3.1 Fiscal 2015 Activity Report

3.1.1 FISCAL YEAR HIGHLIGHTS

Fiscal 2015 was a year of solid financial performance, shaped by promising integrated services contract wins and sustained demand for Benefits and Rewards Services. During the year, the Group pursued its transformation and strengthened its position as world leader in Quality of Life Services.

A solid financial performance

- Sodexo's consolidated revenues for Fiscal 2015 amounted to nearly 20 billion euro, an increase of 10% over Fiscal 2014 that was partly attributable to the euro's weakness against other currencies;
- organic revenue growth was 2.5%, with increases of 2.2% for On-site Services and 9.5% for Benefits and Rewards Services;
- operating profit increased in all geographic regions, rising 21.7% to 1,143 million euro. Excluding exceptional items in Fiscal 2014 and at constant currencies, operating profit rose 11.9%, which represents a 0.4% increase in the operating margin;
- Group net income totaled 700 million euro, an increase of 42.9% over Fiscal 2015 or around 32% at constant currencies that was partly due to a reduction in net financing costs achieved by refinancing debt at lower interest rates and also to a decrease in the effective tax rate which benefited from non-recurring items;
- net cash provided by operating activities amounted to 1.0 billion euro versus 825 million euro in Fiscal 2014, an increase of 23% that once again demonstrates Sodexo's ability to generate large amounts of cash year after year.

In light of these excellent results, the Board of Directors will propose a dividend of 2.20 euro per share, an increase of 22.2%, and during Fiscal 2016 will launch a 300-million euro share repurchase and cancellation program in Fiscal 2016.

Major integrated services contract wins

Clients are increasingly choosing Sodexo as a multi-site and multi-services strategic partner for improving the quality of life of their employees and enhancing the performance of their organization.

In the Corporate Services segment, the Group continued to deploy an integrated services program in several Asian countries under a global strategic partnership with Unilever begun in 2012. Diageo also chose Sodexo as its strategic partner to manage its 68 sites in the United Kingdom and Ireland, including the London headquarters, regional centers, plants, distilleries and warehouses. Another multi-site, multi-service contract with Atento in Brazil was extended to its three sites in Chile employing a total of 3,500 people. In France, the Group was chosen to manage the quality of life of the employees of Lacoste-Devanlay working in its two main sites in Paris. Lastly, in the United States, Chevron chose Sodexo to provide a wide range of facilities management services at 13 sites located in California, Texas, Louisiana and Pennsylvania.

In Justice Services in the United Kingdom, following its success in providing prison services, the Group signed and mobilized a contract for the management of the government's offender rehabilitation program in six regions in England and in Scotland. The program helps prepare prison inmates for a successful return to mainstream society, with the aim of reducing the re-offending rate.

In Remote Sites, several integrated services contracts were won in Russia, Peru and Chile in the mining sector. The United States Army has qualified Sodexo as an approved contractor for the operation and maintenance of its health care centers throughout the world.

In the Sports and Leisure segment, Sodexo won the contract to provide food and hospitality services for the California Academy of Sciences Museum in San Francisco. The Quality of Life Services contract with the Clairefontaine National Football Center in France was renewed for a further four years and includes full management of the new training and conference center. Lastly, the Lido music hall in Paris re-opened in April with a completely new show created and directed by Franco Dragone.

In Health Care in the United States, the Group leveraged its commitment in favor of patient well-being to expand its foodservices and nutrition contract with UMass Memorial Medical Center to include three more sites and to win new contracts with Vidant Health System for its seven hospitals in North Carolina and with Tenet Health System in Texas.

In the Seniors segment, the Group reported several successes in Canada, the United States and Italy. The contract with the Hilver Zorg hospital's five sites in the Netherlands was renewed, thanks to the plan proposed by the Group to transform the foodservices areas and open them to the local community. In emerging markets, Sodexo was awarded a contract by the Pune hospital in India to have it manage its technical and engineering services, and won its first hospital contract in Indonesia. Sodexo also will provide foodservices to over 1,200 patients and 2,000 health care professionals at Huangshi Central Hospital in China.

Lastly, in the Education segment, Sodexo's innovative service offerings led to the signature or renewal of contracts in France, the United Kingdom, Finland, Canada, the United States and, in emerging markets, in China and Singapore for international schools.

These new contracts confirm the relevance of the Group's strategy, deepening its presence in emerging markets (which accounted for 20% of Group revenues in Fiscal 2015) while also strengthening its expertise in delivering an increasingly wide range of services in order to offer the highest possible level of integrated services to clients throughout the world. Today, 29% of Group revenues are derived from facilities management services.

Sustained Benefits and Rewards Services activity despite a more difficult environment in Brazil, thanks to several factors:

- winning new clients in all regions;
- a tentative return to growth in Europe in the fourth quarter;
- continuous expansion of the service offer, as much through technological innovation as through new ideas; and
- the acquisition of Motivcom plc, a specialist in employee benefits, rewards and incentive solutions for companies in the United Kingdom, allowing Sodexo to become European leader in this market.

In addition, inflation-driven increases in face values and interest rates helped to maintain the Benefits and Rewards record of solid growth. The growth rate was particularly strong in Latin America during Fiscal 2015.

3.1.1.1 FURTHERING QUALITY OF LIFE

Convinced that the quality of life of individuals is a performance driver for organizations, Sodexo was an early investor in research to better understand the stakes and to measure organizations' perception of the value of quality of life, with the support of its Quality of Life Institute.

In 2015, the Group launched an international survey of 780 leaders and decision-makers working in companies, hospitals and universities in six countries (Brazil, China, France, India, United Kingdom, United States). According to this Sodexo/Harris Interactive survey entitled "How leaders value quality of life in their organization," 66% of respondents in developed and emerging countries consider that improving quality of life is a strategic priority for their organization. Ninety-one percent of respondents agreed that there is a link between quality of life and their organization's performance, with 57% saying that they "totally agreed" with this proposition. Their replies were based on recent experience, as evidenced by the fact that 86% of respondents have already implemented at least three initiatives related to quality of life within their organization. Lastly, over 65% of respondents “fully agreed” that improving the quality of life of employees and consumers would be a critical factor in the coming years. The growing emphasis on quality of life is a response to the new realities of a changing world.

In view of the strategic role of quality of life as a key social and economic performance driver, in May 2015 Sodexo organized the first International Quality of Life Conference in New York. Over two days, hundreds of leaders from a wide range of backgrounds, including the business community, academia, health care, NGOs and the political sphere gathered to collaborate and challenge current social and economic performance models. Over 30 different nationalities were represented at the event, and the next generation of leaders who will drive change in the years to come took part alongside today’s influential decision-makers. At the heart of the debate, there was one shared preoccupation: to identify solutions to foster economic growth alongside social progress. The presence of leaders from throughout the world provided an opportunity to establish relations based on these new ideas with clients or potential clients from Poland, Brazil and France.

In parallel, since 2014 Sodexo has led the Quality of Life Observer, the first online media to monitor and interpret the components that contribute to quality of life in environments as diverse as businesses, health care facilities, campuses and schools, remote sites and prisons.

In order to realign its service offering, Sodexo has identified six dimensions that have a direct impact on quality of life:

- the promotion of health and well-being;
- the creation of conditions for collaborative efficiency;
- a secure and safe physical environment;
- the encouragement of social interactions;
- personal growth; and
- support for individual recognition.

3.1.1.2 INNOVATION-LED GROWTH

Several projects were launched during the year to invigorate the innovation drive, including:

- creation of a dedicated **digital** team to more effectively leverage the Quality of Life promise by improving services and relations between the Group and its consumers through:
  - applications such as MySodexo App, SoHappy and Apple Watch that provide information about menus and peak times in the restaurants, or the balance on the user’s account, or that offer concierge services, or give a list of restaurants or shops that accept Sodexo vouchers or the Sodexo Pass,
  - loyalty programs such as Reward Tree,
  - the promotion of well-being on platforms with an educational content such as Mindful,
  - participation in start-up networks, for example The Village, an open club for innovators in Paris, and the future Camp, an American-style digital campus located between Aix-en-Provence and Marseille that is currently under construction;
- a project to strengthen continuous research and optimization of the organization and resources dedicated to producing and delivering Quality of Life Services on a large scale.

3.1.1.3 CREATING A COMPETITIVE ADVANTAGE THROUGH OUR PEOPLE

The world’s 19th largest private sector employer with 420,000 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 during the year, based on the following priorities:

- maintain a high quality, diverse and appropriately sized workforce to meet the expectations of all clients;
- rank 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.

Keeping this in mind, during the year the Group:

- continued to invest in training: in order to provide opportunities for employees to develop and grow, Sodexo delivered some 5 million hours of training in Fiscal 2015. The Group also stepped up its commitment in this area by creating a facilities management training center for site managers. The curriculum focuses on the essential factors behind the efficient, profitable and safe management of increasingly technical and complex contracts that now frequently have a longer duration;

- further strengthening its standards for the management of workplace health and safety, which represents a potential source of improvements in employees' quality of life and a source of efficiency gains through a reduction in work stoppages and absenteeism;
- extending to 22 countries the Sodexo Supports Me service that helps employees to overcome day-to-day challenges at work and in their personal life, by putting them in contact with recognized external consultants.

3.1.1.4 GOVERNANCE CHANGES

During Fiscal 2015, Sophie Bellon continued to prepare to succeed Pierre Bellon to become Chairwoman of the Board of Directors, notably by:

1) deepening her knowledge of the various Group entities, in particular by participating in strategy meetings and visiting sites and meeting management of subsidiaries and operational teams;
2) seeking potential candidates for election to the Board of Directors and integrating new Board members.

3.1.1.5 CORPORATE SOCIAL RESPONSIBILITY AWARDS AND INITIATIVES

In Fiscal 2015, the Group won several major awards recognizing its commitment to social, environmental and economic responsibility:

Sodexo was named "global leader for its industry" by the Dow Jones Sustainability Indices (DJSI) for the 11th consecutive year and the number one consumer services company for the second year in a row. DJSI is the longest-running global sustainability benchmark worldwide and the key reference point in sustainability investing for investors and companies alike. The annual DJSI review is based on a thorough analysis of corporate economic, environmental and social performance, assessing issues such as Corporate Governance, risk management, climate strategy, environmental policy/management systems, supply chain standards and labor practices.

Among the initiatives launched during the year, Sodexo announced an ambitious objective to reduce carbon emissions 34% by 2020 compared to 2011 across all internal operations and the entire supply chain. The methodology was developed jointly with the World Wildlife Fund (WWF).

In October 2015, for the second year in a row, Sodexo topped the list of publicly quoted companies for gender balance published by the French Ministry of Women's Rights. The award concerns sustained gender balance both in the Group's top management and its operational teams. The first place in the ranking recognizes not only that 43% of Sodexo's Executive Committee and 38% of its Board of Directors are women, but also Sodexo's creation of strong women's networks throughout the global organization and the commitment to gender equality at the heart of its strategy and performance.

Carbon Disclosure Project (CDP) named Sodexo as the leader for the Hotel, Restaurants and Leisure sector in its 2014 CDP Global Forests Report which recognizes companies that are meeting the challenge of removing deforestation from their supply chains. Sodexo was also recognized in the report as the most improved company in the sector.

Lastly, the Group was behind the creation of an independent not-for-profit International Food Waste Coalition ("IFWC"), with members representing the entire value chain in the food services industry. IFWC's key objectives include actively promoting strategies to reduce food waste, including by consumers.

3.1.2 FISCAL 2015 PERFORMANCE

3.1.2.1 CONSOLIDATED INCOME STATEMENT

(in millions of euro)	Year ended August 31 2015	2014	Change at current exchange rates	Change at constant exchange rates
Revenues	19,815	18,016	+10.0%	+2.6%
Organic growth	2.5%	2.3%		
Operating profit[1]	1,143	966	+18.3%	+11.9%
Operating margin[1]	5.8%	5.4%		
Exceptional expenses[2]	(0)	(27)		
Operating profit (reported)	1,143	939	+21.7%	+15.1%
Interest income	65	20		
Financing costs	(172)	(193)		
Finance income and expense, net	(107)	(173)		
Share of profit of other companies consolidated by the equity method	7	8		
Profit before tax	1,043	774	+34.8%	+25.7%
Income tax expense	(320)	(265)		
Effective tax rate	*31.1%*	*34.8%*		
Profit for the period	723	509	+42.0%	+30.8%
Profit attributable to non-controlling interests	23	19		
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT, BEFORE EXCEPTIONAL EXPENSES, NET OF TAX	**700**	**508**	**+37.8%**	**+27.8%**
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (REPORTED)	**700**	**490**	**+42.9%**	**+32.4%**
Earnings per share *(in euro)*	4.60	3.23	+42.4%	+32.2%
Dividend per share *(in euro)*	2.20[3]	1.80	+ 22.2%	

(1) In Fiscal 2014, before the exceptional costs recorded in connection with the program to improve operational efficiency and reduce costs.
(2) Costs incurred in Fiscal 2014 in connection with the program to improve operational efficiency and reduce costs implemented between September 2012 and February 2014.
(3) Subject to approval at the Annual Shareholders' Meeting on January 26, 2016.

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	39%	44%
Euro	26%	11%
UK pound sterling	10%	7%
Brazilian real	5%	21%

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

Impact of exchange rates	Change vs. the euro (in %, average rate)	(in millions of euro)		
		Revenues	Operating profit	Net income
Euro/U.S. dollar	+17.4%	1,131	73	33
Euro/Brazilian real	-6.0%	(68)	(15)	(9)
Euro/UK pound sterling	+10.3%	180	8	9
Euro/bolivar fuerte	-69.8%	(29)	(13)	5

During Fiscal 2015, the U.S. dollar and the UK pound sterling strengthened considerably against the euro, gaining 17.4% and 10.3% respectively, while the Brazilian real declined 6%.

With effect from the fiscal year ended August 31, 2010, for the preparation of the consolidated financial statements the Group applied the specific IFRS accounting requirements to the transactions of its subsidiaries operating in Venezuela that use the local currency as their functional currency. On February 10, 2015, the Venezuelan government announced that it was setting up a new foreign exchange platform called SIMADI (Marginal Currency System). In mid-July 2015, Sodexo decided to transition to the new platform and started bidding for U.S. dollars on SIMADI. The Group considers that the best estimate of the exchange rate at which funds from its activities in Venezuela could be repatriated is the rate observed on August 28, 2015 on the SIMADI platform. The exchange rate used for the year ended August 31, 2015 is therefore 1 U.S. dollar = 198.96 bolivars (1 euro = 223.14 bolivars). The effect of this depreciation (including on the consolidated statement of financial position in which year-end exchange rates are used) is not material at Group level, as the Group's operations in Venezuela now represent just 0.1% of consolidated revenues and less than 0.5% of consolidated operating profit.

3.1.2.2 REVENUE GROWTH

Consolidated revenue for Fiscal 2015 amounted to 19.8 billion euro, an increase of 10% including organic growth of 2.5%. Favorable changes in exchange rates had a positive impact not only on revenues but also on all other income statement items.

Organic growth for the On-site Services activity was 2.2%. In a global economy that saw moderate growth, with some emerging economies particularly in Latin America experiencing a loss of momentum, this growth rate primarily reflected heightened demand for Sodexo's integrated Quality of Life Services offers in all geographic regions. These offers include a significant facilities management component, which lessened the effect of lower foodservices volumes resulting from headcount reductions and other cost-saving measures undertaken by clients, particularly in Europe.

Organic growth for the Benefits and Rewards Services activity was 9.5%, reflecting further double-digit growth in Latin America – despite a slowdown in Brazil in the second half of the year – and a healthy increase in revenues in Asia.

3.1.2.3 OPERATING PROFIT

Reported operating profit amounted to 1,143 million euro, an increase of 21.7% at current currencies and 15.1% excluding currency effects.

Note that Fiscal 2014 reported operating profit was stated net of 27 million euro in exceptional costs related to the program to improve operational efficiency and reduce costs. **Based on Fiscal 2014 operating profit before these exceptional costs, year-on-year growth was 18.3% at current exchange rates and 11.9% excluding currency effects, while operating margin was 5.8% compared to 5.4% in Fiscal 2014.** This performance was better than the objective of 10% growth in operating profit announced by the Group in November 2014.

All of the On-site Services geographic regions contributed to the high overall rate of growth, with operating profit increases of:

- 39.4% in North America (18.7% at constant currencies);
- 42.4% in the United Kingdom and Ireland (28.8% at constant currencies);
- 15% in the Rest of the World (Latin America, Middle East, Asia, Africa, Australia and Remote Sites) (7.1% at constant currencies);
- 3% in Continental Europe (3.9% at constant currencies).

In Benefits and Rewards Services, higher issue volumes and tight control over costs drove a 15.3% increase in operating profit excluding currency effects and 6.3% at current exchange rates.

This performance also reflected the benefits over a full year of the program to improve operational efficiency and reduce costs, which generated annual savings of 170 million euro compared to the Fiscal 2013 baseline. This program, which was launched in September 2012 and completed in February 2014, focused on reducing both on-site operating expenses and overheads. The exceptional expenses recorded during the implementation period consisted mainly of i) the net cost of withdrawing from certain unprofitable contracts or activities and ii) restructuring costs and costs related to various measures to reduce administrative expenses in many countries around the world.

3.1.2.4 FINANCE INCOME AND EXPENSE, NET

Finance income and expense represented a net expense of 107 million euro, reflecting a 66 million euro improvement compared to Fiscal 2014.

Net borrowing costs decreased by nearly 13 million euro, following the refinancing operations carried out during Fiscal 2014.

In addition, the sale of the Group's interest in a special purpose entity set up in connection with a Private Finance Initiative (Public-Private Partnership) in the United Kingdom had a 23 million euro favorable impact on net finance expense for the year.

3.1.2.5 INCOME TAX EXPENSE

Income tax expense amounted to 320 million euro in Fiscal 2015. The 55 million euro increase compared to the prior year was due to the increase in pre-tax profit. The effective tax rate for Fiscal 2015 was exceptionally low at 31.1%, due in particular to the use of previously unrecognized tax loss carry-forwards.

3.1.2.6 GROUP NET INCOME AND EARNINGS PER SHARE

The solid increase in operating profit, both before and after taking into account the exceptional expenses recorded in Fiscal 2014, the reduction in net finance expense and the low effective tax rate combined to drive a 42.9% increase in **Group net income** (32.4% excluding currency effects), to 700 million euro.

Earnings per share totaled 4.60 euro compared to 3.23 euro in Fiscal 2014, representing an increase of 42.4% (32.2% excluding currency effects) in line with the growth in Group net income.

3.1.2.7 PROPOSED DIVIDEND

At the Annual Shareholders' Meeting to be held on January 26, 2016, the Board of Directors will recommend paying a dividend of 2.20 euro per share[1] for Fiscal 2015, an increase of 22.2% over the prior year. This proposal is in line with Sodexo's policy of allowing shareholders to benefit from the increase in Group net income; 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 50% of Group net income.

Furthermore, confident in the future while maintaining the financial flexibility needed to invest in future development, the Board has also decided to implement a 300 million

(1) In addition, shares held in registered form since at least four years as of August 31, 2015 and still held when the Fiscal 2015 dividend becomes payable in February 2016, will automatically be entitled to a 10% dividend premium, provided they do not represent over 0.5% of the capital per shareholder.

euro (approximately 2.4% of the share capital) share repurchase and cancellation program in Fiscal 2016. This transaction is expected to be accretive to earnings per share starting in 2016.

3.1.2.8 ANALYSIS OF CHANGES IN REVENUES AND OPERATING PROFIT BY ACTIVITY

Revenues by activity *(in millions of euro)*	Fiscal 2015	Fiscal 2014	Organic Growth[(1)]	Change at current exchange rates	Change at constant exchange rates
On-site Services					
North America	7,972	6,759	+1.5%	+17.9%	+1.2%
Continental Europe	5,686	5,702	+0.6%	-0.3%	+0.5%
Rest of the World	3,504	3,327	+1.7%	+5.3%	+1.7%
United Kingdom and Ireland	1,832	1,483	+12.8%	+23.5%	+12.8%
Total On-site Services	**18,994**	**17,271**	**+2.2%**	**+10.0%**	**+2.1%**
Benefits and Rewards Services	**827**	**751**	**+9.5%**	**+10.1%**	**+15.3%**
Intragroup eliminations	**(6)**	**(6)**			
TOTAL	**19,815**	**18,016**	**+2.5%**	**+10.0%**	**+2.6%**

(1) Organic growth: change in revenue based on a constant scope of consolidation and constant currency exchange rates, except for the bolivar fuerte in the case of the Benefits and Rewards Services activity, for which an exchange rate of 1 dollar = 198.96 bolivars (1 euro = 223.14 bolivars) was used in Fiscal 2015.

Operating profit by activity[(1)] *(in millions of euro)*	Fiscal 2015	Fiscal 2014[(1)]	Change at current exchange rates	Change at constant exchange rates
On-site Services				
North America	499	358	+39.4%	+18.7%
Continental Europe	238	231	+3.0%	+3.9%
Rest of the World	161	140	+15.0%	+7.1%
United Kingdom and Ireland	94	66	+42.4%	+28.8%
Total On-site Services	**992**	**795**	**+24.8%**	**+13.2%**
Benefits and Rewards Services	**285**	**268**	**+6.3%**	**+15.3%**
Corporate expenses	**(128)**	**(91)**		
Eliminations	**(6)**	**(6)**		
TOTAL	**1,143**	**966**	**+18.3%**	**+11.9%**

(1) Operating profit before the costs recorded in Fiscal 2014 in connection with the program to improve operational efficiency and reduce costs.

The On-site Services activity represents 96% of consolidated revenues and 78% of consolidated operating profit before eliminations and corporate expenses. The Benefits and Rewards Services activity accounts for 4% of consolidated revenues and 22% of consolidated operating profit before eliminations and corporate expenses.

On-site Services

REVENUES

GROWTH BY REGION:

(in millions of euro)	Fiscal 2015	Fiscal 2014	Organic growth	Acquisitions	Currency effect	Total growth
North America	7,972	6,759	+1.5%	-0.3%	+16.7%	+17.9%
Continental Europe	5,686	5,702	+0.6%	-0.1%	-0.8%	-0.3%
Rest of the World	3,504	3,327	+1.7%	0%	+3.6%	+5.3%
United Kingdom and Ireland	1,832	1,483	+12.8%	0%	+10.7%	+23.5%
TOTAL ON-SITE SERVICES	**18,994**	**17,271**	**+2.2%**	**-0.1%**	**+7.9%**	**+10.0%**

GROWTH BY SEGMENT:

(in millions of euro)	Fiscal 2015	Fiscal 2014	Organic growth	Acquisitions	Currency effect	Total growth
Corporate Services	9,989	9,208	+3.9%			
Health Care and Seniors	4,786	4,280	+1.2%			
Education	4,219	3,783	-0.7%			
TOTAL ON-SITE SERVICES	**18,994**	**17,271**	**+2.2%**	**-0.1%**	**+7.9%**	**+10.0%**

On-site Services revenues totaled 19 billion euro and organic growth for the fiscal year was **2.2%.**

This performance reflected:

- strong demand for facilities management services that drove more than 7% growth during the year. Of particular note were Sodexo's performances in the United Kingdom and Ireland, the robust growth dynamic in the Corporate Services segment in North America and the return to growth, albeit modest, in Continental Europe;
- more limited revenue growth in the Health Care and Seniors segment in North America, reflecting the expected consequence of the Group's decision at the end of Fiscal 2014 to scale down its services to a major American retirement home operator, HCR ManorCare;
- a significantly more challenging economic environment in Latin America, particularly Brazil and Chile, as well as in the Remote Sites segment which was affected by deepening budget cuts by clients in the oil and mining sectors;
- decisions made to withdraw from unprofitable contracts, as part of the program to improve operational efficiency and reduce costs, weighed 0.9% on growth.

Organic growth in the **Corporate Services** segment amounted to **3.9%,** representing the result of several different trends:

- strong demand for integrated Quality of Life Services offers in all regions, led by the United Kingdom and North America;
- the ramp-up of new contracts in the Justice segment in the United Kingdom;
- 5.1% growth in the Remote Sites segment, which benefited – in particular, in the first half of Fiscal 2015 – from the many contracts signed at the end of the prior year, particularly in Australia.

Health Care and Seniors revenues grew by **1.2%,** a performance that reflected the generally unfavorable operating environment in Europe and the voluntary withdrawal from part of the HCR ManorCare contract in the United States at the end of Fiscal 2014. Sodexo nonetheless successfully leveraged its expertise in this segment, and continued to enjoy strong growth in Latin America, especially Brazil, as well as in China.

Education segment revenues were **down 0.7%** based on a comparable consolidation scope and at constant currency exchange rates. The decline was partly due to the Group's decision to withdraw from a contract with Detroit Public Schools in North America, in light of the city's financial difficulties, and reflected the more selective approach to new business in Europe. In contrast, Education revenues in emerging markets grew over the year, lifted by Sodexo's global expertise in this client segment.

The Group's key growth indicators were as follows:

- **93.1% client retention rate,** little changed from Fiscal 2014. The retention rate remained very high in the United Kingdom and Ireland but declined slightly in other geographic regions;
- **2.2% growth for existing sites,** compared to 2.5% for the prior year. Foodservices volumes continued to decline in Europe, and slower economic growth and inflation in certain emerging economies also weighed on growth;
- **7.5% development rate** (new contract wins) compared to 7.1% in Fiscal 2014, reflecting contract wins for integrated service offers, particularly in the United Kingdom. New contracts won during the fiscal year represented 1.3 billion euro in annual revenues.

OPERATING PROFIT

Operating profit from On-site Services was 992 million euro, up **24.8%** (13.2% excluding currency effects) over the prior year. Sodexo made gains in all geographic regions, with operating profit up 39.4% in North America (18.7% excluding currency effects), 42.4% in the United Kingdom and Ireland (28.8% excluding currency effects), 15% in the Rest of the World (7.1% excluding currency effects) and 3% in Continental Europe (3.9% excluding currency effects).

The On-site Services activity's **operating margin** rose by **0.6** points from 4.6% to 5.2%.

3

ANALYSIS BY GEOGRAPHIC REGION

North America

Revenues

(in millions of euro)	Fiscal 2015	Fiscal 2014	Organic growth	Acquisitions	Currency effect	Total growth
Corporate Services	2,040	1,704	+5.4%			
Health Care and Seniors	2,889	2,439	+1.1%			
Education	3,043	2,616	-0.6%			
TOTAL	**7,972**	**6,759**	**+1.5%**	**-0.3%**	**+16.7%**	**+17.9%**

On-site Services revenue in North America totaled 8 billion euro, up 18% over Fiscal 2014. Organic growth for the year was 1.5%.

Organic growth in the **Corporate Services** segment was **5.4%,** reflecting high business volumes in facilities management services for clients such as Bloomberg, Citigroup and Alcatel-Lucent, along with robust growth in On-site Services in the Defense segment. Sodexo won a large number of contracts during the year, notably with the House of Representatives, Chevron and Zurich Insurance.

In the **Health Care and Seniors** segment, revenue increased by just **1.1%,** due to the adverse impact during most of the year of Sodexo's withdrawal in the prior year from part of the HCR ManorCare contract, and of the sale of certain laundry activities. However, new contracts won with clients such as Vidant Health and Tenet Health System, and faster growth at existing sites confirmed the market's potential and led to a return to growth in the latter part of the year. Other contract wins included LHP Hospital Group (Texas), Erlanger Health System (Tennessee), Avalon Woodland Park Rehab and Care Center (Utah) and UMass Memorial Medical Center (3 sites in Massachusetts).

In **Education,** the **0.6% decline** in revenue reflected mixed trends, with the increase in sales of full board meal plans to universities partially offset by the voluntary withdrawal from a contract with Detroit Public Schools at the end of the prior fiscal year, due to the city's financial difficulties and the risk of non-payment. In the schools segment, growth in existing site revenues reflected changes in students' eating habits in response to the recently enacted Healthy and Hunger Free Kids Act (HHFKA). Following disappointing sales performances and contract wins in Fiscal 2015, a series of measures to improve the sales teams' efficiency was decided at the end of the year. Recent contract wins included Dakota State University, San Francisco State University and State University of New York at Stony Brook.

Operating profit

Operating profit totaled 499 million euro, an increase of 39.4% (18.7% excluding currency effects) compared to Fiscal 2014.

Numerous productivity improvement measures paid off in Fiscal 2015 thanks to the systematic deployment of standardized on-site contract management methods, particularly in the Education segment, leading to improved management of the effects of inflation. Off-site administrative cost efficiencies also contributed to this good performance. In all, these two factors accounted for 40% of the increase in Fiscal 2015 operating profit, with the other 60% attributable to the low basis of comparison in Fiscal 2014 when operating profit was temporarily affected by problems in deploying the HCR ManorCare contract and by the provisions set aside for doubtful receivables and risks on certain contracts.

Boosted by all of these factors, **operating margin** in North America rose to 6.3% from 5.3% in Fiscal 2014.

Continental Europe

Revenues

(in millions of euro)	Fiscal 2015	Fiscal 2014	Organic growth	Acquisitions	Currency effect	Total growth
Corporate Services	3,463	3,404	+2.9%			
Health Care and Seniors	1,327	1,380	-3.4%			
Education	896	918	-2.3%			
TOTAL	**5,686**	**5,702**	**+0.6%**	**-0.1%**	**-0.8%**	**-0.3%**

In Continental Europe, revenues totaled nearly 5.7 billion euro.

Organic growth in the **Corporate Services** segment was **2.9%.** However, this performance reflected mixed situations:

- foodservices volumes declined, notably in France, Italy, the Netherlands and Finland, and revenues were also adversely affected by Sodexo's withdrawal from certain contracts as part of the program to improve operational efficiency and reduce costs;
- these effects were offset by sustained demand for Quality of Life Services, particularly services that required deployment of a variety of technical skills. The ramp-up of multi-site contracts signed in Fiscal 2014, among them Carlsberg and Johnson & Johnson, also acted as a growth driver.

New contracts signed during the year included *Institut Pasteur* and GE Power Conversion in France, and the National Police Service in the Netherlands.

The **3.4% contraction** in **Health Care and Seniors** revenues was mainly due to lower client retention rates, especially in France, and limited business development in recent quarters. These markets continue to offer considerable medium-term growth potential despite the current economic and political environment. The transition to an organization by global client segment currently in progress should enable the Group to leverage its expertise and deep understanding of its clients and consumers, in order to steadily improve the effectiveness of its sales initiatives.

New contracts signed during the year included Ospedale San Matteo Pavia in Italy and Forcilles Hospital in France.

In **Education,** the **2.3% decline** in revenue was mainly attributable to Sodexo's decision in Fiscal 2014 not to renew certain major contracts in several countries, as a result of budget cuts for schools. Sodexo nonetheless enjoyed a modest return to growth in the fourth quarter and expects a modest improvement in the next twelve months.

New contracts signed during the year included Conseil Général des Yvelines and École Supérieure d'Art et de Design in France and Tampere University of Technology (TTY) in Finland.

Operating profit

At 238 million euro, **operating profit** was up by 3% (3.9% excluding currency effects) over Fiscal 2014. **Operating margin** was up 0.1% compared with the previous year, at 4.2%. The effects of client cost-saving drives and non-recurring contract mobilization costs recorded in the first half were more than offset in the second half, as expected, by the benefits of the program to improve operational efficiency launched in September 2012.

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

Revenues

(in millions of euro)	Fiscal 2015	Fiscal 2014	Organic growth	Acquisitions	Currency effect	Total growth
Corporate Services	3,154	3,030	+0.6%			
Health Care and Seniors	211	172	+20.2%			
Education	139	125	+4.0%			
TOTAL	**3,504**	**3,327**	**+1.7%**	**+0%**	**+3.6%**	**+5.3%**

Revenues in the Rest of the World region (Latin America, Africa, Middle East, Asia, Australia and Remote Sites) totaled 3.5 billion euro in Fiscal 2015, an increase of 5.3% over Fiscal 2014. Organic revenue growth was 1.7%.

The Remote Sites segment, which accounted for 45% of the region's total revenues in Fiscal 2015, reported organic revenue growth of 2.2%, driven by significant contract wins in Fiscal 2014, including Woodside Energy and BHP Billiton subsidiary GemCo for Groote Eylandt, Mineral Resources/Jerriwah Village in Australia, Petrex in Peru and Compania Minera Nevada in Chile. Revenue growth in the second half of the year was nonetheless adversely affected by mine closures, particularly in Latin America.

Excluding Remote Sites, organic growth in the Rest of the World region was 1.4%.

Organic revenue growth in the **Corporate Services** segment was **0.6%,** reflecting both the developments in the Remote Sites segment described above and the consequences of the severe economic slowdown in Brazil, as well as the difficult fiscal and social environment in Chile. Growth nonetheless remained satisfactory in Asia, with near-double digit increases particularly in India and Southeast Asia.

Many contracts were signed in emerging markets, including JBS, Valeo, FMC Technologies and Braskem in Brazil, Vodafone and Adobe in India, and deployment of the Unilever contract in Asia began during the year.

In **Health Care and Seniors,** organic growth of **20.2%** was attributable to contract wins in Latin America, especially in Brazil., and strong growth in Asia. Driven by Sodexo's expertise in Health Care and Seniors services, this steady, sustained growth confirms the of the Group's global approach by client segment. During the year, Sodexo won a number of contracts including for the Mater Dei Belo Horizonte hospital in Brazil, and Rumah Sakit Pondok Indah Hospital in Indonesia.

In **Education,** the **4%** organic growth in revenue was primarily attributable to operations in Latin America, India and China. New contracts signed during the year included Nord Anglia International School in Hong Kong and Sri Utama Schools in Malaysia.

Operating profit

Operating profit in the Rest of the World region increased by 15% (7.1% excluding currency effects) to 161 million euro. **Operating margin** was 4.6% compared to 4.2% in the prior year, maintaining the pattern of growth established over the last two fiscal years. The further improvement was the result of major productivity gains achieved in most of the countries in the region, and also reflected the impact of additional one-off projects in the offshore sector.

United Kingdom and Ireland

Revenues

(in millions of euro)	Fiscal 2015	Fiscal 2014	Organic growth	Acquisitions	Currency effect	Total growth
Corporate Services	1,332	1,070	+13.9%			
Health Care and Seniors	359	289	+12.7%			
Education	141	124	+4.1%			
TOTAL	**1,832**	**1,483**	**+12.8%**	**+0%**	**+10.7%**	**+23.5%**

Revenues in the United Kingdom and Ireland totaled 1.8 billion euro, an increase of 23.5% over Fiscal 2014 including organic growth of 12.8%.

Corporate Services revenue growth accelerated sharply to **13.9%.** This performance was attributable to the provision of services, including for one-off projects with a large facilities management component, for clients such as GSK, Rexam, Carlsberg and Zurich. It also reflects the initial months' revenue from a contract awarded to Sodexo in six regions under the UK government's Transforming Rehabilitation program to help prepare prison inmates for a successful return to mainstream society.

Another highlight of Fiscal 2015 was the contract with Diageo to provide an array of integrated Quality of Life Services at 68 sites in the United Kingdom and Ireland.

In **Health Care and Seniors,** organic growth accelerated to **12.7%** thanks to the ramp-up of several contracts and the extension of services provided to several hospitals such as the five in London operated by Imperial College Healthcare.

In **Education,** the **4.1%** growth in revenues for the year was principally due to the contract with the prestigious University College London won in Fiscal 2014.

Operating profit

Operating profit increased to 94 million euro, up 42.4% or 28.8% excluding currency effects. The increase was partly attributable to the leverage provided by revenue growth but it also reflected improved margins on several major integrated services contracts that were still in the start-up phase in Fiscal 2014. **Operating margin** increased from 4.5% in Fiscal 2014 to 5.1%.

Benefits and Rewards Services

Issue volume

(in millions of euro)	Fiscal 2015	Fiscal 2014	Organic growth	Acquisitions	Currency effect	Total growth
Latin America	7,526	7,323	+11.1%			
Europe and Asia	8,894	8,171	+4.3%			
TOTAL	**16,420**	**15,494**	**+7.5%**	**+1.7%**	**-3.2%**	**+6.0%**

Revenues

(in millions of euro)	Fiscal 2015	Fiscal 2014	Organic growth	Acquisitions	Currency effect	Total growth
Latin America	431	410	+14.4%			
Europe and Asia	396	341	+3.8%			
TOTAL	**827**	**751**	**+9.5%**	**+4.1%**	**-3.5%**	**+10.1%**

In the **Benefits and Rewards Services** activity, the growth dynamic remained satisfactory in emerging markets (Latin America and Asia), despite the gradual but nonetheless significant economic slowdown observed in Latin America. This trend was illustrated by the **9.5%** organic revenue growth for Fiscal 2015.

Digital-based issue volume accounted for 65% of total issue volume for the year, reflecting the strong innovation culture that prevails at Sodexo and underpins the service offer for clients.

In **Latin America,** organic growth continued at a satisfactory rate of **11.1%** for issue volume and **14.4%** for revenues, led mainly by solid advances in Brazil and Venezuela. This performance was supported by higher face values on vouchers and cards and rising interest rates in Brazil. Sodexo continued to deepen its market penetration, thanks to its relevant service offers, and continued development of its expense management activities. Contract wins included Hospital Santa Paula and CEFOR Segurança Privada in Brazil, and Municipio de Xochitepec Morelos in Mexico.

In **Europe and Asia,** organic growth accelerated to **4.3%** for issue volume and **3.8%** for revenues. These gains reflected the success of Sodexo's Quality of Life offers, double-digit growth in Turkey, India and China, and more encouraging growth rates in the rest of Europe.

Contract wins included Hindustan Zinc Limited and Willis Processing in India, Régie nationale des Tabacs et Allumettes in Tunisia, Kiloutou in France and Vitaldent in Spain.

Operating profit

Operating profit amounted to 285 million euro, up 6.3% compared to the prior year (15.3% excluding currency effects). The increase reflected higher issue volumes and tight operating cost management with a particular focus on voucher and card processing costs. The Group continued to invest in research, innovation and development of Quality of Life Services during the year, while also launching operations in four new countries (Portugal, Panama, Singapore and Taiwan) at the end of the fiscal year.

Excluding the effect of changes in the exchange rates used to translate operating profit generated in Venezuela[1], **operating margin** was 34.5%, stable compared to Fiscal 2014.

(1) Starting in mid-July 2015, Sodexo decided to transition to the new SIMADI foreign exchange platform and started bidding for U.S. dollars on this platform. The Group therefore considers that the currency exchange rate observed on the SIMADI on August 28, 2015 corresponds to the rate at which funds from its Venezuelan operations could be repatriated at the period end. Consequently, the exchange rate used for the fiscal year ended August 31, 2015 is 1 dollar = 198.96 bolivars (1 euro = 223.14 bolivars). Use of this rate had the effect of reducing operating profit for the year by 13 million euro.

3.1.3 CONSOLIDATED FINANCIAL POSITION

3.1.3.1 CASH FLOWS

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

	Year ended	
(in millions of euro)	August 31, 2015	August 31, 2014
Net cash provided by operating activities	1,017	825
Net cash used in investing activities	(378)	(337)
Net cash (used in)/provided by financing activities	(1,365)	920
(Decrease)/increase in net cash and cash equivalents	(726)	1,408

Net cash provided by operating activities amounted to 1,017 million euro, representing some 200 million euro or 23% more than in Fiscal 2014. This good performance was mainly due to the sharp 203 million euro rise in operating profit from fully consolidated companies, part of which was attributable to the favorable currency effect.

The change in working capital, which had a more limited positive effect than in the prior year, reflected two opposing developments, with an increase in trade receivables in North America and Latin America that was partly offset by significant client advances related to the Rugby World Cup in the United Kingdom.

Net cash used in investing activities increased to 378 million euro and included:

- net capital expenditure and client investments for 346 million euro, representing approximately 1.8% of revenues;
- acquisitions of companies for 49 million euro, corresponding for the most part to the November 2014 acquisition of Motivcom, a leading provider of employee motivation and recognition services for companies in the United Kingdom.

Net cash from financing activities, representing a negative 1,365 million euro, and net cash and cash equivalents were significantly affected by the 1,048 million euro in debt repayments carried out during the year, including the 880 million bond issue redeemed in January 2015. Net cash used in financing activities also included dividends paid by Sodexo SA (in February 2015 in the amount of 276 million euro).

3.1.3.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of euro)	August 31, 2015	August 31, 2014		August 31, 2015	August 31, 2014
Non-current assets	7,334	6,852	Shareholders' equity	3,710	3,189
Current assets excluding cash	4,396	4,120	Non-controlling interests	34	32
Financial assets related to the Benefits and Rewards Services activity	739	758	Non-current liabilities	3,593	3,830
Cash	2,008	2,748	Current liabilities	7,140	7,427
TOTAL ASSETS	**14,477**	**14,478**	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	**14,477**	**14,478**
			Net debt	339	371
			Net debt ratio	9%	12%

As of August 31, 2015, favorable currency effects (mainly due to the U.S. dollar and the UK pound sterling against the euro), partly offset by unfavorable currency effects (related to the Brazilian real), led to an overall increase in all statement of financial position items compared to August 31, 2014.

As of August 31, 2015, the Group had total borrowings of 3,047 million euro. The main borrowings are two euro-denominated bond issues for a total of 1,100 million euro and three U.S. private placements for a total of 2,060 million U.S. dollars. The remaining balance includes various bank loans and facilities, capital leases and derivative financial instruments.

Cash and cash equivalents net of bank overdrafts totaled 1,969 million euro as of August 31, 2015. Benefits and Rewards Services cash invested in instruments with maturities of more than three months amounted to 299 million euro and the activity's restricted cash stood at 440 million euro.

The operating cash position (which includes Benefits and Rewards Services cash investments and restricted cash) totaled 2,708 million euro, including 1,476 million euro relating to the Benefits and Rewards Services activity.

As of August 31, 2015, net debt was 339 million euro, representing 9% of shareholders' equity, compared to 12% as of August 31, 2014. This extremely sound financial position allows the Board of Directors to propose to the Annual Shareholders' Meeting a 22.2% increase in the dividend, to 2.20 euro, and a 300 million euro share repurchase and cancellation program, representing the equivalent of 2.4% of the capital, while retaining the necessary financial flexibility to invest in future development.

As of August 31, 2015, the Group had unused bank credit facilities of 1,100 million euro.

The average interest rate on borrowings was 3.8% as of August 31, 2015. The reduction compared to the prior year-end was due to the redemption of the 880 million euro bond issue, which paid interest at an average rate of 5.9%, and the repayment of borrowings denominated in Brazilian reals.

3.1.4 SUBSEQUENT EVENTS

On November 17, 2015, the Board of Directors decided to launch a share repurchase and cancellation program for an amount of 300 million euro, which will be realized over a 12-month period.

3.1.5 OUTLOOK

At the November 17, 2015 meeting of the Board of Directors, Michel Landel, Chief Executive Officer, reminded the Board of the relevance of the Group's long-term strategy, built on its unique integrated Quality of Life Services offer, its unparalleled global network and its uncontested leadership position in emerging countries.

During the meeting, Michel Landel also discussed the profound changes the world is currently undergoing, sources of opportunity for long-term growth for the Group. Sodexo's future success will depend on its ability to convert these changes into opportunities to create value as an even more agile, innovative and flexible partner.

Sodexo is starting Fiscal 2016 in a highly volatile global economy: with low forecasted GDP growth in the short-term in developing economies, in particular in Brazil; oil, gas and mining sectors strongly affected by the decline in commodity prices; uncertainty surrounding currency trends; and a halting recovery in Europe.

Faced with these short-term challenges, the Chief Executive Officer confirms that his Executive Committee is reinforcing the measures needed to adapt. In Fiscal 2016, the Group will **continue to pursue its efforts for simplification and standardization,** notably through the following efforts:

- reinforced adaptation of operating costs on site;
- simplification of the organization; and
- greater pooling of Group expertise on an international scale in both operations and support functions.

The measures taken will progressively generate annual savings of around 200 million euro, between now and Fiscal 2018, when the full benefit will be realized. The implementation of certain of these initiatives will result in exceptional costs over the next 18 months, which are estimated at 200 million euro.

For these reasons, the Group has set the following objectives for Fiscal 2016:

- **organic revenue growth of around 3%; and**
- **growth in operating profit excluding currency effects and before exceptional items of around 8%.**

In the **medium-term,** the Group's growth will be supported by several major trends:

Outsourcing of services by clients in both the private and public sectors continues to represent outstanding growth potential in all markets and geographic regions. The potential for further outsourcing remains significant, particularly in client segments such as Health Care, Seniors, Education, Defense and Justice. At the same time, our clients are increasingly demanding integrated services performed by a reduced number of contractors, thereby offering additional growth opportunities for the Group.

"Seniorization" of populations throughout the world – By 2025, the population over 65 will have doubled to 800 million people worldwide. This trend combined with urbanization will lead to exponential growth in the market for senior care services in the home, in a hospital or an assisted living facility.

Robotics – New technologies can contribute to automating the Group's processes and services, but the human factor remains essential to consumers' quality of life, throughout the world.

Digital – the Group will take advantage of digital technologies which today are revolutionizing the world and transforming relations between Sodexo and its consumers.

In this context, the Group has committed to a reorganization whose progressive deployment started September 1, 2015. Sodexo will evolve from a company organized by country to an organization by client segment. This will allow the Group to continue to deepen its knowledge of consumer expectations in the area of quality of life specific to each segment, and to standardize and pool its expertise thanks to the implementation of operational platforms. This new organization will create enhanced value for Sodexo's clients and consumers, and will thus allow the Group to progressively accelerate growth.

The Board of Directors, confident in the future, confirms the medium-term objectives of:

- average annual revenue growth, excluding currency effects, of between 4% and 7%;
- average annual growth in operating profit, excluding currency effects, of between 8% and 10%; and
- an average annual cash conversion ratio[1] of around 100%.

Lastly, the Board reiterated Sodexo's core strengths:

- significant potential market;
- a unique range of Quality of Life Services particularly well aligned with evolving client demand;
- a global network spanning 80 countries;
- an unchallenged leadership in emerging countries;
- a robust financial model;
- its independence; and
- a strong culture and engaged teams.

In conclusion, the Board added, "We would like to take this opportunity to thank our clients for their loyalty, our shareholders for their confidence, and the Group's 420,000 employees for their efforts in Fiscal 2015 and for their daily commitment to improving the quality of life of our consumers and the performance of our clients."

(1) Free cash flow divided by reported net income.