LA FINANCIERE ATALIAN
INVESTORS REPORT
NINE MONTHS ENDED AS AT SEPTEMBER 30, 2021

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 2021. The historical information discussed below for the Group is as of and for the nine months ended September 30, 2021 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, 2021 to September 30, 2021 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 amortization, net; provisions and impairment losses, net; and other income and expenses.

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. In the first nine months of 2021, our France segment generated €1,009.7 million, or 46.9% of net sales.
- UK: This segment includes all the companies operating in the UK and Ireland. Our UK segment is a provider of Facility Management services operating the following main divisions: cleaning, catering, security, technical services and projects. In the first nine months of 2021, our UK segment generated €561.8 million, or 26.1% of net sales.

- International: This segment comprises all companies outside France and UK. As of September 30, 2021, we operated in 33 countries outside of France and the United Kingdom and Ireland, in Europe, United States, Southeast Asia, Africa and Middle East, providing cleaning, multi-technical, security and bundled facility management services. In the first nine months of 2021, our International segment generated €582.4 million, or 27.1% of net sales.

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 activities of our holding companies and the elimination of transactions between reporting segments generated €(2.0) million of net sales in the first nine months of 2021.

2. Results of Operations for the first nine months of 2021 compared to the first nine months of 2020

	For the nine months ended September 30	
	2020	**2021**
	€ in millions	
Net sales	**2,069.2**	**2,151.9**
Raw materials & consumables used	(454.7)	(466.2)
External expenses	(78.3)	(82.6)
Staff costs	(1,348.0)	(1,417.8)
Taxes (other than on income)	(24.1)	(24.7)
Other recurring operating income and expenses	2.3	4.0
Recurring EBITDA	**166.4**	**164.6**
Depreciation and amortization, net	(72.3)	(66.3)
Provisions and impairment losses, net	(3.5)	(1.9)
Current operating profit	**90.6**	**96.3**
Other income & expenses	(5.3)	(14.8)
Operating profit	**85.3**	**81.5**
Financial debt cost	*(62.1)*	*(62.3)*
Income from cash and cash equivalents	*0.4*	*0.4*
Net financial debt cost	***(61.7)***	***(61.9)***
Other net financial income and expenses	*(13.2)*	*(8.0)*
Net financial expenses	(74.9)	(69.9)
Income tax expense	(27.0)	(26.3)
Share of loss of equity-accounted companies	(0.5)	0.0
Net Income (loss) from continuing operations	**(17.1)**	**(14.7)**
Net loss from discontinued operations	-	-
Income (loss) for the period	**(17.1)**	**(14.7)**
Attributable to owners of the company	(19.9)	(17.7)
Attributable to non-controlling shareholders	2.7	3.1

Net sales

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

€ in millions	For the nine months ended September 30	
	2020	2021
Net sales		
France	942.7	1,009.7
UK	520.5	561.8
International	608.2	582.4
Other	(2.2)	(2.0)
Total net sales	**2,069.2**	**2,151.9**

Net sales increased by €82.7 million, or 4.0%, to €2,151.9 million in the first nine months of 2021 as compared to €2,069.2 million in the first nine months of 2020. This performance included the negative impact of currency movements for 0.4% and the scope effect was almost neutral (-0.1%) as the deconsolidation of Harta in Malaysia was partly offset by the consolidation of Aktrion Belgium. The like-for-like increase in net sales was 4.5% during the first nine months of 2021, reflecting a 4.6% growth in the third quarter of 2021 compared to the third quarter of 2020. The improvement resulted from the relative basis of comparison as the third quarter of 2020 was down 3.2% on a like-for-like basis due to the Covid-19 wave, in a context of easing restriction measures across most geographies outside Asia, as well as the contribution of contract wins. The Group also continued to benefit from the contribution of special works related to Covid-19 sanitary measures although to a lesser extent than previous quarters.

By segment:

France. Net sales increased by €67.0 million, or 7.1% (as reported and like-for-like), to €1,009.7 million for the nine months ended September 30, 2021 as compared to €942.7 million for the nine months ended September 30, 2020. This increase in net sales was mainly attributable to new contracts and includes the headwind of lower Covid-19 related extra works compared with 2020, the latter impacting Cleaning net sales which were flat year-on-year. Technical and Facility management remained strong in the third quarter of 2021 in a context of lockdowns and governmental restrictions being gradually lifted as penetration rate of vaccination increases.

UK. Net sales increased by €41.3 million or 7.9%, to €561.8 million in the first nine months of 2021, as compared to €520.5 million in the first nine months of 2020. During the period ended September 30, 2021, net sales growth was 5.4% like-for-like, including a strong 10.6% increase in the third quarter of 2021 versus the third quarter of 2020 when full lockdown was applied. Net sales growth in the third quarter of 2021 was also driven by the good performance of FM activities, in a context of removal of restrictions related to Covid-19 since early July 2021. The latter also allowed a pick-up in the Catering business in the third quarter of 2021.

International. Net sales decreased by €25.8 million, or 4.2%, to €582.4 million in the first nine months of 2021, as compared to €608.2 million in the first nine months of 2020. When excluding the negative effects of perimeter and forex, like-for-like net sales was -0.4% in the third quarter of 2021 leading to -0.2% like-for-like net sales growth in the first nine months of 2021.

Other. The activities of our holding companies and the elimination of transactions between reporting segments amounted to a net sales of €(2.0) million in the first nine months of 2021.

Recurring EBITDA

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

€ in millions	For the nine months ended September 30	
	2020	2021
Recurring EBITDA		
France (1)	105.9	113.4
UK	41.1	41.5
International (1)	48.3	44.9
Other (2)	(28.9)	(35.2)
Recurring EBITDA	**166.4**	**164.6**

(1) Excluding corporate holdings
(2) Corporate holdings and elimination of inter-segment transactions

Recurring EBITDA decreased by €1.8 million, or 1.1% to €164.6 million in the first nine months of 2021, as compared to €166.4 million in the first nine months of 2020.

Recurring EBITDA margin decreased by 30 basis points to 7.7% in the first nine months of 2021, as compared to 8.0% in the first nine months of 2020, mainly reflecting the impact of lower extra works at higher margin as Covid-19 related restrictions eased as of the second quarter of 2021, notably in France and the UK, as well as ongoing market challenges in Asia and the US as the pandemic still weighs on operations.

France. Recurring EBITDA increased by €7.5 million, or 7.1%, to €113.4 million in the first nine months of 2021 as compared to €105.9 million in the first nine months of 2020. The recurring EBITDA margin reached 11.2% in the first nine months of 2021, stable compared to the first nine months of 2020. The decrease in the third quarter of 2021 versus 2020 is due to lower Covid-19 related extra works and the relatively lower profitability at start of the major contracts won earlier in 2021.

UK. Recurring EBITDA increased by €0.4 million, or 1.0%, to €41.5 million in the first nine months of 2021, as compared to €41.1 million in the first nine months of 2020. As a percentage of sales, the recurring EBITDA margin decreased by 50 basis points to 7.4% for the first nine months of 2021, compared to 7.9% for the first nine months of 2020, mainly due to the reduction of Covid-19 related extra-works and the non-recurring benefit of furlough scheme of 2020.

International. Recurring EBITDA decreased by €3.4 million, or 7.0%, to €44.9 million in the first nine months of 2021, as compared to €48.3 million in the first nine months of 2020. On a like-for-like basis, recurring EBITDA decreased by 2.9%. Recurring EBITDA margin declined by 20 basis points to 7.7% due to ongoing Covid-19 related restrictions in Asia and the slower exit to the pandemic than previously anticipated in the USA (notably in the third quarter of 2021), partly offset by the benefit of cost efficiencies and growth of demand for higher margin infection prevention services in Belgium.

Others. “Others”, which includes items that are not components of an operating segment, notably the operations of the Group’s holding entities, increased in costs by €6.3 million to €(35.2) million in the first nine months of 2021, as compared to €(28.9) million in the first nine months of 2020.

Operating profit

Operating profit decreased by €3.8 million, or 4.4%, from €85.3 million in the first nine months of 2020 to €81.5 million in the first nine months of 2021. This decrease, higher in percentage terms than the recurring

EBITDA decline, reflected the impact of other income & expenses of €(14.8) million compared with €(5.3) million in 2020, partly offset by lower depreciation and amortization and provisions due to reduced capital expenditures in 2020 in the context of the Covid-19 crisis.

Net income (loss) for the period

Net income for the period amounted to €(14.7) million, as compared to a net income of €(17.1) million in the first nine months of 2020, for the reasons stated above, as well as lower net financial expenses of €(69.9) million in the first nine months of 2021, compared with €(74.9) 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	
	2020	2021
Net cash from (used in) operating activities	187.7	93.0
Net cash used in investing activities	(25.4)	(35.4)
Net cash used in financing activities	(68.2)	(131.2)
Exchange gains (losses) on cash and cash equivalents	4.0	(0.5)
Net increase (decrease) in cash and cash equivalents	**98.2**	**(74.0)**

Net cash from (used in) operating activities

€ in millions	For the nine months ended September 30	
	2020	2021
Profit / (loss) from continuing operations	(17.1)	(14.7)
Adjustment for and elimination of non-cash items	91.1	68.7
Elimination of net finance costs	61.7	61.9
Elimination of income tax expense and net other financial expenses	34.3	33.3
Cash generated from operations before financial expenses and income tax	**170.0**	**149.2**
Change in working capital	35.0	(40.6)
Income tax paid	(19.6)	(17.3)
Change in factoring deposit	2.5	1.7
Cash from discontinued operations	(0.1)	0.0
Net cash from (used in) operating activities	**187.7**	**93.0**

We experienced a cash inflow of €93.0 million during the first nine months of 2021, as compared to an inflow of €187.7 million during the first nine months of 2020. As the first nine months of 2020 had the benefit of the deferred payment of social charges and taxes for €75.0 million, the first nine months of 2021 were impacted by the actual payment for €55.9 million. The remaining part of the deferred payment (approximately €17.7 million) is expected to occur during the fourth quarter of 2021.

Net cash used in investing activities

€ in millions	**For the nine months ended September 30**	
	2020	**2021**
Purchase of fixed assets [(1)]	(26.1)	(30.9)
Proceeds from sales of fixed assets	5.2	0.7
Purchase of consolidated companies less cash held by subsidiaries acquired	(4.2)	(5.0)
Sales of consolidated companies (net of cash sold)	0.1	0.0
Other cash flows from investing activities	(0.3)	(0.1)
Net cash used in investing activities	**(25.4)**	**(35.4)**

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

Net cash used in investing activities increased from €25.4 million in the first nine months of 2020 to €35.4 million in the first nine months of 2021, primarily due to a normalised level of capital expenditures after the cost containment measures of 2020 due to the Covid-19 pandemic.

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**	
	2020	**2021**
Proceeds from new borrowings	79.5	30.6
Repayments of borrowings	(93.4)	(86.8)
Finance costs, net [(1)]	(54.3)	(57.7)
Dividends	0.0	(5.0)
Operations in share capital	0.0	(12.3)
Other	0.0	0.0
Net cash used in financing activities	**(68.2)**	**(131.2)**

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

Net cash used in financing activities amounted to €131.2 million in the first nine months of 2021, primarily due to

- the repayment of borrowings of €86.8 million including €13 million relating to the PGE (balance of €37 million of the PGE to be reimbursed in three quarterly instalments by the end of the second quarter of 2022),
- the acquisition and subsequent cancellation of shares held by minority shareholders for €12.3 million.

Net Financial Debt Evolution

	As of	
	December 31, 2020	**September 30, 2021**
Cash and cash equivalents	230.7	156.1
Short-term bank loans and overdrafts	(3.2)	(2.5)
Net cash and cash equivalents	**227.5**	**153.6**
Non-current financial liabilities	(1,271.2)	(1,278.4)
Current financial liabilities	(116.9)	(116.9)
Gross debt	**(1,388.1)**	**(1,395.3)**
Financial instrument (liability)	(1.5)	(2.6)
Debt	**(1,389.6)**	**(1,397.9)**
Net debt	**(1,162.1)**	**(1,244.4)**
Immediate financing provided by deconsolidated receivables	*(165.8)*	*(189.8)*
Net Debt after immediate financing provided by deconsolidated receivables	***(1,327.9)***	***(1,434.2)***

As of September 30, 2021, net financial debt was €1,244.4 million as compared to €1,162.1 million as of December 31, 2020. The increase in net financial debt was mainly attributable to the payment of social charges and taxes for €55.9 million (as explained here above under section "Net cash from (used in) operating activities).

4. Outlook 2021

Atalian has demonstrated its resilience through the pandemic and management anticipates favourable business momentum in most business areas. Outlook for 2021 is confirmed:

- Net sales growth (LfL) between +3% and +5%,
- Recurring EBITDA margin above 7.5%,
- Cash conversion above 50%,
- Leverage: net debt to recurring EBITDA ratio below 5.8x, including the full repayment of deferred social charges and taxes,
- Equity injection: on track to be finalised by Spring 2022.