3.1 Fiscal 2014 Activity Report

At the Board of Directors meeting held on November 10, 2014 and chaired by Pierre Bellon, Sodexo's Chief Executive Officer Michel Landel presented the Group's performance for the fiscal year ended August 31, 2014.

3.1.1 FISCAL YEAR HIGHLIGHTS

Sodexo's development model is based primarily on organic growth, achieved by leveraging the considerable potential offered by the worldwide outsourcing market.

Its Quality of Life Service offer is an important source of competitive differentiation. Sodexo is also the only company in the world to offer its clients On-site Services, Benefits and Rewards Services and Personal and Home Services, and as such is uniquely positioned to improve the quality of life.

During the Board meeting, Sodexo's Chief Executive Officer Michel Landel observed that quality of life has become widely recognized as an agent of progress for people and a performance driver for companies and organizations. By placing people and the well-being of everyone it serves at the center of its organization, Sodexo has evolved from being a service provider to a creator of well-being experiences built on its deep understanding of consumers' and clients' needs.

During Fiscal 2014, Sodexo continued to invest in executing its long-term strategy to become the world's leading provider of Quality of Life Services. These investments primarily concerned three key drivers of sustainable growth for the Group:

- human resources development, through team training, strengthened employee engagement, opportunities for managers to obtain international experience and an assertive diversity policy;
- continuous improvements in technical expertise, with facilities management services now accounting for 28% of consolidated revenues. Sodexo offers over 100 different services to companies, universities, hospitals, retirement homes and prisons, and to private individuals. In Fiscal 2014, facilities management revenues rose sharply in several geographic markets, particularly the United Kingdom, continental Europe and Asia, as well as in the Corporate segment in North America, with growth rates ranging from 5% to 17%;
- expansion in high potential markets, particularly in emerging countries. These markets currently represent nearly 20% of the Group's On-site Services revenue, while the Benefits and Rewards Services activity has issue volume of more than 7 billion euro in Latin America, compared to 5 billion euro ten years ago (in Fiscal 2004).

Financial performance for Fiscal 2014 was once again very robust and fully in line with the targets set at the beginning of the year:

- consolidated revenues totaled 18 billion euro;
- organic growth was 2.3%;
- reported operating profit was 939 million euro, after including 27 million euro in exceptional costs for the program to improve operational efficiency and reduce costs.

Excluding these exceptional costs, operating profit was 966 million euro, up 10.7% from Fiscal 2013 excluding currency effects;

- reported Group net profit was 490 million euro, up by more than 20% excluding currency effects and by 11.6% after taking into account the significant fluctuations in foreign currency exchange rates observed in Fiscal 2014;
- net cash provided by operating activities totaled 825 million euro versus 618 million euro in Fiscal 2013, demonstrating once again Sodexo's ability to generate large amounts of cash year after year.

Michel Landel mentioned to his fellow Board members that the Group had achieved these performances in a complicated macro-economic environment and despite considerably slower global economic growth, thanks to the hard work of Sodexo's 419,000 employees.

In 2005, the Group set the target of achieving 7% average annual growth in revenues and 11% average annual growth in operating profit over the next ten years. Between Fiscal 2005 and Fiscal 2014, revenues grew by an average of nearly 6% per year and operating profit by an average of around 10% excluding currency effects.

Michel Landel explained to the Board that like other international groups that present their consolidated financial statements in euro, in Fiscal 2014 all of Sodexo's income statement items were severely affected by negative currency effects resulting from changes in average exchange rates between Fiscal 2013 and Fiscal 2014. He also noted that, unlike exporting companies, Sodexo is not exposed to any operational risks as a result of exchange rate fluctuations, because each subsidiary bills its revenues and incurs its expenses in the same currency.

The Group's financial ratios also improved during Fiscal 2014, reflecting the quality of Sodexo's strategic choices and the robustness of its financial model. Attesting to the Group's financial strength, in the middle of the year Standard & Poor's raised its rating to A-. Prior to that, between 1998, when Standard & Poor's rated the Group for the first time, and February 2014, Sodexo had always been rated BBB+.

During Fiscal 2014, Sodexo also successfully carried out two major debt issues on the international financial markets, using the proceeds to refinance more than two-thirds of the Group's structural long-term debt at lower interest rates:

- in the spring of 2014, the Group borrowed 1.1 billion U.S. dollars through a private placement with U.S. investors (U.S. Private Placement) structured in five tranches with maturities of 5, 7, 10, 12, and 15 years;
- then in the summer of 2014, Sodexo completed a 1.1 billion euro bond issuance structured in two tranches: a 600 million euro tranche maturing in 7.5 years and another tranche for 500 million euro maturing in 12 years.

Both issues were significantly oversubscribed by investors. They enabled the Group to extend the maturity of its debt, better align the respective foreign currency exposures of its borrowings and operating activities, and obtain more attractive interest rates.

All of these factors should contribute to a continuous rise in Group net profit and earnings per share over the next two fiscal years.

3.1.1.1 ONGOING DEVELOPMENT

The Sodexo teams' marketing successes with many clients contributed to the development rate (contract wins) in both On-site Services and Benefits and Rewards Services.

In On-site Services, Sodexo's integrated service offer and innovations won over the following clients:

- in the Corporate segment, several new clients chose the service offer developed by Sodexo to improve their employees' quality of life in the workplace. They included EnBW, in Germany, for its 200 buildings at 53 sites; Deloitte for the ten buildings comprising its Paris headquarters and its 17 regional offices in France; TetraPak for its second largest plant in India, and Telefonica SA in Chile for energy management services and maintenance of its network of telephone masts, at 436 sites in eight cities.

The Group's international network also allows it to partner with a growing number of major multinational groups. These include Alcatel-Lucent, which chose Sodexo as its worldwide Quality of Life services provider at 250 sites in 43 countries. Sodexo also ensures the well-being of Carlsberg's teams at 30 sites in ten European countries, and manages a wide range of integrated services for Rexam at 27 sites in 15 European countries.

Energy management has become a priority for a growing number of clients. Sodexo supports their efforts with an energy efficiency service offer that helps them to reduce costs while also protecting the environment;

- in Health Care and Seniors, Sodexo strengthened its global expertise by winning major contracts in Europe, including with Imperial College Healthcare in the United Kingdom for its four London hospitals, and the Monza hospital in Italy for its new leukemia research and treatment center.

  This expertise also led to the renewal and extension of large existing contracts, notably in the United States. For example, Wheaton Franciscan Healthcare, a major Wisconsin-based network of hospitals, physicians and home health service providers, extended its partnership with Sodexo to include maintenance and repair services for over 22,000 types of specialized medical appliances, while the Presbyterian Home for Central New York, a nursing home for the elderly, awarded Sodexo a facilities management contract in addition to the existing foodservices contract.

  University Hospitals, one of the largest health care networks in the United States, signed a new five-year contract with Sodexo covering environmental, food, nutrition and facilities management services.

  Sodexo's global expertise in the health care market is a key selling point for clients in emerging countries who want to offer their patients a quality of care and an environment aligned with the highest international standards. This is shown by the contracts won in Fiscal 2014 with Jaypee Hospital in Noida and Wockhardt Hospital in Mumbai (India), The Medical City in Manila (Philippines), Mater Dei Hospital in Belo Horizonte (Brazil) and Jishuitan Hospital's new Huilongguan center in Beijing (China);

- in the Education segment, new clients chose Sodexo to help them create a healthy, safe and welcoming environment responding to the aspirations of their students and employees. In the United States, Chicago Public Schools (CPS) chose Sodexo to manage energy infrastructure and costs at the city's 680 schools, while in Thailand, the Panyapiwat Institute of Management awarded the Group a contract to provide a full range of integrated facilities management services.

  University College London (UCL) was won over by the innovative, diversified and responsible foodservices offer proposed by Sodexo for its 25,000 students and 9,000 faculty members and staff. Sodexo's bespoke foodservices offers also won over Jackson State University in Mississippi (United States), the Jyväskylä University of Applied Sciences (Finland), the public schools in Asnières-sur-Seine (France), the Canadian International School in Singapore, the Indian School of Business (ISB) in Hyderabad (India), the University of the Andes in Bogota (Colombia) and the Hong Kong YMCA's Christian College (Hong Kong);

- in Remote Sites, Australia's largest oil and gas producer, Woodside Energy, chose Sodexo to provide a wide range of services including management of the 756 houses and 2,000 rooms in the camp, foodservices for the plant, cleaning of employees' work wear, administrative services, technical maintenance of all buildings other than the plant, industrial cleaning and grounds keeping services. In the Philippines, Sodexo provides integrated facilities management services for the offshore and onshore sites operated by Shell Philippines Exploration B.V. (SPEX) for the Malampaya project, a public-private partnership between the Philippine government and SPEX that supplies 30% of the Philippine's electricity needs.

In Benefits and Rewards Services, 40% of whose clients are also served by the other Group activities, Fiscal 2014 saw a certain number of developments and innovations. For example:

- in Brazil: Sodexo expanded its offer and innovated by proposing and deploying Vale Cultura, a solution that provides easier access to cultural activities to the 17,000 Banco Santander employees working in the bank's branches;
- in China, after obtaining a license from the People's Bank of China (PBOC) authorizing it to expand its

prepaid card offer, Sodexo launched the Tung Pass gift card in July 2014. The card is accepted by a wide network of affiliated merchants, including shopping malls, fashion boutiques, home accessories stores, supermarkets and fashionable restaurants;

- **in Israel,** the Group strengthened its expertise in mobile technologies, particularly personalized digital loyalty programs, by acquiring a stake in Keeprz;
- **in Peru, Romania and the United Kingdom,** Sodexo won over mobile telephone operators to its Quality of Life Services, in the form of employee benefits and incentive programs for other targets.

3.1.1.2 CREATING A COMPETITIVE ADVANTAGE THROUGH OUR PEOPLE

The world's 18th largest private sector employer with 419,000 employees in 80 countries, Sodexo is a community of men and women whose engagement is key to client and consumer satisfaction and, therefore, a genuine competitive advantage. That is why the Group implemented several major initiatives in Fiscal 2014 in pursuit of its two overriding goals: maintain a high quality, diverse and appropriately sized workforce to meet the expectations of all clients and be among the global companies most appreciated by its employees. With 95% of staff in daily contact with clients and consumers, Sodexo is convinced that client and consumer satisfaction depends on its teams' skills and talent.

In April 2014, Sodexo conducted a new international employee engagement survey among 130,000 employees in 60 countries. The engagement rate, which measures employees' satisfaction and commitment, is a key performance indicator.

The results of this latest survey show that significant advances have been made:

- **the employee engagement rate improved for the third time running. At 59%,** it was up two points on Fiscal 2012 and 11 points from six years ago. The participation rate was stable, at 68%, attesting to the survey's credibility among employees;
- the main take-aways from the survey are that Sodexo offers a stable, sustainable and fulfilling work environment, with **86% of respondents stating that they would rather work for Sodexo than for a competitor.** 80% of respondents are aware of the career development opportunities available to them and 88% consider that their working environment is appropriate for the types of tasks they are asked to perform.

Sodexo was the first international group to participate in the Best Employer certification program launched by Aon Hewitt in 2014. This innovative program compares organizations and identifies those that are marked by effective leadership, a strong performance culture, a compelling employer brand and high employee engagement. The methodology used is based on Aon Hewitt's more than 20 years' experience in the area of employee engagement. Seventeen Sodexo countries, representative of the Group's three activities, have already obtained Best Employer certification.

During the year, Sodexo also continued to invest in staff training. As part of its commitment to offering employees opportunities to acquire new skills and move up the career ladder, Sodexo provided 5.1 million hours of training during Fiscal 2014, an increase of 7% compared with the prior year.

In addition, the Sodexo Academies offer Group employees a wide range of training courses and development opportunities. They include, for example, over 500 training modules for employees working in facilities management in the United States.

3.1.1.3 A GLOBAL EXPERT IN QUALITY OF LIFE SERVICES

The Sodexo Quality of Life Institute conducts research to deepen the Group's understanding of how quality of life can drive individual and collective progress. The Institute works with external stakeholders to identify the Quality of Life levers that influence an organization's performance in environments as diverse as businesses, health care facilities, campuses, schools, remote sites and correctional facilities.

To strengthen its position as a global quality of life expert, in March 2014 Sodexo launched the Quality of Life Observer, the first internet site to monitor and interpret the components that contribute to quality of life. It provides decision makers and opinion leaders with a global panorama on quality of life, a decisive factor in individual and collective performance, through shared experiences, expert interviews, forums, analyses of university studies and surveys. This unique production is enhanced through media monitoring and is open to external contributions.

3.1.1.4 AWARDS

In Fiscal 2014, Sodexo won several major awards recognizing its commitment to social, environmental and economic responsibility:

- included in the DJSI World and DJSI STOXX indices since 2005, **for the tenth consecutive year Sodexo was named "Global Sustainability Industry leader"** by the **Dow Jones Sustainability Indices (DJSI).** The Group earned a perfect (100%) score for the positive local impact of its business operations around the world, and earned the highest score in its industry in the social pillar. Sodexo was also named "Sector Leader" in the Consumer Services category;
- **Sodexo topped the French Ministry of Women's Rights' league table of SBF 120 companies for gender balance within its leadership team.** This award recognizes that 43% of Sodexo's Executive Committee and 38% of its Board of Directors are women, the creation of strong women's networks throughout the global organization and a commitment to gender equality at the heart of its strategy and performance;
- **Sodexo was once again included in Fortune magazine's "Most Admired Companies" list, ranking first in the "Diversified Outsourcing Services" category and number one for Innovation, Social Responsibility, Financial Soundness, Long-term Investment and Global Competitiveness;**
- Sodexo was also presented with the **"World Class Service & Quality"** award for the rollout of a global **facilities management** transformation program at the **Unilever Partner to Win Summit** held in London. The summit brings together over 330 representatives from Unilever's strategic supplier partners with the aim of deepening relationships to drive sustainable, mutual growth and to recognize suppliers who have made a winning contribution to the Unilever business.

3.1.2 FISCAL 2014 PERFORMANCE

3.1.2.1 CONSOLIDATED INCOME STATEMENT

(millions of euro)	Year ended August 31 Fiscal 2014	Fiscal 2013	Change at current exchange rates	Change at constant exchange rates
Revenues	18,016	18,397	-2.1%	+2.6%
Organic growth	2.3%	1.1%		
Operating profit before exceptional expenses(1)	966	964	+0.2%	+10.7%
Operating margin before exceptional expenses(1)	5.4%	5.2%		
Exceptional expenses(2)	(27)	(139)		
Operating profit (reported)	939	825	+13.8%	+25.9%
Interest income	20	53		
Financing costs	(193)	(189)		
Share of profit of other companies consolidated by the equity method	8	6		
Profit before tax	774	695	+11.4%	+21.0%
Income tax expense	(265)	(233)		
Effective tax rate	*34.8%*	*34.3%*		
Profit for the period	509	462	+10.2%	+19.0%
Profit attributable to non-controlling interests	19	23		
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT, BEFORE EXCEPTIONAL EXPENSES, NET OF TAX	**508**	**530**	**-4.2%**	**+3.0%**
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (REPORTED)	**490**	**439**	**+11.6%**	**+20.3%**
Earnings per share *(in euro)*	3.23	2.91	+11%	+19.6%
Dividend per share *(in euro)*	1.80(3)	1.62	+11.1%	

(1) Operating profit before costs recorded in connection with the program to improve operational efficiency and reduce costs in Fiscal 2013 and Fiscal 2014 and after share of profit of companies consolidated by the equity method that directly contribute to the Group's business.
(2) Costs recorded in connection with the program to improve operational efficiency and reduce costs in Fiscal 2013 and Fiscal 2014.
(3) Subject to approval at the Annual Shareholders' Meeting on January 19, 2015.

Changes in scope of consolidation

External growth was 0.3%, with the main change in the scope of consolidation resulting from the increase in ownership to 100% of Crèche Attitude (France), which is now fully consolidated, at the beginning of the fiscal year.

Currency effects

Sodexo operates in 80 countries. The percentages of total revenues and operating profit denominated in the main currencies are as follows:

	Revenues	Operating profit
U.S. dollar	36%	36%
Euro	29%	17%
UK pound sterling	8%	6%
Brazilian real	6%	20%

The currency effect is determined by applying the previous year's average exchange rates to the current year figures.

		(in millions of euro)		
Impact of exchange rates	**Change vs. the euro (in %, average rate)**	**Revenues**	**Operating profit**	**Net profit**
Euro/U.S. dollar	-3.9%	(267)	(14)	(5)
Euro/Brazilian real	-12.4%	(152)	(27)	(14)
Euro/UK pound sterling	+1.6%	24	1	1
Euro/bolivar fuerte	-80%	(83)	(42)	(2)

During Fiscal 2014, the Brazilian real declined 12.4% against the euro. The U.S. dollar lost 3.9% and the UK pound sterling gained 1.6%.

Continuing the method used since 2010 to translate amounts in Venezuelan bolivars into euro and present performance for the year, the consolidated financial statements were prepared using an average exchange rate of 51.06 bolivars = 1 U.S. dollar (equivalent to 67.34 bolivars = 1 euro). This rate is the one used for the most recent transactions carried out by Sodexo (notably in June 2014) on the new SICAD II foreign exchange platform set up by the Venezuelan government in March 2014. This new rate used to translate income statement items represented an 80% decline in the bolivar against the euro in Fiscal 2014.

The effects of this decline (including on the consolidated statement of financial position which is translated at the closing exchange rate for the year) are presented in the table below. The effect on profit attributable to equity holders of the parent is just 2 million euro, which is not material.

MAIN EFFECTS OF THE DEVALUATION ON THE FISCAL 2014 INCOME STATEMENT AND THE STATEMENT OF FINANCIAL POSITION AT AUGUST 31, 2014 (IN MILLIONS OF EURO):

Impact on revenues	Impact on operating profit	Impact on hyperinflation cost*	Impact on other income statement items**	Impact on profit attributable to equity holders of the parent	Impact on total cash flow	Impact on shareholders' equity
(83)	(42)	32	8	(2)	(64)	(37)

* *Included in financing costs.*
** *Including other components of financial income and expense, income tax expense and non-controlling interests.*

Reflecting the application of this foreign currency exchange rate, Group operations in Venezuela represented just 0.1% of consolidated revenues and around 1% of consolidated operating profit in Fiscal 2014.

3.1.2.2 REVENUE GROWTH

Sodexo's consolidated revenues for Fiscal 2014 declined by 2.1% to 18 billion euro. Organic growth was 2.3%.

Organic growth for the **On-site Services** activity was 1.8%. In a sluggish global economy, this increase reflects stronger demand for Sodexo's integrated Quality of Life Services offers in most regions. These well-configured offers, which include a significant facilities management component, helped to offset the decline in foodservices volumes, particularly in Europe, that resulted from client downsizing plans.

Organic growth in **Benefits and Rewards Services** revenues was 13%. The significant acceleration compared with Fiscal 2013 reflected the sustained growth dynamic in Latin America and healthy expansion in Asia, led by India and China.

3.1.2.3 GROWTH IN OPERATING PROFIT BEFORE EXCEPTIONAL EXPENSES

Group operating profit before exceptional expenses was 966 million euro, an increase of 10.7% excluding currency effects and 0.2% at current currency exchange rates over the prior year.

The overall growth in operating profit included some outstanding gains:

- 20.5% in On-site Services activity in the Rest of the World region;
- 17.7% in On-site Services activity in Continental Europe; and
- nearly 12% in Benefits and Rewards Services activity.

At the same time, however, due to the significant start-up costs incurred for large contracts, On-site Services operating profit in North America and the United Kingdom and Ireland was more or less stable compared with the prior year.

At the beginning of Fiscal 2013, Group senior management launched a program to improve operational efficiency and reduce costs. The objective of the program was to reduce on-site operating costs and achieve sustained administrative cost savings, with annual savings increasingly affecting operating profit starting in Fiscal 2014 and Fiscal 2015. In line with this time-scale, Sodexo benefited from the initial positive effects of the plan in Fiscal 2014, with cost savings of 100 million euro.

Consolidated operating margin therefore improved by 0.5 point, rising from 5.2% in Fiscal 2013 to 5.7% in Fiscal 2014, excluding currency effects. Including currency effects, consolidated operating margin was 5.4% at current currency exchange rates.

3.1.2.4 REPORTED OPERATING PROFIT

Reported operating profit amounted to 939 million euro, an increase of 13.8% at current currency exchange rates and 25.9% excluding currency effects.

Exceptional expenses related to the program to improve operational efficiency and reduce costs amounted to 27 million euro in Fiscal 2014. They included:

- exceptional expenses which reduced gross margin: 12 million euro related to asset impairments and the cost of terminating certain under-performing contracts or activities;
- exceptional expenses recorded in overheads: 15 million euro related in particular to various cost-reduction measures taken.

The total costs incurred under the program to improve operational efficiency and reduce costs during the 18-month period from September 2012 to February 2014 amounted to 166 million euro. The program is expected to generate annual savings in the same amount in Fiscal 2015, representing a 100% payback.

As part of the plan, Sodexo decided to terminate under-performing contracts and activities representing annual revenues of around 450 million euro.

Information related to operating profit in the remainder of this section excludes these exceptional expenses.

3.1.2.5 NET FINANCING COSTS

Net financing costs increased to 173 million euro in Fiscal 2014 from 136 million euro in Fiscal 2013.

Net borrowing costs decreased by 11 million euro compared with Fiscal 2013, following the refinancing operations carried out since the beginning of Fiscal 2014 and the gradual reduction in borrowings.

The interest cost on defined benefit plan obligations increased slightly. In addition, year-on-year comparisons were unfavorably affected by the prior year proceeds from the sale of financial investments, particularly equity interests in project companies set up in connection with Public-Private Partnership (PPP) contracts in the United Kingdom, which reduced net financing costs by 28 million euro in Fiscal 2013.

3.1.2.6 INCOME TAX EXPENSE

Income tax expense amounted to 265 million euro, representing an effective tax rate of 34.8% as compared to the prior year rate of 34.3%.

3.1.2.7 GROUP NET PROFIT AND EARNINGS PER SHARE

Group net profit was 490 million euro compared to 439 million euro in the prior year, an increase of 11.6% or 20.3% excluding currency effects.

Earnings per share was 3.23 euro compared to 2.91 euro for the prior year, an increase of 11% or 19.6% excluding currency effects.

The costs incurred in connection with the program to improve operational efficiency and reduce costs had an after-tax negative impact on Group net profit of 18 million euro in Fiscal 2014 compared to 91 million euro in Fiscal 2013.

3.1.2.8 PROPOSED DIVIDEND

At the Annual Shareholders' Meeting to be held on January 19, 2015, the Board of Directors will recommend paying a dividend of 1.80 euro per share for Fiscal 2014, an increase of 11.1% over the prior year. This proposal is in line with Sodexo's policy of allowing shareholders to benefit from the increase in Group net profit; it also reflects the Board's great confidence in the Group's future and takes into consideration Sodexo's solid cash-generating financial model. The proposed dividend represents a payout ratio of 56% of Group net profit (54% of Group net profit before exceptional expenses related to the program to improve operational efficiency and reduce costs).

Shares held in registered form for more than four years as of August 31, 2014 and still held when the dividend becomes payable in February 2015, will qualify for a 10% dividend premium, provided that they do not represent over 0.5% of the capital per shareholder.

3.1.2.9 ANALYSIS OF CHANGES IN REVENUES AND OPERATING PROFIT BY ACTIVITY

Revenues by activity *(in millions of euro)*	Fiscal 2014	Fiscal 2013	Change at current exchange rates	Change at constant exchange rates
On-site Services				
North America	6,759	6,821	-0.9%	+3.7%
Continental Europe	5,702	5,716	-0.2%	+0.7%
Rest of the World	3,327	3,683	-9.7%	+0.4%
United Kingdom and Ireland	1,483	1,397	+6.2%	+4.6%
Total On-site Services	**17,271**	**17,617**	**-2.0%**	**+2.1%**
Benefits and Rewards Services	**751**	**790**	**-4.9%**	**+13.7%**
Intragroup eliminations	**(6)**	**(10)**		
TOTAL	**18,016**	**18,397**	**-2.1%**	**+2.6%**

Operating profit by activity[1] *(in millions of euro)*	Fiscal 2014	Fiscal 2013	Change at current exchange rates	Change at constant exchange rates
On-site Services				
North America	358	372	-3.8%	+0.5%
Continental Europe	231	198	+16.7%	+17.7%
Rest of the World	140	127	+10.2%	+20.5%
United Kingdom and Ireland	66	67	-1.5%	-3.0%
Total On-site Services	**795**	**764**	**+4.1%**	**+8.0%**
Benefits and Rewards Services	**268**	**304**	**-11.8%**	**+11.8%**
Corporate expenses	**(91)**	**(94)**		
Eliminations	**(6)**	**(10)**		
TOTAL	**966**	**964**	**+0.2%**	**+10.7%**

(1) Operating profit before costs recorded in connection with the program to improve operational efficiency and reduce costs in Fiscal 2013 and Fiscal 2014 and after share of profit of companies consolidated by the equity method that directly contribute to the Group's business.

On-site Services represents 96% of consolidated revenues and 75% of consolidated operating profit before eliminations and corporate expenses. The Benefits and Rewards Services activity accounts for 4% of consolidated revenues and 25% of consolidated operating profit before eliminations and corporate expenses.

On-site Services

REVENUES

Growth by region:

(in millions of euro)	Fiscal 2014	Fiscal 2013	Organic growth	Acquisitions	Currency effect	Total growth
North America	6,759	6,821	+3.7%			
Continental Europe	5,702	5,716	-0.2%			
Rest of the World	3,327	3,683	+0.2%			
United Kingdom and Ireland	1,483	1,397	+4.7%			
TOTAL ON-SITE SERVICES	**17,271**	**17,617**	**+1.8%**	**+0.3%**	**-4.1%**	**-2.0%**

Growth by segment:

(in millions of euro)	Fiscal 2014	Fiscal 2013	Organic growth	Acquisitions	Currency effect	Total growth
Corporate	9,208	9,445	+2.2%			
Health Care and Seniors	4,280	4,370	+1.1%			
Education	3,783	3,802	+1.4%			
TOTAL ON-SITE SERVICES	**17,271**	**17,617**	**+1.8%**	**+0.3%**	**-4.1%**	**-2.0%**

On-site Services revenues totaled 17.3 billion euro, a decline of 2%. Organic growth was 1.8%.

Facilities management services now account for 28% of consolidated revenues. As has been the case for the last three fiscal years, revenues from these services are continuing to grow more rapidly than foodservices revenues (almost three times faster in Fiscal 2014), providing renewed confirmation of the relevance of the Group's strategic positioning.

Fiscal 2014 organic growth in revenues on the same basis of comparison was as follows by client segment:

- 2.2% in **Corporate,** reflecting three contrasting trends:
  - on the one hand, sustained demand in North America, Europe and in emerging countries for multi-services contracts with a significant technical maintenance component,
  - on the other hand:
    - declining foodservices volumes in several countries, particularly in Europe. Clients continued to seek additional cost savings and to downsize their workforces, while the effects of reductions in consumer spending were felt, particularly in France, the Netherlands, Italy and Spain,
    - a sharp 4.5% decline in Remote Sites activity, in particular in the mining sector, both worldwide and more specifically in Africa, the Middle East, Australia and Latin America.

    Excluding Remote Sites, Corporate segment organic growth was around 4%;
- 1.1% in **Health Care and Seniors,** reflecting moderate growth in On-site Services activity in both North America and Europe. In addition, Sodexo decided not to pursue the expansion of a new multi-site integrated services contract in North America;
- 1.4% in **Education,** with a modest increase in the number of consumers (universities and schools) in North America, and solid growth in emerging countries that benefit from Sodexo's expertise in this segment.

The On-site Services activity's key growth indicators were as follows:

- a 93.4% client retention rate. This represented a sharp improvement compared to the prior year, and was in spite of Sodexo's decision to terminate certain under-performing contracts and the completion of certain Remote Site projects. The rate was particularly high in the United Kingdom and Ireland (at close to 97%) and it also improved in Continental Europe and Latin America, as well as for the Remote Sites activity;
- 2.5% growth on existing sites, compared to 2.1% for the prior year. The increase was mainly attributable to improvements by Sodexo teams in reflecting the effects of inflation in pricing both in Europe and in Latin America, which offset continued decreases in volumes in foodservices in Europe and the slowdown in economic growth in certain emerging countries;
- a 7.1% business development rate (new contract wins). The overall decline compared to 7.8% in Fiscal 2013 masked improvements in Continental Europe and China, as well as for the Remote Sites activity, thanks to the many new integrated services contracts sold during the year. The amount of new contracts won during the fiscal year was 1.3 billion euro in annual revenues.

OPERATING PROFIT

On-site Services operating profit, excluding exceptional expenses related to the program to improve operational efficiency and reduce costs, amounted to 795 million euro as compared to 764 million euro in Fiscal 2013.

The 8% increase at constant exchange rates was generated primarily in Continental Europe and the Rest of the World region and was partly due to the initial effects of the program to improve operational efficiency and reduce costs. On-site Services operating margin was 4.6% in Fiscal 2014 compared to 4.3% in Fiscal 2013.

ANALYSIS BY GEOGRAPHIC REGION

North America

Revenues

(in millions of euro)	Fiscal 2014	Fiscal 2013	Organic growth	Acquisitions	Currency effect	Total growth
Corporate	1,704	1,647	+8.9%			
Health Care and Seniors	2,439	2,521	+1.1%			
Education	2,616	2,653	+2.8%			
TOTAL	**6,759**	**6,821**	**+3.7%**	**+0.0%**	**-4.6%**	**-0.9%**

On-site Services revenues in North America were 6.8 billion euro. Organic growth for the year of 3.7% significantly exceeded the 0.6% recorded in Fiscal 2013.

At 8.9%, organic growth in the Corporate segment was at its highest level since 2007, reflecting the success of facilities management services offers for such clients as Unilever, OneMain Financial/Citi Financial and The Boeing Company, as well as the development of several major Remote Sites in Canada, such as Suncor Fort Hills and La Romaine 3.

Sodexo won many new contracts during the fiscal year, notably with Bloomberg and Dow Jones & Company.

In Health Care and Seniors, the 1.1% revenue growth was due to modest growth on sites, slower-than-expected ramp-up of major contracts won in 2013 and the sale of certain under-performing laundry activities. In addition, following a change in the client's strategy, in the last quarter of Fiscal 2014 Sodexo decided not to pursue the ramp-up of the expanded contract for the ManorCare national retirement home network and to revert to the original contract scope consisting of services provided for many years in the Northeastern United States.

Contract wins during the year included Covenant Care (Alberta) in Canada, USC Kenneth Norris Jr Cancer Hospital (California) and Wheaton Franciscan Hospital (Wisconsin) in the United States.

Organic growth in **Education** was **2.8%.** The growth dynamic was maintained thanks to a high client retention rate and improved growth in On-site Services revenues in the Schools and Universities segments linked to increases in student spending and in the number of meals served.

New contracts signed during the year included Chicago Public Schools, Jackson State University (Mississippi) and William Rainer Harper College (Illinois).

Operating profit

On-site Services **operating profit** in North America totaled 358 million euro, an increase of 0.5% over the prior year excluding currency effects.

Many productivity improvement initiatives were launched as part of a structured program, leading in particular to further advances in menu standardization and improved management of overheads. However, these gains were partially masked by the significant start-up costs incurred notably for the ManorCare contract, and by a one-off increase in provisions for impairment of certain trade receivables.

Operating margin was 5.3% compared to 5.5% in Fiscal 2013.

Continental Europe

Revenues

(in millions of euro)	Fiscal 2014	Fiscal 2013	Organic growth	Acquisitions	Currency effect	Total growth
Corporate	3,404	3,407	+1.1%			
Health Care and Seniors	1,380	1,404	-1.2%			
Education	918	905	-3.6%			
TOTAL	**5,702**	**5,716**	**-0.2%**	**+0.9%**	**-0.9%**	**-0.2%**

In Continental Europe, revenues totaled 5.7 billion euro, with organic growth representing a negative 0.2%.

Performances were mixed, depending on the country. Sodexo continued to expand in Central Europe and improved its performance in Germany and Belgium, but experienced a further decline in foodservices volumes, particularly in France and the Netherlands. In addition, growth in Russia slowed considerably in the second half of the fiscal year, as a result of the geopolitical situation.

In **Corporate,** organic growth was **1.1%,** reflecting the continued success of integrated service offers with a significant facilities management component, which were sold to many clients throughout Europe. These services enabled Sodexo to maintain its growth momentum and to offset the decline in foodservices volumes that was due, in particular, to client downsizing plans. Recent contract wins included Carlsberg (for 35 sites in 10 countries, with a wide range of services including cleaning, reception, grounds keeping, foodservices, and technical maintenance of buildings and fire protection systems), and Johnson & Johnson in Germany.

In **Health Care and Seniors,** organic revenue growth in Continental Europe was a negative **1.2%,** reflecting weak growth in On-site Services revenues due in particular to shorter patient stays and erosion of the client retention rate in Northern Europe over the twelve months of Fiscal 2014. Recent contract wins included the Regional Hospital in Saint Omer and the Clinique Générale in Annecy, in France, and the Istituto Fisioterapici Ospitalieri (IFO) in Italy.

In **Education,** the **3.6%** decline in revenues was due to Sodexo's decision to terminate or not to renew certain under-performing contracts, notably in Southern Europe, and to reductions in school budgets in several countries. Sodexo's teams nevertheless signed several major contracts, for example with the public schools in Asnières-sur-Seine in France and Taideyliopiston Sibelius Akatemia in Finland.

Operating profit

Operating profit from On-site Services in Continental Europe rose by 33 million euro (or nearly 18% excluding currency effects) to 231 million euro, and operating margin improved significantly, to 4.1% from 3.5% in Fiscal 2013. This performance was above all attributable to effective management of overheads. It also reflected the positive effects of several initiatives conducted as part of the program to improve operational efficiency in several European countries. In France, the *crédit d'impôt pour la compétitivité et l'emploi* (CICE) recognized in operating profit helped to offset the increase in payroll taxes observed in recent years.

Rest of the World (Latin America, Middle East, Asia, Africa, Australia and Remote Sites)

Revenues

(in millions of euro)	Fiscal 2014	Fiscal 2013	Organic growth	Acquisitions	Currency effect	Total growth
Corporate	3,030	3,398	-1.3%			
Health Care and Seniors	172	171	+17.1%			
Education	125	114	+17.4%			
TOTAL	**3,327**	**3,683**	**+0.2%**	**+0.2%**	**-10.1%**	**-9.7%**

In the Rest of the World (Latin America, Africa, Middle East, Asia, Australia and Remote Sites), Sodexo reaffirmed its leadership in high potential emerging markets. Revenues for the fiscal year amounted to 3.3 billion euro. Unfavorable exchange rates reduced reported revenues by 369 million euro.

Excluding currency effects, revenues in the Rest of the World region were stable, edging up 0.4%.

- Remote Site revenues (which accounted for 44% of the total for the region) declined by more than 7%, due to client delays in investing in new projects, implementation of cost reduction programs by mining sector clients and the large number of projects completed over the past eighteen months. Sales momentum by Sodexo's teams in the energy and infrastructure markets should drive a return to growth in Fiscal 2015;
- Excluding Remote Sites, organic growth in the Rest of the World region was 6.9%, with some regions such as India and Southeast Asia recording double-digit increases.

Organic growth in the **Corporate** segment declined by **1.3%** excluding currency effects. Services to companies in the manufacturing and services sectors (excluding Remote Sites) continued to grow at a satisfactory rate, with revenues up 5.6% in emerging countries with strong medium-term potential.

Sodexo's strong sales dynamic led to major contract wins, such as BHP Billiton Cerro Matoso, and Unysis in Colombia, Heineken in Brazil, Enel in Chile, Groote Eylandt Gemco (BHP Billiton) and Woodside Energy in Australia, Goodyear Tyres and Tetra Pak India in India, the Knesset in Israel, Mondelez International in Peru and Shanghai Mitsubishi Electric Ltd in China.

In **Health Care and Seniors,** organic revenue growth of **17.1%** reflected solid business development performance, particularly in Brazil and Asia, with new contracts such as Mater Dei Hospital (Belo Horizonte) in Brazil, Clinica Universitaria Boliviariana in Colombia, American Sino Medical Shanghai and the Beijing Jishuitan Hospital in China. The sustained, steady pace of business growth is the result of Sodexo's globally-recognized expertise in the Health Care and Seniors market.

In **Education,** Sodexo is also continuing to expand in emerging markets, contributing its expertise and deep familiarity with the various market segments to many clients, especially in Southeast Asia and India. Organic growth was **17.4%.** Contract wins by Sodexo's teams included Panyapiwat Institute of Management in Thailand, Fundaçao Getulio Vargas in Brazil and Universidad Santo Tomas in Chile.

Operating profit

Operating profit in the Rest of the World region increased by 20.5% excluding currency effects to 140 million euro. During the year, the integration of Puras in Brazil continued according to plan, allowing the implementation of additional operational synergies. In addition, efficient cost management and improved on-site productivity in all regions led to an increase in operating margin to 4.2% from 3.4% in Fiscal 2013.

United Kingdom and Ireland

Revenues

(in millions of euro)	Fiscal 2014	Fiscal 2013	Organic growth	Acquisitions	Currency effect	Total growth
Corporate	1,070	993	+6.3%			
Health Care and Seniors	289	274	+3.8%			
Education	124	130	-6.1%			
TOTAL	**1,483**	**1,397**	**+4.7%**	**-0.1%**	**+1.6%**	**+6.2%**

On-site Services revenues in the United Kingdom and Ireland totaled 1.5 billion euro, reflecting organic growth of 4.7%.

In Corporate, revenues grew by a strong 6.3%, reflecting increased demand for integrated services and the supply of additional services to such clients as GSK, Unilever, Agusta Westland and AstraZeneca. Fiscal 2014 revenues also include the start-up of a major service contract for the prison located in Northumberland in the Justice segment.

Organic growth in Health Care and Seniors remained strong, at 3.8%, reflecting ongoing service extensions for several hospitals, including North Staffordshire University Hospital and Romford Hospital. At the end of the fiscal year, Sodexo won a major contract with Imperial Hospital in London.

In Education, Sodexo won a prestigious contract with University College London. Other recent contract wins included The Lady Eleanor Holles School.

Operating profit

Operating profit amounted to 66 million euro, down 3% excluding currency effects.

Despite progress made in on-site productivity programs carried out in Fiscal 2014, operating margin declined from 4.8% to 4.5% as Sodexo teams began preparing for the 2015 Rugby World Cup, incurring marketing costs in connection with the Group's contract to supply hospitality services. The bulk of revenues generated by this event will be recognized in Fiscal 2016. In addition, start-up costs for the new Justice contract adversely affected growth in operating margin in Fiscal 2014.

Benefits and Rewards Services

Issue volume

(in millions of euro)	Fiscal 2014	Fiscal 2013	Organic growth	Acquisitions	Currency effect	Total growth
Latin America	7,323	8,128	+17.2%			
Europe and Asia	8,171	7,908	+4.1%			
TOTAL	**15,494**	**16,036**	**+10.7%**	**+0.8%**	**-14.9%**	**-3.4%**

Revenues

(in millions of euro)	Fiscal 2014	Fiscal 2013	Organic growth	Acquisitions	Currency effect	Total growth
Latin America	410	452	+20.8%			
Europe and Asia	341	338	+2.5%			
TOTAL	**751**	**790**	**+13.0%**	**+0.7%**	**-18.6%**	**-4.9%**

Benefits and Rewards Services issue volume (face value multiplied by the number of vouchers and cards issued) totaled approximately 15.5 billion euro in Fiscal 2014 and revenues from the activity amounted to 751 million euro.

Very strong underlying performances by the operating teams, in terms of both growth and margins, were masked by significant unfavorable currency effects, particularly for Latin American currencies (see explanation at the beginning of this section).

In **Latin America,** organic growth was very strong in Fiscal 2014, with issue volume increasing by over 17% and revenues by nearly 21%, in both cases excluding currency effects. These impressive gains reflected the sustained sales dynamic in Brazil, Chile and Venezuela, supported by innovations closely aligned with client needs. Around two-thirds of growth was due to market penetration and cross-selling, while the other third resulted from inflation in these countries.

In **Europe and Asia,** organic growth in issue volume and revenues was 4.1% and 2.5% respectively, reflecting contract wins for Quality of Life Services, particularly in the United Kingdom with Money Boost, in Turkey with the offer for Ferrero, and in Central Europe. Organic growth was also led by faster development in Asia, particularly in India and China.

Recent contract wins included Santander in Brazil with 22,000 beneficiaries of the Pass Cultura, Johnson Controls in Romania, the Konak District, part of the Izmir municipality in Turkey, the General Directorate of Customs in the Czech Republic, Alcatel Lucent in Mexico, Fundación Escolar Del Estado Lara in Venezuela, Abbott Laboratories in Mexico and Petrobras in Brazil.

Operating profit

Benefits and Rewards Services **operating profit** increased by nearly 12% (excluding currency effects) to 268 million euro in Fiscal 2014, representing 25% of the Group's consolidated operating profit.

The solid growth reflected the leverage provided by issue volume growth and the cost efficiencies generated by tight management of operating expenses. Sodexo's Benefits and Rewards Services solutions are now 63% digital, following a gradual shift that has taken place over the past ten years in the various countries. Sodexo is constantly adapting to changes in payment media, while continuing to invest to improve its client service performance and better anticipate their future needs.

For Fiscal 2014, Benefits and Rewards Services operating margin was 35.7% at current currency exchange rates and 37.9% excluding currency effects, compared to 38.5% in the prior year. Margins were negatively affected in Fiscal 2014 by the sharp decline in Latin American currencies (Venezuelan bolivar and Brazilian real).

3.1.3 CONSOLIDATED FINANCIAL POSITION

3.1.3.1 CASH FLOWS

Presented below are the key components of the consolidated cash flow statement:

(in millions of euro)	Year ended	
	August 31, 2014	August 31, 2013
Net cash provided by operating activities	825	618
Net cash used in investing activities	(337)	(315)
Net cash used in financing activities	920	(273)
Increase in net cash and cash equivalents	1,408	30

Net cash provided by operating activities amounted to 825 million euro, representing 200 million euro more than in Fiscal 2013. Two factors explain the increase:

- the 119 million euro rise in operating profit of consolidated companies, due notably to a low basis of comparison in Fiscal 2013 when operating profit was weakened by exceptional charges related to the cost of implementing the program to improve operating efficiency and reduce costs;
- a sharp improvement in working capital requirement, due mainly to an improvement in the timing of client payments.

The net cash provided by operating activities was used to finance:

- net capital expenditure and client investments of 287 million euro, representing 1.6% of revenues; and
- acquisitions for a total of 50 million euro, mainly Crèche Attitude in France (increase in control to 100%-owned).

Net cash provided by financing activities comprises:

- dividend payments for 266 million euro, including 248 million euro paid to Sodexo SA shareholders; and
- a 1,203 million euro increase in borrowings following two refinancing operations carried out during the year.

In all, net cash provided by operating, investing and financing activities in Fiscal 2014 totaled 1,408 million euro.

3.1.3.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of euro)	August 31, 2014	August 31, 2013		August 31, 2014	August 31, 2013
Non-current assets	6,852	6,626	Shareholders' equity	3,189	2,950
Current assets excluding cash	4,120	3,902	Non-controlling interests	32	37
Financial assets related to the Benefits and Rewards Services activity	758	734	Non-current liabilities	3,830	2,738
Cash and cash equivalents	2,748	1,347	Current liabilities	7,427	6,884
TOTAL ASSETS	**14,478**	**12,609**	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	**14,478**	**12,609**
			Net debt	371	478
			Net debt ratio	12%	16%

Small gains in the U.S. dollar and, above all, the UK pound sterling, had a positive impact on several items in the consolidated statement of financial position at August 31, 2014, such as goodwill. However, the increase in cash and cash equivalents and non-current liabilities was primarily due to the refinancing operations carried out during the year.

Borrowings at August 31, 2014 amounted to 3,816 million euro, a higher level than that as of August 31, 2013 (2,519 million euro). During the year, Sodexo carried out two major debt refinancing operations:

- a private placement with U.S. investors in March 2014 for 1.1 billion U.S. dollars, structured in five tranches with maturities ranging from 5 to 15 years and an average interest rate of 3.8%; and
- a 1.1 billion euro bond issuance in June 2014, comprising a 7.5-year tranche and a 12-year tranche, at an average interest rate of 2.1%.

These two operations enabled Sodexo to refinance borrowings maturing in 2014 and 2015 at lower interest rates, significantly extend the average maturity of its debt and gradually reduce its average annual borrowing cost.

Borrowings now mainly comprise two tranches of a euro-denominated bond issue for 500 million euro and 600 million euro respectively, an 880 million euro bond issue maturing in January 2015 and three private placements with U.S. investors for a total of 1,591 million euro. The remaining balance includes various bank loans and facilities, capital leases and derivative financial instruments.

As of August 31, 2014, the average interest rate on borrowings was 4.3%.

Cash and cash equivalents net of bank overdrafts totaled 2,687 million euro at August 31, 2014. Cash investments by the Benefits and Rewards Services activity in instruments with maturities of over three months increased to 343 million euro. Restricted cash in the Benefits and Rewards Services activity totaled 415 million euro.

As of August 31, 2014, the operating cash position (which includes Benefits and Rewards Services cash investments and restricted cash) was 3,445 million euro, including 1,582 million euro for Benefits and Rewards Services.

Net debt at August 31, 2014 was 371 million euro, representing 12% of consolidated equity compared to 16% at August 31, 2013. Gross debt repayment capacity as of the same date represented 5.4 years of operating cash flow (4.1 years after including the reimbursement of bonds in January 2015) compared to 3.4 years as of the prior year-end.

As of August 31, 2014, the Group had unused bank credit facilities of 992 million euro.

SUBSEQUENT EVENTS

On September 12, 2014, Sodexo's Benefits and Rewards Services subsidiary in the United Kingdom announced that it had signed an agreement for the acquisition of Motivcom plc. The acquisition should be completed before the end of the year.

3.1.4 OUTLOOK

At the November 10, 2014 Board of Directors meeting, Chief Executive Officer Michel Landel highlighted the effectiveness of the Group's long-term strategy, based on a unique range of integrated Quality of Life Services, an unparalleled global network in its activities, and undisputed leadership in emerging countries.

Michel Landel summarized three priorities for the Group going forward in the coming years:

- demonstrate the value of Sodexo's offer in a rapidly changing world, thanks to unique and differentiated Quality of Life Services offerings in its three activities, by showing how these services improve the daily life of its customers and the performance of its clients;
- deliver the best of Sodexo across its international network spanning 80 countries, using the Group's deep-seated understanding of clients' businesses, in each client segment and sub-segment, and its unique knowledge of the needs of the 75 million consumers that it serves daily;
- strengthen Sodexo's competitiveness, efficiency and profitability, while continuing to deploy new standards and adopt the best available processes.

In the context of a global economy shaped currently by low inflation and an uncertain macro-economic and political environment in certain emerging countries in the short-term, Fiscal 2015 commences with three favorable trends for Sodexo:

- Increasing demand for integrated services confirming the relevance of the Group's offer;
- Continued sustained momentum and double-digit growth in the Benefits and Rewards Services activity in Latin America and Asia;
- A strong development rate (new contract wins) in Remote Sites that should lead to a return to growth in this activity in the first half of the fiscal year.

However, ramp-up of some of the more comprehensive integrated service contracts is proving to take longer than in the past.

Nonetheless, Michel Landel reaffirmed his confidence in the Group's ability to achieve further operating leverage and profitability improvement during Fiscal 2015, thanks to the structured action plans implemented at all levels of the organization to achieve the Fiscal 2015 objective; a program to improve operational efficiency that is already delivering results; and, finally, the full engagement of all Sodexo teams around initiatives to improve competitiveness.

Accordingly, for Fiscal 2015 Sodexo is targeting:

- **organic growth in revenues of around 3%;**
- **an increase in operating profit of around 10% excluding currency effects, representing an overall improvement in operating margin** of 0.8% over a two year period excluding currency effects, in alignment with the objectives set in November 2013.

In the medium-term, Sodexo is convinced that it can capture an even greater share of its markets' considerable potential that is almost 50 times its current revenues and also achieve lasting improvement in profitability.

Further, Michel Landel noted that his Group Executive Committee has been given the task of defining, over the coming fiscal year, the necessary steps to progressively move from an organization by country to an organization by global client segment. This organizational transformation will make it easier for Sodexo to give its international and local clients the benefit of its expertise and consumer insights in each of its markets.

He explained that by accelerating investment in nontangible assets, in particular, by developing the Group's human resources and strengthening technical and innovation capabilities throughout the world, Sodexo is continuing to focus its teams on the sustained drive to improve competitiveness.

Hence, the Group's **medium-term** ambition (over the next three to five years) is to achieve:

- **an annual average revenue growth rate (excluding currency effects) of between 4% and 7%;**
- **an annual average growth in operating profit (excluding currency effects) of between 8% and 10%;** and
- **an average annual cash conversion ratio of around 100%,** allowing the Group to comfortably self-finance its development.

Lastly, Michel Landel reaffirmed his strong confidence in Sodexo's future and reiterated its core strengths:

- **the Group's independence;**
- **a largely untapped potential market** estimated at nearly 50 times Sodexo's current revenue;
- **a unique range** of Quality of Life Services particularly well aligned with evolving client demand;
- **an unparalleled global network in our services** spanning 80 countries;
- **unchallenged leadership in emerging countries;**
- **a robust financial model** that allows Sodexo to self-finance its development;
- **a strong culture and engaged teams.**

In conclusion, Michel Landel added: "I would like to take this opportunity to thank our clients for their loyalty, our shareholders for their confidence and the Group's 419,000 employees for their efforts in Fiscal 2014 and for their daily commitment to improving the quality of life of our clients and consumers."

3.2 Sodexo consolidated financial statements as of August 31, 2014

3.2.1 CONSOLIDATED INCOME STATEMENT

(in millions of euro)	Notes	Fiscal 2014	Fiscal 2013
Revenues	3	**18,016**	**18,397**
Cost of sales	4.1	(15,265)	(15,651)
Gross profit		**2,751**	**2,746**
Sales department costs	4.1	(262)	(265)
General and administrative costs	4.1	(1,554)	(1,649)
Other operating income	4.1	44	20
Other operating costs	4.1	(46)	(38)
Operating profit[1]	3	**933**	**814**
Share of profit of companies consolidated by the equity method that directly contribute to the Group's business	3 and 4.9	6	11
Operating profit after share of profit of companies consolidated by the equity method that directly contribute to the Group's business		**939**	**825**
Interest income	4.2	20	53
Financing costs	4.2	(193)	(189)
Share of profit of other companies consolidated by the equity method	3 and 4.9	8	6
Profit for the period before tax		**774**	**695**
Income tax expense	4.3	(265)	(233)
Profit for the year		**509**	**462**
Of which:			
Non-controlling interests		19	23
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**490**	**439**
Earnings per share *(in euro)*	4.4	3.23	2.91
Diluted earnings per share *(in euro)*	4.4	3.19	2.88

(1) Including 27 million euro in costs recorded in Fiscal 2014 (139 million euro in Fiscal 2013) in connection with the program to improve operational efficiency and reduce costs (see note 2.22.4).

3.2.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of euro)	Notes	Fiscal 2014	Fiscal 2013
Profit for the year		**509**	**462**
Components of other comprehensive income to be reclassified subsequently to profit or loss			
Change in fair value of available for sale financial assets	4.11.2 and 4.14		1
Change in fair value of available for sale financial assets reclassified to profit or loss	4.11.2 and 4.14		
Change in fair value of Cash Flow Hedges	4.16 and 4.14	(14)	
Change in fair value of Cash Flow Hedges reclassified to profit or loss	4.16 and 4.14	13	12
Currency translation differences		29	(342)
Tax on components of other comprehensive income to be reclassified subsequently to profit or loss	4.14		(4)
Share of other components of comprehensive income of companies consolidated by the equity method, net of tax	4.14		7
Components of other comprehensive income that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan obligation	4.17.1 and 4.14	(75)	(11)
Tax on components of other comprehensive income that will not be reclassified subsequently to profit or loss	4.14	16	5
Total other comprehensive income (loss), after tax		**(31)**	**(332)**
COMPREHENSIVE INCOME		**478**	**130**
Of which:			
Equity holders of the parent		467	109
Non-controlling interests		11	21

3.2.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in millions of euro)	Notes	August 31, 2014	August 31, 2013
NON-CURRENT ASSETS			
Property, plant and equipment	4.5	555	540
Goodwill	4.6	4,971	4,803
Other intangible assets	4.7	524	528
Client investments	4.8	361	288
Companies consolidated by the equity method	4.9	60	78
Financial assets	4.11	122	118
Derivative financial instrument assets	4.16	17	69
Other non-current assets	4.12	16	14
Deferred tax assets	4.20	226	188
Total non-current assets		**6,852**	**6,626**
CURRENT ASSETS			
Financial assets	4.11	8	7
Derivative financial instrument assets	4.16	35	39
Inventories		265	271
Income tax receivable		185	119
Trade and other receivables	4.12	3,627	3,466
Restricted cash and financial assets related to the Benefits and Rewards Services activity	4.11	758	734
Cash and cash equivalents	4.13	2,748	1,347
Total current assets		**7,626**	**5,983**
TOTAL ASSETS		**14,478**	**12,609**

LIABILITIES AND SHAREHOLDERS' EQUITY

(in millions of euro)	Notes	August 31, 2014	August 31, 2013[1]
SHAREHOLDERS' EQUITY			
Common stock		628	628
Additional paid in capital		1,109	1,109
Reserves and retained earnings		1,452	1,213
Equity attributable to equity holders of the parent		**3,189**	**2,950**
Non-controlling interests		**32**	**37**
Total shareholders' equity	**4.14**	**3,221**	**2,987**
NON-CURRENT LIABILITIES			
Borrowings	4.15	2,895	1,895
Derivative financial instrument liabilities	4.16	1	1
Employee benefits	4.17	449	376
Other liabilities	4.19	233	214
Provisions	4.18	104	99
Deferred tax liabilities	4.20	148	153
Total non-current liabilities		**3,830**	**2,738**
CURRENT LIABILITIES			
Bank overdrafts	4.13	61	40
Borrowings	4.15	957	712
Derivative financial instrument liabilities	4.16	15	19
Income tax payable		132	109
Provisions	4.18	88	116
Trade and other payables	4.19	3,592	3,347
Vouchers payable		2,582	2,541
Total current liabilities		**7,427**	**6,884**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**14,478**	**12,609**

(1) After restatement of past service costs in application of the revised IAS 19 (see note 2.1.2).

3.2.4 CONSOLIDATED CASH FLOW STATEMENT

(in millions of euro)	Notes	Fiscal 2014	Fiscal 2013
Operating activities			
Operating profit		933	814
Elimination of non-cash and non-operating items			
Depreciation, amortization and impairment of intangible assets and property, plant and equipment		250	271
Provisions		(21)	93
(Loss)/gain on disposal and other non-cash items		(30)	(4)
Dividends received from companies consolidated by the equity method		12	16
Change in working capital from operating activities		117	(129)
Change in inventories		5	6
Change in trade and other receivables		(138)	(197)
Change in trade and other payables		218	67
Change in vouchers payable		103	151
Change in financial assets related to the Benefits and Rewards Services activity		(71)	(156)
Interest paid		(159)	(171)
Interest received		24	10
Income tax paid		(301)	(282)
Net cash provided by operating activities		**825**	**618**
Investing activities			
Acquisitions of property, plant and equipment and intangible assets		(245)	(241)
Disposals of property, plant and equipment and intangible assets		26	12
Change in client investments	4.8	(68)	(7)
Change in financial assets		0	19
Acquisitions of subsidiaries		(50)	(99)
Dispositions of subsidiaries		0	1
Net cash used in investing activities		**(337)**	**(315)**
Financing activities			
Dividends paid to parent company shareholders	4.14	(248)	(240)
Dividends paid to non-controlling shareholders of consolidated companies		(18)	(23)
Purchases of treasury shares	4.14	(74)	(47)
Disposition of treasury shares		57	71
Acquisition of non-controlling interests			(12)
Proceeds from borrowings		1,903	44
Repayment of borrowings		(700)	(66)
Net cash provided by/(used in) financing activities		**920**	**(273)**
CHANGE IN NET CASH AND CASH EQUIVALENTS		**1,408**	**30**
Net effect of exchange rates and other effects on cash		(28)	(159)
Net cash and cash equivalents, beginning of period		1,307	1,436
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**4.13**	**2,687**	**1,307**

3.2.5 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euro)	Shares outstanding	Share capital	Share premium	Treasury shares	Reserves and comprehensive income	Translation adjustments	Total shareholders' equity: Attributable to equity holders of the parent	Non-controlling interests	Total
Notes	4.14			4.14	4.14				
Shareholders' equity as of August 31, 2012[1]	157,132,025	628	1,109	(416)	1,864	(154)	3,031	35	3,066
Profit for the year					439		439	23	462
Other comprehensive income (loss), net of tax					10	(340)	(330)	(2)	(332)
Comprehensive income					449	(340)	109	21	130
Dividends paid					(240)		(240)	(24)	(264)
Increase in share capital									
Decrease in share capital									
Treasury shares				24			24		24
Share-based payment (net of income tax)					20		20		20
Change in ownership interest without any change of control					(2)		(2)		(2)
Other[2]					8		8	5	13
Shareholders' equity as of August 31, 2013[1]	157,132,025	628	1,109	(392)	2,099	(494)	2,950	37	2,987
Profit for the year					490		490	19	509
Other comprehensive income (loss), net of tax					(60)	37	(23)	(8)	(31)
Comprehensive income					430	37	467	11	478
Dividends paid					(248)		(248)	(19)	(267)
Increase in share capital									
Decrease in share capital									
Treasury shares				(17)			(17)		(17)
Share-based payment (net of income tax)					33		33		33
Change in ownership interest without any change of control									
Other[2]					4		4	3	7
Shareholders' equity as of August 31, 2014	**157,132,025**	**628**	**1,109**	**(409)**	**2,318**	**(457)**	**3,189**	**32**	**3,221**

(1) After restatement of past service costs in application of the revised IAS 19 (see note 2.1.2).
(2) Including the effects of hyperinflation.

3.3 Notes to the consolidated financial statements

DETAILED LIST OF NOTES

Sodexo is a *société anonyme* (a form of limited liability company) domiciled in France, with its headquarters located in Issy-les-Moulineaux.
Sodexo's consolidated financial statements for the fiscal year ended August 31, 2014 were approved by the Board of Directors on November 10, 2014 and will be submitted to the Annual Shareholder's Meeting on January 19, 2015.

1. SIGNIFICANT EVENTS

As explained in note 4.15 "Borrowings", on March 4, 2014 the Group borrowed 1.1 billion U.S. dollars through a private placement with U.S. investors (U.S. Private Placement) structured in five tranches with maturities of 5, 7, 10, 12, and 15 years. This borrowing was used to refinance the Group's 500 million euro bond issue that matured on March 28, 2014. On June 24, 2014, Sodexo SA completed a bond issuance structured in two tranches: 600 million euro maturing in 7.5 years and another tranche for 500 million euro maturing in 12 years, for the purpose of refinancing the 880 million euro bond issue maturing on January 30, 2015. The transactions have significantly extended the maturity of the Group's borrowings and will gradually reduce their cost.

As explained in note 2.3.3.2 "Financial statements denominated in foreign currencies", for the translation of the financial statements of subsidiaries operating in Venezuela, Sodexo uses a specific exchange rate corresponding to the rate obtained for the most recent transactions in bolivars. On March 24, 2014, the Venezuelan government created a new foreign exchange platform called SICAD II (Alternative Currencies Exchange System). On June 12, 2014, Sodexo carried out its first transaction on this platform, at an exchange rate of 52.10 bolivars = 1 U.S. dollar (corresponding to 70.72 bolivars = 1 euro). To maintain consistency with the translation method used since Fiscal 2010, the financial statements of subsidiaries operating in Venezuela have been translated at the rate obtained for the most recent transactions. This rate was 1 U.S. dollar = 51.06 bolivars (corresponding to 1 euro = 67.34 bolivars) at August 31, 2014.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1.1 Basis of preparation of financial information for Fiscal 2014

Pursuant to European Regulation 1606/2002 of July 19, 2002, the consolidated financial statements of the Sodexo Group have been prepared in accordance with international financial reporting standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the European Union as of the period end. A comprehensive list of accounting standards adopted by the European Union is available for consultation on the European Commission website at http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

Information for the comparative year presented has been prepared using the same principles.

The IFRS application dates as approved by the European Union are the same as those for the IFRS standards published by the IASB during the past three years, except for IFRS 10, IFRS 11 and IFRS 12, which are applicable in accounting periods beginning on or after January 1, 2013 according to the IASB and in accounting periods beginning on or after January 1, 2014 in the European Union. The Group early-adopted these standards as from September 1, 2013 (see note 2.1.3). Any difference between the two sets of standards arising out of delays in approval by the European Union had no impact on the consolidated financial statements.

2.1.2 New accounting standards and interpretations required to be applied

The new standards, interpretations or amendments whose application was mandatory for the Group effective for the fiscal year beginning September 1, 2013 had no material impact on the consolidated financial statements.

In particular, retrospective application of the revised IAS 19 "Employee Benefits", which notably requires the expected return on defined benefit plan assets to be measured using the discount rate applied to determine the defined benefit obligation under these plans and the recognition as an expense of certain costs related to the administrative management of certain defined benefit plan funds, would not have a material impact on the Fiscal 2013 income statement. As a result, comparative information for Fiscal 2013 has not been restated to reflect the application of this revised standard. Unrecognized past service costs in the amount of 4 million euro were recognized by adjusting shareholders' equity as of August 31, 2012, net of tax.

Adoption of IFRS 13 "Fair Value Measurement", which was applicable by the Group as from September 1, 2013, had no material impact on the consolidated financial statements.

2.1.3 Accounting standards and interpretations issued but not yet applicable

The Group elected to early adopt IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", as well as the amendments to IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures". Application of these standards and amendments had no material impact on the consolidated financial statements.

The Group has not elected to early adopt any other standards, interpretations or amendments not required to be applied in Fiscal 2014.

The Group has not applied any IFRSs that had not yet been approved by the European Union as of August 31, 2014.

2.2 USE OF ESTIMATES

The preparation of financial statements requires the management of Sodexo and its subsidiaries to make estimates and assumptions which affect the amounts reported for assets, liabilities and contingent liabilities as of the date of preparation of the financial statements, and for revenues and expenses for the period.

These estimates and evaluations are updated continuously based on past experience and on various other factors considered reasonable in view of current circumstances, and are the basis for the assessments of the carrying amount of assets and liabilities.

Actual results may differ substantially from these estimates if assumptions or circumstances change.

Significant items subject to such estimates and assumptions include the following:

- impairment of current and non-current assets (notes 4.10 to 4.12);
- fair value of derivative financial instruments (note 4.16);
- provisions and litigation (notes 4.18 and 4.28);
- valuation of post-employment defined benefit plan assets and liabilities (note 4.17);
- recognition of deferred tax assets (note 4.20);
- share-based payment (note 4.22);
- valuation of goodwill and intangible assets acquired as part of a business combination, as well as their estimated useful lives (note 4.23).

2.3 PRINCIPLES AND METHODS OF CONSOLIDATION

2.3.1 Intragroup transactions

Intragroup transactions and balances, and unrealized losses and gains between Group companies, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, unless they represent an impairment loss.

2.3.2 Consolidation methods

A subsidiary is an entity directly or indirectly controlled by Sodexo SA. The Group controls a subsidiary when it is exposed, or has rights to obtain variable benefits from its involvement with the subsidiary and has the ability to influence those benefits through its power over the subsidiary. In determining whether control exists, voting rights granted by equity instruments are taken into account only when they give the Group substantive rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained to the date on which control ceases to be exercised.

Associates are companies in which Sodexo SA directly or indirectly exercises significant influence over financial and operating policy without exercising exclusive or joint control. Joint ventures are joint arrangements in which Sodexo SA directly or indirectly exercises joint control and has rights to the net assets of the arrangement. Associates and joint ventures are consolidated by the equity method. Sodexo has a number of equity interests in project companies established in connection with Public-Private Partnership (PPP) contracts. These contracts enable governments to call upon the private sector for the design, construction, financing and management of public infrastructure (hospitals, schools, barracks, prisons), with detailed performance criteria. An analysis is performed for each of these equity interests, in order to determine whether they qualify as associates or joint ventures.

Sodexo only makes equity and subordinated debt investments in such projects when it acts as a service provider to the project company.

Further information on the main entities consolidated as of August 31, 2014 is provided in note 6.

2.3.3 Foreign currency translation

The exchange rates used are derived from rates quoted on the Paris Bourse and other major international financial markets.

2.3.3.1 FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities denominated in foreign currencies at the period end are translated using the closing rate. The resulting translation differences are reported in financial income or expense.

Non-monetary foreign-currency assets and liabilities reported at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities reported at fair value are translated using the exchange rate at the date when the fair value was determined.

Transactions for the period are translated at the exchange rate at the transaction date.

Translation differences on monetary items that are in substance part of a net investment in a foreign operation consolidated by Sodexo are reported in other comprehensive income until the disposal or liquidation of the investment.

2.3.3.2 FINANCIAL STATEMENTS DENOMINATED IN FOREIGN CURRENCIES

Countries with stable currencies

The separate financial statements of each consolidated entity are presented on the basis of the primary economic environment (functional currency) in which the entity operates.

For consolidation purposes, all foreign-currency assets and liabilities of consolidated entities are translated into the reporting currency of the Sodexo Group (the euro) at the closing exchange rate, and all income statement items are translated at the average exchange rate for the period. The resulting translation differences are recognized in other comprehensive income under "Currency translation differences". At the time of the transition to IFRS, the cumulative translation adjustments recognized as of September 1, 2004 were reclassified to consolidated reserves.

Statutory monetary adjustments are maintained in the financial statements of subsidiaries in countries that were previously hyperinflationary (Argentina, Chile, Colombia, Mexico and Turkey). The residual translation differences between the monetary adjustment and the use of closing exchange rates are reported in shareholders' equity.

Countries with hyperinflationary economies

For these countries, the difference between profit or loss for the period translated at the average rate and profit or loss for the period translated at the closing rate is recognized in financial income or expense.

Subsidiaries operating in Venezuela

At the end of calendar 2009, Venezuela joined the list of countries considered hyperinflationary according to the criteria in IAS 29. Consequently, with effect from the fiscal year ended August 31, 2010, for the preparation of the consolidated financial statements the Group has applied the specific accounting requirements of this standard to the transactions of its subsidiaries operating in Venezuela that use the local currency as their functional currency.

Effective from Fiscal 2010, the Group no longer uses the official exchange rate published by the Venezuelan government, and the financial statements of subsidiaries operating in Venezuela are now translated at the actual rate obtained for the most recent currency transactions. Accordingly, based on the rates obtained for a transaction carried out in June 2014 on the SICAD II platform and other transactions carried out in August 2014, the exchange rates used are 1 U.S. dollar = 51.06 bolivars (1 euro = 67.34 bolivars) for the year ended August 31, 2014, and 1 U.S. dollar = 10.20 bolivars (1 euro = 13.50 bolivars) for the year ended August 31, 2013.

2.4 BUSINESS COMBINATIONS AND GOODWILL

The purchase method is used to account for acquisitions of subsidiaries by the Group. Fair value of the consideration corresponds to the fair value of assets acquired, equity instruments issued by the purchaser and liabilities assumed as of the date of the acquisition. Costs directly related to the acquisition are expensed as incurred in the income statement.

On initial consolidation of a subsidiary or equity interest, the Group measures all identifiable elements acquired at fair value at the acquisition date, in the currency of the acquired entity.

Changes to the measurement of identifiable assets and liabilities resulting from specialist evaluations or additional analysis may be recognized as adjustments to goodwill if they are identified within one year of the date of acquisition and result from facts and circumstances existing at the acquisition date. Once this one year period has elapsed, the effect of any adjustments is recognized directly in the income statement (unless it is the correction of an error), including recognition of deferred tax assets which are recognized in the income statement as a tax benefit if more than one year after the acquisition date. Goodwill arising on the acquisition of associates and joint ventures is included in the value of the equity method investment.

2.4.1 Goodwill

2.4.1.1 ACQUISITIONS MADE SINCE SEPTEMBER 1, 2009

Any residual difference between the fair value of the consideration transferred (for example the amount paid), increased by the amount of the non-controlling interest in the acquired company (measured either at fair value or its share in the fair value of the identifiable net assets acquired) and the fair value as of the date of acquisition of the acquired assets or liabilities assumed, is recognized as goodwill in the statement of financial position.

The Group measures non-controlling interests on a case-by-case basis for each business combination either at fair value or based on their percentage interest in the fair value of identifiable net assets acquired.

2.4.1.2 ACQUISITIONS MADE BETWEEN SEPTEMBER 1, 2004 AND AUGUST 31, 2009

Any excess of the cost of an acquisition over the Group's interest in the fair value at the acquisition date of the identifiable assets, liabilities and contingent liabilities has been recognized as goodwill in the statement of financial position. Costs incurred and directly related to the acquisition were included in the acquisition cost and therefore in goodwill.

Goodwill is not amortized, but is subject to impairment tests immediately if there are indicators of impairment, and at least once per year. Impairment test procedures are described in note 2.8. Goodwill impairment losses recognized in the income statement are irreversible.

2.4.2 Bargain purchases

When the fair value of the net assets acquired and the liabilities assumed as of the acquisition date is greater than acquisition cost, increased by the amount of any non-controlling interest, the excess – representing negative goodwill – is immediately recognized in the income statement in the period of acquisition, after reviewing the procedures for the identification and measurement of the different components included in the calculation.

2.4.3 Transactions in non-controlling interests

Changes in non-controlling interests, in the absence of either assumption or loss of control, are recognized in shareholders' equity. In particular, when additional shares in an entity already controlled by the Group are acquired, the difference between the acquisition cost of the shares and the share of net assets acquired is recognized in equity attributable to equity holders of the parent. The consolidated value of the assets and liabilities of the subsidiary (including goodwill) remains unchanged.

Prior to September 1, 2009, goodwill was recognized as of the date of acquisition of non-controlling interests, representing the excess of the cost of acquisition of the shares over their carrying value as of the transaction date.

2.4.4 Adjustments and/or earn-outs

Since September 1, 2009, earn-outs related to business combinations are recognized at their fair value as of the date of acquisition even if they are considered to be not probable. After the date of acquisition, changes in estimates of the fair value of price adjustments are adjusted to goodwill only if they occur within the time period allowed (a maximum of one year as of the date of acquisition) and if they result from facts and circumstances that existed at the acquisition date. In all other cases, the change is recognized in profit and loss except when the consideration transferred consists of an equity instrument.

2.4.5 Step acquisitions

In a step acquisition, the fair value of the Group's previous interest in the acquired entity is measured at the date that control is obtained and is recognized in profit and loss. In determining the amount of goodwill recognized, the fair value of the consideration transferred (for example the price paid) is increased by the fair value of the interest previously held by the Group.

2.5 INTANGIBLE ASSETS

Separately acquired intangible assets are initially measured at cost. Intangible assets acquired in connection with a business combination and which can be reliably measured, are controlled by the Group and are separable or arise from a legal or contractual right, are recognized at fair value separately from goodwill. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and impairment losses.

Intangible assets other than certain trademarks having an indefinite useful life are considered to have finite useful lives, and are amortized by the straight-line method over their expected useful lives:

Integrated management software	3-7 years
Other software	3-5 years
Patents and licenses	2-10 years
Client relationships	3-20 years
Other intangible assets	3-20 years

Acquired trademarks with a finite useful life are generally amortized over a period of less than ten years. Trademarks that the Group considers as having an indefinite useful life (notably based on criteria relating to their durability and name recognition) are not amortized.

In view of the legal characteristics of French commercial leases, lease rights are considered as having an indefinite useful life and are not amortized.

The cost of licenses and software recognized in the statement of financial position comprises the costs incurred in acquiring the software and bringing it into use, and is amortized over the estimated useful life of the asset.

Subsequent expenditures on intangible assets are capitalized only if they increase the expected future economic benefits associated with the asset to which they relate. Other expenditures are expensed as incurred.

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, except for land, which is measured at cost less accumulated impairment losses. Cost includes expenditures directly incurred to acquire the asset, and in some cases may also include estimated unavoidable future dismantling, removal and site remediation costs.

Subsequent expenditures are included in the carrying amount of the asset, or recognized as a separate component, if it is probable that the future economic benefits of the expenditures will flow to Sodexo and the cost can be measured reliably. All other repair and maintenance costs are recognized as expenses during the period in which they are incurred, except costs incurred to improve productivity or extend the useful life of an asset, which are capitalized.

Items of property, plant and equipment are depreciated over their expected useful lives using the component-based approach, taking account of their residual value. The straight-line method of depreciation is regarded as the method that most closely reflects the expected pattern of consumption of the future economic benefits embodied in items of property, plant and equipment.

The useful lives generally used by the Group are:

Buildings	20-30 years
General fixtures and fittings	3-10 years
Plant and machinery	3-8 years
Motor vehicles	4 years
Boats and pontoons (depending on the component)	5-15 years

The residual values and useful lives of items of property, plant and equipment are reviewed and, if necessary, adjusted at each period end.

The carrying amounts of items of property, plant and equipment are tested for impairment if there is an indication that an item has become impaired.

2.7 LEASES

Finance leases, under which substantially all the risks and rewards incidental to ownership of an asset are transferred to Sodexo, are accounted for as follows:

- at inception of the lease term, the leased asset is recognized as an asset at the lower of fair value or the present value of the minimum lease payments;
- the corresponding liability is recognized in borrowings;
- lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability.

An asset held under a finance lease is depreciated over its estimated useful life, or if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, over the shorter of the lease term and its useful life.

Leases under which the lessor retains substantially all the risks and rewards incidental to ownership of the asset are treated as operating leases. Payments made under operating leases are expensed as an operating item on a straight-line basis over the term of the lease.

2.8 IMPAIRMENT OF ASSETS

2.8.1 Impairment of assets with finite useful lives

Property, plant and equipment and intangible assets with finite useful lives are tested for impairment if there is an objective indication of impairment. Impairment losses are recognized in the income statement, and may be reversed subsequently.

2.8.2 Impairment of assets with indefinite useful lives

Goodwill and other intangible assets considered to have an indefinite useful life (such as trademarks) are tested for impairment whenever there is an indication of impairment, and at least annually, in the last quarter of the fiscal year. The results of the impairment tests are then confirmed using data as of August 31.

2.8.2.1 CASH GENERATING UNITS

Assets that do not generate cash inflows that are largely independent of those from other assets, and hence cannot be tested for impairment individually, are grouped together in Cash Generating Units (CGUs).

Impairment tests are performed at the level of the CGU or group of CGUs corresponding to the lowest level at which goodwill is monitored by the Group. This level generally corresponds to one of the Group's two main operating segments, with the On-site Services activity further segmented into geographic regions. Goodwill is not tested for impairment at a higher level than the operating segment (see note 3).

The assets allocated to each CGU or group of CGUs comprise:

- goodwill, which is allocated when the CGU or group of CGUs is likely to benefit from the business combination;
- other intangible assets, property, plant and equipment, client investments and net working capital.

2.8.2.2 INDICATIONS OF IMPAIRMENT

The main indicators that a CGU may be impaired are a significant decrease in the CGU's revenues and operating profit or material changes in market trends.

2.8.2.3 METHODS USED TO DETERMINE THE RECOVERABLE AMOUNT

An impairment loss is recognized in the income statement when the carrying amount of an asset or CGU is greater than its recoverable amount.

Recoverable amount is the greater of:

- fair value less costs to sell, *i.e.* the amount obtainable from the sale of an asset (net of selling costs) in an orderly transaction between market participants at the measurement date; and
- value in use, which is the present value of the future cash flows expected to be derived from continuing use and ultimate disposal of the asset or CGU.

The value in use of a CGU or group of CGUs is estimated using after-tax cash flow projections generally based on one- to three-year business plans prepared by management and extrapolated to future years.

Management both at Group and subsidiary levels prepares operating profit forecasts on the basis of past performance and expected market trends. The growth rate used beyond the initial period of the business plan reflects the growth rate for the business sector and region involved.

Expected future cash flows are discounted at the average cost of capital calculated for the Group. For certain CGUs or groups of CGUs a premium is added to the average cost of capital in order to reflect the greater risk factors affecting certain countries.

The growth and discount rates used for impairment tests during the period are provided in note 4.10.

2.8.2.4 RECOGNITION OF IMPAIRMENT LOSSES

An impairment loss recognized with respect to a CGU is allocated initially to reducing the carrying amount of any goodwill allocated to that CGU, and then to reducing the carrying amount of the other assets of the CGU in proportion to the carrying amount of each asset.

2.8.3 Reversal of impairment losses

Impairment losses recognized with respect to goodwill cannot be reversed.

Impairment losses recognized with respect to any other asset may only be reversed if there is an indication that the impairment loss is lower or no longer exists. The amount reversed is based on new estimates of the recoverable amount.

The increased carrying amount of an asset resulting from the reversal of an impairment loss cannot exceed the carrying amount that would have been determined for that asset had no impairment loss been recognized.

2.9 CLIENT INVESTMENTS

Some client contracts provide for a financial contribution by Sodexo. For example, the Group may participate in financing the purchase of equipment or fixtures on the client site that are necessary to fulfill service obligations, or it may make a financial contribution that will be recovered over the life of the contract. These assets are generally amortized over a period of less than 10 years, but may be amortized over a longer period depending on the contract duration. The amortization is recognized as a reduction to revenues over the life of the contract.

In the cash flow statement, changes in the value of these investments are presented as a component of investing cash flows.

2.10 INVENTORIES

Inventories are measured at the lower of cost or net realizable value. Cost is determined by the FIFO (First In First Out) method.

2.11 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognized at fair value, and are subsequently measured at amortized cost less impairment losses recognized in the income statement.

Impairment is recognized when there is objective evidence of the Group's inability to recover the full amount due under the initial contract terms. The impairment recognized represents the difference between the carrying amount of the asset and the discounted future cash flow, estimated using the initial effective interest rate. The resulting impairment loss is recognized in the income statement.

2.12 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized in the statement of financial position on the transaction date, which is the date when Sodexo becomes a party to the contractual provisions of the instrument.

The fair values of financial assets and derivative instruments are generally determined on the basis of quoted market prices or of valuations carried out by the depositary bank.

2.12.1 Financial assets

Financial assets are measured and recognized in three main categories:

- available-for-sale financial assets include equity investments in non-consolidated entities, marketable securities with maturities greater than three months, and restricted cash. They are measured at fair value, with changes in fair value recognized in other comprehensive income. When an available-for-sale financial asset is sold or impaired, the cumulative fair value adjustment recognized in other comprehensive income is transferred to the income statement. For securities listed on an active market, fair value is considered to equal market value. If no active market exists, fair value is generally determined based on appropriate financial criteria for the specific security. If the fair value of an available-for-sale financial asset cannot be reliably measured, it is recognized at cost;
- loans and receivables include financial and security deposits, and loans to non-consolidated equity investees. These financial assets are recognized in the statement of financial position at fair value and subsequently at amortized cost, which is equivalent to acquisition cost as no significant transaction costs are incurred in acquiring such assets. They are tested for impairment if there is an indication that they may be impaired, and an impairment loss is recognized if the carrying amount of the asset is greater than its estimated recoverable amount;
- financial assets at fair value through profit or loss include other financial assets held for trading and acquired for the purpose of resale in the near term. Subsequent changes in the fair value of these assets are recognized in financial income or expense in the income statement.

2.12.2 Derivative financial instruments

Sodexo's policy is to finance the majority of acquisition costs insofar as possible in the currency of the acquired entity, generally at fixed rates of interest.

Most of the Group's variable-rate borrowings are converted to fixed-rate using interest rate swaps. In most cases where borrowings are made in a currency other than that of the acquired entity, currency swaps are contracted.

These derivative financial instruments are initially recognized at fair value in the statement of financial position. Subsequent changes in the fair value of derivative instruments are recognized in the income statement, except in the case of instruments that qualify as Cash Flow Hedges.

For Cash Flow Hedges, the necessary documentation is prepared at inception and updated at each period end. Gains or losses arising on the effective portion of the hedge are recognized in other comprehensive income, and are not recognized in the income statement until the underlying asset or liability is realized. Gains or losses arising on the ineffective portion of the hedge are recognized in the income statement.

The fair value of these derivative instruments is generally determined based on valuations provided by the bank counter-parties.

2.12.3 Commitments to purchase non-controlling interests

As required by IAS 32, Sodexo recognizes commitments to purchase non-controlling interests as a liability within borrowings in the consolidated statement of financial position. In the absence of any IFRS standard or interpretation regarding the treatment of the related debit entry, Sodexo has elected to offset the amount involved against the relevant non-controlling interests in shareholders' equity until they are eliminated in full, and to treat any surplus as goodwill.

Firm commitments to purchase non-controlling interests, which were all entered into prior to September 1, 2009, are therefore accounted for as follows under IFRS:

- the liability arising from the commitment is recognized in other borrowings at the present value of the purchase commitment;

- the expected goodwill is recognized as an asset in the consolidated statement of financial position;
- the change in value arising from the unwinding of the discounting of the liability is recognized in the income statement as a financial expense.

Subsequent price adjustments are recognized as adjustments to the amount of goodwill for acquisitions made prior to September 1, 2009.

2.12.4 Bank borrowings and bond issues

All borrowings, including bank credit facilities and overdrafts, are initially recognized at the fair value of the amount received less directly attributable transaction costs.

Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of a financial liability to the net carrying amount of that liability. The calculation includes the effects of transaction costs, and of differences between the issue proceeds (net of transaction costs) and reimbursement value.

2.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise current bank account balances, cash on hand and short-term cash investments in money-market instruments which either have an initial maturity of less than three months at the moment of purchase or may be withdrawn at any time at a known cash value with no material risk of loss in value.

2.14 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying non-current asset are included in the cost of that asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying non-current asset are recognized as an expense using the effective interest method.

2.15 SODEXO TREASURY SHARES

Sodexo shares held by Sodexo SA itself and/or by other Group companies are shown as a reduction in consolidated shareholders' equity at their acquisition cost.

Gains and losses on acquisitions and disposals of treasury shares are recognized directly in consolidated shareholders' equity and do not affect profit or loss for the period.

2.16 PROVISIONS

A provision is recognized if the Group has a legal or constructive obligation at the period end and it is probable that settlement of the obligation will require an outflow of resources and the amount of the liability can be reliably measured.

Provisions primarily cover commercial, employee-related and tax-related risks and litigation (other than those related to income tax) arising in the course of operating activities, and are measured using assumptions that take account of the most likely outcomes.

Where the effect of the time value of money is material, the amount of the provision is determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the liability.

Loss-making contracts

A provision for onerous contracts is established where the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

2.17 EMPLOYEE BENEFITS

2.17.1 Short-term benefits

Group employees receive short-term benefits such as vacation pay, sick pay, bonuses and other benefits (other than termination benefits), payable within 12 months of the related service period.

These benefits are reported as current liabilities.

2.17.2 Post-employment benefits

Sodexo measures and recognizes post-employment benefits as follows:

- contributions to defined-contribution plans are recognized as an expense; and
- defined benefit plans are measured using actuarial valuations.

Sodexo uses the projected unit credit method as the actuarial method for measuring its post-employment benefit obligations, on the basis of the national or company-wide collective agreements effective within each entity.

Factors used in calculating the obligation include length of service, life expectancy, salary inflation, staff turnover, and macro-economic assumptions specific to countries in which Sodexo operates (such as inflation rate and discount rate).

Remeasurements of the net obligation under defined benefit plans, including actuarial gains and losses, differences between the return on plan assets and the corresponding interest income recognized in the income statement, and any changes in the effect of the asset ceiling, are recognized in other comprehensive income and have no impact on profit for the period.

Plan amendments and the establishment of new defined benefit plans result in past service costs that are recognized immediately in the income statement.

The accounting treatment applied to defined benefit plans is as follows:

- the obligation, net of plan assets, is recognized as a non-current liability in the consolidated statement of financial position if the obligation exceeds the plan assets;
- if the value of plan assets exceeds the obligation under the plan, the net amount is recognized as a non-current asset. Plan surpluses are recognized as assets only if they represent future economic benefits that will be available to Sodexo. Where the calculation of the net obligation results in an asset for Sodexo, the amount recognized for this asset may not exceed the present value of all future refunds and reductions in future contributions under the plan;
- the expense recognized in the income statement comprises:
  - current service cost, past service cost, if any, and the effect of plan settlements, all of which are recorded in operating income,
  - the interest expense (income) on the net defined benefit obligation (asset), calculated by multiplying the obligation (asset) by the discount rate used to measure the defined benefit obligation at the beginning of the period.

Sodexo contributes to multi-employer plans, primarily in Sweden and the United States. These plans are accounted for as defined contribution plans, as the information provided by the plan administrators is insufficient for them to be accounted for as defined benefit plans.

2.17.3 Other long-term employee benefits

Other long-term employee benefits are measured in accordance with IAS 19. The expected cost of such benefits is recognized as a non-current liability over the employee's period of service. Actuarial gains and losses and past service costs arising from plan amendments and the establishment of new plans are recognized immediately in the income statement.

2.18 VOUCHERS PAYABLE

Vouchers payable are recognized as a current liability at fair value, which is the face value of vouchers in circulation or returned to Sodexo but not yet reimbursed to affiliates.

2.19 SHARE-BASED PAYMENT

Some Group employees receive compensation in the form of share-based payment, for which payment is made in equity instruments.

The services compensated by these plans are recognized as an expense, with the offset recognized in shareholders' equity, over the vesting period. The amount of expense recognized in each period is determined by reference to the fair value of the equity instruments granted, as of the grant date.

Each year, Sodexo reassesses the number of potentially exercisable stock options that are expected to vest as well as the number of shares that will likely be delivered to beneficiaries of free shares based on the applicable vesting conditions. The impact of any change in estimates is recognized in the income statement, with the offset recognized in shareholders' equity.

The features of the Group's share-based payment plans are set out in note 4.22.

2.20 DEFERRED TAXES

Deferred taxes are recognized on temporary differences between the carrying amount of an asset or liability and its tax base, using the tax rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that are enacted or substantially enacted at the period end.

Deferred taxes are not recognized on the following items:

- initial recognition of goodwill;
- initial recognition of an asset in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit; and
- temporary differences on investments in subsidiaries that are not expected to reverse in the foreseeable future.

Taxes on items recognized directly in shareholders' equity or in other comprehensive income are recognized in shareholders' equity or in other comprehensive income and not in the income statement.

Residual deferred tax assets on temporary differences and tax loss carry-forwards (after offset of deferred tax liabilities) are only recognized if their recovery is considered probable.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets and liabilities and the deferred taxes relate to the same taxable entity and tax authority.

2.21 TRADE AND OTHER PAYABLES

Trade and other payables are measured at fair value on initial recognition, and subsequently at amortized cost.

2.22 INCOME STATEMENT

2.22.1 Income statement by function

Sodexo presents its income statement by function.

Operating profit comprises the following components:

- gross profit;
- sales department costs;
- general and administrative costs; and
- other operating income and expense.

Other operating income and expenses include amortization and impairment losses on client relationships and trademarks, impairment losses on goodwill, and gains and losses on disposals of property, plant and equipment, intangible assets and consolidated subsidiaries.

The Group's share of the profits of companies consolidated by the equity method is included in "Operating profit after share of profit of companies consolidated by the equity method that directly contribute to the Group's business" or below this line in "Profit for the period before tax" depending on the nature of each of these companies' activities.

2.22.2 Revenues

Revenues reported by Sodexo relate to the sale of services in connection with the ordinary activities of fully consolidated companies as follows:

- On-site Services: revenues include all revenues stipulated in the contract, taking into account whether Sodexo acts as principal (the vast majority of cases) or agent;
- Benefits and Rewards Services: revenues include commissions received from clients and affiliates, financial income from the investment of cash generated by the activity, and profits from vouchers and cards not reimbursed.

Revenues are measured at the fair value of the consideration received or to be received, net of discounts and rebates as well as value added tax (VAT) and other taxes. Revenues are recognized when it is probable that future economic benefits will flow to Sodexo and these benefits can be measured reliably. No income is recognized if there is significant uncertainty about recoverability of the costs incurred or to be incurred in meeting the service obligation.

Foodservices and other On-site Services revenues are recognized when the service is rendered.

Commissions received from clients in the Benefits and Rewards Services activity are recognized when the vouchers are issued and sent to the client or the cards are credited. Commissions received from affiliates are recognized when the vouchers are reimbursed or the cards are used. Profits from unreimbursed vouchers and cards are recognized based on their expiration date and the deadline for presentation for reimbursement by the affiliate.

2.22.3 Income tax expense

In connection with the introduction of the *contribution économique territoriale* (CET – "Local Economic Contribution") under the 2010 Finance Bill in France, which applies to French subsidiaries, Sodexo has elected to recognize in income tax expense the portion of the CET related to the *cotisation sur la valeur ajoutée des entreprises* (tax on corporate value added).

Tax credits that do not affect taxable profit and are always refunded by the French government if they have not been deducted from corporate income tax (including the Competitiveness and Employment Tax Credit (CICE) introduced in France under the third amended 2012 Finance Bill) are recognized as subsidies and therefore reduce the expenses to which they relate.

2.22.4 Program to improve operational efficiency and reduce costs

In early Fiscal 2013, the Group launched a program to improve its operational efficiency and reduce costs over a period of around 18 months, in order to strengthen its competitiveness. The expenses incurred in connection with this program are presented under various operating expense captions in the income statement depending on the functions concerned. In the Group's segment information they are presented in the "Unallocated" column. They mainly relate to net contract termination costs (including impairments of assets dedicated to the contracts and any losses and provisions related to loss-making contracts) and reorganization costs.

2.23 EARNINGS PER SHARE

Earnings per share is calculated by dividing profit for the period by the weighted average number of ordinary shares outstanding during the period, net of treasury shares.

In the calculation of diluted earnings per share, the denominator is increased by the number of potentially dilutive shares, and the numerator is adjusted for all dividends and interest recognized in the period and any other change in income or expenses that would result from conversion of the potentially dilutive shares.

Potential ordinary shares are treated as dilutive if and only if their conversion to shares would decrease earnings per share or increase loss per share.

A reconciliation between the weighted average number of ordinary shares for the period and the weighted average number of shares for the period adjusted for the effects of potentially dilutive ordinary shares is presented in note 4.4.

2.24 CASH FLOW STATEMENT

The cash flow statement analyzes changes in net cash and cash equivalents, defined as cash and cash equivalents less current bank overdrafts and credit bank balances payable on demand that form an integral component of treasury management.

3. OPERATING SEGMENTS

The Group's activities are monitored by the chief operating decision maker as follows: On-site Services and Benefits and Rewards Services. The On-site Services activity is further segmented by geographic region.

Operating segments with similar economic characteristics, including similar long-term average operating margins, are aggregated in a single operating segment.

The On-site Services – Rest of the World segment aggregates activities of three operating segments: On-site Services – Latin America, On-site Services – Africa, Middle East, Asia and Australia and On-site Services – China. These three operating segments aggregate countries and regions located in emerging economies and therefore have certain shared economic characteristics. In addition, none of these countries or regions meets the quantitative threshold for separate reporting under paragraph 13 of IFRS 8.

The Group's operating segments are as follows:

- On-site Services operating segments:
  - North America,
  - Continental Europe,
  - United Kingdom and Ireland,
  - Rest of the World;
- Benefits and Rewards Services.

No single Group client or contract accounts for more than 2% of consolidated revenues.

3.1 BY OPERATING ACTIVITY

Fiscal 2014 *(in millions of euro)*	On-site Services North America	Continental Europe	United Kingdom and Ireland	Rest of the World	Total	Benefits and Rewards Services	Corporate expenses	Eliminations	Unallocated(1)	Total
Revenues (third-party)	6,759	5,702	1,483	3,327	17,271	745				18,016
Inter-segment sales (Group)						6		(6)		0
TOTAL	**6,759**	**5,702**	**1,483**	**3,327**	**17,271**	**751**		**(6)**		**18,016**
Segment operating profit(2)	358	231	66	140	795	268	(91)	(6)	(27)	939
Share of profit of other companies consolidated by the equity method										8
Net financing costs										(173)
Income tax expense										(265)
Non-controlling interests										19
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										**490**
Depreciation/amortization of tangible and intangible assets	47	98	20	41	206	31	17		(4)	250
Other non-cash items	6	5	2	3	16	2	10			28

(1) Corresponding to the costs recorded in connection with the program to improve operational efficiency and reduce costs (see note 2.22.4).
(2) Including share of profit of companies consolidated by the equity method that directly contribute to the Group's business.

Fiscal 2013 *(in millions of euro)*	On-site Services North America	Continental Europe	United Kingdom and Ireland	Rest of the World	Total	Benefits and Rewards Services	Corporate expenses	Eliminations	Unallocated[1]	Total
Revenues (third-party)	6,821	5,716	1,397	3,683	17,617	780				18,397
Inter-segment sales (Group)						10		(10)		0
TOTAL	**6,821**	**5,716**	**1,397**	**3,683**	**17,617**	**790**		**(10)**		**18,397**
Segment operating profit[2]	372	198	67	127	764	304	(94)	(10)	(139)	825
Share of profit of other companies consolidated by the equity method										6
Net financing costs										(136)
Income tax expense										(233)
Non-controlling interests										23
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										**439**
Depreciation/ amortization of tangible and intangible assets	59	113	17	47	236	28			7	271
Other non-cash items	5	3	1	2	11	2	4			17

(1) Corresponding to the costs recorded in connection with the program to improve operational efficiency and reduce costs (see note 2.22.4).
(2) Including share of profit of companies consolidated by the equity method that directly contribute to the Group's business.

3.2 BY SIGNIFICANT COUNTRY

The Group's operations are spread across 80 countries, including two that each represent over 10% of consolidated revenues: France (the Group's home country) and the United States. Revenues and non-current assets in these countries are as follows:

August 31, 2014 *(in millions of euro)*	France	United States	Other	Total
Revenues (third-party)	2,827	6,385	8,804	18,016
Non-current assets(1)	1,009	2,715	2,687	6,411

(1) Excluding financial assets, investments in companies consolidated by the equity method, and deferred tax assets.

August 31, 2013 *(in millions of euro)*	France	United States	Other	Total
Revenues (third-party)	2,792	6,429	9,176	18,397
Non-current assets(1)	937	2,642	2,580	6,159

(1) Excluding financial assets, investments in companies consolidated by the equity method, and deferred tax assets.

3.3 BY TYPE OF SERVICE

Revenues by type of service are as follows:

(in millions of euro)	Fiscal 2014	Fiscal 2013
Foodservices	12,327	12,693
Facilities management services	4,944	4,924
Total On-site Services revenues	**17,271**	**17,617**
Benefits and Rewards Services	751	790
Eliminations	(6)	(10)
TOTAL CONSOLIDATED REVENUES	**18,016**	**18,397**

4. NOTES TO THE FINANCIAL STATEMENTS AS OF AUGUST 31, 2014

4.1 OPERATING EXPENSES BY NATURE

(in millions of euro)	Fiscal 2014[1]	Fiscal 2013[1]
Depreciation, amortization and impairment losses	(263)	(320)
Employee costs		
• Wages and salaries	(6,580)	(6,650)
• Other employee costs[2]	(1,960)	(2,049)
Purchases of consumables and change in inventory	(5,332)	(5,605)
Other operating expenses[3]	(2,948)	(2,959)
TOTAL	**(17,083)**	**(17,583)**

(1) Including 27 million euro in costs recorded in Fiscal 2014 (139 million euro in Fiscal 2013) in connection with the program to improve operational efficiency and reduce costs.
(2) Primarily payroll taxes, but also including costs associated with defined benefit plans (note 4.17), defined contribution plans (note 4.17), and stock options and free shares (note 4.22).
(3) Other operating expenses mainly include operating lease expenses (288 million euro for Fiscal 2014 and 306 million euro for Fiscal 2013), professional fees, other purchases of consumables, sub-contracting costs and travel expenses.

4.2 FINANCE INCOME AND EXPENSE

(in millions of euro)	Fiscal 2014	Fiscal 2013
Gross borrowing cost[1]	(157)	(158)
Interest income from short-term bank deposits and equivalent	16	6
Net borrowing cost	**(141)**	**(152)**
Interest income from loans and receivables at amortized cost	4	6
Other interest income		
Other interest expense	(4)	(5)
Net foreign exchange (losses)/gains	(6)	(7)
Net interest cost on net defined benefit plan obligation	(7)	(3)
Monetary adjustment for hyperinflation	(8)	(16)
Change in fair value of derivative financial instruments not qualified for hedge accounting	(1)	23
Other	(10)	18
Net financing costs	**(173)**	**(136)**
Interest income component	20	53
Financial expense component	(193)	(189)

(1) Gross borrowing cost represents interest expense on financial liabilities at amortized cost and interest expense on hedging instruments.

4.3 INCOME TAX EXPENSE

4.3.1 Income tax rate reconciliation

(in millions of euro)	Fiscal 2014	Fiscal 2013
Profit for the period before tax	774	695
Share of profit of companies consolidated by the equity method	(14)	(17)
Accounting profit before tax	**760**	**678**
Tax rate applicable to Sodexo SA(1)	38.0%	36.1%
Theoretical income tax expense	**(289)**	**(245)**
Effect of jurisdictional tax rate differences	55	39
Additional tax on dividends paid	(7)	(7)
Permanently non-deductible expenses or non-taxable income	17	25
Other tax repayments/(charges), net	(17)	(19)
Tax loss carry-forwards used or recognized during the period but not recognized as a deferred tax asset in prior periods	1	1
Tax loss carry-forwards arising during the period but not recognized as a deferred tax asset	(16)	(16)
Actual income tax expense	**(256)**	**(222)**
Withholding taxes	(9)	(11)
TOTAL INCOME TAX EXPENSE	**(265)**	**(233)**

(1) The tax rate includes the temporary surtax introduced in December 2011 for companies whose revenues (or those of the tax group of which they are a member) exceed 250 million euro, payable by Sodexo for the fiscal years ended August 31, 2012 through August 31, 2016.

4.3.2 Components of income tax expense

(in millions of euro)	Fiscal 2014	Fiscal 2013
Current income taxes	(256)	(203)
Adjustments to current income tax payable in respect of prior periods	1	0
Provision for tax exposures	(1)	(3)
Utilization of tax credits, tax losses and temporary difference carry-forwards	(32)	(37)
Current income taxes	**(288)**	**(243)**
Deferred taxes on temporary differences arising or reversing during the period	15	(10)
Deferred taxes on changes in tax rates or liability for taxes at new rates	2	(4)
Utilization of tax credits, tax losses and tax loss carry-forwards	15	35
Deferred income taxes	**32**	**21**
ACTUAL INCOME TAX EXPENSE	**(256)**	**(222)**

Accruals for withholding taxes on dividends receivable recognized by the Group amounted to 1 million euro in both Fiscal 2014 and Fiscal 2013.

The effective tax rate, calculated on the basis of the profit for the period before taxes and excluding the share of profit of companies consolidated by the equity method, increased from 34.3% for Fiscal 2013 to 34.8% for Fiscal 2014.

4.4 EARNINGS PER SHARE

The number of ordinary shares outstanding used in calculating basic and diluted earnings per share is shown below:

	Fiscal 2014	Fiscal 2013
Basic weighted average number of shares	151,893,759	150,980,749
Average dilutive effect of stock option and free share plans	1,712,862	1,384,095
Diluted weighted average number of shares	153,606,621	152,364,844

The table below presents the calculation of basic and diluted earnings per share:

	Fiscal 2014	Fiscal 2013
Profit for the period attributable to equity holders of the parent	490	439
Basic weighted average number of shares	151,893,759	150,980,749
Basic earnings per share[1]	**3.23**	**2.91**
Diluted weighted average number of shares	153,606,621	152,364,844
Diluted earnings per share[1]	**3.19**	**2.88**

(1) Basic and diluted earnings per share do not reflect the effect of the dividend premium to be paid on certain registered shares meeting the criteria described in note 4.14. Based on the number of registered shares as of August 31, 2014, such shares total 3,144,120 shares (3,992,369 shares as of August 31, 2013).

All of the stock option plans and free share plans have a dilutive impact in both Fiscal 2013 and Fiscal 2014.

4.5 PROPERTY, PLANT AND EQUIPMENT

4.5.1 Analysis of property, plant and equipment

The tables below include assets held under finance leases.

(in millions of euro)	Land and buildings	Plant and equipment	Construction in progress and other	Total
Carrying amount – August 31, 2012	96	413	65	574
Increases during the fiscal year	4	147	51	202
Decreases during the fiscal year	(1)	(14)	(3)	(18)
Assets classified as held for sale				
Newly consolidated companies		1		1
Newly deconsolidated companies				
Depreciation expense	(12)	(163)	(16)	(191)
Impairment losses recognized in profit or loss		(8)		(8)
Impairment losses reversed in profit or loss				
Translation adjustment	(2)	(18)	(1)	(21)
Other	1	23	(23)	1
Carrying amount – August 31, 2013	86	381	73	540
Increases during the fiscal year	5	137	63	205
Decreases during the fiscal year	(5)	(15)	(5)	(25)
Assets classified as held for sale				
Newly consolidated companies	6			6
Newly deconsolidated companies			(1)	(1)
Depreciation expense	(13)	(146)	(19)	(178)
Impairment losses recognized in profit or loss				
Impairment losses reversed in profit or loss		7		7
Translation adjustment	1			1
Other	1	28	(29)	0
Carrying amount – August 31, 2014	81	392	82	555

(in millions of euro)	August 31, 2014	August 31, 2013
Cost	1,691	1,702
Accumulated depreciation and impairment	(1,136)	(1,162)
Carrying amount	555	540

No item of property, plant and equipment is pledged as collateral for a liability.

Depreciation and impairment losses recognized in the income statement are classified as operating items and reported under either cost of sales, general and administrative costs or sales department costs.

4.5.2 Analysis of assets held under finance leases

Sodexo holds property, plant and equipment under a large number of finance leases on sites throughout the world. These leases relate mainly to kitchens and kitchen equipment, and office equipment; the terms are negotiated locally.

Carrying amount *(in millions of euro)*	**Buildings**	**Plant and equipment**	**Construction in progress and other**	**Total**
August 31, 2012	6	46	1	53
August 31, 2013	7	38	1	46
August 31, 2014	7	14		21

(in millions of euro)	**August 31, 2014**	**August 31, 2013**
Cost	59	112
Accumulated depreciation and impairment	(38)	(66)
Carrying amount	**21**	**46**

Maturities of payments under finance leases are provided in note 4.15.3.

4.6 GOODWILL

Changes in goodwill, aggregated by operating segment, were as follows during the fiscal year:

(in millions of euro)		**August 31, 2013**	**Additions during the period**	**Disposals during the period**	**Translation adjustment**	**Other**	**August 31, 2014**
On-site Services North America	Gross	2,216	2		8		2,226
	Impairment						
On-site Services United Kingdom and Ireland	Gross	557			40		597
	Impairment						
On-site Services Continental Europe	Gross	982	79		(6)		1,055
	Impairment						
On-site Services Rest of the World	Gross	485			24		509
	Impairment						
Benefits and Rewards Services	Gross	563	6		11	4	584
	Impairment	(2)					(2)
Holding companies	Gross	2					2
	Impairment						
TOTAL	**GROSS**	**4,805**	**87**		**77**	**4**	**4,973**
	IMPAIRMENT	**(2)**					**(2)**

Goodwill recognized in Fiscal 2014 on acquisitions made during the year mainly concerned the increase in ownership to 100% of Crèche Attitude in France.

Changes in goodwill, aggregated by operating segment, were as follows in Fiscal 2013:

(in millions of euro)		August 31, 2012	Additions during the period	Disposals during the period	Translation adjustment	Other	August 31, 2013
On-site Services North America	Gross	2,326			(110)		2,216
	Impairment						
On-site Services United Kingdom and Ireland	Gross	596			(41)	2	557
	Impairment						
On-site Services Continental Europe	Gross	988	4		(7)	(3)	982
	Impairment						
On-site Services Rest of the World	Gross	564	10		(92)	3	485
	Impairment						
Benefits and Rewards Services	Gross	557	78		(72)		563
	Impairment	(2)					(2)
Holding companies	Gross	2					2
	Impairment						
TOTAL	**GROSS**	**5,033**	**92**		**(322)**	**2**	**4,805**
	IMPAIRMENT	**(2)**					**(2)**

Goodwill recognized in Fiscal 2013 on acquisitions made during the year mainly concerned Servi-Bonos SA de CV in Mexico.

4.7 OTHER INTANGIBLE ASSETS

The tables below show movements in other intangible assets during Fiscal 2013 and Fiscal 2014.

(in millions of euro)	Licenses and software	Client relationships, trademarks and other	Total
Carrying amount – August 31, 2012	105	458(1)	563
Increases during the fiscal year	46	8	54
Decreases during the fiscal year	(2)		(2)
Assets classified as held for sale			
Newly consolidated companies	2	26	28
Newly deconsolidated companies			
Amortization expense	(42)	(32)	(74)
Impairment losses recognized in profit or loss			
Impairment losses reversed in profit or loss		2	2
Translation adjustment	(4)	(35)	(39)
Other	4	(8)	(4)
Carrying amount – August 31, 2013	109	419(1)	528
Increases during the fiscal year	41	5	46
Decreases during the fiscal year	(2)		(2)
Assets classified as held for sale			
Newly consolidated companies		22	22
Newly deconsolidated companies			
Amortization expense	(40)	(34)	(74)
Impairment losses recognized in profit or loss		(5)	(5)
Impairment losses reversed in profit or loss			
Translation adjustment		12	12
Other	3	(6)	(3)
Carrying amount – August 31, 2014	111	413(1)	524

(1) Including trademarks and lease rights with an indefinite useful life for 50 million euro at August 31, 2014 and 50 million euro at August 31, 2013.

(in millions of euro)	August 31, 2014	August 31, 2013
Cost	1,032	969
Accumulated amortization and impairment	(508)	(441)
Carrying amount	**524**	**528**

Amortization and impairment losses recognized in the income statement are classified as operating items and reported under either cost of sales, sales department costs or general and administrative costs, except for the amortization of client relationship and trademark intangible assets, which is recognized in "Other operating expenses".

4.8 CLIENT INVESTMENTS

(in millions of euro)	Fiscal 2014	Fiscal 2013
Carrying amount – September 1	288	296
Increases during the period	129	67
Decreases during the period	(61)	(60)
Translation adjustment	5	(15)
Carrying amount as of August 31	**361**	**288**

4.9 COMPANIES CONSOLIDATED BY THE EQUITY METHOD

When Sodexo is legally or constructively obligated to make payments on behalf of companies consolidated by the equity method, provision is made under liabilities in the consolidated statement of financial position for its share in the negative shareholders' equity of the said companies (*cf.* note 4.18). Changes in the Group's share of the net assets of companies consolidated by the equity method in Fiscal 2014 and Fiscal 2013 are shown below:

(in millions of euro)	Fiscal 2014			Fiscal 2013		
	Joint ventures	Associates	Total	Joint ventures	Associates	Total
As of September 1	56	4	60	42	6	48
Positive amounts	73	5	78	74	7	81
Negative amounts	(17)	(1)	(18)	(32)	(1)	(33)
Share of profit for the period	13	1	14	15	2	17
Other comprehensive income[1]				7		7
Dividend paid for the period	(11)	(1)	(12)	(12)	(3)	(15)
Changes in scope of consolidation	(14)		(14)	6	(1)	5
Translation adjustments	(1)		(1)	(3)		(3)
Other movements				1		1
AS OF AUGUST 31	**43**	**4**	**47**	**56**	**4**	**60**
Positive amounts	56	4	60	73	5	78
Negative amounts	(13)		(13)	(17)	(1)	(18)

(1) Corresponding to changes in fair value of derivative financial instrument hedges (note 4.16).

4.10 IMPAIRMENT OF ASSETS

Impairments of 43 million euro and 45 million euro were recognized on tangible and intangible assets (including goodwill) as of August 31, 2014 and 2013 respectively. Movements for the year represented a net release of 2 million euro in Fiscal 2014 and a net charge of 6 million euro in Fiscal 2013.

Assets with indefinite useful lives were tested for impairment as of August 31, 2014 using the methods described in note 2.8.2.

The main assumptions used rely on the macro-economic outlook for the geographic regions in which the CGUs or groups of CGUs defined by Sodexo operate. They are as follows (any impairment loss is recognized in other operating expense):

Economic region	Fiscal 2014		Fiscal 2013	
	Discount rate(1)	Long-term growth rate(2)	Discount rate(1)	Long-term growth rate(2)
Continental Europe	8.2% to 11.2%	2%	8.5% to 11%	2%
North America	8.2%	2.5%	8.5%	2.5%
United Kingdom and Ireland	8.2%	2.3%	8.5%	2.4%
Latin America	10.9%	4%	11%	4%
Rest of the World (excluding Latin America)	9.2%	3.3%	9.5%	3.3%
Benefits and Rewards Services	10.2%	3.6%	10.5%	3.6%

(1) The discount rate defined by the Group has been increased for certain regions in order to incorporate more significant risk factors affecting certain countries.
(2) The long-term growth rate serves to extrapolate the terminal value based on data in the management plans.

Sensitivity analysis

Sodexo has analyzed the sensitivity of impairment test results to different long-term growth rates and discount rates.

The results of this sensitivity analysis indicated no probable scenario where a change in the discount rate or long-term growth rate would result in the recoverable amount of a CGU or group of CGUs becoming less than its carrying amount. In fact, the results of the impairment testing demonstrate that even an increase of 200 basis points in the discount rate or a reduction of 200 basis points in the long-term growth rate would not result in an impairment of the assets tested for any of the CGUs or groups of CGUs tested.

The Group also performed a sensitivity analysis on the operational assumptions used in order to determine whether a 5% decrease in projected net cash flows over the time period of the business plans prepared by management and in terminal value would result in the recognition of an impairment loss in the Group's consolidated financial statements at August 31, 2014. The results of this analysis indicated no risk of impairment for any of the CGUs or groups of CGUs.

4.11 FINANCIAL ASSETS

4.11.1 Current and non-current financial assets

(in millions of euro)	August 31, 2014 Current	August 31, 2014 Non-current	August 31, 2013 Current	August 31, 2013 Non-current
Available-for-sale financial assets				
Investments in non-consolidated companies				
Cost		43		36
Impairment		(2)		(2)
Carrying amount		41		34
Restricted cash and financial assets related to the Benefits and Rewards Services activity				
Cost	758		734	
Impairment				
Carrying amount	758		734	
Loans and receivables				
Receivables from investees				
Cost		38		41
Impairment		(1)		(2)
Carrying amount		37		39
Loans and deposits				
Cost	9	54	8	48
Impairment	(1)	(10)	(1)	(3)
Carrying amount	8	44	7	45
TOTAL FINANCIAL ASSETS	**766**	**122**	**741**	**118**
Cost	767	135	742	125
Impairment	(1)	(13)	(1)	(7)
Carrying amount	766	122	741	118

PRINCIPAL INVESTMENTS IN NON-CONSOLIDATED COMPANIES

The Group holds an 18.50% interest in Bellon SA, the parent company of Sodexo SA, carried at a value of 32.4 million euro. This available-for-sale financial asset is an investment in a company that does not have a quoted market price on an active market, and whose value cannot be reliably measured. In addition, this investment is not a liquid instrument. Consequently, it is carried at cost. Any eventual decrease in the value of the Bellon SA shares would be recognized as an impairment.

RESTRICTED CASH

Restricted cash of 415 million euro included in "Restricted cash and financial assets related to the Benefits and Rewards Services activity" primarily includes funds set aside to comply with regulations governing the issuance of service vouchers in France (258 million euro), India (59 million euro) and Romania (36 million euro) and Belgium (27 million euro). The funds remain the property of Sodexo but are subject to restrictions on their use. They may not be used for any purpose other than to reimburse affiliates and must be kept separate from the Group's unrestricted cash. Restricted cash is invested in interest-bearing instruments.

4.11.2 Changes in current and non-current financial assets

(Carrying value in millions of euro)	August 31, 2013	Increase/ (decrease) during the period	Impairment	Change in scope of consolidation	Change in fair value	Translation adjustment and other items	August 31, 2014
Available-for-sale financial assets	768	72				(41)	799
Loans and receivables	91	(1)	(6)			5	89
TOTAL	**859**	**71**	**(6)**			**(36)**	**888**

(Carrying value in millions of euro)	August 31, 2012	Increase/ (decrease) during the period	Impairment	Change in scope of consolidation	Change in fair value	Translation adjustment and other items	August 31, 2013
Available-for-sale financial assets	645	153		9	1	(40)	768
Loans and receivables	101	4	(4)			(10)	91
TOTAL	**746**	**157**	**(4)**	**9**	**1**	**(50)**	**859**

4.12 TRADE AND OTHER RECEIVABLES

	August 31, 2014			August 31, 2013		
(in millions of euro)	Gross amount	Allowance	Carrying amount	Gross amount	Allowance	Carrying amount
Other non-current assets	16		16	14		14
Advances to suppliers	5		5	5		5
Trade receivables	3,300	(129)	3,171	3,184	(108)	3,076
Other operating receivables	322	(5)	317	270	(7)	263
Prepaid expenses	130		130	115		115
Non-operating receivables	4		4	7		7
TOTAL TRADE AND OTHER RECEIVABLES	**3,761**	**(134)**	**3,627**	**3,581**	**(115)**	**3,466**

The maturities of trade receivables as of August 31, 2014 and August 31, 2013 respectively were as follows:

	August 31, 2014		August 31, 2013	
Breakdown of trade receivables due as of August 31:	Gross amount	Allowance	Gross amount	Allowance
Less than 3 months due	479	(7)	467	(4)
More than 3 months and less than 6 months due	62	(22)	57	(10)
More than 6 months and less than 12 months due	113	(25)	106	(20)
More than 12 months due	77	(66)	74	(58)
TOTAL TRADE RECEIVABLES DUE AS OF AUGUST 31	**731**	**(120)**	**704**	**(92)**
TOTAL TRADE RECEIVABLES NOT YET DUE AS OF AUGUST 31	**2,569**	**(9)**	**2,480**	**(16)**
TOTAL TRADE RECEIVABLES AS OF AUGUST 31	**3,300**	**(129)**	**3,184**	**(108)**

During the fiscal years presented, the Group was not affected by any significant change resulting from client bankruptcies. In addition, given the geographic dispersion of the Group's activities, there is no concentration of risks in individual receivables due but not written down.

4.13 CASH AND CASH EQUIVALENTS

(in millions of euro)	August 31, 2014	August 31, 2013
Marketable securities	782	434
Cash	1,966	913
Total cash and cash equivalents	2,748	1,347
Bank overdrafts	(61)	(40)
NET CASH AND CASH EQUIVALENTS	**2,687**	**1,307**

Marketable securities comprised:

(in millions of euro)	August 31, 2014	August 31, 2013
Short-term notes	282	277
Term deposits	168	134
Listed bonds	8	1
Mutual funds and other	324	22
Total marketable securities	782	434

Around 82% of the Group's cash and cash equivalents, together with the restricted cash and financial assets of the Benefits and Rewards Services activity, is held with A1 or A2-rated financial institutions.

Cash and cash equivalents at the period end were not subject to any restrictions.

4.14 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Sodexo takes a long term view in managing its capital structure, with the objective of ensuring the Group's liquidity, optimizing its financial structure and allowing shareholders to benefit from its strong cash flows.

Contributing to decisions made may be objectives for earnings per share or estimated future cash flows, or balancing various components of the consolidated statement of financial position in order to meet the net debt criteria defined by Group management and communicated to the marketplace, notably a net debt to equity ratio of less than 75%. Net financial debt is defined as the difference between financial debt and total cash, which is further defined as cash and cash equivalents plus restricted cash and financial assets of the Benefits and Rewards Services activity less bank overdrafts.

The Group holds 5,298,649 Sodexo shares (versus 5,620,453 as of August 31, 2013) with a carrying amount of 318 million euro (309 million euro as of August 31, 2013) to cover its obligations under stock option and free share plans for Group employees. These treasury shares are deducted from shareholders' equity at cost.

During the fiscal year, the Group purchased 74 million euro of Sodexo SA shares in preparation for the future exercise of stock options by employees and the delivery of free shares granted to employees. In Fiscal 2013, 47 million euro of Sodexo SA shares were purchased.

The par value of Sodexo SA shares is 4 euro per share.

Company bylaws confer double voting rights on shares held in registered form for more than four years.

Further, since Fiscal 2013, shares held in registered form for at least four years and still held in that form when the dividend becomes payable, are entitled to a dividend premium equal to 10% of the dividend paid on the other shares. The number of shares eligible for this dividend premium may not exceed 0.5% of the share capital for any single shareholder.

Total dividends paid out in Fiscal 2014, adjusted for treasury shares, amounted to 248 million euro, for a dividend of 1.62 euro per share and, where applicable, a dividend premium of 0.16 euro per share.

Items recognized directly in other comprehensive income (OCI) (Group share) are shown below:

	August 31, 2014			August 31, 2013		
(in millions of euro)	(Decrease) increase during the year, pre-tax	Income tax benefit (expense)	(Decrease) increase during the year, net of tax	(Decrease) increase during the year, pre-tax	Income tax benefit (expense)	(Decrease) increase during the year, net of tax
Available-for-sale financial assets				1		1
Cash Flow Hedges	(1)		(1)	21	(6)[1]	15
Remeasurements of net defined benefit obligation	(75)	16	(59)	(11)	5	(6)
Translation adjustment	37		37	(340)		(340)
TOTAL OTHER COMPREHENSIVE INCOME (GROUP SHARE)	**(39)**	**16**	**(23)**	**(329)**	**(1)**	**(330)**

(1) Of which -2 million euro for Fiscal 2013 related to hedging instruments recognized in other comprehensive income for equity method companies and presented in the line item "Share of other components of comprehensive income of companies consolidated by the equity method, net of tax" in the Consolidated Statement of Comprehensive Income.

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4.15 BORROWINGS

(in millions of euro)	August 31, 2014 Current	August 31, 2014 Non-current	August 31, 2013 Current	August 31, 2013 Non-current
Bond issues				
Euro	918	1,096	542	883
Bank borrowings[1]				
U.S. dollar	31	1,560	124	725
Brazilian real			23	
Euro		220		252
Other currencies			3	
	31	**1,780**	**150**	**977**
Finance lease obligations				
Euro	3	8	4	9
Other currencies	1	2	11	17
	4	**10**	**15**	**26**
Other borrowings[2]				
Euro	1	5	2	5
Other currencies	3	4	3	4
	4	**9**	**5**	**9**
TOTAL EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**957**	**2,895**	**712**	**1,895**
Net fair value of derivative financial instruments[3]	(20)	(16)	(20)	(68)
TOTAL INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**937**	**2,879**	**692**	**1,827**

(1) Including the proceeds of the three private bond placements with U.S. private investors (respectively 360 million U.S. dollars, 600 million U.S. dollars and 1,100 million U.S. dollars).
(2) Including 4 million euro as of August 31, 2014 and 4 million euro as of August 31, 2013 corresponding to liabilities recognized in connection with the commitments to repurchase the non-controlling interests in certain subsidiaries.
(3) Described in note 4.16.

For borrowings other than bond issues, amortized cost is equivalent to historical cost (nominal amount) insofar as no significant transaction costs are incurred.

4.15.1 Bond issues

(in millions of euro)	August 31, 2013	Increases	Repayments	Discounting effects and other	August 31, 2014
2007 bond issue – 500 million euro					
Principal	500		(500)		0
Debt issuance costs					
Accrued interest	10			(10)	0
TOTAL	**510**		**(500)**	**(10)**	**0**
2009 bond issue – 880 million euro					
Principal	880				880
Debt issuance costs and issue premium	3			(2)	1
Accrued interest	32				32
TOTAL	**915**			**(2)**	**913**
2014 bond issue – 500 million euro					
Principal		500			500
Debt issuance costs and issue premium		(1)			(1)
Accrued interest				2	2
2014 bond issue – 600 million euro					
Principal		600			600
Debt issuance costs and issue premium		(2)			(2)
Accrued interest				2	2
TOTAL		**1,097**		**4**	**1,101**
TOTAL	**1,425**	**1,097**	**(500)**	**(8)**	**2,014**

	August 31, 2012	Increases	Repayments	Discounting effects and other	August 31, 2013
2007 bond issue – 500 million euro					
Principal	500				500
Debt issuance costs	(1)			1	
Accrued interest	10				10
TOTAL	**509**			**1**	**510**
2009 bond issue – 880 million euro					
Principal	880				880
Debt issuance costs and issue premium	5			(2)	3
Accrued interest	32				32
TOTAL	**917**			**(2)**	**915**
TOTAL	**1,426**			**(1)**	**1,425**

4.15.1.1 2007 BOND ISSUE – 500 MILLION EURO

The bonds issued by Sodexo SA on March 30, 2007, which bore interest at an annual rate of 4.50%, were redeemed on March 28, 2014.

4.15.1.2 2009 BOND ISSUE – 880 MILLION EURO

On January 30, 2009, Sodexo SA issued new bonds for 650 million euro, redeemable on January 30, 2015. The bonds bear interest at an annual rate of 6.25%. On June 24, 2009, additional bonds for 230 million euro were issued, also redeemable on January 30, 2015, bringing the face value to 880 million euro. After the additional bonds, these bonds bear an average effective interest rate of 5.97%.

4.15.1.3 2014 BOND ISSUES – 500 MILLION EURO AND 600 MILLION EURO

On June 24, 2014, Sodexo SA completed a bond issuance structured in two tranches:

- 600 million euro tranche redeemable at par on January 24, 2022 and bearing interest at an annual rate of 1.75%, with interest payable annually on January 24;
- 500 million euro tranche redeemable at par on June 24, 2026 and bearing interest at an annual rate of 2.50%, with interest payable annually on June 24.

The effective interest rate is 1.79% for the 600 million euro tranche and 2.54% for the 500 million euro tranche.

None of these bond issues is subject to financial covenants.

4.15.2 Other borrowings from financial institutions

4.15.2.1 JULY 2011 MULTI-CURRENCY CONFIRMED CREDIT FACILITY

On July 18, 2011, Sodexo SA contracted a multicurrency credit facility for a maximum of 600 million euro plus 800 million U.S. dollars. This facility originally matured on July 18, 2016, this maturity being extendable on application by Sodexo SA and subject to lenders' consent until July 2017, and then until July 2018. In July 2013, all of the lenders agreed to extend the facility's maturity to July 18, 2018. Amounts drawn on this facility carry floating interest indexed on the LIBOR and EURIBOR rates. This credit facility is not subject to any covenants.

As of August 31, 2014, the euro tranche had been utilized in the amount of 215 million euro (compared to 250 million euro as of August 31, 2013).

4.15.2.2 LOANS FROM PRIVATE U.S. INVESTORS

The Group has obtained three loans in private placements with U.S. investors, as follows:

Date of the loan	Principal *(in millions of U.S. dollars)*	Interest rate	Maturity
September 29, 2008	290	5.99%	September 2015
	70	6.43%	September 2018
TOTAL	**360**		
March 29, 2011	250	4.24%	March 2018
	225	4.85%	March 2021
	125	4.95%	March 2023
TOTAL	**600**		
March 4, 2014	150	2.71%	March 2019
	150	3.44%	March 2021
	525	3.99%	March 2024
	175	4.14%	March 2026
	100	4.34%	March 2029
TOTAL	**1,100**		
TOTAL	**2,060**		

These three loans are subject to two financial covenants that are calculated by reference to the consolidated financial statements of the Group:

- net debt (excluding restricted cash) must not exceed 3.5 times EBITDA (operating profit plus amortization and depreciation) for the past 12 months;
- net assets adjusted for cumulative foreign exchange translation gains or losses since August 31, 2007 must be not less than 1.3 billion euro.

If the covenants are not met, the lenders may, with a qualified majority, require early reimbursement of these borrowings.

The Group was compliant with these covenants as of August 31, 2014, February 28, 2014 and August 31, 2013.

4.15.2.3 INTEREST RATE

In order to comply with the Group's financing policy, substantially all borrowings are at fixed rates of interest.

Where acquisition financing is arranged in a currency other than that of the acquired entity, the debt is hedged by the use of currency swaps.

As of August 31, 2014, nearly 100% of Sodexo's borrowings were at fixed rate. The average rate of interest as of the same date was 4.3%.

As of August 31, 2013, nearly 100% of Sodexo's borrowings were at fixed rate. The average rate of interest as of the same date was 5.8%.

The bond issues and borrowings from financial institutions described above include customary clauses for early reimbursement that, as of the close of the fiscal year, do not present any significant risk of being exercised. These early reimbursement clauses include cross-default and change-in-control clauses which apply to all of the borrowings.

4.15.3 Maturity of borrowings

August 31, 2014 Carrying amounts	Less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	1-5 years	More than 5 years	Total
Bond issues		915	3		1,096	2,014
Bank borrowings	31			795	985	1,811
Finance lease obligations	1	1	2	9	1	14
Other borrowings	1		3	9		13
TOTAL	**33**	**916**	**8**	**813**	**2,082**	**3,852**

Excluding the impact of derivative financial instruments described in note 4.16.
For borrowings expressed in a foreign currency, amounts are translated at the year-end closing rate.
Maturities include interest incurred as of the balance sheet date.
Credit facility renewal rights are taken into account in setting maturities.

August 31, 2014 Undiscounted contractual maturities, including payment of future interest not yet due	Less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	1-5 years	More than 5 years	Total
Bond issues		941	15	95	1,227	2,278
Bank borrowings	35		35	1,021	1,179	2,270
Finance lease obligations	1	1	3	9	2	16
Other borrowings	1		3	9	1	14
Impact of derivative financial instruments excluding those related to the PPP companies	13	2	1	9		25
TOTAL	**50**	**944**	**57**	**1,143**	**2,409**	**4,603**

August 31, 2013 Carrying amounts	Less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	1-5 years	More than 5 years	Total
Bond issues		32	510	883		1,425
Bank borrowings	140	6	4	659	318	1,127
Finance lease obligations	1	1	13	24	2	41
Other borrowings			5	9		14
TOTAL	**141**	**39**	**532**	**1,575**	**320**	**2,607**

Excluding the impact of derivative financial instruments described in note 4.16.
For borrowings expressed in a foreign currency, amounts are translated at the year-end closing rate.
Maturities include interest incurred as of the balance sheet date.
Credit facility renewal rights are taken into account in setting maturities.

August 31, 2013 Undiscounted contractual maturities, including payment of future interest not yet due	Less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	1-5 years	More than 5 years	Total
Bond issues		55	523	938		1,516
Bank borrowings	145	7	24	784	366	1,326
Finance lease obligations	1	1	14	26	2	44
Other borrowings			5	10		15
Impact of derivative financial instruments excluding those related to the PPP companies	18	1		22	1	42
TOTAL	**164**	**64**	**566**	**1,780**	**369**	**2,943**

4.16 DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of Sodexo's derivative financial instruments are as follows:

Derivative financial instruments *(in millions of euro)*	IFRS classification	August 31, 2014	August 31, 2013
Currency instruments		(3)	(2)
Assets	*Trading*	*1*	
Liabilities	*Cash Flow Hedge*		
Liabilities	*Trading*	*(4)*	*(2)*
Cross-currency swaps(1)		39	69
Assets	*Cash Flow Hedge*	*52*	*61*
Assets	*Trading*		*26*
Liabilities	*Cash Flow Hedge*	*(13)*	*(12)*
Liabilities	*Trading*		*(6)*
Other derivative financial instruments		0	21
Assets	*Trading*		*21*
Net derivative financial instruments		36	88

(1) Relates to cross-currency euro-BRL swaps with notional value of 490 million BRL as of August 31, 2014 and 710 million BRL as of August 31, 2013 for which accrued interest of 13 million euro was recognized as a liability as of August 31, 2014 (18 million euro as of August 31, 2013).

The face values and fair values of cross-currency swaps are as follows by maturity:

(in millions of euro)	August 31, 2014				August 31, 2013			
	< 1 year	1-5 years	> 5 years		< 1 year	1-5 years	> 5 years	Total
Currency lender positions	69	22		91	85	11		96
UK Sterling/Euro								
Brazilian Real/Euro								
Czech Crown/Euro	*53*	*22*		*75*	*71*	*8*		*79*
Other	*16*			*16*	*14*	*3*		*17*
Currency borrower positions	(188)	(111)	(22)	(321)	(134)	(195)	(22)	(351)
UK Sterling/Euro	*(49)*	*(2)*	*(10)*	*(61)*	*(44)*			*(44)*
Brazilian Real/Euro	*(128)*	*(50)*		*(178)*	*(88)*	*(158)*		*(246)*
Czech Crown/Euro		*(3)*		*(3)*				
Other	*(11)*	*(56)*	*(12)*	*(79)*	*(2)*	*(37)*	*(22)*	*(61)*
TOTAL	**(119)**	**(89)**	**(22)**	**(230)**	**(49)**	**(184)**	**(22)**	**(255)**
Fair value	20	15	1	36	7	61	(1)	67

The "face value" represents the nominal value of currency hedging instruments, including amounts related to forward agreements. Foreign currency amounts are translated at year-end closing rates.

Changes in fair value of cash flow hedging instruments, recognized in other comprehensive income (in millions of euro), were as follows:

Cumulative changes in fair value of instruments designated as hedges as of August 31, 2012	(51)
Change in fair value for the period	0
Share in the change in fair value of derivative instruments held by companies consolidated by the equity method(1)	9
Fair value items recognized in financial income or expense	12
Total changes recognized in other comprehensive income	21
Translation adjustments and other	
Cumulative changes in fair value of instruments designated as hedges as of August 31, 2013	(30)
Change in fair value for the period	(14)
Share in the change in fair value of derivative instruments held by companies consolidated by the equity method(1)	0
Fair value items recognized in financial income or expense	13
Total changes recognized in other comprehensive income	(1)
Translation adjustments and other	
Cumulative changes in fair value of instruments designated as hedges as of August 31, 2014	**(31)**

(1) Certain companies consolidated by the equity method have hedged their variable rate debt. The impact of the measurement of these instruments on the Group interest in the profit and shareholders' equity of these entities is reflected in the above table.

The impacts of derivative financial instruments on the financial statements are described in note 5.1.

4.17 LONG-TERM EMPLOYEE BENEFITS

(in millions of euro)	August 31, 2014	August 31, 2013[1]
Net defined benefit plan asset[2]	(3)	(0)
Net defined benefit plan obligation	298	226
Other long-term employee benefits	151	150
Employee benefits	446	376

(1) After restatement of past service costs in application of the revised IAS 19.
(2) Included in "Other non-current assets" in the consolidated statement of financial position.

4.17.1 Post-employment benefits

4.17.1.1 DEFINED CONTRIBUTION PLANS

Under a defined contribution plan, periodic contributions are made to an external entity that is responsible for the administrative and financial management of the plan. Under such a plan, the employer is relieved of any future obligation (the external entity is responsible for paying benefits to employees as they become due and the employer is not required to make additional payments related to prior or current years if the entity does not have sufficient funds).

Contributions to defined contribution plans recognized in operating expenses were 346 million euro for Fiscal 2014, compared to 361 million euro for Fiscal 2013.

Contributions made by the Group are expensed in the period to which they relate.

4.17.1.2 DEFINED BENEFIT PLANS

The characteristics of Sodexo's principal defined benefit plans are described below:

- in France, the obligation primarily represents lump-sum benefits payable on retirement if the employee is still with the Company at retirement age. These obligations are covered by specific provisions in the consolidated statement of financial position;
- in the United Kingdom, Sodexo's obligation relates to a complementary retirement plan funded by externally held assets, and calculated on the basis of:
  - for managers working in the private sector, a percentage of final base salary,
  - for managers working on public sector contracts, benefits comparable to those offered in the public sector,
  - this plan was closed to new employees effective July 1, 2003 and the level of contributions was increased in order to cover the shortfall in the fund.

Following the introduction of new regulations in the United Kingdom, in October 2011 the Group elected to calculate future indexation adjustments to the benefits payable by Sodexo UK to certain members of its pension plan based on the consumer price index (CPI) instead of the retail price index (RPI) applied previously.

The United Kingdom plan is regularly evaluated by the plan's actuary in compliance with UK law. A formal actuarial evaluation by the plan's actuary is required to be conducted every three years, and any shortfall identified at that time must be addressed through mutual agreement between the plan's trustees and Sodexo UK. Following a consultation process with the members of the pension plan carried out with a view to freezing benefit accruals for certain members, an agreement was signed in October 2012 between the plan's trustees and Sodexo UK whereby from November 1, 2012 the plan would remain open only to employees who transferred to Sodexo UK from the public sector, as Sodexo UK has a legal obligation to pay them certain benefits. Sodexo UK also agreed to pay annual contributions of 10 million pounds over the five years from January 1, 2013 as part of the 12-year plan to address the funding shortfall. Over the same period, it is expected that the regular contributions made by Sodexo UK will decrease given that only public sector members will be able to obtain new benefits under the terms of the agreement. Lastly, in October 2012, Sodexo SA issued a parent company guarantee to the Trustee in order to cover Sodexo UK's obligations in connection with the plan. This guarantee is for up to 100 million pounds sterling for a duration of 12 years.

In Continental Europe other than France, the main defined benefit plans are as follows:

- in the Netherlands, certain employees are entitled to complementary retirement or early retirement benefits;
- in Italy, there is a legal obligation to pay a lump-sum retirement benefit ("TFR"). Until August 31, 2006, fully vested employee rights were valued and discounted as specified by law, and fully recognized as a liability.

At the end of December 2006, the Italian parliament approved a reform of the TFR system, implemented in 2007, which transformed this retirement benefit plan into a defined contribution plan. For the period from January 1, 2007 through June 30, 2007, staff employed as of December 31, 2006 were required to choose between various defined-contribution plans, in connection with the employee rights acquired on or after January 1, 2007. The prior obligations remain on the consolidated statement of financial position.

Sodexo also contributes to multi-employer plans, mainly in Sweden and the United States. These plans are accounted for as defined-contribution plans.

Changes in the present value of the defined benefit plan obligation and fair value of the plan's assets are shown below:

	Fiscal 2014			Fiscal 2013		
	Benefit obligation	Plan assets	Net benefit obligation	Benefit obligation	Plan assets	Net benefit obligation
As of September 1	979	(753)	226	963	(732)	231
Expense/(income) recognized in the income statement	61	(34)	27	62	(34)	28
Current service cost	*26*		*26*	*25*		*25*
Past service cost	*(5)*		*(5)*			
Effect of settlements	*(1)*		*(1)*			
Interest cost/(income)	*41*	*(34)*	*7*	*37*	*(34)*	*3*
Remeasurement losses/(gains)*	109	(34)	75	31	(20)	11
Actuarial losses/(gains) arising from changes in demographic assumptions	*3*		*3*			
Actuarial losses/(gains) arising from changes in financial assumptions	*114*	*(34)*	*80*			
Experience adjustments	*(8)*		*(8)*			
Effect of asset ceiling						
Translation adjustments	48	(44)	4	(49)	43	(6)
Contributions made by plan members	2	(2)		3	(3)	
Employer contributions		(28)	(28)		(30)	(30)
Benefits paid from plan assets	(21)	21		(23)	23	
Benefits paid other than from plan assets	(9)		(9)	(9)		(9)
Changes in scope of consolidation				1		1
Other						
AS OF AUGUST 31	**1,169**	**(874)**	**295**	**979**	**(753)**	**226**
Of which:						
Partially funded plans	1,026	(874)	152	840	(753)	87
Unfunded plans	143		143	139		139

* *Pro forma. Details of Fiscal 2013 actuarial gains and losses are not available.*

The amounts recorded in the income statement for defined benefit plans amounted to 27 million euro in Fiscal 2014 and 28 million euro in Fiscal 2013, as follows:

- net expense of 11 million euro in Fiscal 2014 (net expense of 15 million euro in Fiscal 2013) in cost of sales;
- net expense of 9 million euro in Fiscal 2014 (net expense of 10 million euro in Fiscal 2013) in general and administrative costs;
- net expense of 7 million euro in interest expense (see note 4.2).

Defined benefit plan assets comprise:

(millions of euro)	August 31, 2014	August 31, 2013
Equities	167	136
Bonds	97	108
Real estate	60	36
Cash	5	12
Derivative instruments	1	5
Investment funds	108	98
Insurance and other	436	358
TOTAL	**874**	**753**

Actuarial losses arising from changes in financial assumptions amounted to 80 million euro, of which 52 million euro related to plans in the United Kingdom and 16 million euro for plans in the Netherlands, the two countries that account for most of the benefit obligation. These actuarial losses were mainly due to reductions in the discount rates applied.

The following assumptions were used for actuarial valuations for the principal countries as of August 31, 2014 and 2013:

August 31, 2014	France	Netherlands	United Kingdom	Italy
Discount rate(1)	2% - 3%	2%	4%	1.25% - 1.50%
Salary inflation rate(2)	2.5% - 3%	2%	2.1% - 3.6%	N/A
General long-term inflation rate	2%	2%	2.1% - 3.1%(3)	2%
Net liability (in millions of euro)	75	50	60	29
Average term of the plans *(in years)*	10	22	22	6

(1) Discount rates in each country have been adapted to reflect the term of the plans. For the euro zone, the Group uses the iBoxx indices for AA-rated corporate bonds. For the United Kingdom, the Group uses a discount rate based on a yield curve for high quality corporate bonds drawn up by an external actuary.
(2) The salary inflation rate disclosed includes general inflation.
(3) Retail price index (RPI): 3.10%; consumer price index (CPI): 2.1%.

August 31, 2013	France	Netherlands	United Kingdom	Italy
Discount rate[1]	2% - 3%	3%	4.7%	1.50% - 2%
Salary inflation rate[2]	2.5% - 3%	2%	2.4% - 3.9%	N/A
General long-term inflation rate	2%	2%	2.4% - 3.4%[3]	2%
Net liability (in millions of euro)	66[4]	36	21	30
Average term of the plans (in years)	11	22	22	6

(1) Discount rates in each country have been adapted to reflect the term of the plans. For the euro zone, the Group uses the iBoxx indices for AA-rated corporate bonds. For the United Kingdom, the Group uses a discount rate based on a yield curve for high quality corporate bonds drawn up by an external actuary.
(2) The salary inflation rate disclosed includes general inflation.
(3) Retail price index (RPI): 3.4%; consumer price index (CPI): 2.4%
(4) After restatement of past service costs in application of the revised IAS 19.

With respect to the assumptions provided in the above table, a reduction of 1% in the discount rate would bring the gross obligation to 1,435 million euro (compared to 1,169 million euro with the assumptions used as of August 31, 2014), while an increase of 0.5% in the long-term inflation rate would increase the gross obligation to 1,261 million euro.

Based on estimates derived from reasonable assumptions, Sodexo will pay 26 million euro into defined benefit plans in Fiscal 2015.

4.17.2 Other employee benefits

Other employee benefits, in the amount of 151 million euro as of August 31, 2014 and 150 million as of August 31, 2013, mainly comprise a liability related to a deferred compensation program in the United States and obligations relating to long-service awards.

The total expense recognized with respect to these benefits in Fiscal 2014 was 15 million euro (24 million euro in Fiscal 2013), of which 1.3 million euro (1.6 million euro in Fiscal 2013) relates to a deferred compensation program in the United States, reported in financial expense.

4.18 PROVISIONS

(in millions of euro)	August 31, 2013	Increases/ charges	Reversals with utilization	Reversals without utilization	Translation adjustment and other items	Changes in scope of consolidation	Discounting impact on long-term provisions	August 31, 2014
Tax and social security exposures	46	19	(4)	(9)	2			54
Employee claims and litigation	35	15	(11)	(2)	(2)			35
Contract termination and loss-making contracts	31	16	(18)	(9)	1			21
Reorganization costs	52	5	(28)	(6)	1			24
Client/supplier claims and litigation	25	7	(1)	(2)				29
Negative net assets of associates*	18				(5)			13
Other provisions	8	9	(2)		1			16
TOTAL	**215**	**71**	**(64)**	**(28)**	**(2)**			**192**

** Investments in companies consolidated by the equity method that have negative net assets (see note 4.9).*

(in millions of euro)	August 31, 2012	Increases/ charges	Reversals with utilization	Reversals without utilization	Translation adjustment and other items	Changes in scope of consolidation	Discounting impact on long-term provisions	August 31, 2013
Tax and social security exposures	52	6	(2)	(4)	(6)			46
Employee claims and litigation	30	16	(6)	(2)	(3)			35
Contract termination and loss-making contracts	8	28	(3)	(2)				31
Reorganization costs	3	51	(1)		(1)			52
Client/supplier claims and litigation	12	18	(6)	(1)	2			25
Negative net assets of associates*	33				(15)			18
Other provisions	8	4	(2)	(1)	(1)			8
TOTAL	**146**	**123**	**(20)**	**(10)**	**(24)**			**215**

* *Investments in companies consolidated by the equity method that have negative net assets (see note 4.9).*

Provisions for exposures and litigation are determined on a case-by-case basis and rely on management's best estimate of the outflows deemed likely to satisfy legal or implicit obligations to which the Group is exposed as of the end of the year.

Current and non-current provisions are as follows:

(in millions of euro)	August 31, 2014		August 31, 2013	
	Current	Non-current	Current	Non-current
Tax and social security exposures	9	45	9	37
Employee claims and litigation	14	21	19	16
Contract termination and loss-making contracts	10	11	11	20
Reorganization costs	24		52	
Client/supplier claims and litigation	26	3	23	2
Negative net assets of associates*		13		18
Other provisions	5	11	2	6
TOTAL	**88**	**104**	**116**	**99**

* *Investments in companies consolidated by the equity method that have negative net assets (see note 4.9).*

4.19 TRADE AND OTHER PAYABLES

(in millions of euro)	August 31, 2014	August 31, 2013
Other non-current liabilities	233	214
TOTAL OTHER NON-CURRENT LIABILITIES	**233**	**214**
Advances from clients	299	241
Trade payables	1,768	1,719
Employee-related liabilities	1,022	992
Tax liabilities	267	231
Other operating liabilities	95	67
Deferred revenues	109	78
Other non-operating liabilities	32	19
TOTAL TRADE AND OTHER CURRENT PAYABLES	**3,592**	**3,347**
TOTAL TRADE AND OTHER PAYABLES	**3,825**	**3,561**

Employee-related liabilities include mainly short-term employee benefits.

Maturities of trade and other payables	Carrying value	Undiscounted contractual value
Less than three months	2,633	2,633
More than three months and less than six months	214	214
More than six months and less than twelve months	668	668
More than one year and less than five years	225	238
More than five years	85	103
TOTAL TRADE AND OTHER PAYABLES	**3,825**	**3,856**

4.20 DEFERRED TAXES

Movements in deferred taxes were as follows in Fiscal 2014:

(in millions of euro)	August 31, 2013	Deferred tax benefit/ (expense)	Deferred tax recognized in other comprehensive income	Translation adjustments and other	August 31, 2014
• Employee-related liabilities	161	22	16	6	205
• Fair value of financial instruments	3	1		1	5
• Intangible assets	(57)	3		(7)	(61)
• Other temporary differences	(138)	(10)		(7)	(155)
• Tax loss carry-forwards	66	16		2	84
TOTAL	**35**	**32**	**16**	**(5)**	**78**
Of which deferred tax assets	188				226
Of which deferred tax liabilities	(153)				(148)

Deferred tax assets not recognized because their recovery is not considered probable totaled 69 million euro (61 million euro as of August 31, 2013), including 7 million euro generated by subsidiaries prior to their acquisition (8 million euro as of August 31, 2013).

Temporary differences on employee-related liabilities relate primarily to post-employment benefits.

The other temporary differences mainly include deferred taxes recognized on the portion of goodwill amortization that is tax deductible in certain countries.

4.21 FINANCIAL INSTRUMENTS

The table below presents the categories of financial instruments, their carrying value and their fair value, by item in the consolidated statement of financial position.

The levels used for the classification of financial instruments are as follows:

- level 1: Instruments traded on an active market;
- level 2: Instruments measured through inputs other than quoted prices included within Level 1 and that are observable;
- level 3: Instruments whose fair value is determined using valuation techniques based on unobservable inputs.

Financial assets *(in millions of euro)*	Category	Note	August 31, 2014		Fair value level			
			Carrying value	Fair value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	Financial assets at fair value through profit and loss	4.13	782	782	333	449		782
Restricted cash and financial assets related to the Benefits and Rewards Services activity	Available-for-sale financial assets	4.11	758	758	112	646		758
Trade and other receivables	Loans and receivables at amortized cost	4.12	3,627	3,627				
Other financial assets	Available for sale financial assets	4.11	41	N/A				
	Loans and receivables at amortized cost	4.11	89	89				
Derivative financial instruments, assets		4.16	52	52		52		52

Financial liabilities *(in millions of euro)*	Category	Note	August 31, 2014		Fair value level			
			Carrying value	Fair value	Level 1	Level 2	Level 3	Total
Bond issues(1)	Financial liabilities at amortized cost	4.15	2,014	2,086	2,086			2,086
Bank borrowings	Financial liabilities at amortized cost	4.15	1,811	1,875		1,655	220	1,875
Other borrowings and financial debts	Financial liabilities at amortized cost	4.15	27	27				
Bank overdrafts	Financial liabilities at amortized cost		61	61				
Trade and other payables	Financial liabilities at amortized cost	4.19	3,592	3,592				
Vouchers payable	Financial liabilities at amortized cost		2,582	2,582				
Derivative instruments, liabilities		4.16	16	16		16		16

(1) Fair value is calculated on the basis of listed bond prices as of August 31, 2014.

Financial assets *(in millions of euro)*	Category	Note	August 31, 2013 Carrying value	Fair value	Fair value level Level 1	Level 2	Level 3	Total
Cash and cash equivalents	Financial assets at fair value through profit and loss	4.13	434	434	23	411		434
Restricted cash and financial assets related to the Benefits and Rewards Services activity	Available-for-sale financial assets	4.11	734	734	117	617		734
Trade and other receivables	Loans and receivables at amortized cost	4.12	3,466	3,466				
Other financial assets	Available for sale financial assets	4.11	34	N/A				
	Loans and receivables at amortized cost	4.11	91	91				
Derivative financial instruments, assets		4.16	108	108		87	21	108

Financial liabilities *(in millions of euro)*	Category	Note	August 31, 2013 Carrying value	Fair value	Fair value level Level 1	Level 2	Level 3	Total
Bond issues(1)	Financial liabilities at amortized cost	4.15	1,425	1,501	1,501			1,501
Bank borrowings	Financial liabilities at amortized cost	4.15	1,127	1,187		909	278	1,187
Other borrowings and financial debts	Financial liabilities at amortized cost	4.15	55	55				
Bank overdrafts	Financial liabilities at amortized cost		40	40				
Trade and other payables	Financial liabilities at amortized cost	4.19	3,347	3,347				
Vouchers payable	Financial liabilities at amortized cost		2,541	2,541				
Derivative instruments, liabilities		4.16	20	20		20		20

(1) Fair value is calculated on the basis of listed bond prices as of August 31, 2013.

There was no transfer between the different levels between Fiscal 2013 and Fiscal 2014.

4.22 SHARE-BASED PAYMENT

In both Fiscal 2014 and Fiscal 2013, Sodexo's Board of Directors decided to grant new and/or existing Sodexo shares to Group employees free of consideration. Some of these share grants are subject to performance conditions. Options to purchase existing shares were also granted by the Board of Directors to Group employees under various stock option plans set up in prior years.

4.22.1 Stock option plans

PRINCIPAL FEATURES OF STOCK OPTION PLANS

Rules governing stock option plans are as follows:

- stock options are generally granted at the same time of the year and their exercise price has no discount;
- contractual life of options: 6-7 years;
- vesting of options is conditional on employment by the Group and, for plans after 2007, on attainment of average annual growth in Group net profit (excluding currency effects) of at least 6% over a period of three years. However, this performance condition applies only to a portion (varying between 0 and 50%) of the stock options granted to each beneficiary, with the exception of the Chief Executive Officer, whose entire grant is conditional on performance, with the remaining options vesting in equal tranches over a period of four years.

ESTIMATION OF FAIR VALUE AT DATE OF GRANT

The fair value of options granted and settled by delivery of equity instruments is estimated at the date of grant using a binomial model, which takes into consideration the terms and conditions of grant and assumptions about exercise behavior.

The table below shows the data used in the valuation model for each plan measured under IFRS 2.

Date of grant	Exercise price	Expected volatility *(in %)*	Contractual life (in years)	Risk-free interest rate *(in %)*	Expected dividend yield *(in %)*	Expected life *(in years)*
January 7, 2008	42.27 euro	28.85%	7	4.01%	2.75%	6
September 9, 2008	45.56 euro	29.48%	7	4.15%	2.75%	6
September 9, 2008	45.56 euro	29.48%	6	4.11%	2.75%	5
January 19, 2009	39.40 euro	37.16%	7	3.28%	3.00%	6
January 19, 2009	39.40 euro	37.16%	6	2.90%	3.00%	5
January 11, 2010	39.88 euro	28.50%	7	2.97%	3.00%	6
January 11, 2010	39.88 euro	28.50%	6	2.45%	3.00%	5
December 13, 2010	48.37 euro	25.00%	7	3.27%	3.00%	6
December 13, 2010	48.37 euro	25.00%	6	2.63%	3.00%	5
December 13, 2011	51.40 euro	24.00%	7	3.48%	3.00%	6
December 13, 2011	51.40 euro	24.00%	6	2.85%	3.00%	5

The expected life of the options is incorporated into the binomial model based on option holders' behavior expected over the contractual life of the options and based on historical data, and is not necessarily indicative of future exercises.

The expected volatility is based on the assumption that volatility calculated using regression analysis of daily returns over the five- or six-year period (the expected life of the options) prior to the date of grant, excluding the share price fluctuations of September 2002, is an indicator of future trends.

For plans granted as from 2008, the expected volatility is based on a weighted average of the historical volatility of the shares observed over periods corresponding to the expected life of the options granted and the implicit volatility expected in the marketplace.

The risk-free interest rate is the rate on Government bonds (with reference to Iboxx rates in the euro zone) for a maturity similar to the life of the options.

The assumptions with respect to the exercise behavior of grantees used in determining the fair value of the options are also based on historical data, which may not be indicative of future exercise behavior, and are as follows:

- grantees resident in France for tax purposes:
  - 50% of grantees will exercise their options once the share price exceeds the exercise price by 20%,
  - 50% of grantees will exercise their options once the share price exceeds the exercise price by 40%;
- grantees not resident in France for tax purposes:
  - 30% of grantees will exercise their options once the share price exceeds the exercise price by 20%,
  - 30% of grantees will exercise their options once the share price exceeds the exercise price by 40%,
  - 30% of grantees will exercise their options once the share price exceeds the exercise price by 70%,
  - 10% of grantees will exercise their options once the share price exceeds the exercise price by 100%.

MOVEMENTS DURING FISCAL 2014 AND FISCAL 2013

The table below provides the quantity, weighted average exercise price (WAP) and movements of stock options during the period.

	Fiscal 2014		Fiscal 2013	
	Number	WAP (in euro)	Number	WAP *(in euro)*
Outstanding at the beginning of the period	5,007,293	46.76	6,816,539	45.71
Granted during the period				
Forfeited during the period	(134,133)	45.72	(191,001)	47.12
Exercised during the period	(1,273,004)(1)	43.99	(1,618,245)(2)	42.27
Expired during the period				
Outstanding at the end of the period	3,600,156	47.78	5,007,293	46.76
Exercisable at the end of the period	2,090,670	45.52	2,133,493	43.05

(1) The weighted average share price at the exercise date of options exercised in the period was 74.47 euro.
(2) The weighted average share price at the exercise date of options exercised in the period was 65.57 euro.

No stock options were granted in Fiscal 2014 or Fiscal 2013.

The weighted average residual life of options outstanding as of August 31, 2014 was 3 years (August 31, 2013: 3.6 years).

The exercise prices and exercise period for options outstanding as of August 31, 2014 are provided in the table below:

Date of grant	Start date of exercise period	Expiration date of exercise period	Exercise price	Number of options outstanding as of August 31, 2014
January 2008	January 2009	January 2015	42.27 euro	84,021
September 2008	September 2009	September 2015	45.56 euro	
September 2008	September 2009	September 2014	45.56 euro	
January 2009	January 2010	January 2016	39.40 euro	209,982
January 2009	January 2010	January 2015	39.40 euro	63,852
January 2010	January 2011	January 2017	39.88 euro	308,046
January 2010	January 2011	January 2016	39.88 euro	184,450
December 2010	December 2011	December 2017	48.37 euro	630,825
December 2010	December 2011	December 2016	48.37 euro	459,955
December 2011	December 2012	December 2018	51.40 euro	773,858
December 2011	December 2012	December 2017	51.40 euro	885,167
TOTAL				**3,600,156**

4.22.2 Free share plans

PRINCIPLE FEATURES OF FREE SHARE PLANS

Rules governing free share plans are as follows:

- the shares will vest only if the beneficiary is still working for the Group on the vesting date. In addition, a performance condition applies to a certain proportion of the grant (ranging from 0 to 50% depending on the managers concerned, except for the Chief Executive Officer who receives only performance shares);
- for beneficiaries resident in France, the vesting period is two years for shares not subject to any performance condition and three years for performance shares, subject in both cases to the beneficiary still working for the Group on the vesting date. For beneficiaries resident outside France, the vesting period is four years;
- free shares awarded to beneficiaries resident in France for tax purposes are also subject to a two-year lock-up period as from the vesting date.

ESTIMATED FAIR VALUE AT DATE OF GRANT

The fair value of free shares is estimated at the date of grant based on the share price at that date after deductions for dividends on the shares that will not be paid to beneficiaries during the vesting period and a lock-up discount for beneficiaries resident in France for tax purposes. The lock-up discount is determined based on the cost for the employee of a two-step strategy consisting of selling the shares forward for delivery at the end of the lock-up period and purchasing the same number of shares for immediate delivery, with the purchase financed by a loan, taking into account market inputs.

MOVEMENTS IN FISCAL 2014 AND FISCAL 2013

The table below shows movements in free shares granted in Fiscal 2014 and Fiscal 2013:

	Fiscal 2014	Fiscal 2013
Outstanding at the beginning of the period	838,305	
Granted during the period	840,000	840,755
Forfeited during the period	(62,938)	(2,450)
Delivered during the period		
Outstanding at the end of the period	1,615,367	838,305

The weighted average fair value of the free shares was 68.31 euro for shares granted in Fiscal 2014 and 56.14 euro for shares granted in Fiscal 2013.

The table below shows the grant dates of free shares outstanding as of August 31, 2014, the assumptions used to estimate their fair value at the grant date and the number of free shares outstanding at the period end:

Date of grant		Vesting period *(in years)*	Lock-up period *(in years)*	Expected dividend yield *(in %)*	Risk-free interest rate (%)	Loan interest rate (in %)	Number of shares outstanding as of August 31
April 25, 2013	France	2	2	2.5%	0.40%	6%	152,171
April 25, 2013	France	3	2	2.5%	0.40%	6%	114,746
April 25, 2013	International	4	N/A	2.5%	0.60%	6%	508,450
March 11, 2014	France	2	2	2.5%	0.50%	5.8%	160,111
March 11, 2014	France	3	2	2.5%	0.50%	5.8%	120,714
March 11, 2014	International	4	N/A	2.5%	0.80%	5.8%	559,175
TOTAL							**1,615,367**

4.22.3 Expense recognized during the year

The expense recognized in the Fiscal 2014 income statement for stock options and free shares was 28 million euro (17 million euro in Fiscal 2013).

4.23 BUSINESS COMBINATIONS

There were no material acquisitions during Fiscal 2014.

4.24 COMMITMENTS AND CONTINGENCIES

4.24.1 Sureties

Commitments arising from surety arrangements (pledges, charges secured against plant and equipment, and real estate mortgages) contracted by Sodexo SA and its subsidiaries in connection with operating activities during Fiscal 2014 are immaterial.

4.24.2 Operating lease commitments

Outstanding commitments arising in respect of operating leases are as follows:

(in millions of euro)	August 31, 2014	August 31, 2013
Less than 1 year	119	128
1 to 5 years	231	271
More than 5 years	73	99
TOTAL	**423**	**498**

These commitments arise under a large number of contracts worldwide, the terms of which are negotiated locally. They relate primarily to:

- equipment on sites, office equipment and vehicles for 120 million euro, compared to 136 million euro for Fiscal 2013;
- the rent for office premises of 283 million euro, compared to 338 million euro for Fiscal 2013.

The 12-year leases signed on October 19, 2006 in connection with the relocation of the corporate headquarters to Issy-les-Moulineaux in 2008 increased operating lease commitments for office premises by 29 million euro. The leases and lease renewals signed by Sodexo France and Sodexo, Inc. for their office premises represent operating lease commitments of 24 million euro and 51 million euro respectively.

4.24.3 Other commitments given

(in millions of euro)	August 31, 2014				August 31, 2013
	Less than 1 year	1 to 5 years	More than 5 years	Total	Total
Financial guarantees to third parties	12	2		14	10
Site management commitments	1	1		2	5
Performance bonds given to clients		48	132	180	167
Other commitments	22	1	126	149	139
TOTAL	**35**	**52**	**258**	**345**	**321**

Financial guarantees to third parties mainly comprise bank subordinated debt commitments under Public-Private Partnership (PPP) contracts (see note 2.3.2.) totaling 10 million euro.

The performance bonds given to clients relate to around twenty sub-contracting contracts where the Group considers that it may be exposed to indemnity payments if it is unable to fulfill the service obligation. These bonds are subject to regular review by the management of the business unit and a provision is recorded as soon as payment under a bond becomes probable. For all other contracts with a performance bond, Sodexo considers that it would be capable of deploying the additional resources needed to avoid paying compensation under the bond.

The Group also has performance obligations to clients, but regards these as having the essential features of a performance guarantee rather than an insurance contract designed to compensate the client in the event of non-fulfillment of the service obligation (compensation is generally due only where Sodexo is unable to provide alternative or additional resources to fulfill the obligation to the client).

In practice, given its size and geographical reach, Sodexo considers itself capable of providing the additional resources needed to avoid paying compensation to clients protected by such clauses.

At this time, no provision has been recorded in the consolidated statement of financial position with respect to these guarantees.

The "Other commitments" line mainly includes the 12-year guarantee for a maximum of 100 million pounds sterling given by Sodexo SA in October 2012 to the Trustee of the UK pension plan in order to cover Sodexo UK's obligations in connection with the plan.

The Group also has commitments to provide training hours to its employees in France, known as Individual Training Rights. In the absence of guidance from regulatory authorities on the accounting treatment for these rights, the Group has opted to present these rights as a commitment. Based on available information, the number of hours to be provided to employees of French subsidiaries is estimated to be approximately 2,806,000 hours.

4.25 RELATED PARTIES

4.25.1 Principal shareholder

As of August 31, 2014, Bellon SA held 37.71% of the capital of Sodexo SA.

Bellon SA invoiced 5.8 million euro to Sodexo SA in Fiscal 2014 and 6.2 million euro in Fiscal 2013 for assistance and advisory services under a contract between the two companies.

The Fiscal 2013 dividends received by Bellon SA on its Sodexo shares in February 2014 amounted to 96.1 million euro.

4.25.2 Non-consolidated companies

Other transactions with related companies comprise loans advanced, commercial transactions, and off balance sheet commitments involving associates and non-consolidated companies.

	August 31, 2014			August 31, 2013
(millions of euro)	Gross	Impairment	Carrying amount	Carrying amount
Loans	61	0	61	65

Off-balance sheet commitments	August 31, 2014	August 31, 2013
Financial guarantees to third parties	14	10
Performance bonds given to clients	180	165

Transactions	Fiscal 2014	Fiscal 2013
Revenue	327	325
Operating expenses	0	0
Financial income and expense, net	4	3

4.26 COMPENSATION, LOANS, POST-EMPLOYMENT BENEFITS AND OTHER EMPLOYEE BENEFITS GRANTED TO BOARD MEMBERS, THE EXECUTIVE COMMITTEE, AND THE CHIEF EXECUTIVE OFFICER OF SODEXO

(in euro)	August 31, 2014	August 31, 2013
Short-term employee benefits	13,297,514	10,249,871
Post-employment benefits	557,335	549,600
Fair value of stock options and free shares at the grant date	12,398,013	7,176,691
TOTAL	**26,252,862**	**17,976,162**

These benefits include directors' fees, and all forms of compensation and benefits paid (or earned during the period for offices held) by Bellon SA, Sodexo SA and/or other Sodexo Group companies.

During Fiscal 2014, the Group did not grant any severance benefit or other long-term benefit to members of the Board of Directors, the Executive Committee or the Chief Executive Officer.

4.27 GROUP EMPLOYEES

The following table shows the breakdown of Group employees:

	August 31, 2014	August 31, 2013
Executives, middle management, site managers and supervisory staff	51,780	48,885
Front-line service staff and other employees	367,737	379,036
TOTAL	**419,317**	**427,921**

Group employees by activity and region were as follows:

	On-site Services							
	North America	Continental Europe	United Kingdom and Ireland	Rest of the World	Total	Benefits and Rewards Services	Holding companies	Total
August 31, 2014	132,030	99,073	34,641	149,134	414,878	3,983	456	419,317
August 31, 2013	132,581	100,249	34,997	155,653	423,480	3,989	452	427,921

4.28 LITIGATION

Sodexo is involved in litigation arising from its ordinary activities. The Group does not believe that liabilities relating to such litigation will in aggregate be material to its activities or to its consolidated financial position.

To the best of the Company's knowledge, there have been no other governmental, judicial or arbitral proceedings (including any such proceedings which are pending or threatened of which Sodexo is aware) which may have, or have had in the past 12 months, material effects on Sodexo and/or the Group's financial position or profitability.

4.29 SUBSEQUENT EVENTS

On September 12, 2014, Sodexo's Benefits and Rewards Services subsidiary in the United Kingdom announced that it had signed an agreement for the acquisition of Motivcom plc. The acquisition should be completed before the end of 2014.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

5.1 EXPOSURE TO FOREIGN EXCHANGE AND INTEREST RATE RISK

Because Sodexo has operations in 80 countries, all components of the financial statements are influenced by foreign currency translation effects, and in particular by fluctuations in the U.S. dollar. However, exchange rate fluctuations do not generate any operational risk, because each of the Group's subsidiaries invoices its revenues and incurs its expenses in the same currency.

Sodexo SA uses derivative instruments to manage the Group's exposure to interest rate and foreign exchange rate risk.

The policies approved by the Board of Directors, the Chief Executive Officer and the Chief Financial Officer are designed to prevent speculative positions. Further, under these policies:

- substantially all borrowings must be at fixed rates of interest, or converted to fixed-rate using hedging instruments;
- in the context of financing policy, foreign exchange risk on loans to subsidiaries must be hedged;
- the maturity of hedging instruments must not exceed the maturity of the borrowings they hedge.

5.1.1 Analysis of sensitivity to interest rates

(in millions of euro)	Note	August 31, 2014	August 31, 2013
Financial liabilities excluding derivative financial instruments	4.15	3,852	2,607
Fixed rate liabilities		3,637	2,324
Variable rate liabilities		215	283
Impact of interest rate and cross-currency swaps	4.16	(36)	(67)
On fixed rate liabilities		178	177
On variable rate liabilities		(214)	(244)
Financial liabilities after impact of interest rate and cross-currency swaps		3,816	2,540
Fixed rate liabilities		3,815	2,501
Variable rate liabilities		1	39

As of August 31, 2014 and 2013, a 0.5% increase or decrease in interest rates would have had no material impact on net profit before tax or on shareholders' equity as substantially all liabilities at those dates were at a fixed rate of interest.

5.1.2 Analysis of sensitivity to foreign exchange rates and exchange rate exposures on principle currencies

EXPOSURE TO CURRENCY RISK

Before currency derivatives *(in millions of euro)*	August 31, 2014				August 31, 2013			
	Dollar USD	Real BRL	Sterling GBP	Bolivar Fuerte VEF	Dollar USD	Real BRL	Sterling GBP	Bolivar Fuerte VEF
Closing rate as of August 31	*0.758*	*0.338*	*1.257*	*0.015*	*0.756*	*0.321*	*1.171*	*0.074*
Monetary assets								
Working capital items and other receivables	770	459	249	1	776	421	194	3
Deferred tax assets	91	46	19		57	43	10	1
Cash and cash equivalents	725	501	301	43	510	430	139	154
TOTAL MONETARY ASSETS	**1,586**	**1,006**	**569**	**44**	**1,343**	**894**	**343**	**158**
Monetary liabilities								
Financial liabilities	1,592		4		850	23	3	
Working capital items and other liabilities	1,297	816	477	30	1,226	722	335	112
Deferred tax liabilities	31	99			30	93		
TOTAL MONETARY LIABILITIES	**2,920**	**915**	**481**	**30**	**2,106**	**838**	**338**	**112**
Net position(1)	(1,334)	91	88	14	(763)	56	5	46

(1) This net position does not include currency positions on intragroup transactions.

After currency derivatives *(in millions of euro)*	August 31, 2014				August 31, 2013			
	Dollar USD	Real BRL	Sterling GBP	Bolivar Fuerte VEF	Dollar USD	Real BRL	Sterling GBP	Bolivar Fuerte VEF
Closing rate as of August 31	*0.758*	*0.338*	*1.257*	*0.015*	*0.756*	*0.321*	*1.171*	*0.074*
Monetary assets								
Working capital items and other receivables	770	459	249	1	776	421	194	3
Deferred tax assets	91	46	19		57	43	10	1
Cash and cash equivalents	725	501	301	43	510	430	139	154
TOTAL MONETARY ASSETS	**1,586**	**1,006**	**569**	**44**	**1,343**	**894**	**343**	**158**
Monetary liabilities								
Financial liabilities	1,592	178	48		850	269	30	
Working capital items and other liabilities	1,297	816	477	30	1,226	722	335	112
Deferred tax liabilities	31	99			30	93		
TOTAL MONETARY LIABILITIES	**2,920**	**1,093**	**525**	**30**	**2,106**	**1,084**	**365**	**112**
Net position(1)	(1,334)	(87)	44	14	(763)	(190)	(22)	46

(1) This net position does not include currency positions on intragroup transactions.

SENSITIVITY TO EXCHANGE RATES

Impact of a 10% appreciation of the exchange rate of the following currencies against the euro *(in millions of euro)*	August 31, 2014				August 31, 2013			
	Impact on revenues	Impact on operating profit	Impact on profit before tax	Impact on shareholders' equity	Impact on revenues	Impact on operating profit	Impact on profit before tax	Impact on shareholders' equity
Dollar USD	651	34	20	130	657	35	23	190
Real BRL	107	19	15	70	117	17	11	56
Sterling GBP	151	5	7	64	139	5	7	63
Bolivar VEF*	2	1		1	7	4	2	5
TOTAL	**911**	**59**	**42**	**265**	**920**	**61**	**43**	**314**

** A 10% increase in the Bolivar/Euro exchange rate would not have had a material impact on profit – Group share for Fiscal 2014 and would have had an impact of less than 1 million euro on profit – Group share for Fiscal 2013.*

5.2 EXPOSURE TO LIQUIDITY RISK

The nature of the Group's borrowings and bond issuances as of August 31, 2014 is described in detail in note 4.15 of the consolidated financial statements.

As of August 31, 2014, more than 94% of the Group's consolidated borrowings was borrowed on capital markets and bank financing was less than 6% of the Group's financing needs. As of August 31, 2013 more than 90% of the Group's consolidated borrowings was borrowed on capital markets and bank financing was less than 10% of the Group's financing needs. The reimbursement maturity dates of the main borrowings range between Fiscal 2015 and Fiscal 2029. The Group has a confirmed multi-currency line of credit for 600 million euro plus 800 million U.S. dollars which expires in July 2018. This line of credit had been utilized in the amount of 215 million euro as of August 31, 2014 (250 million euro as of August 31, 2013).

5.3 EXPOSURE TO COUNTERPARTY RISK

Exposure to counterparty risk is limited to the carrying value of financial assets.

Group policy is to manage and spread counterparty risk. For derivative financial instruments, each transaction with a bank is required to be based on a master contract modeled on the standard contract issued by the French Bankers' Association (AFB) or the International Swaps and Derivatives Association (ISDA).

Counterparty risk relating to customer accounts receivable is immaterial. Due to the Group's geographic and segment spread, there is no concentration of risk on past due individual receivables for which no provision has been recorded. Moreover, the Group has not observed any significant change in impacts relating to customer default during the year.

The main counterparty risk is bank-related. The Group has limited its exposure to counterparty risk by diversifying its investments and limiting the concentration of risk held by each of its counterparties. Transactions are conducted with highly creditworthy counterparties taking into consideration country risk. The Group has instituted a regular reporting of the risk spread between counterparties and of their quality.

To reduce this risk further, in Fiscal 2011 the Group implemented an international cash pooling mechanism between its main subsidiaries, reducing the amount of liquidity held by third parties by concentrating it in the Group's financial holding companies.

The maximum counterparty is approximately 12% (14% as of August 31, 2013) of the Group's operating cash (including restricted cash and financial assets of the Benefits and Rewards Services activity) with a banking group whose rating is A1.

6. SCOPE OF CONSOLIDATION

The main companies consolidated as of August 31, 2014 and presented in the table below together represent 90% of consolidated revenues. The various other entities represent individually less than 0.5% of each of revenues, operating profit and the Group share of net profit and of shareholders' equity.

The first column shows the percentage interest held by the Group, and the second column the percentage of voting rights held by the Group. Percentage interests and percentages of voting rights are only shown if less than 97%.

Companies newly consolidated during the year are indicated by the letter "N".

Companies newly deconsolidated during the year are indicated by the letter "S".

Associates (companies accounted for by the equity method) are indicated by the letters "EM". All other companies are fully consolidated.

		% interest	% voting rights	Principal activity	Country
France					
	Sodexo Entreprises (consolidated)			On-site	France
	Sodexo Santé Médico Social			On-site	France
	Société Française de Restauration et Services (consolidated)			On-site	France
	SEGSMHI			On-site	France
	Sodexo Justice Services			On-site	France
	Sogeres (consolidated)			On-site	France
	Lenôtre SA (consolidated)			On-site	France
	L'Affiche			On-site	France
	Bateaux Parisiens (consolidated)			On-site	France
	Score			On-site	France
	Score Groupe			On-site	France
	Sodexo Solutions de Motivation France SA			Benefits and Rewards	France
	One SAS			Holding	France
	Sodexo Pass International SAS			Holding	France
	Sodexo Solutions de Services sur Sites			On-site	France
	Groupe Crèche Attitude (consolidated)			On-site	France
	Sodexo en France			Holding	France
	Sodexo Amecaa SAS			Holding	France
	Sofinsod SAS			Holding	France
	Etin SAS			Holding	France
	Sodexo Europe			Holding	France
	Sodexo GC			Holding	France
	SoTech Services			Holding	France

		% interest	% voting rights	Principal activity	Country
Americas					
	Sodexo do Brasil Comercial SA (consolidated including Puras)			On-site	Brazil
	Sodexo Pass do Brasil Serviços e Comercio SA			Benefits and Rewards	Brazil
	Sodexo Pass do Brasil Serviços de Inovação Ltda			Benefits and Rewards	Brazil
	Sodexo Canada Ltd (consolidated)			On-site	Canada
EM	Sociedad Concesionaria Bas SA	33%	33%	On-site	Chile
	Sodexo Chile (consolidated)			On-site	Chile
	Sodexo Inversiones SA			On-site	Chile
	Sodexo Soluciones de Motivacion Chile SA			Benefits and Rewards	Chile
	Sodexo Colombia SA	65%	65%	On-site	Colombia
	Sodexo, Inc. (consolidated)			On-site	United States
	Roth Bros., Inc. (consolidated)			On-site	United States
	Sodexo Holdings Inc.			Holding	United States
	Sodexo Remote Sites (USA) Inc.			Holding	United States
	Sodexo Remote Sites Partnership			On-site	United States
EM	Doyon Universal Services LLC (consolidated)	50%	50%	On-site	United States
	CK Franchising Inc.			On-site	United States
	Circle Company Associates, Inc.			On-site	United States
	Sodexo Rose Holding Company, Inc.			Holding	United States
	Sodexo Motivation Solutions Mexico, SA de CV (consolidated including Servi-Bonos, SA de CV)			Benefits and Rewards	Mexico
	Sodexo Peru SAC			On-site	Peru
	Sodexho Pass Venezuela SA	64%	64%	Benefits and Rewards	Venezuela
Europe					
	Sodexo Services GmbH (consolidated)			On-site	Germany
	Sodexo Scs GmbH (consolidated)			On-site	Germany
	Sodexo Beteiligungs BV & Co. KG			On-site	Germany
	Sodexo Dienstleistungen GmbH (consolidated)			On-site	Germany
	GA-tec Gebäude- und Anlagentechnik Gmbh			On-site	Germany
	Sodexo Service Solutions Austria			On-site	Austria
	Sodexo Belgium SA (consolidated)			On-site	Belgium
	Imagor SA			Benefits and Rewards	Belgium
	Sodexo Pass Belgium SA (consolidated)			Benefits and Rewards	Belgium

		% interest	% voting rights	Principal activity	Country
	Compagnie Financière Aurore International			Holding	Belgium
	Sodexo (Cyprus) Ltd			On-site	Cyprus
	Sodexo España SA (consolidated)			On-site	Spain
	Sodexo Soluciones de Motivación Espana SAU			Benefits and Rewards	Spain
	Sodexo Oy			On-site	Finland
	Sodexo Magyarorszag KFT			On-site	Hungary
	Sodexo Motivation Solutions Italia SRL			On-site	Italy
	Sodexo Italia SA (consolidated)			On-site	Italy
	Sodexo Luxembourg SA (consolidated)			On-site	Luxembourg
	Sodexo Remote Sites Norway AS			On-site	Norway
	Sodexo AS			On-site	Norway
	Sodexo Nederland BV (consolidated)			On-site	Netherlands
	Sodexo Altys BV			On-site	Netherlands
	Sodexo Pass Ceska Republika AS			Benefits and Rewards	Czech Republic
	Sodexo Pass Romania SRL			Benefits and Rewards	Romania
	Sodexo Property Solutions Ltd			On-site	United Kingdom
EM	Agecroft Prison Management Ltd	50%	50%	On-site	United Kingdom
EM	HpC King's College Hospital (Holdings) Ltd	25%	25%	On-site	United Kingdom
EM	Catalyst Healthcare (Romford) Holdings Ltd	10%	10%	On-site	United Kingdom
EM	Peterborough Prison Management Ltd	15%	15%	On-site	United Kingdom
EM	Ashford Prison Services Ltd	15%	15%	On-site	United Kingdom
EM	Catalyst Healthcare (Manchester) Holdings Ltd	10%	10%	On-site	United Kingdom
EM	Mercia Healthcare (Holdings) Ltd	25%	25%	On-site	United Kingdom
EM	South Manchester Healthcare (Holdings) Ltd	25%	25%	On-site	United Kingdom
EM	RMPA Holdings Ltd	14%	14%	On-site	United Kingdom
EM	Enterprise Education Holdings Conwy Ltd	10%	10%	On-site	United Kingdom
EM	Addiewell Prison (Holdings) Ltd	33%	33%	On-site	United Kingdom
EM	Healthcare support (North Staffs) Holdings Ltd	25%	25%	On-site	United Kingdom
S	Integrated Pathology Partnerships Ltd	3%	3%	On-site	United Kingdom
	Sodexo Services Group Ltd			Holding	United Kingdom
	Sodexo Ltd			On-site	United Kingdom
	Sodexo Prestige Ltd (consolidated)			On-site	United Kingdom
	Sodexo Remote Sites Scotland Ltd			On-site	United Kingdom
	Kalyx Ltd			On-site	United Kingdom
	Tillery Valley Foods Ltd			On-site	United Kingdom
	Sodexo Defence Services Ltd			On-site	United Kingdom
	Sodexo Investment Services Ltd			On-site	United Kingdom
	Sodexo Holdings Ltd			Holding	United Kingdom
	Sodexo Education Services Ltd			On-site	United Kingdom
	Sodexo Management Services Ltd			On-site	United Kingdom

		% interest	% voting rights	Principal activity	Country
	Sodexo Healthcare Services Ltd			On-site	United Kingdom
	Rugby Travel & Hospitality Ltd	60%	60%	On-site	United Kingdom
	Sodexo Euroasia			On-site	Russia
	Sodexo Facilities Services AB			On-site	Sweden
	Sodexo Scandinavian Holding AB			On-site	Sweden
	Sodexo AB			On-site	Sweden
	Sodexo Pass Holding Sweden AB			Benefits and Rewards	Sweden
	Sodexo Pass Sweden AB			Benefits and Rewards	Sweden
	Sodexo (Suisse) SA			On-site	Switzerland
	Sodexo Entegre Hizmet Yonetimi AS			On-site	Turkey
	Sodexo Avantaj Ve Odullendirme Hizmetleri AS			Benefits and Rewards	Turkey
Asia, Pacific, Middle East					
	National Company for Management and Services Ltd	50%	50%	On-site	Saudi Arabia
	Sodexo Australia Pty Ltd (consolidated)			On-site	Australia
EM	Serco Sodexo Defence Services PTY Ltd	50%	50%	On-site	Australia
	Sodexo Remote Sites Australia Pty Ltd			On-site	Australia
	Sodexo Shanghai Management Services			On-site	China
	Kelvin Catering Services (Emirates) LLC	49%	49%	On-site	United Arab Emirates
	Sodexo International FZE			On-site	United Arab Emirates
	Sodexo SVC India Private Ltd			Benefits and Rewards	India
	Tariq Al Ghanim Company Ltd	50%	50%	On-site	Kuwait
	Teyseer Services Company WLL	49%	49%	On-site	Qatar

3.4 Statutory Auditors' Report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' Report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users.

The Statutory Auditors' Report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's Management Report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

SODEXO
255, quai de la Bataille-de-Stalingrad
92866 Issy-les-Moulineaux Cedex 9

For the year ended August 31, 2014

To the shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended August 31, 2014, on:

- the audit of the accompanying consolidated financial statements of Sodexo;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at August 31, 2014 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II - JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce),* we bring to your attention the following matters:

- the Company has tested goodwill and intangible assets with an indefinite useful life for impairment, and has assessed whether assets with a finite useful life presented an indication of impairment, in accordance with the methods set out in notes 2.8 and 4.10 to the consolidated financial statements.

  We have reviewed the methods used for the aforementioned tests, as well as the methodology applied to assess value in use based on the present value of future cash flows, after tax. We have also reviewed the related documentation which was prepared, the consistency of the data which was used and in particular the assumptions used in the preparation of the business plans;
- the provisions for pension and other post-employment benefits as described in notes 2.17 and 4.17 to the consolidated financial statements have chiefly been assessed by independent actuaries. We have reviewed the data and assumptions used by these actuaries as well as their conclusions, and have verified that note 4.17 provides appropriate information.

The aforementioned items are based on estimates and underlying assumptions which are uncertain by nature. As stated in note 2.2 to the consolidated financial statements, actual results may differ materially from such estimates in different conditions.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - SPECIFIC VERIFICATION

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's Management Report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, November 12, 2014

The Statutory Auditors

PricewatershouseCoopers Audit	KPMG Audit
	Department of KPMG SA
Yves Nicolas	Hervé Chopin

3.5 Supplemental information

3.5.1 FINANCIAL RATIOS

		Fiscal 2014 Excluding exceptional items[4]	Fiscal 2014 Reported data	Fiscal 2013 Excluding exceptional items[4]	Fiscal 2013 Reported data
Gearing ratio	Borrowings[1] – operating cash[2] / Shareholders' equity and non-controlling interests	**12%**	12%	**16%**	16%
Debt coverage	Borrowings[1] / Cash from operations[3]	**3.8 years**	4.1 years	**3.1 years**	3.4 years
Financial independence	Non-current borrowings / Shareholders' equity and non-controlling interests	**89.9%**	89.9%	**63.4%**	63.4%
Return on equity	Profit attributable to equity holders of the parent / Equity attributable to equity holders of the parent (before profit for the period)	**18.8%**	18.2%	**21.1%**	17.5%
Net debt ratio	Borrowings[1] – operating cash[2] / Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)	**0.3**	0.3	**0.4**	0.4
Return on capital employed (ROCE)	Operating profit after tax / Total of tangible and intangible assets + goodwill + client investments + working capital, as of the end of the year	**17.7%**	17.2%	**18.0%**	15.4%
Interest cover	Operating profit / Net interest expense	**6.8**	6.6	**6.3**	5.4

(1) Borrowings = non-current borrowings + current borrowings excluding amounts repayable in the first half of Fiscal 2015 and overdrafts – derivative financial instruments recognized as assets.
(2) Cash and financial assets related to the Benefits and Rewards Services activity – bank overdrafts.
(3) Net cash provided by operating activities – changes in working capital.
(4) Financial ratios for Fiscal 2014 and Fiscal 2013 have been recomputed to exclude the effect of exceptional costs relating to the operational efficiency improvement and cost reduction program.

3.5.2 TWO-YEAR FINANCIAL SUMMARY

	Fiscal 2014	Fiscal 2013
Total shareholders' equity	**3,221**	**2,987**
Equity attributable to equity holders of the parent	3,189	2,950
Equity attributable to non-controlling interests	32	37
Borrowings(1)		
Non-current borrowings	2,879	1,827
Current borrowings	937	692
Cash and equivalent, net of bank overdrafts	**2,687**	**1,307**
Restricted cash and financial assets (Benefits and Rewards Services)	**758**	**734**
Net borrowings(2)	**(371)**	**(478)**
Revenue	**18,016**	**18,397**
Operating profit after share of profit of companies consolidated by the equity method that directly contribute to the Group's business	939	825
Profit for the period	509	462
Profit attributable to non-controlling interests	19	23
Profit attributable to equity holders of the parent	**490**	**439**
Average number of shares outstanding	**151,893,759**	**150,980,749**
Earnings per share *(in euro)*	3.23	2.91
Dividend per share *(in euro)*	1.62	1.59
Share price at August 31 *(in euro)*	74.97	66.77
Highest share price in the fiscal year *(in euro)*	80.56	74.91
Lowest share price in the fiscal year *(in euro)*	66.69	58.50

(1) Including financial instruments, excluding bank overdrafts.
(2) Cash and cash equivalents + restricted cash and financial assets of the Benefits and Rewards Services activity – borrowings.

3.5.3 EXCHANGE RATES

ISO CODES	Countries	Currency	Closing exchange rate at August 31, 2014 1 euro =	Average exchange rate Fiscal 2014 1 euro =
CFA	Africa	CFA (thousands)	0.655957	0.655957
ZAR	South Africa	Rand	14.019000	14.295032
DZD	Algeria	Dinar (thousands)	0.105755	0.107803
SAR	Saudi Arabia	Rial	4.942400	5.105303
ARS	Argentina	Peso	11.076400	9.739915
AUD	Australia	Dollar	1.412300	1.482604
BRL	Brazil	Real	2.960000	3.103774
BGN	Bulgaria	Lev	1.955800	1.955800
CAD	Canada	Dollar	1.431400	1.466953
CLP	Chile	Peso (thousands)	0.776710	0.735441

ISO CODES	Countries	Currency	Closing exchange rate at August 31, 2014 1 euro =	Average exchange rate Fiscal 2014 1 euro =
CNY	China	Yuan	8.101800	8.370595
COP	Colombia	Peso (thousands)	2.539300	2.627287
KRW	South Korea	Won (thousands)	1.337970	1.430362
CRC	Costa Rica	Colon (thousands)	0.712610	0.713218
DKK	Denmark	Krone	7.452000	7.460065
AED	United Arab Emirates	Dirham	4.839600	4.999282
USD	United States	Dollar	1.318800	1.361174
GNF	Guinea	Guinea Franc (thousands)	9.261830	9.464402
HKD	Hong Kong	Dollar	10.220800	10.555435
HUF	Hungary	Forint (thousands)	0.315020	0.305090
INR	India	Rupee (thousands)	0.079810	0.083495
IDR	Indonesia	Rupiah (thousands)	15.437610	15.867369
ILS	Israel	Shekel	4.705700	4.757096
JPY	Japan	Yen (thousands)	0.137110	0.138307
KZT	Kazakhstan	Tenge (thousands)	0.241710	0.229446
KWD	Kuwait	Dinar	0.375400	0.384664
LBP	Lebanon	Pound (thousands)	1.989900	2.054964
MGA	Madagascar	Ariary (thousands)	3.259230	3.126863
MYR	Malaysia	Ringgit	4.164800	4.414021
MAD	Morocco	Dirham	11.140500	11.207112
MXN	Mexico	Peso	17.266400	17.852212
MZN	Mozambique	Metical	40.438000	41.275612
NOK	Norway	Kroner	8.146500	8.271642
NZD	New Zealand	Dollar	1.575200	1.626253
OMR	Oman	Rial	0.507500	0.524013
PEN	Peru	Sol	3.743500	3.812041
PHP	Philippines	Peso	57.583000	60.033659
PLN	Poland	Zloty	4.217100	4.188486
QAR	Qatar	Rial	4.804800	4.960609
CZK	Czech Republic	Koruna (thousands)	0.027725	0.027084
RON	Romania	New Lei	4.406500	4.445156
GBP	United Kingdom	Pound	0.795300	0.823272
RUB	Russia	Ruble (thousands)	0.048740	0.046707
SGD	Singapore	Dollar	1.645600	1.710720
SEK	Sweden	Krona	9.165800	8.946512
CHF	Switzerland	Swiss Franc	1.206100	1.221744
TZS	Tanzania	Shilling (thousands)	2.202470	2.210858
THB	Thailand	Baht	42.141000	43.896220
TND	Tunisia	Dinar	2.289900	2.226924
TRY	Turkey	New Lira	2.850600	2.876657
UYU	Uruguay	Peso	31.977500	30.376773
VEF	Venezuela	Bolivar (thousands)	0.067337	0.067337
VND	Vietnam	Dong	27,997.980000	28,694.553169

3.5.4 INVESTMENT POLICY

(millions of euro)	Fiscal 2014	Fiscal 2013
Acquisitions of property, plant equipment and intangible assets, plus client investments	294	251
Acquisitions of equity interests	50	98

Investments in progress as of August 31, 2014:

- post-balance sheet acquisitions of equity interests: as of the date of this document, Sodexo has completed no significant acquisition of equity interests since the closing date;
- other firm commitments of acquisition of equity interests: on September 12, 2014, the Group made a firm commitment through its Benefits and Rewards Services subsidiary in the United Kingdom to acquire all of the shares of Motivcom plc for 41 million pounds sterling.

Because of the nature of the Group's activities, investments represent less than 2% of revenues and mainly relate to investments on the Group's 32,700 sites, which are used to support operating activities and are financed by operating cash. None of these investments is individually significant.

No significant acquisitions were made in Fiscal 2014.

A detailed description of changes in investments is provided in notes 3.1, 4.5.1 and 4.5.2 in the Notes to the Consolidated Financial Statements.

Post-balance sheet acquisitions of equity interests are described in note 4.29 of the Notes to the Consolidated Financial Statements.

3.5.5 RISK FACTORS

3.5.5.1 RISKS RELATED TO THE GROUP'S ACTIVITIES

Commercial Risks related to On-site Services

On-site Services contracts fall into two main categories: profit and loss and fee-based. The two categories are differentiated by the level of commercial risk assumed by the service provider.

In a profit and loss contract, the service provider is paid for the service provided and bears the risks related to the costs of providing the service. Profit and loss contracts usually include periodic indexation clauses which allow for price increases (such as labor or food costs) to be passed on to clients, taking into account changes in economic conditions. The absence of such contractual clauses could have significant effect on the profitability of the related contract.

In a fee-based contract, the client bears all of the costs incurred in providing the service, either directly or by reimbursing the service provider, and regardless of the patronage on site. The service provider is paid a fixed or variable management fee. Sodexo's purchasing expertise ensures a stable supply of quality products at competitive prices pursuant to agreements negotiated with suppliers. In certain specific cases, Sodexo is required to remit to clients negotiated amounts received from suppliers.

In practice, Sodexo's contracts often combine features of both of these contract types.

Client retention risk

Sodexo's business depends on retaining and renewing contracts with existing clients, and bidding successfully for new contracts. This generally depends on various factors including the quality, cost and suitability of its services, and its ability to deliver competitive services that are differentiated from those of the competitors. In Fiscal 2014, the client retention rate for On-site Services was 93.4%.

Competition risk

At the international level, Sodexo has relatively few competitors.

However, in every country where it operates, Sodexo faces significant competition from international, national, and sometimes local operators. In addition, some existing or potential clients may opt to self-operate their On-site Services rather than outsource them.

The international, national and sometimes local operators competing against Sodexo in On-site Services may be companies offering a single type of service (such as foodservices, cleaning or technical maintenance) or a range of services. They may come from the foodservices sector or other facilities management sectors or offer other specialized technical services or even be companies specializing in property management services which sub-contract the services to various third parties.

In the 34 countries where Sodexo offers Benefits and Rewards Services, it may be faced with competition from a single global competitor or from several regional or local companies.

Dependency risk

Although business depends on Sodexo's ability to renew existing contracts and win new ones on favorable economic terms, no single client represents more than 2% of total Group revenues.

In addition, no industrial supplier represents more than 3% of the total volume of the Group's purchases. However, the Group's ability to organize its supply systems, including purchasing and logistics, significantly affects its performance.

Sodexo's activities are not dependent on any patent or licensed brand name of which Sodexo is not the legal owner.

Food, services and workplace safety risk

Every day, Sodexo serves a vast number of consumers worldwide, and it is committed to the safety of the food and services provided.

In addition, workplace accidents may occur in foodservices and in facilities management services.

In order to protect against shortcomings in this area, Sodexo has implemented control procedures designed to ensure strict compliance with applicable regulations, sector standards and client requirements. Global food and workplace safety policies are rolled out in all countries in which the Group operates and include appropriate training requirements for all employees.

However, if there were to be a significant incident at one or more of the Group's sites, there could be impacts on its activities, its profits and its reputation.

Risks related to food cost inflation and access to food commodities

Sodexo could be exposed to fluctuations in food prices and difficulties in the supply of certain products. The price of food and its availability in the marketplace may vary in different regions of the world.

Sodexo's contracts include certain clauses allowing for increases in prices or menu changes, but given the delays in implementing such measures, a temporary reduction in margins cannot be ruled out. Although most contracts include a minimum annual increase in the pricing of products and services provided by the Group, Sodexo could be affected during inflationary periods if the contracted increase rate is lower than the actual inflation rate.

Risks related to facilities management

Although facilities management services have long been a part of the business, Sodexo's strategy is to accelerate the development of these services, resulting in a larger contribution to revenue. These services require skilled personnel, particularly in the areas of building maintenance, electrical engineering, plumbing, heating systems and air conditioning. Consequently, the Group faces certain operational risks and has a need for qualified human resources. The Group's capacity to grow in this highly specialized environment depends on its knowledge of these markets and its ability to find, attract, recruit and train suitable employees.

Risks related to acquisitions

Sodexo has acquired and may in the future acquire businesses. These acquisitions will enhance earnings only if Sodexo can successfully integrate the acquired businesses into its management organization, purchasing operations, distribution network and information systems. The Group's ability to integrate acquired businesses may be adversely affected by factors that include failure to retain management and sales personnel, the size of the acquired business and the allocation of limited management resources among various integration efforts. In addition, the benefits of synergies expected at the time of selecting acquisition candidates may fall short of those originally anticipated. Difficulties in integrating acquired businesses, as well as liabilities or adverse operating issues relating to acquired businesses, could have a material adverse effect on our business, operating results and financial condition.

As explained in note 4.10 of the notes to the consolidated financial statements, the Group performs annual impairment tests on assets, including intangible assets and goodwill recognized on business combinations. If the carrying amount of these assets were to be less than their recoverable amount, an impairment loss would be recognized with an adverse effect on the Group's operating results and financial condition.

3.5.5.2 HUMAN RESOURCES MANAGEMENT RISKS

Service quality is largely dependent on the ability to attract, develop, motivate and retain the best talent, and to provide a sufficient level of training in order to raise standards continuously. For this reason, Sodexo has developed training policies at every level of the organization, with a particular focus on prevention and safety.

The diversity of backgrounds, cultures and skills among its people represents both a challenge and a major opportunity. Sodexo is committed to capitalizing on this diversity to gain a competitive edge and become a genuine worldwide player, so that its people – at every level – reflect the diversity of the Group's clients and consumers

Sodexo senior management is currently working on transforming the organizational structure of the On-site Services activity. This reorganization is intended to permit improved alignment with the needs of our clients and consumers, to accelerate growth and to enhance efficiency. The design and subsequent progressive implementation of such a reorganization will require an important investment of management time and attention. Any significant diversion of management resources could be disruptive and impact the Group's ongoing business and operating results. Accordingly, Sodexo's Group Executive Committee and Board of Directors have put in place governance to closely monitor and mitigate this risk.

As far as it is aware Sodexo is not exposed to any specific labor-related risk other than those arising in the ordinary course of business for an international group of its size.

3.5.5.3 ENVIRONMENTAL RISKS

Sodexo is aware of the potential environmental impact of its activities, even though it operates on its clients' sites. Rather than underestimate its importance, the Group makes every effort to manage and limit environmental risk.

The environmental impact of its activities arises mainly from:

- consumption of water and energy in foodservices facilities, food preparation and cleaning;
- production of waste from food preparation and cleaning (packaging, organic matter, waste fats and oils, and waste water from cleaning);
- climate change leading to exceptional weather incidents having an impact on the cost of commodities.

As part of its role as a corporate citizen, Sodexo launched The Better Tomorrow Plan in 2009. This continuous improvement plan identifies 18 commitments of which eight focus on the environment.

3.5.5.4 RISKS ASSOCIATED WITH TECHNOLOGY

The Group is increasingly dependent on information technology infrastructure and applications in its activities. The main risks are related to the availability of information technology services, data security and data privacy. Any failure in infrastructure, application or data communication or breakdown in security, as well as any loss in data, whether accidental or intentional, as well as the use of data by third parties, could inhibit the Group's ability to serve its clients, delay decision-making, and in general have a negative effect on the Group's activities.

3.5.5.5 REGULATORY RISK

The nature of Sodexo's business and its worldwide presence mean that it is subject to a wide variety of laws and regulations including labor law, antitrust law, corporate law, anti-corruption law, and health, safety and environmental law.

Sodexo has the legal structures in place at the appropriate levels to ensure compliance with these laws and regulations.

Certain services in the Benefits and Rewards Services activity benefit from favorable tax treatment in certain countries. These tax incentives may be adjusted to varying degrees by the governments concerned. A change in the related laws or regulations could have a direct impact on Sodexo's business, either by creating opportunities or by posing a threat to existing services. As such, if tax incentives were to be reduced or abolished, this could lead to a significant reduction in issue volume for some of the services concerned. However, Sodexo offers more than 250 different services in 34 countries and therefore considers that this risk is largely dispersed.

3.5.5.6 LIQUIDITY, INTEREST RATE, FOREIGN EXCHANGE AND COUNTER-PARTY RISK

Sodexo has access to a wide variety of bank funding sources in addition to raising funds directly from investors on the commercial paper and bond markets. Because it has operations in 80 countries, all components of the financial statements are inevitably influenced by foreign currency translation effects, and in particular by fluctuations in the U.S. dollar, the British pound Sterling, the Swedish crown, the Brazilian real, and the Venezuelan Bolivar Fuerte. However, exchange rate fluctuations do not generate operational risk, because each subsidiary bills its revenues and incurs its expenses in the same currency.

Sodexo uses derivative instruments to manage its exposure to interest rate and foreign exchange risk.

Additional information about these risks is provided in notes 5.1, 5.2 and 5.3 to the consolidated financial statements.

3.5.5.7 ECONOMIC DOWNTURN RISK

Adverse economic conditions could affect the Group's operations and earnings. The weight of national debt and continued unemployment could lead to significant pressures on economic activity both in the public and private sectors, leading to a decline in demand for the services Sodexo offers its clients – in particular in the Corporate segment – and thus have a negative impact on operations.

Nonetheless, Sodexo's clients are predominantly (around two-thirds of annual revenues) in less cyclical sectors such as Education, Healthcare, Justice and Defense.

The Remote sites activity is dependent on the petroleum and mining industries. Lastly, unfavorable economic conditions could result in a lengthening of payment times or impair the solvency of Sodexo's clients. Conversely, the economic situation could lead clients to increase outsourcing in order to achieve cost savings.

3.5.5.8 LITIGATION RISK

Refer to note 4.28 of the notes to the consolidated financial statements for information on these risks.

3.5.6 RISK COVERAGE

3.5.6.1 INSURANCE COVER

Sodexo's general policy is to transfer non-retained risks, especially intensity risks[1], to the insurance market. Insurance programs are contracted with reputable insurers.

The main insurance programs are as follows:

- liability insurance, which covers against personal injury, property damage or consequential loss caused to third parties. This category notably includes operational, product, after-delivery and professional liability insurance. The amounts insured depend on the nature of Sodexo's activities, the country where it operates, and the extent of cover available in the insurance market;
- property insurance, which mainly covers the risk of fire and explosion, water damage, natural disasters, and (in some countries) acts of terrorism. As a general rule, the sum insured is equal to the value of the insured property; however, some insurance contracts cap the amount paid out under the policy;
- workers' compensation. In countries with no government-provided coverage (primarily the United States, Canada and Australia), Sodexo has contracted workers' compensation programs.

The cover provided under these programs complies with the relevant legal requirements in each country.

3.5.6.2 DEDUCTIBLES

Retained or self-insured risks correspond to the deductibles specified in the insurance programs contracted by Sodexo. They consist for the most part of frequency risks (*i.e.* risks that recur regularly) but from time to time may also include intensity risks (*i.e.* risks representing substantial amounts). In some countries, these retained risks correspond to deductibles under employer's liability, workers compensation, third-party automobile and property insurance.

In North America, deductibles range from 5,000 U.S. dollars to 5,000,000 U.S. dollars per occurrence and some of the corresponding self-insured risks have been managed by a captive insurance company since June 1, 2006. Outside North America, deductibles generally range from 7,500 euro to 2,000,000 euro per occurrence.

3.5.6.3 PLACING OF RISK AND TOTAL COST

On the occasion of its most recent policy renewals, Sodexo maintained the scope and level of its coverage, as regards in particular, general liability insurance and professional liability insurance, especially for risks associated with facilities management activities.

The total cost of the main insurance programs and self-insured risks (excluding workers' compensation) of fully-consolidated Group companies is approximately 45 million euro, representing less than 0.25% of consolidated revenue.

(1) See glossary for definition.