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KPMG

BELLON

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended August 31, 2013

PricewaterhouseCoopers Audit
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This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the Group's management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

BELLON

Espace Gaymard - 2 place d'Arvieux
13002 Marseille

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended August 31, 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the year ended August 31, 2013, on:

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

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

I- Opinion on the consolidated financial statements

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

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 August 2013 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II- Justification of our assessments

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

- the Company has tested goodwill and intangible assets with an indefinite useful life for impairment, and has assessed whether assets with a finite useful life presented an indication of impairment, in accordance with the methods set out in notes 2.8 and 4.9 to the consolidated financial statements.

  We have reviewed the methods used for the aforementioned test, as well as the methodology applied to assess value in use based on the present value of future cash flows after tax. We have also reviewed the related documentation which was prepared, the consistency of the data which was used and in particular the assumptions used in the preparation of the business plans.

- the provisions for pension and other post-employment benefits as described in notes 2.17 and 4.16 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 4.16 provides appropriate information.

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

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

III- Specific verification

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

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

Neuilly-sur-Seine and Paris La Défense, January 10, 2014

The Statutory Auditors

PricewaterhouseCoopers Audit

French original signed by
Agnès Hussherr
Partner

KPMG Audit
Department of KPMG S.A.

French original signed by
Jean-Claude Reydel
Partner

Bellon S.A. Consolidated Financial Statements as of August 31, 2013

1. CONSOLIDATED INCOME STATEMENT

(in millions of euro)	Notes	Fiscal 2013	Fiscal 2012
Revenues	**3**	**18,397**	**18,236**
Cost of sales	4.1	(15,651)	(15,379)
Gross profit		**2,746**	**2,857**
Sales department costs	4.1	(265)	(261)
General and administrative costs	4.1	(1,653)	(1,576)
Other operating income	4.1	20	15
Other operating costs	4.1	(38)	(53)
Operating profit	**3**	**810**	**982**
Interest income	4.2	87	65
Financing costs	4.2	(252)	(283)
Share of profit of companies consolidated by the equity method	3 and 4.8	17	18
Profit for the period before tax		**662**	**782**
Income tax expense	4.3	(233)	(286)
Profit for the year		**429**	**496**
Of which:			
Non controlling interests		306	362
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**123**	**134**

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of euro)	Notes	Fiscal 2013	Fiscal 2012
Profit for the year		**429**	496
Components of other comprehensive income to be reclassified subsequently to profit or loss			
Change in fair value of available for sale financial assets	4.10.3 and 4.13	1	1
Change in fair value of available for sale financial assets reclassified to profit or loss	4.10.3 and 4.13		
Change in fair value of cash flow hedges	4.15 and 4.13	0	(21)
Change in fair value of cash flow hedges reclassified to profit or loss	4.15 and 4.13	12	13
Currency translation differences		(342)	287
Tax on components of other comprehensive income to be reclassified subsequently to profit or loss	4.13	(4)	3
Share of other components of comprehensive income of companies consolidated by the equity method, net of tax	4.13	7	9
Components of other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gain (loss) on defined benefit pension plans and other items	4.16.1 and 4.13	(11)	(98)
Tax on components of other comprehensive income that will not be reclassified subsequently to profit or loss	4.13	5	23
Total other comprehensive income, after tax		**(332)**	**199**
Comprehensive income		**97**	695
Of which:			
Equity holders of the parent		10	202
Non-controlling interests		87	493

3. CONSOLIDATED BALANCE SHEET

ASSETS

(in millions of euro)	Notes	August 31, 2013	August 31, 2012
Non-current assets			
Property, plant and equipment	4.4	540	574
Goodwill	4.5	5,009	5,236
Other intangible assets	4.6	528	563
Client investments	4.7	288	296
Companies consolidated by the equity method	4.8	78	81
Financial assets	4.10	85	101
Derivative financial instrument assets	4.15	69	26
Other non-current assets	4.11	14	15
Deferred tax assets	4.19	187	169
TOTAL NON-CURRENT ASSETS		**6,798**	**7,061**
Current assets			
Financial assets	4.10	7	4
Derivative financial instruments	4.15	39	1
Inventories		271	296
Income tax receivable		119	96
Trade and other receivables	4.11	3,466	3,446
Restricted cash and financial assets related to the Benefits and Rewards Services activity	4.10	734	609
Cash and cash equivalents	4.12	1,403	1,451
TOTAL CURRENT ASSETS		**6,039**	**5,903**
TOTAL ASSETS		**12,837**	**12,964**

LIABILITIES AND EQUITY

(in millions of euro)	Notes	August 31, 2013	August 31, 2012
Shareholders' equity			
Common stock		0	0
Additional paid in capital		397	397
Reserves and retained earnings		271	259
Equity attributable to equity holders of the parent		**668**	**656**
Non-controlling interests		**1,909**	**1,946**
TOTAL SHAREHOLDERS' EQUITY	**4.13**	**2,577**	**2,602**
Non-current liabilities			
Borrowings	4.14	2,428	3,156
Derivative financial instruments	4.15	27	23
Employee benefits	4.16	373	382
Other liabilities	4.18	214	222
Provisions	4.17	99	105
Deferred tax liabilities	4.19	153	161
TOTAL NON-CURRENT LIABILITIES		**3,294**	**4,049**
Current liabilities			
Bank overdrafts	4.12	41	18
Borrowings	4.14	788	140
Derivative financial instruments	4.15	19	23
Income tax payable		109	130
Provisions	4.17	116	41
Trade and other payables	4.18	3,352	3,428
Vouchers payable		2,541	2,533
TOTAL CURRENT LIABILITIES		**6,966**	**6,313**
TOTAL LIABILITIES AND EQUITY		**12,837**	**12,964**

4. CONSOLIDATED CASH FLOW STATEMENT

(in millions of euro)	Notes	Fiscal 2013	Fiscal 2012
Operating activities			
Operating profit		**810**	**981**
Elimination of non-cash and non-operating items			
Depreciation and amortization		271	353
Provisions		93	(9)
Loss on disposal and other		(4)	12
Dividends received from companies consolidated by the equity method		16	16
Change in working capital from operating activities		**(128)**	**56**
Change in inventories		6	(7)
Change in accounts receivable		(197)	(87)
Change in trade and other payables		68	(10)
Change in vouchers payable		151	157
Change in financial assets related to the Benefits and Rewards Services activity		(156)	3
Interest paid		(197)	(238)
Interest received		9	21
Income tax paid		(280)	(253)
NET CASH PROVIDED BY OPERATING ACTIVITIES		**590**	**939**
Investing activities			
Acquisitions of property, plant and equipment and intangible assets		(241)	(308)
Disposals of property, plant and equipment and intangible assets		12	28
Change in client investments	4.7	(7)	(39)
Change in financial assets		19	20
Acquisitions of subsidiaries	4.22	(99)	(586)
Dispositions of subsidiaries		1	**(3)**
NET CASH USED IN INVESTING ACTIVITIES		**(315)**	**(882)**
Financing activities			
Dividends paid to parent company shareholders	4.13	(8)	(8)
Dividends paid to non-controlling shareholders of consolidated companies	4.13	(167)	(160)
Purchases of treasury shares			
Disposition of treasury shares			
Increase in capital			1
Decrease in capital			
Acquisition of non-controlling interests		(58)	(109)
Disposition of equity investments without loss of control		68	64
Proceeds from borrowings		44	775
Repayment of borrowings		(66)	(684)
NET CASH USED IN FINANCING ACTIVITIES		**(187)**	**(121)**
CHANGE IN NET CASH AND CASH EQUIVALENTS		**88**	(64)
Net effect of exchange rates and other effects on cash		(159)	56
Net cash and cash equivalents, beginning of period		1,433	1,441
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**4.12**	**1,362**	**1,433**

5. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

						Total shareholders' equity		
(in millions of euro)	Shares outstanding	Share capital	Share premium	Reserves and comprehensive income	Translation adjustments	Attributable to holders of the parent	Non-controlling interests	Total
Notes				4.14				
Shareholders' equity as of August 31, 2011	**25,710**		**397**	**236**	**(171)**	**462**	**1,612**	**2,074**
Profit for the period				134		134	362	496
Other comprehensive income, net of tax				(30)	98	68	131	199
Comprehensive income				**104**	**98**	**202**	**493**	**695**
Dividends paid				(8)		(8)	(160)	(168)
Other							1	1
Shareholders' equity as of August 31, 2012	**25,710**		**397**	**332**	**(73)**	**656**	**1,946**	**2,602**
Profit for the period				123		123	306	429
Other comprehensive income, net of tax				4	(117)	(113)	(219)	(332)
Comprehensive income				**127**	**(117)**	**10**	**87**	**97**
Dividends paid				(6)		(6)	(171)	(177)
Other				8		8	47	55
Shareholders' equity as of August 31, 2013	**25,710**		**397**	**461**	**(190)**	**668**	**1,909**	**2,577**

Notes to the Consolidated Financial Statements

Bellon SA is a *société anonyme* (a form of limited liability company) domiciled in France, with its headquarters located in Marseille.

For the purpose of this document, "Bellon" refers to Bellon S.A., "the Group" refers to Bellon S.A. together with the Sodexo group, and "Sodexo" or "the Sodexo Group" refers to Sodexo S.A. and its consolidated subsidiaries.

Bellon S.A.'s consolidated financial statements were finalized by its Executive Board and submitted to its Supervisory Board on December 10, 2013. They will be submitted to the Annual Shareholder's Meeting on May 22, 2014.

1. SIGNIFICANT EVENTS

On November 2, 2012 Sodexo acquired 100% of the capital of Servi-Bonos, SA de CV for 70 million euro. Servi-Bonos is one of Mexico's leading meal and food voucher and card issuers. With a portfolio of nearly 5,000 clients across the country, it reported issue volume (the face value of vouchers and cards multiplied by the number issued) of close to 300 million euro in 2011.

The main effects on the Group's consolidated financial statements of acquisitions made during Fiscal 2013 are described in note 4.22.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

2.1.1 Basis of preparation of financial information for Fiscal 2013

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

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

The IFRS application dates as approved by the European Union are the same as those for the IFRS standards published by the IASB during the past three years, given the date of the Group's fiscal year end. Consequently, any difference between the two sets of standards arising out of delays in approval by the European Union had no impact considering the application date of the related standards or interpretations.

2.1.2 New accounting standards and interpretations required to be applied

The Group has not identified any new standards, interpretations or amendments whose application was mandatory for the Group effective for the fiscal year beginning September 1, 2012, except for the amendment to IAS 1 "Presentation of Financial Statements," which requires the separate presentation in the Statement of Comprehensive Income of components of other comprehensive income that will be reclassified subsequently to profit or loss and components that will not be reclassified. The Group early adopted this amendment in Fiscal 2012.

2.1.3 Accounting standards and interpretations issued but not yet applicable

The Group has not elected to early adopt any standards or interpretations not required to be applied in Fiscal 2013.

IAS 19 revised "Employee Benefits", which will be applicable for Fiscal 2014, requires in particular that the expected return on plan assets be measured using the discount rate applied to measure the defined benefit obligation. Application of this revised standard will have a negative impact on the interest expense recorded in the Group's income statement. If it had been applied in Fiscal 2013, the negative impact on interest expense would have been approximately 4 million euro. In addition, under the revised standard, the past service cost arising from a plan amendment will be recognized as an expense for the period when the amendment occurs. Under the revised standard, the corridor method will no longer be allowed, but this will have no impact on the Group financial statements, as actuarial gains and losses are already recognized in full in other comprehensive income.

The other new and amended standards, including IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities", and the amendments to IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures", should have only a limited impact on the Group's financial statements, in particular given that the Group has not opted for proportionate consolidation of companies over which it exercises joint control. However, the practical consequences of these new rules and the impact of their application on the Group's financial statements are being assessed.

2.2 Use of estimates

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

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

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

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

- impairment of current and non-current assets (notes 4.9 to 4.11);
- fair value of derivative financial instruments (note 4.15);
- provisions and litigation (notes 4.17 and 4.26);
- valuation of post-employment defined benefit plan assets and liabilities (note 4.16);
- recognition of deferred tax assets (note 4.19);
- share-based payment (note 4.21);
- valuation of goodwill and intangible assets acquired as part of a business combination, as well as their estimated useful lives (note 4.22).

2.3 Principles and methods of consolidation

2.3.1 Intragroup transactions

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

2.3.2 Consolidation methods

A subsidiary is an entity directly or indirectly controlled by Sodexo SA. Control exists when Sodexo has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing whether control exists, potential voting rights that are currently exercisable or convertible are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained to the date on which control ceases to be exercised.

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

Sodexo has a number of equity interests in project companies established in connection with Public-Private Partnership (PPP) contracts. These contracts enable governments to call upon the private sector for the design, construction, financing and management of public infrastructure (hospitals, schools, barracks, prisons), with detailed performance criteria. An analysis is performed for each of these equity interests, of which the details are provided in note 4.9, in order to determine whether the Group has significant influence or joint control. Where the analysis shows that the Group exercises significant influence or joint control, these companies are consolidated using the equity method of accounting.

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

Further information on the main entities consolidated as of August 31, 2013 is provided in note 6.

2.3.3 Foreign currency translation

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

2.3.3.1 *Foreign currency transactions*

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

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

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

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

2.3.3.2 *Financial statements denominated in foreign currencies*

Countries with stable currencies

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

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

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

Countries with hyperinflationary economies

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

Subsidiaries operating in Venezuela

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

Effective from Fiscal 2010, the Group no longer uses the official exchange rate published by the Venezuelan government, *i.e.,* 1 U.S. dollar = 6.3 bolivars for Fiscal 2013, and 1 U.S. dollar = 4.3 bolivars for Fiscal 2012. The financial statements of subsidiaries operating in Venezuela have consequently been translated at the rate obtained for the most recent transactions. These rates were 1 U.S. dollar = 10.20 bolivars, *i.e.,* 1 euro = 12.86 bolivars, for the year ended August 31, 2012, and 1 euro = 13.50 bolivars, for the year ended August 31, 2013.

The Group considers these to be the most appropriate rates, for the following reasons:

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

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

	Fiscal 2013			Fiscal 2012		
(in euro million)	**Amounts at the rate used by the Group €1 = 13.50 VEF**	**Pro forma amounts at official rate €1 = 8.34 VEF**	**Impact of choice on published financial statements**	**Amounts at the rate used by the Group €1 = 12.86 VEF**	**Pro forma amounts at official rate €1 = 5.42 VEF**	**Impact of choice on published financial statements**
Revenue of Venezuelan subsidiaries	73	119	(46)	55	131	(76)
Operating income of Venezuelan subsidiaries	41	67	(26)	26	61	(35)
Net income of Venezuelan subsidiaries	9	14	(5)	8	19	(11)
Shareholders' equity of Venezuelan subsidiaries	47	77	(30)	27	64	(37)

2.4 Business combinations and goodwill

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

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

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

2.4.1 Goodwill

2.4.1.1 Acquisitions made since September 1, 2009

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

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

2.4.1.2 Acquisitions made between September 1, 2004 and August 31, 2009

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

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

2.4.2 Negative goodwill

Negative goodwill represents the excess of the fair value of the assets, liabilities and contingent liabilities of the acquired entity at the acquisition date over the acquisition cost, increased by the amount of any non-controlling interest.

After reviewing the procedures for the identification and measurement of the different components included in the calculation of goodwill, any negative goodwill is immediately recognized in the income statement in the period of acquisition.

2.4.3 Transactions in non-controlling interests

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

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

2.4.4 Adjustments and/or earn-outs

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

2.4.5 Step acquisitions

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

2.5 Intangible assets

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

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

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

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

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

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

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

2.6 Property, plant and equipment

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

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

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

The useful lives generally used by the Group are:

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

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

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

2.7 Leases

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

- at inception of the lease term, the leased asset is recognized as an asset at the lower of fair value or the present value of the minimum lease payments;
- the corresponding liability is recognized in borrowings;

- lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

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

2.8 Impairment of assets

2.8.1 Impairment of assets with finite useful lives

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

2.8.2 Impairment of assets with indefinite useful lives

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

2.8.2.1 Cash Generating Units

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

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

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

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

2.8.2.2 Indications of impairment

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

2.8.2.3Methods used to determine the recoverable amount

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

Recoverable amount is the greater of:

- fair value less costs to sell, *i.e.* the amount obtainable from the sale of an asset (net of selling costs) in an arm's length transaction between knowledgeable, willing parties;
- value in use, which is the present value of the future cash flows expected to be derived from continuing use and ultimate disposal of the asset or CGU.

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

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

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

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

2.8.2.4Recognition of impairment losses

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

2.8.3 Reversal of impairment losses

Impairment losses recognized with respect to goodwill cannot be reversed.

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

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

2.9 Client investments

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

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

2.10 Inventories

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

2.11 Trade and other receivables

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

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

2.12 Financial instruments

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

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

2.12.1 Financial assets

Financial assets are measured and recognized in three main categories:

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

2.12.2 Derivative financial instruments

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

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

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

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

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

2.12.3 Commitments to purchase non-controlling interests

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

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

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

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

2.12.4 Bank borrowings and bond issues

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

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

2.13 Cash and cash equivalents

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

2.14 Borrowing costs

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

2.15 Sodexo treasury shares

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

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

2.16 Provisions

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

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

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

Loss-making contracts

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

2.17 Employee benefits

2.17.1 Short-term benefits

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

These benefits are reported as current liabilities.

2.17.2 Post-employment benefits

Sodexo measures and recognizes post-employment benefits as follows:

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

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

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

Actuarial gains and losses arising at each period end are recognized in other comprehensive income, as permitted by IAS 19. Actuarial gains and losses do not affect the income statement. At the time of the transition to IFRS, actuarial losses and gains on pensions and related benefits as of September 1, 2004 were recognized in shareholders' equity.

If benefits under an existing plan are amended or a new plan is established, past service cost relating to vested benefits is recognized in the income statement, and past service cost relating to benefits not yet vested is recognized on a straight line basis over the average residual vesting period.

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

- the obligation, net of plan assets, is recognized as a non-current liability in the consolidated statement of financial position 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. Plan surpluses are recognized as assets only if they represent future economic benefits that will be available to Sodexo. Where the calculation of the net obligation results in an asset for Sodexo, the amount recognized for this asset may not exceed the total of the unrecognized past service cost plus the present value of all future refunds and reductions in future contributions under the plan;
- the expense recognized in the income statement comprises:
  - current service cost, amortization of past service cost, and the effect of any plan curtailments or settlements, all of which are recorded in operating income,
  - the effect of discounting and the expected return on plan assets, which are recorded in financial income or expense.

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

2.17.3 Other long-term employee benefits

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

2.18 Vouchers payable

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

2.19 Share-based payment

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

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

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

The features of the Group's share-based payment plans are set out in note 4.21.

2.20 Deferred taxes

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

Deferred taxes are not recognized on the following items:

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

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

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

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

2.21 Trade and other payables

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

2.22 Income statement

2.22.1 Income statement by function

Sodexo presents its income statement by function.

Operating profit comprises the following components:

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

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

2.22.2 Revenues

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

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

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

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

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

2.22.3 Income tax expense

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

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

2.22.4 Program to improve operational efficiency and reduce costs

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

3. OPERATING SEGMENTS

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

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

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

The Group's operating segments are as follows:

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

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

3.1 By operating activity

Fiscal 2013 *(in millions of euro)*	On-site Services North America	Continental Europe	United Kingdom and Ireland	Rest of the World	Total	Benefits and Rewards Services	Corporate expenses	Eliminations	Unallocated costs[1]	Total
Revenues (third-party)	6 821	5 716	1 397	3 683	17 617	780				18,397
Inter-segment sales (Group)						10		(10)		0
TOTAL	**6 821**	**5 716**	**1 397**	**3 683**	**17 617**	**790**		**(10)**		**18,397**
Segment operating profit	371	196	67	119	753	304	(98)	(10)	(139)	810
Share of profit of associates	1	3	3	10	17					17
Net financing costs										(165)
Income tax expense										(233)
Non-controlling interests										306
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										**123**
Depreciation/amortization of tangible and intangible assets	59	113	17	47	236	28			7	271
Other non-cash items	5	3	1	2	11	2	4			17

(1) *Corresponding to the costs recorded in Fiscal 2013 in connection with the program to improve operational efficiency and reduce costs (see note 2.22.4).*

Fiscal 2012 *(in millions of euro)*	On-site Services North America	Continental Europe	United Kingdom and Ireland	Rest of the World	Total	Benefits and Rewards Services	Corporate expenses	Elimination	Unallocated costs[1]	Total
Revenues (third-party)	6,730	5,646	1,543	3,577	17,496	740				18,236
Inter-segment sales (Group)						16		(16)		0
TOTAL	6,730	5,646	1,543	3,577	17,496	756		(16)		18,236
Segment operating profit	346	215	80	126	793	290	(85)	(16)	26	982
Share of profit of associates	1	3	3	11	18					18
Net financing costs										(218)
Income tax expense										(286)
Non-controlling interests										362
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										134
Depreciation/amortization of tangible and intangible assets	62	106	83	53	304	27	22			353
Other non-cash items	6	3	1	2	12	2	5			19

(1) *Corresponding to the favorable accounting adjustment related to the application of a different inflation index to calculate defined benefit plan costs in the United Kingdom.*

3.2 By significant country

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

As of and for the year ended August 31, 2013 *(in millions of euro)*	**France**	**United States**	**Others**	**Total**
Revenues (third-party)	2 792	6 429	9 176	18 397
Non-current assets [(1)]	1 143	2 642	2 580	6 365

As of and for the year ended August 31, 2012 *(in millions of euro)*	**France**	**United States**	**Others**	**Total**
Revenues (third-party)	2,775	6,366	9,095	18,236
Non-current assets [(1)]	1,124	2,785	2,755	6,669

3.3 By type of service

Revenues by type of service are as follows:

(in millions of euro)	**Fiscal 2013**	**Fiscal 2012**
Food services	12,693	12,756
Facilities Management services	4,924	4,740
Total On-site Services revenues	**17,617**	**17,496**
Benefits and Rewards Services	790	756
Eliminations	(10)	(16)
TOTAL CONSOLIDATED REVENUES	**18,397**	**18,236**

4. NOTES TO THE FINANCIAL STATEMENTS AS OF AUGUST 31, 2013

4.1 Operating expenses by nature

(in millions of euro)	**Fiscal 2013 [(1)]**	**Fiscal 2012**
Depreciation, amortization and impairment losses	(320)	(357)
Employee costs		
• Wages and salaries	(6,656)	(6,449)
• Other employee costs [(2)]	(2,049)	(1,905)
Purchases of consumables and change in inventory	(5,605)	(5,734)
Other operating expenses [(3)]	(2,957)	(2,809)
TOTAL	**(17,587)**	**(17,254)**

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

(2) Primarily payroll taxes, but also including costs associated with defined benefit plans (note 4.16), defined contribution plans (note 4.16), and stock options and free shares (note 4.21).

(3) Other operating expenses mainly include operating lease expenses (306 million euro for Fiscal 2013 and 330 million euro for Fiscal 2012), professional fees, other purchases of consumables, sub-contracting costs and travel expenses.

4.2 Finance income and expense

(in millions of euro)	**Fiscal 2013**	**Fiscal 2012**
Gross borrowing cost[(1)]	(187)	(225)
Interest income from short-term bank deposits and equivalent	6	9
Net borrowing cost	**(181)**	**(216)**
Interest income from loans and receivables at amortized cost	6	6
Other interest income	0	3

Other interest expense	(5)	(7)
Net foreign exchange (losses)/gains	(7)	(7)
Net impairment (losses)/reversals	34	42
Expected return on defined-benefit plan assets	(37)	(39)
Interest cost on defined-benefit plan obligation	(16)	(4)
Foreign-exchange adjustment for hyperinflation	24	(1)
Change in fair value of derivative financial instruments not qualified for hedge accounting	17	5
Other	**(165)**	**(218)**
Net financing costs	**87**	**65**
Interest income component	**(252)**	**(283)**
Financial expense component	**(187)**	**(216)**

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

4.3 Income tax expense

4.3.1 Income tax rate reconciliation

(in millions of euro)	Fiscal 2013	Fiscal 2012
Profit for the period before tax	662	782
Share of profit of companies consolidated by the equity method	(17)	(18)
Accounting profit before tax	**645**	**764**
Tax rate applicable to the Group	36.10 %	36.10%
Theoretical income tax expense (1)	**(233)**	**(275)**
Effect of jurisdictional tax rate differences	39	39
Additional contribution for dividends paid	(7)	
Permanently non-deductible expenses or non-taxable income	25	16
Other tax repayments/(charges), net	(19)	(24)
Tax loss carry-forwards used or recognized during the period but not recognized as a deferred tax asset in prior periods	1	3
Tax loss carry-forwards arising during the period but not recognized as a deferred tax asset	(28)	(34)
Actual income tax expense	**(222)**	**(275)**
Withholding taxes	(11)	(11)
TOTAL INCOME TAX EXPENSE	**(233)**	**(286)**

(1) *The 36.10% tax rate includes the temporary surtax introduced in December 2011 for companies whose revenues (or those of the tax group of which they are a member) exceed 250 million euro, payable by Sodexo for the fiscal years ended August 31, 2012 through August 31, 2015.*

4.3.2 Components of income tax expense

(in millions of euro)	Fiscal 2013	Fiscal 2012
Current income taxes	(203)	(266)
Adjustments to current income tax payable in respect of prior periods	0	2
Provision for tax exposures	(3)	(5)
Utilization of tax credits, tax losses and temporary difference carry-forwards	(37)	29
Sub-total: current income taxes	**(243)**	**(240)**
Deferred taxes on temporary differences arising or reversing during the period	(10)	(53)
Deferred taxes on changes in tax rates or liability for taxes at new rates	(4)	(1)
Utilization of tax credits, tax losses and tax loss carry-forwards	35	17
Sub-total: deferred taxes	**21**	**(35)**
ACTUAL INCOME TAX EXPENSE	**(222)**	**(275)**

Accruals for withholding taxes on dividends receivable recognized by the Group amounted to 1 million euro in both Fiscal 2013 and Fiscal 2012.

The effective tax rate, calculated on the basis of the profit for the period before taxes and excluding the share of profit of companies consolidated by the equity method, decreased from 37.5% for Fiscal 2012 to 36.1% for Fiscal 2013.

4.4 Property, plant and equipment

4.4.1 Analysis of property, plant and equipment

The tables below include assets held under finance leases.

(in millions of euro)	Land and Buildings	Plant and equipment	Construction in progress and other	Total
Carrying amount – August 31, 2011	**69**	**375**	**69**	**513**
Increases during the fiscal year	3	174	30	207
Decreases during the fiscal year	(7)	(12)	(2)	(21)
Assets classified as held for sale				
Newly consolidated companies	21	27	1	49
Newly deconsolidated companies				
Depreciation expense	(16)	(162)	(21)	(199)
Impairment losses recognized in profit or loss				
Impairment losses reversed in profit or loss	1			1
Translation adjustment	4	18	4	26
Other	21	(7)	(16)	(2)
Carrying amount – August 31, 2012	**96**	**413**	**65**	**574**
Increases during the fiscal year	4	147	51	202
Decreases during the fiscal year	(1)	(14)	(3)	(18)
Assets classified as held for sale				
Newly consolidated companies		1		1
Newly deconsolidated companies				
Depreciation expense	(12)	(163)	(16)	(191)
Impairment losses recognized in profit or loss		(8)		(8)
Impairment losses reversed in profit or loss				
Translation adjustment	(2)	(18)	(1)	(21)
Other	1	23	(23)	1
Carrying amount – August 31, 2013	**86**	**381**	**73**	**540**

(in millions of euro)	August 31, 2013	August 31, 2012
Cost	1,702	1,728
Accumulated depreciation and impairment	(1,162)	(1,154)
Carrying amount	**540**	**574**

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

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

4.4.2 Analysis of assets held under finance leases

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

Carrying amount *(in millions of euro)*	Buildings	Plant and equipment	Construction in progress and other	Total
August 31, 2011	8	45	2	55
August 31, 2012	6	46	1	53
August 31, 2013	7	38	1	46

(in millions of euro)	August 31, 2013	August 31, 2012
Cost	112	143
Accumulated depreciation and impairment	(66)	(90)
Carrying amount	**46**	**53**

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

4.5 Goodwill

(in millions of euro)		August 31, 2012	Additions during the period	Dispositions during the period	Translation adjustment	Other	August 31, 2013
On-site Services North America	Gross	2,326			(110)		2,216
	Impairment						
On-site Services United Kingdom and Ireland	Gross	596			(41)	2	557
	Impairment						
On-site Services Continental Europe	Gross	988	4		(7)	(3)	982
	Impairment						
On-site Services Rest of the World	Gross	564	10		(92)	3	485
	Impairment						
Benefits and Rewards Services	Gross	557	78		(72)		563
	Impairment	(2)					(2)
Sodexo	Gross	206					206
	Impairment						
Other	Gross	2					2
	Impairment						
TOTAL	**GROSS**	**5,239**	**92**		**(322)**	**2**	**5,011**
	IMPAIRMENT	**(2)**					**(2)**

Goodwill recognized in Fiscal 2013 on acquisitions made during the year mainly concerned Servi-Bonos SA de CV in Mexico (47 million euro).

Changes in goodwill, aggregated by operating segment, were as follows in Fiscal 2012:

(in millions of euro)		August 31, 2011	Additions during the period	Dispositions during the period	Translation adjustment	Other	August 31, 2012
On-site Services North America	Gross	1,997	33		296		2,326
	Impairment						
On-site Services United Kingdom and Ireland	Gross	523	12		61		596
	Impairment						
On-site Services Continental Europe	Gross	954	21		13		988
	Impairment						
On-site Services Rest of the World	Gross	210	390		(36)		564
	Impairment						
Benefits and Rewards Services	Gross	599			(42)		557
	Impairment	(2)					(2)
Sodexo	Gross	206					206
	Impairment						
Other	Gross	2					2
	Impairment						
TOTAL	**GROSS**	**4,491**	**456**		**292**		**5,239**
	IMPAIRMENT	**(2)**					**(2)**

Goodwill recognized in Fiscal 2012 on acquisitions made during the year related to Puras do Brasil in Brazil (390 million euro), Lenôtre in France (15 million euro), Roth Bros. in the United States (33 million euro), Atkins Facilities Management Limited (renamed Sodexo Property Solutions Limited) in the United Kingdom (12 million euro) and RI.CO.S.RL. in Italy (6 million euro).

4.6 Intangible assets

The tables below show movements in intangible assets during Fiscal 2012 and Fiscal 2013.

(in millions of euro)	**Licenses and software**	**Other intangible assets**	**Total**
Carrying amount – August 31, 2011	**92**	**400**	**492**
Increases during the fiscal year	47	12	59
Decreases during the fiscal year	4		(4)
Assets classified as held for sale			
Newly consolidated companies	2	163	165
Newly deconsolidated companies			
Amortization expense	(38)	(99)	(137)
Impairment losses recognized in profit or loss		(18)	(18)
Impairment losses reversed in profit or loss			
Translation adjustment	3	3	6
Other	3	(3)	0
Carrying amount – August 31, 2012	**105**	**458**[1]	**563**
Increases during the fiscal year	46	8	54
Decreases during the fiscal year	(2)		(2)
Assets classified as held for sale			
Newly consolidated companies	2	26	28
Newly deconsolidated companies			
Amortization expense	(42)	(32)	(74)
Impairment losses recognized in profit or loss			
Impairment losses reversed in profit or loss		2	2
Translation adjustment	(4)	(35)	(39)
Other	4	(8)	(4)
Carrying amount – August 31, 2013	**109**	**419**[1]	**528**

(1) Including trademarks and lease rights with an indefinite useful life for 50 million euro as of August 31, 2013 (48 million euro at August 31, 2012).

(in millions of euro)	**August 31, 2013**	**August 31, 2012**
Cost	969	975
Accumulated amortization and impairment	(441)	(412)
Carrying amount	**528**	**563**

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

4.7 Client investments

(in millions of euro)	**Fiscal 2013**	**Fiscal 2012**
Carrying amount – September 1	296	222
Increases during the period	67	95
Decreases during the period	(60)	(56)
Translation adjustment	(15)	34
Other		1
Carrying amount – August 31	**288**	**296**

4.8 Companies consolidated by the equity method

When the Group is legally obligated to pay on behalf of companies consolidated by the equity method, provision is made under liabilities in the balance sheet for its share in the negative shareholders' equity of the said companies (see note 4.17). Changes in the Group's share of the net assets of its associates in Fiscal 2013 and Fiscal 2012 are shown below:

	August 31, 2012							**August 31, 2013**	
(in millions of euro)	**Positive amounts**	**Negative amounts**	**Profit for the period**	**Dividend paid for the period**	**Changes in scope of consolidation[2]**	**Other movements[1]**	**Translation adjustment**	**Positive amounts**	**Negative amounts**
Groupe Crèche Attitude	15.1		2.1					17.2	
Doyon Universal Services LLC	16.6		1.8	(0.9)			(0.8)	16.7	
NANA	13.4		1.3	(0.7)		0.7	(0.7)	14.0	
Sociedad Concesionaria BAS SA	9.9		2.1				(1.4)	10.6	
SERCO Sodexo Defense Services PTY Ltd	9.4		5.2	(6.5)			(1.5)	6.6	
South Manchester Healthcare (Holdings) Ltd	2.8		0.9	(0.7)		0.3	(0.2)	3.1	
Catalyst Healthcare (Manchester) Holdings Ltd	3.1		1.2	(0.9)	(3.1)		(0.3)	0.0	
Addiewell Prison (Holdings) Ltd		(6.6)	0.5	(0.8)		2.0	0.4		(4.5)
Agecroft Prison Management Ltd		(2.7)	0.2				0.2		(2.3)
Catalyst Healthcare (Romford) Holdings Ltd		(6.9)	0.4	(0.1)	3.3	0.6	0.5		(2.2)
Peterborough Prison Mgt (Holdings) Ltd		(5.7)	0.1	(0.6)	2.3	1.6	0.4		(1.9)
Ashford Prison Services Holdings Ltd		(4.8)	0.2	(0.3)	1.9	1.2	0.3		(1.5)
HpC King's College Hospital (Holdings) Ltd		(1.8)	0.5				0.1		(1.2)
Enterprise Healthcare (Holdings) Ltd		(1.8)			1.7		0.1		0.0
Other	10.9	(2.5)		(3.0)	(1.2)	1.8	(0.1)	9.9	(4.0)
TOTAL	**81.2**	**(32.8)**	**16.5**	**(14.5)**	**4.9**	**8.2**	**(3.0)**	**78.1**	**(17.6)**

(1) Including changes in fair value of derivative financial instrument hedges (note 4.15).

(2) Relates to disposals of the Group's shareholdings in Public-Private Partnership (PPP) companies.

(in millions of euro)	**August 31, 2011** Positive amounts	Negative amounts	**Profit/(loss) for the period**	**Dividend paid for the period**	**Changes in scope of consolidation[2]**	**Other movements[1]**	**Translation adjustment**	**August 31, 2012** Positive amounts	Negative amounts
Doyon Universal Services LLC	14.2		1.2	(0.9)			2.1	16.6	
Groupe Crèche Attitude	14.1		1.7	(0.7)				15.1	
NANA	11.1		1.4	(1.5)		0.8	1.6	13.4	
Sociedad Concesionaria BAS SA	7.8		2.7	(1.7)			1.1	9.9	
SERCO Sodexo Defense Services PTY Ltd	9.6		7.1	(8.3)			1.0	9.4	
Catalyst Healthcare (Manchester) Holdings Ltd	2.1		0.6				0.4	3.1	
South Manchester Healthcare (Holdings) Ltd	2.2		0.8	(1.0)		0.5	0.3	2.8	
Catalyst Healthcare (Romford) Holdings Ltd		(4.9)	0.3			(1.7)	(0.6)		(6.9)
Addiewell Prison (Holdings) Ltd		(3.5)	0.8	(0.7)		(2.7)	(0.5)		(6.6)
Peterborough Prison Mgt (Holdings) Ltd		(3.3)	0.4	(0.1)		(2.2)	(0.5)		(5.7)
Ashford Prison Services Holdings Ltd		(3.0)	0.2	(0.1)		(1.5)	(0.4)		(4.8)
Agecroft Prison Management Ltd		(2.5)	0.1				(0.3)		(2.7)
HpC King's College Hospital (Holdings) Ltd		(1.5)	(0.2)				(0.1)		(1.8)
Enterprise Healthcare (Holdings) Ltd		(1.2)	0.1	(0.1)		(0.4)	(0.2)		(1.8)
Other	9.3	(1.4)	0.8	(1.1)	0.7	(0.1)	0.2	10.9	(2.5)
TOTAL	**70.4**	**(21.3)**	**18.0**	**(16.2)**	**0.7**	**(7.3)**	**4.1**	**81.2**	**(32.8)**

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

(2) Relates to the disposal of the Group's shareholding in the Public-Private Partnership (PPP) company Catalyst Romford Havering in the United Kingdom.

The table below provides key financial data for the Group's principal associates *(in millions of euro, based on financial statements adjusted for the purposes of consolidation by the Group; figures are for the associate as a whole, rather than the Group's percentage interest)*:

(in millions of euro)	Country of operations	% interest as of August 31, 2013	Assets	Liabilities	Equity	Revenue	Profit/(loss) for the period
RMPA Holdings Ltd*	UK	14%	674	680	(6)	33	(4)
Catalyst Healthcare (Manchester) Holdings Ltd*	UK	10%	582	562	20	53	5
Healthcare Support (North Staffs) Holdings Ltd*	UK	25%	493	494	(1)	4	2
Addiewell Prison (Holdings) Ltd	UK	33.33%	127	140	(13)	28	2
HpC King's College Hospital (Holdings) Ltd*	UK	25%	110	123	(13)	19	(2)
Catalyst Healthcare (Roehampton Holdings Ltd*	UK	10%	108	131	(22)	13	2
Peterborough Prison Management (Holdings) Ltd*	UK	15%	105	117	(13)	34	1
Mercia Healthcare (Holdings) Ltd*	UK	25%	104	93	11	15	2
South Manchester Healthcare (Holdings) Ltd*	UK	25%	97	84	12	30	4
Sociedad Concesionaria BAS SA*	Chile	33.33%	93	61	32	31	6
Ashford Prison Services Holdings Ltd*	UK	15%	78	88	(10)	30	1
Groupe Crèche Attitude	France	35%	63	14	49	49	6
NANA	USA	43.60%	55	22	33	159	4
Agecroft Prison Management Ltd	UK	50%	47	52	(5)	38	0
Serco Sodexo Defence Services PTY Ltd	Australia	50%	47	33	13	225	10
Enterprise Education (Holdings) Conwy Ltd*	UK	10%	45	49	(3)	3	0

* *Project companies established in connection with Public-Private Partnership (PPP) contracts (see note 2.3.2).*

4.9 Impairment of assets

Impairments of 45 million euro were recognized on tangible and intangible assets as of August 31, 2013 (39 million euro as of August 31, 2012). The net charge for the year was 6 million euro (17 million euro for Fiscal 2012).

Assets with indefinite useful lives were tested for impairment as of August 31, 2013 using the methods described in note 2.8.2.

The main assumptions used rely on the macro-economic outlook for the geographic regions in which the CGUs or Groups of CGUs defined by Sodexo operate. They are as follows (impairments are recognized in other operating charges):

	2013		2012	
Economic region	**Discount rate(1)**	**Long-term growth rate(2)**	**Discount rate(1)**	**Long-term growth rate(2)**
Continental Europe (1)	8.5% à 11%	2%	8.5% to 11%	2%
North America	8.5%	2.5%	8.5%	2.5%
United Kingdom and Ireland	8.5%	2.4%	8.5%	2.5%
Latin America	11%	4%	11%	4.2%
Rest of World (1)	9.5%	3.3%	9.5%	3.3%
Benefits and Rewards Services	10.5%	3.6%	11%	3.6%

(1) The discount rate defined by the Group has been increased for certain regions to allow for greater risk factors affecting certain countries.

(2) The long-term growth rate serves to extrapolate the terminal value based on management plans.

Sensitivity analysis

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

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

The Group also performed a sensitivity analysis on the operational assumptions used in order to determine whether a 5% decrease in projected net cash flows over the time period of the business plans prepared by management and in terminal value would result in the recognition of an impairment loss in the Group's consolidated financial statements at August 31, 2013. The results of this analysis indicated no risk of impairment for any of the CGUs or groups of CGUs.

4.10 Financial assets

4.10.1 Non-current financial assets

(in millions of euro)	**August 31, 2013**	**August 31, 2012**
Available-for-sale financial assets		
Investments in non-consolidated companies		
Cost	3	6
Impairment	(2)	(2)
Carrying amount	**1**	**4**
Loans and receivables		
Receivables from investees		
Cost	41	55
Impairment	(2)	(1)
Carrying amount	**39**	**54**
Loans and deposits		
Cost	48	43
Impairment	(3)	
Carrying amount	**45**	**43**
TOTAL NON-CURRENT FINANCIAL ASSETS	**85**	**101**
Cost	92	104
Impairment	(7)	(3)
Carrying amount	**85**	**101**

4.10.2 Current financial assets

Current *(in millions of euro)*	**August 31, 2013**	**August 31, 2012**
Available-for-sale financial assets		
Restricted cash and other financial assets: Motivation Solutions activity		
Cost	734	609
Impairment		
Carrying amount	**734**	**609**
Loans and receivables		
Loans and deposits		
Cost	8	5
Impairment	(1)	(1)
Carrying amount	**7**	**4**
TOTAL CURRENT FINANCIAL ASSETS	**741**	**613**
Cost	742	614
Impairment	(1)	(1)
Carrying amount	**741**	**613**

Restricted cash of 398 million euro included in "Restricted cash and financial assets related to the Benefits and Rewards Services activity" primarily includes funds set aside to comply with regulations governing the issuance of service vouchers in France (250 million euro), India (47 million euro) and Romania (32 million euro), and contractual guarantees given to public-sector clients in Venezuela (21 million euro). The funds remain the property of Sodexo but are subject to restrictions on their use. They may not be used for any purpose other than to reimburse affiliates and must be kept separate from the Group's unrestricted cash. Restricted cash is invested in interest-bearing instruments.

4.10.3 Changes in current and non-current financial assets

(Carrying value in millions of euro)	August 31, 2012	Increase/ (decrease) during the period	Impairment	Change in scope of consolidation	Change in fair value	Translation adjustment and other items	August 31, 2013
Available-for-sale financial assets	612	153		9	1	(40)	735
Loans and deposits	101	4	(4)			(10)	91
TOTAL	**713**	**157**	**(4)**	**9**	**1**	**(50)**	**826**

(Carrying value in millions of euro)	August 31, 2011	Increase/(decrease) during the period	Impairment	Change in scope of consolidation	Change in fair value	Translation adjustment and other items	August 31, 2012
Available-for-sale financial assets	626	(3)	(1)		1	(11)	612
Loans and deposits	87	(9)		15		8	101
TOTAL	**713**	**(12)**	**(1)**	**15**	**1**	**(3)**	**713**

4.11 Trade and other receivables

(in millions of euro)	Gross amount as of August 31, 2013	Allowance as of August 31, 2013	Carrying amount as of August 31, 2013	Gross amount as of August 31, 2012	Allowance as of August 31, 2012	Carrying amount as of August 31, 2012
Total other non-current assets	**14**	**0**	**14**	**15**	**0**	**15**
Advances to suppliers	5	0	5	5	0	5
Trade receivables	3,184	(108)	3,076	3,150	(102)	3,048
Other operating receivables	270	(7)	263	277	(5)	272
Prepaid expenses	115	0	115	114	0	114
Non-operating receivables	7	0	7	6	0	6
TOTAL TRADE AND OTHER RECEIVABLES	**3,581**	**(115)**	**3,466**	**3,552**	**(107)**	**3,445**

The maturities of trade receivables as of August 31, 2013 and August 31, 2012 respectively were as follows:

	2013		2012	
Breakdown of trade receivables due as of August 31:	**Gross amount**	**Allowance**	**Gross amount**	**Allowance**
Less than 3 months due	467	(4)	462	(6)
More than 3 months and less than 6 months due	57	(10)	60	(12)
More than 6 months and less than 12 months due	106	(20)	114	(19)
More than 12 months due	74	(58)	75	(60)
TOTAL TRADE RECEIVABLES DUE as of August 31	**704**	**(92)**	**711**	**(97)**
TOTAL TRADE RECEIVABLES NOT YET DUE as of August 31	**2 480**	**(16)**	**2,439**	**(5)**
TOTAL TRADE RECEIVABLES as of August 31	**3 184**	**(108)**	**3,150**	**(102)**

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

4.12 Cash and cash equivalents

(in millions of euro)	**August 31, 2013**	**August 31, 2012**
Marketable securities	479	537
Cash	924	914
Sub-total: cash and cash equivalents	**1,403**	**1,451**
Bank overdrafts	(41)	(18)
NET CASH AND CASH EQUIVALENTS	**1,362**	**1,433**

Marketable securities, totaling 434 million euro at August 31, 2013 (537 million euro as of August 31, 2012), comprised:

(in millions of euro)	**August 31, 2013**	**August 31, 2012**
Short-term notes	277	362
Term deposits	134	108
Listed bonds	1	11
Mutual funds and other	22	56
Total marketable securities	**434**	**537**

Around 81% of the Group's cash, together with the restricted cash and financial assets of the Benefits & Rewards Services activity, is held with A1 or A2-rated financial institutions.

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

4.13 Statement of changes in shareholders' equity

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

	August 31, 2013			**August 31, 2012**		
(in millions of euro)	**(Decrease) increase during the year, pre-tax**	**Income tax benefit (expense)**	**(Decrease) increase during the year, net of tax**	**(Decrease) increase during the year, pre-tax**	**Income tax benefit (expense)**	**(Decrease) increase during the year, net of tax**
Available-for-sale financial assets	1		1	1		1
Cash flow hedges	7	(2) (1)	5	(7)	2 (1)	(5)
Actuarial adjustments and other	(4)	2	(2)	(34)	8	(26)
Translation adjustment	(117)		(117)	98		98
TOTAL OTHER COMPREHENSIVE INCOME (GROUP SHARE)	**(113)**	**0**	**(113)**	**58**	10	**68**

(1) Including amounts related to hedging instruments recognized in other comprehensive income for equity method companies and presented in the line item "Share of other components of comprehensive income of companies consolidated by the equity method, net of tax" in the Consolidated Statement of Comprehensive Income.

4.14 Borrowings

(in millions of euro)	**August 31, 2013**		**August 31, 2012**	
	Current	**Non-current**	**Current**	**Non-current**
Bond issues				
Euro	542	883	43	1,383
Bank borrowings (1)				
US dollar	128	850	21	1,002
Brazilian real	23	0	44	0
Euro	72	660	3	713
Other currencies	3	0	1	0
	226	**1,510**	**69**	**1,715**
Finance lease obligations				
US dollar	0	1	0	1
Euro	4	9	6	13
Other currencies	11	16	14	18

	15	**26**	**20**	**32**
Other borrowings [(2)]				
Euro	2	5	2	24
Other currencies	3	4	6	2
	5	**9**	**8**	**26**
TOTAL EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**788**	**2,428**	**140**	**3,156**
Net fair value of financial instruments [(3)]	**(20)**	**(42)**	22	(3)
TOTAL INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**768**	**2,386**	**161**	**3,154**

(1) Including the proceeds of the two private bond placements with U.S. private investors (respectively USD 500 million and USD 600 million).

(2) Including 4 million euro as of August 31, 2013 (20 million euro as of August 31, 2012) corresponding to liabilities recognized in connection with the commitments to repurchase the non-controlling interests in certain subsidiaries.

(3) Described in note 4.15.

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

4.14.1 Bond issues

	August 31, 2012	Increases	Repayments	Discounting effects and other	Translation adjustment	August 31, 2013
2007 bond issue – €500 million						
Principal	500					500
Debt issuance costs	(1)			1		(0)
Accrued interest	10					10
TOTAL	**509**			**1**		**510**
Effective rate	*4.55 %*					*4.55 %*
2009 bond issue – €880 million						
Principal	880					880
Debt issuance costs and issue premium	5			(2)		3
Accrued interest	32					32
TOTAL	**917**			**(2)**		**915**
Effective rate	*5.97 %*					*5.97 %*
TOTAL	**1,426**			**(1)**		**1,425**

	August 31,2011	Increases	Repayments	Discounting effects and other	Translation adjustment	August 31,2012
2007 bond issue – €500 million						
Principal	500					500
Debt issuance costs	(1)					(1)
Accrued interest	10					10
TOTAL	**509**					**509**
Effective rate	*4.55%*					*4.55%*
2009 bond issue - €880 million						
Principal	880					880
Debt issuance costs and issue premium	7			(2)		5
Accrued interest	32					32
TOTAL	**919**			**(2)**		**917**
Effective rate	*5.97%*					*5,97%*
TOTAL	**1,428**			**(2)**		**1,426**

4.14.1.1 500 million euro bond issue

On March 30, 2007, Sodexo SA issued bonds for 500 million euro, redeemable at par on March 28, 2014. The bonds bear interest at an annual rate of 4.50%, payable annually on March 28.

4.14.1.2 880 million euro bond issue

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

Neither of these two bond issues is subject to financial covenants.

4.14.2 Other borrowings from financial institutions

4.14.2.1 Loan agreement with the CNCEP

On June 15, 2004, Bellon SA entered into a loan agreement for 413 million euro with the CNCEP. The loan had a fixed term through July 4, 2012 and carries interest annually at a rate of 4.78%. This loan was reimbursed on July 4, 2012.

4.14.2.2 Equity linked swap with Socité Générale

On August 29, 2007, Bellon SA entered into a contract with Société Générale for an equity linked swap for a notional amount of 70 million euro. This financing matured on August 31, 2012 and carries interest based on the 3 month EURIBOR rate plus a margin of 45 basis points. An interest rate swap was entered into as of the same date. The fixed interest rate was 4.429%. This loan was reimbursed on August 31, 2012.

4.14.2.3 Equity linked swap with CACIB

On April 12, 2011, Bellon SA entered into with CACIB an Equity Linked Swap (ELS) agreement (forward sale of Sodexo shares with a swap exchanging changes in interest rates for changes in Sodexo share prices) for an initial amount of 40 million euro with a maturity date of June 30, 2011. On this date, the financing amount was increased to 70 million euro with a maturity date of December 31, 2011. This financing carries interest at the 3 month EURIBOR rate plus a margin of between 55 basis points and 85 basis points. This loan was reimbursed on February 25, 2012.

4.14.2.4 Loan for 70 million euro with Calyon

On July 23, 2007, Bellon SA entered into a loan agreement with Calyon for 70 million euro.

This loan matures on July 31, 2014 and carries interest annually at a rate of 5.49%.

4.14.2.5 Equity linked swap with Natixis

On November 15, 2011, Bellon SA signed two Equity Linked Swaps (forward sale of Sodexo shares with a swap exchanging changes in interest rates for changes in Sodexo share prices) with Natexis for a total amount of 300 million euro. These two ELS, each in the amount of 150 million euro had a start date of July 4, 2012 and mature on July 4, 2015 and July 4, 2017, respectively. This synthetic debt carries floating rate interest. An interest rate swap agreement was also put into place which set the interest rates at 3.875% for the 3-year ELS and 4.89% for the 5-year ELS.

4.14.2.6 Equity linked swap with CACIB

On August 30, 2012, Bellon SA signed an Equity Linked Swap agreement (forward sale of Sodexo shares with a swap exchanging changes in interest rates for changes in Sodexo share prices) for an amount of 70 million euro with a maturity date of August 4, 2016. This synthetic debt carries floating rate interest. At the end of November 2012 an interest rate swap was put in place bringing the interest rate to 2.965% for the term of the loan.

4.14.2.7 Loans for 165 million U.S. dollars and the equivalent in euro of 50 million U.S. dollars

On June 26, 2012, Bellon SA borrowed 165 million U.S. dollars in a U.S. Private Placement transaction with U.S. investors (U.S.P.P.). This financing was made at a U.S. dollar interest rate of 5.20% and matures in full in February 2022 with amortization of the principal starting in February 2016.

A currency swap was arranged with three banks (CACIB, Natixis and Société Générale) as follows:

- A tranche of 82.5 million U.S. dollars with CACIB at a rate of 4.93%;
- A tranche of 49.5 million U.S. dollars with Natixis at a rate of 4.985%;
- A tranche of 33 million U.S. dollars with Société Générale at a rate of 5.00%.

On June 26, 2012, Bellon SA borrowed the euro equivalent of 50 million U.S. dollars in a U.S. Private Placement transaction with U.S. investors (U.S.P.P.). This financing was made at a euro interest rate of 5.525% and matures in full in February 2022 with amortization of the principal starting in February 2016.

The various loans contracted by Bellon SA have the following covenants:

The loan agreement signed in 2007 with Calyon, the November 2011 ELS with Natixis, the August 2012 ELS with CACIB, as well as the U.S.P.P. financings and the currency swap arrangements all contain terms that are customary for loans of this nature made to a holding company. These conditions mainly include the following:

- the ratio of revalued assets to revalued net financial debt must be greater than 2 for the U.S.P.P. and currency swap arrangements and 1.25 for the Calyon contract
- the ratio of dividends to net financial expense must be greater than 1.1 for the U.S.P.P. borrowings and the banks having participated in the currency swaps, and greater than 1 for the Calyon contract
- total net borrowings must be lower than 1 billion euro at any point in time
- Bellon SA's assets must comprise 90% Sodexo shares
- Sodexo's rating should not be lower than BBB-

As of August 31, 2013 and August 31, 2012, Bellon SA was in compliance with its covenants.

4.14.2.8 July 2011 multicurrency confirmed credit facility

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

As of August 31, 2013, the euro tranche had been utilized in the amount of 250 million euro (235 million euro as of August 31, 2012).

4.14.2.9 Loans for 500 million U.S. dollars and 600 million U.S. dollars

On September 29, 2008, Sodexo SA borrowed 500 million U.S. dollars at a fixed rate of interest from U.S. investors.

This financing was structured in three tranches:

- 140 million U.S. dollars at a fixed rate of 5.69% and redeemable in September 2013;
- 290 million U.S. dollars at a fixed rate of 5.99% and redeemable in September 2015;
- 70 million U.S. dollars at a fixed rate of 6.43% and redeemable in September 2018.

On March 29, 2011, Sodexo SA borrowed 600 million U.S. dollars at a fixed rate of interest in a private placement with U.S. investors.

This financing is structured in three tranches:

- 250 million U.S. dollars at a fixed rate of 4.24% and redeemable in March 2018;
- 225 million U.S. dollars at a fixed rate of 4.85% and redeemable in March 2021;
- 125 million U.S. dollars at a fixed rate of 4.95% and redeemable in March 2023.

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

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

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

The Group was compliant with these covenants as of August 31, 2013, February 29, 2013 and August 31, 2012.

4.14.2.10 Borrowings in Brazilian real

In order to finance its acquisition of the VR group in Brazil in 2008, Sodexo SA contracted two fixed rate loans in Brazilian real for an amount of 318 million real, to be reimbursed over five years, with a final maturity in April 2013. Given the repayments made during the period, these loans amounted to 106 million reals (41 million euro), this debt was repaid in full as of August 31, 2013.

4.14.2.11 Interest rate

In order to comply with the Group's financing policy, substantially all borrowings are at fixed rates of interest. Where acquisition financing is arranged in a currency other than that of the acquired entity, the debt is hedged by the use of currency swaps.

As of August 31, 2013, nearly 100% of Sodexo's borrowings were at fixed rate. The average rate of interest as of the same date was 5.6%.

As of August 31, 2012, 98% of Sodexo's borrowings were at fixed rate. The average rate of interest as of the same date was 5.7%.

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

4.14.3 Maturity of borrowings

August 31, 2013 Carrying amounts	**Less than 3 months**	**More than 3 months and less than 6 months**	**More than 6 months and less than 1 year**	**1 – 5 years**	**More than 5 years**	**Total**
Bond issues	0	32	510	883	0	1,425
Bank borrowings*	146	6	74	1,090	420	1,736
Finance lease obligations	1	1	13	24	2	41
Other borrowings	0	0	5	9	0	14
TOTAL	**147**	**39**	**602**	**2,006**	**422**	**3,216**

* *Excluding the impact of derivative financial instruments described in note 4.15.*
* *For borrowings expressed in a foreign currency, amounts are translated at the year-end closing rate.*
* *Maturities include interest incurred as of the balance sheet date.*
* *Credit facility renewal rights are taken into account in setting maturities.*

August 31, 2013 Undiscounted contractual maturities, including payment of future interest not yet due	**Less than 3 months**	**More than 3 months and less than 6 months**	**More than 6 months and less than 1 year**	**1 – 5 years**	**More than 5 years**	**Total**
Bond issues		55	523	938		1,516
Bank borrowings	149	15	110	1,279	483	2,036
Finance lease obligations	1	1	14	26	2	44
Other borrowings	0	0	5	10	0	15
Impact of derivative financial instruments excluding those related to the PPP companies (note 4.15)	18	1	15	54	-3	85
TOTAL	**168**	**72**	**667**	**2,307**	**482**	**3,696**

August 31, 2012 Carrying amounts	**Less than 3 months**	**More than 3 months and less than 6 months**	**More than 6 months and less than 1 year**	**1 – 5 years**	**More than 5 years**	**Total**
Bond issues	0	32	11	1,383		1,426
Bank borrowings*	39	0	30	1,044	672	1,785
Finance lease obligations	2	1	17	29	3	52
Other borrowings	3	0	5	26	0	34
TOTAL	**44**	**33**	**63**	**2,482**	**675**	**3,297**

* *Excluding the impact of derivative financial instruments described in 4.15.*
* *For borrowings expressed in a foreign currency, amounts are translated at the year-end closing rate.*
* *Maturities include interest incurred as of the balance sheet date.*
* *Credit facility renewal rights are taken into account in setting maturities.*

August 31, 2012 Undiscounted contractual maturities, including payment of future interest not yet due	**Less than 3 months**	**More than 3 months and less than 6 months**	**More than 6 months and less than 1 year**	**1 – 5 years**	**More than 5 years**	**Total**
Bond issues	0	55	24	1,516	0	1,595
Bank borrowings	45	8	72	1,287	751	2,163
Finance lease obligations	3	2	18	33	3	59
Other borrowings	3	0	7	29	0	39
Impact of derivative financial instruments excluding those related to the PPP companies (note 4.15)	22	1	15	89	(4)	123
TOTAL	**73**	**66**	**136**	**2,954**	**750**	**3,979**

4.15 Derivative financial instruments

The fair value of derivative financial instruments was as follows:

Derivative financial instruments *(in millions of euro)*	**IFRS classification**	**August 31, 2013**	**August 31, 2012**
Currency instruments		**(18)**	**(7)**
Assets	*Trading*		
Liabilities	*Cash Flow Hedge*		
Liabilities	*Trading*	*(18)*	*(7)*
Interest rate instruments (1)		**(10)**	**(16)**
Assets	*Cash Flow Hedge*		
Liabilities	*Trading*	(10)	(16)
Liabilities	*Cash Flow Hedge*		
Cross-currency swaps (2)		**69**	**4**
Assets	*Cash Flow Hedge*	*61*	*19*
Assets	*Trading*	*26*	*8*
Liabilities	*Cash Flow Hedge*	*(12)*	*(16)*
Liabilities	*Trading*	*(6)*	*(7)*
Other derivative financial instruments		**21**	
Assets	*Trading*	*21*	
Net derivative financial instruments		**62**	**(19)**

(1) Relates to an interest rate swap intended to fix the interest rate on synthetic debt resulting from equity linked swaps with Natexis and CACIB as described in notes 4.14.2.5 and 4.14.2.6.

(2) Relates to three cross-currency euro-BRL swaps with notional value of 710 million BRL for which accrued interest of 18 million euro was recognized as a liability as of August 31, 2013 (23 million euro as of August 31, 2012).

The notional value of currency derivative financial instruments as well as their fair values is provided below:

	August 31, 2013				**August 31, 2012**			
(in millions of euro)	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**
Currency receivable positions	**85**	**62**	**81**	**228**	**65**	**39**	**99**	**203**
Pound sterling/Euro					*4*			*4*
Brazilian real/Euro								
Czech crown /Euro	*71*	*8*		*79*	*48*	*6*		*54*
U.S. dollar/Euro		*51*	*81*	*132*		*33*	*99*	*132*
Other	*14*	*3*		*17*	*13*			*13*
Currency payable positions	**(134)**	**(195)**	**(22)**	**(351)**	**(100)**	**(281)**	**(1)**	**(382)**
Pound sterling/Euro	*(44)*			*(44)*	*(42)*			*(42)*
Brazilian real/Euro	*(88)*	*(158)*		*(246)*	*(58)*	*(275)*		*(333)*
Czech crown /Euro								
Other	*(2)*	*(37)*	*(22)*	*(61)*		*(6)*	*(1)*	*(7)*
TOTAL	**(49)**	**(133)**	**59**	**(123)**	**(35)**	**(242)**	**98**	**(179)**
Fair value	**7**	**54**	**(10)**	**51**	**(24)**	**26**	**(5)**	**(3)**

The notional value represents the notional amount of currency hedging instruments and includes amounts related to forward agreements.Foreign currency amounts are translated at year-end closing rates.

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

Cumulative changes in fair value of financial assets on instruments designated as hedges as of August 31, 2011	**(31)**
Change in fair value for the period	(21)

Share in the change in fair value of derivative instruments held by companies consolidated by the equity method[1]	(12)
Fair value items recognized in financial income or expense	13
Total changes recognized in other comprehensive income	**(20)**
Translation adjustments and other	
Cumulative changes in fair value of financial assets on instruments designated as hedges as of August 31, 2012	**(51)**
Change in fair value for the period	0
Share in the change in fair value of derivative instruments held by companies consolidated by the equity method[1]	9
Fair value items recognized in financial income or expense	12
Total changes recognized in other comprehensive income	**21**
Translation adjustments and other	
Cumulative changes in fair value of financial assets on instruments designated as hedges as of August 31, 2013	**(30)**

(1) Certain associates accounted for under the equity method have hedged their variable rate debt. The impacts on the measurement of these instruments on the Group interest in the income and shareholders' equity of these entities is reflected in the above table.

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

4.16 Long-term employee benefits

(in millions of euro)	**August 31, 2013**	**August 31, 2012**
Net defined benefit plan liability	223	228
Other long-term employee benefits	150	154
Employee benefits	**373**	**382**

* *Included in other non-current assets in the balance sheet.*

4.16.1 Post-employment benefits

4.16.1.1 Defined-contribution plans

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

Contributions to defined-contribution plans recognized in operating expenses were 361 million euro for Fiscal 2013 compared to 343 million euro for Fiscal 2012.

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

4.16.1.2 Defined-benefit plans

The characteristics of the Group'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 liabilities in the balance sheet;
- in the United Kingdom, Sodexo's obligation relates to a complementary retirement plan including coverage by externally-held assets, and calculated on the basis of:
  - for managers working in the private sector, a percentage of final base salary,
  - for managers working on public sector contracts, benefits comparable to those offered in the public sector,
  - this plan was closed to new employees effective July 1, 2003 and the level of contributions was increased in order to cover the shortfall in the fund.

Following the introduction of new regulations in the United Kingdom, in October 2011 the Group elected to calculate future indexation adjustments to the benefits payable by Sodexo UK to certain members of its pension plan based on the consumer price index (CPI) instead of the retail price index (RPI) applied previously. Retrospective application of the CPI to the vested rights of plan members concerned by the change led to a 26 million euro reduction in the projected benefit obligation that was recorded in operating income in Fiscal 2012.

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

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

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

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

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

Amounts shown in the consolidated statement of financial position for defined benefit plans are detailed below:

(in millions of euro)	**August 31, 2013**	**August 31, 2012**
Present value of funded obligations	840	834
Fair value of plan assets	(753)	(732)
Present value of partially funded obligations	**87**	**102**
Present value of unfunded obligations	**140**	**130**
Unrecognized past service cost	(4)	(4)
Other unrecognized amounts		
NET DEFINED BENEFIT OBLIGATION	**223**	**228**

As described in note 2.17.2, Sodexo recognizes actuarial gains and losses arising during the period, net of deferred taxes, in the statement of comprehensive income.

Cumulative actuarial gains and losses recognized in other comprehensive income represented a net actuarial loss of 134 million euro as of August 31, 2013 and a net actuarial loss of 123 million as of August 31, 2012. Actuarial losses arising on the pension obligation were 31 million euro (of which 24 million euro related to the United Kingdom which accounts for most of the obligation), and were partially offset by 20 million euro in actuarial gains on plan assets (with actuarial gains in the United Kingdom representing 25 million euro).

Defined benefit plan assets comprise:

(in millions of euro)	**August 31, 2013**	**August 31, 2012**
Equities	136	134
Bonds	108	106
Insurance and other	461	453
Real estate	36	30
Cash	12	9
TOTAL	**753**	**732**

The amount reported in the income statement for defined benefit plans comprises:

(in millions of euro)	**Fiscal 2013**	**Fiscal 2012**
Current service cost	25	23
Interest cost	37	39
Expected return on plan assets	(34)	(42)
Curtailments and settlements	(3)	(1)
Amortization of unrecognized past service cost and other	3	(25)
NET EXPENSE/(GAIN)	**28**	**(6)**

During Fiscal 2012 amortization of unrecognized past service cost primarily included the impact in the United Kingdom of applying the Consumer Price Index (CPI) to calculate pension benefit increases instead of the Retail Price Index (RPI) used previously, for 26 million euro. This amount was reported in operating income.

The net expense of 28 million euro in Fiscal 2013 (net gain of 6 million euro in Fiscal 2012) is recorded on the following lines:

- net expense of 15 million euro in Fiscal 2013 (net gain of 1 million euro in Fiscal 2012) in cost of sales;
- net expense of 10 million euro in Fiscal 2013 (net gain of 2 million euro in Fiscal 2012) in general and administrative costs;
- the balance of 3 million euro (the effect of discounting the obligation and expected return on plan assets) in financial income or expense (see note 4.2).

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

	Fiscal 2013	Fiscal 2012
Obligation as of September 1	**964**	**766**
Current service cost	25	23
Interest cost	37	39
Actuarial (gains)/losses	31	118
Past service cost	3	(26)
Effect of curtailments and settlements	(3)	(1)
Contributions made by plan members	3	5
Benefits paid from plan assets	(23)	(20)
Benefits paid other than from plan assets	(9)	(8)
Changes in scope of consolidation	1	4
Translation adjustments	(49)	65
Other		(1)
OBLIGATION AS OF AUGUST 31	**980**	**964**

	Fiscal 2013	Fiscal 2012
Fair value of assets as of September 1	**732**	**606**
Expected return on assets	34	42
Employer's contributions	30	21
Actuarial (gains)/losses	20	20
Effect of curtailments and settlements	0	0
Contributions made by plan members	3	5
Benefits paid from plan assets	(23)	(20)
Changes in scope of consolidation	0	0
Translation adjustments	(43)	58
Other	0	0
FAIR VALUE OF PLAN ASSETS AS OF AUGUST 31	**753**	**732**

	Fiscal 2013	Fiscal 2012
Present value of benefit obligations	980	964
Fair value of plan assets	753	732
DEFICIT (SURPLUS)	**227**	**232**
Experience adjustments to present value of benefit obligations	(5)	1
Experience adjustments to plan assets	20	20

The following assumptions were used for actuarial valuations for the principal countries as of August 31, 2013 and 2012:

August 31, 2013	France	Netherlands	United Kingdom	Italy
Discount rate(1)	2% - 3%	3%	4.7%	1.50% - 2%
Salary inflation rate(2)	2.5% - 3%	2%	2.4% - 3.9%	N/A
General long-term inflation rate	2%	2%	2.4% - 3.4%(3)	2%
Rate of return on plan assets(4)	2% - 3%	3%	4.7%	N/A
Net liability (in millions of euro)	62	36	21	30

(1) *Discount rates in each country have been adapted to reflect the term of the plans. For the euro zone, the Group uses the iBoxx indices for AA-rated corporate bonds. For the United Kingdom, the Group uses a discount rate based on a yield curve for high quality corporate bonds drawn up by an external actuary.*
(2) *The salary inflation rate disclosed includes general inflation.*
(3) *Retail price index (RPI): 3.4%; consumer price index (CPI): 2.4%*
(4) *As from September 1, 2013 the expected return on plan assets will be measured based on the discount rate used to measure the underlying benefit obligation, as required under the revised version of IAS 19.*

August 31, 2012	France	Netherlands	United Kingdom	Italy
Discount rate(1)	2.5% - 3.5%	3%	4.5%	1.75% - 2.25%
Salary inflation rate(2)	2.5% - 3%	2%	2.1% - 3.1%	N/A
General long-term inflation rate	2%	2%	2.1% - 3.1%(3)	2%
Rate of return on plan assets	2.5% - 3.5%	3.6%	5%	N/A
Net liability *(in millions of euro)*	55	21	42	32

(1) *Discount rates in each country have been adapted to reflect the term of the plans. For the euro zone, the Group uses the iBoxx indices for AA-rated corporate bonds. For the United Kingdom, the Group uses a discount rate based on a yield curve for high quality corporate bonds drawn up by an external actuary.*
(2) *The salary inflation rate disclosed includes general inflation.*
(3) *Retail price index (RPI): 3.1%; consumer price index (CPI): 2.1%*

The 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. Effective September 1, 2013 the expected return on plan assets will be measured based on the discount rate used to measure the underlying benefit obligation as required under the revised version of IAS 19.

With respect to the assumptions provided in the above table, a reduction of 1% in the discount rate would bring the gross obligation to 1,195 million euro (compared to 980 million euro with the assumptions used as of August 31, 2013), while an increase of 0.5% in the long-term inflation rate would increase the gross obligation to 1,056 million euro. The Group has elected to recognize actuarial gains and losses directly in other comprehensive income.

The actual return on plan assets in Fiscal 2013 was 54 million euro, compared with an expected return of 34 million euro.

Based on estimates derived from reasonable assumptions, Sodexo will pay 26 million euro into defined benefit plans in Fiscal 2014.

4.16.2 Other employee benefits

Other employee benefits mainly comprise a liability related to a deferred compensation program in the United States and obligations relating to long-service awards.

Amounts reported in liabilities for other long-term employee benefits

(in millions of euro)	August 31, 2013	August 31, 2012
Other long-term employee benefits	150	154

The total expense recognized with respect to these benefits in Fiscal 2013 was 24 million euro (23 million euro in Fiscal 2012), of which 1.6 million euro (1.6 million euro in Fiscal 2012) relates to a deferred compensation program in the United States, reported in financial expense.

4.17 Provisions

(in millions of euro)	August 31, 2012	Increases/ charges	Reversals with utilization	Reversals without utilization	Translation adjustment and other items	Changes in scope of consolidation	Discounting impact on long-term provisions	August 31, 2013
Tax and social security exposures	52	6	(2)	(4)	(6)			46

Employee claims and litigation	30	16	(6)	(2)	(3)			35
Contract termination and loss-making contracts	8	28	(3)	(2)				31
Reorganization provisions	3	51	(1)		(1)			52
Client/supplier claims and litigation	12	18	(6)	(1)	2			25
Negative net assets of associates*	33				(15)			18
Other provisions	8	4	(2)	(1)	(1)			8
TOTAL PROVISIONS	**146**	**123**	**(20)**	**(10)**	**(24)**			**215**

* *Negative net assets of associates (see note 4.9).*

(in millions of euro)	**August 31, 2011**	**Increases/ charges**	**Reversals with utilization**	**Reversals without utilization**	**Translation adjustment and other items**	**Changes in scope of consolidation**	**Discounting impact on long-term provisions**	**August 31, 2012**
Tax and social security exposures	31	13	(3)	(4)		15		52
Employee claims and litigation	28	12	(11)	(4)	1	4		30
Contract termination and loss-making contracts	4	2	(3)		1	4		8
Reorganization provisions	2	2	(1)					3
Client/supplier claims and litigation	14	3	(5)	(1)		1		12
Negative net assets of associates*	21				12			33
Other provisions	9	2	(2)	(2)	1			8
TOTAL PROVISIONS	**109**	**34**	**(25)**	**(11)**	**15**	**24**	**0**	**146**

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

Current and non-current provisions are as follows:

	August 31, 2013		**August 31, 2012**	
(in millions of euro)	**Current**	**Non-current**	**Current**	**Non-current**
Tax and social security exposures	9	37	14	17
Employee claims and litigation	19	16	17	11
Contract termination and loss-making contracts	11	20	4	2
Reorganization provisions	52			
Client/supplier claims and litigation	23	2	9	5
Negative net assets of associates*	0	18	0	21
Other provisions	2	6	3	6
TOTAL	**116**	**99**	**47**	**62**

* *Negative net assets of associates (see note 4.9).*

4.18 Trade and other payables

(in millions of euro)	**August 31, 2013**	**August 31, 2012**
Other non-current liabilities	214	222

TOTAL OTHER NON-CURRENT LIABILITIES	**214**	**222**
Advances from clients	241	237
Trade payables	1,719	1,792
Employee-related liabilities	992	1 014
Tax liabilities	231	228
Other operating liabilities	67	72
Deferred revenues	78	59
Other non-operating liabilities	24	26
TOTAL TRADE AND OTHER CURRENT PAYABLES	**3,352**	**3,428**
TOTAL TRADE AND OTHER PAYABLES	**3,566**	**3,650**

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

Maturities of trade and other payables *(in millions of euro)*	**Carrying value**	**Undiscounted contractual value**
Less than three months	2,561	2,561
More than three months and less than six months	217	217
More than six months and less than twelve months	533	533
More than one year and less than five years	210	220
More than five years	45	61
TOTAL TRADE AND OTHER PAYABLES	**3,566**	**3,592**

4.19 Deferred taxes

Movements in deferred taxes were as follows in Fiscal 2013:

(in millions of euro)	**August 31, 2012**	**Deferred tax benefit/(expense)**	**Deferred tax recognized in other comprehensive income**	**Translation adjustments and other**	**August 31, 2013**
• Employee-related liabilities	174	(10)	5	(9)	160
• Fair value of financial instruments	9	(1)	(4)	(1)	3
• Intangible assets	(74)	11	0	6	(57)
• Other temporary differences	(154)	(14)	0	30	(138)
• Tax loss carry-forwards	53	35	0	(22)	66
TOTAL	**8**	**21**	**1**	**4**	**34**
Of which deferred tax assets	**169**				**187**
Of which deferred tax liabilities	**(161)**				**(153)**

Deferred tax assets not recognized because their recovery is not considered probable totaled 212 million euro (190 million euro as of August 31, 2012), including 8 million euro generated by subsidiaries prior to their acquisition (6 million euro as of August 31, 2012).

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

The principal other temporary differences resulted primarily from temporary differences arising from the amortization of the tax deductible portion of goodwill in certain countries.

4.20 Financial instruments

The table below presents the categories of financial instruments, their carrying value, and their fair value, by balance sheet item.

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

- Level 1: Instruments traded on an active market;
- Level 2: Instruments measured through inputs other than quoted prices included within Level 1 and that are observable;
- Level 3: All other instruments.

Financial assets	**Category**	**Note**	**August 31, 2013**	**Level for instruments at fair value**

(in millions of euros)			Carrying value	Fair value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	Financial assets at fair value through profit and loss	4.12	434	434	23	411		434
Restricted cash and financial assets related to the Benefits and Rewards Services activity	Available-for-sale financial assets	4.10	734	734	117	617		734
Trade and other receivables	Loans and receivables at amortized cost	4.11	3,466	3,466				
Other financial assets	Available for sale financial assets	4.10	1	N/A				
	Loans and receivables at amortized cost	4.10	91	91				
Derivative financial instruments, assets		4.15	108	108		87	21	108

			August 31, 2013		Level for instruments at fair value			
Financial liabilities *(in millions of euros)*	**Category**	**Note**	**Carrying value**	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Bond issues[1]	Financial liabilities at amortized cost	4.14	1,425	1,501				
Bank borrowings	Financial liabilities at amortized cost	4.14	1,736	1,796				
Other borrowings and financial debts	Financial liabilities at amortized cost	4.14	55	55				
Bank overdrafts	Financial liabilities at amortized cost		41	41				
Trade and other payables	Financial liabilities at amortized cost	4.18	3,352	3,352				
Vouchers payable	Financial liabilities at amortized cost		2,541	2,541				
Derivative instruments, liabilities		4.15	46	46		46		46

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

			August 31, 2012		Level for instruments at fair value			
Financial assets *(in millions of euro)*	**Category**	**Note**	**Carrying value**	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	Financial assets at fair value through profit and loss	4.12	537	537	67	470		537
Restricted cash and financial assets related to the Motivation Solutions activity	Available-for-sale financial assets	4.10	609	609	78	531		609
Clients and other receivables	Loans and receivables at amortized cost	4.11	3,445	3,445				
Other financial assets	Available for sale financial assets	4.10	4	N/A				
	Loans and receivables at amortized cost	4.10	101	101				
Derivative financial instruments, assets		4.15	27	27		27		27

			August 31, 2012		Level for instruments at fair value			
Financial liabilities *(in millions of euro)*	**Category**	**Note**	**Carrying value**	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Bond issues[1]	Financial liabilities	4.14	1,426	1,560				

	at amortized cost					
Bank borrowings	Financial liabilities at amortized cost	4.14	1,785	1,899		
Other borrowings and financial debts	Financial liabilities at amortized cost	4.14	86	86		
Bank overdrafts	Financial liabilities at amortized cost		18	18		
Trade and other payables	Financial liabilities at amortized cost	4.18	3,428	3,428		
Vouchers payable	Financial liabilities at amortized cost		2,533	2,533		
Derivative instruments, liabilities		4.15	46	46	46	46

(1) Fair value is calculated on the basis of listed bond prices as of August 31, 2012.

There was no transfer between the different levels between Fiscal 2012 and Fiscal 2013.

4.21 Share-based payment

The Sodexo Board of Directors has granted payment to Group employees in the form of Sodexo shares under a number of stock option plans.

4.21.1 Principal features of stock option plans

Rules governing stock option plans are as follows:

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

4.21.2 Measurement model applied and assumptions used

Estimation of fair value at the grant date

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

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

Date of grant	Exercise price	Expected volatility *(in %)*	Contractual life *(in years)*	Risk-free interest rate *(in %)*	Expected dividend yield *(in %)*	Expected life *(in years)*
January 17, 2007	47.82 euro	29.42%	7	4.18%	2.81%	5
April 24, 2007	55.36 euro	28.23%	7	4.37%	2.79%	5
September 11, 2007	47.17 euro	28.54%	6	4.04%	2.75%	5
January 7, 2008	42.27 euro	28.85%	7	4.01%	2.75%	6
January 7, 2008	42.27 euro	28.85%	6	3.95%	2.75%	5
September 9, 2008	45.56 euro	29.48%	7	4.15%	2.75%	6
September 9, 2008	45.56 euro	29.48%	6	4.11%	2.75%	5
January 19, 2009	39.40 euro	37.16%	7	3.28%	3.00%	6
January 19, 2009	39.40 euro	37.16%	6	2.90%	3.00%	5
January 11, 2010	39.88 euro	28.50%	7	2.97%	3.00%	6
January 11, 2010	39.88 euro	28.50%	6	2.45%	3.00%	5
December 13, 2010	48.37 euro	25.00%	7	3.27%	3.00%	6
December 13, 2010	48.37 euro	25.00%	6	2.63%	3.00%	5
December 13, 2011	51.40 euro	24.00%	7	3.48%	3.00%	6
December 13, 2011	51.40 euro	24.00%	6	2.85%	3.00%	5

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

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

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

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

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

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

Movements during fiscal 2013

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

	August 31, 2013		August 31, 2012	
	Number	**WAP** *(in euro)*	**Number**	**WAP** *(in euro)*
Outstanding at the beginning of the period	**6,816,539**	**45.71**	**6,439,038**	**43.17**
Granted during the period			2,046,950	51.40
Forfeited during the period	(191,001)	47.12	(170,057)	46.39
Exercised during the period	(1,618,245)[1]	42.27	(1,499,392)[2]	42.48
Expired during the period				
Outstanding at the end of the period	**5,007,293**	**46.76**	**6,816,539**	**45.71**
Exercisable at the end of the period	**2,133,493**	**43.05**	**2,013,706**	**42.38**

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

(2) The weighted average share price at the exercise date of options exercised in the period was 56.81 euro.

The weighted average residual life of options outstanding as of August 31, 2013 was 3.6 years (August 31, 2012: 4.2 years).

The weighted average fair value of options granted during Fiscal 2012 was 10.43 euro per share. No stock options were granted in Fiscal 2013.

The exercise prices and exercise period for options outstanding as of August 31, 2013 are provided in the table below:

Date of grant	Start date of exercise period	Expiration date of exercise period	Exercise price	Number of options outstanding as of August 31, 2013
January 2007	January 2008	January 2014	47.82 euro	168,097
January 2008	January 2009	January 2015	42.27 euro	93,159
January 2008	January 2009	January 2014	42.27 euro	51,710
September 2008	September 2009	September 2015	45.56 euro	
September 2008	September 2009	September 2014	45.56 euro	
January 2009	January 2010	January 2016	39.40 euro	264,137
January 2009	January 2010	January 2015	39.40 euro	173,696
January 2010	January 2011	January 2017	39.88 euro	578,278
January 2010	January 2011	January 2016	39.88 euro	438,116

December 2010	December 2011	December 2017	48.37 euro	649,450
December 2010	December 2011	December 2016	48.37 euro	776,875
December 2011	December 2012	December 2018	51.40 euro	792,300
December 2011	December 2012	December 2017	51.40 euro	1,021,475
TOTAL				**5,007,293**

4.21.2 Free share plans

Principle features of free share plans

Rules governing free share plans are as follows:

- the shares will vest only if the beneficiary is still working for the Group on the vesting date. In addition, a performance condition applies to a certain proportion of the grant (ranging from 0 to 50% depending on the managers concerned, except for the Chief Executive Officer who receives only performance shares);
- for beneficiaries resident in France, the vesting period is two years for shares not subject to any performance condition and three years for performance shares, subject in both cases to the beneficiary still working for the Group on the vesting date. For beneficiaries resident outside France, the vesting period is four years;
- the performance condition concerns cumulative annual growth in Group net income, which must represent at least 6% over a period of three fiscal years, at constant exchange rates and excluding exceptional items;
- free shares awarded to beneficiaries resident in France for tax purposes are also subject to a two-year lock-up period as from the vesting date.

Estimated fair value at date of grant

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

The table below shows the assumptions used to measure the fair value of shares granted under free share plans.

Date of grant		Vesting period *(in years)*	Lock-up period *(in years)*	Expected dividend payout rate *(in %)*	Risk-free interest rate *(in %)*	Loan interest rate *(in %)*
April 25, 2013	France	2	2	2.5%	0.40%	6%
April 25, 2013	France	3	2	2.5%	0.40%	6%
April 25, 2013	International	4	N/A	2.5%	0.60%	6%

Movements in Fiscal 2013

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

	Fiscal 2013
Outstanding at the beginning of the period	**840,755**
Granted during the period	-
Forfeited during the period	(2,450)
Delivered during the period	
Outstanding at the end of the period	**838,305**

The weighted average fair value of the free shares granted during the year was 56.14 euro.

The table below sets out the dates on which free shares granted and outstanding as of August 31, 2013 will vest:

Date of grant	End of vesting period	Number of shares outstanding as of August 31, 2013
April 2013	April 2015	162,107
April 2013	April 2016	125,968
April 2013	April 2017	550,230
TOTAL		**838,305**

4.21.3 Expense recognized during the year

The expense recognized in the Fiscal 2013 income statement for stock options and free shares was 17 million euro (19 million euro in Fiscal 2012).

4.21.4 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 assumed in connection with the June 2001 acquisition of 53% of the capital of Sodexho Marriott Services, Inc. All of these options were exercisable prior to November 2012.

These option 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 provides the quantity, weighted average exercise price (WAP) and movements of these stock options during the year.

	August 31, 2013		August 31, 2012	
	Number	**WAP** *(in $)*	**Number**	**WAP** *(in $)*
Outstanding at the beginning of the period	**2,897**	**29.99**	**11,415**	**29.99**
Granted during the period				
Forfeited during the period				
Exercised during the period	(2,897)[1]	29.99	(8,518)[2]	29.99
Expired during the period				
Outstanding at the end of the period	0		2,897	29.99
Exercisable at the end of the period	**0**		**2,897**	**29.99**

(1) The weighted average share price at the exercise date of options exercised in the period was 77.29 U.S. dollars.

(2) The weighted average share price at the exercise date of options exercised in the period was 74.80 U.S. dollars.

4.22 Business combinations

The main acquisitions for the year are described in note 1 – Significant Events. The following table shows the values of the acquired assets and assumed liabilities at the acquisition date, based on the preliminary allocation as of August 31, 2013:

(in millions of euro)	**Amounts at fair value**
Intangible assets	28
Property, plant and equipment	1
Trade receivables[1]	20
Other current assets	8
Cash and cash equivalents	26
Long-term borrowings	0
Other non-current liabilities	(2)
Deferred taxes, net	(5)
Other current liabilities	(45)
Total identifiable net assets	**31**
Goodwill	**92**
Consideration transferred[2]	**(123)**
Cash acquired	**26**
Change in contingent consideration	(2)
IMPACT ON THE CASH FLOW STATEMENT	**(99)**

(1) Corresponding to a gross amount of 20 million euro.

(2) Price paid or payable in cash.

These companies' contribution to consolidated revenue for the period was 28 million euro and their contribution to consolidated profit was not material.

Intangible assets mainly comprise client relationships and trademarks. The amortization period for these assets has been determined to be between 3 and 15 years, depending on the estimated attrition rate for client contracts and the probable useful life of trademarks. The excess of the acquisition price over the total fair value of the identifiable net assets acquired is recognized as goodwill.

Goodwill recognized during the year primarily relates to Servi-Bonos, SA de CV in Mexico.

Goodwill mainly reflects the premium paid for the acquired company's expertise and skilled workforce as well as its future earnings stream.

The following table shows the acquisition-date fair values of assets acquired and liabilities assumed in Fiscal 2012:

(in millions of euro)	**Amounts at fair value**
Intangible assets	165
Property, plant and equipment	49
Other non-current assets	15
Trade receivables[(1)]	94
Other current assets	38
Cash and cash equivalents	28
Long-term borrowings	(13)
Other non-current liabilities	(41)
Deferred taxes, net	(4)
Short-term borrowings	(49)
Other current liabilities	(117)
Total identifiable net assets	**165**
Goodwill	**456**
Consideration transferred[(2)]	**(621)**
Cash acquired	**28**
Change in contingent consideration	7
IMPACT ON THE CASH FLOW STATEMENT	**(586)**

(1) Corresponding to a gross amount of 101 million euro.
(2) Price paid or payable in cash, including contingent consideration estimated at 6 million euro.

Companies acquired during Fiscal 2012 contributed 714 million euro from their date of acquisition to the end of Fiscal 2012 and their contribution to consolidated profit was not material.

Goodwill recognized during Fiscal 2012 primarily related to Puras do Brasil in Brazil, Roth Bros. in the United States, and Lenôtre in France.

4.23 Commitments and contingencies

4.23.1 Sureties

As of August 31, 2013:

- 9,974,234 Sodexo shares were pledged to Natixis,
- 1,515,621 Sodexo shares were pledged to Calyon
- 2,218,701 Sodexo shares were pledged to CACIB
- 3,694,034 Sodexo shares were pledged to the U.S. Investors in connection with the USD notes
- 1,300,347 Sodexo shares were pledged to the U.S. Investors in connection with the euro notes
- 263,393 Sodexo shares were pledged to CACIB (USD swap notes)
- 108,649 Sodexo shares were pledged to Société Générale(USD swap notes)
- 157,743 Sodexo shares were pledged to Natixis (USD swap notes)

As such, a total of 19,232,722 of the 59,252,063 Sodexo shares held by Bellon SA were pledged.

Commitments arising from surety arrangements (pledges, charges secured against plant and equipment, and real estate mortgages) contracted by Sodexo SA and its subsidiaries in connection with operating activities during Fiscal 2013 are immaterial.

4.23.2 Operating lease commitments

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

(in millions of euro)	**August 31, 2013**	**August 31, 2012**
Less than 1 year	128	132
1 to 5 years	271	258
More than 5 years	99	79
TOTAL	**498**	**469**

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

- equipment on sites, office equipment and vehicles for 136 million euro, compared to 150 million euro for Fiscal 2012;
- the rent for office premises of 338 million euro, compared to 298 million euro for Fiscal 2012. The 12-year leases signed on October 19, 2006 in connection with the relocation of the corporate headquarters to Issy-les-Moulineaux in 2008 increased operating lease commitments for office premises by 35 million euro. The leases and lease renewals signed by Sodexo France and Sodexo, Inc. for their office premises represent operating lease commitments of 28 million euro and 55 million euro respectively.

4.23.3 Other commitments given

	August 31, 2013				August 31, 2012
(in millions of euro)	Less than 1 year	1 to 5 years	More than 5 years	Total	Total
Financial guarantees to third parties	9	1		10	9
Site management commitments	3	2		5	43
Performance bonds given to clients	0	43	124	167	173
Other commitments	19	3	117	139	16
TOTAL	**31**	**49**	**241**	**321**	**241**

Financial guarantees to third parties mainly comprise bank subordinated debt commitments under Public-Private Partnership (PPP) contracts (see note 2.3.2.) totaling 9 million euro.

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

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

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

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

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

The Group also has commitments to provide training hours to its employees in France, known as Individual Training Rights. In the absence of guidance from regulatory authorities on the accounting treatment for these rights, the Group has opted to present these rights as a commitment. Based on available information, the number of hours to be provided to employees of French subsidiaries is estimated to be approximately 2,700,000 hours.

4.24 Related parties

4.24.1 Compensation, loans, post-employment benefits and other employee benefits granted to members of the Executive and Supervisory Boards of Bellon S.A.

(in euro)	August 31, 2013	August 31, 2012
Compensation paid by Bellon S.A. to members of its Executive and Supervisory Boards	611,548	576,196
Directors' fees paid by Bellon S.A. to members of its Executive and Supervisory Boards	210,000	210,000
Directors' fees paid by Sodexo to members of its Board of Directors who are also members of Bellon S.A.'s Executive and Supervisory Boards	257,215	248,300
Compensation and benefits paid by Sodexo subsidiaries to members of Sodexo's Board of Directors who are also members of Bellon S.A.'s Executive and Supervisory Boards	266,843	296,038
TOTAL	**1,345,606**	**1,330,534**

The total amount paid to related parties includes directors' fees, and all forms of compensation and benefits paid (or earned during the period for offices held) by Bellon SA, Sodexo SA and/or other Sodexo Group companies.

4.24.2 Unconsolidated companies

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

(in millions of euro)	Gross value as of August 31, 2013	Impairment as of August 31, 2013	Carrying amount as of August 31, 2013	Carrying amount as of August 31, 2012
Loans	65	0	65	76

Off balance sheet commitments	August 31, 2013	August 31, 2012
Financial guarantees to third parties	10	9
Performance bonds given to clients	165	171

Transactions	Fiscal 2013	Fiscal 2012
Revenues	325	310
Operating expenses	0	0
Financial income and expense, net	3	6

4.25 Group employees

The following table shows the breakdown of Group employees:

	August 31, 2013	August 31, 2012
Executives, middle management, site managers and supervisory staff	48,893	50,219
Front-line service staff and other employees	379,036	371,180
TOTAL	**427,929**	**421,399**

Group employees by activity and region were as follows:

	On-site Service Solutions							
	North America	Continental Europe	United Kingdom and Ireland	Rest of the world	Total	Motivation Solutions	Holding Companies	Total
August 31, 2013	132,581	100,249	34,997	155,653	423,480	3,989	460	427,929
August 31, 2012	123,673	101,503	37,956	154,171	417,303	3,638	458	421,399

4.26 Litigation

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

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

4.27 Subsequent events

No significant events occurred after the reporting date.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

5.1 Exposure to foreign exchange and interest rate risk

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

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

The Group's policies are designed to prevent speculative positions. Further, under these policies:

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

5.1.1 Analysis of sensitivity to interest rates

(in millions of euro)	Note	August 31, 2013	August 31, 2012
Financial liabilities excluding hedging effects	**4.14**	**3,216**	**3,297**
Fixed rate liabilities (excluding hedging effects)		2,563	3,014
Variable rate liabilities (excluding hedging effects)		653	283
Hedging effects	**4.15**	**(41)**	**19**
On fixed rate liabilities		547	216
On variable rate liabilities		(588)	(197)
Financial liabilities including hedging effects	**4.15**	**3,175**	**3,316**
Fixed rate liabilities (including hedging effects)		3,110	3,230
Variable rate liabilities (including hedging effects)		65	86

As of August 31, 2013 and 2012, a 0.5% increase or decrease in interest rates would have had no material impact on net income before tax or on shareholders' equity as substantially all liabilities at those dates were at a fixed rate of interest.

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

Exposure to currency risk

	As of August 31, 2013				As of August 31, 2012			
Before currency derivatives *(in millions of euro)*	**Dollar USD**	**Real BRL**	**Sterling GBP**	**Bolivar Fuerte VEF**	**Dollar USD**	**Real BRL**	**Sterling GBP**	**Bolivar Fuerte VEF**
Closing rate as of August 31	*0.756*	*0.321*	*1.171*	*0.074*	*0.793*	*0.388*	*1.257*	*0.078*
Monetary assets								
Working capital and other receivables	776	421	194	3	753	429	216	4
Deferred tax assets	57	43	10	1	67	37	16	1
Cash and cash equivalents	510	430	139	154	573	468	146	110
TOTAL MONETARY ASSETS	**1,343**	**894**	**343**	**158**	**1,393**	**934**	**378**	**115**
Monetary liabilities								
Financial liabilities	985	23	3		1,021	44	5	
Working capital items and other liabilities	1,226	722	335	112	1,252	753	374	90
Deferred tax liabilities	30	93			34	89	1	
TOTAL MONETARY LIABILITIES	**2,241**	**838**	**338**	**112**	**2,307**	**886**	**380**	**90**
Net position	**(898)**	**56**	**5**	**46**	**(914)**	**48**	**(2)**	**25**

After currency derivatives (in millions of euro)	As of August 31, 2013 Dollar USD	Real BRL	Sterling GBP	Bolivar Fuerte VEF	As of August 31, 2012 Dollar USD	Real BRL	Sterling GBP	Bolivar Fuerte VEF
Closing rate as of August 31	*0.756*	*0.321*	*1.171*	*0.074*	*0.793*	*0.388*	*1.257*	*0.078*
Monetary assets								
Working capital and other receivables	776	421	194	3	753	429	216	4
Deferred tax assets	57	43	10	1	67	37	16	1
Cash and cash equivalents	510	430	139	154	573	468	146	110
TOTAL MONETARY ASSETS	**1,343**	**894**	**343**	**158**	**1,393**	**934**	**378**	**115**
Monetary liabilities								
Financial liabilities	850	269	30		891	374	43	
Working capital items and other liabilities	1,226	722	335	112	1,252	753	374	90
Deferred tax liabilities	30	93			34	89	1	
TOTAL MONETARY LIABILITIES	**2,106**	**1,084**	**365**	**112**	**2,177**	**1,216**	**418**	**90**
Net position	**(763)**	**(190)**	**(22)**	**46**	**(784)**	**(282)**	**(40)**	**25**

Sensitivity to exchange rates

Impact of a 10% appreciation of the exchange rate of the following currencies against the euro (in millions of euro)	August 31, 2013 Impact on revenues	Impact on operating profit	Impact on income before tax	Impact on shareholders' equity	August 31, 2012 Impact on revenues	Impact on operating profit	Impact on income before tax	Impact on shareholders' equity
Dollar USD	657	35	23	190	654	34	25	199
Real BRL	117	17	11	56	124	19	13	63
Sterling GBP	139	5	7	63	148	10	11	65
TOTAL	**913**	**57**	**41**	**309**	**926**	**63**	**49**	**327**

5.2 Exposure to liquidity risk

The nature of the Group's borrowings and bond issuances as of August 31, 2013 is described in detail in note 4.14 of the consolidated financial statements.

As of August 31, 2013, more than 78% of the Group's consolidated borrowings was borrowed on capital markets and bank financing around 12% of the Group's needs. As of August 31, 2012, around 75% of the Group's consolidated borrowings was borrowed on capital markets and bank financing was less than 25% of the Group's financing needs. The reimbursement maturity dates of the main borrowings range between Fiscal 2014 and Fiscal 2024. The Group has a confirmed multi-currency line of credit for 600 million euro plus 800 million U.S. dollars, maturing in July 2018. This line of credit had been utilized in the amount of 250 million euro as of August 31, 2013 (235 million euro as of August 31, 2012.

5.3 Exposure to counterparty risk

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

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

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

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

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

The maximum counterparty is approximately 14% (10% as of August 31, 2012) of the Group's operating cash (including restricted cash and financial assets of the Benefits and Rewards Services activity) with a banking group whose rating is A1.

6. SCOPE OF CONSOLIDATION

The main companies consolidated as of August 31, 2013 and presented in the table below together represent more than 90% of consolidated revenues. The various other entities represent individually less than 0.5% of each of revenues, operating profit and the Group share of net income and of shareholders' equity.

The main acquisitions for the year are presented in note 1 – Significant Events.

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

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

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

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

		% interest	% voting rights	Principal activity	Country
France					
	Sodexo Entreprises (consolidated)			On-site	France
	Sodexo Santé Médico Social			On-site	France
	Société Française de Restauration et Services (consolidated)			On-site	France
	SEGSMHI			On-site	France
	Sodexo Justice Services			On-site	France
	Sogeres (consolidated)			On-site	France
	Lenôtre SA (consolidated)			On-site	France
	L'Affiche			On-site	France
	Bateaux Parisiens (consolidated)			On-site	France
	Score			On-site	France
	Score Groupe			On-site	France
	Sodexo Solutions de Motivation France SA			Benefits and Rewards	France
	One SAS			Holding	France
	Sodexo Pass International SAS			Holding	France
	Sodexo Solutions de Services sur Sites			On-site	France
	One SCA			Holding	France
	Groupe Crèche Attitude (consolidated)	35%	35%	On-site	France
	Sodexo EN France			Holding	France
	Sodexo Amecaa SAS			Holding	France
	Sofinsod SAS			Holding	France
	Etin SAS			Holding	France
	Sodexo Europe			Holding	France
	Sodexo GC			Holding	France
	SoTech Services			Holding	France
Americas					
	Sodexo do Brasil Comercial Ltda (consolidated including Puras)			On-site	Brazil
	Sodexo Pass do Brasil Serviços e Commercio SA			Benefits and Rewards	Brazil
	Sodexo Pass do Brasil Serviços de Inovação Ltda			Benefits and Rewards	Brazil
	Sodexo Canada Ltd (consolidated)			On-site	Canada
EM	Sociedad Concesionaria Bas SA	33%	33%	On-site	Chile
	Sodexo Chile (consolidated)			On-site	Chile
	Sodexo Inversiones SA			On-site	Chile
	Sodexho Pass Chile SA			Benefits and Rewards	Chile
	Sodexo Colombia SA	65%	65%	On-site	Colombia
	Sodexo, Inc. (consolidated)			On-site	United States
	Roth Bros., Inc. (consolidated)			On-site	United States

		% interest	% voting rights	Principal activity	Country
	Sodexo Holdings Inc.			Holding	United States
	Sodexo Remote Sites (USA) Inc.			Holding	United States
	Sodexo Remote Sites Partnership			On-site	United States
EM	Doyon Universal Services LLC (consolidated)	50%	50%	On-site	United States
	CK Franchising Inc.			On-site	United States
	Circle Company Associates, Inc.			On-site	United States
	Sodexo Rose Holding Company, Inc.			Holding	United States
	Sodexo Motivation Solutions Mexico, SA de CV (consolidated including Servi-Bonos, SA de CV)			Benefits and Rewards	Mexico
	Sodexo Peru SAC			On-site	Peru
	Sodexho Pass Venezuela SA	64%	64%	Benefits and Rewards	Venezuela
Europe					
	Sodexo Services GmbH (consolidated)			On-site	Germany
	Sodexo Scs GmbH (consolidated)			On-site	Germany
	Gastro-Kanne Gastronomie – Betriebs – Gmbh			On-site	Germany
	Sodexo Beteiligungs BV & Co. KG			On-site	Germany
	Zehnacker GmbH (consolidated)			On-site	Germany
	Zehnacker Catering GmbH			On-site	Germany
	GA-tec Gebäude- und Anlagentechnik Gmbh			On-site	Germany
	Sodexo Germany BV			On-site	Germany
	Sodexo GmbH			On-site	Germany
	Sodexo Service Solutions Austria			On-site	Austria
	Sodexo Belgium SA (consolidated)			On-site	Belgium
Europe					
	Imagor Services & Cie SNC			Benefits and Rewards	Belgium
	Sodexo Pass Belgium SA (consolidated)			Benefits and Rewards	Belgium
	Compagnie Financière Aurore International			Holding	Belgium
	Sodexo (Cyprus) Ltd			On-site	Cyprus
	Sodexo España SA (consolidated)			On-site	Spain
	Sodexo Soluciones de Motivación Espana SAU			Benefits and Rewards	Spain
	Sodexo Oy			On-site	Finland
	Sodexo Magyarorszag KFT			On-site	Hungary
	Sodexo Ireland Ltd			On-site	Ireland
	Sodexo Italia (consolidated)			On-site	Italy
	Sodexo Luxembourg SA (consolidated)			On-site	Luxembourg
	Sodexo Remote Sites Norway AS			On-site	Norway
	Sodexo AS			On-site	Norway
	Sodexo Nederland BV (consolidated)			On-site	Netherlands
	Sodexo Altys BV			On-site	Netherlands
	Sodexo Pass Ceska Republika AS			Benefits and Rewards	Czech Republic
	Sodexo Pass Romania SRL			Benefits and Rewards	Romania
	Sodexo Property Solutions Ltd			On-site	United Kingdom
EM	Agecroft Prison Management Ltd	50%	50%	On-site	United Kingdom
EM	HpC King's College Hospital (Holdings) Ltd	25%	25%	On-site	United Kingdom
EM	Catalyst Healthcare (Romford) Holdings Ltd	10%	10%	On-site	United Kingdom
EM	Peterborough Prison Management Ltd	15%	15%	On-site	United Kingdom
EM	Ashford Prison Services Ltd	15%	15%	On-site	United Kingdom
EM	Catalyst Healthcare (Manchester) Holdings Ltd	10%	10%	On-site	United Kingdom
EM	Mercia Healthcare (Holdings) Ltd	25%	25%	On-site	United Kingdom
EM	South Manchester Healthcare (Holdings) Ltd	25%	25%	On-site	United Kingdom
EM	RMPA Holdings Ltd	14%	14%	On-site	United Kingdom

		% interest	% voting rights	Principal activity	Country
EM	Enterprise Education Holdings Conwy Ltd	10%	10%	On-site	United Kingdom
EM	Addiewell Prison (Holdings) Ltd	33%	33%	On-site	United Kingdom
EM	Healthcare support (North Staffs) Holding Ltd	25%	25%	On-site	United Kingdom
EM	Integrated Pathology Partnerships Ltd	49%	49%	On-site	United Kingdom
	Sodexo Services Group Ltd			Holding	United Kingdom
	Sodexo Ltd			On-site	United Kingdom
	Sodexo Prestige Ltd (consolidated)			On-site	United Kingdom
	Sodexo Remote Sites Scotland Ltd			On-site	United Kingdom
	Kalyx Ltd			On-site	United Kingdom
	Tillery Valley Foods Ltd			On-site	United Kingdom
	Sodexo Defence Services Ltd			On-site	United Kingdom
	Sodexo Investment Services Ltd			On-site	United Kingdom
	Sodexo Holdings Ltd			Holding	United Kingdom
	Sodexo Education Services Ltd			On-site	United Kingdom
	Sodexo Management Services Ltd			On-site	United Kingdom
	Sodexo Healthcare Services Ltd			On-site	United Kingdom
	Rugby Travel & Hospitality Ltd	60%	60%	On-site	United Kingdom
	Sodexo Euroasia			On-site	Russia
	Sodexo Facilities Services AB			On-site	Sweden
	Sodexo Scandinavian Holding AB			On-site	Sweden
	Sodexo AB			On-site	Sweden
N	Sodexo Pass Holding Sweden AB			Benefits and Rewards	Sweden
N	Sodexo Pass Sweden AB			Benefits and Rewards	Sweden
	Sodexo (Suisse) SA			On-site	Switzerland
	Sodexo Entegre Hizmet Yonetimi AS			On-site	Turkey
	Sodexo Avantaj Ve Odullendirme Hizmetleri A.S.			Benefits and Rewards	Turkey
Asia, Pacific, Middle East					
	National Company for Management and Services Ltd	50%	50%	On-site	Saudi Arabia
	Sodexo Australia Pty Ltd (consolidated)			On-site	Australia
EM	Serco Sodexo Defence Services PTY Ltd	50%	50%	On-site	Australia
	Sodexo Remote Sites Australia Pty Ltd			On-site	Australia
	Sodexo Shanghaï Management Services			On-site	China
	Kelvin Catering Services (Emirates) LLC	49%	49%	On-site	United Arab Emirates
	Sodexo International FZE			On-site	United Arab Emirates
	Sodexo SVC India Private Ltd			Benefits and Rewards	India
	Tariq Al Ghanim Company Ltd	50%	50%	On-site	Kuwait
	Teyseer Services Company	49%	49%	On-site	Qatar