LA FINANCIERE ATALIAN
INVESTOR REPORT
THREE MONTHS ENDED AS AT MARCH 31, 2020

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis summarizes the significant factors affecting our results of operations and financial condition during the first three months of 2020. The historical information discussed below for the Group is as of and for the three months ended March 31, 2020 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 unaudited interim consolidated financial statements for the Group from January 1, 2020 to March 31, 2020 included herein, in accordance with IFRS.

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

1. 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 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.

Overview of reporting segments

We have the three following reporting segments:

- *France*: This segment includes all the companies in France, either in Cleaning activity or Facility Management activity (excl French Holdings).
- *UK*: This segment includes all the companies in UK, mainly Servest UK group its consolidated subsidiaries in UK.
- *International*: This segment comprises all companies outside France and UK.

In addition, in our interim 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 the first three months of 2020 was as follows:

- *France:* In the first three months of 2020, our France segment generated €315.5 million, or 42.7%, of our revenue. The two business lines that generate our revenue in France are cleaning and facility management:

- *UK:* In the first three months of 2020, our UK segment generated €203.6 million, or 27.6%, of revenue. Our UK activities are providing facilities management services 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

- *International:* In the first three months of 2020, our International segment generated €220.0 million, or 29.8%, of our revenue. As at March 31, 2020, 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 €0.5 million in the first three months of 2020.

2. Results of Operations for the three months of 2020 compared to the three months 2019

Results of operations

	For the three months ended March 31,	
	2019	**2020**
	€ in millions	
Revenue	**746.6**	**738.6**
Raw materials & consumables used	(171.7)	(156.9)
External expenses	(33.8)	(28.1)
Staff costs	(493.2)	(490.6)
Taxes (other than on income)	(8.8)	(8.7)
Other recurring operating income and expenses	9.1	(1.9)
Recurring EBITDA	**48.3**	**52.3**
Depreciation and amortization	(24.4)	(24.5)

Provisions and impairment losses, net	(1.0)	(0.3)
Current operating profit	**22.8**	**27.5**
Other operating income & expenses	(0.2)	(2.4)
Operating profit	**22.6**	**25.1**
Financial income	(20.4)	(21.2)
Finance expenses	0.4	0.3
Finance costs, net	**(20.0)**	**(20.9)**
Other financial income and expenses	1.3	(2.8)
Net financial expense	**(18.7)**	**(23.7)**
Income tax expense	(6.7)	(4.9)
Share of loss of equity-accounted companies	(7.2)	(0.0)
Net profit from recurring operations	**(10.0)**	**(3.5)**
Net loss from discontinued operations	-	(0.0)
Loss for the period	**(10.0)**	**(3.5)**

Revenue

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

€ in millions	**For the three months ended March 31,**	
	2019	**2020**
Revenue		
France(1)	329.5	315.5
UK	189.2	203.6
International(1)	226.6	220.0
Other (2)	1.3	(0.5)
Total Revenue	**746.6**	**738.6**

(1) Excluding Holdings and Corporate costs

(2) Holdings and Corporate costs and elimination of inter-segment transactions.

Revenue decreased by €8.0 million, or 1.1%, to €738.6 million in the first three months of 2020 as compared to €746.6 million in the first three months of 2019. This decrease was mainly attributable to the divestment of the Landscaping division and the impact of Ramky Cleantech deconsolidation in the fourth quarter of 2019. When excluding these changes in perimeter, organic revenue increased by €18.3 million, or 2.5%, driven by UK and our international businesses.

Revenue by segment:

France. France segment revenue decreased by €14.0 million, or 4.2%, to €315.5 million for the three months ended March 31, 2020 as compared to €329.5 million for the three months ended March 31, 2019. This decrease was primarily attributable to (i) the effect of the disposal of our Landscaping business in 2019 that generated €(16.6) million during the first quarter 2019, and (ii) the impact of the Covid started on March 17th with a gradual reduction in activity that is estimated to approximately €(14) million during the first quarter 2020. When excluding the effect of the divestment of the Landscaping division and the Covid, organic revenue increased by approximately 5% for the first quarter 2020 compared to the first quarter 2019.

UK. The UK segment generated €14.4 million of additional revenue, to €203.6 million in the first three months of 2020, as compared to €189.2 million in the first three months of 2019, an increase of 7.6%. During the period ended March 31, 2020, the UK experienced (i) strong organic growth of approximately €9.9 million, or 5.2%, principally due to new customer contracts, notably in Cleaning and Technical Services, and despite Covid lockdown started on March 23rd leading to hospitality (hotel occupancy), catering (home-working) and multi-tech (sites closes) businesses being impacted. The reduction in activity related to Covid is estimated at lower generation of revenue of approximately €(7.7) million during the first quarter 2020. In addition, a favourable effect of €4.5 million was related to the fluctuations in the value of the pound sterling against the euro.

International. International segment revenue decreased by €6.6 million, or 2.9 %, to €220.0 million in the first three months of 2020, as compared to €226.6 million in the first three months of 2019.

This decrease is mainly explained by the impact of Ramky Cleantech deconsolidation in 2019 which generated €11.4 million of revenue during the first quarter 2019. In addition, two entities in Poland have been divested, which generated a negative impact of €2.6 million during the first quarter 2020 as compared to the first quarter 2019. When excluding these effects, organic revenue increased by 3.4%, mainly due to organic growth in Asia, Central Europe, and Africa, partly offset by Covid impacts.

Other. In addition, the activities of our holding companies and the elimination of transactions between reporting segments amounted to a loss of €0.5 million in the first quarter of 2020.

EBITDA

The following table sets forth the breakdown of EBITDA (post IFRS 16) for the periods indicated by reporting segments:

€ in millions	**For the three months ended March 31,**	
	2019	**2020**
EBITDA		
France[(1)]	28.7	33.2
UK	12.9	13.7
International[(1)]	14.7	13.3
Other [(1)]	(8.0)	(7.9)
EBITDA	**48.3**	**52.3**

(1) Excluding Holdings and Corporate costs

(2) Holdings and Corporate costs and elimination of inter-segment transactions.

EBITDA increased by €4.0 million, or 8.3%, to €52.3 million in the first three months of 2020, as compared to €48.3 million in the first three months of 2019.

Our EBITDA margin increased to 7.1% in the first three months of 2020, as compared to 6.5% in the first three months of 2019, mainly due to strong organic growth driven by a margin step-up in Cleaning activities, as well as sharp cost measures taken in March.

EBITDA by segment,

France. EBITDA for the France segment increased by €4.5 million, or 15.7%, to €33.2 million in the first three months of 2020 as compared to €28.7 million in the first three months of 2019. The EBITDA margin of the France segment increased to 10.5% in the first three months of 2020, as compared to 8.7% in the first three months of 2019, as the result of immediate crisis related direct and indirect cost reductions, such as furlough leave arrangements and supplier renegotiations, that mitigated Covid impacts on the EBITDA.

Cleaning: EBITDA increased by €5.8 million, or 26.9%, to €27.4 million in the first three months of 2020 as compared to €21.6 million in the first three months of 2019. The EBITDA margin of the cleaning business increased to 12.2% in the first three months of 2020, as compared to 9.5% in the first three months of 2019.

Facility Management: EBITDA decreased by €1.3 million, or 18.3%, to €5.8 million in the first three months of 2020 as compared to €7.1 million in the first three months of 2019. This decrease primarily resulted from the Landscaping activities disposal that generated €1.3 million during the first quarter 2019. When excluding this effect, organic EBITDA slightly increased by €0.1 million.

UK. EBITDA for the UK segment increased by €0.8 million, or 6.2% to €13.7 million in the first three months of 2020, as compared to €12.9 million in the first three months of 2019. This increase was mainly related to the profitability of new business in Cleaning and stringent cost reduction initiatives offsetting Covid-related business disruption in Multitech, Integrated Solutions and Catering. EBITDA impact from Covid is estimated at approximately €(0.9) million during the first quarter 2020.

As a percentage of sales, the EBITDA margin in the UK segment remained stable at 6.7% for the first three months of 2020 (6.8% for the first three months of 2019).

International. EBITDA for the International segment decreased by €1.4 million, or 9.5%, to €13.3 million in the first three months of 2020, as compared to €14.7 million in the first three months of 2019. This is mainly due to the deconsolidation of Ramky in Singapore in the fourth quarter of 2019 which generated €2.1 million during the first quarter 2019. On a like-for-like basis, EBITDA slightly increased by 0.7%. EBITDA margins have strongly improved in the US and Asia thanks to new sales with stronger margin of disinfection services. The organic growth in International segment profitability has mainly been diluted by the Aktrion Automotive activity which is severely impacted by the crisis.

Others. “Others”, which includes items that are not components of an operating segment, notably the operations of the Group’s holding entities, slightly decreased by 0.1 million to €(7.9) million in the first three months of 2020, as compared to €(8.0) million in the first three months of 2019.

Operating profit

As reported, operating profit increased by €2.4 million, or 10.7%, from €22.6 million in the first three months of 2019 to €25.1 million in the first three months of 2020, mainly as the result of the increase of the EBITDA as explained above and partly offset by a non-recurring €1.8 million net loss related to our divestment in Poland as part of our restructuring of our activities

Net income (loss) for the period

Net loss for the period decreased by €6.5 million from €(10.0) million in the first three months of 2019 to €(3.5) million in the first three months of 2020.

3. Liquidity and Capital Resources

Cash flows

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

€ in millions	For the three months ended March 31,	
	2019	2020
Net cash from (used in) operating activities	(19.1)	55.2
Net cash used in investing activities	(13.2)	(8.5)
Net cash used in financing activities	19.7	32.4
Exchange gains (losses) on cash and cash equivalents	0.9	0.9
Net increase (decrease) in cash and cash equivalents	**(11.7)**	**80.0**

Net cash from (used in) operating activities

€ in millions	For the three months ended March 31,	
	2019	2020
Profit for continuing operations	(9.9)	(3.5)
Adjustment for and elimination of non-cash items	32.0	25.6
Elimination of net finance costs	20.0	20.9
Elimination of income tax expense and net other financial expenses	5.6	7.6
Cash generated from operations before financial expenses and income tax	**47.7**	**50.6**
Change in working capital	**(62.6)**	**2.2**
Income tax paid	(2.6)	(0.7)
Increase in Factoring deposit	(1.5)	3.2
Cash from discontinued operations	-	(0.1)
Net cash from (used in) operating activities	**(19.1)**	**55.2**

As reported, we experienced a cash inflow of €55.2 million during the first quarter 2020, as compared to an outflow of €19.1 million during the first quarter 2019.

When neutralizing the effect of the factoring of receivables not recorded on our balance sheet, our net working capital decreased by €9 million during the first quarter 2020, thanks to all the government measures with more than €30 million of deferred social charges payments.

Net cash used in investing activities

€ in millions	For the three months ended March 31,	
	2019	2020
Purchase of fixed assets [1]	(9.0)	(7.7)
Proceeds from sales of fixed assets	0.7	0.6
Purchase of consolidated companies less cash held by subsidiaries acquired	(3.1)	(1.2)
Disposal of consolidated companies (net of cash disposed)	(0.2)	(0.0)
Other cash flows from investing activities	(1.6)	(0.1)
Cash from discontinued operations used in investing activities	-	(0.0)
Net cash used in investing activities	**(13.2)**	**(8.5)**

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

Net cash used in investing activities decreased from €13.2 million in the first three months of 2019 to €8.5 million in the first three months of 2020, primarily due to capex restriction in the context of the Covid crisis and lower level of acquisition of companies.

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 three months ended March 31,	
	2019	2020
Proceeds from new borrowings	39.5	52.2
Repayments of borrowings	(19.0)	(14.6)
Finance costs, net [1]	(1.9)	(7.3)
Dividends	0.0	(0.0)
Operations in share capital	0.7	(0.0)
Other	0.4	2.1
Cash from discontinued operations generated by financing activities	-	0.0
Net cash used in financing activities	**19.7**	**32.4**

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

Net cash used in financing activities amounted to €32.4 million in the first three months of 2020, primarily due to proceeds of new borrowings of €52.2 million, mainly the proceeds of the remaining Revolving credit facility line.

Net Financial Debt Evolution

	As of March 31,	
	2019	**2020**
Cash and cash equivalents	89.7	167.1
Short-term bank loans and overdrafts	(2.5)	-
Net cash and cash equivalents	**87.2**	**167.1**
Non-current financial liabilities	(1 393.3)	(1 444.1)
Of which lease liabilities	*(115.1)*	*(111.1)*
Current financial liabilities	(33.6)	(31.0)
Of which debts from factoring	*(30.5)*	*(29.7)*
Gross debt	**(1 426.9)**	**(1 475.1)**
Financial instrument (liability)	(3.7)	(3.1)
Debt	**(1 430.6)**	**(1 478.2)**
Net debt	**(1 343.4)**	**(1 311.0)**

As at March 31, 2020, we had net financial debt of €1,311.0 million as compared to €1,343.4 million as at December 31, 2019. The decrease in net financial debt was mainly attributable to the strong cash generation from operations and lower level of Capex (as explained under the heading "Liquidity and Capital Resources), partly offset by the proceeds of the remaining RCF line of €49.0 million.

4. Recent developments

Atalian is finalizing the documentation for an early June closing with three banks, for an amount of €50 million, of a bank loan secured by a French State guarantee (PGE Loan).

5. Outlook 2020: developments related to the outbreak of the Coronavirus

Despite a robust financial performance and successful mitigation of negative business impacts in Q1, we expect the Covid outbreak to have an impact on our business and financial results in the remainder of 2020, particularly in Q2.

Management is actively pursuing the implementation of initiatives to mitigate the impact of the COVID crisis and remains confident in its ability to compensate the impact. The uncertainty around the crisis and the speed of recovery remains high. The impact on 2020 Financial Results will depend on the timing of the ramp up of the business. Post crisis we expect recurring benefit on our business post crisis, following likely behaviour changes, increase in our customers spending and new business opportunities that may arise from the current situation, particularly in our Cleaning activity.