LA FINANCIERE ATALIAN
INVESTORS REPORT
FIRST QUARTER ENDED AS AT MARCH 31, 2024

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis summarise the significant factors affecting our results of operations and financial condition during the first three months ended March 31, 2024. The historical information discussed below for the Group is as of and for the three months ended March 31, 2023 and is not necessarily representative of the Group's results of operations for any future period or our financial condition at any future date.

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, amortization and non-Recurring items, which comprise significant charges or income that, because of their one-time nature, cannot be viewed as inherent to the Group's regular course of business, such as strategic restructuring (impacting operations or the structure of the organization), litigations, projects implementations costs, impairments, capital gain or losses and other one-time items.

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 isolated 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.

Refinancing of outstanding notes

During 2023, Atalian has been considering its strategic options, including with respect to the maturity of its €625 million 4.000% senior unsecured notes due May 2024, the €350 million 5.125% senior unsecured notes due May 2025, and the £225 million 6.625% senior unsecured notes due May 2025 (the "Existing Notes"). After a period of confidential discussions with an ad hoc group of representative noteholders, as of January 19, 2024, Atalian reached an agreement on a common set of commercial terms with respect to a long-term solution for the refinancing of the Group (the "Transaction") with noteholders representing 39% of the Existing Notes. This refinancing was finalized on March 28, 2024.

The key features of the proposed Transaction included:

1- a cash redemption of €400 million in respect of the Existing Notes at consummation of the Transaction, with a specified allocation of €100 million for participating noteholders that vote in favor of the Transaction within the first 10 business days of the exchange offer being launched;
2- a reinstatement of remaining amounts under the Existing Notes, to be issued in the form of new Euro denominated senior secured notes due 30 June 2028 and in an aggregate amount of €836 million ("Exchange Notes").

The new notes will bear 8.5% all in interest (3.5% of cash and 5.0% PIK "payable in kind"), cash interest shall be payable semi-annually in arrears, PIK interest shall capitalize annually.

As part of the Transaction, the main shareholder of Atalian consented to the implementation of a "double Luxco" structure above the existing Atalian Group and to sell to the Atalian Group its minority stake in Atalian Propreté and Atalian Sûreté.

Atalian and the representative noteholders have also signed a "Lock-Up Agreement" to bind each party into supporting the Transaction, with a Lock-up Fee of 50 bps payable upon consummation of the Transaction to each participating noteholder who is originally party to the Lock-up Agreement.

On February 9, 2024, the Lock-up Agreement had been signed or acceded by noteholders holding over 98.4% in the aggregate principal amount of each series of the Existing Notes. At over 98%, the level of support clearly exceeds the threshold required to proceed with implementation of the Transaction.

As a consequence of the above, in February 2024, Atalian launched the exchange offer and the consent solicitation.

On March 11, 2024, at the Consent deadline, Atalian received valid tenders and consents from Eligible Holders holding over 97.78% in the aggregate principal amount of each series of the Existing Notes. The refinancing process was finalized on March 28, 2024.

Overview of reporting segments

The group has identified two operating segments that correspond to the geographical location of the assets as follows:

– A **"France"** division, comprising all of the companies located in France, either in Cleaning activity or the Other divisions (with notably Maintenance & Energy and Security & Safety) entitled Facility Management. In the first quarter of 2023, our France segment generated €359.2 million of net sales, or 71.8% of the group's consolidated net sales.
– An **"International"** division, comprising all the companies outside France), which definition changed as compared to previous year due to the application of IFRS 5. We operated in 18 countries outside of France, mainly in Central and Eastern Europe and Benelux, providing cleaning, multi-technical, security and bundled facility management services. In the first quarter of 2023, our International segment generated €142.2 million of net sales, or 28.4% of the group's consolidated net sales.

Finally "Others" is comprising central functions at the holding level and reflects the elimination of intragroup transactions between reporting segments in consolidation. In Q1 2024, net sales for "Others" amounted to €(1.0) million.

In 2023, as part of the new strategic plan and to better reflect the performance of each segment, the Group has decided to re-allocate dedicated holding cost to each relevant segment versus at Group level as previously reported.

2. Results of Operations for the first three months of 2024 compared to the first three months of 2023

€ in millions	For the first quarter ended March 31	
	2024	2023 IFRS 5*
Net Sales	**500.4**	**498.8**
Raw materials & consumables used	(110.8)	(104.1)
External expenses	(18.1)	(19.5)
Staff costs	(347.9)	(347.8)
Taxes (other than on income)	(7.1)	(10.5)
Other recurring operating income and expenses	0.6	(0.6)
Recurring EBITDA	**17.1**	**16.3**
Depreciation and amortization, net	(13.6)	(14.1)
Provisions and impairment losses, net	-	-
Other income & expenses	(16.1)	(0.0)
Operating profit	**(12.6)**	**2.2**
Financial debt cost	*(20.9)*	*(22.0)*
Income from cash and cash equivalents	*2.7*	*0.8*
Net financial debt cost	*(18.1)*	*(21.2)*
Other net financial income and expenses	*(2.5)*	*8.3*
Net financial expenses	(20.6)	(12.9)
Income tax expense	(1.5)	(2.9)
Net income / (loss) from continuing operations	**(34.7)**	**(13.6)**
Net income / (loss) from discontinued operations	(0.5)	157.8
Income / (loss) for the period	**(35.1)**	**144.2**
Attributable to owners of the company	(34.5)	144.1
Attributable to non-controlling shareholders	(0.6)	0.2

** In compliance with IFRS 5 in order to disclose the consolidated income statement comparative for the Q1 as of March 31, 2024, the consolidated income statement for Q1 ended as of March 31, 2023 has been re-presented to disclose the discontinued operations separately from the continuing operations.*

Furthermore, in 2023 the Group decided to replace the aggregate "Operating income before depreciation, amortization, provision and impairment loss" on the face of the Income statement by "Operating income before depreciation, amortization and impairment loss". Provisions related to current operation such as bad debts; inventory provision, other operating provisions and retirement benefits provisions have been reintegrated in the new aggregate starting December 31, 2023. The results disclosed for March 31, 2023 are re-presented as per the new definition.

Net Sales

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

€ in millions	For the first quarter ended March 31	
	2024	2023 IFRS 5
Net Sales		
France	359.2	361.0
International	142.2	139.3
Other	(1.0)	(1.5)
Total Net Sales	**500.4**	**498.8**

In Q1 2024, consolidated net sales amount to €500.4 million, up 0.3%. After forex impact (mainly due to the variation of the lira in Türkiye) net sales increase by 4.3% on a comparable basis. This growth reflects good improvement in Central and Eastern Europe (CEE) and of integrated FM (iFM). These effects were offset by still challenging French trade-balance mainly driven by loss of contracts in 2023 (loss of a major Security and Safety contract end of Q1 2023), along with unfavourable exchange rate impacts in Türkiye, limiting the positive impact of a very strong organic growth.

By segment:

France (and iFM). In Q1 2024, net sales are down 0.5% to €359 million, as compared to €361 million in Q1 2023. The growth in iFM and Maintenance & Energy operations, along with positive contribution of indexation were offset by negative trade balance (mainly due to the loss of a major contract in Security and Safety business at the end of Q1 2023).

International. In Q1 2024, net sales increase by +2.1%, to €142 million. When excluding the negative foreign exchange rates impact (due to the depreciation of the Turkish lira versus the euro), net sales on a comparable basis increase by +17.3%. This improvement reflects significant growth in CEE benefiting from actions taken in 2023 to re-boost organic growth and successful passthrough inflation to clients in all geographies. CEE net sales also benefited from higher sales in Türkiye, driven by positive commercial dynamics in an environment of hyperinflation. CEE growth was marginally offset by the negative trade balance in Benelux, mainly due to loss of some contracts in 2023.

Recurring EBITDA

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

€ in millions	**For the first quarter ended March 31**	
	2024	**2023 IFRS 5**
Recurring EBITDA		
France	15.5	15.9
International	6.2	6.1
Other	(4.6)	(5.7)
Recurring EBITDA	**17.1**	**16.3**

Q1 2024 recurring EBITDA is up 5.1% (+11.8% at constant exchange rate). Positive contribution of continuous improvement measures (productivity) combined with the positive CEE trade balance and lower holding costs were partly offset by negative trade balance in France, along with lag effect to fully passthrough the 2024 French staff cost increase in a context where cleaning staff cost evolution overpass the INSEE general price index as well as the minimum wage (SMIC) increase.

France. In Q1 2024, recurring EBITDA decreases by €0.4 million, or -2.8%, to €15.5 million. Recurring EBITDA margin reaches 4.3%, down 10 basis points compared to Q1 2023. This decline reflects lower revenues along with cyclical lag impact to fully passthrough 2024 staff costs increases to customers more than offsetting productivity improvements. Overall general INSEE inflation passthrough is being achieved but staff cost increase over and above it proves more difficult to be transferred.

International. In Q1 2024, recurring EBITDA increases by €0.1 million, or +1.4%, to €6.2 million. On a comparable basis, it was up 19.4%. Recurring EBITDA margin is broadly flat at 4.4%. This improvement mainly reflects EBITDA growth in the CEE driven by improved trade balance along with positive impact of increased level of special works and positive contribution of continuous improvement measures.

Other. “Other”, which includes items that are not components of an operating segment, notably the operations of the Group’s holding entity, decreased in costs by €1.1 million to €(4.6) million in the first quarter of 2024, as compared to €(5.7) million in the first quarter of 2023.

Operating profit

Operating profit decreased from €2.2 million in the first quarter 2023 to -€12.6 million in the first quarter of 2024. Operating profit excluding non-recurring items amounted to €3.5 million, compared to €2.2 million in Q1 2023. This increase is mainly explained by the EBITDA performance. Non-recurring items accounted for in Q1 2024 amounted to €16 million, corresponding to the refinancing of the bond debt finalized in March 2024.

Net income (loss) for the period

Net profit from continued operations for the period is negative at -€34.7 million in Q1 2024 compared to -€13.6 million in Q1 2023. EBITDA improvement and lower financial and tax costs were more than offset by the €16 million non-recurring costs of the debt refinancing. Lower financial result is also generated by favorable forex impact in Q1 2023 not renewed in 2024.

In Q1 2024 net loss amounts to -€35.1 million compared to a net profit of €144.2 million in Q1 2023 strongly helped by the capital gain from the sale of UK, Ireland and Asia operations recorded in the discontinued operation line.

3. Liquidity and Capital Resources

Cash flows

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

€ in millions	**For the first quarter ended March 31**	
	2024	**2023**
Net cash from (used in) operating activities	(60.0)	(6.6)
Net cash from (used in) investing activities	(3.7)	636.7
Net cash from (used in) financing activities	(429.6)	(54.7)
Exchange gains (losses) on cash and cash equivalents	0.4	(5.4)
Net increase (decrease) in cash and cash equivalents	**(493.0)**	**569.9**

Net cash from (used in) operating activities

€ in millions	**For the first quarter ended March 31**	
	2024	**2023**
Profit / (loss) from continuing operations	(34.7)	(13.6)
Profit / (loss) from discontinued operations	(0.5)	157.8
Adjustment for and elimination of non-cash items*	21.5	(148.0)
Elimination of net financing costs	17.5	22.5
Elimination of income tax expense	1.5	3.1
Elimination of net other financial expenses	2.3	(7.0)
Cash generated from operations before financial expenses and income tax	**7.6**	**14.9**
Change in working capital	(69.3)	(17.0)
Income tax paid	(1.5)	(2.0)
Change in factoring deposit	3.1	(2.4)
Net cash from (used in) operating activities	**(60.0)**	**(6.6)**

**Q1 2023 includes -€161.8 million corresponding to gain on disposal, mainly after the sale to CD&R*

The Group experienced a cash outflow of -€60.0 million in the first quarter of 2024 as compared to an outflow of -€6.6 million in the first quarter of 2023. This mainly reflects negative change in working capital in Q1 2024 mainly due to calendar effect in invoicing and factoring, which have proved to be smoothed out over the weeks following Q1 closing.

Net cash used in investing activities

€ in millions	**For the first quarter ended March 31**	
	2024	**2023**
Purchase of fixed assets (1)	(3.7)	(6.2)
Proceeds from sales of fixed assets	0.1	0.2
Purchase of consolidated companies (net of cash acquired)	-	-
Sales of consolidated companies (net of cash sold)	-	638.5
Other cash flows from investing activities	(0.1)	4.1
Net cash from (used in) investing activities	**(3.7)**	**636.7**

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

Investing activities used -€3.7 million of net cash in the first quarter of 2024. The first quarter 2023 net cash from investing activities mainly included the cash proceeds from the disposal of activities in the UK, Ireland and Asia, including Aktrion.

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 first quarter ended March 31**	
	2024	**2023**
Increase in borrowings	847.1	5.6
Decrease in borrowings	(1,253.1)	(60.0)
Net financial interests paid	(21.9)	(6.6)
Dividends	-	-
Foreign exchange (losses)/gains on financing activities	(2.3)	7.0
Other	0.6	(0.7)
Net cash from (used in) financing activities	**(429.6)**	**(54.7)**

Net cash used in financing activities amounted to €429.6 million in the first quarter of 2024. This mainly reflects the impact of the notes exchange offer at the end of March 2024, including the repayment of the 2024-2025 bonds and issuance of the new €836 million bond maturing in June 2028.

Net Financial Debt Evolution

€ in millions	**As of**	
	March 31, 2024	**December 31, 2023**
Cash and cash equivalents	73.8	561.8
Short-term bank loans and overdrafts	(5.6)	(0.7)
Net cash and cash equivalents	**68.2**	**561.1**
Non-current financial liabilities	(909.8)	(665.6)
Current financial liabilities	(67.2)	(686.0)
Financial instrument (liability)	-	(0.6)
Financial debt	**(977.0)**	**(1,352.2)**
Net financial cash (debt)	**(908.8)**	**(791.1)**

As of March 31, 2024, Net Financial Debt was €908.8 million as compared to €791.1 million as of December 31, 2023.

Cash and cash equivalent and financial debt are both impacted by the €400 million reimbursement of the 2024-2025 bonds but with no impact on the Net financial debt. Net financial debt increases by €118 million due to €60 million cash consumption from operations, €4 million cash consumption from investment, €22 million of net financial interests paid, €25 million new vendor loan debt related to the acquisition of the minority stake in Atalian Propreté and Atalian Sûreté and €7 million related to variation of other debts including lease debt.