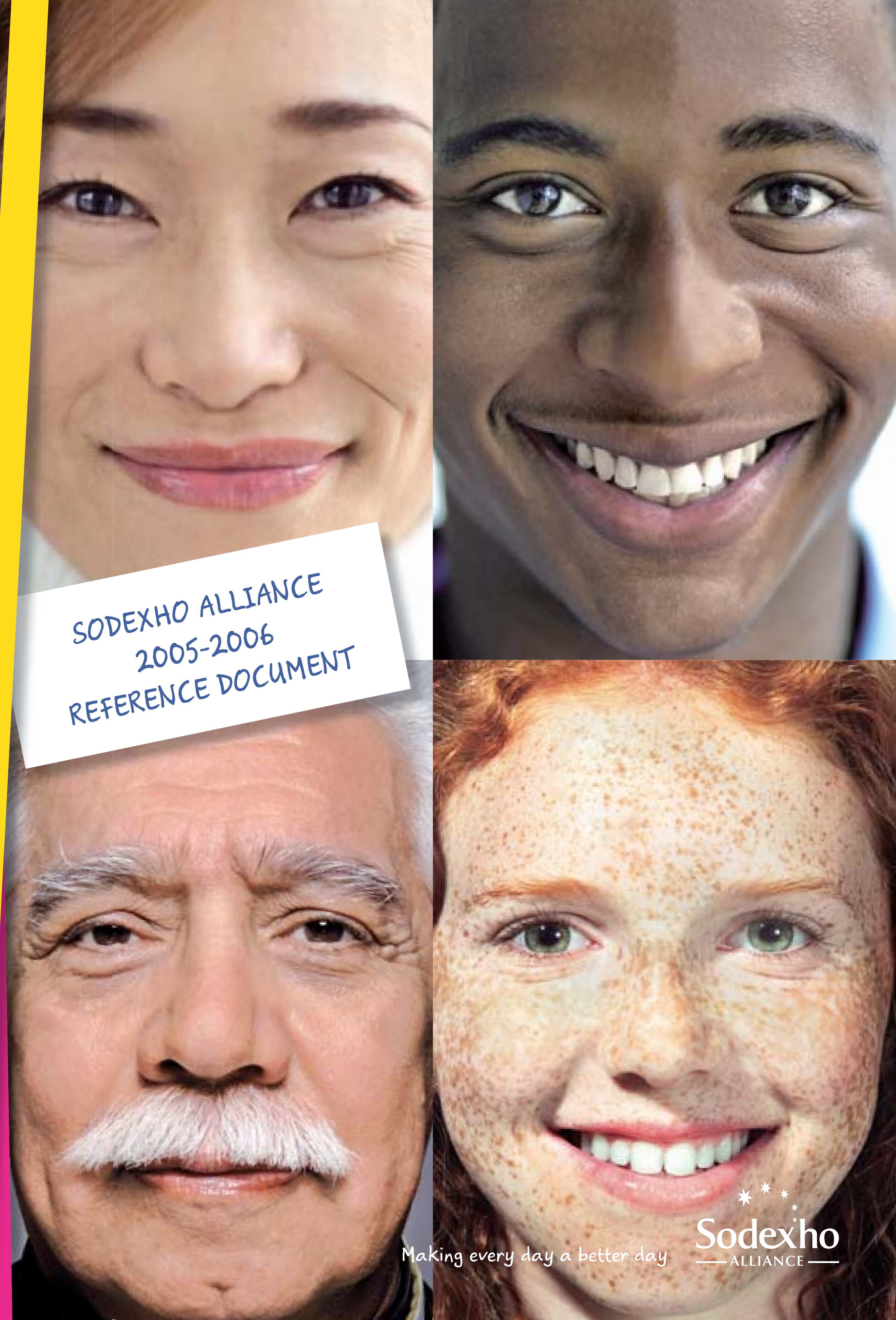
SODEXHO ALLIANCE
2005-2006
REFERENCE DOCUMENT



This Document de Reference (registration document) was filed with the Autorité des marchés financiers on November 24, 2006, in accordance with Article 212-13 of its general Regulations. It may be used in support of a market transaction if supplemented by an information notice approved by the AMF.

Management report, consolidated Group financial statements and Statutory Auditors' reports for the years ended August 31, 2004 and 2005

The following information is included by reference in the present reference document:

- Group management report, Group consolidated financial statements and Statutory Auditors' report on the consolidated financial statements for the year ended August 31, 2005 as presented on pages 93-144 of the reference document filed with the Autorité des marchés financiers (French financial markets authority) on December 12, 2005 under number D.05-1370;
- Group management report, Group consolidated financial statements and Statutory Auditors' report on the consolidated financial statements for the year ended August 31, 2004 as presented on pages 90-147 of the reference document filed with the Autorité des marchés financiers (French financial markets authority) on November 25, 2004 under number D.04-1542.

The information included in these two reference documents, other than that listed above, if necessary, is replaced and/or updated by the information included in the present reference document.

Copies of this document are available on Sodexho Alliance's website, www.Sodexho.com
or on the website of the Autorite des marches financiers, www.amf-france.org.

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Worldwide Leader

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No.1 worldwide

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No. 2 worldwide

Service Vouchers and Cards

Businesses
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Ambition 2015:
a new impetus for the Group

To become the premier global outsourcing expert in Quality of Life services, Sodexho launched "Ambition 2015" to mobilize the entire Group around a clear strategy.

Reinforce Sodexho's global leadership position in Foodservices

With 40 years of experience and recognized expertise in every area of its original Foodservices business – including a focus on balanced nutrition, food safety and supply chain management – Sodexho possesses all the strengths in a market in which only 45 percent of services are outsourced today.

Accelerate Sodexho's development in Facilities Management services

At the core of Sodexho's strategy, Facilities Management services' growth potential is two and a half times that of Foodservices.

The Group has long been a major player in Facilities Management, offering a wide range of services through a structure organized according to client segment. This pioneering positioning, bolstered by the credibility earned with Foodservices clients, has enabled Sodexho to demonstrate its expertise and realize 18 percent of its revenues in this sector in Fiscal 2006.

To allow clients to focus on their core business, Sodexho now offers Integrated Facilities Management (IFM), combining Foodservices with Facilities Management.

These offers create sustainable value for clients, providing them with greater economic efficiency, the advantages of guaranteed expertise and certified quality, while at the same time improving the Quality of Daily Life for customers. IFM is helping Sodexho to reinforce its leadership position throughout the world.

Become the global leader in Service Vouchers and Cards

In just 15 years, Sodexho has become No. 2 worldwide in the service vouchers and card industry. In a constantly changing market, Sodexho relies on three key assets: its capability for innovation, responsiveness and optimized synergies with other Group entities.

The development of Facilities Management services

1967	CNES (National Center for Space Studies), Kourou, French Guyana.
1974	Entry into Remote Sites activity
1980-90	Global Hospitality Offer in Healthcare in the United States and France
1990-...	Development of Facilities Management in Education and Defense

Today, Facilities Management accounts for 18 percent of Group revenue.

Sodexho's offer

Integrated Facilities Management (IFM)			Service Vouchers and Cards
IFM by Sodexho is a solution integrating Food and Facilities Management services (Soft and hard services)			
FOODSERVICES	SOFT SERVICES	TECHNICAL MAINTENANCE*	
Staff restaurant Catering Executive Dining Vending ...	Reception, Help Desk General services Cleaning, Laundry Groundskeeping Waste management ...	Plumbing HVAC Energy management Maintenance and repair Project Management ...	Restaurant Pass Mobility Pass Gift Pass Leisure Pass Book Card Training Pass ...

(*) Hard services

A significant growth potential

Estimated total market

IFM 650 billion euro			Service Vouchers and Cards 60 billion euro
Foodservices	Soft services	Technical maintenance*	
250 billion euro	200 billion euro	200 billion euro	

(*) Hard services.
Source: Sodexho.

Sharing
the same vision worldwide

A leader in its markets, Sodexho is now recognized worldwide for its organizational efficiency and the quality of its services. In 80 countries covering 80 percent of the world's population, its 332,000 employees direct their cultural diversity and expertise towards a common vision: **"To become the premier global outsourcing expert in Quality of Life services."**

On every continent

Sodexho operates in **80 countries**
with **332,000 employees**
representing more than **130 nationalities**,
serving more than **40 million customers**.

With a shared vision and common values, the men and women of Sodexho are its most valued asset.

The diversity in background, culture and expertise of its people, reflecting the diversity of clients and customers, is both a source of progress and growth for the Group.

FINANCIAL HIGHLIGHTS
2005-2006

12.8 billion euro in revenues
332,000 employees
at **28,300** sites present
in **80** host countries

Consolidated revenues

	EUR millions	USD millions*
2001-2002	12,612	11,488
2002-2003	11,687	12,490
2003-2004	11,494	13,855
2004-2005	11,693	14,880
2005-2006	12,798	15,676

(*) Calculated at the average exchange rate for each year; for Fiscal 2006 1 euro = 1.225 U.S. dollars.

Revenues for Fiscal 2006 totalled 12.8 billion euro, up 9.4% from the prior year. Organic growth was 6.4%. The acceleration of growth comes mainly from the development of the Healthcare and Seniors segments (+8.1%), the improvement in Business and Industry (+6.4%), and strong growth in Service Vouchers and Cards (+15.9%).

Revenues by region

North America	43%
Continental Europe	34%
United Kingdom and Ireland	11%
Africa, Asia and Pacific Rim	7%
Latin America	5%

Revenues by activity

Food and Facilities Management services	97%
• Business and Industry	37%
• Defense	3%
• Correctional Services	2%
• Healthcare	19%
• Seniors	6%
• Education	24%
• Remote Sites	6%
Service Vouchers and Cards	3%

The Service Vouchers and Cards activity represented 3% of consolidated revenues. Issue volume (the aggregate face value of the vouchers) totalled 6.3 billion euro.

Number of employees

2001-2002	315,141
2002-2003	308,385
2003-2004	312,975
2004-2005	324,446
2005-2006	332,096

Number of operating sites

2001-2002	24,681
2002-2003	23,873
2003-2004	24,866
2004-2005	26,634
2005-2006	28,234

Employees by region

North America	37%	121,981 employees
Continental Europe	27%	89,374 employees
United Kingdom and Ireland	12%	39,079 employees
Africa, Asia and Pacific Rim	12%	41,592 employees
Latin America	12%	40,070 employees

Employees by activity

Food and Facilities Management services	99%
• Business and Industry	41%
• Defense	4%
• Correctional Services	1%
• Healthcare	14%
• Seniors	3%
• Education	26%
• Remote Sites	8%
• Shared Structures	2%
Service Vouchers and Cards	1%

In accordance with European legislation, the consolidated accounts for Fiscal 2006 have been prepared on the basis of IFRS (International Financial Reporting Standards). Only Fiscal 2005 accounts have been restated for comparison.

Operating profit

	EUR millions	USD millions*
2004-2005	450	573
2005-2006	605	741

(*) Calculated at the average exchange rate for each year; for Fiscal 2006 1 euro = 1.225 U.S. dollars.

Operating profit for 2005-2006 totalled 605 million euro, including:

- A gain of 21 million euro on the sale of Spirit Cruises, a U.S. based harbor and river cruise business.
- A favorable impact of 7 million euro on the resolution of the U.S. litigation, for which 62 million euro had been provided in Fiscal 2005.

Group net income

	EUR millions	USD millions*
2004-2005	212	270
2005-2006	323	395

(*) Calculated at the average exchange rate for each year; for Fiscal 2006 1 euro = 1.225 U.S dollars.

Group net income was 323 million euro, an increase of 51.8% over prior year, or 47.3% at constant exchange rates.

Dividends paid

	EUR millions	USD millions*
2004-2005	119	145
2005-2006**	151	194

(*) Calculated at the closing exchange rate for each year; for Fiscal 2006 1 euro = 1.285 U.S. dollars.

(**) Subject to approval by the Annual Meeting of the Shareholders on January 30, 2007.

The Board of Directors will recommend to the shareholders a dividend per share of 0.95 euro, an increase of 27% over the prior year.

Net cash flow provided by operating activities

	EUR millions	USD millions*
2004-2005	677	862
2005-2006	488	598

(*) Calculated at the average exchange rate for each year; for Fiscal 2006 1 euro = 1.225 U.S.dollars.

In Fiscal 2006 operating cash flow totalled 488 million euros including payments related to the resolution of the U.S. litigation.

Net debt as a percentage of shareholders' equity (Including minority interests)

2004-2005	33%
2005-2006	21%

Net debt* was 451 million euro as of August 31, 2006, a decrease of 234 million euro from prior year.

(*) Debt net of cash and financial assets related to the Service Vouchers and Cards activity less overdrafts.

Earnings per share (in euro)

2004-2005	1.36
2005-2006	2.07

Earnings per share increased in Fiscal 2006 by 51.7% and at constant exchange rates by 47.2%.

MESSAGE OF MICHEL LANDEL,
CHIEF EXECUTIVE OFFICER

"To become the premier global outsourcing expert in Quality of Life services."

In 40 years, Sodexho has become a global leader in its business sector, with operations in 80 countries. Numerous challenges and opportunities marked the path of this wonderful entrepreneurial adventure.

On September 1, 2005, **Pierre Bellon**, our founder and Chairman, entrusted to me the mission of leading Sodexho forward, with the support of a strengthened management team.

In a constantly changing world, Sodexho must continue to adapt to the conditions of its environment. This is fully integrated within "Ambition 2015", the blueprint which sets out the means by which we will become, in 10 years, the premier global outsourcing expert in Quality of Life services.

To reach this goal our strategy is clear: we will maintain our global leadership in Foodservices, accelerate our development in Facilities Management and become the leader in Service Vouchers and Cards.

Our ambition to double our revenue by 2015, is ours to achieve. The acceleration in growth, as seen in the good results for Fiscal 2006, demonstrates that we are on track to attain our medium term objective of average annual revenue growth of 7%.

I would like to take this opportunity to again recognize and thank all Sodexho employees around the world, each of whom has contributed to the achievement of this encouraging Fiscal 2006 performance.

To sustain these efforts over the long-term, our teams today are fully mobilized around the five strategic imperatives we have defined:
- accelerate profitable organic growth, through winning new clients, improved client retention and by increasing sales on existing sites;
- improve operating profits, margins and cash flow;
- ensure compliance through reinforced standards, business rigor and best practices;
- live our values, continuing to be recognized as a responsible corporate citizen;
- create a competitive advantage through our people.

On this last point, it has always been my conviction that the 332,000 people of Sodexho are our company's most valued resource. Motivated by shared values and a common mission that guides their daily actions in delivering services, every day, to more than 40 million customers, it is our employees who allow us to differentiate ourselves. Through their commitment and dedication, we will maintain our leadership position and it is why one of our priorities is improving our ability to attract, train, develop and retain the best talent.

Creating a competitive advantage through our people also means that Sodexho must increasingly reflect, at all levels, the diversity of cultures in which we work – from more than 130 countries from around the world. In acting to foster diversity, inclusion and equal opportunity to make Sodexho the mirror of its clients and customers, we are developing a unique competitive advantage that will help us both to grow and to establish ourselves as a benchmark employer. To support this worldwide initiative and clearly signal its importance, I have created the position of Group Chief Diversity Officer, reporting directly to me.

Continuously adapting to meet our clients' needs, challenging ourselves constantly in seeking new ways to improve, taking advantage of the strengths that allow us to differentiate ourselves in an extremely competitive environment, sharing a clear vision of where we want to go and how we will get there – these are the strengths that will enable Sodexho to become the world's leading outsourcing expert in Quality of Life services, ever stronger and more attractive… while continuing to make every day a better day.

Michel Landel

EXECUTIVE COMMITTEE
AS OF SEPTEMBER 1, 2006

Led by Michel Landel, the Executive Committee plays a leading role in sharing the corporate vision, defining strategy, overseeing implementation and monitoring operational performance. The Committee defines the structures necessary for good governance practices and ensures that each senior manager has a clearly designated successor. The members of the Executive Committee are also “ambassadors” of the corporate brand and participate in promoting it worldwide.

Michel Landel

Chief Executive Officer, Sodexho Alliance
President, Executive Committee
President, Sodexho STOP Hunger Association

Élisabeth Carpentier

Group Executive Vice President, Human Resources

Pierre Henry

Group Chief Operating Officer
Chief Executive Officer, Service Vouchers and Cards

Siân Herbert-Jones

Group Chief Financial Officer

Vincent Hillenmeyer

Group Executive Vice President, Strategic Planning

Philip Jansen

Group Chief Operating Officer
Chief Executive, United Kingdom and Ireland,
Food and Facilities Management services

Nicolas Japy

Group Chief Operating Officer
Chief Executive Officer,
Universal Sodexho Remote Sites
Chief Executive Officer, Asia/Australia,
Food and Facilities Management services

Richard Macedonia

Group Chief Operating Officer
Chief Executive Officer, North America,
Food and Facilities Management services

Jacques Pétry

Group Chief Operating Officer
Chief Executive Officer, Continental Europe
and South America,
Food and Facilities Management services

Clodine Pincemin

Group Executive Vice President,
Communications and Sustainable Development

Damien Verdier

Group Executive Vice President, Marketing

The Executive Committee relies on an Operating Committee comprising the main activity, area and country managers. This Committee transforms strategic decisions into action plans and mobilizes the teams necessary for deployment.

Each member also has a mission to share information, transfer best practices and strengthen adherence to the Group’s values.

Acting together for the future

Our philosophy, values and ethical principles guide the actions of every employee in the Group. As a corporate citizen and part of a community with its clients, customers, employees, suppliers, shareholders and host countries, the Sodexho commitment to improvement is best expressed as **“making every day a better day”.**

A COMMUNITY OF PROGRESS AT THE SERVICE OF ALL

Sodexho lives by its philosophy, its core values and its ethical principles. Every employee in the Group is expected to share these values and principles, which reflect our commitments and guide us in the daily performance of our work.

Our philosophy

focuses and drives us toward our objectives.

Who we are

Our company is the community of our clients, customers, employees and shareholders. Our purpose is to exceed their expectations.

Our business strategy: organic growth

We continue to focus on achieving organic growth in earnings and revenues, while contributing to the economic development of countries in which we operate.

Our mission

To improve the Quality of Daily Life.

Our vision

To become the premier global outsourcing expert in Quality of Life services.

Our objectives

- Be recognized by our clients as the benchmark for the services that we provide.
- Be the market leader in each of the segments where we provide and develop our Foodservices.
- Grow our Facilities Management services faster.
- Have “desired company” status for the Group and its professions.
- Attract and retain talent.
- Build worldwide awareness of the Sodexho brand.

Our core values

They are the bedrock of our history and sustain our progress.

Service spirit

- Clients and customers are the center of everything we do.
- In order to serve them well, on a daily basis, at all levels, we have to demonstrate our ability to listen, our capacity to anticipate their expectations, our sense of conviviality, our responsiveness to their needs and our pride in satisfying them.
- Sodexho has become a large, worldwide company, but we still remain a local company in which 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 operations, 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 Sodexho'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

We demonstrate the spirit of progress through:

- our will, but also the firm belief that one can always improve on the present situation,
- acceptance of the evaluation of our performance, which compares us to our colleagues in the company, or with competitors,
- rejection of fatalism and false alibis for avoiding change,
- self-evaluation, 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.

Our ethical principles

They guide us in all of our day-to-day activities.

Trust

A foundation of loyalty between Sodexho 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. Sodexho is committed to providing equal opportunities regardless of race, origin, age, gender, beliefs, religion, or lifestyle choices. "Improving Quality of Life" means treating each person with respect, dignity and consideration.

Transparency

This is one of Sodexho's major principles, and is a constant with all stakeholders: clients and customers, employees and shareholders.

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 our rejection of corrupt and unfair practices.

A CORPORATE CITIZEN
CREATING SUSTAINABLE VALUE

Ensuring a better Quality of Life for everyone now and for generations to come.

An approach integrated into our strategy

"Improving the Quality of Daily Life" expresses Sodexho's twofold commitment to make life more pleasant for everyone it serves each day as well as to ensure a better future for generations to come.

As a corporate citizen, Sodexho integrates social and environmental criteria into its policies and programs. Since 2003, its commitments and sustainable development strategy are set forth in a charter of ethical principles, signed by the company's management. In keeping with this approach, the Group takes its actions to the field by adapting them to the specific cultural, economic, environmental and social features of the countries in which it operates.

A determination to improve

Sodexho creates a community of progress with its clients, customers, employees, suppliers, shareholders and host countries. Its ambition is to structure a progress-driven approach and measure achievements to make every day a better day.
The action plans target three objectives:

- build a network of coordinators throughout the Group,
- develop our commitments and indicators,
- introduce common tools.

In 2006, Sodexho implemented a management tool to track its corporate citizenship progress.

In 2006, Sodexho published its first Sustainable Development report, available at www.sodexho.com

The Group's commitments

Global Sullivan Principles
In 2002, Sodexho endorsed the Global Sullivan Principles, adopted by a community of companies of all sizes and in every sector that share the same vision of law and justice. The Group is committed to applying these principles as a responsible member of society, regardless of the laws and customs of the countries where it operates.
To find out more: www.thegsp.org

United Nations Global Compact
In 2003, Sodexho signed the Global Compact, committing itself to compliance with the ten basic principles of this initiative. In so doing, the Group has acknowledged its responsibilities regarding human rights, labor standards the environment and the fight against corruption.
To find out more: www.unglobalcompact.org

Recognized corporate citizenship

Sodexho Alliance is listed in four indices specializing in socially responsible investment:

- **FTSE4Good:** Sodexho Alliance was among the four French companies included in the index since its creation in 2001 (www.ftse4good.com).
- **ASPI Eurozone:** Sodexho Alliance joined the index in 2004 based on its ratings for sustainable development criteria defined by the association Vigeo. According to Vigeo, Sodexho has a comprehensive approach towards CSR (Corporate Social Responsibility) issues. Its strongest areas are business behavior and community involvement (www.vigeo.fr).
- This year, Sodexho was again listed in the **Dow Jones Sustainability World Index** and the **Dow Jones STOXX Sustainability Index** (Europe) and classified as "Supersector worldwide leader" in the "Travel and Leisure" category (www.sustainability-indexes.com). According to the SAM Group (DJSI rating agency): "*Sodexho has demonstrated an excellent overall sustainability performance, which strongly relates to the straightforward business philosophy and high transparency of the company.*"
- **Global Outsourcing 100**, established for the first time by the International Association of Outsourcing Professionals (IAOP), ranks Sodexho **No. 2 worldwide among the highest performing outsourcing companies and among the top companies** in every category (www.outsourcingprofessional.org).

Our sustainable development strategy is set forth in our ethical charter, presenting our objectives and commitments we have made to our stakeholders.

Clients

OBJECTIVE: Create strong, long-term partnerships

COMMITMENT:
- Create value for clients over the long term, thereby forging strong partnerships

Customers

OBJECTIVE: Improve the Quality of Daily Life, safely

COMMITMENTS:
- Develop a portfolio of services that help to improve the Quality of Life for everyone who has entrusted us with their well being
- Reduce food safety risks
- Inform future generations about the importance of eating correctly and educate them regarding good practices

Employees

OBJECTIVE: Encourage a fulfilling professional life

COMMITMENTS:
- Provide employees with a powerful “social elevator”
- Promote and respect diversity

Suppliers

OBJECTIVE: Build balanced, long-term relationships

COMMITMENTS:
- Pursue a procurement policies that guarantees the quality of products
- Strongly encourage suppliers and subcontractors to respect our sustainable development values

Shareholders

OBJECTIVE: Ensure that all shareholders receive the same information at the same time

COMMITMENTS:
- Regularly provide all shareholders with the same simultaneous, accurate, clear, transparent information

Host countries

OBJECTIVE: Contribute to the economic and social development of the countries in which we operate

COMMITMENTS:
- Support the development of local economies by promoting local hiring, the purchase of local products and, in the most disadvantaged countries, local initiatives to stimulate economic growth
- Fight hunger and malnutrition by expanding the STOP Hunger program
- Help protect the environment in our host countries

CLIENTS
DEVELOPING CLIENT LOYALTY TO PROGRESS TOGETHER

Client retention is a key lever for the Group's organic growth strategy. It involves forging strong, lasting partnerships based on trust, and is nourished by dialogue and sharing. This strategy relies on the Clients for Life® retention process.

A lever for internal growth

Client retention is one of the Group's major levers of internal growth. For this reason, Sodexho puts clients at the core of its organization, decision-making process and actions, and has made client retention one of the Group's foremost improvement indicators.

A key method

This initiative relies on a methodology which identifies the strengths and weaknesses of the Group's offers, introduces required actions, assesses the results thereby building sustainable relationships based on trust with each client. This approach has been adopted throughout the Group, with retention objectives for each entity.

Fully Engaged Teams

Sodexho's operational managers are trained to manage partnerships pro-actively and use long-term planning tools. The wide-scale rollout of the client retention process demands significant resources to keep everyone in the organization and at every level on track. Dedicated retention resources have already been deployed within many countries with more to follow.

United States

Sodexho retains 100% of its Federal Reserve Bank accounts

A 25-year client of Sodexho, the Federal Reserve Bank renewed its contract for 15 sites. Sodexho's success is based on its strong, long-term commitment to deliver its clients' expectations and develop lasting relationships at the national as well as on the local levels. It is also a testament to Sodexho's efficient organization and the expertise of its on-site teams.

2005-2006 Awards

Brazil: AVS Brasil Getoflex and **Siemens** named Sodexho "Best Supplier" of the year.

Chile: Sodexho received recognition for its safety performance from **Anglo American.**

United Kingdom: Marathon Oil Company awarded Sodexho the "Marathon European Business Unit prize" and named it "HSE Large Contractor of the Year" for its achievements in Hygiene, Security and Environment.

CUSTOMERS
BALANCE AND HEALTH

As a major player in Foodservices, and the world's leading employer of dietitians, Sodexho has made preventing obesity a priority. SmartFuel is one of the many actions carried out by the Group to combat the problem, described by the World Health Organization as a "pandemic".

Australia – SmartFuel

A "Healthier Eating" option

The SmartFuel program is currently operating at 70 Sodexho client companies and remote sites in Australia, where it seeks to raise the awareness of adults in the workplace about the benefits of well-balanced eating. The menus include a "Healthier Eating" option designed to meet customers' daily nutritional needs. A nutritionist has joined the Sodexho team to develop and support the program using specific SmartFuel criteria. All recipes are nutritionally analyzed and nutrition panels are provided with the recipes.

...in partnership with the Australia National Heart Foundation

Recipes and menus are approved and audited by the National Heart Foundation Tick, a leading public health program established in 1989 to identify healthier food choices and industry best practices. In recognition of its food safety policy and corporate social responsibility strategy, Sodexho became a trial partner for introducing the Tick in the Foodservices industry. Tick-approved recipes are tested and approved independently on the basis of strict nutrition criteria and routinely audited. The partnership with the Tick ensures customers that meals carrying the SmartFuel label are beneficial for their health.

2005-2006 Awards

Peru: Sodexho was named "Peruvian Company of the Year 2005" in the "Services" category and received the **"Quality Management Committee"** prize from the National Industry Society for its ISO 9001, ISO 14001 and OSHAS 18001 certifications.

United Kingdom

- Sodexho received the "**Big Tick Standard**" at the 2006 Business in the Community Award for Excellence for its "Health Matters Program" benefiting 400 schoolchildren in Scotland. The prize is recognized as the leading award in the field of corporate citizenship.
- Sodexho is listed in the "**Sunday Times TOP 100 Companies that Count**" supplement following the publication of the 2005 Corporate Responsibility Index results by Business in the Community (BITC).

United States

- Sodexho received **"Best Concept in 2006"** awards by ***Food Management Magazine*** for five programs benefiting seniors, employees and students.

  – "Best Management Company Concept" for Sodexho, Inc.'s Piccolo Bistro in Gaithersburg, Maryland, the first restaurant designed for easy access by seniors.
  – "Best Renovation" for the Student Dining Marketplace at Rowan University in Glassboro, New Jersey, with an ultra-contemporary décor suited to young customers.
  – "Best New Facility" for the Segundo Dining Room at the University of California at Davis, for its cuisine-on-show and service quality.
  – "Best Menu" for the Vegetarian Lunch Line at Grady High School in Atlanta, Georgia.
  – "Best Special Event" for the BASF Innovation Luncheon in Durham, North Carolina, highlighting the role of biotechnology in improving food products.

- Sodexho was the recipient of the **"2006 Food Safety Leadership Award"** from **NSF International** for its efforts to improve its HACCP (Hazard Analysis and Critical Control Point) system.

EMPLOYEES
PROVIDING THE MEANS FOR PROFESSIONAL DEVELOPMENT AND PROMOTING DIVERSITY

The key to Sodexho's success lies in the motivation, expertise and diversity of its employees. Sodexho seeks talented recruits throughout the world and offers training and career enhancement to retain them. Through its commitment to promoting equal opportunity and diversity, Sodexho is enriched by these differences.

United States

Marc Nakamoto,
Regional Director Operations Support,
Campus Services.

From Hawaii to California

Marc began his career with Sodexho thirteen years ago in Hawaii as a server at Waikele Golf Course in Oahu. He moved rapidly into a management position and then joined the Campus Services Division. Marc gained experience at the University of Hawaii in both concessions and catering, and then seized an opportunity to relocate to California, first as Catering Director and then Operations Director at the University of San Francisco. Marc was promoted to Regional Director for Operations Support two years ago where he works on strategic planning.

A rich blend of cultures

Born and raised in Hawaii, where cultures such as Japanese, Chinese and Filipino, blend together well, Marc grew up experiencing the rich traditions and customs of each. According to Marc, older neighbors and friends are called "uncles" and "aunts" and become part of an extended family. Based on this experience and way of relating, as Marc moved into the business world, he sought out those who were older and more experienced for guidance and support, an approach that became an imperative for Marc when he arrived in California. His career advancement has been helped by his adaptability and the balance he has achieved between the need to nurture relationships and the U.S. cultural norm that requires him to focus on other areas.

The importance of mentoring

He emphasizes that it is through mentoring relationships that he was able to gain this necessary skill set. Among his mentors were Ralph Nakamoto* (General Manager in Hawaii), Peter Loh (District Manager), Javid Baig (Vice-President of Sales), Kathleen Biagi and Kevin Gentry (Human Resources Managers).

Today, Marc has a strong commitment to succession planning and development and to mentoring new recruits. He takes great pride in the number of employees he has helped successfully transition from the frontlines to management.
It is not surprising that Marc advises employees starting out in the company to find a mentor to offer guidance and never to stop learning and striving to do better. As Marc says:

"If you spend time taking care of business and the company, it will take care of you..."

(*) No relationship.

2005-2006 Awards (Professional Development)

United Kingdom

- Since 1996, Sodexho has achieved **“Investor in People”** accreditation, a national government standard created in 1990 to measure a company’s commitment to and implementation of employee learning and development initiatives.
- Sodexho received a **“National Training Award”** for its **Sodexho Way** program designed to train staff in new systems and new ways of working. National Training Awards is an independent government body appointed by the British Department of Education and Skills that bestows the prize upon companies that can prove they have achieved excellence through training and learning.
- For the third year in a row, Sodexho was the only catering and support services provider to make the Top 50 list of **“Best Companies to Work For”** in Ireland compiled by the Great Place to Work® Institute of Ireland.

2005-2006 Awards (Diversity)

Canada: Universal Sodexho was re-certified with the **Progressive Aboriginal Relations** (PAR) **Gold Award** in 2005 by the Canadian Council for Aboriginal Business (CCAB). This prestigious award recognizes Sodexho in Canada for its leading role working with Aboriginal People and their communities to foster economic and social development.

United Kingdom

- Sodexho accepted an invitation from the British Government to become a sponsor and partner in the **Diverse Britain 2007 Campaign**, in recognition of its status as a leading employer with a well-developed approach to diversity and inclusion.
- Sodexho won the “**Large Employer of the Year**” for Reed in Partnership in Glasgow, which provides job opportunities for people having difficulty finding and remaining in work.

United States

Sodexho was:

- Selected among the “Top 40 Companies” by *Hispanic Business Magazine* for its commitment to the Hispanic community.
- Recognized as one of the 50 companies most involved in promoting diversity by *DiversityInc Magazine*.
- Ranked for the third year in a row among the “Top 100 Employers Offering Career Opportunities to Young African-Americans” by *Black Collegian Magazine*.
- Selected for the second consecutive year as a “Top Company” for contribution to the Asian Pacific American community by *Asian Enterprises Magazine*.
- Listed among the “Top 10 Companies for Executive Women” by *DiversityInc*.
- Named “Employer of the Year” by the Marriott Foundation for providing opportunities to young people with disabilities.
- Identified as one of the “Top 10 Employers for People with Disabilities” by *DiversityInc*.

COUNTRIES

STOP HUNGER: A SUSTAINABLE COMMITMENT TO THE FIGHT AGAINST HUNGER AND MALNUTRITION

Sodexho refuses to accept the fact that 850 million people worldwide, including more than 200 million children, suffer from hunger and malnutrition. To fight this wide-scale problem, the Group is expanding its STOP Hunger program in its main host countries.

France

In partnership with Restos du Cœur

Since 2004, Sodexho has developed a series of initiatives in partnership with Restos du Coeur* to encourage training, meal donations, product sharing, access to Sodexho's supplier network and creation of employment opportunities for the disadvantaged, who are trained by Restos du Coeur.

Since 2004, as a result of the dedication of Sodexho's employees, 1,193,000 meals have been offered by Sodexho to Restos du Cœur.

Shared initiatives

- The "*Dessert du coeur*" operation benefited from the strong mobilization of customers, clients and Sodexho teams. The initiative resulted in collecting the equivalent of 200,000 meals, along with 33,750 additional meals representing direct donations from clients.
- In 20 French cities, Sodexho prepared 130,000 warm meals that were distributed by Restos du Coeur volunteers.
- The Group gave Restos du Coeur access to its supplier network, where the organization benefits from the same terms, particularly for the purchase of fruit and vegetables.
- Training in the rules of hygiene and well-balanced nutrition was provided to 1,150 volunteers by Sodexho dieticians and site managers.

(*) *A French organization that provides volunteer assistance, primarily meals and food, to the disadvantaged.*

Poland

Supporting the Children's Friends Association

Beginning in 2005, teams from Sodexho Food and Facilities Management services and Sodexho Service Vouchers and Cards joined forces with the Children's Friends Association, a nationwide non-governmental organization (NGO). The Association provides aid and support to children from low-income families, most of whom suffer from hunger and malnutrition.

Offering warmth and comfort

Sodexho serves 60 hot meals each day to disadvantaged children at the association's center in Warsaw.

In December, Sodexho organized a Christmas Eve supper at the center. Traditional Christmas dishes were served to the children and carols were sung. Santa Claus handed out presents to the children, which contained sweets, teddy bears and Christmas postcards signed by Sodexho teams and STOP Hunger program producers. The children were extremely pleased and thanked Sodexho with a handmade plaster picture with a winter motif that now hangs in their office.

A commitment to the future

In June 2006, Sodexho received the "Children's Friend" award from the association in recognition of its commitment to the fight against hunger and malnutrition through its STOP Hunger program.

Sodexho is continuing its partnership with the Children's Friends Association with a view to benefit more children by opening other centers in the country.

STOP Hunger 2005-2006

Argentina, Australia, Belgium, Brazil, Canada, Finland, France, Germany, Ireland, Mexico, Morocco, Netherlands, Norway, Poland, Romania, Singapore, Spain, United Kingdom, United States

19 countries conducted **125 major initiatives** and developed partnerships with **92 NGOs**.

The STOP Hunger program, launched more than ten years ago in the United States, is being gradually rolled out in the Group's host countries. The aid and initiatives of Sodexho employees, customers, clients and suppliers can be divided into four categories:

- **Encouraging volunteer work:** Sodexho encourages employees to demonstrate their service spirit in actions to fight against hunger in local communities.
- **Organizing information and training programs on healthy eating:** professional training for unemployed and homeless people, teaching the basics of healthy, well-balanced eating without wasting food.
- **Collecting food donations:** packaged and fresh surplus food or meals distributed to associations involved in the fight against hunger.
- **Fundraising:** support and sponsorship of programs to combat hunger and malnutrition.

2005-2006 Awards

France: Sodexho received the **2006 *Top Com d'Or* Corporate Business Award** in the Sponsorship-Patronage category for its STOP Hunger program. The award was given by top personalities in the communication field in recognition of the Group's efforts throughout the world.

Belgium: Sodexho was invited to present its STOP Hunger program at the **second CSR Market Place** in Brussels, an important event dedicated to Sustainable Development, where it won a prize in the "Health and Safety" category.

Facilitating daily life

Sodexho offers Food and Facilities Management services, as well as Service Vouchers and Cards, adding value for its clients, and enhancing the well being of all. By increasing efficiency in companies, trust in hospitals, awareness in schools, dignity in correctional facilities, comfort and safety in remote sites... Sodexho is fulfilling its mission: **"Improving the Quality of Daily Life"** for everyone we serve.

OFFERING SERVICES TO IMPROVE THE QUALITY OF DAILY LIFE OF EVERYONE WE SERVE

Employees in companies and government institutions, young people in schools and colleges, adults in the workplace, patients in hospitals, seniors in specialized residences and inmates in correctional facilities all benefit from Sodexho's experience and expertise in each client segment. Sodexho's dedicated teams are trained to understand their clients and customers and their culture. Their **creativity**, **skill** and **professionalism** are dedicated to the service of **Quality of Life** everywhere in the world.

The Group's comprehensive services offers, tailored to the needs of each client and creating value for all of them, combine all these competencies. They have made Sodexho an **acknowledged expert** in three complementary sectors: **Foodservices**, **Facilities Management** and **Service Vouchers and Cards**.

Food and Facilities Management services

Business and Industry	Prestige	Defense	Correctional Services
Healthcare	Seniors	Education	Remote Sites

97% of Group revenues

12,432 million euro in consolidated revenues

15,228 million U.S. dollars in consolidated revenues

Service Vouchers and Cards

Businesses	Public Authorities

3% of Group revenues

6.3 billion euro in issue volume

373 million euro in consolidated revenues

457 million U.S. dollars in consolidated revenues

310,000 clients (not including individuals)

16.4 million beneficiaries

1 million affiliated partners

Source: Sodexho.

BUSINESS AND INDUSTRY

No. 2 WORLDWIDE

4,760	5,831	37%	136,232	15,461
Revenues (in euro millions)	Revenues (in USD millions)	Share of Group revenues	Number of employees	Number of sites

Source: Sodexho.

Wider service offers to create sustainable value

Expertise is at the heart of Sodexho's operations. By analyzing the needs of clients and customers and providing integrated offers, Sodexho optimizes workplace services and develops strong partnerships based on trust. We are committed to improving the daily life of employees by offering well-balanced, customized Foodservices, along with a variety of Facilities Management services. The service spirit of Sodexho's teams is coupled with the highest standards of quality, security, health and environmental protection. Sodexho works side by side with business clients around the world to boost performance and profitability through employee satisfaction and workplace efficiency.

Achievements

Brazil: For the fifth consecutive year, Sodexho won the "**Excellent Supplier Prize**" offered by **Siemens**, and "**The Best Supplier**" in 2005 awarded by **AVS Brasil Getoflex**.

France:
- Creation of a Sodexho subsidiary dedicated to **Facilities Management** to consolidate its business and industry support services.
- **Altys** is the first service company to obtain **ISO 14001 certification** for maintenance and technical management of service buildings and plants on all its sites.

Poland: *Puls Biznesu* and Coface Intercredit announced that Sodexho has been nominated for the third time for the **"Business Gazelle"** prize in recognition of its dynamic development, good financial results and reliability.

Thailand: Start of **B&I operations** with contracts for United Nations (Foodservices), Tilleke & Gibbins International and Sara Lee Foodservice, Coffee & Tea (technical maintenance services).

Events

In 2006, Sodexho was a partner with:
- the **International Garma Festival** in Gulkula, **Australia**, dedicated to preserving and promoting Aboriginal culture.
- the **Open Golf Championship** in Liverpool, **United Kingdom**, which drew 120,000 spectators.
- the **Air and Space International Fair** which attracted 150,000 visitors to Santiago, **Chile**.
- the **Beach Volley World Tour** in Stavanger, **Norway**.

Market trends

This market faces two key trends that are profoundly reshaping the positioning of all players.
- Clients are focusing on their core business and streamlining other processes. The increased scope of Facilities Management and the development of bundled-services tenders are good indicators of this trend. To meet client expectations, Sodexho proposes Facilities Management with a tailor made model to ensure consistent quality and cost optimization.
- Clients with global procurement organizations, who have streamlined their product supply chain through strategic relationships with vendors, now want to achieve consistent service standards at their locations. Thus, they issue multi-country, regional and international tenders for numerous services. To meet this new demand, Sodexho has implemented an International Large Accounts organization, which supports existing regional organizations. This new structure aims at creating value and bringing consistency to these global accounts.

Source: Sodexho.

Over **250 billion euro** in estimated total market value*, including **85 billion euro** in Foodservices
- Outsourcing rate: 79% (highest rate: USA 97%; among the lowest rates: Russia 30%)
- Outsourced market average annual growth rate: between 1% and 2% over the next three years

(*) Market for Facilities Management (excluding Foodservices) **over 2 times** that of Foodservices.

Sodexho estimate.

Client

Europe
Canon Europe, Amstelveen, the Netherlands

Controlled quality and costs through integrated services

Canon's needs
In 2002, Canon Europe decided to outsource the provision of several services across most of its European sites. The objective was twofold; to lower costs and to maintain or improve the level of service quality. Sodexho offered to implement a Master Agreement with local agreements, which would detail service levels to fully match local client requirements.

The Sodexho offer
Sodexho has taken charge of managing Food and Facilities Management services at 27 Canon locations in Europe, with a dedicated organization and gradual development in the countries (United Kingdom, Netherlands, France, Spain, Norway, Sweden, Italy). Services ranged from technical maintenance to catering, reception, security, waste management and, cleaning. Roll out was supported by Canon Europe, which has promoted Sodexho as the preferred supplier of services.

The benefits for the client and for customers
In close cooperation between the Canon and Sodexho teams, improvements were implemented, such as: increased synergies between services, more frequent and structured communication and reporting, reduced administration, creation of help desk functions, single points of contact and reports upon environmental waste and utilities management. The results, measured by Key Performance Indicators, demonstrate that Canon's needs were fulfilled, delivering cost savings and meeting all agreed service levels, since implementation in 2002.

"Overall the targets set for each criterion have been achieved by the Sodexho team, which is very supportive and reliable. Canon Europe benefits from Sodexho expertise in many services and its large geographical presence also helps facilitate synergies, best practices sharing and consistency in quality across Canon's regional businesses."

Jan-Willem Polman, General Manager Procurement and Facilities, Canon Europe.

Sodexho Expertise

United States
Employee nutrition and health

The National Business Group on Health, a large employer organization and Sodexho in the United States have joined forces to promote healthy eating at work. A toolkit entitled *"Promoting Healthy Weight through Healthy Dining at Work"*, the result of several months of research, was developed to assess the nutritional value of products, inform customers, train foodservice teams in the principles of good nutrition and facilitate purchasing while complying with the rules of healthy eating. Sodexho thus works directly with clients to create an environment that improves employee well being.

Among our clients...

Alcatel: Austria (1 site), Belgium (1 site), Canada (1 site), Finland (1 site), France (11 sites), Morocco (1 site), Poland (1 site), Slovakia (1 site).
Axa: Belgium (5 sites), France (11 sites + Altys: 142 sites), Germany (9 sites), Spain (2 sites), UK (5 sites).
Bristol Myers Squibb: Colombia (1 site), France (1 site + Altys: 1 site), Italy (3 sites), Mexico (2 sites), Netherlands (1 site), Sweden (1 site), UK (4 sites), USA (9 sites).
Canon: Belgium (1 site), France (2 sites + Altys: 1 site), Germany (1 site), Italy (3 sites) , Netherlands (3 sites), Norway (3 sites), Russia (2 sites), Spain (1 site), Sweden (5 sites), UK (16 sites).
Cisco: Austria (2 sites), Belgium (1 site), Denmark (2 sites), Finland (1 site), France (2 sites), Germany (7 sites), Netherlands (1 site), Norway (1 site), South Africa (3 sites), Sweden (2 sites), Switzerland (4 sites).
Dell: Brazil (1 site), China (1 site), France (1 site), India (1 site), Ireland (3 sites), USA (22 sites).
Ford Motor Company: Belgium (2 sites), France (1 site), Italy (1 site), Poland (1 site), Russia (2 sites), Spain (1 site), Sweden (5 sites), UK (4 sites), USA (7 sites).
General Electric: Canada (1 site), Czech Republic (2 sites + Altys: 5 sites), Finland (1 site), Norway (1 site), Russia (1 site), Sweden (1 site), USA (24 sites).
General Motors: Brazil (1 site), Colombia (1 site), Sweden (4 sites), USA (1 site), Venezuela (2 sites).
GlaxoSmithKline: Austria (1 site), Belgium (1 site), Canada (3 sites), Chile (1 site), Colombia (1 site), France (1 site), Germany (1 site), Ireland (3 sites), Morocco (2 sites), Netherlands (2 sites), UK (16 sites).
HSBC: China (4 sites), France (3 sites + Altys: 4 sites), India (30 sites), UK (37 sites), USA (28 sites).
IBM: Chile (1 site), Colombia (1 site), Costa Rica (1 site), Czech Republic (1 site), Denmark (5 sites), France (5 sites + Altys: 2 sites), Italy (2 sites), Russia (1 site), Sweden (5 sites), Venezuela (3 sites).
Pfizer: Belgium (2 sites), Brazil (1 site), Chile (1 site), Colombia (1 site), Denmark (1 site), Finland (1 site), France (1 site), Ireland (6 sites), Italy (1 site), Norway (1 site), Spain (2 sites), Sweden (2 sites), Turkey (11 sites), UK (6 sites).
Procter & Gamble: Belgium (1 site), Brazil (1 site), China (1 site), Italy (4 sites), Poland (1 site), Russia (2 sites), USA (4 sites).
Sanofi Aventis: Colombia (1 site), France (10 sites + Altys: 1 site), Ireland (1 site), Italy (6 sites), Netherlands (1 site), Spain (2 sites), USA (11 sites).
Unilever: France (1 site), Italy (3 sites), Morocco (1 site), Netherlands (1 site), Russia (2 sites), UK (7sites).

PRESTIGE

Know-how in the service of exceptional moments

Talented chefs, together with imaginative, experienced staff, have made Sodexho the preferred partner of Directors' tables, executive dining rooms, clubs and conference centers, cultural institutions and prestigious events. With a palette of planning and promotion services, including selling and booking events, technical organisation, creating ambiance and gastronomy, Sodexho infuses its service expertise into the art of living.

Achievements

The Netherlands: ISO 9001-V. 2000 certification for Sodexho Prestige.

United Kingdom

- The Directors' Table received the "**Contract Caterer of the Year 2006**" award by Cost Sector Catering Magazine for its outstanding operational standards.
- Sodexho was re-accredited with the "**Hospitality Assured Standard**" at the highest grade for commitment to service.
- For the reopening of **Ascot**, one of the world's most famous race courses, Sodexho developed or customized all the catering concepts.
- Sodexho has been awarded one of the most prestigious catering contracts ever outsourced by the **National Trust** to open the **West Wing of Ickworth House**, built in Suffolk in the 18th century by the eccentric Fourth Earl of Bristol.

United States: Sodexho Sodexho entered its first-ever partnership with globally renowned Chef, **Suvir Saran** of Devi Restaurant in New York.

Client

United States
Cincinnati Museum Center at Union Terminal, Ohio

Sodexho creates events at the Cincinnati Museum

The Museum's needs
The Museum needed a partner capable of providing high quality Foodservices for their retail operations and of supporting their initiative to grow special events and become "the" destination spot and caterer of choice for the greater Cincinnati area.

The Sodexho offer
The Sodexho team developed a 3-point strategy:

- A partnership with Jean-Robert de Cavel, among the most prestigious chefs in the U.S., to create a trendy address with a new brand: *Deco Dining featuring Jean Robert* that enhances the Art Deco splendor of the building.
- Upgraded catering and retail operations under this brand.
- Sodexho staff responsibility for special events, bookings and museum promotion.

Operations began in late 2005.

The benefits for the client and for customers
Today, the Cincinnati Museum Center at Union Terminal has become a locale that offers the grandeur of a bygone era, combined with the convenience of a modern event location. It is now a cultural showcase, reflecting the original atmosphere of Union Terminal in the 1930's. Sodexho has succeeded in increasing return on service operations, while making the Cincinnati Museum a premier, upscale address and a thriving cultural attraction.

"We felt our events and catering should be worthy of our world-class building. With its excellent quality and service, Sodexho has been a true partner in realizing that dream and turning the Museum into a premier destination for special events in the region."

Douglass W. McDonald, CEO, Cincinnati Museum at Union Terminal.

Sodexho Expertise

Paris – France
Sodexho expertise serving the Lido

Sodexho has acquired a controlling interest in the Lido, where it has managed the Foodservices since 1997. The aim: to give the famous Parisian cabaret the benefit of its expertise in marketing leisure activities, particularly with its subsidiary, *Bateaux Parisiens*, and major tourist attractions. The Lido enjoys an ideal location on the *Champs-Elysées* and its spectacular shows are renowned the world over. It employs 400 people, half of them in Foodservices.

Among our clients...

Prestige Restaurants and Events
Art Café (Modern Art Museum restaurant), Strasbourg (France).
Ascot Racecourse, Berkshire (UK).
Blenheim Palace, Oxfordshire (UK).
Children's Museum of Indianapolis, Indiana (USA).
Epsom Downs Racecourse, Epsom (UK)
Huntington Library Gardens Café, Pasadena, California (USA).
L'Atelier Renault, Paris (France).
Le Roland Garros, Paris (France).
Murrayfield Stadium, Edinburgh (Scotland).
Racecourses of Auteuil, Chantilly, Enghien, Longchamp, Maisons-Laffitte, Vincennes (France).
The Churchill Museum & Cabinet War Rooms, London (UK).
The John G. Shedd Aquarium, Chicago, Illinois (USA).

Private Clubs, Associations and Conference Centers
Centre d'Affaires Étoile Saint-Honoré, Paris (France).
Johnson Space Center, Houston, Texas (USA).
La Maison des Polytechniciens, Paris (France).
Les Salons de la Maison des Arts et Métiers, Paris (France).
Tecnológico de Monterrey (Mexico).
The Parkway Hotel at the Barnes Jewish Medical Center, St. Louis, Missouri (USA)

Directors Tables and Executive Dining Rooms
Bank of America, Ottawa (Canada).
BAT, London (UK).
BNP Paribas (Headquarters), Paris (France).
EADS (Headquarters), Paris (France).
ING Bank, London (UK).
The World Bank, Washington, DC (USA).

DEFENSE

415	508	3%	12,758	759
Revenues (in euro millions)	Revenues (in USD millions)	Share of Group revenues	Number of employees	Number of sites

Source: Sodexho.

Serving professional armed forces

Trained to meet the demands of military life, Sodexho teams devote their skills to serving professional armed forces. A wide range of innovative services improve the Quality of Life of military personnel and their families, from mess hall service to complex deployment tasks for garrisons and bases at home and in-theatre operations abroad. Sodexho partners with the armed forces to boost recruitment and retention while observing budgetary discipline.

Achievements

Sweden: a new three-year **Foodservices contract** opened covering an Air Force base, two Army garrisons and two training camps, located near Norrbotten in the extreme north of Sweden.

United Kingdom: Sodexho won major seven-year **Multi-Activities Contracts** (MAC) for:

- **The Army** North of England MAC (7 bases) to provide ten services including retail, recreation, cleaning, waste management and footwear repair.
- **The Navy** South Central MAC (4 bases) and Navy South West MAC (8 bases) to offer fifteen Food and Facilities Management services.

Market trends

Professional military forces look for a flexible, reliable partner capable of providing full Quality of Life services at competitive prices to satisfy and retain their top recruits while rationalizing their cost base. Sodexho's 20-year partnership and new regional contracts with the British Ministry of Defence testify to the Group's success in meeting requirements by supporting the human resources policy of the armed forces and helping them fulfill their mission.

Source: Sodexho.

20 billion euro in estimated total market value*, including **6,5 billion euro** in Foodservices

- Outsourcing rate: 33% (highest rate: Italy 70%; among the lowest rates: the Netherlands 4%)
- Outsourced market average annual growth rate: between 4% and 5% over the next three years

(*) Market for Facilities Management (excluding Foodservices) **about 2.5 times** that of Foodservices.

Sodexho estimate.

Client

United Kingdom
Ministry of Defence – Aldershot and Salisbury Plain Garrisons

Defending the Quality of Life

The Ministry of Defence's needs
The Ministry of Defence issued an invitation to tender for the upgrading of its facilities and extensive support service provision to its troops stationed in Aldershot and the Salisbury area. The Aspire Consortium was chosen to oversee the plan comprising the construction of 350 new buildings and renovation of a further 140 buildings over a ten-year period, with Sodexho as its supply partner.

The Sodexho offer
From the outset, Sodexho will deliver Foodservices and mess management, cleaning and retail at 82 outlets for 18,000 military and civilian personnel. It will set up a "Hub," a "high street-style experience" with shops and recreational activities adapted to the needs of each barracks. The project will include theatres, community centers and new dining centers to provide opportunities for social life and leisure enjoyment.

The benefits for clients and for customers
The project aims to ensure a comfortable lifestyle for military personnel and their families, similar to the conditions of civilian life. Through Food and Facilities Management services specially designed to facilitate their professional, private and social lives, Sodexho will contribute to their well being and strengthen their commitment, key factors in manpower retention.

"We value the men and women who serve in our Armed Forces, and we are doing all we can to demonstrate this. They deserve modern and fully serviced accommodation and that is what we are delivering."

Don Toughig, Under Secretary for Defence.

Sodexho Expertise

United States
The "Best Mess Hall in the World"

The Sodexho-operated mess hall at Camp Lejeune North Carolina, was named "**Best Mess Hall in the World**" by the US Marine Corps. Sodexho received the "WPT Hill Award", the highest honor for a foodservice operation in the USMC in recognition of *"the commitment and professionalism of its teams, high quality catering and a pleasant environment."*

Among our clients...

Australian Defence Force, 6 bases (Australia)
Astilleros y Maestranzas de la Armada Naval Base (ASMAR), Temuco (Chile)
British Ministry of Defence, Riyadh (Saudi Arabia)
Civil Defence Force Basic Rescue Training Centre (Singapore)
Garrisons of Aldershot, Catterick, Colchester, Salisbury Plain, York and **RM Bases** in SW England (United Kingdom)
Naval Hospital in Concepcion and Vina (Chile)
Naval Officers Club, Delhi (India)
RSI Army Club, Pune (India)
Swedish Defence Forces, 5 sites, Norrbotten (Sweden)
US Marine Corps, 55 bases (USA)
US Merchant Marine Academy, Kings Point, New York (USA)

In-theater military forces
Finnish, French and Swedish armies (Kosovo)
ISAF HQ (NATO), Kabul (Afghanistan)
Ministry of Defence (United Arab Emirates)
Sultan Special Forces (Sultanate of Oman)
US Defense Logistics Agency (South Korea)

CORRECTIONAL SERVICES

227	279	2%	3,400	107
Revenues (in euro millions)	Revenues (in USD millions)	Share of Group revenues	Number of employees	Number of sites

Source: Sodexho.

Enabling successful resettlement

Sodexho works closely with correctional facility authorities to design, build and manage prisons, young offender institutions, detention centers and post-release rehabilitation hostels. Specialist services aim at ensuring fair and respectful treatment of inmates, improving their living conditions, and providing training and assistance in finding jobs and housing upon release. Research has shown that these factors can reduce the rate of re-offending by 50%.

Achievements

Chile: the subsidiary SIGES has started operations under 20-year contracts at the prisons of **Alto Hospicio**, **La Serena** and **Rancagua**, each of which has capacity for a population of 1,700.

France: SIGES is the first company to achieve **ISO 9001-V. 2000** certification for the service commitments developed in the areas of Foodservices, vocational training and industries for the French Prison Service.

United Kingdom:

- Signing of a 25 year-contract to design, build, finance and manage the **Addiewell** prison in Scotland for 700 male prisoners.
- **HMP Bronzefield**
  – The Resettlement Services have been accredited to the "Matrix Quality Standard" for information, advice and guidance services in a formal recognition of the quality of delivery in workshops and activity areas;
  - Healthcare won the "CJS Innovation Award 2005" presented by the Office for Criminal Justice Reform;
- **HMP Forest Bank** is building a groundbreaking partnership with the Co-operative Bank to set up bank accounts for prisoners.

Market trends

Sodexho's social and ethical approach, as well as its experience and reputation for delivering on its promise, are key advantages for the Group in this sector.

On ethical grounds, Sodexho only provides services where staff are not required to carry firearms and only in democratic countries that do not have the death penalty and where the ultimate aim of imprisonment is the resettlement of the offender.

Where local cultures traditionally have been resistant to having "social" services provided by the private sector, attitudes toward outsourcing are starting to shift. The governments Sodexho serves, increasingly pressured by citizens regarding security and safety, are responding by moving to outsource relevant tasks to the private sector, which has been developing a good track record in this area.

Source: Sodexho.

Client

France
French Prison Service,
Ministry of Justice

A market garden within the Liancourt Prison

The Prison Service's needs
In support of its mission to deliver effective resettlement, the French Prison Service has entrusted Sodexho's subsidiary, SIGES, with vocational training and resettlement of older prisoners, taking into account the economic and employment environment and the constraints of the design of the old Liancourt prison.

The Sodexho offer
The SIGES team concluded that employment opportunities were available in France in the field of biodiversity (gardening, environmental works). It therefore decided to create a market garden and horticultural farm within the prison with a view to offering training for real job opportunities.

The benefits of the project for the client and for inmates
This project provides opportunities for inmates to acquire knowledge and skills along with greater self-confidence. Work experience, group activity, learning a trade, personal development and respect for the environment combine to facilitate the employment prospects of inmates, and more broadly, their integration into society upon release.

"The company provides opportunities for inmates to improve their knowledge and skills and overalll well being during detention, the prerequisites for successful resettlement. SIGES devotes its expertise to creating relevant programs such as the market farm at Liancourt."

François Aussant, director of the Liancourt Penitentiary Center.

Sodexho Expertise

United Kingdom
Helping prisoners change their lives

Inmates at the Bronzefield prison performed in the musical comedy "Chicago", thanks to a partnership initiated by Sodexho between the prison and a professional opera company, Pimlico Opera of London.

Weeks of rehearsals culminated in an intense, seven-night performance run that played to sold out audiences and received community acclaim. The project offered an original approach to resettlement, in keeping with Sodexho's vision of providing respect, dignity and opportunities for women. The experience gave the women involved a new sense of pride in their ability and how hard work and commitment could help them to succeed upon their release.

Among our clients...

Chile (Food and Facilities Management services)
Ministry of Justice
3 prisons: La Serena, Alto Hospicio, Rancagua.

France (Food and Facilities Management services)
Ministry of Justice
- 8 prisons in the North: Bapaume, Liancourt 1, Liancourt 2, Lille-Séquedin, Longuenesse, Loos, Maubeuge, Saint-Mihiel.
- 6 prisons in the South: Aix-en-Provence, Avignon, Grasse, Salon-de-Provence, Tarascon, Toulon-La Farlède.

Italy (Foodservices)
Ministry of Justice
16 prisons

Netherlands (Foodservices)
Ministry of Justice
38 prisons

Portugal (Foodservices)
Ministry of Justice
8 prisons

Spain (Foodservices)
Catalonian Government
6 prisons

United Kingdom (Specialist services)
Home Office / Scottish Prison Service
- 4 prisons: Forest Bank, Bronzefield, Peterborough and Addiewell, Scotland, to be opened in early 2009.
- 1 detention center: Harmondsworth.
- 2 resettlement hostels for ex-offenders in Bristol.

HEALTHCARE

No. 1 WORLDWIDE

2,478	3,036	19%	45,817	3,897
Revenues (in euro millions)	Revenues (in USD millions)	Share of Group revenues	Number of employees	Number of sites

Source: Sodexho.

Quality of Life at the service of quality healthcare

Sodexho works closely with each healthcare facility to deliver a customized offer of Foodservices and a wide array of Facilities Management services including reception, visitor information, hygiene and environmental management and maintenance of medical equipment. Clients are provided with a dedicated organization and specially trained staff to deliver value by controlling costs and helping to ensure a healthy, reassuring environment for patients and their families and a positive workplace environment for hospital staff.

Achievements

Brazil: Sodexho received the **TOP Hospitalar 2005** prize in the Catering Services category following an IT Media survey of hospital service clients and customers.

France: a major Foodservices and Facilities Management contract was signed with the **3H Group** to provide four sites with foodservices, reception and information, hygiene and environmental management, free-time activities and multi-technical maintenance services.

United Kingdom: Sodexho won the "**Large Employer of the Year**" award granted by Reed in Partnership in Glasgow for its efforts to provide job opportunities for people in the Glasgow area.

United States

- Sodexho signed a ten-year agreement as the new linen services provider for the **University of Pittsburgh Medical Center**.
- Sodexho was selected by **Catholic Health East** as the preferred provider of nutrition and environmental services at 100 CHE-affiliated facilities.

Market trends

Shorter stays together with sizable technology investments have led to reductions in the number of beds and mergers among healthcare facilities. Despite the development of alternative solutions to hospitalization, healthcare spending continues to climb and recruiting qualified staff to provide medical care and services remains a challenge.

Sodexho is achieving success in its Food and Facilities Management offer to healthcare clients who seek partners to help control costs while improving the Quality of Life for patients, visitors and hospital staff.

Source: Sodexho.

Over **150 billion euro** in estimated total market value*, including **45 billion euro** in Foodservices

- Outsourcing rate: 31% (highest rate: Spain 64%; among the lowest rates: Brazil 8%)
- Outsourced market average annual growth rate: 5% over the next three years

(*) Market for Facilities Management (excluding Foodservices) **about 3 times** that of Foodservices.

Sodexho estimate.

Client

United States
Mary Washington Hospital – MediCorp Health System – Fredericksburg, Virginia

Supporting a reputation for excellence

The Client's needs
Mary Washington Hospital, known for its first-rate surgical and cardiology departments, wanted to expand the scope of its outsourced services to focus on its main priority, medical care, while improving the lives of the 4,000 patients, visitors and personnel present at the facility every day. Sodexho has been providing food and nutrition services at the 412-bed hospital since 1967.

The Sodexho offer
Beginning in 1997, in recognition of the quality of its services, Sodexho was asked to take on the responsibility for additional services, including automatic vending, biomedical services, safety and security, environmental services, grounds maintenance, service response center, gift shop, space planning, valet parking, construction and diabetes management. Sodexho's aim is to become the client's specialist in Quality of Life services and contribute to its development.

The benefits for the client and for customers
By 2006, the hospital had saved 700,000 US dollars on its budget and recorded a 98% employee satisfaction rate. Through its Food and Facilities Management offer, Sodexho has optimized services, significantly reduced costs, increased staff availability to patients and improved the wellbeing for all who stay, visit or work at the hospital. The hospital is free to concentrate on what they do best: deliver outstanding patient care for the communities they serve. For the people of Virginia, Mary Washington Hospital is their connection to exceptional healthcare.

"The true sense of partnership rests with demonstrated quality that must be in the fabric of effective and efficient use of resources; Sodexho constantly delivers such critical success factors to Mary Washington Hospital."

Walt Kiwall, Executive Vice President & COO, MediCorp Health System.

Sodexho Expertise

United Kingdom
Preventing contamination risks

Sodexho is one of the first support services companies licensed to deliver the healthcare risk and safety management course developed by the Institution of Occupational Health and Safety (IOSH). IOSH qualification was awarded to 19 Sodexho managers covering all areas of hygiene and environmental management with a focus on preventing nosocomial infections through rigorous contamination risk control. IOSH Business Development Director, Alan MacDonald, praised the achievement, noting *"the Group's capability in training staff."*

Among our clients...

American University of Beirut Medical Center, Beirut (Lebanon)
Clinica Alemana, Santiago (Chile)
Ebel Fachklinik, 7 sites (Germany)
Fraser Health Authority, British Columbia (Canada)
Hofpoort Hospital (Netherlands)
Hospital Albert Einstein, São Paulo (Brazil)
Hospital Clínico Universitario, Valencia (Spain)
Johns Hopkins Hospital, Baltimore, Maryland (USA)
Karolinska Hospital, Solna (Sweden)
Liverpool Women's Hospital NHS Trust (UK)
Middelheim Academic Hospital, Antwerp (Belgium)
Military Medical Institute (WIM), Warsaw (Poland)
Orton Invalid Foundation Hospital, Helsinki (Finland)
Paris Public Hospitals (AP-HP), 7 sites (France)
Privatklinik Rudolfinerhaus, Vienna (Austria)
Samitivej Sukhumvit Hospital, Bangkok (Thailand)
Università Cattolica Policlinico Gemelli, Rome (Italy)

SENIORS

No. 1 WORLDWIDE

783	959	6%	10,762	1,896
Revenues (in euro millions)	Revenues (in USD millions)	Share of Group revenues	Number of employees	Number of sites

Source: Sodexho.

Helping seniors grow old gracefully

Sodexho's senior services aim to foster well being, dignity, pleasure and social contact in the daily lives of the elderly. Team members are trained to listen and provide support for the aged at home or in specialized facilities. With innovative catering offerings and services specifically adapted to their age and degree of dependence, Sodexho helps elders rediscover the pleasure of taste and the joy of living.

Achievements

Austria: Sodexho received the **"Best Innovative Concept"** prize for its commitment to Quality of Life from *Dachverband der Heimleiter Österreich*, a nonprofit organization of all Austrian retirement homes.

France: The No. 1 private operator in the care of dependent seniors, the **Korian group** is the result of a merger between Medidep and Suren. In 2005, Sodexho signed a framework agreement covering Foodservices at 92 of Korian's 174 facilities.

The Netherlands: Sodexho acquired a stake in **LekkerLeven** to develop home care services.

United States: Sodexho was chosen as the exclusive service provider by **Kairos Health Systems** to provide a wide palette of services for its 72 affiliated establishments.

Market trends

Increased life expectancy brings with it a growing demand for retirement facilities, daytime activity centers and home-care services, taking into account the expectations of active as well as dependent elderly people.

Establishments need skilled, motivated staff to provide the reinforced medical care and highly specialized services required for advanced seniors.

In keeping with Sodexho's mission to improve the Quality of Life, it assists retirement facilities in developing lifestyle programs to combat malnutrition, offer support to dependent seniors and provide emotional and social connection for their residents.

Source: Sodexho.

Over **100 billion euro** in estimated total market value*, including **30 billion euro** in Foodservices

- Outsourcing rate: 21% (highest rate: Japan 50%; among the lowest rates: the Netherlands 5%)
- Outsourced market average annual growth rate: 3% over the next three years

(*) Market for Facilities Management (excluding Foodservices) **about 2.5 times** that of Foodservices.

Sodexho estimate.

Client

France
Fondation Caisses d'Épargne Solidarité

An exclusive Quality Label

The Client's needs
Fondation Caisses d'Épargne pour la Solidarité (FCES) strives to decrease the dependency and isolation that often accompanies advanced age, illness and disability. In 1992, FCES outsourced Foodservices to Sodexho for one establishment. In 1994, an initial framework agreement laid down the principles for service provision extending to seven facilities. The FCES sought a partner capable of supporting its expansion and ensuring compliance with its quality requirements while operating within budget limits.

The Sodexho offer
Sodexho set up a dedicated large accounts organization with a single, nationwide point of contact and defined an exclusive "Foundation" label guaranteeing the same service standard at all FCES sites. Today, its partnership with the FCES, renewed in 1999 for 28 establishments and again in 2005, is based on a single frame of reference adopted today at 60 facilities. Sodexho is supporting its client's plan to widen the FCES network to 150 establishments by 2010.

The benefits for the client and for residents
A bi-annual reporting system allows the FCES to ensure nationwide compliance with Quality Label requirements. Seminars are organized every two years to enable facility managers to monitor the implementation of the quality label and discuss major issues such as communication and nutrition. For customers, the Sodexho-FCES partnership has become synonymous with quality dining, ensuring uniform catering services adapted to their specific needs and the opportunity to enjoy the Group's new offerings.

"The Fondation Caisse d'Épargne pour la Solidarité and Sodexho teams are joined together in seeking quality."

Jean-Claude Gérard, FCES Facilities and Services Director.

Sodexho Expertise

International
A network of exchange and sharing for better Quality of Life

Sodexho plays an active role in the IAHSA (International Association of Homes and Services for the Ageing), a not-for-profit association with a network of more than 12,000 providers of care for the aged in 30 countries on all six continents. The IAHSA serves mainly as a forum for exchange and sharing aimed at better understanding the needs of the elderly and finding innovative models of care. Named a "Platinum Sponsor" of IAHSA last year, Sodexho's involvement demonstrates its ongoing commitment to improving the Quality of Life of seniors.

People with disabilities

Integration is the key

Sodexho strives to improve Quality of Life for people with disabilities by developing activities and job-oriented training programs that foster their workplace integration. We also undertake initiatives to inform the general public and encourage the acceptance of people with disabilities in society.

Achievements

France: Under the **Diversity Charter,** a private initiative encouraged by the Governement, Sodexho is committed to promoting the hiring of disabled people and helping them remain in their jobs.

The Netherlands: Sodexho signed a partnership with the **Philadelphia Foundation** (700 sites in the Netherlands). The association supports mentally disabled people in their effort to lead normal lives under the best possible conditions. The Foundation runs a 22-room hotel with a restaurant and a carryout service in Rotterdam. The team comprises 24 people with disabilities.

United States: Sodexho In recognition of its efforts to offer genuine career opportunities to the disabled, Sodexho was ranked by *DiversityInc.* among the **"TOP 10"** companies and received the Marriot Foundation's **"Employer of the Year"** award.

Sodexho Expertise

Italy
Ten years of active collaboration with ANFFAS

For ten years, Sodexho has worked with ANFFAS (National sssociation of families of people with intellectual and relational disabilities) and the Region of Milan under a state-approved agreement. For ANFFAS, *"Sodexho has become the reference point for integrating people with intellectual infirmities into the workplace. It has shown special sensitivity and attention to the need of disabled workers to communicate and to improve their working conditions. Sodexho has demonstrated a daily commitment to helping the mentally disabled overcome the obstacles to social integration."*

Among our clients...

Christie Gardens, Toronto, Ontario (Canada)
Eichenhöhe Nursing Home (Red Cross), Hamburg (Germany)
Elim Park Baptist Home, Cheshire, Connecticut (USA)
Fondation Caisses d'Épargne pour la Solidarité, 65 sites (France)
Fundación Sociosanitaria de Barcelona, 9 sites (Spain)
Geriatric Institute Villa Delle Querce, Rome (Italy)
Grand Hotel Philadelphia, Rotterdam (Netherlands)
Maison de Soins de Bettembourg (Luxembourg)
Maison Marie Immaculée, 5 sites, Neufvilles (Belgium)
Pension Schloss Kahlsperg in Oberalm, Salzburg (Austria)
Roselius Foundation, 3 sites, Tuusula (Finland)
Stockholm County Council (Sweden)
Uniting Care Ageing, Ku Ring Gai, New South Wales (Australia)
Wellwood House, Newport (UK)

EDUCATION
No. 1 WORLDWIDE

3,023	3,703	24%	87,587	4,439
Revenues (in euro millions)	Revenues (in USD millions)	Share of Group revenues	Number of employees	Number of sites

Source: Sodexho.

Creating an environment for academic success

Sodexho provides schools and colleges with customized offers to achieve their objectives and fulfill their mission in the community. Sodexho's Food and Facilities Management services are geared to enhancing the Quality of Life of the students, parents and personnel. Sodexho's nutrition experts work with educators and parents to develop programs to teach the importance of sound nutrition and promote a balanced diet. From kindergarten to college, Sodexho plays an essential role in helping the young acquire a taste for varied, wholesome foods and healthy eating habits to sustain a lifetime.

Achievements

Costa Rica: Opening of the Education segment.

United Kingdom: Sodexho was awarded the prestigious "**Big Tick Standard**" by Business in the Community (BITC) for its **Health Matters** program offered to more than 400 school children in Scotland.

United States:
- The city of Portland, Oregon, awarded the "**BEST prize**" (Business for an Environmental Sustainable Tomorrow) to its university in recognition of "Sodexho's outstanding commitment to corporate citizenship."
- Sodexho wins the "**Food Alliance Midwest 2005 Keeper of the Vision Award**" for offering environmentally friendly, socially responsible products to college students. Food Alliance is the United States' premier organization for the certification of sustainable products.

Market trends

In this market, schools and universities are increasingly concerned with corporate citizenship – meeting today's needs without compromising the ability of future generations to meet their own. Sodexho takes a leadership role in supporting their institutional missions and objectives.

From kindergarten to college, Sodexho's educational and environmental programs as well as its support of hunger relief through the Campus Kitchens project demonstrate this commitment. Sodexho also helps its partners attract and retain college students. A safe, inviting learning environment creates a total campus experience, which is a main driver in choosing a school. With optimized facilities, controlled budgets and motivated students, everyone benefits from Sodexho's Foodservices and Facilities Management offers.

Source: Sodexho.

Over **150 billion euro** in estimated total market value*, including **60 billion euro** in Foodservices

- Outsourcing rate: 30% (highest rate: Canada 66%; among the lowest rates: Japan 24%)
- Outsourced market average annual growth rate: 3% over the next three years

(*) Market for Facilities Management (excluding Foodservices) **near 2 times** that of Foodservices.

Sodexho estimate.

Client

United States
Drake University- Des Moines, Iowa

Services support Drake's drive for leadership in the 21st century.

Drake University's needs
Drake University sought to enhance its position as a premier comprehensive university in the Midwest. Its dining facilities dated from the 1950's and fewer than ten percent of its 5,300 students ate at the main cafeteria. Meeting room and residence hall use generated lower than desired revenues and campus facilities and maintenance programs needed updating. Improvements were necessary to provide the exceptional learning environment Drake University sought to solidify its leadership position in the 21st century.

The Sodexho offer
In 1999, Drake partnered with Sodexho to help achieve its objectives. Sodexho gradually widened the scope of its service offerings from Foodservices to Facilities Management; starting with the renovation of four dining locations (open 18 hours a day, seven days a week), and introducing new dining concepts. Technical maintenance facilities were added in 2001, followed by meeting services and finally, vending services in 2003. Today, Sodexho's cleaning and computerized maintenance management systems help enhance the campus while improving productivity.

The benefits for the client and for customers
New campus enhancements and improved service levels brought about by Sodexho are key factors in attracting students to Drake. Satisfaction rates for Foodservices have reached 98%. Revenues from meeting and conference room use have increased 100%. Technical maintenance teams have cut the time required to respond to maintenance requests by 50%, and have decreased the number of breakdowns and complaints, and considerable savings have been achieved. A well-trained and diverse staff (who collectively speak 12 different languages) are considered a definite asset to the campus community.

"Sodexho's role in managing our physical plant operations, and in providing catering and dining services for the University, has been a model for this kind of collaborative relationship. Sodexho provided the resources and the expertise to support Drake University's move to the next level."

Dr. David Maxwell, President, Drake University.

Sodexho Expertise

France
Learning through play

To teach youngsters sound dietary principles, Sodexho subsidiary, Sogeres, and the town of Chaville have introduced an amusing, interactive computer program called *Nutriborne*.

Using a touch screen with two entry levels adapted to the different age groups, schoolchildren answer a set of 30 questions covering all aspects of nutrition. The program offers colorful, animated illustrations, games and abundant information to encourage pupils to adopt good nutritional habits.

Nutriborne will journey from school to school, so everyone will have the chance to enjoy learning about healthy, well-balanced eating.

Among our clients...

Australian Institute of Management, Melbourne, Sydney, Perth (Australia)
American International School, Hong Kong (China)
Berlin Public Schools (Germany)
Bradford University, Yorkshire (UK)
Brock University, St. Catharines, Ontario (Canada)
Cardinal Mercier Middle School, Braine-l'Alleud (Belgium)
Claude Bernard University, Lyon (France)
French Lycées: Buenos Aires (Argentina), Antwerp (Belgium), Hong Kong (China), Frankfurt (Germany), Budapest (Hungary), Riyadh (Saudi Arabia), Seoul (South Korea), Singapore, Madrid (Spain), Bethesda, Maryland (USA).
Gimnasio Moderno, Bogota (Colombia)
Ithaca College, New York (USA)
Jesuit Institutions: Colegio Antonio Viera, Salvador; Pontificia Universidad Catolica, Rio de Janeiro (Brazil) - Colegio San Ignacio, Santiago (Chile) - École de Provence, Marseille (France) - University of Cagliari (Italy) - Deusto Universidad, Bilbao, San Sebastian (Spain) - Creighton University, Omaha, Nebraska; Fairfield University, Connecticut; Loyola College in Baltimore, Maryland; Loyola University of New Orleans, Louisiana; Loyola Marymount University, Los Angeles, California; St. Peters College, Jersey City, New Jersey; Xavier University, Cincinnati, Ohio (USA).
Universidad Andrès Bello, Santiago (Chile)
University of Gothenburg (Sweden)
University of Technology, Helsinki (Finland)

REMOTE SITES

No. 2 WORLDWIDE

745	912	6%	25,998	1,675
Revenues (in euro millions)	Revenues (in USD millions)	Share of Group revenues	Number of employees	Number of sites

Source: Sodexho.

Ensuring the Quality of Daily Life under rigorous conditions

For more than 40 years, Sodexho has provided services under challenging conditions at onshore and offshore project sites around the world to help its clients achieve their aims. Specialized teams ensure full Food and Facilities Management services, from building camps to environmental restoration following operations. Sodexho's mission is to ensure the comfort and safety of the thousands of people working on these sites and contribute to sustainable development of the local economies.

Achievements

Major contracts to open three countries: **Madagascar**, **Mongolia** and **Yemen**.

Canada: Sodexho was re-certified with the **"Progressive Aboriginal Relations Gold Award"** by the Canadian Council for Aboriginal Business (CCAB) for its leading role in working with aboriginal people to foster economic and social development.

Chile: Universal Sodexho received the **"Anglo American prize"** for its performance in security and employee health, and the **"Chilean Security Association award"** for its ongoing concern about risk prevention.

Peru: Sodexho was named the **"Peruvian Company of the Year 2005"** in the Services category and received the **"Quality Management Committee prize"** from the National Industry Society for obtaining ISO 9001, ISO 14001 and OSHAS 18001 certifications.

Russia, Sakhalin Island: Universal Sodexho's Russian partner was designated **"Manager of the Year for the Russian Far East"** by the *Société d'Encouragement pour l'Industrie Nationale* based in Paris. Universal Sodexho was named **"Best Employer of the Year"** by the Sakhalin Region Labor Authorities for the priority given to local hiring.

United Kingdom: **Marathon Oil** awarded Universal Sodexho its **"2005 Marathon European Business Unit"** prize and named it **"HSE Large Contractor of the Year Award"** for Hygiene, Security and Environment management.

Market trends

The growing, worldwide demand for energy and mineral resources combined with the rise in prices for oil, gas and other natural resources is encouraging international clients to undertake long-term investments.

Increased prospecting resulting in large mining projects as well as the global trend to explore sustainable and less polluting energy sources such as liquid natural gas, nuclear capacity and hydroelectric dams, all point to increased, long-term investment.

Infrastructure projects in the Middle East to prepare the post-oil era, and in emerging countries such as China and India promise significant market opportunities. Clients are seeking a global partner, like Sodexho, capable of supporting their accelerated development.

Source: Sodexho.

10 billion euro in estimated total market value (Food and Facilities Management services)

Sodexho estimate.

Client

Sultanate of Oman
Petroleum Development Oman / Shell
Fahud, Lekhwair, Qarn alam, Yibal

Comfort and safety in the middle of the desert

Petroleum Development Oman (PDO) needs
PDO sought a single, reliable service provider with broad experience, capable of handling all its services at four sites and complying with high Health, Safety and Environment (HSE) standards under extreme climatic conditions. PDO specifications also called for improved budget control and long-term cost optimization, while ensuring the comfort of employees under rigorous conditions.

The Sodexho offer
Socat, a subsidiary of Universal Sodexho, had been successfully providing Foodservices for PDO for eight years. In 2005, PDO expanded the contract to Facilities Management at its four sites. Today, Socat is managing accommodations and recreational facilities, upkeep, laundry, technical maintenance of buildings, air conditioning and refrigeration systems along with environmental services, gardening and landscaping, management of solid and liquid waste, and treatment of oil-contaminated sand. A consolidation and reporting system has been set up to control expenditures and cut costs on a long-term basis.

The benefits for the client and for customers
With the integrated service contact and Socat's centralized management of local subcontractors and suppliers, PDO can now rely and focus on a single supplier to offer its employees and facilities a range of estate-related services delivering identical specifications at all its northern sites.

"Socat has demonstrated its commitment since 1997 with our initial catering contract and given us a feel for Universal Sodexho's expertise in remote site management. This testifies to our confidence in the continuity of this successful partnership."

Saleh al Suqry, Oil North Operations / 8, Business Support Coordinator for North.

Sodexho Expertise

Congo
Supporting local agricultural development

Total E&P is one of the main founders of the Association Pointe Noire Industrielle (APNI), which supports the emergence of responsible entrepreneurship, specifically cooperative farming in the Nkounda region. Universal Sodexho plays a key role by sharing its expertise and purchasing 27 tons of fruits and vegetables monthly from the association, thus re-injecting 600,000 euro into the local economy. We help 150 farmers raise their agricultural product standards and contribute to creating a supply system and a business culture. By encouraging entrepreneurial spirit, this initiative contributes to improving the lives of several hundred families.

Among our clients...

Oil and Gas
AP Moller-Maersk Group, Congo, Denmark, Nigeria.
BP, Argentina, Indonesia, Netherlands, Norway, Russia, United Kingdom, USA (Alaska).
ConocoPhillips, United Kingdom, United States (Alaska, on-shore) and Gulf of Mexico. (offshore),
ExxonMobil, Australia, Canada, Netherlands, Norway, Saudi Arabia, United States (onshore) and Gulf of Mexico (offshore), Venezuela.
Noble Drilling, Denmark, Gulf of Mexico, Nigeria, Qatar, United Arab Emirates.
Qatargas, Qatar.
Saudi Aramco, Saudi Arabia.
Shell, Gabon, Gulf of Mexico, Netherlands, Nigeria, Russia, Saudi Arabia, Sultanate of Oman, Venezuela.
Sinopec, Saudi Arabia.
Total, Angola, Cameroon, Congo, Gabon, Gulf of Mexico, Nigeria, Netherlands, Norway, Qatar.
Transocean, Inc., Equatorial Guinea, Gulf of Mexico, India, Nigeria, Norway, Thailand.

Mining
Alcan, Inc., Australia.
BHP Billiton, Australia, Canada, Peru.
Barrick Gold, Argentina, Australia, Canada, Peru, Tanzania.
INCO, Australia, New Caledonia, USA (Alaska).
Pan Australian Resources (PAR), Laos.
Phu Bia, Laos.
Rio Tinto, Australia, Madagascar.

Engineering and Construction
Bechtel, Equatorial Guinea, Qatar.
Chiyoda, Russia.
Fluor Daniel, Peru, Russia, Saudi Arabia.
Kellogg Brown & Root, Iraq.
Louis Berger Group, Afghanistan.
SNC Lavalin, New Caledonia, Venezuela.

SERVICE VOUCHERS AND CARDS

No. 2 WORLDWIDE

373	457	3%	3,148	310,000
Revenues (in euro millions)	Revenues (in USD millions)	Share of Group revenues	Number of employees	Number of clients (not including individuals)

Source: Sodexho.

Issue volume: 6.3 billion euro.

Inventing a simpler life

To simplify daily life in the workplace and in society, Sodexho Service Vouchers and Cards offers two ranges of innovative, flexible, secured solutions for companies and governments. The first are designed to help companies motivate and retain employees, thereby boosting performance. The second support public authorities in implementing and monitoring their social aid programs. From vouchers to cards and e-services, Sodexho offers the format best suited to inventing a simpler life.

Achievements

Acquisition of **Ticket Total** in Argentina, **BluTicket** in Romania, **Family Matters** in the United Kingdom.

Launch of **Sport and Culture Check** in Belgium, **Gift Pass** in Bulgaria, **Universal Service cheque** (CESU) in France, **Meal Card** in India, **Assistance Pass** in Italy, **E-Gaso Pass** in Mexico, **Sport and Culture Pass** in Poland, Flexi Pass in Slovakia.

Belgium: Sodexho manages **training aid** granted by the Flemish Region to 500,000 employees. Grantees receive e-vouchers for use in training centers, consulting, coaching, etc.

France

- Renewal of **Book Voucher** contracts for 44,000 high school students and apprentices in the Auvergne Region and **Book Card** for 45,000 students in the last year of high school in the Lower Normandy Region.
- Successful launch of the **Fami Pass** to pay school restaurant fees via mobile phones.

Spain: Sodexho will manage **childcare aid** for the City of Madrid for low-income families with vouchers accepted at 750 approved day care centers.

Market trends

Full employment is becoming a major concern for public authorities who are looking for efficient, cost-effective ways to help companies motivate and retain staff. The need to reconcile job demands with home and family responsibilities is a key issue for employees and an essential ingredient in smooth business operations. The result is a fast-growing trend towards adopting systems to manage childcare, in-home help and access as well as leisure and cultural activities for the family in Europe and Latin America.

Furthermore, to boost job creation, a priority for many governments, new approaches are being developed to facilitate the employment of home helpers. In France, for example, the Ministry of Employment has authorized Sodexho to issue in-home help vouchers called Chèque Emploi Service Universel. This initiative has already generated interest in numerous other European countries.

In this growing market, the creativity and expertise of Sodexho Pass are distinct advantages.

Source: Sodexho.

60 billion euro global volume in the market, including **16.4 million** beneficiaries
- **13.8** million employees enjoy Daily Life solutions.
- **1.9** million employees use Motivation and Loyalty solutions.
- **706,000** citizens benefit from public aid through Sodexho solutions.

1 million Sodexho affiliated partners.

Source: Sodexho.

Client

Czech Republic
ČSOB (Ceskoslovenska Obchodni Banka), Prague

"Pass" for Quality of Life

ČSOB's needs
ČSOB was managing its own "cafeteria benefits" system of offering fringe benefits à la carte to its 6,700 employees. Three people were in charge of receiving and paying orders from the headquarters in Prague and 200 branches in the country. Seeking to simplify and optimize the process, the bank decided to outsource the management of the service and launched an invitation to tender for a professional electronic system.

The Sodexho offer
ČSOB opted for the Sodexho offer to replace its former complex, unwieldy system. The Sodexho solution has proven to be easier to manage, more flexible and cheaper than traditional "cafeteria benefits" systems. With one single voucher, the Flexi Pass, employees can access a wide array of services in areas ranging from leisure and sports to travel, education, culture and healthcare. Sodexho has set up a broad network of 3,700 affiliated stores and businesses, which is currently working to expand in the regions.

The added value for the client and for beneficiaries
The Human Resources Department at CSOB has expressed its satisfaction with the system's simplicity, flexibility and transparency. The personnel formerly dedicated to managing fringe benefits can now take on other assignments and the optimized card offer has meant improved Quality of Life for CSOB employees.

"Thanks to Sodexho, we have succeeded in optimizing our fringe benefits with an extended network and a simplified system."

M. Kucera, Human Resources Manager, ČSOB.

Sodexho Expertise

Chile
"A Taste for Living"

The new *Así da gusto vivir* program initiated by Sodexho aims at combating the impact of poor eating habits on health and therefore on staff performance. The program also offers advice on nutrition and stress management.
The program begins with a review of the employee's health and lifestyles, followed by a company-wide action plan with specific advice for at-risk staff members, and finally, a results assessment after six months. To support the approach, Sodexho has created "the network of healthy restaurants" with 700 restaurants listed in Santiago.

Among our clients...

Banks-Insurance
ABN AMRO Bank, Argentina, Belgium, Czech Republic, India, Luxembourg, Turkey.
BNP Paribas, Belgium, Czech Republic, Germany, Poland, Tunisia.
Citigroup, Belgium, Colombia, Czech Republic, Slovakia.
Société Générale, Belgium, Czech Republic, Italy, Mexico, Tunisia.

IT-Electronics
Hewlett-Packard, Belgium, Bulgaria, Colombia, Czech Republic, India, Italy, Poland.
Microsoft, China, Colombia, Czech Republic, Poland, Slovakia.
Samsung Electronic, Argentina, Colombia, Poland, Slovakia.

Consumer goods
Coca-Cola, Argentina, Belgium, Bulgaria, China, Colombia, Czech Republic, Luxembourg, Slovakia.
PepsiCo, Argentina, Brazil, Hungary, Mexico, Romania, Venezuela.

Industry-Energy
Alstom, Argentina, Czech Republic, Hungary, Mexico.
Exxon Mobil, China, Colombia, Czech Republic, Hungary, Tunisia.
Michelin, Czech Republic, Mexico, Romania, Slovakia, UK.
Renault Group, Argentina, Belgium, Czech Republic, Italy, Poland, Romania.
Siemens, Belgium, China, Colombia, Czech Republic, France, Germany, Poland, Romania, Slovakia, Tunisia.

Public services
National Postal Services: La Poste (Belgium), La Poste (France), Magyar Posta Rt. (Hungary), Poczta Polska (Poland).
National Railways Services, SNCB (Belgium), MÁV (Hungary).
Public Authorities, Gobierno de la Provincia de Salta (Argentina), Ministry of the Flemish Community, Ministry of the Walloon Region, Federal Government (Belgium).

Ensuring governance and transparency

Sodexho respects the principles of good corporate governance and is particularly vigilant as to the accuracy, relevance and regularity of its financial communications, with an objective :**"Ensuring all shareholders receive the same information at the same time."**

CORPORATE GOVERNANCE

Message of Pierre Bellon, Chairman and Founder

On September 1, 2004, following discussions with the Nominating Committee and the Board of Directors, we decided that the position of Chairman and Chief Executive Officer, which I had held since founding Sodexho, would be separated into two positions–Chairman of the Board of Directors and Chief Executive Officer–and that Michel Landel would be appointed Chief Executive Officer, effective September 1, 2005.

We took advantage of this transition year to transfer responsibility for all the Group's operating entities and functions to Michel and to define the respective duties and powers of the CEO and Chairman.

This new organization offers two advantages:

1. It strengthens the role of Group senior management.

   Michel and an expanded and reinforced management team developed Sodexho's Ambition 2015, in consultation with the top 400 senior managers from around the world, and expressed a clear vision "to become the premier global outsourcing expert in Quality of Life services."

   He recommended to the Board of Directors that we set a new objective of doubling revenues and clarified our strategy around strengthening our leadership in Foodservices, accelerating our development in Facilities Management and achieving global leadership in Service Vouchers and Cards.

   Obviously, there are still many challenges ahead, including adapting to meet the new needs of our clients, constantly improving our competitiveness, standardizing best practices, nurturing our human resources and promoting the Sodexho brand around the world. But already, since his appointment as CEO, Michel has provided the Group with a new vitality and momentum.

2. Moreover, since I am now able to focus exclusively on my role as Chairman, the Board of Directors is operating more smoothly and we have improved our corporate governance practices.

During the assessment of Board operating procedures, led by one of its members in Fiscal 2004, a number of suggestions were made.

Directors wanted to modify the Board's membership to more accurately reflect the Group's international scope and to integrate new skills and expertise. In response, and in line with recommendations made by the Nominating Committee and the Board, shareholders at the Annual Meeting on February 8, 2005 elected Patricia Bellinger, Robert Baconnier and Peter Thompson as Directors.

As a result, the Board now comprises:
- four different nationalities (French, American, British and Canadian);
- four women out of 14 Directors. This represents nearly 30% of the Board's membership, a record for companies listed in the SBF 120 index, which average less than ten percent of women on their boards.

Board members also said that they wanted to play a more active role in the Group's operations. Consequently:

- the Board now meets at least six times a year and each meeting lasts a full day;
- the Audit Committee meets at least four times a year and its Chairman meets regularly with the Chief Financial Officer, the Internal Audit Senior Vice President and the Statutory Auditors;
- the Compensation Committee meets three times a year;
- the Nominating Committee generally meets twice a year.

Some of the past meetings were held outside France and included tours of client sites and meetings with employees, among them:

- a tour of the Bronzefield correctional facility in the United Kingdom by members of the Private Finance Initiative and the Audit Committees, and a meeting with Sodexho United Kingdom and Ireland senior executives;
- a three-day trip to the United States by the Board, during which members visited Mary Washington Hospital and the offices of the World Bank and met with Sodexho North America senior executives.

Board members also requested that meetings be held on specific topics and with Group executives on a regular basis.
Since then, a number of senior operational executives have met with the Board to present their businesses, results and plans:

- in September 2004, Pierre Henry, Group Chief Operating Officer, Service Vouchers and Cards;
- in May 2005, Philip Jansen, Group Chief Operating Officer, Food and Facilities Management services, United Kingdom and Ireland;
- in March 2006, Richard Macedonia, Group Chief Operating Officer, Food and Facilities Management services, North America.

Other members of the Group's Executive Committee and the Operating Committee have made special presentations to the Board:

- Élisabeth Carpentier, Group Executive Vice President Human Resources, on the Group's human resources strategy, initiatives and performance monitoring;
- Philippe Taillet, Group Senior Vice President Information Technology, on the Group's IT strategy and applications for improving performance;
- Damien Verdier, Group Executive Vice President Marketing, on the Group's purchasing strategy and the Five Star action plan to enhance competitiveness.

We will be conducting another assessment of Board operating procedures. Already for this year, we intend to increase the number of exchanges between Board members and senior executives.

Finally, given the Board's heavier workload, it seems reasonable to ask for an increase in Directors' fees, which are considerably lower than the average paid by large French-based companies.

Succeeding the founder is not always easy, but the Nominating Committee, the Board of Directors and I knew that Michel Landel had all the necessary qualifications to be the CEO, not only professionally speaking but also because he embodies the Group's values, instilling them within each Sodexho subsidiary he has managed over the past 22 years. Today, looking back over the past 16 months, the Board of Directors and I feel that the transition is a complete success and we are pleased at how smoothly the Group's new organization is functioning.

This ability to reconcile renewal with continuity produced good results in Fiscal 2006 and is an indicator of continued success and a sustainable future for Sodexho.

Pierre Bellon

Chairman and Founder, Sodexho Alliance

THE BOARD OF DIRECTORS

1. Members of the Board of Directors as of August 31, 2006

		First elected	Term expires
Pierre Bellon	Chairman	Nov. 14, 1974	2007
Robert Baconnier*	President, ANSA	Feb. 08, 2005	2008
Rémi Baudin	Vice-Chairman	Feb. 25, 1983	2007
Patricia Bellinger*	Member of the Senior Executive Forum, BP	Feb. 08, 2005	2008
Astrid Bellon	Member of the Management Board, Bellon SA	Jul. 26, 1989	2007
Bernard Bellon	Chairman of the Board of Directors, Finadvance	Feb. 26, 1975	2009
François-Xavier Bellon	Member of the Management Board, Bellon SA	Jul. 26, 1989	2007
Sophie Clamens	Chairman of the Management Board, Bellon SA	Jul. 26, 1989	2007
Paul Jeanbart*	Chief Executive Officer, Rolaco	Feb. 13,1996	2008
Charles Milhaud	Chairman of the Management Board, CNCE	Feb. 4, 2003	2009
François Périgot*	Honorary President, Medef International	Feb. 13, 1996	2008
Nathalie Szabo	Member of the Management Board, Bellon SA	Jul. 26, 1989	2007
Peter Thompson*	Company Director	Feb. 08, 2005	2008
Mark Tompkins*	Company Director	Feb. 05, 2002	2008

* Independent director.

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 number of Board meetings and the allocation of directors' fees. The Internal Rules also set assessment criteria for how well the Board functions, organize the delegation of powers to the Chief Executive Officer, and define the policy for issuing guarantees.

Mission of the Board of Directors

The Board of Directors establishes corporate strategy, 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 or investigate the issues to be discussed.

The Group's senior operational executives keep the Board informed of market conditions, 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 financial management teams and by the internal and 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.

The Directors' Charter

Each Director must personally own at least 400 Sodexho Alliance shares.

Except in cases of force majeure, all Directors of Sodexho Alliance 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 Sodexho Alliance 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 Sodexho Alliance securities:
- during a 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 a 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 or Corporate Secretary of all transactions in Sodexho Alliance shares.

Board meetings

The Board of Directors met six times during Fiscal 2006, fulfilling the minimum requirement of four meetings per year as stated in the Internal Rules.

Date	Main items on the agenda	Attendance rate
September 13, 2005	- Strategic plan and priority axes for progress - Approval of budgets for Fiscal 2006	93%
November 15, 2005	- Finalizing the financial statements for Fiscal 2005 - Finalizing the Board Report - Convening of the Combined Shareholders' Meeting	93%
January 10, 2006	- Adoption of new stock option plans	100%
January 31, 2006	- Business update for opening months of Fiscal 2006	79 %
March 14, 2006	- Business update for first 5 months of Fiscal 2006 - Business update on activities in the U.S.	71%
May 9, 2006	- Finalizing the interim consolidated financial statements for the six months to February 28, 2006 - Update on Group human resources policy	86%

The average attendance rate during Fiscal 2006 was 87%.

2. 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.

Audit Committee

The Audit Committee is chaired by Robert Baconnier, who is considered a financial expert. The other members are Mark Tompkins and François Périgot. Sophie Clamens and Rémi Baudin 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 and that effective internal controls are in place. The Committee periodically reviews Senior Management reports on risk exposure and prevention.

The Committee assesses proposals from auditing firms and submits candidate firms for approval by the general shareholders' meeting.

It also performs an annual review of the fees paid to the auditors of Sodexho Alliance and its subsidiaries, and assesses auditor independence.

In fulfilling its role, the Audit Committee is assisted by the Chief Executive Officer, by the Group Chief Financial Officer and Group Audit Senior Vice President and by the external auditors. It may also make inquiries of any Group employee and seek advice from outside experts.

Michel Landel, Chief Executive Officer of Sodexho Alliance during Fiscal 2006, and Siân Herbert-Jones, Chief Financial Officer, were regularly invited to attend Audit Committee meetings to discuss their activities and answer questions.

The Audit Committee met four times during Fiscal 2006, with an 83% average attendance rate. Issues addressed by the Committee included:
- approval of the Internal Audit plan for Fiscal 2006;
- review of the principal accounting policies applied by the Group;
- transition of the consolidated financial statements to IFRS;
- organization of the finance function within the Group;
- reports issued by the Internal Audit department, and progress reports on the implementation of internal audit recommendations;
- review of the Form 20-F filed with the Securities and Exchange Commission;
- progress reports on the "CLEAR" project (internal control assessment, particularly with respect to the Sarbanes-Oxley Act and the *"Loi de Sécurité Financière"*);
- supervision of the independence and performance of the external auditors.

The Audit Committee reviewed the annual consolidated financial statements for Fiscal 2005, and the interim consolidated financial statements for the six months ended February 2006. It also approved the terms of engagement and fees of the auditors of Sodexho Alliance and its subsidiaries in connection with the audit of the consolidated financial statements for Fiscal 2006.

Finally, the Audit Committee approved in advance all other engagements performed by the Group's auditors and by member firms of their international networks.

Nominating Committee

The Nominating Committee is chaired by François Périgot. The other members are Patricia Bellinger, Nathalie Szabo, Pierre Bellon and Rémi Baudin.

This Committee examines proposals made by the Chairman of the Board, and advises the Board:
- on the appointment of:
  - Directors;
  - the Chief Executive Officer and, as appropriate, Chief Operating Officer(s);
  - members of the Group Executive Committee;
- on succession plans for key executives.

It also keeps an up-to-date, confidential list of potential replacements in case a position suddenly becomes vacant.

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.

The Nominating Committee met formally twice in Fiscal 2006 to discuss succession planning for the Chairman, the Chief Executive Officer and the members of the Group Executive Committee.

The average attendance rate was 80%.

Compensation Committee

The Compensation Committee is chaired by Rémi Baudin. The other members are Patricia Bellinger, 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 Committee met three times in Fiscal 2006 to make recommendations to the Board on issues such as the advisability of introducing a new International Employee Stock Ownership Plan, the implementation and plan rules of a new stock option plan, a review of executive incentivization tools, and compensation packages for the Chairman and the Chief Executive Officer.

The average attendance rate in Fiscal 2006 was 75%.

The Board of Directors has also set up a working group to conduct in-depth studies of Public-Private Partnership and Private Finance Initiative investment projects. Recommendations from this working group are used by the Board in deciding whether to authorize the investments and issue any related guarantees.

The working group consists of directors (Sophie Clamens, Robert Baconnier, Pierre Bellon and Mark Tompkins) and includes Michel Landel, Chief Executive Officer; Siân Herbert-Jones, Chief Financial Officer; and certain members of the Group Finance Department. The group is chaired by Siân Herbert-Jones. This working group met three times during Fiscal 2006.

Robert Baconnier

Independent Director,
Chairman of the Audit Committee

Interview

"Thanks to enormous efforts on the part of our people, the Group has made considerable progress in internal control."

Have you noticed any change in the role of the Board of Directors since the offices of Chairman and Chief Executive Officer were separated on September 1, 2005?

Since the separation became effective, though I have only limited experience as a director of Sodexho having been appointed in January 2005, I have felt very clearly that the Board of Directors has been gradually assuming more responsibility.

It has now become the forum for critical – though constructive – dialogue with management on Group strategy and action plans.

This leads to a more productive exchange of views in the decision-making process.

What role has the Audit Committee played in the Group's progress in internal control?

Strengthening internal control has been a central concern of the Audit Committee for a number of years, especially given Sodexho's strongly decentralized culture.

Throughout the year, the Audit Committee has devoted a considerable amount of its time to the rollout of the CLEAR project*, and monitoring Internal Audit assignments and conclusions and the resulting action plans. It has also followed closely the action plans to strengthen resources within the financial teams, both centrally and within subsidiaries, and to enhance financial and IT expertise in the Internal Audit function.

The Audit Committee is delighted to report that thanks to increased awareness and training and enormous efforts by Sodexho's teams, the Group has made considerable progress in internal control.

(*) See the description of internal control procedures begining on page 66.

3. Information about members of the Board of Directors

Pierre Bellon

Born January 24, 1930
Married, 4 children
French
Graduate of the École des Hautes Études Commerciales (HEC)

Business address:
Sodexho Alliance
3, avenue Newton – 78180 – Montigny-le-Bretonneux (France)

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, and is currently Chairman of the Board of Directors. Since 1988, he has served as Chairman and Chief Executive Officer of Bellon SA, the family holding company that controls Sodexho Alliance, and 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)
- He also serves as a Director of various Sodexho Group companies.

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 Sodexho Alliance shares held: 12,900.

Other corporate offices held within the past five years but no longer held

L'Air Liquide (Member of the Supervisory Board)

Robert Baconnier

Born April 15, 1940 in Lyon (France)
Married, 3 children
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 Internal Revenue Service. In 1986 he became head of the 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 CEO of ANSA, the French National Association of Joint Stock Companies.

Other positions

- Advisor, French Foreign Trade Commission
- Member of the Board of Directors, Lafarge Ciments
- Member of the Supervisory Board, ELS (Éditions Lefebvre Sarrut)

Number of Sodexho Alliance shares held: 410.

Other corporate offices held within the past five years but no longer held

Chairman of the Tax Committee of Medef, the French employers' federation

Rémi Baudin

Born October 19, 1930
Married, 4 children
French
Graduate of the École des Hautes Études Commerciales (HEC)

Business address:
Sodexho Alliance
3, avenue Newton – 78180 – Montigny-le-Bretonneux (France)

Background

Before helping Pierre Bellon to create Sodexho, Rémi Baudin took part in a number of foreign projects for management consultancy SEMA, from 1957 to 1965.

He reorganized and managed the ship chandlery business (1965-1969), then set up a joint venture with Sonatrach in remote site management and headed the joint venture in Algeria (1969-1970). He successively managed the Food Services France division, starting up operations in Belgium (1971-1976); the France and Africa division, overseeing start-ups in Cameroon, Nigeria, Ivory Coast, Angola, Benin, Equatorial Guinea, Algeria and Libya (1977-1982); and the Food Services France and Europe division (1982-1992). In 1996 he was appointed Chairman of the Supervisory Board of Bellon SA, becoming its Vice-Chairman in 2002.

Other corporate offices held

- Bellon SA (Vice-Chairman of the Supervisory Board)
- Octofinances SA (Chairman of the Supervisory Board)

Other positions

President and founder of FERCO, the European Food Services Confederation.

Number of Sodexho Alliance shares held: 4,016.

Other corporate offices held within the past five years but no longer held

None.

Patricia Bellinger

Born March 24, 1961 in Connecticut (USA)
Married, 2 children
American
BA in Literature, Harvard University

Business address:
BP plc
1, Saint James Square – London – SW1Y 4PD (United Kingdom)

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 head of diversity and inclusion, and in 2006 became Director of the BP Leadership Academy.

Other positions

- Member of the Executive Leadership Council (Washington DC)
- Member of the Advisory Board of the Leadership Center at Morehouse College (Atlanta, USA)
- Member of the Breakthrough Breast Cancer Generations Appeal Board

Number of Sodexho Alliance shares held: 400.

Other corporate offices held within the past five years but no longer held

None.

Astrid Bellon

Born April 16, 1969
French
Graduate of ESLSCA
Master of Arts in Cinema Studies, New York City

Business address:
Bellon SA
3 avenue Newton – 78180 – Montigny-le-Bretonneux (France)

Background

Astrid Bellon has worked in the television and movie industry since 1999. She is a shareholder of *Les Films d'à Côté*, a company she created in 2001.

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 Sodexho Alliance 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
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 Sodexho Alliance shares held: 323,732.

Other corporate offices held within the past five years but no longer held

- Perfin SA (Executive Director)
- Jefco (Director)
- Allios Industries (Director)
- CIC France (Non-Voting Observer)

François-Xavier Bellon

Born September 10, 1965
Married, 4 children
French
Graduate of the European Business School

Business address:
Adecco Group International Sales
The Triangle, 5 Hammersmith Grove
London W6 0QQ (United Kingdom)

Background

François-Xavier Bellon began his career in the temporary employment industry as an agency manager for Adia France (1990-1991), then for Ecco in Barcelona, Spain (1992-1995), where he was promoted to Sales and Marketing Director and Regional Director for Catalonia (1993-1995). He joined the Sodexho Group in September 1995 as Regional Manager, subsequently becoming Development Manager in the healthcare segment in France. In 1999, he became the Managing Director of Sodexho in Mexico. In January 2004, he was appointed Chief Executive of Sodexho in the UK, before resigning a few months later. In 2005, he was appointed as Sales and Marketing Director of the Temporary Work Division of the Adecco Group.

Other corporate offices held

Bellon SA (Member of the Management Board)

Other positions

Advisor, French Foreign Trade Commission

Number of Sodexho Alliance 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
French
Graduate of the École des Hautes Études Commerciales du Nord

Business address:
Sodexho Alliance
3, avenue Newton – 78180 – Montigny-le-Bretonneux (France)

Background

Sophie Clamens began her career in 1985 with Crédit Lyonnais in New York as a mergers and acquisitions advisor for the bank's French clientele. She joined the Sodexho Group Finance Department in 1994 as a senior analyst. In 2001, she was appointed Project Manager – Strategic Financial Planning within the Group Strategic Planning Department, to develop and implement key performance indicators. In addition to this role, she worked on the identification and dissemination of best practices, and rolled out the worldwide client retention strategy. Since September 2005, she has been dedicated to this latter role on a full-time basis as Group Vice-President Client Retention.

Other corporate offices held

- Bellon SA (Chairman of the Management Board since 2002)
- Holding Altys SA (Director)

Number of Sodexho Alliance shares held: 7,964.

Other corporate offices held within the past five years but no longer held

None.

Paul Jeanbart

Born August 23, 1939
Married, 3 children
Canadian
Civil engineer

Business address:
Rolaco Holding SA
28, boulevard du Pont d'Arve – 1205 – Genève
(Switzerland)

Background

Co-founder, partner and Chief Executive Officer of the Rolaco group since 1967.

Other corporate offices held

- Oryx Finance Limited, Grand Cayman (Chairman)
- Hôtels Intercontinental Genève (Chairman of the Board of Directors)
- Rolaco Holding SA (Executive Director) and subsidiaries/affiliates of the Rolaco Group (Member of the Board of Directors)
- Semiramis Hotel Co., Nasco Insurance Group and Luxury Brand Development and subsidiaries (Member of the Board of Directors)
- Club Méditerranée SA (Member of the Supervisory Board)

Number of Sodexho Alliance shares held: 400.

Other corporate offices held within the past five years but no longer held

- XL Capital Ltd (Member of the Board of Directors)
- Orfèvrerie Christofle SA (Member of the Supervisory Board)
- Delta International Bank (Member of the Board of Directors)

Charles Milhaud

Born February 20, 1943
Married, 2 children
French
Advanced degree in Mathematics, Physics and Chemistry

Business address:
CNCE (Groupe Caisse d'Épargne)
50, avenue Pierre Mendès France – 75201 – Paris Cedex 13 (France)

Background

In 1964, Charles Milhaud joined the Caisse d'Epargne, where in 1983 he became Chief Executive Officer of the Bouches-du-Rhône and Corsica regions and a member of the Supervisory Board of the Centre National des Caisses d'Épargne (CNCEP). In 1995, he became Vice-Chairman of the Board of Directors of Caisse Centrale des Caisses d'Épargne.
In 1999, after the merger of these two institutions and the creation of the Caisse Nationale des Caisses d'Épargne (CNCE), Charles Milhaud was appointed Chairman of the Management Board of CNCE.

Other corporate offices held

- Ixis Corporate & Investment Bank (Chairman of the Supervisory Board)
- Crédit Foncier de France (Chairman of the Supervisory Board)
- Financière Oceor (Chairman of the Supervisory Board)
- Issoria (Chairman of the Supervisory Board)
- Perexia (Vice-Chairman of the Supervisory Board)
- Sogima (Director)
- CDC Enterprise (Member of the Supervisory Board)
- Ixis Asset Management (Member of the Supervisory Board)
- Ixis Asset Management Group (Member of the Supervisory Board)
- Ixis Private Capital Management (Member of the Supervisory Board)
- CNP Assurances SA (Member of the Supervisory Board and Vice-Chairman)

Other positions

- Groupement Européen des Caisses d'Épargne (Chairman)
- Fédération Bancaire Française (Member of Executive Committee, Treasurer, Vice-Chairman)
- Groupement National de la Coopération (Director)
- Belem Foundation (Treasurer)
- L'Université du Groupe Caisse d'Épargne (Chairman)

Number of Sodexho Alliance shares held: 400.

Other corporate offices held within the past five years but no longer held

- Caisse des Dépots Développement (Director)
- Cetelem (Member of the Supervisory Board)
- Ecureuil Participations (Director)
- Société Nouvelle d'Exploitation de la Tour Eiffel (Director)
- Université René Descartes (Paris V) (Director)
- SICP (Chairman of the Board of Directors)
- CDC Finance – CDC Ixis (Vice-Chairman of the Supervisory Board)

François Périgot

Born May 12, 1926
Married
French
Advanced degree in Law, graduate of the Institut d'Études Politiques de Paris

Business address:
Medef International
9, avenue Frédéric Le Play – 75007 – Paris (France)

Background

After serving as Chairman and Chief Executive Officer of Thibaud Gibbs et Compagnie from 1968 to 1970, François Périgot successively held the positions of Chairman and Chief Executive Officer of Unilever Spain and Chairman and Chief Executive Officer of Unilever France (1971-1986).
From 1986 to 1998, he was Chairman of Compagnie du Plâtre, and from 1988 to 1998 he served as Vice-Chairman, and later Chairman, of UNICE, the European union of employer and industry confederations.

François Périgot has also been:

- Chairman of the French Enterprise Institute (1983-1986)
- Chairman of the CNPF, the French employers' federation (1986-1994)
- Member of the Executive Committee of the International Chamber of Commerce (1987-1989)
- Member of the French Economic and Social Council (1989-1999)
- Chairman of Medef International (1997-2005)
- Chairman of the Franco-Dutch Chamber of Commerce (1996-2002)
- President of the International Organization of Employers (2001-2006)

He has been Honorary President of Medef and Medef International since 2005.

Other corporate offices held

- Unilever France Holdings (Director)
- OENEO (Director)

Number of Sodexho Alliance shares held: 400.

Other corporate offices held within the past five years but no longer held

- Marine Wendel (Director)
- Astra Calvé (Director)
- Lever (Director)
- CDC Participations (Director)
- Radoux (Director)

Nathalie Szabo

Born January 26, 1964
Married, 3 children and legal guardian for 2 nephews
French
Graduate of the European Business School

Business address:
Sodexho Prestige - L'Affiche
19, rue de Sèvres – 92100 – Boulogne (France)

Background

Nathalie Szabo began her career in the Food Services industry in 1987. From 1989, she was an account manager for Scott Traiteur, and then Sales Manager of "Le Pavillon Royal".
She joined Sodexho in March 1996 as Sales Director for Sodexho Prestige in France, becoming a Regional Manager in 1999. In September 2003 she was appointed Managing Director of Sodexho Prestige, and was also appointed as Managing Director of L'Affiche in January 2006.

Other corporate offices held

- Bellon SA (Member of the Management Board)
- SEGSHMI – Société du Lido (Member of the Supervisory Board)

Number of Sodexho Alliance shares held: 1,147.

Other corporate offices held within the past five years but no longer held

None.

Peter Thompson

Born September 15, 1946 in Melbourne (Australia)
Married, 3 children
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 GrandMet plc in 1984, where he held management positions (Green Giant, Häagen-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: Chairman 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 Sodexho Alliance shares held: 400.

Other corporate offices held within the past five years but no longer held
- Pepsi-Cola International (Chief Executive Officer) – United States
- Pepsi Gemex SA de CV (Director) – Mexico
- Stanwich School (Chairman of the Board of Trustees) – United States

H.J. Mark Tompkins

Born November 2, 1940
Married, 3 children
British
Masters degree in Natural Sciences and Economics from the University of Cambridge; MBA from the Institut Européen d'Administration des Affaires (INSEAD)

Business address:
Thurloe Capital Partners Ltd
15 Cromwell Road, London SW7, United Kingdom

Background
H.J. 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 development capital in publicly traded entities, notably in the healthcare, biopharmaceutical, wholesale and distribution, tourism and leisure, and manufacturing sectors.

Other corporate offices held
Mark Tompkins is also on the Board of Directors of:
- Allied Healthcare International, Inc. (United States)
- Healthcare Enterprise Group Plc (United Kingdom)
- Kingkaroo (Pty) Ltd (South Africa)
- Samara Private Game Reserve (Pty) Ltd (South Africa)

Number of Sodexho Alliance shares held: 400.

Other corporate offices held within the past five years but no longer held
- Original Investments Ltd (Member of the Board of Directors)
- Baobaz SA (Member of the Board of Directors)
- Partners Holdings Plc (Member of the Board of Directors)
- CalciTech Ltd (Member of the Board of Directors)

4. Directors' compensation

Directors' fees

Directors' fees were calculated and paid in accordance with the Board's Internal Rules, based on the following criteria:
- **15,000** euro fixed fee to each Director;
- **1,500** euro per attendance at Board meetings;
- **5,000** euro fixed fee to each member of a Board Committee;
- **600** euro per attendance at Committee meetings.

The total amount of directors' fees paid for Fiscal 2006 was 400,500 euro, out of the maximum of 450,000 euro authorized by the general shareholders' meeting of January 31, 2006.

Compensation and other benefits paid to members of the Board of Directors (in compliance with article L 225-102-1 of the French Commercial Code)

(In euro)	Total Fiscal 2005 (1)	Total Fiscal 2006 (1)	Sodexho Alliance Directors' fees	Bellon SA (2)
Pierre Bellon	485,867	272,703 (3)	37,000	235,703
Robert Baconnier	13,600	29,900	29,900	
Rémi Baudin	38,800	40,900	39,400	1,500
Patricia Bellinger	16,700	34,000	34,000	
Astrid Bellon	88,664	94,296	24,000	70,296
Bernard Bellon	32,300	32,300	30,800	1,500
François-Xavier Bellon	273,869	92,796	22,500	70,296
Sophie Clamens	190,162	202,673	26,400	90,964
Paul Jeanbart	26,500	21,000	21,000	
Charles Milhaud	19,500	16,500	16,500	
François Périgot	32,100	36,100	36,100	
Nathalie Szabo	161,709	181,203	30,200	76,960
Peter Thompson	10,500	24,000	24,000	
Mark Tompkins	30,800	28,700	28,700	

(1) Total including directors' fees paid by Sodexho Alliance and all forms of compensation paid for positions held in Bellon SA, Sodexho Alliance, and/or Sodexho Group companies.
(2) All forms of compensation paid for positions held in Bellon SA.
(3) Pierre Bellon receives no compensation for his position as Chairman of the Board of Sodexho Alliance, but has the use of a company car, an office and secretarial assistance.

5. Assessment of Board operating procedures

Following an assessment of Board operating procedures conducted by one of the Directors in Fiscal 2004, a number of improvements were made to the Board's Internal Rules during the following Fiscal year. During Fiscal 2006, Board members expressed an interest in holding periodic meetings with Group Executive Committee members, and a series of such meetings was scheduled.

In September 2006, the Board decided to conduct a formal assessment procedure. The method to be used for this assessment will be decided upon by the Board in March 2007.

6. Compliance with corporate governance rules

As a result of Sodexho Alliance's listing on two different stock exchanges, the Group's corporate governance structure includes the mandatory provisions of French corporate governance law and the securities laws and regulations of both France and the U.S., as well as the rules that are promulgated by both public markets. As a result, the Group believes that its corporate governance structure is robust and reflects the evolving best practices of corporate governance in the U.S. and France.

Family relationships between members of the Board of Directors and of the Senior Management 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 the members of the Executive Committee of Sodexho Alliance.

No loans or guarantees have been made to either members of the Board of Directors or Senior Management by Sodexho Alliance 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 Sodexho Alliance of members of the Board of Directors or of the Senior Management and their private interests. In particular:
- Pierre Bellon and his children control 68.5% of Bellon SA, which holds 36.83% of the share capital of Sodexho Alliance.
- Bernard Bellon, with other members of his family, holds 13% of the shares of Bellon SA.

- Charles Milhaud is Chairman of the Management Board of CNCE, which in June 2004 granted Bellon SA, the parent company of Sodexho Alliance, a 413 million loan repayable in July 2012. This loan cancelled and replaced the 400 million bond issue subscribed in May 2001. In addition, the Sodexho Group has signed framework agreements with the Caisses d'Épargne Foundation in France relating to the management of approximately fifty sites.

In order to conform with the Board's Internal Rules the following directors have acquired Sodexho Alliance shares during Fiscal 2006:
- Patricia Bellinger, 400 shares on January 30, 2006 for an amount of 18,598.51 USD ;
- Robert Baconnier, 410 shares on November 25, 2005 for an amount of 13,669.40 euro ;
- Peter Thompson, 400 shares on January 7, 2005 for an amount of 12,151.50 USD.

As far as we are aware, no member of the Board of Directors or of the senior management has during the past five years:
- been convicted of fraud;
- been associated with a bankruptcy, receivership or liquidation;
- been the subject of any official public incrimination and/or sanction issued by a statutory or regulatory authority.

Also as far as we are aware, no member of the Board of Directors or of the Senior Management has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a publicly-traded company or from participating in the management or conduct of the affairs of a publicly-traded company during the past five years.

CHIEF EXECUTIVE OFFICER

SINCE SEPTEMBER 1, 2005

Michel Landel

Born November 7, 1951
Married, 3 children
French
Graduate of the European Business School

Business address:
Sodexho Alliance
3, avenue Newton – 78180 –
Montigny le Bretonneux (France)

Background

Michel Landel began his career in 1977 at Chase Manhattan Bank, and in 1980 became the manager of a building materials factory for the Poliet Group. He was recruited by Sodexho in 1984 as Head of Operations for East and North Africa before being promoted in 1986 to Head of African Operations for the Remote Site Management business. In 1989, he took charge of North American operations. He was closely involved in the 1998 alliance with Marriott Management Services, and in the formation of Sodexho Marriott Services. In 1999, he became the Chief Executive Officer of Sodexho Marriott Services, now Sodexho, Inc.
In February 2000, Michel Landel was appointed Vice-Chairman of the Sodexho Alliance Executive Committee.
From June 2003 to August 2005, Michel Landel held the post of Group Chief Operating Officer, responsible for North America, the United Kingdom and Ireland, and for the Remote Site Management activity.
He was appointed Chief Executive Officer of Sodexho Alliance on September 1, 2005.

Other corporate offices held

- Sodexho, Inc. (Director)
- Sodexho Holdings Ltd (Director)

Other positions

- Chairman of the STOP Hunger Association (France)
- Chairman of the Sodexho Foundation (United States)
- Member of the Management Board of Sodexho Pass International SAS

Number of Sodexho Alliance shares held: 34,120.

Other corporate offices held within the past five years but no longer held

None.

EXECUTIVE COMPENSATION

FOR FISCAL 2006

1. Senior Management

During Fiscal 2006, Michel Landel served as Chief Executive Officer.

The amount of compensation and other benefits paid to the Chief Executive Officer was as follows:

(In euro)	Total [1]	Fixed salary	Variable bonuses	Benefits in kind [2]	Supplementary retirement benefit [3]
Fiscal 2005 [4]	1,722,001	627,110	388,622	554,007	152,262
Fiscal 2006 [5]	**1,516,065**	**843,447**	**567,943**	**4,224**	**100,451**

(1) Total including gross amount of all forms of compensation paid during the Fiscal year for positions held in Bellon SA, Sodexho Alliance, and/or Sodexho Group companies.
(2) Includes company car, accommodation and relocation expenses.
(3) Contribution to a supplementary retirement benefit plan during the Fiscal year.
(4) Michel Landel served as Chief Operating Officer during Fiscal 2005.
(5) Michel Landel served as Chief Executive Officer during Fiscal 2006.

The performance bonus paid for Fiscal 2005 to Michel Landel during Fiscal 2006 amounted to 477,280 euro.

2. Executive Committee

The members of the Executive Committee during Fiscal 2006 were:

- **Michel Landel,** Chief Executive Officer, Sodexho Alliance
- **Élisabeth Carpentier,** Group Executive Vice President, Human Resources
- **Pierre Henry,** Group Chief Operating Officer – Chief Executive Officer, Service Vouchers and Cards
- **Siân Herbert-Jones,** Group Chief Financial Officer
- **Vincent Hillenmeyer,** Group Executive Vice President, Strategic Planning
- **Philip Jansen,** Group Chief Operating Officer – Chief Executive, United Kingdom and Ireland, Food and Facilities Management services
- **Nicolas Japy,** Group Chief Operating Officer – Chief Executive Officer, Universal Sodexho Remote Sites and Chief Executive Officer, Asia/Australia Food and Facilities Management services
- **Richard Macedonia,** Group Chief Operating Officer – Chief Executive Officer, North America Food and Facilities Management services
- **Jacques Pétry,** Group Chief Operating Officer – Chief Executive Officer, Continental Europe and South America Food and Facilities Management services
- **Clodine Pincemin,** Group Executive Vice President, Communications and Sustainable Development
- **Damien Verdier,** Group Executive Vice-President, Marketing

The total amount of compensation for Fiscal 2006 paid to the eleven members of the Executive Committee in post as of August 31, 2006 was 7,953,579 euro. This amount comprised a fixed component of 4,436,007 euro and a variable component of 2,775,790 euro, the balance comprising benefits in kind and supplementary retirement benefits.

Compensation paid to Executive Committee members comprises base salary, annual performance bonus and medium-term plans, benefits in kind, and supplementary retirement benefits paid by Sodexho Alliance and other Group companies.

The annual performance bonus, which is a variable component of executive compensation, amounts to between 50% and 80% of base salary if the performance targets set in the previous fiscal year are met.

Up to 70% of the performance bonus is based on the financial performance of the Group, or of the business unit for which the executive is responsible, during the previous fiscal year. The rest is linked to the attainment of personal objectives set at the start of the fiscal year, including targets related to indicators such as client retention, diversity or human resources management for the business unit for which the executive is responsible.

Bonuses are calculated and paid after the year-end accounts have been finalized and audited.

STOCK OPTION POLICY

The Group's executive stock option policy has two objectives:

- linking the financial interests of executives to those of our shareholders;
- attracting and retaining the entrepreneurs we need to expand and strengthen our market leadership.

Stock options are not granted to members of the Board of Directors.

1. Sodexho Alliance stock options granted to employees

The table below shows current plans awarded by Sodexho Alliance, authorized at the extraordinary general shareholders' meetings of February 21, 2000, February 4, 2003 and February 3, 2004.

Date of Board Meeting authorizing the plan	Total number of options granted	Exercise period start date	Expiration date	Exercise price (euro)	Number of options outstanding at August 31, 2006 (excl. grantees no longer employed by the Group)
January 11, 2002 (A)	470,740	January 11, 2006	January 10, 2007	47.00	333,231
January 11, 2002 (B)	1,186,542	January 11, 2006	January 10, 2008	47.00	960,771
September 17, 2002	12,000	April 01, 2006	March 31, 2008	47.00	12,000
October 10, 2002 (A)	1,820	October 10, 2006	October 09, 2007	21.87	1,355
October 10, 2002 (B)	1,400	October 10, 2006	October 09, 2007	21.87	910
January 27, 2003 (A)	1,147,100	January 27, 2004	January 26, 2009	24.00	766,874
January 27, 2003 (B)	1,713,950	January 27, 2004	January 26, 2009	24.00	973,841
January 27, 2003 (C)	56,750	January 27, 2004	January 26, 2009	24.00	10,313
June 12, 2003 (B)	84,660	January 27, 2004	January 26, 2009	24.00	43,415
January 20, 2004 (A)	483,350	January 20, 2005	January 19, 2010	24.50	404,129
January 20, 2004 (B)	518,633	January 20, 2005	January 19, 2010	24.50	366,153
January 20, 2004 (C)	7,700	January 20, 2005	January 19, 2010	24.50	6,350
January 18, 2005 (A)	537,100	January 18, 2006	January 17, 2011	23.10	473,631
January 18, 2005 (B)	466,000	January 18, 2006	January 17, 2011	23.10	410,365
January 18, 2005 (C)	6,900	January 18, 2006	January 17, 2011	23.10	6,650
June 16, 2005 (B)	20,000	June 16, 2006	June 15, 2011	26.04	20,000
September 13, 2005 (B)	10,000	September 13, 2006	September 12, 2011	28.07	10,000
January 10, 2006 (A1)	369,604	January 10, 2007	January 09, 2012	34.85	368,604
January 10, 2006 (A2)	192,996	January 10, 2007	January 09, 2012	34.85	190,596
January 10, 2006 (B)	399,802	January 10, 2007	January 09, 2012	34.85	395,952
January 10, 2006 (C)	5,050	January 10, 2007	January 09, 2012	34.85	5,050

(A) Plan reserved for non-American employees.
(A1) Plan reserved for employees resident in France.
(A2) Plan reserved for employees not resident in France.
(B) Plan reserved for American employees.
(C) Plan reserved for American employees not resident in the United States.

The following Stock Incentive Plans awarded by Sodexho Marriott Services (SMS Plans) to its North American employees between 1997 and 2001, assumed by Sodexho Alliance in 2001 via its 100%-owned subsidiary Sodexho Awards (see note 4.23.4 to the consolidated financial statements), are still current:

Date of grant	Total number of options assumed	Exercise period start date	Expiration date	Exercise price (USD)	Number of options outstanding at August 31, 2006 (excl. grantees no longer employed by the Group)
Nov. 06, 1997	112,648	Nov. 06, 1998	Nov. 06, 2012	30.0100	42,630
Jun. 08, 1998	478,507	Oct. 08, 1999	Jun. 08, 2008	38.8195	196,674
Sep. 22, 1998	10,999	Sep. 22, 1999	Sep. 22, 2008	37.8075	4,221
Feb. 08, 1999	13,722	Feb. 08, 2000	Feb. 08, 2009	31.9498	4,415
Nov. 22, 1999	1,155,008	Nov. 22, 2000	Nov. 22, 2009	22.3391	355,557
Jul. 19, 2000	13,764	Jul. 19, 2001	Jul. 19, 2010	23.0135	452
Dec. 15, 2000	702,817	Dec. 15, 2001	Dec. 15, 2010	28.1557	233,758
Jan. 05, 2001	2,966	Jan. 05, 2002	Jan. 05, 2011	27.5656	2,966
Feb. 05, 2001	2,966	Feb. 05, 2002	Feb. 05, 2011	39.4315	2,966
Feb. 17, 2001	2,595	Feb. 17, 2002	Feb. 17, 2011	39.8496	2,595
Apr. 02, 2001	19,281	Apr. 02, 2002	Apr. 02, 2011	39.7080	8,157

2. Sodexho Alliance stock options granted to and exercised by Executive Committee members

The table below shows options granted to or exercised by Executive Committee members under the stock option plans awarded by Sodexho Alliance as described on page 54.

			Elisabeth Carpentier	Pierre Henry	Siân Herbert-Jones	Vincent Hillenmeyer	Philip Jansen
Plan date	Jan. 11, 2002	options granted	10,000	3,400	15,000	4,000	-
Exercise price in euro	47	options exercised in the fiscal year	-	-	-	-	-
Expiration date	Jan. 10, 2007	options not yet exercised	10,000	3,400	15,000	4,000	-
Plan date	Jan. 27, 2003	options granted	35,000	7,300	40,000	17,000	-
Exercise price in euro	24	options exercised in the fiscal year	-	-	-	-	-
Expiration date	Jan. 26, 2009	options not yet exercised	35,000	7,300	40,000	17,000	-
Plan date	Jun 12, 2003	options granted	-	-	-	-	-
Exercise price in euro	24	options exercised in the fiscal year	-	-	-	-	-
Expiration date	Jan. 26, 2009	options not yet exercised	-	-	-	-	-
Plan date	Jan. 20, 2004	options granted	35,000	5,000	40,000	17,000	-
Exercise price in euro	24.50	options exercised in the fiscal year	-	-	-	-	-
Expiration date	Jan. 19, 2010	options not yet exercised	35,000	5,000	40,000	17,000	-
Plan date	Jan. 18, 2005	options granted	35,000	10,000	40,000	17,000	8,000
Exercise price in euro	23.10	options exercised in the fiscal year	-	-	-	-	-
Expiration date	Jan. 17, 2011	options not yet exercised	35,000	10,000	40,000	17,000	8,000
Plan date	Jan. 10, 2006	options granted	35,000	35,000	40,000	17,000	20,000
Exercise price in euro	34.85	options exercised in the fiscal year	-	-	-	-	-
Expiration date	Jan. 09, 2012	options not yet exercised	35,000	35,000	40,000	17,000	20,000

			Nicolas Japy	Michel Landel	Richard Macedonia	Jacques Pétry	Clodine Pincemin	Damien Verdier
Plan date	Jan. 11, 2002	options granted	2,500	30,000	26,000	-	6,500	2,500
Exercise price in euro	47	options exercised in the fiscal year						
Expiration date	Jan. 10, 2007	options not yet exercised	2,500	30,000	26,000	-	6,500	2,500
Plan date	Jan. 27, 2003	options granted	15,000	60,000	40,000	-	19,000	12,000
Exercise price in euro	24	options exercised in the fiscal year						
Expiration date	Jan. 26, 2009	options not yet exercised	15,000	60,000	40,000	-	19,000	12,000
Plan date	Jun 12, 2003	options granted	-	-	15,000	-	-	-
Exercise price in euro	24	options exercised in the fiscal year						
Expiration date	Jan. 26, 2009	options not yet exercised	-	-	15,000	-	-	-
Plan date	Jan. 20, 2004	options granted	10,000	45,000	35,000	-	10,000	8,000
Exercise price in euro	24.50	options exercised in the fiscal year						
Expiration date	Jan. 19, 2010	options not yet exercised	10,000	45,000	35,000	-	10,000	8,000
Plan date	Jan. 18, 2005	options granted	15,000	60,000	35,000	-	10,000	7,000
Exercise price in euro	23.10	options exercised in the fiscal year						
Expiration date	Jan. 17, 2011	options not yet exercised	15,000	60,000	35,000	-	10,000	7,000
Plan date	Jan. 10, 2006	options granted	30,000	63,000	27,500	30,000	12,000	20,000
Exercise price in euro	34.85	options exercised in the fiscal year						
Expiration date	Jan. 09, 2012	options not yet exercised	30,000	63,000	27,500	30,000	12,000	20,000

The table below shows options granted to and exercised by Executive Committee members under the stock incentive plans awarded by Sodexho Marriott Services (SMS Plans) between 1997 and 2001, as mentioned on page 55.

			Vincent Hillenmeyer	Michel Landel	Richard Macedonia
Plan date	Nov. 06, 1997	options granted	-	-	1,836
Exercise price in USD	30.0100	options exercised in the fiscal year	-	-	1,836
Expiration date	Nov. 06, 2012	options not yet exercised	-	-	0
Plan date	Jun. 08, 1998	options granted	-	17,609	5,376
Exercise price in USD	38.8195	options exercised in the fiscal year	-	-	1,340
Expiration date	Jun. 08, 2008	options not yet exercised	-	17,609	4,036
Plan date	Nov. 22, 1999	options granted	-	55,607	10,288
Exercise price in USD	22.3391	options exercised in the fiscal year	-	-	2,288
Expiration date	Nov. 22, 2009	options not yet exercised	-	55,607	0
Plan date	Dec. 15, 2000	options granted	2,974	29,657	18,536
Exercise price in USD	28.1557	options exercised in the fiscal year	2,974	-	18,536
Expiration date	Dec. 15, 2010	options not yet exercised	0	29,657	0

3. Sodexho Alliance stock options granted and exercised during the Fiscal year for the 10 employees (other than senior management) granted or exercising the highest number of options

Number of options granted during the Fiscal year	Exercise price in euro	Date of exercise	Plan date	Number of options exercised during the Fiscal year
266,500	34.85	January 10, 2007 – January 09, 2012	January 10, 2006	
	24.00	November 2005 – May 2006	January 27, 2003	110,000
	24.00	February 2006	June 12, 2003	7,500

AUDIT FEES

Nature of services	PricewaterhouseCoopers				KPMG			
	Amount (1)		%		Amount (1)		%	
	Fiscal 2005	Fiscal 2006	Fiscal 2005	Fiscal 2006	Fiscal 2005	Fiscal 2006	Fiscal 2005	Fiscal 2006
Audit								
• Audit of individual company financial statements and consolidated financial statements	5.9	5.2	89%	52%	3.8	3.9	95%	57%
• Section 404 of Sarbanes-Oxley certification and other audit services	0.4	4.5	6%	45%	0.1	2.7	3%	40%
Sub-total: audit	6.3	9.7	95%	97%	3.9	6.6	98%	97%
Other services								
• Legal, tax, labor law	0.3	0.3	5%	3%	0.1	0.2	2%	3%
Sub-total: other services	0.3	0.3	5%	3%	0.1	0.2	2%	3%
Total	6.6	10.0	100%	100%	4	6.8	100%	100%

(1) In millions of euro.

KPMG Audit was appointed joint auditor of Sodexho Alliance at the general shareholders' meeting of February 4, 2003.

The Audit Committee has drawn up a plan whereby one or the other of the international firms retained as auditors by Sodexho Alliance will be appointed to act as auditors to virtually all Group subsidiaries. The aims of this plan are 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. This plan will be progressively rolled out until 2008, reflecting the fixed-term audit mandates that exist in some countries.

Audit fees paid by Group subsidiaries to firms other than PricewaterhouseCoopers and KPMG (and member firms of their international networks) amounted to 0.6 million euro for Fiscal 2006.

Audit fees paid during the Fiscal year were impacted by:
- the introduction of IFRS, with the adoption of new standards for Fiscal 2006, and for comparison, the restatement of an opening balance sheet as of August 31, 2004 and for Fiscal 2005;
- the first certification of internal control procedures pursuant to Section 404 of the Sarbanes-Oxley Act.

In order to conform to applicable U.S. regulations, the Audit Committee approved in advance all services performed by the auditors during Fiscal 2006. 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.

PRINCIPAL SHAREHOLDERS

1. Shareholders identified as of August 31, 2006

	Number of shares	% of issued capital	Number of voting rights	% of voting rights
Bellon SA	58,572,917	36.83	74,055,815	41.90
Arnhold and S. Bleichroeder Advisers	15,983,557	10.05	15,983,557	9.04
Caisse des Dépôts et Consignations	5,480,080	3.45	8,461,008	4.79
Employees	2,297,246	1.44	3,459,234	1.96
Treasury shares	3,085,785	1.94	-	-
Public	73,606,828	46.29	74,789,181	42.31
TOTAL	**159,026,413**	**100.00**	**176,748,795**	**100.00**

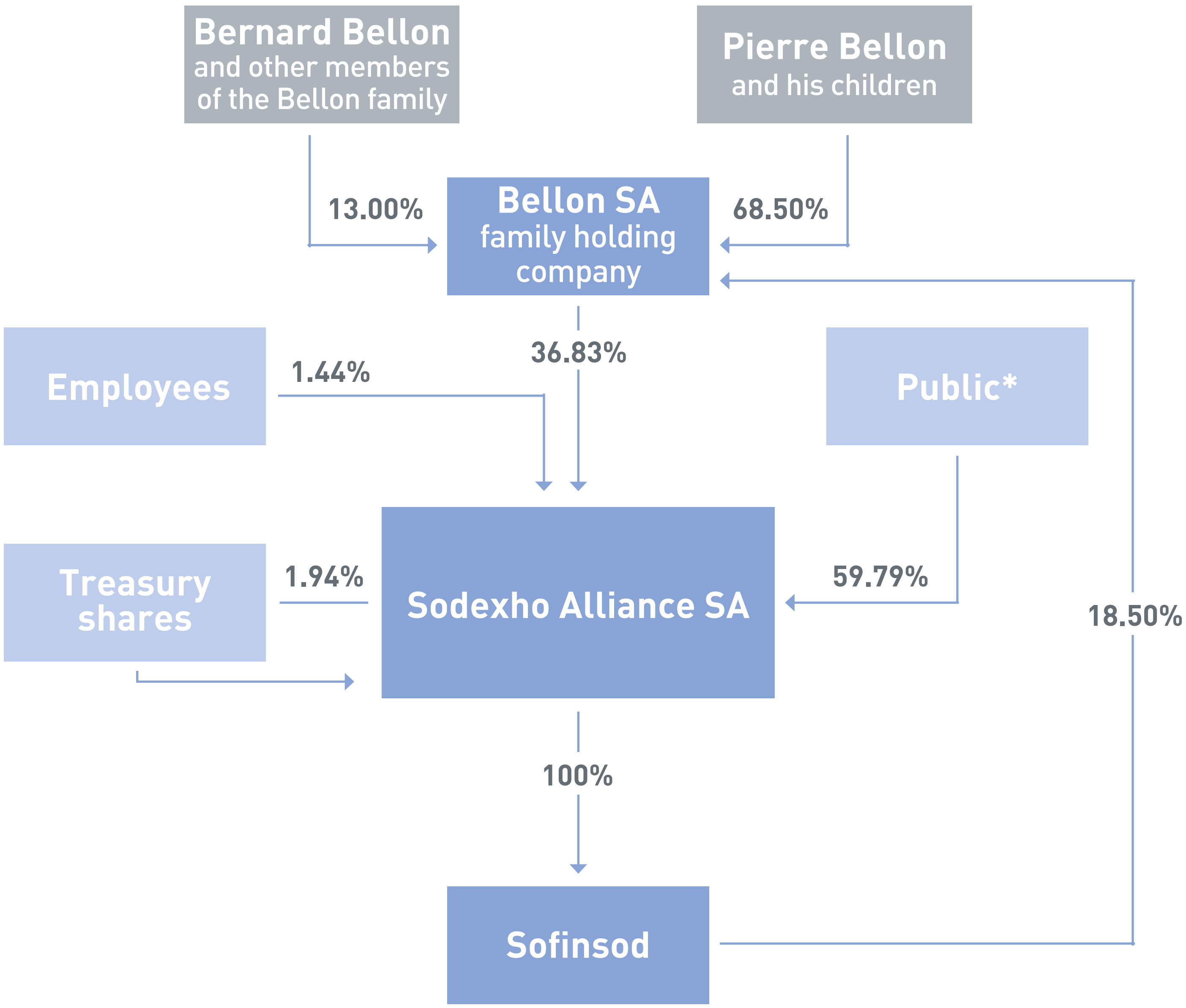
The difference between percentage interests in the share capital and the percentage of voting rights arises because:
- the company's bylaws confer double voting rights on registered shares held by the same shareholder for at least four years;
- treasury shares are denied voting rights by law.

Collectively, members of the Board of Directors and senior management directly hold less than 0.5% of the share capital of Sodexho Alliance. During Fiscal 2006, except for transactions disclosed on page 52, none of these individuals disclosed to the Company that he or she had traded, directly or through related persons, in Sodexho Alliance shares.

As of the date of the Reference Document, Sodexho Alliance is not aware of:
- any other shareholder holding 2.50% or more of the capital or voting rights of Sodexho Alliance directly, indirectly or in concert;
- any shareholders' pact or other agreement which, if implemented, could result in a change of control of Sodexho Alliance.

Agreements contracted other than on an arm's length basis and in the ordinary course of business between Sodexho Alliance and members of the Board of Directors or senior management or any shareholder holding more than 10% of the voting rights of Bellon SA are described on page 60 of the Reference Document.

2. Controlling interests as of August 31, 2006



(*) Including Arnhold and S. Bleichroeder Advisers (10.05%) and Caisse des Dépôts et Consignations (3.45%)

3. Controlling shareholder measures

In the interests of transparency and disclosure, Sodexho Alliance has put in place a series of measures inspired by the recommendations of the October 2003 AFEP-MEDEF report on corporate governance for listed companies, and by applicable rules issued by the Securities and Exchange Commission in the United States.

Examples of these measures include:
- The independent status of six of the fourteen members of the Board of Directors.
- 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. On September 1, 2005, Michel Landel – neither a member of the Bellon family, nor a corporate officer of Bellon SA – succeeded Pierre Bellon as Chief Executive Officer of Sodexho Alliance. Pierre Bellon remained the Chairman of the Board.
- The disclosures within this Reference Document of the relationship between Sodexho Alliance and Bellon SA. These include the service agreement described below (the fee basis of which was approved by shareholders in accordance with the procedure required under French law for regulated related-party agreements), and the status of and changes in the ownership interest of Bellon S.A. in Sodexho Alliance (disclosed on page 193 of this Reference Document).

4. Regulated related-party agreements

- On December 31, 1991, Bellon SA and Sodexho Alliance entered into a service agreement whereby Bellon SA provides Sodexho Alliance and Sodexho Group companies with assistance and advice in areas such as strategy, finance, accounting and capital markets, directly or with qualified experts. In return for these services, Bellon SA is paid a fee, the amount of which is approved annually by the Board of Directors of Sodexho Alliance in accordance with the relevant legal requirements.

  The following are directors of the two companies involved: Pierre Bellon, Rémi Baudin, Bernard Bellon, François-Xavier Bellon, Sophie Clamens, Nathalie Szabo and Astrid Bellon. Bellon SA invoiced a total of 4,811,400 euro (excluding VAT) to Sodexho Alliance under this agreement for Fiscal 2006.

- On September 13, 2005, Bellon SA and Michel Landel clarified various terms of the latter's employment contract. Bellon SA undertook to make various payments to Michel Landel in the event of the termination of his contract over and above the termination payments to which he would be entitled under the law or collective agreements.

  Bellon SA also agreed to enroll Michel Landel in the Sodexho Group executive retirement benefit plan, in addition to his compulsory retirement benefit entitlement. Contributions paid in respect of Fiscal 2006 amounted to 100,451 euro.

- Sodexho Alliance has also signed several agreements with certain of its subsidiaries pursuant to which it either forgives receivables or provides subsidies for a total amount of approximately 13,000,000 euro.

As far as we are aware, there are no other service agreements between any corporate officer and Sodexho Alliance or a subsidiary of Sodexho Alliance from which he/she might derive a benefit.

CHAIRMAN'S REPORT
ON THE OPERATING PROCEDURES OF THE BOARD OF DIRECTORS AND ON INTERNAL CONTROL PROCEDURES

"In accordance with article L 225-37 of the Commercial Code, the present report is issued as a supplement to the Board of Directors' Report in order to inform shareholders about the preparation and organization of the work of the Board of Directors and about internal control procedures."

1. Description of the Group

1.1. Activities

Sodexho Alliance has two core activities: **Food and Facilities Management services** and **Service Vouchers and Cards**.

The **Food and Facilities Management services** activity is organized by geographic area:
- **North America;**
- **Continental Europe;**
- **United Kingdom** and **Ireland;**
- Rest of the World (including **South America**, **Asia**/**Australasia** and the worldwide **Remote Site Management** segment).

The Group's business units consist of the **Service Vouchers and Cards activity** and the individual geographic areas within the **Food and Facilities Management services** activity.

1.2. Organization

Sodexho Alliance is administered by a Board of Directors, chaired by Pierre Bellon.

On September 1, 2005 the roles of Chairman of the Board of Directors and Chief Executive Officer were separated, and Michel Landel succeeded Pierre Bellon as Chief Executive Officer of Sodexho Alliance. The Internal Rules of the Board of Directors defined their respective roles as follows.

• Role of the Chairman of the Board Of Directors

The Chairman of the Board of Directors represents the Board of Directors, and organizes and directs their work, for which he is accountable to the general shareholders' meeting. He ensures that the company's administrative bodies are functioning properly, and in particular ensures that the Directors are capable of fulfilling their remit.

In order to safeguard its independence within the organizational structure, the Internal Audit Department reports directly to the Chairman of the Board of Directors.

• Role of the Chief Executive Officer

Limits are placed on the powers of the Chief Executive Officer; these limits are set by the Board of Directors, based on recommendations from the Chairman of the Board. The Chief Executive Officer must obtain the prior consent of the Board to pledge corporate assets as collateral or to bind the company beyond specific limits as regards investments, disposals or borrowings. 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 with eleven members. The Committee includes the Chief Operating Officers responsible for each of the Group's business units, together with the Group's senior executives in charge of Finance, Human Resources, Communications and Sustainable Development, Marketing and Strategic Planning. 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 they have been approved by the Board. The Executive Committee tracks implementation of action plans, monitors business unit performance, and assesses the potential benefits and risks of growth opportunities.

There is also an Operational Committee, consisting of the Executive Committee members plus the Group's principal operating managers, which meets over two days at least twice a year.

Its role is:
- to share a common vision;
- to assess the risks and opportunities facing the Group at the global level;
- to mobilize around the Group's major strategic axes;
- to improve information flows.

2. The Board of Directors

2.1. Composition of the Board of Directors

A list of members of the Board of Directors is provided on page 41 of this Reference Document.

The Board of Directors has fourteen members including four women. Ten 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 Sodexho operates.

The composition of the Board is intended to reflect the geographic mix of the business (whenever possible), to provide a range of technical skills, and to include individuals with in-depth knowledge of Sodexho's activities.

Currently, the term "independent director" has no definition in French law. However, the Bouton report on corporate governance offers the following definition of director independence:

"*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 Sodexho Alliance 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 Sodexho Alliance.

However, to comply with different concepts of director independence, the Nominating Committee provides the Board of Directors from time to time with a list of Directors qualifying as independent.

During Fiscal 2006, six Board members qualified as independent directors.

Directors hold office for a term of three years.

2.2 Operating procedures of the Board of Directors

The Board of Directors' operating procedure are described in the Corporate Governance chapter of this Reference Document, beginning on page 41.

3. Internal control procedures

3.1. General organization of internal control procedures

The Group's principal **internal control** objectives are:

- to ensure that management decisions, the way in which the Group conducts business, and the behavior of its employees are consistent with the strategies and policies decided by the Board of Directors, with applicable laws and regulations, and with the Group's internal policies and procedures;
- to ensure that financial information provided to the Board of Directors and to the financial markets fairly reflects the Group's financial position and gives a reasonable assessment of any risks or potential risks incurred by the Group.

The internal control system is based on the Group's **values and policies** as defined by Sodexho Alliance senior management and implemented by each subsidiary taking account of local factors.
Sodexho is at the service of our clients, our employees and our shareholders.
Our mission *is to improve the quality of daily life.*
Our signature *is "Making Every Day a Better Day".*
Our values: *service spirit, team spirit, spirit of progress.*
Our ethical principles: *trust, respect for people, transparency and business integrity.*
Contributing to economic and social development in every country where we operate.

All Executive Committee and Operational Committee members have signed the Sodexho Alliance **Ethical Principles** and **Sustainable Development Contract**. They have also undertaken to ensure that these principles are applied within the organizations for which they are responsible.

To underscore Sodexho's commitment to transparency and regulatory compliance, the Group has implemented a **Code of Conduct for Senior Managers** which has been signed by the Executive Committee members and key finance executives of the Sodexho Group.

The Group has long-standing, detailed policies designed to ensure that risks are assessed and managed at appropriate levels within the organization.

Group Policies are widely distributed within the organization and are available on the Sodexho intranet, to which many employees have access. These policies cover Sodexho's strategic priorities, plus guidelines applicable in areas such as the Group's Plan, Client Retention, Human Resources, Finance, Purchasing, Information Systems, Communications and Sustainable Development.

In **Human Resources**, Group senior management has focused on developing executive selection and development policies for key executives and for members of the Management Committees of the principal subsidiaries. These policies reflect our commitment to making our human capital a genuine competitive advantage by promoting equal opportunities and cultural diversity at every level of the organization. They provide a framework for management structures, recruitment, training, career and succession planning, and fixed and variable compensation policy.

Group financial policies state that Sodexho Alliance has chosen to operate in activities that require little or no investment to support organic growth and that generate significant amounts of cash.

These financial policies establish rules applicable to such areas as investment approvals, working capital reduction, cash management, borrowings, and the distribution of subsidiaries' profits. They aim to ensure that the financial aspects of business growth are properly managed and to allow the generation of sufficient cash to finance growth, reward shareholders and service debt.

Group financial policies also lay down principles for the keeping of accounting records, and stress the importance of having procedures to ensure the reliability of financial projections. They state that each profit center manager is accountable for all information produced within his/her sphere of responsibility, including projections. Each manager must obtain assurance that such information is accurate, and that reporting and publication deadlines are met; he/she must also make sure that his/her staff are fully aware of these imperatives and that controls are in place to ensure that these objectives are met.

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 Managing Directors and Finance Directors of the Group's subsidiaries.

As regards borrowings, 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 involved.

Consequently:
- substantially all borrowings must be at fixed rates of interest, or converted to fixed-rates 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 and cash management activities.

A description of all planned derivatives transactions, backed by financial and economic analyses, must be submitted for approval to the Group Chief Financial Officer, to the Chief Executive Officer, and if necessary to the Board of Directors.
The notes to the consolidated financial statements include disclosures about Sodexho's current use of interest rate and currency instruments.

The **Information Systems and Technologies Department** issues policies and procedures aimed at promoting synergies, reducing costs and improving the compatibility of systems developments.
The department's role in investment projects includes providing greater visibility, assessing the business case, post-investment monitoring, and optimization of information systems.

The **Information Systems and Technologies Governance Executive Committee** lays down principles for project management and relations with service providers (service contracts, outsourcing, etc.), and also issues security standards and disaster recovery plans.

In addition to these principles and policies, the Chief Executive Officer issues a Management Update to the 200 key Group executives, timed to coincide with key dates: the start of the fiscal year, the publication of interim and full-year results, and the Shareholders' Annual General Meeting. These updates provide a channel for the Chief Executive Officer to inform executives about strategic orientations and to help them mobilize their teams around shared objectives. They are designed to ensure that the Group's strategies and action plans for progress are clearly understood.

The three editions issued during Fiscal 2006 dealt with the rollout of Sodexho's "Ambition 2015" plan and provided updates on strategic priorities such as the development of human resource skills, progress on project CLEAR, and the progress of key performance indicators.

These principles and policies are also supported by **Job Descriptions, Annual Objectives** and (for key executives) clearly-defined Delegations of Authority, which are reviewed annually and formally communicated to managers by their superiors.

Delegations of authority relate to labor law, commercial, environmental and financial issues.

These include:
- All significant new contracts must be approved by a member of the Executive Committee.
- Major investment projects, and divestments of significant subsidiaries or activities, must be reviewed by the Group Investment Committee (comprising the Chief Executive Officer and Group Chief Financial Officer), and if appropriate by the Board of Directors.
- All international purchasing contracts must be approved by the Group Executive Vice President, Marketing.
- Only the Chief Executive Officer, under powers delegated by the Board and up to certain limits, has authority to issue financial guarantees and performance bonds in the name of Sodexho Alliance. Guarantees issued by subsidiaries must be authorized in advance by the Group Chief Financial Officer.
- The principal local banking partners must be approved by the Group Chief Financial Officer.

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 overall policies.

The Group's strategy and targets are discussed each year during the preparation of the **three-year plan**. The plan is presented to the Board of Directors by the Chief Executive Officer. This plan aims to assess the potential of each business unit, and the resources needed to fulfill that potential. The process includes setting strategic medium-term goals and allocating the necessary resources to meet them, based on interaction and dialogue between the Executive Committee and the business units.

The three-year plan and related action plans are incorporated into a **Budget**, which is submitted to the Board of Directors for approval. Financial data for the first year of the three-year plan usually represent the Budget for the forthcoming fiscal year.

The managers responsible for each budget have authority to accept and sign off all operating costs within their approved budget.

Operational performance indicators are built into the three-year plan, and form part of the decision-making process. Actual performance is measured against these indicators on a monthly or quarterly basis. The **Group Finance Department** co-ordinates the process, and monitors operational performance indicators using a scorecard.

The **Group Legal Department** and local legal managers offer upfront support to line personnel, and monitor compliance with the law. They ensure that contract negotiations are conducted fairly; that risks are confined to non-compliance with contractual service obligations, and are limited in terms of value and time; that appropriate insurance cover has been taken out; and that all other appropriate measures are taken to protect the Group's interests.

The G**roup Internal Audit Department** independently reviews internal control procedures, bearing in mind that any control – however well designed and rigorously applied – can provide only reasonable assurance and not an absolute guarantee.

The Internal Audit Department reports directly to the Chairman of the Board, thereby guaranteeing its independence within the organization. It performs internal audits of Group entities based on an Internal Audit Plan defined at the highest level and approved by the Audit Committee.

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;
- 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 commissioned by the Chairman of the Board, the Audit Committee, the Chief Executive Officer or the Executive Committee.

The main audits contained in the Internal Audit Plan approved by the Audit Committee at the start of Fiscal 2006 were completed during the fiscal year. The Internal Audit Department, which has an average of about twenty internal auditors, conducted audits in approximately fifty subsidiaries in around twenty-five countries.

The Internal Audit Department conducts regular follow-ups to ensure that its action plans are being implemented by auditees. An overall progress report is updated regularly and submitted to the Executive Committee, and then to the Operating Committee. The report is also presented to the Audit Committee.

The department is also represented on the Project CLEAR (Controls for Legal Requirements and to Enhance Accountability and Reporting) Steering Committee, and provides an independent and objective assessment of the effectiveness of controls identified, documented and tested by management.

Finally, the Internal Audit Department co-ordinates external audit engagements, and reviews the external auditors' annual fee budgets (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.

3.2. Description of internal control procedures related to the preparation of accounting and financial information

The **Group Finance Department** is responsible for the reliability of financial and accounting information. It also plays a role in financial risk management via a periodic risk mapping exercise, which it presents to the Audit Committee.

Production and analysis of financial information is based on procedures applied at operating site level, within the finance departments of subsidiaries, and at Group Finance Department level.

Using information reported by each site, the subsidiaries' finance departments prepare:

- **Monthly**: income statements (year-to-date) and balance sheets, plus full-year projections for the income statement and balance sheet.
- **Quarterly**: income statements (year-to-date), balance sheets and cash flow statements.
- **Half-yearly**: interim financial statements (for the six months to February 28), subject to limited review by the external auditors in the case of the larger subsidiaries.
- **Annually**: individual company financial statements prepared under local generally accepted accounting principles, and a consolidation package adjusted to comply with IFRS as adopted by the European Union. The Managing Directors and Finance Directors of each business unit sign off the consolidation package, and the local external auditors of the principal subsidiaries issue an opinion on the package as part of their audit engagement.

The finance department of each subsidiary prepares a monthly analysis of variances between budgeted and actual results, together with an estimate of the impact on results for the year. These analyses are presented to the subsidiary's Managing Director so that corrective action can be taken at the appropriate level. Actual results and variance analyses are submitted to the Group Finance Department in the form of a **Monthly Reporting Package**, for review and consolidation.

The Group Chief Financial Officer presents this reporting package (actual and estimated) to the Executive Committee every month.

Quarterly Reviews with each business unit give the Chief Executive Officer and Group Chief Financial Officer, assisted by the business unit's Managing Director and Finance Director, an opportunity to assess business trends for their unit on the basis of financial data from the monthly reporting package and of operating data.

The Group Finance Department ensures that all subsidiaries apply accounting policies that comply with Group policies. With the assistance of the subsidiaries' financial controllers, the Group Finance Department also performs analytical reviews against budget and prior year in order to ensure consistency of financial reporting.

Consolidations are produced quarterly.

Ahead of each quarterly consolidation, precise instructions are sent to the subsidiaries' Finance Directors with a list of schedules to be submitted, standard assumptions to be applied, specific issues to be addressed, and a detailed reporting timetable. Additional reporting aids are available on the Finance Department intranet, including the IFRS accounting principles manual, the consolidation manual, and the Sodexho detailed chart of accounts.

The consolidation packages submitted by the subsidiaries include financial statements adjusted to comply with IFRS as adopted by the European Union, and analyses of accounts. These form the basis for preparing the interim and annual consolidated financial statements and notes. In addition, notes are prepared annually by the subsidiaries to support the annual reconciliation of the IFRS financial statements to US GAAP.

The audit instructions issued two times each year by the Group's external auditors, and agreed with the Group Finance and Internal Audit Departments, include specific issues to be addressed during the examination of the year-end financial statements and a description of the Group's audit objectives. At year-end, a summary of audit issues is presented to Sodexho's Senior Management and to the Audit Committee.

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 Sodexho's financial position but not recognized (or 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), borrowings, or claims and litigation; lease obligations not recognized in the balance sheet; and commitments under call or put options.

The procedures used to identify off balance sheet commitments include:

- periodic reviews of the minutes of the shareholders' meetings and Board meetings of the subsidiary for contractual commitments, claims and litigation, approvals and asset disposals;
- reviews with risk managers and agents and brokers representing insurers with whom the subsidiary has contracted insurance to cover risks related to contingent obligations;
- reviews of collateral and other guarantees with banks and other financial institutions;
- reviews of litigation and other legal proceedings, including estimates of contingent liabilities, conducted with internal and external legal advisors;
- reviews of guarantees and other commitments given or received involving related parties.

Each subsidiary is required to provide a full list of its off-balance sheet commitments.

The Chief Executive Officer, assisted by the Group Finance Department, prepares the Group's published financial information using information derived from monthly reporting packages and from the consolidation, and from operating data required to prepare the Reference Document and the Form 20-F.

A **Disclosure Committee**, comprising representatives from Group corporate functions, reviews all financial information prior to publication to ensure that it fairly reflects the Group's situation. Members include the managers responsible for consolidation, accounting standards, financial information and human resources, plus the Financial Controller and the Chief Legal Officer.

3.3. Assessment of internal control procedures

The internal controls put in place by management, as described above, are part of an ongoing process of identifying, evaluating and managing the Group's risk exposures.

In Fiscal 2004, Sodexho demonstrated its commitment to strengthening internal control by rolling out an ambitious Group-wide initiative known internally as **CLEAR** (Controls for Legal requirements and to Enhance Accountability and Reporting).

This initiative, strongly endorsed by the Chief Executive Officer and Group Chief Financial Officer, was approved by the Board of Directors and the Audit Committee, and also received the backing of the Group's Executive and Operational Committees. Since its start, CLEAR has mobilized more than 700 people within the different subsidiaries and departments of the Group.

This project involved:
- the control environment as defined by the 4 components of COSO* (Committee of Sponsoring Organizations) : Environment, Management, Evaluation of risks and Information and communication;
- declining the environment through operational controls.

Project CLEAR systematically was concerned with the identification of risks and implementing effective internal control. The Audit Committee, the Board of Directors, the Group's management committees as well as the Group's external auditors have been regularly updated on the progress of the CLEAR project and the methodologies selected.

Procedures to ensure compliance with these requirements were implemented by the most significant subsidiaries of the Group.

The framework developed for the CLEAR project, based on the COSO model, segments the Group's activities into 11 significant processes, which are briefly described below.

The **Revenues and Receivables** process covers selling and marketing activities in the Food and Facilities Management services business, including pricing and tendering, client and contract management, billing, and collection.

The **Purchases and Payables** process covers procurement, vendor selection, acceptance of goods and services, invoice processing, accounts payable and cash disbursements.

Human Resources covers all personnel management issues, including employee datafile creation and maintenance, job transfers, contract terminations, payroll, variable compensation, employee benefits and profit-sharing.

The **Treasury** process covers cash management and financing.

The **Inventory** process includes physical storage management, data management, inventory flows and valuation.

The **Property, Plant and Equipment and Intangible Assets** process covers all aspects of the management of such assets, including market shares and goodwill.

The **Legal and Regulatory** process covers areas such as compliance with corporate law and labor law, and legal issues related to commercial practices and insurance.

The **Information Systems and Technologies** process addresses systems security, systems development and maintenance, business continuity, and application controls.

The **Finance** process includes reporting/ consolidation activities such as budgeting, planning, reporting to/by subsidiaries, period-end procedures, consolidation, reconciliations between different accounting standards (IFRS, IFRS to US GAAP), and tax management.

Services Vouchers and Cards Operations covers all processes specific to this business: relations with clients and affiliates, contract management, order processing, billing, voucher production, and cash management.

The **Corporate** process addresses delegations of authority, Group performance indicators, and production of the Reference Document and other published information (including documents filed with stock exchange regulators).

The CLEAR project identified specific risks related to each process and sub-process, and about a hundred suggested controls to address these risks, summarized in a document known internally as the "Sodexho COSO".

The individuals responsible for the Group's corporate functions were involved in drafting the Sodexho COSO, as were many managers from business units across the entire Group (including the members of the Operating Committee) and line personnel in over 15 countries where Sodexho has significant operations.

(*) See Glossary for definition.

The Sodexho COSO was distributed to over thirty subsidiaries. Over the last two fiscal years, they have been reviewing and documenting the processes and controls that apply to their organization. Each process manager reviewed and validated the definition of the controls under his/her responsibility. The principal subsidiaries tested the controls relating to the production of financial statements to ensure they operated effectively. A self-evaluation questionnaire concerning the components of COSO was distributed to the most significant subsidiaries of the Group. The managing directors and finance directors of these subsidiaries confirmed that internal controls had been adequately designed, were effective and had been adapted to their organization. Additionally, they identified remediation plans when applicable. The objective of these evaluations was to implement a process for continuing improvement in the Group's internal controls.

Sodexho has established a written procedure for handling complaints about accounting, internal control and audit issues. This procedure is designed to protect any Sodexho employee who makes a complaint in good faith. It has been approved by Sodexho Alliance's Board of Directors, and is being progressively introduced in our principal subsidiaries.

We remain committed to reinforcing the competencies of our finance teams, both in our subsidiaries and at the Group level. This commitment includes ensuring that we are adequately resourced in terms of technical expertise in financial reporting. During Fiscal 2006, we hired a number of new recruits with specific expertise in accounting standards. We also consult external advisers to assist us in compliance with accounting standards on complex issues.

In connection with the Annual Report on Form 20-F filed with the Securities and Exchange Commission (SEC) in the United States, and in accordance with the requirements introduced by Section 302 of the Sarbanes-Oxley Act, the Chief Executive Officer and Chief Financial Officer are required to carry out an assessment of the effectiveness of our disclosure controls and procedures, as defined by U.S. legislation, as of August 31, 2006, as well as to conclude on the effectiveness of these controls and procedures.

The attestation produced pursuant to Section 302 is also required to include a statement that as far as the Chief Executive Officer and Chief Financial Officer are aware, there have been no significant changes in the Group's internal control over financial reporting during the period covered by the Annual Report that are likely to materially affect our internal control over financial reporting.

In addition, the Chief Executive Officer and Chief Financial Officer are required to prepare a report on internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act. This report is required to include statements to the following effect:

- the Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining adequate internal control over financial reporting;
- the Chief Executive Officer and Chief Financial Officer have carried out an assessment as of August 31, 2006 of the effectiveness of the Group's internal control over financial reporting, using the criteria defined in the "Sodexho COSO" internal control framework adopted by the Group and described earlier in this report;
- based on this assessment, the Chief Executive Officer and Chief Financial Officer have concluded on the effectiveness of the Group's internal control over financial reporting as of August 31, 2006;
- the external auditors who audited the financial statements for the year ended August 31, 2006 included in the Annual Report on Form 20-F filed with the SEC have issued an opinion on the report prepared by the Chief Executive Officer and Chief Financial Officer on internal control, and an opinion on the effectiveness of the Group's internal control over financial reporting as of August 31, 2006.

The report prepared pursuant to Section 404 of the Sarbanes-Oxley Act. will be included in the Form 20F filed with the Securities and Exchange Commission not later than February 28, 2007 and will be available on Sodexho's website www.sodexho.com.

The above report describes the operating procedures of the Board of Directors and the internal control procedures operated by the Group as of November 14, 2006. It will be presented to the shareholders at the Annual Meeting on January 30, 2007. Strengthening internal control and risk management continue to remain key priorities for the Group.

Pierre Bellon

Chairman of the Board of Directors

AUDITORS' REPORT

Statutory auditors' report, prepared in accordance with article L 225-235 of the French Commercial Code, on the report prepared by the President of the Board of Sodexho Alliance SA, on the internal control procedures relating to the preparation and processing of financial and accounting information.

To the shareholders,

In our capacity as statutory auditors of Sodexho Alliance SA, and in accordance with article L 225 235 of the French Commercial Code (Code de Commerce), we report to you on the report prepared by the President of your company in accordance with article L 225-37 of the French Commercial code (Code de Commerce) for the year ended August 31, 2006.

It is for the President to give an account, in his report, notably of the conditions in which the duties of the board of directors are prepared and organized and the internal control procedures in place within the company. It is our responsibility to report to you our observations on the information set out in the President's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the President's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the President's report;
- obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the President of the board's report, prepared in accordance with article L 225-37 the French Commercial Code (Code de Commerce).

Neuilly-sur-Seine and Paris-La Défense, November 23, 2006

The Statutory Auditors

KPMG Audit, Department of KPMG SA
Patrick-Hubert Petit

PricewaterhouseCoopers Audit
Louis-Pierre Schneider

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

RISK FACTORS

1. Risk factors

1.1. Business risks

1.1.1. Risks related to Food and Facilities Management services contracts

Food and Facilities Management services contracts fall into two main categories: profit and loss and fee-based. The two categories expose the service-provider to different levels of risk.

In a profit and loss contract, the service-provider is paid for the service provided and bears the entire cost of providing the service. Profit and loss contracts usually include periodic indexation clauses. If Sodexho is unable contractually to recover significant increases in costs (such as labor or food costs), this could have a material adverse effect on the profitability of the contract.

In a fee-based contract, the client bears all the costs incurred in providing the service, either directly or by reimbursing the service-provider, irrespective of customer frequency. The service-provider is paid a fixed or variable management fee.

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

1.1.2. Client retention risk

Sodexho'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 Service Vouchers and Cards business is dependent on Sodexho's ability to achieve geographical expansion and develop new services, and on a trusted brand and established affiliate networks.

1.1.3. Competition risk

At the international level, Sodexho has relatively few competitors. However, in every country where it operates, Sodexho faces significant competition from international, national, and sometimes local operators.

Some existing or potential clients may opt to self-operate their Food and Facilities Management services rather than outsource them.

1.1.4. Dependency risk

Although business is dependent on Sodexho's ability to renew existing contracts and win new ones, no single client represents more than 2% of total Group revenues.

No industrial supplier represents more than 3% of the total volume of the Group's purchases.

Sodexho's business is not dependent on any patent or licensed brand name of which Sodexho is not the legal owner.

1.1.5. Food safety risk

Every day, Sodexho serves a vast number of meals worldwide, and is committed to the safety of the food and services provided. Sodexho has implemented preventive and control procedures in the area of food safety, designed to ensure strict compliance with the relevant regulations. Staff training and awareness policies are followed in all the countries in which the Group operates.

However, if Sodexho were to incur significant liability at one or more of its sites, this could have an adverse impact on activities, operating margins and reputation.

1.1.6. Facilities Management risk

Although Facilities Management services have constituted a part of the business, Sodexho's strategy includes substantially increasing its weight in the overall mix of activities. Facilities Management services will 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 talent.

The knowledge of these markets and the Group's ability to attract, recruit and train its employees will allow the Group to grow in this highly specialized environment.

1.2. Employment risk

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

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

As far as the Group is aware, Sodexho 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.

1.3. Environmental risk

Sodexho is fully aware of the potential environmental impact of its activities. Rather than play down this impact, Sodexho makes every effort to manage and limit environmental risk.

The environmental impact of its activities in relation to its customers is similar to the day-to-day impact of a typical household, and 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).

1.4. Regulatory risk

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

Sodexho 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 business and/or on the services provided. For example, the Service Vouchers and Cards business 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 contracts.

1.5. Interest rate and foreign exchange risk

The information relating to these risks is found in notes 5.1 and 5.2 to the consolidated financial statements.

2. Risk management

Sodexho has a pro-active approach to risk management, with the aim of protecting its employees and clients and safeguarding the interests of the Group and its shareholders.

Specific policies are in place designed to ensure that risks are properly evaluated and managed at the appropriate level within the organization. A risk-mapping exercise is conducted each year by the Executive Committee, and presented to the Audit Committee.

Sodexho's policy on risk management and insurance involves working closely with subsidiaries to:
- identify and evaluate the key risk exposures faced by Sodexho, with particular attention focused on the emergence of new risk factors associated with changes in our activities, especially in Facilities Management;
- reduce contractual risk, in particular by using limitation of liability clauses or hold-harmless agreements;
- achieve the right balance between risk retention (self-insurance) and the insurance market in covering the potential financial consequences of Sodexho's risk exposure.

2.1. Risk coverage

2.1.1 Insurance policies

Sodexho's general policy is to transfer non-retained risk, especially intensity risks*, to the insurance market. Insurance programs are contracted with reputable, highly-solvent 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 includes operational, product, after-delivery and professional liability insurance.

  The sums insured depend on the nature of Sodexho'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 State cover (primarily the United States, Canada and Australia), Sodexho has contracted workers' compensation programs. The cover provided under these programs complies with the relevant legal requirements in each country.

2.1.2 Risk retention

Sodexho 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 motor 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 300,000 U.S. dollars to 1,000,000 U.S. dollars per occurrence. Since June 1, 2006, these risks have been managed through a captive insurance company.

2.1.3 Placing of risk and total cost

On renewing its insurance policies, Sodexho was able to benefit from the more favorable conditions in the insurance market, extend the scope of its employer's liability and automobile liability 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 of fully-consolidated Group companies (excluding workers' compensation) is approximately 40 million euro, equivalent to less than 0.35% of consolidated revenues.

(*) See Glossary for definition.

SHAREHOLDER INFORMATION

Financial summary

"The strong growth of our Fiscal 2006 earnings demonstrates the dedication of all of our teams worldwide. This solid performance shows the relevance of our strategic choices and efficiency in their implementation. Going forward, we intend to reinforce our position as a global expert in both Food and Facilities Management services and in Service Vouchers and Cards. The diversity of our teams and their strong motivation, the considerable potential of our markets and the strength of our financial model, make me particularly confident in our future."

Michel Landel

Chief Executive Officer, Sodexho Alliance

Highlights

- **Acceleration in organic revenue growth:** +6.4%
- **Operating profit up:** +34.4%
- **Substantial rise in Group net income:** +51.8%
- **Proposed dividend increase:** +27% **to** 0.95 euro **per share**
- **Robust financial model:**
  net cash provided by operating activities of 488 million euro

In accordance with European legislation, the consolidated accounts for Fiscal 2006 have been prepared on the basis of IFRS (International Financial Reporting Standards). Only Fiscal 2005 accounts have been restated for comparison.

5 Year consolidated Financial Summary

	Fiscal 2006 [1]		Fiscal 2005 [1]	Fiscal 2004 [2]	Fiscal 2003 [2]	Fiscal 2002 [2]
	(In millions of dollars)	(In millions of euro) [3]	(In millions of euro) [3]			
Revenues	15,676	12,798	11,693	11,494	11,687	12,612
Year on year growth						
at current exchange rates		9.4%	1.5%	(1.6)%	(7.3)%	5.6%
at constant exchange rates		6.6%	3.9%	4.2%	2.7%	8.1%
Percentage of revenues generated outside France		84.5%	84.0%	84.2%	85.2%	86.7%
Net income before minorities	407	333	221	197	171	196
- Group net income	395	323	212	183	162	183
- Minority interests	12	10	9	14	9	13
Cash flow provided by operating activities net of working capital				451	390	391
Net cash provided by operating activities	598	488	677			
Dividend payout		151	119	111	97	97
Number of employees at August 31		332,096	324,446	312,975	308,385	315,141
Number of sites		28,234	26,634	24,866	23,873	24,681
Average number of shares outstanding		156,050,771	155,869,510	159,022,697	159,021,546	158,814,504
Earnings per share		2.07	1.36	1.15	1.02	1.15
Dividend per share		0.95	0.75	0.70	0.61	0.61
Share price at August 31		41.61	28.18	21.58	26.68	29.90

(1) Fiscal year items are presented in IFRS.
(2) Fiscal year items are presented in French GAAP.
(3) Per share data is stated in euro.

Consolidated Income Statement

	Fiscal 2006		Fiscal 2005
IFRS	(In millions of dollars)	(In millions of euro)	(In millions of euro)
Revenues	15,676	12,798	11,693
Cost of sales	(13,422)	(10,957)	(10,033)
Gross profit	2,254	1,841	1,660
Sales Department costs	(195)	(159)	(141)
General and administrative costs	(1,352)	(1,104)	(1,002)
Other operating income and charges	34	27	(67)
Operating profit	741	605	450
Net financing costs	(132)	(108)	(112)
Share of profit of associates	9	8	(6)
Profit for the period before tax	618	505	332
Income tax expense	(211)	(172)	(111)
Profit for the period	407	333	221
Profit attributable to minority interest	12	10	9
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**395**	**323**	**212**
Basic earnings per share (in euro or U.S. dollars)	2.53	2.07	1.36
Diluted earnings per share (in euro or U.S. dollars)	2.51	2.05	1.36

Calculated at the average exchange rate for Fiscal 2006: 1 euro = 1.22491 U.S. dollars.

Organic growth rose to 6.4%. The impact of exchange rates on revenues was a positive 2.8%.
Excluding exchange rate effects and the impacts of the sale of Spirit Cruises and the U.S. litigation, operating profit rose by 9.7%.

Consolidated Balance Sheet

IFRS	August 31, 2006 (In millions of dollars)	August 31, 2006 (In millions of euro)	August 31, 2005 (In millions of euro)	August 31, 2004 (In millions of euro)
Non-current assets				
Property, plant and equipment	552	430	406	411
Goodwill	4,656	3,623	3,705	3,726
Other intangible assets	162	126	87	106
Client investments	187	146	138	119
Associates	47	36	32	16
Financial assets	97	75	74	72
Other non-current assets	23	18	18	17
Deferred tax assets	310	242	225	189
Total non-current assets	6,034	4,696	4,685	4,656
Current assets				
Financial assets	22	17	7	8
Derivative financial instruments	54	42	40	38
Inventories	216	168	176	162
Income tax	21	17	19	56
Trade and other receivables	2,454	1,909	1,750	1,639
Restricted cash and financial assets related to the Service Vouchers and Cards activity	544	423	326	337
Cash and cash equivalents	1,339	1,042	949	782
Total current assets	4,650	3,618	3,267	3,022
TOTAL ASSETS	**10,684**	**8,314**	**7,952**	**7,678**

IFRS	August 31, 2006 (In millions of dollars)	August 31, 2006 (In millions of euro)	August 31, 2005 (In millions of euro)	August 31, 2004 (In millions of euro)
Shareholders' equity				
Common stock	817	636	636	636
Additional paid in capital	1,524	1,186	1,186	1,186
Retained earnings	857	668	708	738
Consolidated reserves	(428)	(334)	(470)	(624)
Equity attributable to equity holders of the parent	2,770	2,156	2,060	1,936
Equity attributable to minority interest	22	17	18	24
Total shareholders' equity	2,792	2,173	2,078	1,960
Non-current liabilities				
Borrowings	2,380	1,852	1,891	1,784
Employee benefits	449	349	309	311
Other liabilities	129	101	80	50
Provisions	87	68	53	55
Deferred tax liabilities	63	49	54	59
Total non-current liabilities	3,108	2,419	2,387	2,259
Current liabilities				
Bank overdrafts	46	36	21	23
Borrowings	89	68	85	437
Derivative financial instruments	2	2	2	9
Income tax	103	80	84	104
Provisions	51	40	97	25
Trade and other payables	3,045	2,369	2,197	2,017
Vouchers payable	1,448	1,127	1,001	844
Total current liabilities	4,784	3,722	3,487	3,459
TOTAL LIABILITIES AND EQUITY	**10,684**	**8,314**	**7,952**	**7,678**

Calculated at the closing rate for Fiscal 2006: 1 euro = 1.2851 U.S. dollars.

Net debt* represents 21% of shareholders' equity.

(*) Debt net of cash and financial assets related to the Service Vouchers and Cards activity less overdrafts.

Consolidated Cash Flow Statement

	Fiscal 2006		Fiscal 2005
IFRS	(In millions of dollars)	(In millions of euro)	(In millions of euro)
Operating activities:			
Operating profit	741	605	450
Elimination of non-cash and non-operating items:			
Depreciation and amortization	201	164	168
Provisions	(42)	(34)	62
Losses/(gains) on disposal and other, net of tax	(26)	(21)	5
Dividends received from associates and non-consolidated equity investees	1	1	0
Change in working capital from operating activities	49	40	231
Interest paid	(140)	(114)	(122)
Interest received	23	18	19
Income tax paid	(209)	(171)	(136)
Net cash provided by operating activities	598	488	677
Investing activities:			
Capital expenditures net of disposals	(231)	(190)	(146)
Change in financial assets	(18)	(15)	5
Effect of acquisitions of subsidiaries, net of disposals	(9)	(5)	(6)
Net cash used in investing activities	(258)	(210)	(147)
Financing activities:			
Dividends paid to shareholders	(156)	(127)	(117)
Change in shareholders' equity	(5)	(4)	(13)
Proceeds from borrowings	29	23	464
Repayment of borrowings	(87)	(71)	(718)
Net cash used in financing activities	(219)	(179)	(384)
INCREASE IN NET CASH AND CASH EQUIVALENTS	121	99	146
Net effect of exchange rates on cash	(26)	(21)	23
Net cash and cash equivalents at beginning of period	1,136	928	759
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,231	1,006	928

Calculated at the average exchange rate for Fiscal 2006: 1 euro = 1.22491 U.S. dollars.

Investor Relations

Listening to our shareholders and the financial community

To respond more effectively to the expectations of individual and institutional shareholders, Sodexho Alliance endeavors to continuously improve its investor relations programs by developing new information channels and organizing regular meetings with shareholders.

Our 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:** Our financial information timetable is published to the financial community a year in advance, and updates are always available on our website at www.sodexho.com.
- **Accessibility:** Live webcasts of our annual shareholders' meetings and earnings presentations are broadcast on our website. Releases of quarterly revenue figures are accompanied by conference calls, giving the financial community rapid access to the information and an opportunity to question senior management about our performance.

- **Transparency:** A broad range of corporate information, including the bylaws, Reference Document, Annual Report, Sustainable Development Report, Human Resources Report, Interim Report, Form 20-F, press releases, a presentation of the Group, and share price trends, is posted on our website, www.sodexho.com.

  We also offer the financial community a comprehensive package of dedicated, interactive communication channels. Our financial press releases are issued via print media and e-mail in France and around the world.

Investor relations policy

In order to meet our own transparency goals and comply with the regulations of the two markets where Sodexho's shares are listed – Euronext Paris and the New York Stock Exchange (NYSE) – Sodexho Alliance and all those involved in preparing the financial information have committed to a set of core principles designed to ensure equal treatment of all shareholders.

Group spokesperson

Only the Chairman, the Chief Executive Officer and members of the Executive Committee have authority to provide financial information. The Chief Executive Officer has appointed the Director of Investor Relations to act as official spokesperson for the Group, with specific delegated powers.

Preparation of financial information

All financial information is reviewed prior to publication by a Disclosure Committee comprising representatives from the Finance, Corporate Communications and Human Resources departments.

Publication of financial information

Without exception, all information liable to influence the share price is published before the Paris stock market opens for trading. After approval by the Chief Executive Officer, the Chief Financial Officer or the Board of Directors (depending on the nature of the information), financial information is released to the markets via a press release, issued simultaneously to all sections of the financial community and to the stock market authorities. Financial information can be accessed at www.sodexho.com.
Sodexho Alliance does not publish any financial information during the one-month period prior to publication of the interim and annual financial statements.

Code of Conduct for Senior Managers

To underscore Sodexho'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 the Sodexho Group have signed up to this Code and agreed to abide by its principles.

How to obtain information

On the Sodexho Alliance website
www.sodexho.com

Voice server (if you are calling from France – French language only)
Tel. +33 (0)8 91 67 19 66 (0.225 euro per minute)

By phone or fax
Investor Relations
Tel. +33 (0)1 30 85 72 03
Fax +33 (0)1 30 85 50 88

By e.mail
financial.communication@sodexhoalliance.com

By mail
Sodexho Alliance, Investor Relations
B.P. 100, 78883 Saint-Quentin-en-Yvelines Cedex, France

Annual Reports

This document is an English-language version of the Document de référence filed with the *Autorité des Marchés Financiers* (AMF) in accordance with French stock market regulations. This 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.sodexho.com.

Because Sodexho Alliance is listed on the New York Stock Exchange, we also publish an English-language Form 20-F under section 13 of the Securities Exchange Act of 1934, which is filed with the Securities and Exchange Commission (SEC). The Form 20-F, which includes supplemental disclosures, is intended for American shareholders. The full text of the Form 20-F is accessible via the EDGAR section of the SEC website (www.sec.gov).

Annual Shareholders' Meeting

The Annual Shareholders' Meeting is announced in official notices published in the press and in the *BALO* (bulletin of compulsory legal notices) in France.

The agenda for the meeting is available in French and English at least 30 days before the meeting. It is sent to all registered shareholders, and to other shareholders on request.

A live webcast of the Sodexho Alliance Annual Shareholders' Meeting is broadcast on our website, enabling shareholders who cannot attend in person to ask questions and to follow the meeting, including the voting on resolutions.

Regular meetings and ongoing dialogue

We are committed to genuine dialogue with our shareholders and with the broader financial community.

The three milestones of our financial year are the publication of our interim and full-year results, and the Annual Shareholders' Meeting. We also arrange quarterly conference calls at which financial analysts can talk to the Chief Executive Officer and Chief Financial Officer.

The Chief Executive Officer and Chief Financial Officer regularly invite investors to attend roadshows in Europe and the United States as a forum for more informal dialogue, and offer periodic special-interest briefings to give analysts an insight into our front-line operations. We also take part periodically in industry presentations organized by brokerage firms.

Investor diary dates

Annual Shareholders' Meeting	**January 30, 2007**
Payment of dividend	**February 12, 2007**
First-half revenues	**April 4, 2007**
Interim results	**April 26, 2007**
Nine-month revenues	**July 4, 2007**
Full-year revenues	**October 3, 2007**
Full-year results	**November 8, 2007**
First quarter revenues	**January 9, 2008**
Annual Shareholders' Meeting	**January 2008**

These dates are purely indicative, and may be subject to change without notice. Regular updates are available on our website, www.sodexho.com.

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 Sodexho.

Our registered shareholders' accounts are managed by Société Générale, which also acts as transfer agent for all Sodexho Alliance shares.

Contacts

For further information call:
Société Générale Nantes (France) : +33 (0)2 51 85 52 47
Sodexho Alliance: +33 (0)1 30 85 72 03

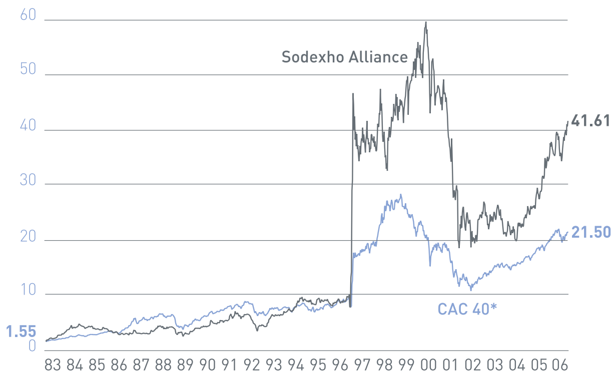
Or visit the Société Générale website:
www.nominet.socgen.com

Sodexho Alliance Shares

Sodexho Alliance shares are listed on Eurolist by Euronext Paris (Euronext code: FR 0000121220), and are included in the Next 20 Index. Since April 3, 2002, Sodexho Alliance shares have also been listed in the form of American Depositary Receipts (ADRs) on the New York Stock Exchange (NYSE), ticker SDX, with each ADR representing one Sodexho Alliance share.

Adjusted Sodexho Alliance share price trends

From initial listing through August 31, 2006 (in euro)

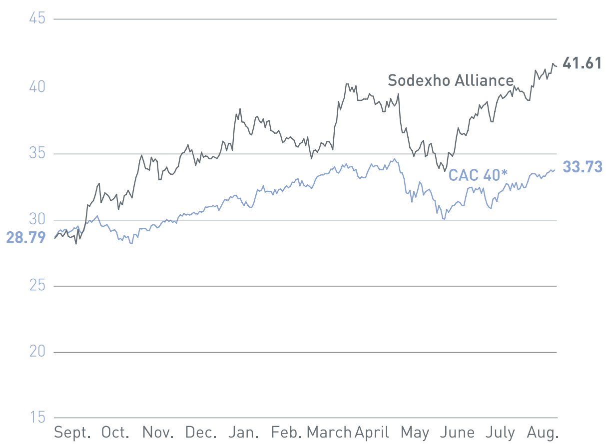


(*) Trends of Sodexho Alliance share based on trend of CAC 40 index.

Source: Sodexho.

Adjusted Sodexho Alliance share price trends

From September 1, 2005 through August 31, 2006 (in euro)



(*) Trends of Sodexho Alliance share based on trend of CAC 40 index..

Source: Sodexho.

The shares were initially listed on March 2, 1983 at an adjusted price of 1.55 euro. During the August 31, 2006 session, the shares were trading at 41.61 euro. This means that since initial listing, the Sodexho Alliance share price has increased 27 times, versus a 14 times increase in the CAC 40 over the same period. In other words, Sodexho Alliance shares have outperformed the CAC 40 by almost double.

Since the initial listing, Sodexho Alliance shares have achieved annual average growth of 15.4% excluding dividends.

During the last calendar year, the shares of Sodexho Alliance increased by 44.5% while the increase in the CAC 40 over the same period was 17.2%.

This performance is a result of the confidence of our shareholders in the Group's financial model and the steady growth of our results. As of August 31, 2006 the market capitalization of Sodexho Alliance totaled 6.6 billion euro.

Adjusted Sodexho Alliance share price

From September 1, 2005 through August 31, 2006 (in euro)

Price at September 1, 2005		28.79
	12-month low	28.00
	12-month high	42.09
Price at August 31, 2006		41.61

Average daily trading volume

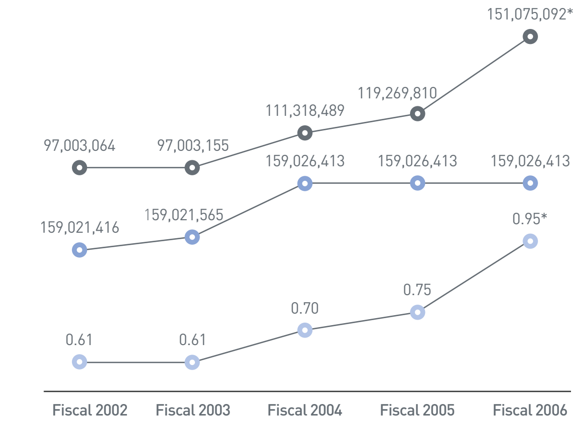
Volume	504,064
Value (in euro)	17,951,000

Source: Euronext.

Volumes traded on the NYSE since the initial listing on April 3, 2002 are minimal (average daily volume of fewer than 8,500 shares).

Dividend per share (in euro)

Five-year summary

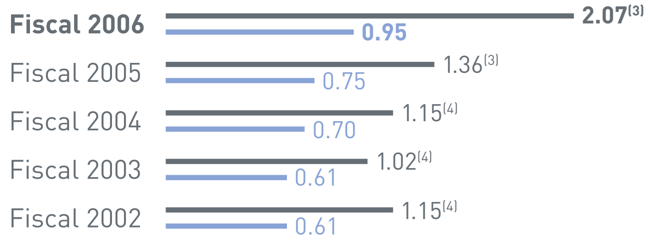


Total payout
Number of shares entitled to dividend
Net dividend per share

(*) Subject to approval at the Annual Shareholders' Meeting on January 30, 2007.

Earnings per share [1]

Net dividend per share [2]



(1) Based on monthly average number of shares outstanding.
(2) Based on the number of shares outstanding at August 31.
(3) Calculated under IFRS.
(4) Calculated under French GAAP.

Dividend and yield for Fiscal 2006

Dividend*	0.95 euro
Yield based on share price at August 31, 2006	2.28%

(*) Subject to approval at the Annual Shareholders' Meeting on January 30, 2007.

Dividends not claimed within 5 years of the date on which they were payable to shareholders are forfeited and remitted by Sodexho Alliance to the Caisse des Dépôts et Consignations.

Capital

Changes in issued capital

From September 1, 2005 through November 15, 2006

	Type of transaction	Number of shares	Total issued capital (in euro)
At September 1, 2005		159,026,413	636,105,652
At November 23, 2006		159,026,413	636,105,652

Sodexho: an independent group

Sodexho is still an independent group.

On August 31, 2006, Sodexho Alliance had 53,505 shareholders. Of these, 28,469 were members of our employee stock ownership plans.

Our shares are owned by:

Bellon SA.. 36.83%

Employees 1.44%

Treasury shares.. 1.94%

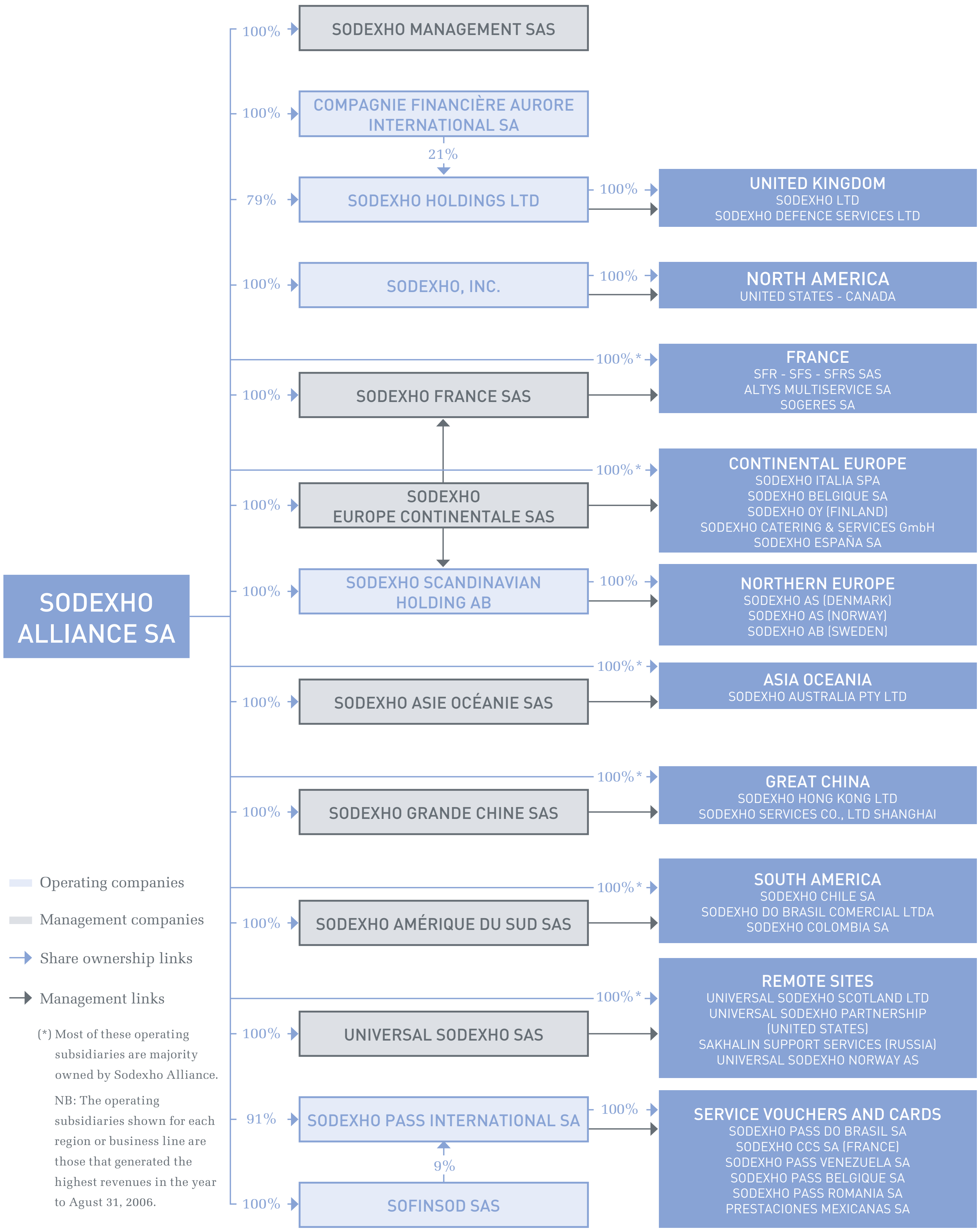
French shareholders 27.39%

Individual *4.91%*

Institutional *22.48%*

Non-French shareholders 32.4%

CONDENSED GROUP ORGANIZATIONAL CHART



(*) Most of these operating subsidiaries are majority owned by Sodexho Alliance.

NB: The operating subsidiaries shown for each region or business line are those that generated the highest revenues in the year to Agust 31, 2006.

CONTROLLED GROWTH

1966 Sodexho is founded in Marseille by Pierre Bellon, building on his family's 60-plus years of experience in catering for luxury liners and cruise ships to offer similar services to businesses, schools and hospitals.

1968 Sodexho begins operations in the Paris area.

1971-1978 International expansion starts with a contract in Belgium. The Remote Site Management business is launched, initially in Africa and then in the Middle East. A new business – Service Vouchers – is launched in Belgium and Germany.

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 Central Europe.

1995 Alliances with Gardner Merchant in the United Kingdom and Partena in Sweden make Sodexho the world no.1 in Foodservices.

1996 The Service Vouchers and Cards business expands into Brazil with the acquisition of Cardàpio.

1997 Alliance with Universal Ogden Services, the U.S. market leader in remote site management.
The holding company changes its name to Sodexho Alliance.

1998 Formation of Sodexho Marriott Services, 48.4% owned by Sodexho, which becomes North American market leader in Food and Facilities Management services.
Acquisition of Luncheon Tickets, no.2 service voucher issuer in Argentina.

1999 Sodexho becomes no.2 in service vouchers in Brazil with the acquisition of Refeicheque.

2000 Albert George is appointed Chief Operating Officer of Sodexho Alliance. Sodexho Alliance and Universal Services merge to form Universal Sodexho, North American and world leader in remote site management.

2001 Sogeres (France) and Wood Dining Services (U.S.) join the Sodexho Group.
Sodexho Alliance acquires the remaining 53% of Sodexho Marriott Services, which becomes a 100% subsidiary and changes its name to Sodexho, Inc.

2002 On April 3, Sodexho Alliance is listed for the first time on the New York Stock Exchange.

2003 Jean-Michel Dhenain and Michel Landel are appointed as 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 from September 1, 2005, the roles of Chairman of the Board and Chief Executive Officer will be separated.

2005 Michel Landel becomes Chief Executive Officer, succeeding Pierre Bellon, who retains his role as Chairman of the Board of Directors.

2006 After 40 years, Michel Landel, Chief Executive Officer sets a new challenge for the Group:
"To become the premier global outsourcing expert in Quality of Life services".

SODEXHO IN THE WORLD

Food and Facilities Management services

Every country's web sites and business activities are available through Sodexho's Group web site: www.sodexho.com

ANGOLA

SODEXHO
Remote Sites
LUANDA
Tel.: +244 222 39 83 61
Fax: +244 222 39 51 62

ARGENTINA

SODEXHO
BUENOS AIRES
Tel.: +5411 5129 2500
Fax: +5411 5129 2503

AUSTRALIA

ALTYS
SODEXHO
SYDNEY
Tel.: +61 2 9461 6100
Fax: +61 2 9461 6111

AIMS CORPORATION
PERTH
Tel.: +61 8 9479 9800

AUSTRIA

ALTYS
SODEXHO
VIENNA
Tel.: +43 1 32 86 057
Fax: +43 1 32 86 057-300

BANGLADESH

UNIVERSAL SODEXHO
Remote Sites
DHAKA
Tel.: +880 2 881 23 96
Fax: +880 2 882 64 39

BELGIUM

ALTYS
BRUSSELS
Tel.: +32 2 738 79 19
Fax: +32 2 735 41 82

SODEXHO
BRUSSELS
Tel.: +32 2 679 12 11
Fax: +32 2 679 14 56

BRAZIL

SODEXHO
SAO PAULO
Tel.: +55 11 5693 5000
Fax: +55 11 5686 8400

CAMEROON

UNIVERSAL SODEXHO
Remote Sites
DOUALA
Tel.: +237 342 82 80
Fax: +237 968 49 95

CANADA

SODEXHO
BURLINGTON, ON
Tel.: +1 905 632 8592
Fax: +1 905 681 3021

CHILE

SIGES
SODEXHO
SANTIAGO
Tel.: +56 28 100 100
Fax: +56 28 100 501

CHINA

SODEXHO
HONG KONG
Tel.: +852 23 88 86 82
Fax: +852 27 80 12 62

SODEXHO
SHANGHAI
Tel.: +86 21 62 09 60 08
Fax: +86 21 62 09 60 09

COLOMBIA

SODEXHO
BOGOTA
Tel.: +57 1 62 90 805
Fax: +57 1 62 03 929

CONGO

UNIVERSAL SODEXHO
Remote Sites
POINTE-NOIRE
Tel.: +242 94 19 70
Fax: +242 94 09 29

COSTA RICA

SODEXHO
SAN JOSE
Tel.: +506 291 47 73/
291 69 49
Fax: +506 220 32 41

CZECH REPUBLIC

ALTYS
PRAGUE
Tel.: +420 2 27 02 74 74
Fax: +420 2 27 02 74 23

SODEXHO
PRAGUE
Tel.: +420 2 27 02 74 74
Fax: +420 2 27 23 00 60

DENMARK

SODEXHO
MIDDELFART
Tel.: +45 63 41 02 22
Fax: +45 63 41 02 33

UNIVERSAL SODEXHO
Remote Sites
ESBJERG
Tel.: +45 75 12 97 05
Fax: +45 75 12 97 05

EQUATORIAL GUINEA

UNIVERSAL SODEXHO
Remote Sites
MALABO
Tel.: +240 094 824

FINLAND

ABRA
HELSINKI
Tel.: +358 424 9241
Fax: +358 424 924 299

SODEXHO
HELSINKI
Tel.: +358 9 54 0770
Fax: +358 9 54 077 110

FRANCE

ALTYS
NANTERRE
Tel.: +33 1 55 69 32 32
Fax: +33 1 55 69 32 40

BATEAUX PARISIENS
PARIS
Tel.: +33 1 44 11 33 44
Fax: +33 1 45 56 07 88

L'AFFICHE
BOULOGNE
Tel.: +33 1 46 99 35 00
Fax: +33 1 46 05 35 48

SODEXHO
Head Office
Business and Industry
Healthcare / Seniors
SIGES
MONTIGNY-LE-BRETONNEUX
Tel.: +33 1 30 85 75 00
Fax: +33 1 30 43 09 58

SODEXHO
Education
PLAISIR
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Fax: +33 1 30 07 62 01

SODEXHO ALTYS
NANTERRE
Tel.: +33 1 55 69 73 80
Fax: +33 1 55 69 73 90

SODEXHO PRESTIGE
BOULOGNE
Tel.: +33 1 46 99 25 50
Fax: +33 1 46 99 35 48

SOGERES
BOULOGNE
Tel.: +33 1 46 99 33 33
Fax: +33 1 46 05 55 59

UNIVERSAL SODEXHO
Remote Sites, Head Office
Ivory Coast / Ghana
MONTIGNY-LE-
BRETONNEUX
Tel.: +33 1 30 85 75 00
Fax: +33 1 30 85 54 50

FRENCH GUYANA

SODEXHO
KOUROU
Tel.: +33 5 94 32 72 21
Fax: +33 5 94 32 87 57

GABON

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Remote Sites
Tel.: +241 55 22 77
Fax: +241 56 56 53

GERMANY

ALTYS
HOCHHEIM
Tel.: +49 61 46 602 345
Fax: +49 61 46 602 274

Food and Facilities Management services

Every country's web sites and business activities are available through Sodexho's Group web site: www.sodexho.com

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GREECE

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ATHENS
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Fax: +30 210 6254 954

GUADELOUPE

SODEXHO
BAIE-MAHAULT
Tel.: +33 5 90 38 24 62
Fax: +33 5 90 25 08 87

HUNGARY

SODEXHO
BUDAPEST
Tel.: +36 1 80 10 900
Fax: +36 1 80 10 901

ICELAND

UNIVERSAL SODEXHO
Remote sites
EGILSSTADIR
Tel.: +354 477 21 66

INDIA

UNIVERSAL SODEXHO
Remote Sites
MUMBAI
Tel.: +91 22 28 303 650
Fax: +91 22 28 303 653

INDONESIA

UNIVERSAL OGDEN
Remote Sites
JAKARTA
Tel.: +62 21 788 45 866
Fax: +62 21 458 73/75

IRELAND

SODEXHO
DUBLIN
Tel.: +353 1 283 3654
Fax: +353 1 283 3991

ITALY

SODEXHO
MILAN
Tel.: +39 02 69 68 41
Fax: +39 02 68 87 169

KAZAKHSTAN

UNIVERSAL SODEXHO
Remote Sites
ABERDEEN (Scotland)
Tel.: +44 1224 642 238
Fax: +44 1224 611 989

KUWAIT

TARIQ AL GHANIM
Remote Sites
AL SHUWAIKH
Tel.: +965 488 00 34
Fax: +965 489 47 45

LAOS

SODEXHO
SEPON
Tel.: +618 6263 2113

LEBANON

SODEXHO
BEIRUT
Tel.: +961 1 611 186/7
Fax: +961 1 611 188

LUXEMBOURG

SODEXHO
BERTRANGE
Tel.: +352 26 109 200
Fax: +352 26 109 209

MADAGASCAR

SODEXHO
FORT-DAUPHIN
Tel.: +241 55 22 77
Fax: +241 56 56 53

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SODEXHO
PETALING JAYA
Tel.: +603 7954 1024
Fax: +603 7954 1319

MEXICO

SODEXHO
MEXICO
Tel.: +52 55 1054 6095
Fax: +52 55 1054 6096

MONGOLIA

MONGOLIAN CATERING
ULAN BATOR
Tel.: +976 11 329 997

MOROCCO

SODEXHO
CASABLANCA
Tel.: +212 22 99 00 51
Fax: +212 22 98 88 73

NAMIBIA

SODEXHO
WINDOEK
Tel.: +264 61 257 252
Fax: +264 61 262 907

NEW CALEDONIA

RESTAURATION FRANÇAISE
NOUMEA
Tel.: +687 41 45 80
Fax: +687 41 45 81

NEW ZEALAND

SODEXHO
AUCKLAND
Tel.: +64 9 255 0270
Fax: +64 9 255 0271

NIGERIA

UNIVERSAL SODEXHO
Remote Sites
PORT HARCOURT
Tel.: +234 84 232 219
Fax: +234 84 232 119

NORWAY

ABRA
OSLO
Tel.: +47 23 39 69 00
Fax: +47 23 39 69 10

SODEXHO
OSLO
Tel.: +47 22 08 91 00
Fax: +47 22 08 91 01

UNIVERSAL SODEXHO
Remote Sites
STAVANGER
Tel.: +47 51 70 71 72
Fax: +47 51 70 71 73

OMAN

SOCAT
Remote Sites
MUSCAT
Tel.: +968 60 34 05
Fax: +968 60 43 01

PERU

SODEXHO
LIMA
Tel.: +51 1 70 52 500
Fax: +51 1 22 20 793

POLAND

SODEXHO
WARSAW
Tel.: +48 22 33 89 600
Fax: +48 22 33 89 601

POLYNESIA

SODEXHO
PAPEETE, TAHITI
Tel.: +689 43 92 73
Fax: +689 41 09 44

PORTUGAL

SODEXHO
LISBON
Tel.: +351 21 371 5204
Fax: +351 21 386 0222

QATAR

TEYSEER SERVICES COMPANY
Remote Sites
DOHA
Tel.: +974 467 5201 / 5153
Fax: +974 467 5003

REUNION ISLAND

SODEXHO
SAINTE-CLOTILDE
Tel.: +33 2 62 73 18 32
Fax: +33 2 62 73 18 40

RUSSIA

SODEXHO
MOSCOW
Tel.: +7 095 745 50 85
Fax: +7 095 745 50 54

UNIVERSAL SODEXHO
Remote Sites
YUZNO SAKHALINSK
Tel.: +7 4242 727 020/008
Fax: +7 4242 727 011/190

Food and Facilities Management services

Every country's web sites and business activities are available through Sodexho's Group web site: www.sodexho.com

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Fax: +65 6745 2232

UNIVERSAL REMOTE SITES SERVICES
Remote Sites
Tel.: +65 6463 90 52
Fax: +65 6465 74 89

SLOVAKIA

SODEXHO
BRATISLAVA
Tel.: +421 2547 91 392
Fax: +421 2547 91 394

SLOVENIA

SODEXHO
LJUBLJANA
Tel.: +386 142 05 800
Fax: +386 142 05 852

SOUTH AFRICA

SODEXHO
RIVONIA
Tel.: +27 11 803 66 00
Fax: +27 11 803 66 03

SOUTH KOREA

SODEXHO
SEOUL
Tel.: +82 25 94 29 43
Fax: +82 25 94 29 44

SPAIN

ALTYS
BARCELONA
Tel.: +34 93 540 5435
Fax: +34 93 540 9780

SODEXHO
BARCELONA
Tel.: +34 93 635 2200
Fax: +34 93 630 8885

SWEDEN

ACC
NORRKOPING
Tel.: +46 11 28 59 00
Fax: +46 11 18 52 10

SODEXHO
STOCKHOLM
Tel.: +46 85 78 84 000
Fax: +46 85 78 84 010

SWITZERLAND

ALTYS SODEXHO
GENEVA
Tel.: +41 078 631 72 88

TANZANIA

SODEXHO
Remote Sites
DAR ES SALAM
Tel.:/Fax: +255 222 125 288

THAILAND

SODEXHO
BANGKOK
Tel.: +66 2 714 1661
Fax: +66 2 714 0788

UNIVERSAL AMARIT CATERING COMPANY
Remote Sites
SONGKHLA
Tel.: +66 2 381 12 04/10 20
Fax: +66 2 381 12 09

THE NETHERLANDS

SODEXHO
CAPELLE AAN DEN IJSSEL
Tel.: +31 10 288 42 88
Fax: +31 10 288 42 22

UNIVERSAL SODEXHO
Remote Sites
HOORN
Tel.: +31 229 232 344
Fax: +31 229 238 808

TUNISIA

SABA
Remote Sites
TUNIS
Tel.: +216 71 862 777
Fax: +216 71 860 333

SODEXHO
TUNIS
Tel.: +216 71 861 899
Fax: +216 71 862 246

TURKEY

SODEXHO
ISTANBUL
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Fax: +90 216 474 97 38

UNITED ARAB EMIRATES

KELVIN CATERING SERVICES
Remote Sites
ABU DHABI
Tel.: +971 2 64 485 30
Fax: +971 2 64 475 74

UNIVERSAL SODEXHO
Remote Sites
SHARJAH
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Fax: +971 6 57 50 427

UNITED KINGDOM

CATAMARAN CRUISERS/ BATEAUX LONDON
LONDON
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Fax: +44 20 7839 1034

KALYX
LONDON
Tel.: +44 20 7725 7210
Fax: +44 20 7725 7211

SODEXHO
Business and Industry
LONDON
Tel.: +44 20 7535 7400
Fax: +44 20 7535 7401

SODEXHO
Defense
ALDERSHOT
Tel.: +44 12 5235 3100
Fax: +44 12 5235 3101

SODEXHO
Education
SWINDON
Tel.: +44 17 9351 2112
Fax: +44 17 9361 5075

SODEXHO
Healthcare
MANCHESTER
Tel.: +44 16 1873 6800
Fax: +44 16 1873 6869

SODEXHO
Head Office
STEVENAGE
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Fax: +44 14 3834 1541

SODEXHO
Prestige
ALPERTON
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Fax: +44 20 8991 9636

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UNITED STATES

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Remote Sites
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SODEXHO
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Fax: +58 212 953 34 95

UNIVERSAL SODEXHO
Remote Sites
MARACAIBO
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Fax: +58 261 787 62 01

YEMEN

UNIVERSAL SODEXHO
Remote Sites
MUKALLA
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Service Vouchers and Cards

Every country's web sites and business activities are available through Sodexho's Group web site: www.sodexho.com

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Fax: +43 1 328 60 60 200

BELGIUM

SODEXHO
BRUSSELS
Tel.: +32 2 547 55 11
Fax: +32 2 547 55 12

BRAZIL

SODEXHO
SAO PAULO
Tel.: +55 11 37 04 45 44
Fax: +55 11 30 78 49 53

BULGARIA

SODEXHO
SOFIA
Tel.: +359 2 9769 800
Fax: +359 2 9769 888

CHILE

SODEXHO
SANTIAGO
Tel.: +56 2 6870 200
Fax: +56 2 6870 205

CHINA

SODEXHO
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Fax: +86 21 62 09 60 02

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Fax: +33 1 41 25 26 92

SODEXHO
Service Vouchers
and Cards, Head Office
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Fax: +49 69 73 996-6601

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Fax: +36 1 434 58 00

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ITALY

SODEXHO
MILAN
Tel.: +39 02 38 05 74 00
Fax: +39 02 38 00 30 44

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Fax: +352 26 109 209

MEXICO

SODEXHO
MEXICO
Tel.: +52 55 52 62 29 04
Fax: +52 55 52 54 50 21

PANAMA

SODEXHO
PANAMA
Tel.: +50 7210 0020
Fax: +50 7210 0021

PERU

SODEXHO
LIMA
Tel.: +511 221 78 13

POLAND

SODEXHO
WARSAW
Tel.: +48 22 535 12 21
Fax: +48 22 535 12 19

ROMANIA

SODEXHO
BUCHAREST
Tel.: +4021 204 46 46
Fax: +4021 208 91 00

SLOVAKIA

SODEXHO
BRATISLAVA
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Fax: +421 2434 13 051

SPAIN

SODEXHO
MADRID
Tel.: +34 91 445 2866
Fax: +34 91 594 1758

THE PHILIPPINES

SODEXHO
MANILA
Tel.: +632 687 5817
Fax: +632 687 7967

TUNISIA

SODEXHO
TUNIS BELVEDERE
Tel.: +216 71 844 538/845 755
Fax: +216 71 849 793

TURKEY

SODEXHO
ISTANBUL
Tel.: +90 212 216 91 70
Fax: +90 212 216 95 15

UNITED KINGDOM

SODEXHO
SURREY
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SODEXHO
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Sodexho Alliance

Sodexho Alliance

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www.sodexho.com

FINANCIAL REPORT

Contents

ACTIVITY REPORT
FISCAL 2006

Effective September 1, 2005, the Board of Directors, chaired by Pierre Bellon, appointed Michel Landel as Chief Executive Officer. Michel Landel has chosen to embark on this new phase in Sodexho's history with an expanded Executive Committee.
At the Board of Directors meeting held on November 14, 2006, Michel Landel presented Fiscal 2006 performance.

Highlights

"Ambition 2015"

During Fiscal 2006, senior management defined a clear vision with its "Ambition 2015" plan to become the premier global outsourcing expert in Quality of Life services. Taking into account the expectations of clients, customers, employees and shareholders, the Group's ambition is to reinforce its leadership positions in Foodservices, accelerate development in Facilities Management, and become the global leader in Service Vouchers and Cards.

Thus, management's objective is to achieve a medium-term average annual organic revenue growth target of 7%.

Strategic priorities

During Fiscal 2006, the Executive Committee set five strategic priorities:
- accelerate profitable organic growth;
- improve operating profits, margins and cash flow;
- ensure compliance;
- live our values;
- create a competitive advantage through our people.

The Executive Committee also worked on implementation plans and defined priority initiatives including the following:

To secure the Group's future growth senior management has decided to transform human capital into a genuine competitive advantage.

People are Sodexho's most valuable resource; they are what differentiates us. They are in direct contact with clients – 97.5% work on the front line – and are involved in the daily lives of over 40 million people. They are an essential ingredient of the Group's current success and future expansion.

Attracting, training, developing and retaining the best talent will be key priorities. An ambitious program for Sodexho's 200 key executives was launched in April 2006 under the "Fundamentally Sodexho" banner. This program, scheduled in two 2-week modules, was developed by the Sodexho Management Institute in association with the University of Chicago Graduate School of Business and EM-Lyon.

Its twin objectives:
- to help key executives across the world to meet each other and work together more effectively, united around shared values and a shared vision; and
- to accelerate the implementation of the action plans for the five strategic priorities.

Transforming the Group's human capital into a genuine competitive advantage also means ensuring at every level that Sodexho better reflects the diversity of the cultures in which it operates – over one hundred to date. By being the mirror image of its client base, Sodexho gains a competitive advantage, enhancing growth prospects and preferred employer status. This philosophy underpins the Group's long-established diversity and inclusion policy. In order to reinforce its efforts, Michel Landel has allocated dedicated resources and appointed Rohini Anand (currently Head of Diversity North America) as Group Chief Diversity Officer, reporting directly to him.
For its part, the Executive Committee has decided to focus on four areas at a global level: age, gender, ethnic minorities and the disabled. Each business unit has been asked to develop specific initiatives to achieve progress in diversity and inclusion.

Sarbanes-Oxley Certification: Sodexho marks the date

Since 2003, senior management has demonstrated its commitment to enhancing the internal control environment by launching an ambitious program: "CLEAR" (Controls for Legal requirements and to Enhance Accountability and Reporting).

Over the last two fiscal years, the principal Sodexho subsidiaries have been working to identify the main risks and to review and document appropriate controls. At the same time, financial statement controls have been tested to ensure they are operating effectively.

Hundreds of people across the Sodexho Group have been involved in this time-consuming and costly process. As a result of the considerable efforts of all those involved, Sodexho has been able not only to review existing internal control practices, but also to identify improvements and productivity gains. As part of the compliance process under Section 404 of the Sarbanes-Oxley Act, the Chief Executive Officer and Chief Financial Officer are required to prepare a report on internal controls over the Group's financial reporting.

This report will be included in the Form 20F filed with the Securities and Exchange Commission (SEC) not later than February 28, 2007 and available on the Group's website. Strengthening internal control and risk management continue to remain key priorities for the Group.

1. Key figures for Fiscal 2006

Sodexho's **28,234** sites comprise:

- 16,327 business and industry (including Prestige, Defense and prisons)
- 4,439 schools, colleges and universities
- 3,897 healthcare
- 1,896 seniors
- 1,675 remote sites

Sodexho has operations in 80 countries and employed 332,096 people as of August 31, 2006.

1.1. Consolidated income statement

The financial statements for Fiscal 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS). The Fiscal 2005 financial statements have been restated for comparability purposes.

(in million of euro)	Fiscal 2006	Fiscal 2005	Change at current exchange rates	Change at constant exchange rates
Revenues	12,798	11,693	9.4%	6.6%
Cost of sales	(10,957)	(10,033)		
Gross profit	1,841	1,660	10.9%	8.0%
Sales department costs	(159)	(141)		
General and administrative costs	(1,104)	(1,002)		
Other operating income and charges	27	(67)		
Operating profit	605	450	34.4%	30.8%
Net financing costs	(108)	(112)	(2.7)%	(4.4)%
Share of profit of associates	8	(6)		
Profit for the period before tax	505	332	51.6%	47.4%
Income tax expense	(172)	(111)	54.8%	50.7%
Result from discontinued operations	-	-		
Profit for the period	333	221		
Profit attributable to minority interest	10	9		
Group net income	323	212	51.8%	47.3%
Earnings per share (in euro)	2.07	1.36	51.7%	47.2%

Currency impact is now calculated by applying the average exchange rate for the prior year to the current fiscal year figures.

1.1.1. Change in scope of consolidation

The main changes in the scope of consolidation in Fiscal 2006 were:

- Acquisition of 55% of the Paris Lido in February 2006, the results of which were included in the consolidated financial statements from the date of acquisition.
- Acquisition of 100% of Ticket Total, the no. 3 Service Vouchers and Cards operator in Argentina in June 2006.
- In August 2006, the sale of Spirit Cruises, a U.S. based river cruise and harbor business. Spirit Cruises was acquired in 1992 and had revenues of 44 million euro in Fiscal 2006.

1.1.2. Revenues: acceleration in organic growth

Sodexho Alliance revenues increased by more than 1.1 billion euro as compared to the prior year, to reach 12.8 billion euro.

During Fiscal 2006, the Group continued to implement its strategy. Consequently, the client retention rate continued to improve, reaching 93.9% as compared to 93.3% in Fiscal 2005. Organic growth accelerated from a rate of 4.3% in Fiscal 2005 to 6.4% in Fiscal 2006.

The increase in revenues is as follows:

Organic growth	+6.4%
Acquisitions	+0.2%
Currency impact	+2.8%
TOTAL	**+9.4%**

In Food and Facilities Management Services, Sodexho made substantial progress on several fronts:

- Organic growth accelerated in North America (up 5.0%) and in Continental Europe (up 5.2%), driven in particular by Healthcare and Seniors.
- The United Kingdom and Ireland returned to organic growth posting an increase of 4.8%.
- Organic revenue growth was a robust 16.1% in the Rest of the World (Remote Sites, Latin America and Asia-Australia).

The Service Vouchers and Cards activity also continued its dynamic organic growth, with a 15.9% rise.

1.1.3. Growth in operating profit

Operating profit of 605 million euro was 34.4% higher than in Fiscal 2005.

This operating profit includes:

- a gain of 21 million euro on the sale of Spirit Cruises, a U.S. based river cruise and harbor business;
- the favorable impact of 7 million euro on the resolution of the U.S. litigation, for which 62 million euro had been provided in Fiscal 2005.

Excluding these items, operating profit rose 12.6% at current exchange rates and 9.7% at constant exchange rates thereby exceeding the targets set by Sodexho at the start of Fiscal 2006. On the same basis, operating margin increased to 4.5%, compared with 4.4% in Fiscal 2005.

1.1.4. Substantial rise in Group net income

At 323 million euro Group net income rose to 51.8%, or 47.3% excluding currency impact.

This substantial increase was principally the result of:

- strong growth in operating profit, including the gain on the sale of Spirit Cruises;
- a positive contribution from associates, reflecting public-private contracts signed in previous periods.

1.2. Analysis of trends in revenues and operating profit by activity

Revenues by activity (In million of euro)	Fiscal 2006	Fiscal 2005	Change at current exchange rates	Change at constant exchange rates
Food and Facilities Management services				
North America	5,479	5,004	9.5%	5.0%
Continental Europe	4,148	3,922	5.8%	5.8%
United Kingdom and Ireland	1,370	1,302	5.2%	4.8%
Rest of the World	1,434	1,166	23.0%	16.1%
Total	12,432	11,394	9.1%	6.4%
	97.1%	97.5%		
Service Vouchers and Cards	**373**	**305**	**22.5%**	**16.5%**
Elimination of intragroup revenues	**(6)**	**(6)**		
TOTAL	**12,798**	**11,693**	**9.4%**	**6.6%**

Operating profit by activity (In million of euro)	Fiscal 2006	Fiscal 2005	Change at current exchange rates	Change at constant exchange rates
Food and Facilities Management services				
North America	277	160	73.6%	66.5%
Continental Europe	203	199	2.0%	2.1%
United Kingdom and Ireland	42	16	158.7%	157.9%
Rest of the World	28	35	(22.1)%	(30.5)%
Total	550	410	33.9%	30.5%
Service Vouchers and Cards	**113**	**78**	**45.1%**	**38.8%**
Corporate expenses	**(58)**	**(38)**	**51.4%**	**43.6%**
TOTAL	**605**	**450**	**34.4%**	**30.8%**

In Fiscal 2006, activities located outside the euro zone represented 70.2% of revenues (including 41.9% in U.S. dollars) and 65.9% of operating profit (including 38.4% in U.S. dollars).

1.2.1. Food and Facilities Management services

This activity contributed 97% of consolidated revenues and 83% of consolidated operating profit before corporate expenses.

Revenues reached 12,432 million euro in Fiscal 2006, with Sodexho confirming its leading position in Food and Facilities Management services. Positive factors included:

- brisk acceleration in growth in North America and Continental Europe, driven by progress in the Healthcare and Seniors segments;
- return to growth for Sodexho's activities in the United Kingdom and Ireland;
- continued high levels of activity in the Rest of the World.

Operating profit was up 33.9% at 550 million euro. The factors underlying this performance are described below.

Analysis by region

- **North America**

Revenues were 5.5 billion euro, with organic growth gaining 0.6 of a point to reach 5.0% for the fiscal year.

In Business and Industry, revenues rose for the first time in three years. The 2.4% growth rate reflects improved client retention and increased sales on existing sites, both in leisure (for example, the Houston Space Center) and in catering services for clients.

Healthcare and Seniors reported robust growth of 7.2%, due to:

- The ramp-up of revenues from major contracts signed in the previous year (such as the City of New York and Hermann Memorial in Texas)
- New Facilities Management contracts, which accounted for two-thirds of the expansion in the revenue base during Fiscal 2006. Successful tenders included contracts with Mount Clemens General Hospital (Michigan) and the North East Medical Center (Texas).
- Good growth in sales from existing sites.

The Education segment saw revenues rise by 4.7% over the prior year, despite the negative impact of hurricanes in the first few months of Fiscal 2006 and the non-renewal of some public-sector school contracts towards the end of Fiscal 2005 (due to Sodexho's refusal to cut prices below a level at which it can maintain quality standards).

In the Campus Services sector, revenue growth from existing sites was lifted by the success of summer camps and by good progress in Facilities Management, for example at Ohio Northern University where the foodservice contract was extended to include Facilities Management services.

New contracts signed include Novartis, Victory Memorial Hospital (Illinois) and the University of Tampa (Florida) in Facilities Management; and Walt Disney Company, Pfizer, Baptist Hospital (Tennessee) and Saint Cloud State University (Minnesota) in Foodservices.

Operating profit reached 277 million euro (up 73.6%). Excluding the impact of the U.S. litigation and the capital gain on the sale of Spirit Cruises, the increase was 7.9% at constant exchange rates.

This performance reflects:

- Good progress in the Education segment, supported by the deployment of new-generation technology tools to assist food and labor productivity management on sites.
- Continued success of the extension of Facilities Management offers in Healthcare and Seniors.

Sodexho also continued to invest in human resources (marketing, client retention and diversity), information systems, and internal control.

- **Continental Europe**

Revenues totaled 4.1 billion euro and organic growth improved to 5.2%, as compared to 4.0% in Fiscal 2005.

In Business and Industry, the 5.3% advance in revenues was driven by three main factors:

- new contracts won in all European countries;
- an acceleration in growth in the leisure sector in France, as demonstrated by a master agreement signed with the Pierre & Vacances Group and the successful bid for the Vaux-le-Vicomte Château foodservice concession in the fourth quarter;
- the gradual rollout of services in two new prisons under public-private partnerships in France.

The robust 7.7% growth in the Healthcare and Seniors segments was helped by the ramp-up of revenues from a number of major contracts signed in the previous fiscal year and by innovations in service offerings.

The Group's highly-selective approach, especially in the public sector, underlies the slower pace of growth (1.4%) in the Education segment.

New clients that have chosen Sodexho during Fiscal 2006 include Akzo Nobel (Sweden), Microsoft and the Albert Schweitzer Hospital (The Netherlands) and the Cèdres Clinic, a senior residence in Grenoble (France), in Facilities Management; and US Steel Kosice (Slovakia) and the Saint-Malo local schools and hospital in Foodservices.

Start-up costs of major contracts and operating difficulties in Turkey weighed on operating profit. However, substantial productivity gains and ongoing efforts on organization efficiency, enable operating profit to increase by 2.0% to 203 million euro.

- **United Kingdom and Ireland**

Revenues totaled 1.4 billion euro. Sodexho achieved its target of returning to growth in the region; revenues rose by 4.8%, after a drop of 2.6% in Fiscal 2005.

The rise in revenues was primarily due to the start-up of major new contracts in the Corrections, Defense and Healthcare segments, which have a high Facilities Management component. It was a good summer for leisure and hospitality at events such as the Chelsea Flower Show and Ascot races.

New business is developing, as illustrated by contracts signed with Reckitt Benckiser, Catterick Garrison and Allenby Connaught in Facilities Management, and Everton Football Club and West Sussex Secondary Schools in Foodservices. Action plans to improve client retention are under way.

Operating profit rose to reach 42 million euro, an increase of 158.7%. This solid performance reflects the effectiveness of measures adopted in recent years: renegotiating contracts, tighter management control and a rise in comparable site revenue growth.

- **Rest of the World**

Revenues were 1.4 billion euro. Organic growth was 16.1%, and was driven mainly by:
- double-digit growth in Latin America, Asia and Australia;
- strong activity levels in Remote Sites, reflecting good levels of raw material prices;
- the start-up of operations in the Corrections segment in Chile.

Sodexho also continued its successful and rapid expansion into mainland China and India.

New clients include the Shanghai Huizhong Automotive Manufactory and Lecong Middle Schools (China), Cargill Group (Brazil and Argentina), Exxon Mobil (Venezuela and Australia) and Manipal Medical College (Malaysia).

The 22.1% decrease in operating profit to 28 million euro is explained by two main factors:
- an asset write down related to the Sydney Olympic Stadium contract in Australia;
- the expiration of a major logistics contract in the Middle East.

Nevertheless, thanks to its leading position in Remote Sites and in Latin America, Sodexho was able to capitalize on increased demand driven by high raw material prices.

1.2.2. Service Vouchers and Cards

Revenues for Fiscal 2006 were 373 million euro, with organic growth rising from 13.2% to 15.9%. Issue volume (the face value multiplied by the number of vouchers and cards issued) for Fiscal 2006 was 6.3 billion euro, a rise of 13.8% (excluding the effects of exchange rates and changes in the scope of consolidation).

Demand for Sodexho's traditional services (Restaurant Pass and Food Pass) remained very strong in Latin America, where year-on-year growth exceeded 20%.

Sodexho also increased its penetration of the European market during Fiscal 2006, as a result of the launch of new services such as the Childcare Pass in the United Kingdom and Spain and the Sport and Culture Pass in Belgium, and the Guard Pass in Spain.

Sodexho Service Vouchers and Cards convinced many new corporate clients of the quality of its staff motivation solutions: Airport Authority of India, Grupo Penaflor (Argentina), Casa Saba (Mexico), Manufacturas de Papel (Venezuela), Usina Moemar Acurar e Alcool and the Colatina local authority (Brazil), CEC (Romania) and Can Pack (Poland).

Efforts to market our assistance services continue to prove successful, as demonstrated by Childcare Pass contracts signed with the City of Madrid (Spain) and Imperial Tobacco (United Kingdom).

At 113 million euro, operating profit was 45.1% higher than the prior year. This particularly strong growth rate reflects a marked rise in issue volume, especially in Latin America. As costs in the segment are largely fixed, operating margin improved to 30.4% or 1.8% of issue volume.

1.2.3. Corporate expenses

Corporate expenses were 58 million euro. During Fiscal 2006, Sodexho invested in strengthening its human resources in the Procurement, Client Retention and Finance areas. An ambitious training program targeted at the top 200 Group executives was also launched in April 2006. Corporate expenses also include costs incurred in implementing the "CLEAR" program, designed to enhance internal control in response to the Sarbanes-Oxley Act.

1.3. Net finance costs

Net finance costs were 108 million euro, as compared to 112 million euro for Fiscal 2005. The year-on-year change includes the effects of a 9 million euro decrease in interest expense due to debt reduction, an increase in the impact of discounting long-term obligations (reflecting higher interest rates), and the remeasurement of financial instruments at fair value.

Interest cover (the ratio of operating profit to net finance costs) improved significantly to a ratio of 6.3.

1.4. Income tax expense

Income tax expense was 172 million euro, reflecting a stable effective tax rate of 34.1%.

2. Financial position as of August 31, 2006

The table below sets forth key components of the consolidated cash flow statement.

	Year ended August 31,	
(in millions of euro)	2006	2005
Net cash provided by operating activities	488	677
Net cash used in investing activities	(210)	(147)
Net cash used in financing activities	(179)	(384)
Change in net cash and cash equivalents	99	146

Net cash provided by operating activities totaled 488 million euro in Fiscal 2006. This included:

- a payment of 58 million euro in connection with the resolution of the U.S. litigation, which had been provided for in the financial statements for Fiscal 2005;
- the Group also sought to earn a higher return on the cash surplus generated by the Service Vouchers and Cards activity choosing to substantially increase the volume of long term cash investments.

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

- capital expenditures and client investments of 207 million euro, equivalent to 1.61% of revenues;
- acquisitions of 51 million euro, primarily 55% of the Paris Lido, 100% of Ticket Total (no.3 in the Service Vouchers and Cards market in Argentina), and the buyout of the minority investors in Altys (France);

Net cash flow used in investing activities of 210 million euro also included the proceeds from the sale of Spirit Cruises and existing cash in companies acquired.

Net cash used in financing activities includes a dividend payment of 127 million euro euro and a reduction in borrowings of 48 million euro.

As of August 31, 2006, borrowings were 1,880 million euro, and mainly comprised two euro-denominated bond issues totaling 1,327 million euro and U.S. dollar-denominated bank credit facilities of 486 million euro. The rest of the Group's borrowings comprise various bank credit facilities, finance lease obligations and derivative financial instruments.

Cash and cash equivalents net of bank overdrafts totaled 1,006 million euro. Cash investments in instruments with maturities of more than 3 months and restricted cash from the Service Vouchers and Cards activity totaled 423 million euro.

The operating cash position (restricted cash and financial assets plus cash and cash equivalents) was 1,429 million euro, including 810 million euro for Service Vouchers and Cards.

Overall, net debt as of August 31, 2006 stood at 451 million euro, representing 21% of consolidated equity, compared with 33% as of August 31, 2005.

As of the balance sheet date, 73% of Sodexho's borrowings were at fixed rates, and with an average interest rate of 5.7%. The Group also had unused credit facilities of 475 million euro. Off balance sheet commitments at August 31, 2006 (see note 4-7 to the consolidated financial statements) were 322 million euro, equivalent to 15% of consolidated equity.

3. Outlook for Fiscal 2007 and the medium term

At the Board meeting of November 14, 2006, the Chief Executive Officer, Michel Landel, outlined the objectives for Fiscal 2007 and the medium-term strategic plan.

"Based on the progress achieved in Fiscal 2006, the Board approved the following objectives for Fiscal 2007:
- organic revenue growth of between 6% and 7%;
- around 10% operating profit growth (excluding changes in exchange rates and consolidated scope), or approximately 635 million euro.

These objectives quantify the impact of the implementation of the strategic imperatives and action plans prepared by each of Sodexho's 28,300 sites.

Sodexho's market potential is vast, and is estimated to be worth more than 710 billion euro: 250 billion euro for Foodservices, 400 billion euro for Facilities Management, and more than 60 billion euro for the Service Vouchers and Cards activity.

Sodexho has a number of key advantages to exploit this potential:
- an unrivalled global network covering over 80% of the world's population and over 92% of world Gross Domestic Product;
- world leader status in its principal markets, especially in those segments offering the greatest growth potential – Healthcare, Seniors, Education and Defense;
- since its creation the Group has chosen to be a growth company, based on its values of:
  – service spirit,
  – team spirit
  – and spirit of progress
  and its high ethics: transparency, loyalty, and respect for people. This philosophy and values that the Group has fostered since its creation is a binding force that helps guide the 332,096 employees of the Group in their daily work.
- a highly effective financial model, based on activities requiring substantial human resources but little financial capital (net capital expenditures average less than 2% of revenues), leading to the generation of recurring cash to fund growth, repay debt and reward shareholders;
- a stable share ownership structure, which guarantees the Group's independence and provides continuity in its long-term strategy.

By enhancing its market leadership in Foodservices and accelerating expansion in Facilities Management and Service Vouchers and Cards, Sodexho intends to become the premier global outsourcing expert in quality of life services. Sodexho's objective is to achieve a medium-term average annual organic growth target of 7%.

As we have made significant progress in Fiscal 2006, I, along with my colleagues on the Executive Committee, would like to take this opportunity to thank our clients for their loyalty, our shareholders for their continuing support, and our 332,096 employees worldwide for their contribution to our progress: they provide the service quality that enables us to make every day a better day."

Michel Landel

Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS SODEXHO GROUP AUGUST 31, 2006

I. Consolidated Income Statement

(In millions of euro)	Notes	August 31, 2006	% of revenues	Change	August 31, 2005	% of revenues
Revenues	2.22. and 3.	12,798	100%	9.4%	11,693	100%
Cost of sales		(10,957)	(85.6)%		(10,033)	(85.8)%
Gross profit		1,841	14.4%	10.9%	1,660	14.2%
Sales department costs	4.1.	(159)	(1.2)%		(141)	(1.2)%
General and administrative costs	4.1.	(1,104)	(8.6)%		(1,002)	(8.6)%
Other operating income	4.1.	42			7	
Other operating charges	4.1.	(15)			(74)	(0.6)%
Operating profit	3.	605	4.7%	34.4%	450	3.9%
Financial income	4.2.	54	0.4%	(10.0)%	60	0.5%
Financial expense	4.2.	(162)	(1.3)%	(5.3)%	(172)	(1.5)%
Share of profit of associates	3.	8	0.1%		(6)	(0.1)%
Profit for the period before tax		505	3.9%	51.6%	332	2.8%
Income tax expense	4.3.	(172)	(1.3)%		(111)	(1.0)%
Profit for the period		333	2.6%		221	1.9%
Profit attributable to minority interest		10	0.1%		9	0.1%
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**323**	**2.5%**	**51.8%**	**212**	**1.8%**
Basic earnings per share (in euro)	2.23. and 4.4.	2.07		51.7%	1.36	
Diluted earnings per share (in euro)	2.23. and 4.4.	2.05		50.6%	1.36	

II. Consolidated Balance Sheet

ASSETS (in millions of euro)	Notes	August 31, 2006	August 31, 2005
Non-current assets			
Property, plant and equipment	2.6., 2.7., 2.8. and 4.5.	430	406
Goodwill	2.4., 2.8. and 4.6.	3,623	3,705
Other intangible assets	2.5., 2.8. and 4.7.	126	87
Client investments	2.9 and 4.8.	146	138
Associates	2.3.2. and 4.9.	36	32
Financial assets	2.12. and 4.11.	75	74
Other non-current assets	4.13.	18	18
Deferred tax assets	2.20. and 4.21.	242	225
Total non-current assets		**4,696**	**4,685**
Current assets			
Financial assets	2.12. and 4.11.	17	7
Derivative financial instruments	2.12. and 4.17.	42	40
Inventories	2.10. and 4.12.	168	176
Income tax		17	19
Trade and other receivables	4.13.	1,909	1,750
Restricted cash and financial assets related to the Service Vouchers and Cards activity	2.12. and 4.11.	423	326
Cash and cash equivalents	2.13. and 4.14.	1,042	949
Total current assets		**3,618**	**3,267**
TOTAL ASSETS		**8,314**	**7,952**

LIABILITIES AND EQUITY (in millions of euro)	Notes	August 31, 2006	August 31, 2005
Shareholders' equity			
Common stock		636	636
Additional paid in capital		1,186	1,186
Retained earnings		668	708
Consolidated reserves		(334)	(470)
Equity attributable to equity holders of the parent		**2,156**	**2,060**
Equity attributable to minority interests		**17**	**18**
Total shareholders' equity	**2.15., 2.19. and 4.15.**	**2,173**	**2,078**
Non-current liabilities			
Borrowings	2.12., 2.14. and 4.16.	1,852	1,891
Employee benefits	2.17. and 4.18.	349	309
Other liabilities	4.20.	101	80
Provisions	2.16. and 4.19.	68	53
Deferred tax liabilities	2.20. and 4.21.	49	54
Total non-current liabilities		**2,419**	**2,387**
Current liabilities			
Bank overdrafts		36	21
Borrowings	2.12., 2.14. and 4.16.	68	85
Derivative financial instruments	2.12. and 4.17.	2	2
Income tax		80	84
Provisions	2.16. and 4.19.	40	97
Trade and other payables	4.20.	2,369	2,197
Vouchers payable	2.18.	1,127	1,001
Total current liabilities		**3,722**	**3,487**
TOTAL LIABILITIES AND EQUITY		**8,314**	**7,952**

III. Consolidated Cash Flow Statement

For a detailed analysis of the consolidated cash flow statement, refer to note 4.22.

(In millions of euro)	Notes	August 31, 2006	August 31, 2005
Operating activities			
Operating profit		605	450
Elimination of non-cash and non-operating items			
Depreciation and amortization		164	168
Provisions		(34)	62
Losses/(gains) on disposals and other		(21)	5
Dividends received from associates		1	0
Change in working capital from operating activities		40	231
change in inventories		2	(14)
change in accounts receivable		(189)	(59)
change in trade and other payables		203	162
change in vouchers payable		131	123
change in financial assets related to the Service Vouchers and Cards activity		(107)	19
Interest paid		(114)	(122)
Interest received		18	19
Income tax paid		(171)	(136)
Net cash provided by operating activities		**488**	**677**
Investing activities			
Acquisitions of property, plant & equipment and intangible assets		(192)	(143)
Disposals of property, plant & equipment and intangible assets		17	16
Change in client investments		(15)	(19)
Change in financial assets		(15)	5
Effect of acquisitions of subsidiaries		(30)	(3)
Effect of disposals of subsidiaries		25	(3)
Net cash used in investing activities		**(210)**	**(147)**
Financing activities			
Dividends paid to parent company shareholders		(117)	(109)
Dividends paid to minority shareholders of consolidated companies		(10)	(8)
Change in shareholders' equity		(4)	(13)
Proceeds from borrowings		23	464
Repayment of borrowings		(71)	(718)
Net cash used in financing activities		**(179)**	**(384)**
CHANGE IN NET CASH AND CASH EQUIVALENTS		**99**	**146**
Net effect of exchange rates on cash and others		(21)	23
Net cash and cash equivalents at beginning of period		928	759
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4.14.**	**1,006**	**928**

IV. Statement of recognized income and expense

(In millions of euro)	August 31, 2006	August 31, 2005
Financial instruments	(6)	8
Change in cumulative translation adjustment	(92)	10
Actuarial gain/(loss) on employee benefits	(30)	7
Profit/(loss) recognized directly in equity	(128)	25
Profit for the period	333	221
Total recognized profit/(loss) for the period	205	246
Attributable to:		
Equity holders of the parent	196	237
Minority interest	9	9

V. Notes to the Consolidated Financial Statements

Sodexho Alliance is a *société anonyme* (a form of limited liability company) domiciled in France and its headquarters are located in Montigny-Le-Bretonneux.

The consolidated financial statements of the Group were approved by the Board of Directors on November 14, 2006.

1. Highlights

On February 13, 2006, Sodexho acquired an interest in the Paris Lido cabaret, in connection with its strategy of expanding its tourism and leisure activities.

On June 14, 2006, Sodexho acquired a group of companies in Argentina including Ticket Total Argentina, the country's third largest issuer of service vouchers. This acquisition extends the footprint of Sodexho's Service Vouchers and Cards activity in Argentina and Latin America.

On August 21, 2006, Sodexho sold Spirit Cruises, its U.S. river cruise subsidiary. The sale generated a gain of 21 million euro.

Payments made during fiscal 2006 in connection with the resolution of the U.S. litigation, which had been fully provided in the financial statements for Fiscal 2005, reduced cash flow by 58 million.

2. Accounting policies

2.1. Basis of preparation of the financial statements

Amounts in tables are expressed in millions of euro.

2.1.1. General principles

The financial statements of consolidated subsidiaries are prepared in accordance with accounting principles as defined by the Group under IFRS. The majority of fully consolidated companies close their financial statements as of August 31, with a half-year closing on February 28. For those companies having different closing dates, financial statements as of August 31 and February 28 are prepared to report transactions for the period from September 1.

Group consolidated financial statements have been prepared following the historical cost principle, with the exception of: financial assets, derivative financial instruments, services received in connection with a transaction for which payment is in shares and, which are measured at fair value, and certain assets and liabilities recognized at amortized cost where the effect of the time value of money is material.

The accounting principles and methods applied by the Group are described below.

2.1.2. Standards and interpretations applied

In application of European Union rule 1606/2002 of July 19, 2002, the Group's consolidated financial statements effective September 1, 2005 have been prepared for the first time in accordance with international financial reporting standards (IAS/IFRS) as adopted by the European Union as of August 31, 2006.

Sodexho has prepared its consolidated financial statements as of and for the year ended August 31, 2006 in accordance with IFRS 1, ("First-time application of international financial reporting standards"). Note 6 summarizes the main impacts of the transition to IFRS.

Fiscal 2005 financial statements were prepared using IFRS as the primary basis for accounting, with the same standards and interpretations used for Fiscal 2005.

Sodexho elected to early adopt as of August 31, 2005 the revised IAS 19, which allows for actuarial gains and losses to be recorded directly in shareholders' equity.

Sodexho has assessed the impact of IFRIC 4 on the consolidated financial statements, but has made no restatement with respect to this interpretation because the impact is not material.

2.1.3. Standards and interpretations not applied

Sodexho has elected not to early adopt the following standards and interpretations, which have been adopted by the European Union and are applicable in periods commencing between January 1, 2006 and January 1, 2007.

On August 18, 2005, as part of its project to develop IFRS 7, "Financial Instruments: Disclosures", the IASB amended IAS 1: "Presentation of Financial Statements" to add requirements for disclosures of: the entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and if it has not complied, the consequences of such non-compliance. These disclosure requirements apply to all entities, effective for annual periods beginning on or after 1 January 2007, with earlier application encouraged.

Also on August 18, 2005, the IASB amended the scope of IAS 39 to include financial guarantee contracts issued. A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Under IAS 39 as amended, financial guarantee contracts are recognised initially at fair value. If the financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is likely to equal the consideration received, unless there is evidence to the contrary. These contracts are subsequently recognized at the higher of (i) the amount determined in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognised in accordance with IAS 18 "Revenue". The amendment to IAS 39 is effective for annual periods beginning on or after January 1, 2006, with earlier application encouraged.

The Group is currently conducting an analysis of the practical effect of these amendments, and of their potential impact on the financial statements.

2.2. Use of estimates

The preparation of financial statements in accordance with IFRS requires management of Sodexho 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 of revenues and expenses for the period.

These estimates and assumptions are reassessed continuously based on past experience and on various other factors considered reasonable in view of current circumstances, which constitute the basis for 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 provisions for litigation (notes 4.19. and 4.28.), post-employment benefit plan assets and liabilities (note 4.18.), impairment of current and non-current assets (note 4.13.), and deferred taxes (note 4.21.).

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 Sodexho Alliance. Control exists when the Group 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 Sodexho Alliance directly or indirectly exercises significant influence over financial and operating policy without exercising control are consolidated by the equity method from the date on which significant influence is exercised to the date on which it ceases to be exercised. Significant influence is deemed to exist where the Group holds between 20% and 50% of the voting rights.

Sodexho 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.

Sodexho only makes equity and subordinated debt investments in such projects when it acts as a service provider to the project company. Further information on the investments as of August 31, 2006 is provided in note 4.9.

Each project company is assessed to determine whether Sodexho Alliance exercises control or significant influence based on the criteria of IAS 27, IAS 28 and SIC 12.

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 Sodexho 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 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 Sodexho 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 under "Cumulated translation adjustments".

Statutory monetary adjustments are maintained in the financial statements of subsidiaries in countries that were previously hyperinflationary (Argentina, Chile, Colombia, Mexico, Turkey and Venezuela). 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 reported in financial income or expense.

As of August 31, 2006, no country in which Sodexho is operating met the criteria for having a hyperinflationary economy.

2.3.4. Transactions with minority interests

Sodexho has a policy of conducting transactions with minority interests in the same way as transactions with third parties. Any gain or loss arising on disposals to minority interests is recognized in the income statement. Goodwill is recognized on acquisitions of shares from minority interests.

2.4. Business combination

The purchase method is used to account for acquisitions of subsidiaries by the Group. The cost of acquisition corresponds to the fair value of acquired assets, of equity instruments issued and of acquired or considered liabilities as of the date of the acquisition, increased by the costs directly attributable to the acquisition.

On first-time consolidation of a subsidiary or equity interest, the Group measures all identifiable items acquired in the currency of the acquired entity.

In accordance with IFRS 3, changes to measurement of identifiable assets and liabilities may occur, as a result of specialist valuations or a complementary analysis, within 12 months of the date of acquisition. Once this 12-month period has elapsed, the effect of any adjustments is recognized directly in the income statement unless it involves the correction of an error.

If future benefits of reported tax losses or other deferred tax assets of an acquired company were not recorded at the time of an acquisition because they did not meet the required accounting criteria, but subsequently do meet the accounting criteria, when realized, the goodwill value is reduced by the amount that would have been recorded if the tax asset had been recognized at the time of the acquisition.

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

2.4.1. Goodwill

Any excess of the cost of an acquisition over Sodexho's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the acquisition date is recognized as goodwill in the balance sheet.

These goodwill amounts are not amortized, but are 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. Where they exist, impairment amounts reported in the income statement are irreversible.

2.4.2. Negative goodwill

Any excess of Sodexho's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the acquisition date over the cost of the acquisition is treated as negative goodwill, and is taken to the income statement immediately in the period of acquisition.

2.5. Intangible assets

Separately acquired intangible assets are initially measured at acquisition cost in accordance with IAS 38. Intangible assets acquired in a business combination that (i) can be reliably measured, (ii) are controlled by Sodexho 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 acquisition cost less accumulated amortization and impairment losses.

Intangible assets other than brands are regarded as assets with 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 ....3-5 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 Sodexho and the cost can be measured reliably. All other repair and maintenance costs are recognized as expenses during the period in which they are incurred, except costs incurred to improve productivity or extend the useful life of an asset, which are capitalized.

Items of property, plant and equipment are depreciated over their expected useful lives using the component-based approach. 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 Sodexho are:
- Buildings..20-30 years
- General fixtures and fittings....................... 3-10 years
- Plant and equipment ....3-8 years
- Motor vehicles ....4 years
- Boats and pontoons
  (depending on the component)................... 5-15 years

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 Sodexho 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 Sodexho, are accounted for as follows:
- At the commencement 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 under “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 has an indefinite useful life. It is tested for impairment whenever there is an indication that it may have become impaired, and at least annually, in the last quarter of the fiscal year. The results of the impairment tests conducted are reassessed 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, which is generally the country level of an activity. The assets allocated to each CGU comprise goodwill, non-current 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 or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal;
- value in use, i.e. 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 into future years.

Management both at Group and subsidiary levels prepare 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 of the CGU.

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 be reversed if there is a change in the estimates used to determine its 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

In some contracts, Sodexho makes a financial contribution to the purchase of equipment or fixtures on the client site that are necessary to fulfill service obligations. These assets are amortized over the period of the service obligation.

In the cash flow statement, the changes in the value of these investments are 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.

Where the full amount due under the initial terms of the contract is not recoverable, an impairment loss is recognized.

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 Sodexho becomes a party to the contractual provisions of the instrument.

The fair values of financial assets and financial 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:

- **Loans and receivables** include deposits and security deposit, 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. An impairment loss is recognized if the recoverable amount of a financial asset at fair value through profit or loss is less than its carrying amount. Such impairment losses may be reversed if the increase in the recoverable amount can be related objectively to an event occurring after the impairment was recognized.
- **Financial assets available-for-sale** include equity investments in non-consolidated entities, marketable securities with maturities greater than three months, and restricted cash. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, with changes in fair value recognized separately in shareholders' equity. When an available-for-sale financial asset is sold or impaired, the cumulative fair value adjustment previously recognized in equity is transferred to the income statement.

2.12.2. Derivative instruments

Sodexho'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 immediately in the income statement.

Sodexho relies on external specialists to determine the fair value of these instruments.

2.12.3. Commitments to purchase minority interests

As required by IAS 32, Sodexho recognizes commitments to buy out minority interests as a liability within borrowings in the consolidated balance sheet. In the absence of any IASB standard or interpretation regarding the treatment of the matching debit entry, Sodexho has elected to offset the amount involved against the relevant minority interests in shareholders' equity until they are eliminated in full, and to treat any surplus as goodwill.

Firm commitments to buy out minority interests are therefore accounted for as follows under IFRS:
- the liability arising from the commitment is recognized at the buyout value;
- the expected goodwill is recognized in the balance sheet;
- the minority interest in profit for the period is reclassified as attributable to the equity holders of the parent.

Subsequent price adjustments are recognized as adjustments to the amount of goodwill.

This accounting policy may be revised in connection with the conclusions of the IASB.

2.12.4. Bank borrowings and bond issues

All borrowings, including utilized 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.

2.13. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, and short-term cash investments in money-market instruments which either have an initial maturity of less than three months or may be withdrawn at any time with no significant risk of loss in value.

2.14. Borrowing costs

Borrowing costs are treated 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, as permitted by IAS 23.
- Borrowing costs not directly attributable to a non-current asset are netted off the related borrowing in the balance sheet and recognized in the income statement over the term of the borrowing, in accordance with IAS 39.

2.15. Sodexho Alliance treasury shares

Sodexho Alliance 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 recorded 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 contracts is established where the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

2.17. Employee benefits

2.17.1. Short-term benefits

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

2.17.2. Post-employment benefits

Sodexho measures and recognizes post-employment benefits in accordance with IAS 19:
- contributions to defined-contribution plans are recognized as an expense;
- defined-benefit plans are measured using actuarial valuations.

Sodexho 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 Sodexho operates (such as inflation rate, rate of return on plan assets and discount rate).

Sodexho elected to early adopt the amended IAS 19, effective August 31, 2005. Actuarial gains and losses arising at each balance sheet date are therefore recognized in shareholders' equity without being amortized through the income statement.

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 Sodexho. Where the calculation of the net obligation results in an asset for Sodexho, 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 as operating items;
  – the effect of discounting and the expected return on plan assets, which are recorded in financial income or expense.

Sodexho 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 at fair value, which is the face value of vouchers in circulation or returned to Sodexho but not yet reimbursed to affiliates.

2.19. Share-based payments

Some Group employees receive compensation in the form of share-based payment.

In accordance with the transitional provisions of IFRS 1, only plans with a grant date after November 7, 2002 and not vested as of January 1, 2005 are measured and recognized as employee costs.

The services compensated by these plans are recognized as an expense with the matching credit entry taken to 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.

At each balance sheet date, Sodexho reassesses the number of options liable to become exercisable. The impact of any change in estimates is recognized in the income statement, with the matching entry taken to shareholders' equity.

2.20. Deferred taxes

Deferred taxes are recognized on 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 substantively enacted at the balance sheet date.

Deferred taxes are not recognized on the following items:
- 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", Sodexho presents its income statement by function.

Operating profit comprises the following components:
- gross profit
- sales department costs
- general and administrative costs
- other operating income and charges

2.22.2. Revenues

In accordance with IAS 18, revenues reported by Sodexho relate to the sale of services in connection with the ordinary activities of fully-consolidated companies as follows:
- Food and Facilities Management services, revenues include all revenues stipulated in the contract with consideration given to whether Sodexho acts as principal (the vast majority of cases) or agent;
- Service Vouchers and Cards: revenues comprise commission 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 receivable, net of discounts and rebates and of value added tax (VAT) and other taxes. Revenues are recognized when it is probable that future economic benefits will flow to Sodexho 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.

Food services 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.

For the purposes of calculating 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. Statement of cash flows

Sodexho presents its statement of cash flows in accordance with IAS 7.

The statement of cash flows analyzes changes in net cash and cash equivalents, which is defined as cash and cash equivalents less current bank overdrafts and credit bank balances payable on demand as part of Sodexho's treasury management strategy.

3. Segment information

As of August 31, 2006, Sodexho had two principal activities worldwide: Food and Facilities Management Services, and Service Vouchers and Cards. Food and Facilities Management services is further segmented by geographic region:

- North America;
- Continental Europe ;
- United Kingdom and Ireland;
- Rest of the World.

Food and Facilities Management services activities, detailed by geographic region, Service Vouchers and cards business, and Holding Companies, constitute the Group's primary segments.

The majority of Sodexho's other activities are included in Food and Facilities Management Services. These mainly comprise kitchen installation services, some event-driven activities, and the "Remote Sites" activity (which is included in the Rest of the World segment of the Food and Facilities Management Services activity). None of these activities individually represents a reportable segment.

3.1. By business segment

3.1.1. Income statement information

Fiscal 2006	Food and Facilities Management services (FFMS)								
	North America	Continental Europe	United Kingdom and Ireland	Rest of the world	Total Food and Facilities Management	Service Vouchers and Cards	Holding Companies	Eliminations	TOTAL
Revenues (third-party)	5,479	4,148	1,370	1,434	12,431	367	0	0	12,798
Inter-segment sales (Group)	0	0	0	0	0	6	0	(6)	0
Total	**5,479**	**4,148**	**1,370**	**1,434**	**12,431**	**373**	**0**	**(6)**	**12,798**
Segment operating profit	277	203	42	28	550	113	(58)	0	605
Share of profit of associates	1	0	5	2	8	0	0	0	8
Net financing costs									(108)
Income tax expense									(172)
Minority interest									10
Profit attributable to equity holders of the parent									**323**
Depreciation/amortization of segment assets	46	66	20	17	149	10	5	0	164
Other non-cash items	4	3	0	1	8	0	2	0	10
Impairment losses recognized	0	1	0	4	5	0	0	0	5
Impairment losses reversed	0	0	0	0	0	0	0	0	0

Fiscal 2005	Food and Facilities Management services (FFMS)								
	North America	Continental Europe	United Kingdom and Ireland	Rest of the world	Total Food and Facilities Management	Service Vouchers and Cards	Holding Companies	Eliminations	TOTAL
Revenues (third-party)	5,004	3,922	1,302	1,166	11,394	299	0	0	11,693
Inter-segment sales (Group)	0	0	0	0	0	6	0	(6)	0
Total	**5,004**	**3,922**	**1,302**	**1,166**	**11,394**	**305**	**0**	**(6)**	**11,693**
Segment operating profit	160	199	16	35	410	78	(38)	0	450
Share of profit of associates	1	0	(8)	1	(6)	0	0	0	(6)
Net financing costs									(112)
Income tax expense									(111)
Minority interest									9
Profit attributable to equity holders of the parent									**212**
Depreciation/amortization of segment assets	51	65	22	14	152	10	5	0	167
Other non-cash items	4	3	0	1	8	0	2	0	10
Impairment losses recognized	0	2	0	0	2	2	0	0	4
Impairment losses reversed	0	1	0	0	1	0	0	0	1

3.1.2. Balance sheet information

As of August 31, 2006	Food and Facilities Management services (FFMS) North America	Continental Europe	United Kingdom and Ireland	Rest of the world	Total Food and Facilities Management	Service Vouchers and Cards	Holding Companies	Eliminations	TOTAL
Segment assets	3,142	1,885	1,116	560	6,703	852	104	(197)	7,462
Associates	8	0	5	23	36	0	0	0	36
Financial assets (incl. derivatives)									557
Income tax assets									259
Total Assets									8,314
Segment liabilities	899	1,130	481	362	2,872	1,231	184	(197)	4,090
Financial liabilities									1,922
Income tax liabilities									129
Shareholders' equity									2,173
Total Liabilities and equity									8,314
Capital expenditure during the period	68	67	38	21	194	13	1	(1)	207

As of August 31, 2005	Food and Facilities Management services (FFMS) North America	Continental Europe	United Kingdom and Ireland	Rest of the world	Total Food and Facilities Management	Service Vouchers and Cards	Holding Companies	Eliminations	TOTAL
Segment assets	3,166	1,820	1,003	495	6,484	801	110	(166)	7,229
Associates	8	0	1	23	32	0	0	0	32
Financial assets (incl. derivatives)									447
Income tax assets									244
Total assets									7,952
Segment liabilities	949	1,154	375	302	2,780	1,082	62	(166)	3,758
Financial liabilities									1,978
Income tax liabilities									138
Shareholders' equity									2,078
Total Liabilities and equity									7,952
Capital expenditure during the period	59	59	16	16	150	8	4	0	162

3.2. By geographic segment

Segment information is reported for each of the principal geographic regions in which Sodexho operates, and includes all activities within that geographic region.

Fiscal 2006	North America	Continental Europe	United Kingdom and Ireland	Rest of the world	Holding companies	Eliminations	TOTAL
Revenue (third-party)	5,479	4,330	1,378	1,617	0	(6)	12,798
Segment assets	3,142	2,274	1,141	998	104	(197)	7,462
Capital expenditure during the period	68	73	39	27	1	(1)	207

Fiscal 2005	North America	Continental Europe	United Kingdom and Ireland	Rest of the world	Holding companies	Eliminations	TOTAL
Revenue (third-party)	5,004	4,087	1,308	1,300	0	(6)	11,693
Segment assets	3,166	2,213	1,032	874	110	(166)	7,229
Capital expenditure during the period	59	63	16	20	4	0	162

4. Information on the financial statements as of August 31, 2006

4.1. Operating expenses by nature

(In millions of euro)	Fiscal 2006	Fiscal 2005
Depreciation, amortization and impairment losses	(188)	(171)
Employee costs		
• Wages and salaries	(4,656)	(4,207)
• Other employee costs [1]	(1,385)	(1,330)
Purchases of consumables and change in inventory	(4,165)	(3,833)
Other operating expenses [2]	(1,799)	(1,702)
TOTAL	(12,193)	(11,243)

(1) Primarily payroll-related costs, but also including costs associated with defined-benefit employment plans (Note 4.18.) and stock options (Note 4.23.).
(2) Other operating expenses mainly include professional fees, other purchases, operating lease expenses of 232 million euro, other subcontracting costs, and other travel expenses.

Operating expenses by function

	Fiscal 2006	Fiscal 2005
Cost of sales	(10,957)	(10,033)
Sales department costs	(159)	(141)
General and administrative costs	(1,104)	(1,002)
Other operating income and charges	27	(67)
TOTAL	(12,193)	(11,243)

4.2. Financial income and expense

Financial income

(In millions of euro)	Fiscal 2006	Fiscal 2005
Interest expense, net of interest income	(95)	(104)
Net foreign exchange (losses)/gains	(2)	1
Net impairment (losses)/reversals	(1)	-
Expected return on defined-benefit plan assets	26	23
Interest cost on defined-benefit plan assets	(27)	(27)
Change in fair value of derivative instruments	(4)	2
Other	(5)	(7)
Net financing income and expense	(108)	(112)

Net financial income and expense was 4 million euro lower than in fiscal 2005, for the following principal reasons:
- a reduction of 9 million euro due to the lower level of borrowings;
- a reduction of 3 million euro due to a higher return on post-employment benefit plan assets;
- an increase of 3 million euro due to currency translation differences;
- an increase of 6 million euro due to the fair value remeasurement of financial instruments.

4.3. Income tax expense

Income tax rate reconciliation

(In millions of euro)	Fiscal 2006	Fiscal 2005
Profit for the period before tax	505	332
Share of profit of associates	8	(6)
Accounting profit before tax	**497**	**338**
Tax rate applicable to Sodexho Alliance	34.43%	34.93%
Theoretical income tax expense	**(171)**	**(118)**
Effect of differential in tax rates applied to income from foreign countries	5	8
Permanently non-deductible expenses or non-taxable income	0	2
Other tax repayments/(charges), net	(7)	(8)
Tax loss carry-forwards used or recognized during the period but not recognized as a deferred tax asset in prior periods	6	7
Tax loss carry-forwards arising during the period but not recognized as a deferred tax asset	(6)	(1)
Taxes recognized directly in equity	2	0
Actual income tax expense	**(171)**	**(110)**
Withholding taxes	(1)	(1)
TOTAL INCOME TAX EXPENSE	**(172)**	**(111)**

(In millions of euro)	Fiscal 2006	Fiscal 2005
Current income tax payable	(157)	(112)
Adjustments to current income tax payable in respect of prior periods	(1)	(1)
Provision for tax exposures	(2)	(1)
Tax credits, tax losses and temporary difference carry-forwards utilized	(15)	(38)
Sub-total: current income taxes	**(175)**	**(152)**
Deferred taxes on temporary differences arising or reversing during the period	6	42
Deferred taxes on changes in tax rates or liability to taxes at new rates	0	0
Tax credits, tax losses and temporary difference carry-forwards utilized	(2)	0
Sub-total: deferred taxes [1]	**4**	**42**
Actual income tax expense for the period	**(171)**	**(110)**

(1) Movements relating to temporary differences were primarily due to the reversal of the provision and the cash payments made in connection with the U.S. litigation (see notes 4.19. and 4.28.).

Deferred tax assets generated by companies reporting a tax loss in current or prior periods amounted to 1 million euro.

An accrual of 4 million euro has been recorded in the consolidated financial statements to cover withholding taxes on dividends receivable.

4.4. Earnings per share

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

	Fiscal 2006	Fiscal 2005
Basic weighted average number of shares	156,050,771	155,869,510
Average dilutive effect of stock options [1]	1,432,620	333,165
Diluted weighted average number of shares	157,483,391	156,202,675

(1) The impact of dilution has increased by approximately 1 million ordinary shares relative to fiscal, 2005 solely as a result of the rise in the quoted market price of Sodexho Alliance shares.

The tables below show the calculation of basic and diluted earnings per share:

	Fiscal 2006	Fiscal 2005
Profit for the period attributable to equity holders of the parent	323	212
Basic weighted average number of shares	156,050,771	155,869,510
Basic earnings per share	2.07	1.36

	Fiscal 2006	Fiscal 2005
Profit for the period attributable to equity holders of the parent	323	212
Effect of dilutive instruments on profit for the period attributable to equity holders of the parent	0	0
Adjusted net profit of the period attributable to equity holders of the parent	323	212
Diluted weighted average number of shares	157,483,391	156,202,675
Diluted earnings per share	2.05	1.36

One of the stock-option plans did not have a dilutive impact during Fiscal 2006 but may in the future depending upon the change in the Sodexho Alliance share price.

4.5. Property, plant and equipment

4.5.1. Analysis of property, plant and equipment

The tables below show movements in consolidated property, plant and equipment by type of asset for fiscal 2006 and fiscal 2005, including assets held under finance leases.

(In millions of euro)	Land	Buildings	Fixtures and fittings	Plant and equipment	Vehicles	Office and computer equipment	Construction In progress and other	TOTAL
Cost – September 1, 2005	7	146	155	415	63	208	116	1,110
Accumulated depreciation/ impairment – September 1, 2005	0	(77)	(98)	(281)	(38)	(154)	(56)	(704)
Carrying amount – September 1, 2005	7	69	57	134	25	54	60	406
Increases during the period		6	18	76	10	34	40	184
Decreases during the period		(1)	(2)	(6)	(2)	(1)	(5)	(17)
Assets classified as held for sale	1							1
Newly consolidated companies			5					5
Newly deconsolidated companies			(3)		(7)	(1)		(11)
Depreciation expense		(8)	(19)	(54)	(7)	(29)	(14)	(131)
Impairment losses recognised in profit or loss			(1)	(2)				(3)
Impairment losses reversed in profit or loss								0
Translation adjustment				(2)		(1)	(1)	(4)
Other	(1)	2	8	5	(1)	2	(15)	0
Carrying amount – August 31, 2006	7	68	63	151	18	58	65	430

(In millions of euro)	Land	Buildings	Fixtures and fittings	Plant and equipment	Vehicles	Office and computer equipment	Construction in progress and other	TOTAL
Cost – September 1, 2004	7	143	155	387	75	198	112	1,077
Accumulated depreciation/ impairment – September 1, 2004	(1)	(67)	(94)	(253)	(53)	(141)	(57)	(666)
Carrying amount – September 1, 2004	6	76	61	134	22	57	55	411
Increases during the period		4	12	49	11	30	31	137
Decreases during the period		(3)	(2)	(6)	(3)	(3)		(17)
Assets classified as held for sale								0
Newly consolidated companies								0
Newly deconsolidated companies								0
Depreciation expense		(10)	(18)	(53)	(7)	(30)	(13)	(131)
Impairment losses recognised in profit or loss								0
Impairment losses reversed in profit or loss	1							1
Translation adjustment				2			1	3
Other		2	4	8	2		(14)	2
Carrying amount – August 31, 2005	7	69	57	134	25	54	60	406

Expenditures of 25 million euro were capitalized as construction in progress, during Fiscal 2006, compared with 20 million euro in Fiscal 2005.

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

4.5.2. Analysis of assets held under finance leases

Property, plant and equipment

The tables below show movements in property, plant and equipment held under capital leases by type of asset for Fiscal 2006 and 2005.

Sodexho holds property, plant and equipment under a large number of capital leases in all parts of the world. These leases relate to kitchens and kitchen equipment used in many of the 28,300 sites, office equipment, and other assets; the terms are negotiated locally.

(In millions of euro)	Buildings	Fixtures and fittings	Plant and equipment	Vehicles	Office and computer equipment	Construction in progress and other	TOTAL
Cost – August 31, 2005	77	27	66	19	10	19	218
Accumulated depreciation/ impairment – August 31, 2005	(52)	(17)	(50)	(9)	(7)	(10)	(145)
Carrying amount – August 31, 2005	25	10	16	10	3	9	73
Increases during the period	3	1	10	2	1	2	19
Decreases during the period			(1)	(1)			(2)
Assets classified as held for sale							0
Newly consolidated companies							0
Newly deconsolidated companies							0
Depreciation expense	(4)	(3)	(8)	(2)	(2)	(3)	(22)
Impairment losses recognised in profit or loss							0
Impairment losses reversed in profit or loss							0
Translation adjustment							0
Other		(1)	1				0
Carrying amount – August 31, 2006	24	7	18	9	2	8	68

(In millions of euro)	Buildings	Fixtures and fittings	Plant and equipment	Vehicles	Office and computer equipment	Construction in progress and other	TOTAL
Cost - September 1, 2004	77	25	67	37	13	20	239
Accumulated amortization/ depreciation - September 1, 2004	(47)	(15)	(44)	(24)	(8)	(10)	(148)
Carrying amount – September 1, 2004	30	10	23	13	5	10	91
Increases during the period	1		3	1	1	1	7
Decreases during the period				(2)	(1)		(3)
Assets classified as held for sale							0
Newly consolidated companies							0
Newly deconsolidated companies							0
Amortization/depreciation expense	(6)	(2)	(6)	(2)	(2)	(3)	(21)
Impairment losses recognised in profit or loss							0
Impairment losses reversed in profit or loss							0
Translation adjustment				(1)			(1)
Other		2	(4)	1		1	0
Carrying amount – August 31, 2005	25	10	16	10	3	9	73

Intangible assets

Software accounts for the majority of intangible assets treated as capital leases.

(in millions of euro)	August 31, 2006	August 31, 2005
Cost	2	0
Accumulated amortization	(2)	0
Carrying amount	0	0

Maturity of discounted and undiscounted minimum finance lease payments as of August 31, 2006.

	Undiscounted obligation	Discounted obligation
Less than 1 year	25	22
1 to 5 years	41	37
More than 5 years	13	12
Total minimum lease payments	79	71

4.6. Goodwill

		August 31, 2005	Additions during the period	Decreases during the period	Translation adjustment	Other	August 31, 2006
FFMS North America	Gross	2,259	1		(114)	(7)	2,139
	Impairment	0					0
FFMS United Kingdom and Ireland	Gross	677			8		685
	Impairment	0					0
FFMS France	Gross	243	14				257
	Impairment	(1)	(1)				(2)
FFMS Scandinavia	Gross	129			1		130
	Impairment	0					0
FFMS Netherlands	Gross	121					121
	Impairment	0					0
FFMS Belgium	Gross	24					24
	Impairment	0					0
FFMS Spain	Gross	19					19
	Impairment	0					0
FFMS Italy	Gross	16	1				17
	Impairment	0					0
FFMS Germany	Gross	17	1				18
	Impairment	0					0
Other FFMS Continental Europe	Gross	5					5
	Impairment	(1)					(1)
Total	Gross	574	16	0	1	0	591
FFMS Continental Europe	Impairment	(2)	(1)	0	0	0	(3)
FFMS Asia-Australia	Gross	34			(1)		33
	Impairment	0					0
FFMS South America	Gross	23					23
	Impairment	0					0
Universal Sodexho	Gross	47			(2)		45
	Impairment	0					0
Other	Gross	1					1
	Impairment	0					0
Total	Gross	105	0	0	(3)	0	102
FFMS Rest of the world	Impairment	0	0	0	0	0	0
SVC Brazil	Gross	60			3		63
	Impairment	0					0
SVC Argentina	Gross	16	14		(2)		28
	Impairment	0					0
Other SVC	Gross	16	3		(1)		18
	Impairment	(2)					(2)
Total SVC	Gross	92	17	0	0	0	109
	Impairment	(2)	0	0	0	0	(2)
Holding companies	Gross	2					2
	Impairment	0					0
TOTAL	**GROSS**	**3,709**	**34**	**0**	**(108)**	**(7)**	**3,628**
	IMPAIRMENT	**(4)**	**(1)**	**0**	**0**	**0**	**(5)**

FFMS: Food and Facilities Management services.
SVC: Service Vouchers and Cards.

The increase in goodwill was due to the acquisitions of the Paris Lido (SEGHSMI) in France and Ticket Total in Argentina (see note 4.24.). The put option exercised in Fiscal 2006 for the 20% minority interest in Altys Multiservices did not impact goodwill. In the United States, the utilization in Fiscal 2006 of tax loss carryforwards related to a previous aquisition, for which no deferred tax assets had been recorded at the time of acquisition, resulted in a 7 million euro decrease in goodwill (see note 2.4.).

		September 1, 2004	Additions during the period	Decreases during the period	Translation adjustment	Other	August 31, 2005
FFMS North America	Gross	2,273	2		(16)		2,259
	Impairment	0					0
FFMS United Kingdom and Ireland	Gross	684			(7)		677
	Impairment	0					0
FFMS France	Gross	240	3				243
	Impairment	0	(1)				(1)
FFMS Scandinavia	Gross	130	2		(3)		129
	Impairment	0					0
FFMS Netherlands	Gross	121					121
	Impairment	0					0
FFMS Belgium	Gross	23	1				24
	Impairment	0					0
FFMS Spain	Gross	19					19
	Impairment	0					0
FFMS Italy	Gross	17		(1)			16
	Impairment	0					0
FFMS Germany	Gross	17					17
	Impairment	0					0
Other FFMS Continental Europe	Gross	4	1				5
	Impairment	0	(1)				(1)
Total	Gross	571	7	(1)	(3)	0	574
FFMS Continental Europe	Impairment	0	(2)	0	0	0	(2)
FFMS Asia-Australia	Gross	33			1		34
	Impairment	0					0
FFMS South America	Gross	19			4		23
	Impairment	0					0
Universal Sodexho	Gross	63		(9)	(1)	(6)	47
	Impairment	0					0
Other	Gross	1					1
	Impairment	0					0
Total	Gross	116	0	(9)	4	(6)	105
FFMS Rest of the world	Impairment	0	0	0	0	0	0
SVC Brazil	Gross	49			11		60
	Impairment	0					0
SVC Argentina	Gross	16					16
	Impairment	0					0
Other SVC	Gross	14	2				16
	Impairment	0	(2)				(2)
Total SVC	Gross	79	2	0	11	0	92
	Impairment	0	(2)	0	0	0	(2)
Holding companies	Gross	2					2
	Impairment	0					0
TOTAL	**GROSS**	**3,725**	**11**	**(10)**	**(11)**	**(6)**	**3 709**
	IMPAIRMENT	**0**	**(4)**	**0**	**0**	**0**	**(4)**

4.7. Intangible assets

The tables below show movements in intangible assets during Fiscal 2006 and Fiscal 2005.

(In millions of euro)	Licences and software	Other intangible assets	TOTAL
Cost - August 31, 2005	174	26	200
Accumulated amortization/impairment - August 31, 2005	(102)	(11)	(113)
Carrying amount - August 31, 2005	72	15	87
Increases during the period	17	46	63
Internally-generated assets	2		2
Decreases during the period	(1)	(2)	(3)
Assets classified as held for sale			0
Newly consolidated companies		11	11
Newly deconsolidated companies			0
Amortization expense	(31)	(2)	(33)
Impairment losses recognised in profit or loss	(1)		(1)
Impairment losses reversed in profit or loss			0
Translation adjustment			0
Other			0
Carrying amount - August 31, 2006	58	68	126

(In millions of euro)	Licences and software	Other intangible assets	TOTAL
Cost - September 1, 2004	169	25	194
Accumulated amortization/impairment - September 1, 2004	(79)	(10)	(89)
Carrying amount - September 1, 2004	90	15	105
Increases during the period	17		17
Internally-generated assets	1		1
Decreases during the period	(1)		(1)
Assets classified as held for sale			0
Newly consolidated companies			0
Newly deconsolidated companies			0
Amortization expense	(35)	(1)	(36)
Impairment losses recognised in profit or loss			0
Impairment losses reversed in profit or loss			0
Translation adjustment			0
Other		1	1
Carrying amount - August 31, 2005	72	15	87

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 sales department costs.

4.8. Client investments

(In millions of euro)	August 31, 2005	August 31, 2006
Carrying amount - September 1	120	138
Increases during the period	43	44
Decreases during the period	(24)	(29)
Translation adjustment	0	(7)
Other	(1)	0
Carrying amount - August 31	138	146

4.9. Investments in associates

(In millions of euro)	August 31, 2005	Profit/(loss) for the period	Dividend paid for the period	Changes in scope of consolidation	Translation adjustment and other items	August 31, 2006
Doyon Universal Services [1]	15.0	1.0	(0.5)		(0.8)	14.7
BAS	4.8	0.7				5.5
BAS 2	3.2					3.2
NANA	7.6	0.9			(0.4)	8.1
RMPA Holdings Ltd	1.2	0.4			0.9	2.5
South Manchester Healthcare (Holdings) Ltd [2]		2.3	(0.2)		(0.7)	1.4
Other	0.3	0.8	(0.4)	0.2	0	0.9
TOTAL	32.1	6.1	(1.1)	0.2	(1.0)	36.3

(1) Includes goodwill of 5.8 million euro as of August 31, 2006.
(2) South Manchester had negative net assets as of August 31, 2005, which were recognized as a liability.

Sodexho's share of the negative net assets of associates is recognized as a liability (see note 4.19.).

This liability comprises the following:

(In millions of euro)	August 31, 2005	Profit/(loss) for the period	Dividend paid for the period	Change in scope of consolidation	Translation adjustment and other items	August 31, 2006
SERCO Sodexho Defence Services	(4.4)	0.7			0.1	(3.6)
Peterborough Prison Management Holdings Ltd	(3.3)	1.2			0.9	(1.2)
Agecroft Prison Management Ltd	(2.9)					(2.9)
Catalyst Healthcare (Roehampton) Holdings Ltd	(2.8)	0.2			(0.4)	(3.0)
Ashford Prison Services Holdings Ltd	(2.2)				0.7	(1.5)
HpC King's College Hospital (Holdings) Ltd	(1.5)	(0.4)				(1.9)
South Manchester Healthcare (Holdings) Ltd [1]	(1.5)				1.5	0
Enterprise Healthcare Holdings Ltd	(0.8)					(0.8)
Addiewell Prison (Holdings) Ltd					(1.1)	(1.1)
Other	(0.4)	(0.1)			0.2	(0.3)
Provision for negative net assets	(19.6)	1.6	0	0	1.9	(16.1)

(1) South Manchester had negative net assets as of August 31, 2005 which were recognized as a liability.

The table below gives key financial data for Sodexho's principal associates:

(Data are for the company as a whole, rather than Sodexho's percentage interest).

	Country of operations	% interest	Balance sheet total	Assets	Liabilities	Equity	Revenues	Profit/(loss) for the period
RMPA Holdings Ltd*	UK	14%	995	995	977	18	226	3
Catalyst Healthcare (Manchester) Holdings Ltd*	UK	25%	565	565	564	1	106	2
Catalyst Healthcare (Romford) Holdings Ltd*	UK	25%	377	377	377	0	119	0
BAS (Chile)*	Chile	33.33%	252	252	236	16	13	2
HpC King's College Hospital (Holdings) Ltd*	UK	25%	149	149	157	(7)	21	(2)
Peterborough Prison Management Holdings Ltd*	UK	33.33%	141	141	145	(4)	30	3
South Manchester Healthcare (Holdings) Ltd*	UK	25%	138	138	132	5	20	9
Catalyst Healthcare (Roehampton) Holdings Ltd*	UK	25%	124	124	136	(12)	25	1
Mercia Healthcare (Holdings) Ltd*	UK	25%	114	114	114	1	8	1
Ashford Prison Services Holdings Ltd*	UK	33.33%	104	104	108	(5)	24	0
Agecroft Prison Management Ltd*	UK	50%	73	73	79	(6)	27	0
Enterprise Healthcare Holdings Ltd*	UK	10%	71	71	79	(8)	29	0
Pinnacle Schools (Fife) Holdings Ltd*	UK	10%	71	71	71	0	9	0
Enterprise Education Holdings Conwy Ltd*	UK	10%	63	63	63	1	6	1
NANA (Sodexho, Inc.)	United States	43.6%	55	55	35	20	79	3
Enterprise Civic Buildings (Holdings) Ltd*	UK	10%	39	39	37	2	2	3
Addiewell Prison (Holdings) Ltd*	UK	33.33%	39	39	42	(3)	30	0
BAS 2 (Chile)*	Chile	33.33%	35	35	26	9	0	0
Doyon Universal Services JV	United States	49.9%	26	26	2	23	52	2
Serco Sodexho Defence Services PTY	Australia	50%	16	16	23	(7)	81	2

(*) Project companies established in connection with Public-Private Partnerships (PPP) contracts (see 2.3.2.).

4.10. Impairment of assets

Impairment losses recognized as of August 31, 2006

(In millions of euro)	August 31, 2005	Recognized	Reversed	Other	August 31, 2006
Goodwill	4	1			5
Intangible assets	0	1			1
Property, plant and equipment	1	3			4
Impairment of assets	5	5			10

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.

Assets with indefinite useful lives were tested for impairment as of August 31, 2006 using the methods described in note 2.8.2.

The main assumptions used were:

	FFMS France	FFMS North America	FFMS United Kingdom	FFMS Sweden
Discount rate	7.9%	7.9%	7.9%	7.9%
Long-term growth rate	2%	2.5%	2.5%	2%

For other countries and the Service Vouchers and Cards activity, the discount rate applied to future cash flows was 7.9% (uplifted by up to 80% for countries regarded as having a higher degree of risk), and the long-term growth rate used to extrapolate terminal value from the third year of the business plan was 2% (rising up to 6.2% for subsidiaries in developing countries).

As of August 31, 2006, in connection with the evaluation for impairment of the goodwill on Sodexho Venues Australia (FFMS Australia), an impairment loss of 4 million euro was recognized, and allocated to the non-current assets of Sodexho Venues Australia. The amount of the impairment loss was determined by reference to value in use, based on the following assumptions:
- discount rate: 8.00%;
- long-term growth rate: 3.00%.

Sensitivity analysis

Sodexho has analyzed the sensitivity of impairment test results to differences in long-term growth rates.

Using current profitability assumptions, an impairment loss might be recognized for the Food and Facilities Management Services activity in the United Kingdom, if the long term growth rate were to become negative.

The Group has also verified that the use of pre-tax discount rates applied to pre-tax cash flows would not materially change the impairment test results.

4.11. Financial assets

NON-CURRENT	August 31, 2005	Increase/ (decrease) during the period	Change in scope of consolidation	Translation adjustment and other items	August 31, 2006
Available-for-sale assets					
Investments in non-consolidated companies					
Cost	41		(2)	4	43
Impairment	(1)			(5)	(6)
Carrying amount	40	0	(2)	(1)	37
Other investment securities					
Cost	0				0
Impairment	0				0
Carrying amount	0	0	0	0	0
Loans and receivables					
Receivables from investees					
Cost	22	2	1	1	26
Impairment	0			(1)	(1)
Carrying amount	22	2	1	0	25
Loans					
Cost	4			(1)	3
Impairment	0				0
Carrying amount	4	0	0	(1)	3
Financial assets at fair value through profit and loss					
Other financial assets at fair value	8	0	1	1	10
TOTAL NON-CURRENT FINANCIAL ASSETS					
Cost	75	2	0	5	82
Impairment	(1)	0	0	(6)	(7)
Carrying amount	74	2	0	(1)	75

Principal non-consolidated equity investments

The Group holds an 18.50% interest in Bellon SA, the parent company of Sodexho Alliance, 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 debt instrument. Consequently, it is carried at cost.

The Group also holds a 9.3% interest in Leoc Japan Co, carried at a value of 2.8 million euro. This investment is measured at its quoted stock market price.

CURRENT	August 31, 2005	Increase/ (decrease) during the period	Change in scope of consolidation	Translation adjustment and other items	August 31, 2006
Available for sale financial assets					
Marketable securities with a maturity of over 3 months					
Cost	1	(1)			0
Impairment	0				0
Net value	1	(1)	0	0	0
Restricted cash and other financial assets: Service Vouchers and Cards activity					
Cost	326	107	2	(12)	423
Impairment	0				0
Net Value	326	107	2	(12)	423
Loans and receivables					
Loans due within less than 1 year					
Cost	2	2			4
Impairment	0	(2)			(2)
Net Value	2	0	0	0	2
Financial assets at fair value through profit and loss					
Other financial assets at fair value	4	12	0	(1)	15
TOTAL CURRENT FINANCIAL ASSETS					
Cost	333	120	2	(13)	442
Impairment	0	(2)	0	0	(2)
Net Value	333	118	2	(13)	440

Restricted cash, included in “Restricted cash and financial assets related to the Service Vouchers and Cards activity”, amounts to 281 million euro. The main components of this figure are funds set aside to comply with regulations governing the issuance of service vouchers in France (177 million euro) and Romania (37 million euro); guarantee funds for affiliates in Mexico (9 million euro); and contractual guarantees given to public-sector clients in Venezuela (22 million euro).

Gains and losses recognized directly in equity on available-for-sale financial assets during Fiscal 2006 represented a net loss of 9 million euro.

Gains and losses reversed out of equity and recognized in the income statement in financial income or expense during Fiscal 2006 were immaterial.

Of the 12 million euro increase in “Financial assets at fair value through profit and loss”, 13 million euro represents cash invested in connection with a liquidity contract signed in July 2006 with Oddo Corporate Finance.

4.12. Inventories

(In millions of euro)	August 31, 2005	Increase/ (decrease) during the period	Change in scope of consolidation	Translation adjustment and other items	August 31, 2006
Cost	178	(3)	0	(6)	169
Impairment	(2)	1	0	0	(1)
Carrying amount	176	(2)	0	(6)	168

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, 2006	Impairment as of August 31, 2006	Carrying amount as of August 31, 2006	Carrying amount as of August 31, 2005
Net plan assets*	0	0	0	2
Other non-current assets	18	0	18	16
Total other non-current assets	18	0	18	18
Advances to suppliers	9	0	9	5
Trade receivables	1,729	(84)	1,645	1,508
Other operating receivables	177	(4)	173	175
Prepaid expenses	78	0	78	57
Non-operating receivables	2	0	2	5
Assets held for sale	2	0	2	0
TOTAL TRADE AND OTHER RECEIVABLES	1,997	(88)	1,909	1,750

(*) For details of net benefit plan assets, see note 4.18. “Long-term employee benefits”.

4.14. Cash and cash equivalents

(In millions of euro)	August 31, 2006	August 31, 2005
Marketable securities	373	433
Cash	669	516
Sub-total: cash and cash equivalents	1,042	949
Bank Overdrafts	(36)	(21)
NET CASH AND CASH EQUIVALENTS	1,006	928

Marketable securities comprised:

(in millions of euro)	August 31, 2006	August 31, 2005
Short-term notes	97	199
Term deposits	117	97
Listed bonds	31	45
SICAVs and other	128	92
TOTAL MARKETABLE SECURITIES	373	433

4.15. Statement of changes in shareholders' equity

	Shares outstanding						Treasury shares					
	Quantity	Common stock	Additional paid in capital	Cumulative translation adjustment	Consolidated reserves	Retained earnings	Quantity	Reserve	Other reserves	Equity holders of the parent	Minority interest	TOTAL shareholders' equity
Shareholders' equity as of September 1, 2004	159,026,413	636	1,186	0	(523)	739	(3,033,771)	(99)	(3)	1,936	24	1,960
Common stock issued										0		0
Dividends paid (excluding treasury shares)						(109)				(109)	(7)	(116)
Sodexho Alliance SA profit for prior period					(87)	87				0		0
Profit for current period					212					212	9	221
Changes in scope of consolidation										0	(8)	(8)
Net sale/(purchase) of treasury shares							(402,129)	(13)		(13)		(13)
Change in cumulative translation adjustment and other movements				10						10	0	10
Items recognized directly in equity					9	(9)			24	24		24
Shareholders' equity as of August 31, 2005	159,026,413	636	1,186	10	(389)	708	(3,435,900)	(112)	21	2,060	18	2,078
Common stock issued										0		0
Dividends paid (excluding treasury shares)						(117)				(117)	(10)	(127)
Sodexho Alliance SA profit for prior period					(77)	77				0		0
Profit for current period					323					323	10	333
Changes in scope of consolidation										0		0
Net sale/(purchase) of treasury shares							350,115	(3)		(3)		(3)
Change in cumulative translation adjustment and other movements				(91)						(91)	(1)	(92)
Items recognized directly in equity									(16)	(16)		(16)
Shareholders' equity as of August 31, 2006	159,026,413	636	1,186	(81)	(143)	668	(3,085,785)	(115)	5	2,156	17	2,173

- The Group holds 3,029,385 Sodexho Alliance shares with a carrying amount of 85.2 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 period, the Group acquired Sodexho Alliance shares for a value of 38 million euro, and delivered Sodexho Alliance shares for a value of 36 million euro on the exercise of stock options by employees.
- The Group also holds 56,400 Sodexho Alliance shares with a carrying amount of 2.3 million euro under the liquidity contract with Oddo Corporate Finance that became effective July 10, 2006. These treasury shares are deducted from equity as required by IAS 32.

The par value of Sodexho Alliance shares is 4 euro.

The total dividend payout in Fiscal 2006 was 117 million euro, representing a dividend of 0.75 euro per share.

Other reserves comprise:

(In millions of euro)	Change in fair value of financial instruments	Change in employee benefits	Share-based payment cost	Other	Total other reserves
Shareholders' equity as of September 1, 2004	(3)	0	0	0	(3)
Items recognized directly in equity	12	8	8	0	28
Tax on items recognized directly in equity	(4)	(2)	2	0	(4)
Shareholders' equity as of August 31, 2005	5	6	10	0	21
Items recognized directly in equity	(7)	(42)	8	0	(41)
Tax on items recognized directly in equity	1	12	11	1	25
Shareholders' equity as of August 31, 2006	(1)	(24)	29	1	5

4.16. Borrowings

(in millions of euro)	August 31, 2006 Current	August 31, 2006 Non-current	August 31, 2005 Current	August 31, 2005 Non-current
Bond issues				
Euro	30	1,297	30	1,295
Bank borrowings (excluding swap impacts described in note 4.17.)				
U.S. dollar	6	480	3	487
Euro	4	15	2	44
Pound sterling	0	0	0	0
Other currencies	4	5	8	4
	14	500	13	535
Finance lease obligations				
U.S. dollar	0	0	1	1
Euro	19	44	24	50
Other currencies	3	5	3	4
	22	49	28	55
Other borrowings				
Euro	1	4	12	4
Other currencies	1	2	2	2
	2	6	14	6
TOTAL	68	1,852	85	1,891

For borrowings other than bond issues, amortized cost is equivalent to historical cost since no significant transaction costs are incurred.

Bond issues

	August 31, 2005	Increases	Repayments	Discounting effect	Translation adjustment	August 31, 2006
1999 bond issue - 300 million euro						
Principal	300					300
Debt issuance costs	(2)			1		(1)
Accrued interest	6					6
Total	304	0	0	1	0	305
Number of bonds	*300,000*					*300,000*
Effective rate	*4,787%*					*4,787%*
2002 bond issue - 1 billion euro						
Principal	1,000					1,000
Debt issuance costs	(5)			1		(4)
Accrued interest	26					26
Total	1,021	0	0	1	0	1,022
Effective rate	*6.035%*					*6.035%*
TOTAL	1,325	0	0	2	0	1,327

- **300 million euro bond issue**
  On March 16, 1999, Sodexho Alliance carried out a 300 million euro bond issue comprising 300,000 bonds of 1,000 euro each.
  The bonds are redeemable at par on March 16, 2009 and bear interest at a rate of 4.625% per annum, payable annually on March 16.

- **1,000 million euro bond issue**
  On March 25, 2002, Sodexho Alliance carried out a 1,000 million euro bond issue, redeemable at par on March 25, 2009.
  The bonds bear interest at a rate of 5.875% per annum, payable annually on March 25.

Neither of these bond issues is subject to financial covenants.

Other borrowings

- **April 2005 multi-currency revolving credit facility**
  On April 29, 2005, Sodexho Alliance and Sodexho, Inc. contracted a multi-currency revolving credit facility of up to 4.60 million euro plus 700 million U.S. dollars. The expiry date of this facility was initially set at April 29, 2010, but may be extended at the request of Sodexho Alliance (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 extension of the facility to April 29, 2011.
  As of August 31, 2006, this facility had been used to draw down 566 million U.S. dollars at variable rate indexed to LIBOR, and to issue 115 million U.S. dollars of bank guarantees.
  This credit facility is not subject to any financial covenants, but requires the borrower to comply with the standard clauses 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. Early repayment of the facility would also entitle holders of the March 2002 1 billion euro bond issue to demand early redemption of their bonds.

- **Interest rates**
  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, 2006, 73% of Sodexho's borrowings were at fixed rate. The average rate of interest as of the same date was 5.7%.

Maturity of borrowings

As of August 31 2006	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Bond issues	30	1,297	0	1,327
Bank borrowings*	14	494	6	514
Capital lease obligations	22	37	12	71
Other borrowings	2	4	2	8
TOTAL	**68**	**1,832**	**20**	**1,920**

As of August 31 2005	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Bond issues	30	1,295	0	1,325
Bank borrowings*	13	528	7	548
Capital lease obligations	28	50	5	83
Other borrowings	14	6	0	20
TOTAL	**85**	**1,879**	**12**	**1,976**

(*) Excluding the impact of swaps described in 4.17.

4.17. Financial instruments

Financial instruments used to hedge intra-group loans in foreign currencies

August 31, 2006

(Equivalent value in millions of euro)	Note	Borrowings in euro	Borrowings in U.S. dollar	Borrowings in GBP	Borrowings In other currencies	TOTAL
UK borrowings (GBP 83 million)	(1)					
Due to the bank GBP 83 million				123		123
Due from the bank 123 million euro		(123)				(123)
Fair value adjustment						0
Sodexho Skandinavian Holding AB borrowings (SEK 198.6 million)	(2)					
Due to the bank SEK 198.6 million					21	21
Due from the bank 21 million euro		(21)				(21)
Fair value adjustment						0
Sodexho, Inc. borrowings (111.7 million U.S. dollars)	(3)					
Due to the bank 114.9 million U.S. dollars			89			89
Due from the bank 129.6 million euro		(130)				(130)
Fair value adjustment		(1)				(1)
Borrowings by other subsidiaries (aggregate)		(10)	12		0	2
TOTAL FINANCIAL INSTRUMENTS		**(285)**	**101**	**123**	**21**	**(40)**

August 31, 2005

(Equivalent value in millions of euro)	Note	Borrowings in euro	Borrowings in U.S. dollar	Borrowings in GBP	Borrowings In other currencies	TOTAL
UK borrowings (GBP 86 million)	(1)					
Due to the bank GBP 86 million				126		126
Due from the bank 126 million euro		(126)				(126)
Fair value adjustment						0
Sodexho Skandinavian Holding AB borrowings (SEK 242 million)	(2)					
Due to the bank SEK 242 million					26	26
Due from the bank 26 million euro		(26)				(26)
Fair value adjustment						0
Sodexho, Inc. borrowings (111.7 million U.S. dollars)	(3)					
Due to the bank 115 million U.S. dollars			94			94
Due from the bank 130 million euro		(130)				(130)
Fair value adjustment		(4)				(4)
Borrowings by other subsidiaries (aggregate)		(9)	6		5	2
TOTAL FINANCIAL INSTRUMENTS		**(295)**	**100**	**126**	**31**	**(38)**

(1) A currency swap (GBP 83 million for 123 million euro) has been contracted to hedge an intragroup loan of £83 million. This swap will expire on November 30, 2006.

(2) Currency swaps (SEK199 million for 21 million euro) have been contracted to hedge in full an intragroup loan of the same amount to Sodexho Scandinavian Holding AB.

(3) In March 2002, a cross currency swap (6.325% for 6.5775%, euros for U.S. dollars) was contracted to hedge in full an initial intragroup loan of 309 million U.S. dollars made by Sodexho Alliance to Sodexho, Inc., repayable March 25, 2007. As of August 31, 2006, the swap covered 115 million U.S. dollars versus 130 million euro. The depreciation of the U.S. dollar and movements in interest rates since the inception of the swap have resulted in a reduction of 42 million euro in consolidated borrowings after translation into euros.

The Sodexho Group has no interest rate swaps that are accounted for as cash flow hedges.

Fair value of financial instruments

(In millions of euro)	August 31, 2006 Carrying amount	Fair value	Difference
FINANCIAL ASSETS			
Investments in non-consolidated companies	37	37	0
Receivables from investees	25	25	0
Other investment securities	0	0	0
Loans	3	3	0
Other non-current financial assets	10	10	0
• Total non-current financial assets	75	75	0
• Associates	36	36	0
• Derivative instruments	42	42	0
• Loans and other current financial assets	17	17	0
• Financial assets: Service Vouchers & Cards activity	423	423	0
• Marketable securities	373	373	0
TOTAL FINANCIAL ASSETS	**966**	**966**	**0**
FINANCIAL LIABILITIES			
Bond issues			
2002 1 billion euro bond issue	1,022	1,071	49
1999 300 million euro bond issue	305	311	6
• Sub-total	1,327	1,382	55
Bank borrowings			
Sodexho, Inc. borrowings	486	486	0
Other	28	28	0
• Sub-total	514	514	0
• Derivative instruments	2	2	0
• Bank overdraft	36	36	0
• Other borrowings	79	79	0
TOTAL FINANCIAL LIABILITIES	**1,958**	**2,013**	**55**

4.18. Long-term employee benefits

(In millions of euro)	August 31, 2006	August 31, 2005
Net plan assets*	0	(2)
Defined-benefit plans	260	224
Other long-term employee benefits	90	86
Employee benefits	350	310

(*) 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 made by the Sodexho Group are expensed in the period to which they relate.

Defined-benefit plans

The characteristics of Sodexho'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, Sodexho's obligation relates to a complementary retirement plan, partially funded by externally-held assets, and calculated on the basis of:
  – a percentage of final basic salary, in the case of managerial grade staff allocated to the private sector;
  – benefits comparable to those offered in the public sector, in the case of managerial grade staff allocated to the public sector.
  Sodexho closed this plan to new employees effective July 1, 2003, and increased the level of contributions in order to make good the shortfall in the fund.

- In Continental Europe other than France, the main defined-benefit plans are as follows:
  – In Italy, there is a legal obligation to pay a lump-sum retirement benefit ("TFR"). At each balance sheet date, fully vested employee rights are valued and discounted as specified by law, and recognized in full as a liability.
  – In the Netherlands, certain employees are entitled to complementary retirement or early retirement benefits.

Sodexho 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, 2006	August 31, 2005
Net plan assets (1)	0	(2)
Defined-benefit plans (2)	260	224

(1) Reported in "Other non-current assets" in the balance sheet.
(2) Reported as a liability in the balance sheet under "Employee benefits".

These amounts break down as follows:

(In millions of euro)	August 31, 2006	August 31, 2005
Present value of funded obligations	591	511
Fair value of plan assets	(434)	(388)
Present value of partially funded obligations	157	123
Present value of unfunded obligations	103	99
Unrecognized past service cost	(1)	-
Other unrecognized amounts*	1	-
Net obligation in the balance sheet	260	222

(*) Relates to the restriction contained in paragraph 58B of IAS 19, which applies to Norway and Altys. In these two cases, the future economic benefits of the surplus (excess of the fair value of plan assets over the present value of the obligation) will either not be available to Sodexho (Altys) or only partially available to Sodexho (Norway).

As described in note 2, Sodexho has elected to apply the option offered in paragraph 93A of the amended IAS 19, issued December 2004, which allows actuarial gains and losses arising during the period to be recognized outside the income statement.

Actuarial gains and losses reported in the statement of changes in shareholders' equity as of August 31, 2005 represented a net actuarial gain of 8 million euro. Cumulative actuarial gains and losses recognized in equity as of August 31,2006 represented a net actuarial loss of 33 million euro. In accordance with paragraph 93C of the amended IAS 19, issued December 2004, Sodexho also recognized outside the income statement the negative effect of 1 million euro arising from the restriction of the plan surpluses for Norway and Altys.

Plan assets comprise:

(In millions of euro)	August 31, 2006	August 31, 2005
Equities	275	262
Government bonds	69	80
Corporate bonds	70	24
Insurance policies	11	-
Real estate	2	13
Cash	7	9
TOTAL	434	388

The table below details the net post-employment benefit expense reported in the income statement:

(In millions of euro)	August 31, 2006	August 31, 2005
Current service cost	35	34
Interest cost	27	27
Expected return on plan assets	(26)	(23)
Amortization of unrecognized past service cost & other	1	-
Net expense	37	38

This net expense is reported on the following lines:

- 26 million euro (23 million euro in Fiscal 2005) in cost of sales;
- 1 million euro (1 million euro in Fiscal 2005) in sales department costs;
- 9 million euro (10 million euro in Fiscal 2005) in general and administrative costs;
- the balance (financing cost and expected return on plan assets) in financial income or expense.

Changes in the present value of the defined-benefit plan obligation since September 1, 2005 are shown below:

Obligation as of September 1, 2005	610
Current service cost	35
Interest cost	27
Actuarial (gains)/losses	37
Past service cost	1
Effect of curtailments and settlements	(2)
Contributions made by plan members	7
Benefits paid	(26)
Business combinations	-
Translation difference	5
Other	-
Obligation as of August 31, 2006	694

Of the 37 million euro of actuarial losses arising in Fiscal 2006, a loss of 1 million euro was due to experience adjustments (compared with a gain of 7 million euro from experience adjustments in Fiscal 2005).

Changes in the fair value of plan assets since September 1, 2005 are shown below:

Fair value of plan assets as of September 1, 2005	388
Expected return on plan assets	26
Employer's contributions	40
Actuarial gains/(losses)	(4)
Effect of curtailments and settlements	(2)
Contributions made by plan members	7
Benefits paid	(26)
Business combinations	-
Translation difference	5
Other	-
Fair value of plan assets as of August 31, 2006	434

The following assumptions were used for actuarial valuations as of August 31, 2006 and August 31, 2005:

As of August 31,2006	France	The Netherlands	United Kingdom	Italy
Discount rate	4.50%	4.50%	5.10%	4.50%
Salary inflation rate	2.50% - 2.60%	1.75%	4.25%	4.00%
General inflation rate	2.00%	2.00%	3.00%	2.00%
Rate of return on plan assets	4.00%	5.40%	6.70%	N/A
Amount of obligation in balance sheet	25	10	138	56

As of August 31,2005	France	The Netherlands	United Kingdom	Italy
Discount rate	4.00%	4.00%	5.10%	4.00%
Salary inflation rate	2.50%	2.00%	3.95%	3.80%
General inflation rate	2.00%	2.00%	2.70%	2.00%
Rate of return on plan assets	N/A	5.90%	6.80%	N/A

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.

The actual return on plan assets in Fiscal 2006 was 23 million euro, compared with an expected return of 26 million euro.

Based on estimates derived from reasonable assumptions, Sodexho expects to pay 28 million euro into defined-benefit plans in fiscal, 2007.

4.18.2. Other employee benefits

Sodexho also recognizes a liability for other employee benefits mainly 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, 2006	August 31, 2005
Other long-term employee benefits	90	86

The total expense recognized with respect to these benefits in Fiscal 2006 was 11 million euro. This figure includes 3 million euro for a deferred compensation program in the United States, reported in financial expense.

4.19. Provisions

(In millions of euro)	August 31, 2005	Charged	Utilized	Released without corresponding charge	Translation adjustment and other items	Changes in scope of consolidation	Discounting impact on long-term provisions	August 31, 2006
Payroll and other taxes	24	8	(3)			1		30
Employee claims and litigation**	80	5	(63)	(9)		1		14
Contract termination and loss-making contracts	14	22	(3)		(1)			32
Client/supplier claims and litigation	5	7	(1)	(1)	(1)			9
Negative net assets of associates*	20				(4)			16
Other provisions	7	4	(1)	(2)	(1)			7
TOTAL	**150**	**46**	**(71)**	**(12)**	**(7)**	**2**	**0**	**108**

(*) Provisions for negative net assets of associates (see note 4.9.).
(**) See note 4.28.

All movements in provisions during the period were recognized in operating profit.

The current/non-current portion of provisions are as follows:

(In millions of euro)	Current provisions	Non-current provisions
Payroll and other taxes	9	21
Employee claims and litigation	11	3
Contract termination and loss-making contracts	12	20
Client/supplier claims and litigation	5	4
Negative net assets of associates*	0	16
Other provisions	3	4
TOTAL PROVISIONS	**40**	**68**

(*) Provisions for negative net assets of associates (see note 4.9.).

4.20. Trade and other payables

(In millions of euro)	August 31, 2006	August 31, 2005
Other non-current liabilities	101	80
Total other non-current liabilities	101	80
Advances from clients	217	174
Trade payables	1,138	1,123
Employee-related liabilities	687	573
Tax liabilities	176	198
Other operating liabilities	71	82
Deferred revenues	50	38
Other non-operating liabilities	30	9
TOTAL TRADE AND OTHER PAYABLES	**2,369**	**2,197**

Employee-related liabilities include short-term employee benefit obligations.

4.21. Deferred taxes

(In millions of euro)	August 31, 2006	August 31, 2005
Deferred tax assets	242	225
Deferred tax liabilities	(49)	(54)
Deferred tax assets (net)	193	171

Deferred tax assets not recognized because their recovery is regarded as not probable total 40 million euro, including 8 million euro of tax loss carry-forwards recorded by subsidiaries prior to their acquisition.

Sources of deferred taxes are as follows:

(In millions of euro)	August 31, 2006	August 31, 2005
Temporary differences (net)		
• Employee related liabilities	203	194
• Fair value of financial instruments	1	(2)
• Other temporary differences	(18)	(29)
• Tax loss carry-forwards	7	8
Deferred tax assets (net)	193	171

Temporary differences on employee related liabilities relate primarily to:

- workers' compensation liabilities in the United States, which are not deductible for tax purposes until payments are actually made to employees;
- post-employment benefits;
- stock option plans in the United States.

Net deferred tax assets recognized directly in shareholders' equity as of August 31, 2006 totaled 23 million euro.

4.22. Cash flow statement

Changes in working capital

(In millions of euro)	August 31, 2005	Increase/ decrease	Translation adjustment and other items	Changes in scope of consolidation	August 31, 2006
Other non-current assets	18	3	(3)		18
Inventories	176	(2)	(6)		168
Advances to suppliers	5	4			9
Trade receivables, net	1,508	167	(31)	1	1,645
Other operating receivables	175	12	(14)		173
Prepaid expenses	57	9	11	1	78
Assets held for sale	0	1	1		2
Operating receivables	1,745	193	(33)	2	1,907
Restricted cash and financial assets: Service Vouchers and Cards activity	326	107	(12)	2	423
Change in asset items in working capital	**2,265**	**301**	**(54)**	**4**	**2,516**
Receivables related to investing and financing activities	***5***	***(1)***	***(2)***		***2***
Employee benefits	310	7	31	1	349
Other non-current liabilities	80	13	(12)		81
Advances from clients	174	50	(3)	(4)	217
Trade payables	1,123	33	(22)	4	1,138
Tax and employee-related liabilities	771	88	(1)	5	863
Other operating liabilities	82	20	(32)	1	71
Deferred revenues	38	0	12		50
Operating liabilities	2,188	191	(46)	6	2,339
Vouchers payable	1,001	131	(20)	15	1,127
Change in liability items in working capital	**3,579**	**342**	**(47)**	**22**	**3,896**
Liabilities related to investing and financing activities	***9***	***40***	***1***		***50***

Changes in borrowings

(In millions of euro)	August 31, 2005	Increase/ decrease	New leases	Accrued interest	Changes in scope of consolidation	Translation adjustment and other items	August 31, 2006
Bond issues	1,326					1	1,327
Bank borrowings	548	(17)		2	7	(26)	514
Finance lease obligations	82	(29)	19		(1)		71
Other borrowings	20					(12)	8
Derivative instruments	(38)	(2)					(40)
Borrowings	1,938	(48)	19	2	6	(37)	1,880

Acquisitions and disposals of non-current assets and client investments

(In millions of euro)	Acquisitions	Disposals	Net change
Capital expenditure	(207)	17	(190)
Change in financial assets	(17)	2	(15)
Less: tax effect of disposals			0
Acquisitions/disposals of non-current assets	(224)	19	(205)
Acquisitions/disposals of subsidiaries	(51)	22	(29)
Net cash of subsidiaries acquired/sold	21	3	24
Less: tax effect of disposals			0
Net cash effect of acquisitions/disposals of subsidiaries	(30)	25	(5)
TOTAL	(254)	44	(210)

4.23. Share-based payments

The Sodexho Alliance Board of Directors has granted share based payments to employees under a number of stock option plans.

4.23.1. Principal features of stock option plans

Vesting period

Rights under option plans granted after January 2003 vest in 25% tranches over a four-year period. The options have a contractual life of six years.

Options granted under the “B” plans in January 2002, September 2002 and October 2002 vest four years after the date of grant and have a contractual life of six, five and five-and-a-half years respectively.

Options granted before January 2003 under “A” plans vest four years after the date of grant and have a contractual life of five years.

Conditions for exercise

Half of the options granted in January 2001 were contingent on earnings per share for Fiscal 2004, excluding exceptional items, of at least 1.98 euro.

As this condition was not met, these options were cancelled during Fiscal 2005.

None of the other outstanding plans is contingent on performance targets.

4.23.2. Valuation model 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, taking account of the terms and conditions of grant and assumptions about exercise behavior.

As well as 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 annual forfeiture	Expected dividend growth	Market risk premium	Expected life (years)
January 27, 2003	36.89%	6	3.43%	2.70%	4.00%	7.80%	5.00%	5
June 12, 2003	37.99%	6	3.43%	2.70%	0.00%	7.80%	5.00%	5
January 20, 2004	35.25%	6	3.54%	2.67%	2.00%	7.80%	5.00%	5
January 18, 2005	33.57%	6	3.35%	3.18%	1.00%	6.45%	5.00%	5
June 16, 2005	32.20%	6	3.33%	4.10%	0.00%	13.66%	4.24%	5
September 13, 2005	31.95%	6	3.33%	3.75%	0.00%	13.66%	4.24%	5
January 10, 2006	31.64%	6	3.33%	3.03%	1.00%	13.66%	4.24%	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-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 assumptions about the exercise behavior of grantees used in determining the fair value of the options are given below (these assumptions are also based on historical data, which may not be indicative of future exercise behavior):

- 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 2006

The stock option expense recognized in Fiscal 2006 income statement was 7.8 million euro, compared with 7.4 million euro in Fiscal 2005.

The table below provides the quantity, weighted average exercise price (WAP) and movements of stock options during Fiscal 2006 and Fiscal 2005.

	August 31, 2006		August 31, 2005	
	Number	WAP (in euro)	Number	WAP (in euro)
Outstanding at the beginning of the period	5,996,468 (1)	29.79	5,669,293 (2)	31.56
Granted during the period	977,452	34.78	1,030,000	23.16
Forfeited during the period	(292,091)	29.69	(310,222)	31.99
Exercised during the period	(780,810) (3)	24.00	(171,946) (4)	24.05
Expired during the period	(140,829)	48.42	(220,657)	45.65
Outstanding at the end of the period	5,760,190	30.96	5,996,468	29.79
Exercisable at the end of the period	3,007,080	33.99	1,631,885	26.18

(1) This balance includes 2,146,072 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. These include 22,500 options for which a supplemental expense was recognized due to the preferential status of some grantees. The remainder of these options have not been subsequently amended and hence are not required to be accounted for in accordance with IFRS 2.

(2) This balance includes 2,553,290 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. These includes 22,500 options for which a supplemental expense was recognized when certain grantees obtained preferential status. The remainder of these options have not been subsequently amended and hence are not required to be accounted for in accordance with IFRS 2.

(3) The weighted average share price at the exercise date of options exercised in the period was 36.3 euro.

(4) The weighted average share price at the exercise date of options exercised in the period was 27.7 euro.

The weighted average residual life of options outstanding as of August 31, 2006 was 3 years (August 31, 2005: 3.4 years).
The weighted average fair value of options granted during the period was 8.86 euro (Fiscal 2005: 5.54 euro).

The table below gives the exercise prices and exercise period for options outstanding as of August 31, 2006:

Date of grant	Start date of exercise period	Expiration date of exercise period	Exercise price (in euro)	Number of options outstanding as of August 31, 2006
January 01	March 05	January 06	48.42	0
January 02	January 06	January 07	47.00	333,231
January 02	January 06	January 08	47.00	960,771
September 02	April 06	March 08	47.00	12,000
October 02	October 06	October 07	21.87	2,265
January 03	January 04	January 09	24.00	1,751,028
June 03	January 04	January 09	24.00	43,415
January 04	January 05	January 10	24.50	776,632
January 05	January 06	January 11	23.10	890,646
June 05	June 06	June 11	26.04	20,000
September 05	September 06	September 11	28.07	10,000
January 06	January 07	January 12	34.85	960,202
TOTAL				**5,760,190**

4.23.4. Plans awarded following the acquisition of Sodexho Marriott Services

The Group committed to delivering 3,044,394 Sodexho Alliance shares to Sodexho, Inc. employees at an average price of 29.01 U.S. dollars per share under stock option plans granted in connection with the June 2001 acquisition of 53% of the capital of Sodexho Marriott Services, Inc. As of August 31, 2006, 854,391 of these shares were still deliverable.

All these options are exercisable until April 2011.

These plans are 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 gives the quantity, weighted average exercise price (WAP) and movements of these stock options during Fiscal 2006 and Fiscal 2005.

	August 31, 2006		August 31, 2005 including RSUs*		August 31, 2005 excluding RSUs*	
	Number	WAP (USD)	Number	WAP (USD)	Number	WAP (USD)
Outstanding at the beginning of the period	**1,565,122**	**28.95**	**2,168,641**	**27.30**	**2,103,993**	**28.14**
Granted during the period						
Forfeited during the period	(2,094)	23.59	(93,723)	29.59	(86,315)	32.13
Exercised during the period	(708,637) (1)	29.47	(509,796)	21.83	(452,556) (2)	24.59
Expired during the period						
Outstanding at the end of the period	854,391	28.53	1,565,122	28.95	1,565,122	28.95
Exercisable at the end of the period	**854,391**	**28.53**	**1,565,122**	**28.95**	**1,565,122**	**28.95**

(1) The weighted average share price at the exercise date of options exercised in the period was 43.84 U.S. dollars.
(2) The weighted average share price at the exercise date of options exercised in the period was 31.63 U.S. dolalrs.
(*) RSUs (restrictive stock units) are stock options with an exercise price of zero. As of August 31, 2006, all RSUs had been exercised.

The table below gives the exercise price of options outstanding as of August 31, 2006:

Date of grant	Exercise price (USD)	Number of options outstanding as of August 31, 2006
November 6, 1997	30.01	42,630
June 8, 1998	38.82	196,674
September 22, 1998	37.81	4,221
February 8, 1999	31.95	4,415
November 22, 1999	22.34	355,557
July 19, 2000	23.01	452
December 15, 2000	28.16	233,758
January 5, 2001	27.57	2,966
February 5, 2001	39.43	2,966
February 17, 2001	39.85	2,595
April 2, 2001	39.71	8,157
TOTAL		**854,391**

4.24. Business combinations

The principal acquisitions made by Sodexho during Fiscal 2006 are described below:

- On February 13, 2006, Sodexho acquired a 55.45% interest in the Paris Lido cabaret, in line with its strategy of expansion into tourism and leisure activities in France which include the Bateaux Parisiens river cruise activity, together with foodservice activities at racecourses, at the Rolland Garros complex, and at other public venues.
  The price paid for the acquisition of the Lido was 13.8 million euro, including 8.2 million euro in the form of a capital contribution.
  In 2005, the Lido generated revenues of 35 million euro over a 12-month period.
- On June 14, 2006, Luncheon Ticket acquired 100% of a group of companies in Argentina that includes Ticket Total Argentina, the country's third largest issuer of service vouchers. This acquisition extends the footprint of Sodexho's Service Vouchers and Cards activity in Argentina and Latin America.
  Luncheon Ticket paid a price of ARS 53.2 million (14.3 million euro) for this acquisition.

Goodwill arising on these acquisitions was as follows:

	Le Lido	Ticket Total
Price paid	13.8	14.3
Share of fair value of net assets acquired	(0.5)	0.8
Goodwill	14.3	13.5

The fair value of the acquired assets and liabilities is currently being determined (see note 2.4.).

4.25. Commitments and contingencies

4.25.1. Sureties

In connection with the Service Vouchers and Cards activity, Sodexho Alliance and its subsidiaries pledged cash as security to various banks in 2005. No cash was pledged as of August 31, 2006.

Other commitments arising from surety arrangements (pledges, charges secured against plant and equipment, and real estate mortgages) contracted by Sodexho Alliance and its subsidiaries in connection with operating activities during fiscal 2006 are immaterial.

4.25.2. Operating lease commitments

Outstanding commitments over the residual term of operating leases as of August 31, 2006 were as follows:

- Less than 1 year................................107 million euro
- 1 to 5 years..182 million euro
- More than 5 years..............................26 million euro

These commitments arise under a large number of contracts worldwide and mainly relate to:

- office space (174 million euro);
- site equipment, office equipment and vehicles (129 million euro).

The terms of these leases are negotiated locally.

4.25.3. Other commitments given

(In millions of euro)	August 31, 2006				August 31, 2005
	Less than 1 year	1 to 5 years	More than 5 years	Total	Total
Financial guarantees to third parties	102	22	5	129	160
Performance bonds on operating leases	16	14	4	34	27
Performance bonds given to clients	13	0	79	92	16
Other commitments	23	3	0	26	7
TOTAL	**154**	**39**	**88**	**281**	**210**

Financial guarantees to third parties mainly comprise bank guarantees made by Sodexho, Inc. totaling 89.6 million euro, and subordinated debt commitments under public private partnership (PPP) contracts (see note 2.3.2.) totaling 33.9 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 increase in these performance bonds during the period reflects the growing number of PPP contracts signed in the United Kingdom.

The increase in other commitments is due mainly to a 19 million euro bank guarantee given to the Brazilian courts in connection with the Banco Santos litigation (see note 4.28.).

Sodexho 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 667,000.

Sodexho 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 Sodexho is unable to provide alternative or additional resources to fulfill the obligation to the client). In practice, given its size and geographical reach, Sodexho considers itself capable of providing the additional resources needed to avoid paying compensation to clients protected by such clauses.

As of August 31, 2006, no provision has been established in the balance sheet with respect to these guarantees.

4.26. Related parties

4.26.1. Compensation, loans, post-employment benefits and other employee benefits granted to Board members, to the Executive Committee, and to the CEO of Sodexho Alliance

(In euro)	Fiscal 2006
Short-term employee benefits	8,383,512
Post-employment benefits	167,675
Other long-term employee benefits	0
Termination benefits	0
Stock option expense	1,890,548
TOTAL	**10,441,735**

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

4.26.2. Related companies

Subsidiaries

Sodexho Alliance received fees totaling 95 million euro from its subsidiaries during Fiscal 2006 for management and co-ordination services.

Other companies

Dealings 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, 2006	Impairment as of August 31, 2006	Carrying amount as of August 31, 2006	Carrying amount as of August 31, 2005
Associates	25	0	25	21
Non-consolidated companies	1	(1)	0	1

Off balance sheet commitments	August 31, 2006	August 31, 2005
Commitments to third parties		
Associates	34	32
Non-consolidated companies	0	0
Performance bonds given to clients		
Associates	53	13
Non-consolidated companies	0	0

Revenues generated	Fiscal 2006
Associates	116
Non-consolidated companies	2

Operating expenses recognized	Fiscal 2006
Associates	1
Non-consolidated companies	0

Net financing costs	Fiscal 2006
Associates	0
Non-consolidated companies	0

Principal shareholder

As of August 31, 2006, Bellon SA held 36.83% of the capital of Sodexho Alliance.

During Fiscal 2006, Bellon SA invoiced Sodexho Alliance a total of 4.8 million euro for assistance and advisory services under a contract between the two companies.

During the first half of Fiscal 2006, the Annual Shareholders' Meeting of Sodexho Alliance approved the payment of a dividend of 0.75 euro per share. Consequently, Bellon SA received a dividend payment of 43.9 million euro in March 2006.

4.27. Group employees

As of August 31, 2006, Group employees comprised:

	August 31, 2006
Executives, middle management, site managers and supervisory staff	41,596
Front-line service staff and other employees	290,500
TOTAL	**332,096**

Group employees by activity and region were as follows:

	TOTAL
FFMS North America	121,981
FFMS Continental Europe	87,841
FFMS United Kingdom and Ireland	39,028
FFMS Rest of the world	79,817
Total FFMS	328,667
Service Vouchers and Cards	3,148
Holding Companies	281
TOTAL	**332,096**

4.28. Litigation

McReynolds v. Sodexho Marriott Services, Inc.

On April 27, 2005, Sodexho, Inc. agreed to settle a class action lawsuit brought in the United States in order to avoid protracted legal proceedings and without admitting any liability. The judge approved the settlement on August 10, 2005.

Under the terms of the settlement, Sodexho, Inc. committed to make monetary payments to eligible class members and to the class attorneys for a total amount of up to 80 million U.S. dollars, as well as to continue to promote its diversity programs.

As of August 31, 2006 all amounts had been paid to the class members and to the class' lawyers.

Sodexho Pass do Brazil

Following an investigation into the financial condition of Banco Santos by the intervener representing the Central Bank of Brazil, Sodexho Pass do Brazil is in dispute with Banco Santos and a mutual fund concerning the existence of bank balances totaling 19 million euro in principal, based on current exchange rates.

Sodexho Pass do Brazil, Banco Santos and the mutual fund have all commenced legal proceedings against one another in this matter. Sodexho Pass do Brazil vigorously denies that it owes any amounts in connection with these balances.

Other litigation

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

4.29. Subsequent events

No significant events have occurred since August 31, 2006.

5. Financial risk management objectives and policy

5.1. Foreign exchange and interest rate risk

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

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

The Board of Directors, the Chief Executive Officer and the Chief Financial Officer have approved policies designed to prevent speculative positions. Under these policies:

- Substantially all borrowings must be at fixed rates of interest, or converted to fixed-rate using hedging instruments.
- Foreign exchange risk on loans to subsidiaries must be hedged.

- Counterparty risk must be managed and spread. Transactions may only be contracted with counterparties that have an AFB master agreement or equivalent (ISDA) in place with the Group company involved.
- The maturity of hedging instruments must not exceed the maturity of the borrowings they hedge.

Analysis of sensitivity to interest rates

(In millions of euro)	Note	Less than 1 year	1 to 5 years	Over 5 years
Financial liabilities (including derivatives)	1	523	1,341	16
Cash and cash equivalents		1,006		
Net renewable position	2	(483)	1,341	16
Net position renewable within less than 1 year		(483)		
Increase of 1% in short-term interest rate	3	1%		
Average term		12 months		
Cumulative effect of 1% increase in short-term interest rate	4	(5)		
Net interest expense paid during Fiscal 2006		95		
Cumulative effect as % of net interest expense for Fiscal 2006		(5)%		

(1) The maturity of variable-rate financial liabilities is deemed to be the period to the next interest rate adjustment date. Consequently, the 523 million euro in the "Less than 1 year" column includes variable-rate borrowings due after more than one year which are subject to an interest adjustment within 12 months.
(2) A negative amount indicates a net asset.
(3) This 100 basis point increase has been assumed to have an identical effect across all currencies used by Sodexho for financing.
(4) A negative amount indicates income.

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

Closing rate	USD 0.77815	GBP 1.483454	Other foreign currencies
Monetary assets			
Working capital items	455	85	687
Other receivables	1	0	13
Deferred tax assets	161	45	13
Cash and cash equivalents	146	112	439
Total Monetary assets	763	242	1,152
Monetary liabilities			
Financial liabilities	588	125	54
Working capital items	847	447	1,015
Other liabilities	26	41	33
Deferred tax liabilities	32	4	12
Total Monetary liabilities	1,493	617	1,114
Net position	(730)	(375)	38
Impact of 0.01 euro movement in exchange rate	(9)	(3)	immaterial

Analysis of sensitivity to exchange rates

A 10% movement in the U.S. dollar against the euro would have an effect of:
- 536 million euro on full-year consolidated revenues;
- 23 million euro on full-year consolidated operating profit;
- 13 million euro on full-year net profit attributable to equity holders of the parent.

A 10% movement in sterling against the euro would have an effect of:
- 143 million euro on full-year consolidated revenues;
- 3 million euro on full-year consolidated operating profit;
- 2.5 million euro on full-year net profit attributable to equity holders of the parent.

5.2. Liquidity risk

The new credit facility negotiated by Sodexho in April 2005 offered better financial terms and longer maturities, and resulted in the lifting of the financial covenants under which Sodexho was required to comply with various financial ratios.

6. Transition to IFRS

Reconciliations between the consolidated financial statements prepared under French Generally Accepted Accounting Principles (French GAAP) and those prepared under IFRS as of September 1, 2004 and August 31, 2005 were published in the notes to the consolidated financial statements for the six months ended February 28, 2006.

The tables and discussion below take into account our final conclusions as to client investments and some minor changes made since that initial publication of the half-year financial statements as and for the six-months ended February 28, 2006.

6.1. Elective treatments relating to first-time adoption of IFRS as of September 1, 2004

The Group applied the following elective treatments on first-time adoption of IFRS, as permitted by IFRS 1.

• Property, plant and equipment and intangible assets (IAS 16 and IAS 38)

Sodexho elected not to use the option available under IFRS 1 of remeasuring property, plant and equipment and intangible assets at fair value in the opening balance sheet as of September 1, 2004.

Consequently, Sodexho adopted the amortized historical cost method for measurement of property, plant and equipment and intangible assets subsequent to initial recognition, and applied this treatment retrospectively to all its assets.

Property, plant and equipment were restated at September 1, 2004, after taking account of estimated final residual values and a specific depreciation period for each component of the relevant asset. The difference between the carrying amount under French GAAP and under IFRS was recorded in consolidated shareholders' equity. This restatement was not material.

• Business combinations

Business combinations effected prior to September 1, 2004 (date of first-time application of IFRS) were not restated retrospectively, as allowed under IFRS 3.

• Recognition of goodwill in the currency of the acquired entity

In preparing the opening IFRS balance sheet, Sodexho elected to apply the amended IAS 21, under which goodwill is treated as an asset of the acquired entity and consequently is accounted for in the subsidiary's functional currency.

Goodwill which under French GAAP was expressed in a currency other than the acquired entity's functional currency was therefore translated into the acquired entity's local currency using the exchange rate as of the acquisition date.

Goodwill arising on acquisitions made on or after September 1, 2004 is accounted for in the currency of the acquired entity.

• Translation reserve

The existing currency translation reserve as of September 1, 2004 under French GAAP was reclassified to consolidated reserves, as permitted by IFRS 1. This reclassification had no impact on consolidated shareholders' equity.

• Stock options

In accordance with the transitional provisions of IFRS 1, Sodexho elected to restrict the application of IFRS 2 to stock option plans granted after November 7, 2002 and not fully vested as of January 1, 2005. Application of IFRS 1 and of this elective treatment had no effect on shareholders' equity as of September 1, 2004, except for the cancellation of the liability relating to stock option obligations resulting from the buyout of the minority interests in Sodexho, Inc.

• Post-employment benefits

As permitted under IFRS 1, Sodexho elected to recognize all accumulated actuarial gains and losses arising on retirement and other long-term employee benefits as of September 1, 2004 in consolidated shareholders' equity. The same treatment was applied in preparing the French GAAP consolidated financial statements for fiscal 2005 (see note 2.3 to the consolidated financial statements as of August 31, 2005). Sodexho elected to early adopt the amended IAS 19 effective August 31, 2005, and to recognize actuarial gains and losses arising in each period directly in shareholders' equity.

• Financial instruments

Sodexho elected for early recognition, effective September 1, 2004, of the impact of IAS 39 and IAS 32 on financial instruments.

6.2. Principal impact of the IFRS transition on the consolidated statement of cash flows

The principal impacts on the consolidated statement of cash flows are:

- Change in financial assets with maturity over 3 months and restricted cash related to the Service Vouchers and Cards activity: these assets were accounted for as cash and cash equivalents in French GAAP. For IFRS they are included as part of working capital.
- Treasury shares were considered marketable securities in French GAAP and included in cash and cash equivalents. For IFRS, they reduce shareholders' equity;
- Bank overdrafts were included in financial debt in French GAAP. For IFRS they reduce cash and cash equivalents.

6.3. Reconciliation of shareholders' equity

The main impacts of the transition to IFRS are presented below:

Shareholders' equity as of September 1, 2004

	IFRS adjustment published in Feb. 2006 financial statement			Final IFRS adjustments		
(In millions of euro)	Group	Minority	Total	Group	Minority	Total
Shareholders' equity as of September 1, 2004 – French GAAP	2,088	25	2,113	2,088	25	2,113
Recognition of goodwill in the currency of the acquired entity	(99)	0	(99)	(99)	0	(99)
Treasury shares and stock option expenses	(28)	0	(28)	(28)	0	(28)
Financial instruments (IAS 32 - IAS 39)	(11)	(1)	(12)	(11)	(1)	(12)
Capitalization of finance leases (IAS 17)	(9)	0	(9)	(9)	0	(9)
Definition and evaluation of intangible assets (IAS 36 - IAS 38)	(21)	0	(21)	(21)	0	(21)
Provisions (IAS 37)	3	0	3	3	0	3
Actuarial gains/(losses) on employee benefits (IAS 19 revised)	0	0	0	0	0	0
Other	10	0	10	11	0	11
Deferred tax impact of the above	3	0	3	2	0	2
Total impact of the transition to IFRS	(152)	(1)	(153)	(152)	(1)	(153)
Shareholders' equity as of September 1, 2004 in IFRS	1,936	24	1,960	1,936	24	1,960

Shareholders' equity as of August 31, 2005

	IFRS adjustment published in Feb. 2006 financial statement			Final IFRS adjustments		
(In millions of euro)	Group	Minority	Total	Group	Minority	Total
Shareholders' equity as of August 31, 2005 – French GAAP	2,136	20	2,156	2,136	20	2,156
Recognition of goodwill in the currency of the acquired entity	(32)	0	(32)	(32)	0	(32)
Treasury shares and stock option expenses	(38)	0	(38)	(38)	0	(38)
Financial instruments (IAS 32 - IAS 39)	4	(1)	3	4	(1)	3
Capitalization of finance leases (IAS 17)	(8)	0	(8)	(8)	0	(8)
Definition and evaluation of intangible assets (IAS 36 - IAS 38)	(18)	0	(18)	(18)	0	(18)
Provisions (IAS 37)	3	0	3	3	0	3
Actuarial gains/(losses) on employee benefits (IAS 19 revised)	11	0	11	11	0	11
Other	14	(1)	13	15	(1)	14
Deferred tax impact of the above	(9)	0	(9)	(13)	0	(13)
Total impact of the transition to IFRS	(73)	(2)	(75)	(76)	(2)	(78)
Shareholders' equity as of August 31, 2005 in IFRS	2,063	18	2,081	2,060	18	2,078

6.4. Balance sheet reconciliation

Opening balance sheet as of September 1, 2004

(In millions of euro)	Balance sheet in French GAAP in IFRS format after change in accounting principle	Impact of first-time adoption	Final impact of first-time adoption	Final balance sheet under IFRS as of September 1, 2004
ASSETS				
Non-current assets				
Property, plant and equipment	362	49	49	411
Goodwill	1,394	2,332	2,332	3,726
Other intangible assets	2,519	(2,294)	(2,414)	105
Client investments	0	0	120	120
Associates	14	2	2	16
Financial assets	60	12	12	72
Other non-current assets	17	0	0	17
Deferred tax assets	149	40	40	189
Total non-current assets	**4,515**	**141**	**141**	**4,656**
Current assets				
Financial assets	6	2	2	8
Derivative financial instruments	0	38	38	38
Inventories	163	(1)	(1)	162
Income tax	56	0	0	56
Trade and other receivables	1,589	50	50	1,639
Prepaid expenses and other assets	162	(162)	(162)	0
Marketable securities	536	(536)	(536)	0
Restricted cash	168	(168)	(168)	0
Restricted cash and financial assets: Service Vouchers and Cards activity	0	337	337	337
Cash and cash equivalents	505	277	277	782
Total current assets	**3,185**	**(163)**	**(163)**	**3,022**
TOTAL ASSETS	**7,700**	**(22)**	**(22)**	**7,678**
LIABILITIES				
Equity attributable to equity holders of the parent	**2,088**	**(152)**	**(152)**	**1,936**
Equity attributable to minority interest	25	(1)	(1)	24
Total shareholders' equity	**2,113**	**(153)**	**(153)**	**1,960**
Non-current liabilities				
Borrowings	1,755	29	29	1,784
Employee benefits	311	(1)	0	311
Other non-current liabilities	89	(37)	(39)	50
Provisions	64	(9)	(9)	55
Deferred tax liabilities	20	38	39	59
Total non-current liabilities	**2,239**	**20**	**20**	**2,259**
Current liabilities				
Bank overdrafts	23	0	0	23
Borrowings	349	88	88	437
Derivative financial instruments	0	9	9	9
Income tax	105	(1)	(1)	104
Provisions	28	(3)	(3)	25
Trade and other payables	2,000	17	17	2,017
Vouchers payable	843	1	1	844
Other liabilities	0	0	0	0
Total current liabilities	**3,348**	**111**	**111**	**3,459**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7,700**	**(22)**	**(22)**	**7,678**

Balance sheet as of August 31, 2005

(In millions of euro)	Balance sheet in French GAAP in IFRS format after change in accounting principle	Impact of first-time adoption	Final impact of first-time adoption	Final balance sheet under IFRS as of September 1, 2005
ASSETS				
Non-current assets				
Property, plant and equipment	365	41	41	406
Goodwill	1,338	2,373	2,367	3,705
Other intangible assets	2,476	(2,251)	(2,389)	87
Client investments	0	0	138	138
Associates	25	1	7	32
Financial assets	71	3	3	74
Other non-current assets	18	0	0	18
Deferred tax assets	197	28	28	225
Total non-current assets	**4,490**	**195**	**195**	**4,685**
Current assets				
Financial assets	6	1	1	7
Derivative financial instruments	0	40	40	40
Inventories	177	(1)	(1)	176
Income tax	19	0	0	19
Trade and other receivables	1,743	7	7	1,750
Prepaid expenses, and other assets	169	(169)	(169)	0
Marketable securities	647	(647)	(647)	0
Restricted cash	206	(206)	(206)	0
Restricted cash and financial assets: Service Vouchers and Cards activity	0	326	326	326
Cash and cash equivalents	513	436	436	949
Total current assets	**3,480**	**(213)**	**(213)**	**3,267**
TOTAL ASSETS	**7,970**	**(18)**	**(18)**	**7,952**
LIABILITIES				
Equity attributable to equity holders of the parent	**2,136**	**(73)**	**(76)**	**2,060**
Equity attributable to minority interest	20	(2)	(2)	18
Total shareholders' equity	**2,156**	**(75)**	**(78)**	**2,078**
Non-current liabilities				
Borrowings	1,886	5	5	1,891
Employee benefits	319	(11)	(10)	309
Other non-current liabilities	117	(35)	(37)	80
Provisions	69	(16)	(16)	53
Deferred tax liabilities	13	37	41	54
Total non-current liabilities	**2,404**	**(20)**	**(17)**	**2,387**
Current liabilities				
Bank overdrafts	21	0	0	21
Borrowings	33	52	52	85
Derivative financial instruments	0	2	2	2
Income tax	82	2	2	84
Provisions	99	(2)	(2)	97
Trade and other payables	2,175	22	22	2,197
Vouchers payable	1,000	1	1	1,001
Other liabilities	0	0	0	0
Total current liabilities	**3,410**	**77**	**77**	**3,487**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7,970**	**(18)**	**(18)**	**7,952**

6.5. Income statement reconciliation

Income statement for Fiscal 2005

(In millions of euro)	Balance sheet in French GAAP in IFRS format and after change in accounting principle	First time adoption impact as published in February 2006 financial statements	Final First time adoption impact	Full year 2004-2005 under IFRS
Revenue	11,672	21	21	11,693
Cost of sales	(10,023)	(16)	(10)	(10,033)
Gross profit	1,649	5	11	1,660
Sales department costs	(141)	0	0	(141)
General and administrative costs	(999)	(4)	(3)	(1,002)
Other operating income and expenses, net	(65)	(2)	(2)	(67)
Operating profit before financing costs	444	(1)	6	450
Net financing costs	(114)	9	2	(112)
Share of profit of associates	0	(6)	(6)	(6)
Exceptional (expense) income, net	0	0	0	0
Profit before tax	330	2	2	332
Income tax expense	(101)	(7)	(10)	(111)
Result from discontinued operations net of tax	0	0	0	0
Goodwill amortisation	(60)	60	60	0
Profit for the period	170	55	52	221
Minority interests	10	(1)	(1)	9
Group profit for the period	159	56	53	212

7. Scope of consolidation

Information about Group companies is limited to the disclosures contained in the table below since further disclosures will be prejudicial to the Group's interests.

The table shows in the first column the percentage interest and, in 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 2006 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.

The principal activity of each company is indicated by the following abbreviations:

FFMS: Food and Facilities Management services

SVC: Service Vouchers and Cards

HOL: Holding Company

		% interest	% voting rights	Principal activity	Country
FRANCE					
	Société Francaise de Restauration (sub-group)			FFMS	France
	Altys Multiservice			FFMS	France
	Altys Gestion			FFMS	France
	Société Française de Services			FFMS	France
	Société Française de Restauration et Services (sub-group)			FFMS	France
	Sodequip			FFMS	France
	Ceji			FFMS	France
	Sodexho Prestige			FFMS	France
N	Lido SEGSMHI	55%	55%	FFMS	France
	SIR			FFMS	France
	CIR			FFMS	France
	SIGES			FFMS	France
	La Normande SA			FFMS	France
	Hedelrest			FFMS	France
	RGC			FFMS	France
	Sagere			FFMS	France
	Sogeres (sub-group)			FFMS	France
	Bateaux Parisiens (sub-group)			FFMS	France
	Armement Lebert Buisson			FFMS	France
	Société des Thermes de Neyrac-les-bains			FFMS	France
	Emis			FFMS	France
	Catesco			FFMS	France
	Sodexho Chèques et Cartes de Services			SVC	France
	Sodexho Pass International			HOL	France
	Sodexho France			HOL	France
	Universal Sodexho SAS			HOL	France
	Sofinsod			HOL	France
	Etinbis			HOL	France
	Etin			HOL	France
	Gardner Merchant Groupe			HOL	France
	Loisirs Développement			HOL	France
	Sodexho Altys			HOL	France
	Astilbe			HOL	France
	Holding Sogeres			HOL	France
	Sodexho Amérique du Sud			HOL	France
	Sodexho Management			HOL	France
	Sodexho Europe continentale			HOL	France
	Sodexho Asie Océanie			HOL	France
N	Sodexho Grande Chine			HOL	France
	Sodexho IS & T			HOL	France
	Siges Guyane			FFMS	France
	Société Hôtelière et de Tourisme de Guyane			FFMS	France
	Sodex'Net			FFMS	France
	Sodexho Guyane			FFMS	France
	Société Guyanaise de Protection et Gardiennage			FFMS	France
	Sodexho Antilles			FFMS	France

		% interest	% voting rights	Principal activity	Country
AMERICAS					
	Sodexho, Inc. (sub-group)			FFMS	United States
	Sodexho Canada (sub-group)			FFMS	Canada
	Delta Catering Management	49%	49%	FFMS	United States
	Universal Sodexho USA, Inc.			HOL	United States
	Universal Sodexho Partnership			FFMS	United States
	Universal Services Enterprises Llc			HOL	United States
	Sodexho Pass USA			SVC	United States
	Energy Catering Services Llc			FFMS	United States
	Universal Sodexho Empresa de servicios y Campamentos			FFMS	Venezuela
	Universal Sodexho Services de Venezuela			FFMS	Venezuela
	Universal Services do Brasil Ltda			FFMS	Brazil
	Sodexho do Brasil Comercial Ltda			FFMS	Brazil
	Sodexho Argentina			FFMS	Argentina
	Sodexho Colombia	65%	65%	FFMS	Colombia
	Sodexho Venezuela Alimentacion y Servicios	70%	70%	FFMS	Mexico
	Sodexho Costa Rica			FFMS	Costa Rica
	Sodexho Mexico			FFMS	Mexico
EM	Doyon Universal Services jv (sub-group)	50%	50%	FFMS	United States
	Sodexho Peru			FFMS	Peru
EM	BAS	33%	33%	FFMS	Chile
EM	BAS II	33%	33%	FFMS	Chile
	Siges Chile			FFMS	Chile
	Sodexho Chile (sub-group)			FFMS	Chile
	Sodexho Servicios de Personal			FFMS	Mexico
	Sodexho Pass do Brazil			SVC	Brazil
	Cardapio Informatica			SVC	Brazil
	National Administracao de Restaurentes			SVC	Brazil
	Sodexho Pass Chile			SVC	Chile
	Sodexho Pass Venezuela	64%	64%	SVC	Venezuela
	Sodexho Pass de Colombia	51%	51%	SVC	Colombia
	Sodexho Pass Peru			SVC	Peru
	Sodexho Pass de Panama	51%	51%	SVC	Panama
	Luncheon Tickets			SVC	Argentina
N	Ticket Total Argentina			SVC	Argentina
N	Angel Leno			SVC	Argentina
N	Ticket Total Uruguay			SVC	Uruguay
	Prestaciones Mexicanas (sub-group)			SVC	Mexico
	Sodexho Servicios Operativos			SVC	Mexico

		% interest	% voting rights	Principal activity	Country
AFRICA					
	Universal Sodexho Afrique			FFMS	France
	Universal Sodexho North Africa			FFMS	France
	Universal Sodexho Nigeria			FFMS	Nigeria
	Universal Sodexho Gabon	90%	90%	FFMS	Gabon
	Sodexho Angola			FFMS	Angola
	SABA			FFMS	Tunisia
	Sodexho Bénin			FFMS	Benin
	Sodexho Tchad			FFMS	Chad
	Universal Sodexo Ghana	90%	90%	FFMS	Ghana
	Sodexho Pass Tunisie	77%	77%	SVC	Tunisia
	Sodexho Maroc			FFMS	Morocco
	Universal Sodexho Guinea Ecuatorial	70%	70%	FFMS	Equatorial Guinea
	Universal Sodexho Cameroun	70%	70%	FFMS	Cameroon
	Universal Sodexho Congo			FFMS	Congo
	Sodexho Southern Africa (sub-group)	55%	55%	FFMS	South Africa
	Sodexho Investments Ltd			HOL	South Africa
N	Wadi Ezzain	75%	75%	FFMS	Libya
N	Universal Sodexho Madagascar			FFMS	Madagascar
	Sodexho Tanzania			FFMS	Tanzania

		% interest	% voting rights	Principal activity	Country
EUROPE					
	Sodexho Belgique (sub-group)			FFMS	Belgium
	Altys Belgique			FFMS	Belgium
	Sodexho Suisse			FFMS	Switzerland
	Altys Suisse			FFMS	Switzerland
	Altys Deutschland			FFMS	Germany
	Altys Austria			FFMS	Austria
	Altys République tchèque			FFMS	Czech Republic
	Sodexho Luxembourg (sub-group)			FFMS	Luxembourg
	Sodexho Italia (sub-group)			FFMS	Italy
	Sodexho Doo			FFMS	Slovenia
	Sodexho Oy			FFMS	Finland
	Abra Nordic Vending Oy			FFMS	Finland
N, EM	Arandur Oy	33%	33%	FFMS	Finland
	Sodexho Scandinavian Holding AB (sub-group)			FFMS	Sweden
	Sodexho España (sub-group)			FFMS	Spain
N	Altys Multiservicios	79%	79%	FFMS	Spain
	Sodexho Portugal II Restauracao e Servicos			FFMS	Portugal
	Sodexho Blenhold	69%	69%	FFMS	Portugal
	Sodexho Hellas	59%	59%	FFMS	Greece
	Sodexho Catering & Services GmbH (sub-group)			FFMS	Germany
	Sodexho Scs GmbH (sub-group)			FFMS	Germany
	Plauen Menu		90%	FFMS	Germany
	Barenmenu			FFMS	Germany
N	Sodab			FFMS	Germany
N	Känne Catering-Service GmbH			FFMS	Germany
	Sodexho AO			FFMS	Russia
	Sodexho Euroasia			FFMS	Russia

		% interest	% voting rights	Principal activity	Country
EUROPE					
N	Sodexho Pass CIS			SVC	Russia
	Sodexho Spolecne Stravovani a Sluzby			FFMS	Czech Republica
	Sodexho - Skolni Jidelny			FFMS	Czech Republic
	Sodexho Spolocne Stravovanie a Sluzby			FFMS	Slovakia
	Sodexho Magyarorszag			FFMS	Hungary
	Zona Vendeglato			FFMS	Hungary
	Sodexho Toplu Yemek			FFMS	Turkey
	Sodexho Polska			FFMS	Poland
	Sodexho Catering & Services GmbH			FFMS	Austria
EM	Agecroft Prison Management Ltd	50%	50%	FFMS	United Kingdom
	Sodexho Services Group			HOL	United Kingdom
EM	HpC King's College Hospital (Holdings) Ltd	25%	25%	FFMS	United Kingdom
	Sodexho International Holdings			HOL	United Kingdom
	Keyline Travel Management			FFMS	United Kingdom
	Sodexho Ltd			FFMS	United Kingdom
	Sodexho Prestige Ltd (sub-group)			FFMS	United Kingdom
	Universal Sodexho Scotland			FFMS	United Kingdom
	Harmondsworth Detention Services	51%	51%	FFMS	United Kingdom
	Kalyx			FFMS	United Kingdom
EM	Catalyst Healthcare (Romford) Holdings Ltd	25%	25%	FFMS	United Kingdom
EM	Catalyst Healthcare (Roehampton) Holdings Ltd	25%	25%	FFMS	United Kingdom
	Tillery Valley Foods			FFMS	United Kingdom
	Rugby Hospitality 2003	55%	55%	FFMS	United Kingdom
	Sodexho Defence Services			FFMS	United Kingdom
	Sodexho Land Technology			FFMS	United Kingdom
	Sodexho Investment Services			FFMS	United Kingdom
EM	Peterborough Prison Management Holdings Ltd	33%	33%	FFMS	United Kingdom
EM	Ashford Prison Services Holdings Ltd	33%	33%	FFMS	United Kingdom
	Sodexho Holdings			HOL	United Kingdom
	Sodexho Education Services			FFMS	United Kingdom
	Sodexho Management Services (sub-group)			FFMS	United Kingdom
	Sodexho Healthcare Services			FFMS	United Kingdom
	Sodexho Support Services			HOL	United Kingdom
	Universal Sodexho Holdings			HOL	United Kingdom
EM	Catalyst Healthcare (Manchester) Holdings Ltd	25 %	25 %	FFMS	United Kingdom
	Universal Services Europe			HOL	United Kingdom
	Primary Management Aldershot	60%	60%	FFMS	United Kingdom
EM	Mercia Healthcare (Holdings) Ltd	25%	25%	FFMS	United Kingdom
EM	South Manchester Healthcare (Holdings) Ltd	25%	25%	FFMS	United Kingdom
	Rugby Travel & Hospitality'07	80%	80%	FFMS	United Kingdom
EM	RMPA Holdings Ltd	14%	14%	FFMS	United Kingdom
EM	Pinnacle School (Fife) Holdings Ltd	10%	10%	FFMS	United Kingdom
EM	Enterprise Civic Buildings (Holdings) Ltd	10%	10%	FFMS	United Kingdom
EM	Enterprise Education Holdings Conwy Ltd	10%	10%	FFMS	United Kingdom
EM	Enterprise Healthcare Holdings Ltd	10%	10%	FFMS	United Kingdom
	Keyline Travel Scotland			FFMS	United Kingdom
	Brookes Outside			FFMS	United Kingdom
	Primary Management Ltd			FFMS	United Kingdom
	Genesis Facilities Management			FFMS	United Kingdom
	Vendability			FFMS	United Kingdom
	Kelvin Management			FFMS	United Kingdom

		% interest	% voting rights	Principal activity	Country
EUROPE					
	Institution Supplies Leeds Ltd			FFMS	United Kingdom
	KS Building Services			FFMS	United Kingdom
	River Ride Ltd			FFMS	United Kingdom
	Rivercraft			FFMS	United Kingdom
	Regalia			FFMS	United Kingdom
N, EM	ES 2005 Ltd	50%	50%	FFMS	United Kingdom
N, EM	Addiewell Prison (Holdings) Ltd	33%	33%	FFMS	United Kingdom
	Sodexho Holdings Ireland Ltd			HOL	Ireland
	Sodexho Ireland Ltd			FFMS	Ireland
	Universal Sodexho Norway			FFMS	Norway
	Universal Sodexho The Netherlands			FFMS	Netherlands
	Universal Sodexho Kazakhstan Ltd			FFMS	Denmark
	Universal Services Europe			FFMS	Iceland
	Sodexho Nederland BV (sub-group)			FFMS	Netherlands
	Sodexho Pass Luxembourg			SVC	Luxembourg
	Sodexho Pass Belgique (sub-group)			SVC	Belgium
	Sodexho Pass GmbH			SVC	Germany
	Sodexho Card Services GmbH			SVC	Germany
	Sodexho Pass SRL (sub-group)			SVC	Italy
	Sodexho Pass España			SVC	Spain
	Ticket Menu			SVC	Spain
	Sodexho Pass Austria			SVC	Austria
	Sodexho Pass Limited			SVC	United Kingdom
	Sodexho Pass Hungaria			SVC	Hungary
	Sodexho Pass Bulgaria			SVC	Bulgaria
	Sodexho Pass Ceska Republika			SVC	Czech Republic
	Sodexho Pass Slovak Republic			SVC	Slovakia
	Sodexho Pass Central Europe Holding			SVC	Netherlands
	Sodexho Pass Polska			SVC	Poland
	Sodexho Restoran Servisleri	90%	90%	SVC	Turkey
	Network Servizleri	45%	50%	SVC	Turkey
	Sodexho Pass Romania			SVC	Romania
N	Bluticket Romania			SVC	Romania
	Catamaran Cruisers			FFMS	United Kingdom
	Compagnie Financière Aurore Internationale			HOL	Belgium

		% interest	% voting rights	Principal activity	Country
ASIA, AUSTRALASIA, MIDDLE EAST					
	Kelvin Catering Services	49%	49%	FFMS	United Arab Emirates
	Teyseer Services Company	49%	49%	FFMS	Qatar
	Restauration Française (New Caledonia)	60%	60%	FFMS	France
	Sodexho Nouvelle-Calédonie	54%	54%	FFMS	France
N	Socanord	60%		FFMS	France
	SRRS (La Réunion)			FFMS	France
N	Sodexho Mayotte	65%	65%	FFMS	France
	Sodexho Polynésie			FFMS	France
	Sodexho Singapore			FFMS	Singapore
	Sodexho Malaysia			FFMS	Malaysia
	Sodexho Hong Kong			FFMS	Hong Kong
EM	Sodexho Healthcare Support Services (Thailand)	26%	26%	FFMS	Thailand
	Sodexho Korea			FFMS	Korea
	Universal Sodexho Eurasia			FFMS	United Kingdom
	Aims Corporation			FFMS	Australia
EM	Mowlem Sodexho Pty Ltd	50%	50%	FFMS	Australia
N	Sodexho Retail Services Pty Ltd			FFMS	Australia
	Universal Remote Site Services (sub-group)			FFMS	Singapour
	PT Universal Ogden Indonesia			FFMS	Indonesia
	Altys Multi-Service Pty			FFMS	Australia
	Sodexho Australia (sub-group)			FFMS	Australia
EM	Serco Sodexho Defence Services	50%	50%	FFMS	Australia
	Sodexho Venues Australia			FFMS	Australia
	Sodexho Total Support Services NZ			FFMS	New Zealand
	Universal Sodexho Pty Ltd			FFMS	Australia
	Sodexho Tianjin Service Management Company Ltd			FFMS	China
	Sodexho Shanghai Management Services			FFMS	China
	Sodexho Services Company Ltd Shanghai			FFMS	China
EM	Shanghai SAIC Sodexho Services	49%	49%	FFMS	China
	Beijing Sodexho Service Company Ltd	95%	95%	FFMS	China
	Sodexho (Guangzhou) Management Services Ltd			FFMS	China
N	Wuhan Innovation Sodexho Services	70%	70%	FFMS	China
	Sodexho Pass Shanghai			SVC	China
N	Sodexho Support Services (Thailand) Ltd	61%	74%	FFMS	Thailand
N	Sodexho Thailand Ltd	49%	49%	FFMS	Thailand
	Sodexho India			FFMS	India
	Sodexho Pass Services India	74%	74%	SVC, FFMS	India
	Sodexho Pass, Inc.	60%	60%	SVC	Philippines
	Sodexho Services Lebanon	60%	60%	FFMS	Lebanon
	Universal Sodexho Laos			FFMS	Laos
N	Sodexho Pass Indonésie	90%		SVC	Indonesia
N	Mongolian Catering	70%	70%	FFMS	Mongolie
	SISA UAE			FFMS	United Arab Emirates
	Sakhalin Support Services	95%	95%	FFMS	Russia
	Allied Support			FFMS	Russia

STATUTORY AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2006

To the shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of Sodexho Alliance S.A. for the year ended August 31, 2006.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit. These financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union. They include comparative information restated in accordance with the same standards in respect of financial year 2005.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with the 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies in accordance with IFRS as adopted for use by the European Union.

2. 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 tests goodwill and intangible assets with an indefinite useful life for impairment, and assesses whether assets with a finite useful life present 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, and assessed the consistency of the data which was used, in particular the assumptions used in the preparation of the business plans.
- With regard to provisions for risks and litigation, our assessment was based on the facts available at the date of this report and as disclosed in notes 2.16 and 4.19 to the consolidated financial statements.
- 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. We also assessed whether these estimates were reasonable.

The aforementioned items are based on estimates and underlying assumptions. 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 in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

3. Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, November 23, 2006
The Statutory Auditors

KPMG Audit, Department of KPMG SA	**PricewaterhouseCoopers Audit**
Patrick-Hubert Petit	Louis-Pierre Schneider

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 consolidated 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 consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

SUPPLEMENTAL INFORMATION
ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Financial ratios

		Fiscal 2006	Fiscal 2005
Financial independence	Long-term debt / Shareholders' equity and minority interests	0.9	0.9
Debt coverage (in years) (en années)	Borrowings* / Cash from operations**	4.2	4.3
Return on equity	Group net income / Group shareholders' equity (before Group net income for the year)	17.6%	11.5%
Interest cover	Operating profit / Net interest expense	6.3	4.3

(*) Borrowings = total borrowings excluding overdrafts plus assets recognized in connection with financial derivative instruments.
(**) Cash from operations = net cash from operating activity less changes in working capital.

2. Average and closing exchange rates for Fiscal 2006

Country	Currency	Code	Closing rate August 31, 2006 1 euro =	Average rate Fiscal 2006 1 euro =
Africa	CFA Franc (thousands)	CFA	0.655957	0.655957
Algeria	Dinar (thousands)	DZD	0.092785	0.089886
Argentina	Peso	ARS	3.980200	3.717058
Australia	Dollar	AUD	1.681000	1.639924
Brazil	Real	BRL	2.748100	2.704461
Bulgaria	Lev	BGN	1.955800	1.955879
Canada	Dollar	CAD	1.423000	1.401629
Chile	Peso (thousands)	CLP	0.691090	0.648572
China	Yuan	CNY	10.220000	9.848654
Colombia	Peso (thousands)	COP	3.079910	2.869594
Costa Rica	Colon (thousands)	CRC	0.666040	0.614161
Czech Republic	Crown (thousands)	CZK	0.028214	0.028737
Denmark	Crown	DKK	7.459400	7.460382
Ghana	Cedi (thousands)	GHC	11.789330	11.172180
Hong Kong	Dollar	HKD	9.994500	9.504888
Hungary	Forint (thousands)	HUF	0.274650	0.259462
India	Rupee (thousands)	INR	0.059710	0.055405
Iceland	Crown	ISK	88.920000	82.035846
Indonesia	Rupiah (thousands)	IDR	11.690550	11.618037

Country	Currency	Code	Closing rate August 31, 2006 1 euro =	Average rate Fiscal 2006 1 euro =
Japan	Yen (thousands)	JPY	0.150560	0.141648
Kazakhstan	Tenge (thousands)	KZT	0.160500	0.156817
Korea	Won (thousands)	KRW	1.235370	1.205836
Lebanon	Pound (thousands)	LBP	1.938340	1.846659
Madagascar	Ariary (millions)	MGA	2.730720	2.632186
Malaysia	Ringgit	MYR	4.730500	4.549566
Mexico	Peso	MXN	14.031000	13.256049
Mongolia	Tugrik (thousands)	MNT	1.498800	1.466888
Morocco	Dirham	MAD	11.081000	10.991773
New Zealand	Dollar	NZD	1.972000	1.857459
Nigeria	Naira (thousands)	NGN	0.164560	0.158424
Norway	Crown	NOK	8.079500	7.920889
Oman	Rial	OMR	0.494100	0.470179
Panama	Balboa	PAB	1.285100	1.224911
Peru	Sol	PEN	4.168900	4.072478
Philippines	Peso	PHP	65.283000	64.862288
Poland	Zloty	PLN	3.937800	3.917157
Polynesia	CFP Franc	XPF	119.331700	119.331702
Qatar	Rial	QAR	4.677800	4.451166
Romania	Leu	RON	3.529700	3.566741
Russia	Rouble (thousands)	RUB	0.034336	0.034114
Saudi Arabia	Riyal	SAR	4.819800	4.594092
Singapore	Dollar	SGD	2.020400	1.996160
Slovakia	Crown (thousands)	SKK	0.037650	0.037953
Slovenia	Tolar (thousands)	SIT	0.239570	0.239553
South Africa	Rand	ZAR	9.143800	7.942942
Sweden	Crown	SEK	9.266700	9.353564
Switzerland	Swiss Franc	CHF	1.575100	1.561405
Tanzania	Shilling (thousands)	TZS	1.693630	1.475584
Thailand	Baht	THB	48.241000	48.192972
Tunisia	Dinar	TND	1.690400	1.639279
Turkey	Lira	TRL	1.871000	1.699915
United Arab Emirates	Dirham	AED	4.719500	4.498473
United Kingdom	Pound	GBP	0.674100	0.685059
United States	Dollar	USD	1.285100	1.224911
Uruguay	Peso	UYU	30.746000	29.280591
Venezuela	Bolivar (thousands)	VEB	2.759500	2.633123

3. Two-Year Financial Summary

(In millions of euro)	Fiscal 2006	Fiscal 2005
EQUITY	2,173	2,078,
Attributable to equity holders of the Group	2,156	2,060,
Attributable to minority interests	17	18
Borrowings [1]		
Non current liabilities	1,852	1,891
Current liabilities	28	47
Cash (including bank overdrafts)	1006	928
Restricted cash and financial assets of Service Vouchers and Cards	423	326
NET DEBT [2]	(451)	(684)
Revenues	12,798	11,693
Operating profit	605	450
Net income	333	221
Minority interests	10	9
Group net income	323	212
Average number of shares	156,050,771	155,869,510
Résultat par action	2.07	1.36
Earnings per share	0.95	0.75
Dividend per share (in euro)	41.61	28.18
Highest share price during the year	42.09	29.78
Lowest share price during the year	28.00	19.37

(1) Including financial instruments, excluding bank overdrafts.
(2) Cash and cash equivalents and restricted cash and financial assets of Service Vouchers and Cards less borrowings.

4. Investment policy

Sodexho operates in sectors where investment in property, plant and equipment and intangible assets as well as client investments averages only around 2% of consolidated revenues over the long run.

The Group's investment policy is primarily focused on organic growth and investing in client sites.

(in millions of euro)	Fiscal 2006	Fiscal 2005
Acquisitions of property, plant and equipment, intangible assets and client investments	207	162
Acquisitions of equity interests	51	4

5. Employee profit-sharing

Amounts paid by the Group in employee profit-sharing for the last five Fiscal years were as follows (in millions of euro):

Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002
12	12	12	8	8

EMPLOYMENT
AND ENVIRONMENTAL INFORMATION

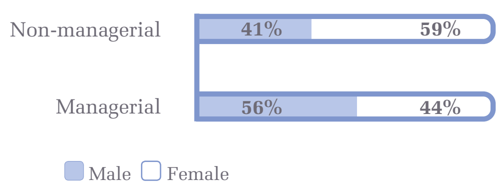
1. Employment information

Social information pertaining to Sodexho's worldwide operations, in particular in France, is provided below. Further information is available in the Sustainable Development Report and the Human Resources Report found on the Sodexho website www.sodexho.com.

1.1. Worldwide

1.1.1. Group workforce as of August 31, 2006 [1]

Non-managerial	Managerial	Total
290,500	41,596	**332,096**



1.1.2. Recruitment by grade [1]

Percentage of recruits on permanent contract (excluding staff assumed from other service-providers) relative to average workforce

Non-managerial	Managerial	Total
42.7%	22.4%	**40.1%**

Number of recruits by category

Non-managerial	Managerial	Total
122,904	9,325	**132,229**

1.1.3. Employee training by grade [2]

Percentage of average workforce who have undergone training

Non-managerial	Managerial	Total
56.4%	84.9%	**60.0%**

Number of employees who have undergone training

Non-managerial	Managerial	Total
162,467	35,333	**197,800**

Number of training hours [2]

2,453,908 hours

1.1.4. Internal promotion [1]

During Fiscal 2006, the Group made 2,199 internal promotions comprising 1,681 promotions to site manager grade and 518 to manager grade.

Internal promotions from one grade to another	Site manager	Manager
Internal promotions / Internal promotions and external recruitments	16.7%	35.7%

These numbers do not include promotions within the same category.

1.1.5. Work-related accidents by grade [3]

Percentage of work-related accidents relative to average workforce

Non-managerial	Managerial	Total
2.8%	0.5%	**2.5%**

Number of work-related accidents

Non-managerial	Managerial	Total
7,787	220	**8,007**

1.1.6. Engagement Survey for Employees

Engagement surveys for employees are an essential tool to help the Group understand the needs of our employees and to attract, develop and retain the best talents for the Group. Sodexho has, for several years, launched satisfaction surveys with its employee teams and sought to measure their engagement level, i.e., employee satisfaction and motivation to stay with the Group and most importantly their engagement to be a part of the Group's progress.

An engaged employee is defined as one who speaks positively of the Group, wants to remain an employee and is ready to invest him or herself in the Group's success. The rate of engagement is the percentage of employees who fit within this description.

The first engagement survey was carried out during Fiscal 2006 on a global basis, in 35 countries covering 87% of the Group's employees. The global rate of engagement for Sodexho was 50%.

(1) Scope = 100% of Group employees at August 31, 2006.
(2) Scope = 99% of Group employees at August 31, 2006.
(3) Scope = 97% of Group employees at August 31, 2006.

Hewitt Associates, Sodexho's partner for this survey, has performed these types of engagement surveys using the same methodologies for other global companies who are convinced of the importance of human resources and who wish to measure their employees' engagement levels in order to improve Sodexho's engagement rate ranks in the median compared to other global companies according to Hewitt Associates.

Sodexho's objective is to reach an engagement rate in excess of 60%, or similar to the rate of those companies who are judged in this category to be the best in class.

1.1.7. Employee retention rate

Employee retention rate has been one of the Group's key performance indicators for the past six years. During this period, the retention rate for all employees has progressed from 49% to 65% and the retention rate for site managers progressed from 81% to 87%.

In order to increase the retention of our employees, the following action plans are being implemented:
• organization of structured orientation programs;
• recognition programs;
• reinforced internal communication:
– meetings between Business Unit CEOs, site managers, and middle managers;
– monthly update letters from the Business Unit CEOs to managers;
• periodic reviews and analyses of employee retention rates;
• better appreciation for the reasons employees leave the Group through; exit interviews.

Retention rate

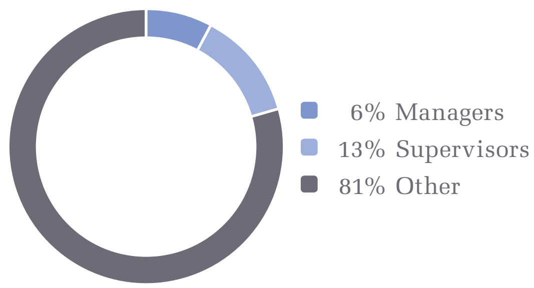
1.2. France

The following information relates to all Sodexho's operations in France, including Food and Facilities Management, Service Vouchers and Cards, Group holding companies and Sodexho Alliance.

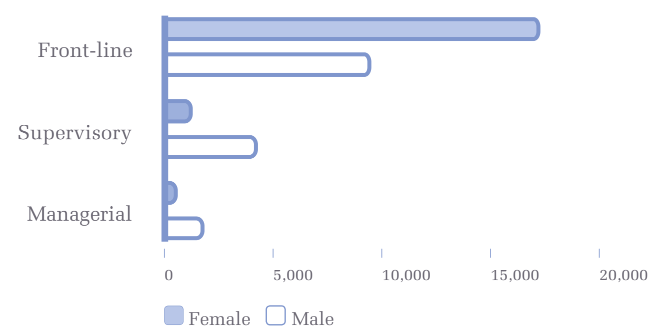
1.2.1. Workforce

At August 31, 2006, the total workforce of Sodexho in France was 33,516.

Breakdown of workforce by job category

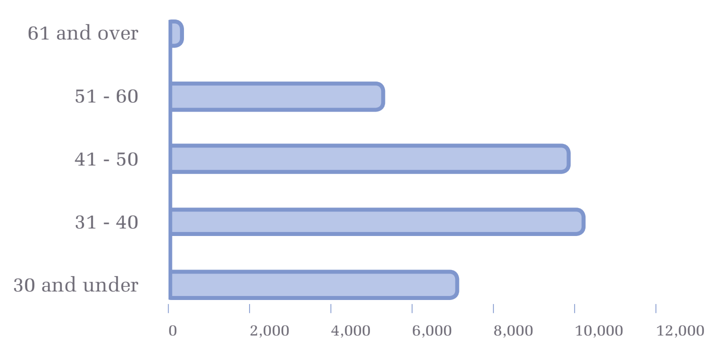


Breakdown of workforce by job category and gender



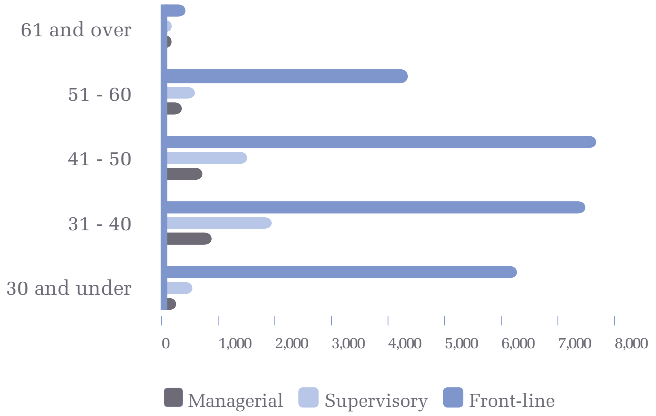
57% of the workforce is female. By grade, females account for 64% of front-line staff, 25% of supervisory staff and 29% of managerial staff.

Breakdown of workforce by age group



The average age is 39.6 years.

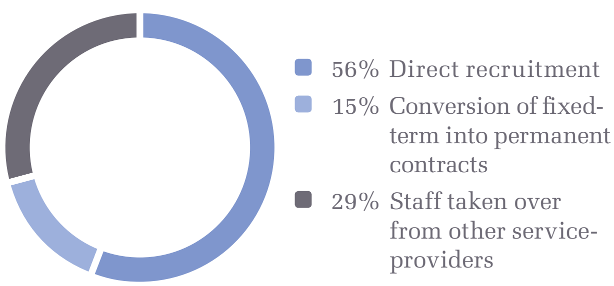
Breakdown of workforce by age group and job category



1.2.2. Employment

5,774 staff were recruited on permanent contract during Fiscal 2006, comprising 3,258 by direct recruitment, 862 by conversion of fixed-term contracts into permanent contracts, and 1,654 by taking over staff from other service-providers.

Staff recruited on permanent contract



Taking over staff from other service-providers is inherent to our business. A change of service-provider involves transferring the contracts of employment of staff at the sites managed.

Due to the Group's notoriety, Sodexho does not face particular difficulties in recruiting managers, either by receiving unsolicited resumés or through recruitments.

However, the Group experiences slightly more difficulties in recruiting supervisors and chefs as individuals with these qualifications are harder to find in the market.

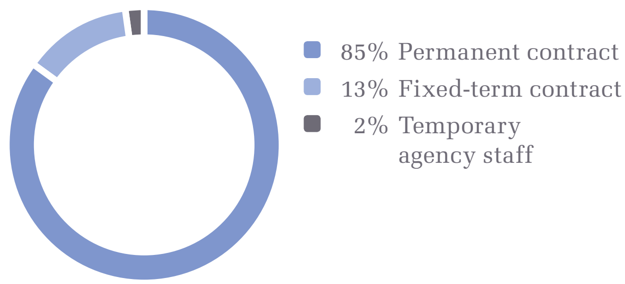
Promotion policies (such as certified training, deputy site management programs), apprenticeships, as well as targeted efforts in employing individuals with disabilities and in diversity, provide Sodexho with external recruits and the opportunity to fill vacant posts in a timely manner.

As at August 31, 2006, 12% of the workforce were on fixed-term contract.

During Fiscal 2006, employment on fixed-term contract accounted for only 13% of hours worked and temporary agency work for 2%. These are basically jobs designed to provide temporary replacements and to cope with spikes in workload.

124,085 hours of overtime were worked in Fiscal 2006, or 0.26% of hours worked.

Number of hours worked by type of contract



During Fiscal 2006, 1,180 employees had their contract of employment terminated. Of these, 53 were for economic reasons.

In the event of a mass layoff (particularly linked to site closings), Sodexho has implemented several plans, based on the particular facts for each event:
• internal opportunities;
• relocation assistance;
• training for new positions;
• personal support;
• external recruitments;
• particular aid for seniors.

1.2.3. Internal promotion

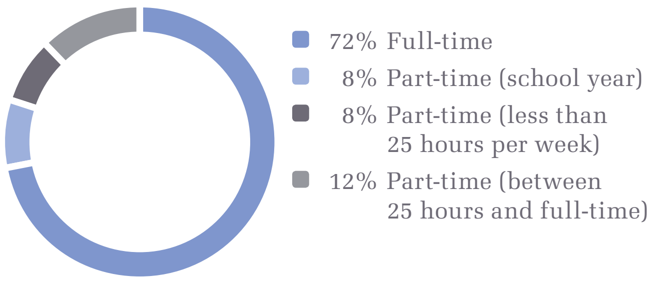
Internal promotion is a key feature of Sodexho human resources policy. In Fiscal 2006, 495 staff were promoted to a higher grade in France, with 395 staff promoted to supervisor and 100 supervisors becoming managers.

1.2.4. Organization of working hours

Except for public restaurants, which account for less than 2.14% of the total workforce, the working week is 35 hours (34.87 hours for most subsidiaries).

In Fiscal 2006, 72% of the workforce worked full-time. 28% of the workforce worked part-time, comprising 8% "school-year" workers, 12% working more than 25 hours per week, and 8% working less than 25 hours per week.

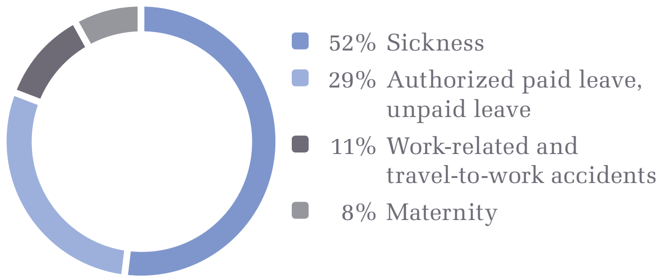
Working hours



1.2.5. Absenteeism

The average absenteeism rate was 8.32% for the workforce as a whole. The three main reasons for absenteeism were sickness (52%), authorized paid leave and unpaid leave (29%), and work-related travel-to-work accidents (11%).

Breakdown of days absence by reason



1.2.6. Compensation

The average annual salary for a full-time front-line employee was 18,590 euro 23.98% higher than the legal minimum wage (1).

The average compensation of full-time female employees was:
- 81% of that of males (managers)
- 94% of that of males (supervisors)
- 89% of that of males (front-line managers)

The above grades each cover different kinds of work.

(1) Legal minimum gross wage in euros for a 34.87-hour working week.

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

Profit-sharing agreements operate within Sodexho's French subsidiaries. The share of profits allocated to employees during Fiscal 2006 was 11,740,950 euro.

1.2.7. Social security charges

In the year to August 31, 2006, social security charges accounted for 24.69% of the compensation of front-line staff. The employer's contribution was 47.89%.

1.2.8. Collective agreements

28 collective agreements were signed in Fiscal 2006, including two profit-sharing agreements.

Sodexho's French subsidiaries each organized annual pay negotiations with trade unions.

All employees of subsidiaries in France are covered by collective agreements.

1.2.9. Health and safety

The frequency rate* of work-related accidents was 50.93, and the severity rating* was 1.68.

The Health and Safety and Working Conditions Committee met 92 times in Fiscal 2006.

As part of Sodexho's general legal duty on 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, Sodexho draws up an accident prevention plan jointly with the client, based on an assessment of the risks and potential interference between our activities;
- Sodexho produces a single document, the "Work-related Risk Assessment", which identifies dangers, analyzes risks and indicates preventive action to be taken.

1.2.10. Training

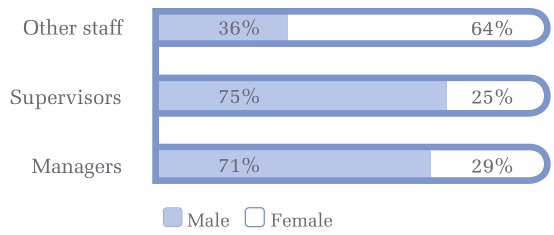
Total expenditure on training by all Sodexho businesses in France represented 1.76% of total payroll. As a result of changes in the organization and adaptation of training methods, Sodexho was able to increase the number of employees who participated in training, while optimizing the training cost.

(*) See Glossary for definition.

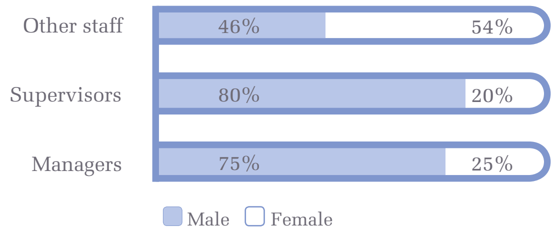
9,858 people received training, an increase of 23% over the prior year.

The rate of female participation in work-related training is improving, and should eventually match that of female representation in the workforce.

Workforce by gender



Employees receiving training by gender



There were 181,238 training hours in Fiscal 2006.

Sodexho favors in-house training, especially for skills-acquisition at our various sites. More than 100 managers and supervisors (including specialist trainers, line managers and support managers) regularly run training sessions. Wherever possible, training sessions take place on site.

1.2.11. Employment and placement

In connection with its national affiliation with Restos de Coeur and particularly, with the support of the association for placing workers, Sodexho offered employment to 35 individuals followed by Restos de Coeur during Fiscal 2006.

Disabled workers

Sodexho affiliates in France employ 643 disabled workers, including 12 managers and 68 supervisors.

An agreement was signed in June 2006 with the Group's social partners (and subsequently endorsed by the Department of Work and Employment in October, 2006).

As part of this agreement, Sodexho* committed to recruit by December 2008 200 disabled workers, 50 disabled apprentices and 150 disabled trainees.

In addition, Sodexho* was a partner for the 9th consecutive year in the Disabled Workers week which occurred in November, 2005 by participating in "job dating" organized throughout France.

Prisoners

Under a contract with the Minister of Justice, SIGES is involved in the rehabilitation of offenders. Two Business Relationship managers collaborate with more than 200 companies in a program developed by SIGES to return offenders to employment.

In Fiscal 2006 SIGES also helped 78 former prisoners, both men and women, to return to employment at various companies, an increase of 37% over the previous year.

A farm was created at Liancourt, where 15 prisoners with particular difficulties, including psychological problems or serious addictions are employed. This innvovative experience is the first step to a successful process of insertion back into society.

Unskilled youth unemployment

In June, 2005, Sodexho* signed the Chartre de l'"Apprentissage which formalized Sodexho's commitment to increase by 20% the number of apprenticeships in the next two years.

As of December 31, 2005 Sodexho* had 232 apprentices, a 43% increase since December 31, 2004.

Seniors

During Fiscal 2006, 5 people more than 55 years of age were promoted and 34 were hired.
This population increased by 18% over the prior fiscal year.

1.2.12. Welfare

The contribution to the financing of social and cultural activities promoted by the various Works Councils represented 0.5% of payroll.

(*) Sodexho France Food and Facilities Management services.

2. Environmental information

As part of its sustainable development policy. Sodexho is committed to protecting the environment in the countries where it operates. Respect for the environment means creating the right framework for Quality of Life. Although Sodexho is not regarded as a polluting business, it is particularly sensitive to ecological issues, for both clients and consumers. Sodexho's response to the imperatives of environmental protection mobilizes all of its resources. It is not enough just to identify and reduce the risks arising from activities; Sodexho goes further, delivering concrete solutions not only to clients, but also to the wider community.

Sodexho has chosen to focus on four areas of environmental action that contribute directly to improving the Quality of Life:
- preventing pollution;
- recycling;
- saving energy;
- water consumption.

2.1. Preventing pollution

Sodexho is committed to making every effort to analyze, treat and reduce any pollution created by its activities. More and more initiatives are being launched in the countries where it operates to prevent environmental risks and to protect the environment by limiting the pollution caused by its activities.

Sodexho encourages its sites to use biodegradable, chlorine-free and phosphate-free products for the cleaning and maintenance of equipment and sites. In the Netherlands, the United Kingdom and other northern European countries, a particular effort is being made to reduce the use of toxic chemicals.

In Italy, Sodexho has replaced floor-cleaning chemicals in favor of steam-cleaning machines.

Sodexho is also taking action to reduce greenhouse gas emissions, in response to the targets set by the Kyoto protocol. For example, Sodexho has rationalized its supply chain in France to limit its environmental impact. By using delivery planning techniques and rescaling logistics sites, Sodexho has been able to cut the number of deliveries and switch to a truck fleet better suited to goods flows. Between 2000 and 2005, Sodexho France reduced the number of monthly deliveries of frozen, fresh and dry goods by an average of nearly 25% per restaurant.

Sodexho actively encourages the use of low-pollution or pollution-free vehicles. In Milan, for example, Sodexho uses two electrically-powered trucks and eight hybrid vehicles to deliver meals to schools in the suburbs.

In the United Kingdom, its subsidiary uses a fleet of 20 LPG vehicles in its "Meals on Wheels" home meal delivery service, thereby reducing emissions.

The Service Vouchers and Cards activity is also working to reduce carbon dioxide emissions. In Italy, Sodexho has participated in the "Impatto Zero" program since September 2005. Over a 3-year period, the company will fund reforestation of an area proportionate to its pollution footprint. Overall, 70,000 m^2 of forest will be planted, completely absorbing the company's energy impact.

Through its Remote Site Management activities, Sodexho has developed expertise in soil remediation. In Kosovo, this involved removing soil polluted by waste oil and light fuel oils from military vehicles and treating it bacterially, cutting hydrocarbon concentrations to near zero.

2.2. Recycling

The waste Sodexho generates mainly relates to products used in the preparation of meals (plus leftovers) and in various cleaning activities. This waste is non-hazardous, and mainly consists of packaging (paper, board, plastic, glass, metal and wood); 95% of the waste from sites is organic matter, and the rest is grease and soap residues.

Sodexho is developing a policy aimed to reduce the amount of packaging produced at source (without comprising product safety and quality), and also to recycle waste as much as possible.

For several years, Sodexho has systematically complied with waste collection plans. However, its concern for the environment is increasingly leading it to encourage suppliers and partners to:

- significantly reduce inner and outer packaging;
- use recyclable or recycled materials wherever possible;
- re-use pallets and boxes.

Sodexho prints its corporate documents (and those of its main subsidiaries) on environmentally-friendly paper (recycled, or virgin paper from sustainably-managed forests). The Group also strongly encourages the recycling of paper.

In the Service Vouchers and Cards activity, Sodexho has a policy of recycling reimbursed vouchers, along with many other types of paper: this policy is being gradually rolled out across all countries where it operates. The phased replacement of paper vouchers with smart cards also helps reduce paper usage.

In Brazil, these initiatives reduce annual paper usage by 120 tons.

The Romanian subsidiary recycles 180 tons of paper every year through the “3R” (Recover, Recycle, Reprocess) program.

Used cooking oil from all sites in France and Brazil is collected and recycled by a single local-authority approved service-provider. Cooking oil is also recycled in China and the United States.

Sodexho educates clients and consumers worldwide about waste sorting and recycling. This applies to onshore and offshore platforms served by our Remote Sites activity, and to countries such as Canada, Australia, Finland, France, Belgium, Austria, Romania and Laos.

In the United States, nearly 20% of the products used in restaurants managed by Sodexho, Inc. are recyclable. Sodexho’s meal-tray recycling campaign in the 34 schools in Providence (Rhode Island), which have a total of 14,000 students, enabled it to recycle 4 million trays (representing around 40,000 kilos of polystyrene), which would have taken 100 years to break down in the environment. This initiative achieved a waste recycling rate of 50%. At the same time Sodexho helped the client Marist College (Poughkeepsie, New York) to achieve a 100% recycling rate, and raise on-campus awareness of waste sorting.

In the Netherlands, there is a program to sort waste into 6 categories (organic, residual, paper and board, glass, cans and plastic), and Sodexho has installed color-coded bins with photographs to encourage consumers to sort their own waste.

In the United Kingdom, Sodexho anticipated new legislation with a 2004 nationwide survey of waste management at Sodexho sites. Sodexho’s own sites, and those of its subcontractors, have all been in compliance with national environmental standards since the summer of 2005. Sodexho has also made efforts to raise staff awareness through our “Carriage of Dangerous Goods” program.

In North America and Oman, disposable plastic tableware is being phased out in favor of china to reduce source waste.

2.3. Saving energy

The energy Sodexho uses is supplied by clients, and in most cases Sodexho has no direct control over energy consumption because there are no meters for our production centers. Sodexho uses electricity, but also natural gas, and sometimes a combination of the two. Sodexho is aware of concerns about the depletion of fossil fuel reserves, and is actively seeking energy-saving solutions for sites.

Technical services teams are working to reduce water and energy consumption by:

- selecting low-energy cooking and washing equipment;
- systematically using devices like time-switches that automatically reduce consumption;
- using heat pumps;
- choosing environment-friendly vehicles.

Effective maintenance ensures that equipment remains in optimal condition for as long as possible, thereby helping to protect the environment.

Management make sure that their teams know how to use equipment properly, as this can significantly reduce energy use. Simple training initiatives can also help reduce the environmental impact of operations, in particular efficient use of air conditioning systems in the United States, Australia, the United Kingdom, France and Germany.

At Sodexho's instigation, Strathroy Hospital in Middlesex (Canada) installed low-energy lighting systems and more energy-efficient equipment.

The partnership with HCIMA (the Hotel and Catering International Management Association) in the United Kingdom under the "Hospitable Climates" initiative comes within the framework of the European carbon emissions trading program. As a result of this initiative, Sodexho has helped to reduce national greenhouse gas emissions at four pilot sites: a school, a hospital, a modern office building and a television studio.

2.4. Water consumption

Sodexho encourages consumers to use drinking water sensibly, and is improving its waste water treatment techniques. Before being discharged into the sewerage system, waste water is treated by various installed retention systems (such as grease and starch traps). These facilities are scrupulously maintained to optimize their effectiveness and thereby produce waste water that is relatively free from pollutants – and therefore easier to treat when it re-enters the public water supply.

In Chile, Sodexho has developed the SODEXH2O program, designed to make staff and clients aware that water is a scarce resource and should be used sensibly. This program is being gradually rolled out to corporate clients.

2.5. ISO 14001 certification

Sodexho's subsidiaries in Scotland, Australia, Finland, Denmark, England, Hong Kong and Peru have all obtained ISO 14001 certification, a significant step forward in the environmental field. In Hong Kong and Peru, Sodexho was the first company in its sector to achieve this independent recognition of its efforts to protect the environment.

Over the ten days of the World Athletics Championships, held in Helsinki during August 2005, Sodexho provided catering services to 3,000 athletes and support teams from the 200 competing countries, in accordance with the Ecomass environmental standards for major sporting events. This project, developed jointly with its client (the Finnish Athletics Federation), integrated Sodexho's own sustainable development principles.

2.6. Pro-environment partnerships

Some of its business units at the cutting edge of the environmental agenda have put in place an annual self-audit to measure past performance and identify areas for improvement. Sodexho also encourages partnerships with suppliers and producers who wish to adopt environment-friendly policies for the sourcing, processing and delivery of products.

On a broader level, Sodexho is developing an increasing number of pro-environment partnerships with clients and the broader community aimed at finding concrete, sustainable solutions.

In France, Sodexho participated in the 2004 launch of the "Sustainable Development Guide" for the school meals sector, supported by the Ministry for Ecology and Sustainable Development. This guide, prepared jointly with the "Eco Maires" association of French mayors, helps local authorities to introduce and monitor sustainable development initiatives in the provision of school meals.

In Chile, in September 2004, Sodexho signed the Ministry of Health's "Clean Production Compact" (*Acuerdo de Producción Limpia*). This compact is a management tool for foodservice and food production companies, aimed at improving both the environmental and health/safety conditions under which food is produced.

2.7. Raising environmental awareness

Sodexho helps promote eco-friendly farming and organic produce through local agricultural partnerships in the United Kingdom, the Netherlands and the United States. By eliminating chemical fertilizers, organic farming restores the balance in the relationship between man and nature.

Sodexho also runs awareness programs for employees, clients and consumers, to spread information about its environmental programs and extend the best practice developed over recent years.

In schools and colleges, Sodexho works with local authorities and students to raise awareness among the younger generation of the importance of waste sorting and careful use of water and energy.

In the United States and Canada, Sodexho supports the "Recycle Mug" program, in association with the National Fish and Wildlife Foundation (NFWF), in colleges and universities nationwide.

Also in the United States, Sodexho has implemented the H2E (Hospital for a Healthy Environment) program to educate healthcare professionals about environmental issues affecting hospitals. This program is conducted in association with a number of other bodies (the American Hospital Association, the US Environmental Protection Agency, the American Nurses Association and Health Care Without Harm).

H2E was adopted by the alliance of healthcare establishments in Cambridge, Massachusetts in 2002, enabling them to share best practice, especially in waste management. Medical waste was cut by 4% in twelve months. The program also helps to improve the elimination of waste containing mercury, and to avert pollution risks.

2.8. Awards and distinctions

Sodexho's commitment to the environment and to sustainable development is demonstrated by the many awards it has received from external bodies for its work in this area.

- **France:** Award from the South-East France Regional Environment Agency at the 2005 Sustainable Development Week, and sponsorship from the Secretary of State for Sustainable Development.
- **Northern Ireland:** Sodexho was ranked in the top five companies in the annual environmental management survey carried out by Arena Network.
- **Canada:** Energy Innovators Initiative Award from the Canadian Federal Government Ministry for Natural Resources, in recognition of the commitment by Bill Player and his team at Strathroy Hospital (Middlesex) to cutting greenhouse gas emissions.
- **United States:**
  – In bestowing upon its university the Best Prize (Business for an Environmental Sustainable Tomorrow) the city of Portland recognized the "remarkable corporate citizenship" of Sodexho.
  – Food Alliance Midwest awarded Sodexho the 2005 Keeper of the Vision Award for offering environmentally friendly, socially responsible products to college students. Food Alliance is the United States' premier organization for the certification of sustainable products.

3. Employment and environmental information relating to the issuer

These disclosures relate to the employment and environmental impact of the activities of Sodexho Alliance SA in France (including French overseas departments and territories), and are presented to comply with article L 225-102-1 of the French Commercial Code.

3.1. Employment data

As of August 31, 2006, Sodexho Alliance employed 183 people in the following categories:

	Managers	Supervisors	Front line and other staff	TOTAL
Male	54	2	6	62
Female	52	34	35	121
TOTAL	**106**	**36**	**41**	**183**

Each of these categories corresponds to different functions within the company.

66% of Sodexho Alliance employees are female. 22% of the workforce are aged under 30, 58% are aged between 30 and 50, and 20% are aged 50 or more.

During Fiscal 2006:

- A total of 28 individuals were hired on permanent contracts, 24 being hired directly and 4 converted from fixed-term contracts.
- Approximately 7% of Sodexho Alliance employees were on fixed-term contracts, and agency staff accounted for 1.38% of hours worked. Fixed-term contracts and agency staff were mainly used in response to temporary peaks in demand for the company's services.

Sodexho Alliance terminated the contracts of eight employees during Fiscal 2006. None of these was for economic reasons.

In terms of working time within France (including overseas departments and territories), employees worked a 35-hour week.

16 employees worked part-time (6 managerial, and 10 front-line).

In all, 2,683 overtime hours were worked in Fiscal 2006, representing under 1% of total hours worked.

The absenteeism rate in Fiscal 2006 was 4.53%.

The number of absentee days was as follows:

	Managers	Supervisory	Front-line/Other	TOTAL
Work-related and travel-to-work accidents	1	5	23	29
Sick leave	210	259	528	997
Maternity leave	176	70	335	581
Other reasons (unpaid leave, authorized leave, etc)	64	18	308	390
TOTAL	**451**	**352**	**1,194**	**1,997**

Average annual gross salaries were as follows:

(in euro)	Managers	Supervisory	Front-line/Other
Male	85,500	(1)	27,721
Female	76,607	34,964	25,606

(1) Not meaningful because there are only 2 employees in this category.

Sodexho Alliance's activities did not generate any statutory employee-profit sharing entitlement during Fiscal 2006.

The Health, Safety and Working Conditions Committee met four times, and recorded just 5 work-related accidents which resulted in 29 days of absence from work. The frequency rate* was 16.65 and the severity rating* was 0.10.

(*) See Glossary for definition.

Sodexho Alliance invested 1.61% [1] of total payroll in training, split as follows:

	Managers	Supervisory	Front-line/Other	TOTAL
Number of days' training	1,130	451	480	2 061
Number of people trained	44	23	19	86
Male (%)	39	4	11	23
Female (%)	61	96	89	77

Sodexho Alliance spent 13,250 euro on efforts to employ disabled people, and employs two disabled people.

The company also paid 75,292 euro to the Works Council to support its welfare activities.

3.2. Environmental information

As part of its commitment to sustainable development, Sodexho 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, traveling: all these activities affect the environment. An internal group known as the Environmental Life Committee has been established, bringing together representatives from various corporate functions to assess and limit the environmental effect of administrative tasks carried out by Sodexho's employees.

An initial action plan has been drafted, accompanied by awareness programs at the Montigny site involving a new network of "environmental monitors" and the launch of an environmental policy for offices.

Electricity consumption

Fiscal 2005	1,783,621 kWh
Fiscal 2006	1,864,753 kWh

This 4.5% increase reflects the exceptional weather conditions during the winter of 2005/06; the winter lasted much longer than usual, leading to increased electricity consumption for heating at peak times.

Water consumption

Fiscal 2005	1,604 m^3
Fiscal 2006	1,546 m^3

The source of the water used at the corporate headquarters is a public supply.

(1) 2004 Annual Training Declaration.

INDIVIDUAL COMPANY FINANCIAL STATEMENTS
SODEXHO ALLIANCE

1. Income Statement

(in thousand of euro)	Note	Fiscal 2006	Fiscal 2005	Fiscal 2004
REVENUES	3	42,117	43,189	47,278
Other income		124,544	133,937	91,460
Purchases		(2,325)	(3,275)	(3,155)
Employee costs		(19,358)	(16,333)	(15,673)
Other external charges		(90,931)	(82,919)	(75,378)
Taxes other than income taxes		(4,316)	(5,632)	(2,768)
Depreciation, amortization and increase in provisions		(3,692)	(2,395)	(5,099)
OPERATING PROFIT		46,039	66,572	36,665
Financial income/(expense), net	4	80,467	17,642	32,883
Exceptional income/(expense), net	5	(32,179)	(21,584)	(379)
Income taxes	6	19,432	14,468	18,321
NET INCOME		113,759	77,098	87,490

2. Balance Sheet

ASSETS (in thousand of euro)	August 31, 2006	August 31, 2005	August 31, 2004
FIXED AND INTANGIBLE ASSETS, NET			
Intangible assets	3,786	3,719	3,570
Property, plant and equipment	4,856	6,639	6,289
Financial investments	4,215,953	4,219,079	4,210,283
• Total fixed and intangible assets, net	4,224,596	4,229,437	4,220,142
CURRENT AND OTHER ASSETS			
Accounts receivable	41,264	40,900	20,381
Prepaid expenses, other receivables and other assets	37,110	16,999	66,486
Marketable securities	115,814	75,222	52,442
Cash	12,990	20,259	21,386
• Total current and other assets	207,178	153,380	160,695
TOTAL ASSETS	4,431,774	4,382,817	4,380,837

LIABILITIES AND EQUITY (in thousand of euro)	August 31, 2006	August 31, 2005	August 31, 2004
SHAREHOLDERS' EQUITY			
Common stock	636,106	636,106	636,106
Additional paid in capital	1,185,828	1,185,828	1,185,828
Reserves and retained earnings	843,950	848,341	889,600
• Total shareholders' equity	2,665,884	2,670,275	2,711,534
• Provisions for contingencies and losses	47,461	35,368	5,433
LIABILITIES			
Borrowings	1,631,051	1,598,468	1,600,469
Accounts payable	25,204	18,392	12,844
Other liabilities	62,174	60,314	50,557
• Total liabilities	1,718,429	1,677,174	1,663,870
TOTAL LIABILITIES AND EQUITY	4,431,774	4,382,817	4,380,837

3. Cash Flow Statement

(in thousand of euro)	Fiscal 2006	Fiscal 2005	Fiscal 2004
OPERATING ACTIVITIES			
Net income	113,759	77,099	87,490
Depreciation, amortization and provisions	15,130	19,279	(3,706)
Net (gain)/loss on disposals and other items, net of tax	11,723	525	3,878
• Cash provided by operating activities	140,612	96,903	87,662
Change in working capital from operating activities	(11,076)	42,694	116,739
• Net cash provided by operating activities	129,536	139,597	204,401
INVESTING ACTIVITIES			
Acquisitions of fixed assets	(42,928)	(10,443)	(185,192)
Disposals of fixed assets	38,224	76	384
Change in other financial assets	0	(215)	0
Change in working capital from investing activities	(3,051)	513	(1,436)
• Net cash used in investing activities	(7,756)	(10,069)	(186,244)
FINANCING ACTIVITIES			
Dividends paid to parent company shareholders	(117,311)	(109,248)	(95,539)
Increase in shareholders' equity	0	0	120
Proceeds from borrowings	314,703	395,396	268,019
Repayment of borrowings	(282,000)	(398,019)	(424,898)
Change in bank overdrafts	(518)	837	(2,032)
Change in working capital from financing activities	(41)	(663)	212,661
• Net cash (used in) financing activities	(85,085)	(111,697)	(41,669)
INCREASE/(DECREASE) IN CASH AND EQUIVALENTS	**36,695**	**17,831**	**(23,512)**
Cash and equivalents at beginning of period	95,481	73,828	99,610
Add: provisions at beginning of period	0	3,822	1,552
Cash and equivalents at end of period	128,804	95,481	73,828
Add: provisions at end of period	3,372	0	3,822
INCREASE/(DECREASE) IN CASH AND EQUIVALENTS	**36,695**	**17,831**	**(23,512)**

NOTES TO THE INDIVIDUAL COMPANY FINANCIAL STATEMENTS

1. Significant events

Liquidity contract

On July 1, 2006, Sodexho Alliance signed a liquidity contract with Oddo Corporate Finance relating to Sodexho Alliance ordinary shares. The contract complies with the Charter of the AFEI (French Association of Investment Firms) dated March 14, 2005, approved by the *Autorité des Marchés Financiers* on March 22, 2005.

Tax Audit

A tax audit on the worldwide tax consolidation is ongoing.

Relocation

During Fiscal 2006, Sodexho Alliance senior management announced its intention to relocate the corporate headquarters to a site closer to Paris.

2. Summary of significant accounting policies

The individual company financial statements have been prepared in accordance with the Plan Comptable Général of 1999 and in regulation no. 99-03 issued by the *Comité de la Réglementation Comptable* (CRC).

The valuation and presentation rules used are the same as those used in the prior year.

The new accounting regulation CRC number 2002-10, 2003-07 on the depreciation and impairment of fixed assets and on the component based estimates had no impact on the opening shareholders' equity as Sodexho Alliance had already applied these rules.

In applying Rule CRC number 2004-06 Sodexho Alliance has opted to continue accounting for the costs of issuing debt as deferred charges. As such, there has been no impact on opening shareholders' equity.

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 Sodexho Alliance include amounts for branches in France and in French overseas departments and territories.

2.1. Fixed assets

Fixed assets are valued at acquisition cost.

Depreciation and amortization are calculated over the useful life of the asset using the straight-line method, which is regarded as being the best reflection of the underlying economic reality.

Intangible assets

Software is amortized over 4 to 5 years, depending on its useful life.

Property, plant and equipment

The principal straight-line depreciation rates used are:
- Buildings 5%
- General fixtures and fittings .... 10% and 20%
- Plant and machinery .... 10% and 25%
- Vehicles 25%
- Office and computer equipment .... 20% and 25%
- Other property, plant and equipment 10%

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, we 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 3-year business plans prepared by management, and extrapolated after the initial 3-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. Inventories

Raw materials and consumables items are measured at acquisition cost using the FIFO (first in, first out) method. A provision is recorded where the recoverable amount is less than the carrying amount.

2.3. 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.

2.4. Marketable securities

Marketable securities are carried at their acquisition cost, and any potential decrease in value would be recognized in a provision.

2.5. Foreign currency translation

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 closing rate, unless they are hedged. Any difference arising from the retranslation of foreign-currency liabilities and receivables using the closing exchange rate is recorded in the balance sheet in an asset or liability account. A provision for contingencies and losses is recorded with respect to unrealized foreign exchange losses included in assets.

2.6. Retirement benefits

Retirement benefit obligations due to active employees by law or under collective agreements are recorded off balance sheet. Commitments under complementary retirement plans are estimated using the projected unit credit method based on final salary; they are also recorded off balance sheet, net of any funding for the plan.

2.7. French tax consolidation

Sodexho Alliance is the lead company in the French tax group, which comprises all qualifying French subsidiaries. Sodexho Alliance 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 Sodexho Alliance financial statements.

In the light of 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, Sodexho Alliance has opted for the following accounting treatment:

An exceptional tax charge has been recognized in the financial statements of Sodexho Alliance to cover the effect of subsidiary tax losses utilized to offset income in the group tax election which will probably be reclaimed by the subsidiary. Tax losses incurred by operating subsidiaries are regarded as probable of utilization by the subsidiary, given that the subsidiary will be able to offset such losses against income once it returns to profitability. The effect of tax losses incurred by investment holding companies (which are structurally loss-making) or subsidiaries that are unable to reclaim tax losses due to legal restructuring (merger or liquidation) are not covered by a provision, but are disclosed in the notes to the individual company financial statements.

3. Analysis of revenues

(In thousand of euro)

Revenues by business activity	
Food and Facilities Management services	18,139
Holding company services	23,978
TOTAL	42,117

Revenues by geographical region	
France	35,804
French overseas departments and territories	6,313
TOTAL	42,117

4. Financial income, net

(In thousand of euro)	Fiscal 2006	Fiscal 2005
Dividends received from subsidiaries and equity investments	152,687	87,325
Interest income	13,123	14,088
Interest expense	(82,422)	(83,860)
Net foreign exchange gain/(loss)	(1,194)	(1,076)
Net change in provisions for financial items	(1,726)	1,165
TOTAL	**80,467**	**17,642**

5. Exceptional items

(In thousand of euro)	
Net change in provision for negative net assets of equity investments	6,968
Net expense on treasury shares and commitments under stock option plans	(14,938)
Net change in other provisions for contingencies and losses	(3,029)
Net increase in provisions for tax losses reclaimable by subsidiaries included in group tax election	(1,566)
Debt waivers and subsidies granted	(11,804)
Net loss on asset disposals	(11,723)
Other items	3,914
TOTAL	**(32,179)**

The net expense on treasury shares and commitments under stock option plans comprises:

- the charge to the provision for Sodexho Alliance shares to be acquired (14,592 thousand euro);
- the loss recognized on exercise of stock options (346 thousand euro).

6. Analysis of income tax expense

(In thousand of euro)	Pre-tax income	Income taxes	After-tax income
Operating income	46,039	(15,089)	30,950
Financial income, net	80,467	23,111	103,578
Exceptional items	(32,179)	11,410	(20,769)
TOTAL	**94,327**	**19,432**[1]	**113,759**

(1) Includes the 18 million euro tax gain arising from the French group tax election.

7. Fixed assets

(In thousand of euro)	Gross value: August 31, 2005	Additions in the period	Decreases in the period	Gross value: August 31, 2006
Intangible assets	5,236	186	4	5,418
Property, plant and equipment	13,701	929	2,238	12,392
Financial investments				
• Equity investments	4,165,473	41,813	49,917	4,157,369
• Receivables related to equity investments	131,489	35,766	35,424	131,831
• Other financial assets	2,238	2,168	12	4,394
Total financial investments	4,299,200	79,747	85,353	4,293,594
TOTAL FIXED ASSETS	**4,318,137**	**80,862**	**87,595**	**4,311,404**

Equity investments

Companies created and acquired

There were no significant equity investments by Sodexho Alliance in new companies.

Capital increases

The principal capital increase during Fiscal 2006 concerned Sodexho Pass International for 30 million euro.

Following this capital increase Sodexho Alliances' interest in Sodexho Pass International, increased from 88.24% to 91.24%.

In August 2006, Sodexho Alliance transferred all its equity interests in its Chinese subsidiaries to Sodexho Grande Chine, a 100%-owned subsidiary of Sodexho Alliance for 6.5 million euro.

8. Depreciation and amortization

(In thousand of euro)	Accumulated: August 31, 2005	Increases in the period	Decreases in the period	Accumulated: August 31, 2006
Intangible assets	1,516	117	2	1,631
Property, plant and equipment	7,062	983	509	7,536
TOTAL	**8,578**	**1,100**	**511**	**9,167**

9. Maturities of receivables and other assets

(In thousand of euro)	Gross value	Less than 1 year	More than 1 year	Amortization & provisions	Carrying amount
Equity investments	4,157,369		4,157,369	77,536	4,079,832
Receivables related to equity investments	131,831	1,029	130,802		131,831
Other investment securities*	2,567		2,567	104	2,463
Loans receivable	1,249	123	1,126		1,249
Deposits and guarantees	578		578		578
Sub-total: other financial assets	4,394	123	4,271	104	4,290
TOTAL FINANCIAL INVESTMENTS	**4,293,594**	**1,152**	**4,292,442**	**77,641**	**4,215,953**
Accounts receivable	44,561	44,561		3,297	41,264
Inventories	84	84			84
Advances to suppliers	52	52			52
Other operating receivables	4,643	4,643		13	4,630
Related companies	11,079	11,079		950	10,129
Other receivables	16,631	16,631			16,631
Prepaid expenses	4,440	4,440			4,440
Deferred charges	3,782	3,201	581	2,822	960
Unrealized foreign exchange losses	185	185			185
Sub-total: other receivables	40,895	40,314	581	3,785	37,110
TOTAL CLIENT AND OTHER RECEIVABLES	**85,456**	**84,875**	**581**	**7,082**	**78,374**
TOTAL	**4,379,050**	**86,027**	**4,293,023**	**84,723**	**4,294,327**

(*) Including 56,400 common shares held pursuant to the liquidity contract with a value of 2,137 thousand euro.

There are no bills of exchange included in receivables.

10. Deferred charges

Deferred charges comprise:

(In thousand of euro)	Gross value: August 31, 2006	Accumulated amortization: August 31, 2006	Carrying amount: August 31, 2006
Issuance costs: 1999 10-year bond issue	3,782	2,822	960
TOTAL	**3,782**	**2,822**	**960**

11. Accrued income

Accrued income is included in the following balance sheet items:

(In thousand of euro)	
Financial investments	1,029
Accounts receivable	13,027
TOTAL	**14,056**

Accrued income included in "Financial investments" represents dividends due from subsidiaries, while accrued income included in "Accounts receivable" relates primarily to branches in France and the French overseas departments and territories.

12. Provisions

(In thousand of euro)		Amount as of August 31, 2005	Increases and charges in the period	Decreases, releases and reclassifications in the period	Amount as of August 31, 2006
Provisions for contingencies and losses		35,368	20,972	8,879*	47,461
Provisions for impairment					
Financial investments		80,122	12,477	14,959	77,641
Current assets		3,603	4,846	817	7,632
Total provisions for impairment		83,725	17,323	15,776	85,273
TOTAL		**119,093**	**38,295**	**24,655**	**132,734**
Comprising:	- operating items		524	828	
	- financial items		16,984	15,258	
	- exceptional items		20,788	8,569	

(*) Including a provision used for 5,957 thousand euro.

Provisions for contingencies and losses

As of August 31, 2006, the main provisions for contingencies and losses were:

Provision for tax losses reclaimable by subsidiaries included in group tax election	14,242
Provision for treasury shares to be acquired	22,032
Risks related to negative net assets of subsidiaries	3,287
Other items	7,900
Provisions for contingencies and losses	47,461

Provisions for depreciation of financial investments

(In thousand of euro)	
Sodexho Awards	23,300
Sodexho Venues Australia	14,663
Sodexho Prestige	6,160
Stadium Australia Management	5,694
Sodexho Argentina	4,714
Universal Sodexho Afrique	4,150
Sodexho Toplu Yemek	3,335
Sodexho Mexico	2,912
Sodexho Hellas	2,590
Other (< 2 million individually)	10,123
TOTAL	**77,641**

Provisions for depreciation of current assets

Accounts receivable:	3,297
Other current assets:	4,335
Provisions for depreciation of current assets	7,632

13. Marketable securities

Marketable securities, carried at a total value of 115,814 thousand euro, comprise:

- money-market mutual funds acquired August 31, 2006, carried at cost (39,939 thousand euro);
- treasury shares held by Sodexho Alliance in connection with employee stock option plans, with a gross value of 79,247 thousand euro.

A provision of 3,372 thousand euro was recognized as of August 31, 2006 because the unit value of the shares held is greater than the exercise price of potentially exercisable options.

Movements in treasury shares during the period

	August 31, 2005	Acquisitions	Disposals [1]	August 31, 2006
Number of shares	2,663,265	1,005,000	(779,260)	2,889,005
Acquisition cost/disposal price (in thousand of euro)	63,071	35,340	(19,164)	79,247

(1) Shares sold to employees on exercise of stock options.

Treasury shares held under the liquidity contract are included in "Financial Investments".

14. Prepaid expenses

Prepaid expenses comprise:

(In thousand of euro)	
Finance lease payments	1,640
Insurance premiums	294
Rent and related charges	265
Professional fees	26
Equipment hire	26
Other	2,188
TOTAL	**4,439**

15. Unrealized foreign exchange gains/losses

Unrealized foreign exchange losses amount to 184 thousand euro.

Unrealized foreign exchange gains amount to 879 thousand euro.

The unrealized exchanged losses are provided for in full.

16. Shareholders' equity

16.1. Common stock

There were no changes in common stock during Fiscal 2006. At August 31, 2006, common stock totaled 636,105,652 euro, divided into 159,026,413 shares including 20,808,167 with double voting rights.

16.2. Changes in shareholders' equity

(In thousand of euro)	
Shareholders' equity at end of previous fiscal year	2,670,275
Exceptional tax on long-term capital gains/losses reserve	(839)
Dividend payout approved by Annual Shareholders' Meeting	(119,270)
Dividends on treasury shares	1,959
Net income for the Fiscal year	113,759
Shareholders' equity at end of fiscal year	2,665,884

Sodexho Alliance is in compliance with articles L 225-210 and L 225-214 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.

17. Maturities of liabilities

Borrowings and other liabilities

(In thousand of euro)	Gross amount	Less than 1 year	1 to 5 years
Bond issues	1,332,178	32,178	1,300,000
Bank overdrafts	337	337	
Borrowings from related companies	298,531	298,531	
Other borrowings	5	5	
Sub-total: borrowings	1,631,051	331,051	1,300,000
Accounts payable	25,204	25,204	
Advances from clients	13,093	13,093	
Other liabilities	12,580	12,580	
Related companies	2,231	2,231	
Payables related to fixed assets	34	34	
Income taxes payable	14,002	14,002	
Deferred revenues	19,356	19,356	
Unrealized foreign exchange gains	879	879	
Sub-total: other liabilities	62,175	62,175	
TOTAL	**1,718,429**	**418,429**	**1,300,000**

There are no bills of exchange included in payables.

18. Bond issues and other borrowings

March 1999 bond issue

On March 16, 1999, Sodexho Alliance raised 300 million euro via an issue of 300,000 fixed-rate bonds with a nominal value of 1,000 euro each.

The bonds will be redeemed in full at par on March 16, 2009 and pay interest in arrears at 4.625% per annum, payable annually on March 16.

As of August 31, 2006, all 300,000 bonds were still outstanding.

This bond issue is not subject to financial covenants.

March 2002 bond issue

On March 25, 2002, Sodexho Alliance raised 1 billion euro via an issue of fixed-rate bonds with a nominal value of 10,000 euro or 100,000 euro each.

The bonds pay interest in arrears at 5.875% per annum, payable annually on March 25.

They will be redeemed in full at par on March 25, 2009.

This bond issue is not subject to financial covenants.

Revolving credit facility of 460 million euro and 700 million U.S. dollars

On April 29, 2005, Sodexho Alliance and Sodexho, Inc. contracted a new multi-currency revolving credit facility of a maximum amount of 460 million euro plus 700 million U.S. dollars.

As of August 31, 2006, Sodexho Alliance had no drawdowns in place under this facility.

This credit facility is not subject to any financial covenants but requires the borrower to comply with the standard clauses 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.

19. Listed market price

(In euro)	August 31, 2006	August 31, 2005
Sodexho Alliance shares	41.61	28.18
March 1999 4.625% bonds	1,036.61	1,076.51
March 2002 5.875% bonds(1)	104.51%	109.88%

(1) Expressed as a percentage of the nominal value of the bond (10,000 euro or 100,000 euro), excluding accrued interest.

20. Accrued expenses

(In thousand of euro)	
Borrowings	32,609
Accounts payable	8,042
Tax and employee-related liabilities	7,725
Other liabilities	102
TOTAL	**48,478**

21. Deferred revenues

Deferred revenues, amounting to 19,356 thousand euro, relate to services rendered over more than one financial period.

22. Finance leases

(In thousand of euro)	Buildings	Other property, plant and equipment	TOTAL
Original cost	9,950	2,394	12,344
Acquisitions	281	1,359	1,640
Retirements		(207)	(207)
Total	**10,231**	**3,546**	**13,777**
DEPRECIATION			
Accumulated depreciation at start of period	6,789	1,214	8,003
Retirements		(189)	(189)
Charge for the period	1,074	794	1,868
Total	**7,863**	**1,819**	**9,682**
LEASE PAYMENTS			
Accumulated lease payments at start of period	9,346	1,292	10,638
Retirements		(131)	(131)
Lease payments made in the period	1,554	1,119	2,673
Total	**10,900**	**2,280**	**13,180**
OUTSTANDING LEASE OBLIGATIONS			
Within no more than 1 year	1,519	832	2,351
Within more than 1 year but no more than 5 years	1,979	833	2,812
After more than 5 years			
Total	**3,498**	**1,665**	**5,163**
AMOUNT EXPENSED DURING THE PERIOD	**1,088**	**457**	**1,545**

23. Related company information

(In thousand of euro)	Subsidiaries	Associates	Other investees
ASSETS – Gross values			
Equity investments	4,148,110	5,811	3,448
Receivables related to equity investments	130,850		
Other investment securities	76		
Advances to suppliers			
Accounts receivable	26,435	134	
Other operating receivables	98		
Due from related companies	11,079		
Non-operating receivables	45		
TOTAL ASSETS	**4,316,693**	**5,945**	**3,448**
LIABILITIES			
Advances from clients	70		
Accounts payable	9,646		
Other operating liabilities			
Due to related companies	2,231		
TOTAL LIABILITIES	**11,947**		
INCOME STATEMENT			
Financial income	176,276	2	
Financial expenses	19,820	1,993	560

Subsidiaries: companies fully consolidated by Sodexho Alliance.
Associates: companies equity-accounted by Sodexho Alliance, and non-consolidated companies in which Sodexho Alliance holds an equity interest of more than 10%.
Other investees: companies in which Sodexho Alliance holds an equity interest of less than 10%.

24. Cash flow statement

Movements in provisions for current assets are treated as non-cash items in the cash flow statement.

25. Financial commitments

Commitments made by Sodexho Alliance

(in thousand of euro)	August 31, 2006	August 31, 2005
Performance bonds given to Sodexho Group clients	539,046	427,151
Financial guarantees to third parties	751,916	733,067
Retirement benefit commitments	2,233	599
Other commitments	5,955	845

Virtually all financial guarantees to third parties are in respect of loans to Sodexho Alliance subsidiaries.

Commitments received by Sodexho Alliance

August 31, 2006	August 31, 2005
1,330,660	1,331,000

Sodexho, Inc. has counter-guaranteed Sodexho Alliance's borrowings.

Financial instrument commitments

Sodexho Alliance did not contract any new financial instrument commitments during Fiscal 2006. The only ongoing commitment as August 31, 2006 is as follows:

Description	Inception date	Expiry date	Nominal amount	Interest rate paid	Interest rate received	Hedged exchange rate	Market value of swap at August 31, 2006
Cross currency swap contracted to hedge a loan to Sodexho, Inc.	March 2003	March 2007	$111,700,000 €126,172,000	6.5775%	 6.325%	€1.129 = $1	€41,668,000

26. Principal future adjustments to the tax base

(in thousand of euro)	
Increases in the tax base	
Unamortized deferred charges	959
Notional expenses on parent company dividends receivable	36
Reductions in the tax base	
Provision for own shares to be acquired	22,032
Provisions for doubtful receivables	13
Provisions for remediation costs	1,160
Others provisions not deductible	176

The net contingent tax asset arising from these adjustments is 7,708 thousand euro.

27. Retirement benefit commitments

Retirement benefits payable by law or under collective agreements

Sodexho Alliance 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, building in 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 623 thousand euro.

Commitments related to the complementary retirement plan

Sodexho Alliance 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 1,610 thousand euro.

28. Training

Sodexho Alliance is required to afford a certain number of training hours to its employees in France. As of August 31, 2006 the number of hours was approximately 5,000.

29. Directors' fees

Directors' fees paid to members of Sodexho Alliance's Board of Directors in Fiscal 2006 totalled 401 thousand euro.

30. Group tax election

Sodexho Alliance is the lead company in a group tax election initiated on August 30, 1988.

The subsidiaries included in the election recognize the income tax for which they would have been liable if they had not been part of the tax group.

The gain arising from the group tax election for Fiscal 2006, recognized in the books of Sodexho Alliance, is 18,036 thousand euro. This represents the difference between the income tax charge for the tax group and the aggregate of the income tax charges recognized by the subsidiaries.

Under the group tax election agreement between Sodexho Alliance and its subsidiaries, the tax savings arising from the tax losses of a subsidiary will be reclaimed by the subsidiary if it returns to profit before recovery of the tax losses in question become time-barred.

The information below describes the effect of applying position statement no. 2005-G issued on October 12, 2005 by the Urgent Issues Committee of the *Conseil National de la Comptabilité*, in accordance with the policy described in Note 2.6.

Tax losses reclaimable as of August 31, 2006

The amount of tax losses potentially reclaimable as of August 31, 2006 was 41,364 thousand euro. The provision as of that date (adjusted to an income tax rate of 34.43%) was 14,242 thousand euro.

The balance of losses generated by subsidiaries that operate as holding companies (and hence are in a structurally loss-making position), plus losses generated by subsidiaries that have been subject to legal restructuring (thereby preventing the losses from being reclaimed), amounts to 88,260 thousand euro.

31. Average number of employees

Managerial	103
Supervisory	36
Other	36
Apprentices	1
TOTAL	**176**

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 Sodexho Alliance branches in France and the French overseas departments and territories*.

32. Consolidation

Sodexho Alliance is consolidated in the financial statements of Bellon SA, which has its registered office at 2, place d'Arvieux, Marseille, France.

(*) During Fiscal 2006, all employees of Sodexho Alliance in Polynesia were transferred to Sodexho Polynésie.

33. List of subsidiaries and other equity investments

Exchange rates used in the list of subsidiaries and other equity investments are as follows:

ISO Code	Country	Currency	Closing rate August 31, 2006	Average rate Fiscal 2006
			1 euro =	1 euro =
EUR	Euro Zone	Euro	1.000000	1.000000
AUD	Australia	Dollar	1.681000	1.639924
CLP	Chile	Peso (thousands)	0.691090	0.648572
USD	United States	Dollar	1.285100	1.224911
MXN	Mexico	Peso	14.031000	13.256049
GBP	United Kingdom	Pound	0.674100	0.685059
SEK	Sweden	Swedish Crown	9.266700	9.353564

(In thousand of euro)	Capital	Other shareholders' equity *	Percentage Interest in capital
Detailed information			
French subsidiaries			
Astilbe	302,487	2,666	100,00%
Holding Sogeres	6,098	6,537	100,00%
Sodexho Pass International	117,780	(28,155)	91,24%
Sofinsod	21,111	55,790	100,00%
Universal Sodexho SAS	31,712	17,585	100,00%
Societe française de Restauration	10,643	12,917	93,49%
Gardner Merchant Groupe	34,330	(32,377)	100,00%
Societe française de Restauration & Services	1,899	2,457	86,20%
Ouest Catering SAS	516	7,613	100,00%
Holding Altys	8,016	145	100,00%
Sodexho Grande Chine	6,602	50	99,17%
Sodexho IS&T	6,500	1,797	100,00%
French equity investments			
Sogeres	1,985	185,457	37,08%
Foreign subsidiaries			
Sodexho, Inc.	117	1,646,759	100,00%
Sodexho Holdings Limited	464,026	401,155	79,41%
Sodexho Scandinavian Holding AB	57,194	12,688	100,00%
Sodexho Awards	14	13,370	100,00%
Compagnie Financiere Aurore International	58,007	73,554	100,00%
Sodexho Catering & Services GmbH	1,023	29,343	100,00%
Sodexho Australia	28,415	(3,532)	100,00%
Sodexho España	3,467	17,584	98,86%
Sodexho Belgique	4,299	20,912	73,74%
Sodexho Venues Australia Pty	18,267	(10,059)	100,00%
Sodexho Chili	11,017	7,390	99,94%
Kalyx	22	8,833	100,00%
Sodexho Mexico	10,085	(5,143)	100,00%
Aggregate information			
Other French subsidiaries			
Other foreign subsidiaries			
Other French equity investments			
Other foreign equity investments			
TOTAL			

(*) Based on financial statements adjusted for the purposes of consolidation by the Sodexho Group.

Book value of investment gross	Book value of investment net	Loans and advances granted, net	Guarantees given	Revenue for most recent Fiscal year *	Net income for most recent Fiscal year*	Dividends received during the Fiscal year
304,478	304,478			0	5,087	5,112
104,702	104,702	3,650		0	5,114	4,000
107,458	107,458		1,483	0	45,256	55,615
71,765	71,765			0	16,604	7,033
31,400	31,400		78	0	236	0
12,553	12,553			540,946	10,404	12,754
12,348	12,348			10	653	0
9,649	9,649			205,085	3,095	2,620
9,200	9,200			1,278	608	0
8,016	8,016			0	2,092	6,888
6,547	6,547			0	96	0
6,500	6,500			1	633	861
72,567	72,567			393,225	6,225	3,404
2,377,539	2,377,539	127,153	637,991	5,120,355	113,955	6,895
557,528	557,528		15,149	0	(7,287)	0
86,089	86,089		16,187	357,526	11,279	0
45,684	22,384			0	3,784	0
68,918	68,918			0	407	10,100
37,507	37,507			143 963	853	0
36,378	36,378		11,303	36,864	(2,221)	0
26,804	26,804			116,048	2,803	0
26,887	26,887			219,033	6,264	4,389
21,729	7,066			11 890	(5 414)	0
10,911	10,911	985	5,228	169,023	3,515	992
9,430	9,430		111,084	76,831	5,760	32
8,673	5,761			30,748	571	0
14,995	8,149		4,122			8,813
55,443	38,041	43	45,563			20,704
6,200	40					
9,471	3,217					807
4,157,369	**4,079,832**	**131,831**	**848,188**			**151,019**

STATUTORY AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS, FOR THE YEAR ENDED 31 AUGUST 2006

General Report

To the shareholders,

In compliance with the assignment entrusted to us by your General Meeting we hereby report to you, for the year ended 31 August 2006 on:

- the audit of the accompanying financial statements of Sodexho Alliance SA,
- 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.

1. Opinion on the financial statements

We conducted our audit in accordance with the 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the company's financial position and its assets and liabilities as of 31 August 2006, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

2. 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 matter:

The 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 in order to assess the data and assumptions on which the valuations were based and reviewed the calculations made by the Company.

These assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

3. Specific verifications and information

We have also performed the specific verifications required by law in accordance with the professional standards applicable in France.

We have no matters to report regarding the fair presentation and the conformity 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.

In accordance with the law, we verified that the management report contains the appropriate disclosures as to the percentage interests and votes held by shareholders and disclosures as to the acquisition of shares and controlling interests.

Neuilly-sur-Seine and Paris-La Défense, November 23, 2006

The Statutory Auditors

KPMG Audit, Department of KPMG SA
Patrick-Hubert Petit

PricewaterhouseCoopers Audit
Louis-Pierre Schneider

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.

Special Report

To the shareholders,

In our capacity as Statutory Auditors, we hereby present to you our report on the regulated agreements.

In accordance with article L 225-40 of the French Commercial Code (Code de Commerce) we have been advised of agreements which have been previously authorised by your Board of Directors.

We are not required to ascertain whether any other agreements exist but to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements of which we were notified. It is not our role to determine whether they are beneficial or appropriate. It is your responsibility, under the terms of article 92 of the March 23, 1967 Decree, to evaluate the benefits arising from these agreements prior to their approval.

We conducted our work in accordance with professional standards applicable in France ; those standards require that we perform the procedures deemed necessary so as to verify that the information provided to us is in agreement with the underlying documentation from which it was extracted.

Agreements entered into by the Company in financial year 2006

- Commitments entered into by Bellon SA for the benefit of Mr Michel Landel, Chief Executive Officer of Sodexho Alliance SA.

  In the event that his contract of employment is terminated by himself or by Bellon SA for any reason other than serious or gross misconduct, Mr Michel Landel will receive over and above the termination payments to which he would be entitled under the law an additional termination benefit equal to two years' total salary.

  In the event that his contract of employment is terminated by himself or by Bellon SA for any reason other than serious or gross misconduct, Mr Michel Landel will receive a non-competition indemnity equal to one year's total salary. If the contract is terminated by Bellon SA for serious or gross misconduct, this indemnity would only become payable if Bellon SA were to invoke the non-competition clause.

  Bellon SA also agreed to enroll Mr Michel Landel in the Sodexho Group executive retirement benefit plan, in addition to his compulsory retirement benefit entitlement. Subject to his presence within the Group at the time of his retirement, he will be granted a pension corresponding to 14% of his last annual fixed remuneration paid by Sodexho Alliance, its parent company or any other subsidiary of the Group. Contributions paid in respect of financial year 2006 amounted to 100,451 euro.

- Agreements to either forgive receivables or provide subsidies

  During financial year 2006, Sodexho Alliance has also signed the following agreements pursuant to which it either forgives receivables or provides subsidies to certain of its subsidiaries:
  - an agreement with Sodexho Suisse to provisionally forgive a receivable in the amount of 150,000 Swiss Francs (96,962 euro);
  - an agreement to provide a non-refundable subsidy to Sodexho Argentina in the amount of 3,875,000 euro;
  - an agreement to provide a subsidy to Universal Sodexho Nigeria in the amount of 6,000,000 euro;
  - an agreement with Sodexho Guangzhou to forgive a receivable in the amount of 707,368 euro;
  - an agreement with Sodexho (Shanghai) Management Services Company Ltd to forgive a receivable in the amount of 1,063,093 euro;
  - agreements with Beijing Sodexho Services Company Ltd to forgive a receivable and to provide a subsidy in the amounts of respectively 466,585 euro and 933,839 euro.

Continuing agreements which were entered into in prior years

In application of the Decree of March 23, 1967, we were also advised of the following agreement which was entered into in prior years, and which remained in force during the year:

Contract for assistance and advisory services between Bellon SA and Sodexho Alliance SA of which Pierre Bellon, Rémi Baudin, Bernard Bellon, François-Xavier Bellon, Sophie Clamens, Nathalie Szabo and Astrid Bellon are directors.

For the year ended August 31, 2006, Bellon SA invoiced Sodexho Alliance an amount of 4,811,400 euro excluding VAT.

Neuilly-sur-Seine and Paris-La Défense, November 23, 2006

The Statutory Auditors

KPMG Audit, Department of KPMG SA	**PricewaterhouseCoopers Audit**
Patrick-Hubert Petit	Louis-Pierre Schneider

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

SUPPLEMENTAL INFORMATION
ON THE INDIVIDUAL COMPANY FINANCIAL STATEMENTS

1. Five-Year Financial Summary

(In euro)	Fiscal 2006[1]	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002
CAPITAL AT END OF PERIOD					
Issued capital	636,105,652	636,105,652	636,105,652	636,086,260	636,085,664
Number of ordinary shares outstanding	159,026,413	159,026,413	159,026,413	159,021,565	159,021,416
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		-	-	6,243,718	6,243,868
- Options		-	-	93,248	107,563
INCOME STATEMENT DATA					
Revenues	42,117,334	43,188,837	47,277,612	65,741,805	81,445,451
Earnings before income tax, employee profit-sharing, depreciation, amortization and provisions	109,457,262	81,909,782	65,462,209	77,398,525	61,644,829
Income tax	19,431,725	14,468,156	18,321,581	21,151,093	(34,846,665)
Employee profit-sharing	-	-	-	-	-
Earnings after income tax, employee profit-sharing, depreciation, amortization and provisions	113,759,209	77,098,733	87,490,294	79,261,607	58,760,428
Dividend payout	151,075,092	119,269,810	111,318,489	97,003,155	97,003,064
PER SHARE DATA					
Earnings after income tax and employee profit-sharing but before depreciation, amortization and provisions	0.81	0.61	0.53	0.62	0.61
Earnings after income tax, employee profit-sharing, depreciation, amortization and provisions	0.72	0.48	0.55	0.50	0.37
Net dividend per share	0.95	0.75	0.70	0.61	0.61
EMPLOYEE DATA					
Average number of employees for the period	176	259	236	267	333
Salary expense for the period	13,535,263	11,348,563	11,336,520	11,939,190	15,786,029
Social security and other employee welfare benefits paid during the period	5,823,051	4,984,400	4,336,551	4,759,799	6,249,154

(1) Subject to approval by the Annual Shareholders' Meeting to be held on January 30, 2007.

2. Appropriation of earnings

(In thousand of euro)	Fiscal 2006[1]	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002
Net income	113,759	77,098	87,490	79,262	58,760
Retained earnings	613,189	653,290[2]	684,765	701,934	739,555
Retained earnings[3]	1,959	2,070	1,465	573	1,207
Transfer to legal reserve	0	0	(2)	0	(585)
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	728,907	732,458	773,718	781,769	798,937
Net dividend	151,075	119,270	111,318	97,003	97,003
Dividend equalization tax	0	0	0	0	0
Reserves	0	0	2	0	0
Retained earnings	577,832	613,188	662,398	684,766	701,934
Number of shares outstanding	159,026,413	159,026,413	159,026,413	159,021,565	159,021,416
Number of shares entitled to dividend	159,026,413	159,026,413	159,026,413	159,021,565	159,021,416
Earnings per share (in euro)	0.72	0.48	0.55	0.50	0.37

(1) Subject to approval by the Annual Shareholders' Meeting to be held on January 30, 2007.

(2) Dividends received on Sodexho Alliance treasury shares during the period.

(3) Dividends not distributed related to Sodexho Alliance treasury shares.

3. List of investments

Number of shares		Carrying amount at August 31, 2006
	I) SUBSIDIARIES AND EQUITY INVESTMENTS	
	1- FRENCH COMPANIES	
	SUBSIDIARIES	
3,024,875	Astilbe	304,477,957
6,716,104	Sodexho Pass International	107,457,668
399,995	Holding Sogeres	104,701,923
1,319,444	Sofinsod	71,765,327
1,982,009	Universal Sodexho SAS	31,399,929
621,891	S.F.R.	12,553,441
2,251,135	Gardner Merchant Groupe SA	12,348,365
109,154	S.F.R.S.	9,649,360
2,503	Ouest Catering	9,200,000
500,981	Sodexho Altys	8,015,696
6,546,658	Sodexho Grande Chine	6,546,658
1,625,000	Sodexho IS&T	6,500,000
139,618	S.F.S.	2,377,241
74,975	Comrest	1,142,987
3,837	Restauration Francaise	1,005,290
19,998	CIR	787,010
49,995	Société Hotelière et de Tourisme de Guyane	762,169
38,997	SIGES	608,209
2,490	Société des Thermes de Neyrac-les-Bains	540,094
387,000	Sodexho Amérique du Sud	387,000
10,811	EMIS	172,599
16,076	SIR	115,299
	Others – carrying amount < 100,000 euro individually	250,588
	EQUITY INVESTMENTS	
45,998	Sogeres	72,566,845
	Others – carrying amount < 100,000 euro individually	40,229
	TOTAL – FRENCH COMPANIES	765,371,885
	2- FOREIGN COMPANIES	
	SUBSIDIARIES	
195	Sodexho, Inc.	2,377,539,202
407,903,301	Sodexho Holdings Ltd	557,528,037
5,300,000	Sodexho Scandinavian Holding	86,089,349
136,607	Compagnie Financière Aurore International	68,918,257
1	Sodexho Catering and Services GmbH	37,506,819
62,752	Sodexho Australia	36,378,141
29,046	Sodexho Belgique	26,887,366
11,407	Sodexho España	26,804,146
998,000	Sodexho Awards	22,383,642
50,700	Sodexho Chile	10,910,841
15,000	Kalyx	9,430,426
37,200	Sodexho Venues Australia	7,065,577
86,662,670	Sodexho Mexico	5,760,664
298,500	Sodexho Oy	4,956,750

Number of shares		Carrying amount at August 31, 2006
	2- FOREIGN COMPANIES	
	SUBSIDIARIES	
20,550,102	Sodexho India	4,667,881
1,860,040	Sodexho Italia	4,029,452
45,000	Aims Corporation	2,623,285
328,140,279	Sodexho Nigeria	2,378,417
67,643	Sodexho Polska	2,037,782
84,996	Sodexho Maroc	1,910,202
2,044,348	Sodexho do Brasil Comercial Ltda	1,891,858
56,893	Sodexho Spolecne Stravovani a Sluzby	1,690,782
36,000	Sodexho Portugal	1,409,000
100,000	Sodexho Magyarorszag	1,309,924
15,500	Sodexho MM Catering	1,194,992
10,182	Universal Sodexho The Netherlands	1,047,349
104,648,427	Sodexho Doo	1,018,459
29,700	Sodexho Spolocne Stravovanie a Sluzby	727,603
1,032,035	Sodexho Peru	705,123
550,000	Sodexho Singapore	652,348
270,401	Sodexho Inversiones	600,378
1,526,805	Sodexho Ao	447,887
5,000	Sisa	381,123
620,000	Sodexho Costa Rica	348,130
2,808	Sodexho Nouvelle-Calédonie	296,927
2,499	Catesco	285,623
1,398	Sodexho Cameroun	211,797
249	Sodexho Pass Chili	186,517
2,497	Sodexho Monaco	177,102
500	Abbar Zainy- Sodexho Catering Co.	104,335
	Others – carrying amount < 100,000 euro individually	749,066
	EQUITY INVESTMENTS	
1,299,888	Leoc Japan Company Ltd	2,888,400
392	Teyseer Services Company	208,024
	Others – carrying amount < 100,000 euro individually	121,487
	TOTAL FOREIGN COMPANIES	3,314,460,469
	TOTAL – SUBSIDIARIES AND EQUITY INVESTMENTS	4,079,832,354
	II) OTHER INVESTMENT SECURITIES	
2,499	Marseille Télévision Locale	249,900
	Others – carrying amount < 100,000 euro individually	76,250
	TOTAL – OTHER INVESTMENT SECURITIES	326,150
	III) MARKETABLE SECURITIES EXCLUDING TREASURY SHARES	
62	Kleber Euribor	12,448,682
1,645	Sgam Ai Dollar	14,456,415
	Others – carrying amount < 100,000 euro individually	16,372
	TOTAL – MARKETABLE SECURITIES EXCLUDING TREASURY SHARES	26,921,469

GENERAL INFORMATION
ABOUT SODEXHO ALLIANCE AND ITS ISSUED CAPITAL

1. General information about Sodexho Alliance

The information below is a translation into English of extracts from the Sodexho Alliance bylaws, the full French-language text of which is available on our website at www.sodexho.com.

1.1. Legal name and registered office

Legal name: Sodexho Alliance SA

Registered office: 3, avenue Newton, 78180 Montigny-le-Bretonneux, France

Telephone: +33 (0)1 30 85 75 00
Fax: +33 (0)1 30 85 50 88

1.2. Legal form

Sodexho Alliance is a société anonyme (joint stock corporation), governed by articles L 210-1 to L247-9 of the French Commercial Code and by Decree no. 67-236 of March 23, 1967.

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, saving earlier extension or winding up.*"

The date of expiration of the company is December 30, 2073.

1.5. Corporate objects (article 2 of the bylaws)

"*The objects 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:*

- *the development and provision of all services related to the organization of food services and other essential services for corporations and public bodies;*
- *the operation of all restaurants, bars, hotels and more generally all establishments connected with food service, 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

Sodexho Alliance is registered in the Versailles Register of Commerce and Companies as no. 301 940 219.

1.7. Business identifier code (APE code)

741 J

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.sodexho.com and may also be consulted at our registered office (3, avenue Newton, 78180 Montigny-le-Bretonneux, France), preferably by appointment.

1.9. Material contracts

As of today 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 telecommunications links enabling 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' Meeting comprises all shareholders irrespective of the number of shares held by each, provided that all amounts due in respect of such shares have been fully paid.

The right to attend or be represented at shareholders' meetings is conditional upon:
- inclusion in the shareholders' register in the case of holders of registered shares;
- proof of temporary non-transferability of shares in the case of holders of bearer shares.

Said formalities must be completed at least two days before the date of the meeting. However, the Board of Directors has discretion to reduce this time limit provided it does so for all shareholders.

The Board of Directors may, if it sees fit, provide shareholders with personal admission cards in their names.

When the meeting is held, attendance by a shareholder in person cancels any proxy vote or postal vote.

Postal voting forms will only be taken into account if they are received by the Company at least three days before the Meeting.

In the event of conflict between these two methods of participating in the meeting, the proxy form will be taken into consideration, subject to votes expressed in the postal voting form.

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.

4. 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 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.

2. General information about the issued capital

2.1. Conditions stipulated in the bylaws for changes in issued capital and shareholder rights

None.

2.2. Changes in issued capital

	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002
Capital at end of Fiscal year					
Issued capital (euros)	636,105,652	636,105,652	636,105,652	636,086,260	636,085,664
Number of ordinary shares outstanding	159,026,413	159,026,413	159,026,413	159,021,565	159,021,416
Number of non-voting preferred shares outstanding	0	0	0	0	0
Number of financial instruments potentially requiring issuance of new shares via:					
• conversion of bonds	0	0	0	0	0
• exercise of warrants or options:					
- Warrants	0	0	0	374,773	374,782
- Options	0	0	0	93,248	107,563

Five-year summary of changes in issued capital

Date	Description of transaction	Number of shares issued	Increase in issued capital (in euro)	Additional paid in capital (in euro)	Number of shares post-transaction	Issued capital post-transaction (in euro)
Aug. 31, 2000	Share issue Stock options (20,348)	20,348	325,568	1,068,228.90	33,587,529	537,400,464
Oct. 13, 2000	Share issue Stock options (1,552)	1,552	24,832	58,950.13	33,589,081	537,425,296
Dec. 6, 2000	Share issue Stock options (18,020)	18,020	288,320	591,737.50	33,607,101	537,713,616
Mar. 7, 2001	Share issue Exercise of warrants (22) Stock options (72,624) 4-for-1 stock split	101,112,159	1,163,724	2,091,163.19	134,719,260	538,877,040
May 14, 2001	Share issue Exercise of warrants (16,062) Stock options (6,256) ESOP (4,728)	273,116	1,092,464	5,844,314	134,992,376	539,969,504
July 4, 2001	Share issue	22,498,729	89,994,916	922,447,889	157,491,105	629,964,420
Aug. 31, 2001	Share issue Exercise of warrants (2,732) Stock options (23,034)	68,549	274,196	1,349,699.44	157,559,654	630,238,616
Oct. 18, 2001	Share issue (International ESOP)	1,385,848	5,543,392	51,985,486.89	158,945,502	635,782,008
Jan. 11, 2002	Share issue Exercise of warrants (150) Stock options (12,353)	14,852	59,408	314,564.28	158,960,354	635,841,416
Aug. 31, 2002	Share issue Exercise of warrants (3,076) Stock options (9,816)	61,062	244,248	1,287,974.68	159,021,416	636,085,664
Aug. 31, 2003	Share issue Exercise of warrants (9)	149	596	3,082.05	159,021,565	636,086,260
Aug. 31, 2004	Share issue Exercise of warrants (291)	4,848	19,392	100,383.86	159,026,413	636,105,652

2.3. Securities giving access to capital

As of the date of this Reference Document, there are no securities outstanding that would give immediate or future access to the capital of Sodexho Alliance.

2.4. Capital authorized but not issued

The Extraordinary Shareholders' Meeting of January 31, 2006 authorized the Board of Directors to increase the Company's share capital on one or more occasions by issuance of shares, warrants, and/or securities giving immediate or future access to Sodexho Alliance shares, or by the conversion of earnings, additional paid in capital, reserves or other items into issued capital. Such issues can be made with or without pre-emptive rights and, in the latter case, with priority subscription rights, and are 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 for cash, or via warrants or other securities	63 million euro (1)	January 31, 2006	March 31, 2008
Issuance of debt securities	540 million euro (1)	January 31, 2006	March 31, 2008
Authorizations without pre-emptive rights			
Issuance of shares for cash, or via warrants or other securities	63 million euro (1)	January 31, 2006	March 31, 2008
Issuance of debt securities	540 million euro (1)	January 31, 2006	March 31, 2008
Authorizations to issue shares to employees			
Stock options	10% of the capital	January 31, 2006	March 31, 2009
Under article L 225-138 of the French Commercial Code and article L 443-5 of the French Labor Code	(2)	January 31, 2006	July 31, 2007
Under an Employee Stock Ownership Plan (ESOP)	40 million euro (3)	February 3, 2004	February 4, 2009

(1) These amounts are not cumulative.

(2) Share issues reserved for employees are capped at 10% of these authorized capital increases.

(3) The aggregate number of shares held directly or indirectly at any time by employees under ESOPs may not exceed 5% of the issued capital.

2.5. Share ownership of Sodexho Alliance SA

2.5.1 Issued capital at August 31, 2006

Sodexho Alliance has issued capital of 636,105,652 euro divided into 159,026,413 shares of 4 euro each, all fully paid and of the same class.

Holders of fully-paid Sodexho Alliance 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.

There are 24,158 registered shareholders, and the most recent Euroclear survey identified 1,096 holders of bearer shares.

2.3.2 Share ownership

- As of August 31, 2006, Bellon SA owned 36.83% of the issued capital of Sodexho Alliance and Sofinsod, a 100%-owned subsidiary of Sodexho Alliance, held a direct interest of 18.5% in Bellon SA.
- As of August 31, 2006, the following companies had disclosed their shareholdings to Sodexho Alliance:
  - Caisse des Dépôts et Consignations: 3.45% of the capital and 4.79% of the voting rights;
  - Arnhold and S. Bleichroeder Advisers, acting on behalf of its managed funds (including First Eagle Funds, Inc): 10.05% of the capital and 9.04% of the voting rights.
- As of August 31, 2006, 1.44% of the capital was owned by the employees.
- As of August 31, 2006, Sodexho Awards, a 100%-owned subsidiary of Sodexho Alliance, held 140,380 Sodexho Alliance shares, representing 0.09% of the capital, to cover stock options granted to employees of Sodexho, Inc. under the assumed SMS Plans.
- As of August 31, 2006, Sodexho Alliance held 2,945,405 of its own shares, representing 1.85% of the capital:
  - 2,889,005 shares were held to cover stock option plans awarded to Group employees;
  - 56,400 shares were held in connection with the liquidity contract with Oddo Corporate Finance that became effective July 10, 2006.

2.5.3. Changes in share ownership

Shareholder	August 31, 2006 % of capital	August 31, 2006 % of voting rights	August 31, 2005 % of capital	August 31, 2005 % of voting rights	August 31, 2004 % of capital	August 31, 2004 % of voting rights	August 31, 2003 % of capital	August 31, 2003 % of voting rights
Bellon SA	36.83	41.90	36.83	41.73	38.53	39.88	38.63	39.23
Employees	1.44	1.96	1.50	2.03	1.70	2.38	1.67	2.31
Caisse des Dépôts et Consignations	3.45	4.79	4.20	5.50	4.69	6.26	5.23	6.65
Arnhold and S. Bleichroeder Advisers	10.05	9.04	10.35	9.36	4.50	4.29	NS	NS
Public	46.29	42.31	44.96	41.38	48.67	47.19	52.88	51.81
Treasury shares	1.94	0	2.16	0	1.91	0	1.59	0

All Sodexho Alliance shares have the same voting rights, except for treasury shares which have no voting rights and nominative shares held for more than four years which have double voting rights.

2.5.4 Share buybacks and disposals

- During Fiscal 2006, Sodexho Alliance repurchased 1,005,000 of its own shares, representing 0.63% of the capital, at an average price of 35.16 euro. These repurchases were carried out:
  - Under the share repurchase program approved at the Ordinary Shareholders' Meeting of February 8, 2005, and in accordance with the information notice issued on February 22, 2005 and approved by the Autorité des Marches Financiers under no. 05-109, the company repurchased 400,000 of its own shares at an average price of 35.58 euro between February 13, 2006 and March 23, 2006.
  - Under the share repurchase program approved at the Ordinary Shareholders' Meeting of January 31, 2006, the company repurchased 605,000 of its own shares at an average price of 34.89 euro between May 12, 2006 and June 19, 2006.
- Sodexho Alliance transferred 779,660 treasury shares on the exercise of stock purchase options during Fiscal 2006.
- On April 10, 2006, Sodexho Awards acquired 76,382 Sodexho Alliance shares, representing 0.05% of the capital, at an average price of 39.91 euro. During Fiscal 2006, Sodexho Awards transferred 708,637 shares in the form of ADRs (American Depositary Receipts) on the exercise of options by Group employees in the United States.
- On July 1, 2006, Sodexho Alliance signed a liquidity contract with Oddo Corporate Finance relating to the company's ordinary shares. The contract complies with the Business Ethics Charter of the AFEI (French Association of Investment Firms) dated March 14, 2005, approved by the *Autorité des Marchés Financiers* on March 22, 2005.

  The contract, which initially ran until August 31, 2006, is renewable for successive 12-month periods.

  In order to implement this contract, an amount of 15,000,000 euro was allocated to the liquidity account.

  Transactions carried out under the liquidity contract during Fiscal 2006 were as follows:
  - Purchase of 253,423 shares for a total of 10,038,544 euro, at an average price of 39.61 euro
  - Disposal of 197,023 shares for a total of 7,901,704 euro, at an average price of 40.11 euro

  As of August 31, 2006, the liquidity account comprised:
  - 56,400 shares;
  - 13,000,000 euro.

2.6. Declaration thresholds imposed by 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.

The following shareholders owning over 2.50% of the capital have made such declarations since September 1, 2005:

- Caisse des Dépôts et Consignations declared on February 13, 2006 that it had passed below the 5% threshold and held 4.90% of the voting rights.
- Arnhold and S. Bleichroeder Advisers, acting on behalf of its managed funds (including First Eagle Funds, Inc) declared on September 28, 2006 that it had passed below the 10% threshold and held 9.97% of the share capital.

As of the date of this Reference Document, there were as far as the company was aware no shareholders other than those mentioned on page 193 holding 2.50% or more of the capital or voting rights directly, indirectly or in concert.

2.7. Identification of shareholders

Sodexho Alliance may make use of its legal rights to identify holders of securities giving immediate or future rights to vote at shareholders' meetings.

2.8. Employee share ownership

Executive stock option plans

The Ordinary Shareholders' Meeting of February 26, 2001 authorized the Board of Directors to purchase Sodexho Alliance shares for allotment to employees under stock purchase option plans. This authorization was renewed at the Ordinary Shareholders' Meetings of February 4, 2003, February 3, 2004 and January 31, 2006.

As of August 31, 2006, 5,760,190 stock purchase options, worth a total of 116,982,114 euro, were still outstanding under plans awarded by Sodexho Alliance; see page 54 for details.

As of August 31, 2006, 854,391 stock purchase options, worth a total of 24,375,759 euro, were still outstanding under the plans awarded by Sodexho Marriott Services and assumed by Sodexho Alliance in 2001 (the SMS plans); see page 55 for details.

As of August 31, 2006, there were no stock subscription options outstanding and liable to be exercised.

Employee Stock Ownership plans

The Extraordinary Shareholders' Meeting of February 3, 2004 renewed the authorizations granted to the Board of Directors by the Extraordinary Shareholders' Meetings of February 23, 1993, February 13, 1996, February 21, 2000 and February 4, 2003 to carry out share issues reserved for Group employees under employee stock ownership plans.

The Board of Directors used these authorizations at Board meetings as follows:

- October 8, 1993: subscription of 88,000 new shares at a price of 120 euro per share;
- October 7, 1994: subscription of 25,000 new shares at a price of 112 euro per share;
- October 23, 1995: subscription of 48,697 new shares at a price of 148 euro per share;
- June 14, 1996: approval of a new plan involving purchase of Sodexho SA shares on the stock market. Payments into the plan enabled a total of 16,856 shares to be acquired;
- October 23, 1997: approval of a new plan involving purchase of Sodexho Alliance shares on the stock market. Payments into the plan enabled a total of 16,420 shares to be acquired;
- October 22, 1998: approval of a new plan involving purchase of Sodexho Alliance shares on the stock market. Payments into the plan were received in December 1998;
- October 21, 1999: approval of a new plan involving purchase of Sodexho Alliance shares on the stock market. Payments into the plan were received in December 1999;
- December 6, 2000: approval of a new plan involving subscription for Sodexho Alliance shares. Payments into the plan enabled a total of 4,728 shares to be issued.

Under the authorization granted by the Extraordinary Shareholders' Meeting of December 18, 2000, the Board of Directors implemented an international employee stock ownership plan (ESOP) covering 150,000 Group employees in 22 countries.
On October 18, 2001, the Board of Directors placed on record that a total of 1,385,848 4 euro shares had been subscribed for by 18,726 employees.
The subscription price was 44.10 euro in the United States and 41.51 euro per share elsewhere.
The international ESOP is described on page 78 of the Financial Review in the Sodexho Reference Document for Fiscal 2001, filed with the Commission des Opérations de Bourse (COB) as no. R.01.488.

The employee profit sharing payments made by certain French companies to the ESOP allowed for the following:

- for Fiscal 2001, to purchase 110,000 shares on November 30, 2001;
- for Fiscal 2002, to purchase 144,000 shares on December 2, 2002;
- for Fiscal 2003, to purchase 85,000 shares on November 28, 2003 and 80,000 shares on January 2, 2004;
- for Fiscal 2004, to purchase 72,000 shares on January 14, 2005;
- for Fiscal 2005, to purchase 45,000 shares on January 25, 2006.

3. Stock market information

3.1. Sodexho Alliance shares

Sodexho Alliance shares are listed on Eurolist by Euronext Paris, where they are traded individually under Euronext code FR 0000121220.

As of August 31, 2006, Sodexho Alliance had a Standard and Poor's rating of BBB+/A-2.

Trading volumes and share price trends

Date	Share price (euros)			Average daily trading volume (in thousand of euro)
	high	low	average *	
2005				
May	26.57	24.92	25.93	13,608
June	26.55	25.23	26.05	10,637
July	29.78	25.37	28.09	16,480
August	29.65	27.15	28.15	8,008
September	31.89	28.00	29.28	13,498
October	32.91	30.51	31.77	13,048
November	34.85	32.30	33.83	19,900
December	35.77	33.55	34.79	16,741
2006				
January	38.58	34.74	36.74	18,739
February	38.05	35.22	36.43	16,804
March	40.25	34.12	36.25	31,638
April	40.32	37.29	39.35	16,214
May	39.75	34.05	36.75	20,170
June	37.85	33.11	35.36	15,723
July	40.00	37.01	38.58	19,426
August	42.09	38.60	40.35	12,506
September	40.65	40.61	42.60	16,184
October	44.15	41.48	42.86	13,751

(*) Monthly average of closing prices.

ANNUAL SHAREHOLDERS' MEETING
OF JANUARY 30, 2007

BOARD OF DIRECTORS REPORT

Ordinary Business

Adoption of the financial statements and approval of regulated agreements (1st, 2nd & 3rd resolutions):

The Board of Directors is requesting the Shareholders' Meeting to adopt the individual company financial statements of Sodexho Alliance for the year ended August 31, 2006 showing net income of 113,759,208.95 euro and the consolidated financial statements for the year ended August 31, 2006 showing consolidated net income of 323 million euro, and to approve the appropriation of earnings for Fiscal 2006.

The Board is proposing to distribute a cash dividend of 0.95 euro per share.

	Fiscal 2006[1]	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002
Number of qualifying shares	159,026,413	159,026,413	159,026,413	159,021,565	159,021,416
Net dividend (in euro)	0.95	0.75	0.70	0.61	0.61
Tax credit (in euro)	- [2]	- [2]	- [2]	0.305	0.305
Gross dividend (in euro)	0.95	0.75	0.70	0.915	0.915
Share price on the last trading day of the November following the Fiscal year-end (in euro)	44.83	34.37	21.58	24.04	26.00

(1) Proposed dividend submitted for approval by the Annual Shareholders' Meeting of January 30, 2007.

(2) Under article 93 of Law no. 2003-1311, dividends distributed on or after January 1, 2005 are no longer entitled to tax credits.

The dividend will become payable as of February 12, 2007.

This dividend is eligible in full for the tax relief specified in article 158-3 of the French General Tax Code on the terms applicable to income for the 2007 calendar year, where the recipient is an individual investor resident in France for tax purposes.

The regulated agreements submitted to the Shareholders' Meeting for approval are as follows:

Agreements contracted during Fiscal 2006:

- On September 13, 2005, Bellon SA and Michel Landel entered into an employment contract. Under its terms, Bellon SA undertook to make various payments to Michel Landel in the event of the termination of his contract over and above the termination payments to which he would be entitled under the law:
  - In the event that his contract of employment is terminated by Bellon SA for any reason other than serious or gross misconduct, Michel Landel will receive an additional termination benefit equal to two years' total salary.
  - In the event that his contract of employment is terminated by himself, or by Bellon SA for any reason other than serious or gross misconduct, Michel Landel will receive a non-competition indemnity equal to one year's total salary. If the contract is terminated by Bellon SA for serious or gross misconduct, this indemnity would only become payable if Bellon SA were to invoke the non-competition clause.

Bellon SA also agreed to enroll Michel Landel in the Sodexho Group executive retirement benefit plan, in addition to his compulsory retirement benefit entitlement. Contributions paid in respect of Fiscal 2006 amounted to 100, 451 euro.

- Sodexho Alliance has also signed the following agreements pursuant to which it either forgives receivables or provides subsidies to certain of its subsidiaries:
  - November 18, 2005: An agreement with Sodexho Suisse to provisionally forgiven a receivable in the amount of approximately 97,000 euro.
  - March 20, 2006: An agreement to provide a subsidy to Sodexho Argentina in the amount of 3,875,000 euro.

- March 31, 2006: An agreement to provide a subsidy to Universal Sodexho Nigeria in the amount of 6,000,000 euro.
- April 27, 2006: An agreement with Sodexho Guangzhou to forgive a receivable in the amount of approximately 670,000 euro.
- June 13, 2006: An agreement with Sodexho (Shanghai) Management Services Company Ltd to forgive a receivable in the amount of approximately 1,000,000 euro.
- June 13, 2006: An agreement with Beijing Sodexho Services Company Ltd to forgive a receivable in the amount of approximately 450,000 euro.
- June 13, 2006: An agreement to provide a subsidy to Beijing Sodexho Services Company Ltd in the amount of approximately 915,000 euro.

Agreement contracted in an earlier period remaining in effect during Fiscal 2006:

• On December 31, 1991, Bellon SA and Sodexho Alliance entered into a service agreement whereby Bellon SA provides Sodexho Alliance and Sodexho Group companies with assistance and advice in areas such as strategy, finance, accounting and capital markets, directly or with qualified experts. In return for these services, Bellon SA is paid a fee, the amount of which is approved annually by the Board of Directors of Sodexho Alliance in accordance with the relevant legal requirements.
The following are directors of the two companies involved: Pierre Bellon, Rémi Baudin, Bernard Bellon, François-Xavier Bellon, Sophie Clamens, Nathalie Szabo and Astrid Bellon. Bellon SA invoiced a total of 4,811,400 euro (excluding VAT) to Sodexho Alliance under this agreement for Fiscal 2006.

Purchase by the Company of its own shares (4th 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 replace the previous authorization granted by the Shareholders' Meeting on January 31, 2006.

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 repurchase.

The features of the share repurchase program for which we are seeking your approval at the Shareholders' Meeting of January 30, 2007 are as follows:

Maximum purchase price per share: .... 60 euro

Maximum number
of shares: .... 10% of the issued capital

with an eighteen-month period of validity, subject to the limits stipulated in the relevant laws and regulations.

Shares may be acquired for the following purposes:

1) market-making in the shares under a liquidity contract drawn up in accordance with the AFEI Code of Conduct as recognized by the *Autorité des Marchés Financiers*;

2) allotting shares to employees as part of employee profit-sharing schemes, stock option plans or employee stock ownership plans;

3) allotting consideration-free shares to salaried employees or certain categories of salaried employees on the basis of their performance, under articles L 225-197-1 et seq. of the French Commercial Code;

4) retention and subsequent use in connection with mergers and acquisitions;

5) cancellation by reduction in the issued capital.

Composition of the Board of Directors (5th to 10th resolutions):

The terms of office as Director of Pierre Bellon, Rémi Baudin, François-Xavier Bellon, Astrid Bellon, Sophie Clamens and Nathalie Szabo expire at the Shareholders' Meeting of January 30, 2007.

The Board is proposing to the Shareholders' Meeting, on the recommendation of the Nominating Committee, that Pierre Bellon, Rémi Baudin, François-Xavier Bellon, Astrid Bellon, Sophie Clamens and Nathalie Szabo be re-elected to serve as Directors for a three-year term expiring at the end of the Shareholders' Meeting held to adopt the financial statements for the year ending August 31, 2009.

Directors' Fees (11th resolution):

The Board is requesting the Shareholders' Meeting to set the total amount of directors' fees to be paid to the Board of Directors for Fiscal 2007 at 472,500 euro, a 5% increase from the amount for Fiscal 2006.

Debt issue (12th resolution):

The Board is seeking the renewal of the authorization from the Shareholders' Meeting to carry out one or more debt issues in the form of ordinary negotiable bonds up to a maximum aggregate amount of 2 billion euro. This blanket authorization would allow the Board of Directors, acting in the best interests of the Company, to decide during a five-year period on the most suitable terms for such issues based on the opportunities available in the financial markets.

Extraordinary Business

Amendment to the bylaws (13th resolution):

In order to adapt the Company's by laws to the new laws, the Board of Directors is asking the Shareholders' Meeting to approve an amendment to the final paragraph of article 12 of the Company's bylaws relating to the deliberations of the Board of Directors, which would allow Directors to participate in Board meetings using any means of communication permitted by law.

Allotment of consideration-free shares (14th resolution):

The Board of Directors is seeking delegated powers from the Shareholders' Meeting to allot existing or future shares in the Company free of consideration. Such allotments could be made on one or more occasions, to salaried employees or corporate officers of the Company or of related companies.

The total number of consideration-free shares allotted may not exceed 1% of the issued capital as of the date of the present Shareholders' Meeting.

Allotment of the shares to the beneficiaries will only become final after a minimum vesting period of two years, and the shares will be subject to a minimum retention period of two years from the date on which allotment becomes final.

Cancellation of shares (15th resolution):

The Board is also seeking the renewal of the authorization of the Shareholders' Meeting, for a period of eighteen months, to cancel shares acquired under the share repurchase program, via a reduction in the issued capital.

Powers for the completion of formalities (16th resolution):

The 16th resolution allows the necessary publication formalities to be completed after the Meeting.

Use of financial authorizations

The financial authorizations granted to the Board of Directors by the Shareholders' Meeting of January 31, 2006 were used on the following terms:

- **Increase or reduction in the issued capital:** As of the date of this Reference Document, the Board of Directors had not used any of the delegated powers granted by the Shareholders' Meeting of January 31, 2006 to increase or reduce the issued capital of the Company.
- **Trading in the Company's own shares:** Refer to the report on page 193 of this Reference Document for details of transactions by the Company in its own shares under the share repurchase program authorized by the Shareholders' Meeting of January 31, 2006 and implemented by the Board of Directors on May 9, 2006.
- **Granting of stock options:** As of the date of this Reference Document, the Board of Directors had not used the authorization granted by the Shareholders' Meeting of January 31, 2006 to grant stock purchase options or stock subscription options to Group employees.

RESOLUTIONS FOR THE ANNUAL SHAREHOLDERS' MEETING OF JANUARY 30, 2007

Ordinary Business

1st resolution

(Adoption of the financial statements – Discharge to directors)

The Shareholders' Meeting, having heard the reports of the Board of Directors and of the auditors, adopts the individual company financial statements for the year ended August 31, 2006 as presented by the Board of Directors, showing net income of 113,759,208.95 euro, and the consolidated financial statements for the year ended August 31, 2006, showing consolidated net income of 326 million euro.

The Shareholders' Meeting discharges the directors from responsibility for their management for the year ended August 31, 2006.

2nd resolution

(Appropriation of earnings)

In accordance with the proposal made by the Board of Directors, the Shareholders' Meeting resolves:
to appropriate net income for the year ended
August 31, 2006 of .... 113,759,208.95 euro
plus retained earnings as
of the same date of .... 615,147,922.08 euro
making a total of .... 728,907,131.03 euro

as follows:
Net dividend .... 151,075,092.35 euro
Retained earnings........................ 577,832,038.68 euro
Total .... 728,907,131.03 euro

Consequently, each share qualifying for dividend will receive a net dividend of 0.95 euro:
- giving entitlement to the tax relief specified in article 158-3 of the French General Tax Code on the terms applicable to income for the 2007 calendar year, where the recipient is an individual investor liable to personal income tax in France;
- not giving entitlement to this tax relief in all other cases.

If the Company holds any of its own shares as of this date, the amount of dividend corresponding to these shares will not be paid, and will be appropriated to retained earnings.

The dividend will be payable from February 12, 2007.

Dividends paid by the Company in respect of the last three Fiscal years were as follows:

	Fiscal 2005	Fiscal 2004	Fiscal 2003
Number of qualifying shares	159,026,413	159,026,413	159,021,565
Net dividend (euro)	0.75	0.70	0.61

3rd resolution

(Approval of regulated agreements)

The Shareholders' Meeting, having heard the auditors' special report on related-party agreements regulated by article L 225-38 of the French Commercial Code, approves said report and agreements.

4th resolution

(Purchase 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, for a period of eighteen months, to arrange for the repurchase by the Company of its own shares.

This authorization is designed to allow the Company to:
- carry out market-making in the shares under a liquidity contract drawn up in accordance with the AFEI Code of Conduct as recognized by the Autorité des Marchés Financiers;
- allot shares to employees on the terms and conditions permitted by law, in particular as part of employee profit-sharing schemes, stock option plans or employee stock ownership plans;
- allot consideration-free shares to salaried employees or certain categories of salaried employees on the basis of their performance, as permitted under articles L 225-197-1 et seq. of the French Commercial Code;
- purchase shares for retention and subsequent use in connection with mergers and acquisitions;
- cancel the shares by reducing the issued capital.

These transactions may be effected by any method on the stock market or over-the-counter, including by means of derivatives. There is no limitation on the use of block trades to purchase or transfer shares under this authorization.

These transactions may take place at any time 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, currently 15,902,641 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 10% of its own shares.

The Shareholders' Meeting resolves that the total amount spent on such purchases may not exceed 636 million euro.

The Shareholders' Meeting resolves that the purchase price may not exceed 60 euro per share, subject to any adjustments required in the event of transactions involving the Company's capital.

Full powers are given to the Board of Directors and any duly authorized representative of the Board to act on this authorization by:
- placing stock market orders, and entering into agreements, in particular for the keeping of share purchase and sale registers;
- making filings and completing other formalities and generally doing all that is necessary.

This authorization cancels and replaces all previous authorizations to the same effect, in particular that granted in the 5th resolution of the Annual Shareholders' Meeting of January 31, 2006.

5th resolution

(Re-election of Pierre Bellon as director)

The Shareholders' Meeting re-elects Pierre Bellon, whose term of office has expired, 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, 2009.

6th resolution

(Re-election of Rémi Baudin as director)

The Shareholders' Meeting re-elects Rémi Baudin, whose term of office has expired, 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, 2009.

7th resolution

(Re-election of François-Xavier Bellon as director)

The Shareholders' Meeting re-elects François-Xavier Bellon, whose term of office has expired, 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, 2009.

8th resolution

(Re-election of Astrid Bellon as director)

The Shareholders' Meeting re-elects Astrid Bellon, whose term of office has expired, 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, 2009.

9th resolution

(Re-election of Sophie Clamens as director)

The Shareholders' Meeting re-elects Sophie Clamens, whose term of office has expired, 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, 2009.

10th resolution

(Re-election of Nathalie Szabo as director)

The Shareholders' Meeting re-elects Nathalie Szabo, whose term of office has expired, 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, 2009.

11th resolution

(Directors' fees for Fiscal 2007)

The Shareholders' Meeting sets at 450,000 euro the total amount of directors' fees to be paid for the year ending August 31, 2007.

12th resolution

(Authorization to issue debt securities amounting to €2 billion)

In accordance with the proposal of the Board of Directors, the Shareholders' Meeting authorizes the Board of Directors to issue debt represented by ordinary negotiable bonds up to a maximum amount of 2 billion euro, or the equivalent thereof in any other currency or currency unit as determined on the date of issue of the bonds, and grants the Board full powers to:

- carry out this debt issue in one or more tranches within a period of five years from this day, at the times and in the proportions that the Board of Directors sees fit;
- choose the payment currency and set the maturity, interest rate and terms of the debt issue or of each tranche thereof, in particular the issue price, redemption price, repayment schedule of the bonds to be issued and the terms for their repurchase on the stock market or by other means, their prepayment, and their conversion (if any) into other debt securities of the Company not entitling the holder thereof to become a shareholder of the Company;
- enter into any agreements with any banks or institutions in order to issue and place the bonds and the proper execution of the transactions in question, and more generally do all that is necessary.

This authorization cancels and replaces the authorization granted at the Annual Shareholders' Meeting of February 3, 2004.

Extraordinary Business

13th resolution

(Deliberations of the Board of Directors)

The final paragraph of article 12 of the Company's bylaws relating to the deliberations of the Board of Directors will henceforth read as follows:

"*The Board of Directors may stipulate that for quorum and majority calculation purposes, Directors will be deemed to be present if they participate in the Board meeting via telecommunication links or any other means on the terms specified by law.*"

14th resolution

(Allotment of consideration-free shares)

The Shareholders' Meeting, having heard the report of the Board of Directors and the auditors' special report, and making use of the option allowed under L 225-197-1 of the French Commercial Code, delegates the necessary powers to the Board of Directors to allot existing or future shares in the Company free of consideration. Such allotments may be made on one or more occasions to salaried employees or corporate officers of the Company or to certain categories thereof and/or to salaried employees or corporate officers of companies related to the Company within the meaning of article L 225-197-2 of the French Commercial Code.

The total number of shares allotted free of consideration may not exceed 1% of the Company's issued capital as of the date of the present Shareholders' Meeting.

Allotment of the shares to the allottees will only become final after a minimum vesting period of two years has elapsed.

These shares will be subject to a minimum retention period of two years, commencing on the aforementioned date on which allotment becomes final.

The present delegation of powers entails express waiver by the shareholders of their pre-emptive rights to any consideration-free shares issued, in favor of the allottees thereof.

The Shareholders' Meeting grants full powers to the Board of Directors, subject to the limits specified above, to implement the present resolution, and in particular to:

- establish a list of beneficiaries, set the number of shares allotted to each, and determine any criteria for allotment;
- set the terms and dates for allotment of the shares, in particular the vesting period and the retention period required of each allottee;
- place on record, on the agreed dates, the final allotments and the dates after which the shares may be freely transferred in light of the legal restrictions;
- in the case of a consideration-free allotment of newly-issued shares, carry out all acts and formalities required to place on record the completion of the resulting capital increases, amend the bylaws accordingly, and generally do all that is necessary.

The Board of Directors will inform the shareholders annually, in a special report prepared in accordance with the law, of transactions carried out under the present delegation of powers.

The present delegation of powers is granted for a period of thirty-eight months.

15th resolution

(Authorization for the Board of Directors to reduce the issued capital by cancellation of shares)

The Shareholders' Meeting, having read the report of the Board of Directors and the auditors' special report, resolves:

1) to authorize the Board, in accordance with L 225-209 of the French Commercial Code and subject to adoption by the Shareholders' Meeting of the 4th resolution, to cancel on one or more occasions the shares acquired by the Company pursuant to the authorization granted by the 4th resolution of the present Shareholders' Meeting under ordinary business up to a maximum of 10% of the issued capital of the Company per twenty-four month period and to reduce the issued capital accordingly.

2) to authorize the Board of Directors and any duly authorized representative of the Board to carry out such reduction(s) in the issued capital, set the terms and formally record completion thereof, amend the bylaws accordingly, complete all formalities, measures and filings with all relevant bodies and generally do all that is necessary.

The present authorization is granted for a period of eighteen months from the date of the present Shareholders' Meeting.

16th resolution

(Powers)

The Shareholders' Meeting confers full powers on the bearer of a copy or extract of the minutes of said Meeting to carry out all necessary formalities.

STATUTORY AUDITORS' SPECIAL REPORTS

Statutory Auditors' Special Report on the allotment of existing or future shares free of consideration to employees and corporate officers

(Ordinary and Extraordinary Shareholders' Meeting of January 30, 2007: 14th resolution)

To the shareholders,

In our capacity as Statutory Auditors of the Company and as required by article L 225-197-1 of the French Commercial Code (*Code de commerce*), we hereby present our report on the planned allotment of existing or future shares free of consideration to employees and corporate officers of Sodexho Alliance and its related companies within the meaning of article L 225-197-2 of the French Commercial Code (*Code de commerce*).

The Board of Directors is seeking an authorization to allot existing or future shares free of consideration and is responsible for drawing up a report on this planned transaction. Our responsibility is to report to you our observations on the information provided to you in connection with the planned transaction.

In the absence of professional standards applicable to this transaction, permitted under the legislative provisions of December 30, 2004, we performed the procedures deemed necessary. These procedures consisted in verifying whether the terms and conditions of the planned transaction as described in the Board of Directors' report are consistent with the applicable law.

We have no comments to make as regards the information given in the report of the Board of Directors on the planned allotment of shares free of consideration.

Neuilly-sur-Seine and Paris-La Défense, November 23, 2006

The Statutory Auditors

KPMG Audit, Department of KPMG SA
Patrick-Hubert Petit

PricewaterhouseCoopers Audit
Louis-Pierre Schneider

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

Special Report of the Statutory Auditors on a share capital reduction through the cancellation of purchased shares

(Ordinary and Extraordinary Meeting of Shareholders held on January 30, 2007 – 15th resolution)

To the shareholders,

In our capacity as statutory auditors of Sodexho Alliance, and in accordance with the terms of our engagement set forth in Article L 225-209, paragraph 7 of the French Commercial Code (*Code de Commerce*), in the event of a share capital reduction through the cancellation of purchased shares, we hereby submit our report containing our assessment of the reasons for, and the terms and conditions of the proposed capital reduction.

We performed our procedures in accordance with professional standards applicable in France. Those standards require us to perform procedures to assess whether the reasons for, and the terms and conditions of, the proposed capital reduction are legitimate and lawful.

This transaction is to be carried out in connection with the repurchase by your Company of its own shares pursuant to the provisions of Article L 255-209 of the French Commercial Code (*Code de Commerce*), limited to 10% of the Company's capital. This purchase authorization is submitted for your approval in the 4th resolution and would be given for a period of 18 months.

Your Board of Directors requests that you grant it full authority for a period of 18 months, within the context of the authorization for your Company to purchase its own shares, to cancel the shares of stock purchased, within the limit of 10% of the stated capital of its Company in any given 24-month period.

We have no matters to report on the reasons for, or the terms and conditions of, the aforementioned proposed capital reduction. We remind you that this capital reduction is subject to prior shareholder consent to the repurchase by your Company of its own shares.

Neuilly-sur-Seine and Paris-La Défense, November 23, 2006

The Statutory Auditors

KPMG Audit, Department of KPMG SA
Patrick-Hubert Petit

PricewaterhouseCoopers Audit
Louis-Pierre Schneider

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

GLOSSARY

ADR

Abbreviation for "American Depositary Receipt". An ADR is a registered certificate issued by an American bank to represent ownership of a share or bond issued by a publicly-traded non-American company. ADRs are quoted in U.S. dollars, but the underlying shares or bonds are denominated in their original currency and are held in deposit by a bank, known as the custodian, in the country of issue. ADRs enable a non-American company, subject to certain conditions, to be quoted in the United States. One Sodexho Alliance share is represented by one Sodexho Alliance ADR. Dividends and voting rights belong to the ADR holder.

COSO

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 the Sarbanes-Oxley Act.

Group net income

Group net income is total net income generated by all Group companies minus the portion of net income attributable to minority investors in subsidiaries not wholly owned by Sodexho.

Intensity risk

Risks which due to their frequency and gravity must be transferred to the insurance market.

Issued volume

The face value of vouchers and cards multiplied by the number of vouchers and cards issued.

Number of sites

The number of sites corresponds to the number of profit centers in the Group.

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.

Retention rate

The retention rate equals prior-period revenues from contracts lost by Sodexho (to rivals 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 Sodexho, 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.

Work-related accident frequency rate

Number of accidents per million hours worked.

Work-related accident severity rating

Number of days' work lost due to work-related accidents per million hours worked.

RESPONSIBILITY FOR THE REFERENCE DOCUMENT AND THE AUDIT OF THE FINANCIAL STATEMENTS

1. Responsibility for the *Document de Référence* (French-language equivalent of the Reference Document)

"*Having taken all reasonable precautions, we hereby declare that the information contained in this Document de Référence is to the best of our knowledge in accordance with reality; it includes all information necessary for investors to form a judgment concerning the assets and liabilities, operations, financial position, results and future prospects of the Company; and it contains no omissions that would alter its impact.*

We have obtained from our statutory auditors an engagement completion letter in which they declared, having checked the information relating to the financial position and the accounts presented or included by reference in this document and having read this entire document. This was done in conformity with the laws and regulations and with French professional standards."

Finally, without qualifying their opinion on the Consolidated Financial Statements and on the Individual Company Financial Statements, the statutory auditors have directed the readers attention to their reports on the Consolidated Financial Statements and on the Individual Company Financial Statements for Fiscal 2005 to two changes made by the Company in its accounting methodology:

- the change in the Consolidated Financial Statements relates to the retirement and other long-term employee benefits (see p. 144 of the Reference Document filed with the *Autorité des marchés financiers* on December 12, 2005, N° 05-1370),
- the change in the Individual Company Financial Statements relates to the conditions under which a provision may be recognized in the books of the parent company covered by a group tax election (see p. 172 of the Reference Document filed with the *Autorité des marchés financiers* on December 12, 2005, N° 05-1370).

The Chief Executive Officer

Michel Landel

2. 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 held in 2011 to adopt the financial statements for fiscal 2010
KPMG Audit, Department of KPMG SA 2 bis, rue de Villiers 92309 Levallois-Perret Cedex, France Registered no. 775 726 417 Represented by Patrick-Hubert Petit	February 4, 2003	6 years	Annual Shareholders' Meeting held in 2009 to adopt the financial statements for fiscal 2008
Alternate auditors			
Patrick Frotiee 63, rue de Villiers 92208 Neuilly-sur-Seine, France	February 25, 1997	6 years	Annual Shareholders' Meeting held in 2011 to adopt the financial statements for fiscal 2010
Didier Thibaut de Menonville 2 bis, rue de Villiers 92309 Levallois-Perret Cedex, France	February 4, 2003	6 years	Annual Shareholders' Meeting held in 2009 to adopt the financial statements for fiscal 2008

RECONCILIATION TABLE

The table below cross-refers to the main headings required by European Regulation 809/2004, which implemented the "Prospectus Directive" (Directive 2003/71/EC of the European Parliament and Council) on the prospectus to be published when securities are offered to the public or admitted to trading. Disclosures that are not applicable to Sodexho Alliance are marked "N/A".

The Group's management report comprises the information presented in this Reference Document in the following chapters: (1) Activity Report, p. 88 et seq., (2) Employment and Environmental Information, p. 157 et seq., (3) Information concerning the Board of Directors and senior management, p. 41 et seq., (4) General information on the share capital, p. 190 et seq. and (5) Board of Directors Report to the Shareholders, p. 196 et seq.

This document may contain "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These include, but are not limited to, statements regarding anticipated future events and financial performance with respect to our operations. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words like "believe," "expect," "anticipate," "estimated," "project," "plan," "pro forma," and "intend" or future or conditional verbs, such as "will," "would," and "may." Factors that could cause actual results to differ materially from expected results include, but are not limited to, those set forth in our Registration Statement on Form 20-F, as filed with the Securities and Exchange Commission (SEC), the competitive environment in which we operate, changes in general economic conditions and changes in the French, American and/or global financial and/or capital markets. Forward-looking statements represent management's views as of the date they are made, and we assume no obligation to update any forward-looking statements for actual events occurring after that date. You are cautioned not to place undue reliance on our forward-looking statements.

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