

4.28 SUBSEQUENT EVENTS

No significant events occurred after the reporting date.

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, 2013	August 31, 2012
Financial liabilities excluding derivative financial instruments	4.15	2,607	2,686
Fixed rate liabilities		2,324	2,403
Variable rate liabilities		283	283
Impact of interest rate and cross-currency swaps	4.16	(67)	(2)
On fixed rate liabilities		177	216
On variable rate liabilities		(244)	(218)
Financial liabilities after impact of interest rate and cross-currency swaps		2,540	2,684
Fixed rate liabilities		2,501	2,619
Variable rate liabilities		39	65

As of August 31, 2013 and 2012, a 0.5% increase or decrease in interest rates would have had no material impact on net income before tax or on shareholders'

equity as substantially all liabilities at those dates were at a fixed rate of interest.