LA FINANCIERE ATALIAN
INVESTORS REPORT
FIRST HALF ENDED AS AT JUNE 30, 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 six months ended June 30, 2024. The historical information discussed below for the Group is as of and for the six months ended June 30, 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. The key features of the proposed Transaction included:

- 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.
- 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, on 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.

Minority interests

In the course of the refinancing operation in March 2024 and as mentioned in the paragraph above, La Financière Atalian increased its stakes in Atalian Propreté and Atalian Sûreté to 100% by purchasing respectively 9.5% and 5.16% minority interests in these entities for a total amount of €41.8 million. The transaction was financed by compensation with various receivables towards AHDS and through a € 25.0 million vendor loan. As at June 30, 2024, €1.25 million have been paid on the vendor loan.

Change of ultimate shareholder

In June 2024, La Financière Atalian S.A.S. has been notified of a change in the shareholding structure of FJ International Invest, a Belgian company that indirectly owns the holding company Atalian Holding 2, mother company of la Financière Atalian S.A.S, through its participation in Atalian Holding Development & Strategy and in Atalian Holding 1 : the former ultimate shareholder Mr Frank Julien has donated all the shares he held in FJ International Invest to Mrs Sophie Pécriaux, the Chairwoman of the Supervisory Board of La Financière Atalian S.A.S.

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 half of 2024, our France segment generated €717 million of revenue, or 71.6% 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 half of 2024, our International segment generated €288 million of revenue, or 28.8% 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 H1 2024, net sales for "Others" amounted to €(4) million.

From December 30, 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.

SIGNIFICANT EVENTS AFTER JUNE 30, 2024

Ruling in the trial brought against former executives of Atalian Group

On July 2, 2024, the ruling in the trial brought against former executives of the Atalian Group. recognized the legitimacy of La Financière Atalian S.A.S and its concerned subsidiairies status as a civil party but has not granted its claim for compensation for damages suffered.

La Financière Atalian did appeal this ruling.

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

€ in millions	**For the first half ended June 30**	
	2024	**2023***
Net Sales	**1,001.1**	**992.5**
Raw materials & consumables used & sub-contracting	(217.6)	(208.9)
External expenses	(35.8)	(40.5)
Staff costs	(697.4)	(688.8)
Taxes (other than on income)	(14.2)	(13.8)
Other recurring operating income and expenses	3.8	2.7
Recurring EBITDA	**39.9**	**43.3**
Depreciation and amortization, net	(26.6)	(27.3)
Other income & expenses	(17.9)	(3.6)
Operating profit	**(4.6)**	**12.4**
Net financial debt cost	*(38.1)*	*(42.8)*
Other net financial income and expenses	*2.5*	*11.1*
Net financial expenses	(35.6)	(31.7)
Income tax expense	(5.2)	(6.9)
Net income / (loss) from continuing operations	**(45.4)**	**(26.2)**
Net income / (loss) from discontinued operations	0.7	154.5
Income / (loss) for the period	**(44.8)**	**128.3**
Attributable to owners of the company	(44.3)	127.5
Attributable to non-controlling shareholders	(0.5)	0.8

** In compliance with IFRS 5 in order to disclose the consolidated income statement comparative for the H1 as of June 30, 2024, the consolidated income statement for H1 ended as of June 30, 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 June 30, 2023 are re-presented as per the new definition.

Revenue

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

€ in millions	**For the first half ended June 30**	
	2024	**2023**
Revenue		
France	716.7	715.4
International	288.1	279.5
Other	(3.7)	(2.4)
Total Revenue	**1,001.1**	**992.5**

In H1 2024, consolidated net sales amount to €1,001 million, up 0.9%. Excluding forex impact (mainly due to the variation of the Turkish lira), net sales increased by 5.1% on a comparable basis. This growth reflects good improvement in Central and Eastern Europe (CEE) and of integrated FM (iFM). Although the French trade balance shows resilience, it is still impacted by loss of contracts in 2023 (loss of a major Security and Safety contract end of Q1 2023), offsetting wins of new contracts.

By segment:

France (and iFM). In H1 2024, revenue is up 0.2% to €717 million, as compared to €715 million in H1 2023. This was driven by the growth in iFM operations, notably in Q1. These positive elements were more than offset by insufficient contribution of indexation, along with negative trade balance. Despite several commercial actions in place and wins of new contracts, the trade balance is impacted by the loss of some contracts since the beginning of the year and notably in Q2 combined with the impact of the loss of a major contract in 2023, notably in Security and Safety business.

International. In H1 2024, revenue increases by +3.1%, to €288 million. When excluding the negative foreign exchange rates impact (due to the depreciation of the Turkish lira versus the euro), revenue on a comparable basis increases by +18.0%. This improvement reflects significant growth in the CEE benefiting from actions taken in 2023 to re-boost organic growth and successfully 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, and the volume recovery of Czech Republic.

CEE growth continues to be partly offset by negative trade balance in Benelux, which has been impacted by the termination of low or negative margin contracts over the past twelve months.

Recurring EBITDA

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

€ in millions	**For the first half ended June 30**	
	2024	**2023 IFRS 5**
Recurring EBITDA		
France	33.3	42.2
International	14.1	12.6
Other	(7.6)	(11.5)
Recurring EBITDA	**39.9**	**43.3**

H1 2024 recurring EBITDA is -2.6% at constant exchange rate. Positive contribution of productivity combined with the positive CEE trade balance and lower holding costs were more than offset by insufficient passthrough of the 2024 costs increases in the French cleaning business, along with the negative trade balance in France. Despite action plans in place, the current context in France makes it indeed more difficult to passthrough to our customers the portion of cleaning staff costs increases overpassing the INSEE general consumer price index as well as the minimum wage (SMIC) increase, mainly due to circumstantial external measures.

France. In H1 2024, recurring EBITDA decreases by 21% to €33.3 million and EBITDA margin reaches 4.7%, down 125 basis points compared to H1 2023. This decline reflects a negative impact of the trade balance and first of all an insufficient indexation in the cleaning business that could not be offset by productivity efforts. Despite actions plans implemented as from the first quarter, profitability continues to be impacted by additional social charges increasing staff cost and difficulties to fully passthrough these increases to our customers. Overall, French cleaning staff cost have increased by c.€16 million. This impact in mainly comprised of the impact of the French cleaning wages increase as a result from collective bargaining of the French Federation of Cleaning Companies (Fédération des Entreprises de la Propreté), despite slightly lower FTE (c.€6 million), along with higher payroll taxes (c. €10 million). The latest mainly resulted from circumstantial exogeneous impacts (incl. the decrease of the employer's contribution rebate ("Fillon Benefit")). As a result, teams have difficulties to passthrough the full impact of this cost increase (only c. 50% as of end of June 2024, or circa the level of the French general price index (INSEE index).

International. In H1 2024, recurring EBITDA increases by €1.5 million, or +11.8% to €14.1 million. On a comparable basis, it was up 30.2%. Recurring EBITDA margin improves by 51 basis points to 5.0%. This improvement, which gathered pace in Q2 2024, mainly reflects EBITDA growth in all geographies driven by improved trade balance along with successful indexation, positive contribution of continuous improvement measures, and positive impact of the higher level of special works in Q1.

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 €3.9 million to €(7.6) million in the first half of 2024, as compared to €(11.5) million in the first half of 2023.

Operating profit

Operating profit excluding non-recurring items amounted to €13.3 million, compared to €16.0 million in H1 2023. This decrease is mainly explained by the EBITDA performance. Non-recurring items accounted for in H1 2024 amounted to €17.9 million, out of which €16 million were accounted for in Q1 2024 corresponding to the refinancing of the bond debt finalized in March 2024. In Q2 2024, non-recurring items amount to €1.8 million and mainly corresponds to provision accounted for as part of the disposal of our Lebanese operations in July 2024.

Net income (loss) for the period

Net loss from continued operations for the period is -€45.4 million compared to -€26.2 million in H1 2023. This is mainly explained by higher non-recurring costs, lower operating performance, and lower financial result mainly over the 1st quarter. The latest was generated by favorable forex impact in Q1 2023 not fully renewed in 2024.

In Q2 2024, net loss from continued operations improved by €1.7 million to -€10.5 million. Lower Operating profit was more than offset by lower financial expenses.

In H1 2024 net loss amounts to -€44.8 million compared to a net profit of €128.3 million in H1 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 half ended June 30	
	2024	2023
Net cash from (used in) operating activities	(20.4)	22.5
Net cash from (used in) investing activities	(6.0)	644.7
Net cash from (used in) financing activities	(442.4)	(149.9)
Impact of foreign exchange rate changes and others	(0.2)	(6.3)
Net increase (decrease) in cash and cash equivalents	**(469.1)**	**511.0**

Net cash from (used in) operating activities

€ in millions	For the first half ended June 30	
	2024	2023
Net income / (loss) from continuing operations	(45.4)	(26.2)
Net income / (loss) from discontinued operations	0.7	154.5
Adjustment for and elimination of non-cash items*	25.4	(129.6)
Elimination of net finance costs	37.1	44.2
Elimination of income tax expenses	5.2	7.1
Elimination of net other financial expenses	(3.0)	(9.7)
Cash generated from operations before financial expenses and income tax	**20.0**	**40.3**
Change in working capital	(35.6)	(5.7)
Income tax paid	(4.5)	(8.9)
Change in factoring deposit	(0.2)	(3.3)
Net cash from (used in) operating activities	**(20.4)**	**22.5**

**H1 2023 includes -€154.6 million corresponding to gain on disposal, mainly after the sale to CD&R*

The Group experienced a cash outflow of -€20.4 million in the first half of 2024 as compared to an inflow of +€22.5 million in the first half of 2023. This mainly reflects lower income along with negative change in working capital requirement hampered by the still too high level of account receivables (late billing). Situation improved in Q2 and is being worked upon.

In the second quarter, the Group set up, with the help of a consulting firm, specific action plans aiming at structurally improving the management of working capital and smoothening its consumption over the year. These measures, such as the structural reduction of late billing, require actions on the Group's operational processes. Results of these plans are expected to bear fruit as from the end of this year, with full impact in 2025. Going forward, change in working capital is expected to be broadly neutral in the normal course of business for the full year with some timing effects linked to the business seasonality on a quarter per quarter basis.

Net cash used in investing activities

€ in millions	**For the first half ended June 30**	
	2024	**2023**
Purchase of intangible assets, property plant & equipment	(6.4)	(8.4)
Proceeds from disposal of intangible assets, property plant & equipment	0.8	0.2
Purchase of consolidated companies (net of cash acquired)	(0.3)	-
Sales of consolidated companies (net of cash sold)	-	648.5
Other cash flows from investing activities	(0.2)	4.4
Net cash from (used in) investing activities	**(6.0)**	**644.7**

Investing activities used -€6.0 million of net cash in the first half of 2024. The first half 2023 net cash from investing activities mainly included the cash proceeds from the disposal of activities in the UK, Ireland and Asia, including Aktrion to CD&R.

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 half ended June 30**	
	2024	**2023**
Increase in borrowings	838.5	20.9
Decrease in borrowings	(1,239.4)	(110.5)
Decrease in lease liabilities	(20.7)	(27.1)
Net financial interests paid	(24.4)	(42.9)
Foreign exchange (losses)/gains on financing activities	3.0	9.7
Other	0.6	0.2
Net cash from (used in) financing activities	**(442.4)**	**(149.9)**

Net cash used in financing activities amounted to €442.4 million in the first half 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**	
	June 30, 2024	**December 31, 2023**
Cash and cash equivalents	95.4	561.8
Short-term bank loans and overdrafts	(3.7)	(0.7)
Net cash and cash equivalents	**91.7**	**561.1**
Non-current financial liabilities	(875.9)	(614.8)
Non-current debt from financial leases	(46.0)	(50.8)
Current financial liabilities	(33.7)	(655.0)
Current debt from finance lease	(26.5)	(31.1)
Gross debt	**(982.1)**	**(1,351.6)**
Financial instrument (liability)	(0.2)	(0.6)
Net financial cash (debt)	**(890.6)**	**(791.1)**

As of June 30, 2024, Net Financial Debt was €890.6 million as compared to €791.1 million as of December 31, 2023.

Cash and cash equivalent and financial debt are both impacted by the €398 million reimbursement of the 2024-2025 bonds but with no impact on the Net financial debt. Net financial debt increases by €99.5 million due to €50 million cash consumption from operations (CFFO), €18 million of net financial interests paid, €13 million of accrued interest, €25 million new vendor loan debt related to the acquisition of the minority stake in Atalian Propreté and Atalian Sûreté, decrease of – €7 million of lease debt and -€3 million related to variation of other debts.

Net debt after adding back immediate financing provided by the derecognized factoring contracts of €192.6 million as of June 30, 2024 (and €186.8 million as of December 31, 2023) would amount to €(1,083.2) million as of June 30,2024 (and €(977.9) million as of December 31, 2023).

4. Outlook

Despite several action plans in place since Q1 2024, the difficulties to passthrough the full increase of salary cost in French cleaning business, combined with the Legacy Issues and the uncertain political environment in France, lead the Group to revise downwards its 2024 EBITDA and CFFO targets:

- Recurring EBITDA to be comprised in the range of €80 million to €90 million vs. €100 million initially expected
- CFFO in the range of -€10 million to €0 million[1] vs. €20-30 million initially expected. This assumption is before the impact of the recourse factoring (+€8 million cash at June end) and is based on a prudent working capital assumption at year end.

Since Q1 2024 the Group has been working on several action plans to secure its results. These actions will be further strengthened to counteract the negative impacts described above. Further details to be provided in November 2024:

- Cost discipline, notably with travel cost management, general management cost, implementation of stricter approval process for spend, capex and hiring, optimization of floor spaces, procurement policy…
- Productivity efforts
- Commercial efficiencies with:
    - additional indexation campaigns
    - pro-active sales activity to improve hit rate and develop special works
    - specific actions on loss-making contracts
    - expansion of the offer, in particular around iFM
- Reassessment of the organizations:
    - further strengthening of our commercial team
    - deep review of our contract portfolio
    - more-sector based approach of the customers

In this context the Group is working on re-assessing its 2025 expectations and will update the market and this end of the 2025 budget process.

[1] Before refinancing fees