LA FINANCIERE ATALIAN
INVESTOR REPORT
NINE MONTHS ENDED AS AT SEPTEMBER 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 nine months of 2020. The historical information discussed below for the Group is as of and for the nine months ended September 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 September 30, 2020 included herein, in accordance with IFRS.

The "Group", "we", "our" and "us", unless otherwise indicated, collectively refer to La Financière ATALIAN 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 amortization, net; provisions and impairment losses, net; and non-recurring operating income and expenses.

Recurring EBITDA corresponds to the line item ''Operating income before depreciation, amortization, 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 the UK and Ireland, mainly Servest UK group its consolidated subsidiaries in the 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 (except for UK), 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 nine months of 2020 was as follow:

- *France:* In the first nine months of 2020, our France segment generated €942.7 million, or 45.5%, of our revenue. The two business lines that generate our revenue in France are Cleaning and Other divisions including Facility Management.

- *UK:* In the first nine months of 2020, our UK segment generated €520.5 million, or 25.1%, of revenue. Our UK activities are providing facilities management services in the United Kingdom and Ireland 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 nine months of 2020, our International segment generated €608.2 million, or 29.4%, of our revenue. As at September 30, 2020, we operated in 33 countries (outside of France, the United Kingdom and Ireland), in Europe, United States, Southeast Asia, Africa, providing cleaning, multi-technical, security and bundled facility management services.

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

Results of operations

	Period ended September 30,	
	2019	**2020**
	€ in millions	
Revenue	**2,278.2**	**2,069.2**
Raw materials & consumables used	(549.1)	(454.7)
External expenses	(97.6)	(78.3)
Staff costs	(1,482.1)	(1,348.0)
Taxes (other than on income)	(22.3)	(24.1)
Other recurring operating income and expenses	27.9	2.3
Recurring EBITDA	**155.0**	**166.4**
Depreciation and amortization	(80.0)	(72.3)
Provisions and impairment losses, net	(2.9)	(3.5)
Current operating profit	**72.1**	**90.6**
Other operating income & expenses	(7.5)	(5.3)

Operating profit	**64.7**	**85.3**
Financial debt cost	(65.8)	(62.1)
Income from cash and cash equivalents	0.9	0.4
Finance costs, net	**(64.9)**	**(61.7)**
Other financial income and expenses	(0.9)	(13.2)
Net financial expense	**(65.7)**	**(74.9)**
Income tax expense	(14.2)	(27.0)
Share of loss of equity-accounted companies	(28.5)	(0.5)
Net profit from recurring operations	**(43.8)**	**(17.1)**
Net loss from discontinued operations	-	-
Loss for the period	**(43.8)**	**(17.1)**

Revenue

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

€ in millions	**For the nine months ended September 30,**	
	2019	**2020**
Revenue		
France	1,021.6	942.7
UK	581.2	520.5
International	679.9	608.2
Other (1)	(4.5)	(2.2)
Total Revenue	**2,278.2**	**2,069.2**

(1) Elimination of inter-segment transactions.

Revenue decreased by €209.0 million, or 9.2%, to €2,069.2 million in the first nine months of 2020 as compared to €2,278.2 million in the first nine months of 2019. This decrease was mainly attributable to (i) the lower level of activity in the context of the Covid-19 crisis, (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 €98.7 million, or 4.3% during the first nine months, thanks to strong resilience of our cleaning and security businesses and broad geographic mix.

Revenue by segment:

France. France segment revenue decreased by €78.9 million, or 7.7%, to €942.7 million in the first nine months of 2020, as compared to €1,021.6 million for the nine months ended September 30, 2019. This decrease was primarily attributable to (i) the effect of the disposal of our Landscaping business in 2019 that generated €58.8 million during the first nine months 2019, and (ii) the limited negative organic growth of €18.3 million, or 1.8%, due to impact of the Covid-19 crisis, primarily during the first half-year, which primarily impacted multi-tech activities and Airport businesses. Cleaning activity ended almost flat (-0.3%) in the first nine months 2020 and showed a rebound of 3.5% in the third quarter, as a result of higher demand and better pricing for ultra-cleaning and disinfection services.

UK. The UK segment revenue decreased by €60.7 million, or 10.4%, to €520.5 million in the first nine months of 2020, as compared to €581.2 million in the first nine months of 2019. During this period ended September 30, 2020, the UK experienced negative organic growth of 11.2%, as a result of the Covid-19 impacts, the most impacted being (i) Catering, with canteen closures at client sites and employees sent home, (ii) Multi-tech, led by site closures or partially open, and (iii) Integrated Solutions businesses. This decrease was partly offset by the (i) Cleaning business (organic growth of 6.7% during the first nine months 2020) with new sanitising services in relation to the Covid-19, and (ii) Security activity, especially during the third quarter thanks to new services such as fever screening, which allows businesses to detect fevers amongst individuals by using thermal imagining cameras.

International. The International segment revenue decreased by €71.7 million, or 10.5 %, to €608.2 million in the first nine months of 2020, as compared to €679.9 million in the first nine months of 2019.

This decrease is partly explained by the impact of Ramky Cleantech deconsolidation in 2019 which generated €33.9 million of revenue during the first nine months of 2019. Negative organic growth in revenue was limited to 2.4%, thanks to growth (i) in Asia (3.3% during the first nine months of 2020), driven by demand for disinfection services, except in Philippines, due to a two weeks lockdown in September, (ii) and in Benelux, with new contracts and extra-works in Belgium and Netherlands. The United States and Central & Eastern Europe regions reported negative growth.

Other. In addition, our Corporate costs amounted to a net loss of €2.2 million in the first nine months 2020 as the result of the elimination of inter segment transactions.

Recurring EBITDA

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

€ in millions	**For the nine months ended September 30,**	
	2019	**2020**
Recurring EBITDA		
France[(1)]	96.9	105.9
UK	38.8	41.1
International[(1)]	42.5	48.3
Other [(2)]	(23.2)	(28.9)
Recurring EBITDA	**155.0**	**166.4**

(1) Excluding Corporate holdings

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

Recurring EBITDA increased by €11.4 million, or 7.4%, to €166.4 million in the first nine months of 2020, as compared to €155.0 million in the first nine months of 2019. On a like-for-like basis, Recurring EBITDA increased by 15.0%.

Our Recurring EBITDA margin increased to 8.0% during the first nine months of 2020, as compared to 6.8% during the first nine months of 2019, thanks to higher demand in higher margin services such as disinfection services, as well as sharp cost measures taken to variabilize costs, especially during the first half-year lockdowns in several countries.

Recurring EBITDA by segment,

France. Recurring EBITDA for the France segment increased by €9.0 million, or 9.3%, to €105.9 million in the first nine months of 2020 as compared to €96.9 million in the first nine months of 2019. The Recurring EBITDA margin of the France segment increased to 11.2% in the first nine months of 2020, as compared to 9.5% in the first nine months of 2019, as the result of higher margin of new Covid-19 related services, as well as immediate crisis related direct and indirect cost reductions, such as short-term furlough leave arrangements during the first half-year and supplier renegotiations, in line with reduced revenue, that mitigated Covid impacts on the EBITDA.

Cleaning: Recurring EBITDA increased by €17.6 million, or 24.2%, to €90.2 million in the first nine months of 2020 as compared to €72.7 million in the first nine months of 2019. The Recurring EBITDA margin of the cleaning business increased to 13.0% in the first nine months of 2020, as compared to 10.4% in the first nine months of 2019.

Other activities including Facility Management (Security, Airports, Painting, and FM): Recurring EBITDA decreased by €8.6 million, or 35.3%, to €15.7 million in the first nine months of 2020 as compared to €24.3 million in the first nine months of 2019. In addition of the decrease in activity related to the Covid-19, notably in Airports, this decrease was partly due to the disposal of the Landscaping activities that generated €5.7 million during the first nine months 2019. When excluding this effect, organic Recurring EBITDA decreased by 11.6%.

UK. Recurring EBITDA for the UK segment increased by €2.3 million, or 5.9% (6.2% on a like-for-like basis), to €41.1 million in the first nine months of 2020, as compared to €38.8 million in the first nine months of 2019. This increase was mainly related to the profitability of new services in Cleaning and Security as well as 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 7.9% for the first nine months of 2020 (6.7% for the first nine months of 2019).

International. Recurring EBITDA for the International segment increased by €5.8 million, or 13.6% to €48.3 million in the first nine months of 2020, as compared to €42.5 million in the first nine months of 2019. Recurring EBITDA margins have improved in all regions, primarily (i) in the US thanks to high margins of Covid-19 disinfecting services, which continued to pay off through the third quarter, offsetting lower activity during the period (ii) and in Asia, on a like-for-like basis, thanks to development of higher margins services for disinfection and preventive cleaning, as well as cost control measures and government subsidies to compensate loss of revenue. The organic growth in the International segment profitability has been slightly diluted by the Aktrion Automotive activity which was more severely impacted by the drop of activity and competitive price pressure in the current context, 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 €3.7 million during the first nine months 2019.

Other. In addition, the activities of our holding companies and the elimination of transactions between reporting segments amounted to a loss of €28.9 million in the first nine months 2020, as compared to a loss of 23.2 million in the first nine months 2019.

Operating profit

As reported, operating profit increased by €20.6 million, or 31.8%, from €64.7 million in the first nine months of 2019 to €85.3 million in the first nine months of 2020, mainly as the result of (i) the increase of the Recurring EBITDA as explained above, (ii) the decrease in depreciation and amortization, as the result of lower Capex level during the period, as well as (iii) a decrease in non-recurring expenses from €7.5 million net loss in the first nine months of 2019 to €5.3 million net loss in the first nine months of 2020, related to divestment in Poland and restructuring costs in the UK and France during this period.

Net financial expenses, net

Finance costs increased by €(9.2) million, or 13.9% in the first nine months of 2020, from €(65.7) million in the first nine months of 2019 to €(74.9) million in the first nine months of 2020, mainly as the result of a one-off write-off of €(6.5) million of Getronics debt, and higher level of unrealized foreign exchange loss.

Income tax expense

Income tax expense increased by €(12.8) million, from €(14.2) million in the first nine months of 2019 to €(27.0) million in the first nine 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 €26.7 million from €(43.8) million in the first nine months of 2019 to €(17.1) million in the first nine 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 nine months ended September 30,**	
	2019	**2020**
Net cash from (used in) operating activities	75.1	187.8
Net cash used in investing activities	(38.8)	(25.4)
Net cash used in financing activities	(35.2)	(68.2)
Exchange gains (losses) on cash and cash equivalents	1.0	4.0
Net increase (decrease) in cash and cash equivalents	**2.1**	**98.2**

Net cash from (used in) operating activities

€ in millions	**For the nine months ended September 30,**	
	2019	**2020**
Profit for continuing operations	(43.8)	(17.1)
Adjustment for and elimination of non-cash items	115.5	91.0
Elimination of net finance costs	64.9	61.7
Elimination of income tax expense and net other financial expenses	15.0	34.3
Cash generated from operations before financial expenses and income tax	**151.6**	**170.0**
Change in working capital	**(54.5)**	**35.0**
Income tax paid	(20.5)	(19.6)
Increase in Factoring deposit	(1.4)	2.5

Cash from discontinued operations	-	(0.1)
Net cash from (used in) operating activities	**75.1**	**187.8**

As reported, we experienced a cash inflow of €187.8 million during the first nine months 2020, as compared to an inflow of €75.1 million during the first nine months 2019.

The strong inflow during the first nine months 2020 was directly related to the performance of our activity, offset in the third quarter by the full repayment of deferred social charges payables due in France. To a lesser extent, the use of non-recourse factoring during the period had a favorable cash effect of €4.6 million.

Net cash used in investing activities

€ in millions	**For the nine months ended September 30,**	
	2019	**2020**
Purchase of fixed assets [(1)]	(31.2)	(26.1)
Proceeds from sales of fixed assets	2.3	5.2
Purchase of consolidated companies less cash held by subsidiaries acquired	(8.9)	(4.2)
Disposal of consolidated companies (net of cash disposed)	(0.2)	0.1
Other cash flows from investing activities	(0.8)	(0.3)
Cash from discontinued operations used in investing activities	-	(0.0)
Net cash used in investing activities	**(38.8)**	**(25.3)**

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

Net cash used in investing activities decreased from €(38.8) million in the first nine months of 2019 to €(25.3) million in the first nine 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 nine months 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) during the first half-year.

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 nine months ended September 30,**	
	2019	**2020**
Proceeds from new borrowings	65.6	79.5
Repayments of borrowings	(50.9)	(93.4)
Finance costs, net [(1)]	(46.7)	(49.7)

Dividends	(5.2)	0.0
Operations in share capital	0.0	0.0
Other	2.0	(4.6)
Cash from discontinued operations generated by financing activities	-	-
Net cash used in financing activities	**(35.2)**	**(68.2)**

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

Net cash used in financing activities amounted to €68.2 million in the first nine months of 2020, primarily due:

- (i) to proceeds of new borrowings of €79.5 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 RCF drawings of €21.0 million during the first nine months 2020;
- (ii) the repayment of borrowings of €93.4 million, mainly related to the payment of €34.8 million of lease portion used during the period (IFRS 16), the repayment of RCF drawings of €42.0 million, and the repayment of debts from factoring of €12.7 million;
- (iii) the net financial interest paid of €49.7 million on ongoing borrowings.

Net Financial Debt Evolution

	As of	
	December 31, 2019	**September 30, 2020**
Cash and cash equivalents	89.7	187.9
Short-term bank loans and overdrafts	(2.5)	(2.7)
Net cash and cash equivalents	**87.2**	**185.2**
Non-current financial liabilities	(1,393.3)	(1,353.2)
Current financial liabilities	(33.6)	(77.1)
Gross debt	**(1,426.9)**	**(1,430.3)**
Financial instrument (liability)	(3.7)	(2.5)
Debt	**(1,430.6)**	**(1,432.8)**
Net debt	**(1,343.4)**	**(1,247.6)**

As at September 30, 2020, we had net financial debt of €1,247.6 million as compared to €1,343.4 million as at December 31, 2019. This deleveraging was mainly attributable to the strong cash generation from operations. The amount of net debt as of September 30, 2020 includes the liability relating to factoring (for which receivables remain recorded in the balance sheet) of €19.5 million as of September 30, 2020 and the lease liabilities of €100.1 million.

4. Outlook 2020

Atalian is working closely with its customers and is prepared to initiate new productivity measures.
In light of recent signs of slow recovery and pandemic evolution. Q4 results will be dependent on the governmental measures to address the pandemic crisis and on the support programs across all our regions.

As this is clearly a very dynamic and uncertain situation, we remain cautious to fully quantify the ultimate severity, duration and impact at this point beyond 2020. The management is confident to achieve its 2020 ambitions on margins, liquidity and deleveraging.

- Net sales growth between -3% and -4% LFL in 2020;
- Recurring EBITDA margin confirmed >7.5% for 2020:
- Cash conversion: >60%;
- Deleveraging: <5.8x by YE 2020.