**LA FINANCIERE ATALIAN**
**INVESTOR REPORT**
**SIX MONTHS ENDED AS AT JUNE 30, 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 six months of 2020. The historical information discussed below for the Group is as of and for the six months ended June 30, 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 June 30, 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 Recurring 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 amortisation, net; provisions and impairment losses, net; and non-recurring operating income and expenses.

Recurring EBITDA corresponds to the line item ''Operating income before depreciation, amortisation, provisions and impairment losses'' in our consolidated financial statements. Recurring 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 Recurring 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. Recurring 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 Recurring EBITDA identically, this presentation of Recurring 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 operating in France, either in Cleaning activity or the Other divisions including Facility Management (excluding Corporate Holdings in France).
- *UK*: This segment includes all the companies operating in UK, mainly Servest UK group its consolidated subsidiaries in UK (including local holdings).
- *International*: This segment comprises all companies outside France and UK (excluding corporate local holdings).

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 six months of 2020 was as follow:

- *France:* In the first six months of 2020, our France segment generated €613.0 million, or 44.6%, of our revenue. The two business lines that generate our revenue in France are Cleaning and Facility Management:

- *UK:* In the first six months of 2020, our UK segment generated €353.4 million, or 25.7%, 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, UK has two other operating divisions, pest control and compliance, which are less significant in terms of revenue

- *International:* In the first six months of 2020, our International segment generated €407.5 million, or 29.7%, of our revenue. As at June 30, 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.

## 2. Results of Operations for the first half-year 2020 compared to the first half-year 2019

### Results of operations

| | **Period ended June 30,** | |
|---|---|---|
| | **2019** | **2020** |
| | **€ in millions** | |
| **Revenue** | **1 509.8** | **1 373.0** |
| Raw materials & consumables used | (352.0) | (296.7) |
| External expenses | (67.4) | (48.4) |
| Staff costs | (989.1) | (901.3) |
| Taxes (other than on income) | (17.9) | (15.5) |
| Other recurring operating income and expenses | 15.7 | (4.7) |
| **Recurring EBITDA** | **99.1** | **106.4** |
| Depreciation and amortisation | (52.0) | (49.6) |
| Provisions and impairment losses, net | (4.8) | (1.3) |
| **Current operating profit** | **42.3** | **55.5** |
| Other operating income & expenses | - | (2.7) |

| | | |
|---|---|---|
| **Operating profit** | **42.3** | **52.8** |
| Financial debt cost | (42.2) | (42.2) |
| Income from cash and cash equivalents | 0.6 | 0.3 |
| **Finance costs, net** | **(41.6)** | **(41.9)** |
| Other financial income and expenses | (1.1) | (10.8) |
| **Net financial expense** | **(42.7)** | **(52.7)** |
| Income tax expense | (11.0) | (16.8) |
| Share of loss of equity-accounted companies | (16.0) | (0.4) |
| **Net profit from recurring operations** | **(27.4)** | **(17.1)** |
| Net loss from discontinued operations | - | - |
| **Loss for the period** | **(27.4)** | **(17.1)** |

***Revenue***

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

| **€ in millions** | **For the six months ended June 30,** | |
|---|---|---|
| | **2019** | **2020** |
| **Revenue** | | |
| France | 675.9 | 613.0 |
| UK | 387.1 | 353.4 |
| International | 450.3 | 407.5 |
| Other (1) | (3.5) | (0.9) |
| **Total Revenue** | **1,509.8** | **1,373.0** |

(1) Elimination of inter-segment transactions.

Revenue decreased by €136.8 million, or 9.1%, to €1,373.0 million in the first six months of 2020 as compared to €1,509.8 million in the first six months of 2019. This decrease was mainly attributable to (i) the sudden reduction in activity as a result of Covid-19, mainly in the second quarter 2020, (ii) the divestment of the Landscaping division and the impact of Ramky Cleantech deconsolidation in the fourth quarter of 2019. When excluding the changes in perimeter and forex effects, the negative organic growth was limited to €73.8 million, or 4.9% during the first half year and 12.1% in the second quarter, thanks to strong resilience of our cleaning business and broad geographic mix.

*Revenue by segment:*

***France.*** France segment revenue decreased by €62.9 million, or 9.3%, to €613.0 million in the first six months of 2020, as compared to €675.9 million for the six months ended June 30, 2019. This decrease was primarily attributable to (i) the effect of the disposal of our Landscaping business in 2019 that generated €39.1 million during the first half year 2019, and (ii) the limited negative organic growth of €23.8 million, or 3.5% due to impact of the Covid-19 lockdown which started in France on March 17th until May 11th. Services most severely impacted were security, Airport and multi-tech activities, while Cleaning activity demonstrated strong resilience as a result of higher demand and better pricing for ultra-cleaning and disinfection services.

***UK.*** The UK segment revenue decreased by €33.7 million, or 8.7%, to €353.4 million in the first six months of 2020, as compared to €387.1 million in the first six months of 2019. During this period ended June 30, 2020, the UK experienced strong negative organic growth of 10.0 % (24.5% in Q2), as a result of the Covid-19 lockdown leading to catering, multi-tech businesses being the most impacted with most sites closed or only partially open, while Cleaning activity continued with new needs of clients (positive organic growth of 6.5% in H1 and negative organic growth of 2.8% in Q2).

***International.*** International segment revenue decreased by €42.8 million, or 9.5 %, to €407.5 million in the first six months of 2020, as compared to €450.3 million in the first six months of 2019.

This decrease is partly explained by the impact of Ramky Cleantech deconsolidation in 2019 which generated €22.6 million of revenue during the first half year of 2019. Negative organic growth in revenue was limited to 3.1%, thanks to a strong recovery in Asia, driven by demand for disinfection services.

***Other.*** In addition, there is a negative impact of €0.9 million in the first half-year 2020 as the result of the elimination of inter segment transactions.

***Recurring EBITDA***

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

| **€ in millions** | **For the six months ended June 30,** | |
|---|---|---|
| | **2019** | **2020** |
| **Recurring EBITDA** | | |
| France(1) | 61.5 | 67.5 |
| UK | 24.6 | 26.5 |
| International(1) | 29.2 | 29.6 |
| Other (2) | (16.2) | (17.2) |
| **Recurring EBITDA** | **99.1** | **106.4** |

(1) Excluding Corporate holdings

(2) Holdings and Corporate costs

Recurring EBITDA increased by €7.3 million, or 7.4%, to €106.4 million in the first six months of 2020, as compared to €99.1 million in the first six months of 2019.

Our Recurring EBITDA margin increased to 7.7% during the first six months of 2020, as compared to 6.6% during the first six months of 2019, as a result of margin step-up in Cleaning activities thanks to higher demand in higher margin services such as Disinfection, as well as sharp cost measures taken to variabilize costs.

***Recurring EBITDA by segment,***

***France.*** Recurring EBITDA for the France segment increased by €6.0 million, or 9.8%, to €67.5 million in the first six months of 2020 as compared to €61.5 million in the first six months of 2019. The Recurring EBITDA margin of the France segment increased to 11.0% in the first six months of 2020, as compared to 9.1% in the first six months of 2019, as the result of higher margin of new Covid related services, as well as immediate crisis related direct and indirect cost reductions, such as short-term furlough leave arrangements and supplier renegotiations, in line with reduced revenue, that mitigated Covid impacts on the Recurring EBITDA.

Cleaning: Recurring EBITDA increased by €12.2 million, or 26.9%, to €57.6 million in the first six months of 2020 as compared to €45.4 million in the first six months of 2019. The Recurring EBITDA margin of the cleaning business increased to 12.8% in the first six months of 2020, as compared to 9.9% in the first six months of 2019.

Other activities including Facility Management (Security, Airports, Painting, and Multitech): Recurring EBITDA decreased by €6.2 million, or 38.5%, to €9.9 million in the first six months of 2020 as compared to €16.1 million in the first six months of 2019. In addition of the sudden drop in activity related to Covd-19, this decrease was partly due to the disposal of the Landscaping activities that generated €3.9 million during the first half-year 2019. When excluding this effect, organic Recurring EBITDA decreased by €2.3 million.

***UK.*** Recurring EBITDA for the UK segment increased by €1.9 million, or 7.7% to €26.5 million in the first six months of 2020, as compared to €24.6 million in the first six months of 2019. This increase was mainly related to the profitability of new services in Cleaning and stringent cost reduction initiatives offsetting Covid-19 impact, partly offset by services more negatively impacted, such as Multitech, Integrated Solutions and Catering.

As a percentage of sales, the Recurring EBITDA margin in the UK segment increased at 7.5% for the first six months of 2020 (6.4% for the first six months of 2019).

***International.*** Recurring EBITDA for the International segment increased by €0.4 million, or 1.4%, to €29.6 million in the first six months of 2020, as compared to €29.2 million in the first six months of 2019. Recurring EBITDA margins have strongly improved (i) in the US thanks to new projects with higher margin such as disinfection and sanitization services, despite a drop in activity during the period (ii) and in Asia, thanks to marketing campaigns to push for higher margins services for disinfection and preventive cleaning, as well as cost control measures to compensate loss of revenue. The organic growth in International segment profitability has mainly been diluted by the Aktrion Automotive activity which were more severely impacted by the crisis, despite a focus on fixed cost decrease.

This increase was partly offset by the deconsolidation of Ramky in Singapore in the fourth quarter of 2019 which generated €3.5 million during the first half-year 2019.

***Other.*** In addition, the holdings corporate costs amounted to a loss of €17.2 million in the first half-year 2020, as compared to a loss of 16.2 million in the first half-year 2019.

***Operating profit***

As reported, operating profit increased by €10.5 million, or 24.8%, from €42.3 million in the first six months of 2019 to €52.8 million in the first six months of 2020, mainly as the result of the increase of the EBITDA as explained above and partly offset by a non-recurring €2.7 million net loss related (i) to our divestment in Poland as “part of our reorganisation of our activities (€2.1 million), and (ii) to a lesser extent holding corporate severance costs.

***Net financial expenses, net***

Finance costs increased by €(10.0) million, or 23.4% in the first six months of 2020, from €42.7 million in the first six months of 2019 to €52.7 million in the first six months of 2020, mainly as the result of a provision for impairment of a loan note of £4.7M and accrued interest related to our investment in Getronics.

***Income tax expense***

Income tax expense increased by €5.8 million, or 52.7%, from €11.0 million in the first six months of 2019 to €16.8 million in the first six months of 2020. This increase is mainly due to better operating results of Cleaning entities.

***Net income (loss) for the period***

Net loss for the period decreased by €10.3 million from €(27.4) million in the first six months of 2019 to €(17.1) million in the first six 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 six months ended June 30,** | |
|---|---|---|
| | **2019** | **2020** |
| Net cash from (used in) operating activities | 25.1 | 219.9 |
| Net cash used in investing activities | (27.6) | (18.2) |
| Net cash used in financing activities | 12.8 | (4.2) |
| Exchange gains (losses) on cash and cash equivalents | 0.1 | (0.2) |
| **Net increase (decrease) in cash and cash equivalents** | 10.5 | 197.3 |

***Net cash from (used in) operating activities***

| **€ in millions** | **For the six months ended June 30,** | |
|---|---|---|
| | **2019** | **2020** |
| Profit for continuing operations | (27.4) | (17.1) |
| Adjustment for and elimination of non-cash items | 74.1 | 65.6 |
| Elimination of net finance costs | 41.6 | 41.9 |
| Elimination of income tax expense and net other financial expenses | 12.3 | 21.0 |
| **Cash generated from operations before financial expenses and income tax** | **100.6** | **111.4** |
| **Change in working capital** | **(63.3)** | **115.4** |
| Income tax paid | (11.7) | (10.4) |
| Change in Factoring deposit | (0.5) | 3.4 |
| Cash from discontinued operations | - | (0.1) |
| **Net cash from (used in) operating activities** | **25.1** | **219.9** |

As reported, we experienced a cash inflow of €219.9 million during the first half-year 2020, as compared to an inflow of €25.1 million during the first half-year 2019.

The strong inflow during the first six months 2020 was mainly related to deferred social charges and tax payments, as part of all government measures implemented, and, to a lesser extent, the favourable effect of an increase of €10 million of the use of non-recourse factoring.

***Net cash used in investing activities***

| € in millions | For the six months ended June 30, | |
|---|---|---|
| | 2019 | 2020 |
| Purchase of fixed assets [1] | (20.3) | (13.7) |
| Proceeds from sales of fixed assets | 1.5 | 0.7 |
| Purchase of consolidated companies less cash held by subsidiaries acquired | (8.3) | (4.9) |
| Disposal of consolidated companies (net of cash disposed) | (0.2) | - |
| Other cash flows from investing activities | (0.3) | (0.3) |
| Net cash used in investing activities | **(27.6)** | **(18.2)** |

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

Net cash used in investing activities decreased from €27.6 million in the first six months of 2019 to €18.2 million in the first six months of 2020, primarily due to capex restriction in the context of the Covid crisis and lower level of acquisition of companies. During the first half year 2020, purchase of consolidated companies was mainly related to acquired additional shares in already consolidated entities in Netherlands (€2.8 million), and in a French security entity (€1.1 million).

***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 six months ended June 30, | |
|---|---|---|
| | 2019 | 2020 |
| Proceeds from new borrowings | 89.3 | 73.7 |
| Repayments of borrowings | (36.3) | (33.9) |
| Finance costs, net [1] | (40.3) | (43.1) |
| Dividends | (0.0) | - |
| Operations in share capital | - | - |
| Other | 0.1 | (0.9) |
| **Net cash used in financing activities** | **12.8** | **(4.2)** |

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

Net cash used in financing activities amounted to €(4.2) million in the first six months of 2020, primarily due:

- (i) to proceeds of new borrowings of €73.7 million, mainly related to the proceeds of €50 million of debts bank borrowing guaranteed by the French State (““Prêt Garanti par l’Etat” - PGE) during the second quarter 2020, in addition of an increase of RCF drawings of €20 million during the first half-year 2020. The PGE loan has an initial maturity of 1 year, with an up to 5-year extension option to be exercised at the sole discretion of Atalian;

- (ii) the repayment of borrowings of €33.9 million, mainly related to the payment of €23.3 million of lease portion used during the period (IFRS 16),
- (iii) the net financial interest paid of €38.9 million on ongoing borrowings.

**Net Financial Debt Evolution**

| **€ in millions** | **As of** | |
|---|---|---|
| | **December 31, 2019** | **June 30, 2020** |
| Cash and cash equivalents | 89.7 | 285.3 |
| Short-term bank loans and overdrafts | (2.5) | (0.7) |
| **Net cash and cash equivalents** | **87.2** | **284.6** |
| Non-current financial liabilities | (1 393.3) | (1,383.8) |
| Current financial liabilities | (33.6) | (80.4) |
| **Gross debt** | **(1 426.9)** | **(1,464.2)** |
| Financial instrument (liability) | (3.7) | (3.1) |
| **Debt** | **(1 430.6)** | **(1,467.3)** |
| | | |
| **Net debt** | **(1 343.4)** | **(1 182.7)** |

As at June 30, 2020, we had net financial debt of €1,182.7 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 “3. Liquidity and Capital Resources). The amount of net debt as of June 30, 2020 includes the liability relating to Factoring of €23.7 million as of June 30, 2020 and the lease liabilities of €106.0 million.

## 4. Outlook 2020: developments related to the sanitary crisis

Despite progressive exit from lockdown in most countries, visibility on the sanitary crisis, economic activity and government measures remains relatively low.

Most of our activities recovered gradually since June. Management will continue to focus on tight cost discipline, operational performance, commercial development and cash management.