pte. Ltd. (''Cleaning Express'') and a 26% stake in Ramky

International (Singapore) Pte. Ltd. (‘‘Ramky’’) in 2017, two companies providing cleaning services in Singapore. Our international expansion has continued in 2018, through the acquisitions of entities in Belgium and Thailand.

On May 9, 2018, we acquired the entire share capital of Servest Limited, a leading provider of facility management services in the United Kingdom (“Servest UK”). Servest UK provides a full suite of cleaning, building maintenance, catering, security, pest control, compliance and other facilities management services and solutions to over 2,200 public and private sector customers at thousands of clients across the United Kingdom.

In 2019, a new management team was appointed to oversee the further development of the Group. The Group’s Management Board is now comprised of Franck Julien, as Chief Executive Officer, Jean-Jacques Gauthier, as Deputy Chief Executive Officer & Group Chief Financial Officer and Rob Legge, as Deputy Chief Executive Officer & Group Chief Operating Officer. In addition, we reinforced corporate governance standards, notably through the appointment of three independent directors and the creation of a Strategy and Investment committee, chaired by Henri Proglio, former Chairman and Chief Executive Officer of EDF, and a newly audit and compliance committee chaired by Hélène Ploix, former Executive Director of the International Monetary Fund (IMF) and The World Bank.

In this context, the Group is focusing on the following three strategic pillars:

- driving sustainable and profitable growth;
- continuously improving operational performance;
- deleveraging.

In line with this strategy, the Group refocused its strategy on its core businesses, and introduced a divestment program for non-core activities, as part of which it sold its Landscaping activities in September 2019.

In 2019, we had total revenue of €3,058.5 million, EBITDA (see Section 2 “*Financial information––Management financial measures*”) of €203.4 million, and we recorded a net loss before share of loss of equity-accounted companies of €(22.1) million.

2. Financial information

Management financial measures

We define EBITDA as operating profit, as reported in our consolidated financial statements, adjusted to exclude the following line items, each of which is as reported in our consolidated financial statements: depreciation and amortization, net; provisions and impairment losses, net; and non-recurring operating income and expenses.

EBITDA corresponds to the line item ‘‘Operating income before depreciation, amortization, provisions and impairment losses’’ in our 2019 audited consolidated financial statements. EBITDA is not a specifically prescribed line item under IFRS, is not a measure of financial condition, liquidity or profitability and should not be considered as an alternative to the profit for the period determined in accordance with IFRS, cash flows generated by operating activities determined in accordance with IFRS or any other measure prescribed by IFRS. We believe that the inclusion of EBITDA in this report is useful to investors because it provides investors the same information that we use internally for purposes of assessing our operating performance. EBITDA has important limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations. Because not all companies calculate EBITDA identically, this presentation of EBITDA may not be comparable to the similarly titled measure of other companies.

3. Overview of reporting segments

Changes in reporting segment

Following the acquisition of Servest in 2018, all its subsidiaries had been included in our UK segment. Because certain subsidiaries (Aktrion Automotive) conduct their activity principally outside UK, following changes in internal management reporting, we reclassified these non-UK entities of Aktrion in 2019 and now account for them in our International segment. In addition, certain holding company costs within our International's segment which were previously allocated to the International reporting segment are now included within the residual reporting segment "Other", as is the case for our France segment

To allow comparability, financial information for 2018 was restated to reflect these changes.

We have the three following reporting segments:

- *France*: This segment includes all the companies in France, either in Cleaning activity or Facility Management activity.
- *UK*: This segment includes all the companies in UK, mainly Servest UK group acquired in May 2018 and its consolidated subsidiaries in UK.
- *International*: This segment comprises all companies outside France and UK.

In addition, in our audited consolidated financial statements, we present in our segment information an additional item labelled ''Other'' which (i) includes the activities of our holding companies, such as group-level management of finance, legal, accounting, procurement, human resources, fiscal and customer relations matters and (ii) reflects the elimination of intragroup transactions between reporting segments in consolidation.

The revenue for each of our reporting segments for 2019 was as follows:

- *France:* In 2019, our France segment generated €1,363.1 million, or 44.6%, of our revenue (€1,294.8 million, or 48.0%, in 2018). The two business lines that generate our revenue in France are cleaning and facility management:

    - *Cleaning*

      We offer cleaning and associated services, which include periodic cleaning of offices and retail outlets and specialized cleaning services in the health, food-processing, transportation, manufacturing and nuclear industries in France. In 2019, our cleaning business in France generated €937.2 million of revenue (€876.0 million in 2018).

    - *Facility Management*

      Our facility management businesses include multi-technical and multi-service management, safety and security, reception services, painting and landscaping services. We also offer bundled facility management services, while reception services are provided through our cooperation with City One. In 2019, our facility management business generated €424.0 million of revenue (€413.6 million in 2018).

- *UK:* In 2019, our UK segment (including Servest from May 2018) generated €796.0 million, or 26.0%, of our revenue. Servest UK is a provider of facilities management services based in the United Kingdom operating the following main divisions: cleaning, catering, security, technical services and projects. In addition, Servest UK has two other operating divisions, pest control and compliance, which are less significant in terms of revenue. The activity of Aktrion in the UK, a company which was acquired in February 2018 and which provides bespoke manufacturing support services, is integrated within this segment. Non-UK subsidiaries of Aktrion are now included within the International segment as discussed above.

- *International:* In 2019, our International segment generated €902.7 million, or 29.5%, of our revenue (€896.3 million, or 33.2%, in 2018). As at December 31, 2019, we operated in 33 countries outside of France and the United Kingdom, in Europe, United States, Southeast Asia, Africa, providing cleaning, multi-technical, security and bundled facility management services.

Other: In addition, the activities of our holding companies and the elimination of transactions between reporting segments amounted to net losses of €3.3 million in 2019 (net losses of €3.7 million in 2018).

4. Acquisitions and divestments

Overview

From 2009 to 2018, external growth has contributed significantly to the overall growth of our business, notably with expansion of our business into the United Kingdom, the United States, West and North Africa and Southeast Asia. As part of the strategy developed in 2019, the Group refocused on the Group's core businesses.

Acquisitions

In the twelve months ended December 31, 2019, there were no significant acquisitions of companies.

Disposals/deconsolidation

<u>France</u>

Landscaping disposal

Atalian completed the disposal of the Landscaping business line in October 2019. Landscaping generated revenue of €70 million in France in 2018, representing 2.6% of the Group's revenue, and contributed €66 million euros to our revenue in 2019 income statement.

The sale proceeds amounted to €34 million and we recorded net gains on disposal (difference between the sale proceeds and the carrying amount) of €7.9 million under "Other non-current operating income and expenses"

The cash proceeds (net of cash disposed of €0.4 million) amounted to €23 million and is recognised under "Proceeds of consolidated company (net of cash sold)" in the cash flow statement.

Loss of control of Ramky Cleantech Singapore

The decision to terminate the shareholders' agreement relating to Ramky Cleantech Singapore in the third quarter of 2019 led to a loss of control. For the nine months ended at September 30, 2019, Ramky Cleantech Singapore contributed revenue of €33.9 million and EBITDA of €3.7 million. Since its loss of control over Ramky Cleantech Singapore, the group recorded its holding using the equity consolidation method in the line item "Share of net income (loss) of equity affiliates". The P&L impact related to the deconsolidation of Ramky Cleantech Singapore amounted to a loss of €5.0 million and is reported under "Other non-current operating income & expenses".

In this management's discussion and analysis of financial condition and results of operations, we present certain "like-for-like" information, including to reflect divestments and acquisitions occurring in 2019 and 2018) and currency translation effects (with 2019 figures being converted at 2018 exchange rates in order to calculate the currency effects).

5. Results of Operations for Fiscal Year Ended December 31, 2018 and December 31, 2019

Results of operations

	For the twelve months ended December 31,	
	2018	**2019**
	€ in millions	
Revenue	**2 695.4**	**3 058.5**
Raw materials & consumables used	(618.3)	(715.8)
External expenses	(127.0)	(127.1)
Staff costs	(1 749.9)	(1 984.6)
Taxes (other than on income)	(32.5)	(30.1)
Other recurring operating income and expenses	17.1	2.5
EBITDA	**184.8**	**203.4**
Depreciation and amortization, net	(92.6)	(106.3)
Provisions and impairment losses, net	(15.3)	(9.3)
Current operating profit	**76.9**	**87.8**
Other operating income & expenses	(36.9)	(10.1)
Operating profit	**40.0**	**77.7**
Income from cash and cash equivalents	1.5	1.2
Financial debt cost	(66.7)	(83.1)
Net financial debt cost	**(65.2)**	**(81.9)**
Other financial income and expenses	(2.7)	(3.9)
Net financial expense	**(67.9)**	**(85.8)**
Income tax expenses	(19.5)	(14.0)
Net profit before Share of loss of equity-accounted companies	**(47.4)**	**(22.1)**
Share of net income (loss) of other equity-accounted entities	(13.1)	(106.1)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**(60.5)**	**(128.2)**
Net income (loss) from discontinued operations	-	(0.8)
NET INCOME FOR THE PERIOD	**(60.5)**	**(129.0)**

in € million	31/12/2019 Reported	*IFRS 16 impact*	31/12/2019 Excluding IFRS 16	31/12/2018 Excluding IFRS 16
EBITDA	**203.4**	***38.9***	**164.5**	**149.5**
Depreciation and amortization	(106.3)	*(34.2)*	(72.1)	(60.4)
Recurring operating profit	**87.8**	***4.7***	**83.2**	**73.9**
Operating profit	**77.7**	***4.7***	**73.1**	**37.0**
Net financial expense	(85.8)	*(6.3)*	(79.6)	(62.9)
Income tax expense	(14.0)	*0.0*	(14.0)	(20.0)
Profit for the period	**(129.0)**	***(1.6)***	**(127.4)**	**(59.0)**

Revenue

The following table sets forth the breakdown of our revenue for the periods indicated by reporting segment:

€ in millions	**For the twelve months ended December 31,**	
	2018	**2019**
Revenue		
France	1 294.8	1 363.1
UK	508.0	796.0
International	896.3	902.7
Other [(1)]	(3.7)	(3.3)
Total Revenue	**2 695.4**	**3 058.5**

(1) Elimination of holding company activities and intragroup transactions, See Section 2: *"Financial information—Overview of reporting segments"* for further details.

Revenue increased by €363.1 million, or 13.5 %, to €3,058.5 million in 2019 as compared to €2,695.4 million in 2018. The increase was mainly attributable to the external gross impact of €221.4 million related to the acquisition of Servest UK in May 2018, as well as organic growth in France (+€60.8 million or +4.7%) and in the UK (+€62.1 million or +12.2%).

Revenue by segment:

France. France segment revenue increased by €68.3 million, or 5.3%, to €1,363.1 million for the twelve months ended December 31, 2019 as compared to €1,294.8 million for the twelve months ended December 31, 2018. This increase was primarily attributable to organic growth, which contributed €60.8 million, mainly in our cleaning business, slightly offset by the negative of the disposal of our Landscaping business following its disposal in October 2019.

Cleaning:

Revenue increased by €61.1 million, or 7.0%, to €937.2 million in 2019 as compared to €876.0 million in 2018. This increase was mainly due to organic growth of €45.3 million, principally due to the effect of new contracts started in 2019, as well as external growth of €15.9 million due to the full-year impact of the Limpa and BBA acquisitions in 2018.

Facility Management:

Revenue increased by €10.4 million, or 2.5%, to €424.0 million in 2019 as compared to €413.6 million in 2018. This increase was mainly due to (i) organic growth of €15.5 million due to new contracts started in 2019, notably in Security, thanks to new contracts in airports business, and Landscaping (during the latest 10 months of consolidation), (ii) the full year impact of the Cadiou acquisition in 2018, (iii) partly offset by a negative impact of the Landscaping disposal, for €12.5 million.

UK. The UK segment generated €288.0 million of additional revenue, to €796.0 million in 2019, as compared to €508.0 million in 2018, an increase of 56.7%. During the twelve months ended December 31, 2019, Servest experienced (i) strong organic growth of approximately 12.2%, principally due to new customer contracts, notably in Cleaning and Technical Services, and (ii) significant external growth, led by the full year impact of Servest Group acquisition for €221.4 million.

International. International segment revenue increased by €6.4 million, or 0.7 %, to €902.7 million in 2019, as compared to €896.3 million in 2018.

This slight increase is mainly due to organic growth in Asia, Central Europe, and Africa, partly offset by the impact of Ramky Cleantech deconsolidation in the fourth quarter of 2019 which had a negative impact of €11.3 million. In addition, two entities in Poland were accounted as held for sale following the decision to dispose of them, which generated a negative impact of €12.5 million.

Other. In addition, the activities of our holding companies and the elimination of transactions between reporting segments amounted to a loss of €3.3 million in 2019.

Raw materials & consumables used

Raw materials & consumables used increased by €97.5 million, or 15.8%, from €618.3 million in 2018 to €715.8 million in 2019, principally reflecting the increase in our activity during the period, especially in the UK segment due to the full year impact of the Servest UK acquisition. As a percentage of revenue, raw materials & consumables used represented 23.4% of our revenue in 2019, as compared to 22.9% of revenue in 2018. This was mainly due to the full-year impact of Servest UK, as the company has higher purchases consumed as a percentage of revenue than the rest of the Group, amounting to 30.0% in 2019, since Servest UK has a higher proportion of technical services.

When excluding the UK segment, Raw materials & consumables used would have represented 21.2% of consolidated revenue (20.7% in 2018).

External expenses

As reported, external expenses remained stable in 2019 at €127.1 million in 2019, representing 4.2 % of our revenue (as compared to 4.7% in 2018), principally reflecting (i) the full year impact of the Servest UK acquisition, (ii) and the organic growth of our activity, offset by lower costs related to temporary workers.

Excluding the impact of IFRS 16, external expenses slightly increased by €2.8 million, or 1.7%, from €162.3 million in 2018 to €165.1 million in 2019, representing 5.4% of our revenue (as compared to 6.0% in 2018).

Staff costs

Staff costs increased by €234.7 million, or 13.4 %, from €1,749.9 million in 2018 to €1,984.6 million in 2019. The increase in personnel costs was principally attributable to the full-year impact of the Servest UK acquisition, which contributed to an increase in personnel costs of €172.0 million and the increase of Cleaning Services in France of €43.2 million consistent with revenue growth. As a percentage of revenue, payroll remained stable at 64.9% in 2019, despite the higher contribution of the cleaning activity with relatively higher level of staff costs, thanks to (i) activity growth through profitable new contracts in this business, as well as (ii) the positive contribution of the full year consolidation of Servest UK as the company has relatively a lower level of personnel costs in its cost structure (approximately 59% as a percentage of revenue in 2019).

Taxes (other than on income)

Taxes other than on income decreased by €2.4 million, or 7.5%, from €32.5 million in 2018 to €30.1 million in 2019. As a percentage of revenue, taxes other than on income decreased to 1.0% in 2019 as compared to 1.2% in 2018. This decrease was mainly due to lower level of other taxes in France, as well as lower ratio of taxes other than income as a percentage of payroll costs of Servest UK, as compared to our other subsidiaries in France.

Other operating income and expenses

Other operating income decreased by €14.7 million, or 85.7%, from a gain of €17.1 million in 2018 to a gain of €2.5 million in 2019. The decrease was mainly a favourable base effect, attributable to the high level in 2018 following the acquisition of Servest that led to an increase in inventory.

EBITDA

The following table sets forth the breakdown of EBITDA for the periods indicated by reporting segments:

€ in millions	**For the twelve months ended December 31,**	
	2018	**2019**
EBITDA		
France	121.7	133.0
UK	30.7	50.6
International	63.9	55.0
Other [(1)]	(31.5)	(35.2)
EBITDA	**184.8**	**203.4**

The table below presents the impact of IFRS 16 on EBITDA by segment:

in € million	2019 Reported EBITDA	*IFRS 16 impact*	2019 EBITDA excluding IFRS 16
France	133.0	*16.3*	116.7
UK	50.6	*3.2*	47.4
International	55.0	*11.7*	43.3
Other [(1)]	(35.2)	*7.6*	(42.8)

in € million	2018 Reported EBITDA[(2)]	*IFRS 16 impact*	2018 EBITDA excluding IFRS 16
France	121.7	14.2	107.5
UK	30.7	1.5	29.2
International	63.9	13.3	50.6
Other [(1)]	(31.5)	6.2	(37.7)

(1) Elimination of holding company activities and intragroup transactions, see Section 2 *"Financial information—Overview of reporting segments"* for further details.

(2) See section 3 - *2019 changes in Reportable segments information*

As reported, EBITDA increased by €18.6 million, or 10.1%, to €203.4 million in 2019, as compared to €184.8 million in 2018.

Excluding the impact of IFRS 16, EBITDA increased by €15.1 million, or 10.1%, to €164.5 million in 2019, as compared to €149.5 million in 2018. Our EBITDA margin decreased to 5.4% in 2019, as compared to 5.5% in 2018, mainly due to the dilutive effect of the Servest UK acquisition as the company has a lower EBITDA margin than the rest of the Group, as well as a decrease in EBITDA margin in our International segment.

EBITDA by segment, excluding the impact of IFRS 16

France. EBITDA for the France segment increased by €9.2 million, or 8.5%, to €116.7 million in 2019 as compared to €107.5 million in 2018. The EBITDA margin of the France segment increased to 8.6% in 2019, as compared to 8.3% in 2018. The EBITDA and EBITDA margin increases are primarily attributable to an increase in EBITDA in both the cleaning and security activities, despite the landscaping disposal effect.

Cleaning: EBITDA increased by €8.6 million, or 10.6%, to €89.3 million in 2019 as compared to €80.7 million in 2018. The EBITDA margin of the cleaning business increased to 9.5% in 2019, as compared to 9.1% in 2018, principally due to higher-margin organic revenue growth of €8.4 million, following the reinforcement of the operational and commercial team.

Facility Management: EBITDA increased by €0.6 million, or 2.2%, to €27.4 million in 2019 as compared to €26.8 million in 2018. The EBITDA margin of the facility management business increased to 6.5% in 2019, as compared to 6.3% in 2018. This increase primarily resulted from the improvement in the EBITDA margin of the Security activity, with higher-margin organic revenue. This increase was partly offset by the Landscaping activities disposal for €1.2 million.

UK. EBITDA for the UK segment increased by €18.2 million, or 62.3% to €47.4 million in 2019, as compared to €29.2 million in 2018. This increase was mainly related to the full year impact of the Servest UK acquisition in May 2018, and (ii) organic growth in 2019 thanks to the strong performance of the cleaning division and the Catering division revenue plan initiated at the end of 2018 and leading to relatively higher-margin contracts.

As a result, as a percentage of sales, the EBITDA margin in the UK segment significantly improved at 6.0% for 2019 (5.7% for 2018).

International. EBITDA for the International segment decreased by €7.3 million, or 14.3%, to €43.3 million in 2019, as compared to €50.6 million in 2018.

This decrease was mainly due to (i) the negative impact of contract losses by Temco in the U.S., as well as and costs related to the restructuring of the US organization to drive future growth, performance, and cash generation, (ii) negative forex effect in Turkey and CZ and disposal of Poland entities on Central Europe EBITDA despite organic growth in this area, (iii) the decrease of Asia EBITDA mainly due to operational losses in Singapore and the related deconsolidation of Ramky in Singapore in the fourth quarter of 2019 which had a €1.9 million impact. This decrease was partly offset by an improvement of EBITDA in Africa, notably driven by Morocco, and an improvement of EBITDA in Asia, when excluding Ramky's activity

As a result, as a percentage of sales, EBITDA margin decreased to 4.8% in 2019, as compared to 5.6% in 2018.

Depreciation and amortization

As reported, depreciation and amortization increased by €13.7 million, or 14.8%, from €92.6 million in 2018 to €106.3 million in 2019. This is mainly due to an increase in the total amount of tangible assets following the acquisition of Servest UK, which resulted in additional depreciation and amortization of €12.9 million.

Excluding the impact of IFRS 16, depreciation and amortization increased by €11.7 million, or 19.4%, from €60.4 million in 2018 to €72.1 million in 2019.

As a percentage of revenue, depreciation and amortization increased from 2.2% in 2018 to 2.4% in 2019, as a result of the integration of Servest UK, which had a relatively higher level of depreciation and amortization as a percentage of revenue due to its high share of Technical Services revenue, as well as additional amortizable customer relationships acquired in the context of acquisition.

Provisions and impairment losses, net

Provision and impairment losses decreased by €6.0 million, or 39.2%, from €15.3 million in 2018 to €9.3 million in 2019, explained by a base effect with higher level of provision in 2018.

Current operating profit

As reported, current operating profit increased by €10.9 million, or 14.2%, from €76.9 million in 2018 to €87.8 million in 2019, for the reasons explained above.

Excluding the impact of IFRS 16, current operating profit decreased by €9.3 million, or 12.6%, from €73.8 million in 2018 to €83.1 million in 2019, for the reasons explained above.

Other operating income and expenses

For the twelve months ended December 31, 2019, these costs amounted to €10.1 million and principally included: (i) a one-off loss linked to the settlement of a pension fund claim in the US for €6.6 million, (ii) restructuring costs of €5.9 million, for some costs related to the relocation of the Group's US headquarters and the elimination of several field offices in the United States, and in France for the finalization the reorganization of the Group's management, as well as (iii) the negative effect of the deconsolidation of Ramky. This increase was partly offset by the net gain on disposal of Landscaping business in September 2019.

Operating profit

As reported, operating profit increased by €37.8 million, or 94.5%, from €40 million in 2018 to €77.7 million in 2019, for the reasons explained above.

Excluding the impact of IFRS 16, operating profit increased by €36.2 million, or 97.9%, from €36.9 million in 2018 to €73.1 million in 2019, for the reasons explained above.

Net financial expenses

Net financial expenses increased by €17.9 million, or 26.4%, from €67.9 million in 2018 to €85.8 million in 2019.

Excluding the impact of IFRS 16, net financial expenses increased by €16.7 million, or 26.5%, from €62.9 million in 2018 to €79.6 million in 2019.

This increase was principally due to (i) additional interests for €14.7 million following the issuance of new bonds to finance the Servest UK acquisition in May 2018 (see Section 6: "*Liquidity and Capital Resources*" for further details*)*.

Income tax expenses

Income tax expenses decreased by €5.5 million, or 28.0%, from €19.5 million in 2018 to €14.0 million in 2019. This decrease is mainly due to the activation of loss carry-overs in the UK for €8.8 million

Share of net income (loss) of other equity-accounted entities

Share of profit (loss) of other equity-accounted entities amounted to a loss of €106.1 million in year 2019, compared to a loss of €13.1 million in year 2018, that is primarily attributable to the impairment of our holding of Getronics shares. This participation in Getronics was accounted for 28.8% in May 2018 during the acquisition of Servest. In July 2018, the Group decided to participate in the capital increase of Bottega InvestCo SARL with an investment of €27.2 million to finance the acquisition by Getronics of Pomeroy Group Holdings Inc. The percentage ownership of the Group in this company changed from 28.3% as of December 31, 2018 to 27,18% thereafter. In 2019 Getronics was faced with a significant funding shortfall and a major deterioration of its operational results and business outlook. The Group decided to not participate in the funding of a restructuring plan of Getronics and finally decided to fully depreciate its share with a corresponding impact on its income statement of €70.8 million, in addition of the losses generated during the period for €35.0 million.

Net income for the period

Net loss for the period increased by €68.5 million from €(60.5) million in 2018 to €(129.0) million in 2019, for the reasons stated above.

6. Liquidity and Capital Resources

Cash flows

The following table summarizes our consolidated cash flow statements for the periods indicated:

€ in millions	**For the twelve months ended December 31,**	
	2018	**2019**
Net cash from (used in) operating activities	84.2	205.5
Excluding impact of off-balance sheet factoring of receivables	*45.1*	*120.2*
Net cash used in investing activities	(527.8)	(35.4)
Net cash used in financing activities	403.0	(184.2)
Exchange gains (losses) on cash and cash equivalents	0.6	(2.9)
Net increase (decrease) in cash and cash equivalents	(40.0)	(17.0)

Net cash from (used in) operating activities

€ in millions	For the twelve months ended December 31,	
	2018	2019
Profit for continuing operations	(60.5)	(128.2)
Adjustment for and elimination of non-cash items	113.9	212.7
Elimination of net finance costs	65.2	82.0
Elimination of income tax expense	21.2	17.5
Cash generated from operations before financial expenses and income tax	**139.8**	**184.0**
Decrease/(increase) in inventories	(12.6)	1.2
Decrease/(increase) in total receivables	(17.3)	119.8
Increase/(decrease) in payables	(2.4)	(58.7)
Change in working capital	**(32.3)**	**62.3**
Change in working capital excluding impact of off-balance sheet factoring of receivables	*(71.4)*	*(22.9)*
Income tax paid	(23.3)	(23.1)
Increase in Factoring deposit	-	(17.0)
Cash from discontinued operations	-	(0.7)
Net cash from (used in) operating activities	**84.2**	**205.5**
Net cash from (used in) operating activities excluding impact of off-balance sheet factoring of receivables	*45.1*	*120.2*

As reported, we experienced a cash inflow of €62.3 million in 2019, generated by an increase in net working capital (as compared to an outflow of €32.3 million in 2018 generated by a decrease in net working capital).

When neutralizing the effect of the factoring of receivables not recorded on our balance sheet, our net working capital increased by €22.9 million in 2019.

The improvement in working capital in France thanks to better cash management, despite our organic development, was offset by the combined effect of (i) additional operating working capital needs, mainly in UK, in a context of strong organic growth, and to a lesser extent in the US due a transition to a Shared Services Center model that led to slower collections in the second half of 2019, and (ii) an increase in social payables resulting from the organic growth of 2019.
It must be noted that the replacement of French tax credit CICE into a reduction of social tax contributions with the same rate implied limited timing impact on cash since the Group pre-financed its tax credit in 2018 and is now directly reducing the social charges payable.
In 2019, other cash flows from operating activities are composed by factoring deposits which generated a cash outflow for €17.0 million following the increase in use of deconsolidated factoring.

Net cash used in investing activities

€ in millions	**For the twelve months ended December 31,**	
	2018	**2019**
Purchase of fixed assets [1]	(42.7)	(43.3)
Proceeds from sales of fixed assets	5.0	3.0
Purchase of consolidated companies less cash held by subsidiaries acquired	(493.0)	(9.8)
Disposal of consolidated companies (net of cash disposed)	-	14.2
Other cash flows from investing activities	2.9	(0.2)
Cash from discontinued operations used in investing activities	-	0.7
Net cash used in investing activities	**(527.8)**	**(35.4)**

[1] Including change in net payables due on fixed assets.

Net cash used in investing activities decreased from €527.8 million in 2018 to €35.4 million in 2019.

This decrease was mainly due to the acquisition of Servest UK and to a lesser extent the acquisitions in France of Limpa and BBA for €492.9 million in 2018. We made no material acquisitions in 2019.

In 2019, capex remained relatively stable at €43.3 million (1.9% of our consolidated revenue in 2019). These Capex are mainly generated in France and in UK, for the purchases of uniforms and installation of technical equipment in the ordinary course of our business.

Net cash used in financing activities

The following table sets out the principal components of our net cash flow used in financing activities for the periods indicated:

€ in millions	**For the twelve months ended December 31,**	
	2018	**2019**
Proceeds from new borrowings	674.9	38.9
Repayments of borrowings	(226.2)	(142.1)
Finance costs, net [1]	(63.0)	(80.2)
Dividends	(17.8)	(5.1)
Operations in share capital	37.0	0.0
Other	(1.9)	4.2
Cash from discontinued operations generated by financing activities	-	0.1
Net cash used in financing activities	**403.0**	**(184.2)**

[1] Amount net of capitalized interests and other non-cash interest expenses

Net cash used in financing activities amounted to €184.2 million in 2019. Our financing activities in 2019 consisted primarily of:

- Proceeds of new borrowings of €38.9 million, of which €24.0 million of proceeds from Revolving credit facility line and €11.1 million of proceeds from factoring loans (portion for which receivable are no derecognised);
- Repayment of borrowings for €142.1 million, mainly related to payment of lease portion used during the period (€64.5 million) (IFRS 16), and debts from factoring (portion for which receivable are no derecognised);
- €80.2 million of net interest paid on ongoing borrowings;
- Dividends paid to shareholders of the parent company amounted to €5.1 million.

Net cash generated in financing activities amounted to €403.0 million in 2018. Our financing activities in 2018 consisted primarily of:

- €674.9 million of proceeds from new borrowings, notably the issuance of €350 million aggregate principal amount of Senior Notes due 2025 and £225 million aggregate principal amount of Senior Notes due 2025, as well as proceeds from factoring loans in an aggregate principal amount of €89.3 million and drawings under our revolving credit facilities of €30.0 million in 2018;
- €226.2 million of (i) repayments of borrowings, primarily the repayment of Servest UK debt and (ii) repayments of the lease portion used during the period (€40.5 million); and
- €63.0 million of net interest paid on ongoing borrowings.

Net Debt

	For the twelve months ended December 31,	
	2018	**2019**
Cash and cash equivalents	105.7	89.7
Short-term bank loans and overdrafts	(1.3)	(2.5)
Net cash and cash equivalents	**104.4**	**87.2**
Non-current financial liabilities	(1 305.8)	(1 339.3)
Of which lease liabilities [(1)]	*(104.2)*	*(115.1)*
Current financial liabilities	(144.5)	(87.6)
Gross debt	**(1 450.3)**	**(1 426.9)**
Financial instrument (liability)	(2.1)	(3.7)
Debt	**(1 452.4)**	**(1 430.6)**
Net debt	**(1 348.1)**	**(1 343.4)**
Derecognised factoring contracts	*(53.7)*	*(139.0)*
Net Debt after adding back derecognised factoring contracts	**(1 401.7)**	**(1 482.4)**

[(1)] *Solely including lease liabilities under IFRS 16 for the twelve months ended December 31, 2019.*

As at December 31, 2019, we had net debt of €1,343.4 million as compared to €1,348.1 million as at December 31, 2018. We define net debt as the sum of non-current financial liabilities (including lease liabilities following the application of IFRS 16) and short-term bank loans and overdraft and current portion of other financial debt, plus the fair value of financial instruments, less cash and cash equivalents.

The decrease in net debt in 2019 was mainly attributable to higher recourse to deconsolidating factoring during 2019.

Several of the Group’s subsidiaries sell their trade receivables on a monthly basis under factoring contracts. Some of these contracts involve the transfer of substantially all the risks and rewards of ownership of the receivables concerned to the factoring companies. Factored receivables for which the Group has not transferred substantially all the risks and rewards of ownership remain recorded on the balance sheet under ‘‘Trade receivables,’’ with the recognition of a corresponding financial liability. We had Net Debt restated (including the liability relating to off-balance sheet factoring) of €1,482.4 million as of December 31, 2019, as compared to €1,401.7 million as of December 31, 2018. The increase of the net debt restated of the derecognised factoring contracts was mainly explained by the decrease in cash, as explained under the heading “Liquidity and Capital Resources, and negative forex impact. This increase was offset by the deconsolidation of the net debt of the Landscaping business following the disposal of this activity.

7. Off-Balance sheet Arrangements

As of December 31, 2019, our off-balance sheet arrangements, as described in Note 15 to the 2019 financial statements, primarily related to the guarantees of the 2024 and 2025 Notes and Revolving Credit Facility, and the collateral securing the Revolving Credit Facility.
The off-balance sheet arrangements also include contractual commitments received under our factoring facilities and Revolving Credit Facility.

8. Contractual Commitments

The following table sets forth the aggregate maturities of our financial debt as of December 31, 2019:

(in millions of euros)	-Due within 1year	-Due in 1 to 5 years	-Due beyond 5 years	31/12/2019
- Bonds*	0.6	604.0	613.3	**1,217.9**
- Bank borrowings	56.2	5.0		**61.2**
- Lease liabilities		115.1		**115.1**
- Other borrowings and financial liabilities	0.3			**0.3**
- Loans from subsidiaries and associates		1.9		**1.9**
- Factoring loans	30.5			**30.5**
Total interest-bearing borrowings at 31 Dec. 2019	**87.6**	**726.0**	**613.3**	**1,426.9**

** bonds net of amortisable issuance costs of €(27.5) million of which amortized (5.1) million in 2020.*

9. Dividends

In respect of the fiscal year ended December 31, 2018, dividends paid in the 2019 fiscal year to shareholders of the parent company amounted €5.1 million.

10. Share capital and principal shareholders

At December 31, 2019, the Group's share capital was composed of 116 237 206 fully paid-up shares with a par value of €1 each.

The principal shareholder of the Group is Atalian Holding and Development S.A. ("AHDS) which owns approximately 97% of the Group and which is indirectly wholly-owned by Franck Julien.

11. Developments related to the outbreak of the Coronavirus

While in January and February of this year our business showed strong momentum consistent with 2019 trends, we expect the COVID-19 (Coronavirus) outbreak to have an impact on our business and financial results in the remainder of 2020.

As a result of the outbreak, since the second half of March, we have experienced significant shortfalls in revenue in France, the United Kingdom and to a lesser extent the United States. France, the United Kingdom and the United States are among the countries most adversely affected by the Coronavirus outbreak and represent our main markets outside Asia. While we have observed softness in certain parts of our Asian operations due in particular to border closures and travel restrictions, our operations in Asia have not been materially affected to date by the outbreak.

Since the beginning of the Coronavirus outbreak, we have established a management crisis committee that meets daily to monitor the actions resulting from this pandemic. We are complying with health and safety protocols established by the authorities and agencies of each country, and we have reinforced our internal regulations for personal hygiene and infection control. We have also taken a strong set of actions to mitigate the impact of the Coronavirus outbreak on our financial results. We are pro-actively reducing our cost base, particularly in the regions where we have experienced a marked shortfall in revenue, through the active management of our workforce, the review and if appropriate the renegotiation of our supplier arrangements, the rigorous management of our operating expenses and strong contract management. We also intend to make use wherever possible of any relevant facilities or arrangements provided by the various national authorities to assist companies through the crisis.

Through these measures, we anticipate being able to mitigate the impact of the outbreak on our financial results and in particular on our liquidity with no major shortfall. We have also taken and are continuing to take steps to manage our cash position and maintain our liquidity, particularly for the period covering May to July. In the eventuality of a worsening of the crisis, we are preparing any possible liquidity shortfall with the intention to fully cover it by accessing the French State guarantee scheme for Large Corporate. On this basis, we have the strong conviction that it is appropriate to prepare our financial statements under the going concern assumption. Finally, we actively monitor any new business opportunities that may arise for us from the current situation, particularly in our Cleaning activity.

While our current view is that a majority of the impact on demand for our services in the first half of 2020 demand will be recovered throughout the second half of the year, the impact on 2020 Financial Results will depend on the timing of the ramp up of the business post crisis.

We expect substantial recurring benefit on our business post crisis, following likely fundamental behaviour changes and increase of spending of our customers.