LA FINANCIERE ATALIAN
INVESTORS REPORT
SIX MONTHS ENDED AS AT JUNE 30, 2022

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis summarises the significant factors affecting our results of operations and financial condition during the first six months ended June 30, 2022. The historical information discussed below for the Group is as of and for the six months ended June 30, 2022 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 consolidated financial statements for the Group from January 1, 2022 to June 30, 2022 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. 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.

Restatement of financial statements previously reported

In application of IAS 8, as of December 31, 2021, the Company has corrected and restated the Company's previously issued consolidated financial statements for the 2020 financial years and consequently for the six-months ended June 30, 2021. These corrections are the result of errors detected by the Group in the course of the internal controls that it has gradually been deploying since 2019, along with the introduction of governance and compliance rules. Since 2019, the Group has been involved in a process of increasing the maturity of its internal control system, which has included the creation of compliance (2018), internal auditing and internal control functions (2019), with the progressive deployment of Key Controls since 2020. In this context and on the occasion of the 2021 closing of accounts, the Group carried out enhanced controls of the accounting packages and tax returns sent in by the subsidiaries and submitted some of them to examination by external specialists.

The adjustments/restatements required to the financial statements reported for the six-months ended June 30, 2021 concern the following items:

- recognition of write-off of unjustified asset values for €0.2 million, resulting from a late identification of facts and circumstances existing at the 2020 reporting date that would have resulted in a different assessment.
- decrease in operating expenses for €0.8 million.

The results released in the half year financial report, 2021, investor presentation and press release on July, 29 2021, have been revised to reflect the impact of the accounting matters resulting in the restatement relative to the six month period ended June 30, 2021.

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 (with notably Multitech and Security) entitled Facility Management. In the first six months of 2022, our France segment generated €684.5 million, or 45.5 % of group 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 six months of 2022, our UK segment generated €430.7 million, or 28.6 % of group Net Sales.
- **International:** This segment comprises all companies outside France, UK and Ireland. As of June 30, 2022, we operated in 32 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 six months of 2022, our International segment generated €393.1 million, or 26.1 % of group Net Sales.

In addition, in our 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. In the first six months of 2022, Net Sales for "Other" amounted to €(2.7) million.

2. Results of Operations for the first half of 2022 compared to the first half of 2021

€ in millions	**For the six months ended June 30**	
	2022	**2021 Restated**
Net Sales	**1,505.5**	**1,413.8**
Raw materials & consumables used	(312.6)	(300.6)
External expenses	(63.9)	(52.0)
Staff costs	(1,017.7)	(936.5)
Taxes (other than on income)	(21.4)	(16.0)
Other recurring operating income and expenses	(3.2)	(0.5)
Recurring EBITDA	**86.7**	**108.2**
Depreciation and amortization, net	(47.2)	(43.8)
Provisions and impairment losses, net	11.5	(0.3)
Other income & expenses	(29.4)	(6.8)
Operating profit	**21.5**	**57.4**
Financial debt cost	*(41.4)*	*(41.7)*
Income from cash and cash equivalents	*0.3*	*0.4*
Net financial debt cost	***(41.1)***	***(41.4)***
Other net financial income and expenses	*(1.8)*	*(4.0)*
Net financial expenses	(43.0)	(45.3)
Income tax expense	(7.3)	(18.9)
Income (loss) for the period	**(28.8)**	**(6.8)**

Net Sales

€ in millions	**For the six months ended June 30**	
	2022	**2021 Restated**
France	684.5	664.4
UK	430.7	364.3
International	393.1	385.8
Other	(2.7)	(0.7)
Net Sales	**1,505.5**	**1,413.8**

Net Sales increased by €91.7 million, or 6.5 %, to €1,505.5 million in the first half of 2022 as compared to €1,413.8 million in the first half of 2021. This performance included the positive impact of currency movements for 0.5 % and the scope effect was negative by 0.4 % as the deconsolidation of Harta in Malaysia was partly offset by the consolidation of Aktrion Belgium since the second quarter of 2021. On a like-for-like basis, Net Sales increased by 6.4 %. The improvement resulted from the benefit of the contract wins of 2021 and early 2022. The Group also continued to benefit from the contribution of special works related to Covid-19 sanitary measures although to a lesser extent than in 2021.

By segment:

France. In the first half of 2022, Net Sales increased by €20.0 million, or 3.0% (as reported and like-for-like), to €684.5 million, as compared to €664.4 million in the first half of 2021. Net Sales growth was driven by dynamic commercial development of 2021 and early 2022 benefiting all activities, as well as indexation, despite the decrease in contribution of Covid-19 related special works.

UK. In the first six months of 2022, Net Sales increased by €66.4 million or 18.2%, to €430.7 million, as compared to €364.3 million in the first six months of 2021. The appreciation of the UK pound sterling versus the euro had a €12.8 million positive impact (+3.5%) on Net Sales. Like-for-like Net Sales growth was 14.7% in the first half of 2022. The solid growth was mostly driven by contract wins of 2021 and 2022 and the end of Covid-19 restrictions since early July 2021, benefiting all activities except security due to the one-off G7 event of 2021. Catering returned to pre-Covid-19 levels.

International. In the first half of 2022, Net Sales increased by €6.9 million, or 1.8%, to €393.1 million, as compared to €386.2 million in the first half of 2021. When excluding the effects of perimeter (minus €6.3 million or -1.6%) and foreign exchange rates (minus €4.1 million or -1.1%, the depreciation of the Turkish lira versus the euro being almost mitigated by the appreciation of the US dollar versus the euro), like-for-like Net Sales increased by 4.6% in the first half of 2022 compared to the first half of 2021. When excluding the 16.9% decrease in Net Sales in the USA due to contact losses and delayed commercial recovery, like-for-like Net Sales growth was +10.3% in the first half of 2022, driven by the recovery of operations in Benelux and Central & Eastern Europe.

Recurring EBITDA

€ in millions	**For the six months ended June 30**	
	2022	**2021 Restated**
France (1)	70.7	75.2
UK	28.9	25.8
International (1)	13.6	29.3
Other (2)	(26.5)	(22.1)
Recurring EBITDA	**86.7**	**108.2**

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

Recurring EBITDA decreased by € 21.5 million, or 19.9 % to €86.7 million in the first six months of 2022, as compared to €108.2 million in the same period of 2021. Like-for-like decrease was 18.1 %.

Recurring EBITDA margin was 5.8 % in the first half of 2022, down 190 basis points compared to the first half of 2021, mainly reflecting the delayed recovery of the US operations, the lower contribution of Covid-19 related special works and furlough scheme, the impact from new contract starts and inflation, which all more than offset the performance actions taken in all regions. Excluding the USA, Recurring EBITDA margin was 6.6 % in the first half of 2022.

France. In the first half of 2022, Recurring EBITDA decreased by €4.5 million, or 6.0 %, to €70.7 million, as compared to €75.2 million in the first half of 2021. Recurring EBITDA margin reached 10.3 %, down 100 basis points compared to the first half of 2001, due to the lower contribution of Covid-19 related special works and the impact of the relatively low profitability at start of the major contracts won in 2021 and early 2022 The first six months of 2022 were also affected by cost inflation being partly mitigated by indexation.

UK. In the first half of 2022, Recurring EBITDA increased by €3.1 million, or 12.0 %, to €28.9 million, as compared to €25.8 million in the first half of 2021. On a like-for-like basis, Recurring EBITDA increased by 8.6 % in the first half of 2022 compared to the first half of 2021. Recurring EBITDA margin decreased by 40 basis points to 6.7 % compared to 7.1% in the first six months of 2021, due to reduction in Covid special works and the non-recurring benefits from furlough scheme and one-off G7 event of 2021, more than offsetting the benefit of productivity gains.

International. In the first six months of 2022, Recurring EBITDA decreased by €15.7 million, or 53.6 %, to €13.6 million, as compared to €29.3 million in the first six months of 2021. Recurring EBITDA margin went down 410 basis points to 3.5 % mainly reflecting the impact of Net Sales decrease in the US and the resulting €11.4 million year-on-year decline in Recurring EBITDA (including "balance sheet clean-up" items for €(1.2) million), as well as the impact of Ukraine war on operations in Central & Eastern Europe. Excluding the USA, Recurring EBITDA increased by 6.4 % on a like-for-like basis.

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 €4.4 million to €(26.5) million in the first six months of 2022, as compared to €(22.1) million in the first six months of 2021. The increase mainly due to the impact of recruitments relating to the deployment of internal control and compliance functions across the organisation.

Operating profit

Operating profit decreased by €35.9 million, or 62.5 %, from €57.4 million in the first half of 2021 to €21.5million in the first half of 2022. This decrease reflected the impact of lower Recurring EBITDA, as well as higher Depreciation and amortization due to increased capital expenditures in 2021 versus 2020 as a result of major contract renewals and wins in France and the UK respectively. Operating profit also includes a profit of €11.5 million mainly due to the reversal of provision relating to CJIP, and lower Other income expenses to €(29.4) million in the first half of 2022 compared to €(6.8) million in the first half of 2021, mostly due to the impact of CJIP for €(16.0) million and the USA for €(6.8) million.

Net income (loss) for the period

Net income for the period was a loss of €28.8 million in the first half of 2022, as compared to €6.8 million loss in the first half of 2021, for the reasons stated above, and partly offset by lower income tax charge as a result of lower taxable earnings in main geographies.

3. Liquidity and Capital Resources

Cash flows

€ in millions	**For the six months ended June 30**	
	2022	**2021 Restated**
Net cash from (used in) operating activities	11.4	81.7
Net cash used in investing activities	(49.2)	(27.7)
Net cash used in financing activities	13.6	(96.8)
Exchange gains (losses) on cash and cash equivalents	2.9	2.8
Net increase (decrease) in cash and cash equivalents	**(21.4)**	**(39.9)**

The Group experienced a cash outflow of €21.4 million in the first half of 2022 as compared to an outflow of €39.9 million in the first half of 2021.

Net cash from (used in) operating activities

€ in millions	**For the six months ended June 30**	
	2022	**2021 Restated**
Profit / (loss) from continuing operations	(28.8)	(6.8)
Adjustment for and elimination of non-cash items	35.7	43.7
Elimination of net finance costs	40.5	41.4
Elimination of income tax and net other financial expenses	10.1	22.0
Cash generated from operations before financial expenses and income tax	**57.5**	**100.3**
Change in working capital requirements	(34.2)	(3.2)
Income tax paid	(11.1)	(14.4)
Change in factoring deposit	(0.7)	(0.9)
Cash from discontinued operations	-	-
Net cash from (used in) operating activities	**11.4**	**81.7**

The Group experienced a cash inflow of €11.4 million in the first half of 2022 as compared to an inflow of €81.7 million in the first half of 2021, the decrease resulting mostly from higher working capital requirements.

Net cash used in investing activities

€ in millions	**For the six months ended June 30**	
	2022	**2021 Restated**
Purchase of fixed assets (1)	(22.2)	(24.1)
Proceeds from sales of fixed assets	1.1	0.5
Purchase of consolidated companies (net of cash acquired)	(30.3)	(4.0)
Sales of consolidated companies (net of cash sold)	0.1	-
Other cash flows from investing activities	2.1	-
Net cash used in investing activities	**(49.2)**	**(27.7)**

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

Net cash used in investing activities increased from €27.7 million in in the first half of 2021 to €49.2 million in the first half of 2022, primarily due to the acquisition of Incentive FM in the UK.

Net cash used in financing activities

€ in millions	For the six months ended June 30	
	2022	2021 Restated
Proceeds from new borrowings	108.4	34.6
Repayments of borrowings	(58.4)	(60.2)
Finance costs, net [1]	(40.9)	(41.2)
Dividends	-	(5.0)
Operations in share capital	-	(12.4)
Other	4.5	(12.6)
Net cash used in financing activities	**13.6**	**(96.8)**

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

Net cash coming from financing activities amounted to €13.6 million in in the first half of 2022, primarily due to use of the revolving credit facility, partly offset by the repayment of borrowings of €58.4 million including the full repayment of the PGE for €25 million in the first half of 2022.

Net Financial Debt Evolution

	As of	
	June 30, 2022	December 31, 2021
Cash and cash equivalents	135.6	157.0
Short-term bank loans and overdrafts	(3.9)	(3.8)
Net cash and cash equivalents	**131.7**	**153.2**
Non-current financial liabilities	1,308.6	1,309.5
Current financial liabilities	149.4	71.6
Financial instrument (liability)	3.4	2.2
Gross debt	**1,461.4**	**1,383.3**
Net financial debt	**1,329.7**	**1,230.1**

As of June 30, 2022, net financial debt was €1,329.7 million as compared to €1,230.1 million as of December 31, 2021. Net financial debt as of June 30, 2022 included immediate financing provided by deconsolidated receivables for €228 million, as compared to €214 million as of December 31, 2021.

4. Shareholder - Change of ownership

On 28 July 2022, the Group announced that Atalian Holding Development & Strategy ("AHDS"), the majority shareholder of La Financiere Atalian ("Atalian"), and the minority shareholders of Atalian, have received a binding and irrevocable offer from Clayton, Dubilier & Rice (“CD&R”), a global private investment firm, for the acquisition by CD&R of the entire share capital and voting rights of Atalian, one of the world leaders in facility management.

The proposed transaction will be submitted for consultation to the competent workers' councils. After such consultations and the acceptance of CD&R's offer by the shareholders of Atalian, the completion of the proposed transaction will be subject to customary conditions, including regulatory and competition authority approvals and the completion of the acquisition by CD&R of OCS International Limited, an international facilities management company headquartered in the United Kingdom and operating mainly in the United Kingdom and the Asia Pacific region.

At the closing of the proposed transaction, and subject to the above-mentioned conditions, Atalian will redeem in full the senior notes due 2024 and 2025 in accordance with the optional redemption provisions of the relevant indentures.

The closing of the proposed transaction is expected by the end of 2022.

5. Outlook

After a strong start of the year at +9.7% like-for-like over the first three months of 2022, Net Sales growth remained solid in the second quarter due to the benefit of the strong commercial performance of 2021 and early 2022.

At this point in time, the consequences on the economy of higher inflation and subsequent interest rate hikes are difficult to predict. Management remains mobilised to deliver on its growth objective of 4% to 6% like-for-like and expects Recurring EBITDA margin in the second half to improve compared with the first half of 2022, and to reach circa 7% for the full year of 2022, excluding the USA.

This section "Outlook" contains forward-looking statements regarding the intent, belief or current expectations of the Group. These statements reflect the current views of the Group with respect to future events, are made in light of information currently available to the Group and are subject to various risks, uncertainties and assumptions that may be outside the Group's control, including those described in the section entitled "Risk Factors" of the Annual Report.