Fiscal 2010
Reference Document

sodexo
Making every day a better day

Summary

Reference Document

Fiscal 2010

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

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Message from Michel Landel

Chief Executive Officer, Sodexo

November 10, 2010

In a still challenging economic environment, Fiscal 2010 proved to be a **satisfactory** year, marked by important achievements and significant progress in pursuing our growth strategy and deploying our new strategic positioning.

1. CHALLENGES AND OPPORTUNITIES FOR SODEXO

The macro economic and social environment is changing, with a number of **issues** that we must address today to be prepared for tomorrow:

The year 2010, despite some economic improvement, particularly in emerging countries, remained beset by **crisis**. Initially financial and economic, the crisis has increasingly affected labor markets with growth remaining weak in Europe and North America amid rising unemployment. The accumulated debt of governments also suggests that economic growth will not return for many years. Hence, the context remains fragile.

Beyond this difficult environment, we see several **major trends** both medium and long term, which represent both challenges and opportunities for Sodexo, including:

- first, a **shift of economic centers of influence toward Asia**. China is today the world's second greatest power and will soon be its first. It is no coincidence that we see a growing number of research and development centers being established in Asia. In fact, innovation is increasingly coming from the East and it is a trend that is accelerating. Through globalization, the world is becoming ever more integrated and interconnected through four major flows: capital, talent, trade and information;
- a second important trend: the profound **demographic** changes taking place, not only the overall aging of industrialized country populations but also the growth of the middle class in emerging countries. Globalization is also synonymous with migration of the workforce in an environment also characterized by talent shortages;
- another trend involves **the environment**; the depletion of natural resources in the face of unlimited demand which will have a major impact on consumption and production patterns;
- finally, in this difficult environment, there is a genuine quest for well-being. **Quality of Life** is becoming an increasingly important criterion for individuals and governments that are seeking new indicators with which to truly measure national wealth, beyond purely financial indicators.

These trends **impact all of our activities**, as well as those of our clients, regardless of industry sector.

This highly volatile environment is leading an increasing number of companies to look to outsourcing solutions. These trends that I have mentioned represent, without a doubt, **opportunities** for Sodexo. Our strategic position is **perfectly aligned** to take advantage of these challenges. And beyond our positioning, there is the very identity of our company and our **deep conviction** that Quality of Daily Life contributes to the progress of individuals and performance of organizations, responding to the global issues of today and tomorrow. We are inventing a new business sector that meets the needs of our clients – on whom we are focused now more than ever.

2. SODEXO'S TRANSFORMATION

Sodexo is a **company in the midst of transformation**. Last year, I presented the **redefinition of our strategic positioning**. It is a strategic positioning that is fully coherent with the mission established by Pierre Bellon when he founded Sodexo in 1966: to improve the Quality of Daily Life and to contribute to the economic, social and environmental development of the communities we serve.

In providing our clients with **comprehensive service solutions**, we are positioning ourselves as their **strategic partner, contributing to their performance and progress**, be it in the economic, social or environmental spheres.

This new positioning is the result of over two years of work and research. Our priority now is to **deploy it throughout the organization**.

It is a transformation that signifies a true "**revolution**," which relies on our teams' ability to deliver a unique offer of comprehensive service solutions. Sodexo is the only company in the world to offer both On-site Service Solutions and Motivation Solutions. This transformation has begun but it **will take time** and its success will rest heavily on our employees' **commitment and engagement**.

Steering this transformation is primarily a work of **teaching and coaching**. We have implemented a number of processes to help our teams to understand and appropriate our new strategic positioning and to implement it within their daily operations.

Our clients also are often undergoing major changes. Through our unique offering and expertise, Sodexo also can act for them as a **change agent**. This positioning opens new perspectives for us and new territories in which we are able to create ever more value for our clients.

3. IMPLEMENTATION OF OUR STRATEGY

In 2005, we announced our desire to double Group revenue by 2015 and we are well on track. Our progress is very encouraging and I am **fully confident** in our ability to achieve the objective, or even exceed it. In 2005, we set an annual average revenue growth target of 7% and we are today, at mid-term, at more than 6%. Regarding operating profit, the target was 11% and we have already slightly exceeded it. (These figures are at constant exchange rates.)

To meet our objectives, we must continue to focus on our growth strategy, which rests on **four pillars**:

- become a global leader in On-site Service Solutions;
- strengthen our leadership in Foodservices, which remains a central component of our On-site Service Solutions;
- become the global leader in Motivation Solutions – and we are making good progress on this path;
- steadily grow Personal and Home Solutions. These offerings for improving individual quality of life are divided into four main service categories: childcare, tutoring and lifelong training, concierge services, and senior care.

To implement this strategy, we are following a **roadmap** built around six **strategic imperatives**. Let me briefly summarize each of them:

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First imperative: accelerate profitable organic growth

- After redefining our strategic positioning and our value proposition, we have entered a phase of execution and implementation of our comprehensive service solutions. It is a phase that has started very well, with deployment planned in every country.
- We have made significant investments in many countries, to enable us to develop our technical Facilities Management platforms. We have reinforced our investment in **Asia, particularly in China as well as in India** where we made a major acquisition that was seamlessly integrated. We are also continuing to invest in **Brazil and Russia**, countries that are important for us and will be even more so in the future.
- Regarding **Motivation Solutions**, thanks to the incredible spirit of innovation, dynamism and business expertise of our teams, we have made significant progress. Today we are close to catching up with competitor, Edenred, and we have won new business with major multinational clients.

Second imperative: improve operating profit, operating margin and cash flow

During the past two years, we have made progress in terms of competitiveness by **streamlining and simplifying** our operating methods, reducing overhead costs and **sharing** training and I/T development programs.

But much remains to be done and we must **accelerate our efforts** in order to meet the expectations of our clients in this area. This is why we have begun to invest in what we call "***Knowledge Management***," the organization and sharing of knowledge and expertise throughout the company.

Finally, I want to particularly recognize the progress made this year in the **cash flow generation**, which has improved by more than 50%, demonstrating once again the quality of Sodexo's financial model.

Third imperative: live our values.

Sodexo is a company that was founded on strong values - service spirit, team spirit and spirit of progress – values that we take to heart by living them every day.

We have begun to deploy the ***Better Tomorrow Plan***, developed to provide us with a true structure with specific goals for the future. Multiple actions are being carried out in terms of the environment, local community development and nutrition, and health and well-being in the 80 countries where we operate.

Fourth imperative: become the reference benchmark for Quality of Daily Life solutions

To meet this imperative, we have undertaken a major effort this year to **increase the visibility of our brand** on the 34,000 sites that we manage around the world. For the first time in its history, Sodexo has a **common uniform** for the 370,000 people working on the sites of our clients, making each one an ambassador of our brand and its values.

Fifth imperative: strengthen compliance with our standards

Substantial progress has been made in recent years, especially with regard to **internal control** and **risk management**. We also launched a very important initiative, at the center of our teams' work, focused on further improving our health and safety standards.

Sixth imperative: create a competitive advantage through our people and their diversity

Sodexo, with its 380,000 employees, is the 21st largest employer worldwide and the second largest global employer among French companies. 97% of our employees are in direct daily contact with our consumers. Without our employees, without their expertise and their daily commitment, we cannot meet the expectations of our clients. During Fiscal 2010, we continued to invest in training programs. Over the past two years, we have provided our employees with more than 7.5 million hours of **professional training and development**.

The **diversity of our employees** is also an area of major focus for us and we are proud to have been ranked number one this year among the corporate champions of diversity in the U.S. by the leading magazine DiversityInc.

In this context of business transformation, our human resource initiatives have a key role to play and we are firmly committed to continue to invest in training, development and support for our people as we undergo this process of change, designed to open new growth opportunities for the Group, despite an economic environment that remains challenging.

In 2010, we conducted our third worldwide **employee engagement survey**, involving a third of our employees across 60 countries. The results show a clear improvement, with the level of engagement increasing by 7 points compared to the previous survey in 2008, while the scores for other companies during the same period declined by an average of 1 point. Finally, 85% of our employees rate Sodexo as a better employer than its competitors.

Before concluding, I want to reiterate that the women and men of Sodexo, our 380,000 employees, are at the heart of our business model and of our success.

In our services profession, the quality of the comprehensive service solutions delivered to our clients depends on our ability to motive, engage and sustain empathy within our workforce. Our clients can best judge our achievements in these areas.

In conclusion, I reiterate my full **confidence in our future**. We are transforming our company while remaining true to our history and our culture which form the bond for our teams around the world and support us in our growth.

In this changing economic and social context, Sodexo continues to rely on its **key strengths**:

- its independence, a true force in these turbulent times;
- a solid financial model;
- a unique global network across 80 countries;
- a very significant potential market, especially with our new positioning that has almost tripled as compared to the potential for foodservices alone;
- and of course, the women and men of Sodexo who are committed to making every day a better day for our clients and consumers.

Companies that win are companies that anticipate, innovate, differentiate, understand cultural differences, remain open to the world and, more than any other factor, are focused on human beings and their development.

I'm more convinced than ever that, by the essence and nature of our business, which lies at the heart of the daily lives of 50 million people around the world, Sodexo has **an important and truly valuable role to play as a company**, not only for our employees and our clients, but **for society as a whole**.

I'd like to finish by warmly thanking our clients, our shareholders and all of our partners for their confidence. I also thank the Executive Committee, and the 380,000 women and men of Sodexo around the world who are mobilized and dedicated, through their daily work, to the service of others.

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History

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→ Our history

1966	Pierre Bellon founds Sodexho, a company specializing in providing Foodservices to institutions, businesses, schools and hospitals, in Marseille (France).
1967	CNES, in French Guiana, awards Sodexho a contract in the "multiservices" market, signaling its entry into the remote site management business.
1968	Sodexho begins operations in the Paris area.
1971-1978	International expansion starts with Belgium, Italy and Spain, with developments in Africa and the Middle East. A new business – Service Vouchers – is launched in Belgium.
1983	Initial public offering of Sodexho shares on the Paris Bourse.
1985-1993	Sodexho establishes operations in North and South America, Japan, Russia and South Africa, and reinforces its presence in Continental Europe.
1995	Acquisitions of Gardner Merchant in the United Kingdom and Partena in Sweden, the then leaders in Foodservices in their respective countries.
1996	The Service Vouchers and Cards business expands into Brazil with the acquisition of Cardàpio.
1997	The holding company changes its name to Sodexho Alliance.
1998	The merger of the Foodservice operations of Marriott International and Sodexho and the formation in the U.S. of Sodexho Marriott Services, 48.4% owned by Sodexho, which becomes North American market and global leader in Food and Facilities Management services. Sodexho Marriott Services will become Sodexho, Inc., a wholly-owned subsidiary of the Group, in 2001.
2000	Albert George is appointed Chief Operating Officer of Sodexho Alliance. Sodexho becomes the world leader in remote site management.
2001	Sogeres (France) and Wood Dining Services (U.S.) join the Group.
2003	Jean-Michel Dhenain and Michel Landel are appointed Chief Operating Officers, succeeding Albert George.
2004	The succession plan for Pierre Bellon is put in place. In September, the Board of Directors announces that effective September 1, 2005, the roles of Chairman of the Board and Chief Executive Officer will be separated.
2005	Michel Landel becomes Chief Executive Officer of Sodexho Alliance, succeeding Pierre Bellon, who retains his role as Chairman of the Board of Directors.
2008	Sodexho Alliance becomes Sodexo and changes its visual identity. Corporate headquarters is transferred to Issy-les-Moulineaux. Acquisition of VR's Service Vouchers and Cards activity making Sodexho the co-leader of this market in Brazil, the world's largest. Sodexo makes several additional acquisitions in several markets, including Zehnacker, which doubles Sodexo's size in Germany, making it the leader in the Health Care segment.
2009	Sodexo unveils its new strategy, the new names of its activities (Food and Facilities Management Services becomes On-site Service Solutions, and Service Vouchers and Cards becomes Motivation Solutions), and launches a third activity, Personal and Home Solutions. Acquisition of Radhakrishna Hospitality Services Group (RKHS), the leading provider of On-site Service Solutions in India, tripling Sodexo's size in this market with vast potential. In North America, following the acquisition of Circles, a concierge services business, the acquisition of Comfort Keepers, specialized in non-medical services for seniors, contributes to the development of the Group's third activity: Personal and Home Solutions.

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Our Group

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Profile

1. IN BRIEF

Quality of Daily Life in the service of performance

Quality of Daily Life services play an important role in the progress of individuals and the performance of organizations. Based on this conviction, Sodexo serves as the strategic partner for companies, institutions and local authorities who place a premium on performance and employee well-being, as it has since Pierre Bellon founded the company in 1966.

Sharing the same passion for service, Sodexo's 380,000 employees, in 80 countries around the world, design, manage and deliver an unrivaled array of comprehensive On-site Service Solutions, Motivation Solutions and Personal and Home Solutions.

In this, Sodexo has created a new form of service business that contributes to the fulfillment of its employees and the economic, social and environmental development of the local communities in which it operates.

Group Key Figures

Consolidated revenues:

- **15.3** billion euro
- **20.8** billion U.S. dollars

(at the average exchange rate for Fiscal 2010: 1 euro = 1.363 U.S. dollars)

380,000 employees

34,000 sites

50 million consumers served daily

80 countries

Source: Sodexo.

2. ON-SITE SERVICE SOLUTIONS

Sodexo designs, manages and delivers comprehensive On-site Service Solutions for its clients with services that range from reception to the maintenance of scanners and laboratory equipment, foodservices to construction management, management of data centers to leisure cruises, and housekeeping to rehabilitation services at correctional facilities.

These solutions are available in eight client segments: Corporate, Defense, Justice, Remote sites, Health Care, Seniors, Education and Sports & Leisure.

Key Figures

95.5% of Group revenues

Consolidated revenues:

- **14,585** million euro
- **19,879** million U.S. dollars

(at the average exchange rate for Fiscal 2010: 1 euro = 1.363 U.S. dollars)

Source: Sodexo.

Leader in On-site Service Solutions in most of its markets

3. MOTIVATION SOLUTIONS

Sodexo partners with public and private organizations to design, manage and deliver Motivation Solutions that fall into three service categories:

- **Employee Benefits** to attract and create loyal, committed employees;
- **Incentives and Recognition** to help organizations reach their qualitative and quantitative objectives;
- **Public Benefits** to manage and control the distribution of aid and public subsidies.

The Pass, designed by Sodexo to serve a variety of purposes from transport and meals to gifts and training, is accepted by a network of more than 1 million retailers and service providers throughout the world.

Key Figures

4.5% of Group revenues

Consolidated revenues:

- **689** million euro
- **939** million U.S. dollars

(at the average exchange rate for Fiscal 2010: 1 euro = 1.363 U.S. dollars)

Source: Sodexo.

12.5 billion euro in issue volume

380,000 clients (excluding individuals)

27 million beneficiaries

1.1 million affiliated partners

A worldwide leader in Motivation Solutions

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4. PERSONAL AND HOME SOLUTIONS

The Group designs and deploys Personal and Home Solutions to improve the Quality of Daily Life for everyone. They are divided into four main service categories:

- childcare;
- tutoring, lifelong training;
- concierge services;
- senior care.

Through these solutions, Sodexo contributes to the development of children, teenagers, adults and seniors.

5. AWARDS

Sodexo again named one of world's best outsourcing companies

Sodexo has been ranked third among the world's leading outsourcing services companies by the International Association of Outsourcing Professionals® (IAOP®) an industry trade group. It is the fifth straight year that Sodexo has been ranked in the top five companies of the Global Outsourcing 100®. For the third year in a row, Sodexo was the highest-ranked company in its industry category, "Facility Services."

Sodexo's named one of "World's Most Admired Companies" by Fortune Magazine

It is the first time that Sodexo has been included in the annually published survey which measures the corporate reputations of the world's largest companies. More than 4,000 business executives, directors and analysts rate companies on nine criteria, from investment value to social responsibility. Sodexo is the top-ranked company within its industry category ("Diversified Outsourcing Services") on the "global competitiveness" criteria.

Sodexo named "One of the World's Most Ethical Companies"

The Ethisphere Institute, a think tank dedicated to the creation, advancement and sharing of best practices in business ethics, corporate citizenship and sustainable development named Sodexo "One of the World's Most Ethical Companies" for the second straight year. Ethisphere's researchers reviewed thousands of companies in more than 100 countries and 36 industries in determining the final ranking.

Fundamentals

1. PHILOSOPHY

Sodexo, **founded in 1966 in Marseilles, France, by Pierre Bellon,** Chairman of the Board of Directors, is built on a philosophy that today unites the Group's 380,000 employees throughout the world.

A company is the community of its clients, consumers, employees and shareholders.

Our purpose is to satisfy their expectations.

To reach our goals, we have chosen to focus on growing our results and revenues organically.

Organic growth:

- guarantees that we are capable of satisfying, and thus retaining, our current clients;
- enables us to respond to our employees' expectations for secure jobs and opportunities for advancement;
- ensures return on investment for our shareholders.

In 1966, we defined **our mission, our values and our ethical principles** that provide the direction for the women and men who contribute to Sodexo's growth.

2. OUR MISSION

Our mission is twofold:

- **improve the Quality of Daily Life** of all who we serve – employees in the workplace, patients in hospitals, students at schools and universities, prisoners in correctional facilities, soldiers in their barracks or in the field, etc.
- **contribute to the economic, social and environmental development** of the communities, regions and countries in which we operate.

"Making every day a better day"

3. OUR CORE VALUES

Over 97% of our employees are in direct daily contact with our clients and consumers. This demands exceptional human qualities and specific behavior that we call: Service Spirit, Team Spirit, Spirit of Progress.

The nobility of our profession resides in our service to others.

Service Spirit

- clients and consumers are at the center of all that we do;
- in order to serve them well, on a daily basis, at all levels, we have to demonstrate our **availability,** our **ability to listen,** our **capacity to anticipate their expectations,** our sense of **conviviality,** our **responsiveness** to their remarks and our pride in satisfying them;

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- Sodexo has become a large, worldwide company; but we remain a local company where each manager in the field is a true entrepreneur, close to their clients and empowered in their decision-making.

Team Spirit

- it is an absolute need in all of our business units and administrative offices, as well as in our management committees;
- each person's skills combine with other team members' knowledge to help ensure Sodexo's success;
- teamwork depends on the following: **listening**, **transparency**, **respect for others**, **diversity**, **solidarity** in implementing major decisions, **respect for rules** and mutual support, particularly in difficult times.

Spirit of Progress

It is manifested through:

- **our will,** but also the firm belief that one can always **improve** on the present situation;
- acceptance of **evaluation and comparison of one's performance;** with one's colleagues in the company, or with one's competitors;
- **self-criticism,** because understanding one's successes as well as one's failures is fundamental to continuous improvement;
- **a balance between ambition and humility;**
- **optimism,** the belief that for every problem there is a solution, an innovation, or some way to progress.

4. OUR ETHICAL PRINCIPLES

Loyalty

A foundation of **shared loyalty,** between Sodexo and its clients, employees, and shareholders, based on honest, open relations.

Trust is one of the cornerstones of operations in our organization.

Respect for people

- **humanity** is at the heart of our business;
- Sodexo is committed to providing **equal opportunities** regardless of race, origin, age, gender, beliefs, religion or lifestyle choices;
- improving Quality of Life means according each person **respect, dignity and consideration.**

Transparency

This is one of Sodexo's major principles and a constant with all **stakeholders:** clients, consumers, employees, shareholders and the general public.

Business integrity

- we do not tolerate any practice that is not born of **honesty, integrity and fairness,** anywhere in the world where we do business;
- we clearly communicate our position on this issue to our clients, suppliers and employees and expect them to share this **rejection of corrupt and unfair practices**.

5. OUR INDEPENDENCE

Since Sodexo's creation in 1966, independence has been one of its fundamental principles. Independence enables the Group to maintain its values, focus on a long-term strategy, maintain management continuity, ensure its durability.

Today, Sodexo's independence is reflected in its relations with all of its stakeholders:

- **our clients** (our largest client worldwide represents less than 2% of our overall revenue);
- **our suppliers** (our largest industrial supplier represents less than 3% of our overall purchasing;
- **our banking partners;**
- **any external organization** that would limit the company's proper functioning.

Sodexo's financial independence is guaranteed through family shareholding.

Our financial independence rests on two simple principles:

- **choosing activities with low capital intensity** and average investments (excluding acquisitions) that represent around 2% of revenues;
- **permanently possess sufficient cash resources** to finance development, reimburse medium term borrowings and return a dividend to shareholders.

→ Financial performance

1. REVENUES

CONSOLIDATED REVENUES

	(EUR millions)	*(USD millions*)*
Fiscal 2006	12,798	15,676
Fiscal 2007	13,385	17,694
Fiscal 2008	13,611	20,449
Fiscal 2009	14,681	19,846
Fiscal 2010	15,256	20,794

* *Calculated at the average exchange rate for each year; for Fiscal 2010: 1 euro = 1.363 U.S. dollars.*

At 2.5%, organic growth was higher than the objective announced at the beginning of the year. On-site Service Solutions organic growth of 2.3% resulted in particular from good development in On-site Service Solutions in Justice, notably in France, as well as in Defense and Latin America. Most of the 7.3% organic growth in the Motivation Solutions activity was from the excellent performance of teams in Latin America.

REVENUES BY REGION

North America	38%
Continental Europe	37%
United Kingdom and Ireland	8%
Rest of the world	17%

Sodexo recorded moderate growth in **North America** at 1.9%, an improvement in **Continental Europe** at 1.7%, a decline of 1.7% in the **United Kingdom and Ireland**, and solid growth in the **Rest of the World**.

Organic growth of 7.3% in the **Motivation Solutions** activity resulted from a solid progression in Latin America and a decline in Central Europe.

REVENUES BY ACTIVITY AND CLIENT SEGMENT

On-site Service Solutions	**95%**
• Corporate	34%
• Defense	3%
• Justice	2%
• Remote Sites	8%
• Health Care	20%
• Seniors	6%
• Education	22%
Motivation Solutions	**5%**

Of particular note during the year were the following:

- Organic growth of 2% in **Corporate**, driven by On-site Service Solutions in Justice, Defense and in the Rest of the World (Latin America, Asia-Pacific, the Middle East and Remote Sites);
- A progression of 2.6% in **Health Care and Seniors**, given low inflation in North America and modest sales development due to delayed decision-making by potential clients;
- An increase of 2.3% in **Education** resulting from increased enrolments in universities, partially offset by decreased spending by students and their family in the current economic environment.

2. EMPLOYEES AND SITES

NUMBER OF EMPLOYEES

Fiscal 2006	332,096
Fiscal 2007	342,380
Fiscal 2008	355,044
Fiscal 2009	379,749
Fiscal 2010	379,137

EMPLOYEES BY REGION

North America	32%	122,425 employees
Continental Europe	27%	101,951 employees
United Kingdom and Ireland	10%	36,165 employees
Rest of the world	31%	118,596 employees

EMPLOYEES BY ACTIVITY AND CLIENT SEGMENT

On-site Service Solutions	**98%**
• Corporate	39%
• Defense	3%
• Justice	1%
• Remote Sites	10%
• Health Care	16%
• Seniors	3%
• Education	24%
• Shared Structures	2%
Motivation Solutions	**1%**
Personal and Home Solutions	**0.5%**
Group Headquarters	**0.5%**

NUMBER OF OPERATING SITES

Fiscal 2006	28,234
Fiscal 2007	28,896
Fiscal 2008	30,584
Fiscal 2009	33,884
Fiscal 2010	33,543

SITES BY CLIENT SEGMENT

• Corporate	51%
• Defense	4%
• Justice	1%
• Remote sites	5%
• Health Care	13%
• Seniors	8%
• Education	18%

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3. RESULTS AND RATIOS

OPERATING PROFIT

	(EUR millions)	*(USD millions*)*
Fiscal 2006	605	741
Fiscal 2007	640	846
Fiscal 2008	690	1,036
Fiscal 2009	746	1,008
Fiscal 2010	771	1,051

* *Calculated at the average exchange rate for each year; for Fiscal 2010: 1 euro = 1.363 U.S. dollars.*

Excluding exchange rate effects, operating profit increased by 9.5% and the operating margin by 0.3%. This good performance is mainly attributable to improved profitability in the On-site Service Solutions activity in Europe, in the United Kingdom and Ireland, as well as in the Rest of the World.

The Motivation Solutions activity also contributed to this growth, but was strongly affected by monetary variations resulting from the devaluation of the Bolivar Fuerte in January 2010 in Venezuela.

At constant exchange rates, operating income increased by 3.5% and the operating margin was 5.1%, the same level as in Fiscal 2009.

GROUP NET INCOME

	(EUR millions)	*(USD millions*)*
Fiscal 2006	323	395
Fiscal 2007	347	459
Fiscal 2008	376	565
Fiscal 2009	393	531
Fiscal 2010	409	557

* *Calculated at the average exchange rate for each year; for Fiscal 2010: 1 euro = 1.363 U.S dollars.*

Group net income increased by 4.1% at current exchange rates and by 5.9% at constant exchange rates compared to Fiscal 2009.

DIVIDENDS PAID

	(EUR millions)	(USD millions*)
Fiscal 2006	149	203
Fiscal 2007	179	263
Fiscal 2008	197	281
Fiscal 2009	197	250
Fiscal 2010**	212	269

* *Calculated at the closing exchange rate for each year of payment; for Fiscal 2010: 1 euro = 1.268 U.S. dollars.*
** *Subject to approval at the Annual Shareholders' Meeting on January 24, 2011.*

The dividend proposed to shareholders (1.35 euro per share) is an increase of 6.3% compared to that in the prior year, given the good cash generation in Fiscal 2010 and the good earnings outlook for Fiscal 2011.

NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES

	(EUR millions)	(USD millions*)
Fiscal 2006	488	598
Fiscal 2007	753	995
Fiscal 2008	780	1,172
Fiscal 2009	577	780
Fiscal 2010	1,006	1,371

* *Calculated at the average exchange rate for each year; for Fiscal 2010: 1 euro = 1.363 U.S. dollars.*

The significant improvement of 429 million euro compared to Fiscal 2009 includes the variation in working capital. Although Fiscal 2009 cash flow was affected by regulatory changes in payment terms, vouchers payable in the Motivation Solutions activity increased it by nearly 140 million euro.

NET DEBT AS A PERCENTAGE OF SHAREHOLDERS' EQUITY*

(Including minority interests)

Fiscal 2006	21%
Fiscal 2007	5%
Fiscal 2008	21%
Fiscal 2009	38%
Fiscal 2010	24%

* *Debt net of cash and financial assets related to Motivation Solutions activity, less bank overdrafts.*

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EARNINGS PER SHARE *(in euro)*

Fiscal 2006	2.07
Fiscal 2007	2.22
Fiscal 2008	2.42
Fiscal 2009	2.54
Fiscal 2010	2.64

RETURN ON CAPITAL EMPLOYED (ROCE)* *(in %)*

Fiscal 2006	16%
Fiscal 2007	18%
Fiscal 2008	17%
Fiscal 2009	15%
Fiscal 2010	15%

$$\frac{\text{* Operating income after tax}}{\text{Total of tangible and intangible assets plus goodwill plus client investments plus working capital, as of the end of the year.}}$$

03

Our strategy

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→ Our positioning

We believe that the **Quality of Daily Life** contributes to the **progress** of individuals and the **performance** of organizations.

Based on this conviction, we seek to be the long-term strategic partner of businesses and organizations, designing, managing and delivering comprehensive Quality of Daily Life service solutions through three activities:

- **On-site Service Solutions;**
- **Motivation Solutions;**
- **Personal and Home Solutions.**

Sodexo created its **Institute on Quality of Daily Life** as a forum for reflection and progress to improve understanding of the stakes and actors that influence Quality of Daily Life and to identify the drivers for the development of Sodexo's business activities that will add value for clients and consumers. A Sodexo Chair in Innovation and Quality of Daily Life, established in partnership with ESSEC-ISIS [1], and a network of experts conduct, collect and analyze studies at the local and global levels and survey all information pertaining to Quality of Daily Life.

→ Our ambition and strategy

In the medium term:

- sustain 7% annual average revenue growth;
- reach a consolidated operating margin of 6%;
- be the global leader in each of the client segments we serve;
- provide a springboard for personal and professional growth;
- make Sodexo a globally known and loved brand.

A clear strategy to achieve our ambition:

- maintain the Group's independence;
- be the global leader in On-site Service Solutions;
- strengthen and leverage our leadership position in foodservices;
- become the global leader in Motivation Solutions;
- steadily grow our activities in Personal and Home Solutions.

(1) ESSEC Business School ranks internationally as one of the world's leading higher education institutions for management.

→ Our growth potential

CONSIDERABLE GROWTH POTENTIAL

Sodexo's market potential is estimated at **50** times our current revenues.

On-site Service Solutions

A market estimated at more than 650 billion euro.

Sodexo estimate.

Motivation Solutions

A market estimated at more than 135 billion euro in issue volume.

Note: Market estimates are likely to evolve over time, given the growing reliability of information sources in the various countries.

04

Our Quality of Daily Life Solutions

On-site Service Solutions

1. CORPORATE

5,200	7,088	34%	138,497	17,219
million euro in revenues	million U.S. dollars in revenues	of Group revenues	employees	sites

Source: Sodexo.

1.1 Quality of Daily Life for stronger organizations

Faced with the unprecedented pace of competition, innovation and globalization, corporations are seeking solid partners to improve their teams' Quality of Daily Life – and productivity. In such strategic areas as employee motivation, process efficiency and equipment reliability, Sodexo applies its expertise to bring innovative, comprehensive solutions to clients throughout the world, meeting industry-specific challenges in offices, R&D laboratories and manufacturing sites. The Group's integrated solutions anticipate major trends such as work-life evolution and sustainable development, contributing to greater competitiveness for clients and improved well-being for all.

1.2 Market trends

The multiple trends driving change in this market include:

- **a shift in economic power** from West to East;
- **industry reshaping:** new sectors, restructuring and mergers and acquisitions;
- **new approaches to work:** mobility, technology, intergenerational issues in the workplace;
- **increasing environmental and safety concerns.**

In a social and economic environment undergoing profound transformations, the market is showing signs of recovery but remains uncertain. Public and private enterprises are therefore seeking to cut costs and reduce discretionary spending. Many multinational organizations have adopted a global procurement strategy and are looking for partners offering:

- **an operational platform;**
- **genuine expertise in integrating business services;**
- **efficiency based on best practices;**
- **ongoing innovation;**
- **a commitment to responsible social and environmental practices.**

Source: Sodexo.

1.5 Growth potential

More than 250 billion euro in estimated total market value,

with an outsourcing rate at 55% (among the highest rates: the United Kingdom and Chile, around 75%; among the lowest rates: Sweden and China, around 35%).

Sodexo estimate.

1.4 Achievements

China – "So Shop", so practical

To respond to consumer expectations, Sodexo developed a flexible, mobile food outlet concept, featuring longer opening hours than a restaurant. "So Shop" is already in place at GlaxoSmithKline in Shanghai and will soon be introduced at the Nokia headquarters in Beijing.

France – Tastes and colors

Sodexo launched "Latitude", a surprising, fun and colorful foodservice offer in a new environment. The offer features "demonstration cooking" and original dishes made with products selected by consumers, who can choose between a gourmet menu and a 500-calorie "light" menu.

Europe – Succeeding together

The prestigious "Euro FM Award 2010" was awarded jointly to Sodexo and Procter & Gamble in the "Partners Across Borders" category for innovation and consistent Facilities Management across Europe. The partnership has been extended to North America and Asia.

International

A truly global 5-year contract

GlaxoSmithKline chose Sodexo as a strategic partner to support its key corporate objective of "Simplification" across the globe. Sodexo will design, manage and deliver a comprehensive service solution to over 50 sites in Europe, North America, Latin America and Asia Pacific to meet GlaxoSmithKline's needs.

Understanding and responding to consumer expectations

Personix™, a Sodexo-created tool to analyze consumer attitudes and behavior, has made a big leap forward. Successfully used to adapt foodservices offers on 3,900 sites in 36 countries, it has been expanded to include the full range of services offered by Sodexo on all Corporate and Remote sites locations worldwide.

A global network of partners

In 2010, Sodexo became a Gold Strategic Partner of CoreNet Global, the world's foremost association for executives managing real estate and workplace assets for multinational companies. The Partnership Program offers an opportunity to network with key decision-makers across the globe.

1.5 Among our clients…

Adidas, *3 sites, Germany.*

Agrosuper, *4 sites, Chile.*

Airbus Operations Ltd, *2 sites, United Kingdom.*

AkzoNobel, *Germany, Italy, Netherlands, Russia.*

Alcatel-Lucent, *Austria, Canada, China, France.*

ArcelorMittal, *Belgium.*

AREVA, *France.*

Argos, *90 sites, Colombia.*

AXA, *Australia, Belgium, France, Germany, Morocco, Spain, United Kingdom, United States.*

Bajaj Auto Limited, *India.*

BBVA Banco Continental, *268 sites, Peru.*

BAO Steel Group, *2 sites, China.*

BlueCross Blue Shield, *multiple locations (North Dakota, Nebraska), United States.*

China Energy Conservation and Environmental Protection Group, *China.*

Compañía Manufacturera de Papeles y Cartones (CMPC), *12 sites, Chile.*

Compagnie Maritime d'Affrètement – Compagnie Générale Maritime (CMA CGM), *France.*

Danfoss, *6 sites, Denmark.*

Dow Chemical, *Michigan, United States.*

EADS, *France, Germany, United Kingdom.*

Ericsson, *Russia, United States.*

Exxon Mobil, *Italy, Netherlands.*

FAW, *22 sites, China.*

General Mills, *Minnesota, United States.*

Honda, *United Kingdom.*

HSBC, *France, Hong Kong, India, Luxembourg, United Kingdom, United States.*

Jernbaneverket, *58 sites, Norway.*

Kamaz, *Naberezhnye Chelny, Russia.*

La Poste Belge, *35 sites, Belgium.*

Nokia, *Canada, China, Denmark, Finland, Germany, India, United Kingdom, United States.*

Pilkington, *8 sites, United Kingdom.*

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Procter & Gamble, *Argentina, Belgium, Brazil, Chile, China, Colombia, Czech Republic, France, Germany, Hungary, Italy, Japan, Mexico, Peru, Poland, Romania, South Africa, Turkey, United Kingdom, United States.*

PSA, *Argentina, Brazil, France, Germany, Italy, Netherlands, Russia.*

Reliance Industries Limited, *12 sites, India.*

Sanofi-Aventis, *France, India, Italy, Spain, United States.*

Science Applications International Corporation (SAIC), *2 sites, China.*

Société Générale, *Czech Republic, France, Luxembourg, Morocco, Poland, United States.*

Tata Group, *46 sites, India.*

Toyota, *Belgium, Italy, United States.*

Unilever, *Brazil, China, Costa Rica, France, India, Italy, Netherlands, Poland, Russia, United Kingdom, United States.*

Wipro, *India.*

2. DEFENSE

547	746	3.6%	13,578	1,168
million euro in revenues	million U.S. dollars in revenues	of Group revenues	employees	sites

Source: Sodexo.

2.1 Supporting Quality of Life at home and abroad

For many years, Sodexo has been committed to helping the armed forces optimize resources and retain their troops. This experience in responding to the special demands of military life, enables the Group to offer customized solutions that improve the Quality of Daily Life for the women and men who serve their countries, at home or on missions around the world.

From equipment maintenance, recreational activities and dining facilities on bases for soldiers and their families to complex logistical services for peacekeeping operations; the solutions made possible by the flexibility, reliability and rapid deployment capabilities of its teams, make Sodexo a valued partner for defense leadership teams.

2.2 Market trends

2.2.1 Professionalizing the armed forces

The trend towards professionalizing armies continues. Military leaders are thus looking for comprehensive Quality of Daily Life Solutions to recruit and retain their troops while controlling costs.

2.2.2 Peacekeeping operations

Governments are reducing their personnel contributions due to the numerous foreign operations undertaken by the United Nations, NATO and the European Union. With military forces stretched to the limit, these operations are becoming more sophisticated and demand complex logistical resources requiring experienced partners.

Source: Sodexo.

2.3 Growth potential

Over 20 billion euro
in estimated total market value,

with an outsourcing rate at 40% (among the highest rates: the United Kingdom, more than 85%; among the lowest rates: Poland, more than 10%).

Sodexo estimate.

2.4 Achievements

Kuwait – Milestone contract win

The Kuwaiti Ministry of Defense has awarded Sodexo a three-year contract to provide complete foodservices for 6,000 troops in three different, geographically dispersed locations.

Sweden – Mission success

In three years, Swedish Armed Forces Logistics expanded the number of restaurants run by Sodexo from one to 21 restaurants. The operations, serving 7,500 military personnel and 1,500 civilians daily, show rising consumer satisfaction and a 10% cost savings for the client.

United States

Opening the door to a new career

HONOR (Honoring Our Nation's Finest with Opportunity and Respect), a Sodexo employee network, was launched in 2009, in partnership with associations, to provide career guidance and resources, to veterans, reservists, active duty and National Guard members and their families.

Sodexo wins "Best Mess Hall" award

Mess Hall 590 at the Parris Island boot camp in South Carolina was the first recruit mess hall to earn the United States Marine Corps Hill Award for "Best Full Service Mess Hall" at the National Restaurant Show in Chicago in May 2010.

2.5 Among our clients…

Australia

Australian Defence Force, *52 bases (6 contracts).*

Chile

Astilleros y Maestranzas de la Armada Naval Base [ASMAR], *Temuco.*

Army Hospital, *Antofagasta.*

Naval Hospitals, *Concepcion, Talcahuano and Viña del Mar.*

Cyprus

British Sovereign Base Area [SBA].

Finland

Air Force Communications site, *Tikkakoski.*

France

CNES and Military Protection Force, *Kourou, French Guiana.*

Naval Air Station, *Landivisiau.*

India

Naval Officers Club, *Delhi.*

RSI Army Club, *Pune.*

Poland

Military Medical Institute, *Warsaw.*

Singapore

Civil Defence Force Basic Rescue Training Centre and Academy.

South Korea

DLA Troop Support, *Osan.*

Sweden

Swedish Armed Forces, *Skovde Garrison, 5 sites in the Norrbotten Region and the Karlskrona Naval Base.*

United Kingdom

Garrisons of Aldershot, *Catterick, Colchester, Salisbury Plain, York.*

United States

American Federal Institutes, *15 clients.*

US Army Hospitals, *10 sites.*

US Marine Corps, *53 Mess Halls and 8 retail operations.*

US Navy, *8 retail operations, 1 Navy Hospital and 5 Facilities Management contracts.*

In Theatre Military Forces

US Forces Camps, *3 sites, Kuwait.*

UNIFIL, *Lebanon.*

US Defense Logistics Agency (MRO contract), *South Korea.*

3. JUSTICE

274	373	1.8%	3,993	119
million euro in revenues	million U.S. dollars in revenues	of Group revenues	employees	sites

Source: Sodexo.

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3.1 Putting Quality of Daily Life at the service of prisoner rehabilitation

For ethical reasons, Sodexo operates only in democratic countries that do not have the death penalty, where the ultimate goal of incarceration is prisoner rehabilitation and where its staff is not required to carry arms.

Sodexo adapts its solutions to the culture, national laws and client expectations in countries that respect these ethical principles. Consistent with its commitment, Sodexo has developed an expertise in prisoner rehabilitation and has made education, training, trade apprenticeships and help finding housing, a job and opening a bank account an intrinsic part of its offer.

3.2 Market trends

Economic crisis and prison over-population are major challenges

Government budgets everywhere are falling as a result of the global economic crisis, causing many clients to outsource certain services in an effort to significantly reduce costs and maintain standards. The high cost of re-offending resulting from the associated police, court and prison costs is compelling governments to look at more effective forms of rehabilitation in order to reduce the number of repeat offenders. Clients around the world are seeing that the private sector can meet their needs efficiently while complying with budget constraints and bring added expertise to prison management and prisoner rehabilitation.

Source: Sodexo.

3.3 Achievements

France

Landmark contract

Sodexo has obtained the largest penitentiary services contract ever signed in France. Sodexo will provide services, including building services and maintenance, foodservices, laundry, prisoner transport and specialized rehabilitation programs at 22 prisons for 6 to 8 years.

A working partnership

In early 2010 Sodexo joined with *"Citoyens et Justice"*, an inmate rehabilitation group, to develop the Exponis program which links inmates' work in prison and their employment outside, a critical factor for their successful re-entry into society.

Award for vocational training

Sodexo received the Best Training Strategy award from three professional groups for its programs to develop employee skills and expertise. Sodexo was also recognized for its results-based vocational rehabilitation program created in partnership with the Prisons Bureau.

United Kingdom

Pictora – art in prison

Pictora, an independent company that arose out of the partnership between Sodexo and the arts charity Koestler, markets prisoners' artwork via the web to fund art courses in prison. The Minister of Justice has designated Pictora one of the year's two top social enterprises.

Sodexo wins safety award

The British Safety Council presented its prestigious International Safety Award to Sodexo, after a rigorous evaluation of three prisons managed by Sodexo (Addiewell, Bronzefield and Peterborough). The award recognizes Sodexo's commitment to a positive safety culture.

3.4 Among our clients...

Australia

Ministry of Justice, *1 prison.*

Chile

Ministry of Justice, *5 prisons.*

France

Ministry of Justice, *34 prisons.*

Italy

Ministry of Justice, *17 prisons.*

Netherlands

Ministry of Justice, *54 prisons.*

Spain

Catalonia Government, *5 prisons.*

United Kingdom

Ministry of Justice England and Wales and the Scottish Prison Service, *4 prisons.*

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4. REMOTE SITES

1,153	1,572	7.6%	36,314	1,652
million euro in revenues	million U.S. dollars in revenues	of Group revenues	employees	sites

Source: Sodexo.

4.1 Efficiency and Quality of Life at the ends of the earth

Mastering challenging and often isolated environments, providing technical expertise, looking after the performance and well-being of people working far from home: Sodexo designs, manages and delivers innovative On-site Service Solutions tailored to meet the specific requirements of each client as well as the expectations of their employees.

From planning and building camps to dismantling sites, Sodexo's comprehensive offer:

- includes added-value technical and cost-saving services;
- meets rigorous Health, Safety and Environmental standards;
- creates a safe and comfortable workplace for all;
- reflects Sodexo's commitment to sustaining the economic development, social needs, and environmental resources of host communities.

4.2 Market trends

Numerous project delays and cancellations have occurred in the **oil and gas sector,** but Middle East economies that have better weathered the global crisis are relaunching their programs. In addition to petrochemical projects, the Gulf States are investing massively in civil infrastructure.

Mining has been significantly affected, with reduced production at existing sites and delays in new project start ups. A sharp rise in exploration spending is expected to reverse this slump in 2010/2011, increasing by an estimated 30-40% over 2009, as metal prices firm up due to Chinese demand and renewal of project financing.

Engineering and construction companies were the first impacted by the crisis. The market is now bouncing back as demand from end-users and governments pushes investment from oil, gas and mining companies. Engineers are again producing preliminary studies, opening the way to construction projects beginning in 2011.

Source: Sodexo.

4.3 Market potential

10 billion euro total estimated sales for On-site Service Solutions.

Sodexo estimate.

4.4 Achievements

Algeria: sustainable self-sufficiency

The "Super Vegetable Garden" project led by Sodexo assisted by three partners brings agricultural training to family farms in desert areas near Hassi Messaoud. Using innovative techniques, a small plot of 60 m^2 can produce enough vegetables for a family of 10 while reducing water consumption by 80%.

Australia: making the environment a core concern

Sodexo Remote sites in Australia won the prestigious Golden Gecko Award for its Resource Recovery Program in 2009. By managing raw materials and recycling waste on 12 sites, Sodexo reduced the need for landfill space by 1,275 m^3. The savings generated by the program are donated to local charities.

India: logistics expertise makes the difference

In less than 24 hours, Sodexo mobilized 260 employees to provide food and accommodation services for 1,500 personnel on 15 platforms off the coast of Mumbai, opening its contract with Oil and Natural Gas Corporation that had only been finalized the previous month.

Kazakhstan: contract doubles Sodexo business

On December 22, 2009, just three weeks after the launch of the invitation to tender, Sodexo was awarded the Karazhanbasmunai refinery contract with an all-in-one solution that was up and running by January 1, 2010.

4.5 Among our clients...

Energy

BP: *Alaska, Argentina, Gulf of Mexico, Norway, United Kingdom (Scotland).*

ConocoPhillips: *Alaska, Gulf of Mexico, United Kingdom (Scotland).*

ExxonMobil: *Alaska, Angola, Australia, Canada, Gulf of Mexico, Norway, Saudi Arabia, Singapore, Venezuela.*

Manitoba Hydro: *Canada.*

Noble Drilling: *Gulf of Mexico, Netherlands, Qatar.*

Saudi Aramco: *Saudi Arabia.*

Schlumberger: *Alaska, Russia, Saudi Arabia.*

Seadrill: *Brazil, China, Gulf of Mexico, Norway, Singapore.*

Shell: *Alaska, Gabon, Gulf of Mexico, Norway, Oman, Qatar, Russia, Saudi Arabia.*

Teekay, *Norway.*

Total: *Angola, Congo, Gabon, Netherlands, Norway.*

Transocean, Inc.: *India, Indonesia, Norway, Saudi Arabia,Thailand.*

Mines

Barrick Gold: *Australia, Canada, Dominican Republic, Peru, Tanzania.*

BHP Billiton: *Australia, Brazil, Canada, Chile, Gabon, Peru.*

Rio Tinto: *Australia, Chile, Guinea Conakry, Madagascar.*

Vale: *Brazil, Canada, New Caledonia, Peru.*

Engineering and construction

Fluor Daniel: *Dominican Republic, Saudi Arabia.*

JGC: *Algeria.*

Punj Lloyd: *Qatar, United Arab Emirates.*

SNC Lavalin: *United Arab Emirates.*

5. HEALTH CARE

3,051	4,159	20%	60,508	4,292
million euro in revenues	million U.S. dollars in revenues	of Group revenues	employees	sites

Source: Sodexo.

5.1 Quality of Daily Life at the service of quality care

With its extensive experience in the market, an in-depth understanding of patient needs and solid technological expertise, Sodexo delivers Quality of Daily Life Solutions that respond to the specific needs of each health care provider. Whether maintenance and sterilization of equipment, bio-cleaning of patient and operating rooms, transport services or foodservices, Sodexo proposes solutions that are adapted to the client's core business and meet its strategic priorities:

- **ensure compliance with the highest standards of performance;**
- **increase patient satisfaction;**
- **motivate and retain staff;**
- **reduce operating costs.**

The result for the client? Improved performance and a reinforced reputation.

5.2 Market trends

There is a constant increase in **health care costs,** due to demographic, social, economic and technological factors.

Budgetary constraints are leading to a **reduction in the number of hospital beds** and the **average length of stay** in hospitals in most developed countries, as well as increased investment **in ambulatory care.**

The shortage of qualified personnel is becoming more acute and **competition** for nurses and staff is intensifying.

A high-growth market undergoing profound transformation:

- governments are looking to public-private partnerships to finance their infrastructure;
- there will be fewer but larger health care facilities, requiring partners to help strengthen their attractiveness and competitiveness;
- outpatient and in-home care is increasing, offering new opportunities for service companies.

Source: Sodexo.

5.3 Growth potential

More than 150 billion euro in estimated total market value,

with an outsourcing rate at 40% (among the highest rates: Malaysia and Slovenia, more than 60%; among the lowest rates: Brazil and the Czech republic, around 20%).

Sodexo estimate.

5.4 Achievements

France: A long-term commitment

In late 2009, Troyes Hospital inaugurated a 57,000-square-foot logistics platform (central kitchen, laundry and warehouse) designed, built and operated by a project company headed by Sodexo under a 25-year public-private partnership.

Spain: Meals provided at home

To meet the growing demand of care providers for alternatives to hospitalization, Sodexo has developed a service delivering meals at home and to community centers for patients receiving outpatient care.

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United Kingdom

Strategic partnership in pathology services

Sodexo is partnering with Labco to create "Integrated Pathology Partnerships" The joint venture combines Labco's laboratory expertise with Sodexo's experience in providing services to the health care market to enable hospitals to outsource their pathology services (e.g. biochemistry, hematology, microbiology).

United States

Enriching the hospital experience

Through "Re:sourxe", providing prepared dishes, gifts and wellness items, Sodexo is building on its services tradition to improve the comfort of hospital patients and their visitors.

Environmental leadership

Sodexo is using the Energy Star database to measure and reduce environmental impacts at 82% of the hospitals it serves. Results: the American Society of Hospital Engineers has rated Battle Creek Hospital in Michigan among the top ten U.S. hospitals for energy conservation.

5.5 Among our clients…

Beijing Friendship Hospital, *Beijing (China).*

Casa di Cura Multimedica SpA, *4 sites, Sesto San Giovanni, Milano (Italy).*

Centre Hospitalier Universitaire Ibn Rochd of Casablanca, *Casablanca (Morocco).*

Centre Hospitalier Universitaire, *Rennes (France).*

Deventer Ziekenhuis, *Deventer (Netherlands).*

German Heart Institute Berlin *(Germany).*

Hospital Militar de Santiago, *Santiago (Chile).*

ICESP– Hospital do Câncer de São Paulo, *São Paulo (Brazil).*

Institut Catala de Salud, *Cataluña, 10 sites (Spain).*

Johns Hopkins Medical Center, *Baltimore, Maryland (United States).*

KCS Klinikum, *Darmstadt (Germany).*

Kokilaben Dhirubhai Ambani Hospital, *Mumbai (India).*

Krakow University Hospital, *Kraków (Poland).*

KZN Public Hospitals, *8 sites (South Africa).*

Livati Hospital, *Mumbai (India).*

Lowell General Hospital, *Massachusetts (United States).*

Medi-Partenaires, *25 sites (France).*

Military Medical Institute (WIM), *Warsaw (Poland).*

Orbis Medical Park, *Sittard (Netherlands).*

Papworth Hospital NHS Foundation Trust, *Cambridgeshire (United Kingdom).*

Rafiq Hariri University Hospital, *Beirut (Lebanon).*

Samitivej Hospitals, *3 sites, Bangkok (Thailand).*

Stockholm County Council *(Sweden).*

The Hillingdon Hospital, *Uxbridge, Middlesex (United Kingdom).*

The Mount Sinai Medical Center, *New York (United States).*

University Healthcare Consortium (UHC), *an alliance of 107 university medical centers and 233 affiliated hospitals (United States).*

University Hospital of Ghent, *Ghent (Belgium).*

Vancouver Coastal Health Authority, *multiple sites, Vancouver (Canada).*

Wilhelminenspital, *Vienna (Austria).*

6. SENIORS

963	1,313	6.2%	12,406	2,917
million euro in revenues	million U.S. dollars in revenues	of Group revenues	employees	sites

Source: Sodexo.

6.1 Cultivating Quality of Life to help seniors live their best lives

Sodexo is a strategic partner of eldercare providers, offering a full range of high value-added services that:

- contribute to the physical well-being and social life of seniors residing in retirement communities and care facilities;
- provide quality services for seniors living at home while preserving their independence.

Sodexo helps ensure the overall well-being of seniors in 22 countries through medical nutrition and support services designed to:

- **improve the Quality of Daily Life:** with a clear understanding of seniors' needs, Sodexo offers services appropriate to all stages of the aging continuum;
- **ensure efficient assistance to senior care providers:** Sodexo's solutions enhance their business performance and reputation.

6.1.1 Market trends

Economic trends

Controlling budgets...

The increasing number of seniors has resulted in rising medical care expenses. Governments are focused on how best to adapt their health policies to this new challenge and deliver care solutions at the lowest cost.

...and responding to societal challenges

Most seniors do not have sufficient personal funds to pay for the cost of medical care as they age.

Social trends

An aging population

By 2030, 12% of the world's population will be over 65, compared with 7.7% in 2010.

More seniors are living at home

Medical advances are prolonging the life expectancy of seniors who prefer to live independently until their health necessitates a move to a care facility.

A shortage of professional and family caregivers

Families often need assistance to meet the unique requirements of the elderly and qualified personnel are scarce.

Source: Sodexo.

6.1.2 Growth potential

Close to 90 billion euro in estimated total market value,

with an outsourcing rate at 25% (among the highest rates: Norway and Denmark, around 50%; among the lowest rates: the United Kingdom and the United States, around 10%).

Sodexo estimate.

6.1.3 Achievements

Australia – A promising contract

Sodexo was awarded the foodservices contract for three AVEO Live Well retirement villages in Brisbane. The contract is an exciting opportunity in a new, high-potential sector with Australia's leading eldercare provider with a total of 80 villages.

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Chile – Protecting natural resources

In April 2010, Sodexo received Clean Production Agreement certification for its environmentally responsible management of the Hogares Alemanes residences.

France-Italy – On-site Service Solutions for Alzheimer patients

In 2010 in Europe, 5% of people over 65 and 20% of those over 85 suffer from Alzheimer's. These figures are expected to double by 2040. Sodexo offers solutions specifically adapted to assisted-living facilities that provide care for patients with Alzheimer's or similar disorders.

- **In France,** Sodexo has developed an original program at *"Parentèles"* residences to ensure respect for the personalities, choices and desires of the residents. The concept involves the family and caregivers in maintaining the resident's emotional and social ties.
- **In Italy,** Sodexo has designed a "Food Model for Alzheimer's patients" called "M'ama", including weekly menus, dietetic counseling, operational tools for caregivers, technical training and motivation for staff and information for families.

France – Innovative in-home services

Since March 2010, Sodexo Well-Being at Home has been proposing personalized services to the elderly including cleaning, gardening and meal delivery. The Group is expanding its offerings to assist seniors who want to remain in their homes as long as possible.

6.1.4 Among our clients…

Abbeyfield House, *Clitheroe (United Kingdom).*

Adavir Group, *12 sites (Spain).*

American Baptist Homes of the West (ABHOW), *10 sites (United States).*

Asbury Group, *6 sites (United States).*

AVEO Live Well, *3 Retirement Village & Aged Care sites, Brisbane, Queensland (Australia).*

Cherish-Yearn, *Shanghai (China).*

Covenant Retirement Communities, *15 sites (United States).*

Deer Meadows Retirement Community, *Philadelphia, Pennsylvania (United States).*

Eichenhöhe Nursing Home (Red Cross), *Hamburg (Germany).*

Fondation Caisses d'Épargne pour la Solidarité, *94 sites (France).*

Fondazione Maria Ausiliatrice, Bergamo/Villa Serena di Brembate, *Bergamo (Italy).*

Hopeatie Senior Home, *Helsinki (Finland).*

Hospedaría Hogares de Cristo, *5 sites, Santiago (Chile).*

Korian, *95 sites (France).*

Maison de Soins de Bettembourg and de Wasserbillig *(Luxembourg).*

Maison Notre Dame *(Catholic congregation: The Sisters of the Sacred-Heart), Beirut (Lebanon).*

MENSA, *Meulebeke (Belgium).*

MMI, *Neufvilles (Belgium).*

Pension Schloss Kahlsperg in Oberalm, *Salzburg (Austria).*

Retirement Home, *City of Stockholm (Sweden).*

Shepherd Village, *Toronto, Ontario (Canada).*

Stichting Cordaan, *Amsterdam (Netherlands).*

Uniting Care Northern Sydney Region, *11 Aged Care sites, Sydney, New South Wales (Australia).*

6.2 People with disabilities

Facilitating daily life for the disabled

As an expert in the health care and social services sector, Sodexo endeavors to make daily life easier for people with disabilities, ensure their safety and help integrate them into society and the workplace.

To achieve these objectives, the Group is actively engaged in changing people's awareness of and attitudes towards all forms of disability.

Achievement

United States: A recognized commitment

In May 2010, Sodexo received the "Outstanding Employer" award from the Mayor of Greensboro for its remarkable actions in support of people with disabilities at the Agricultural and Technical University of North Carolina.

7. EDUCATION

3,397	4,630	22.3%	92,660	6,176
million euro in revenues	million U.S. dollars in revenues	of Group revenues	employees	sites

Source: Sodexo.

7.1 Fostering success through enhanced Quality of Life

Schools and colleges today are facing considerable challenges, from competition for students and faculty to deteriorating infrastructure and declining financial resources. Sodexo plays a key role in assisting them by encouraging a healthy lifestyle in a safe, welcoming environment. The Group's customized service solutions contribute to student well-being and fulfillment while helping to achieve the academic and economic objectives of the institutions it serves by:

- increasing the level of student achievement;
- enhancing Quality of Daily Life in the learning community;
- strengthening the institution's image and reputation;
- attracting and retaining students and faculty;
- controlling operating expenses.

7.2 Market trends

7.2.1 Student health and wellness

Governments in mature and emerging countries are striving to curb the alarming increase in obesity and malnutrition.

7.2.2 Globalization of education

International student and faculty exchanges are on the rise and universities are building campuses abroad to meet the demand in developing countries.

7.2.3 Sustainability

Eco-friendly practices represent a competitive advantage but institutions' needs and the nature of sustainable initiatives vary according to the country's level of maturity in the relevant area.

7.2.4 Financial constraints

Hard-pressed to meet day-to-day operating budgets and fund capital projects, educational institutions are relying on outsourcing to cut costs and governments are turning to the private sector for investments.

7.2.5 Security and safety

Personal, infrastructure and material safety on campuses is becoming a real concern.

Source: Sodexo.

7.3 Growth potential

Over 150 billion euro
in estimated total market value,

with an outsourcing rate at 35% (among the highest rates: Belgium and Singapore, more than 60%; among the lowest rates: Canada and Finland, around 25%).

Sodexo estimate.

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7.4 Achievements

France: A "pathway" to responsible behavior

High school students took part in developing *"Signé Sodexo"*, a "consumer pathway" to encourage young people to adopt healthy eating habits and eco-friendly practices at mealtime.

Ireland: A major contract

Sodexo will handle day-to-day management at five new schools slated to open in 2011. The 25-year public-private partnership contract specifies a wide range of services from maintenance to energy and waste management and operating a help desk.

United Kingdom: A promising market

Sodexo is now successfully established in the student residences market. The portfolio of managed accommodation has grown to over 4,600 beds in 18 months, with a potential business pipeline of 6,000 additional beds over the coming years.

United States

Fighting obesity with Michelle Obama

Sodexo is contributing to the "Let's Move!" campaign sponsored by First Lady Michelle Obama to eliminate childhood obesity by offering healthy school meal options and nutrition education. The program is expected to positively impact 135,000 students in 2010-2011.

Sodexo wins the "Virtual Event Excellence Award"

Sodexo has been awarded for its pioneering online training program. Some 4,500 Sodexo Education managers in the United States (i.e., 95%) were able to share best practices and learn new skills to succeed in the education market.

7.5 Among our clients...

Aditya Birla World School *– Mumbai (India).*

Al Yasmina School*, Abu Dhabi (United Arab Emirates).*

Asian Institute of Technology*, Pathum Thani – Bangkok area (Thailand).*

Australian Institute of Management*, Melbourne, Perth, Sydney (Australia).*

Brock University*, St. Catharines, Ontario (Canada).*

Colegio Franco Argentino*, Buenos Aires (Argentina).*

Columbus City Schools Columbus*, Ohio (United States).*

Dulwich College*, Beijing, Shanghai (China).*

École Française de Riyadh *(Saudi Arabia).*

Garden International School*, Kuala Lumpur (Malaysia).*

GEMS School*, Dubai (United Arab Emirates).*

Haileybury College*, Melbourne (Australia).*

Hackney Community College*, London (United Kingdom).*

Inkamana School*, KwaZulu – Natal (South Africa).*

Institut Notre Dame*, Toulon (France).*

International School Hamburg *(Germany).*

King George V School*, Hong Kong.*

Liessin School*, Rio de Janeiro (Brazil).*

Lycée français Paul Valéry*, Cali (Colombia).*

Pontificia Universidad Catolica del Peru*, Lima (Peru).*

Santa Rosa County School District Milton*, Florida (United States).*

Tanglin Trust International School *(Singapore).*

Texas Christian University*, Fort Worth (United States).*

Universidad Andrès Bello*, Santiago (Chile).*

Université Saint-Joseph*, Beirut (Lebanon).*

Universidad Europea de Madrid *(Spain).*

University of Ljubljana, Faculty of Economics*, Ljubljana (Slovenia).*

University Politecnico*, Turin (Italy).*

University of South Carolina*, Columbia (United States).*

University of Technology and Economics*, Budapest (Hungary).*

8. SPORTS AND LEISURE

8.1 Quality of Life for exceptional moments

As a strategic partner in organizing world-class sports and cultural events and managing unique venues, Sodexo has been delivering service solutions that respond to the demands of exacting clients for more than 20 years.

From ticketing, foodservices and security to logistics and technical and artistic execution, Sodexo teams know what it takes to ensure the success of prestigious events and enhance the reputation of outstanding sites. Sodexo also helps clients attract visitors and consumers by emphasizing social and environmental responsibility, local procurement and eco-friendly practices in its foodservices operations. Organizers know they can rely on Sodexo's expertise and creativity to bring exceptional moments to daily life.

8.2 Market trends

The current economic climate has impacted the market in terms of:

- **funding:** Reduced government and sponsorship support for sports and leisure activities is prompting clients to seek high value-added solutions to attract consumers;
- **discretionary spending:** Households are cutting back on travel abroad in favor of visiting cultural sites and engaging in leisure activities at home.

New opportunities arising in this market include:

- **sustainability, wellness and diversity.** These criteria are fast becoming key drivers for partner selection and retention. Companies can differentiate themselves by promoting these aspects as part of their offer;
- **maximized venue utilization.** Clients are seeking partners that can better assist them in attracting new guests to boost attendance and facility rentals.

Source: Sodexo.

8.3 Achievements

Canada: Sodexo at the Olympic Games

Sodexo was selected by the Vancouver Olympic Organizing Committee (VANOC) to manage foodservices and housekeeping services at the two athlete villages in Whistler and Vancouver. One thousand Group employees contributed to the Quality of Daily Life of the athletes, officials and personnel involved in the Winter Olympics and Paralympics, which took place in February and March 2010.

Sweden: Official partner of "LOVE Stockholm 2010"

The City of Stockholm chose Sodexo as official caterer of its "LOVE Stockholm 2010" festivities in honor of the royal wedding of Sweden's Crown Princess. Sodexo teams served Swedish specialties to 20,000 people at two specially created waterfront restaurants with champagne bars.

United Kingdom

Rugby World Cup 2015 and 2019

On the strength of its results at the 2007 Rugby World Cup, Rugby Travel and Hospitality Ltd (RTH), a joint subsidiary of Sodexo and the Mike Burton Group, will provide the same services at Rugby World Cup 2011 in New Zealand. RTH also will design, produce and sell, exclusively, the official travel and hospitality programs for the Rugby World Cups in the United Kingdom in 2015 and in Japan in 2019 as well as overseeing foodservices at those events.

Launch of wedding service offer

An experienced, multidisciplinary Sodexo team has created the reference benchmark for wedding services called "Your Perfect Day". The offer, comprising preparation, planning, post-event follow-up and evaluation, covers every aspect of successful wedding organization.

United States

Luna Park at Coney Island

Sodexo was awarded the contract to operate foodservice concessions at Luna Park, a new amusement park operated by Zamperta/CAI in New York City. The park is located on the Coney Island Boardwalk, which welcomes over five million visitors each year.

Sodexo enriches its offer

To help clients cope with the economic downturn and optimize costs, Sodexo handles marketing and sales for prestigious clients like the Chicago Botanical Gardens and the Indiana Museum of Art.

8.4 Among our clients

Athletic and cultural activities

Ascot Racecourse, *Berkshire (United Kingdom).*

Children's Museum of Indianapolis, *Indiana (United States).*

Dallas Museum of Art, *Texas (United States).*

Detroit Institute of Art, *Michigan (United States).*

Grand Parc du Puy du Fou *(France).*

Hampden Park *(Scotland).*

Hippodrome race courses: *Auteuil, Enghien, Longchamp, Maisons-Laffitte, Vincennes (France).*

L'Olympique Lyonnais Football Club, *Lyon (France).*

L'Olympique de Marseille Football Club, *Marseille (France).*

Le Tour de France.

Newcastle United Football Club, *Newcastle (United Kingdom).*

Roland Garros Tennis Stadium, *Paris (France).*

Seattle Aquarium, *Seattle, Washington (United States).*

The Dakar Rally, *France.*

The John G. Shedd Aquarium, *Chicago, Illinois (United States).*

Prestige Restaurants

Blenheim Palace, *Oxfordshire (United Kingdom).*

Huntington Library Gardens Café, *Pasadena, California (United States).*

St. Bartholomew's Church, *New York City (United States).*

The Churchill Museum & Cabinet War Rooms, *London (United Kingdom).*

The restaurants of the Eiffel Tower, *Paris (France).*

Private Clubs, Associations and Conference Centers

Centre d'Affaires Étoile Saint-Honoré, *Paris (France).*

Centre d'Affaires Capital 8, *Paris (France).*

Conference Center at NorthPointe, *Columbus, Ohio (United States).*

Johnson Space Center, *Houston, Texas (United States).*

La Maison des Polytechniciens, *Paris (France).*

Les Salons de la Maison des Arts et Métiers, *Paris (France).*

San Ramon Valley Conference Center, *California (United States).*

Tecnológico de Monterrey *(Mexico).*

→ Motivation Solutions

1. PRESENTATION AND KEY FIGURES

4.5% of Group revenues

Revenues:

- **689** million euro
- **939** million U.S. dollars

Source: Sodexo.

12.5 billion euro in issue volume

3,539 employees

380,000 clients (excluding individuals)

27 million beneficiaries

1.1 million affiliated partners

1.1 Motivation: hand-in-hand with Quality of Life

Motivation is a key driver of organizational performance, enabling companies to attract, retain, encourage and reward their talent. In 31 countries today, Sodexo helps 380,000 organizations to implement effective motivation strategies. The varied solutions designed, managed and delivered by Sodexo benefit more than 27 million people around the world with offerings in three main service areas:

- **Employee Benefits:** attractive, easy-to-use, economical solutions for transport, gifts, meals, personal care, leisure activities, education and in-home services;
- **Incentive Programs:** helping companies achieve their objectives through programs to motivate, retain and reward employees;
- **Public Benefits:** Sodexo manages aid distribution and runs public allocation systems in the areas of culture, assistance, training and employment.

1.2 Market trends

1.2.1 Long-term trends

Forces influencing this market include:

- **demographic:** urbanization, growth of the middle class, aging population;
- **socio-professional:** the increasing service economy, growing numbers of working women, the search for a competitive edge;
- **sociological:** work-life balance, environment and health concerns;
- **political:** combating illegal work, controlling public spending.

1.2.2 Current economic situation

In industrialized countries, companies are seeking to differentiate themselves and enhance productivity through employee motivation programs. In emerging countries, they are striving to attract and retain talent to cope with rapidly changing markets. Governments and local authorities are constantly looking for efficient aid distribution solutions and, in Europe, are pursuing proactive policies to provide support to the disadvantaged.

Source: Sodexo.

1.3 Growth potential

A market estimated at more than **135** billion euro in issue volume.

Sodexo estimate.

2. EMPLOYEE BENEFITS

Key figure

21 million beneficiaries

Source: Sodexo.

2.1 Quality of Life: Retaining talent

In today's extremely competitive environment, attracting and retaining top performers is essential for every public and private organization, regardless of size or market. Knowing how to motivate employees can provide company CEOs and human resources directors with a real competitive edge. With this in mind, Sodexo has developed customized, easy-to-use, economical solutions. Addressing the specific needs and expectations of different workforce populations is one of the keys to Sodexo's success in this field.

2.2 Achievements

Austria – The benefits of balance

Sodexo partnered with Great Place to Work® to create a prize for the best place to work in terms of work-life balance.

Belgium – A green solution

Sodexo created the innovative Eco Pass for the Belgian government to help encourage consumption of ecological products and services. Offered by companies to their employees, Eco Pass can be used to pay for products and services that help preserve the environment including low-energy light bulbs, solar panels, water conservation devices, bicycles, tickets for public transportation and waste treatment services.

Brazil – Sodexo's festival

During the soccer World Cup, Sodexo Pass beneficiaries had access to 30 upscale restaurants offering specially-priced menus.

Russia – Launch of the Gift Pass

2.3 Among our clients...

Banks-Insurance

AXA: *Chile, Czech Republic, Italy, Poland, Slovakia.*

BNP Paribas Group: *Chile, Germany, Italy, Mexico, Poland, Tunisia, Turkey.*

HSBC Group: *Mexico, Poland, Turkey.*

PricewaterhouseCoopers: *Chile, Germany, Hungary, Romania, Slovakia.*

Société Générale, *India, Tunisia, Turkey.*

IT-Electronics

IBM: *Hungary, Tunisia, Venezuela.*

Microsoft: *Chile, Poland, Slovakia, Tunisia.*

Oracle: *India, Romania, Venezuela.*

Samsung Electronics: *Argentina, Slovakia, Tunisia, Venezuela.*

SAP: *Brazil, Germany, India, Poland, Venezuela.*

Vodafone: *Hungary, Turkey.*

Consumer goods

Coca-Cola: *Argentina, Chile, Hungary, Mexico, Poland, Slovakia.*

L'Oréal: *Chile, Romania, Tunisia, Turkey, Venezuela.*

Nestlé: *Poland, Slovakia, Venezuela.*

Nokia: *Hungary, Poland, Slovakia, Tunisia.*

Pepsico: *Brazil, Poland, Romania, Slovakia, Venezuela.*

Procter & Gamble: *Chile, Czech Republic, Poland, Russia.*

Unilever: *Hungary, Poland, Slovakia, Tunisia, Venezuela.*

Industry-Energy

Eli Lilly: *Mexico, Slovakia, Venezuela.*

Johnson & Johnson: *Chile, Poland, Romania, Slovakia.*

Michelin: *Hungary, India, Mexico, Poland, Romania, Slovakia, Turkey, United-Kingdom.*

Pfizer: *Chile, Tunisia, Turkey, Venezuela.*

Schneider Electric: *Mexico, Romania, Tunisia.*

Siemens: *Poland, Romania, Russia, Tunisia, Turkey.*

Tata Group: *Chile, India, United-Kingdom, Venezuela.*

3. INCENTIVES AND RECOGNITION

Key figure

4.3 million beneficiaries

Source: Sodexo.

3.1 Quality of Life: Stimulating performance

Whether seeking to respond to competitive pressures, increase sales over a particular period, implement a new plant safety procedure or support an antismoking plan, companies need to be able to engage their employees and mobilize their partnership networks. Rewarding performance is critical to ensuring sustained motivation. To meet these important challenges, Sodexo develops customized solutions to help clients achieve their qualitative and quantitative objectives.

3.2 Achievements

China – Launch of the Gift Pass and the Moon Cake Pass

The Moon Cake Pass is a solution that allows our clients to reward their employees and business partners during the traditional Chinese Mid-Autumn Festival. The Pass can be used throughout a selected network of bakery affiliates.

Mexico – Driving with Michelin

For its 2010 summer promotion, Michelin® offered $700 of gas to purchasers of four car or truck tires. Michelin® chose Sodexo's "Gaso Pass Card Movilidad" because it best met the campaign's requirements.

Poland – Enthusiasm for Vivabox Extreme

"Vivabox Extreme" by Sodexo won the Grand Prize for "Most Innovative Product" in a contest organized by the Polish TV program *Man's Thing.* The box, containing an energy drink, a guidebook and a voucher for an extreme sport, won out over 170 competing products designed by other brands, including Mercedes and Sony.

3.3 Among our clients…

Banks-Insurance

AXA: *Philippines.*

HSBC Group: *Argentina.*

PricewaterhouseCoopers: *Hungary.*

Société Générale: *India, Turkey.*

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IT-Electronics

IBM: *Hungary.*

Microsoft: *Chile, Philippines.*

Oracle: *India.*

Samsung Electronics: *Philippines, Poland.*

SAP: *India, Philippines.*

Vodafone: *Hungary.*

Consumer goods

Coca-Cola: *Hungary, Poland, Slovakia.*

L'Oréal: *Philippines, Poland, Romania.*

Nestlé: *Hungary, Poland.*

Nokia: *Hungary, Poland.*

Pepsico: *Romania.*

Procter & Gamble: *Argentina, Poland, Russia.*

Unilever: *Hungary, Philippines.*

Industry-Energy

Johnson & Johnson: *Poland, Romania.*

Michelin: *Hungary, India, Poland, Romania.*

Pfizer: *Philippines.*

Schneider Electric: *Romania.*

Siemens: *Philippines, Romania.*

Tata Group: *India.*

4. PUBLIC BENEFITS

Key figure

1.7 million beneficiaries

Source: Sodexo.

4.1 Quality of Life: Optimizing support

Governments and local authorities must meet the challenge of developing local economies, creating jobs, supporting vulnerable populations and those facing difficulties and providing access to cultural and sports activities. Since 1994, Sodexo has been contributing to these public initiatives through specific programs in a dozen countries with specially designed demonetized solutions to manage and monitor public aid and subsidy distribution securely and transparently.

4.2 Achievement

International – "Work-Life Balance"

"Work-Life Balance" is a study published by the Sodexo Institute on Quality of Daily Life and the association *"Pour La Solidarité"*. The study shows how reconciling work life with personal life can be a tool for growth and competitiveness at the micro- and macroeconomic level as well as a real force for social cohesion. The study highlights three key issues for companies and local governments: improving company attractiveness, adapting to changes in society, and creating new, profitable economic areas. The results underline Sodexo's position as a strategic partner for public administrations in helping them manage their policies and resources.

4.3 Among our clients...

Publics services

National Postal Services: *China Post Office (China), Czech Post (Czech Republic), La Poste (France), Hungarian Post (Hungary), Poczta Polska (Poland), Postal Telegraphic Institute of Venezuela (Venezuela).*

National Transportation Services: *INFRAERO (Brazil), National Railways (Bulgaria), Lufthansa (Germany), Tunisair (Tunisia).*

National Telecommunication Services: *Telekomunikacja Polska (Pologne), Slovak Telekom (Slovaquie).*

Public Authorities

Provincia del Chaco *(Argentina),* ***The National Institute of Public Health*** *(Czech Republic),* ***Steel Authority of India*** *(India),* ***Ministry of Defence*** *(UK),* ***Merida State Government*** *(Venezuela).*

→ Personal and Home Solutions

1. Quality of Life – one at a time

Sodexo designs Personal and Home Solutions to help individuals improve their Quality of Daily Life around four types of services:

Childcare

Sodexo designs and manages childcare centers on behalf of local authorities and companies, offering learning and development activities for children while helping their parents.

Tutoring/lifelong learning

Sodexo contributes to the fulfillment of youngsters and adults alike by providing in-home tutoring and training in language, music and computers.

Concierge services

Sodexo enriches and makes easier daily life through a range of solutions such as dry cleaning, in-home services and travel or events organization. Requests can be placed via an onsite concierge, telephone or web portal. Microsoft and Alstom (France) chose these concierge services to supplement the service solutions already being provided by Sodexo.

In-home assistance to dependent persons

To help dependent persons remain autonomous and prevent isolation, Sodexo offers comprehensive services including companionship, light housekeeping, transportation, meal preparation and technology solutions.

2. Market trends

Childcare: strong demand

Parents are facing a scarcity of childcare solutions, particularly for preschool children. Moreover, without financial aid, pre-school childcare costs often exceed their budgets. The combination of these factors has led many governments to adopt policies in favor of developing affordable childcare facilities. Companies are also seeking "turnkey" solutions to enhance employee loyalty.

Academic success: a major concern for parents

Most parents are eager to ensure their children's success at school, as it will significantly affect their personal achievement later on. For parents who often lack the time and skills for tutoring, outsourcing the task to professionals is an ideal solution.

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The desire to achieve a better work-life balance

For working people, balancing their professional and personal lives is often a struggle. Companies aware of this problem are looking for solutions to increase the engagement and retention of their employees.

Increased longevity

As the population ages, the need for in-home assistance to dependent persons will continue to rise, particularly as most seniors to prefer remain at home as long as possible. To control public spending, governments are promoting homecare solutions and technologies that enable autonomy.

Development of new technologies

The widespread use of the Internet, mobile technologies (smart phones, PDA, etc.) and e-commerce is profoundly transforming consumer habits, including in the area of services.

Source: Sodexo.

3. Achievements

France – A stake in Crèche Attitude

Sodexo acquired an interest in the French company Crèche Attitude in June 2010. With a network of some 60 sites, Crèche Attitude is one of the country's foremost childcare providers with a clientele made up of companies as well as public authorities that have chosen to delegate this public service. The operation consolidates Sodexo's expertise in the sector, enabling significant synergies with all the Group's client segments in France.

International – Development of concierge services

After the successful addition of three major providers of concierge services in the United States, France and Sweden, Sodexo began its European expansion with the opening of three new subsidiaries in Belgium, Luxembourg and the United Kingdom. The Group is also planning to further develop concierge services internationally.

United States – Acquisition of Comfort Keepers

In August 2009, Sodexo acquired Comfort Keepers, one of the top players in the North American market in non-medical in-home care for seniors and dependent persons. With the acquisition of Comfort Keepers, a franchise organization with more than 600 franchisees, Sodexo has significantly enriched its service offering to support and improve Quality of Daily Life for seniors.

05

Social and Environmental Responsibility

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People have always been central to the values of Sodexo. Today, those values are the bedrock of our development as a socially responsible corporation. In keeping with its mission, which is to improve the Quality of Life on a daily basis and contribute to the economic, social and environmental development of the cities, regions and countries where it operates, the Group is uncompromising in its efforts to:

- have access to the human resources it needs in order to satisfy the demands of all its clients, in terms of both quantity and quality, and with the requisite skills;
- be one of the world's most appreciated employers by its employees;
- promote equal opportunities, with four priorities: representation of women, of different generations, of ethnic minorities, and of people with disabilities;
- reinforce its commitment to sustainable development around three priorities: working for better nutrition, health and wellness and in commitment to local communities and to the environment.

Sodexo is pursuing ambitious goals in the realms of human resources and sustainable development.

Information pertaining to employment and environmental aspects of Sodexo's worldwide operations, in particular in France, is provided below. Further information is available in the the Sustainable Development Report and the Human Resources Report found on the Sodexo website **www.sodexo.com**.

→ Social Responsibility

1. CREATE A COMPETITIVE ADVANTAGE THROUGH OUR PEOPLE

Sodexo's 380,000 employees are its ambassadors, **sharing a passion to serve, for the greater satisfaction of clients and consumers.**

To fulfill a growth potential 50 times greater than the Group's current revenues, Sodexo has set two objectives in the field of human resources, namely to:

- **have the human resources available, in terms of both quantity and quality, and with the requisite skills,** to satisfy the demands of all its clients, and to offer innovative solutions to their needs.

  Investing in **employee training** at all levels is a priority. Examples include:

  - training for employees leading to recognized qualifications,
  - orientation programs for future site managers,
  - advanced training programs for managers, including a newly-launched e-learning platform;
- **be one of the world's most appreciated employers by its employees.**

Every two years, a survey in 60 countries measures employee engagement, ascertains factors motivating them, and serves to design plans for improvements.

85% **of employees rate Sodexo a better employer than its competitors.**

Source: 2010 Engagement Survey, on a representative sample of 112,000 employees.

Employee engagement is a strategic concern for Sodexo in pursuit of its ambition to become one of the world's most appreciated employers by its employees and to leverage its human resources into a competitive advantage.

Sodexo conducted its third worldwide Engagement Survey in 60 countries covering more than 98% of the Group's employees, in Fiscal 2010. The 56% response rate was 5 percentage points better than in Fiscal 2008.

The Groupwide engagement score of 55% [(1)] was 7 percentage points better than for the previous survey in Fiscal 2008. It is worth noting that the Hewitt benchmark (the firm that carried out the survey) showed a global 1 percentage point decline over the same period.

In another key finding, 85% of employees rated Sodexo a better employer than its competitors.

The next survey will be conducted in Fiscal 2012.

Four companywide **priorities** are targeting improvements in **Diversity and Inclusion**:

- male/female representation;
- employment for all generations;
- representation of people from different ethnic backgrounds;
- finding work for people with disabilities.

(1) Percentage of employees responding to the six questions relating to engagement with an average score equal to or greater than 4.5, on a rising scale of 1 to 6.

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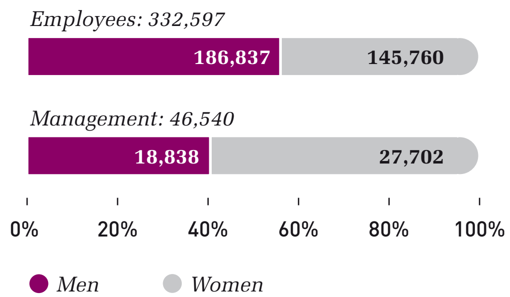
2. HUMAN RESOURCES DATA

Note: For a more accurate representation of the segmentation between employees and management, the functions embraced by these two categories have been redefined for Fiscal 2010. As a result, the values of the different indicators for each grade are comparable to those for prior years, and historical comparisons can be made only for values pertaining to all employees.

2.1 Worldwide

2.1.1 Group workforce as of the end of Fiscal 2010 [(1)]

Employees	Management	Total
332,597	46,540	379,137



The number of Group employees remained essentially unchanged in Fiscal 2010 (379,749 at the end of Fiscal 2009).

There is equal distribution between women and men (54% and 46% respectively).

2.1.2 Workforce by geographic region

Geographic region	Fiscal 2008	Fiscal 2009	Fiscal 2010
North America	124,598	123,339	122,425
Europe	136,079	145,956	138,116
Africa, Asia and Oceania	36,658	54,325	55,601
Latin America	45,859	45,008	50,108
Middle East	11,850	11,121	12,887
TOTAL	**355,044**	**379,749**	**379,137**

The Group's workforce was practically unchanged in Fiscal 2010, overall, with the increase in the faster-growing emerging countries offsetting changes in North America and Europe.

(1) Scope = 100% of Group workforce as of the end of Fiscal 2010 (as of August 31, 2010 in France and July 31, 2010 elsewhere).

2.1.3 Workforce by gender

	Fiscal 2009			Fiscal 2010		
	Management	Employees	All personnel	Management	Employees	All personnel
Women	22,065	183,358	205,423	18,838	186,837	205,675
Men	28,884	145,442	174,326	27,702	145,760	173,462
TOTAL	**50,949**	**328,800**	**379,749**	**46,540**	**332,597**	**379,137**

The proportion of men and women for the entire Sodexo population moved closer to parity in Fiscal 2010, with women representing 54%.

2.1.4 Recruitment by category [1]

RECRUITMENTS ON PERMANENT CONTRACTS (EXCLUDING STAFF ASSUMED FROM OTHER SERVICE-PROVIDERS AND ACQUISITIONS) BY GRADE

Employees	Management	Total
131,822	7,564	139,386

Sodexo continued to hire at the same pace as in the prior fiscal year (138,426 recruitments in Fiscal 2009).

PERCENTAGE OF RECRUITS ON PERMANENT CONTRACTS ON EXISTING SITES (EXCLUDING STAFF ASSUMED FROM OTHER SERVICE-PROVIDERS AND ACQUISITIONS) AS A PERCENTAGE OF AVERAGE WORKFORCE

Employees	Management	Total
39.9%	16.4%	37%

This percentage combines the proportion of employees leaving the Group who were replaced, plus new hires.

2.1.5 Employee training, by category [1]

Employee training is a central Group human resources management objective. Sodexo maintained and expanded its investment in training in Fiscal 2010.

NUMBER OF EMPLOYEES WHO HAVE UNDERGONE TRAINING

Employees	Management	Total
263,346	40,598	303,944

48,638 additional employees were trained as compared to the prior year.

PERCENTAGE OF AVERAGE WORKFORCE WHO HAVE UNDERGONE TRAINING

Employees	Management	Total
79.6 %	87.8 %	80.6 %

The percentage of employees receiving training in Fiscal 2010 rose by 16%.

Number of training hours [1]

Human resources policy is particularly focused on training. The total number of training hours for all Group employees was 4,667,554 hours, 1,481,660 hours more than in Fiscal 2009.

2.1.6 Internal promotion [2]

During Fiscal 2010, 1,685 front-line staff were promoted to site manager and 611 site managers and other non-site staff to managerial positions, making a total of 2,296 internal promotions to a manager grade by promotion from one grade to another. These figures do not include internal promotions within the same grade.

Internal promotion by promotion from one grade to another	Front-line staff to site manager positions	Site manager and other non-site staff to managerial positions
Internal promotion /(internal promotion + recruitment)	21%	33.6 %

(1) Scope = 100% of Group employees as of the end of Fiscal 2010.
(2) Scope = 100% of Group employees as of the end of Fiscal 2010.

2.1.7 Work-related accidents by grade [2]

NUMBER OF WORK-RELATED ACCIDENTS BY GRADE

Employees	Management	Total
7,214	314	7,528

PERCENTAGE OF WORK-RELATED ACCIDENTS RELATIVE TO AVERAGE WORKFORCE

(number of accidents/average workforce)

Employees	Management	Total
2.18 %	0.68 %	2.00 %

The number of accidents for all employees was down 2.4% from the prior year.

2.1.8 Employee Engagement Survey

Sodexo conducted a third comprehensive Employee Engagement Survey in Fiscal 2010, covering 60 countries and more than 98% of the Group workforce.

The average Groupwide engagement score of 55% was 7 percentage points better than for the previous survey in Fiscal 2008, while the survey firm's global benchmark showed a 1percentage point decline. The next survey will be carried out in Fiscal 2012.

2.1.9 Employee Retention Rate

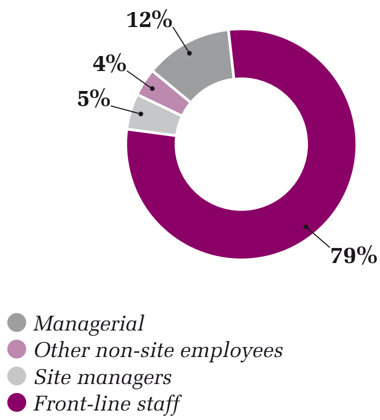
The employee retention rate is a key indicator of the Group's performance. The retention rate for all personnel in Fiscal 2010 was 63.5%, with an 82.9% rate for site managers.

2.2 In France

Data on employment aspects of all Sodexo operations in France, i.e. On-site Service Solutions, Motivation solutions, the issuer (parent company), and the Group's management companies, are presented below.

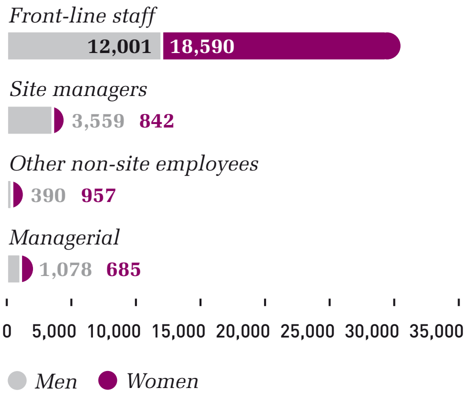
2.2.1 Workforce

As of August 31, 2010, Sodexo employed a total of 38,102 people in France, an increase of 403 employees relative to the prior year.



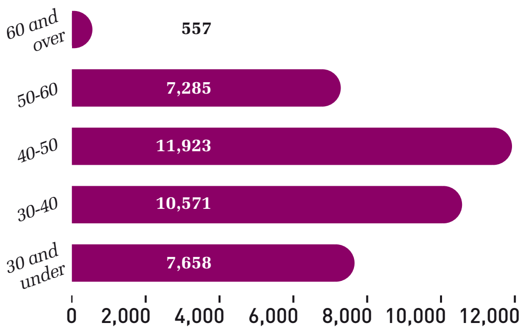
Workforce by gender

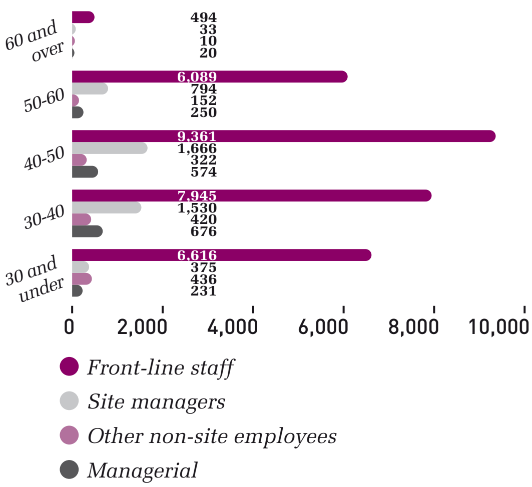
Women represent 55% of total employees, and 61% of front-line staff, 19% of site managers, 71% of non-site employees, and 39% of non-site managers.



Workforce by age group and grade

The average age is 40.09.



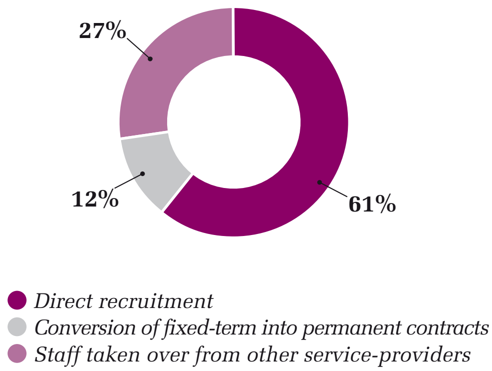


(1) *Association Française des Lycées Hôteliers.*

2.2.2 Employment

5,712 staff were recruited on a permanent contract during Fiscal 2010, comprising 3,497 by direct recruitment, 697 by conversion of fixed-term contracts into permanent contracts, and 1,518 by taking over staff from other service-providers.

Recruitments on permanent contract



Sodexo maintains active relations with educational institutions:

- attendance at 14 higher education forums and meeting with 780 potential candidates;
- development of a partnership with the French association of high schools training for the hotel trade (AFLYHT [(1)]), representing 90% of head teachers, and attendance at their annual congress in Perpignan with a presentation on nutrition.

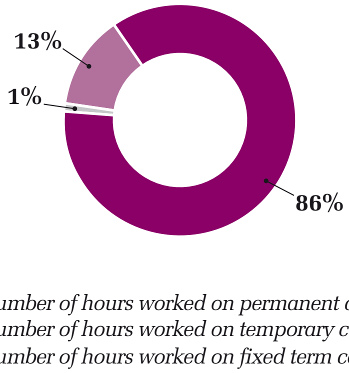
Sodexo also reinforced its policy of hiring interns and apprentice managers, with 80 interns being taken on, of which 30 were later hired. Many of these applicants were graduates from minority backgrounds.

A partnership agreement was signed with the French Department of Defense with a view to hiring members of the armed forces wishing to return to civilian life.

As of August 31, 2010, 10.91% of employees were on fixed-term contracts.

During the fiscal year, employment on fixed-term contracts represented less than 13.01% of hours worked and temporary agency work represented 1.31%. These mainly concerned jobs designed to provide temporary replacements and to cope with spikes in workload.

182,419 hours of overtime were worked in Fiscal 2010, or 0.33% of hours worked.



1,111 employees were terminated in Fiscal 2010, 13 of them for economic reasons.

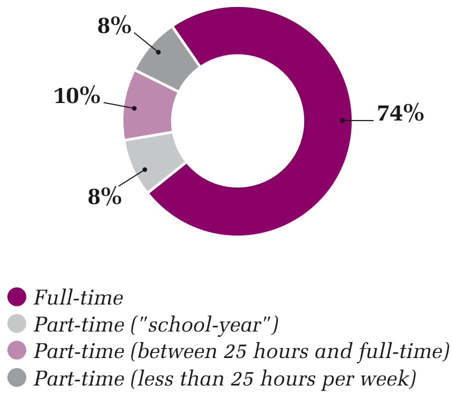
2.2.3 Internal promotion

Internal promotion is a central pillar of Sodexo's human resources policy. In Fiscal 2010, 108 front-line employees were promoted to site managers and 14 site managers were promoted, for a total of 122 employees promoted to a supervisory position by a change of category, out of a total population of 6,164 managers.

2.2.4 Organization of working hours

Except for restaurants open to the public, which account for 2.06% of the total workforce, the working week is 35 hours (34.87 hours for most subsidiaries).

For Fiscal 2010, 73.3% of the workforce worked full time. Part-time work concerned 26.7% of the workforce, of which 8.3% were part-time on an annualized ("school-year") basis, and 9.9% were on part-time between 25 hours per week and full-time. Finally, 8.4% of the workforce works less than 25 hours per week.



2.2.5 Absenteeism

The average absenteeism rate based on the number of days absent was 8.40% for the workforce as a whole. The three main reasons for absenteeism were sickness (54.7%), authorized paid leave and unpaid leave (27.4%), and work- and travel-to-work related accidents (9.3%).

2.2.6 Compensation

The average annual salary for a full-time front-line employee was 20,883 euros, which is 29.99% higher than the legal minimum wage *.

* *The French gross legal minimum wage (Smic) in euro for a workweek of 34.87 hours.*

Statutory and voluntary employee profit-sharing (Part IV of Book IV of the French Labor Code)

Profit-sharing agreements exist within Sodexo's French subsidiaries. The share of profits allocated to employees during Fiscal 2010 was 8,808,992 euro.

2.2.7 Social security charges

For Fiscal 2010, social security charges represented 23.81% of the compensation of front-line staff. The employer's contribution was 48.33%.

2.2.8 Social and cultural activities

The contribution to the financing of social and cultural activities promoted by the various Works Councils represented 0.6% of payroll.

2.2.9 Employee recognition

The annual gala evening reception honored 300 employees (56% of them women) who have earned qualifications under our different vocational training programs, while long-service awards were presented to employees with 30 years' seniority.

2.2.10 Collective agreements

A total of 49 collective agreements were signed in Fiscal 2010. They included:

- a national agreement on the prevention of stress in the workplace;
- rider no. 7 to the companywide agreement on staff benefits and union rights;
- renewal of the agreement on parental leave;
- rider no. 5 to the Group profit-sharing agreement;
- agreement on employment of seniors;
- agreement on modification of the employee health insurance plan;
- rider to the work time agreement.

2.2.11 Health and Safety

The frequency rate of work-related accidents was 49.42 in Fiscal 2010, down from 50.27 in Fiscal 2009. The severity rating was 1.38, compared to 1.33 in Fiscal 2009.

There were 135 meetings of Health, Safety and Working Conditions Committees during the fiscal year.

As part of general legal obligations for health and safety:

- all new recruits receive initial training familiarizing them with their work area, informing them of the risks to which they will be exposed, and telling them what action they should take in the event of an accident;
- as a service-provider on premises usually owned by the client, Sodexo prepares an accident prevention plan jointly with the client, based on an assessment of the risks and potential interference between our activities;
- a single document, the "Work-related Risk Assessment," is produced, which identifies dangers, analyzes risks and indicates preventive action to be taken.

Three high profile programs in Fiscal 2010 concerned:

- introduction of a "Safety in the Workplace Management Plan," comprising:
  - everyday safety instruction sheets and posters in the workplace,
  - safety documentation posted on the intranet,
  - a hotline to answer specific questions;
- introduction of a monthly reporting to the Management Committee, comprising information on trends in accident frequency and severity, and the list of the ten worst-performing sites in terms of accidents;
- a not-for-profit organization called *"Écoute et Vigilance"* (listening and vigilance), to detect situations in the work place that could lead to stress, violence, or harassment.

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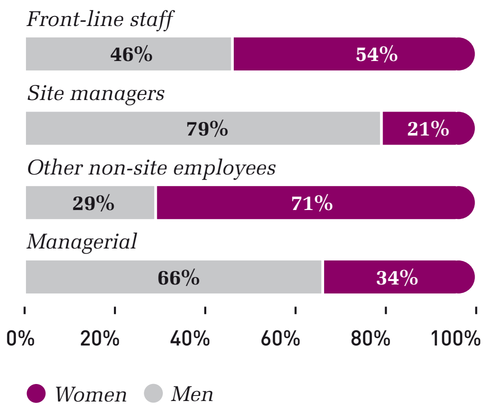
2.2.12 Human Resources training and development

Expenditure on training by all Sodexo businesses in France totaled 17,617,756 euro in Fiscal 2010, an increase of 1,303,405 euro compared to the prior year. This figure represented 2.02% of total payroll.



The number of training hours totaled 263,199 during the fiscal year.

2.2.13 Equality in the workplace

Men – Women

Three networks of women managers or supervisors have been set up by the Sodexo France unit.

18% of Site Managers and 17% of Regional Managers are now women, and a fourth woman has been appointed to the post of Regional Managing Director. In the past four years, the percentage of women in management positions has risen from 14% to 28%, and the percentage of women supervisors has risen from 18% to 27%.

Sodexo pays close attention to creating opportunities for women to develop their careers within the firm, and the percentage of women among employees receiving training has increased from 30% to 46% in the space of four years.

Employees with disabilities

Sodexo subsidiaries in France employ 871 workers with disabilities, including 56 managers and 815 supervisors.

Sodexo confirmed its long-term commitment to hiring individuals with disabilities in a second "employees with disabilities" agreement. This agreement, signed by the Labor Department for the period 2009 through 2011, includes the following 3-year targets to be met: 200 hires, 150 interns, and 70 apprentices.

Titled "From employment obligation to innovation", the 2nd agreement for employees with disabilities is a commitment by the company to transform the employment of people with disabilities into an advantage in terms of team spirit and innovation, while continuing to change our perceptions of others.

This 2nd agreement sets two additional targets, namely keeping disabled employees in work, and recourse to the bodies in the "protected sector." The end goal is for disabled employees to represent 4.5% of the total workforce by the end of 2011.

Two major areas of action in the coming period will be:

- keeping people with disabilities in work, in particular through preventive measures to avoid people becoming unfit for work;
- working with partners in the so-called protected sector among the supplier panel.

This agreement is being monitored and steered by an **Organization for Disabilities** and a **Disability Support Network** representing nearly 80 people in France.

Between the start of the 2nd agreement (January 1, 2009) and as of June 30, 2010:

- 69 people had been hired on permanent contracts and 301 on fixed-term contracts;
- 21 apprentices had been recruited (at the start of the 2009 school year);
- 75 interns had been taken on;
- 30 people had been maintained in employment.

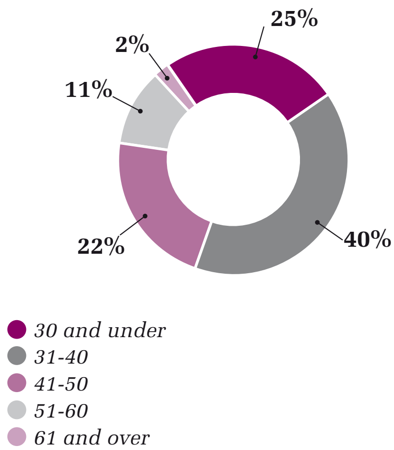
3. EMPLOYMENT INFORMATION ON THE ISSUER

These disclosures relate to the employment and environmental impact of all of the activities of Sodexo SA in France and its Overseas Departments and Territories (DOM), as required by article L. 225-102-1 of the French Commercial Code.

As of August 31, 2010, Sodexo SA employed 269 people, as follows:

	Management	Other non-site staff	Site managers	Front-line staff	Total
Men	70	3	0	6	79
Women	112	41	4	33	190
TOTAL	**182**	**44**	**4**	**39**	**269**

71% of the Sodexo SA workforce are women. The breakdown by age group is as follows:



During Fiscal 2010, 32 staff were recruited on permanent contract, comprising 23 by direct recruitment, and 9 by conversion of fixed-term contracts into permanent contracts.

10.04% of the workforce was on fixed-term and temporary agency work accounts for only 0.29% of hours worked. In both cases, these are basically jobs designed to cope with spikes in workload.

During the fiscal year, 9 employees had their employment contract terminated, none of them for economic reasons.

The working week in metropolitan France and the overseas departments (DOM) is 35 hours.

Part-time work involved 28 people, i.e., 8 managers, 3 other non-site staff, and 17 front-line staff.

Altogether 1,042 hours of overtime were worked during the year, representing 0.26% of total hours worked.

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The absenteeism rate was 3.82% and the number of days off work was as follows:

	Managers	Other non-site staff	Site managers	Front-line staff	Total
Number of days absence for work-related and travel-to-work accidents	0	0	0	0	0
Number of days absence for sickness	616	392	0	307	1 314
Number of days absence for maternity	651	132	0	98	881
Number of days absence for other reasons (unpaid leave, authorized paid leave)	18	262	0	11	291
TOTAL	**1,285**	**786**	**0**	**416**	**2,486**

Average annual salaries for the fiscal year:

Average annual salary in euro	Managers	Other non-site staff	Site managers	Front-line staff
Men	125,074	n/a*	n/a*	38,483
Women	82,473	36,291	45,637	36,264

* *Not communicated, as there is only one employee in this category.*

Sodexo SA did not make any payment into an employee profit-sharing plan for fiscal 2009.

A special profit sharing plan was put in place for all employees starting in Fiscal 2010. In connection with this plan, a provision of 167,000 euro was recognized in Fiscal 2010.

The Health and Safety and Working Conditions Committee met six times in Fiscal 2010 and registered no work-related accidents entailing sick leave.

The frequency rate was 0, and the severity rating was 0.

Sodexo SA spent 2.81% of its payroll on training, as follows:

	Managers	Other non-site staff	Site managers	Front-line staff	Total
Number of hours training	5,101	654	0	36	5,791
Number of persons trained	133	22	0	3	158
Men *(%)*	39	14	n/a	33	35
Women *(%)*	61	86	n/a	67	65

Sodexo SA spent 34,574 euro on finding work for persons with disabilities and employs one disabled worker.

The company also paid 132,800 euro to the Works Council for staff social programs.

→ Environmental Responsibility

Sodexo unveiled a new roadmap, its "Better Tomorrow Plan," in 2009, aimed at enhancing its sustainable development performance and evaluating the impact of action taken. The Plan's three priorities are:

- promoting better Nutrition, Health and Wellness;
- committing to Local Communities;
- preserving the Environment.

The Better Tomorrow Plan has been deployed across the 80 countries in which the Sodexo operates, and concerns its 34,000 sites and its 380,000 employees. This is a continuous improvement program, with major review dates set for 2012, 2015 and 2020. A wide array of initiatives are already underway in several countries.

1. WORKING FOR BETTER NUTRITION, HEALTH AND WELLNESS

Serving 50 million people daily, Sodexo ensures their food safety and is committed to promoting a balanced diet for its consumers. In fact, Sodexo plays a key role in the fight against obesity, responding to people's needs with solutions that emphasize health and wellness.

2. COMMITTING TO LOCAL COMMUNITIES

Sodexo is working to:

- fight hunger and malnutrition through the Sodexo STOP Hunger initiative;
- support the development of local communities by giving preference to the recruitment of local personnel, supporting the development of small businesses that provide services to clients, including growers of fresh produce, neighborhood services suppliers, etc.;
- increase the share of fair trade products in the Group's supplies.

Sodexo's STOP Hunger initiative has mobilized personnel, clients, consumers and suppliers in 39 countries. Partnering 272 non-governmental organizations and local citizen's groups, STOP Hunger is combating malnutrition and hunger through training, as well as through information on nutrition, distribution of food, and cash donations.

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3. PRESERVING THE ENVIRONMENT

Sodexo is deploying programs at clients' sites in four main areas, namely:

- purchasing environmentally friendly produce: promoting local, seasonal produce grown using responsible farming techniques; sourcing fish and seafood products from sustainable processes; and purchasing biodegradable single-use and detergent products;
- reducing energy spending and CO_2 emissions;
- reducing water consumption;
- fighting misuse of resources and reducing waste.

Operations in 31 countries have obtained ISO 14001, LEED, HQE and equivalent certifications in recognition of their efforts in favor of the environment.

4. IMPLEMENTING THE BETTER TOMORROW PLAN

Sodexo has met the goals identified in Fiscal 2010 for deployment of the Better Tomorrow Plan. This was a first step, aimed at building awareness among teams that are by definition decentralized, formulating processes for steering the plan in practice, taking an inventory of the present situation across the Group, and setting timetables for each country.

4.1 Building awareness

An internally- and externally-directed training and awareness building program has been deployed to help employees fully buy into the *Better Tomorrow Plan*. The program includes an e-learning application for the *Better Tomorrow Plan* in seven languages, promotional materials to advertise the Plan at Group sites, and presentations of the Plan with case studies to senior managers.

4.2 A steering process

An 11-member Group Steering Committee has been set up, chaired by Damien Verdier (Group Executive Vice President and Chief Marketing Officer, Offer Marketing, Client Retention, Supply Chain and Sustainable Development). Its mission is to frame a global strategy and to oversee its implementation. This is backed up by a Central Project Management Office, which coordinates and monitors activities worldwide. At the local level, 80 local champions drawn from different divisions and functions ensure the *Better Tomorrow Plan* is properly deployed in each country. Finally, six "Subject Matter Leaders" steer nine task forces working on various issues relating to the *Better Tomorrow Plan*.

Key Performance Indicators (KPI) have been instituted under the plan to evaluate progress on each commitment, based on specific benchmarks for each country. At the same time, CITIZEN, Sodexo's sustainable development dashboard, has been modified both functionally and technically, to better reflect the *Better Tomorrow Plan*. CITIZEN covers 99% of Group revenues and has more than 770 users, and lists more than 1,100 initiatives originating in 60 countries.

4.3 An inventory of the present situation

An inventory of the existing situation has been taken of all of the countries where the Group does business, in order to define a benchmark for Fiscal 2010. More than 50% of the main sites in more than 50 countries have been listed, representing 95% of Group revenues in the On-site Service Solutions segment.

4.4 A timetable for each country

These benchmarks enabled each country to work out its own road map, and to define goals and priorities in light of the plan's deadlines. This served to set objectives for each commitment from now until 2012-2015-2020.

5. WE DO

Through a process of consultation with Sodexo's stakeholders, three priorities and 14 commitments were identified:

5.1 Working for better Nutrition, Health and Wellness

As a leading world provider of Quality of Life solutions on a daily basis, Sodexo plays a role in the consumption habits of the 50 million people we serve each day. In the countries where it operates, the Group informs consumers about the benefits of a healthy and balanced lifestyle, and wants clients and consumers to take advantage of Sodexo's existing health and wellness solutions. Combating obesity and malnutrition, and their long-term consequences such as chronic disease – often the results of heavy consumption of sugar, salt and fats – are an integral part of the Group's efforts.

SODEXO'S THREE COMMITMENTS:

"We will develop and promote health and wellness solutions, through the engagement of our clients, consumers and employees in all the countries where we operate by 2015."

"We will offer and promote varied and balanced food options at all of our clients' sites by 2012."

"We will promote choices with reduced amounts of sugar, salt and fats at all of our clients' sites by 2015."

During Fiscal 2010, Sodexo took an inventory of nutrition, health and wellness programs and of existing offers and benchmarks in countries where it operates. Sodexo also began studying and modifying menus, to ensure that it offers varied and balanced menus and to enable its clients and consumers to cut the risk of obesity and malnutrition. Right across the supply chain, from supplier to final consumer, Sodexo strives to reduce salt content and identify points of control where it can measure the salt content of food. Reducing salt content was a priority goal in 2010, which includes seeking out additives containing hidden salt, such as flavor enhancers, among products sourced from its main suppliers. Recommendations and processes for reducing salt content are now being formulated.

Examples of best practices:

- a "Wellness" program in China: Sodexo now runs a wellness program at the Nokia headquarters in China aimed at improving the Quality of Life for employees both in the work place and outside. The "Gym" is a fully-equipped fitness center offering a program of group workouts, individual training, and balanced meals, while the "Hub" combines beauty parlor, massage and relaxation services. Quality of Life coaches have provided more than 1,500 free health assessments. During Fiscal 2010, 74% of Nokia's 2,400 employees enrolled in the "Gym," in group classes and other wellness programs;
- Natural! – Worldwide: NATURAL! is a nutrition concept devised in Spain and now implemented in France, Italy, Finland, Singapore, China, the United States, Russia, and the Netherlands. The concept stresses the benefits of fruit for the metabolism. Natural! proposes a six-category classification: Protective, Energizing, Rejuvenating, Slimming, Anti Stress, and Detoxifying, all consisting of 100% natural produce, free of concentrates or added sugar. Natural! respects the environment and uses biodegradable packaging;
- "Healthy Food Choices" accreditation in the Netherlands: in 2007, Sodexo was the first foodservices provider in the Netherlands to win "Healthy Food Choices Program" certification, sponsored by several manufacturers and supermarket chains aimed at steering consumers toward healthier eating choices. The "Choices" logo is now featured on nearly 3,000 food products, informing consumers and encouraging them to eat more healthily. Sodexo has modified or developed offers with this in mind, reducing the salt, saturated fats and added sugar content in the meals it serves. 1,875 Sodexo employees in 625 restaurants have been trained since 2007 to spread the information about this program.

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5.2 Committing to Local Communities

Fighting hunger is an integral part of Sodexo's experience in the field of nutrition and food safety, and of its mission and values. Sodexo contributes to the economic and social development of local communities wherever it operates, and it actively supports fair trade, encouraging local producers and playing its part in building thriving communities.

SODEXO'S THREE COMMITMENTS:

"We will fight hunger and malnutrition through our STOP Hunger initiative in all the countries where we operate by 2020."
"We will support local community development in all the countries where we operate by 2015."
"We will increase the purchase of products sourced from fair trade certified sources by 2015."

The STOP Hunger initiative encourages Sodexo employees worldwide to combat hunger and malnutrition in their local communities. Specific campaigns such as the Sodexo Servathon, in April of each year, enable growing numbers of employees to become involved in this effort. In 2010, 28 countries where Sodexo operates and more than 39,000 employees took part in the Servathon, distributing 175 metric tons of food to the needy.

Also in 2010, Sodexo worked on the design of a global Local Communities Development program, drawing on the experience of certain countries in this area, including Canada, Australia, Peru, Madagascar and Tanzania. A partnership agreement was signed with the CARE NGO to launch a working group in order to develop a methodology for action with the private sector. Partnerships have been set up with United Coffee and NUMI, two major producers of sustainable and fair trade products. These partnerships are helping to strengthen the "Aspretto" hot beverages offer now deployed worldwide.

Examples of best practices:

- a partnership with *"les Restos du Cœur"* in France: Sodexo has been working since 2004 with this French NGO that provides free meals for the needy, *via* three forms of action:
  - food aid and fighting malnutrition: Sodexo has gifted 90,000 meals each year since 2007, for a total value of 2.24 million euro,
  - skills sharing: Sodexo has trained more than 2,000 volunteers,
  - jobs: Sodexo has offered jobs to 74 people.

  In addition, each winter since 2005 the *"Chèque du cœur"* ("Check from the heart") campaign encourages people to give away their meal vouchers. In Fiscal 2010, 160,000 euro were collected for the needy in this way;
- partnering native communities in Canada:

  Sodexo Canada has been working with native communities in Canada for more than 20 years. More than 30 active partnerships have been established, giving rise to initial and further training programs. The average percentage of native Americans at remote Sodexo sites is 63%, rising to 95% in some cases;
- the *Aspretto* offer – Worldwide: the five fundamentals of Sodexo's Aspretto offer are: diversity, fair trade, health and wellness, protecting the environment, and acting in a socially responsible manner. All products used are ethical and locally sourced, certified by the Rainforest Alliance, Fairtrade Foundation and Soil Association. Sodexo also assists local communities by paying part of the proceeds from sales of its *Aspretto* hot beverages into its STOP Hunger initiative.

5.3 Preserving the environment

Respecting the environment implies creating the requisite framework to promote Quality of Life in the communities where we live, while responding to the needs of our stakeholders, who aspire to preserve a sustainable planet. Sodexo is well aware that its activities at 34,000 sites in 80 countries have an impact on the environment. Sodexo's priority is to purchase more sustainable and ethical products, reduce its carbon footprint, curb its water consumption, and responsibly manage the waste produced by its activities.

SODEXO'S EIGHT COMMITMENTS:

RESPONSIBLE PURCHASING	"We will ensure compliance with a Global Sustainable Supply Chain Code of Conduct in all the countries where we operate by 2015."
	"We will source local, seasonal or sustainably grown or raised products in all the countries where we operate by 2015."
	"We will source sustainable fish and seafood in all the countries where we operate by 2015."
	"We will source and promote sustainable equipment and supplies in all the countries where we operate by 2020."
ENERGY AND EMISSIONS	"We will reduce our carbon footprint in all the countries where we operate and at all our clients' sites by 2020."
WATER AND EFFLUENT	"We will reduce our water consumption in all the countries where we operate and at all our clients' sites by 2020."
MATERIALS AND WASTE	"We will reduce organic waste in all the countries where we operate and at all our clients' sites by 2015. We will support initiatives to recover organic waste."
	"We will reduce non organic waste in all the countries where we operate and at all our clients' sites by 2015. We will support initiatives to recover non organic waste."

In March 2010, Sodexo signed a global agreement with the World Wildlife Fund (WWF) aimed at jointly addressing environmental and supply chain-related issues. Priorities will include sea products, agricultural resources, water and energy, and promoting best practices in the field of socially responsible purchasing. The duration of the arrangement is estimated at three years.

Alongside this major agreement, specific actions connected with Sodexo's environmental commitments include:

- Sodexo has carried out an assessment of its norms and codes of conduct, and will seek to expand on these with a view to persuading all local suppliers to sign and abide by the Group's Supply Chain Code of Conduct;
- the Group has prioritized single-use paper products, cleaning products and office paper in the framework of its efforts to promote sustainable equipment and supplies;
- Sodexo has designed a water management strategy to optimize opportunities while reducing risks within the framework of the Plan. The strategy comprises a simulation of total water consumption, based on standard data and methods of calculation in use at other multinational companies with complex supply chains.

Examples of best practices:

- suppliers: in the United Kingdom and Ireland, Sodexo's main suppliers receive an annual questionnaire on sustainable development, devised in 2010 in conjunction with Business in the Community (BITC). The questionnaire is based on the commitments set forth in the Better Tomorrow Plan and covers areas such as diversity and inclusiveness, the environment, health and nutrition. In addition, the main food suppliers now receive a questionnaire on additives and ingredients, to identify those needing to be either eliminated or reformulated because they contain undesirable ingredients such as hydrogenated vegetable oil;
- local sourcing: in France, since June 2010, Sodexo has included seasonal produce grown within a radius of 200 km around Paris on menus at all of its clients' sites in the Paris region. Starting with locally grown salads and radishes, the offer changes with the seasons and has been extended to include strawberries, cherries, cucumbers, zucchini, onions, apples and pears;
- MSC (Marine Stewardship Council) – Worldwide: in the United Kingdom and Ireland, 17% of sea products purchased are MSC certified. Sodexo also leads the way in the number of MSC certified

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sites, with 370 sites certified in Fiscal 2010. In the Netherlands, Sodexo was the first food services provider to obtain the MSC eco-label and certification in April 2009. In Belgium, 15%, in Canada, 19%, in Sweden, 24% and in the U.S., 11% of sea products purchased are sourced from responsible and certified sources. Sodexo also takes steps to ensure that suppliers respect fishing quotas and that their fishing techniques respect animal welfare;

- environmentally friendly cleaning products in the Netherlands: Sodexo uses ecologically responsible chlorine- and phosphate-free products. Working with selected suppliers, Sodexo has introduced a controlled dosing system at all of its food services sites, resulting in a nationwide reduction of 10% in cleaning product volumes utilized. At the same time, Sodexo has cut its packaging used by 50%, along with the corresponding storage space and transportation distances, by eliminating water, through greater concentrations of chemicals used, and involving its clients, personnel, producers and distributors;
- "Carbon Trust Standard" in the United Kingdom: in 2010, Sodexo's subsidiary Tillery Valley, which produces prepared foods, adopted the Carbon Trust Standard, with measures aimed at measuring, monitoring and reducing its carbon emissions over three years, and committing to pursue those reductions. The subsidiary has cut CO_2 emissions by 19% per metric ton of product manufactured. Tillery Valley is also working to improve the environmental impact of its distribution and commercial vehicle fleet, replacing old equipment with energy-saving equipment, installing HFC- and HCFC-free refrigerators with systems that do not impact the ozone layer or climate warming, running on low-carbon energy sources;
- building environmental awareness on the occasion of World Water Day in India: on March 22, 2010, Sodexo organized a World Water Day to heighten employee awareness, and unveiled strategies to reduce its water consumption by 10%. A "Clean Water, Healthy Living" campaign was launched in tandem with Unilever, advancing economical solutions for obtaining clean water, and employees were offered demonstration equipment. A nationwide campaign was timed to coincide with World Environment Day, on June 5, modeled on World Water Day;
- converting used cooking oil into biofuel – Worldwide: Sodexo is pursuing programs to optimize the collection and recovery of used cooking oil from all of its kitchens. Biofuel produced from used cooking oil emits 78% less CO_2 than diesel oil;
- "Resource Recovery Program" in Australia: The aim of the Resource Recovery Program, since 2007, is to identify and recycle the greatest possible number of sources of waste. This is currently operational at 22 sites in Australia. 750 metric tons of material have been recycled since 2007, thus reducing the volume of landfill required by 1,783 m^3. Western Australia's Department of Mines and Petroleum awarded Sodexo its "Golden Gecko" prize for Environmental Excellence in September 2009.

6. WE ENGAGE

A key to guaranteeing respect for the Group's commitments to Quality of Life is to involve stakeholders – employees, clients, consumers, suppliers and institutions – and dialoging with them is key to influencing their practices at sites where the Group is present and elsewhere.

6.1 Employees

The success of the Better Tomorrow Plan depends on the Group's ability to involve its employees and engage in dialogue with them, since they are its best ambassadors vis-a-vis outside stakeholders.

A series of tools has been developed to help them better understand and buy into the Better Tomorrow Plan. These include:

- an e-learning module: Sodexo launched a 16-minute e-learning module, available in seven languages, for the use of all line and staff managers up to site manager level;
- posters for the *“Aujourd’hui, je vais…”* (Today, I’m going to….) campaign. The simplest ideas can be implemented at sites to make everyday practices more responsible. In 2010, for instance, Sodexo ran a poster campaign with as its key message: *“Aujourd’hui, je vais…”* (Today, I’m going to…). Available in three languages, the poster campaign seeks to involve employees and hand them the power to change their practices.

Examples of best practices:

- “Sustainability Education and Expert Development” (SEED) in North America: in 2008, Sodexo launched SEED, aimed at developing knowledge and the capacity to deploy that knowledge through the organization. This community of 175 experts identifies and shares best practices within divisions and supports clients’ requests for sustainable development evaluation and expert appraisals. During Fiscal 2010, the SEED community took part in three regional seminars and more than 20 online seminars, responded to more than 30 client requests concerning sustainable development, and chalked up more than 1,900 training hours.

6.2 Clients

To support its clients in their sustainable development strategies and convince them to take action at their own sites, priority is given to targeted action, sharing best practices, and promoting the *Better Tomorrow Plan’s* offers to clients.

During Fiscal 2010 Sodexo’s Chief Executive Officer Michel Landel informed the chief executives of the Group’s international clients of the launch of the *Better Tomorrow Plan*, and of joint global actions to be deployed at their sites within the framework of the plan.

Example of best practices:

- waste reduction plan in Sweden: the City of Åtvidaberg, a Sodexo client in the Education and Seniors segments, has embarked on a vast project that has already cut waste by 50%. Sodexo site managers gave talks to the 60 classes in the town’s schools, giving children a better awareness of sustainable development and the need to cut waste. At Alléskolan, nearly 600 pupils and teachers have cut their food waste from 175 kg per week to 50 kg, a 75% reduction between 2008 and 2010.

6.3 Consumers

Consumers are increasingly interested in issues relating to sustainable development. Sodexo is seeking to build their awareness of these questions to actively engage them and modify their behavior to improve their health.

In a progressive, three-step approach, the Group hopes that, by informing consumers and proposing practical things they can do, they will alter their behavior.

In 2010, for example, Sodexo urged its consumers to take part in educational programs or design their own programs by:

- providing them with information;
- organizing and overseeing training activities;
- introducing educational modules into both existing and newly-designed offers.

Examples of best practices:

- transforming behavior in Brazil: The “Consumo Consciente, Atitude que Transforma” campaign is consolidating Sodexo’s commitment to the environment. Leveraging the different interactions between consumers, all kinds of media are being deployed to train and inform them about what they can do to ensure the planet’s future by reducing, reusing and recycling. The main focus is on smart consumption of food products, but other important themes include water, paper, plastics and recycling. The initiative reached 250 client sites in Fiscal 2010.

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6.4 Suppliers

Sodexo works closely with its suppliers right across its supply chain, forging business relationships with those that share its values, and making every effort to apply those values in practice in its purchasing transactions. This commitment allows us to advance the best ideas, for the benefit of the Group's activities. During Fiscal 2010, Michel Landel also informed the chief executives of Sodexo's main suppliers of the launch of the *Better Tomorrow Plan*, and joint actions at the global level were developed.

Example of best practices:

- Kraft Foods and Ecolab win the *Better Tomorrow* Suppliers Prize awarded by the Purchasing Department – United States: Sodexo awarded its *Better Tomorrow* Suppliers Prize to its suppliers Kraft Foods and Ecolab.

  Kraft Foods was distinguished for the improved nutritional quality of its products, having reformulated 25% of its offer in the past five years, and for its Rainforest Alliance-certified purchases of coffee and cocoa beans, making it the world's no. 1 buyer;

  Ecolab was recognized for its efforts to cut its water and energy consumption, and for the key role it plays, in partnership with Sodexo, in introducing standard procedures for obtaining LEED certification in our service solutions in the Health Care segment.

6.5 Institutions

Sodexo encourages transparent and international dialogue with outside stakeholders aimed at promoting a healthier lifestyle:

- worldwide, Sodexo is working with the World Health Organization's (WHO) global strategy for Nutrition, Physical Activity and the Prevention of Obesity, as well as with Internaitonal Labor Organization (ILO) working groups;
- at the European level, Sodexo is involved in programs being run by the European Federation of Contract Catering Organizations (FERCO) to promote nutrition, physical activity and health;
- Sodexo is a partner in the BKK network and the *European Network for Workplace Health Promotion* (ENWHP);
- in France, Sodexo represents its trade body (the SNRC), sits on the technical committee of the French National Program for Nutrition and Health (PNNS), and is a member of the National Food Council (CNA). In 2010, Sodexo helped draft the DANNE report on obesity and nutrition.

Example of best practice:

- partnership with Second Nature – North America: Sodexo has initiated a partnership with Second Nature, an NGO, aimed at advancing society's awareness of sustainable development issues. Second Nature has introduced school and college programs to heighten student awareness of this major theme. The NGO will train Sodexo managers and help the Group to develop "best in class" offers for the higher education market.

7. ENVIRONMENTAL INFORMATION ON THE ISSUER

As part of its commitment to sustainable development, Sodexo strives to minimize the direct impact of its service activities on the environment. Working at the computer, using the printer, taking a coffee break, heating the office, turning on the light, travelling: all these activities affect the environment. An internal group known as the Environmental Life Committee now exists at headquarters, with representatives from various interacting corporate functions, to assess and limit the environmental effect of administrative tasks carried out by Sodexo's employees.

Selective sorting and collection of office waste, with pre-sorting by each office worker, is now standard practice:

- staff members are issued a PEFC wood tray to recycle paper;
- all-in-one printer/photocopier/fax machines on each floor in the building have replaced individual printers. These machines are configured in eco-mode (i.e. black & white, 2-sided printing, 100% recycled paper);
- PEFC wood totems have been installed close to these printing stations to collect magazines and recyclable paper;
- boxes have been installed in staff break areas to collect plastic bottle tops and batteries;
- compostable biodegradable cups have replaced plastic cups;
- Ink cartridges are also being collected to be sent to the manufacturer for recycling.

Consumption of electricity and water

ELECTRICITY

Fiscal 2010	2,130,199 kWh
Fiscal 2009	2,334,494 kWh
Fiscal 2008	2,315,301 kWh

Consumption of electricity per square meter was cut by 9% in Fiscal 2010 relative to the prior year, and several measures have been introduced to optimize our energy consumption, including:

- use of the Ergelis smart heating and air conditioning control system, with 3-day scenarios based on weather forecasts;
- centralized lighting control with different scenarios for different parts of the building (switching off lights at night, dimmed lighting in car parks during office hours and in offices in fine weather, etc.);
- fitting presence detectors in meeting rooms, in addition to those already fitted in restrooms, to curb electricity consumption;
- training employees to use the building's videoconferencing facilities;
- building employee awareness through a poster campaign to foster environmentally responsible attitudes.

Other measures to cut energy consumption introduced since 2008 include:

- optimized lighting depending on needs;
- fitting low-energy lamps and bulbs, serviced annually;
- using light-hued walls for optimum natural lighting;
- using energy class A electric office appliances;
- using all-in-one printer/photocopier/fax machines, configured in eco-mode (i.e. black and white, 2-sided printing, etc.);
- equipment maintained by Sodexo Altys, ISO 14001 certified;
- training personnel in environmentally-responsible energy efficient methods;
- separating heated from non-heated areas;
- using low-emissivity glass windows to reduce energy consumption;

- positioning desks to optimize natural lighting;
- setting air conditioning at a maximum of 3°C below the outside temperature with targets of 21°C in winter and 24°C in summer;
- placing desks at a distance from glass surfaces and external walls to improve thermal comfort;
- regularly servicing all equipment and appliances (changing filters, cleaning, etc.).

WATER

Fiscal 2010	2,366 m^3
Fiscal 2009	2,322 m^3
Fiscal 2008	2,804 m^3

Water consumption in cubic meters increased by 2% during Fiscal 2010 compared to the prior fiscal year as a result of the campaign to increase hand-washing in the context of the H1N1 flu epidemic.

Otherwise, initiatives during the year included:

- limiting running time on automatic faucets to 10 seconds;
- training cleaning personnel in environmentally responsible methods for using less water.

Other measures to improve water consumption introduced since Fiscal 2008 include:

- optimizing water temperature;
- optimizing water heater settings to shut down one hour before office close;
- adjusting quantities of water heated to average usage;
- cutting off water to avoid unnecessary heating;
- fitting water meters capable of detecting unusual changes in the level of water consumption;
- regular maintenance to extend the life of water supply equipment;
- preventing water leakage;
- connecting water distributors to the drinking water network;
- fitting toilets with eco-flush systems.

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Consolidated information

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→ Fiscal 2010 Activity Report

At the Board of Directors meeting held on November 8, 2010 and chaired by Pierre Bellon, Sodexo CEO Michel Landel presented the Group's performance for the year ended August 31, 2010.

1. HIGHLIGHTS

Since its origins, organic growth has been the key factor driving Sodexo's expansion, based on the vast potential of the global outsourcing market.

Sodexo is a strategic partner for its clients, providing comprehensive Quality of Daily Life services. It designs, manages and delivers these solutions to enable clients to improve their performance by motivating their employees, improving their organizational efficiency, and optimizing their infrastructure.

In Fiscal 2010, the Group continued its transformation initiated last year, following a redefinition of its strategic positioning with the dual objective of differentiation and positioning itself to seize new opportunities for growth in the coming years.

This evolution led Sodexo to rebrand its service offering in September 2009:

- Food and Facilities Management Services became On-site Service Solutions;
- Service Vouchers and Cards became Motivation Solutions.

Sodexo devoted a substantial share of its investments in Fiscal 2010 towards achieving this transformation and executing its long-term strategy. At the same time, it continued to grow by rolling out innovative comprehensive service solutions. Sodexo's financial performance, meanwhile, was satisfactory and indeed above the financial objectives set at the start of the fiscal year.

1.1 Revenue growth

Sodexo's consolidated revenue grew by +3.9% to 15.3 billion euro in Fiscal 2010. Organic growth was 2.5%, exceeding the target announced at the beginning of the year. Organic growth resumed over the course of the year, fueled in particular by the success of the Group's comprehensive service offerings.

The On-site Service Solutions activity registered organic growth of +2.3%, driven by strong growth in sales of service solutions in Justice, especially in France, in Defense and in Latin America.

The bulk of the 7.3% organic growth in Motivation Solutions stemmed from the excellent performance of Sodexo's Latin American teams, with issue volume rising to 12.5 billion euro, compared with 12.1 billion euro in the prior year.

1.2 Operating profit

Operating profit was 771 million euro in Fiscal 2010, up +9.5% at constant exchange rates, representing an operating margin improvement of 0.3%.

This good performance was attributable to improved profitability in On-site Service Solutions in Europe, the United Kingdom and Ireland, as well as in the Rest of the World. Replacement of the former *Taxe Professionnelle* by a *Contribution Économique Territoriale* (CET) in France also contributed

22 million euro to the positive trend in operating profit [1].

Motivation Solutions also contributed to the growth in Group operating profit at constant exchange rates. However, it was heavily impacted by currency variations following the devaluation of the Venezuelan Bolivar Fuerte in January 2010.

At current exchange rates, consolidated operating profit increased by +3.4% and Sodexo's consolidated operating margin was 5.1%, unchanged from that for Fiscal 2009.

1.3 Cash generation

Net cash flows from operating activities exceeded 1 billion euro. This strong cash generation reconfirmed the quality of the Group's financial model, a key strength in the present economic climate. Net debt (borrowings less total cash) is no more than 24% of Group shareholders' equity as compared to 38% as of August 31, 2009, and the Group's debt repayment capacity (the ratio of gross financial borrowings to cash provided by operating activities) is 3.6 years, compared with 4 years as of August 31, 2009.

1.4 Continuing to grow through innovative comprehensive offerings

In Belgium, Sodexo Motivation Solutions broke new ground with the launch of the **Eco Pass** for the Belgian Government, as part of its endeavors to promote the consumption of ecologically responsible products and services. Several companies have joined this program already, enhancing their employees' purchasing power by offering them Eco Passes, which are exonerated from social security and related charges.

Sodexo's contract signed with the **Justice Ministry** to manage 22 correctional facilities for periods of six to eight years was the largest contract ever awarded in France of this kind. In addition to maintenance services, foodservices for inmates and staff, laundry, and transportation of inmates, the client will also benefit from Sodexo-designed reinsertion programs.

Sodexo signed a contract with **GlaxoSmithKline (GSK),** one of the world's foremost pharmaceutical companies, to provide integrated On-site Service Solutions. Sodexo will assist GSK in enhancing operating efficiency at upward of 50 sites in Europe, North America, Latin America and Asia-Pacific, and will oversee the rollout of a vast array of services including laboratory services and logistics. Deployment of this contract began in mid-July 2010.

Rugby World Cup Limited (RWC) again awarded the joint venture between Sodexo and Mike Burton Group the exclusive contract to design, implement and market the official travel and hospitality programs for the Rugby World Cup in England in 2015 and in Japan in 2019. Sodexo will also partner with RWC in New Zealand in 2011.

The London Organising Committee of the **Olympic Games and the Paralympic Games (LOCOG)** has signed an exclusive Hospitality Services Agreement with Prestige Ticketing Limited, a company owned by Sodexo in partnership with Mike Burton Group. Prestige Ticketing Limited will design, implement and market the official Prestige Ticketing hospitality packages for the London 2012 Games.

Finally, Sodexo signed and started work on a contract with **KPN,** the no. 1 telecommunications carrier in the Netherlands, to provide a comprehensive services solution. A team of 100 Sodexo staff is now meeting the client's needs, providing around 20 different services in 50 buildings occupying more than 350,000 square meters in the country.

1.5 Create a competitive advantage through our people

Convinced that employee engagement is key to client and consumer satisfaction, and therefore a genuine competitive advantage, the Group implemented several major initiatives in Fiscal 2010 in pursuit of its two overriding goals: maintain a high quality, diverse and appropriately sized workforce to meet

(1) *The French* Taxe Professionnelle *was recognized as an expense in operating profit in Fiscal 2009, whereas the CVAE portion of the CET is accounted for as a tax expense. The impact on net profit attributable to the equity holders of the parent is not material.*

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the expectations of all our clients and be among the global companies most appreciated by its employees.

More than 300,000 employees were given the opportunity to develop their skills and broaden their career horizons. For instance, Sodexo opened a *Facilities Management Academy* in Italy and in Canada, in a venture with the International Facility Management Association (IFMA).

Efforts continued to heighten awareness of diversity. In Europe, 4,000 managers were given the opportunity to attend the "Spirit of Inclusion" training program, bringing to 30,000 the total number of Group employees that have already participated in this program. In another major initiative, the SWIFt (Sodexo Women's International Forum for talent) working group was founded with the objective of making concrete proposals to increase the representation of women in management, particularly in the Group's senior management.

Additionally, the third global employee engagement survey was conducted in 60 countries (covering more than 98% of the total Group workforce). The total engagement rate was 55% [1], a 7-point improvement on the 2008 survey findings with 85% of employees rating Sodexo as a better employer than its competitors.

Finally, as part of its ongoing drive to remain an industry leader in international labor practices, Sodexo Group management commissioned in Fiscal 2010 an independent review of the application of certain principles and conventions established by the International Labor Organisation (ILO) in the nine most significant countries within the Group.

The results of this external review did not reveal any case of significant weakness, but recommended improvements to better formalize Sodexo's practices in the different countries. The Executive Committee has also now inserted a chapter on "Human rights in the work place" into the Group's ongoing internal audit procedures, whose findings will be regularly presented to the Board of Directors.

1.6 Awards and distinctions

For the third year in a row, Sodexo was honored for its commitment to sustainable development, earning two major distinctions from Sustainable Asset Management (SAM), "SAM Sector Leader 2010" and "SAM Gold Class 2010", in the 2010 edition of its Sustainability Yearbook.

Sodexo also joined the prestigious list of "World's Most Admired Companies 2010" published by *FORTUNE* Magazine.

In addition, Sodexo was singled out for the second consecutive year by the Ethisphere Institute in the United States as one of the "World's Most Ethical Companies" for its high ethical standards and socially responsible practices.

Finally, Sodexo was ranked third in the world among outsourcing service providers by the International Association of Outsourcing Professionals (IAOP). This was the fifth consecutive year in which Sodexo featured among the top five firms in the "Global Outsourcing 100" and for the third year in a row it ranked no. 1 in the "Facility Management" category. Sodexo also was the top-ranked French company in the global ranking.

(1) *Percentage of employees responding to the 6 questions concerning their engagement with an average equal to or greater than 4.5, on a rising scale of 1 to 6.*

2. FISCAL 2010 FIGURES

Sodexo's 33,543 sites comprise:

- 17,219 Corporate sites (including sites within the Sports and Leisure segment);
- 6,176 Schools, Colleges and Universities;
- 4,292 Health Care sites;
- 2,917 Seniors sites;
- 1,652 Remote Sites;
- 1,168 Defense sites;
- 119 Justice sites (correctional facilities).

Sodexo has operations in 80 countries and employed nearly 380,000 people as of the end of Fiscal 2010.

2.1 Consolidated income statement

(in millions of euro)	Fiscal 2010	Fiscal 2009	Change at current exchange rates	Change at constant exchange rates
Revenues	**15,256**	**14,681**	**3.9%**	**3.7%**
Cost of sales	(12,853)	(12,366)		
Gross profit	**2,403**	**2,315**	**3.8%**	**6.0%**
Sales department costs	(226)	(221)		
General and administrative costs	(1,377)	(1,322)		
Other operating income	12	5		
Other operating expense	(41)	(31)		
Operating profit	**771**	**746**	**3.4%**	**9.5%**
Interest income	62	74		
Financing costs	(212)	(194)		
Share of profit of companies consolidated by the equity method	14	12		
Profit for the period before tax	**635**	**638**	**(0.5%)**	**4.7%**
Income tax expense	(205)	(216)		
Profit for the period	**430**	**422**	**1.9%**	**6.4%**
Profit attributable to minority interests	21	29		
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**409**	**393**	**4.1%**	**5.9%**
Earnings per share *(in euro)*	**2.64**	**2.54**		
Dividend per share *(in euro)* [1]	**1.35**	**1.27**		

(1) Proposed to the January 24, 2011 Annual Shareholders Meeting.

2.1.1 Changes in scope of consolidation

The principal recent changes in the scope of consolidation relate to acquisitions made in the prior fiscal year and consolidated in the Group's financial statements as follows:

- Score in France, since September 30, 2008;
- Zehnacker in Germany since December 12, 2008;
- Sodexo India (formerly RKHS) in India since April 1, 2009;
- Comfort Keepers in the United States, since August 19, 2009.

2.1.2 Currency effects

Currency exchange rate effects are computed by applying the average rate for the prior year to current year amounts.

Impact of exchange rates in millions of euro on:	Revenues	Operating profit	Net income
Euro/US dollar	-47	-2	-0.9
Euro/UK pound sterling	-12	-0.5	-0.5
Euro/Venezuelan Bolivar Fuerte	-158	-66	-20
Euro/Brazilian Real	+87	+17	+7

The main variation relates to the January 2010 devaluation of the Bolivar Fuerte (Venezuela). Further, the 17% rise in the Brazilian Real against the euro in one year has more than offset the negative effect of movements in the euro/U.S. Dollar and Euro/Pound sterling exchange rates.

Overall, in Fiscal 2010, operations outside the euro zone represented 67.9% of revenues (including 37% in US dollars), and 84.8% of operating profit (including 37% in US dollars and 15% in Brazilian Real).

2.1.3 Revenues

Sodexo's consolidated revenues increased by 575 million euro as compared to the prior year, to 15,256 million euro.

The 3.9% increase in revenues comprises the following:

- organic growth: +2.5%;
- acquisitions and changes in scope of consolidation: +1.2%;
- currency impact: +0.2%.

Sodexo's key performance indicators reflect:

- an improvement in the client retention rate which increased to 94.2% from 93.5% in Fiscal 2009, notably as a result of a strong performance in North America;
- modest comparable unit growth of 2% across the Group, but close to zero in Europe and the United Kingdom;
- a business development rate (i.e. new contract wins) of 8%, compared to 6% in Fiscal 2009.

Sodexo reported organic growth in On-site Service Solutions, including:

- moderate growth of +1.9% in North America, driven mainly by Education, and Health Care and Seniors, offsetting the decrease in Corporate;
- an improvement to +1.7% in Continental Europe, resulting from strong business development in certain countries such as France and the Netherlands;
- a decline in activity (-1.7%) in the United Kingdom and Ireland, in particular in Corporate and Sports and Leisure;
- solid growth of +7.5% in the Rest of the World despite the conclusion of some major Remote Sites contracts; the increase resulted in particular from good growth in Latin America, and more generally from Sodexo's strong performance in Asia.

Finally, the Motivation Solutions activity achieved +7.3% organic growth, with solid improvement in Latin America and a decline in Central Europe.

2.1.4 Growth in operating profit

Operating profit rose by +3.4% over the prior year to 771 million euro, and by +9.5% at constant exchange rates.

This growth in operating profit resulted primarily from improved profitability in On-site Service Solutions as follows:

- in Continental Europe, reflecting in particular the successful integration of Zehnacker, leader in Health Care in Germany and a specialist in comprehensive service solutions, and improved performance in Sweden;
- in the United Kingdom and Ireland; and
- in the Rest of the World (Latin America, Asia and Remote Sites).

The increase also reflects growth in Motivation Solutions.

Operating profit was down slightly in North America as a result of reduced activity in Concierge Services in the present economic environment, and a settlement payment of 15 million euro.

The newly introduced *Contribution Économique Territoriale* (CET), replacing the *Taxe Professionnelle* or professional tax in France, also contributed 22 million euro to the positive trend in consolidated operating profit.

Exchange rate movements as compared to the previous fiscal year reduced operating profit by 47 million euro due to currency translation impacts, the most of significant of which resulted from the devaluation of the Venezuelan Bolivar Fuerte in January 2010.

The consolidated operating margin was 5.1%, comparable to the prior year. Excluding currency translation effects, the operating margin would have increased by 0.3 percentage points to 5.4%.

2.2 Trends in revenues and operating profit by activity

Revenues by activity *(in millions of euro)*	**Fiscal 2010**	**Fiscal 2009**	**Change at current exchange rates**	**Change at constant exchange rates**
On-site Service Solutions				
North America	5,850	5,730	2.1%	2.3%
Continental Europe	5,289	5,074	4.3%	3.7%
United Kingdom and Ireland	1,252	1,285	(2.6%)	(1.7%)
Rest of the World	2,194	1,900	15.4%	10.2%
TOTAL	**14,585**	**13,989**	**4.3%**	**3.5%**
Motivation Solutions	**689**	**711**	**(3.1%)**	**7.3%**
Elimination of intra-group revenues	**(18)**	**(19)**		
TOTAL	**15,256**	**14,681**	**3.9%**	**3.7%**

Operating profit by activity *(in millions of euro)*	**Fiscal 2010**	**Fiscal 2009**	**Change at current exchange rates**	**Change at constant exchange rates**
On-site Service Solutions				
North America	281	297	(5.4%)	(5.1%)
Continental Europe	233	183	27.3%	26.8%
United Kingdom and Ireland	57	52	9.6%	9.6%
Rest of the World	70	57	22.8%	15.8%
TOTAL	**641**	**589**	**8.8%**	**8.1%**
Motivation Solutions	**215**	**247**	**(13%)**	**7.3%**
Corporate expenses	**(67)**	**(71)**		
Eliminations	**(18)**	**(19)**		
TOTAL	**771**	**746**	**3.4%**	**9.5%**

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2.2.1 On-site Service Solutions

This activity contributed 95.5% of consolidated revenues and 75% of consolidated operating profit before corporate expenses.

On-site Service Solutions revenues totaled 14.6 billion euro, an increase of 3.5% at constant exchange rates. Organic growth was +2.3%. After a decline in the first quarter, organic growth resumed over the rest of the year.

Fiscal 2010 highlights included:

- +2% organic growth in **Corporate,** in particular as a result of satisfactory growth in Justice and Defense;
- +2.6% growth in **Health Care and Seniors**, lower than in the recent past, often due to delayed decision-making by prospective clients;
- a +2.3% increase in **Education** resulting from rising university enrollments, although this was offset by lower spending by students and their families in the present economic environment.

Operating profit in the On-site Service Solutions activity rose by 52 million euro to 641 million euro, for a 4.4% operating margin, up +0.2% relative to Fiscal 2009.

Analysis by geographic region

North America

Revenues in North America were 5.9 billion euro, with organic growth of +1.9%.

With a decrease of -1.6%, **Corporate** declined relative to the prior year in the absence of a rebound in hiring by large companies as well as significant reductions in their discretionary spending.

However, the ramping up of comprehensive service solutions with large corporate clients such as Procter & Gamble, GlaxoSmithKline and Campbell Soup lifted Sodexo's activity levels in the second half of the fiscal year. Recent new contract wins included Abbott Pharmaceuticals (Puerto Rico), Henkel of America, Toyota (Georgetown, Kentucky), Google Inc., British Aerospace, Bayer (Ontario, Canada) and Hydro Québec (Quebec, Canada).

Selected by the Vancouver Olympic Games Organizing Committee (VANOC), Sodexo provided foodservices and cleaning services for the two athletes' villages at Whistler and Vancouver (British Columbia). A thousand Sodexo employees contributed to the provision of Quality of Life services on a daily basis for athletes, officials and other staff working at these Winter Olympics and Paralympics, held in February and March 2010.

Organic growth in the **Health Care and Seniors** client segments was +2.9%. The client retention rate remained high and well above the Group's 95% target. Organic growth slowed relative to the recent past, reflecting primarily:

- near zero inflation;
- slower business development resulting from the increasing complexity of comprehensive service solutions offers and lengthier decision-making by clients and prospects in the current economic climate.

The integration of Comfort Keepers (a specialist in non-medical home care for seniors) has broadened Sodexo's comprehensive offering for seniors and contributed to growth with the opening of new franchises.

New contract wins in Fiscal 2010 include Abbott Northwestern Hospital (Minneapolis, Minnesota), Jefferson Regional Medical Center, Cheyenne Regional Medical Center, Bridgewater Retirement Community (Bridgewater, Virginia) and Trident Regional Medical Center (Charleston, South Carolina), San Francisco General Hospital Medical Center, and the Kisco Senior Living chain of senior living communities.

In **Education,** organic growth was +2.9%, reflecting:

- increased student enrollment at universities and higher student participation in university and school meal programs;
- stringent control of expenses by students and their families.

Significant contracts won during the year include University of Washington (Seattle, Washington), University of Michigan at Ann Arbor, Kansas State University Manhattan, Monroe Community College (Rochester, NY), Fort Wayne Community School District, Thomas County School District (Thomasville, Georgia) and Spartanburg School District (South Carolina).

Sodexo teams in North America received numerous awards in Fiscal 2010.

The authoritative American publication DiversityInc., ranked Sodexo number one among the 50 Best Companies for Diversity. This top ranking recognized Sodexo's capacity to turn Diversity and Inclusion into a growth driver. Sodexo also won distinctions in special category rankings, achieving first place for the presence of women in senior management, and for the recruitment and retention of employees from minority backgrounds.

Sodexo won the **"Virtual Event Excellence"** award in 2009 for its first on-line training session. This program enabled 4,500 (or 95%) of the company's Education executives in the United States to exchange best practices, acquire new skills, and discover new trends in the education market.

At the National Restaurant Show in Chicago in May 2010, Mess 590 at the Parris Island (South Carolina) training camp for recruits was the first mess to receive the **"United States Marine Corps Hill Award"** for the quality of its foodservices.

Workforce Management magazine also honored Sodexo with its Optimas Award 2009 in recognition of its innovative strategy for recruitment and retention across all generations.

Sodexo also experienced increased activism at several client sites by an American labor union representing fewer than 5% of Sodexo's employees in the United States. This situation had no significant impact on performance.

Operating profit was 281 million euro, down -5.1% compared to the prior year, excluding currency effects, and reflecting the effects of the following factors:

- a 15 million euro payment following an investigation by the New York Attorney General regarding the application by foodservices providers of the *National School Lunch Program* in schools;
- a decline in performance in the Concierge Services business related to the economic environment and resulting restructuring decisions.

Excluding these two factors, operating profit continued to grow as a result of productivity gains at sites and tight control of overhead costs.

The operating margin was 4.8% compared to 5.2% for the previous fiscal year.

Continental Europe

Revenues in Continental Europe increased by 4.3% to 5.3 billion euro as follows:

- organic growth: +1.7%;
- changes in the scope of consolidation resulting from the recent acquisitions of Zehnacker in Germany and Score in France: +2%;
- currency effects: +0.6%.

Despite the continuing tough economic environment, **Corporate** achieved organic revenue growth of +1.8%, reflecting:

- the contribution in the second half of the year of new contracts to provide comprehensive service solutions such as those for the French Justice Ministry and KPN in the Netherlands;
- sustained new business wins in Russia and Central Europe such as with the utility vehicle manufacturer Kamaz, the Cirque du Soleil tour, Salym Petroleum and PSA Peugeot Citroën in Russia and Audi in Hungary.

Organic revenue growth in **Health Care and Seniors** was +1.3%, reflecting weak growth on existing sites but also the ramping up of certain contracts, notably in Belgium (e.g., UZ Gent) and Sweden (e.g., Stockholm City Council). However, similar to North America, sales development was hampered by slower decision-making by potential clients.

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Business wins during the fiscal year included Universitätsklinikum Schleswig-Holstein Campus Kiel (Kiel, Germany), H. Juan Grande Jerez (Jerez, Spain), A.P.S.P. Civica di Trento (Trento, Italy), Centre Médico-Chirurgical de l'Europe (Port-Marly, France), Polyclinique Saint-François, Groupe Vitalia (Désertines, France), and the Naberezhnye Chelny Hospital in Russia,

Organic growth of +2.4% in **Education** mainly reflects comparable unit growth and prior year contract wins in France, Hungary and Sweden.

New contracts won during the year included the signing of a contract with EDHEC business school in Lille (France), the Sagrate and Cassano d'Adda schools (Italy), the City of Helsingborg (Sweden) and Enka Schools in Istanbul (Turkey).

Sodexo teams won several distinctions in recognition of their achievements during the year, including:

The coveted EuroFM Award 2010 went to Sodexo and Procter & Gamble in the "Partners Across Borders" category for innovation and the consistency of Facilities Management services deployed in several European countries, as well as in North America and Asia.

In the Netherlands, Sodexo won the "2009 Return on Investment Award" from the Municipality of Rotterdam, in recognition of its contribution to local job creation.

In France, RH&M awarded Sodexo the *"Trophée Mieux Vivre en Entreprise",* which recognizes Sodexo's innovative programs to improve the quality of life in the workplace, and in particular its "Listening and Vigilance" initiative providing psychological support for employees.

In the Czech Republic, Sodexo was awarded the "Corporate Social Responsibility" prize for its comprehensive approach to corporate social responsibility and its initiatives connected with its "STOP Hunger – Aid to Seniors" program comprising a volunteers day, food and financial donations and fundraising.

Operating profit increased by 50 million euro, (+27%). to 233 million euro. The replacement of the French *Taxe Professionnelle* professional tax by the *Contribution Économique Territoriale* (CET) contributed 19 million euro to the improvement in operating profit [(1)].

Other contributing factors included:

- improved profitability in Sweden, where charges for restructuring, renegotiation and the termination of certain contracts had weighed on the previous year;
- initial benefits from the integration of Zehnacker;
- increased summer activity in Sports and Leisure in France compared to Fiscal 2009; and
- tight control over overheads, contributing to improved efficiency across the organization.

The operating margin increased from 3.6% in Fiscal 2009 to 4.4% in Fiscal 2010.

United Kingdom and Ireland

Revenues in the United Kingdom and Ireland were 1.3 billion euro, down -1.7% at constant exchange rates.

Corporate registered a decline of -2.8% over the year as a whole, as a result, in particular:

- steep cuts in discretionary spending impacting events in Sports and Leisure; and
- low client retention rates in the prior year.

However, the decline was limited by the start-up in the second half of the year of new comprehensive service solutions contracts with clients such as GlaxoSmithKline.

In Justice, Sodexo succeeded in providing innovative solutions to the HM Prison Service in the UK and obtained extensions on its contracts at the Bronzefield and Forest Bank sites.

In addition, the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG) has signed an exclusive hospitality Services Agreement with Prestige Ticketing Limited, a Company owned by Sodexo in partnership with Mike Burton Group.

(1) *The French* Taxe Professionnelle *was recognized as an expense in operating profit in Fiscal 2009, whereas the CVAE portion of the CET is accounted for as a tax expense. The impact on net profit attributable to the equity holders of the parent is not material.*

Prestige Ticketing Limited will design, implement and market the official Prestige Ticketing hospitality packages for the London 2012 Games.

Another prestigious contract was signed in partnership with Mike Burton at the end of the year, for a hospitality contract for the Rugby World Cup in the United Kingdom in 2015, and in Japan in 2019.

At the end of January 2009, Sodexo joined the Metrix consortium, named preferred bidder for the largest Public Private Partnership ("PPP") under discussion in the United Kingdom, for a project known as the "Defence Training Review", to design and deploy a program to meet the British armed forces' training needs for the next 30 years. On October 18, 2010, as part of wider spending cuts, the British Government terminated the procurement system of this project in its current form. Since this announcement, Sodexo continues to work with the UK Ministry of Defence at the designated site for this project in Wales, and more widely on solutions more adapted to meet the armed forces' training needs in the medium term.

Health Care and Seniors continued to benefit from the ramp-up of PPP contracts signed in previous years such as Manchester Royal Infirmary and North Staffordshire Hospital, and registered +5.2% growth in Fiscal 2010. New business development was moderate in a year of electoral uncertainty.

Revenues in **Education** fell by -6.5%, reflecting Sodexo's highly selective approach to sales activity in the state schools sector. A significant development has been the expansion into universities, particularly in the management of accommodation services on the Medway, Sheffield and Lincoln university and college campuses.

Among the distinctions earned by Sodexo teams were:

- in the United Kingdom, Sodexo was named among the country's best "Business Superbrands" for the second year in a row;
- Sodexo won the **"Healthyliving"** award at 31 new sites in Scotland, for its commitment to serve healthy and balanced menus. Among these were Strathalian School, the first Scottish independent school to win this award, six courts of justice, and four Scottish government sites;
- following a rigorous audit of Addiewell, Bronzefield and Peterborough prisons, Sodexo was honored to receive the British Safety Council's highly coveted **"International Safety Award"** for its commitment to foster a genuine corporate culture in this domain;
- Sodexo subsidiary Tillery Valley won **"Carbon Trust Standard Accreditation"** in April 2010. Tillery Valley is the first foodservices company in Wales to secure this certification, in recognition of its efforts to combat carbon emissions;
- Sodexo scored "three in a row" in winning the "Directors' Choice" award at the annual **"Football Hospitality Awards"** for services provided to the Everton, Newcastle United and Aberdeen football clubs.

Operating profit was 57 million euro, up +9.6% (also up +9.6% at constant exchange rates), as a result of improved site management efficiency across all segments and good control over overheads.

The operating margin increased by +0.5% compared to Fiscal 2009, to 4.6%.

Rest of the World

Revenues in the Rest of the World (Latin America, Middle East, Asia and Australia and Remote Sites) were nearly 2.2 billion euro, with +7.5% organic growth.

Growth continued to accelerate in Latin America and Asia over the fiscal year, with particularly strong sales growth in Brazil and Peru, as well as satisfactory growth on existing sites in the Middle East. In Asia too, where Sodexo is an undisputed leader, growth accelerated in the second half of the year. At the same time, the completion or move from the construction to the operational phase of a number of major Remote Sites projects (including Rio Tinto in Madagascar, Goro Nickel in New Caledonia, and Oxiana Prominent Hill, Precious Metals Australia Windamurra, and Rio Tinto Alcan Gove in Australia), weighed on aggregate organic growth.

New contracts signed during the year included Petrobras, Votorantim, Pirelli and Hyundai (Brazil), Karazhanbasmunai (Aktau, Kazakhstan), Baytur Abba (Saudi Arabia), Wuhan Heavy Duty Machine

Tool Group Corporation and Beijing Friendship Hospital, Beijing University Hospital (China), BBVA Continental in Peru, MNET in South Africa, and the Ministry of Defense in Kuwait.

In India, Sodexo successfully continued to integrate RKHS, now Sodexo India, following its acquisition in April 2009. Major new contracts in this market included Bajaj Auto Ltd and Tata Motors Ltd.

Also during the year, on February 27, 2010 an earthquake with an intensity of 9 on the Richter scale followed by a "tsunami" struck the central part of Chile, causing widespread destruction and disruption to the economic activity of the country. Nearly a third of the 1,600 Sodexo employees present in the earthquake zone were directly affected in varying degrees. Almost a third of client sites in the region, 29 in all, were also damaged, but Sodexo's teams very swiftly set up temporary foodservices facilities in order to maintain continuity of service.

Among distinctions earned by Sodexo teams:

- in Peru, Pacifico Peruano Suiza singled out Sodexo as the firm with the best safety systems management. This distinction is in addition to the OHSAS 18001 (Safety), ISO 14001 (Environment) and ISO 9001 (Quality) accreditations already achieved by Sodexo in Peru;
- in China, Sodexo entered the China Sourcing website's list of "TOP 50 Service Outsourcing Providers in China 2009". Sodexo placed 11th in the general ranking and first in the "Foodservices and Facilities Management" category;
- Sodexo obtained several safety and management accreditations in India, Singapore and Algeria, with ISO 9001:2008 for the quality of its management systems, ISO 14001:2004 for its environmental management systems, ISO 22000:2005 for food supply chain safety, along with OHSAS 18001 and bizSAFE;
- Sodexo won the prestigious **"Golden Gecko Award"** 2009 for the excellence of its program to preserve natural resources in its management of mining and oil and gas sites in Western Australia;
- for the fifth consecutive year, Sodexo was the winner in the "Outsourcing providers" category of the **"Top Hospitalar Award",** the most coveted award in Brazil's medical and hospital sector.

Operating profit in the Rest of the World increased +22.8% (+15.8% at constant exchange rates) to 70 million euro.

This excellent progress stemmed primarily from:

- an offering increasingly adapted to Sodexo clients' performance criteria;
- sales growth, enabling Sodexo progressively to absorb its overhead expenses; and
- continuing stringent application of contractual clauses.

The operating margin of 3.2% was up 0.2% relative to Fiscal 2009.

Sodexo continues to invest in these countries, which have considerable medium-term potential, with particular emphasis on training and preparing human resources, and on introducing management processes for comprehensive service solutions.

2.2.2 Motivation Solutions

This activity represents 4.5% of consolidated revenues and 25% of consolidated operating profit before Corporate expenses.

Issue volume (face value multiplied by the number of vouchers and cards issued) rose +3.2% (or more than +12.3% at constant exchange rates) to 12.5 billion euro. This growth includes an increase of more than 20% in vouchers issued in connection with the contract with the Belgian Bureau of Labor (ONEM).

Revenues totaled 689 million euro, with +7.3% organic growth. Currency translation adjustments of 74 million euro had a negative -10.4% impact on revenues compared to the prior year, reflecting the combination of the devaluation of the Bolivar Fuerte in Venezuela and a 17% appreciation of the Brazilian Real against the euro during the period. Latin America accounts for around 51% of Sodexo's revenues in this activity.

Organic growth remains very solid in Latin America, particularly in Brazil and Venezuela, as a result of increases in face values and strong new business development.

Organic growth in the Motivation Solutions activity slowed relative to the prior year, especially at the beginning of the fiscal year, as a result of three factors:

- the continuing decline in the number of beneficiaries, particularly in Central Europe;
- the decrease in financial income from the lower interest rate environment;
- pressure on client commissions as a result of strong competition in some countries.

Sales and marketing teams continued to innovate including the successful launch of the Eco Pass in Belgium, a new service solution aimed both at enhancing consumers' purchasing power and promoting the purchase of environmentally responsible products and services.

In addition, client retention rates were again excellent, which should be conducive to faster growth in this segment in the medium term.

Business wins during the year included Amadeus (a global contract), Media Markt (Belgium), CNES and Kuhne+Nagel (France), Sberbank (Russia), Global Village Telecom, SAP and CORSAN (Brazil), Microsoft (China), PepsiCo India Holding, CSC and Accenture (India).

Operating profit totaled 215 million euro, a decline of 32 million euro compared to the prior year, with the devaluation of the Boliva Fuerte in Venezuela accounting for 67 million euro of this decline.

Operating profit was up +7.3% at constant exchange rates.

The activity's operating margin was 31.2%. Excluding the impact of the Bolivar Fuerte's devaluation, the margin would have been unchanged from the prior year, at 34.7%, as a result of strong productivity gains and reduced fixed costs, which largely offset the decline in interest rates.

2.2.3 Corporate expenses

Corporate expenses were 67 million euro, down by more than 5% from the prior year.

2.3 Net financing costs

Three factors accounted for the change in net financing costs from -120 million euro in Fiscal 2009 to -150 million euro in Fiscal 2010:

- a 15 million euro provision against financial assets following the UK Government's decision to cancel the "Defence Training Review" project in its present form. This provision covers certain expenses incurred by the Group for which there is no current certainty of reimbursement;
- the impact of monetary erosion resulting from the hyperinflation situation in Venezuela of 6 million euro;
- and reduced expected returns on financial assets related to pension plans in the United Kingdom.

The cost of financial borrowing was unchanged from Fiscal 2009 at 132 million euro.

2.4 Income tax expense

Income tax expense totaled 205 million euro, with an effective tax rate of 33%, slightly below the prior year rate, despite the accounting for the CVAE portion of the CET as an income tax rather than operating expense, as was the case for the *Taxe Professionnelle* professional tax. This change in effective tax rate includes the benefit of tax loss carryforwards in several countries.

2.5 Profit attributable to equity holders of the parent

Profit attributable to equity holders of the parent was 409 million euro, an increase of 4.1% compared to Fiscal 2009.

2.6 Earnings per share

Earnings per share was 2.64 euro, a 3.9% increase at current exchange rates.

2.7 Dividend

At the General Shareholders Meeting on January 24, 2011, Sodexo's Board of Directors will propose increasing the dividend by 6.3% over the previous year to 1.35 euro per share. This represents a payout ratio of 52% of Group net income and a yield of 2.98% based upon a share price of 45.35 euro (as of August 31, 2010).

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3. FINANCIAL POSITION OF THE GROUP

3.1 Cash flows

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

(in millions of euro)	Year ended August 31, 2010	Year ended August 31, 2009
Net cash provided by operating activities	1,006	577
Net cash used in investing activities	(274)	(766)
Net cash used in financing activities	(377)	(168)
Change in net cash and cash equivalents	355	(357)

Net cash provided by operating activities exceeded 1 billion euro in Fiscal 2010. This significant improvement of 429 million euro compared to Fiscal 2009 reflects significant changes in working capital needs.

It should be noted that Fiscal 2009 net cash provided by operating activities was lower as a result of the impact of regulatory changes concerning supplier payment terms (in application of the Economic Modernization Law in France, among others). The increase in Fiscal 2010 stems also from the nearly 140 million euro increase in vouchers redeemable in the Motivation Solutions activity as a result of solid growth in issue volumes in the last quarter, and the success of the Eco Pass offer.

Net cash provided by operating activities was used to finance:

- net capital expenditures and client investments of 230 million euro (1.5% of revenues);
- acquisitions totaling 22 million euro, which mainly related to the acquisition of a 35% interest in Crèche Attitude in France, and the buyout of a handful of minority interests in other Group subsidiaries.

Net cash used in financing activities comprised:

- the dividend payment of 216 million euro, of which 197 million euro was paid by Sodexo SA;
- net reimbursements from financial borrowings for a total of 72 million euro.

3.2 Group Consolidated Balance Sheet

Condensed balance sheet as of August 31:

(in millions of euros)	2009	2010		2009	2010
Non-current assets	5,600	6,309	Shareholders' equity	2,279	2,707
Current assets excluding cash	3,007	3,361	Minority interests	37	32
Financial assets related to the Motivation Solutions activity	597	578	Non-current liabilities	3,055	3,311
Cash	1,204	1,527	Current liabilities	5,037	5,725
TOTAL ASSETS	**10,408**	**11,775**	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	**10,408**	**11,775**
			Net debt	**889**	**656**
			Net debt ratio	**38%**	**24%**

As of August 31, 2010, borrowings totaled 2,702 million euro, nearly unchanged from August 31, 2009. These borrowings mainly comprise two bond issues totaling 1,380 million euro and a USD 500 million US private placement. The remaining balance included various bank loans and facilities, capital leases and derivatives.

As of August 31, 2010, the average interest rate on borrowings was 5.2%.

Cash and cash equivalents net of bank overdrafts totaled 1,468 million euro as of August 31, 2010. Cash investments in instruments with maturities of over three months and restricted cash in the Motivation Solutions activity totaled 223 million euro and 355 million euro, respectively.

As of the same date, the operating cash position (which includes Motivation Solutions cash investments and restricted cash) was 2,045 million euro, including 1,483 million euro for Motivation Solutions.

Consequently, as of August 31, 2010, the Group's net debt was 656 million euro, compared to 889 million euro at August 31, 2009, representing 24% of Group consolidated equity, compared to 38% at August 31, 2009.

Gross debt repayment capacity at August 31, 2010 represented 3.6 years of operating cash flow.

As of the same date, the Group had unused bank credit facilities of 455 million euro.

Subsequent Events

At the end of January 2009, Sodexo joined the Metrix consortium, named preferred bidder for the British Defense Ministry tender for the design and implementation of the Defence Training Review, a program to meet the British armed forces' training needs for the next 30 years. On October 18, 2010, as part of wider spending cuts, the British Government terminated the exclusive procurement system of this project in its current form.

4. FISCAL 2011 OUTLOOK

At the November 8, 2010 meeting of the Board of Directors, Sodexo CEO Michel Landel presented the outlook for Fiscal 2011.

With revenue growth of 3.9% for Fiscal 2010, and 2.5% organic growth, Michel Landel reminded the Board that, contrary to many major international corporations, Sodexo had continued to grow in the present global economic climate, as a result of:

- its focus on client segments with strong outsourcing potential (Health Care, Seniors, Education, Defense, and Justice);
- its comprehensive service solutions offer;
- its international presence; and
- the motivation and commitment of its teams.

In Fiscal 2010, Sodexo continued the transformation begun last year with the redefinition of its strategic positioning with the dual objectives of differentiation and positioning itself to seize new growth opportunities arising in the coming years. Sodexo is positioned as a strategic partner for its clients, providing them with comprehensive Quality of Daily Life service solutions.

Sodexo has continued to invest in order to achieve this transformation, both in its comprehensive services offer and in its human resources. It has recruited new talent and has begun creating Facilities Management and Knowledge Management skills platforms.

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Fiscal 2011 objectives

Michel Landel commented that Fiscal 2010 was a year marked by the financial and economic crisis, in spite of some recovery in emerging countries. Sodexo has benefitted from its long time presence in the countries now driving global growth. With persistently high unemployment, Europe, North America and Japan have yet to see any significant recovery in their economies. The accumulated government debt will also weigh on growth in several countries for many years to come.

Against this background, which requires prudence, Sodexo has set the following goals for Fiscal 2011:

- a modest acceleration in organic revenue growth of between 3 and 4%;
- an increase in operating profit of around 10%, at constant exchange rates.

These objectives are based on:

- our growth indicators, i.e., the client retention rate, comparable unit growth and sales development;
- Sodexo's continued strong performance in the countries which will ensure future global growth.

These objectives also take into account the Group's ongoing drive for greater efficiency and productivity, both in the management of its sites and in overhead expenses.

Medium term

Sodexo once again confirms its medium term objectives, which are to achieve annual average revenue growth of 7% and an operating margin of 6%.

With a huge potential market estimated at over 780 billion euro, particularly in the Health Care, Seniors, Education, Justice and Defense segments in which the Group holds leadership positions, Sodexo enjoys major competitive advantages, including:

- a unique vocation;
- strong shared values;
- committed teams;
- an integrated service solutions offer combining On-site Services Solutions, Motivation Solutions, and Personal and Home Solutions;
- a unique global network, operating in 80 countries that account for over 80% of the world's population and more than 92% of global GDP;
- a financial model that has proven its strength and effectiveness, allowing Sodexo to self finance its future development;
- and, finally, Sodexo's independence, allowing it to remain focused on a long-term strategy.

Michel Landel added, *"I would like to thank our clients for their loyalty, our shareholders for their continued support, and Sodexo's employees for their efforts in Fiscal 2010. As the people ultimately responsible for the quality of our services aimed at improving the Quality of Daily Life for our clients and consumers, each and every one of Sodexo's 380,000 employees plays a vital role in 'Making every day a better day'".*

Sodexo Consolidated Financial Statements as of August 31, 2010

1. CONSOLIDATED INCOME STATEMENT

(in millions of euro)	Notes	Fiscal 2010	Fiscal 2009
Revenues	**3**	**15,256**	**14,681**
Cost of sales	4.1	(12,853)	(12,366)
Gross profit		**2,403**	**2,315**
Sales department costs	4.1	(226)	(221)
General and administrative costs	4.1	(1,377)	(1,322)
Other operating income	4.1	12	5
Other operating costs	4.1	(41)	(31)
Operating profit	**3**	**771**	**746**
Interest income	4.2	62	74
Financing costs	4.2	(212)	(194)
Share of profit of companies consolidated by the equity method	3 and 4.9	14	12
Profit for the period before tax		**635**	**638**
Income tax expense	4.3	(205)	(216)
Profit for the year		**430**	**422**
Non controlling interests		21	29
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**409**	**393**
Earnings per share *(in euro)*	**4.4**	**2.64**	**2.54**
Diluted earnings per share *(in euro)*	**4.4**	**2.63**	**2.53**

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of euro)	Notes	Fiscal 2010	Fiscal 2009
Profit for the year		**430**	**422**
Available for sale financial assets	4.11.3 and 4.15	0	7
Cash flow hedges [1]	4.17 and 4.15	(12)	(21)
Actuarial gain (loss) on defined benefit pension plans and other items	4.18.1 and 4.15	(62)	(54)
Currency translation differences		336	(63)
Income tax related to components of other comprehensive income		**17**	**17**
Total other comprehensive income, after tax		**279**	**(114)**
Comprehensive income		**709**	**308**
Attributable to:			
Equity holders of the parent		696	279
Non-controlling interests		13	29

(1) Including for companies consolidated by the equity method.

3. CONSOLIDATED BALANCE SHEET

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ASSETS

(in millions of euro)	Notes	August 31, 2010	August 31, 2009
Non-current assets			
Property, plant and equipment	4.5	531	520
Goodwill	4.6	4,634	4,226
Other intangible assets	4.7	527	392
Client investments	4.8	228	186
Companies consolidated by the equity method	4.9	71	48
Financial assets	4.11	142	124
Other non-current assets	4.13	14	11
Deferred tax assets	4.21	162	93
TOTAL NON-CURRENT ASSETS		**6,309**	**5,600**
Current assets			
Financial assets	4.11	6	7
Derivative financial instruments	4.17	6	4
Inventories	4.12	235	204
Income tax receivable		81	64
Trade and other receivables	4.13	3,033	2,728
Restricted cash and financial assets related to the Motivation Solutions activity [(1)]	4.11	578	597
Cash and cash equivalents	4.14	1,527	1,204
TOTAL CURRENT ASSETS		**5,466**	**4,808**
TOTAL ASSETS		**11,775**	**10,408**

(1) New name for the Service Vouchers and Cards activity.

LIABILITIES AND EQUITY

(in millions of euro)	Notes	August 31, 2010	August 31, 2009
Shareholders' equity			
Common stock		628	628
Additional paid in capital		1,109	1,109
Retained earnings		783	567
Consolidated reserves		187	(25)
Equity attributable to equity holders of the parent		**2,707**	**2,279**
Non-controlling interests		**32**	**37**
TOTAL SHAREHOLDERS' EQUITY	**4.15**	**2,739**	**2,316**
Non-current liabilities			
Borrowings	4.16	2,534	2,547
Employee benefits	4.18	348	257
Other liabilities	4.20	243	106
Provisions	4.19	64	46
Deferred tax liabilities	4.21	122	99
TOTAL NON-CURRENT LIABILITIES		**3,311**	**3,055**
Current liabilities			
Bank overdrafts		59	42
Borrowings	4.16	150	94
Derivative financial instruments	4.17	25	11
Income tax payable		138	71
Provisions	4.19	61	53
Trade and other payables	4.20	2,985	2,689
Vouchers payable		2,307	2,077
TOTAL CURRENT LIABILITIES		**5,725**	**5,037**
TOTAL LIABILITIES AND EQUITY		**11,775**	**10,408**

4. CONSOLIDATED CASH FLOW STATEMENT

(in millions of euro)	Notes	Fiscal 2010	Fiscal 2009
Operating activities			
Operating profit		**771**	**746**
Elimination of non-cash and non-operating items			
Depreciation and amortization		240	217
Provisions		19	(2)
Losses/(gains) on disposal and other		9	10
Dividends received from associates		9	6
Change in working capital from operating activities		**257**	**(96)**
Change in inventories		(12)	1
Change in accounts receivable		(177)	9
Change in trade and other payables		201	(73)
Change in vouchers payable		233	95
Change in financial assets related to the Motivation Solutions activity		12	(128)
Interest paid		(141)	(147)
Interest received		28	37
Income tax paid		(186)	(194)
NET CASH PROVIDED BY OPERATING ACTIVITIES		**1,006**	**577**
Investing activities			
Acquisitions of property, plant & equipment and intangible assets		(236)	(221)
Disposals of property, plant & equipment and intangible assets		26	19
Change in client investments	4.8	(19)	(21)
Change in financial assets		(23)	(17)
Acquisitions of subsidiaries	4.24	(25)	(528)
Dispositions of subsidiaries		3	2
NET CASH USED IN INVESTING ACTIVITIES		**(274)**	**(766)**
Financing activities			
Dividends paid to parent company shareholders	4.15	(197)	(197)
Dividends paid to non-controlling shareholders of consolidated companies		(18)	(21)
Purchases of treasury shares		(114)	(14)
Disposition of treasury shares		24	32
Reduction of common stock and additional paid in capital			41
Proceeds from borrowings		321	1,614
Repayment of borrowings		(393)	(1,623)
NET CASH USED IN FINANCING ACTIVITIES		**(377)**	**(168)**
CHANGE IN NET CASH AND CASH EQUIVALENTS		**355**	**(357)**
Net effect of exchange rates and other effects on cash		(49)	(44)
Net cash and cash equivalents at beginning of period		1,162	1,563
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4.14**	**1,468**	**1,162**

5. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euro)	Shares outstanding	Share capital	Share premium	Treasury shares	Reserves and compre-hensive income	Translation adjustments	Total shareholders' equity: Attributable to holders of the parent	Non-controlling interests	Total
Notes	4.15			4.15	4.15				
Shareholders' equity as of August 31, 2008	**157,359,282**	**629**	**1,122**	**(197)**	**999**	**(408)**	**2,145**	**26**	**2,171**
Profit for the period					393		393	29	422
Other comprehensive income, net of tax					(51)	(63)	(114)		(114)
Comprehensive income					**342**	**(63)**	**279**	**29**	**308**
Dividends paid (excluding treasury shares)					(197)		(197)	(21)	(218)
Increase in share capital	577,630	2	15				17	3	20
Reduction in share capital	(804,887)	(3)	(28)	31					
Treasury shares				23			23		23
Share-based payment cost (net of income tax)					8		8		8
Other					4		4		4
Shareholders' equity as of August 31, 2009	**157,132,025**	**628**	**1,109**	**(143)**	**1,156**	**(471)**	**2,279**	**37**	**2,316**
Comprehensive income					409		409	21	430
Other comprehensive income, net of tax					(57)	344	287	(8)	279
Comprehensive income					**352**	**344**	**696**	**13**	**709**
Dividends paid (excluding treasury shares)					(197)		(197)	(18)	(215)
Treasury shares				(86)			(86)		(86)
Share-based payment cost (net of income tax)					11		11		11
Other					4		4		4
Shareholders' equity as of August 31, 2010	**157,132,025**	**628**	**1,109**	**(229)**	**1,326**	**(127)**	**2,707**	**32**	**2,739**

Notes to the Consolidated Financial Statements

Sodexo SA 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 were approved by the Board of Directors on November 8, 2010 and will be submitted to the Annual Shareholder's Meeting on January 24, 2011.

1. SIGNIFICANT EVENTS

No event having a material impact on the consolidated financial statements occurred in Fiscal 2010.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

2.1.1 Basis of preparation of financial information for Fiscal 2009

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 balance sheet date. 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/standards_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, given Sodexo's balance sheet date. Consequently, any difference between the two sets of standards arising out of delays in approval by the european Union had no impact considering the application date of the related standards or interpretations.

Finally, the Group continues to assess the impact of IFRIC 4 and IFRIC 12 since their required application date, but has not made any adjustment in the absence of any significant investment.

2.1.2 New accounting standards and interpretations adopted

The new standards, interpretations and amendments whose application was mandatory effective for the fiscal year beginning September 1, 2009 had no material impact on the Group's financial statements for Fiscal 2010:

- IAS 1 Revised – Presentation of Financial Statements: the Group has elected to present comprehensive income for the period in two separate statements: the income statement and the statement of comprehensive income;
- IFRS 8 – Operating Segments replaced IAS 14 – Segment Reporting and requires information about segments to be reported based on internal management data utilized by Group management in measuring the performance of and allocating resources to each segment. Application of this new standard did not affect the presentation of information by operating segment in note 3;
- IFRS 3 Revised – Business Combinations (IFRS 3R) and amended IAS 27 – Consolidated and individual financial statements are required to be applied by the Group effective September 1, 2009. IFRS 3R and amended IAS 27 are to be applied prospectively and consequently did not affect (with the exception of recognition of

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certain deferred tax assets described below) the accounting for business combinations made before September 1, 2009, for which the accounting principles applied are described in notes 2.4 – Business combinations and goodwill, and 2.5 – Intangible assets.

The main impacts on transactions in scope for application of these standards are described below:

Acquisition costs

Direct acquisition costs are expensed in the year in which they were incurred.

Non-controlling interests (formerly, minority interests)

Once control has been obtained, a non-controlling interest in the acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. This election may be made on a case-by-case basis for each business combination.

IAS 27R modifies in particular the accounting for transactions with non-controlling interests, for which changes not resulting in a change of control will be recognized in shareholders' equity. In particular, in the event of the acquisition of additional shares in an entity already controlled by the Group, the difference between the consideration paid and the acquirer's share of identifiable net assets (goodwill) is recognized in shareholders' equity. The consolidated value of the identifiable assets and liabilities of the subsidiary (including goodwill) are unchanged.

Contingent consideration and/or earn outs

Contingent consideration or earn outs relating to a business combination are measured at fair value at the acquisition date, even if payment is not considered probable. Goodwill is adjusted for post-acquisition changes in fair value estimates of price adjustments only if they occur during the allocation period (one year from the acquisition date) and if they arise out of facts and circumstances existing at the acquisition date. In all other cases, the change is recognized in income or in other comprehensive income in accordance with the relevant IFRS standard.

Measurement of goodwill

At the acquisition date, goodwill reflects the difference between:

- the fair value of the consideration (for example, the price paid), plus the consideration for non-controlling interests in the acquiree (either at fair value, or at the proportionate interest in the identifiable net assets of the acquiree); and
- the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed, generally measured at fair value.

Step acquisitions

In a business combination achieved in stages (step acquisition), the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss, if any, is recognized in the income statement. For equity interests not consolidated prior to attaining control, changes in fair value previously recognized directly in shareholders' equity are recognized in profit or loss at the time of attaining control.

Deferred tax assets

The period for determining allocation of the consideration may not exceed one year after the acquisition date. After that period, the effects are recognized directly in profit or loss, unless they reflect error corrections. IFRS 3R requires subsequent recognition directly in the income statement of deferred tax assets not recognized at the acquisition date or during the measurement period. This requirement also applies to subsequent adjustments to deferred tax assets for acquisitions made prior to application of IFRS 3R.

- IFRIC 18 – Transfers of Assets from Customers defines the accounting treatment of property, plant and equipment transferred by a customer to an entity where the customer transfers control of the asset to the operator. This interpretation, which is applicable to transactions occurring as from July 1, 2010, had no impact on the consolidated financial statements of the Group.
- IAS 23 Revised – Borrowing Costs, had no material impact on the consolidated financial statements of the Group.

2.1.3 Accounting standards and interpretations issued but not yet applicable

The Group has not elected early application of standards and interpretations not required to be applied in Fiscal 2010. The Group is currently researching the practical consequences of these new rules and the impact of their application on the annual financial statements. 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/standards_en.htm.

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:

- provisions for litigation and tax risks (notes 4.19 and 4.28);
- fair value of derivative financial instruments (note 4.17);
- valuation of post-employment defined benefit plan assets and liabilities (note 4.18);
- impairment of current and non-current assets (notes 4.10 and 4.13);
- deferred taxes (note 4.21);
- valuation of goodwill and acquired intangible assets and their estimated useful lives (note 4.24);
- share-based payment (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. Control exists when Sodexo has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing whether control exists, potential voting rights that are currently exercisable or convertible are considered. 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.

Companies in which Sodexo SA directly or indirectly exercises significant influence or joint control over financial and operating policy without exercising control are consolidated by the equity method from the date on which significant influence or joint control is obtained to the date on which it ceases.

Sodexo owns 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 conducted for each of these equity interests, of which the details are provided in note 4.9, in order to determine whether the Group has significant influence based on the criteria in IAS 27, as amended, IAS 28 and the interpretation SIC 12. Based on this analysis, these companies are consolidated using the equity method of accounting.

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 these entities as of August 31, 2010 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.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date 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 consolidated shareholders' equity until the disposal or liquidation of the investment.

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 shareholders' equity as "Cumulative translation adjustments". At the time of the transition to IFRS, the cumulative translation adjustments 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, the Group applied the specific accounting requirements of this standard to the transactions of its subsidiaries operating in this country in the preparation of the annual financial statements as of August 31, 2010.

On January 8, 2010, Venezuela announced the devaluation of its currency, the Bolivar Fuerte.

As of that date, the Group decided to no longer use the official exchange rates published by the Venezuelan government and to instead utilize translation rates resulting from transactions carried out on the parallel currency market. The Group considers that rates arising on the parallel market are more appropriate, for the following reasons:

- to better reflect the economic parity between the euro and the Bolívar resulting from the hyperinflationary situation in Venezuela since the end of 2009; and
- to estimate the most probable rate at which the Group considers it will be able to convert Bolivars into euro in the future given the current restrictions on official market transactions placed by the country's authorities.

The Group has maintained its view concerning the appropriateness of the parallel rate versus the official rate despite the suspension of the parallel market since May 2010. The financial statements of subsidiaries operating in Venezuela are therefore translated at the rate of 1 euro = 10.46 bolivars, which corresponds to the most recent rate observed on the parallel market.

The impact on the Group's financial statements is provided below:

(in millions of euro)	Published amounts (Venezuelan subsidiaries) parallel rate €1 = 10.46 VEF	Pro forma amounts (Venezuelan subsidiaries) official rate €1 = 5.45 VEF	Impact of use of parallel rate on published financial statements
Revenues	60	116	(56)
Operating income	25	49	(24)
Net earnings	7	14	(7)
Shareholders' equity	15	28	(13)

2.4 Business combinations and goodwill

The purchase method is used to account for acquisitions of subsidiaries by the Group. 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. As of September 1, 2009, this consideration no longer includes costs directly incurred in the acquisition.

On first-time consolidation of a subsidiary or equity interest, the Group measures all identifiable elements acquired 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 involves the correction of an error, with the exception of the specific case of certain deferred tax assets described below.

Before September 1, 2009, if future benefits of tax loss carry forwards or other deferred tax assets of an acquired company were not recognized at the time of an acquisition because they did not meet the required accounting criteria but subsequently meet the accounting criteria when utilized, the carrying amount of goodwill is reduced by the amount that would have been recorded if the tax asset had been recognized at the time of the acquisition. Following the adoption of IFRS 3R, a benefit is recorded in the income statement for deferred tax assets recognized more than one year after the acquisition date, even if they originate with a subsidiary acquired prior to the date of adoption of IFRS 3R.

Goodwill arising on the acquisition of associates is included in the value of the equity method investment.

At the time of the transition to IFRS, Sodexo elected not to restate business combinations occurring before September 1, 2004.

2.4.1 Goodwill

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 intangible items is recognized as goodwill in the balance sheet.

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

2.4.2 Negative goodwill

Negative goodwill reflects the excess of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the acquisition date over the consideration paid, increased by the amount of any non-controlling interest.

After verification of the process of identification and measurement of the different components included in the calculation of goodwill, any negative goodwill is immediately expensed in the income statement in the period of acquisition.

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2.5 Intangible assets

Separately acquired intangible assets are initially measured at cost in accordance with IAS 38. At the time of the transition to IFRS, the Group did not elect to re-measure intangible assets at their fair value in the opening balance sheet as of September 1, 2004. Intangible assets acquired in a business combination that (i) can be reliably measured, (ii) are controlled by the Group and (iii) 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 brands having an indefinite useful life (when market conditions and the legal context allow for an indefinite utilisation) are considered to have finite useful lives, and are amortized by the straight line method over their expected useful lives:

Integrated management software	5 years
Other software	3-4 years
Patents and licenses	2-10 years
Other intangible assets	3-20 years
Client relationships	3-20 years

The cost of licenses and software recognized in the balance sheet 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

In accordance with IAS 16, items of 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. At the time of the transition to IFRS, the Group did not elect to re-measure property, plant and equipment at its fair value in the opening balance sheet as of September 1, 2004.

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 balance sheet date.

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

Leases contracted by Sodexo as lessee are accounted for in accordance with IAS 17, “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 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 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 conducted are then confirmed using data as of August 31.

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 conducted for each CGU or group of CGUs, which are generally defined as one of the Group's two main activities, with the On-site Service Solutions activity further segmented into geographic regions.

The assets allocated to each CGU comprise:

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

Indications of impairment

The main indicators that a CGU may be impaired are a significant decrease in revenues and gross margin or material changes in market trends.

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 arm's length transaction between knowledgeable, willing parties;
- 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 CGUs is estimated using after-tax cash flow projections generally based on three year business plans prepared by management and extrapolated to future years.

Management both at Group and subsidiary levels prepares gross 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.

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

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

On some contracts, Sodexo makes a financial contribution to the purchase of equipment or fixtures on the client site that are necessary to fulfill service obligations. The amortization of these assets is recognized as a reduction to revenues over the period of the service obligation.

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 and measured in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

Financial assets and liabilities are recognized in the balance sheet when Sodexo becomes a party to the contractual provisions of the instrument.

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

2.12.1 Financial assets

Under IAS 39, 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 directly on a separate line in the statement of comprehensive income. When an available-for-sale financial asset is sold or impaired, the cumulative fair value adjustment recognized in equity is transferred to the statement of comprehensive income. 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 shown in the balance sheet 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.

The fair value of short-term financial assets and liabilities is equivalent to their carrying value because of their short-term maturity. The nature of variable rate financial assets and liabilities is such that their fair value is equivalent to their face value.

2.12.2 Derivative financial instruments

Sodexo's policy is to finance acquisitions in the currency of the acquired entity, generally at fixed rates of interest.

The majority 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.

As required by IAS 39, these derivative financial instruments are initially recognized in the balance sheet at fair value, as current financial assets or liabilities.

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.

In the case of cash flow hedges, the necessary documentation is prepared at inception and updated at each balance sheet date. Gains or losses arising on the effective portion of the hedge are recognized in equity, 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 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 balance sheet. 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 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 in the balance sheet;
- 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.

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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 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 are recognized as follows:

- borrowing costs directly attributable to the acquisition, construction or production of a non-current asset are capitalized as part of the cost of the underlying asset;
- borrowing costs not directly attributable to a non-current asset as defined in IAS 23 reduce the related borrowing in the balance sheet and are recognized in the income statement over the term of the borrowing.

2.15 Sodexo SA treasury shares

Sodexo SA shares held by the company itself and/or by other Group companies are shown as a reduction in consolidated shareholders' equity at 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 (i) an entity has a legal or constructive obligation at the balance sheet date, (ii) it is probable that settlement of the obligation will require an outflow of resources, and (iii) the amount of the liability can be reliably measured.

Provisions primarily cover commercial, employee-related and tax-related risks and litigation arising in the course of operating activities, and are measured in accordance with IAS 37 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 contract 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 in accordance with IAS 19. As a result:

- 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, rate of return on plan assets and discount rate).

Actuarial gains and losses arising at each balance sheet date are recognized in the statement of comprehensive income, net of deferred taxes, as permitted by IAS 19 Revised. Actuarial gains and losses do not affect the income statement. At the time of the transition to IFRS, actuarial losses and gains on pensions and related benefits as of September 1, 2004 were recognized in shareholders' equity.

If benefits under an existing plan are amended or a new plan is established, past service cost relating to vested benefits is recognized in the income statement, and past service cost relating to benefits not yet vested is recognized on a straight line basis over the average residual vesting period.

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 balance sheet if the obligation exceeds the plan assets and the unrecognized past service cost;
- if the value of plan assets exceeds the obligation under the plan, the net amount is recognized as a non-current asset. Overfunded plans 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 total of the unrecognized past service cost plus 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, amortization of past service cost, and the effect of any plan curtailments or settlements, all of which are recorded in operating income,
  - the effect of discounting and the expected return on plan assets, which are recorded in financial income or expense.

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 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 options granted as of the grant date, computed using the binomial model.

→01 →02 →03 →04 →05 →06 →07 →08 →09 →10 →11 →12 →13 →14

On an annual basis, Sodexo reassesses the number of potentially exercisable options. The impact of any change in estimates is recognized in the income statement, with the offset recognized in shareholders' equity.

At the time of the transition to IFRS, only stock option plans granted after November 7, 2002 and not vested as of January 1, 2005 were measured, as permitted by IFRS 2.

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 balance sheet date.

Deferred taxes are not recognized on the following items:

- initial recognition of goodwill that is not deductible for tax purposes;
- 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 are recognized in shareholders' equity and not in the income statement.

Residual deferred tax assets on 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

As permitted by IAS 1, "Presentation of Financial Statements", 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.

2.22.2 Revenues

In accordance with IAS 18, revenues reported by Sodexo relate to the sale of services in connection with the ordinary activities of fully-consolidated companies as follows:

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

In accordance with IAS 18, revenues are measured at the fair value of the consideration received or to be received, net of discounts and rebates and 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 revenue is recognized if there is significant uncertainty about recoverability of the costs incurred or to be incurred in meeting the service obligation.

Foodservices revenues are recognized when the service is rendered.

2.23 Earnings per share

In accordance with IAS 33, 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.

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 as an integral component of treasury management.

3. OPERATING SEGMENTS

As of August 31, 2010, the Group's activities are monitored by the chief operating decision maker as follows: On-site Service Solutions (formerly Food and Facilities Management Services), and Motivation Solutions (formerly Service Vouchers and Cards). On-site Service Solutions is further segmented by geographic region:

- North America;
- Continental Europe;
- United Kingdom and Ireland;
- Rest of the World.

The geographic regions of On-site Service Solutions and Motivation Solutions constitute the Group's primary operating segments.

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

3.1 By operating activity

Fiscal 2010 *(in millions of euro)*	On-site Service Solutions								
	North America	Continental Europe	United Kingdom and Ireland	Rest of the World	Total	Motivation Solutions	Corporate expenses	Elimination	Total
Revenues (third-party)	5,850	5,289	1,252	2,194	14,585	671			15,256
Inter-segment sales (Group)						18		(18)	0
TOTAL	**5,850**	**5,289**	**1,252**	**2,194**	**14,585**	**689**		**(18)**	**15,256**
Segment operating profit	281	233	57	70	641	215	(67)	(18)	771
Share of profit of associates	1	1	6	6	14				14
Net financing costs									(150)
Income tax expense									(205)
Non-controlling interests									21
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									**409**
Depreciation/amortization of tangible and intangible assets	54	96	20	32	202	25	13		240
Other non-cash items	5	2	1	1	9	1	(1)		9

Fiscal 2009 *(in millions of euro)*	**On-site Service Solutions** North America	Continental Europe	United Kingdom and Ireland	Rest of the World	Total	Motivation Solutions	Corporate expenses	Eliminations	Total
Revenues (third-party)	5,730	5,074	1,285	1,900	13,989	692			14,681
Inter-segment sales (Group)						19		(19)	0
TOTAL	**5,730**	**5,074**	**1,285**	**1,900**	**13,989**	**711**		**(19)**	**14,681**
Segment operating profit	297	183	52	57	589	247	(71)	(19)	746
Share of profit of associates	1	1	5	5	12				12
Net financing costs									(120)
Income tax expense									(216)
Non-controlling interests									29
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									**393**
Depreciation/ amortization of tangible and intangible assets	46	90	19	25	180	22	15		217
Other non-cash items	4	2	1	1	8	1	3		12

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3.2 By significant country

The Group's operations are spread across 80 countries, three of which produce significant revenues: France (the company's country of domicile), the United States and the United Kingdom. Revenues and non-current assets in these countries are stated below:

As of and for the year ended August 31, 2010 *(in millions of euro)*	**France**	**United States**	**United Kingdom**	**Others**	**Total**
Revenues (third-party)	2,645	5,543	1,223	5,845	15,256
Non-current assets [(1)]	630	2,685	744	1,861	5,920

As of and for the year ended August 31, 2009 *(in millions of euro)*	**France**	**United States**	**United Kingdom**	**Others**	**Total**
Revenues (third-party)	2,528	5,493	1,260	5,400	14,681
Non-current assets [(1)]	631	2,392	591	1,710	5,324

(1) Excluding financial assets.

4. NOTES TO THE FINANCIAL STATEMENTS AS OF AUGUST 31, 2010

4.1 Operating expenses by nature

(in millions of euro)	**Fiscal 2010**	**Fiscal 2009**
Depreciation, amortization and impairment losses	(246)	(227)
Employee costs		
• Wages and salaries	(5,453)	(5,243)
• Other employee costs [(1)]	(1,662)	(1,583)
Purchases of consumables and change in inventory	(4,822)	(4,696)
Other operating expenses [(2)]	(2,302)	(2,186)
TOTAL	**(14,485)**	**(13,935)**

(1) Primarily payroll taxes, but also including costs associated with defined-benefit plans (note 4.18), defined contribution plans (note 4.18), and stock options (note 4.23).
(2) Other operating expenses mainly include operating lease expenses (303 million euro for Fiscal 2010 and 287 million euro for Fiscal 2009), fees, other purchases of consumables, other sub-contracting costs and travel expenses.

By function	**Fiscal 2010**	**Fiscal 2009**
Cost of sales	(12,853)	(12,366)
Sales department costs	(226)	(221)
General and administrative costs	(1,377)	(1,322)
Other operating income	12	5
Other operating expenses [(1)]	(41)	(31)
TOTAL	**(14,485)**	**(13,935)**

(1) Primarily amortization expense and impairment charges related to client relationships and trademarks.

4.2 Finance income and expense

(in millions of euro)	Fiscal 2010	Fiscal 2009
Gross borrowing cost	(139)	(151)
Interest income from short-term bank deposits and equivalent	7	17
Net borrowing cost	**(132)**	**(134)**
Interest income from loans and receivables at amortized cost	5	6
Other interest income	16	16
Other interest expense	(6)	(2)
Net foreign exchange (losses)/gains	(2)	1
Net impairment (losses)/reversals	(16)	-
Expected return on defined-benefit plan assets	34	33
Interest cost on defined-benefit plan obligation	(36)	(34)
Foreign-exchange adjustment for hyperinflation	(5)	
Other	(8)	(6)
Net financing costs	**(150)**	**(120)**
Interest income component	**62**	**74**
Financial expense component	**(212)**	**(194)**

4.3 Income tax expense

Income tax rate reconciliation

(in millions of euro)	Fiscal 2010	Fiscal 2009
Profit for the period before tax	635	638
Share of profit of companies consolidated by the equity method	(14)	(12)
Accounting profit before tax	**621**	**626**
Tax rate applicable to Sodexo SA	34.43%	34.43%
Theoretical income tax expense	**(214)**	**(216)**
Effect of jurisdictional tax rate differences	24	26
Permanently non-deductible expenses or non-taxable income	(3)	(14)
Other tax repayments/(charges), net [1]	(22)	8
Tax loss carry-forwards used or recognized during the period but not recognized as a deferred tax asset in prior periods	20	2
Tax loss carry-forwards arising during the period but not recognized as a deferred tax asset	(4)	(9)
Actual income tax expense	**(199)**	**(203)**
Withholding taxes	(6)	(13)
TOTAL INCOME TAX EXPENSE	**(205)**	**(216)**

(1) Other tax payments include the recognition of the CVAE in income tax expense.

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Components of income tax expense

(in millions of euro)	Fiscal 2010	Fiscal 2009
Current income taxes	(221)	(207)
Adjustments to current income tax payable in respect of prior periods	(3)	2
Provision for tax exposures	(5)	1
Tax credits, tax losses and temporary difference carry-forwards utilized	10	24
Sub-total: current income taxes	**(219)**	**(180)**
Deferred taxes on temporary differences arising or reversing during the period	3	(26)
Deferred taxes on changes in tax rates or liability for taxes at new rates	1	0
Tax credits and tax losses utilized	16	3
Sub-total: deferred taxes	**20**	**(23)**
ACTUAL INCOME TAX EXPENSE	**(199)**	**(203)**

Pursuant to introduction of the *Contribution Économique Territoriale* (CET – "local economic contribution" replacing the former professional tax) under the 2010 Finance Bill in France, which applies to French subsidiaries, Sodexo has elected the following method of recognition:

- the share of the "local economic contribution" attributable to the *Contribution Foncière des Entreprises* (CFE – business real property tax) is recognized as an operating expense;
- the share of the "local economic contribution" attributable to the *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE – tax based on corporate value added tax paid) is recognized in income tax as defined in IAS 12, as the tax base is considered to be closer to net income than to revenues.

Deferred taxes related notably to property, plant and equipment existing at the date of the change was not material.

Deferred tax assets generated by companies reporting a tax loss in current or prior periods amounted to 41 million euro.

An accrual of 1.5 million euro was recorded in the consolidated financial statements as of the balance sheet date to cover withholding taxes on dividends receivable.

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, has declined from 34.6% as of August 31, 2009 to 33.0% as of August 31, 2010.

4.4 Earnings per share

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

	Fiscal 2010	Fiscal 2009
Basic weighted average number of shares	154,882,488	154,630,743
Average dilutive effect of stock options	415,558	616,593
Diluted weighted average number of shares	155,298,046	155,247,336

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

	Fiscal 2010	Fiscal 2009
Profit for the period attributable to equity holders of the parent	409	393
Basic weighted average number of shares	154,882,488	154,630,743
Basic earnings per share	**2.64**	**2.54**
Diluted weighted average number of shares	155,298,046	155,247,336
Diluted earnings per share	**2.63**	**2.53**

Six stock option plans, representing 4,417,732 options, did not have a dilutive impact during Fiscal 2010 but may do so in the future, depending upon changes in the Sodexo share price.

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, 2008	**65**	**322**	**78**	**465**
Increases during the period	11	153	53	217
Decreases during the period	(1)	(11)	(7)	(19)
Newly consolidated companies	5	20	4	29
Depreciation expense	(10)	(134)	(21)	(165)
Translation adjustment	(2)	(4)		(6)
Other	4	23	(28)	(1)
Carrying amount – August 31, 2009	**72**	**369**	**79**	**520**
Increases during the period	4	123	57	184
Decreases during the period	(2)	(19)	(5)	(26)
Assets classified as held for sale				
Newly consolidated companies		2	1	3
Newly deconsolidated companies				
Depreciation expense	(9)	(142)	(23)	(174)
Impairment losses recognized in profit or loss		(3)		(3)
Impairment losses reversed in profit or loss				
Translation adjustment	2	18	5	25
Other	2	23	(23)	2
Carrying amount – August 31, 2010	**69**	**371**	**91**	**531**

(in millions of euro)	August 31, 2010	August 31, 2009
Cost	1,499	1,383
Accumulated depreciation and impairment	(968)	(863)
Carrying amount	**531**	**520**

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Expenditures of 22 million euro were capitalized as construction in progress during Fiscal 2010, compared with 26 million euro in Fiscal 2009.

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, 2008	18	36	8	62
August 31, 2009	14	59	5	78
August 31, 2010	11	53	4	68

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Cost	194	198
Accumulated depreciation and impairment	(126)	(120)
Carrying amount	**68**	**78**

Maturities of payments under finance leases are provided in note 4.16.3.

4.6 Goodwill

(in millions of euro)		**August 31, 2009**	**Additions during the period**	**Dispositions during the period**	**Translation adjustment**	**Other**	**August 31, 2010**
On-site Service Solutions North America	Gross	2,026			253	(4)	2,275
	Impairment						
On-site Service Solutions United Kingdom and Ireland	Gross	525			36		561
	Impairment						
On-site Service Solutions Continental Europe	Gross	941	2		10	(1)	952
	Impairment						
On-site Service Solutions Rest of the world	Gross	193	2		31		226
	Impairment						
Motivation Solutions	Gross	541	1		78		620
	Impairment	(2)					(2)
Holding companies	Gross	2					2
	Impairment						
TOTAL	**GROSS**	**4,228**	**5**		**408**	**(5)**	**4,636**
	IMPAIRMENT	**(2)**					**(2)**

No significant acquisition was made in Fiscal 2010.

(in millions of euro)		August 31, 2008	Additions during the period	Dispositions during the period	Translation adjustment	Other	August 31, 2009
On-site Service Solutions North America	Gross	1,916	48		62		2,026
	Impairment						
On-site Service Solutions United Kingdom and Ireland	Gross	574			(49)		525
	Impairment						
On-site Service Solutions Continental Europe	Gross	619	330		(8)		941
	Impairment						
On-site Service Solutions Rest of the world	Gross	100	101		(8)		193
	Impairment						
Motivation Solutions	Gross	584	8		(51)		541
	Impairment	(2)					(2)
Holding companies	Gross	2					2
	Impairment						
TOTAL	**GROSS**	**3,795**	**487**		**(54)**		**4,228**
	IMPAIRMENT	**(2)**					**(2)**

The most significant new goodwill items in Fiscal 2009 were recognized on the acquisition of Score Group in France (179.5 million euro), Zehnacker Group in Germany (142.7 million euro), Radhakrishna Hospitality Services in India (92.9 millions euro) and Comfort Keepers in the United States (47.6 million euro).

4.7 Intangible assets

The tables below show movements in intangible assets during Fiscal 2009 and Fiscal 2010.

(in millions of euro)	Licenses and software	Other intangible assets	Total
Carrying amount – August 31, 2008	**66**	**222**	**288**
Increases during the period	38	1	39
Decreases during the period	(4)		(4)
Newly consolidated companies	1	133	134
Amortization expense	(24)	(22)	(46)
Impairment losses recognized in profit or loss		(5)	(5)
Translation adjustment		(13)	(13)
Carrying amount – August 31, 2009	**76**	**316**	**392**
Increases during the period	45	115	160
Internally-generated assets			
Decreases during the period	(5)		(5)
Newly consolidated companies			
Assets classified as held for sale			
Newly deconsolidated companies			
Amortization expense	(28)	(27)	(55)
Impairment losses recognized in profit or loss		(8)	(8)
Impairment losses reversed in profit or loss			
Translation adjustment	4	33	37
Other	2	4	6
Carrying amount – August 31, 2010	**94**	**433**	**527**

(in millions of euro)	August 31, 2010	August 31, 2009
Cost	801	599
Accumulated amortization and impairment	(274)	(207)
Carrying amount	**527**	**392**

Amortization 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 selling costs, except for the amortization of client relationship and brand intangible assets, which is recognized in "Other operating expenses".

4.8 Client investments

(in millions of euro)	Fiscal 2010	Fiscal 2009
Carrying amount – September 1	186	162
Increases during the period	64	62
Decreases during the period	(44)	(41)
Translation adjustment	25	3
Other	(3)	
Carrying amount – August 31	**228**	**186**

4.9 Companies consolidated by the equity method

Sodexo's share of the negative net assets of associates is recognized as a liability, in the form of a provision (cf. note 4.19). Changes in the Group's share of the net assets of its associates in Fiscal 2009 and Fiscal 2010 are shown below:

	August 31, 2009							August 31, 2010	
(in millions of euro)	Positive amounts	Negative amounts	Profit/ (loss) for the period	Dividend paid for the period	Changes in scope of consolidation	Other movements [1]	Translation adjustment	Positive amounts	Negative amounts
Doyon Universal Services	13.9		0.9	(0.6)			1.8	16.0	
BAS	6.3		1.4	(1.9)			1.4	7.2	
NANA	10.7		1.1	(1.4)		0.6	1.4	12.4	
SERCO Sodexo Defense Services	4.0		3.2				1.0	8.2	
Catalyst Healthcare (Manchester) Holdings Ltd	4.3		1.4	(2.1)			0.3	3.9	
Groupe Crèche Attitude					13.7			13.7	
Agecroft Prison Management Ltd		(2.5)					(0.2)		(2.7)
Catalyst Healthcare (Roehampton) Holdings Ltd		(2.9)	0.2			(2.2)	(0.3)		(5.2)
Ashford Prison Services Holdings Ltd		(2.1)	0.1			(1.4)	(0.2)		(3.6)
HpC King's College Hospital (Holdings) Ltd		(2.1)	(0.1)				(0.1)		(2.3)
Addiewell Prison (Holdings) Ltd		(2.0)	0.4			(2.2)	(0.2)		(4.0)
Enterprise Healthcare Ltd		(0.9)	(0.1)			(0.3)			(1.3)
Peterborough Prison Mgt		(1.9)	0.3	(0.2)		(1.9)	(0.2)		(3.9)
Others	8.3	(0.1)	5.6	(3.0)	(0.2)	(1.3)	0.1	9.9	(0.5)
TOTAL	**47.5**	**(14.5)**	**14.4**	**(9.2)**	**13.5**	**(8.7)**	**4.8**	**71.3**	**(23.5)**

(1) Including fair value of derivative financial instrument hedges (note 4.17).

(in millions of euro)	August 31, 2008 Negative amounts	August 31, 2008 Positive amounts	Profit/(loss) for the period	Dividend paid for the period	Changes in scope of consolidation	Other movements [1]	Translation adjustment	August 31, 2009 Negative amounts	August 31, 2009 Positive amounts
Doyon Universal Services	13.4		1.3	(1.3)			0.5	13.9	
BAS	7.8		1.4	(2.9)				6.3	
NANA	6.9		1.2	(0.9)		3.5		10.7	
SERCO Sodexo Defense Services	1.7		2.1				0.2	4.0	
Catalyst Healthcare (Manchester) Holdings Ltd	1.6		2.9				(0.2)	4.3	
Agecroft Prison Management Ltd		(2.6)	(0.1)				0.2		(2.5)
Catalyst Healthcare (Roehampton) Holdings Ltd		(4.0)	0.2	(0.3)		0.8	0.4		(2.9)
Ashford Prison Services Holdings Ltd		(0.7)	0.1			(1.5)			(2.1)
HpC King's College Hospital (Holdings) Ltd		(2.7)	0.4				0.2		(2.1)
Addiewell Prison (Holdings) Ltd		(0.5)	0.6			(2.1)			(2.0)
Enterprise Healthcare Ltd		(1.0)	0.1						(0.9)
Peterborough Prison Mgt		(0.1)	0.3			(2.1)			(1.9)
Others	8.6	(0.3)	2.1	(1.3)	(0.9)	(1.6)	1.6	8.3	(0.1)
TOTAL	**40.0**	**(11.9)**	**12.6**	**(6.7)**	**(0.9)**	**(3.0)**	**2.9**	**47.5**	**(14.5)**

(1) Including fair value of derivative financial instrument hedges (note 4.17).

The table below provides key financial data for Sodexo's principal associates *(in millions of euro, based on financial statements adjusted for the purposes of consolidation by Sodexo; figures are for the associate as a whole, rather than Sodexo's percentage interest)*:

(in millions of euro)	Country of operations	% interest	Assets	Liabilities	Equity	Revenue	Profit/(loss) for the period
RMPA Holdings Ltd*	UK	14%	723	720	3	29	10
Catalyst Healthcare (Manchester) Holdings Ltd*	UK	25%	593	575	18	45	6
Healthcare Support (North Staffs) Holdings Ltd*	UK	25%	446	441	5	100	4
Catalyst Healthcare (Romford) Holdings Ltd*	UK	25%	330	330	0	39	2
BAS (Chile)*	Chile	33,33%	242	220	22	25	4
HpC King's College Hospital (Holdings) Ltd*	UK	25%	120	129	(9)	20	0
Peterborough Prison Management Holdings Ltd*	UK	33,33%	115	127	(12)	29	1
South Manchester Healthcare (Holdings) Ltd*	UK	25%	112	108	4	23	2
Catalyst Healthcare (Roehampton) Holdings Ltd*	UK	25%	114	135	(21)	11	1
Addiewell Prison (Holdings) Ltd*	UK	33,33%	138	150	(12)	24	1
Mercia Healthcare (Holdings) Ltd*	UK	25%	104	104	(0)	11	2
Ashford Prison Services Holdings Ltd*	UK	33,33%	85	96	(11)	27	0
Enterprise Healthcare Holdings Ltd*	UK	10%	63	76	(13)	18	0
Agecroft Prison Management Ltd*	UK	50%	55	60	(5)	45	0
Pinnacle Schools (Fife) Holdings Ltd*	UK	10%	55	53	2	6	0
Enterprise Education Holdings Conwy Ltd*	UK	10%	49	53	(4)	3	0
NANA (Sodexo, Inc.)	USA	43,6%	70	42	28	132	4
Serco Sodexo Defence Services PTY	Australia	50%	45	29	16	151	6
Enterprise Civic Buildings (Holdings) Ltd*	UK	10%	30	30	0	1	0
Doyon Universal Services JV	USA	49,9%	27	1	26	55	2

* *Project companies established in connection with Public-Private Partnership (PPP) contracts (see note 2.3.2).*

4.10 Impairment of assets

Provision of 20 million euro and 9 million euro was made for impairment of tangible and intangible assets as of August 31, 2010 and 2009 respectively. The charge for the year was 11 million euro (5 million for Fiscal 2009).

Assets with indefinite useful lives were tested for impairment as of August 31, 2010 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:

	2010		2009	
Economic region	Discount rate (1)	Long-term growth rate (2)	Discount rate (1)	Long-term growth rate (2)
Continental Europe	8.8%	2.0%	9.2%	2.0%
North America	8.8%	2.5%	9.2%	1.8%
United Kingdom	8.8%	3.3%	9.2%	3.5%
Rest of World (1)	11.8%	3.5% to 5.5%	12.2%	3.0% to 4.0%

(1) The discount rate defined by the Group has been increased for certain regions to allow for greater risk factors affecting certain countries.
(2) The long-term growth rate serves to extrapolate the terminal value based on year-3 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.

Assumptions were varied within the following ranges for the purposes of the following sensitivity tests:

- a 1% increase in the discount rate;
- a 0.5% decrease in the long-term growth rate.

This analysis did not modify the conclusions of the impairment tests.

4.11 Financial assets

4.11.1 Non-current financial assets

(in millions of euro)	August 31, 2010	August 31, 2009
Available-for-sale financial assets		
Investments in non-consolidated companies		
Cost	38	40
Impairment	(1)	(1)
Carrying amount	**37**	**39**
Loans and receivables		
Receivables from investees		
Cost	49	40
Impairment	(1)	(1)
Carrying amount	**48**	**39**
Loans and deposits		
Cost	74	48
Impairment	(17)	(1)
Carrying amount	**57**	**47**
Financial assets at fair value through profit and loss		
Other financial assets at fair value		
TOTAL NON-CURRENT FINANCIAL ASSETS	**142**	**125**
Cost	161	128
Impairment	(19)	(3)
Carrying amount	**142**	**125**

Principal non-consolidated equity investments

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.

Loans and deposits

The Group has advanced 47 million euro within the framework of its membership in the Metrix consortium, which it joined at the end of January 2009. The Metrix consortium was named preferred bidder for the largest Public Private Partnership under discussion in the United Kingdom, for a project known as the “Defence Training Review”, to design and deploy a program to meet the British armed forces’ training needs for the next 30 years.

On October 18, 2010, the British Government announced to the UK Parliament the termination of the procurement system of this project in its current form, as part of wider spending cuts. Following this announcement, a provision of 15 million euro was recognized on financial assets for Fiscal 2010 for certain expenditures for which recovery is uncertain at this time.

4.11.2 Current financial assets

Current *(in millions of euro)*	**August 31, 2010**	**August 31, 2009**
Available-for-sale financial assets		
Marketable securities with a maturity greater than 3 months		
Cost		
Impairment		
Carrying amount		
Restricted cash and other financial assets: Motivation Solutions activity		
Cost	578	597
Impairment		
Carrying amount	**578**	**597**
Loans and receivables		
Loans and deposits		
Cost	6	7
Impairment		
Carrying amount	**6**	**7**
TOTAL CURRENT FINANCIAL ASSETS	**584**	**604**
Cost	584	604
Impairment		
Carrying amount	**584**	**604**

Restricted cash, included in "Restricted cash and financial assets: Motivation Solutions activity", amounts to 355 million euro. The main components of this figure are funds set aside to comply with regulations governing the issuance of service vouchers in France (219 million euro), Romania (29 million euro), and India (53 million euro); guarantee funds for affiliates in Mexico (5 million euro); and contractual guarantees given to public-sector clients in Venezuela (20 million euro).

More than 70% of financial assets and restricted cash related to the Motivation Solutions activity are held with financial institutions having a rating of A1 or A2.

4.11.3 Changes in current and non-current financial assets

(Carrying value in millions of euro)	**August 31, 2009**	**Increase/ (decrease) during the period**	**Impairment**	**Change in scope of consolidation**	**Change in fair value**	**Translation adjustment and other items**	**August 31, 2010**
Available-for-sale financial assets	636	(12)				(9)	615
Loans and deposits	93	27				7	127
Financial assets at fair value through profit and loss	0						0
TOTAL	**729**	**15**				**(2)**	**742**

Analysis of increase/decrease in fair value of available for sale financial assets recognized shareholders' equity (amounts shown are before tax and in millions of euro):

Cumulative increase/decrease in fair value of financial assets held as of September 1, 2009	**0**
Proceeds of disposals during the period recycled through profit and loss for the year	0
Increase/decrease in fair value for the period directly recognized in shareholders' equity	0
Total increase/decrease recognized in shareholders' equity	**0**
Cumulative increase/decrease in fair value of financial assets held as of August 31, 2010	**0**

4.11.4 Details of impairment recognized in financial assets

	August 31, 2009	Impairment	Releases	Change in scope of consolidation	Translation adjustment and other items	August 31, 2010
Available-for-sale financial assets	1					1
Loans and deposits	2	15			1	18
TOTAL	**3**	**15**			**1**	**19**

4.12 Inventories

(in millions of euro)	August 31, 2009	Increase/ (decrease) during the period	Change in scope of consolidation	Translation adjustment and other items	August 31, 2010
Cost	206	12	2	17	237
Impairment	(2)				(2)
Carrying amount	**204**	**12**	**2**	**17**	**235**

Inventories mainly comprise food and other high-throughput consumables. Changes in inventories are included in cost of sales, sales department costs or general and administrative costs, depending on the nature of the inventory.

No inventories are pledged as collateral for a liability.

4.13 Trade and other receivables

(in millions of euro)	Gross amount as of August 31, 2010	Allowance as of August 31, 2010	Carrying amount as of August 31, 2010
Other non-current assets	14		14
Total other non-current assets	**14**		**14**
Advances to suppliers	17		17
Trade receivables	2,778	(105)	2,673
Other operating receivables	241	(6)	235
Prepaid expenses	99		99
Non-operating receivables	8		8
Assets held for sale	1		1
TOTAL TRADE AND OTHER RECEIVABLES	**3,144**	**(111)**	**3,033**

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As of August 31, 2010, the maturities of trade receivables were as follows:

Breakdown of trade receivables due as of August 31, 2010: *(in millions of euro)*	**Gross amount**	**Allowance**
Less than 3 months due	444	(13)
More than 3 months and less than 6 months due	108	(9)
More than 6 months and less than 12 months due	30	(6)
More than 12 months due	77	(51)
TOTAL TRADE RECEIVABLES DUE AS OF AUGUST 31, 2010	**659**	**(79)**
TOTAL TRADE RECEIVABLES NOT YET DUE AS OF AUGUST 31, 2010	**2,119**	**(26)**
TOTAL TRADE RECEIVABLES AS OF AUGUST 31, 2010	**2,778**	**(105)**

During Fiscal 2010, the Group was not affected by any significant change resulting from impacts of 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 provisioned.

(in millions of euro)	**Gross amount as of August 31, 2009**	**Allowance as of August 31, 2009**	**Carrying amount as of August 31, 2009**
Net plan assets*	1		1
Other non-current assets	10		10
Total other non-current assets	**11**		**11**
Advances to suppliers	8		8
Trade receivables	2,508	(95)	2,413
Other operating receivables	227	(5)	222
Prepaid expenses	80		80
Non-operating receivables	4		4
Assets held for sale	1		1
TOTAL TRADE AND OTHER RECEIVABLES	**2,828**	**(100)**	**2,728**

* *For details of net plan assets, see note 4.18 "Long-term employee benefits".*

4.14 Cash and cash equivalents

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Marketable securities	419	400
Cash	1,107	804
Sub-total: cash and cash equivalents	**1,527**	**1,204**
Bank overdrafts	(59)	(42)
NET CASH AND CASH EQUIVALENTS	**1,468**	**1,162**

Marketable securities, totaling 419 million euro, comprised:

(in millions of euro)	August 31, 2010	August 31, 2009
Short-term notes	268	130
Term deposits	118	218
Listed bonds	12	42
Mutual funds and other	21	10
Total marketable securities	**419**	**400**

More than 70% of the Group's cash is held with financial institutions having a rating of A1 or A2.

4.15 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 earnings per share objectives or balance sheet equilibrium in order to meet the net debt criteria defined by Group management and communicated to the marketplace, notably a debt to equity ratio of around 75%. Net financial debt is defined as the difference between financial debt and total cash, which is further defined as cash, financial assets of the Motivation Solutions activity less bank overdrafts.

- The Group holds 3,628,226 Sodexo shares (versus 2,085,593 as of August 31, 2009) with a carrying amount of 165.8 million euro to cover its obligations under stock option plans awarded to Group employees. These treasury shares are deducted from equity as required by IAS 32.
- During the fiscal year, the Group purchased 114 million euro of Sodexo SA shares in preparation for the future exercise of stock options by employees.

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

Total dividends paid out in Fiscal 2010, adjusted for treasury shares, amounted to 197 million euro, for a dividend of 1.27 euro.

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

(in millions of euro)	Available-for-sale financial assets	Cash flow hedges (1)	Actuarial adjustments and other	Currency translation adjustments	Income taxes on other comprehensive income items	Total items recognized in OCI and shareholders' equity
Shareholders' equity as of August 31, 2008	**(7)**	**(6)**	**55**	**(408)**	**(7)**	**(373)**
Items recognized directly in equity	7	(21)	(54) (2)	(63)	17	(114)
Shareholders' equity as of August 31, 2009	**0**	**(27)**	**1**	**(471)**	**10**	**(487)**
Items recognized directly in equity (1)		(12)	(62)	344	17	287
Shareholders' equity as of August 31, 2010	**0**	**(39)**	**(61)**	**(127)**	**27**	**(200)**

(1) Including the share of the variation in fair value net of taxes related to derivative financial instruments accounted for in equity of companies consolidated by the equity method.

(2) Includes the reversal of the neutralization of the asset surplus related to the retirement plan in the UK. In order to neutralize this surplus the benefit obligation was increased with the offset recognized in shareholders' equity as of August 31, 2008.

4.16 Borrowings

(in millions of euro)	August 31, 2010 Current	August 31, 2010 Non-current	August 31, 2009 Current	August 31, 2009 Non-current
Bond issues				
Euro	43	1,386	42	1,388
Bank borrowings (1)				
US dollar	10	686	9	673
Brazilian real	55	95	6	117
Euro	10	275	9	265
Other currencies	6		7	
	81	**1,056**	**31**	**1,055**
Finance lease obligations				
US dollar				
Brazilian real	2	1	2	3
Euro	9	25	10	33
Other currencies	9	24	6	23
	20	**50**	**18**	**59**
Other borrowings (2)				
Euro	3	33	3	38
Other currencies	3	9		7
	6	**42**	**3**	**45**
TOTAL EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**150**	**2,534**	**94**	**2,547**
Net fair value of financial instruments (3)		**19**		**7**
TOTAL INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**150**	**2,553**	**94**	**2,554**

(1) Including the proceeds of the USD 500 million private bond placement with US private investors.
(2) Including 35 million euro corresponding to liabilities recognized in connection with the commitments to repurchase the minority interests in certain subsidiaries.
(3) Described in note 4.17.

For borrowings other than bond issues, amortized cost is equivalent to historical cost since no significant transaction costs are incurred.

4.16.1 Bond issues

	August 31, 2009	Increases	Repayments	Discounting effects and other	Translation adjustment	August 31, 2010
2007 bond issue – €500 million						
Principal	500					500
Debt issuance costs	(1)					(1)
Accrued interest	9			1		10
TOTAL	**508**			**1**		**509**
Effective rate	*4.551%*					*4.551%*
2009 bond issue – €880 billion						
Principal	880					880
Debt issuance costs	9			(1)		8
Accrued interest	33			(1)		32
TOTAL	**922**			**(2)**		**920**
Effective rate	5.97%					5.97%
TOTAL	**1,430**			**(1)**		**1,429**

500 million euro bond issue

On March 30, 2007, Sodexo issued bonds for 500 million euro, redeemable at par on March 30, 2014. The bonds bear interest at an annual rate of 4.50%, payable annually on March 28.

880 million euro bond issue

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 bringing the face value to 880 million euro. After the additional bonds, these bonds bear an average effective interest rate of 5.97%

Neither of these two bond issues is subject to financial covenants.

4.16.2 Other borrowings from financial institutions

April 2005 multi-currency revolving credit facility

On April 29, 2005, Sodexo and Sodexo, Inc. contracted a multi-currency revolving credit facility of up to 460 million euro plus 700 million US dollars.

The maturity date of this facility was initially set at April 29, 2010, but may be extended at the request of Sodexo (subject to consent from the lenders), initially to April 29, 2011 and subsequently to April 26, 2012. On March 27, 2006, the lenders agreed to an initial deferral of the facility to April 29, 2011. On April 18, 2007, Sodexo obtained a further deferral of the facility from the lenders, to April 26, 2012.

As of August 31, 2010, the following funds had been drawn on this facility:

On the US dollar tranche:

- 300 million US dollars (237 million euro) used by Sodexo, Inc.;
- 70 million US dollars (55 million euro) used by Sodexo SA.

On the euro tranche:

- 265 million euro used by Sodexo SA.

The funds drawn are subject to floating rate interest indexed on LIBOR and EURIBOR. In compliance with Group policy, Sodexo, Inc. and Sodexo SA have arranged interest swaps to convert the floating interest rate to a fixed rate on 370 million US dollars (292 million euro) of the funds drawn as of August 31, 2010.

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As of August 31, 2010, the amount of the unutilized credit line was 455 million euro.

There are no financial covenants attached to this loan.

500 million US dollar loan

On September 29, 2008, Sodexo SA borrowed 500 million US dollars at a fixed rate of interest from US investors.

This financing is structured in three tranches:

- 140 million US dollars at a fixed rate of 5.69% and redeemable in September 2013;
- 290 million US dollars at a fixed rate of 5.99% and redeemable in September 2015;
- 70 million US dollars at a fixed rate of 6.43% and redeemable in September 2018.

This loan is subject to two 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.

The Group was compliant with these covenants as of August 31, 2010.

Borrowings in Brazilian real

In order to finance its acquisition of the VR Group in Brazil in 2008, Sodexo SA contracted two fixed rate loans in Brazilian real for an amount of 318 million real (124 million euro), to be reimbursed over five years, with maturity in April 2013. These two loans are not subject to any financial covenants.

Interest rate

In order to comply with Group 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, 2010, 88% of Sodexo's borrowings were at fixed rate. The average rate of interest as of the same date was 5.2%.

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 change-in-control clauses which apply to all of the borrowings.

4.16.3 Maturity of borrowings

August 31, 2010 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	11	1,386		1,429
Bank borrowings*	51	3	27	767	289	1,137
Finance lease obligations	2	2	16	44	6	70
Other borrowings	3		3	41	1	48
TOTAL	**56**	**37**	**57**	**2,238**	**296**	**2,684**

* *Excluding the impact of swaps described in 4.17.*
* *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, 2010 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		54	23	1,674		1,751
Bank borrowings	58	6	54	879	301	1,298
Finance lease obligations	3	3	17	50	7	80
Other borrowings	3		6	50	1	60
Impact of hedging swaps excluding those related to the PPP companies (note 4.17)			3	5		8
TOTAL	**64**	**63**	**103**	**2,658**	**309**	**3,197**

August 31, 2009 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	10	499	889	1,430
Bank borrowings*	20	1	10	797	258	1,086
Finance lease obligations	2	2	14	51	8	77
Other borrowings	1	1	1	45		48
TOTAL	**23**	**36**	**35**	**1,392**	**1,155**	**2,641**

* *Excluding the impact of swaps described in 4.17.*
* *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, 2009 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	22	810	935	1,822
Bank borrowings	21	3	26	930	298	1,278
Finance lease obligations	3	3	18	63	11	98
Other borrowings			4	56		60
Impact of hedging swaps excluding those related to the PPP companies (note 4.17)	1	2	4	10		17
TOTAL	**25**	**63**	**74**	**1,869**	**1,244**	**3,275**

4.17 Financial instruments

Derivative financial instruments *(en millions d'euros)*	IFRS classification	August 31, 2010 Fair value	August 31, 2010 Notional amount	August 31, 2010 Face value	August 31, 2009 Fair value	August 31, 2009 Notional amount	August 31, 2009 Face value
Derivative financial instruments – asset position		**6**			**4**		
Currency instruments	*Trading*	*6*		*15*	*4*		*19*
Interest rate instruments	*Cash Flow Hedge*						
Derivative financial instruments – liability position		**25**			**11**		
Currency instruments	*Trading*	*10*		*43*			
Currency instruments	*Cash Flow Hedge*	*1*		*(23)*			
Interest rate instruments	*Cash Flow Hedge*	*14*	*292*		*11*	*259*	
Net derivative financial instruments		**(19)**	**(292)**	**(5)**	**(7)**	**(259)**	**19**

The notional amount of interest rate derivative instruments is the face value of financial instruments traded with counterparties.

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.

Currency hedging derivative financial instruments

Contractual nominal maturities:

August 31, 2010 *(in millions of euro)*	< 1 year	1 to 5 years	> 5 years	Total
Financial liabilities in foreign currencies				
UK Sterling (GBP)		(42)		(42)
Brazilian Real (BRL)		(38)		(38)
Czech Crown (CZK)		(25)		(25)
Others	(31)	(20)		(51)
TOTAL	**(31)**	**(125)**		**(156)**
Financial assets in foreign currencies				
UK Sterling (GBP)		43		43
Brazilian Real (BRL)		32		32
Czech Crown (CZK)		26		26
Others	30	20		19
TOTAL	**30**	**121**		**151**
Currency hedging derivative financial instruments				
UK Sterling (GBP)		1		1
Brazilian Real (BRL)		(6)		(6)
Czech Crown (CZK)		1		1
Others	(1)	-		(1)
TOTAL	**(1)**	**(4)**		**(5)**

Interest rate swaps

In order to hedge its exposure to variations in the LIBOR rate applied to reimbursements on the multi-currency confirmed line of credit (see note 4.16), the Group has contracted a series of swaps to fix the interest rate on a portion of its outstanding borrowings. These swaps mature in February 2012 and their fair value as of August 31, 2010 was 14 million euro.

For accounting purposes these swaps are classified as cash flow hedges. During the year, 6 million euro were recycled from shareholders' equity to financial expense. No ineffectiveness has been recognized in financial income or expense.

Changes in fair value of cash flow hedging instruments, recognized in shareholders' equity (in millions of euro):

Opening balance	**(30)**
Change in fair value for the period	(9)
Change in fair value of associates [1]	(13)
Fair value items recognized in financial income or expense	6
Total changes recognized in shareholders' equity	**(16)**
Cumulative changes in fair value of financial assets on instruments designated as hedges as of August 31, 2010	**(46)**

(1) Certain associates accounted for under the equity method have hedged their variable rate debt. The impacts on the measurement of these instruments on the Group interest in the income and shareholders' equity of these entities is reflected in the above table.

Impact of hedging instruments on Sodexo gross borrowings [1]

Currency hedges:

	August 31, 2010				August 31, 2009			
Sodexo gross borrowings *(in millions of euro)*	**Excluding hedging transactions**		**After hedging transactions**		**Excluding hedging transactions**		**After hedging transactions**	
Euro (EUR)	1,785	66%	1,786	66%	1,788	67%	1,786	67%
US Dollars (USD)	710	26%	710	26%	693	26%	625	24%
Brazilian Real (BRL)	153	6%	191	7%	128	5%	160	6%
UK Sterling (GBP)	4	n/s	47	2%	1	n/s	98	4%
Other currencies	46	2%	(32)	(1%)	42	2%	(21)	(1)%
Sub-total	**2,697**	**99%**	**2,702**	**100%**	**2,652**	**100%**	**2,648**	**100%**
Fair value of derivative financial instruments	5	1%			(4)	n/s		
TOTAL	**2,702**	**100%**	**2,702**	**100%**	**2,648**	**100%**	**2,648**	**100%**

(1) Including the net fair value of derivative financial instruments and excluding bank overdrafts.

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Interest rate swaps:

August 31, 2010 *(in millions of euro)*	Less than 1 year		1-5 years		More than 5 years		Total	
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable
Gross borrowings before hedges	125	25	1 649	589	292	4	2 066	618
Hedges			292	(292)			292	(292)
Fair value of derivative financial instruments				19				19
Gross borrowings after hedges	**125**	**25**	**1 941**	**316**	**292**	**4**	**2 358**	**345**

The average rate of interest before hedging is 4.8%, versus 5.2% after effects of hedges using derivative financial instruments.

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

4.18 Long-term employee benefits

(in millions of euro)	August 31, 2010	August 31, 2009
Net plan assets*	**0**	**(1)**
Defined-benefit plans	212	147
Other long-term employee benefits	136	110
Employee benefits	**348**	**257**

* *Reported in "Other non-current assets" in the balance sheet.*

4.18.1 Post-employment benefits

Defined-contribution plans

Under a defined-contribution plan, periodic contributions are made to a separate entity that is responsible for the administrative and financial management of the plan. Under such a plan, the employer is relieved of any future liability, as the external entity is responsible for paying benefits to employees as they fall due.

Contributions to defined-contribution plans for Fiscal 2010 were recognized in operating expenses for 260 million euro (263 million euro for Fiscal 2009).

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

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 balance sheet;
- in the United Kingdom, Sodexo's obligation relates to a complementary retirement plan including coverage 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.

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 recognized in full 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 balance sheet.

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

Amounts shown in the balance sheet for defined-benefit plans are as follows:

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Net plan assets*	(0)	(1)
Defined-benefit plans**	212	147

* *Reported in "Other non-current assets" in the balance sheet.*
** *Reported as a liability in the balance sheet under "Employee benefits".*

These amounts are detailed below:

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Present value of funded obligations	689	532
Fair value of plan assets	(588)	(485)
Present value of partially funded obligations	**101**	**47**
Present value of unfunded obligations	113	101
Unrecognized past service cost	(2)	(2)
Other unrecognized amounts		
NET OBLIGATION IN THE BALANCE SHEET	**212**	**146**

As described in note 2.17.2., Sodexo recognizes actuarial gains and losses arising during the period to be recognized net of deferred tax in the statement of comprehensive income.

Cumulative actuarial gains and losses reported in the statement of comprehensive income as of August 31, 2010 represented a net actuarial loss of 61 million euro. Cumulative actuarial gains and losses recognized in equity as of August 31, 2009 represented a net actuarial gain of 1 million euro. This increase in actuarial losses resulted primarily from the decline in interest rates in the countries where the obligation is held, notably in the United Kingdom.

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Defined benefit plan assets comprise:

(in millions of euro)	August 31, 2010	August 31, 2009
Equities	102	87
Government bonds	61	49
Corporate bonds	0	0
Insurance policies	383	310
Real estate	25	24
Cash	17	15
TOTAL	**588**	**485**

The amount reported in the income statement for defined-benefit plans comprises:

(in millions of euro)	August 31, 2010	August 31, 2009
Current service cost	21	18
Interest cost	36	34
Expected return on plan assets	(34)	(33)
Curtailments and settlements	(3)	(1)
Amortization of unrecognized past service cost & other	2	0
NET EXPENSE	**22**	**18**

This net expense is recorded on the following lines:

- 11 million euro (10 million euro in Fiscal 2009) in cost of sales;
- 0 million euro (1 million euro in Fiscal 2009) in selling costs;
- 9 million euro (6 million euro in Fiscal 2009) in administrative costs;
- the remaining charge (financing cost and expected return on plan assets) in financial income or expense (see note 4.2).

Changes in the present value of the defined-benefit plan obligation since the Group's adoption of IFRS are shown below:

(in millions of euro)	2010	2009	2008	2007	2006
Obligation as of September 1,	**633**	**568**	**642**	**694**	**610**
Current service cost	21	18	22	38	35
Interest cost	36	34	32	32	27
Actuarial (gains)/losses	84	55	(29)	(83)	37
Past service cost	0	2	(2)	0	1
Effect of curtailments and settlements	(4)	(1)	(1)	(4)	(2)
Contributions made by plan members	6	5	6	6	7
Benefits paid from plan assets	(14)	(14)	(14)	(15)	(26)
Benefits paid other than from plan assets	(11)	(10)	(13)	(24)	0
Business combinations	3	2	1	1	0
Translation differences	37	(37)	(77)	(4)	5
Other	10	11	0	2	0
OBLIGATION AS OF AUGUST 31,	**802**	**633**	**568**	**642**	**694**

Of the 84 million euro of net actuarial losses arising in Fiscal 2010, a loss of 13 million euro resulted from experience adjustments related to the obligation.

Changes in the fair value of plan assets since the Group's adoption of IFRS are shown below:

	2010	2009	2008	2007	2006
Fair value of assets as of September 1,	**485**	**520**	**509**	**434**	**388**
Expected return on assets	34	33	34	29	26
Employer's contributions	19	16	64	40	40
Actuarial (gains)/losses	22	(37)	(6)	18	(4)
Effect of curtailments and settlements	(1)	0	0	(2)	(2)
Contributions made by plan members	6	5	6	6	7
Benefits paid from plan assets	(14)	(14)	(14)	(15)	(26)
Business combinations	1	0	0	0	0
Translation differences	29	(38)	(73)	(3)	5
Other	7	0	0	2	0
FAIR VALUE OF ASSETS AS OF AUGUST 31,	**588**	**485**	**520**	**509**	**434**

The following assumptions were used for actuarial valuations for the principal countries as of August 31, 2010 and 2009:

As of August 31, 2010	France	The Netherlands	United Kingdom	Italy
Discount rate*	3.15% – 4.50%	4.30% – 4.50%	4.80%	3.15%
Salary inflation rate**	2% – 3%	2.5%	3.30%	N/A
General inflation rate	2.00%	2.00%	3.30%	2.00%
Rate of return on plan assets	4.50%	5.40%	7.00%	N/A
Amount of obligation in balance sheet *(in millions of euro)*	41	9	66	33

* Discount rates in each country have been adapted to reflect the term of the plans. Sodexo uses the indexes provided by iBoxx.
** The salary inflation rate disclosed includes general inflation.

As of August 31, 2009	France	The Netherlands	United Kingdom	Italy
Discount rate*	5.50%	5.50%	5.75%	5.50%
Salary inflation rate**	2.5%	2.5%	3.95%	N/A
General inflation rate	2.0%	2.0%	3.45%	2.0%
Rate of return on plan assets	4%-5%	5.3%	7.0%	N/A
Amount of obligation in balance sheet *(in millions of euro)*	31	1	34	38

* Discount rates in each country have been adapted to reflect the term of the plans.
** The salary inflation rate disclosed includes general inflation.

The expected rates of return on plan assets were determined by reference to market expectations of returns for each asset class over the life of the related obligation. For each fund, the expected rate of return is weighted to reflect the proportion of each asset class held by the relevant fund.

With respect to the assumptions provided in the above table, a reduction of 1% in the discount rate, combined with an increase of 0.5% in the inflation rate, would bring the gross obligation to 987 million euro (compared to 802 million euro with the assumptions used as of August 31, 2010). The Group has elected to recognize actuarial gains and losses directly in shareholders' equity, as permitted by the amendment to IAS 19.

The actual return on plan assets in Fiscal 2010 was 56 million euro, compared with an expected return of 34 million euro.

Based on estimates derived from reasonable assumptions, Sodexo will pay 19 million euro into defined-benefit plans in Fiscal 2011.

In the United Kingdom, Sodexo is required by law to conduct a formal review by the plan's actuary every three years, and to administer any shortfall identified at that time by mutual agreement between the plan's trustees and Sodexo UK. The most recent review was conducted on April 5, 2009 and an agreement was reached in August under which Sodexo UK made an exceptional contribution of GBP 2.25 million (2.6 million euro) into the plan in September 2010. The next review is scheduled to take place on April 5, 2012, unless the trustees and the company agree to bring it forward.

4.18.2 Other employee benefits

Other employee benefits mainly comprise a liability related to a deferred compensation program in the United States and obligations relating to long-service awards.

Amounts reported in the balance sheet for other long-term employee benefits

(in millions of euro)	August 31, 2010	August 31, 2009
Other long-term employee benefits	136	110

The total expense recognized with respect to these benefits in Fiscal 2010 was 23 million euro. This figure includes 2.4 million euro for a deferred compensation program in the United States, reported in financial expense.

4.19 Provisions

(in millions of euro)	August 31, 2009	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, 2010
Tax and social security exposures	24	14	(3)	(4)	(1)			30
Employee claims and litigation	20	15	(7)	(3)	2			27
Contract termination and loss-making contracts	23	11	(11)	(4)	1			21
Client/supplier claims and litigation	9	6	(2)	(2)	3			14
Negative net assets of associates*	15				9			23
Other provisions	8	7	(2)	(1)	(1)			11
TOTAL	**99**	**53**	**(25)**	**(14)**	**13**			**126**

* 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, 2010 Current provisions	August 31, 2010 Non-current provisions	August 31, 2009 Current provisions	August 31, 2009 Non-current provisions
Tax and social security exposures	17	13	13	11
Employee claims and litigation	16	11	15	5
Contract termination and loss-making contracts	14	7	16	7
Client/supplier claims and litigation	8	6	6	3
Negative net assets of associates*		23		15
Other provisions	7	4	3	5
TOTAL	**62**	**64**	**53**	**46**

* *Negative net assets of associates (see note 4.9).*

4.20 Trade and other payables

(in millions of euro)	August 31, 2010	August 31, 2009
Other non-current liabilities	243	106
TOTAL OTHER NON-CURRENT LIABILITIES	**243**	**106**
Advances from clients	241	264
Trade payables	1,444	1,271
Employee-related liabilities	904	803
Tax liabilities	218	183
Other operating liabilities	87	85
Deferred revenues	51	42
Other non-operating liabilities	40	41
TOTAL TRADE AND OTHER CURRENT PAYABLES	**2,985**	**2,689**
TOTAL TRADE AND OTHER PAYABLES	**3,228**	**2,795**

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

Maturities of trade and other payables *(in millions of euro)*	Carrying value	Undiscounted contractual value
Less than three months	2,426	2,425
More than three months and less than six months	314	315
More than six months and less than twelve months	229	229
More than one year and less than five years	156	168
More than five years	103	141
TOTAL TRADE AND OTHER PAYABLES	**3,228**	**3,278**

4.21 Deferred taxes

(in millions of euro)	August 31, 2010	August 31, 2009
Deferred tax assets	162	93
Deferred tax liabilities	(122)	(99)
DEFERRED TAX ASSETS (NET)	**40**	**(6)**

Including the effect of the deferred tax liabilities described in note 4.15.

Deferred tax assets not recognized because their recovery is not considered probable totaled 35 million euro (49 million euro as of August 31, 2009), including 5 million euro generated by subsidiaries prior to their acquisition (8 million euro as of August 31, 2009).

Deferred taxes comprise:

(in millions of euro)	August 31, 2010	August 31, 2009
• Employee-related liabilities	177	131
• Fair value of financial instruments	5	3
• Other temporary differences	(183)	(153)
• Tax loss carry-forwards	41	13
NET DEFERRED TAX ASSETS (LIABILITIES)	**40**	**(6)**

Including the effect of the deferred tax liabilities described in note 4.15.

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

The principal other temporary differences resulted from the recognition of intangible assets in connection with acquisitions, together with temporary differences arising from the amortization of the tax deductible portion of goodwill in certain countries.

The change in net deferred tax liabilities recognized directly in shareholders' equity as of August 31, 2010 was 18 million euro.

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4.22 Financial instruments

Categories of financial instruments, carrying value, and fair value, by balance sheet item.

Financial assets *(in millions of euro)*	Category	Note	August 31, 2010 Carrying value	August 31, 2010 Fair value	August 31, 2009 Carrying value	August 31, 2009 Fair value
Cash and cash equivalents	Financial assets at fair value through profit and loss, including:	4.14	1,527	1,527	1,204	1,204
	Level 1		33	33	52	52
	Level 2		1,494	1,494	1,152	1,152
Restricted cash and financial assets related to the Motivation Solutions activity	Available-for-sale financial assets, including:	4.11	578	578	597	597
	Level 1		143	143	153	153
	Level 2		435	435	444	444
Clients and other receivables	Loans and receivables at amortized cost	4.13	3,033	3,033	2,728	2,728
Other financial assets	Available-for-sale financial assets	4.11	37	37	39	39
	Loans and receivables at amortized cost	4.11	111	111	93	93
	Financial assets at fair value through profit and loss	4.11				
Derivative financial instruments, assets	Level 2	4.17	6	6	4	4

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: All other instruments.

Financial liabilities *(in millions of euro)*	Category	Note	August 31, 2010 Carrying value	August 31, 2010 Fair value	August 31, 2009 Carrying value	August 31, 2009 Fair value
Bond issues (1)	Financial liabilities at amortized cost	4.16	1,429	1,612	1,430	1,549
Bank borrowings	Financial liabilities at amortized cost	4.16	1,136	1,136	1,086	1,086
Other borrowings and financial debts	Financial liabilities at amortized cost	4.16	118	118	124	124
Bank overdrafts	Financial liabilities at amortized cost		59	59	42	42
Trade and other payables	Financial liabilities at amortized cost	4.20	2,985	2,985	2,689	2,689
Vouchers payable	Financial liabilities at amortized cost	4.23	2,307	2,307	2,077	2,077
Derivative instruments, liabilities	Level 2	4.17	25	25	11	11

(1) Fair value is calculated on the basis of listed bond prices as of August 31, 2010.

4.23 Share-based payment

The Sodexo Board of Directors has granted payment to employees in the form of Sodexo shares under a number of stock option plans.

4.23.1 Principal features of stock option plans

Rules governing stock option plans are as follows:

- contractual life of options: 6-7 years;
- options vest over a four-year period, in 25% tranches for most plans, or in 12.5% tranches for performance-based plans;
- exercise of options is subject to employment by the Group.

For the 2008 and subsequent year plans, 50% of the options granted were subject to the attainment of a certain level of Group net income.

4.23.2 Measurement model applied and assumptions used

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.

In addition to the exercise price of the stock option plans described in note 4.23.3, the table below shows the data used in the valuation model for each plan measured under IFRS 2.

Date of grant	Expected volatility *(%)*	Contractual life *(years)*	Risk-free interest rate *(%)*	Expected dividend yield *(%)*	Expected life *(years)*
January 18, 2005	33.57%	6	3.35%	3.18%	5
June 16, 2005	32.20%	6	3.33%	4.10%	5
January 10, 2006	31.64%	6	3.33%	3.03%	5
January 17, 2007	29.42%	6	4.18%	2.81%	5
January 17, 2007	29.42%	7	4.18%	2.81%	5
April 24, 2007	28.23%	6	4.37%	2.79%	5
April 24, 2007	28.23%	7	4.37%	2.79%	5
September 11, 2007	28.54%	6	4.04%	2.75%	5
January 7, 2008	28.85%	7	4.01%	2.75%	6
January 7, 2008	28.85%	6	3.95%	2.75%	5
September 9, 2008	29.48%	7	4.15%	2.75%	6
September 9, 2008	29.48%	6	4.11%	2.75%	5
January 19, 2009	37.16%	7	3.28%	3.00%	6
January 19, 2009	37.16%	6	2.90%	3.00%	5
January 11, 2010	28.50%	7	2.97%	3.00%	6
January 11, 2010	28.50%	6	2.45%	3.00%	5

The expected life of the options is 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.

The expected volatility of 2008 plans is based on a weighted average of the historical volatility of the shares observed over five years and the implicit volatility.

The risk-free interest rate is the rate on Government bonds 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 exercise once the share price exceeds 20% of the exercise price,
  - 50% of grantees exercise once the share price exceeds 40% of the exercise price;
- grantees not resident in France for tax purposes:
  - 30% of grantees exercise once the share price exceeds 20% of the exercise price,
  - 30% of grantees exercise once the share price exceeds 40% of the exercise price,
  - 30% of grantees exercise once the share price exceeds 70% of the exercise price,
  - 10% of grantees exercise once the share price exceeds 100% of the exercise price.

4.23.3 Initial charge and movements during Fiscal 2010

The stock option expense recognized in the Fiscal 2010 income statement was 9.3 million euro, compared with 12.2 million euro in Fiscal 2009.

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

	August 31, 2010		August 31, 2009	
	Number	**WAP** *(in euro)*	**Number**	**WAP** *(in euro)*
Outstanding at the beginning of the period	**5,959,157**	**39.44**	**5,191,236** (2)	**37.40**
Granted during the period	1,699,700	39.88	1,668,900	39.57
Forfeited during the period	(166,450)	42.20	(220,171)	39.66
Exercised during the period	(784,463) (1)	27.97	(644,231) (3)	24.15
Expired during the period	(4,301)	24.48	(36,577)	23.98
Outstanding at the end of the period	**6,703,643**	**40.83**	**5,959,157** (4)	**39.44**
Exercisable at the end of the period	**2,223,047**	**40.59**	**2,120,052**	**35.42**

(1) The weighted average share price at the exercise date of options exercised in the period was 43.40 euro.
(2) Including 107,266 options not accounted for in accordance with IFRS 2 because either (i) they were granted before November 7, 2002 or (ii) they were granted after November 7, 2002 but vested prior to January 1, 2005.
(3) The weighted average share price at the exercise date of options exercised in the period was 38.65 euro.
(4) The number of options not recognized in accordance with IFRS 2 because either (i) they were granted before November 7, 2002 or (ii) they were granted after November 7, 2002 but vested prior to January 1, 2005 is nil.

The weighted average residual life of options outstanding as of August 31, 2010 was 4.00 years (August 31, 2009: 4.06 years).

The weighted average fair value of options granted during the period was 9.41 euro (during Fiscal 2009: 10.83 euro).

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The table below gives the exercise prices and exercise period for options outstanding as of August 31, 2010:

Date of grant	Start date of exercise period	Expiration date of exercise period	Exercise price	Number of options outstanding as of August 31, 2010
January 2005	January 2006	January 2011	23.08 euro	236,789
June 2005	June 2006	June 2011	26.02 euro	5,004
January 2006	January 2007	January 2012	34.83 euro	517,717
January 2007	January 2008	January 2013	47.82 euro	731,620
January 2007	January 2008	January 2014	47.82 euro	457,047
April 2007	April 2008	April 2013	55.36 euro	1,602
April 2007	April 2008	April 2014	55.36 euro	20,014
September 2007	September 2008	September 2013	47.17 euro	40,028
January 2008	January 2009	January 2015	42.27 euro	554,074
January 2008	January 2009	January 2014	42.27 euro	889,847
September 2008	September 2009	September 2015	45.56 euro	30,000
September 2008	September 2009	September 2014	45.56 euro	15,000
January 2009	January 2010	January 2016	39.40 euro	603,387
January 2009	January 2010	January 2015	39.40 euro	923,014
January 2010	January 2011	January 2017	39,88 euro	635,950
January 2010	January 2011	January 2016	39,88 euro	1,042,550
TOTAL				**6,703,643**

4.23.4 Plans awarded following the acquisition of Sodexho Marriott Services

The Group committed to delivering 3,044,394 Sodexho Alliance SA shares to Sodexho, Inc. employees at an average price of 29.01 US dollars per share under stock option plans assumed in connection with the June 2001 acquisition of 53% of the capital of Sodexho Marriott Services, Inc. As of August 31, 2010, 81,895 of these shares were still deliverable.

As of August 31, 2010, all of these remaining options were exercisable prior to November 2012.

These option plans were not recognized under IFRS 2 because they were granted prior to the effective date of IFRS 2 in November 2002 and because the rights under the plans vested prior to January 1, 2005.

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

	August 31, 2010		August 31, 2009	
	Number	WAP *($)*	Number	WAP *($)*
Outstanding at the beginning of the period	**213,669**	**26.31**	**323,147**	**25.36**
Granted during the period				
Forfeited during the period	1,244	33.41	(5,983)	24.79
Exercised during the period	(129,102) [1]	24.81	(103,495) [2]	23.42
Expired during the period	(3,916)	22.32		
Outstanding at the end of the period	81,895	28.98	213,669	26.31
Exercisable at the end of the period	**81,895**	**28.98**	**213,669**	**26.31**

(1) The weighted average share price at the exercise date of options exercised in the period was USD 58.65.
(2) The weighted average share price at the exercise date of options exercised in the period was USD 52.68.

The table below gives the exercise price of options outstanding as of August 31, 2010:

Date of grant	Exercise price *(USD)*	Number of options outstanding as of August 31, 2010
November 6, 1997	29.99	16,816
December 15, 2000	28.14	61,768
April 2, 2001	39.68	3,311
TOTAL		**81,895**

4.24 Business combinations

There were no material acquisitions in Fiscal 2010.

The impact of the acquisitions made in the prior year on the Group's balance sheet as of August 31, 2009 is summarized in the table below.

(in millions of euro)	Net carrying value at acquisition date	Adjustments to fair value and to conform accounting principles	Fair value amount
Other intangible assets	1	133	134
Property, plant and equipment	28		28
Financial assets	7		7
Short-term receivables	197		197
Cash	24		24
Financial borrowings and other long-term debt	(73)	(11)	(84)
Provisions contingencies	(10)		(10)
Deferred taxes	5	(45)	(40)
Short-term debt	(196)		(196)
Net assets acquired	**(17)**	**77**	**60**
Goodwill			**455**
Cost of principal acquisitions in the period*			**(515)**
Cost of other acquisitions			**(37)**
Cash acquired			**24**
Impact on statement of cash flows			**(528)**

* *Including 15 million euro of acquisition costs and 20 million euro of minority interests.*

Intangible assets primarily include customer relationships, brands and franchise agreements. Amortization lives for these intangible assets were determined by management to range from 5 to 20 years based on estimated attrition rates for customer relationships and franchise agreements and over the estimated useful life for brands. Goodwill corresponds to the residual amount, after allocation of the acquisition price to the fair value of identified assets and liabilities, and represents the value of the human capital, market shares and earnings capacity of the acquired companies.

4.25 Commitments and contingencies

4.25.1 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 2010 are immaterial.

4.25.2 Operating lease commitments

Outstanding commitments over the residual term of operating leases totaled 484 million euro as of August 31, 2010 with the following maturities:

- less than 1 year: 123 million euro;
- 1 to 3 years: 164 million euro;
- 3 to 5 years: 87 million euro;
- more than 5 years: 109 million euro.

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;
- the rent for office premises of 337 million euro. 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 50.2 million euro. The leases and

lease renewals signed by Sodexo France and Sodexo, Inc. for their office premises represent operating lease commitments of 38.5 million euro and 34.2 million euro respectively.

4.25.3 Other commitments given

(in millions of euro)	August 31, 2010					August 31, 2009
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total	Total
Financial guarantees to third parties	1	8	0	0	9	8
Site management commitments	11	13	9	7	40	51
Performance bonds given to clients	4	0	0	139	143	123
Other commitments	1	18	0	1	20	3
TOTAL	**17**	**39**	**9**	**147**	**212**	**185**

Financial guarantees to third parties mainly comprise bank subordinated debt commitments under public private partnership (PPP) contracts (see note 2.3.2.) totaling 8 million euro.

Performance bonds given to clients are subject to regular review by the management at operating entity level. A provision is recorded as soon as payment under a performance bond becomes probable.

The Group also has performance obligations to clients, but regards these as having the essential features of a performance bond 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 balance sheet with respect to these guarantees.

The Group 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 2,000,000 hours.

4.26 Related parties

4.26.1 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, 2010	August 31, 2009
Short-term employee benefits	9,509,655	11,202,895
Post-employment benefits	329,889	303,470
Stock option expenses	4,252,750	3,975,478
TOTAL	**14,092,294**	**15,481,843**

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 2010, 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.

4.26.2 Related companies

Subsidiaries

Sodexo SA provides management and co-ordination services for the entire Sodexo Group.

In connection with these services, Sodexo SA received fees totaling 187 million euro from its subsidiaries during Fiscal 2010.

Other companies

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

Loans	Gross value as of August 31, 2010	Impairment as of August 31, 2010	Carrying amount as of August 31, 2010	Carrying amount as of August 31, 2008
Companies consolidated by the equity method	89	0	89	75
Non-consolidated companies	1	(1)	0	0

Off balance sheet commitments	August 31, 2010	August 31, 2009
Commitments to third parties		
Companies consolidated by the equity method	8	8
Non-consolidated companies		
Performance bonds given to clients		
Companies consolidated by the equity method	64	59
Non-consolidated companies		

Revenues generated	Fiscal 2010	Fiscal 2009
Companies consolidated by the equity method	282	280
Non-consolidated companies	0	0

Operating expenses recognized	Fiscal 2010	Fiscal 2009
Companies consolidated by the equity method	1	1
Non-consolidated companies	0	0

Net financing costs	Fiscal 2010	Fiscal 2009
Companies consolidated by the equity method	5	6
Non-consolidated companies	0	0

Principal shareholder

As of August 31, 2010, Bellon SA held 37.71% of the capital of Sodexo SA.

During Fiscal 2010, Bellon SA invoiced Sodexo SA a total of 5.6 million euro for assistance and advisory services under a contract between the two companies.

During the first half of Fiscal 2010, the Annual Shareholders' Meeting of Sodexo approved the payment of a dividend of 1.27 euro per share. Consequently, Bellon SA received a dividend payment of 75.2 million euro in February 2010.

4.27 Group employees

As of August 31, 2010, Group employees comprised:

	August 31, 2010
Executives, middle management, site managers and supervisory staff	46,540
Front-line service staff and other employees	332,597
TOTAL	**379,137**

Group employees by activity and region were as follows:

	On-site Service Solutions							
	North America	Continental Europe	United Kingdom and Ireland	Rest of the world	Total	Motivation Solutions	Holding Companies	Total
TOTAL	**122,406**	**101,219**	**34,764**	**116,885**	**375,274**	**3,466**	**397**	**379,137**

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, significant effects on Sodexo and/or the Group's financial position or profitability.

4.29 Subsequent events

At the end of January 2009, Sodexo joined the Metrix consortium, named preferred bidder for the British Ministry of Defense tender for the design and implementation of the "Defence Training Review," a program to meet the British armed forces' training needs for the next 30 years. On 18 October 2010, as part of wider spending cuts, the British Government terminated the exclusive procurement system of this project in its current form. Pursuant to this announcement, an impairment of financial assets of 15 million euro was recognized in order to cover certain expenditures incurred by the Group for which recovery is not certain at this time (see note 4.11).

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 US 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	< 3 months	> 3 months and < 6 months	> 6 months and > 1 year	1 – 5 years	> 5 years	Total
Financial liabilities excluding hedging effects	**4.16**	**56**	**37**	**57**	**2,238**	**296**	**2,684**
Fixed rate liabilities (excluding hedging effects)		46	35	44	1,649	292	2,066
Variable rate liabilities (excluding hedging effects)		10	2	13	589	4	618
Hedging effects	**4.17**				19		19
On fixed rate liabilities					292		292
On variable rate liabilities		0			(273)		(273)
Financial liabilities including hedging effects	**4.17**	56	37	57	2,257	296	2,702
Of which fixed rate liabilities (including hedging effects)		46	35	44	1,941	292	2,358
Of which variable rate liabilities (including hedging effects)		10	2	13	316	4	345

	Impact on income before tax	Impact on shareholders' equity before tax
Impact of a 50 basis point increase in interest rates	(2)	2
Impact of a 50 basis point decrease in interest rates	2	(2)

5.1.2 Estimate of risk of loss on the net foreign currency position in the event of a uniform unfavorable movement of 0.01 euro against all currencies listed

Currency risk hedging

Before currency hedging *(in millions of euro)*	**Dollar USD**	**Real BRL**	**Sterling GBP**	**Bolivar Fuerte VEF**
Closing rate as of August 31, 2010	*0.789*	*0.447*	*1.212*	*0.096*
Monetary assets				
Working capital and other receivables	684	311	189	4
Deferred tax assets	97	17	22	2
Cash and cash equivalents	299	348	85	82
TOTAL MONETARY ASSETS	**1,080**	**676**	**296**	**88**
Monetary liabilities				
Financial liabilities	713	153	4	
Working capital items and other liabilities	1,160	588	320	69
Deferred tax liabilities	45	51		
TOTAL MONETARY LIABILITIES	**1,918**	**792**	**324**	**69**
Net position	**838**	**116**	**28**	**(19)**
Net income before tax	166	73	68	19

After currency hedging *(in millions of euro)*	**Dollar USD**	**Real BRL**	**Sterling GBP**	**Bolivar Fuerte VEF**
Closing rate as of August 31, 2010	*0.789*	*0.447*	*1.212*	*0.096*
Monetary assets				
Working capital and other receivables	684	311	189	4
Deferred tax assets	97	17	22	2
Cash and cash equivalents	299	348	85	82
TOTAL MONETARY ASSETS	**1,080**	**676**	**296**	**88**
Monetary liabilities				
Financial liabilities	713	191	46	
Working capital items and other liabilities	1,160	588	320	69
Deferred tax liabilities	45	51		
TOTAL MONETARY LIABILITIES	**1,918**	**830**	**366**	**69**
Net position	**838**	**154**	**28**	**(19)**
Net income before tax	166	73	68	19

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Sensitivity to exchange rates

Impact of a 1% appreciation of the exchange rate of the following currencies against the euro August 31, 2010 *(in million euro)*	Impact on revenues	Impact on operating profit	Impact on income before tax
Dollar USD	56	3	2
Réal BRL	6	1	1
Sterling GBP	12	1	0
TOTAL	**74**	**5**	**3**

A change of 1% in currency exchange rates has no effect on shareholders' equity.

5.2 Exposure to liquidity risk

The characteristics of the Group's borrowings and bond issuances as of August 31, 2010 are described in detail in note 4.16 of the consolidated financial statements.

The Group's financial policies require that all external financing be approved by the Chief Financial Officer, the Chief Executive Officer, or the Board of Directors, depending on the nature and amount. 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.

In addition, the Group's financial policies have been designed to avoid speculative positions and any risk related to financing, treasury management and the choice of financial counterparty.

5.3 Exposure to counterparty risk

Sodexo seeks to manage and spread its counterparty risk as a matter of policy. 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 equivalent international contract.

Counterparty risk relating to customer accounts receivable is immaterial. Due to the Group's geographic and segment spread, there is no concentration of risks concerning individual receivables falling due and on which impairment has not been recognized. Moreover, the Group has not observed any significant change in impacts relating to customer default in the course of the period.

The main counterparty risk concerns the banks. The Group has limited its exposure to counterparty risk by diversifying its investments and limiting the concentration of risk in the hands of each of its counterparties. Transactions are conducted with highly creditworthy counterparties having due regard to country risk. The Group has instituted a regular reporting of the risk spread between counterparties and of their quality.

To reduce this risk further, at year end the Group has instituted a cash pooling mechanism between its main subsidiaries thus reducing the amount of liquidity held by third parties.

The maximum counterparty is 10% of the Group's operating cash (including restricted cash and financial assets of the Motivation Solutions activity) with an international banking group with a rating of A1.

6. SCOPE OF CONSOLIDATION

The table below lists the principal companies included in the consolidation as of August 31, 2010.

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 Fiscal 2010 are indicated by the letter "N".

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					
	Société Française de Restauration (consolidated)			On-site	France
	Altys Multiservice			On-site	France
	Société Française de Services			On-site	France
	Société Française de Restauration et Services (consolidated)			On-site	France
	Sodexo Formation			On-site	France
	EXCEL			On-site	France
	Lido SEGSMHI			On-site	France
	SIR			On-site	France
	CIR			On-site	France
	Comrest			On-site	France
	Siges			On-site	France
	La Normande SA			On-site	France
	RGC Restauration			On-site	France
	Sagere			On-site	France
	Saveurs et vie	51%	51%	On-site	France
N	Sodexo Bien-être à Domicile				
	Sogeres (consolidated)			On-site	France
	Yachts de Paris			On-site	France
	Compagnie d'Armateur Fluvial et Maritime	73%	73%	On-site	France
	L'Affiche			On-site	France
EM	Troyes Logipole Services	20%	20%	On-site	France
	Gedex			On-site	France
	Société Française de Propreté			On-site	France
	Millénia	60%	60%	On-site	France
EM	Altima	40%	40%	On-site	France
	Bateaux Parisiens (consolidated)			On-site	France
	Armement Lebert Buisson			On-site	France
	Société des Thermes de Neyrac-les-Bains			On-site	France
	Score Services			On-site	France

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		% interest	% voting rights	Principal activity	Country
France					
	Caro d'As			On-site	France
	Score Consultants			On-site	France
	Sofires			On-site	France
	Score Groupe			On-site	France
	Sherpas			On-site	France
	Sud Ouest Restauration			On-site	France
	Émis			On-site	France
	Altys International			On-site	France
	Sodexho Chèques et Cartes de Services			Motivation	France
	One SAS			HOL	France
	Sodexo Pass International			HOL	France
EM	SSIM	25%	25%	Motivation	France
N	Indigo			Motivation	France
N	Sodexo Solutions de Service sur Site			On-site	France
	One SCA			HOL	France
	Vivaboxes France			Motivation	France
	Tir Groupé			Motivation	France
	Média Cadeaux	60%	60%	Motivation	France
	Cartes Cadeaux Distribution Services	51%	51%	On-site	France
	West Born			On-site	France
N, EM	Cat SAS	35%	35%	On-site	France
N, EM	Creches Attitude	35%	35%	On-site	France
N, EM	Defi JV	18%	50%	On-site	France
N, EM	Defi Creche Combo	18%	35%	On-site	France
N, EM	AMD	35%	35%	On-site	France
N, EM	Pro'Formance	35%	35%	On-site	France
	Sodexo Remote Sites Caribbean			On-site	France
	Sodexo France SAS			HOL	France
	Sodexo Amecaa			HOL	France
	Sofinsod			HOL	France
	Sodexo Etinbis			HOL	France
	Etin			HOL	France
	Gardner Merchant Groupe			HOL	France
	Sodexo Facilities Management			HOL	France
	Holding Sogeres			HOL	France
	One Attitude			HOL	France
	Sodexo Management			HOL	France
	Sodexo Europe			HOL	France

		% interest	% voting rights	Principal activity	Country
France					
	Sodexo Asie Océanie			HOL	France
	Sodexo Grande Chine			HOL	France
	Sodexo IS & T			HOL	France
	Siges Guyane			On-site	France
	Société Hôtelière et de Tourisme de Guyane			On-site	France
	Sodex'Net			On-site	France
	Sodexo Guyane			On-site	France
	Société Guyanaise de Protection et Gardiennage			On-site	France

		% interest	% voting rights	Principal activity	Country
Americas					
	Sodexo, Inc. (consolidated)			On-site	United States
	Sodexo Canada (consolidated)			On-site	Canada
	Jathy Inc.			On-site	Canada
N	Sodexo Holdings Inc.			On-site	United States
N	Sodexo Home Care			On-site	United States
	Delta Catering Management			On-site	United States
	Sodexo Remote Sites (USA) Inc.			HOL	United States
	Sodexo Remote Sites Partnership			On-site	United States
	Sodexo Services Enterprises LLC			HOL	United States
	Energy Catering Services LLC			On-site	United States
	Universal Sodexho Empresa de servicios y Campamentos			On-site	Venezuela
	Universal Sodexho Services de Venezuela			On-site	Venezuela
	Universal Services do Brasil Ltda			On-site	Brazil
	Sodexho do Brasil Comercial Ltda			On-site	Brazil
	Sodexho Argentina			On-site	Argentina
	Sodexo Colombia	65%	65%	On-site	Colombia
	Sodexho Venezuela Alimentaciõn y Servicios	70%	70%	On-site	Venezuela
	Sodexho Costa Rica			On-site	Costa Rica
	Sodexo Mexico			On-site	Mexico
EM	Doyon Universal Services (consolidated)	50%	50%	On-site	United States
	Sodexo Perú			On-site	Peru
EM	Sociedad Concesionaria BAS	33%	33%	On-site	Chile
	Siges Chile			On-site	Chile
	Sodexo Chile (consolidated)			On-site	Chile
	Sodexho Mexico Servicios de Personal			On-site	Mexico

		% interest	% voting rights	Principal activity	Country
Americas					
	Comfort Keepers			Motivation	United States
	Vivaboxes US			Motivation	United States
	Circle Company Associates Inc.			On-site	United States
	Sodexo Rose Holding Company Inc.			HOL	United States
	Sodexo Concierge Services LLC			HOL	United States
	Sodexo Pass USA Inc.			Motivation	United States
	Sodexo Pass do Brazil Servicos e Commercio			Motivation	Brazil
	Sodexho Servicios de Gestion SA			On-site	Chile
N	Siges Chile SA			On-site	Chile
	Sodexho Entrega Comercial			On-site	Brazil
	Sodexho Pass Chile			Motivation	Chile
	Sodexho Pass Venezuela	64%	64%	Motivation	Venezuela
	Sodexho Pass de Colombia	51%	51%	Motivation	Colombia
	SPI Latin America Consultoria Empresarial			Motivation	Brazil
	Sodexo Pass do Brazil Servicos de Inovacao Ltda			Motivation	Brazil
	Sodexho Pass Perou			Motivation	Peru
	Sodexho Pass SA			Motivation	Argentina
	Sodexho Pass Corporate Services SA			Motivation	Uruguay
	Sodexo Motivation Solutions Mexico			Motivation	Mexico
	Sodexho Servicios Operativos			Motivation	Mexico

	% interest	% voting rights	Principal activity	Country
Africa				
Sodexo Afrique			On-site	France
Sodexo Nigeria			On-site	Nigeria
Sodexo Gabon	90%	90%	On-site	Gabon
Sodexho (Angola)			On-site	Angola
SABA			On-site	Tunisia
Sodexho Bénin			On-site	Benin
Sodexho Tchad			On-site	Tchad
Universal Sodexho Ghana	90%	90%	On-site	Ghana
Sodexho Pass Tunisie	82%	82%	Motivation	Tunisia
Sodexo Maroc			On-site	Morocco
Universal Sodexho Guinea Ecuatorial	70%	70%	On-site	Eq. Guinea
Sodexo Cameroun	70%	70%	On-site	Cameroon
Sodexo Congo			On-site	Congo
Sodexo Guinée			On-site	Eq. Guinea
Sodexo Africa			On-site	South Africa
Sodexo Southern Africa (consolidated)			On-site	South Africa
Sodexo Investments Ltd			HOL	South Africa
Wadi Ezzain	75%	75%	On-site	Libya
Sodexo Madagascar			On-site	Madagascar
Sodexo Tanzania			On-site	Tanzania

		% interest	% voting rights	Principal activity	Country
Europe					
	Sodexo Belgium (consolidated)			On-site	Belgium
	Altys Belgium			On-site	Belgium
	Special Event			Motivation	Belgium
	Salesprize			Motivation	Belgium
N	Circles Benelux			On-site	Belgium
	12Link			Motivation	Belgium
	Educadomo			Motivation	Belgium
	Groupe Cheque-List Groep			Motivation	Belgium
	Imagor Services & Cie SNC			Motivation	Belgium
	Vivaboxes International NV			Motivation	Belgium
	Sogeres Monaco			On-site	Monaco
	Altys Suisse			On-site	Switzerland
	Sodexo Suisse			On-site	Switzerland
	Altys SA			On-site	Czech Republic
	Sodexo Luxembourg (consolidated)			On-site	Luxemburg
	Sodexo Italia (consolidated)			On-site	Italy
EM	Fast Point	33%	33%	Motivation	Italy
	Sodexo Prehrana in Storitve			On-site	Slovenia
	Sodexo Oy			On-site	Finland
	Abra Nordic Vending Oy			On-site	Finland
EM	Arandur Oy	33%	33%	On-site	Finland
	Sodexo AB			On-site	Sweden
	Sodexo Restaurang i Göteborg AB			On-site	Sweden
	Carlstad Conference Centre AB			On-site	Sweden
	Sodexo Traffic Oy			On-site	Finland
	Sodexo AS			On-site	Norway
	Sodexo AS			On-site	Denmark
	Sodexo Scandinavian Holding AB			On-site	Sweden
	Sodexo España (consolidated)			On-site	Spain
	Sodexo Facilities Management SA	79%	79%	On-site	Spain
	Sodexo Portugal Restauracao e Servicos			On-site	Portugal
	Sodexo Services GmbH (consolidated)	93.5%		On-site	Germany
	Sodexho Scs GmbH (consolidated)	93.5%		On-site	Germany
	Känne Catering-Service GmbH	93.5%		On-site	Germany
	Gastro-Kanne	93.5%		On-site	Germany
	Sodexo Beteiligungsgesellschaft BV & Co KG	90%	90%	On-site	Germany
	Zehnacker Group GmbH	94%		On-site	Germany

		% interest	% voting rights	Principal activity	Country
Europe					
	Ga tec	89%	95%	On-site	Germany
	Sodexo Germany BV	90%	90%	On-site	Germany
	Sodexo GmbH	94%		On-site	Germany
	Zehnacker Solutions Austria Subconso	91%		On-site	Austria
	Zehnacker AG, Schweiz	93%		On-site	Switzerland
	Aspen Res. Sp.z.o.o.	81%	87%	On-site	Poland
N	Sodexo Romania SRL			On-site	Romania
	Sodexo Ao			On-site	Russia
	Sodexo Euroasia			On-site	Russia
	Sodexho Pass CIS			Motivation	Russia
	Sodexo Pass Motivation Services Srl	75%	75%	Motivation	Moldavia
	Sodexo S.R.O.			On-site	Czech Republic
	Sodexho – Zarizeni Skolniho Stravovani Sro			On-site	Czech Republic
	Sodexo SRO			On-site	Slovakia
	Sodexo Magyarorszag KFT			On-site	Hungary
	Zona Vendeglato KFT			On-site	Hungary
	Sodexo Entegre Hizmet Yonetimi AS			On-site	Turkey
	Sodexo Polska			On-site	Poland
	Sodexo Catering & Facilty Services GmbH	93.5%		On-site	Austria
EM	Agecroft Prison Management Ltd	50%	50%	On-site	United Kingdom
N	Prestige Ticketing Ltd	80%	80%	On-site	United Kingdom
N	Sodexo Defence Training Services Ltd			On-site	United Kingdom
	Sodexo Services Group			HOL	United Kingdom
EM	HpC King's College Hospital (Holdings) Ltd	25%	25%	On-site	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
	Harmondsworth Detention Services	51%	51%	On-site	United Kingdom
	Kalyx			On-site	United Kingdom
EM	Catalyst Healthcare (Romford) Ltd	25%	25%	On-site	United Kingdom
EM	Catalyst Healthcare (Roehampton) Holdings Ltd	25%	25%	On-site	United Kingdom
	Tillery Valley Foods			On-site	United Kingdom
	Rugby Travel & Hospitality Ltd	80%	80%	On-site	United Kingdom
	Sodexo Defence Services			On-site	United Kingdom
	Sodexo Land Technology			On-site	United Kingdom
	Sodexo Investment Services			On-site	United Kingdom
EM	Peterborough Prison Management Ltd	33%	33%	On-site	United Kingdom

		% interest	% voting rights	Principal activity	Country
Europe					
EM	Ashford Prison Services Holdings Ltd	33%	33%	On-site	United Kingdom
	Sodexo Cyprus			On-site	Cyprus
	Sodexo Holdings Ltd			HOL	United Kingdom
	Sodexo Education Services			On-site	United Kingdom
	Sodexo Management Services (consolidated)			On-site	United Kingdom
	Sodexo Healthcare Services Ltd			On-site	United Kingdom
	Sodexo Remote Sites Support Services Ltd			HOL	United Kingdom
	Sodexo Remote Sites Holdings Ltd			HOL	United Kingdom
EM	Catalyst Healthcare (Manchester) Holdings Ltd	25%	25%	On-site	United Kingdom
	Sodexo Remote Sites Europe Ltd			HOL	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	Pinnacle Schools (Fife) Holdings Ltd	10%	10%	On-site	United Kingdom
EM	Enterprise Civic Buildings (Holdings) Ltd	10%	10%	On-site	United Kingdom
EM	Enterprise Education Holdings Conwy Ltd	10%	10%	On-site	United Kingdom
EM	Enterprise Healthcare Holdings Ltd	10%	10%	On-site	United Kingdom
EM	ES 2005 Ltd	50%	50%	On-site	United Kingdom
EM	Addiewell Prison (Holdings) Ltd	33%	33%	On-site	United Kingdom
EM	Healthcare support (North Staffs) Holding Ltd	25%	25%	On-site	United Kingdom
N, EM	Integrated Pathology Partnership		49%	On-site	United Kingdom
N, EM	Rugby Hospitality & Travel 2015 & 2018 Ltd		50%	On-site	United Kingdom
	Vivaboxes UK			Motivation	United Kingdom
N	Circles Concierge UK Ltd			On-site	United Kingdom
	Sodexo Holdings Ireland Ltd			On-site	Ireland
	Sodexo Ireland Ltd			On-site	Ireland
	Sodexo Remote Sites Norway AS			On-site	Norway

	% interest	% voting rights	Principal activity	Country
Europe				
Sodexo Remote Sites The Nederlands BV			On-site	Netherlands
Universal Sodexho Kazakhstan Ltd			On-site	United Kingdom
Universal Services Europe			On-site	Iceland
Sodexo Nederland BV (consolidated)			On-site	Netherlands
Sodexo Altys BV			On-site	Netherlands
Sodexo Pass Luxembourg			Motivation	Luxemburg
Sodexo Pass Belgium (consolidated)			Motivation	Belgium
Sodexho Pass GmbH			Motivation	Germany
Sodexho Pass SRL (consolidated)			Motivation	Italy
Vivaboxes Italy			Motivation	Italy
Sodexo Soluciones de Motivation España SAU			Motivation	Spain
Ticket Menu			Motivation	Spain
Sodexho Motivation Solutions Austria Gmbh			Motivation	Austria
James Concepts AB			Motivation	Sweden
Sodexo Motivation Solutions UK Limited			Motivation	United Kingdom
Sodexo Pass Hungaria			Motivation	Hungary
Sodexho Pass Bulgaria EOOD			Motivation	Bulgaria
Sodexo Pass Ceska Republika			Motivation	Czech Republic
Sodexo Pass Slovak Republik			Motivation	Slovakia
Vouchers Acquisition Corporate Holding BV			Motivation	Netherlands
Sodexo Pass Polska			Motivation	Poland
Sodexo Motivasyon Cozumleri A.S.			Motivation	Turkey
Network Servisleri	50%	50%	Motivation	Turkey
Sodexo Pass Romania			Motivation	Romania
Bluticket Romania			Motivation	Romania
Catamaran Cruisers			On-site	United Kingdom
Compagnie Financière Aurore International			HOL	Belgium

		% interest	% voting rights	Principal activity	Country
Asia, Pacific, Middle East					
	Kelvin Catering Services (Emirates) Ltd	49%	49%	On-site	United Arab Emirates
N, EM	Hestia Facility Management Ltd	49%	49%	On-site	United Arab Emirates
	Teyseer Services Company	49%	49%	On-site	Qatar
N	Sodexo Kazakhstan LLP			On-site	Kazakhstan
	Restauration Française (Nouvelle-Calédonie)	60%	60%	On-site	France
	Sodexo Nouvelle-Calédonie	51%	51%	On-site	France
	Société de Catering du Nord	60%		On-site	France
	Sodexo Réunion			On-site	France
	Sodexo Singapore			On-site	Singapore
	Sodexo Malaysia			On-site	Malaysia
N	Sodexo Malaysia Cafeteria Services	50%	50%	On-site	Malaysia
	Sodexo Hong Kong			On-site	Hong Kong
N	Sodexo Japan KK			On-site	Japan
EM	Sodexo Healthcare Support Services (Thaïland)	26%	26%	On-site	Thailand
	Sodexo Korea Co Ltd			On-site	Korea
	Universal Sodexho Eurasia			On-site	United Kingdom
	Aims Corporation			On-site	Australia
	Sodexo Australia (FM) Pty Ltd			On-site	Australia
	Sodexo Asia Pacific PTE Ltd (consolidated)			On-site	Singapore
N	SPI Asia			HOL	Singapore
	Sodexo Facilities Management Services PTY			On-site	Singapore
	PT Sodexo Indonesia Llc	90%	90%	On-site	Indonesia
	Sodexo Australia (consolidated)			On-site	Australia
EM	Serco Sodexo Defence Services	50%	50%	On-site	Australia
	Sodexo Venues Australia			On-site	Australia
	Sodexo Total Support Services NZ			On-site	New Zealand
	Rugby Travel & Hospitality NZ	80%		On-site	New Zealand
	Sodexo Remote Sites Australia Pty			On-site	Australia
N	Luyjan			On-site	China
	Sodexho Tianjin Service Management Company Ltd			On-site	China
	Sodexo Shanghaï Management Services			On-site	China
	Sodexo Management Company Ltd Shanghaï			On-site	China

		% interest	% voting rights	Principal activity	Country
Asia, Pacific, Middle East					
EM	Shanghaï SAIC Sodexho Services	49%	49%	On-site	China
	Beijing Sodexho Service Company Ltd	95%	95%	On-site	China
	Sodexo (Guangzhou)Management Services Ltd			On-site	China
	Wuhan Innovation Sodexho Services	70%	70%	On-site	China
	Shanghaï Sodexho Pass Service Ltd			Motivation	China
EM	Changchun Faw Industry Sodexo Management Services Co. Ltd	50%	50%	On-site	China
	Sodexo Amarit (Thaïland Ltd)	49%	49%	On-site	Thailand
	Sodexo Support Services (Thailand) Ltd	61%	74%	On-site	Thailand
	Sodexo Thailand Ltd	49%	49%	On-site	Thailand
	Sodexo Project Management Services India Private Ltd			On-site	India
	Sodexo Food Services India Private Ltd			On-site	India
	Sodexho FM Services India Private Ltd			On-site	India
	Universal Remote Sites Services India Pty Ltd			On-site	India
	Sodexo SVC India Private Ltd			Motivation, On-site	India
	Unisol Infraservices Private Ltd			On-site	India
	RKHS Food and Allied Services Private Ltd			On-site	India
	Sodexo Food Solutions India Private Ltd			On-site	India
	Skyline Caterers Pvt Ltd			On-site	India
	Sodexho Pass, Inc.	60%	60%	Motivation	Philippines
	Sodexo Services Liban	60%	60%	On-site	Lebanon
	Sodexo Laos Pvt Ltd			On-site	Laos
	PT Sodexo Motivation Solutions Indonesia			Motivation	Indonesia
	Sodexo International UAE			On-site	United Arab Emirates
	Tariq Alghanim	50%	50%	On-site	Kuwait
	Rogozinsky	49.5%		On-site	Israel
	Chefa Ltd	49.5%	49.5%	On-site	Israel
	Sakhalin Support Services	95%	95%	On-site	Russia
	Allied Support			On-site	Russia

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Statutory Auditors' report on the Consolidated Financial Statements

For the year ended August 31, 2010

Sodexo S.A.
255, quai de la Bataille de Stalingrad
92866 Issy-les-Moulineaux Cedex 9

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, 2010, on:

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

The 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, of the financial position of the Group as at 31 August 2010 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) relating to the justification of our assessments, 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 test, 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 4.18 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 4.18 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 9, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit	KPMG Audit
	Department of KPMG S.A.
Louis-Pierre Schneider	Isabelle Allen

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information 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 financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

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

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1. FINANCIAL RATIOS

		Fiscal 2010	Fiscal 2009
Financial independence	Non-current borrowings / Shareholders' equity and minority interests	0.9	1.1
Debt coverage *(in years)*	Borrowings* / Cash from operations**	3.6	3.9
Return on equity	Profit attributable to equity holders of the parent / Equity attributable to equity holders of the parent (before profit for the period)	17.8%	20.8%
Interest cover	Operating profit / Net interest expense	5.8	6.7

* *Borrowings = non-current borrowings + current borrowings excluding overdrafts – derivative financial instruments recognized as assets.*

** *Net cash provided by operating activities – changes in working capital.*

2. TWO-YEAR FINANCIAL SUMMARY

	Fiscal 2010	Fiscal 2009
Total shareholders' equity	**2,379**	**2,316**
Equity attributable to equity holders of the parent	2,707	2,279
Equity attributable to non-controlling interests	32	37
Borrowings (1)		
Non-current borrowings	2,534	2,547
Current borrowings	175	101
Cash and equivalent, net of bank overdrafts	**1,468**	**1,162**
Restricted cash and financial assets: Motivation Solutions	**578**	**597**
Net borrowings (2)	**(656)**	**(889)**
Revenue	**15,256**	**14,681**
Operating profit	771	746
Profit for the period	430	422
Profit attributable to non-controlling interests	21	29
Profit attributable to equity holders of the parent	**409**	**393**
Average number of shares outstanding	**154,882,488**	**154,630,743**
Earnings per share *(in euro)*	2.64	2.54
Dividend per share *(in euro)*	1.27	1.27
Share price at August 31 *(in euro)*	45.35	40.18
Highest share price in the fiscal year *(in euro)*	50.21	47.90
Lowest share price in the fiscal year *(in euro)*	36.91	31.00

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

3. EXCHANGE RATES

			Closing exchange rate at August 31, 2010	Average exchange rate Fiscal 2010
ISO Code	**Countries**	**Currency**	**1 euro =**	**1 euro =**
CFA	Africa	CFA (thousands)	0.655957	0.655957
DZD	Algeria	Dinar (thousands)	0.096369	0.100681
ARS	Argentina	Peso	5.009500	5.266170
AUD	Australia	Dollar	1.430400	1.531194
BRL	Brazil	Real	2.234700	2.429366
BGN	Bulgaria	Lev	1.955800	1.955800
CAD	Canada	Dollar	1.348900	1.431842
CLP	Chile	Peso (thousands)	0.637720	0.714767

ISO Code	Countries	Currency	Closing exchange rate at August 31, 2010 1 euro =	Average exchange rate Fiscal 2010 1 euro =
CNY	China	Yuan	8.631800	9.291981
COP	Colombia	Peso (thousands)	2.308450	2.654296
KRW	Korea	Won (thousands)	1.520050	1.597874
CRC	Costa Rica	Colon (thousands)	0.646720	0.745486
CZK	Czech Republic	Crown (thousands)	0.024850	0.0256952
DKK	Denmark	Crown	7.444800	7.444086
GHS	Ghana	Cedi (thousands)	1.814700	1.953962
GNF	Guinea	Guinea Franc(thousands)	7.629990	7.201859
HKD	Hong Kong	Dollar	9.865300	10.584133
HUF	Hungary	Forint (thousands)	0.287680	0.273829
INR	India	Rupee (thousands)	0.059675	0.063155
IDR	Indonesia	Rupiah (thousands)	11.471820	12.652115
ISK	Iceland	Crown	290.000000	290.000000
ILS	Israel	Shekel	4.851700	5.154544
JPY	Japan	Yen (thousands)	0.107070	0.122780
KZT	Kazakhstan	Tenge (thousands)	0.186990	0.202362
KRW	Korea	Won (thousands)	1.520050	1.597874
KWD	Kuwait	Dinar	0.365800	0.393353
LBP	Lebanon	Pound (thousands)	1.914830	2.059110
LYD	Libya	Dinar	1.624600	1.719564
MGA	Madagascar	Ariary (thousands)	2.565940	2.817161
MYR	Malaysia	Ringgit	3.993600	4.526864
MAD	Morocco	Dirham	11.066000	11.205450
MXN	Mexico	Peso	16.782000	17.547160
MDL	Moldavia	Leu	15.428100	16.603051
MNT	Mongolia	Togrog (thousands)	1.655350	1.915186
NZD	New Zealand	Dollar	1.818700	1.923278
NGN	Nigeria	Naira (thousands)	0.192720	0.206244
NOK	Norway	Crown	8.024500	8.155378
OMR	Oman	Rial	0.488300	0.525513
PAB	Panama	Balboa	1.270000	1.366755
PEN	Peru	Sol	3.558400	3.901609
PHP	Philippines	Peso	57.456000	63.050772
PLN	Poland	Zloty	4.013500	4.064621
QAR	Qatar	Rial	4.622800	4.974985
RON	Romania	Leu	4.256800	4.208640
RUB	Russia	Ruble (thousands)	0.039103	0.041015
SAR	Saudi Arabia	Rial	4.763100	5.106786
SGD	Singapore	Dollar	1.719300	1.899564

ISO Code	Countries	Currency	Closing exchange rate at August 31, 2010 1 euro =	Average exchange rate Fiscal 2010 1 euro =
SKK	Slovakia	Koruna (thousands)	0.030126	0.030126
ZAR	South Africa	Rand	9.404400	10.247609
SEK	Sweden	Crown	9.389000	9.903560
CHF	Switzerland	Swiss Franc	1.293500	1.439667
TZS	Tanzania	Shilling (thousands)	1.871650	1.830491
THB	Thailand	Baht	39.670000	44.727431
TND	Tunisia	Dinar	1.880500	1.883776
TRY	Turkey	New Lira	1.937300	2.071652
AED	United Arab Emirates	Dirham	4.664100	5.000575
GBP	United Kingdom	Pound	0.824800	0.871986
USD	United States	Dollar	1.268000	1.363020
UYU	Uruguay	Peso	26.479500	27.622083
VEF	Venezuela	Bolivar (thousands)	0.010461	0.010461

4. INVESTMENT POLICY

	Fiscal 2010	Fiscal 2009
Acquisitions of property, plant equipment and intangible assets, plus client investments	255	242
Acquisitions of equity interests	20	552

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 34,000 sites, which are used to support operating activities and are financed by operating cash. None of these investments is individually significant.

Financial investments made in Fiscal 2010 are described in note 4.24 in the notes to the consolidated financial statements.

A detailed description of changes in investments is provided in notes 3.1.2, 4.5.1 and 4.5.2 in the notes to the consolidated financial statements.

5. RISK FACTORS

5.1 Business risks

5.1.1 Risks related to On-site Service Solutions contracts

On-site Service Solutions 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. If Sodexo is unable contractually to recover significant increases in costs (such as labor or food costs), this could have a materially adverse effect on the profitability of the 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, irrespective of the participation rate of consumers on site. The service provider is paid a fixed or variable management fee. Sodexo's purchasing expertise allows it to ensure 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 the allowance income it receives.

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

5.1.2 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 quality, the cost and suitability of its services, and its ability to deliver competitive services that are differentiated from those of the competitors.

Growth in the Motivation Solutions activity depends on Sodexo's ability to achieve geographical expansion and develop new services, and on a trusted brand and established affiliate networks.

5.1.3 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.

Some existing or potential clients may opt to self-operate their On-Site Service Solutions rather than outsource them.

5.1.4 Dependency risk

Although business is dependent 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 manufacturer 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.

5.1.5 Food safety risk

Every day, Sodexo serves a vast number of meals worldwide, and it is committed to the safety of the food and services provided. In order to protect against eventual shortcomings in this area, Sodexo has implemented control procedures designed to ensure strict compliance with applicable regulations. Staff training and awareness policies are rolled out in all countries in which the Group operates.

However, if Sodexo were to incur significant liability at one or more of its sites, this would impact its activities, operating margins and reputation.

5.1.6 Risks related to food cost inflation, increases in indirect costs related to operational activities, 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 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 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 inflation rate.

5.1.7 Facilities Management risk

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

5.2 Employment risk

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 constantly raise standards. For these purposes, 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 an 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 customers.

Since late 2009, Sodexo has been the target of a campaign, in the United States and elsewhere, waged by an American labor union seeking to harm the Group's image with clients, consumers, shareholders and public authorities. Apart from this campaign, as far as it is aware Sodexo is not exposed to any specific labor-related risk other than those that arise in the ordinary course of business for a worldwide group of its size.

5.3 Environmental risk

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).

As part of its role as a corporate citizen, in 2009 Sodexo launched *The Better Tomorrow Plan,* an iterative and continuous improvement program. This plan identifies 14 commitments pertaining to nutrition, health and wellness, local communities, and the environment.

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5.4 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, 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.

Changes in laws or regulations could have a direct impact on the business and/or the services provided. For example, the Motivation Solutions activity is subject to national tax and labor law provisions. Significant changes in these provisions as they relate to the issuance of service vouchers could open up opportunities for new contracts or jeopardize existing ones.

5.5 Interest rate, liquidity, 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 US dollar, the UK pound sterling, the Swedish crown, the Brazilian real, and the Venezuelan bolivar. 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 relating to these risks is found in notes 5.1, 5.2 and 5.3 to the consolidated financial statements.

5.6 Economic downturn risk

Adverse economic conditions could affect the Group's operations and earnings.

The difficult economic climate could depress demand for the services Sodexo offers its clients, in particular in the Corporate segment, with negative consequences for earnings. In addition, public sector clients could be confronted with budget constraints. Nonetheless, Sodexo's clients (accounting for around two-thirds of annual revenues) are predominantly in less cyclical sectors such as Education, Healthcare, Justice and Defense. In addition, the economic situation could lead clients to increase outsourcing in order to achieve cost savings. The Remote sites activity is dependent on the petroleum and mining industries. Lastly, adverse economic conditions could impair the solvency of Sodexo's clients.

5.7 Acquisition risk

Sodexo has acquired and may in the future acquire businesses. Acquisitions 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 not be as significant as 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.

5.8 Litigation risk

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

6. RISK COVERAGE

6.1 Risk coverage

Insurance policies

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

The principal insurance programs relate to:

- 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.

6.2 Risk retention

Sodexo self-insures frequency risks (i.e. risks that recur regularly).

In some countries, these retained risks relate primarily to employer's liability, workers compensation, third-party automobile insurance and property insurance.

Outside North America, deductibles generally vary between 50,000 euro and 150,000 euro per occurrence.

In North America, retained risks range from USD 300,000 to USD 1,000,000 per occurrence. Since June 1, 2006, these risks have been managed through a captive insurance company.

6.3 Placing of risk and total cost

On renewing its insurance policies, Sodexo was able to benefit from the favorable conditions in the insurance market for Fiscal 2009 to extend the scope of its employer's liability and punitive damage policies and improve the level of coverage, especially for risks associated with Facilities Management activities.

The total cost incurred for the principal insurance and risk retention programs (excluding workers' compensation) of fully-consolidated Group companies is approximately 40 million euro, equivalent to less than 0.35% of consolidated revenues.

(1) See Glossary for definition.

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Information on the Issuer

Sodexo SA Individual Company Financial Statements

1. INCOME STATEMENT

(in thousands of euro)	Note	Fiscal 2010	Fiscal 2009
Revenues	**3**	**70,915**	**72,056**
Other income		203,362	193,340
Purchases		(1,257)	(255)
Employee costs		(34,319)	(30,359)
Other external charges		(108,385)	(112,906)
Taxes other than income taxes		(8,065)	(8,613)
Depreciation, amortization and increase in provisions		(4,637)	(3,638)
Operating profit		**117,680**	**109,625**
Financial income/(expense), net	4	147,019	222,999
Exceptional income/(expense), net	5	(25,218)	(1,727)
Profit sharing		(167)	
Income taxes	6	22,268	17,982
Net income		**261,582**	**348,879**

2. BALANCE SHEET

ASSETS

(in thousands of euro)	Note	August 31, 2010	August 31, 2009
Fixed and intangible assets, net			
Intangible assets	7	12,214	11,898
Property, plant and equipment	7	7,447	9,615
Financial investments	7	5,053,387	5,003,218
TOTAL FIXED AND INTANGIBLE ASSETS	**7**	**5,073,048**	**5,024,731**
Current and other assets			
Accounts receivable	9	74,755	67,287
Prepaid expenses, other receivables and other assets	9	109,538	41,066
Marketable securities	11	161,681	90,169
Cash		19,195	11,648
TOTAL CURRENT AND OTHER ASSETS		**365,169**	**210,170**
TOTAL ASSETS		**5,438,217**	**5,234,901**

LIABILITIES AND EQUITY

(in thousands of euro)	Note	August 31, 2010	August 31, 2009
Shareholders' equity			
Common stock		628,528	628,528
Additional paid in capital		1,108,954	1,108,954
Reserves and retained earnings		1,042,518	978,402
RESTRICTED PROVISIONS		**6,964**	**3,721**
Total shareholders' equity	**13**	**2,786,964**	**2,719,605**
Provisions for contingencies and losses	10	86,752	84,399
Liabilities			
Borrowings	14	2,336,498	2,296,903
Accounts payable		17,883	17,969
Other liabilities		210,120	116,025
TOTAL LIABILITIES		**2,651,253**	**2,515,296**
TOTAL LIABILITIES AND EQUITY		**5,438,217**	**5,234,901**

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→ Notes to the Individual Company Financial Statements

1. SIGNIFICANT EVENTS

During Fiscal 2010, Sodexo SA purchased 2,443,198 of the company's shares for a total of 113,292,490 euro.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The individual company financial statements have been prepared in accordance with the *plan comptable général* of 1999 and regulation no. 99-03 issued by the *Comité de la Réglementation Comptable* (CRC).

The accounting policies applied in preparing the individual company financial statements are the same as those applied in Fiscal 2010. The financial statements have been prepared using the historical cost convention.

Amounts in tables are in thousands of euro.

Exceptional items comprise items that do not relate to ordinary activities, and certain items that do relate to ordinary activities but are of an exceptional nature.

The balance sheet and income statement of Sodexo SA include amounts for branches in France and in French overseas departments and regions.

2.1 Fixed assets

Fixed assets are valued at acquisition cost or historical cost. Acquisition cost comprises the amount paid plus all incidental costs directly related to the acquisition or to the installation of the asset, and incurred to enable the asset to function as intended.

Depreciation is calculated over the useful life of the asset using the straight-line method, which is considered to best reflect the underlying economic reality.

2.1.1 Intangible assets

Software is amortized over four to five years, depending on its useful life.

2.1.2 Property, plant and equipment

The principal straight-line depreciation rates used are:

Buildings	5%
General fixtures and fittings	10%-20%
Plant and machinery	10%-25%
Vehicles	25%
Office and computer equipment	20%-25%
Other property, plant and equipment	10%

2.1.3 Financial investments

Shares in companies and other financial investments are carried at cost. At each balance sheet date, a provision for impairment is recorded if the value in use is less than the carrying amount.

The value in use of investments is determined on the basis of net asset value, profitability and the future prospects of the investee.

For the most significant of these investments, Sodexo also evaluated impairment by comparison of the carrying amount to a value in use based on discounted future cash flows, using the following parameters:

- after-tax cash flows derived from three-year business plans prepared by management, and extrapolated after the initial three-year period using a growth rate specific to the business activity and geographic region;
- a discount rate based on the average cost of capital.

Based on the estimated value in use, an investment may be maintained at a carrying amount in excess of the share of book net assets held.

Long-term receivables are carried at face value. A provision for impairment is recorded where the recoverable amount is less than the carrying amount.

2.2 Accounts receivable

Accounts receivable are carried at face value. An allowance for doubtful accounts is recorded where the recoverable amount is less than the carrying amount.

2.3 Marketable securities (excluding treasury shares)

Marketable securities are carried at acquisition cost, with any unrealized losses covered by a provision for impairment.

2.4 Treasury shares and stock options

When it is considered probable that resources will be used to satisfy stock option obligations, the risk is provisioned pro rata over the vesting period. In certain cases, this provision reflects treasury shares that have been allocated to stock option plans.

Treasury shares directly allocated to stock option plans granted to employees are recognized in marketable securities and are accounted for as follows:

- if the exercise price of the options is less than the market price of the shares as of the closing date, a provision is recognized over the vesting period of the options for the difference between the acquisition cost of the shares and the exercise price;
- if the exercise price of the options is higher than the market price of the shares as of the closing date, the shares are evaluated at the lower of the average purchase price and the average market price for the preceding month.

Treasury shares acquired for cancellation purposes are recognized in other financial assets and are not provisioned.

2.5 Foreign currency transactions

Foreign-currency revenues and expenses are translated using the exchange rate as of the transaction date. Foreign-currency liabilities, receivables and cash are translated in the balance sheet at the rate prevailing as of the balance sheet date, unless they are hedged. Any difference arising from the retranslation of foreign-currency liabilities and receivables at the closing exchange rate is recorded in the balance sheet in an asset or liability account. Unrealized foreign exchange losses are recognized to the extent the underlying balance is not hedged.

2.6 Retirement benefits

Retirement benefit obligations due to active employees by law or under collective agreements are included in off balance sheet commitments. Commitments under complementary retirement plans are estimated using the projected unit credit method based on final salary and are also included in off balance sheet commitments, net of any funding for the plan.

2.7 French tax consolidation

Sodexo SA is the lead company in the French tax consolidation, and has sole liability for income taxes for the whole of this tax group. Each company included in the group tax election recognizes the income tax for which it would have been liable had there been no group tax election. Any income tax gains or losses arising from the group tax election are recognized in the Sodexo SA financial statements.

In connection with position statement no. 2005-G issued on October 12, 2005 by the Urgent Issues Committee of the *Conseil National de la Comptabilité* on the conditions under which a provision may be recognized in the books of a parent company covered by a group tax election, Sodexo SA has elected the accounting treatment described below.

A provision for taxes is recognized in the financial statements of Sodexo SA to cover tax losses of subsidiaries which are used to offset income in the group tax election and which will probably be reclaimed by the subsidiary. All tax losses incurred by operating subsidiaries are regarded as probable of being reclaimed by the subsidiary, given that the subsidiary will be able to offset such losses against income once it returns to profitability.

3. ANALYSIS OF NET REVENUES

(in thousands of euro)	Fiscal 2010	Fiscal 2009
Revenues by business activity		
On-site Service Solutions	22,033	22,826
Holding company services	48,882	49,230
TOTAL	**70,915**	**72,056**
Revenues by geographic region		
France	59,861	62,560
French overseas departments and territories	11,054	9,496
TOTAL	**70,915**	**72,056**

4. FINANCIAL INCOME AND EXPENSE, NET

(in thousands of euro)	Fiscal 2010	Fiscal 2009
Dividends received from subsidiaries and equity investments	270,279	314,231
Interest income	41,301	39,032
Interest expense	(126,006)	(130,170)
Net foreign exchange gain/(loss)	(572)	(1,388)
Net change in provisions for financial items	(34,392)	2,785
Other items	(3,591)	(1,491)
TOTAL	**147,019**	**222,999**

The main item pertaining to the net change in provisions for financial items is the provision of 35,855 thousand euro for impairment of equity investments.

5. EXCEPTIONAL ITEMS, NET

(in thousands of euro)	Fiscal 2010	Fiscal 2009
Net change in provision for negative net assets of equity investments	5,845	(96)
Net expense on treasury shares and commitments under stock option plans	(10,728)	6,315
Net change in other provisions for contingencies and losses	(3,243)	(2,411)
Net increase in provisions for tax losses reclaimable by subsidiaries included in group tax election	(17,140)	(7,454)
Net loss on asset disposals	(380)	1,919
Other items	428	
TOTAL	**(25,218)**	**(1,727)**

The net loss of 10,728 thousand euro on treasury shares and purchase commitments for stock option plans comprises:

- an increase of 10,700 thousand euro in the provision for stock options;
- a release of 19,808 thousand euro of the provision for Sodexo SA shares to be acquired;
- a loss on stock options of 19,836 thousand euro.

6. ANALYSIS OF INCOME TAX EXPENSE

(in thousands of euro)	Pre-tax income	Income taxes	After-tax income
Operating income	117,680	(40,501)	77,179
Financial income and expense, net	147,019	26,916	173,935
Exceptional items, net	(25,218)	35,853 [1]	10,635
Employee profit-sharing	(167)		(167)
TOTAL	**239,314**	**22,268**	**261,582**

(1) This amount includes the 22,345 thousand euro tax gain arising from the French group tax election.

A profit sharing agreement was put in place covering employees of the issuer effective for Fiscal 2010.

7. FIXED ASSETS

(in thousands of euro)	Gross value August 31, 2009	Additions in the period	Decreases in the period	Gross value August 31, 2010	Net value August 31, 2010
Intangible assets	13,845	939	22	14,762	12,214
Property, plant and equipment	13,711	330	323	13,718	7,447
Financial investments					
• Equity investments	4,610,490	31,904	1,700	4,640,694	4,520,101
• Receivables related to equity investments	459,290	68,844	8,349	519,785	519,023
• Other financial assets	19,160	2,065	6,960	14,265	14,263
Total financial investments	**5,088,940**	**102,813**	**17,009**	**5,174,744**	**5,053,387**
TOTAL FIXED ASSETS	**5,116,496**	**104,082**	**17,354**	**5,203,224**	**5,073,048**

Following the transfer of *Score Management* into Sodexo SA, a transfer loss representing an unrealized gain on the shares transferred, was recognized in intangible assets for an amount of 8,627 thousand euro. In order to track its value over time, this loss has been recognized as a memo entry to the investment in shares in Score Group held by *Score Management*.

Equity investments

Companies created and acquired

During Fiscal 2010 Sodexo SA created two new foreign subsidiaries in connection with the Group's international expansion.

8. DEPRECIATION AND AMORTIZATION

(in thousands of euro)	Accumulated amortization August 31, 2009	Increases during the period	Decreases during the period	Accumulated amortization August 31, 2010
Intangible assets	1,947	602	1	2,548
Property, plant and equipment	4,095	2,488	313	6,270
TOTAL	**6,042**	**3,090**	**314**	**8,818**

9. AMOUNTS AND MATURITIES OF RECEIVABLES AND OTHER ASSETS

(in thousands of euro)	Gross value	Less than 1 year	More than 1 year	Amortization and provisions	Carrying amount
Equity investments	4,640,694		4,640,694	120,593	4,520,101
Receivables related to equity investments	519,785	422,156	97,629	762	519,023
Other financial investments	14,265		14,266	3	14,263
Total financial investments	**5,174,745**	**422,156**	**4,752,589**	**121,358**	**5,053,387**
Accounts receivable	76,437	76,438		1,683	74,755
Other receivables	110,488	108,691	1,797	950	109,538
Total accounts and other receivables	**186,925**	**185,129**	**1,797**	**2,633**	**184,293**
TOTAL	**5,361,671**	**607,285**	**4,754,386**	**123,991**	**5,237,680**

There are no securitized trade assets.

10. PROVISIONS

(in thousands of euro)	August 31, 2009	Increases and charges in the period	Decreases, releases and reclassifications in the period	August 31, 2010
Provisions for contingencies and losses	84,399	34,457	32,104	86,752
Provisions for impairment				
• financial investments	85,722	36,618	982	121,358
• current assets	3,926	1,391	2,686	2,631
Total provisions for impairment	**89,648**	**38,009**	**3,668**	**123,989**
TOTAL	**174,047**	**72,486**	**35,772**	**210,741**
Comprising				
• operating items		1,546	3,607	
• financial items		42,776	6,210	
• exceptional items		28,144	25,955	

As of August 31, 2010, the main provisions for contingencies and losses were for the following:

- tax losses reclaimable by subsidiaries included in group tax election 45,081 thousand euro;
- obligations related to stock option grants for 12,369 thousand euro, of which 19,808 thousand euro was recognized during the current year;
- related to negative net assets of subsidiaries for 11,891 thousand euro, of which 6,147 thousand euro was released during the current year;
- stock option provisions for 10,870 thousand euro; and
- foreign exchange losses of 6,159 thousand euro.

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01 02 03 04 05 06 07 08 09 10 11 12 13 14

11. MARKETABLE SECURITIES

(in thousands of euro)	Gross value August 31, 2010	Net value August 31, 2010	Net value August 31, 2009
Treasury shares	161,681	161,681	90,169
TOTAL	**161,681**	**161,681**	**90,169**

12. TREASURY SHARES

MOVEMENTS IN TREASURY SHARES DURING THE FISCAL YEAR

(in thousands of euro)	Marketable securities	Other financial assets
Number of shares held		
September 1, 2009	1,889,944	0
Acquisitions	2,443,198	
Disposals	784,463 [1]	
August 31, 2010	3,548,679	0
Gross value of shares held		
September 1, 2009	90,169	0
Acquisitions	113,291	
Disposals	41,779	0
August 31, 2010	161,681	

(1) Disposals of marketable securities resulted from the exercise of stock options granted to employees in prior years.

13. SHAREHOLDERS' EQUITY

13.1 Issued capital

As of August 31, 2010, common stock totaled 628,528,100 euro and comprised 157,132,025 shares, including 39,035,733 carrying double voting rights.

13.2 Changes in shareholders' equity

(in thousands of euro)	
Shareholders' equity at end of previous fiscal year	2,719,605
Dividends approved by Annual Shareholders' Meeting and paid	(199,558)
Dividends on treasury shares	2,092
Net income for the fiscal year	261,582
Restricted provisions	3,243
SHAREHOLDERS' EQUITY AT END OF FISCAL YEAR	**2,786,694**

Sodexo is in compliance with article L. 225-210 of the French Commercial Code because in addition to the legal reserve, it has other reserves at least equal to the value of treasury shares held.

14. AMOUNT AND MATURITY OF LIABILITIES

Other liabilities *(in thousands of euro)*	**Gross amount**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Bond issues	1,421,801	41,801	1,380,000	
Bank overdrafts				
Borrowings from related companies	40,180	4,481	35,699	
Other borrowings	874,517	385,344	205,262	283,911
Sub-total: borrowings	**2,336,498**	**431,626**	**1,620,961**	**283,911**
Accounts payable (1)	17,883	17,883		
Other liabilities	210,120	186,698	9,227	14,195
TOTAL	**2,564,501**	**636,207**	**1,630,188**	**298,106**

(1) Only those accounts payable comprising accrued expenses are included in this line.

There are no bills of exchange included in payables.

Accounts payable by amount and due date *(in thousands of euro)*	**Total**	**< 30 days**	**31 – 44 days**	**45 – 75 days**	**76 – 90 days**	**> 90 days**
Non-Group suppliers (2)	17 711	3,273	16	226	0	14 195
Group suppliers	6 138	6,138	0	0	0	0
TOTAL	**23 849**	**9,411**	**16**	**226**	**0**	**14 195**

(2) Amounts in this line item represent non-Group supplier liabilities including those related to fixed and intangible assets.

15. BOND ISSUES AND OTHER BORROWINGS

15.1 880 million euro bond issue

On January 30, 2009, Sodexo SA issued new bonds for 650 million euro maturing on January 30, 2015 and carrying annual interest of 6.25%.

On June 24, 2009, a 230 million euro complement to this bond issue raised its nominal amount to 880 million euro.

These bonds do not have any financial covenants.

15.2 500 million US dollar bond issue

This private placement bond issue subscribed on September 29, 2008 by US investors comprises three tranches:

- tranche A – 5 years – USD 140 million – interest at 5.69%;
- tranche B – 7 years – USD 290 million – interest at 5.99%;
- tranche C – 10 years – USD 70 million – interest at 6.43%.

This bond issue carries two financial covenants related to the Group's financial performance:

- net debt (excluding restricted cash) no higher than 3.5 times EBITDA (operating profit plus amortization and depreciation) for the past 12 months;
- net assets adjusted for cumulative currency translation effects since August 31, 2007 not lower than 1.3 billion euro.

The Group was in compliance with these ratios as of August 31, 2010.

15.3 2007 bond issue

On March 30, 2007, Sodexo SA issued bonds for 500 million euro, redeemable at par on March 30, 2014. The bonds bear interest at an annual rate of 4.5%, payable annually on March 28.

This borrowing is not subject to any financial covenants.

15.4 Other borrowings

April 2005 multi-currency revolving credit facility

On April 29, 2005, Sodexo SA and Sodexo, Inc. contracted a multi-currency revolving credit facility of up to 460 million euro plus 700 million US dollars. The maturity date of this facility initially was April 29, 2010, but could be deferred at the request of Sodexo SA (subject to consent from the lenders), initially to April 29, 2011 and subsequently to April 26, 2012. On March 27, 2006, the lenders agreed to an initial deferral of the facility to April 29, 2011. On April 18, 2007, Sodexo obtained a further deferral of the facility from the lenders, to April 26, 2012.

As of August 31, 2010, total drawings on this facility amounted to 245 million euro and USD 70 million.

This credit facility is not subject to any financial covenants, but requires the borrower to comply with the standard clauses usually contained in this type of syndicated credit agreement. In the event of non-compliance with these clauses, bankers representing at least two-thirds of the agreed facility are entitled to demand early repayment of the balance outstanding under the facility.

16. ACCRUED EXPENSES

(in thousands of euro)	
Borrowings	59,787
Accounts payable	8,092
Tax and employee-related liabilities	16,714
TOTAL	**84,593**

17. FINANCE LEASES

(in thousands of euro)	Buildings	Other property, plant and equipment	Total
Original cost	281	756	1,037
TOTAL	**281**	**756**	**1,037**
Depreciation			
Accumulated depreciation at start of period	183	493	676
Charge for the period	49	131	180
TOTAL	**232**	**624**	**856**
Lease payments			
Accumulated lease payments at start of period	223	601	824
Lease payments made in the period	48	127	175
TOTAL	**271**	**728**	**999**
Outstanding lease obligations			
Within 1 year	48	127	175
From 1 to 5 years			
More than 5 years			
TOTAL	**48**	**127**	**175**
Of which residual value			
Within 1 year			
From 1 to 5 years	0	0	0
More than 5 years			
TOTAL	**0**	**0**	**0**
Amount expensed during the period	**48**	**127**	**175**

18. RELATED PARTY INFORMATION

(in thousands of euro)	Subsidiaries	Associates
Assets – Gross values		
Equity investments	4,639,577	1,117
Receivables related to equity investments	519,785	
Other investment securities		
Advances to suppliers		
Accounts receivable	47,176	
Other operating receivables		
Due from related companies	15,332	
Non-operating receivables		
TOTAL	**5,221,870**	**1,117**
Liabilities		
Advances from clients		
Accounts payable	7,275	
Other operating liabilities		
Due to related companies	68,914	
TOTAL	**76,189**	
Income statement		
Financial income	312,279	
Financial expenses	43,648	

Subsidiaries: fully consolidated companies.

Associates: companies accounted for under the equity method, and non-consolidated companies with an equity interest of more than 10%.

19. FINANCIAL COMMITMENTS

19.1 Commitments made by Sodexo SA

(in thousands of euro)	August 31, 2010	August 31, 2009
Performance bonds given to Sodexo Group clients	649,964	508,648
Financial guarantees to third parties	464,582	485,697
Retirement benefit commitments	2,594	1,943
Other commitments	54,829	60,232

Virtually all financial guarantees to third parties relate to loans to Sodexo SA subsidiaries.

New 12-year leases signed on October 19, 2006 in connection with the move to the Group's new headquarters in Issy-les-Moulineaux in 2008 increased commitments for office leases by 50 million euro.

19.2 Commitments received by Sodexo SA

(in thousands of euro)

August 31, 2010	August 31, 2009
2,086,973	1,280,669

Sodexo, Inc. has counter-guaranteed Sodexo SA's borrowings.

19.3 Financial instrument commitments

Sodexo SA contracted a new financial instrument commitment during the fiscal year. The only ongoing commitments as of the end of the year were as follows:

Description	Inception date	Expiry date	Notional amount	Interest rate paid	Interest rate received	Market value of swaps August 31, 2010
Interest rate swap contracted to hedge a loan to Sodexo, Inc.	February 2008	February 2012	70,000,000 USD	4.23%	3-month Libor	€(3,078,908)
Currency swaps	November 2009	November 2011	8,000,000 GBP	0.30%	0.26%	€815,872

20. PRINCIPAL FUTURE ADJUSTMENTS TO THE TAX BASIS

Increases *(in thousands of euro)*	
Exceptional amortization	6,964

Reductions *(in thousands of euro)*	
Employee profit-sharing	167
Other non-deductible provisions, including provisions for French “ORGANIC” tax	266

The future tax liability related to this unrealized tax difference is 1,567 thousand euro.

21. RETIREMENT BENEFIT COMMITMENTS

21.1 Retirement benefits payable by law or under collective agreements

Sodexo SA is required to pay benefits to retiring employees on the terms stipulated in a company-wide collective agreement. The amount of the commitment has been calculated on the basis of rights vested at the balance sheet date, taking into account assumptions about final salary, discount rates and employee turnover.

This commitment, which is not recognized as a liability in the balance sheet, is estimated at 489 thousand euro.

21.2 Commitments related to the complementary retirement plan

Sodexo SA also has a commitment with respect to a complementary retirement plan. The amount of the commitment, estimated using the projected unit credit method based on final salary and net of funding for the plan, is 2,105 thousand euro and is not recognized in the financial statements.

22. INDIVIDUAL TRAINING RIGHTS

Sodexo SA is required to provide a certain number of training hours to its employees in France *(“Droit Individuel à la Formation”)*.

As of August 31, 2010 the number of hours available was approximately 14,062.

23. DIRECTORS’ FEES

Directors’ fees paid to Board members in Fiscal 2010 totaled 509 thousand euro.

24. GROUP TAX ELECTION

24.1 Gain arising from group tax election

Sodexo recognized a gain of 22,345 thousand euro from the Group tax election for Fiscal 2010. This gain represents the difference between the income tax liability of Sodexo SA as lead company in the tax group and the aggregate of the income tax charges recognized by the French subsidiaries included in the group tax election.

24.2 Tax losses reclaimable as of August 31, 2010

The amount of potentially reclaimable tax losses as of August 31, 2010 was 130,935 thousand euro. The provision as of that date (using a rate of 34.43%) was 45,081 thousand euro.

25. AVERAGE NUMBER OF EMPLOYEES

Managerial	182
Supervisory	27
Other	39
Apprentices	4
TOTAL	**252**

The average number of employees for the fiscal year is an average of the number of employees in service at the end of each quarter, and comprises employees working at Sodexo SA branches in France and the French overseas departments and regions.

26. CONSOLIDATION

Sodexo SA is consolidated in the financial statements of Bellon SA, which has its registered office at 2, place d'Arvieux, Marseille, France.

27. POST-BALANCE SHEET EVENTS

There were no significant post-balance sheet events.

28. LIST OF SUBSIDIARIES AND OTHER EQUITY INVESTMENTS

(in thousands of euro)	Capital	Other share-holders' equity	Percentage interest in capital	Book value of investment gross	Book value of investment net	Loans and advances granted, net	Guarantees given	Revenues for most recent fiscal year	Net income for most recent fiscal year	Dividends received during the fiscal year
Detailed information										
French subsidiaries										
Score Groupe	10,069	28,931	100.00.%	148,455	148,455			0	2,558	
Sodexo Pass International	157,780	0	93.46.%	147,458	147,458	142,302		0	107,253	51,426
Holding Sogeres	6,098	4,919	100.00.%	104,702	104,702			0	4,615	
Sofinsod	21,283	47,766	100.00.%	72,460	72,460			0	9,911	15,022
Sodexo Amecaa	31,712	0	100.00.%	31,400	31,400		3,943	0	(6,764)	
Sodexo Grande Chine	38,262	0	99.60.%	38,206	2,678			0	(15,401)	
France Entreprise (SFR)	10,643	314	93.49.%	12,553	12,553			501,530	7,287	6,779
Gardner Merchant Group SA	34,330	0	100.00.%	12,348	12,348			4	601	
SFRS	1,899	1,011	86.20.%	9,649	9,649		2,140	223,454	(764)	
OCF	516	0	100.00.%	7,900	7,900			786	7,913	
Sodexo Facilities Management	8,016	0	100.00.%	8,016	8,016			46,492	(292)	2,285
Sodexo IS&T	6,500	0	100.00.%	6,500	6,500			49	(770)	1,546
French equity investments										
Sogeres	1,986	7,069	37.05%	72,567	72,567			442,350	5,222	2,764
Foreign subsidiaries										
Sodexo, Inc.	118	1,898,984	100.00.%	2,377,539	2,377,539	363,641	372,418	5,417,526	114,618	115,525
Sodexo Holdings Ltd	379,243	243,509	100.00.%	751,028	751,028			0	9,396	14,384
Sodexo BV & Co KG (member of Zehnacker Group)	192,722	7,715	89.62.%	177,712	177,712			0	7,411	
Sodexo,Food,Solutions, India,Private, Limited	838	0	100.00.%	97,747	97,747		5,865	66,065	(308)	
Sodexo Scandinavian	56,449	0	100.00.%	86,089	86,089		7,968	0	2,384	
Compagnie Financiere Aurore International	58,010	0	100.00.%	68,918	68,918			0	4,667	
Circles	20,097	0	100.00.%	51,316	51,316			0	(4,877)	
Sodexo Awards	14	54,639	100.00.%	45,684	5,318			0	1,299	
Sodexo Australia	33,393	9,497	100.00.%	36,378	36,378		17,546	71,457	9,263	
Sodexo Rose	37,539	0	100.00.%	32,877	32,877			0	(22)	3,591
Sodexo Belgium	4,300	5,081	73.74.%	26,887	26,887			276,168	5,945	5,460
Sodexo España	3,467	2,464	98.86.%	26,804	26,804			153,055	3,387	2,698
Sodexo Venues Australia	21,467	4,540	100.00.%	21,729	4,873			0	0	
Sodexo Chile	13,277	0	99.61.%	10,911	10,911			213,774	3,589	905
Kalyx	18	0	100.00.%	9,430	9,430		90,687	105,430	11,506	

(in thousands of euro)	Capital	Other share-holders' equity	Percentage interest in capital	Book value of investment gross	Book value of investment net	Loans and advances granted, net	Guarantees given	Revenues for most recent fiscal year	Net income for most recent fiscal year	Dividends received during the fiscal year
Sodexo Mexico	9,106	0	100.00.%	8,673	8,673			31,905	67	
Sodexo India	5,957	0	100.00.%	7,344	7,344			0	(3)	
Sodexo Italia	1,898	89	100.00.%	7,029	7,029			412,853	5,742	
Foreign investments										
Sodexo Gmbh	308	307,384	37.37%	38,702	38,702			0	11,405	
Aggregate information										
Other French subsidiaries				27,211	19,260		1,809			14,235
Other foreign subsidiaries				57,531	38,043	5,791	27,864			35,218
Other French equity investments				415	10					155
Other foreign equity investments				528	528					58
TOTAL				**4,640,694**	**4,520,101**	**511,734**	**530,260**			**272,050**

STATUTORY AUDITORS' REPORT ON THE INDIVIDUAL COMPANY FINANCIAL STATEMENTS

For the year ended August 31, 2010

Sodexo S.A.
255 quai de la Bataille de Stalingrad
92866 Issy-les-Moulineaux Cedex 9

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, 2010, on:

- the audit of the accompanying financial statements of Sodexo S.A.;
- the justification of our assessments;
- the specific verifications and information required by law.

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

I - Opinion on the 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 financial statements are free of material misstatement. An audit involves performing procedures, using sample techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the 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 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 financial statements give a true and fair view of the of the assets and liabilities and of the financial position of the Company as at August 31, 2010, and of the results of its operations for the year then ended in accordance with French accounting principles.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the Commercial Code (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matter:

- Your Company has valued financial investments held in accordance with the accounting principles set out in note 2.1 of the summary of significant accounting policies in the notes to the financial statements. We performed procedures, on a test basis, in order to review the data and assumptions on which the valuations were based and the calculations made by your Company.

The assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III - Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning [the purchase of investments and controlling interests and the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris La Défense, November 9, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit	**KPMG Audit** *Department of KPMG S.A.*
Louis-Pierre Schneider	Isabelle Allen

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information 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 financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

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

STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

For the year ended August 31, 2010

Sodexo S.A.
255, quai de la Bataille de Stalingrad
92866 Issy-les-Moulineaux Cedex 9
Share capital: €. €.628 528 100

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby present our report on the regulated agreements and commitments.

We are not required to ascertain whether any other agreements or commitments exist but to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements and commitments of which we have been informed. It is not our role to determine whether they are useful or appropriate. It is your responsibility, under the terms of article R.225-31 of the French Commercial Code, to assess the merit of these agreements with a view to approving them.

Agreements entered into by the Company during the financial year

We inform you that we have not been advised of any agreements entered into during the financial year ended August 31, 2010, pursuant to article L.225-38 of the French Commercial Code.

Continuing agreements and commitments entered into in prior years

Moreover, in accordance with the French Commercial Code, we have been informed of the following agreements and commitments, which were approved during previous years and continued to apply during the financial year:

1. Chefa share transactions

- Purpose:

  Sofinsod S.A.S. (a wholly-owned subsidiary of Sodexo) owns 49.5% of the share capital of Chefa Ltd. On August 31, 2009, Mr. Rémi Baudin entered into a cross option agreement with Sofinsod S.A.S., granting the latter a call exercisable at any date until July 2016, and granting Mr Rémi Baudin a put exercisable in July 2016 only, on all the Chefa shares held by Mr. Rémi Baudin, which represent 0.6% of Chefa Ltd share capital.
- Terms and conditions:

  This agreement had no impact during the financial year.

2. Assistance and advisory services between Bellon S.A. and Sodexo S.A.

- Purpose:

  Bellon S.A. provides services to Sodexo under an assistance and advisory services agreement.
- Terms and conditions:

  For the year ended August 31, 2010, Bellon S.A. invoiced Sodexo S.A. €5,607,200 excluding VAT.

3. Transactions with Mr. Michel Landel, Chief Executive Officer

- Purpose:

  In the event of the termination of his employment as Chief Executive Officer (unless for reasons of resignation or retirement, and barring his removal from office for serious misconduct or gross negligence), Sodexo will pay Mr. Michel Landel an indemnity equal to two times the gross annual compensation (fixed and variable) he received in the 12 months preceding such termination. The payment of this indemnity is subject to the Sodexo group achieving a minimum 5% year-on-year increase in consolidated operating income, at constant consolidation scope and exchange rates, in each of the three financial years preceding the termination of his appointment.

  Bellon S.A. has granted Mr. Michel Landel entitlements to the Sodexo Group executive retirement benefit plan, in addition to his mandatory retirement benefits.
- Terms and conditions:

  An expense of €159,407 was recorded for the executive retirement plan for the financial year and the total commitment to Mr. Michel Landel amounted to €1,577,681 as at August 31, 2010.

We performed the procedures we considered necessary in accordance with professional guidance issued by the French Institute of Statutory Auditors relating to this engagement. Our work consisted in verifying that the information provided to us was consistent with the documentation from which it was derived.

Neuilly-sur-Seine and Paris La Défense, November 9, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit	KPMG Audit
	Department of KPMG S.A.
Louis-Pierre Schneider	Isabelle Allen

This is a free translation into English of the statutory auditors' report issued in the French language, which is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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Supplemental Information on the Individual Company Financial Statements

1. FIVE-YEAR FINANCIAL SUMMARY

(in euro)	Fiscal 2010 (1)	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006
Capital at end of period					
Issued capital	628,528,100	628,528,100	629,437,128	636,105,652	636,105,652
Number of ordinary shares outstanding	157,132,025	157,132,025	157,359,282	159,026,413	159,026,413
Number of non-voting preferred shares outstanding			-	-	-
Maximum number of potential new shares issuable:					
By conversion of bonds			-	-	-
By exercise of warrants and options			-	-	-
Warrants				-	-
Stock options				-	-
Income statement data					
Revenues excluding taxes	70,914,651	72,056,382	41,976,277	39,020,200	42,117,334
Earnings before income tax, employee profit-sharing, depreciation, amortization and provisions	280,334,403	314,763,639	173,568,558	142,738,625	109,457,262
Income tax	22,267,894	17,981,642	28,984,831	34,627,337	19,431,725
Employee profit-sharing	167,200			-	-
Earnings after income tax, employee profit-sharing, depreciation, amortization and provisions	261,581,611	348,878,824	174,115,194	135,978,445	113,759,209
Dividend payout	212,128,234	199,557,672	199,557,671	182,880,375	151,075,092
Per share data					
Earnings after income tax and employee profit-sharing but before depreciation, amortization and provisions	1.93	2.11	1.29	1.12	0.81
Earnings after income tax, employee profit-sharing, depreciation, amortization and provisions	1.66	2.22	1.11	0.86	0.72
Net dividend per share	1.35	1.27	1.27	1.15	0.95

(1) Subject to approval by the Annual Shareholders' Meeting to be held on January 24, 2011.

(in euro)	Fiscal 2010 [1]	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006
Employee data					
Average number of employees during the fiscal year	252	248	231	198	176
Salary expense for the fiscal year	24,153,262	21,039,372	19,016,424	14,930,987	13,535,263
Social security and other employee benefits paid during the fiscal year	10,166,115	9,319,716	10,520,885	7,472,219	5,823,051

(1) Subject to approval by the Annual Shareholders' Meeting to be held on January 24, 2011.

2. APPROPRIATION OF EARNINGS

(in thousands of euro)	Fiscal 2010 [1]	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006
Net income	261,582	348,879	174,115	135,978	113,759
Retained earnings	664,468	512,156	532,971	577,832	613,189
Retained earnings [2]	2,092	2,991	3,961	2,040	1,959
Transfer to legal reserve	0	0	666	0	0
Transfer to long-term capital gains reserve	0	0	0	0	0
Transfer from long-term capital gains reserve	0	0	0	0	0
Distributable earnings	**928,142**	**864,026**	**711,713**	**715,850**	**728,907**
Net dividend	212,128	199,558	199,557	182,880	151,075
Reserves		0	0	0	0
Retained earnings	716,014	664,468	512,156	532,971	577,832
Number of shares outstanding	**157,132,025**	**157,132,025**	**157,359,282**	**159,026,413**	**159,026,413**
Number of shares entitled to dividend	**157,132,025**	**157,132,025**	**157,132, 025** [3]	**159,026,413**	**159,026,413**
Earnings per share *(in euro)*	**1.66**	**2.22**	**1.11**	**0.86**	**0.72**

(1) Subject to approval by the Annual Shareholders' Meeting to be held on January 24, 2011.
(2) Dividends on treasury shares are not distributed.
(3) Following the transactions relating to common stock in September 2008.

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3. LIST OF INVESTMENTS

Number of shares		Carrying amount as of August 31, 2010
	I) SUBSIDIARIES AND EQUITY INVESTMENTS	
	1- FRENCH COMPANIES	
	**** Subsidiaries**	
100,690,905	SCORE GROUPE	148,454,727
9,216,104	SODEXO PASS INTERNATIONAL	147,457,668
399,995	HOLDING SOGERES	104,701,923
1,330,176	SOFINSOD	72,459,963
1,982,009	SODEXO AMECAA	31,399,929
621,891	France ENTREPRISE (SFR)	12,553,441
2,251,136	GARDNER MERCHANT GROUP SA	12,348,380
109,154	SFRS	9,649,360
500,982	SODEXO FACILITIES MANAGEMENT	8,015,712
2,503	OCF	7,900,000
1,625,000	SODEXO IS&T	6,500,000
	OTHER: net carrying amount < €5,000,000	21,938,809
	**** Equity investments**	
45,998	SOGERES	72,566,845
	OTHERS: net carrying amount < €5,000,000	8,890
	TOTAL – FRENCH COMPANIES	**655,955,647**
	2- FOREIGN COMPANIES	
	**** Subsidiaries**	
195	SODEXO, INC.	2,377,539,202
513,646,471	SODEXO HOLDINGS LTD	751,028,037
3,454,420	SODEXO BV & CO KG (MEMBER OF ZEHNACKER GROUP)	177,711,522
5 000 000	SODEXO FOOD SOLUTIONS INDIA PRIVATE LIMITED	97,746,630
5,300,000	SODEXO SCANDINAVIAN	86,089,349
136,607	COMPAGNIE FINANCIÈRE AURORE INTERNATIONAL	68,918,257
20,100	CIRCLES	51,315,992
62,752	SODEXO AUSTRALIA	36,378,141
200	SODEXO ROSE	27,007,599
29,046	SODEXO BELGIQUE	26,887,366
11,407	SODEXO ESPAÑA	26,804,146
50,700	SODEXO CHILE	10,910,841
15,000	KALYX LTD	9,430,426
86,662,670	SODEXO MEXICO	8,672,833
35,550,102	SODEXO INDIA PRIVATE	7,343,516
1,898,000	SODEXO ITALIA	7,029,452

Number of shares		Carrying amount as of August 31, 2010
1,044,798	SODEXO ARGENTINE	6,182,003
298,500	SODEXO OY	5,323,221
998,000	SODEXO AWARDS	5,317,641
3,000,000	RKHS FOOD AND ALLIED SERVICES PRIVATE LTD	4,872,577
	OTHERS: net carrying amount < €5,000,000	32,156,043
	**** Equity investments**	
3,737	SODEXO GMBH	38,701,811
	OTHERS: < €2,000,000 individually	528,463
	TOTAL – FOREIGN COMPANIES	**3,864,145,394**
	TOTAL – SUBSIDIARIES AND EQUITY INVESTMENTS	**4,520,101,041**
	II) OTHER INVESTMENT SECURITIES	
	Others: net carrying amount < €5,000,000	
	TOTAL – OTHER INVESTMENT SECURITIES	**0**
	III) MARKETABLE SECURITIES EXCLUDING TREASURY SHARES	0
	Others: net carrying amount < €5,000,000	0
	TOTAL – MARKETABLE SECURITIES EXCL. TREASURY SHARES	**0**

08

Legal Information

General Information about Sodexo and its Issued Capital

1. GENERAL INFORMATION ABOUT SODEXO

1.1 Legal name and registered office

Legal name: Sodexo.

Registered office: 255, quai de la Bataille de Stalingrad, 92130 Issy-les-Moulineaux (Hauts-de-Seine), France.

Telephone: +33 (0)1 30 85 75 00.

1.2 Legal form

Sodexo is a société anonyme (joint stock corporation), subject to all of the laws and regulations governing commercial corporations in France, and in particular to the provisions of the French Commercial Code.

1.3 Nationality

French.

1.4 Date of incorporation and expiration (article 5 of the bylaws)

"The Company has a life of 99 years from December 31, 1974, save earlier extension or winding up".

The date of expiration of the company is December 30, 2073.

1.5 Corporate purpose (article 2 of the bylaws)

"The objectives of the Company shall be, in France, the French overseas departments and territories or abroad, directly or indirectly, on behalf of third parties or on its own account or in association with third parties, as follows:

- *the development and provision of all services related to the organization of foodservices and other essential services for corporations and public bodies;*
- *the operation of all restaurants, bars, hotels and more generally all establishments connected with foodservices, the hotel industry, tourism, leisure and other services, and the ownership and financing thereof;*
- *the provision of some or all of the services required for the operation, maintenance and management of establishments or buildings used for office, commercial, industrial, leisure, healthcare or educational purposes, and for the operation and maintenance of some or all of the equipment installed therein;*
- *the execution of all installation, repair, refurbishment and replacement works on installed equipment;*
- *the provision of advice and of economic, financial and technical surveys relating to all projects and to all services associated with the development, organization and operation of the establishments defined above, and in particular all acts in furtherance of the construction of such establishments and all related consultations and assistance;*
- *the formation of all new companies and the acquisition by whatever means of equity interests in all companies irrespective of their corporate objects;*
- *and more generally all civil, commercial, industrial and financial transactions, and transactions involving movable property or real estate, that are directly or indirectly associated with the aforementioned objects or with all similar or related objects".*

1.6 Registration

Sodexo is registered in the Nanterre Register of Commerce and Companies as no. 301 940 219.

1.7 Business identifier code (APE code)

5629B.

1.8 Consultation of legal documents

Documents relating to the Company which are required to be made available to the public (bylaws, reports, letters and other documents, historical individual company and consolidated financial information for each of the two fiscal years preceding the date of this Reference Document) are available on our website www.sodexo.com and may also be consulted at our registered offices at 255, quai de la Bataille de Stalingrad – 92130 Issy-les-Moulineaux, France, preferably by appointment.

1.9 Material contracts

During the last two years, the Company has not entered into any material contracts, other than those signed in the ordinary course of business, creating a material obligation or commitment for the entire Group.

1.10 Fiscal year (article 17 of the bylaws)

"The fiscal year commences on September 1 of each year and ends on August 31 of the following year".

1.11 Appropriation of earnings (excerpt from article 18 of the bylaws)

"(...) 2. The first appropriation of net income, net of any accumulated losses from prior periods, must be an amount of at least 5% of net income to establish the reserve fund required by law. This appropriation ceases to be obligatory once this reserve fund is equal to one-tenth of the issued capital, but must be resumed if for any reason the reserve falls below one-tenth of the issued capital.

3. Distributable earnings comprise net income for the fiscal year, minus any accumulated losses brought forward and any transfer to the legal reserve, plus any retained earnings brought forward.

Distributable earnings are appropriated in the following order:

- **a)** *any sum that the Ordinary Shareholders' Meeting, on the proposal of the Board of Directors, decides to carry forward as retained earnings or to appropriate to the creation of an extraordinary reserve fund, contingency fund or other fund, whether or not created for a specific purpose;*
- **b)** *any surplus is distributed among the shareholders. (...)".*

1.12 Shareholders' Meetings (excerpt from article 16 of the bylaws)

"**1.** *General Shareholders' Meetings are called and deliberate on the terms stipulated by the law. They are held at the registered office or at any other place specified in the notice of the meeting.*

For the purposes of calculating quorum and majority at shareholders' meetings, shareholders taking part in said meetings via video-conferencing or electronic links allowing them to be identified in accordance with the definitions and conditions relating to such links as stipulated in the relevant laws or regulations are deemed to have attended the meeting.

2. *The General Shareholders' Meetings comprise all shareholders whose shares have been paid for in full and for which proof is given of entitlement to attend General Shareholders' Meetings by registration of the shares in the share registry in the name of either the shareholder or, for shareholders not domiciled in French territory, of the registered intermediary for said shareholder's account, by midnight (Paris time) on the third business day preceding the Meeting at the latest.*

Shares shall be registered within the above-stipulated deadline either in share accounts in the shareholder's name held by the Company or via the approved intermediary, or in bearer share accounts held by the approved intermediary.

Members are entitled to attend General Shareholders' Meetings upon simple proof of identity and entitlement. The Board of Directors may, at its discretion, issue personal admission cards to shareholders in their names and demand presentation thereof.

All shareholders may vote remotely as provided by law and the regulations. Equally, all shareholders may take part in discussions when Meetings are in session and vote via electronic data.

3. *Meetings are chaired by the Chairman of the Board of Directors, or in his absence by the Vice-Chairman if one has been appointed, or failing that by the longest-serving Director present.*

If there is no Director present, the meeting elects its own Chairman".

1.13 Double voting rights (excerpt from article 16 of the bylaws)

"Double voting rights, having regard to the percentage of issued capital that they represent, are conferred on:

- *all fully paid shares registered in the name of the same shareholder for at least four years;*
- *registered shares allotted free of charge to a shareholder in the event of an increase in the share capital by conversion of earnings, reserves or additional paid in capital in proportion to existing shares held by that shareholder that enjoy double voting rights".*

1.14 Share ownership declaration thresholds (excerpt from article 9 of the bylaws)

"Any shareholder whose direct or indirect shareholding reaches 2.50% of the Company's issued capital or any multiple thereof is required to inform the Company by registered letter with acknowledgment of receipt within fifteen days. Failure to make such declaration may result in the shares exceeding the threshold being stripped of voting rights on the terms stipulated by law. This declaration requirement applies equally when a shareholding passes below any of the declaration thresholds".

1.15 Known shareholders (excerpt from article 9 of the bylaws)

"The Company can make use of the legal framework available for identifying the holders of shares which have, either immediately or in the future, voting rights at Annual Shareholders' Meetings".

1.16 Modification of shareholders' rights

All modifications to share capital or voting rights attached to the shares therein are subject to legal requirements, as the by-laws do not contain specific provisions.

2. GENERAL INFORMATION ABOUT THE ISSUED CAPITAL

2.1 Five-year summary of changes in issued capital

Date	Description of transaction	Number of shares issued/ cancelled	Nominal increase/ reduction of capital	Number of shares post-transaction	Issued capital post-transaction
06/19/2008	Capital reduction (cancellation of treasury shares)	1,667,131	€6,668,524	157,359,282	€629,437,128
09/09/2008	Capital reduction (cancellation of treasury shares)	804,887	€3,219,548	156,554,395	€626,217,580
09/18/2008	Capital increase(Employee Stock Purchase Plan)	577,630	€2,310,520	157,132,025	€628,528,100

2.2 Securities giving access to capital

As of the date of this Reference Document, there are no securities outstanding, other than equity securities, which would give immediate or future access to the capital of Sodexo.

2.3 Capital authorized but not issued

The Extraordinary Shareholders' Meetings of January 30, 2007, January 22, 2008, and January 19, 2009 authorized the Board of Directors to increase the Company's share capital on one or more occasions by issuance of ordinary shares, and/or all other securities giving immediate or future access to Sodexo shares, or by the capitalization of earnings, reserves or additional paid-in capital, subject to the following limits:

Type of capital increase	Maximum aggregate par value	Date of authorization	Date of expiry
Authorizations with pre-emptive rights			
• Issuance of shares and/or all other securities giving access to Sodexo shares	€63 million	January 25, 2010	March 25, 2012
• Issuance of debt securities giving access to Sodexo shares	€750 million	January 25, 2010	March 25, 2012
Authorizations to issue shares to employees			
• Issuance of ordinary shares and/or all other securities reserved for members of Employee Savings Plans	€1,600,000	January 25, 2010	March 25, 2012
• Stock options [(1)]	10% of the share capital	January 19, 2009	March 19, 2012
Issuance of shares by capitalization of earnings, reserves or additional paid-in capital	€100 million	January 25, 2010	March 25, 2012

(1) Stock options granted by the Board of Directors to Group employees and corporate officers are described on page 253. of this document.
The other authorizations were not utilized during Fiscal 2010.

2.4 Share ownership of Sodexo

In compliance with article L. 233-8 II of the French Commercial Code and article 223-16 of the General Regulation of the *Autorité des marchés financiers* (AMF), each month Sodexo communicates to the AMF and publishes – notably on its website www.sodexo.com – the total number of voting rights and the number of shares comprising the issued capital of Sodexo, if these have changed relative to the previously published information.

2.4.1 Issued capital as of August 31, 2010

Sodexo had issued capital of 628,528,100 euro divided into 157,132,025 shares with a par value of 4 euro each, all fully paid and of the same class. Of these 157,132,025 shares, 39,035,733 carried double voting rights.

Holders of fully-paid Sodexo shares may elect to hold them either as registered shares or as bearer shares identifiable under the relevant laws and regulations, in particular article L. 228-2 of the French Commercial Code.

2.4.2 Share ownership as of August 31, 2010

	Number of shares	% of share capital	Number of voting rights (1)	% of voting rights (1)
Bellon SA	59,252,063	37.71	89,263,140	45.50
First Eagle Investment Management (formerly Arnhold and S. Bleichroeder Advisers) (2)	7,604,954	4.84	14,455,521	7.37
Caisse des Dépôts et Consignations (3)	4,220,853	2.69	5,270,421	2.69
Employees	1,690,445	1.08	2,553,803	1.30
Treasury shares	3,628,226	2.31	3,628,226	1.85
Public	80,735,484	51.37	80,996,647	41.29
TOTAL	**157,132,025**	**100.00**	**196,167,758**	**100.00**

(1) The Company bylaws confer double voting rights on shares that have been registered for more than four years. In addition, in compliance with article 223-11 of the General Regulation of the Autorité des marchés financiers (AMF), the number of voting rights is calculated on the basis of the total number of shares carrying voting rights, including those not entitled to vote such as shares held by the Company and treasury shares.
(2) Acting on behalf of its managed funds (including First Eagle Funds, Inc).
(3) Acting directly and indirectly via its Fonds Stratégique d'Investissement (FSI) subsidiary.

The corporate officers together held less than 0.5% of the Company's share capital directly.

The Company is not aware of any shareholder having increased its shareholding above any legal or statutory ownership level during Fiscal 2010. However, First Eagle Investment Management LLC, acting on behalf of funds managed by it, notified the Company on June 21, 2010 that on June 17, 2010 it had reduced its shareholding to below 5% of the Company's share capital, and that it then held 7,815,824 shares representing 14,666,391 voting rights, or 4.97% of the share capital and 7.48% of the voting rights, on behalf of the said funds. This reduction in shareholding results from the sale of Sodexo shares on the open market.

As of the date of this document, Sodexo is not aware of:

- any other shareholder holding 2.50% or more of the capital or voting rights of Sodexo directly or indirectly, individually, or in concert;
- any shareholders' agreement or other agreement which, if implemented, could result in a change of control of Sodexo.

2.4.3 Changes in share ownership during the last three fiscal years

	August 31, 2010		August 31, 2009		August 31, 2008	
Shareholder	% of capital	% of voting rights	% of capital	% of voting rights	% of capital	% of voting rights
Bellon SA	37.71	45.50	37.71	43.78	37.65	43.79
First Eagle Investment Management (formerly Arnhold and S. Bleichroeder Advisers) (1)	4.84	7.37	5.68	7.99	7.33	6.33
Caisse des Dépôts et Consignations (2)	2.69	2.69	2.61	2.70	3.11	3.95
Employees	1.08	1.30	1.07	1.33	0.65	1.05
Treasury shares	2.31	1.85	1.33	1.10	2.31	2.01
Public	51.38	41.29	51.60	43.10	48.95	42.87

(1) Acting on behalf of its managed funds (including First Eagle Funds, Inc).
(2) Acting directly and, effective July 15, 2009, indirectly via its Fonds Stratégique d'Investissement *(FSI) subsidiary.*

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2.4.4 Buybacks, disposals and cancellations of Sodexo shares during Fiscal 2010

- At its meeting on January 25, 2010, the Board of Directors decided to implement the Company's share repurchase program as authorized by the Combined Annual Meeting held on the same date.
- In Fiscal 2010, Sodexo repurchased 2,443,198 shares (representing 1.56% of the share capital) at an average price of 46.37 euro per share plus trading fees of 45,316 euro. Sodexo also transferred 784,463 shares upon exercise of stock options, and directly held 3,548,679 treasury shares (representing 2.26% of the share capital) at August 31, 2010 intended to cover the various stock option plans benefiting Group employees.
- During Fiscal 2010, Sodexho Awards (a wholly-owned subsidiary of Sodexo) repurchased 13,000 shares (representing 0.01% of the share capital) at an average price of 47.27 euro per share plus trading fees of 246 euro. Sodexho Awards also transferred 129,102 shares, mainly in the form of American Depositary Receipts (ADRs) upon the exercise of stock options by Group employees in the United States. As of August 31, 2010, it directly held 79,547 Sodexo shares (representing 0.05% of the share capital) intended to cover the various stock options plans benefiting employees of Sodexo, Inc., pursuant to the rollover of the plans granted by Sodexho Marriott Services (SMS Plans) and assumed by Sodexo in 2001.
- The total carrying value of the treasury shares portfolio amounted to around 166 million euro as of August 31, 2010.
- Neither the Company nor Sodexho Awards has purchased any Sodexo shares since August 31, 2010.

2.4.5 Description of the new share repurchase plan (pursuant to article 241-2 of the General Regulation of the AMF) subject to authorization by the Shareholders' Meeting of January 24, 2011

- In its Seventh Resolution, the Board of Directors will propose to the Shareholders' Meeting to be held on January 24, 2011 that it renew the authorization given to the Board to repurchase Sodexo's shares pursuant to articles L. 225-209 *et seq.* of the French Commercial Code. This authorization would be valid for a period of 18 months, replacing the authorization of the same nature given by the Shareholders' Meeting of January 25, 2010.
- The purposes for which the treasury shares are held in connection with the share repurchase program are described in paragraph 2.4.4 above.
- Details of the purposes of the repurchase program, the maximum percentage of the share capital, the maximum number and characteristics of the shares that the Company intends to purchase, together with the maximum purchase price, are provided in the resolution submitted for approval by the January 24, 2011 Shareholders' Meeting on pages 270 and 271 of this document.

2.4.6 Management stock option plans

As of August 31, 2010, there were 6,785,538 unexercised stock purchase options reserved for Group employees and corporate officers, representing approximately 4.32% of the issued capital at that date. Of these options, 2,304,940 were exercisable as of August 31, 2010, each option giving the holder access to one Sodexo share if exercised (for further details, see page 255 *et seq.* of this document).

2.5 Employee share ownership

As of August 31, 2010, employees held 1.08% of the Company's share capital (approximately 86% of which was held *via* Company employee share purchase plans (FCPE).

As of August 31, 2010, the estimated number of employees holding Sodexo shares was 35,326.

2.5.1 Company employee savings plans

The various profit-sharing agreements in force allow employees of the Group's French subsidiaries to pay the amounts they receive in respect of these profit-sharing agreements into an employees' mutual fund invested in Sodexo shares, or into a restricted savings account. To qualify for favorable tax and social charges treatment, amounts due to employees are subject to a five-year lock-up period.

2.5.2 International employee share purchase plan

An international share purchase plan ("Sodexo with me") created in 2008, allowed employees of French and foreign subsidiaries of the Group in more than 20 countries to subscribe to a special share capital issuance at a favorable share price. In connection with this plan, eligible employees were offered a choice of two formulas:

- the "Plus" plan allowed employees to invest up to 2.5% of their annual gross compensation and to benefit from a multiplier effect on the increase in the share price, or a guaranteed return in the absence of an increase in the share price;
- the "Classic" plan allowed employees to invest up to 25% of their annual gross compensation and to receive all of any increase in Sodexo's share price, while assuming the risk of any fall in the share price.

Whether the employee chose the Plus plan or the Classic plan, or a combination of both, his or her investment is locked up for five years, except under certain early termination conditions allowed by law or by the plan rules.

In addition, since 2006, the employees of the Group's North American subsidiaries have been able to invest between 1% and 8% of their annual gross compensation in the Company's shares *via* an Employee Share Purchase Plan. Participating employees qualify for a 10% discount on the share price. If they sell these shares within a period of two years, they are required to repay the amount of the discount they received. The employees concerned did not participate in the 2008 International Employee Share Purchase Plan.

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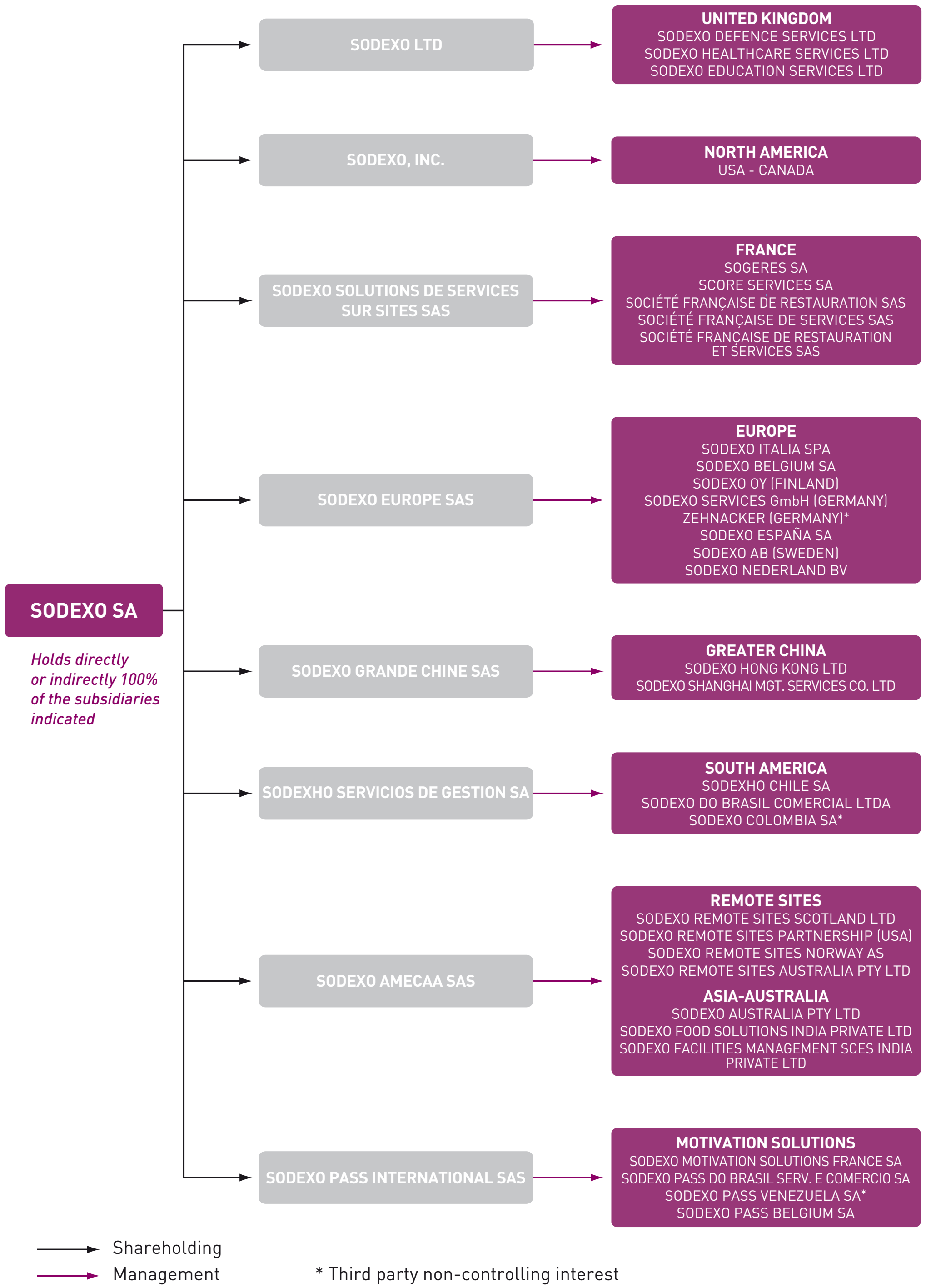
Condensed Group Organization Chart



* Third party non-controlling interest

Note: The operating subsidiaries indicated for each geographic area or activity are those with the highest revenues as of August 31, 2010.

09

Shareholders – Financial Communication

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Financial Communication

1. LISTENING TO OUR SHAREHOLDERS AND THE FINANCIAL COMMUNITY

To respond more effectively to the expectations of individual and institutional shareholders, Sodexo is continuously improving its investor relations programs by developing new information channels and organizing regular meetings with shareholders.

The Group's investor relations policy is based on four core principles:

- **equal treatment:** all financial press releases are issued simultaneously in real time to all our stakeholders, in both French and English;
- **regular reporting:** the financial community is notified of the financial information timetable a year in advance, and updates are always available on the website at www.sodexo.com;
- **accessibility:** live webcasts of the General Shareholders' Meeting and annual earnings presentations are broadcast *via* live webcast and maintained on the website. Releases of interim earnings and quarterly revenue figures (first and third quarter) are accompanied by conference calls to give the financial community rapid access to the information and an opportunity to question senior management about performance. These conference calls are simultaneously broadcast over the internet as an "audio webcast" and are maintained on Sodexo's website;
- **transparency:** all information pertaining to the Group, including the bylaws, Reference Document, Annual Report, Sustainable Development Report, Human Resources Report, Diversity and Inclusion Report, Half Year Report, press releases, the Group Presentation and share price trends, is available on the website, www.sodexo.com.

Sodexo also offers the financial community a comprehensive package of dedicated, interactive communication channels. Financial press releases are issued *via* print media and email in France and around the world.

2. INVESTOR RELATIONS POLICY

In order to meet the Group's own transparency goals and to comply with all applicable regulations in connection with its listing on the NYSE-Euronext Paris, Sodexo and all those involved in preparing financial communications have committed to a set of principles designed to ensure equal treatment of all shareholders.

2.1 Group spokesperson

Only the Chairman, the Chief Executive Officer and members of the Executive Committee are authorized to provide financial communications. The Chief Executive Officer has appointed the Director of Financial Communication to act as spokesperson for the Group, within specific delegated powers.

2.2 Preparation of financial communications

All financial communications are reviewed prior to publication by a Group Disclosure Committee comprising representatives from the Group Finance, Communications and Human Resources departments.

2.3 Publication of financial information

Barring exceptional circumstances, all information with the potential to influence the share price is published before the NYSE-Euronext stock exchange opens for trading.

After approval by the Chief Executive Officer, the Chief Financial Officer or the Board of Directors (depending on their nature) this information is communicated to the markets *via* a press release, issued simultaneously to the entire financial community and to the stock market authorities.

Financial communications can be accessed at www.sodexo.com.

Sodexo does not issue any financial communications during the one-month period prior to publication of the interim and annual financial statements.

2.4 Code of Conduct for Senior Managers

To underscore Sodexo's commitment to transparency and regulatory compliance, the Board of Directors in 2003 adopted a Code of Conduct for Senior Managers. The Executive Committee members and key finance executives of Sodexo have signed up to this Code and agreed to abide by its principles.

3. HOW TO OBTAIN INFORMATION

On the Sodexo website

www.sodexo.com

By phone or fax

Investor Relations
Tel. and Fax: +33 (0) 1 57 75 80 54

By e-mail

financial.communication@sodexo.com

By mail

Sodexo, Investor Relations
255, quai de la Bataille de Stalingrad,
92866 Issy-les-Moulineaux Cedex 9,
France

4. REFERENCE DOCUMENT

This document is an English-language version of the *Document de référence* filed with the *Autorité des marchés financiers* (AMF) in accordance with its General Regulation. The French-language *Document de référence* can be consulted on the AMF website (www.amf-france.org). It is also available, along with the English language Reference Document, at www.sodexo.com.

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5. ANNUAL SHAREHOLDERS' MEETING

The Annual Shareholders' Meeting is announced in official notices published in the press, in the BALO *(Bulletin des Annonces Légales Obligatoires)* in France and on the Group's website, at www.sodexo.com.

The agenda for the meeting is available in French and English at least 15 days before the meeting. It is sent to all registered shareholders, and to other shareholders upon request and is also available at www.sodexo.com.

A live webcast of the Sodexo Annual Shareholders' Meeting is broadcast on our website, enabling shareholders who cannot attend in person to ask questions and to follow the the vote of resolutions.

6. REGULAR MEETINGS AND ONGOING DIALOG

Sodexo is committed to genuine dialogue with its shareholders and with the broader financial community.

The two major scheduled events mark the publication of the full-year results and the Annual Shareholders' Meeting. Sodexo also arranges quarterly conference calls moderated by the Group's Chief Executive Officer and Chief Financial Officer, for securities analysts on the occasion of the release of the interim earnings and the quarterly revenue publications.

In addition, the Group's Chief Executive Officer and the Chief Financial Officer regularly meet investors in private or in group sessions in Europe (in particular, in Paris and London) and in the United States (in particular in New York and Boston). These meetings provide a setting for more informal dialogue, and offer periodic special-interest briefings to give analysts insight into front-line operations – "Investor Days" – such as the one held in Paris on September 17, 2009 on Sodexo's "Comprehensive service solutions to improve Quality of Life". Sodexo also periodically participates in industry presentations and conferences organized by brokerage firms in France and abroad.

7. FINANCIAL COMMUNICATIONS CALENDAR

First Quarter revenues	January 12, 2011
Annual Shareholders' Meeting	January 24, 2011
Ex-dividend date	February 2, 2011
Record date	February 4, 2011
Payment of dividend	February 7, 2011
Half-year interim results	April 21, 2011
Nine month revenues	July 6, 2011
Full-year earnings release	November 9, 2011
Annual Shareholders' Meeting	January 23, 2012

These dates are purely indicative, and are subject to change without notice. Regular updates are available in the calendar on our website **www.sodexo.com.**

8. BENEFITS OF BEING A REGISTERED SHAREHOLDER

Registered shareholders do not have to pay custody fees, are automatically invited to shareholders' meetings, and receive regular news updates about Sodexo.

Our registered shareholders' accounts are managed by Société Générale, which also acts as transfer agent for all Sodexo shares.

Contacts

For further information call:

Société Générale Nantes (France): +33 2 51 85 52 47

or visit the Société Générale website: www.nominet.socgen.com.

→ Sodexo Shares

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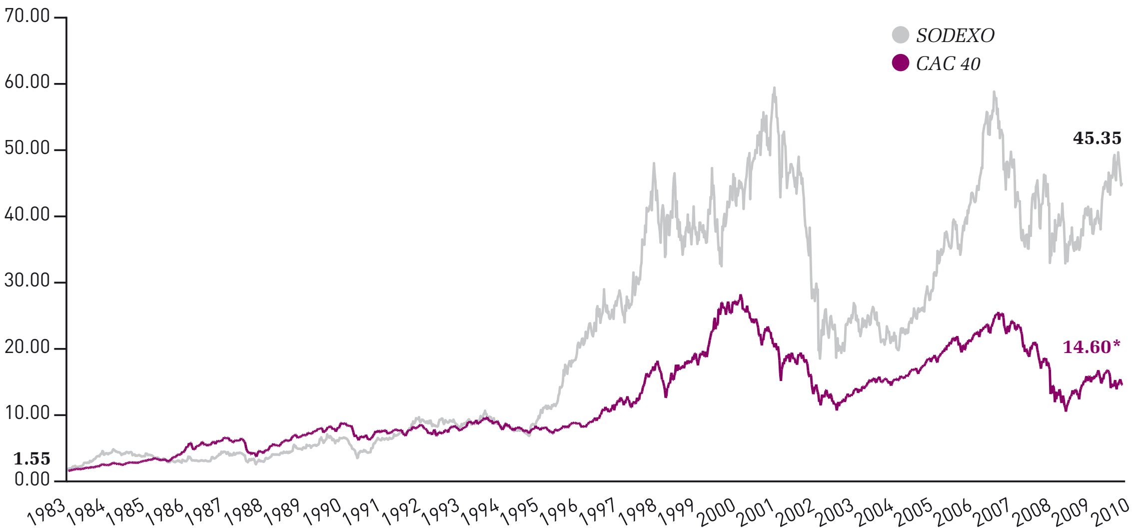
Sodexo shares are listed on NYSE-Euronext Paris (Euroclear code: FR 0000121220) and are included in the Next 20 index. Since Sodexo's voluntary delisting from the New York Stock Exchange in 2007, Sodexo American Depositary Receipts (ADRs) are traded on the over the counter (OTC) market, ticker SDXAY, each ADR representing one Sodexo share.

ADJUSTED SODEXO SHARE PRICE TRENDS FROM INITIAL LISTING THROUGH AUGUST 31, 2010 *(in euro)*



** Sodexo share price trend assuming it had tracked the CAC 40 index*
Source: Sodexo.

The initial listing was on March 2, 1983 at an adjusted price of 1.55 euro. As of August 31, 2010 (last trading day of August), the closing share price was 45.345 euro.

Over the period, the value of the share has been multiplied by 29, whereas the CAC 40 index has been multiplied by only 8.3, which means Sodexo's shares have outperformed the CAC 40 by a wide margin.

Since listing on the stock exchange Sodexo's shares have registered an average annual appreciation of 13.2%, excluding dividends.

ADJUSTED SODEXO SHARE PRICE TRENDS FROM SEPTEMBER 1, 2009 THROUGH AUGUST 31, 2010 *(in euro)*

** Sodexo share price trend assuming it had tracked the CAC 40 index.*
Source: Sodexo.

During the last fiscal year, Sodexo's share price increased by 16.3% compared with an 2.6% decline for the CAC 40 index.

As of August 31, 2010 the market capitalization of Sodexo was 7.1 billion euro.

SODEXO SHARE PRICE FROM SEPTEMBER 1, 2009 THROUGH AUGUST 31, 2010 *(in euro)*

Price at September 1, 2009		39
High/low:	12-month low	36.91
	12-month high	50.21
Price at August 31, 2010		45.345

AVERAGE DAILY TRADING VOLUME OF SODEXO SHARE

Volume	467,953
Value *(in euro)*	20,146,732

Source NYSE-Euronext Paris.

DIVIDEND

(in euro)	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007
Total payout	212,128,234	197,467,754	196,566,626	178,918,994
Dividend per share	1.35*	1.27	1.27	1.15

* *Subject to approval at the Annual Shareholders' Meeting on January 24, 2011, based on the total number of shares in the share capital.*

The Board of Directors proposes that the shareholders approve the payment of a dividend of 1.35 euro per share at the Annual Shareholders' Meeting on January 24, 2011. The dividend will be paid as of February 7, 2011, with an ex-dividend date of February 2. The date to determine the shares that shall be entitled to dividends shall be those shares held as of the close of business on February 4, 2011 (the record date).

EARNINGS PER SHARE (1) AND DIVIDEND PER SHARE (2)

(in euro)	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007
Earning per share	2.64	2.54	2.42	2.22
Dividend per share	1.35	1.27	1.27	1.15

(1) Based on an average number of shares (quarterly average).
(2) Based on the number of shares in outstanding as of August 31 of each year.

DIVIDEND FOR FISCAL 2010 AND YIELD

Dividend*	**1.35 EUR**
Yield based on share price at August 31, 2010	2.98%

* *Subject to approval at the Annual Shareholders' Meeting on January 24, 2011.*

Dividends not claimed within 5 years of the date on which they were payable to shareholders are forfeited.

→ Capital

1. SODEXO: AN INDEPENDENT GROUP

Sodexo remains an independent group. As of August 31, 2010, its share capital was held as follows:

Bellon SA	37.7%
Employees	1.1%
Treasury shares	2.3%
Individuals	3.3%
French institutional shareholders	18.4%
Non-French shareholders	37.2%

SHAREHOLDERS IDENTIFIED AS OF AUGUST 31, 2010

	Number of shares	% of issued capital	Number of voting rights*	% of voting rights*
Bellon SA	59,252,063	37.71%	89,263,140	45.50%
Arnhold and S. Bleichroeder Advisers (1)	7,604,954	4.84%	14,455,521	7.37%
Caisse des Dépôts et Consignations (2)	4,220,853	2.69%	5,270,421	2.69%
Employees	1,690,445	1.08%	2,553,803	1.30%
Treasury shares	3,628,226	2.31%	3,628,226	1.85%
Public	80,735,484	51.37%	80,996,647	41.29%
TOTAL	**157,132,025**	**100.00%**	**196,167,758**	**100.00%**

* *The Company's bylaws confer double voting rights on registered shares held by the same shareholder for at least four years. Further, pursuant to article 223-11 of the General Regulation of the Autorité des marchés financiers (AMF) the number of voting rights is calculated on the basis of all the shares with voting rights, including shares for which the voting rights have been suspended temporarily, such as treasury shares.*

(1) *Formerly Arnhold and S. Bleichreider Advisers.*

(2) *Including Caisse des Dépôts et Consignations and Fonds Stratégique d'Investissement.*

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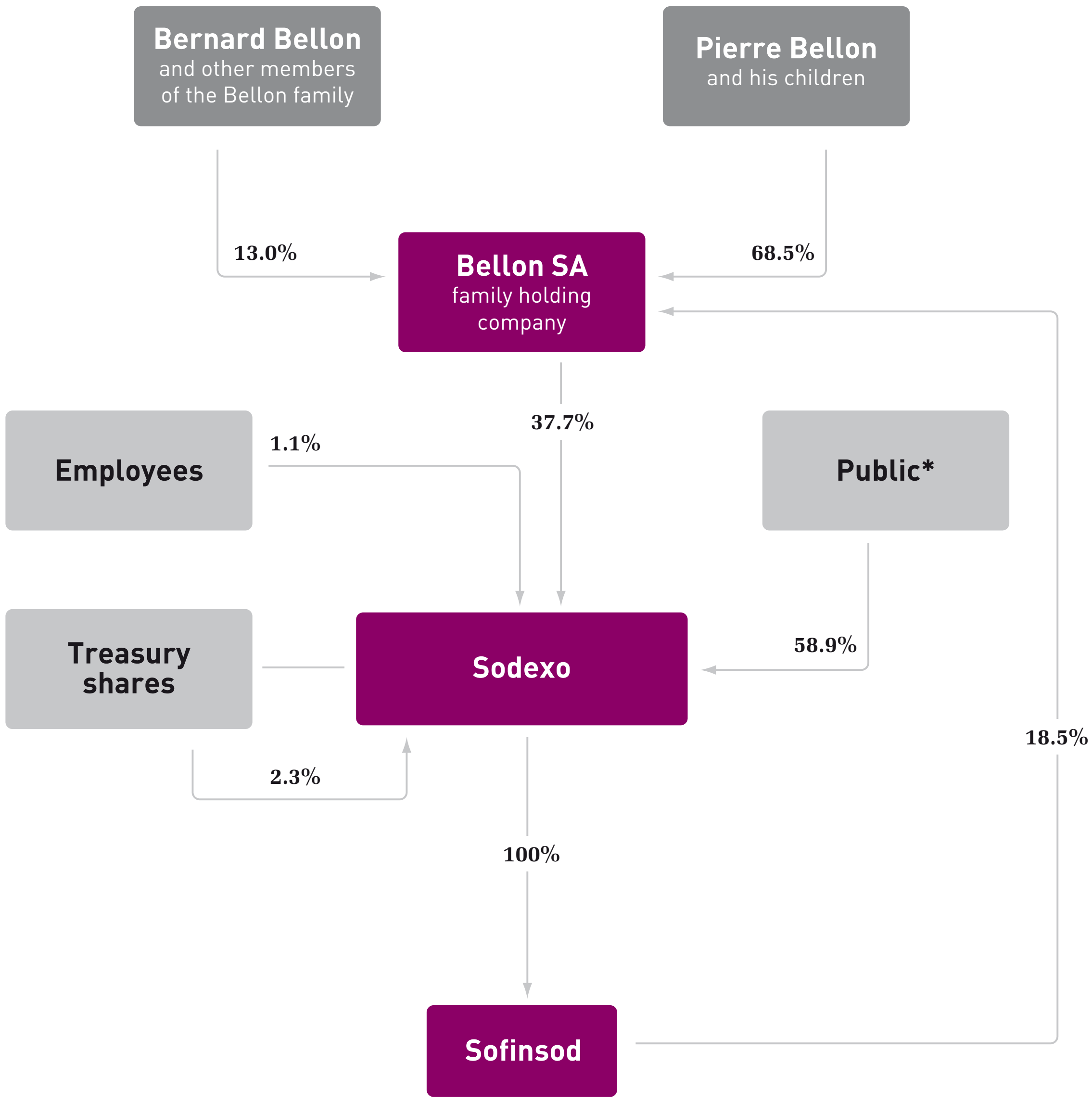
2. SHAREHOLDERS AS OF AUGUST 31, 2010



** Including First Eagle Investment Management at 4.84% and Caisse de Dépôts et Consignations at 2.69%.*

3. STOCK MARKET INFORMATION

Sodexo shares

Sodexo shares are listed on NYSE-Euronext Paris, where they are traded individually under Euroclear code FR 0000121220.

As of August 31, 2010, Sodexo had a Standard and Poor's rating of "BBB+ /A-2".

TRADING VOLUMES AND SHARE PRICE TRENDS

	Share price *(euro)*			Average daily trading volume
Date	**high**	**low**	**average***	*(in thousands of euro)*
2009				
January	42.43	37.22	39.43	27,150
February	42.60	35.47	39.43	26,943
March	36.84	32.37	34.63	24,618
April	38.47	34.00	35.98	21,871
May	39.05	34.67	36.38	23,050
June	36.95	33.65	35.75	15,735
July	38.15	34.10	36.04	16,074
August	40.80	36.26	37.76	13,364
September	42.00	38.57	40.77	14,677
October	42.19	38.91	40.66	12,150
November	41.56	36.91	38.93	18,580
December	40.24	37.42	39.19	15,472
2010				
January	42.85	38.79	40.08	22,610
February	43.81	37.73	40.78	32,749
March	45.85	43.57	44.81	19,437
April	47.69	43.11	45.07	25,244
May	48.30	43.08	45.98	27,647
June	49.66	44.84	47.62	22,722
July	50.21	44.88	48.18	19,736
August	49.30	43.78	46.45	12,871
September	48.18	45.22	47.24	10,136
October	48.75	46.60	47.50	12,159

* *Monthly average of closing prices.*

10

Corporate Governance

Chairman's Report on the Operating Procedures of the Board of Directors and on Internal Control and Risk Management Procedures

In accordance with article L. 225-37 of the Commercial Code, the Chairman of the Board of Directors is required to report on the preparation and organization of the work of the Board of Directors and about internal control and risk management procedures put in place by the Group (parent company and all consolidated companies).

1. COMPOSITION OF THE BOARD OF DIRECTORS

The rules and operating procedures of the Board of Directors are defined by the law, the company's by-laws and the internal rules of the Board. In addition, Committees have been established in accordance with these rules.

The company's by-laws are compliant with legal requirements. They contain specific provisions concerning the maximum term of office (three years) and the age limit (85 for the Chairman and for the Chief Executive Officer). Further, the internal rules of the Board of Directors require each director to own at least 400 Sodexo shares.

1.1 Composition as of August 31, 2010

		First Elected	Term Expires
Pierre Bellon	Chairman	Nov 14, 1974	2013
Robert Baconnier (1)	Vice-Chairman – President, ANSA	Feb 8, 2005	2011 (4)
Patricia Bellinger (1)	Company Director	Feb 8, 2005	2011 (3)
Astrid Bellon	Member of the Management Board, Bellon SA	Jul 26, 1989	2013
Bernard Bellon	Chairman of the Board of Directors, Finadvance	Feb 26, 1975	2012
François-Xavier Bellon	CEO of Bright Yellow Group PIc	Jul 26, 1989	2013
Sophie Clamens	Chairman of the Management Board, Bellon SA	Jul 26, 1989	2012
Paul Jeanbart (1)	Chief Executive Officer, Rolaco	Feb 13, 1996	2011 (4)
Michel Landel	Chief Executive Officer, Sodexo	Jan 19, 2009	2011 (3)
Alain Marcheteau (1)	Company Director	Jan 25, 2010	2013
Nathalie Szabo	Member of the Management Board, Bellon SA	Jul 26, 1989	2012
Peter Thompson (1)	Company Director	Feb 8, 2005	2011 (3)
Mark Tompkins (1)	Company Director	Feb 5, 2002	2011 (2)

(1) Independent Director as defined by the AFEP – MEDEF Code of Corporate Governance of listed corporations.
(2) Mark Tomkins has informed the Chairman of the Board of Directors of his intention to resign from the Board effective October 31, 2010.
(3) The Board of Directors will propose the renewal of these mandates for three years at the Shareholders' Meeting of January 24, 2011.
(4) The Board of Directors will propose the renewal of these mandates for two years at the Shareholders' Meeting of January 24, 2011.

1.2 Information about the Directors as of August 31, 2010

Pierre Bellon

Born January 24, 1930.
Married, 4 children.
Nationality: French.
Graduate of the *École des Hautes Études Commerciales* (HEC).

Business address:
Sodexo
255, quai de la Bataille de Stalingrad
92130 – Issy-les-Moulineaux

Background

Pierre Bellon joined Société d'Exploitations Hôtelières, Aériennes, Maritimes et Terrestres in 1958 as Assistant Manager. He later served as Managing Director and then Chairman and Chief Executive Officer.

In 1966, he founded Sodexho SA, which became Sodexho Alliance SA in 1997. He served as Chairman and Chief Executive Officer until August 31, 2005, when Michel Landel was named Chief Executive Officer following the Board decision to separate the roles of Chairman and Chief Executive Officer. Pierre Bellon remained as Chairman of the Board of Directors, a position he still holds at Sodexo SA (new name since January 2008).

Since 1988, he has served as Chairman and Chief Executive Officer of Bellon SA, the family holding company that controls Sodexo; he also served as Chairman of the Management Board of Bellon SA from 1996 to 2002.

He has been Chairman of the Supervisory Board of Bellon SA since February 2002.

Since 1976, he has been a member of the Executive Council of CNPF, the French employers' federation, now known as MEDEF.

Pierre Bellon has also served as:

- Vice President of CNPF (subsequently MEDEF), 1980-2005;
- National President of the French National Center for Young Business Leaders (formerly the Center for Young Employers), 1968-1970;

- President of the French National Federation of Hotel and Restaurant Chains, 1972-1975;
- Member of the French Economic and Social Council, 1969-1979.

Other corporate offices held

- Bellon SA (Chairman of the Supervisory Board);
- PPR* (Member of the Board of Directors);
- CMA CGM (Member of the Supervisory Board);
- Sobelnat SCA (Member of the Supervisory Board).

Other positions

- President/founder of the French Management Improvement Association (APM);
- Board Member of the French National Association of Joint Stock Companies (ANSA).

Number of Sodexo shares held: 12,900.

Other corporate offices held within the past five years but no longer held

None.

Robert Baconnier

Born April 15, 1940 in Lyon (France).
Married, 3 children.
Nationality: French.
Degree in Literature, Graduate of the Institute *d'Études Politiques de Paris* and of the *École Nationale d'Administration* (1965-1967).

Business address:
ANSA
39, rue de Prony – 75017 – Paris, France.

Background

Robert Baconnier began his career in 1967 as a civil servant at the French Ministry of Economy and Finance, and was assigned to the Internal Revenue Service *(Direction Générale des Impôts)*. From 1977 to 1979 he was Technical Advisor to the office of the Minister of Economy and Finance, then Deputy Director in the office of the Minister for the Budget. From 1979 to 1983 he was Deputy Director in charge of the International Division of the Tax Legislation Department; in 1983, he was appointed head of the Litigation Department of the French Internal Revenue Service. In 1986 he became head of the French Internal Revenue Service. From 1990 to 1991 he was Paymaster General at the French Treasury.

In 1991, he joined the law firm Bureau Francis Lefebvre, where he served as Chairman of the Management Board until 2004.

He is currently Chairman and Chief Executive Officer of ANSA, the French National Association of Joint Stock Companies.

Other corporate offices held

None.

Other positions

- Chairman and Chief Executive Officer of ANSA;
- Member of the *Conseil des Prélèvements Obligatoires* (the French Tax and Social Charges Board).

Number of Sodexo shares held: 410.

Other corporate offices held within the past five years but no longer held

- Board Member of Lafarge Ciments until April 2010;
- Member of the Supervisory Board of ELS (Éditions Lefebvre Sarrut) until April 2010.

Patricia Bellinger

Born March 24, 1961 in Connecticut (USA).
Married, 2 children.
Nationality: Dual American and British.
BA in Literature, Harvard University.

Business address:
Sodexo
255, quai de la Bataille de Stalingrad
92130 – Issy-les-Moulineaux

Background

Patricia Bellinger began her career in Madrid, Spain in 1986 by founding a casting agency, and she continued to work in media and communications in Spain until 1995. In 1995, she returned to the USA and joined Bristol Myers Squibb (BMS), the pharmaceutical company, where she was successively Associate Director for Communications and Associate Director for Public Affairs. In 1998 she became the Corporate Director of Culture and Human Resources Diversity. In 2000, she joined British Petroleum in London as Vice President for Diversity and Inclusion; she was Group Vice President and Director of the BP Leadership Academy until 2007.

** Listed company.*

Other positions

- Board member, YMCA of Greater Boston (Boston, US);
- Member of Diversity Advisory Board of Organizational Resources Council (ORC);
- Board Member of "Facing History and Ourselves".

Number of Sodexo shares held: 400.

Other corporate offices held within the past five years but no longer held

- Chairman of the Board of Directors of Nordic Windpower, Ltd. (UK) until July 2010.

Astrid Bellon

Born April 16, 1969.
Graduate of ESLSCA.
Master of Arts in Cinema Studies, New York City.
Nationality: French.

Business address:
Bellon SA
255, quai de la Bataille de Stalingrad
92130 Issy-les-Moulineaux

Background

Astrid Bellon is a member of the Management Board of Bellon SA.

Other corporate offices held

- Bellon SA (Member of the Management Board);
- Sofrane SAS (Chairman);
- Sobelnat SCA (Permanent Representative of Sofrane SAS, Managing Partner).

Number of Sodexo shares held: 36,723.

Other corporate offices held within the past five years but no longer held

None.

Bernard Bellon

Born August 11, 1935.
Married, 5 children.
Nationality: French.
Degree in French Literature from IAE Aix – Marseille.

Business address:
14, rue Saint Jean – 1260 – Nyon, Switzerland.

Background

Bernard Bellon was Director of Compagnie Hôtelière du Midi (part of the *Compagnie de Navigation Mixte* Group) from 1962 to 1970 and then held various managerial positions in banking at CIC-Banque de l'*Union européenne* Group from 1970 to 1988. He founded Finadvance SA, a venture capital company of which he has been Chairman since its creation in 1988.

Other corporate offices held

- Bellon SA (Member of the Supervisory Board);
- Finadvance SA (Chairman of the Board of Directors);
- Copelia (Director).

Number of Sodexo shares held: 323,732.

Other corporate offices held within the past five years but no longer held

- Jefco (Director);
- Allios Industries (Director).

François-Xavier Bellon

Born September 10, 1965.
Married, 4 children.
Nationality: French.
Graduate of the European Business School.

Business address:
Bright Yellow Group Plc
20-22 Richfield Avenue
Reading, Berkshire RG1 8EQ (United Kingdom).

Background

François-Xavier Bellon is the CEO of Bright Yellow Group, a company he acquired in August 2007. This UK-based company specializes in providing in-home services to dependent persons.

Previously, François-Xavier Bellon was Sales and Marketing Director of the Global Temporary Work Division of the Adecco Group, where he spent more than 7 years. He was based in London for his last posting, but was previously Regional Vice President for Catalonia, based in Barcelona, and Head of the Orsay-les-Ulis Agency, near Paris.

Francois-Xavier Bellon also spent 10 years with Sodexo, where he was Chief Executive of Sodexo UK prior to resigning in May 2004. After joining Sodexo

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France Hôtellerie et Santé in 1995, he was successively Head of Sector and Head of Development, based in Paris, and then Chief Executive Officer of the Mexican subsidiary for five years.

Other corporate offices held

- Bellon SA (Member of the Management Board);
- Bright Yellow Group Plc (Chief Executive Officer/ Director);
- Bright Yellow Solutions Ltd (Director);
- Footprint Ltd (Director);
- U1st Sports SA (Director);
- Dr Clic Sociedad Limitada (Director).

Other positions

- Advisor, French Foreign Trade Commission.

Number of Sodexo shares held: 36,383.

Other corporate offices held within the past five years but no longer held

None.

Sophie Clamens

Born August 19, 1961.
Married, 4 children.
Nationality: French.
Graduate of the *École des Hautes Études Commerciales du Nord* (EDHEC).

Business address:
Sodexo
255, quai de la Bataille de Stalingrad
92130 – Issy-les-Moulineaux

Background

Sophie Clamens began her career in 1985 with Crédit Lyonnais in the United States as a mergers and acquisitions advisor for the bank's French clientele in New York. She joined Sodexo in 1994 as a senior analyst in the Group Finance Department. In 2001, she was appointed Project Manager – Strategic Financial Planning within the Group Strategic Planning Department, to develop and implement key performance indicators for the Group.

In September 2005, she was named Group Vice President of Client Retention and was responsible for the worldwide deployment of the initiative on client retention.

In September 2008 she was appointed Chief Executive Officer of Corporate Services for Sodexo France.

Other corporate offices held

- Chairman of the Management Board, Bellon SA;
- Chairman of the Board of Directors of Altys Multiservices SA*;
- Chairman, Sodexo Facilities Management SAS*;
- SORESCOM SARL (Officer)*.

Other positions

- Chief Executive Officer, Sodexo France, Corporate Services Division, On-site Service Solutions*;
- Member of the Management Board, Société Française de Restauration et de Services SAS*;
- Member of the Management Board, Société Française de Propreté SAS*;
- Member of the Management Board, Société Française de Services*.

Number of Sodexo shares held: 7,964.

Other corporate offices held within the past five years but no longer held

Baumira (Officer).

Paul Jeanbart

Born August 23, 1939.
Married, 3 children.
Nationality: Canadian and Swiss.
Civil engineer.

Business address:
Immeuble Président Mouawad
Rue Pierre Hélou, Hazmié, Beirut, Lebanon.

Background

Co-founder, partner and Chief Executive Officer of the Rolaco group since 1967.

* *Corporate offices and positions held in Sodexo subsidiaries.*

Other corporate offices held

- Chairman, Oryx Finance Limited, Grand Cayman;
- Chairman of the Board of Directors, Intercontinental Hotels** Geneva, Switzerland;
- Member of the Board of Directors, Rolaco Holding SA, Luxemburg (Executive Director) and subsidiaries/affiliates of the Rolaco Group;
- Member of the Board of Directors, Semiramis Hotel Co., Egypt;
- Chairman of the Board of Directors, Luxury Brand Development SA, Luxemburg;
- Member of the Supervisory Board, Club Méditerranée SA**, France.

Number of Sodexo shares held: 400.

Other corporate offices held within the past five years but no longer held

- Member of the Board of Directors, XL Capital Ltd;
- Member of the Supervisory Board, Orfèvrerie Christofle SA;
- Member of the Board of Directors, Delta International Bank;
- Member of the Board of Directors, Nasco Insurance Group.

Michel Landel

Born November 7, 1951.
Married, 3 children.
Nationality: French.
Graduate of the European Business School.

Business address:
Sodexo
255, quai de la Bataille de Stalingrad
92130 – Issy-les-Moulineaux (France)

Background

Michel Landel began his career in 1977 with the Chase Manhattan Bank, then in 1980 became manager of a building materials plant belonging to the Poliet Group.

He was recruited in 1984 as Head of Operations for East and North Africa, and was promoted in 1986 to Vice President for Remote Site Management in Africa. In 1989 he took over the management of activities in North America. He was involved, among others notably, in the 1998 merger with Marriott Management Services and in the creation of Sodexho Marriott Services. In 1999, he became Chief Executive Officer of Sodexho Marriott Services, now Sodexo. Inc.

Michel Landel was named Vice-Chairman of the Executive Committee of Sodexo in February 2000.

From June 2003 through August 2005, Michel Landel served as Group Co-President and Co-Chief Operating Officer in charge of North America, the United Kingdom and Ireland, together with Remote Site Management.

He has been Chief Executive Officer of Sodexo of September 1, 2005.

Other corporate offices held

- Chief Executive Officer, Sodexo
- Director, Sodexo, Inc.*

Other positions

- Chairman of the Executive For Excellence Association (France);
- Chairman of the STOP Hunger Association in France;
- Chairman of the Sodexo Foundation in the United States;
- Member of the Management Board, Sodexo Pass International SAS.*

Number of Sodexo shares held: 49,152.

Other corporate offices held within the past five years but no longer held

None.

Alain Marcheteau

Born September 5, 1944.
Married, 4 children.
Nationality: French.
Graduate of the Institut d'*Études Politiques de Paris*, Holder of a Masters' degree in Law and graduate of the *École Nationale d'Administration*

Business address:
7, rue José Maria de Heredia, 75007 Paris, France

Background

Alain Marcheteau was a civil servant at the French Ministry of Transports from 1971 to 1975 and then

* *Corporate offices and positions held in Sodexo subsidiaries.*
** *Listed company.*

at the Ministry of Finance (Treasury section) from 1975 to 1981. He successively became Treasurer, Chief Financial Officer, and Chief Operating Officer (Finance and Subsidiaries) of Air France from 1981 to 1991. He then was Chief Financial Officer of Compagnie de Suez from 1991 to 1996, Chief Executive Officer of ISM (Real Estate Leasing), a subsidiary of Crédisuez, from 1996 to 1998, and then Chief Operating Officer and Project Director with the Management Board of Suez-Lyonnaise des Eaux from 1998 to 1999. He joined the Snecma Group in 1999 as Chief Operating Officer for Economic and Financial Affairs and then, in connection with the creation of Safran in 2004, became the General Secretary and Member of the Executive Committee of Safran until July 1, 2009.

Other corporate offices held

Directorships:

- Aircelle (Safran Group) ;
- Cie Daher (Director; Member of the Audit and Strategy Committees);
- Ingenico (Director ; Member of the Audit and Ethics Committees);
- Messier-Bugatti (Safran Group);
- Sagem Identification B.V. (Safran Group) ;
- Sagem mobiles (Safran Group) ;
- Sagem Sécurité (Safran Group) ;
- Sagem Télécommunications (Safran Group) ;
- Snecma Services (Safran Group) ;
- Soreval (Safran Group).

Other positions

- Managing partner of Associés en Gouvernance (Governance Associates).

Number of Sodexo shares held: 500.

Other corporate offices held within the past five years but no longer held

Chairman and Chief Executive Officer:

- Valin Participations (Safran Group);
- Etablissements Vallaroche (Safran Group);
- Vallaroche Conseil (Safran Group).

Member of the Board of Directors:

- Labinal (Safran Group);
- Sagem Communication (Safran Group);
- Connecteurs Cinch (Safran Group);
- Snecma (Safran Group).

Nathalie Szabo

Born January 26, 1964.
Married, 3 children and legal guardian for 2 nephews.
Nationality: French.
Graduate of the European Business School.

Business address:
Sodexo Prestige-L'Affiche
19, rue de Sèvres – 92100 – Boulogne, France.

Background

Nathalie Szabo began her career in the Foodservices industry in 1987. From 1989, she was an account manager for Scott Traiteur, and then Sales Manager of Le Pavillon Royal.

She joined Sodexo in March 1996 as Sales Director for Sodexo Prestige in France, becoming a Regional Manager in 1999. In September 2003 she was appointed Managing Director of Sodexo Prestige, and Managing Director of L'Affiche in January 2006. She became Chief Executive Officer of the Sodexo Sports and Leisure Division, France, on September 1, 2010.

Other corporate offices held

- Member of the Management Board, Bellon SA;
- Chairman of the Management Board, SEGSHMI – Société du Lido*;
- Chairman, Excel SAS*;
- Chairman, L'Affiche SA*;
- Chairman, Millenia SA*;
- Chairman of the Board of Directors, HBC SAS*;
- LBCV Sarl (Officer 1)*;
- Chairman, Yachts de Paris SAS*;
- Chairman, Compagnie AFM SAS*;
- Chairman, SEVPTE SAS*.

Other positions

- Chief Executive Officer, Sodexo Sports and Leisure in France and Chief Executive Officer, Sodexo Prestige*.

Number of Sodexo shares held: 1,147.

* *Corporate offices and positions held in Sodexo subsidiaries.*

Other corporate offices held within the past five years but no longer held

- SEGSHMI – Société du Lido (Member of the Supervisory Board until August 31, 2009);
  - L'Affiche SA – (Chief Executive Officer until June 3, 2010).

Peter Thompson

Born September 15, 1946 in Melbourne (Australia).
Married, 3 children.
Nationality: American.
BA Modern Languages, Oxford University; MBA, Columbia University.

Business address:
Thompson Holdings LLC
11 Broad Road – Greenwich, CT 06830, United States.

Background

Peter Thompson began his career in marketing in 1970. In 1974, he became a Product Manager at General Foods Corp. He joined Grand Met Plc in 1984, where he held management positions (Green Giant, Haagen-Dazs, Pillsbury, etc.). In 1992 he became Chairman and CEO of GrandMet Foods Europe, based in Paris. In 1994 he joined the PepsiCo Group where he successively held the following positions: President of Walkers Crisps in the UK; CEO Europe, Middle East, Africa of Frito-Lay International; and finally CEO of Pepsi-Cola International (1996-2004).

Currently, he is a private investor and a Director of Syngenta AG.

Other corporate offices held

- Syngenta AG* (Director and Member of the Audit Committee).

Number of Sodexo shares held: 400.

Other corporate offices held within the past five years but no longer held

- Stanwich School (Chairman of the Board of Trustees) – United States.

H. J. Mark Tompkins

Born November 2, 1940.
Married, 3 children.
Nationality: British.
Masters degree in Natural Sciences and Economics from the University of Cambridge; MBA from the INSEAD Business School in France.

Business address:
Thurloe Capital Partners Ltd
15 Cromwell Road, London SW7, United Kingdom.

Background

Mark Tompkins began his career in investment banking in 1964 with Samuel Montagu & Company (now HSBC). From 1965 to 1971, he was a management consultant with Booz Allen & Hamilton working on assignments in the UK, continental Europe and the USA. He joined the Slater Walker Securities group in 1972 and was named Chairman and Chief Executive Officer of Compagnie Financière Haussmann, a publicly traded company in France. From 1975 through 1987, he was active in residential and commercial property investment in the Middle East, Germany, Spain, France and the United States. In 1987 and subsequent years, his focus moved to private equity and capital development in publicly traded entities, notably in the healthcare, biopharmaceutical, tourism and leisure, and manufacturing sectors.

Other corporate offices held

- Director, Kingkaroo (Pty) Ltd (South Africa);
- Director, Samara Private Game Reserve (Pty) Ltd (South Africa).

Number of Sodexo shares held: 400.

Other corporate offices held within the past five years but no longer held

- Chairman of the Board of Directors, Allied Healthcare International, Inc.* (United States);
- Chairman of the Board of Directors, Healthcare Enterprise Group Plc (United Kingdom);

** Listed company.*

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The Board of Directors has thirteen members, four of whom are women, representing nearly a third of all directors. Nine Board members are French nationals, two are American, one is Canadian and one is British.

Directors are chosen for their ability to act in the interests of all shareholders and for their expertise, experience and understanding of the strategic challenges in markets where Sodexo operates.

The composition of the Board is intended to reflect the geographic mix of the business (insofar as possible), to provide a range of technical skills, and to include individuals with in-depth knowledge of Sodexo's activities.

Currently, the term "independent director" has no definition in French law. However, the April 2010 AFEP-MEDEF Code of Corporate Governance for listed companies states that: *"A director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to color his or her judgment."*

Based on this definition, the Board regards all Sodexo directors as independent.

This is because the Board of Directors is a collegiate body that collectively represents all the shareholders. Each Board member has a duty to act at all times in the interest of all shareholders and in the corporate interest of Sodexo.

However, to comply with the criteria of director independence in force as stated in the aforementioned AFEP-MEDEF Code, the Nominating Committee periodically provides the Board of Directors with a list of Directors qualifying as independent.

During Fiscal 2010, six Board members were deemed independent directors as defined above.

Directors hold office for a term of three years. To comply with French law, the number of Directors over 70 is limited to a third of all Directors.

2. PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD OF DIRECTORS

Sodexo is governed by a Board of Directors chaired by Mr. Pierre Bellon.

2.1 Role of the Chairman of the Board of Directors

The Chairman of the Board of Directors represents the Board and organizes and directs its work, on which he reports to the Shareholders at the Annual Meeting. The Chairman oversees the functioning of all facets of the Company and in particular, ensures that the board members are able to fulfill their mission.

2.2 Operating procedures of the Board of Directors

In addition to the Company's bylaws, the Board of Directors is governed by the Board's Internal Rules, which define the Board's mission, set the number of Board members, establish the Directors' Charter, and determine the minimum number of Board meetings and the allocation of directors' fees. The Internal Rules also set assessment criteria for the performance of the Board, organize the delegation of powers to the Chief Executive Officer, and define the policy for issuing guarantees.

2.3 Mission of the Board of Directors

The Board of Directors establishes corporate strategy and defines Group policy, appoints corporate officers to run the business, supervises the management of the business, assesses internal control procedures, and oversees the quality of information provided to shareholders and to the financial markets in the financial statements and in connection with major financial transactions.

As required by law, the Board of Directors finalizes the financial statements, proposes dividends, and makes decisions on investments and financial policy.

At least three days ahead of Board meetings, each Board member is given briefing documents so that he or she can review and/or investigate the issues to be discussed.

The Group's senior executives keep the Board informed on a regular basis of market conditions, implementation of strategy, the resources used in their activities, and action plans implemented to meet objectives.

The Board of Directors performs periodic in-depth reviews of the financial statements at meetings attended as necessary by members of the Group's operational and functional management teams as well as by the external auditors.

The Board of Directors is also kept regularly informed of questions, comments and criticisms raised by shareholders, whether at shareholders' meetings or by mail, e-mail or telephone.

2.4 The Directors' Charter

The main elements of the Director's Charter are described below.

Each Director must personally own at least 400 Sodexo shares.

Except in cases of force majeure, all Directors of Sodexo must attend shareholders' meetings.

Directors are required to disclose to the Board all actual or potential conflicts of interest and must abstain from voting on those matters.

Any Director of Sodexo who obtains unpublished information during the course of his or her duties is bound by a duty of confidentiality. Directors are also prohibited from trading in Sodexo securities as follows:

- during the period commencing thirty calendar days before the Board meeting that finalizes the interim consolidated financial statements and ending two business days after the publication of those financial statements;
- during the period commencing September 1 and ending two business days after publication of the annual consolidated financial statements.

Transactions by Directors in the company's shares must be disclosed to the public. Consequently, Directors are required to inform the Chief Financial Officer of all transactions in Sodexo shares.

2.5 Board meetings during the year

The Board of Directors met seven times during Fiscal 2010 (either in person or *via* conference call, as provided for in the corporate bylaws), fulfilling the minimum requirement of four meetings per year as stated in the Internal Rules.

Date	Main items on the agenda	Attendance rate
September 8, 2009	Approval of the Fiscal 2010 budget Presented of the 3-year plan (2009-2012) by Sodexo management	100%
November 6, 2009	Finalizing the financial statements for Fiscal 2009 Finalizing the Board Report Review of annual results press release Convening of the Annual Shareholders' Meeting	77%
January 11, 2010	Adoption of a new stock option plan	100%
January 25, 2010	Business update for opening months of Fiscal 2010	100%
January 25, 2010	Appointment of Chairman and Vice-Chairman of the Board of Directors	85%
March 9, 2010	Group policy presentations Business update for the first five months of the fiscal year	100%
April 20, 2010	Finalizing the interim consolidated financial statements for the first half of Fiscal 2010 Approval of first half Fiscal 2010 report Review of first-half results press release	100%

The average attendance rate during Fiscal 2010 was 95%.

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2.6 Board Committees

To support its decision-making process, the Board has created three Committees, each with its own Charter. Broadly, their role is to examine specific issues ahead of Board meetings, and to submit opinions, proposals and recommendations to the Board.

2.6.1 Audit Committee

The Audit Committee consists of Robert Baconnier, in his capacity as a "financial expert", Chairman, Mark Tompkins, and Alain Marcheteau. Pierre Bellon and Sophie Clamens are invited to attend all Audit Committee meetings, but are not members.

The Audit Committee is responsible for ensuring that the Group's accounting policies are appropriate and consistently applied. It periodically reviews Senior Management reports on risk exposure and prevention, and ensures that effective internal controls are applied.

The Committee assesses proposals from auditing firms and submits candidate firms for approval by the Annual Shareholders' Meeting.

It also performs an annual review of the fees paid to the auditors of Sodexo and its subsidiaries, and assesses auditor independence.

To perform its role, the Audit Committee is assisted by the Chief Executive Officer, by the Group Chief Financial Officer, the Group Internal Audit Director, and by the external auditors. It may also make inquiries of any Group employee and seek advice from outside experts.

During Fiscal 2010, Michel Landel (Chief Executive Officer of Sodexo), Siân Herbert-Jones (Group Chief Financial Officer) and Laurent Arnaudo (Group Internal Audit Director) were regularly invited to attend Audit Committee meetings to discuss their activities and answer questions.

The Audit Committee met three times during the fiscal year, with a 57% average attendance rate.

Issues addressed by the Committee included:

- review of the mapping of risks and of the risk management system;
- progress report on the evaluation of internal control;
- approval of the Internal Audit Plan for Fiscal 2010;
- reports issued by the Internal Audit department, and progress reports on the implementation of internal audit recommendations;
- supervision of the independence and work of the external auditors. The Committee also approved the terms of engagement and fees of the auditors of Sodexo and its subsidiaries in connection with the audit of the consolidated financial statements for Fiscal 2010. The Audit Committee also approved in advance all other engagements performed by the Group's auditors and by member firms of their international networks.

The Audit Committee reviewed the annual consolidated financial statements for Fiscal 2009, and the interim consolidated financial statements for the Fiscal 2010 half year. In addition to three formal meetings, the Chairman of the Audit Committee also had periodic meetings during the fiscal year with the Group Chief Executive Officer, the Group Internal Audit Director, the Group Chief Financial Officer and the external auditors.

2.6.2 Nominating Committee

The Nominating Committee is chaired by Patricia Bellinger, and the other members are Nathalie Szabo and Pierre Bellon.

This Committee:

- examines proposals made by the Chairman of the Board and advises the Board on the appointment of Directors. The Committee reviews nominees prior to their election as Directors, and where it sees fit assesses the position of Directors by reference to the criteria related to the composition of the Board specified in the relevant legislation and in the

Board's Internal Rules. For compliance reasons, the Committee also provides the Board of Directors from time to time with a list of Directors qualifying as independent;

- provides an opinion to the Board on the nomination of the Chief Executive Officer and as appropriate one or more Chief Operating Officers;

It also:

- examines proposals made by the Chief Executive Officer on succession plans for members of the Executive Committee and other key executives, and advises the Board on these proposals; and
- ensures that the Chief Executive Officer is able to propose potential replacements to the Board at any time if a position suddenly becomes vacant, while maintaining confidentiality.

The Nominating Committee met formally once in Fiscal 2010, with an attendance rate of 100%.

It met to discuss succession planning for members of the Group Executive Committee and organizational changes in Europe. There were also many discussions between the members of the Nominating Committee and the Group's senior management.

2.6.3 Compensation Committee

The Compensation Committee is chaired by Patricia Bellinger. The other members are Pierre Bellon and Bernard Bellon.

This Committee makes proposals relating to compensation packages for corporate officers, executive compensation policy, performance-based incentives (including stock option plans), and employee stock ownership plans. The principles and rules applied by the Board of Directors in determining the compensation and benefits of any nature provided to the executive officers are described on pages 247 *et seq.* of this document.

The Compensation Committee met twice during the fiscal year and the average attendance rate was 100%.

The Compensation Committee made recommendations to the Board on issues such as the implementation of a new stock option plan and the rules governing it, a review of executive incentive tools, and compensation packages for the Chairman and the Chief Executive Officer. The Committee also proposed to the Board the granting of 1.7 million stock options to 500 senior managers under the January 2010 plan and provided its opinion on individual grants proposed by the Chief Executive Officer.

2.6.4 Public-Private Partnership and Private Finance Initiative Projects Working Group

The Board of Directors has also set up a working group to conduct in-depth studies of commitments the Group may need to make within the framework of Public-Private Partnership and Private Finance Initiative contracts; these include any commitments to acquire interests in a special purpose entity formed for a particular project and subcontracting contracts with a minimum 5-year duration. Recommendations made by this working group are used by the Board in deciding whether to authorize the investments and issue any related guarantees.

The working group is chaired by Siân Herbert-Jones, Group Chief Financial Officer, and consists of four directors (Sophie Clamens, Robert Baconnier, Pierre Bellon and Mark Tompkins) and also includes Michel Landel (Chief Executive Officer) and members of his staff, together with line managers who propose and will manage these projects. Some other directors have expressed an interest in taking part in this working group and have attended its meetings.

2.6.5 Assessment of Board operating procedures

In September 2007, the directors were sent an evaluation form containing approximately 50 questions on the operating procedures of the Board of Directors and the various Committees. During the January 22, 2008 meeting, the results of this evaluation were presented and were as follows: the missions of the Board are clear, and the information received was determined to be satisfactory by the board members. Nonetheless, the directors requested to be even more closely involved in the Group's strategic reflections. As such, it was decided to dedicate a portion of each Board meeting to the areas of responsibility of

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one member of the Executive Committee insofar as possible. The directors reiterated their desire for more frequent meetings with the members of the Executive Committee.

Consequently, the meeting of the Board of Directors on September 8, 2009 was attended by the directors, the Chief Executive Officer and all of the members of the Executive Committee, and was devoted to consideration of the Fiscal 2010-2012 plans for the Group and for its different business units and corporate functions. After this Board meeting, a questionnaire was circulated to the directors alone seeking their opinion on the quality of the plans submitted, which was deemed to have improved over the previous fiscal year.

During Fiscal 2010, the directors had several occasions to comment on the Board's internal procedures, to verify that important subjects had been properly prepared and discussed, and to express their opinion on the quality of the information supplied to them. The directors requested that a more formal evaluation of the Board's procedures be conducted by an external consulting firm in Fiscal 2011.

2.7 Role of the Chief Executive Officer/Executive Committee

Since September 1, 2005, the roles of the Chairman of the Board of Directors and the Chief Executive Officer were separated and Michel Landel became the Chief Executive Officer of Sodexo, succeeding Pierre Bellon.

The Chief Executive Officer has the authority to manage the operations and functions of the Group. Limits are placed on the powers of the Chief Executive Officer. These limits are set by the Board of Directors, based on the recommendations of the Chairman of the Board. The Chief Executive Officer must obtain the prior consent of the Board to pledge corporate assets as collateral (for amounts exceeding 25 million euro for a duration of less than 5 years, for an amount exceeding 15 million euro per unit for a duration of between 5 and 10 years, and for all guarantees covering a longer period), or to bind the company beyond specific limits as regards the acquisition of shareholdings exceeding 25 million euro per transaction, disposals of shareholdings exceeding 20 million euro per transaction, or additional medium and long-term borrowings exceeding 50 million euro. The Chief Executive Officer must also obtain the prior consent of the Board for decisions relating to the start-up of new operations. These limits are not enforceable against third parties, as the Chief Executive Officer has the broadest powers to bind the company in its dealings with third parties.

In his role as Chief Executive Officer, Michel Landel is supported by an Executive Committee, which consisted of eight members at August 31, 2010 (there were nine members at September 1, 2010).

The Executive Committee meets once a month, and is the linchpin of the management structure. It is responsible not only for discussing and developing strategies to be recommended to the Board of Directors, but also for monitoring implementation of these strategies once the Board has approved them. The Executive Committee tracks implementation of action plans, monitors business unit performance, and assesses the potential benefits of growth opportunities and the risks inherent in its business operations.

Additionally, the Group Chief Executive Officer is supported by a **Group Investment Committee** whose members comprise the Chief Executive Officer, the Group Chief Financial Officer and the Chief Operating Officers concerned, in order to consider, and approve:

- significant new contracts (depending on the business unit, this relates to all new contracts with estimated annual revenues of between 25 and 40 million euro);
- all plans to acquire shareholdings or any other plan to invest in property, plant and equipment or intangible assets exceeding the range of between 2 and 6 million euro, depending on the business unit, as well as cumulative over-runs of any investment budget approved at the beginning of the fiscal year; and
- disposals of shareholdings exceeding 1 million euro.

As of September 1, 2010, members of the Group Executive Committee were as follows:

Michel Landel, Chief Executive Officer, Member of the Board of Sodexo, Executive Committee President;

Élisabeth Carpentier, Group Executive Vice President and Chief Human Resources and Internal Communications Officer;

George Chavel, Group Chief Operating Officer, Chief Executive Officer, North America, On-site Service Solutions;

Roberto Cirillo, Group Chief Operating Officer, Chief Executive Officer, France, On-site Service Solutions;

Pierre Henry, Group Chief Operating Officer, Chief Executive Officer Motivation Solutions, in charge of On-site Service Solutions in South America and Continental Europe (excluding France);

Siân Herbert-Jones, Group Executive Vice President and Chief Financial Officer;

Nicolas Japy, Group Chief Operating Officer, Chief Executive Officer, Remote Sites and Asia/Australia, On-site Service Solutions;

Aurélien Sonet, Group Executive Vice President for Strategic Planning, Development and External Communications;

Damien Verdier, Group Executive Vice President and Chief Marketing Officer, Client Retention, Offer Marketing, Supply Chain and Sustainable Development.

The Executive Committee is supported by an International Committee comprising approximately 60 line and staff managers representing the main segments and businesses of the Company. The International Committee assists the Executive Committee in identifying market trends and growth opportunities, both in general and for each customer segment. It translates strategic decisions into action plans and harnesses the teams necessary to their execution. Each member of is also expected share information and best practices, and to foster acceptance of the Sodexo Group's values.

2.8 Code of Corporate Governance

The AFEP-MEDEF Code of Corporate Governance for listed companies published in April 2010 (see www.medef.fr – Gouvernement d'entreprise – Corporate governance) has served as the reference document in preparing this report, approved by the Board of Directors at its meeting on November 8, 2010. See the section on Employment contract, page 250 of the Reference Document, for an explanation of the combination of the Chief Executive Officer's employment contract with his position as a corporate officer, as required under the "comply or explain" rule.

2.9 Attendance of shareholders at the Annual Meeting

Specific procedures pertaining to the participation of shareholders at the Annual Meeting are indicated in article 16 of Sodexo's bylaws (included on page 202 of this document).

2.10 Information that could have a material impact in the event of a public tender offering

The share ownership and voting rights in the Company, provided in the chapter on Legal Information, page 205 of this document, are considered to be the decisive factors among those referred to in article L. 225-100-3 of the French Commercial Code.

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3. RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

Sodexo faces a number of internal and external risks and uncertainties in the conduct of its business and in the implementation of its strategy. To confront these risks and uncertainties, it has established an organization and policies intended to identify, evaluate, prevent and manage these risks in order to limit any adverse impacts.

The internal control system is a methodology established by the Company and implemented under its responsibility, which is intended to ensure:

- compliance with laws and regulations;
- the application of Group policies;
- the effectiveness of the Company's internal processes, notably those concerning the safeguarding of its assets;
- the reliability of financial information.

The internal control system plays a major role in the conduct of the Group's business, by contributing to the prevention and management of risks.

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3.1 Fundamental principles

The internal control system is based on the **fundamental principles of Sodexo's development,** together with its values and its independence principles as defined since its founding by Pierre Bellon and the Board of Directors. These fundamental Group principles are presented on page 13 of this Reference Document.

Independence

Ever since Sodexo's founding in 1966, Pierre Bellon has insisted that the family-held firm will remain independent, not only vis-à-vis its clients (the Group's largest client represents less than 2% of revenue), but also its suppliers (Sodexo's largest industrial supplier represents less than 3% of its purchases), its bankers, and any external organization which might hinder the proper functioning of the company.

3.2 Group Policies

Group policies are available on the Sodexo intranet. These policies are currently being reviewed to allow for the Group's changing environment and its expanding portfolio of services and solutions.

They cover Sodexo's strategic imperatives, as well as guidelines applicable in areas such as customer focus, offer marketing, human resources development, purchasing, global food safety and hygiene policy, internal audit, finance, delegations, strategic planning, and sustainable development. These policies encompass five main themes: goals, policies, procedures, performance indicators, and research and innovation.

3.2.1 Human Resources development

The Group's two overriding human resources priorities are: to meet staffing requirements in terms of numbers, quality and competencies; and to rank among the world's employers most appreciated by its employees.

The main human resources policies are focused on: the profile of Sodexo managers, Group organizational rules, forward planning of senior managers (including a review of senior management of the main business units, outside recruitment and internal promotion, administration of individual senior managers' careers, first impressions "First 90 Days" reports, and international mobility), senior managers' further training, commitment surveys, senior managers' compensation, internal communications and innovation and research in the field of human resources administration. Finally, annual tracking of performance indicators serves to validate action plans aimed at advancing these policies, including engagement surveys, employee retention, internal promotion, and the proportion of women among senior managers.

3.2.2 Procurement policy

The objectives of the Group's purchasing function are spelled out in its Purchasing Policy. The performance of Sodexo's purchasing teams in the main countries where Sodexo does business is measured through the "5 Star" program, which is used to improve our bargaining power with our suppliers. Products purchased are required to satisfy a number of predefined quality criteria in terms of food safety and traceability, and listed suppliers are audited regularly. Suppliers are required to sign a "Code of Conduct", and Purchasing function employees are trained to comply with the Group's "Integrity Principles".

3.2.3 Financing growth

How can the Company finance its growth while remaining independent? The Group's financial strategy is shaped by this constraint and rests on two basic principles:

- choosing low capital intensive activities, with average investment (excluding acquisitions) totaling around 2% of revenue;
- continuously maintaining sufficient liquidity to fund growth, reimburse medium-term debt, and pay dividends to shareholders.

In November of each year, the Group Finance Department prepares a 10-year funding plan for the Group.

The financial policies establish rules applicable to such areas as investment approvals, working capital management, cash management, borrowings, and the distribution of subsidiaries' profits.

These policies also set forth principles for maintaining accounting records, and stress the importance of the information provided by reporting entities, including financial projections. Each manager is accountable to ensure that such information is accurate, and that reporting and publication deadlines are met; he/she must also make sure that his/her teams are fully aware of these imperatives and that controls are in place to ensure that these objectives are met.

Group financial policies require all decisions involving external financing to be made by the Group Chief Financial Officer, Chief Executive Officer or the Board of Directors, depending on the amount and type of the transaction.

Consequently:

- substantially all borrowings must be at fixed rates of interest, or converted to fixed-rate using hedging instruments;
- currency risks on borrowings and foreign-currency loans to subsidiaries must be hedged.

Group financial policies are designed to prevent any speculative positions being taken and to avoid risk in connection with financing, cash management activities, and the choice of financial counterparties.

3.2.4 Sustainable Development policy

Concerning Sustainable Development, Sodexo tracks three key priorities in its *Better Tomorrow Plan* strategic roadmap (Nutrition, Health and Wellness, Local Communities, and the Environment). This plan comprises 14 Group commitments to be implemented by 2012, 2015 and 2020, depending on the theme.

3.2.5 Information Systems and Technologies

The **Information Systems and Technologies** department has defined policies seeking to accelerate synergies, reduce the costs of the technical infrastructure and improve compatibility between the Group's information systems. The Information Systems and Technologies Governance Committee approves significant investments, monitors the progress of projects, and performs cost/benefit analyses of security standards and disaster recovery plans.

3.3 Delegations of Authority

Principles and policies in this area are supplemented by job descriptions, annual targets and, for senior executives, clearly defined delegations, which are reviewed annually and formally communicated to each executive by his or her superior.

The Chief Executive Officer delegates certain powers to the members of the Group Executive Committee, who themselves delegate to members of their executive teams.

Delegations of authority cover development, human resources, purchasing, investments and finance.

3.4 Planning and setting of objectives

Delegations of authority are generally implemented *via* "accountability contracts" in the form of the three-year plan and annual budget, and must comply with the Group's general policies.

The Group's strategy and targets are discussed each year during the preparation of the three-year plan. The consolidated plan is presented to the Board of Directors by the Chief Executive Officer. The three-year plans of the different business units are presented to the Board of Directors by the members of the Executive Committee. The preparation of the plan is subject to interaction and dialogue between the Group Executive Committee and the Business Units reporting to it.

The consolidated plan and related action plans are incorporated into a consolidated budget, which is submitted to the Board of Directors for approval. The Business Unit plans prepared by the members of the Executive Committee are the basis for an annual budget approved by the Chief Executive Officer. The managers responsible for each budget have authority to accept and sign off all operating costs within their approved budget.

The strategic planning process is now being revised and is expected to be finalized in early 2011. The aim is to streamline the process and adapt it more closely to the Group's three activities (On-site Service Solutions, Motivation Solutions, and Personal and Home Solutions), enhancing the involvement of operational managers at all level.

3.5 Operational performance indicators

Operational performance indicators are crucial to the financial performance of the Group, since any progress achieved on these indicators translates into increased revenue, operating profit and cash flow.

Operational performance indicators (market share; client retention, which improved to 94.2% in Fiscal 2010; growth on existing sites; business development; human resources; purchasing; sustainable development; management; finance, etc.) are used to measure performance. The Group Finance Department coordinates the process and monitors operational performance indicators using a scorecard.

The Human Resources Department, for example, tracks four indicators, namely:

- **employee engagement,** the Group has targeted a level comparable to that of firms ranked as "best employers;"
- the level of employee engagement increased from 48% in 2008 to 55% in 2010, as determined by the survey conducted in April 2010 of 112,000 employees in 60 countries. This compares with an average decline of 1 percentage point over the period among the 1,500 other firms in the survey provider's benchmark;
- in addition, 85% of our employees consider Sodexo a better employer than its competitors;
- **employee retention** for all personnel, and specifically for site managers, and senior managers. This rate was 63.5% (overall) in Fiscal 2010;
- **internal promotion,** which is measured by the number of employees promoted to site manager grade, and site managers promoted to a middle management position; 2,296 employees were promoted to a managerial position passing from one category to the next;
- **representation of women in senior management,** with a target for women in senior management positions of 25% by 2015, versus 18% in 2009. This proportion reached 20% in 2010.

These indicators are presented annually to the Board of Directors and to the Group Executive Committee in order to track progress. The Executive Committees of the Group's main business units are required to review these indicators each year.

Key sustainable development indicators include:

Nutrition, Health and Wellness: Sodexo ensures food safety to its consumers and is committed to promoting a healthy and balanced diet for them. It has a vital role to play in fighting obesity and malnutrition and developing solutions for consumer needs emphasizing health and wellness. An indicator has been introduced based on the number of our clients' sites promoting reduced consumption of sugar, salt and fats.

Economic and social development of local communities contributes to the development of local communities by giving preference to local hiring, supporting the development of small businesses in the services provided by Sodexo, and increased procurement of local and seasonal produce or obtained through responsible farming techniques, and increasing the share of certified fair trade coffee.

Environment (purchasing products that respect the environment, reducing water consumption, curbing energy consumption and CO_2 emissions, and fighting wastage and cutting down on waste). We measure the percentage of our clients' sites having deployed an action plan to reduce and recycle organic and inorganic waste.

3.6 Description of the internal control system relating to the preparation of accounting and financial disclosure

The **Group Finance Department** is responsible for ensuring the reliability of financial accounting information.

The production and analysis of financial information is conducted through a body of procedures put in place at both operational sites and in the Group and subsidiaries' Finance Departments.

The subsidiaries' Finance Departments produce a cumulative monthly income statement since the beginning of the fiscal year, a balance sheet, and a statement of cash flows. They also produce quarterly projections for the full year.

At February 28, the external auditors conduct a limited review of the interim financial statements for the most significant subsidiaries.

At the end of the fiscal year, the Chief Executives and Chief Financial Officers of the Business Units certify the reliability of their financial statements, prepared in accordance with the IFRS standards adopted by the European Union. The external auditors of the main subsidiaries express a view on these financial statements in connection with the mission referred to them by the Group auditors. The Group Finance Department ensures that the accounting treatments applied by all subsidiaries are compliant with Group rules. Financial statements are consolidated on a monthly basis by the Group Finance Department.

The Group continues to reinforce its finance teams in its subsidiaries as well as in the Group Finance department. This reinforcement includes the strengthening of resources with technical expertise in the area of financial reporting. As a result of these efforts as well as the deployment of a new web-based financial reporting system, the Group Finance Department has brought forward the publication of the annual results by 20 days over the last few years.

The ability to meet reporting deadlines, and the quality and reliability of financial information, are factors in assessing the performance of managers, especially that of the Chief Executive Officers and Chief Financial Officers of the Group's subsidiaries.

Monthly operational and financial reporting (comprising growth indicators for client retention, sales development and revenue growth on existing comparable sites) is discussed within each Business Unit by its Chief Operating Officer and Executive Committee and is then presented to the Group Executive Committee, and then to the Chairman of the Board of Directors. In addition, Quarterly Reviews with each of the Group's business units give the Group's Chief Executive Officer and Chief Financial Officer insight into performance trends for the business unit or subsidiary based on the financial reporting and operational information.

Procedures are in place to identify off balance sheet commitments. This term covers all rights and obligations that may have an immediate or future impact on Sodexo's financial position but are not recognized (or are only partially recognized) in the balance sheet or income statement. These include items such as assets pledged as security; guarantees relating to operating contracts (for example bid bonds or performance bonds), to borrowings, or to claims and litigation; lease obligations not recognized in the balance sheet; and commitments under call or put options, etc.

Procedures for identifying these commitments include:

- periodic reviews of the minutes of the Annual Shareholders' Meeting and meetings of the Board of Directors of the subsidiary for follow up on contractual commitments, litigation and authorizations for and disposals of assets;
- reviews with risk management executives and insurance company agent and brokers with whom the subsidiary has contracted insurance to cover risks related to its conditional obligations;
- reviews with banks and financial institutions of sureties and guarantees;
- reviews with internal and external legal counsel of litigation and legal procedure, as well as the measurement of any related liabilities;
- examination of transactions with related parties concerning guaranties and other commitments made or received.

Each subsidiary is required to provide an exhaustive list of its off-balance sheet commitments.

The Group Legal Department, which is part of the Group Finance Department, and legal teams at local levels are required to work pro-actively with the operational teams, and oversee compliance with legal requirements. They also ensure that contractual negotiations are handled in a balanced manner, and that risks pertain solely to contractual obligations for services and are limited in value and duration.

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The Group Risk Management and Insurance Department, which is part of the Group Legal Department, works closely with subsidiaries to:

- put in place appropriate insurance coverage to protect the interests of the Group;
- identify and evaluate the key risk exposures faced by Sodexo, with particular attention to the emergence of new risk factors associated with changes in our activities, especially in Facilities Management;
- reduce contractual risk, in particular by means of limitation of liability clauses or hold-harmless agreements; and
- achieve the appropriate balance between risk retention (self-insurance) and the insurance market in covering the potential financial consequences of Sodexo's risk exposure.

Lastly, using the financial information reported and consolidated, the Chief Executive Officer, assisted by the Group Finance Department, prepares the Group's financial communication. The Chief Executive Officer also relies on the operating data required to prepare the Reference Document. Press releases announcing the interim and annual results are submitted to the Board of Directors for approval.

To enable the Chief Executive Officer to provide reliable information on the Group's financial situation, a Disclosure Committee comprising representatives from Group corporate functions reviews all financial information prior to publication. Members include the managers responsible for Consolidation, Financial Control, Accounting Methods, Financial Communications, Legal, Human Resources and Communications.

3.7 Group Internal Audit Department

The Senior Vice President and Director of Internal Audit reports directly to the Chairman of the Board, thus ensuring Group Internal Audit's independence within the organization. The Internal Audit Director and the Chairman of the Board meet on a monthly basis. The Internal Audit Director works closely with the chairman of the Audit Committee, holding informal meetings (approximately six times per year).

The Internal Audit Department performs internal audits of Group entities based on an Internal Audit Plan. A review of potential risks, conducted by the Chairman of the Board of Directors, the Group Chief Executive Officer, the Group Chief Financial Officer and the Internal Audit Director (with input from the external auditors and the Executive Committee), is used to prepare an annual list of organizational structures, subsidiaries, and issues eligible for internal audit. The Audit Committee reviews and approves this Annual Audit Plan.

The responsibilities of the Internal Audit Department include:

- obtaining assurance that delegations of authority and procedures have been established and communicated to the appropriate levels of management, and checking that they are properly implemented; and
- helping to assess subsidiaries' internal controls, issuing action plans designed to remedy identified control weaknesses, and monitoring implementation of these action plans.

The Internal Audit Department may also conduct special assignments at the request of the Chairman of the Board, the Audit Committee, the Chief Executive Officer or the Executive Committee.

Most (91%) of the Group Internal Audit Plan approved by the Audit Committee at the start of Fiscal 2010 was completed during the year. The Group Internal Audit Department, with an average of 26 staff, conducted 144 audits in 40 countries during Fiscal 2010. In addition to this central team, a further fifty internal auditors report to the finance directors who report to the Chief Operating Officers, with about half of them based in the US The Group Internal Audit Department co-ordinates their work and provides them with technical assistance.

The Internal Audit Department regularly tracks implementation of post-audit action plans by Group companies. An overall progress report is updated regularly and submitted on a semi-annual basis to the Chief Executive Officer, the Group Chief Financial Officer, the Chairman of the Board and the Audit Committee. Substantial progress was achieved in issuing recommendations in Fiscal 2010 (15 days, compared with 60 days two years ago). In addition, the audit recommendation follow-up process has been strengthened, and all audits are now followed up on the ground within a maximum of 12 months.

For Fiscal 2009 and Fiscal 2010, more than 95% of recommendations were either implemented or addressed in an action plan prepared by the subsidiary management. For Fiscal 2010, of the 1,390 recommendations made by the Group Internal Audit Department, 20% have already been implemented and 80% are addressed in an action plan. The Audit Committee will not accept any refusal by a subsidiary to implement an internal audit recommendation.

The Internal Audit Department also plays an important role in the CLEAR Initiative (Controls for Legal requirements and to Enhance Accountability and Reporting), and performs an independent, objective evaluation of the effectiveness of controls identified, documented and performed by management.

Finally, the Internal Audit Department co-ordinates external audit engagements, and reviews the annual budgets for external auditors' fees (for both statutory audit work and other engagements) prior to their approval by the Audit Committee. Each year, the external auditors prepare audit instructions, which are agreed with the Group Finance Department and Internal Audit Department and issued to all external auditors of Group subsidiaries.

3.8 Description of risk management principles and integrated risk management and internal control procedures

Sodexo has put in place a procedure for the systematic identification of major risks, designed to ensure that risks are evaluated and managed at the appropriate level within the organization. Measures to manage risks are implemented either at the local or the Group level, depending on their nature.

The internal control system is rooted in the Group's values and policies, as defined by its senior managers, and is implemented in each entity in consideration of local conditions.

3.8.1 The risk identification process is carried out in parallel at the central level for the Group, and locally:

- the Group Executive Committee regularly updates its Group risk matrix and submits it to the Audit Committee and the Board of Directors;
- as part of the CLEAR program, the Chief Executive Officers of the main Group Business Units identify the ten to fifteen main risks and rank them by order of importance, describe the controls in place in order to manage them, and evaluate their effectiveness; and
- these local evaluations are aggregated at Group level and submitted annually to the Audit Committee.

The main risk factors to which the Group is exposed are described on pages 166 *et seq.* of this Reference Document.

3.8.2 Assessment of internal control procedures

The French "Financial Security Act" *(Loi sur la Sécurité Financière)* and the Sarbanes-Oxley Act in the United States have allowed Sodexo to make considerable progress in the area of internal control. Sodexo decided to seek a listing in the United States primarily in order to facilitate the participation of U.S. employees in employee share ownership plans. However, the increasingly international nature of the financial markets has removed the need for this U.S. listing. In addition, the high cost of this listing and low trading volumes justified Sodexo's voluntary delisting of its shares from the New York Stock Exchange and related deregistration from U.S. stock market regulations in 2007. However, Sodexo is committed to upholding and improving these same internal control procedures insofar as possible.

The internal control procedures are part of an ongoing process of identifying, evaluating and managing the Group's risk exposures. This initiative covers the five components of the COSO (Committee of Sponsoring Organizations) (see glossary): control environment (integrity, ethics, competencies, etc.), evaluation of risks (identification, analysis and management of risks), control activities (methods and procedures), information and communication (collection and sharing of information), and monitoring (follow-up and eventual updating of processes). Strongly endorsed by the Chief Executive Officer and Group

Chief Financial Officer, the CLEAR initiative was approved by the Board of Directors and the Audit Committee, and also received the backing of the Group's Executive Committee.

The CLEAR initiative applied within the Group addresses:

- the identification and assessment of risks;
- the description of the control environment, both at Group and subsidiary levels;
- documentation and self-assessment of these control points both in subsidiaries and at Group level; and
- independent testing of the effectiveness of these control points, by internal or external auditors.

A very large number of Group subsidiaries representing more than 95% of Sodexo's revenues prepare a detailed report (Company Level Control Report) on their control environment, described in accordance with the five COSO components, and including an evaluation of the subsidiary's principal risks, a description of risk management measures, and assessment of their effectiveness.

Significant Group subsidiaries representing together more than 90% of Group revenues, go beyond these first two descriptive phases, documenting and then evaluating both their control environment and transactional controls.

Sodexo has developed a guide to risks and control as part of its CLEAR initiative. Under the program, Group activities have been segmented into twelve significant processes, namely: Revenues and Receivables, Purchases and Payables, Human Resources, Treasury, Inventories, Property, Plant and Equipment and Intangible Assets, Legal and Regulatory, Information Systems and Technologies, Finance, Motivation Solutions Operations, Headquarters Entities, and Health and Safety issues. For each of these processes, the CLEAR initiative identifies several control proposals for each of the major risks, which have been assembled in the Sodexo framework for risks and controls. Each subsidiary is then responsible for implementing and evaluating the effectiveness of those controls that it considers best able to reduce its risks, in coordination with its Business Unit and the Group.

An executive summary of the status of internal controls and the progress achieved is submitted to the Audit Committee at the end of each fiscal year. In addition, during Fiscal 2010 Sodexo launched a progress initiative. Ten areas for improvement were selected for each subsidiary and then tested independently. Real progress was confirmed on 57% of the tests, with action plans still in process for the remaining 43%.

However, an internal control system cannot provide an absolute guarantee that all risks have been eliminated. Sodexo nevertheless ensures that the most effective internal control systems feasible are in place in each of its subsidiaries.

In the preparation of this report, and in keeping with the recommendation issued by the French securities regulator, the *Autorité des marchés financiers* (AMF), in July 2010, Sodexo has also referred to the "Reference Framework" produced by the French Market Advisory Group and published by the AMF.

This report was approved by the Board of Directors on November 8, 2010 and will be presented to the shareholders at the January 24, 2011 Annual Shareholders' Meeting.

Risk management and reinforcement of related internal controls are a permanent strategic priority for the Group.

Pierre Bellon
Chairman of the Board of Directors

3.9. External auditors report on the Chairman's report

Statutory Auditors' Report prepared in accordance with Article L.225-235 of the French Commercial Code ("Code de commerce"), on the report prepared by the Chairman of the Board of Sodexo S.A

For the year ended August 31, 2010

Sodexo S.A.
255, quai de la Bataille de Stalingrad
92866 Issy-les-Moulineaux Cedex 9

To the shareholders,

In our capacity as Statutory Auditors of Sodexo S.A., and in accordance with Article L.225-235 of the French Commercial Code ("Code de commerce"), we hereby report to you on the report prepared by the Chairman of your company in accordance with article L.225-37 of the French Commercial Code for the year ended 31August 2010.

It is the Chairman's responsibility to prepare and submit to the approval of the Board of Directors a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that this report sets out the other information required by article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with the provisions of article L.225-37 of the French Commercial Code.

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Other information

We attest that the Chairman's report sets out the other information required by article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris La Défense, November 9, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit	**KPMG Audit**
	Department of KPMG S.A.
Louis-Pierre Schneider	Isabelle Allen

This is a free translation into English of the statutory auditors' report issued in the French language, which is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

→ Other information concerning the Corporate Officers and Senior Management of the Company

Family relationships within the Board of Directors are as follows:

- Astrid Bellon, Sophie Clamens, Nathalie Szabo and François-Xavier Bellon (Directors) are the children of Pierre Bellon, Chairman of the Board of Directors;
- Bernard Bellon (Director) is the brother of Pierre Bellon.

There are no other family relationships between members of the Board of Directors and members of the Executive Committee of Sodexo.

No loans or guarantees have been made or given to either members of the Board of Directors or Senior Management by Sodexo or by any Group company.

No assets necessary for the Group's operations are owned by either members of the Board of Directors or Senior Management or by their families.

There are no potential conflicts of interest between the duties to Sodexo of members of the Board of Directors or Senior Management and their private interests. In particular:

- Pierre Bellon and his four children control 68.5% of Bellon SA (with agreements preventing them from selling their shares to third parties), which in turn holds 37.71% of the share capital of Sodexo;
- Bernard Bellon, with other members of his family, holds 13% of the shares of Bellon SA.

As far as the Company is aware, no member of the Board of Directors or of the senior management has during the past five years been:

- convicted of fraud;
- associated with a bankruptcy, receivership or liquidation;
- officially incriminated and/or subject to any official public sanction issued by a statutory or regulatory authority;
- been prohibited by a court to act as a board member, a supervisory board member, or a member of senior management of an issuer, or to participate in the management or business affairs of an issuer.

As required under article 223-26 of the AMF's General Rules, to the Company's knowledge, management transactions on Company shares declared to the AMF in connection with article L. 621-18-2 of the French Monetary and Commercial Code concerned the Chief Executive Officer exclusively and were as follows during Fiscal 2010:

- on December 9, 2009, the exercise of 45,032 stock options granted on January 20, 2004, for an exercise price of 24.48 euro per share (see page 250 of this document) and the immediate sale of the corresponding shares for USD 39,0835 each.

Controlling shareholder measures

Sodexo has put in place a series of measures in order to ensure that the control over the Company is not exercised in an abusive manner. Examples of these measures include:

- the presence of six members considered independent among the thirteen members of the Board of Directors as of August 31, 2010;
- the existence of three Board Committees, two of which (the Nominating Committee and the Compensation Committee) include independent directors, and the third of which (the Audit Committee) is composed entirely of independent directors;
- the separation of the roles of Chairman of the Board and Chief Executive Officer. Effective` September 1, 2005, Michel Landel – neither a member of Pierre Bellon's family, nor a corporate officer of Bellon SA – succeeded Pierre Bellon as Chief Executive Officer of Sodexo. Pierre Bellon remained as Chairman of the Board;
- the disclosures within this document of the relationship between Sodexo and Bellon SA.

These include the ownership interest of Bellon SA in Sodexo (changes in which are disclosed on page 205 of this document). Further, since 1991 a service agreement between Bellon SA and Sodexo has been in operation whereby Bellon SA provides assistance and advice in areas including strategy, finance, accounting and human resources, either directly or *via* qualified experts; in return for its services, Bellon SA receives fees that are approved annually by the Board of Directors of Sodexo. The amount paid for Fiscal 2010 was 5.6 million euro excluding taxes.

Regulated related-party agreements

- The Special Report of the Auditors on regulated related-party agreements on those entered into in prior years and applicable during Fiscal 2010, is presented on page 192 of this document.
- The Company is not aware of any service contract linking a member of the Board of Directors to the Company or one of its subsidiaries and granting benefits over the term of such contract.

→ Compensation

The disclosures within this document comply with the April 2010 AFEP-MEDEF recommendations contained in the December 2008 AFEP-MEDEF code of corporate governance for listed companies, and with the AMF Recommendation of December 22, 2008 regarding the disclosure of corporate officers' compensation in reference documents.

1. COMPENSATION OF THE CORPORATE OFFICERS*

1.1 Compensation of the Chairman of the Board of Directors

Pierre Bellon receives no compensation or benefits in kind for his duties as Chairman of the Board of Directors of Sodexo SA. However, Sodexo provides the Chairman of the Board of Directors the use of a car, an office and administrative assistance. In addition, Pierre Bellon will not receive any severance payment upon expiration of his corporate appointment. No free shares or stock options have been granted to him.

COMPENSATION PAID TO THE CHAIRMAN OF THE BOARD OF DIRECTORS

Pierre Bellon	**Fiscal 2009**		**Fiscal 2010**	
Chairman of the Board of Directors *(in euro)*	**Amounts due for fiscal year**	**Amounts paid in the fiscal year**	**Amounts due for fiscal year**	**Amounts paid in the fiscal year**
Fixed compensation	-	-	-	-
Variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Director's fees paid by Sodexo SA in his capacity as Chairman of the Board of Directors	49,240	49,240	49,700	49,700
Fringe benefits	-	-	-	-
For information, amounts paid by Bellon SA in his capacity as Chairman of the Supervisory Board:				
• Fixed compensation	70,000	70,000	70,000	70,000
• Director's fees	200,000	200,000	200,000	200,000
TOTAL	**319,240**	**319,240**	**319,700**	**319,700**

* *See Glossary*

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SUMMARY OF COMMITMENTS TO THE CHAIRMAN OF THE BOARD OF DIRECTORS AS OF AUGUST 31, 2010

	Employment contract		Supplemental retirement plan		Actual or potential liability for compensation or benefits resulting from termination or change of position		Compensation in connection with a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Pierre Bellon **Chairman of the Board of Directors** First elected: Nov 14, 1974 Current term expires: 2013 Annual Shareholders' Meeting		X		X		X		X

1.2 Chief Executive Officer's compensation

Michel Landel receives no payment for the performance of his duties as Chief Executive Officer of Sodexo SA. However, under his employment contract with Bellon SA his compensation package comprises:

- a fixed salary;
- an annual performance bonus of up to 100% of his fixed salary conditional upon fulfillment of all of the targets set, and 150% of his fixed salary if quantitative targets are exceeded. 75% of the bonus depends on quantitative targets based on the Group's financial performance in the course of the fiscal year elapsed, all payments in respect of quantitative targets being subject to achievement of a minimum level of performance corresponding to the budget targets. The remaining 25% depend on personal targets set at the start of the fiscal year. The bonus is calculated and paid after the close of the fiscal year to which it applies and the related audit of the financial statements;
- a long-term incentive plan consisting of bonuses and/or stock options, depending on the period. As disclosed on page 250 of this document, Michel Landel was granted 100,000 stock options on January 11, 2010, representing 5.88% of the total number of options granted. The acquisition of half of these options is subject to profit attributable to equity holders of the parent for Fiscal 2012 reaching a certain level. In addition, and under article L. 225-185 of the French Commercial Code, Michel Landel is required to hold a number of shares resulting from the exercise of these options equal in value to 30% of his base salary at the date of exercise of the said options for the duration of his mandate.

The amounts paid in Fiscal 2010 for the above components, including measurement of the value of the stock options granted, are shown in detail in the accompanying tables.

In the event of incapacity, disability or death, the benefits paid to Michel Landel will be based on his total monetary compensation.

In addition, Michel Landel is a beneficiary of the defined benefit pension plan established for the most senior executives employed by a French company of the Group (see page 250 of this document).

SUMMARY OF COMPENSATION PAID TO THE CHIEF EXECUTIVE OFFICER

Michel Landel Chief Executive Officer *(in euro)*	Fiscal 2009 Amounts due for fiscal year	Fiscal 2009 Amounts paid in the fiscal year	Fiscal 2010 Amounts due for fiscal year	Fiscal 2010 Amounts paid in the fiscal year
Fixed compensation	906,210	906,210	906,210	906,210
Variable compensation [(1)]	906,210	1,287,172	906,210	884,556
Exceptional compensation	-	-	-	-
Director's fees [(2)]	-	-	-	-
Fringe benefits [(3)]	3,096	3,096	3,098	3,098
TOTAL [(4)]	**1,815,516**	**2,196,478**	**1,815,518**	**1,793,864**

(1) The column "Amounts due for the fiscal year" corresponds to the theoretical amount of the variable portion assuming targets are met in full. Variable compensation is calculated and paid following the close of the fiscal year to which it applies and can represent up to 150% of fixed compensation if quantitative targets are exceeded.
(2) Michel Landel is not paid a director's fee for his Directorship of Sodexo SA.
(3) Michel Landel has the use of a company car.
(4) The different components of Michel Landel's compensation are paid to him in full by Bellon SA for the employment contract between him and that company.

SUMMARY OF COMPENSATION PAID AND STOCK OPTIONS GRANTED TO THE CHIEF EXECUTIVE OFFICER

Michel Landel Chief Executive Officer *(in euro)*	Fiscal 2009	Fiscal 2010
Compensation due for current fiscal year	1,815,516	1,815,518
Measurement of options granted during the fiscal year [(1)]	1,124,498	989,000
TOTAL	**2,940,014**	**2,804,518**

(1) Details of options granted in Fiscal 2010 are disclosed on page 250 of this document. Options granted are measured at fair value at grant date, estimated by means of a binomial type model that takes account of the terms and conditions on which the options were granted together with assumptions regarding exercise of the options (see note 4.23 to the consolidated financial statements). These options are recognized over a period of four years.

SUMMARY OF COMMITMENTS MADE TO THE CHIEF EXECUTIVE OFFICER AS OF AUGUST 31, 2010

	Employment contract		Supplemental retirement plan		Actual or potential liability for compensation or benefits resulting from termination or change of position		Compensation in connection with a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Michel Landel **Chief Executive Officer** Date appointed: January 9, 2005 No fixed term	X		X		X			X

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Employment contract

Based on the recommendation of the Compensation Committee, the Board of Directors has decided to maintain Michel Landel's employment contract. His mandate is considered to be a continuation of the salaried activities he has carried out since entering the Group in 1984. The Compensation Committee considered it would be inequitable to call into question his retirement plan. Michel Landel is 59 years old.

Michel Landel receives compensation under his employment contract with Bellon SA. He receives no payment for the performance of his duties as Chief Executive Officer. However, he has stock options and would receive an indemnity in case of termination of his Chief Executive Officer mandate subject to the conditions described below. Contractual indemnities may not be cumulated in case of termination of his employment contract and the ending of his mandate.

Supplemental retirement plan

Michel Landel's supplemental retirement plan provides for payment of a pension amounting to 14% of his fixed salary, to which are added the pensions due him under compulsory retirement plans, provided that he is employed by the Company at the time of his retirement. The cumulative liability for Michel Landel as of August 31, 2010 was 1,577,681 euro.

Compensation in the event of termination of appointment as Chief Executive Officer

As decided by the Board of Directors on November 6, 2008 and ratified by the combined general shareholders' meeting of January 19, 2009, in compliance with the procedure governing related party agreements, Michel Landel is entitled to compensation in the event of termination of his appointment as Chief Executive Officer (excluding voluntary termination or retirement and unless revoked for cause), for which a payment will be made to him in an amount equal to twice the gross annual compensation (fixed and variable) received during the 12 months preceding the termination. The payment of the indemnity in the case of termination of the Chief Executive Officer appointment will only be made if, at constant consolidation scope and currency exchange rates, the annual increase in the Sodexo Group's consolidated operating income is equal or higher than 5% for each of the three fiscal years ended prior to the termination of the appointment.

STOCK OPTIONS GRANTED TO THE CHIEF EXECUTIVE OFFICER IN FISCAL 2010

	Date of plan	Type of options	Value of options (1) *(in euro)*	Number of options granted in the fiscal year	Exercise price *(in euro)*	Vesting period (2)
Michel Landel **Chief Executive Officer**	January 11, 2010	Purchase options	989,000	100,000	39.88	January 11, 2013 January 10, 2017

(1) Options granted are measured at fair value at grant date, estimated by means of a binomial type model that takes account of the terms and conditions on which the options were granted together with assumptions regarding exercise of the options (see note 4.23 to the consolidated financial statements).
(2) Terms and conditions of exercise are described in the table on page 256 of this document.

STOCK OPTIONS EXERCISED BY THE CHIEF EXECUTIVE OFFICER IN FISCAL 2010

Sodexo SA Plans	Date of plan	Number of options exercised in the fiscal year (1)	Exercise price (1) *(in euro)*
Michel Landel **Chief Executive Officer**	January 20, 2004	45,032	24.48

(1) Number of options and exercise price adjusted for capital transactions carried out since the grant date.

2. COMPENSATION OF NON-EXECUTIVE DIRECTORS

2.1 Directors' fees paid to non-executive directors

The total amount of directors' fees available for payment to the directors of Sodexo for Fiscal 2010 was set at 530,000 euro by the combined general shareholders' meeting of January 25, 2010. The total amount of directors' fees actually paid to all directors (executive and non-executive corporate officers) for Fiscal 2001 was 509,450 euro, as compared to 501,440 euro for Fiscal 2009.

Directors' fees were calculated and paid in accordance with the Board's Internal Rules, based on the following criteria established for Fiscal 2010:

- **18,500** euro fixed fee to each director;
- **1,850** euro per attendance at Board meetings;
- **5,800** euro fixed fee to each member of a Board Committee;
- **800** euro per attendance at Committee meetings.

Directors' fees paid to executive and non-executive corporate officers for Fiscal 2009 and Fiscal 2010 were as follows:

Members of the Board of Directors (other than the Chairman of the Board of Directors and the Chief Executive Officer)	Fiscal 2009 *(in euro)*	Fiscal 2010 *(in euro)*
Robert Baconnier	46,120	46,500
Rémi Baudin [(1)]	51,240	30,300
Patricia Bellinger	47,720	85,300
Astrid Bellon	31,200	31,450
Bernard Bellon [(1)]	41,920	42,700
François-Xavier Bellon	31,200	33,300
Sophie Clamens	33,540	35,700
Paul Jeanbart	28,200	31,450
Alain Marcheteau	NA	18,500
Nathalie Szabo	37,580	39,900
Peter Thompson	34,000	30,600
Mark Tompkins	39,920	38,050

(1) This total includes 2,000 euro in directors' fees paid by Bellon SA in Fiscal 2009 and Fiscal 2010 for his appointment as member of the Supervisory Board of Bellon SA.

2.2 Compensation paid to non-executive directors

No stock options have been granted to non-executive directors, and they are not eligible for any supplemental retirement plan or compensation or benefits potentially resulting from the assumption, termination or change of duties.

	Fiscal 2009 (in euro)			Fiscal 2010 (in euro)		
	Total annual compensation			Total annual compensation		
	Fixed	Variable [1]	Fringe benefits	Fixed	Variable [1]	Fringe benefits
Astrid Bellon [2]	90,632	-	-	97,296	-	-
François-Xavier Bellon [2]	90,632	-	-	97,296	-	-
Sophie Clamens [3]	248,170	20,450	-	259,590	15,471	2,940
Nathalie Szabo [4]	185,417	-	1,262	198,526	7,371	3,773

(1) Variable compensation is conditioned upon meeting quantitative and qualitative targets.
(2) Compensation paid for membership on the Management Board of Bellon SA.
(3) Compensation paid for her position as Chair of the Management Board of Bellon SA (135,616 euro for Fiscal 2009 and 144,300 euro for Fiscal 2010) and for her position as Chief Executive Officer of Sodexo France Corporate (133,004 euro for Fiscal 2009 and 133,701euro for Fiscal 2010 . Sophie Clamens has the use of a company car.
(4) Compensation paid for her membership of the Management Board of Bellon SA (114,633 euro for Fiscal 2009 and 127,296 euro for Fiscal 2010) and for her position as Chief Executive Officer of Sodexo Prestige (70,784 euro for Fiscal 2009 and 78,601 euro for Fiscal 2010). Nathalie Szabo has the use of a company car.

3. EXECUTIVE COMMITTEE COMPENSATION

The compensation of members of the Executive Committee comprises a fixed salary and an annual performance-based bonus, plus, where applicable, a medium-term incentive bonus, intended to compensate the achievement of ambitious earnings objectives over a period of three consecutive fiscal years. Only members of Group management having a significant impact on the realization of strategic objectives are eligible for this medium term plan.

Depending on the manager, the annual performance-based bonus represents between 60 and 100% of the fixed salary, conditional upon fulfillment of targets, and may be increased to 150% if quantitative targets are exceeded. For line managers, 75% of this bonus depends on fulfillment of financial performance targets in the fiscal year elapsed, either by the Group or by the operating entity under the executive's management. The remaining 25% depends on qualitative targets linked to key indicators such as customer retention and diversity. For managers in staff functions, 50% of the bonus depends on fulfillment of financial performance targets by the Group in the fiscal year elapsed. The remaining 50% depends on qualitative targets as described above.

The bonus is calculated and paid following the close of the fiscal year to which it applies and after completion of the audit of the financial statements.

In addition to this monetary compensation, Executive Committee members receive fringe benefits (primarily, a car), and retirement plan contributions for members under employment contract with one of the Group's foreign companies.

Total compensation paid by the Group to members of the Executive Committee in their position as of August 31, 2010 (including the Chief Executive Officer, details of whose compensation are provided on page 248 of this document), amounted to 8,043,942 euro. This amount comprises a fixed portion of 3,904,764 euro, a variable portion of 4,109,519 euro, and 29,659 euro of contributions to retirement plans, as described above.

3.1 Stock Option Policy

The Group's executive stock option policy has two objectives:

- linking the financial interests of executives to those of the shareholders;
- attracting and retaining the entrepreneurs needed to expand and strengthen its market leadership.

Stock options are not granted to members of the Board of Directors, with the exception of the Chief Executive Officer.

The stock option plans satisfy the following rules:

- options are generally granted at the same time of the year and their exercise price is not discounted;
- option lives are 6 to 7 years;
- vesting is by 25% tranche over a 4-year period. Effective for the 2008, 2009 and 2010 plans, vesting in 50% of the options granted is conditional upon the achievement of a certain level of profit attributable to equity holders of the parent for Fiscal 2010, 2011 and 2012; the remaining 50% is acquired by 12.5% tranche over a period of 4 years;
- the option holder must be employed by the Group at the time of exercise.

3.1.1 Sodexo stock options granted to employees

The Annual Shareholders' Meeting regularly grants authority to the Board of Directors to purchase Sodexo shares for the purpose of granting them to employees under stock option plans.

The number of stock options outstanding and issued by the Company in connection with various plans still in effect as of August 31, 2010 was 6,703,643 for a total amount of 273,717,736 euro (see table below for details). The number of options exercisable as of August 31, 2010 was 2,223,045, each entitling the holder to one Sodexo share if exercised.

Date of Shareholders' Meeting	Date of Board meeting granting stock option plan [(1)]	Total number of options granted [(2)]	Total number of options granted to Corporate Officers (Michel Landel)	Start date of vesting period
February 3, 2004	January 18, 2005 (A)	537,100	60,000	January 18, 2006
February 3, 2004	January 18, 2005 (B)	466,000		January 18, 2008
February 3, 2004	January 18, 2005 (C)	6,900		January 18, 2008
February 3, 2004	June 16, 2005 (B)	20,000		June 16, 2006
February 3, 2004	January 10, 2006 (A1)	369,604	63,000	January 10, 2007
February 3, 2004	January 10, 2006 (A2)	192,996		January 10, 2007
February 3, 2004	January 10, 2006 (B)	399,802		January 10, 2007
February 3, 2004	January 10, 2006 (C)	5,050		January 10, 2007
January 31, 2006	January 16, 2007 (A1)	502,600	90,000*	January 16, 2008
January 31, 2006	January 16, 2007 (A2)	337,600		January 16, 2008
January 31, 2006	January 16, 2007 (B)	500,000		January 16, 2008
January 31, 2006	January 16, 2007 (C)	4,500		January 16, 2008
January 31, 2006	April 24, 2007 (A1)	20,000		April 24, 2008
January 31, 2006	April 24, 2007 (A2)	1,600		April 24, 2008
January 31, 2006	September 11, 2007 (B)	40,000		September 11, 2008
January 31, 2006	January 7, 2008 (A1)	619,300	100,000*	50% of the options: January 7, 2009 50% of the options: July 1, 2011 [(4)]

(1) Beneficiaries of plans:
(A) Plan reserved for non-US employees
(A1) Plan reserved for employees resident in France
(A2) Plan reserved for employees non-resident in France
(A3) Plan reserved for corporate officers
(B) Plan reserved for employees resident in North America
(C) Plan reserved for US employees not resident in the US
(2) Total number of options granted by the Board of Directors at grant date
(3) Exercise price adjusted after capital transactions carried out since grant date
(4) Subject to achieving a specified level of profit attributable to equity holders of the parent for Fiscal 2010
(5) Subject to achieving a specified level of profit attributable to equity holders of the parent for Fiscal 2011
(6) Subject to achieving a specified level of profit attributable to equity holders of the parent for Fiscal 2012
(7) Total number of options canceled as a result of departure of beneficiaries, as specified in rules governing the plans
** Under article L. 225-185 of the French Commercial Code, the Board of Directors has decided that Michel Landel, the only Corporate Officer ("mandataire social") granted stock options, is required to hold a number of shares received upon exercise of the stock options related to the January 16, 2007, January 7, 2008, January 19, 2009 and January 11, 2010 plans, equivalent to 30% of his base salary as of the date of exercise of these options for the duration of his mandate.*

Expiration date	Exercise price (3) *(in euro)*	Terms of exercise	Number of shares purchased as of Aug. 31, 2010	Cumulative number of options cancelled (7)	Options outstanding as of Aug. 31, 2010
January 17, 2011	23.08	25% at each anniversary date	292,012	76,150	169,324
January 17, 2011	23.08	25% at each anniversary date	365,207	34,008	67,465
January 17, 2001	23.08	25% at each anniversary date	6,906	0	0
June 15, 2011	26.02	25% at each anniversary date	15,012	0	5,004
January 9, 2012	34.83	25% at each anniversary date	66,382	51,842	251,655
January 9, 2012	34.83	25% at each anniversary date	90,230	23,407	79,534
January 9, 2012	34.83	25% at each anniversary date	189,202	25,413	185,577
January 9, 2012	34.83	25% at each anniversary date	4,103	0	951
January 15, 2014	47.82	25% at each anniversary date	0	45,561	457,047
January 15, 2013	47.82	25% at each anniversary date	3,001	53,364	279,029
January 15, 2013	47.82	25% at each anniversary date	3,605	47,716	448,087
January 15, 2013	47.82	25% at each anniversary date	0	0	4,504
April 23, 2014	55.36	25% at each anniversary date	0	0	20,014
April 23, 2013	55.36	25% at each anniversary date	0	0	1,602
September 10, 2013	47.17	25% at each anniversary date	0	0	40,028
January 6, 2015	42.27	12.5% at each anniversary date 50% at the 3rd anniversary date (4)	0	65,732	554,074

Date of Shareholders' Meeting	Date of Board meeting granting stock option plan (1)	Total number of options granted (2)	Total number of options granted to Corporate Officers (Michel Landel)	Start date of vesting period
January 31, 2006	January 7, 2008 (A2)	451,700		50% of the options: January 7, /2009 50% of the options: January 7, 2011 (4)
January 31, 2006	January 7, 2008 (B)	555,200		50% of the options: January 7, 2009 50% of the options: January 7, 2011 (4)
January 31, 2006	September 9, 2008 (A1)	30,000		50% of the options: September 9, 2009 50% of the options: September 9, 2011 (4)
January 31, 2006	September 9, 2008 (A2)	15,000		50% of the options: September 9, 2009 50% of the options: September 9, 2011 (4)
January 31, 2006	January 19, 2009 (A1)	631,575	100,000*	50% of the options: January 19, 2010 50% of the options: January 19, 2012 (5)
January 31, 2006	January 19, 2009 (A2)	447,225		50% of the options: January 19, 2010 50% of the options: January 19, 2012 (5)
January 31, 2006	January 19, 2009 (B)	545,100		50% of the options: 01/19/2010 50% of the options: January 19, 2012 (5)
January 19, 2009	January 11, 2010 (A1)	553,450		50% of the options: January 11, 2011 50% of the options: January 11, 2013 (6)
January 19, 2009	January 11, 2010 (A2)	482,250		50% of the options January 11, 2011 50% of the options: January 11, 2013 (6)
January 19, 2009	January 11, 2010 (A3)	100,000	100 000*	100% of the options: January 11, 2013 (6)
January 19, 2009	January 11, 2010 (B)	564 000		50% of the options: January 11, 2011 50% of the options: January 11, 2013 (6)

(1) Beneficiaries of plans:
(A) Plan reserved for non-US employees
(A1) Plan reserved for employees resident in France
(A2 Plan reserved for employees non-resident in France
(A3) Plan reserved for corporate officers
(B) Plan reserved for employees resident in North America
(C) Plan reserved for US employees non-resident in the US
(2) Total number of options granted by the Board of Directors at grant date
(3) Exercise price adjusted after capital transactions carried out since grant date
(4) Subject to achieving a specified level of profit attributable to equity holders of the parent for Fiscal 2010
(5) Subject to achieving a specified level of profit attributable to equity holders of the parent for Fiscal 2011
(6) Subject to achieving a specified level of profit attributable to equity holders of the parent for Fiscal 2012
(7) Total number of options canceled as a result of departure of beneficiaries, as specified in rules governing the plans
** Under article L. 225-185 of the French Commercial Code, the Board of Directors has decided that Michel Landel, the only Corporate Officer ("mandataire social") granted stock options, is required to hold a number of shares received upon exercise of the stock options related to the January 16, 2007, January 7, 2008, January 19, 2009 and January 11, 2010 plans, equivalent to 30% of his base salary as of the date of exercise of these options for the duration of his mandate.*

Expiration date	Exercise price [3] *(in euro)*	Terms of exercise	Number of shares purchased as of Aug. 31, 2010	Cumulative number of options cancelled [7]	Options outstanding as of Aug. 31, 2010
January 6, 2014	42.27	12.5% at each anniversary date 50% at the 3rd anniversary date [4]	2,125	60,894	389,085
January 6, 2014	42.27	12.5% at each anniversary date 50% at the 3rd anniversary date [4]	18,400	36,422	500,762
September 8, 2015	45.56	12.5% at each anniversary date 50% at the 3rd anniversary date [4]	0	0	30,000
September 8, 2014	45.56	12.5% at each anniversary date 50% at the 3rd anniversary date [4]	0	0	15,000
January 18, 2016	39.40	12.5% at each anniversary date 50% at the 3rd anniversary date [5]	0	28,188	603,387
January 18, 2015	39.40	12.5% at each anniversary date 50% at the 3rd anniversary date [5]	2,353	48,610	396,262
January 18, 2015	39.40	12.5% at each anniversary date 50% at the 3rd anniversary date [5]	10,097	8,251	526,752
January 10, 2017	39.88	12.5% at each anniversary date 50% at the 3rd anniversary date [6]	0	17,500	535,950
January 10, 2016	39.88	12.5% at each anniversary date 50% at the 3rd anniversary date [6]	0	3,000	479,250
January 10, 2017	39.88	100% at the 3rd anniversary date [6]	0	0	100,000
January 10, 2016	39.88	12.5% at each anniversary date 50% at the 3rd anniversary date [6]	0	700	563,300

Further, the number of stock options unexercised as of August 31, 2010, issued under Stock Incentive Plans granted by Sodexho Marriott Services to its employees in North America between 1997 and 2001 and assumed by the Company in 2001 through its wholly-owned subsidiary Sodexo Awards (see note 4.23.4 to the consolidated financial statements), was 81,895 for a total amount of USD 2,373,581 (see table below for details). All of these options were exercisable as of August 31, 2010, each entitling the holder to one Sodexo share if exercised.

Stock options grant date	Total number of options granted	Total number of options granted to Corporate Officers (Michel Landel)	Start of vesting period	Expiration date
November 6, 1997	112,648		November 6, 1998	November 11, 2012
September 22, 1998	10,999		September 22, 1999	September 22, 2008
February 8, 1999	13,722		February 8, 2000	February 8, 2009
November 22, 1999	1,155,008	55,607	November 22, 2000	November 22, 2009
July 19, 2000	13,764		July 19, 2001	July 19, 2010
December 15, 2000	702,817	29,657	December 15, 2001	December 15, 2010
January 5, 2001	2,966		January 5, 2002	January 5, 2011
April 2, 2001	19,281		April 2, 2002	April 2, 2011

(1) Exercise price adjusted after capital transactions carried out since grant date.
(2) Total number of options canceled as a result of departure of beneficiaries, as specified in rules governing the plans.

Exercise price *(in USD)*	Terms of exercise	Number of shares exercised as of Aug. 31, 2010	Cumulative number of options canceled [(1)]	Options outstanding as of Aug. 31, 2010
29.9890	25% at each anniversary date	85,083	12,791	16,816
37.7811	25% at each anniversary date	8,424	3,110	0
31.9275	25% at each anniversary date	11,511	2,227	0
22.3235	25% at each anniversary date	1,057,248	102,368	0
22.9974	25% at each anniversary date	11,823	1,959	0
28.1360	25% at each anniversary date	575,670	66,635	61,768
27.5463	25% at each anniversary date	2,969	0	0
39.6802	25% at each anniversary date	15,986	0	3,311

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3.1.2 Options to purchase Sodexo shares granted to or exercised by members of the Group Executive Committee

Options granted to or exercised by members of the Group Executive Committee under the plans are detailed below:

Name	Date of Board meeting granting stock option plan	Number of options granted	Exercise price as of Aug. 31, 2010 *(in euro)*	Expiration date	Options exercised as of Aug. 31, 2009	Options exercised in the fiscal year	Options outstanding as of Aug. 31, 2010
Elisabeth Carpentier	January 20, 2004 (A)	35,000	24.48	January 19, 2010	35,022		0
	January 18, 2005 (A)	35,000	23.08	January 17, 2011	4,025	26,000	5,000
	January 10, 2006 (A1)	35,000	34.83	January 9, 2012			35,025
	January 16, 2007 (A1)	45,000	47.82	January 15, 2014			45,032
	January 7, 2008 (A1)	45,000	42.27	January 6, 2015			45,032
	January 19, 2009 (A1)	41,000	39.40	January 18, 2016			41,000
	January 11, 2010 (A1)	45,000	39.88	January 10, 2017			45,000
George Chavel	January 20, 2004 (B)	13,667	24.48	January 19, 2010	13,667		0
	January 18, 2005 (B)	15,000	23.08	January 17, 2011	11,250	3,753	0
	January 10, 2006 (B)	11,363	34.83	January 9, 2012	2,840	4,264	4,264
	January 16, 2007 (B)	16,000	47.82	January 15, 2013			16,012
	September 11, 2007 (B)	20,000	47.17	September 10, 2013			20,014
	January 7, 2008 (B)	50,000	42.27	January 6, 2014			50,035
	January 19, 2009 (B)	46,000	39.40	January 18, 2015			46,000
	January 11, 2010 (B)	55,000	39.88	January 10, 2016			55,000
Roberto Cirillo	April 24, 2007 (A1)	20,000	55.36	April 23, 2014			20,014
	January 1, 2008 (A1)	20,000	42.27	January 6, 2015			20,014
	January 19, 2009 (A1)	41,000	39.40	January 18, 2016			41,000
	January 11, 2010 (A1)	45,000	39.88	January 10, 2017			45,000
Pierre Henry	January 20, 2004 (A)	5,000	24.48	January 19, 2010	5,004		0
	January 18, 2005 (A)	10,000	23.08	January 17, 2011		10,007	0
	January 10, 2006 (A2)	35,000	34.83	January 9, 2012		35,025	0
	January 16, 2007 (A2)	50,000	47.82	January 15, 2013			50,035
	January 7, 2008 (A2)	50,000	42.27	January 6, 2014			50,035
	January 19, 2009 (A2)	50,000	39.40	January 18, 2015			50,000
	January 11, 2010 (A2)	55,000	39.88	January 10, 2016			55,000
Siân Herbert-Jones	January 20, 2004 (A)	40,000	24.48	January 19, 2010	40,028		0
	January 18, 2005 (A)	40,000	23.08	January 17, 2011	10,000		30,028
	January 10, 2006 (A1)	40,000	34.83	January 9, 2012			40,028
	January 16, 2007 (A1)	50,000	47.82	January 15, 2014			50,035
	January 7, 2008 (A1)	50,000	42.27	January 6, 2015			50,035
	January 19, 2009 (A1)	46,000	39.40	January 18, 2016			46,000
	January 11, 2010 (A1)	50,000	39.88	January 10, 2017			50,000

Name	Date of Board meeting granting stock option plan	Number of options granted	Exercise price as of Aug. 31, 2010 *(in euro)*	Expiration date	Options exercised as of Aug. 31, 2009	Options exercised in the fiscal year	Options outstanding as of Aug. 31, 2010
Nicolas Japy	January 20, 2004 (A)	10,000	24.48	January 19, 2010	7,500	2,502	0
	January 18, 2005 (A)	15,000	23.08	January 17, 2011		4,511	10,500
	January 10, 2006 (A1)	30,000	34.83	January 9, 2012			30,021
	January 16, 2007 (A1)	40,000	47.82	January 15, 2014			40,028
	January 7, 2008 (A1)	40,000	42.27	January 6, 2015			40,028
	January 19, 2009 (A1)	36,000	39.40	January 18, 2016			36,000
	January 11, 2010 (A1)	45,000	39.88	January 10, 2017			45,000
Michel Landel	January 20, 2004 (A)	45,000	24.48	January 19, 2010		45,032	0
	January 18, 2005 (A)	60,000	23.08	January 17, 2011			60,042
	January 10, 2006 (A1)	63,000	34.83	January 9, 2012			63,045
	January 16, 2007 (A1)*	90,000	47.82	January 15, 2014			90,063
	January 7, 2008 (A1)*	100,000	42.27	January 6, 2015			100,070
	January 19, 2009 (A1)*	100,000	39.40	January 18, 2016			100,000
	January 11, 2010 (A3)*	100,000	39.88	January 10, 2017			100,000
Damien Verdier	January 20, 2004 (A)	8,000	24.48	January 19, 2010	8,006		0
	January 18, 2005 (A)	7,000	23.08	January 17, 2011		7,005	0
	January 10, 2006 (A1)	20,000	34.83	January 9, 2012			20,014
	January 16, 2007 (A1)	35,000	47.82	January 15, 2014			35,025
	January 7, 2008 (A1)	40,000	42.27	January 6, 2015			40,028
	January 19, 2009 (A1)	35,000	39.40	January 18, 2016			35,000
	January 11, 2010 (A1)	45,000	39.88	January 10, 2017			45,000

* *Under article L. 225-185 of the French Commercial Code, the Board of Directors has decided that Michel Landel, the only Corporate Officer ("mandataire social") granted stock options, is required to hold a number of shares received upon exercise of the stock options related to the January 16, 2007, January 7, 2008, January 19, 2009 and January 11, 2010 plans, equivalent to 30% of his base salary as of the date of exercise of these options for the duration of his mandate.*

Options granted to or exercised by members of the Group Executive Committee under Stock Incentive Plans granted by Sodexho Marriott Services between 1997 and 2001 are detailed below:

Name	Date of Board meeting granting stock option plan	Number of options granted	Exercise price as of Aug. 31 2009 *(in USD)*	Expiration date	Options exercised as of Aug. 31 2009	Options exercised in the fiscal year	Options outstanding as of Aug. 31 2010
George Chavel	November 22, 1999	8,500	22.3235	November 22, 2009	8,500		0
	December 15, 2000	3,965	28.1360	December 15, 2010	3,965		0
	April 2, 2001	5,000	39.6802	April 2, 2011	5,000		0
Michel Landel	November 22, 1999	55,607	22.3235	November 22, 2009	55,646		0
	December 15, 2000	29,657	28.1360	December 15, 2010			29,678

3.1.3 Stock options granted and exercised during Fiscal 2010, concerning the ten Group employees receiving or exercising the largest number of options (other than corporate officers)

	Total number	Weighted average price *(euro)*
Options granted during the fiscal year to the ten Group employees receiving the largest number of options	391,000	39.88
Options exercised during the fiscal year by the ten Group employees exercising the largest number of options (1)	181,156	28.79

(1) Including 93,067 options granted on January 18, 2005, and 88,089 options granted on January 10, 2006.

→ Audit fees

(euro in millions excluding VAT)	PricewaterhouseCoopers				KPMG			
	Amount		%		Amount		%	
	Fiscal 2010	Fiscal 2009	Fiscal 2010	Fiscal 2009	Fiscal 2010	Fiscal 2009	Fiscal 2010	Fiscal 2009
Audit								
Audit of individual company financial statements and consolidated financial statements:								
Issuer	0.6	0.6	11%	7%	0.6	0.6	15%	15%
Consolidated subsidiaries	4.3	4.4	75%	50%	3.2	2.8	78%	70%
TOTAL	**4.9**	**5.0**	**86%**	**57%**	**3.8**	**3.4**	**93%**	**85%**
Other audit services:								
Issuer	0.1	2.3	1%	27%	0.1	0.1	2%	2%
Consolidated subsidiaries	0.6	1.3	11%	15%	0.2	0.4	5%	11%
TOTAL	**0.7**	**3.6**	**13%**	**42%**	**0.3**	**0.5**	**7%**	**13%**
Sub-total Audit	**5.6**	**8.6**	**99%**	**99%**	**4.1**	**3.9**	**100%**	**98%**
Other services to consolidated subsidiaries								
Legal, tax, labor	0.1	0.1	1%	1%		0.1	0%	2%
Other								
TOTAL	**0.1**	**0.1**	**1%**	**1%**		**0.1**	**0%**	**2%**
TOTAL	**5.7**	**8.7**	**100%**	**100%**	**4.1**	**4.0**	**100%**	**100%**

In order to ensure that the Group receives a consistent and high-quality service, and to centralize relations with the external auditors at Senior Management and Audit Committee level, the Audit Committee has prepared a plan whereby one or the other of the international firms retained as auditors by Sodexo (PricewaterhouseCoopers and KPMG, both members of the Regional Company of External Auditors of Versailles) will be appointed to act as auditor to virtually all Group subsidiaries representing 97% of financial statement audit fees, of which 55% were paid to PricewaterhouseCoopers and 42% to KPMG.

Audit fees paid by Group subsidiaries to firms other than PricewaterhouseCoopers and KPMG (and member firms of their international networks), amounted to 0.3 million euro for Fiscal 2010.

The decrease in fees paid is due to the impact of the acquisitions of Zehnacker in Germany, Poland and Austria, and RKHS in India on Fiscal 2009 fees.

The Audit Committee approved in advance all services performed by the auditors during Fiscal 2010.

The Audit Committee has established and implemented a policy to approve all audit missions and fees and to pre-approve other services provided by the external auditors.

11 Combined Annual Shareholders' Meeting, January 24, 2011

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Board Report

Presentation of Resolutions submitted to the Combined Annual Shareholders' Meeting, January 24, 2011

1. ORDINARY BUSINESS

Adoption of the annual and consolidated financial statements (1st resolution)

The Board of Directors is requesting the Shareholders' Meeting to adopt, for Fiscal 2010, the individual company financial statements of Sodexo showing net income of 262 million euro and the consolidated financial statements of the Group showing consolidated net income, Group share of 409 million euro.

Appropriation of net income for the fiscal year and dividend (2nd resolution)

This resolution relates to appropriation of net income for Fiscal 2010 and the distribution of a dividend. The Board of Directors is requesting the Shareholders' Meeting's approval of its proposal to distribute a cash dividend of 1.35 euro per share, an increase of 6.3% as compared to the previous year. The dividend will become payable as of February 7, 2011. Specifically, shares not entitled to the distribution of dividends will be as of February 2, 2011 (the ex-dividend date). The shares entitled to dividends shall be those shares held as of the close of business on February 4, 2011 (the record date).

Regulated related-party agreements and commitments (3rd resolution)

No regulated related-party agreement or commitment, as defined in articles L. 225-38 and L. 225-42-1 of the French Commercial Code was entered into in Fiscal 2010. The Special Report of the Auditors indicating the absence of any new regulated related-party agreement or transaction in Fiscal 2010 is presented on page 192 of this document. This report also presents information on agreements and commitments entered into in prior years and applicable during Fiscal 2010.

Directors' fees (4th resolution)

The Board of Directors is requesting the Shareholders' Meeting to set the total amount of directors' fees to be paid to the Board of Directors for Fiscal 2011 at 530,000 euro, same as for the prior year.

Appointments of principal and alternate auditors (5th and 6th resolutions)

The tenures of PricewaterhouseCoopers Audit and principal auditor and of Mr. Patrick Frotiée as alternate auditor expire at the end of the Shareholders' Meeting of January 24, 2011.

As recommended by the Audit Committee, the Board of Directors is proposing to the Shareholders' Meeting that it renew PricewaterhouseCoopers Audit's tenure as principal auditor, and that it appoint Mr. Yves Nicolas as alternate auditor, for the legal period of six fiscal years expiring at the end of the Shareholders' Meeting called to approve the fiscal year ended August 31, 2016.

Purchase by the Company of its own shares (7th resolution)

The Board of Directors is requesting the Shareholders' Meeting to renew the authorization to purchase the Company's own shares under articles L. 225-209 *et seq.* of the French Commercial Code.

This authorization would be valid for a period of 18 months and would replace the previous authorization granted by the Shareholders' Meeting on January 25, 2010.

It would allow for the implementation of a share repurchase program capped at 10% of the Company's issued capital as of the date of the Shareholders' Meeting, having the following characteristics:

- maximum purchase price per share: 70 euro;
- total maximum amount: 750 million euro;
- the program can be carried out at any time except when a public tender offer is underway, subject to the limits stipulated in the relevant laws and regulations, and can be carried out by any means.

Details of the purposes of the share repurchase program are provided in the resolutions submitted to the Shareholders' Meeting.

2. EXTRAORDINARY BUSINESS

Amendment to article 18 of the bylaws concerning the assignment and distribution of profits – dividend premium (8th resolution)

The Board of Directors wishes to reward shareholders who hold their Sodexo shares continuously and for an extended period, for their confidence and loyalty. Consequently, it is proposing to the Shareholders' Meeting to amend article 18 3 b) of the bylaws in order to insert into it a reference to a dividend premium.

Under this proposal, shareholders who, at the end of a given fiscal year, are able to provide proof of ownership of registered shares for at least four years, would be entitled to receive a dividend premium payable on registered shares, equal to 10% of the dividend approved by the Ordinary Shareholders' Meeting. The number of shares eligible for the said dividend premium may not exceed 0.5% of the share capital for any single shareholder.

In accordance with French law, the first dividend premium may not be granted before the close of the second fiscal year following its introduction into the bylaws. Consequently, it would apply for the first time to payment of the dividend payable with respect of the fiscal year ended August 31, 2013 (as set by the Ordinary Shareholders' Meeting called in January 2014 - indicative date), when it will be payable to shareholders able to provide proof of continuous ownership of registered shares since at least August 31, 2009.

Staggered renewal of directors (9th resolution)

In order to provide for the staggered renewal of the members of the Board of Directors, thereby avoiding block renewal of the directors and facilitating the smooth replacement of directors as prescribed in the AFEP-MEDEF code of corporate governance for listed companies issued in April 2010, the Board of Directors is proposing to the Shareholders' Meeting to renew the terms of two directors for an exceptional period of 2 years.

3. ORDINARY BUSINESS

Renewal and appointment of directors (10th to 14th resolutions)

The directorships of Robert Baconnier, Paul Jeanbart, Michel Landel, Peter Thompson and Patricia Bellinger expire at the end of the Shareholders' Meeting on January 24, 2011.

As provided in the 9th resolution, and in keeping with the recommendations of the Nominating Committee, the Board of Directors is proposing to the Shareholders' Meeting first, in the 10th and 11th resolutions, to re-elect Robert Baconnier and Paul Jeanbart for two years ending at the close of the Shareholders' Meeting called to approve the financial statements for the fiscal year ended August 31, 2012, and second, in the 12th through 14th resolutions, to re-elect Michel Landel, Peter Thompson and Patricia Bellinger for three years ending at the close of the Shareholders' Meeting called to approve the financial statements for the fiscal year ended August 31, 2013.

The biographies of each of the above persons are presented on pages 223 *et seq* of this document.

Moreover, Mark Tompkins, who has been a director of Sodexo since February 5, 2002, has informed the Chairman of the Board of Directors of his intention to resign from the Board effective October 31, 2010. Pierre Bellon thanks him for having given the Group the benefit of his very broad experience.

Powers to perform formalities (15th resolution)

This standard resolution concerns the conferring of powers to perform all formalities and filings relating to the resolutions approved by the Shareholders' Meeting.

4. USE OF FINANCIAL AUTHORIZATIONS BY THE BOARD

Disclosures pertaining to the utilization by the Board of Directors in Fiscal 2010 of the financial authorizations granted to it by the Shareholders' Meeting are provided on page 204 of this document.

Resolutions submitted to the Combined Annual Shareholders' Meeting of January 24, 2011

1. ORDINARY BUSINESS

1st resolution

(Adoption of the annual and consolidated financial statements – Discharge to directors)

The Shareholders' Meeting, having heard the report of the Board of Directors, the Chairman's Report appended to the Board Report, and the auditors' reports on the annual financial statements, on the consolidated financial statements and on the Chairman's report, adopts the individual company financial statements for the year ended August 31, 2010 as presented, showing net income of 262 million euro, and the consolidated financial statements for the year ended August 31, 2010, showing net profit, Group share equal to 409 million euro.

The Shareholders' Meeting also approves the transactions reflected in these financial statements and/or described in these reports.

The Shareholders' Meeting discharges the directors from responsibility for their management for the year ended August 31, 2010.

2nd resolution

(Appropriation of earnings – Setting of dividend)

In accordance with the proposal made by the Board of Directors, the Shareholders' Meeting resolves:

To appropriate net income for Fiscal 2010 of	261,581,611 euro
plus retained earnings as of the close of Fiscal 2010 of	666,560,752 euro
Making a total available for distribution of:	**928,142,363 euro**
In the following manner:	
• dividend (on the basis of 157,132,025 shares comprising the share capital)	212,128,234 euro
• retained earnings	716,014,129 euro
TOTAL	**928,142,363 euro**

The Shareholders' Meeting accordingly resolves that a dividend of 1.35 euro will be paid on each share having a right to receive a dividend.

The dividend will be paid as of February 7, 2011. Specifically, shares not entitled to the distribution of dividends will be as of February 2, 2011 (the ex-dividend date). The date to determine the shares that shall be entitled to dividends shall be those shares held as of the close of business on February 4, 2011 (the record date).

In the event that the Company holds some of its own shares as of the dividend payment date, the dividend due on these shares will not be paid and will be transferred to retained earnings.

Pursuant to article 243bis of the French General Tax Code, the proposed dividend qualifies for the allowance available to individuals domiciled for tax purposes in France, as provided for in article 158-3 2° of the French General Tax Code, unless they have opted for the flat-rate withholding tax permitted under article 117 *quater* of the French General Tax Code.

The Shareholders' Meeting notes the Board of Directors' summary of dividends paid by the Company in respect of the last three fiscal years, as follows:

	Fiscal 2009 (paid in 2010)	Fiscal 2008 (paid in 2009)	Fiscal 2007 (paid in 2008)
Dividend per share*	€1.27	€1.27	€1.15
Total payout	€197,465,754	€196,566,626	€178,918,994

* *Dividend fully eligible for the 40% allowance applicable to individuals domiciled for tax purposes in France, as provided for in article 158-3 2° of the French General Tax Code, unless they have opted for the flat-rate withholding tax permitted under article 117 quater of the French General Tax Code for dividends received as from January 1, 2008.*

3rd resolution

(Approval of regulated agreements and commitments)

The Shareholders' Meeting, having heard the auditors' special report on regulated agreements and commitments under article L. 225-40 of the French Commercial Code, notes the information provided in this report and that no new agreement or commitment has been entered into in the fiscal year ended August 31, 2010.

4th resolution

(Directors' fees for fiscal 2011)

The Shareholders' Meeting sets at 530,000 euro the total amount of directors' fees to be paid for Fiscal 2011.

The Shareholders' Meeting resolves that the Board of Directors shall determine the allocation and date of payment of said directors' fees at its discretion.

5th resolution

(Reappointment of Principal Joint Auditor)

The Shareholders' Meeting resolves to re appoint PricewaterhouseCoopers Audit as Principal Joint Auditor for the legal period of six fiscal years ending at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ended August 31, 2016.

6th resolution

(Appointment of Alternate Joint Auditor)

The Shareholders' Meeting resolves to appoint Yves Nicolas to the position of Alternate Joint Auditor for the legal period of six fiscal years ending at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ended August 31, 2016.

7th resolution

(Authorization to the Board of Directors regarding purchases by the Company of its own shares)

The Shareholders' Meeting, having heard the report of the Board of Directors, authorizes the Board of Directors and any duly authorized representative of the Board, in accordance with articles L. 225-209 *et seq.* of the French Commercial Code, to arrange for the repurchase by the Company of its own shares. This authorization is designed to allow the Company to:

- grant shares to employees or corporate officers of the Company or affiliates on the terms and conditions permitted by law, in particular as part of employee profit-sharing schemes, stock option plans or employee share ownership plans;
- cancel the shares by reducing the issued capital, on the terms provided by law, having regard to the adoption of the 6th Extraordinary Resolution by the Combined Shareholders' Meeting of January 25, 2010;

- carry out market-making in the shares under a liquidity contract with an investment services provider, drawn up in accordance with the Code of Conduct recognized by the *Autorité des marchés financiers;*
- hold shares for subsequent use as needed in connection with the exercise of rights attached to securities giving rights to the granting of Company shares *via* the redemption, conversion, exchange or presentation of a warrant, or by any other means;
- hold shares for subsequent use as needed in connection with mergers and acquisitions in accordance with market practice recognized by the *Autorité des marchés financiers* (AMF).

These transactions may be effected by any method on the stock market or over-the-counter, including by means of derivatives and by block purchase or disposal.

These transactions may take place at any time, outside of periods of public tender offers, subject to the limits imposed by laws and regulations in force at the time.

The Shareholders' Meeting resolves that the number of shares acquired under the present resolution may not exceed 10% of the Company's issued capital as of the date of the present Shareholders' Meeting (corresponding by way of illustration to 15,713,202 shares), it being stipulated that, for the purposes of the present authorization, the number of treasury shares must be taken into account such that the Company at no time owns more than the legally permitted maximum of 10% of its own shares.

The Shareholders' Meeting resolves that the purchase price may not exceed 70 euro per share, subject to any adjustments required in the event of transactions involving the Company's capital.

The Shareholders' Meeting resolves that the total amount spent on such purchases may not exceed 750 million euro.

The Shareholders' Meeting notes that this authorization is granted for a period of eighteen (18) months as from the date of this Meeting and voids from this day the unused portion of the authorization to the same effect granted in the 5th resolution of the Combined Shareholders' Meeting of January 25, 2010.

Full powers are given to the Board of Directors and any duly authorized representative of the Board to decide on and act on the present authorization, clarify its terms if necessary and determine its precise details, including to place stock market orders, and enter into agreements, in particular for the keeping of share purchase and sale registers and to make filings and carry out other formalities, and generally do all that is necessary.

2. EXTRAORDINARY BUSINESS

8th resolution

(Amendment to article 18 of the bylaws concerning the assignment and distribution of profit and declaration of a dividend premium)

The Shareholders' Meeting, having heard the report of the Board of Directors, resolves to amend article 18 3 b) of the bylaws in order to insert into it the possibility of the payment of a dividend premium.

Consequently, article 18 3 b), which is currently worded:

"the surplus is distributed among the shareholders".

Will be replaced as follows:

"the surplus is distributed among all of the shareholders, each share carrying entitlement to the same income. However, shareholders able to show proof, at the close of a fiscal year, of ownership of registered shares for at least four years and of continuing ownership of said shares at the date at which the dividend is made payable in respect of the said fiscal year, are entitled to receive a dividend premium on the said registered shares equal to 10% of the dividend paid on the other shares, the resulting dividend premium being rounded down to the nearest centime, if the need arises.

However, payment of the dividend premium is subject to the condition that the surplus available for distribution among all of the shareholders is at least equal to the amount for the previous fiscal year.

In addition, each shareholder able to show proof, at the close of a fiscal year, of ownership of registered shares for at least four years and of continuing ownership of said shares at the date of a capital increase by capitalization of reserves, net income or additional paid-in capital, by means of issuance of bonus shares, is entitled to an additional number of bonus shares, equal to 10%, this number being rounded down to the nearest unit in the case of an odd lot.

The number of shares eligible for the said dividend premium or additional bonus shares may not exceed 0.5% of the share capital for any single shareholder.

These provisions will apply for the first time to payment of the dividend payable in respect of the fiscal year ended August 31, 2013 (as set by the Ordinary Shareholders' Meeting called in January 2014)."

9th resolution

(Staggered renewal of directors)

The Shareholders' Meeting, having reviewed the report of the Board of Directors, decides to mandate the staggered renewal of the terms of members of the Board of Directors, thereby avoiding block renewal of the directors and promoting the smooth renewal of directors, in keeping with the AFEP-MEDEF code of corporate governance for listed companies issued in April 2010.

Consequently, the Shareholders' Meeting resolves that the Annual General Shareholders' Meeting, deciding in accordance with the requisite quorum and majority voting conditions for ordinary meetings, shall re-elect two (2) directors (whose terms expire this day) for an exceptional term of two (2) years.

3. ORDINARY BUSINESS

10th resolution

(Re-election of Robert Baconnier as director)

Consequent upon the adoption of the 9th resolution above, the Shareholders' Meeting, noting the expiration of Robert Baconnier's tenure as director this day, re-elects Robert Baconnier to serve as director for a two-year term expiring at the end of the Annual Shareholders' Meeting held to adopt the financial statements for the year ending August 31, 2012.

11th resolution

(Re-election of Paul Jeanbart as director)

Consequent upon the adoption of the 9th resolution above, the Shareholders' Meeting, noting the expiration of Paul Jeanbart's tenure as director this day, re-elects Paul Jeanbart to serve as director for a two-year term expiring at the end of the Annual Shareholders' Meeting held to adopt the financial statements for the year ending August 31, 2012.

12th resolution

(Re-election of Patricia Bellinger as director)

The Shareholders' Meeting, noting the expiration of Patricia Bellinger's tenure as director this day, re-elects Patricia Bellinger for a three-year term expiring at the end of the Annual Shareholders' Meeting held to adopt the financial statements for the year ending August 31, 2013.

13th resolution

(Re-election of Michel Landel as director)

The Shareholders' Meeting, noting the expiration of Michel Landel's tenure as director this day, re-elects Michel Landel for a three-year term expiring at the end of the Annual Shareholders' Meeting held to adopt the financial statements for the year ending August 31, 2013.

14th resolution

(Re-election of Peter Thompson as director)

The Shareholders' Meeting, noting the expiration of Peter Thompson's tenure as director this day, re-elects Peter Thompson to serve as director for a three-year term expiring at the end of the Annual Shareholders' Meeting held to adopt the financial statements for the year ending August 31, 2013.

15th resolution

(Powers)

The Shareholders' Meeting confers full powers on the bearer of a copy or extract of the minutes of the present Shareholders' Meeting to carry out all necessary formalities.

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Glossary

Glossary

ADR (American Depositary Receipts)

An ADR is a registered certificate issued by a US bank to represent ownership of a share or bond issued by a publicly-traded non-US company. ADRs are quoted in US dollars, but the underlying shares or bonds are denominated in their original currency and are help in deposit by a bank, known as the custodian, in the country of issue. ADRs enable a non-US company, subject to certain conditions, to be quoted in the United States. One Sodexo share is represented by one Sodexo ADR. Dividends and voting rights belong to the ADR holder.

CLEAR (Controls For Legal Requirements and to Enhance Accountability and Reporting)

Sodexo launched the CLEAR initiative in 2003, with the goal of improving the identification of operational, financial and strategic risks, and ensuring the implementation of an appropriate internal control system to mitigate these risks.

CLEAR comprises both a self-assessment of priority controls in each significant subsidiary, and an independent evaluation at Group level through testing conducted by internal or external auditors and an evaluation of deficiencies.

Client retention

The client retention rate equals prior-period revenues from contracts lost by Sodexo (to competitors or due to a decision not to outsource) divided by total prior-period revenues for the entity in question. Also included are contracts terminated by Sodexo, and site closures (including the effect of relocations).

This is a comprehensive retention rate. Other companies may calculate their retention rates on a different basis.

COSO (Committee of Sponsoring Organizations)

COSO was formed in the United States in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private sector initiative jointly sponsored by major professional associations chaired by James C. Treadway. COSO issued recommendations to public companies and independent accountants in the form of an integrated framework for internal control, which forms the basis for the application of certain provisions of Sarbanes-Oxley Act.

Corporate Officers

Corporate Officers is the term used in English for the French *"mandataires sociaux"* and refers to the Chief Executive Officer and the Members of the Board of Directors.

Group net income

Group net income is total net income generated by all Group companies less the portion of net income attributable to minority investors in subsidiaries not wholly owned by Sodexo.

Intensity risk

Risks whose frequency and severity require transfer to the insurance market.

Issue volume

The face value of vouchers and cards multiplied by the number of vouchers and cards issued.

Motivation Solutions

Formerly Service Vouchers and Cards – Motivation Solutions are offered through three service categories: Employee Benefits, Incentive Programs and Public Benefits.

Number of sites

The number of sites corresponds to the number of client locations in the Group.

On-site Service Solutions

Formerly Food and Facilities Management Services – On-site Service Solutions are dedicated to Sodexo's eight client segments.

Organic Growth

Organic growth is the increase of revenues, at constant exchange rates, and excluding the impact of acquisitions or divestitures of subsidiaries for a twelve month period.

Personal and Home Solutions

The Group has completed its offer with a third activity with services provided in four main areas: childcare, tutoring and lifelong training, concierge services and home care for seniors.

Work-related accident frequency rate

Number of accidents per million hours worked.

Work-related accident severity rate

Number of day's work lost due to work-related accidents per million hours worked.

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Responsibility for the Reference Document and the audit of the Financial Statements

13

Responsibility for the Reference Document

Responsibility for the *Document de référence* (French-language equivalent of the Reference Document)

"Having taken all reasonable precautions, I hereby declare that the information contained in the *Document de référence* is to the best of my knowledge in accordance with reality and that nothing has been omitted that would alter its impact.

I declare that to the best of my knowledge the financial statements comply with the applicable accounting standards and present a true statement of the net worth, the financial position, and of the income of the Company, and of the consolidated entities.

The Management Report described on page 286 presents a true picture of the evolution of the business, of the results and the financial position of the Company and of the consolidated entities, as well as a description of the principal risks for the Group.

I have obtained from our statutory auditors an engagement completion letter in which they declare that they verified the information relating to the financial position and the financial statements which are presented in this document and that they have read this document in its entirety."

Michel Landel
Chief Executive Officer

Responsibility for the audit of the Financial Statements

Auditors	First appointed	Term of office	Term of office expires
Principal auditors			
PricewaterhouseCoopers Audit 63, rue de Villiers 92208 Neuilly-sur-Seine, France Registered no. RCS Nanterre 672 006 483 Represented by Louis-Pierre Schneider	February 22, 1994	6 years	Annual Shareholders' Meeting to be held in 2011 to adopt the financial statements for Fiscal 2010
KPMG Audit Département de KPMG SA 1, cours Valmy 92923 Paris-La Défense Cedex, France RCS Nanterre 775 726 417 Represented by Isabelle Allen	February 4, 2003	6 years	Annual Shareholders' Meeting to be held in 2015 to adopt the financial statements for Fiscal 2014
Alternate auditors			
Patrick Frotiée 63, rue de Villiers 92208 Neuilly-sur-Seine, France	February 25, 1997	6 years	Annual Shareholders' Meeting to be held in 2011 to adopt the financial statements for Fiscal 2010
Bernard Pérot 1, cours Valmy 92923 Paris-La Défense Cedex, France	January 19, 2009	6 years	Annual Shareholders' Meeting to be held in 2015 to adopt the financial statements for Fiscal 2014

The term of office of PricewaterhouseCoopers Audit and of Patrick Frotiée expire at the Annual Shareholders' Meeting on January 24, 2011. At this meeting it will be proposed that PricewaterhouseCoopers be renewed as Principal Auditor and that Yves Nicolas be named Alternate Auditor for the term of six fiscal years ending at the Annual Shareholders Meeting to adopt the financial statements for the year ended August 31, 2016, in accordance with the recommendation of the Audit Committee.

→01 →02 →03 →04 →05 →06 →07 →08 →09 →10 →11 →12 →13 →14

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Reconciliation table

Reconciliation table

To facilitate the reading of this document, the reconciliation table below identifies:

- the main headings required by Annex I of European Regulation 809/2004. Disclosures not applicable to Sodexo are marked "N/A";
- the information that constitutes the Annual Financial Report provided for under articles L.451-1-2 of the Monetary and Financial Code and 222-3 of the General Regulation of the Autorité des Marchés Financiers;
- the disclosures constituting the Management Report of the Board of Directors defined by the French Commercial Code.

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* *Pursuant to article 28 of Rule (CE) n° 809/2004 of the European Commission of April 29, 2004, the following information is incorporated by reference into this Reference document:*
- *Group management report, Group consolidated financial statements and Statutory Auditors' report on the consolidated financial statements for the year ended August 31, 2009 as presented on pages 284 and 113-194 of the Reference document filed with Autorité des Marchés Financiers (French financial markets authority) on November 10, 2009 under number D. 09-0749.*
- *Group management report, Group consolidated financial statements and Statutory Auditors' report on the consolidated financial statements for the year ended August 31, 2008, as presented on pages 226 and 71-147 of the V2 Reference document filed with Autorité des Marchés Financiers (French financial markets authority) on November 12, 2008, under number D. 08-721;*

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